CEZ GROUP

CONSOLIDATED FINANCIAL STATEMENTS

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

(Translation of Consolidated Financial Statements Originally Issued in Czech)

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2020

In CZK Millions

	Note	2020	2019
ASSETS:			
Plant in service		827,652	865,106
Less accumulated depreciation and impairment		(451,033)	(469,476)
Net plant in service		376,619	395,630
Nuclear fuel, at amortized cost		13,697	14,250
Construction work in progress, net		20,056	18,208
Total property, plant and equipment	3	410,372	428,088
Investments in associates and joint-ventures	9	4,075	3,283
Restricted financial assets, net	4	21,424	20,732
Other non-current financial assets, net	5	11,002	10,923
Intangible assets, net	6	24,244	37,429
Deferred tax assets	35	828	1,481
Total other non-current assets		61,573	73,848
Total non-current assets		471,945	501,936
Cash and cash equivalents, net	10	6,064	9,755
Trade receivables, net	11	63,648	65,030
Income tax receivable		664	707
Materials and supplies, net	12	9,898	8,889
Fossil fuel stocks, net		1,220	1,764
Emission rights	13	37,833	27,029
Other current financial assets, net	5	61,894	61,114
Other current assets, net	14	8,919	11,070
Assets classified as held for sale	15	40,373	17,280
Total current assets		230,513	202,638
Total assets		702,458	704,574

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

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2020

continued

	Note	2020	2019
EQUITY AND LIABILITIES:			
Stated capital		53,799	53,799
Treasury shares		(2,845)	(2,885)
Retained earnings and other reserves		182,917	199,847
Total equity attributable to equity holders of the parent	16	233,871	250,761
Non-controlling interests	9	4,692	4,603
Total equity		238,563	255,364
Long-term debt, net of current portion	17	122,102	142,570
Provisions	20	105,326	89,512
Other long-term financial liabilities	21	9,414	9,700
Deferred tax liability	35	19,383	20,626
Other long-term liabilities		34	31
Total non-current liabilities		256,259	262,439
Short-term loans	22	984	4,260
Current portion of long-term debt	17	28,741	25,063
Trade payables		73,189	66,244
Income tax payable		555	628
Provisions	20	13,665	14,253
Other short-term financial liabilities	21	72,114	63,187
Other short-term liabilities	23	6,759	7,544
Liabilities associated with assets classified as held for sale	15	11,629	5,592
Total current liabilities		207,636	186,771
Total equity and liabilities		702,458	704,574

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

CEZ GROUP
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

In CZK Millions

	Note	2020	2019
Sales of electricity, heat, gas and coal		138,015	130,418
Sales of services and other revenues		71,507	71,363
Other operating income		4,215	4,411
Total revenues and other operating income	25	213,737	206,192
Gains and losses from commodity derivative trading	26	6,122	7,610
Purchase of electricity, gas and other energies	27	(56,335)	(55,545)
Fuel and emission rights	28	(23,262)	(21,357)
Services	29	(30,147)	(31,231)
Salaries and wages	30	(30,855)	(28,820)
Material and supplies		(10,576)	(10,262)
Capitalization of expenses to the cost of assets and change in own inventories		3,450	2,986
Depreciation and amortization	3, 6	(28,284)	(29,016)
Impairment of property, plant and equipment and intangible assets	7	(24,062)	(4,860)
Impairment of trade and other receivables		(544)	(386)
Other operating expenses	31	(6,659)	(8,882)
Income before other income (expenses) and income taxes		12,585	26,429
Interest on debt		(5,269)	(5,473)
Interest on provisions		(1,955)	(1,893)
Interest income	32	377	403
Share of profit (loss) from associates and joint-ventures	9	188	18
Impairment of financial assets		(433)	(921)
Other financial expenses	33	(962)	(813)
Other financial income	34	3,375	661
Total other income (expenses)		(4,679)	(8,018)
Income before income taxes		7,906	18,411
Income taxes	35	(2,438)	(3,911)
Net income		5,468	14,500
Net income attributable to:			
Equity holders of the parent		5,438	14,373
Non-controlling interests		30	127
Net income per share attributable to equity holders of the parent (CZK per share):	38		
Basic		10.2	26.9
Diluted		10.2	26.8

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

CEZ GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

In CZK Millions

	Note	2020	2019
Net income		5,468	14,500
Change in fair value of cash flow hedges		(8,198)	10,891
Cash flow hedges reclassified to statement of income		2,916	8,253
Change in fair value of debt instruments		277	326
Disposal of debt instruments		(1)	(7)
Translation differences – subsidiaries		980	(1,337)
Translation differences – associates and joint-ventures		191	21
Disposal of translation differences		3	-
Share on other equity movements of associates and joint-ventures		(5)	(8)
Deferred tax related to other comprehensive income	35	954	(3,696)
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		(2,883)	14,443
Change in fair value of equity instruments		(1,046)	(347)
Re-measurement gains (losses) on defined benefit plans		(46)	(48)
Deferred tax related to other comprehensive income	35	199	70
Net other comprehensive income not to be reclassified from equity in subsequent periods		(893)	(325)
Total other comprehensive income, net of tax		(3,776)	14,118
Total comprehensive income, net of tax		1,692	28,618
Total comprehensive income attributable to:			
Equity holders of the parent		1,542	28,538
Non-controlling interests		150	80

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

In CZK Millions

	Note	Attributable to equity holders of the parent									
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves	Retained earnings	**Total**	Non-controlling interests	**Total equity**
Balance as at January 1, 2019		53,799	(3,534)	(11,565)	(18,337)	388	113	213,857	234,721	4,560	239,281
Net income		-	-	-	-	-	-	14,373	14,373	127	14,500
Other comprehensive income		-	-	(1,269)	15,506	260	(280)	(52)	14,165	(47)	14,118
Total comprehensive income		-	-	(1,269)	15,506	260	(280)	14,321	28,538	80	28,618
Dividends		-	-	-	-	-	-	(12,806)	(12,806)	(25)	(12,831)
Sale of treasury shares		-	649	-	-	-	-	(400)	249	-	249
Share options	30	-	-	-	-	-	38	-	38	-	38
Exercised and forfeited share options		-	-	-	-	-	(31)	31	-	-	-
Acquisition of subsidiaries	8	-	-	-	-	-	-	-	-	3	3
Acquisition of non-controlling interests		-	-	(1)	-	-	-	(92)	(93)	29	(64)
Put options held by non-controlling interests		-	-	(2)	-	-	-	116	114	(44)	70
Balance as at December 31, 2019		53,799	(2,885)	(12,837)	(2,831)	648	(160)	215,027	250,761	4,603	255,364

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

continued

	Note	Attributable to equity holders of the parent									
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves	Retained earnings	**Total**	Non-controlling interests	**Total equity**
Balance as at January 1, 2020		53,799	(2,885)	(12,837)	(2,831)	648	(160)	215,027	250,761	4,603	255,364
Net income		-	-	-	-	-	-	5,438	5,438	30	5,468
Other comprehensive income		-	-	1,056	(4,279)	226	(847)	(52)	(3,896)	120	(3,776)
Total comprehensive income		-	-	1,056	(4,279)	226	(847)	5,386	1,542	150	1,692
Dividends		-	-	-	-	-	-	(18,163)	(18,163)	(36)	(18,199)
Sale of treasury shares		-	40	-	-	-	-	(25)	15	-	15
Exercised and forfeited share options		-	-	-	-	-	(15)	15	-	-	-
Contribution from owners of non-controlling interests		-	-	-	-	-	-	-	-	13	13
Acquisition of non-controlling interests	8	-	-	-	-	-	-	(309)	(309)	(766)	(1,075)
Put options held by non-controlling interests		-	-	4	-	-	-	21	25	728	753
Balance as at December 31, 2020		53,799	(2,845)	(11,777)	(7,110)	874	(1,022)	201,952	233,871	4,692	238,563

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

in CZK Millions

	Note	2020	2019
OPERATING ACTIVITIES:			
Income before income taxes		7,906	18,411
Adjustments of income before income taxes to cash generated from operations:			
Depreciation and amortization	3, 6	28,284	29,016
Amortization of nuclear fuel	3	4,197	4,096
(Gains) and losses on non-current asset retirements		(252)	(165)
Foreign exchange rate loss (gain)		(1,244)	315
Interest expense, interest income and dividend income		4,879	4,929
Provisions		2,834	2,858
Impairment of property, plant and equipment and intangible assets	7	24,062	4,860
Valuation allowances and other non-cash expenses and income		(10,495)	8,630
Share of (profit) loss from associates and joint-ventures	9	(188)	(18)
Changes in assets and liabilities:			
Receivables and contract assets		(2,032)	6,695
Materials, supplies and fossil fuel stocks		(1,095)	(742)
Receivables and payables from derivatives		13,306	(15,528)
Other assets		4,458	(14,935)
Trade payables		7,072	3,570
Other liabilities		(503)	(50)
Cash generated from operations		81,189	51,942
Income taxes paid		(3,748)	(4,136)
Interest paid, net of capitalized interest		(5,649)	(5,426)
Interest received		342	403
Dividends received		23	148
Net cash provided by operating activities		72,157	42,931
INVESTING ACTIVITIES:			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	8	(1,347)	(3,529)
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of		59	187
Additions to non-current assets, including capitalized interest		(31,558)	(29,802)
Proceeds from sale of non-current assets		467	2,550
Loans made		(1,160)	(264)
Repayment of loans		221	41
Change in restricted financial assets		(405)	(1,546)
Total cash used in investing activities		(33,723)	(32,363)

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

continued

	Note	2020	2019
FINANCING ACTIVITIES:			
Proceeds from borrowings		158,320	210,765
Payments of borrowings		(178,869)	(204,416)
Payments of lease liabilities	24	(852)	(787)
Proceeds from other long-term liabilities		211	80
Payments of other long-term liabilities		(102)	(834)
Dividends paid to Company's shareholders		(18,116)	(12,836)
Dividends paid to non-controlling interests		(23)	(25)
Sale of treasury shares		15	249
Acquisition of non-controlling interests		(1,097)	(15)
Total cash used in financing activities		(40,513)	(7,819)
Net effect of currency translation and allowances in cash		342	(88)
Net increase (decrease) in cash and cash equivalents		(1,737)	2,661
Cash and cash equivalents at beginning of period		11,906	9,245
Cash and cash equivalents at end of period	10	10,169	11,906

Supplementary cash flow information:

Total cash paid for interest		5,952	5,686

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

CEZ GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020

CONTENT:

CEZ GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020

1. The Company

ČEZ, a. s. (ČEZ or the Company), company reg. no. 45274649, is a Czech Republic joint-stock company, owned 69.8% (70.1% of voting rights) at December 31, 2020 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are held by legal persons and individuals. 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, see Note 9). Main business of the Group is the production, distribution, trade and sale of electricity and heat, trade and sale of natural gas, provision of complex energy services and coal mining. ČEZ is an electricity generation company, which in 2020 generated approximately 61% of the electricity in the Czech Republic. In the Czech Republic the Company operates two nuclear plants, sixteen hydroelectric plants, one combined cycle gas turbine plant and eight fossil fuel plants. The Company also operates through its subsidiaries several power plants (fossil fuel, hydro, wind, solar, gas, biogas, biomass) in the Czech Republic, eleven wind power plants in Germany, two fossil fuel plants and two hydroelectric plants in Poland, one solar plant in Bulgaria and a wind farm and a complex of hydroelectric plants in Romania. Further the Group also owns certain electricity distribution companies in the Czech Republic, Bulgaria and Romania. The average number of employees of the Company and its consolidated subsidiaries was 31,704 and 31,572 in 2020 and 2019, respectively.

Responsibility for public administration in the energy sector is exercised by the Ministry of Industry and Trade, the Energy Regulatory Office and the State Energy Inspection Board.

The Ministry of Industry and Trade, as the central public administration body for the energy sector, issues state approval to construct new energy facilities in accordance with specified conditions, develops the energy policy of the state and ensures fulfillment of obligations resulting from international treaties binding on the Czech Republic or obligations resulting from membership in international organizations.

The Energy Regulatory Office was established as the administrative office to exercise regulation in the energy sector of the Czech Republic, to support economic competition and to protect consumers' interests in sectors where competition is not possible. The Energy Regulatory Office issues licenses, imposes the obligation to supply beyond the scope of the license, the obligation to let another license holder use energy facilities in cases of emergency for payment, to exercise the supply obligation beyond the scope of the license and regulates prices based on special legal regulations. The State Energy Inspection Board supervises the functioning of the energy sector. All customers have the opportunity to buy electricity from any supplier.

2. Summary of Significant Accounting Policies

2.1. Financial Statements

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

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

Explanation Added for Translation into English

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

2.2. Consolidation Method

2.2.1. Group Structure

The consolidated financial statements of the CEZ Group include data of ČEZ, a. s., and its subsidiaries, associates and joint-ventures included in the consolidation unit (see Note 9).

2.2.2. Subsidiaries

Subsidiaries included in the consolidation unit are those entities which the CEZ Group controls. The Group controls an investee if, and only if, the Group:

- Has power over the investee (i.e. the Group has existing rights that give it the current ability to direct the activities of the entity that significantly affect its revenues)
- Is exposed to risk associated with or entitled to variable returns from its involvement with the investee
- Is able to use its power over the investee to affect the amount of the Group's returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's existing voting rights and potential voting rights

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Business combinations are accounted for using the acquisition method. The cost of a business combination is the sum of the consideration transferred, measured at fair value at acquisition date, and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized directly in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Among other things, the Group considers the separation of embedded derivatives from host contracts.

If the business combination is achieved in stages, the Group, as the acquirer, remeasures, through profit or loss, previously held equity interests in the acquiree to fair value at the acquisition date.

Any contingent consideration is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognized in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration classified as equity is not remeasured.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired ("negative goodwill"), then the Group first reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination. Any excess remaining after the reassessment is recognized immediately in the income statement and is presented in the line Impairment of property, plant and equipment and intangible assets.

A change in the ownership interest of a subsidiary, without loss of control, is accounted as an equity transaction.

Losses within a subsidiary incurred are attributed to the non-controlling interest even if that results in a deficit balance.

Put options held by non-controlling interests are recorded as a derecognition of non-controlling interest and recognition of a liability at the end of the reporting period. The liability is recognized at the present value of the amount payable on exercise of the option. Any difference between the amount of non-controlling interest derecognized and this liability is accounted for within equity. Subsequent changes to the present value of liability are recorded directly in equity.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are eliminated unless transaction indicates impairment of the asset transferred. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the CEZ Group.

2.2.3. Associates

Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Investments in associates are included in the consolidated financial statements using the equity method of accounting. Under this method the Group’s share of the post-acquisition profits or losses of associates is recognized in the income statement. The Group´s share of other post-acquisition movements in equity of associates is recognized in other comprehensive income against the cost of the investment. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group’s investment in associates includes goodwill (net of accumulated impairment losses) on acquisition.

When the Group’s share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses. In such a case, the Group recognizes its full share on profit or loss and its share on other comprehensive income only to the extent to recognize nil interest in an associate. This amount is included in the item Translation differences – associates and joint-ventures in the statement of comprehensive income, then the Group discontinues of using equity method of accounting. However, additional losses are provided for, and a liability is recognized on the balance sheet in the item Other long-term liabilities, after the Group’s interest is reduced to zero, only to the extent that the Group has incurred legal or constructive obligations (e.g. provided guarantees) or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

2.2.4. Joint-ventures

A joint-venture is a of joint arrangement whereby the parties that have joint control of the arrangement have rights to its net assets. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary considerations to determine control over subsidiaries. The Group recognizes its interest in the joint-venture using the equity method of accounting (see Note 2.2.3).

The financial statements of the joint-venture and parent company are prepared as of the same date. Adjustments are made where necessary to bring the accounting policies into line with those of the Group. Unrealized gains and losses on transactions between the Group and joint-ventures are eliminated to the extent of the Group's interest in those joint-ventures. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment of the asset.

2.2.5. Transactions Involving Entities under Common Control of Majority Owner

Acquisitions of subsidiaries from entities under common control are recorded using a method similar to pooling of interests.

The assets and liabilities of the acquired subsidiaries are included in the Group´s consolidated financial statements at their book values. The difference between the cost of acquisition of subsidiaries from entities under common control and the share of net assets acquired in book values is recorded directly in equity.

2.3. Changes in Accounting Policies

2.3.1. Adoption of New IFRS Standards in 2020

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

Conceptual Framework in IFRS Standards
The IASB issued the revised Conceptual Framework for Financial Reporting on March 29, 2018, which newly comprehensively revises the concepts of financial reporting and the process of adopting accounting standards, provides guidance to preparers of consolidated financial statements to help ensure consistency of accounting policies, and assistance to other users of standards, their analysis and interpretation. Separately, the IASB issued an accompanying document (Amendments to References to the Conceptual Framework in IFRS Standards), which is set of harmonization amendments to affected standards reflecting changes to the Conceptual Framework. The purpose of these harmonization amendments is to support transition to the revised Conceptual Framework for entities that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For entities that apply accounting principles based on the Conceptual Framework, the revised framework is effective for annual periods beginning on or after January 1, 2020. The application of the revision did not have significant impact to the Group’s financial statements.

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

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

IFRS 16 Leases: Covid-19 Related Rent Concessions (Amendment)
The amendment was approved by the European Union on October 9, 2020 and is effective retrospectively from the accounting period beginning on July 1, 2020, earlier application is permitted, including in financial statements not yet authorized for issue at May 28, 2020.

IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

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

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

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

2.3.2. Adoption of New IFRS Standards in 2019

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

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

On transition to IFRS 16, the Group recognized right-of-use assets in the amount of CZK 5,786 million and lease liabilities in the amount of CZK 5,618 million, restoration provision in the amount of CZK 82 million and derecognized prepayments related to the leased assets in the amount of CZK 88 million. As of the date of application of IFRS 16, the Group also incurred investment in finance lease due to the sublease of right-of-use assets in the amount of CZK 2 million. The application of IFRS 16 did not have impact to the Group's equity.

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

The Group is currently assessing the potential impacts of the new and revised standards and interpretations that will be effective or adopted by the EU from January 1, 2021 or later. In 2020, the Group decided to apply the amendment to IFRS 16 Leases: Covid-19 Related Rent Concessions before its binding date, as set out in Note 2.3.1. Standards and interpretations most relevant to the Group's activities, which are not obligatory for the Group and have not yet been applied by the Group, are detailed below:

Amendments IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint-ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint-venture
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint-venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are

housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. These amendments are not expected to have a material effect on the Group's financial statements.

IFRS 17 Insurance Contracts
The standard is effective for annual periods beginning on or after January 1, 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its March 2020 meeting the Board decided to defer the effective date to 2023. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU. This standard is not expected to have a material effect on the Group's financial statements.

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

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

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

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.

- Annual Improvements 2018–2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

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

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

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

2.4. Estimates

The preparation of financial statements in accordance with IFRS requires Group management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date, the disclosure of information on contingent assets and contingent liabilities, and the amounts of revenues and expenses reported for a reporting period. Actual results may differ from such estimates. A description of key assumptions for significant estimates is included in the relevant sections of the Notes. The Group makes significant estimates when determining the recoverable amounts of property, plant and equipment and intangible assets (see Note 7), accounting for the nuclear provisions (see Note 20.1), provisions for reclamation of mines, mining damages and waste storage reclamation (see Note 20.2), unbilled electricity and gas (see Note 2.6), fair value of commodity contracts (see Notes 2.16 and 18), financial derivatives (see Notes 2.15 and 18) and incremental borrowing rate and lease terms to measure lease liability (see Notes 2.27 and 24).

2.5. Revenues

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

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

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

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

Sales are recognized net of value added tax.

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

Contract revenues and incurred costs associated with the construction contracts are recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity. The percentage of completion is determined as the share of incurred cots to total expected full contract costs. However, if a loss is expected from the contract, it is recognized in full immediately regardless of the percentage of completion of such a construction contract.

Connection fees received from customers and related payments for power consumption and end-user transfers are recognized in income in the period when this performance obligation is satisfied.

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

2.6. Unbilled Electricity and Gas

The change of unbilled electricity and gas is determined monthly on the basis of an estimate. The estimate of monthly change in unbilled electricity and gas is based on deliveries in a given month after deduction of invoiced amounts and estimated grid losses. The estimate of total unbilled balance is verified by extrapolation of consumption in the last measured period for individual locations. The ending balance of contract assets and liabilities is disclosed net in the balance sheet after deduction of advances received from customers and is included in the line item of Other current assets, net or Other short-term liabilities.

2.7. Fuel Costs

Fuel is recognized as costs when it is consumed. Fuel costs include the depreciation of nuclear fuel (see Note 2.10).

2.8. Interest

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

2.9. Property, Plant and Equipment

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

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

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

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

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

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

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

2.10. Nuclear Fuel

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

2.11. Intangible Assets

Intangible assets are measured at costs, including the purchase price and related expenses. Non-current intangible assets are amortized using the straight-line method over their estimated useful life, which ranges from 3 to 25 years. Amortization periods, residual values, and amortization methods are annually reviewed and adjusted as appropriate. Improvements are capitalized.

At each reporting date, the Group assesses whether there are any indicators that a non-current intangible asset may have been impaired (for goodwill see Note 2.12). Non-current intangible assets under development are tested for possible impairment annually regardless of whether there are indicators of possible impairment. Any impairment of non-current intangible assets is recognized in profit or loss and presented in the line item Impairments of property, plant, and equipment and intangible assets.

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

2.12. Goodwill

Goodwill is initially measured at the amount of the difference between the consideration transferred plus the value of any non-controlling interest and the net amount of the identifiable assets acquired and liabilities assumed (see Note 2.2). Goodwill arising on the acquisition of subsidiaries is included in intangible assets. Goodwill relating to associates and joint-ventures is recognized in the balance sheet as part of investments in associates and joint-ventures. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. The recognized goodwill is tested for possible impairment. The test is performed at least once a year or more frequently if there are indicators of possible impairment of goodwill

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the synergies arising from the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets. Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment loss is recognized. Recognized impairment losses of goodwill cannot be reversed in subsequent periods. In the event of a partial sale of a cash-generating unit to which goodwill has been allocated, the carrying amount of goodwill relating to the sold part is included in the gain or loss on sale. The amount of goodwill disposed is measured on the basis of the ratio of the value of the sold part of the cash-generating unit to the value of the part that remains in the ownership of the Group.

2.13. Emission Rights

The greenhouse gas emission right (hereinafter the emission right) represents the right of the operator of a facility that emits greenhouse gases in the course of its operation to release the equivalent of a ton of carbon dioxide to the air in a given calendar year. Operators of such facilities are required to determine and report the amount of greenhouse gases produced by its facilities in every calendar year and this amount must be to be audited by an accredited person. Some Group companies as operators of such facilities were allocated a certain amount of emission rights based on the National Allocation Plan.

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

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

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

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

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

Allocated green and similar certificates are initially recognized at fair value and subsequently treated similarly to purchased emission rights.

2.14. Classification of Financial Instruments

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

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

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

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

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

2.14.1. Financial Assets

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

The Group classifies assets into the following categories:

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

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

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

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

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

income. Exchange differences in relation to impairment are recognized in profit or loss. Interest revenue is recognized in profit or loss.

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

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

2.14.2. Financial Liabilities

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

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

2.14.3. Derivatives

Derivatives are a special category of financial assets and liabilities. The manner of recognizing gains or losses from the revaluation of derivatives to fair value depends on whether a derivative is classified as a hedging instrument and on the nature of the item being hedged. More information on the reporting of derivatives can be found in Note 2.15.

2.14.4. Impairment of Financial Assets

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

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

An impairment analysis of receivables is performed by the Group at each reporting date on an individual basis for significant specific receivables. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively where the individual approach is not applicable.

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

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

2.15. Derivatives

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

The manner of recognizing gains or losses from the revaluation of derivatives to fair value depends on whether a derivative is classified as a hedging instrument and on the nature of the item being hedged.

For hedge accounting purposes, hedging transactions are classified either as fair value hedges where the risk of change in the fair value of a balance sheet asset or liability is hedged or as cash flow hedges where the Group is hedged against the risk of changes in cash flows attributable to a balance sheet asset or liability or to a highly probable forecast transaction.

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

2.15.1. Fair Value Hedging Derivatives

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

2.15.2. Cash Flow Hedging Derivatives

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

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

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

2.15.3. Other Derivatives

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

2.16. Commodity Contracts

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

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

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

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

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

2.17. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, current accounts with banks, and short-term financial deposits with maturity of no more than 6 months.

2.18. Restricted Financial Assets

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

2.19. Contract Assets and Liabilities

Contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the Group's future performance).

Contract liability is the Group's obligation to transfer goods or provide services to a customer for which the Group has received consideration from the customer.

For work in progress, costs incurred and recognized gains are presented on the balance sheet net of any issued invoices and advances received as an asset or a liability.

Contract assets and liabilities are presented in the line Other current assets, net and Other short-term liabilities.

2.20. Materials and Supplies

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

2.21. Fossil Fuel Stocks

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

2.22. Income Taxes

The amount of income taxes is determined in compliance with the tax regulations of the states of residence of the Group companies and is based on the profit or loss determined in accordance with local accounting regulations and adjusted for permanently or temporarily nondeductible expenses and untaxed income . Income taxes are calculated on an individual company basis as the Czech tax laws do not permit consolidated tax returns. For companies located in the Czech Republic income taxes are provided at a rate of 19% for the years ended December 31, 2020 and 2019, respectively, from income before income taxes after adjustments for certain items which are not deductible, or taxable, for taxation purposes. The Czech corporate income tax rate enacted for 2021 and on is 19%.

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

A deferred tax asset or liability is recognized regardless of when the temporary difference is likely to be reversed. A deferred tax asset or liability is not discounted. A deferred tax liability is recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by parent and it is probable that the temporary differences will not be realized in the foreseeable future.

Deferred tax asset is recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax asset is recognized to the extent that it is probable that sufficient taxable profit will be available in the future against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be claimed, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the reported profit after tax nor taxable profit or loss
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint-ventures, when it is probable, that the temporary differences will not be reversed and there will not be sufficient taxable profit against which the deductible temporary differences can be applied.

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

Deferred tax assets and liabilities of Group companies are not offset in the balance sheet.

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

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

2.23. Long-term Debt

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

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

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

2.24. Nuclear Provisions

The Group makes a provision for nuclear decommissioning, a provision for interim storage of spent nuclear fuel and other radioactive waste, and a provision for the funding of subsequent permanent disposal of spent nuclear fuel and irradiated reactor components (see Note 20.1).

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

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

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

2.25. Provisions for Decommissioning and Reclamation of Mines and Mining Damages

The Group has recognized provisions for obligations to decommission and reclaim (see Note 20.2). The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such estimate, expressed at current price levels, are discounted at December 31, 2020 and 2019, using an estimated long-term real interest rate to take into account the timing of payments in amount of 0,4% and 0.7% per annum, respectively. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the mines. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation. These expenses are presented in the income statement on the line Interest on provisions. At December 31, 2020 and 2019, the estimate for the effect of expected inflation rate is 1.5%.

Changes in a decommissioning liability that result from a change in the current best estimate of timing and/or amount of cash flows required to settle the obligation or from a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized directly in profit or loss.

2.26. Exploration for and Evaluation of Mineral Resources

Expenditures on exploration for and evaluation of mineral resources are charged to expense when incurred.

2.27. Leases

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

The Group does not apply the standard IFRS 16 to leases of intangible assets, but the Group has identified contracts for which an intangible asset from a right-of-use have been recognized. These are the cases where the Group acquires the right to place advertising on a building or on other tangible asset.

2.27.1. Group as a Lessee

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

a) Lease Liability

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

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

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

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

b) Right-of-use Assets

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

	Depreciation period (years)
Lands	4-34
Buildings	1-37
Vehicles, machinery and equipment	1-12
Inventory and other tangible assets	8-10

2.27.2. Group as a Lessor

The Group leases out its tangible assets including own tangibles and right-of-use assets. The Group has classified the leases as financial or operating leases. Operating leases are the leases, in which the Group does not transfer substantially all the risk and rewards incidental to ownership of an assets.

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

For the leases classified as financial leases the Group recognizes net investment in the lease measured at the present value of lease payments to be made over the lease term. In calculating the present value of net investment in the lease, the Group uses the interest rate implicit in the lease. In the case of a sublease, if the interest rate implicit in the sublease is not readily determined, the Group uses the discount rate used for the head lease.

2.28. Treasury Shares

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

2.29. Share Options

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

2.30. Translation of Foreign Currencies

The consolidated financial statements are presented in Czech crowns (CZK), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured and reported using that functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when they arise in connection with a liability classified as effective cash flow hedges. Such exchange differences are recognized directly in equity.

Exchange differences on financial assets are described in paragraph 2.14.1.

The assets and liabilities of foreign subsidiaries are translated at the rate of exchange valid at the balance sheet date. The costs and revenues of foreign subsidiaries are translated at average exchange rates for the given year. The exchange differences arising on the retranslation are taken directly to other comprehensive income. On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as a component of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign operation and are translated at the closing exchange rate.

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

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

2.31. Assets Held for Sale

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

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

3. Property, Plant and Equipment

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

	Buildings	Plant and equipment	Land and other	Total plant in service	Nuclear fuel	Construction work in progress	Total
Cost at January 1, 2020	306,290	548,137	10,679	865,106	23,606	20,469	909,181
Additions	500	527	72	1,099	75	27,917	29,091
Disposals	(626)	(4,403)	(21)	(5,050)	(4,208)	(1,350)	(10,608)
Bring into use	9,788	11,177	187	21,152	3,173	(24,325)	-
Transfer to assets held for sale	(22,171)	(32,003)	(452)	(54,626)	-	(793)	(55,419)
Acquisition of subsidiaries	28	106	96	230	-	4	234
Disposal of subsidiaries	(3,517)	(13,221)	(82)	(16,820)	-	(444)	(17,264)
Change in capitalized part of provisions	163	15,438	366	15,967	-	(2)	15,965
Reclassification and other	(40)	(8)	49	1	-	(2)	(1)
Currency translation differences	187	393	13	593	-	36	629
Cost at December 31, 2020	290,602	526,143	10,907	827,652	22,646	21,510	871,808
Accumulated depreciation and impairment at January 1, 2020	(137,261)	(330,882)	(1,333)	(469,476)	(9,356)	(2,261)	(481,093)
Depreciation and amortization of nuclear fuel [1)]	(8,005)	(18,108)	(278)	(26,391)	(3,801)	-	(30,192)
Net book value of assets disposed	(59)	(266)	(8)	(333)	-	-	(333)
Disposals	626	4,403	11	5,040	4,208	1,270	10,518
Transfer to assets held for sale	9,800	21,907	44	31,751	-	-	31,751
Disposal of subsidiaries	3,020	13,168	5	16,193	-	48	16,241
Reclassification and other	(8)	17	4	13	-	-	13
Impairment losses recognized	(3,172)	(4,319)	(529)	(8,020)	-	(542)	(8,562)
Impairment losses reversed	79	10	2	91	-	19	110
Currency translation differences	86	10	3	99	-	12	111
Accumulated depreciation and impairment at December 31, 2020	(134,894)	(314,060)	(2,079)	(451,033)	(8,949)	(1,454)	(461,436)
Total property, plant and equipment at December 31, 2020	155,708	212,083	8,828	376,619	13,697	20,056	410,372

1) The amortization of nuclear fuel also includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel in the amount of CZK 396 million.

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

	Buildings	Plant and equipment	Land and other	Total plant in service	Nuclear fuel	Construction work in progress	Total
Cost at December 31, 2019	292,301	530,045	8,609	830,955	23,121	18,121	872,197
Recognition of right-of-use asset on application of IFRS 16	3,700	759	1,291	5,750	-	-	5,750
Cost at January 1, 2019	296,001	530,804	9,900	836,705	23,121	18,121	877,947
Additions	813	798	29	1,640	-	26,366	28,006
Disposals	(584)	(3,330)	(35)	(3,949)	(3,141)	(456)	(7,546)
Bring into use	10,550	9,584	60	20,194	3,626	(23,820)	-
Acquisition of subsidiaries	102	246	2	350	-	280	630
Change in capitalized part of provisions	187	11,363	749	12,299	-	-	12,299
Reclassification and other	54	(37)	(3)	14	-	(5)	9
Currency translation differences	(833)	(1,291)	(23)	(2,147)	-	(17)	(2,164)
Cost at December 31, 2019	306,290	548,137	10,679	865,106	23,606	20,469	909,181
Accumulated depreciation and impairment at January 1, 2019	(129,180)	(315,590)	(1,156)	(445,926)	(8,694)	(1,669)	(456,289)
Depreciation and amortization of nuclear fuel [1)]	(8,151)	(18,983)	(176)	(27,310)	(3,803)	-	(31,113)
Net book value of assets disposed	10	(75)	(3)	(68)	-	-	(68)
Disposals	584	3,330	4	3,918	3,141	-	7,059
Reclassification and other	(49)	57	4	12	-	-	12
Impairment losses recognized	(1,389)	(890)	(12)	(2,291)	-	(593)	(2,884)
Impairment losses reversed	565	486	5	1,056	-	-	1,056
Currency translation differences	349	783	1	1,133	-	1	1,134
Accumulated depreciation and impairment at December 31, 2019	(137,261)	(330,882)	(1,333)	(469,476)	(9,356)	(2,261)	(481,093)
Total property, plant and equipment at December 31, 2019	169,029	217,255	9,346	395,630	14,250	18,208	428,088

1) The amortization of nuclear fuel also includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel in the amount of CZK 293 million.

As at December 31, 2020 and 2019, a composite depreciation rate of Plant in service was 3.1% and 3.2%, respectively.

As at December 31, 2020 and 2019, capitalized interest costs amounted to CZK 277 million and CZK 261 million, respectively, and the interest capitalization rate was 3.5% and 3.9%, respectively.

Group's plant in service pledged as security for liabilities at December 31, 2020 and 2019, is CZK 13,510 million and CZK 14,045 million, respectively.

Construction work in progress contains mainly refurbishments performed on nuclear plants, including the acquisition of nuclear fuel, and investment in the electricity distribution network of subsidiary ČEZ Distribuce, a. s. As of December 31, 2020, the construction work in progress includes the preparation of new nuclear power sources of CZK 2,978 million.

The Group drew in 2020 and 2019 grants related to the property, plant and equipment in the amount of CZK 862 million and CZK 204 million, respectively.

Group as a Lessee

Set out below are the carrying amounts and other information at December 31, 2020 and for the year ended 2020, respectively, about right-of-use assets recognized in total property, plant and equipment (in CZK millions):

	2020			
	Buildings	Plant and equipment	Land and other	Total plant in service
Additions of right-of-use assets	367	243	51	661
Depreciation charge for right-of-use assets	(473)	(228)	(83)	(784)
Transfer to assets held for sale	(735)	(40)	(257)	(1,032)
Carrying amount as at December 31	2,649	488	988	4,125

Set out below are the carrying amounts and other information at December 31, 2019 and for the year ended 2019, respectively, about right-of-use assets recognized in total property, plant and equipment (in CZK millions):

	2019			
	Buildings	Plant and equipment	Land and other	Total plant in service
Additions of right-of-use assets	136	158	78	372
Depreciation charge for right-of-use assets	(456)	(240)	(82)	(778)
Carrying amount as at December 31	3,581	728	1,243	5,552

Group as a Lessor

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

	Buildings	Plant and equipment	Land and other	Total plant in service
Carrying amount as at December 31, 2020	651	80	751	1,482
Carrying amount as at December 31, 2019	716	54	646	1,416

4. Restricted Financial Assets, Net

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

	2020	2019
Czech government bonds	19,206	16,119
Cash in banks, net	2,218	4,613
Total restricted financial assets, net	21,424	20,732

The Czech government bonds are measured at fair value through other comprehensive income. The restricted financial assets contain in particular restricted financial assets to cover the costs of nuclear decommissioning, to cover the costs for mine reclamation and mining damages and for waste storage reclamation.

5. Other Financial Assets, Net

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

	2020			2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Term deposits	-	2,755	2,755	-	3	3
Other financial receivables	1,786	987	2,773	688	56	744
Receivables from sale of subsidiaries, associates and joint-ventures	2,349	2,012	4,361	-	-	-
Investment in finance lease	261	51	312	305	48	353
Debt financial assets	-	10	10	10	-	10
Total financial assets at amortized cost	4,396	5,815	10,211	1,003	107	1,110
Equity financial assets – investments in Inven Capital, SICAV, a.s.	1,750	-	1,750	1,468	-	1,468
Commodity and other derivatives	224	55,694	55,918	908	59,540	60,448
Total financial assets at fair value through profit or loss	1,974	55,694	57,668	2,376	59,540	61,916
Veolia Energie ČR, a.s.	1,394	-	1,394	2,444	-	2,444
Other financial assets	374	-	374	267	-	267
Total equity financial assets	1,768	-	1,768	2,711	-	2,711
Fair value of cash flow hedge derivatives	2,864	284	3,148	4,732	1,064	5,796
Debt financial assets	-	101	101	101	403	504
Total financial assets at fair value through other comprehensive income	4,632	385	5,017	7,544	1,467	9,011
Total	11,002	61,894	72,896	10,923	61,114	72,037

Derivatives balance comprises mainly the positive fair values of commodity trading contracts.

ČEZ, a. s. concluded two put option agreements with Vršanská uhelná a.s. in March 2013. Under these contracts the Company has the right to transfer 100% of the shares of its subsidiary Elektrárna Počerady, a.s. to Vršanská uhelná a.s. First option for the year 2016 was not exercised, second option could be exercised in 2024 for cash consideration of CZK 2 billion. The option agreement could have been inactivated until December 31, 2019, which the Group did not apply. The contracts represent derivatives that would be settled by the delivery of unquoted equity instrument. Elektrárna Počerady, a.s. is not quoted on any market. There is significant variability in the range of reasonable fair values for this equity instrument (there is no similar power plant in the Czech Republic for sale and also no similar transaction has taken place) and thus it is difficult to reasonably assess the probabilities of various estimates. As a result, the fair value cannot be reliably measured. Consequently, the put option is measured at cost. No option premium was paid when the contracts were concluded and therefore the cost of these instruments is zero. The second put option expired on the exercise of the sale on December 31, 2020 (see 8.1.4).

Movements in impairment provisions of other financial receivables (in CZK millions):

	2020	2019
Balance as at January 1	(2)	(196)
Additions	(140)	(1)
Reversals	28	1
Derecognition of financial assets	-	188
Currency translation differences	-	6
Balance as at December 31	(114)	(2)

Derecognition of financial assets in 2019 represents in particular the value of impairment provision to the loan provided to the company Akcez Enerji A.S., which was derecognized during the year 2019. In 2020, the impairment provisions were created mainly for loans granted in connection with the Socrates project, which was to be a joint-venture with the company Holt Holding GmbH group for the construction of wind farms in Germany.

Debt financial assets at December 31, 2020 are contracted to mature in the following periods after the balance sheet date (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Debt financial assets at amortized cost	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
Due in 2021	101	10	2,012	51	987
Due in 2022	-	-	-	50	800
Due in 2023	-	-	2,349	44	46
Due in 2024	-	-	-	40	712
Thereafter	-	-	-	127	228
Total	101	10	4,361	312	2,773

Debt financial assets at December 31, 2019 are contracted to mature in the following periods after the balance sheet date (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Debt financial assets at amortized cost	Investment in finance lease	Other financial receivables
Due in 2020	403	-	48	56
Due in 2021	101	10	49	263
Due in 2022	-	-	44	67
Due in 2023	-	-	82	60
Thereafter	-	-	130	298
Total	504	10	353	744

Debt financial assets at December 31, 2020 have following effective interest rate structure (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Debt financial assets at amortized cost	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
Less than 2.00% p. a.	101	10	2,012	1	1,948
2.00% to 2.99% p. a.	-	-	2,349	7	408
3.00% to 3.99% p. a.	-	-	-	234	264
4.00% to 4.99% p. a.	-	-	-	7	40
5% p. a. and more	-	-	-	63	113
Total	101	10	4,361	312	2,773

Debt financial assets at December 31, 2019 have following effective interest rate structure (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Debt financial assets at amortized cost	Investment in finance lease	Other financial receivables
Less than 2.00% p. a.	504	10	1	470
2.00% to 2.99% p. a.	-	-	7	103
3.00% to 3.99% p. a.	-	-	266	6
4.00% to 4.99% p. a.	-	-	10	9
5% p. a. and more	-	-	69	156
Total	504	10	353	744

The following table analyses the debt financial assets at December 31, 2020 by currency (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Debt financial assets at amortized cost	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
CZK	101	10	4,356	84	871
EUR	-	-	5	228	1,902
Total	101	10	4,361	312	2,773

The following table analyses the debt financial assets at December 31, 2019 by currency (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Debt financial assets at amortized cost	Investment in finance lease	Other financial receivables
CZK	504	10	93	434
EUR	-	-	260	310
Total	504	10	353	744

6. Intangible Assets, Net

The overview of intangible assets, net at December 31, 2020 is as follows (in CZK millions):

	Software	Rights and other	Emission rights, green and similar certificates	Goodwill	Intangibles in progress	Total
Cost at January 1, 2020	15,219	12,670	12,079	14,566	905	55,439
Additions	53	532	451	-	1,106	2,142
Disposals	(606)	(6)	(7,338)	-	(42)	(7,992)
Bring to use	903	51	-	-	(954)	-
Acquisition of subsidiaries	3	56	-	192	-	251
Disposal of subsidiaries	(19)	(1)	-	-	-	(20)
Impairment of goodwill	-	-	-	(2,041)	-	(2,041)
Transfer to assets held for sale	(849)	(199)	(2,527)	(807)	(75)	(4,457)
Reclassification and other	4	(49)	(1)	-	1	(45)
Currency translation differences	20	(29)	37	208	1	237
Cost at December 31, 2020	14,728	13,025	2,701	12,118	942	43,514
Accumulated amortization and impairment at January 1, 2020	(12,601)	(5,409)	-	-	-	(18,010)
Amortization	(1,158)	(735)	-	-	-	(1,893)
Net book value of assets disposed	(2)	-	-	-	-	(2)
Disposals	606	6	-	-	-	612
Disposal of subsidiaries	17	1	-	-	-	18
Transfer to assets held for sale	721	157	-	-	-	878
Reclassification and other	(8)	4	-	-	-	(4)
Impairment losses recognized	(8)	(929)	-	-	(3)	(940)
Currency translation differences	(9)	80	-	-	-	71
Accumulated amortization and impairment at December 31, 2020	(12,442)	(6,825)	-	-	(3)	(19,270)
Net intangible assets at December 31, 2020	2,286	6,200	2,701	12,118	939	24,244

The overview of intangible assets, net at December 31, 2019 is as follows (in CZK millions):

	Software	Rights and other	Emission rights, green and similar certificates	Goodwill	Intangibles in progress	Total
Cost at December 31, 2018	14,319	11,889	7,164	13,815	733	47,920
Recognition of right-of-use asset on application of IFRS 16	-	36	-	-	-	36
Cost at January 1, 2019	14,319	11,925	7,164	13,815	733	47,956
Additions	32	80	10,224	-	1,138	11,474
Disposals	(291)	(70)	(5,214)	-	(2)	(5,577)
Bring to use	855	105	-	-	(960)	-
Acquisition of subsidiaries	328	680	-	2,450	1	3,459
Impairment of goodwill	-	-	-	(1,544)	-	(1,544)
Reclassification and other	5	-	-	-	(3)	2
Currency translation differences	(29)	(50)	(95)	(155)	(2)	(331)
Cost at December 31, 2019	15,219	12,670	12,079	14,566	905	55,439
Accumulated amortization and impairment at January 1, 2019	(11,863)	(4,930)	-	-	-	(16,793)
Amortization	(1,047)	(659)	-	-	-	(1,706)
Net book value of assets disposed	(4)	(5)	-	-	-	(9)
Disposals	291	70	-	-	-	361
Reclassification and other	(3)	-	-	-	-	(3)
Impairment losses recognized	-	(19)	-	-	-	(19)
Impairment losses reversed	2	118	-	-	-	120
Currency translation differences	23	16	-	-	-	39
Accumulated amortization and impairment at December 31, 2019	(12,601)	(5,409)	-	-	-	(18,010)
Net intangible assets at December 31, 2019	2,618	7,261	12,079	14,566	905	37,429

Research and development costs, net of grants and subsidies received, that are not eligible for capitalization have been expensed in the period incurred and amounted to CZK 507 million in 2020 and CZK 482 million in 2019.

Group's intangible assets, net pledged as security for liabilities at December 31, 2020 and 2019, is CZK 250 million and CZK 261 million, respectively.

The net book value of intangible assets under the right-of-use assets at December 31, 2020 and 2019, is CZK 25 million and CZK 30 million, respectively.

At December 31, 2020 and 2019, goodwill allocated to cash-generating units is as follows (in CZK millions):

	2020	2019
Companies of Elevion Deutschland Holding Group excluding Hermos	3,930	3,800
Czech distribution	2,200	2,200
Energotrans	1,675	1,675
Companies of ČEZ ESCO Group	1,160	1,143
Hermos	1,119	1,084
Euroklimat	802	832
Companies of Kofler Energies Group	634	614
Metrolog	114	118
Companies of Elevion Österreich Holding Group	99	5
Companies of Telco Pro Services Group	95	-
CEZ Chorzów	-	949
Romanian distribution	-	781
Romanian sale	-	495
Severočeské doly	-	292
TMK Hydroenergy Power	-	260
Other	290	318
Total	12,118	14,566

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

The following table summarizes the impairments of property, plant and equipment and intangible assets by cash-generating units in 2020 (in CZK millions):

	Impairment losses				Impairment losses on assets held for sale				Impairment reversals	
	Goodwill	Intangible assets other than goodwill	Property plant and equipment, nuclear fuel and investments	Total	Goodwill	Intangible assets other than goodwill	Property, plant and equipment, nuclear fuel and investments	Total	Property plant and equipment, nuclear fuel and investments	Total
Romanian power plants	-	(4)	(997)	(1,001)	-	(934)	(3,872)	(4,806)	-	(5,807)
Romanian distribution	(802)	-	(40)	(842)	-	-	(4,769)	(4,769)	20	(5,591)
CEZ Chorzów	(947)	(876)	(2,882)	(4,705)	-	-	-	-	-	(4,705)
Severočeské doly	(292)	(5)	(3,007)	(3,304)	-	-	-	-	34	(3,270)
Bulgarian distribution	-	-	-	-	-	-	(1,810)	(1,810)	-	(1,810)
CEZ Skawina	-	(55)	(964)	(1,019)	-	-	-	-	-	(1,019)
Romanian sale	-	-	-	-	(509)	-	-	(509)	-	(509)
TMK Hydroenergy Power	-	-	-	-	(268)	-	(203)	(471)	1	(470)
Elektrárna Dětmarovice	-	-	(341)	(341)	-	-	-	-	1	(340)
CEZ Romania	-	-	-	-	(30)	-	(252)	(282)	-	(282)
Elektrárna Počerady	-	-	(216)	(216)	-	-	-	-	-	(216)
Other	-	-	(115)	(115)	-	-	-	-	72	(43)
Total	(2,041)	(940)	(8,562)	(11,543)	(807)	(934)	(10,906)	(12,647)	128	(24,062)

The following table summarizes the impairments of property, plant and equipment and intangible assets by cash-generating units in 2019 (in CZK millions):

	Impairment losses					Impairment reversals			
	Goodwill	Intangible assets other than goodwill	Property, plant and equipment	Property, plant and equipment held for sale	Total	Intangible assets other than goodwill	Property, plant and equipment	Total	Total
Bulgarian distribution	-	-	-	(1,589)	(1,589)	-	-	-	(1,589)
CEZ Skawina	(222)	-	(1,159)	-	(1,381)	-	-	-	(1,381)
Romanian distribution	(995)	-	(172)	-	(1,167)	-	4	4	(1,163)
Romanian wind power farms	-	-	(53)	-	(53)	120	993	1,113	1,060
Elektrárna Dětmarovice	-	-	(708)	-	(708)	-	-	-	(708)
ČEZ Teplárenská	(66)	(15)	(606)	-	(687)	-	-	-	(687)
Energetické centrum	(261)	(4)	(35)	-	(300)	-	-	-	(300)
ČEZ	-	-	(114)	-	(114)	-	-	-	(114)
Other	-	-	(37)	-	(37)	-	59	59	22
Total	(1,544)	(19)	(2,884)	(1,589)	(6,036)	120	1,056	1,176	(4,860)

In 2020 and 2019, the Group performed impairment tests of goodwill and tests of other non-current assets where there was an indication that the carrying amounts could be impaired.

The Group recognized impairment loss of property, plant and equipment and intangible assets of cash-generating unit Romanian power plants in the amount of CZK 1,001 million in 2020 especially due to the expected decrease in electricity prices on the market in future and the expected decrease in gross margin from electricity generation compared to the previous long-term assumptions.

The recognized impairment of goodwill and property, plant and equipment of cash-generating unit Romanian distribution in the amount of CZK 842 million in 2020 was caused mainly by an increase in the risk of the impact of regulation on the next regulatory period.

The recognized impairment of goodwill and property, plant and equipment of cash-generating unit CEZ Chorzów in 2020 was caused mainly by a decrease in the expected gross margin from electricity and heat generation due to the change in expected market prices of emission rights and electricity and due to reduced expected useful life of the power plant with respect to the government's coal mine closure schedule.

The recognized impairment of goodwill and property, plant and equipment of cash-generating unit Severočeské doly in 2020 was caused mainly by a shortening of the expected period of coal mining up to the year 2038.

The recognized impairment of property, plant and equipment of cash-generating unit CEZ Skawina in 2020 was caused mainly by a decrease in the expected gross margin from electricity and heat generation due to the change in expected market prices of emission rights.

The impairment loss of property, plant and equipment of the cash-generating unit Elektrárna Dětmarovice related to investments made due to the renewal of equipment after the fire in 2017 financed by income from property insurance, and also with regard to a decrease in the outlook for expected profitability of the generation source over its useful life in the region especially due to increase in market prices of emission rights.

The recognized impairment of property, plant and equipment of cash-generating unit Elektrárna Počerady in 2020 occurred with regard to fact that sale price indicated the impairment of property, plant and equipment (see Note 8.1.4).

The Group classifies assets of cash-generating units Romanian power plants, Romanian distribution, Romanian sale, TMK Hydroenergy Power and CEZ Romania as assets held for sale (Note 15) while this constitutes a single sale transaction. The Group determined the total impairment loss of intangible assets and property, plant and equipment of all these cash-generating units as of December 31, 2020 in the amount of CZK 10,837 million with regard to the contractual sale price stated in EUR (arranged as so-called “locked box”). The impairment loss was allocated to the remaining goodwill at first and then based on relative carrying amount of intangible assets and property, plant and equipment of the cash-generating units being sold.

The impairment loss of property, plant and equipment of cash-generating unit Bulgarian distribution in 2020 and 2019 was recognized with regard to the fact that the assets are classified as held for sale (Note 15) and the contractual sale price is fixed and denominated in EUR (so-called “locked box”) and the carrying amount of assets being sold and associated liabilities as of the December 31, 2020 and 2019, respectively, exceeded the contractual sale price.

Recognized impairment of goodwill and property, plant and equipment of cash-generating unit CEZ Skawina in 2019 was caused mainly by decrease in planned profitability especially due to increase of market prices of emission rights and due to increase of the rate for discounting of the cash flows from 5.2% in 2018 to 5.8% in 2019.

Recognized impairment of goodwill and property, plant and equipment of cash-generating unit Romanian distribution in 2019 was caused mainly by the increase of the rate for discounting of the cash flows from 6.2% in 2018 to 6.4% in 2019, by increased amounts for expected renewal investments and by overall decrease in expected cash flows. The Group reversed impairment of the property, plant and equipment and intangible assets of the cash-generating unit Romanian wind power farms in 2019 mainly due to increase in market prices of electricity and due to positive effect of the development of RON/EUR exchange rate to the green certificates classified as intangible assets.

Recognized impairment of property, plant and equipment of cash-generating unit Elektrárna Dětmarovice in 2019 was caused mainly by the decrease in the outlook for the expected profitability of the generation source over its useful life in the region especially due to the increase in market prices of emission rights.

Recognized impairment of goodwill and property, plant and equipment of cash-generating unit ČEZ Teplárenská in 2019 was caused mainly by the decrease in the expected profitability from the sale of heat as the cost of heat production increased.

Recognized impairment of goodwill and property, plant and equipment of cash-generating unit Energetické centrum in 2019 was caused mainly by the decrease in the expected profitability from the sale of heat.

<u>Description of selected parameters related to testing and determination of recoverable amounts</u>

The impairment test involves determining the recoverable amount of the cash-generating unit, which corresponds to the value in use except for Bulgarian distribution and Bulgarian sale as at December 31, 2020 and 2019, and also except for Romanian wind power farms, Romanian distribution, Romanian sale, TMK Hydroenergy Power, CEZ Romania and Elektrárna Počerady as at December 31, 2020, when fair value less costs of disposal was used. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit and is internally assessed by the company’s management.

Values in use are determined based on a complex projection of cash flows or on the medium-term budget for a period of 5 years and on the anticipated development of the expected cash flows in the long-term, which is valid when the impairment test is performed. These budgets are based on the past experience, as well as on the anticipated future market trends and on the macroeconomic development of the respective region.

a. The value in use based on complex projection of cash flows of respective companies for the period covering remaining useful life of tested assets was used for determination of the recoverable amounts of the following cash-generating units:

ČEZ, a. s. generation assets are tested for any possible impairment as a single cash-generating unit with the exception of specific assets, e.g. the CCGT plant in Počerady. Company’s cash-generating unit of generation assets is characterized by portfolio management in the deployment and maintenance of various power plants and the cash flows generated from these activities.

As part of testing the recoverable value of fixed assets of the cash-generating unit of ČEZ, a. s. (hereinafter the ČEZ value), we performed a sensitivity analysis of the test results to changes in certain key parameters of the used model – changes in wholesale power prices (hereinafter the EE prices), changes in the discount rate used in the calculation of the present value of future cash flows and changes in CZK/EUR exchange rate.

The development of commodity prices and, in particular, the development of wholesale power prices in Germany (as German power prices have a major impact on the development of wholesale power prices in the Czech Republic) are the key assumptions used for the ČEZ value model. The developments of wholesale prices are primarily determined by the EU political decisions, the development of global demand and supply of commodities and the technological progress.

The development of EE price is influenced by a number of external factors, including, in particular, changes in the structure and availability of generation capacity in the Czech Republic and neighboring countries, the macroeconomic development of the Central European region and the regulation of the energy sector in the EU and Germany (fundamental impacts of premature decommissioning of German nuclear power plants by 2022 and impacts of the EU approved climate and energy targets for 2030).The model was constructed for a period adequate to the useful life of the power plants, i.e. for a period that significantly exceeds the period for which commodities, including wholesale power price contracts, are traded on public liquid markets. In addition, the power market is subject to structural changes (the Market Design) and major industry regulation; consequently, complete abandonment of market-based power pricing mechanisms and implementation of alternative, centrally regulated payments for the availability and supply of power plants within the period of useful life of the power plants is actually possible.

With respect to the fact that we are using a long-term model, there are certain internal factors and assumptions that affect the ČEZ value sensitivity to the development of power prices, such as varying deployment of the generation portfolio depending on the development of power prices, emission allowances and variable generation costs and, in a longer perspective, also the development of fixed costs reflecting the development of the power plants gross margin.

The sensitivity test results reflect expert estimates of the status and development of the above factors in the period of the model and the status of commercial securing of the generation portfolio as at December 31, 2020.

The test is based on the business plan of CEZ Group for 2021–2025 and on the assumptions of long-term development of relevant electricity prices. The plan was prepared in the fourth quarter 2020 whereas the plan was based on the active market parameters observed in August and September 2020 (power prices on EEX energy exchange in Germany, prices on PXE energy exchange in the Czech Republic, price of CO_2 emission rights, FX rate CZK/EUR, interest rates etc.). There is a liquidity for power contracts traded on EEX for the period covering the horizon of the business plan and with regard to links between German and Czech power transmission network, the EEX prices are basic market price indicator for EE prices in the Czech Republic. For the purposes of the sensitivity analysis, the input EE prices, emission rights prices and foreign exchange rates were applied to the relevant opened positions of the Company.

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

The generation sources in Poland – power plants Chorzów and Skawina – also belong among tested non-current assets where cash flow projections covering remaining useful life were used and the future cash flows were discounted using rate of 6.5%.

The discount rate of 3.8% was used for cash-generating unit Energotrans. For testing of Energotrans, the assumptions from “EGT site strategy” approved in October 2020 were used. The model assumes change in the long-term contract for heat supply to Prague and its prolongation until 2050. The supply of heat by 2028 is assumed from one or two new combined cycle power plants of specific design.

The cash flow projections covering expected remaining useful life were used for determination of the recoverable amount of the cash-generating unit Severočeské doly. Future cash flows were discounted using increased rate of 5.9%, the discount rate risk premium was applied with regard to risks arising from the premature date of termination of coal mining in Czech Republic and from potential changes in legislation.

The discount rate of 4.0% was used for cash-generating unit Elektrárna Dětmarovice.

b. The value in use derived from the projection of cash flows based on financial budget for a period of 5 years and on the expected future development of cash flows generated from the respective assets was applied when determining the recoverable amount of the following cash-generating units:

The discount rate of 3.2% was used for Czech distribution. Cash flows beyond the five-year period for Czech distribution were based on the terminal value of regulatory asset base.

The discount rate of 3.6% was used for cash-generating unit ČEZ Teplárenská. There is no growth rate considered for cash flows beyond five-year period.

The discount rate of 3.6% was used for cash-generating unit Energetické centrum. Cash flows beyond the five-year period are extrapolated using 2.0% growth rate.

The discount rate of 5.1% was used for companies of Elevion Deutschland Holding Group (including Hermos) and Kofler Energies Group. There is no growth rate considered for cash flows beyond five-year period.

c. The calculations of value in use for all cash-generating units are most sensitive to the following assumptions:

Gross margins – Gross margins are based on experience from historical trends in the preceding periods, current outlook of market and non-market parameters, eventually with regard to operational efficiency improvements. Gross margins are affected especially by wholesale electricity prices, prices of emission rights and prices of green and similar certificates.

Raw materials price inflation – Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is available, otherwise past actual raw material price movements have been used as an indicator of future price movements.

Discount rate – Discount rates reflect management’s estimate of the risk specific to each unit. The basis used to determine the value assigned is weighted average cost of capital (WACC) of the related subsidiaries.

Estimated growth rate – The basis used to determine the value assigned to estimated growth rate is the anticipated future development of the market, gross domestic product, nominal wages and interest rates and the forecast of regulatory environment, where subsidiaries conduct the business.

The above assumptions and expected cash flows of all tested assets took into account estimates of the impact of the covid-19 pandemic, which was considered an indicator of a possible impairment of the Group's assets in 2020. According to the current evaluation of the impacts of the covid-19 pandemic, the existence of no Group company is endangered and, in general, the pandemic has a relatively limited impact on the Group. However, the reliability of the estimate of the long-term effects of the covid-19 pandemic on the Group is considerably limited due to the uncertainty of the extent of the effects of the pandemic itself and of countries’ countermeasures on economic growth, unemployment and debt growth in relevant European countries.

The negative impact on the Group's operations is assessed to a relatively limited extent in the order of percentage units on EBITDA in 2020. The greatest negative impact of covid-19 was on the Sales segment, where there was a reduction in providing energy services, a reduction in the margin on the sale of commodities to corporate customers and a deterioration in customers' solvency. In the Distribution segment, the overall impact of covid-19 is relatively limited with regard to regulation, however, there was a decrease in the volume of electricity distributed in 2020. The covid-19 has a negative effect on the Generation – Traditional Energy and Mining segments, especially as a factor causing a decline in consumption, and thus in market electricity prices. On the other hand, there has been a significant increase in market prices of emission rights due to increased ambitions to reduce CO_2 emissions within the EU, which has led to an increase in market electricity prices. Therefore, the covid-19 combined with effect of the increase in prices of emission rights have a negative effect on the lower use of coal-based generation sources, and thus on the decline in demand for coal and on the decline in margins of mining companies. From the point of view of the medium-term economic outlook of the Generation – Traditional Energy segment, the negative impact of the covid-19 is limited due to the high level of cash flow hedging. As of December 31, 2020, approximately 89% of expected generation for 2021 has already been contracted, for 2022 approximately 56% has been contracted and for 2023 approximately 26%. Along with these presales of electricity, the emission rights for emission sources have been contracted.

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

8. Changes in the Group Structure

8.1. Changes in the Group Structure in 2020

The following table summarizes the cash flows related to acquisitions in 2020 (in CZK millions):

Cash outflow on acquisitions of the subsidiaries	285
Cash outflow on investments in joint-ventures	792
Payments of payables from acquisitions in previous periods	318
Less: Cash and cash equivalents acquired	(48)
Total cash outflows on acquisitions	1,347

8.1.1. Acquisitions of Subsidiaries in 2020

Throught new acquisitions, the Group is following strategic plan for developing of energy and telecommunications services in the Czech Republic and Slovakia and in foreign markets close to the Czech Republic, primarily in Germany, northern Italy and Poland.

On April 9, 2020, the Group acquired a 100% interest in Austrian company Moser & Partner Ingenieurbüro GmbH, which focuses on building engineering services and energy saving projects.

On October 29, 2020, the Group acquired 100% interest in the company AXE AGRICOLTURA PER L'ENERGIA SOCIETA' AGRICOLA A R.L. (hereinafter AXE), which owns and operates biogas plant.

On December 31, 2020, the Group acquired 100% interests in the FDLnet.CZ, s.r.o., ISP West s.r.o. and TaNET West s.r.o. (hereinafter altogether Telco), which focus on providing high speed internet connection.

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

	Moser	AXE	Telco	Total
Share of the Group being acquired	100%	100%	100%	
Property, plant and equipment, net	46	156	32	234
Intangible assets, net	57	-	2	59
Other non-current assets	1	1	1	3
Cash and cash equivalents	-	16	32	48
Trade receivables, net	10	29	9	48
Another current assets	12	31	7	50
Long-term debt, net of current portion	(37)	(20)	-	(57)
Deferred tax liability	(12)	-	-	(12)
Short-term loans	(1)	(23)	-	(24)
Current portion of long-term debt	(3)	(111)	-	(114)
Trade payables	-	(35)	(11)	(46)
Payables from income tax	(6)	-	-	(6)
Short-term provisions	(8)	(8)	-	(16)
Another current liabilities	(2)	-	(4)	(6)
Total net assets	57	36	68	161
Share of net assets acquired	57	36	68	161
Goodwill / negative goodwill gain	97	(18)	95	174
Total purchase consideration	154	18	163	335
Liabilities from acquisition of the subsidiary	(38)	-	(12)	(50)
Cash outflow on acquisition in 2020	116	18	151	285
Less: Cash and cash equivalents in the subsidiary acquired	-	(16)	(32)	(48)
Cash outflow on acquisition in 2020, net	116	2	119	237

If the acquisitions had taken place at the beginning of the year 2020, net income for CEZ Group as of December 31, 2020 would have been CZK 5,460 million and the revenues and other operating income from continuing operations would have been CZK 213,884 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):

	Moser	AXE	Total
Revenues and other operating income	68	15	83
Income before other income (expense) and income taxes	12	21	33
Net income	10	21	31
Net income attributable:			
Equity holders of the parent	10	21	31
Non-controlling interests	-	-	-

8.1.2. Acquisitions of Joint-ventures in 2020

On April 27, 2020, the Group acquired a 51% interest in the company GEOMET s.r.o. The intention of the joint-venture, in which the second partner is the company European Metals Holdings Limited, is to develop a project for potential lithium mining in Cínovec. Based on the analysis of the relevant agreements, competencies of the partners in the decision making processes and the relevant activities, the Group assessed the current relationship as a joint control.

The following table provides an overview of the basic financial information associated with these transactions (in CZK millions):

	GEOMET
Share acquired in 2020	51%
Total net assets	796
Share of acquired net assets	406
Goodwill	385
Total acquisition price of the share	791

The fair values of identifiable assets and liabilities of the joint-venture have been stated provisionally and could be adjusted in the subsequent period.

8.1.3. Acquisitions of Non-controlling Interests in 2020

On June 4, 2020, the Group acquired a part of the non-controlling interest representing a 26.68% interest in the company OEM Energy sp. z o.o., which increased Group's interest to 77.68%. The original owners held an option to sell the non-controlling interest to the Group. In such a case, as long as the option is in force, the non-controlling interest is derecognized at the end of the reporting period and the liability is recognized at the present value of the amount payable on exercise. This option partially expired and therefore the relevant part of the liability was derecognized and the non-controlling interest was accounted for (recognized), however, at the same time it was immediately derecognized due to the purchase of the non-controlling interest.

On June 30, 2020, the Group acquired the remaining non-controlling 49.90% interest in ČEZ Energo, s.r.o. Also in this case there was a put option held by the original partner, which ceased to exist.

The following table provides an overview of the basic financial information associated with these transactions (in CZK millions):

	OEM Energy	ČEZ Energo	Total
Share acquired in 2020	26.68%	49.90%	
Option liability derecognized from the balance sheet	20	733	753
Direct impact on equity from recognition of non-controlling interest after the expiration of the put options	35	(22)	13
Acquired share of net assets derecognized from non - controlling interests	55	711	766
Amount directly recognized in equity caused by acquisition of non-controlling interest	13	289	302
Total purchase consideration	68	1,000	1,068

8.1.4. Sale of 100% Share in Subsidiary Elektrárna Počerady in 2020

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

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

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

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

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

Statement of income line	Description	Impact (in CZK millions)
Gains and losses from commodity derivative trading	Termination of hedging including reclassification of own-use into derivatives	1,274
Gains and losses from commodity derivative trading	Reclassification of a contract for the purchase of coal into derivatives	(1,760)
Impairment of property, plant and equipment and intangible assets	Impairment loss (see Note 7)	(216)
Income before other income (expenses) and income taxes		(702)
Other financial income	Revenue from sale of shares	7,056
Other financial income	Cost of derecognition from consolidation	(7,056)
Income before income taxes		(702)
Income taxes		435
Net income		(267)

The following table provides an overview of the effect of accounting on derecognition of the subsidiary Elektrárna Počerady, a.s. from consolidation (in CZK millions):

	Elektrárna Počerady, a.s.
Sold interest	100 %
Total property, plant and equipment, net	798
Other non-current assets	69
Cash and cash equivalents	193
Trade receivables, net	116
Income tax receivable	133
Materials and supplies, net	172
Fossil fuel stocks, net	49
Emission rights	1,960
Other current financial assets	252
Long-term debt, net of current portion	(28)
Provisions	(2,315)
Other long-term financial liabilities	(172)
Net assets derecognized from balance sheet	1,227
Effect of intercompany balances:	
Other short-term financial liabilities	7,645
Trade receivables, net	(2,267)
Trade payables	451
Total cost of sale of the Group	7,056
Revenue from sale	7,056
Gain on sale	-

The following table summarizes the cash flows related to sale and loss of control of subsidiaries (in CZK millions):

Cash received from sale of the company in 2020	-
Cash disposed on sale	(193)
Total cash flow from disposal of subsidiaries in 2020	(193)

8.2. Changes in the Group Structure in 2019

The following table summarizes the cash flows related to acquisitions in 2019 (in CZK millions):

Cash outflow on acquisitions of the subsidiaries	3,735
Cash outflow on investments in joint-ventures	2
Payments of payables from acquisitions in previous periods	73
Less: Cash and cash equivalents acquired	(281)
Total cash outflows on acquisitions	3,529

8.2.1. Acquisitions of Subsidiaries in 2019

The fair values of acquired identifiable assets and liabilities as of the date of acquisitions were as follows (in CZK millions):

	Hermos	Euroklimat	En.plus	Other	Total
Share of the Group being acquired	100%	100%	100%		
Property, plant and equipment, net	452	68	18	92	630
Intangible assets, net	652	235	92	30	1,009
Other non-current assets	21	16	-	7	44
Cash and cash equivalents	201	10	-	70	281
Trade receivables, net	195	278	195	161	829
Contract assets	380	7	29	19	435
Another current assets	39	126	3	32	200
Long-term debt, net of current portion	(67)	(42)	-	(5)	(114)
Long-term provisions	(45)	(24)	-	(2)	(71)
Deferred tax liability	(198)	(44)	(28)	(1)	(271)
Short-term loans	(25)	-	(103)	(28)	(156)
Current portion of long-term debt	(12)	(4)	-	-	(16)
Trade payables	(163)	(191)	(47)	(194)	(595)
Short-term provisions	(90)	(7)	(14)	(21)	(132)
Another current liabilities	(205)	(94)	(15)	(20)	(334)
Total net assets	1,135	334	130	140	1,739
Share of net assets acquired	1,135	334	130	135	1,734
Goodwill	1,101	824	222	303	2,450
Total purchase consideration	2,236	1,158	352	438	4,184
Liabilities from acquisition of the subsidiary	-	(317)	(66)	(66)	(449)
Cash outflow on acquisition in 2019	2,236	841	286	372	3,735
Less: Cash and cash equivalents in the subsidiary acquired	(201)	(10)	-	(70)	(281)
Cash outflow on acquisition in 2019, net	2,035	831	286	302	3,454

[1] Gain from remeasurement of previously held investment in ČEZ Energo, s.r.o. to fair value was included in statement of income in the line Share of profit (loss) from associates and joint-ventures.

If the acquisitions had taken place at the beginning of the year 2019, net income for CEZ Group as of December 31, 2019 would have been CZK 14,551 million and the revenues and other operating income from continuing operations would have been CZK 208,124 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):

	Hermos	Euroklimat	En.plus	Other	Total
Revenues and other operating income	1,119	449	958	532	3,058
Income before other income (expense) and income taxes	129	16	41	40	226
Net income	116	11	28	32	187
Net income attributable:					
Equity holders of the parent	111	11	26	34	182
Non-controlling interests	5	-	2	(2)	5

8.2.2. Acquisitions and Sale of Non-controlling Interests in 2019

On July 23, 2019 the Group acquired remaining non-controlling 49% share in the company ČEZ LDS s.r.o.

9. Investments in Subsidiaries, Associates and Joint-ventures

The consolidated financial statements of CEZ Group include the financial figures of ČEZ, a. s. and its subsidiaries, associates and joint-ventures listed in the following table:

			% equity interest [1]		% voting interest
Subsidiaries	Country	Operating segment	Change in 2020	2020	2020
New acquisitions					
AXE AGRICOLTURA PER L'ENERGIA SOCIETA' AGRICOLA A R.L.	IT	GenN	100.00	100.00	100.00
FDLnet.CZ, s.r.o.	CZ	SuppS	100.00	100.00	100.00
ISP West s.r.o.	CZ	SuppS	100.00	100.00	100.00
Moser & Partner Ingenieurbüro GmbH	AT	S	100.00	100.00	100.00
TaNET West s.r.o.	CZ	SuppS	100.00	100.00	100.00
Newly established subsidiaries					
CEZ ESCO Slovensko, a.s.	SK	S	100.00	100.00	100.00
CEZ RES International B.V.	NL	GenN	100.00	100.00	100.00
Elevion Österreich Holding GmbH	AT	S	100.00	100.00	100.00
Changes of non-controlling interests					
ČEZ Energo, s.r.o.	CZ	S	49.90	100.00	100.00
ETS Engineering Kft.	HU	S	5.00	100.00	100.00
OEM Energy sp. z o.o.	PL	S	26.68	77.68	77.68
ŠKODA PRAHA a.s.	CZ	GenT	(47.54)	52.46	100.00
Ústav aplikované mechaniky Brno, s.r.o.	CZ	GenT	47.54	100.00	100.00
Changes of voting rights share					
Euroklimat sp. z o.o.	PL	S	-	100.00	100.00
Sales					
Baltic Green I sp. z o.o.	PL	GenN	(100.00)	-	-
Baltic Green V sp. z o.o.	PL	GenN	(100.00)	-	-
Elektrárna Počerady, a.s.	CZ	GenT	(100.00)	-	-
Liquidations and mergers					
Detlef Walther GmbH	DE	S	(95.00)	-	-
EGP INVEST, spol. s r.o.	CZ	GenT	(52.46)	-	-
Energocentrum Vítkovice, a. s.	CZ	S	(100.00)	-	-

[1] The equity interest represents effective ownership interest of the Group.

Subsidiaries	Country	Operating segment	% equity interest [1)] Change in 2020	% equity interest [1)] 2020	% voting interest 2020
FEA Automation GmbH	DE	S	(95.00)	-	-
H & R Elektromontagen GmbH	DE	S	(95.00)	-	-
Jäger & Co. Gesellschaft mit beschränkter Haftung	DE	S	(95.00)	-	-
Kälteanlagenbau Schröder GmbH	DE	S	(95.00)	-	-
WPG Projekt GmbH	DE	S	(100.00)	-	-
Other – no change in 2020					
A.E. Wind S.A.	PL	GenN	-	100.00	100.00
AirPlus, spol. s r.o.	CZ	S	-	100.00	100.00
Areál Třeboradice, a.s.	CZ	GenT	-	100.00	100.00
AZ KLIMA a.s.	CZ	S	-	100.00	100.00
AZ KLIMA SK, s.r.o.	SK	S	-	100.00	100.00
Baltic Green Construction sp. z o.o.	PL	GenN	-	100.00	100.00
Baltic Green II sp. z o.o.	PL	GenN	-	100.00	100.00
Baltic Green III sp. z o.o.	PL	GenN	-	100.00	100.00
Baltic Green IX sp. z o.o.	PL	GenN	-	100.00	100.00
Baltic Green VI sp. z o.o.	PL	GenN	-	100.00	100.00
Baltic Green VIII sp. z o.o.	PL	GenN	-	100.00	100.00
BANDRA Mobiliengesellschaft mbH & Co. KG	DE	GenN	-	100.00	100.00
Bara Group EOOD	BG	GenN	-	100.00	100.00
BUDRIO GFE 312 SOCIETA´ AGRICOLA S.R.L.	IT	S	-	70.00	70.00
CASANO Mobiliengesellschaft mbH & Co. KG	DE	GenN	-	100.00	100.00
Centrum výzkumu Řež s.r.o.	CZ	GenT	-	52.46	100.00
CEZ Bulgaria EAD	BG	D	-	100.00	100.00
CEZ Bulgarian Investments B.V.	NL	GenN	-	100.00	100.00
CEZ Deutschland GmbH	DE	GenN	-	100.00	100.00
CEZ Elektro Bulgaria AD	BG	S	-	67.00	67.00
CEZ Erneuerbare Energien Beteiligungs GmbH	DE	GenN	-	100.00	100.00
CEZ Erneuerbare Energien Beteiligungs II GmbH	DE	GenN	-	100.00	100.00
CEZ Erneuerbare Energien Verwaltungs GmbH	DE	GenN	-	100.00	100.00
CEZ ESCO Bulgaria EOOD	BG	S	-	100.00	100.00
CEZ ESCO II GmbH	DE	S	-	100.00	100.00
CEZ ESCO Polska sp. z o.o.	PL	S	-	100.00	100.00
CEZ ESCO Romania S.A.	RO	S	-	100.00	100.00
CEZ France SAS	FR	GenN	-	100.00	100.00
CEZ Holdings B.V.	NL	GenN	-	100.00	100.00
CEZ Hungary Ltd.	HU	GenT	-	100.00	100.00
CEZ Chorzów II sp. z o.o.	PL	GenT	-	100.00	100.00
CEZ Chorzów S.A.	PL	GenT	-	100.00	100.00
CEZ ICT Bulgaria EAD	BG	D	-	67.00	100.00
CEZ MH B.V.	NL	SuppS	-	100.00	100.00
CEZ Polska sp. z o.o.	PL	SuppS	-	100.00	100.00
CEZ Produkty Energetyczne Polska sp. z o.o.	PL	GenT	-	100.00	100.00
CEZ Razpredelenie Bulgaria AD	BG	D	-	67.00	67.00
CEZ Romania S.A.	RO	D	-	100.00	100.00
CEZ SERVIS, s.r.o.	SK	S	-	100.00	100.00
CEZ Skawina S.A.	PL	GenT	-	100.00	100.00
CEZ Slovensko, s.r.o.	SK	S	-	100.00	100.00
CEZ Srbija d.o.o.	RS	GenT	-	100.00	100.00

Subsidiaries	Country	Operating segment	% equity interest 1) Change in 2020	% equity interest 1) 2020	% voting interest 2020
CEZ Towarowy Dom Maklerski sp. z o.o.	PL	GenT	-	100.00	100.00
CEZ Trade Bulgaria EAD	BG	S	-	100.00	100.00
CEZ Trade Romania S.R.L.	RO	GenT	-	100.00	100.00
CEZ Ukraine LLC	UA	SuppS	-	100.00	100.00
CEZ Vanzare S.A.	RO	S	-	100.00	100.00
CEZ Windparks Lee GmbH	DE	GenN	-	100.00	100.00
CEZ Windparks Luv GmbH	DE	GenN	-	100.00	100.00
CEZ Windparks Nordwind GmbH	DE	GenN	-	100.00	100.00
ČEZ Asset Holding, a. s.	CZ	SuppS	-	100.00	100.00
ČEZ Bohunice a.s.	CZ	GenT	-	100.00	100.00
ČEZ Distribuce, a. s.	CZ	D	-	100.00	100.00
ČEZ Distribučné sústavy a.s.	SK	S	-	100.00	100.00
ČEZ Energetické produkty, s.r.o.	CZ	GenT	-	100.00	100.00
ČEZ Energetické služby, s.r.o.	CZ	S	-	100.00	100.00
ČEZ ENERGOSERVIS spol. s r.o.	CZ	GenT	-	100.00	100.00
ČEZ ESCO, a.s.	CZ	S	-	100.00	100.00
ČEZ ICT Services, a. s.	CZ	SuppS	-	100.00	100.00
ČEZ Korporátní služby, s.r.o.	CZ	SuppS	-	100.00	100.00
ČEZ LDS s.r.o.	CZ	S	-	100.00	100.00
ČEZ Obnovitelné zdroje, s.r.o.	CZ	GenN	-	100.00	100.00
ČEZ OZ uzavřený investiční fond a.s.	CZ	GenN	-	99.96	99.96
ČEZ Prodej, a.s.	CZ	S	-	100.00	100.00
ČEZ Recyklace, s.r.o.	CZ	GenN	-	99.00	99.00
ČEZ Teplárenská, a.s.	CZ	GenT	-	100.00	100.00
D-I-E ELEKTRO AG	DE	S	-	95.00	100.00
Distributie Energie Oltenia S.A.	RO	D	-	100.00	100.00
Domat Control System s.r.o.	CZ	S	-	100.00	100.00
EAB Automation Solutions GmbH	DE	S	-	95.00	100.00
EAB Elektroanlagenbau GmbH Rhein/Main	DE	S	-	95.00	100.00
e-Dome a. s.	SK	S	-	51.00	51.00
Elektrárna Dětmarovice, a.s.	CZ	GenT	-	100.00	100.00
Elektrárna Dukovany II, a. s.	CZ	GenT	-	100.00	100.00
Elektrárna Mělník III, a. s.	CZ	GenT	-	100.00	100.00
Elektrárna Temelín II, a. s.	CZ	GenT	-	100.00	100.00
Elektro-Decker GmbH	DE	S	-	95.00	100.00
Elektro-Technik-Pfisterer-GmbH	DE	S	-	95.00	100.00
Elevion Deutschland Holding GmbH	DE	S	-	95.00	92.00
Elevion GmbH	DE	S	-	95.00	100.00
Elevion Group B.V.2)	NL	S	-	100.00	100.00
Elevion Holding Italia S.r.l.3)	IT	S	-	100.00	100.00
En.plus GmbH	DE	S	-	95.00	100.00
Energetické centrum s.r.o.	CZ	GenT	-	100.00	100.00
Energotrans, a.s.	CZ	GenT	-	100.00	100.00
ENESA a.s.	CZ	S	-	100.00	100.00
ESCO City I sp. z o.o. w likwidacji	PL	S	-	100.00	100.00
ESCO City II sp. z o.o. w likwidacji	PL	S	-	100.00	100.00
ESCO City III sp. z o.o. w likwidacji	PL	S	-	100.00	100.00
ESCO City IV sp. z o.o. w likwidacji	PL	S	-	100.00	100.00
ESCO City V sp. z o.o. w likwidacji	PL	S	-	100.00	100.00
ESCO City VI sp. z o.o. w likwidacji	PL	S	-	100.00	100.00
ETS Efficient Technical Solutions GmbH	DE	S	-	95.00	100.00
ETS Efficient Technical Solutions Shanghai Co. Ltd.	CN	S	-	95.00	100.00

2) The company name CEZ New Energy Investment B.V. was changed to Elevion Group B.V. in 2020.
3) The company name KOFLER ENERGIES ITALIA SRL was changed to Elevion Holding Italia S.r.l. in 2020.

Subsidiaries	Country	Operating segment	% equity interest 1) Change in 2020	% equity interest 1) 2020	% voting interest 2020
Ferme Eolienne d´Andelaroche SAS	FR	GenN	-	100.00	100.00
Ferme éolienne d’Allas-Nieul SAS	FR	GenN	-	100.00	100.00
Ferme éolienne de Feuillade et Souffrignac SAS	FR	GenN	-	100.00	100.00
Ferme éolienne de Genouillé SAS	FR	GenN	-	100.00	100.00
Ferme éolienne de la Petite Valade SAS	FR	GenN	-	100.00	100.00
Ferme Eolienne de la Piballe SAS	FR	GenN	-	100.00	100.00
Ferme Eolienne de Neuville-aux-Bois SAS	FR	GenN	-	100.00	100.00
Ferme éolienne de Nueil-sous-Faye SAS	FR	GenN	-	100.00	100.00
Ferme Eolienne de Saint-Laurent-de-Céris SAS	FR	GenN	-	100.00	100.00
Ferme éolienne de Saugon SAS	FR	GenN	-	100.00	100.00
Ferme Eolienne de Seigny SAS	FR	GenN	-	100.00	100.00
Ferme Eolienne de Thorigny SAS	FR	GenN	-	100.00	100.00
Ferme éolienne des Besses SAS	FR	GenN	-	100.00	100.00
Ferme Eolienne des Breuils SAS	FR	GenN	-	100.00	100.00
Ferme Eolienne des Grands Clos SAS	FR	GenN	-	100.00	100.00
Ferme éolienne du Blessonnier SAS	FR	GenN	-	100.00	100.00
Ferme Eolienne du Germancé SAS	FR	GenN	-	100.00	100.00
Free Energy Project Oreshets EAD	BG	GenN	-	100.00	100.00
GWE Verwaltungs GmbH	DE	S	-	100.00	100.00
GWE Wärme- und Energietechnik GmbH & Co. KG	DE	S	-	100.00	100.00
HA.EM OSTRAVA, s.r.o.	CZ	S	-	100.00	100.00
Hermos AG	DE	S	-	95.00	100.00
Hermos Gesellschaft für Steuer-, Meß- und Regeltechnik mbH	DE	S	-	95.00	100.00
HERMOS International GmbH	DE	S	-	95.00	100.00
HERMOS SDN. BHD	MY	S	-	95.00	100.00
Hermos Schaltanlagen GmbH	DE	S	-	95.00	100.00
Hermos Sp. z.o.o.	PL	S	-	95.00	100.00
Hermos Systems GmbH	DE	S	-	95.00	100.00
High-Tech Clima d.o.o.	RS	S	-	100.00	100.00
High-Tech Clima S.A.	RO	S	-	100.00	100.00
HORMEN CE a.s.	CZ	S	-	51.00	51.00
Hybridkraftwerk Culemeyerstraße Projekt GmbH	DE	S	-	100.00	100.00
Inewa Consulting S.r.l.[4]	IT	S	-	100.00	100.00
Inewa S.r.l.[5]	IT	S	-	100.00	100.00
Inven Capital, SICAV, a.s.	CZ	GenN	-	100.00	100.00
KART, spol. s r.o.	CZ	S	-	100.00	100.00
Kofler Energies Energieeffizienz GmbH	DE	S	-	100.00	100.00
Kofler Energies Ingenieurgesellschaft mbH	DE	S	-	100.00	100.00
Kofler Energies International GmbH	DE	S	-	100.00	100.00
Kofler Energies Systems GmbH	DE	S	-	100.00	100.00
M.W. Team Invest S.R.L.	RO	GenN	-	100.00	100.00
MARTIA a.s.	CZ	GenT	-	100.00	100.00
Metrolog sp. z o.o.	PL	S	-	100.00	100.00
NEK Facility Management GmbH	DE	S	-	100.00	100.00
OSC, a.s.	CZ	GenT	-	66.67	66.67
Ovidiu Development S.A.	RO	GenN	-	100.00	100.00

[4] The company name SYNECO ENERGY SERVICE S.R.L. was changed to Inewa Consulting S.r.l. in 2020.
[5] The company name SYNECO GROUP S.R.L was changed to Inewa S.r.l. in 2020.

Subsidiaries	Country	Operating segment	% equity interest [1)] Change in 2020	2020	% voting interest 2020
PRODECO, a.s.	CZ	M	-	100.00	100.00
Revitrans, a.s.	CZ	M	-	100.00	100.00
Rudolf Fritz GmbH	DE	S	-	95.00	100.00
SD - Kolejová doprava, a.s.	CZ	M	-	100.00	100.00
Severočeské doly a.s.	CZ	M	-	100.00	100.00
Solární servis, s.r.o.[6)]	CZ	S	-	100.00	100.00
SPRAVBYTKOMFORT, a.s. Prešov	SK	S	-	55.00	55.00
SYNECO PROJECT S.R.L.	IT	S	-	100.00	100.00
SYNECO tec GmbH	AT	S	-	100.00	100.00
Telco Infrastructure, s.r.o.	CZ	SuppS	-	100.00	100.00
Telco Pro Services, a. s.	CZ	SuppS	-	100.00	100.00
TENAUR, s.r.o.	CZ	S	-	100.00	100.00
Tepelné hospodářství města Ústí nad Labem s.r.o.	CZ	GenT	-	55.83	55.83
TMK Hydroenergy Power S.R.L.	RO	GenN	-	100.00	100.00
Tomis Team S.A.	RO	GenN	-	100.00	100.00
ÚJV Řež, a. s.	CZ	GenT	-	52.46	52.46
Windpark Baben Erweiterung GmbH & Co. KG	DE	GenN	-	100.00	100.00
Windpark Badow GmbH & Co. KG	DE	GenN	-	100.00	100.00
Windpark FOHREN-LINDEN GmbH & Co. KG	DE	GenN	-	100.00	100.00
Windpark Frauenmark III GmbH & Co. KG	DE	GenN	-	100.00	100.00
Windpark Gremersdorf GmbH & Co. KG	DE	GenN	-	100.00	100.00
Windpark Cheinitz-Zethlingen GmbH & Co. KG	DE	GenN	-	100.00	100.00
Windpark Mengeringhausen GmbH & Co. KG	DE	GenN	-	100.00	100.00
Windpark Naundorf GmbH & Co. KG	DE	GenN	-	100.00	100.00
Windpark Zagelsdorf GmbH & Co. KG	DE	GenN	-	100.00	100.00

[6)] The company name ČEZ Solární, s.r.o was changed to Solární servis, s.r.o. in 2020.

Associates and Joint-ventures	Country	Operating segment	% equity interest [7)] Change in 2020	% equity interest [7)] 2020	% voting interest 2020
New Investments					
GEOMET s.r.o.	CZ	M	51.00	51.00	51.00
Windpark Nortorf GmbH & Co. KG	DE	GenN	50.00	50.00	100.00
Lost Investments					
Socrates JVCo Verwaltungs GmbH	DE	GenN	(50.00)	-	-
Socrates Windprojekt GmbH & Co. KG	DE	GenN	(50.00)	-	-
Windpark Harrenstetter Heide GmbH & Co. KG	DE	GenN	(50.00)	-	-
Windpark Palmpohl GmbH & Co. KG	DE	GenN	(50.00)	-	-
Windpark Soeste GmbH & Co. KG	DE	GenN	(50.00)	-	-
Other companies with no change in ownership interest or voting rights in 2020					
Akcez Enerji A.S.	TR	D	-	50.00	50.00
AK-EL Kemah Elektrik Üretim ve Ticaret A.S.	TR	GenT	-	37.36	50.00
Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S.	TR	GenT	-	37.36	50.00
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	TR	GenT	-	37.36	50.00
Akenerji Elektrik Üretim A.S.	TR	GenT	-	37.36	37.36
Bytkomfort, s.r.o.	SK	S	-	49.00	49.00
Elevion Co-Investment GmbH & Co. KG	DE	S	-	37.50	37.50
GP JOULE PPX Verwaltungs-GmbH	DE	GenN	-	50.00	50.00
GP JOULE PP1 GmbH & Co. KG	DE	GenN	-	50.00	50.00
Green Wind Deutschland GmbH	DE	GenN	-	50.00	50.00
Jadrová energetická spoločnosť Slovenska, a. s.	SK	GenT	-	49.00	50.00
juwi Wind Germany 100 GmbH & Co. KG	DE	GenN	-	51.00	51.00
KLF-Distribúcia, s.r.o.	SK	S	-	50.00	50.00
LOMY MOŘINA spol. s r.o.	CZ	M	-	51.05	51.05
Sakarya Elektrik Dagitim A.S.	TR	D	-	50.00	50.00
Sakarya Elektrik Perakende Satis A.S.	TR	S	-	50.00	50.00
Windpark Bad Berleburg GmbH & Co. KG	DE	GenN	-	50.00	50.00
Windpark Berka GmbH & Co. KG	DE	GenN	-	50.00	50.00
Windpark Moringen Nord GmbH & Co. KG	DE	GenN	-	50.00	50.00
Windpark Prezelle GmbH & Co. KG	DE	GenN	-	50.00	50.00

Used shortcuts:

Country ISO code	Country	Country ISO code	Country	Segment	Operating segment
AT	Austria	MY	Malaysia	GenT	Generation – Traditional Energy
BG	Bulgaria	NL	Netherlands	GenN	Generation – New Energy
CN	China	PL	Poland	D	Distribution
CZ	Czech Republic	RO	Romania	S	Sales
DE	Germany	RS	Serbia	M	Mining
FR	France	SK	Slovakia	SuppS	Support Services
HU	Hungary	TR	Turkey		
IT	Italy	UA	Ukraine		

7) The equity interest represents effective ownership interest of the Group.

Subsidiaries with Non-controlling Interests

The following table shows the composition of Group's non-controlling interests and dividends paid to non-controlling interests by respective subsidiaries (in CZK millions):

	2020		2019	
	Non-controlling interests	Dividends paid	Non-controlling interests	Dividends paid
CEZ Razpredelenie Bulgaria AD	2,758	-	2,708	-
ÚJV Řež, a. s.	896	-	912	-
CEZ Elektro Bulgaria AD	753	-	658	-
Other	285	23	325	25
Total	4,692	23	4,603	25

Assets and liabilities of both Bulgarian companies are classified as held for sale since February 22, 2018.

The following table shows summarized financial information of subsidiaries that have material non-controlling interests for the year ended December 31, 2020 (in CZK millions):

	CEZ Razpredelenie Bulgaria AD	ÚJV Řež, a. s.	CEZ Elektro Bulgaria AD
Ownership share of non-controlling interests	33.00%	47.54%	33.00%
Current assets	1,727	1,088	4,468
Non-current assets	10,037	2,703	117
Current liabilities	(2,309)	(1,041)	(2,148)
Non-current liabilities	(1,496)	(513)	(154)
Equity	7,959	2,237	2,283
Attributable to:			
Equity holders of the parent	5,201	1,341	1,530
Non-controlling interests	2,758	896	753
Revenues and other operating income	5,034	1,445	9,051
Income (loss) before other income (expenses) and income taxes	(88)	105	266
Income (loss) before income taxes	(123)	85	256
Income taxes	9	(22)	(31)
Net income (loss)	(114)	63	225
Attributable to:			
Equity holders of the parent	(76)	33	151
Non-controlling interests	(38)	30	74
Total comprehensive income	131	66	286
Attributable to:			
Equity holders of the parent	81	35	191
Non-controlling interests	50	31	95
Operating cash flow	1,448	205	329
Investing cash flow	(1,042)	(314)	-
Financing cash flow	(222)	(18)	(17)
Net effect of currency translation in cash	4	(1)	68
Net increase (decrease) in cash and cash equivalents	188	(128)	380

The following table shows summarized financial information of subsidiaries that have material non-controlling interests for the year ended December 31, 2019 (in CZK millions):

	CEZ Razpredelenie Bulgaria AD	ÚJV Řež, a. s.	CEZ Elektro Bulgaria AD
Ownership share of non-controlling interests	33.00%	47.54%	33.00%
Current assets	1,497	1,154	4,088
Non-current assets	10,457	1,850	112
Current liabilities	(2,411)	(562)	(2,046)
Non-current liabilities	(1,712)	(513)	(158)
Equity	7,831	1,929	1,996
Attributable to:			
Equity holders of the parent	5,123	1,017	1,338
Non-controlling interests	2,708	912	658
Revenues and other operating income	4,716	1,398	7,740
Income before other income (expenses) and income taxes	(238)	145	302
Income before income taxes	(281)	139	297
Income taxes	44	(26)	(30)
Net income	(237)	113	267
Attributable to:			
Equity holders of the parent	(159)	59	179
Non-controlling interests	(78)	54	88
Total comprehensive income	(355)	111	239
Attributable to:			
Equity holders of the parent	(245)	58	159
Non-controlling interests	(110)	53	80
Operating cash flow	1,636	203	299
Investing cash flow	(1,438)	(83)	-
Financing cash flow	(215)	(17)	(20)
Net effect of currency translation in cash	(3)	(1)	(13)
Net increase (decrease) in cash and cash equivalents	(20)	102	266

Interests in Associates and Joint-ventures

The following table shows the composition of Group's investment in associates and joint-ventures and share of main financial results from associates and joint-ventures for the year ended December 31, 2020 (in CZK millions):

	Carrying amount of investment	Dividends received	Group's share of associate's and joint-venture's: Net income (loss)	Other comprehensive income	Total comprehensive income
Akcez Group	-	-	237	86	323
Akenerji Group	-	-	-	-	-
Jadrová energetická spoločnosť Slovenska, a. s.	2,653	-	(22)	86	64
GEOMET s.r.o.	750	-	(41)	-	(41)
Bytkomfort, s.r.o.	247	8	7	9	16
LOMY MOŘINA spol. s r.o.	142	4	3	-	3
Other	283	-	4	5	9
Total	4,075	12	188	186	374

The Group is a guarantor for the liabilities of companies within the joint-venture with Akcez Enerji A.S. in the amount of USD 95.5 million and TRY 63.8 million as of December 31, 2020 (see Note 19.2). Based on calculation of recoverable amount from future cash flows a provision in the amount of CZK 1,267 million was recognized as of December 31, 2020. Because the Group's total cumulative share on losses of Akcez group did not exceeded the amount of the guarantee provided as at December 31, 2020, the Group recognized its share on losses of Akcez group in full (in the statement of income included in the line Share of profit (loss) from associates and joint-ventures). As of December 31, 2020, the provision in the amount of CZK 944 million was recorded on the balance sheet this way including the use and additions to the provision in the previous years and including the unwinding of discount and this amount was increased by CZK 323 million (in the statement of income on the line Impairment of financial assets) in order to arrive to the assumed amount of the provision CZK 1,267 million as at December 31, 2020.

In 2017 the share on losses of joint-venture Akenerji Elektrik Üretim A.S. exceeded the carrying amount of Group's investment in this joint-venture. The Group has made no obligations on behalf of Akenerji Elektrik Üretim A.S., so therefore the Group discontinued of using equity method of accounting as of December 31, 2017 (Note 2.2.3). The amount of unrecognized share of the Group on losses of Akenerji Group amounted to CZK 4,900 million as of December 31, 2020.

The joint-ventures Akcez Enerji A.S. and Akenerji Elektrik Üretim A.S. are formed by partnership of CEZ Group and Akkök Group in Turkey to invest mainly into power generation and electricity distribution projects. The joint-venture Jadrová energetická spoločnosť Slovenska, a. s. is a joint-venture formed by CEZ Group and the Slovak Government to prepare the project of building a new nuclear power source in Slovakia. GEOMET s. r. o. is a joint-venture of CEZ Group and European Metals Holdings Limited with the intention to develop a potential lithium ore mining project in Cínovec.

The following table shows the composition of Group's investment in joint-ventures and share of main financial results from joint-ventures for the year ended December 31, 2019 (in CZK millions):

			Group's share of associate's and joint-venture's:		
	Carrying amount of investment	Dividends received	Net income (loss)	Other compre-hensive income	Total compre-hensive income
Akcez Group	-	-	24	60	84
Akenerji Group	-	-	-	-	-
Jadrová energetická spoločnosť Slovenska, a. s.	2,589	-	(24)	(32)	(56)
Bytkomfort, s.r.o.	239	2	7	(2)	5
LOMY MOŘINA spol. s r.o.	179	5	8	-	8
Other	276	-	3	(13)	(10)
Total	3,283	7	18	13	31

The Group is a guarantor for the liabilities of companies within the joint-venture with Akcez Enerji A.S. in the amount of USD 106.3 million and TRY 72.3 million as of December 31, 2019 (see Note 19.2). Based on calculation of recoverable amount from future cash flows a provision in the amount of CZK 1,362 million was recognized as of December 31, 2019. Because the Group's total cumulative share on losses of Akcez group did not exceeded the amount of the guarantee provided as at December 31, 2019, the Group recognized its share on losses of Akcez group in full (in the statement of income included in the line Share of profit (loss) from associates and joint-ventures). As of December 31, 2019, the provision in the amount of CZK 528 million was recorded on the balance sheet this way including the unwinding of discount and this amount was increased by CZK 834 million (in the statement of income on the line Impairment of financial assets) in order to arrive to the assumed amount of the provision CZK 1,362 million as at December 31, 2019.

In 2017 the share on losses of joint-venture Akenerji Elektrik Üretim A.S. exceeded the carrying amount of Group's investment in this joint-venture. The Group has made no obligations on behalf of Akenerji Elektrik Üretim A.S., so therefore the Group discontinued of using equity method of accounting as of December 31, 2017 (Note 2.2.3). The amount of unrecognized share of the Group on losses of Akenerji Group amounted to CZK 4,260 million as of December 31, 2019.

The following tables present summarized financial information of material associates and joint-ventures for the year ended December 31, 2020 (in CZK millions):

	Current assets	Thereof: Cash and cash equiva-lents	Non-current assets	Current liabilities	Non-current liabilities	Equity	Share of the Group	Recog-nized liability / unrecog-nized share on loss	Goodwill	Total carrying amount of the invest-ment
Akcez Enerji A.S.	45	17	2,777	759	2,673	(610)				
Sakarya Elektrik Dagitim A.S.	2,194	350	3,078	1,385	1,633	2,254				
Sakarya Elektrik Perakende Satis A.S.	3,091	359	472	2,670	123	770				
Akcez Group						(364)	(182)	182	-	-
Akenerji Elektrik Üretim A.S.	1,008	421	7,098	1,669	17,518	(11,081)				
Akenerji Group						(13,116)	(4,900)	4,900	-	-
Jadrová energetická spoločnosť Slovenska, a. s.	1,488	1,483	3,935	8	1	5,414	2,653	-	-	2,653
GEOMET s.r.o.	724	722	10	19	-	715	365	-	385	750
Bytkomfort, s.r.o.	68	15	267	50	66	219	107	-	140	247
LOMY MOŘINA spol. s r.o.	145	78	262	111	17	279	142	-	-	142

	Revenues and other operating income	Depre-ciation and amorti-zation	Interest income	Interest expense	Income taxes	Net income (loss)	Other compre-hensive income	Total compre-hensive income
Akcez Enerji A.S.	-	-	24	(165)	-	(826)	110	(716)
Sakarya Elektrik Dagitim A.S.	5,042	(42)	24	(135)	(441)	1,304	(616)	688
Sakarya Elektrik Perakende Satis A.S.	18,206	(70)	51	(10)	(74)	231	(260)	(29)
Akenerji Elektrik Üretim A.S.	7,025	(372)	19	(2,016)	(26)	(3,353)	1,633	(1,720)
Jadrová energetická spoločnosť Slovenska, a. s.	15	(12)	3	-	(1)	(44)	174	130
GEOMET s.r.o.	1	-	-	-	-	(80)	-	(80)
Bytkomfort, s.r.o.	263	(25)	-	(1)	(4)	13	9	22
LOMY MOŘINA spol. s r.o.	280	(23)	-	-	-	6	-	6

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The following tables present summarized financial information of material joint-ventures for the year ended December 31, 2019 (in CZK millions):

	Current assets	Thereof: Cash and cash equiva-lents	Non-current assets	Current liabilities	Non-current liabilities	Equity	Share of the Group	Recog-nized liability / unrecog-nized share on loss	Goodwill	Total carrying amount of the invest-ment
Akcez Enerji A.S.	52	17	3,669	560	3,295	(134)				
Sakarya Elektrik Dagitim A.S.	1,895	102	3,191	1,259	2,290	1,537				
Sakarya Elektrik Perakende Satis A.S.	4,129	771	1,069	4,083	128	987				
Akcez Group						(1,010)	(505)	505	-	-
Akenerji Elektrik Üretim A.S.	924	209	11,133	1,715	19,766	(9,424)				
Akenerji Group						(11,403)	(4,260)	4,260	-	-
Jadrová energetická spoločnosť Slovenska, a. s.	1,496	1,486	3,800	12	-	5,284	2,589	-	-	2,589
Bytkomfort, s.r.o.	48	20	207	26	17	212	104	-	135	239
LOMY MOŘINA spol. s r.o.	146	100	251	31	15	351	179	-	-	179

	Revenues and other operating income	Depre-ciation and amorti-zation	Interest income	Interest expense	Income taxes	Net income (loss)	Other compre-hensive income	Total compre-hensive income
Akcez Enerji A.S.	-	-	16	(325)	-	(936)	47	(889)
Sakarya Elektrik Dagitim A.S.	4,593	(42)	200	(434)	(199)	764	(134)	630
Sakarya Elektrik Perakende Satis A.S.	20,124	(69)	211	(18)	(68)	229	(164)	65
Akenerji Elektrik Üretim A.S.	7,125	(485)	44	(1,833)	482	(2,210)	826	(1,384)
Jadrová energetická spoločnosť Slovenska, a. s.	14	(15)	6	-	(1)	(49)	(66)	(115)
Bytkomfort, s.r.o.	255	(24)	-	(1)	(3)	15	-	15
LOMY MOŘINA spol. s r.o.	231	(20)	-	-	(2)	16	-	16

10. Cash and Cash Equivalents, Net

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

	2020	2019
Cash on hand and current accounts with banks	5,492	4,648
Short-term securities	2	1
Term deposits	570	5,108
Allowance to cash and cash equivalents	-	(2)
Total	6,064	9,755

At December 31, 2020 and 2019, cash and cash equivalents included foreign currency deposits of CZK 3,681 million and CZK 3,338 million, respectively.

The weighted average interest rate on short-term securities and term deposits at December 31, 2020 and 2019, was 0.01 % and 1.0%, respectively. For the years 2020 and 2019 the weighted average interest rate was 0.6 % and 1.5%, respectively.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at December 31, 2020 and 2019 (in CZK millions):

	2020	2019
Cash and cash equivalents as a separate line in the balance sheet	6,064	9,755
Cash and cash equivalents attributable to assets classified as held for sale (Note 15)	4,105	2,151
Total	10,169	11,906

11. Trade Receivables, Net

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

	2020	2019
Trade receivables	67,275	69,076
Allowances	(3,627)	(4,046)
Total	63,648	65,030

The information about receivables from related parties is included in Note 36.

Carrying amount of receivables pledged as security for liabilities at December 31, 2020 and 2019, are CZK 67 million and CZK 20 million, respectively.

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

	2020	2019
Not past due	60,544	61,668
Past due:		
Less than 3 months	909	1,483
3–6 months	354	351
6–12 months	330	287
more than 12 months	1,511	1,241
Total	63,648	65,030

Receivables include impairment allowance created by the Group in the same way for all similar receivables that are not individually significant.

The most significant item of receivables overdue for more than 12 months are receivables of the company ČEZ Distribuce, a. s. The company ČEZ Distribuce, a. s. undertakes several litigations concerning the collection of the price component related to the costs of support for the generation of electricity from renewable energy sources and combined generation of electricity and heat in 2013. The management of the company ČEZ Distribuce, a. s. is convinced that in the event of a negative judgment against ČEZ Distribuce in these and similar litigations, the company ČEZ Distribuce will be able to demand the reimbursement of fees and accessories from company OTE, a.s. and in this regard the management is committed to make all necessary actions to ensure that eventual loss in such disputes will not have negative impact on the company ČEZ Distribuce, a. s.

Movements in allowance (in CZK millions):

	2020	2019
Balance as at January 1	(4,046)	(3,976)
Allowances classified as held for sale as at January 1	(1,166)	(1,063)
Additions	(1,930)	(1,654)
Reversals	1,464	1,249
Derecognition of impaired assets	22	199
Transfer to assets held for sale	2,037	1,166
Sale of subsidiaries	12	-
Currency translation differences	(20)	33
Balance as at December 31	(3,627)	(4,046)

12. Materials and Supplies, Net

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

	2020	2019
Gross costs incurred on wind projects in Poland in development	300	326
Allowance to wind projects in Poland	(283)	(309)
Wind projects in Poland in development, net	17	17
Materials	9,429	8,557
Other work in progress	644	495
Other supplies	173	174
Allowance for obsolescence	(365)	(354)
Total	9,898	8,889

13. Emission Rights

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

	2020		2019	
	in thousands tons	in millions CZK	in thousands tons	in millions CZK
Emission rights and credits for own use:				
Emission rights and credits for own use at January 1	53,728	21,011	40,597	9,040
Emission rights granted	2,846	-	685	-
Settlement of emissions with register	(28,364)	(7,401)	(26,818)	(4,996)
Emission rights purchased	12,861	5,520	39,149	16,967
Emission rights sold	(5)	-	(8)	-
Emission credits purchased	3	-	123	1
Disposal of subsidiary Elektrárna Počerady, a.s.	(4,568)	(1,960)	-	-
Reclassification of emission rights [1)]	(2,977)	(1,657)	-	-
Currency translation differences	-	(59)	-	(1)
Emission rights and credits for own use at December 31	33,524	15,454	53,728	21,011
Emission rights and credits held for trading:				
Emission rights and credits held for trading at January 1	22,485	14,002	14,814	9,401
Emission rights purchased	148,341	95,238	74,429	46,518
Emission rights sold	(144,913)	(99,112)	(66,758)	(41,971)
Emission credits purchased	228	13		
Emission credits sold	(59)	(12)		
Reclassification of emission rights [1)]	2,977	1,657	-	-
Fair value adjustment	-	13,054	-	54
Emission rights and credits held for trading at December 31	29,059	24,840	22,485	14,002

[1)] The reclassification is related to the sale of the subsidiary Elektrárna Počerady, a.s..

The composition of emission rights and green and similar certificates at December 31, 2020 and 2019 (in CZK millions):

	2020			2019		
	Non-current	Current	Total	Non-current	Current	Total
Emission rights	2,701	37,593	40,294	9,132	25,881	35,013
Green and similar certificates	-	240	240	2,947	1,148	4,095
Total	2,701	37,833	40,534	12,079	27,029	39,108

Non-current emission rights for own use and non-current green and similar certificates are part of intangible assets (Note 6).

During 2020 and 2019 total emissions of greenhouse gases made by the Group amounted to an equivalent of 23,290 thousand tons and 25,914 thousand tons of CO_2, respectively. At December 31, 2020 and 2019, the Group recognized a provision for CO_2 emissions in total amount of CZK 7,176 million and CZK 6,801 million, respectively (see Notes 2.13 and 20).

14. Other Current Assets, Net

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

	2020	2019
Unbilled electricity and gas supplied to the retail customers	3,019	2,566
Received advances from retail customers	(2,662)	(1,475)
Unbilled supplies to retail customers, net	357	1,091
Gross contract assets based on percentage of completion, net	12,164	11,411
Received billings and advances	(10,568)	(9,198)
Net contract assets	1,596	2,213
Advances paid, net	2,431	2,692
Prepayments	1,170	1,335
Accruals	1,992	2,186
Taxes and fees, excluding income tax	1,373	1,553
Total	8,919	11,070

15. Assets and Associated Liabilities Classified as Held for Sale

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

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

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

As of December 31, 2020, the Group performed an impairment test for any potential impairment loss related to assets held for sale reflecting the contractual sales price of EUR 335 million. As a result of the test, there was an impairment in the amount of CZK 1,810 million, which was presented in the statement of income on the line Impairment of property, plant and equipment and intangible assets (Note 7).

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

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

As of December 31, 2020, the Group performed a test for possible impairment of assets held for sale with regard to the contractual sale price. As at December 31, 2020, an impairment of property, plant and equipment and intangible assets in the amount of CZK 10,837 million was recorded, which was reported in the income statement on the line Impairment of property, plant and equipment and intangible assets (see Note 7).

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

	2020			2019
	Bulgarian companies	Romanian companies	Total	Bulgarian companies
Property, plant and equipment, net	10,148	14,966	25,114	10,539
Intangible assets, net	498	1,784	2,282	461
Other non-current assets	63	1,507	1,570	145
Cash and cash equivalents	2,740	1,365	4,105	2,151
Trade receivables, net	2,871	1,238	4,109	2,875
Another current assets	1,066	2,127	3,193	1,109
Assets classified as held for sale	17,386	22,987	40,373	17,280
Long-term debt, net of current portion	1,173	2,955	4,128	1,357
Non-current provisions	210	1,011	1,221	183
Other long-term financial liabilities	197	9	206	247
Deferred tax liability	103	-	103	247
Short-term loans	37	-	37	170
Current portion of long-term debt	234	321	555	251
Trade payables	2,366	1,014	3,380	2,498
Current provisions	528	319	847	432
Another current liabilities	267	885	1,152	207
Liabilities associated with assets classified as held for sale	5,115	6,514	11,629	5,592
Related non-controlling interests	3,616	-	3,616	3,436
Related currency translation differences (cumulative loss)	(1,408)	(6,345)	(7,753)	(1,627)

The assets and results associated with the assets classified as held for sale are reported in the operating segments Generation – New Energy, Distribution and Sales.

16. Equity

As at December 31, 2020 and 2019, the share capital of the Company registered in the Commercial Register totaled CZK 53,798,975,900 and consisted of 537,989,759 shares with a nominal value of CZK 100 per share. All shares are bearer common shares that are fully paid and listed and do not convey any special rights.

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

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

Treasury shares remaining at end of period are presented at cost as a deduction from equity.

Declared dividends per share before tax were CZK 34 in 2020 and CZK 24 in 2019. Dividends for the year 2020 will be declared at the general meeting, which will be held in the first half of 2021.

Capital Structure Management

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

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

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

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

	2020	2019
Long-term debt	150,843	167,633
Short-term loans	984	4,260
Long-term debt associated with assets classified as held for sale (Note 15)	4,683	1,608
Short-term loans associated with assets classified as held for sale (Note 15)	37	170
Total debt [1)]	156,547	173,671
Less:		
Cash and cash equivalents	(6,064)	(9,755)
Cash and cash equivalents classified as held for sale (Note 15)	(4,105)	(2,151)
Highly liquid financial assets:	,	
Current debt financial assets (Note 5)	(111)	(403)
Non-current debt financial assets (Note 5)	-	(111)
Current term deposits (Note 5)	(2,755)	(3)
Total net debt	143,512	161,248
Income before income taxes and other income (expenses)	12,585	26,429
Depreciation and amortization	28,284	29,016
Impairment of property, plant and equipment and intangible assets	24,062	4,860
Gains and losses on sale of property, plant and equipment (Note 25 and 31)	(148)	(130)
EBITDA	64,783	60,175
Equity attributable to equity holders of the parent	233,871	250,761
Total debt	156,547	173,671
Total capital	390,418	424,432
Net debt to EBITDA ratio	2.22	2.68
Total debt to total capital ratio	40.1%	40.9%

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

17. Long-term Debt

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

	2020	2019
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,505	2,516
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,671	1,679
5.000% Eurobonds, due 2021 (EUR 750 million)	19,872	19,228
4.875% Eurobonds, due 2025 (EUR 750 million)	20,328	19,671
4.500% Eurobonds, due 2020 (EUR 750 million)	-	19,478
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	2,405	2,416
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	1,288	1,287
2.150%*IR CPI Eurobonds, due 2021 (EUR 100 million) [1)]	2,688	2,602
4.102% Eurobonds, due 2021 (EUR 50 million)	1,315	1,273
4.375% Eurobonds, due 2042 (EUR 50 million)	1,314	1,271
4.500% Eurobonds, due 2047 (EUR 50 million)	1,312	1,269
4.383% Eurobonds, due 2047 (EUR 80 million)	2,130	2,062
3.000% Eurobonds, due 2028 (EUR 725 million)	19,713	19,133
0.875% Eurobonds, due 2022 (EUR 500 million)	13,106	12,675
0.875% Eurobonds, due 2026 (EUR 750 million)	19,499	18,847
4.250% U.S. bonds, due 2022 (USD 289 million)	6,226	6,578
5.625% U.S. bonds, due 2042 (USD 300 million)	6,448	6,817
4.500% Registered bonds, due 2030 (EUR 40 million)	1,040	1,006
4.750% Registered bonds, due 2023 (EUR 40 million)	1,092	1,056
4.700% Registered bonds, due 2032 (EUR 40 million)	1,083	1,048
4.270% Registered bonds, due 2047 (EUR 61 million)	1,583	1,531
3.550% Registered bonds, due 2038 (EUR 30 million)	806	780
Total bonds and debentures	127,424	144,223
Less: Current portion	(25,339)	(21,163)
Bonds and debentures, net of current portion	102,085	123,060
Long-term bank loans and lease liabilities:		
Less than 2.00% p. a.	18,385	7,651
2.00% to 2.99% p. a.	2,036	9,458
3.00% to 3.99% p. a.	2,078	2,773
4.00% p. a. and more	920	3,528
Total long-term bank loans and lease liabilities	23,419	23,410
Less: Current portion	(3,402)	(3,900)
Long-term bank loans and lease liabilities, net of current portion	20,017	19,510
Total long-term debt	150,843	167,633
Less: Current portion	(28,741)	(25,063)
Total long-term debt, net of current portion	122,102	142,570

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

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

All long-term debt is recognized in original currencies while the related hedging derivatives are recognized using the method described in Note 2.15.

The overview of long-term debt maturities, is as follows (in CZK millions):

	2020	2019
Within 1 year	28,741	25,063
Between 1 year and 2 years	22,975	26,598
Between 2 and 3 years	6,749	24,790
Between 3 and 4 years	2,594	6,437
Between 4 and 5 years	22,157	1,687
Thereafter	67,627	83,058
Total long-term debt	150,843	167,633

The summary of long-term debt by currency (in millions):

	2020		2019	
	Foreign currency	CZK	Foreign currency	CZK
EUR	4,799	125,944	5,426	137,875
USD	593	12,675	592	13,395
JPY	31,720	6,581	31,716	6,611
PLN	310	1,783	390	2,326
RON	-	-	650	3,455
HUF	-	-	117	9
CZK	-	3,860	-	3,962
Total long-term debt		150,843		167,633

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

	2020	2019
Floating rate long-term debt		
with interest rate fixed to 1 month	30	13
with interest rate fixed from 1 to 3 months	2,689	5,467
with interest rate fixed from 3 months to 1 year	6,693	8,622
With interest rate fixed for more than 1 year	17	-
Total floating rate long-term debt	9,429	14,102
Fixed rate long-term debt	141,414	153,531
Total long-term debt	150,843	167,633

Fixed rate long-term debt exposes the Group to the risk of changes in fair values of these financial instruments. For related fair value information and risk management policies of all financial instruments see Note 18 and Note 19.

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

	Debt	Other financial liabilities	Other long-term liabilities	Other current financial assets, net	Total liabilities / assets from financing activities
Amount at December 31, 2018	160,966	125,341	31	(93,303)	
Less: Liabilities / assets from other than financing activities	-	(124,175)	-	93,274	
Adoption of IFRS 16	5,987	-	-	-	
Liabilities / assets from financing at January 1, 2019	166,953	1,166	31	(29)	168,121
Cash flows	5,570	(13,626)	-	3	(8,053)
Additions of leases	293	-	-	-	293
Foreign exchange movement	(61)	(18)	-	-	(79)
Changes in fair values	(1,453)	-	-	-	(1,453)
Acquisition of subsidiaries	286	-	-	-	286
Liabilities associated to assets classified as held for sale	71	1	-	-	72
Declared dividends	-	12,831	-	-	12,831
Other	234	12	-	-	246
Liabilities / assets arising from financing activities at December 31, 2019	171,893	366	31	(26)	172,264
Liabilities / assets arising from other than financing activities	-	72,521	-	(61,088)	
Total amount on balance sheet at December 31, 2019	171,893	72,887	31	(61,114)	
Less: Liabilities / assets from other than financing activities	-	72,521	-	(61,088)	
Liabilities / assets from financing at January 1, 2020	171,893	366	31	(26)	172,264
Cash flows	(21,404)	(18,022)	-	(4)	(39,430)
Additions and modifications of leases	289	-	-	-	289
Foreign exchange movement	(932)	14	1	-	(917)
Changes in fair values	5,106	-	-	-	5,106
Acquisition of subsidiaries	195	-	-	-	195
Disposal of subsidiaries	(105)	-	-	-	(105)
Liabilities associated to assets classified as held for sale	(2,942)	(23)	-	-	(2,965)
Declared dividends	-	18,199	-	-	18,199
Other	(273)	14	-	-	(259)
Liabilities / assets arising from financing activities at December 31, 2020	151,827	548	32	(30)	152,377
Liabilities / assets arising from other than financing activities	-	80,980	2	(61,864)	
Total amount on balance sheet at December 31, 2020	151,827	81,528	34	(61,894)	

The column Debt consists of balance sheet items Long-term debt, net of current portion, Current portion of long-term debt and Short-term loans. In terms of financing activities, item Other financial liabilities consists of dividend payable and other financial liabilities (short-term and long-term including short-term portion), item Other long-term liabilities consists especially of long-term deposits and received advanced payments, item Other current financial assets, net consists of advanced payments to dividend administrator.

18. Fair Value of Financial Instruments

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

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

Cash, Cash Equivalents and Short-term Investments

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

Securities Held for Trading

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

Non-current Debt and Equity Financial Assets

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

Short-term Receivables and Payables

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

Short-term Borrowings

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

Long-term Debt

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

Derivatives

The fair value of derivatives corresponds to their market value.

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

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current assets at amortized cost:				
Other financial receivables	1,786	1,786	688	688
Receivables from sale of subsidiaries, associates and joint-ventures	2,349	2,349	-	-
Investment in finance lease	261	261	305	305
Debt financial assets	-	-	10	10
Non-current assets at fair value through other comprehensive income:				
Restricted debt financial assets	19,206	19,206	16,119	16,119
Debt financial assets	-	-	101	101
Equity financial assets	1,768	1,768	2,711	2,711
Non-current assets at fair value through profit or loss:				
Equity financial assets	1,750	1,750	1,468	1,468
Current assets at amortized cost:				
Term deposits	2,755	2,755	3	3
Other financial receivables	987	987	56	56
Receivables from sale of subsidiaries, associates and joint-ventures	2,012	2,012	-	-
Investment in finance lease	51	51	48	48
Debt financial assets	10	10	-	-
Current assets at fair value through other comprehensive income:				
Debt financial assets	101	101	403	403

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

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	(150,843)	(164,135)	(167,633)	(179,164)
Other long-term financial liabilities	(233)	(233)	(1,952)	(1,952)
Short-term loans	(984)	(984)	(4,260)	(4,260)
Other short-term financial liabilities	(353)	(353)	(343)	(343)

Carrying amounts and the estimated fair values of derivatives and liabilities recognized at fair value at December 31, 2020 and 2019, are as follows (in CZK millions):

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities from put options held by non-controlling interests	(340)	(340)	(1,083)	(1,083)
Contingent consideration from the acquisition of subsidiaries	(399)	(399)	(325)	(325)
Cash flow hedges:				
Short-term receivables	284	284	1,064	1,064
Long-term receivables	2,864	2,864	4,732	4,732
Short-term liabilities	(301)	(301)	(939)	(939)
Long-term liabilities	(7,776)	(7,776)	(5,464)	(5,464)
Commodity derivatives:				
Short-term receivables	54,858	54,858	59,225	59,225
Short-term liabilities	(70,168)	(70,168)	(61,733)	(61,733)
Other derivatives:				
Short-term receivables	836	836	315	315
Long-term receivables	224	224	908	908
Short-term liabilities	(1,104)	(1,104)	(172)	(172)
Long-term liabilities	(854)	(854)	(876)	(876)

18.1. Fair Value Hierarchy

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

Level 1: Measured at fair value using the market prices of identical assets and liabilities quoted in active markets.

Level 2: Measured at fair value using methods under which significant inputs are directly or indirectly derived from data observable in active markets.

Level 3: Measured at fair value using methods under which significant inputs are not derived from data observable in active markets.

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

At December 31, 2020, the Group transferred liabilities from put options held by non-controlling interests and contingent consideration from the acquisition of subsidiaries from the level 2 to level 3. There were no transfers between the levels of financial instruments at fair value in 2019.

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

Assets measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	54,858	3,422	51,436	-
Cash flow hedges	3,148	38	3,110	-
Other derivatives	1,060	10	1,050	-
Restricted debt securities	19,206	19,206	-	-
Debt financial assets at fair value through other comprehensive income	101	101	-	-
Equity financial assets at fair value through profit or loss	1,750	-	-	1,750
Equity financial assets at fair value through other comprehensive income	1,768	-	-	1,768

Liabilities measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	(70,168)	(4,116)	(66,052)	-
Cash flow hedges	(8,077)	(1,281)	(6,796)	-
Other derivatives	(1,958)	(519)	(1,439)	-
Liabilities from put options held by non-controlling interests	(340)	-	-	(340)
Contingent consideration from the acquisition of subsidiaries	(399)	-	-	(399)

Assets and liabilities for which fair values are disclosed:

	Total	Level 1	Level 2	Level 3
Term deposits	2,755	-	2,755	-
Other financial receivables	2,773	-	2,773	-
Receivables from sale of subsidiaries, associates and joint-ventures	4,361	-	4,361	-
Debt financial assets	10	-	10	-
Investment in finance lease	312	-	312	-
Long-term debt	(164,135)	(114,370)	(49,765)	-
Short-term loans	(984)	-	(984)	-
Other financial liabilities	(586)	-	(586)	-

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

Assets measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	59,225	1,413	57,812	-
Cash flow hedges	5,796	696	5,100	-
Other derivatives	1,223	3	1,220	-
Restricted debt securities	16,119	16,119	-	-
Debt financial assets at fair value through other comprehensive income	504	504	-	-
Equity financial assets at fair value through profit or loss	1,468	-	-	1,468
Equity financial assets at fair value through other comprehensive income	2,711	-	-	2,711

Liabilities measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	(61,733)	(5,193)	(56,540)	-
Cash flow hedges	(6,403)	(1,122)	(5,281)	-
Other derivatives	(1,048)	(15)	(1,033)	-
Liabilities from put options held by non-controlling interests	(1,083)	-	(1,083)	-
Contingent consideration from the acquisition of subsidiaries	(325)	-	(325)	-

Assets and liabilities for which fair values are disclosed:

	Total	Level 1	Level 2	Level 3
Term deposits	3	-	3	-
Other financial receivables	744	-	744	-
Debt financial assets	10	-	10	-
Investment in finance lease	353	-	353	-
Long-term debt	(179,164)	(131,473)	(47,691)	-
Short-term loans	(4,260)	-	(4,260)	-
Other financial liabilities	(2,295)	-	(2,295)	-

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

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

	Equity financial assets at fair value through profit or loss	Equity financial assets at fair value through other comprehensive income
Balance at January 1, 2019	2,139	3,055
Additions	230	3
Disposals	(962)	-
Revaluation	61	(347)
Balance at December 31, 2019	1,468	2,711
Additions	315	103
Disposals	(256)	-
Revaluation	223	(1,046)
Balance at December 31, 2020	1,750	1,768

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

Equity financial assets at fair value through profit or loss include investments of the CEZ Group's investment fund in the company Inven Capital, SICAV, a.s. (Note 5). The fair value of the investments included in this portfolio at 31 December 2020 and 2019, was determined by a valuation expert. The determination of fair value takes into consideration, in particular, capital contributions and to other forms of financing made by the co-investors recently. In addition, the valuation takes into account further development and eventual subsequent significant events, such as received bids for redemption.

The fair value of the contingent consideration was determined based on present value of future cash flows, which the Group expects to pay in connection with the acquisition of the subsidiary and is assessed internally by management. The amount of the payment dependents on future financial results of the acquired company.

The liability from put option held by the non-controlling interests is measured as the present value of the amount payable on exercise of the option.

18.2. Offsetting of Financial Instruments

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

	2020		2019	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Derivatives	59,066	(80,198)	66,244	(69,184)
Other financial instruments [1]	45,500	(41,633)	43,151	(40,984)
Collaterals paid (received) [2]	1,919	(2,452)	1,182	(683)
Gross financial assets / liabilities	106,485	(124,283)	110,577	(110,851)
Assets / liabilities set off under IAS 32	-	-	-	-
Amounts presented in the balance sheet	106,485	(124,283)	110,577	(110,851)
Effect of master netting agreements	(98,385)	98,385	(93,251)	93,251
Net amount after master netting agreements	8,100	(25,898)	17,326	(17,600)

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

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

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

The information about offset of unbilled electricity supplied to retail customers with advances received is included in Note 14 and 23. The information about offset of construction contracts and related billings and advances received is included in Note 14.

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

19. Financial Risk Management

Risk Management Approach

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

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

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

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

Risk Management Organization

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

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

Overview and Methods of Risk Management

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

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

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

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

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

- Market risks: financial (currency, interest and stock price) risks, commodity prices (electricity, emission allowances, coal, gas, crude oil), volume (volume of electricity produced by wind power plants)
- Credit risks: financial and business counterparty risk and electricity, gas and heat end customer risk
- Operational risks: risks of nuclear and fossil power plants operation in the Czech Republic, investment risks.

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

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

19.1. Qualitative Description of Risks Associated with Financial Instruments

Commodity Risks

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

Market Financial Risks (currency, interest and stock price risks)

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

Credit Risks

With respect to the Group's activities managed on a centralized level, credit exposures of individual financial partners and wholesale partners are managed in accordance with individual credit limits. The individual limits are set and continuously updated according to the counterparty's credibility (in accordance with international rating and internal financial evaluation of counterparties with no international rating).

With respect to the electricity sales to end customers in the Czech Republic, the actual credibility is monitored for each business partner based on payment history (in addition, the financial standing is considered for selected partners). This credibility determines the payment conditions of partners (i.e. it indirectly determines an amount of an approved credit exposure) and also serves to quantify both the expected and the potential losses.

The Group’s maximum exposure to credit risk to receivables and other financial instruments as at December 31, 2019 and 2018 is the carrying value of each class of financial assets except for financial guarantees. Credit risk from balances with banks and financial institutions is managed by the Group’s risk management department in cooperation with Group’s treasury department in accordance with the Group’s policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

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

Liquidity Risks

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

19.2. Quantitative Description of Risks Associated with Financial Instruments

Commodity Risks

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

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

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

	2020	2019
Monthly VaR (95%) – impact of changes in commodity prices	4,512	2,361

Currency Risks

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

- the indicator of currency risk is defined as the monthly VaR (95% confidence)
- for the calculation of VaR, based on volatility and internal correlations of each considered currency, the method of historical simulation VaR is applied to 90 daily historical time series
- the relevant currency position is defined mainly as a discounted value of foreign currency cash flows from all contracted financial instruments, from expected foreign currency operational revenues and costs in 2020 and from highly probable forecasted foreign currency revenues, costs or capital expenditures that are being hedged by financial instruments etc.
- the relevant currency positions reflect all significant foreign-currency flows of the Group companies in the monitored basket of foreign currencies
- the source of market FX and interest rate data is mainly IS Reuters and IS Bloomberg
- the indicator VaR illustrates mainly the impact of revaluation of above-mentioned currency position to statement of income.

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

	2020	2019
Monthly currency VaR (95% confidence)	302	122

Interest Risks

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

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

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

	2020	2019
IR sensitivity* to parallel yield curve shift (+10bp)	(4)	(6)

* Negative result denotes higher increase in interest costs than in interest revenues.

Credit Exposure

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

	2020	2019
Guarantees off balance sheet provided to joint-ventures *	959	1,317

* Some of the guarantees could be called until June 2026 at the latest.

The guarantees provided relate to bank loans. The beneficiary may claim the guarantee only upon failure to comply with certain conditions of loans. The companies whose liabilities are the subject to the guarantees currently comply with their obligations.

Liquidity Risk

Contractual maturities of undiscounted payments of financial liabilities as at December 31, 2020 (in CZK millions):

	Loans	Bonds and debentures	Trade payables and other financial liabilities	Derivatives [1)]	Guarantees issued [2)]
Due in 2021	4,598	29,619	73,741	538,968	2,226
Due in 2022	3,894	22,249	481	101,495	-
Due in 2023	2,236	7,402	58	33,211	-
Due in 2024	2,753	2,587	14	104,842	-
Due in 2025	2,655	22,234	160	850	-
Thereafter	9,911	74,721	203	27,856	-
Total	26,047	158,812	74,657	807,222	2,226

Contractual maturities of undiscounted payments of financial liabilities as at December 31, 2019 (in CZK millions):

	Loans	Bonds and debentures	Trade payables and other financial liabilities	Derivatives [1)]	Guarantees issued [2)]
Due in 2020	8,511	26,229	66,586	431,118	2,679
Due in 2021	4,690	27,057	3,002	75,296	-
Due in 2022	5,863	22,122	274	25,772	-
Due in 2023	1,945	7,331	37	4,074	-
Due in 2024	1,840	2,541	47	946	-
Thereafter	7,745	95,220	-	28,120	-
Total	30,594	180,500	69,946	565,326	2,679

1) Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Group will receive corresponding consideration. For fair values of derivatives see Note 18.
2) Maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

The committed credit facilities available to the Group as at December 31, 2020 and 2019, amounted to CZK 35.3 billion and CZK 26.9 billion, respectively. In addition, in December 2019, the Company signed a committed loan facility agreement with the European Investment Bank to support financing of the distribution grid renewal and further development program in the Czech Republic up to EUR 330 million. As at December31, 2020, EUR 100 million had not been drawn from this loan facility agreement, as at December 31, 2019, the loan facility agreement had not been drawn at all.

19.3. Hedge Accounting

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

The Group also hedges cash flows arising from highly probable future sales of electricity in the Czech Republic from 2021 to 2025. The relevant hedging instruments are the futures and forward contracts electricity sales in Germany. The fair value of these derivative hedging instruments amounted to CZK (4,023) million and CZK (1,302) million at December 31, 2020 and 2019, respectively.

In 2020 and 2019, the amounts removed from equity in respect of cash flow hedges were recognized in profit or loss and included in the lines Sales of electricity, heat, gas and coal, Gains and losses from commodity derivative trading, Other financial expenses and Other financial income and on the balance sheet in the lines Intangible assets, net and Emission rights. In 2020 and 2019, the Group recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK 371 million and CZK 503 million, respectively. The ineffectiveness in 2020 and 2019 was primarily caused by the fact that the hedged cash flows are no more highly probable to occur.

20. Provisions

The following table provides an overview of provisions as at December 31, 2020 and 2019 (in CZK millions):

	2020			2019		
	Non-current	Current	Total	Non-current	Current	Total
Nuclear provisions	89,344	2,368	91,712	73,563	2,199	75,762
Provision for reclamation of mines and mining damages	9,516	235	9,751	9,138	234	9,372
Provision for waste storage reclamation	607	52	659	729	78	807
Provision for CO_2 emissions (Note 13)	-	7,176	7,176	-	6,801	6,801
Provision for obligation in case of claim from guarantee for Akcez group loans	-	1,267	1,267	-	1,362	1,362
Other provisions	5,986	2,597	8,583	6,082	3,579	9,661
Total	105,326	13,665	118,991	89,512	14,253	103,765

20.1. Nuclear Provisions

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

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

The Group has established provisions for estimated future expenses on nuclear decommissioning and interim storage and permanent disposal of spent nuclear fuel in accordance with the principles described in Note 2.24. The following is a summary of the provisions for the years ended December 31, 2020 and 2019 (in CZK millions):

	Accumulated provisions			
	Nuclear decommis-sioning	Spent fuel storage		Total
		Interim	Long-term	
Balance at January 1, 2019	23,779	7,638	32,229	63,646
Discount accretion and effect of inflation	611	191	806	1,608
Provision charged in profit or loss	-	487	-	487
Effect of change in estimate recognized in profit or loss	-	979	-	979
Effect of change in estimate added to (deducted from) fixed assets	10,478	-	865	11,343
Current cash expenditures	-	(638)	(1,663)	(2,301)
Balance at December 31, 2019	34,868	8,657	32,237	75,762
Discount accretion and effect of inflation	766	191	709	1,666
Provision charged in profit or loss	-	618	-	618
Effect of change in estimate recognized in profit or loss	-	253	-	253
Effect of change in estimate added to fixed assets	3,382	-	12,056	15,438
Current cash expenditures	-	(374)	(1,652)	(2,026)
Balance at December 31, 2020	39,016	9,345	43,350	91,711

The current cash expenditures for the long-term storage of spent nuclear fuel represent payments to the state controlled nuclear account and the expenditures for interim storage represent mainly the purchase of interim fuel storage containers and other related equipment.

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

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

The actual decommissioning and spent fuel storage costs could vary substantially from the above estimates because of new regulatory requirements, changes in technology, increased costs of labor, materials and equipment and/or the actual time required to complete all decommissioning, disposal and storage activities.

20.2. Provision for Mine Reclamation and Mining Damages and Waste Storage Reclamation

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

	Mine reclamation and damages	Waste storage
Balance at January 1, 2019	8,602	705
Discount accretion and effect of inflation	204	18
Provision charged in profit or loss	131	-
Effect of change in estimate added to fixed assets	748	133
Current cash expenditures	(313)	(49)
Balance at December 31, 2019	9,372	807
Discount accretion and effect of inflation	198	18
Provision charged in profit or loss	101	-
Effect of change in estimate added to fixed assets	366	163
Current cash expenditures	(286)	(34)
Reversal of provision	-	(3)
Disposal of subsidiary Elektrárna Počerady, a.s.	-	(292)
Balance at December 31, 2020	9,751	659

The provision for decommissioning and reclamation of mines and mining damages was recorded by Severočeské doly a.s., a mining subsidiary of ČEZ. Severočeské doly a.s. operates open pit coal mines and is responsible for decommissioning and reclamation of the mines as well as for damages caused by the operations of the mines. These provisions have been calculated using the best estimates of the expenditures required to settle the present obligation at the balance sheet date. Current cash expenditures represent cash payments for current reclamation of mining area and settlement of mining damages. Change in estimate represents change in provision as result of updated cost estimates in the current period, mainly due to changes in expected prices of reclamation activities.

21. Other Financial Liabilities

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

	2020		
	Long-term liabilities	Short-term liabilities	Total
Payables from non-current assets purchase	32	-	32
Other	201	353	554
Financial liabilities at amortized cost	233	353	586
Cash flow hedge derivatives	7,776	301	8,077
Commodity and other derivatives	854	71,272	72,126
Liabilities from put options held by non-controlling interests	340	-	340
Contingent consideration from the acquisition of subsidiaries	211	188	399
Financial liabilities at fair value	9,181	71,761	80,942
Total	9,414	72,114	81,528

	2019		
	Long-term liabilities	Short-term liabilities	Total
Payables from non-current assets purchase	123	-	123
Payables from purchase of emission rights held for trading	1,757	-	1,757
Other	72	343	415
Financial liabilities at amortized cost	1,952	343	2,295
Cash flow hedge derivatives	5,463	939	6,402
Commodity and other derivatives	877	61,905	62,782
Liabilities from put options held by non-controlling interests	1,083	-	1,083
Contingent consideration from the acquisition of subsidiaries	325	-	325
Financial liabilities at fair value	7,748	62,844	70,592
Total	9,700	63,187	72,887

Short-term payables arising from purchase of non-current assets and emission rights held for trading are included in the line Trade payables.

22. Short-term Loans

The overview of short-term loans at December 31, 2020 and 2019,is as follows (in CZK millions):

	2020	2019
Short-term bank and other loans	961	4,253
Bank overdrafts	23	7
Total	984	4,260

Short-term loans bear interest at variable interest rates. The weighted average interest rate was 0,7% at December 31, 2020 and 2019. For the years 2020 and 2019 the weighted average interest rate was 1.7% and 2%, respectively.

23. Other Short-term Liabilities

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

	2020	2019
Advances received from retail customers	20,777	20,927
Unbilled electricity and gas supplied to retail customers	(19,133)	(18,452)
Received advances from retail customers, net	1,644	2,475
Taxes and fees, except income tax	2,695	3,238
Other advances received	1,785	1,299
Deferred income	355	439
Other contract liability	280	93
Total	6,759	7,544

24. Leases

24.1. Group as a Lessee

The Group has lease contracts for various items of offices, cars, buildings and land used to place its own electricity and heat production facilities, and in some cases leases the entire production factory. Leases of cars generally have lease terms between 1 to 8 years, while buildings and lands between 4 to 21 years.

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

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

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

The amounts of lease liability are presented under Debt (see Note 17).

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

	2020	2019
Payments of principal	852	787
Payments of interests	145	165
Lease payments not included in valuation of lease liability	134	119
Total cash outflow for leases	1,131	1,071

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

	2020	2019
Expense relating to short-term leases	97	108
Expense relating to low-value assets	9	4
Variable lease payments not included in valuation of lease liability	28	7
Depreciation charge for right-of-use assets	784	778
Interest expenses	168	174

Next year, the Group expects to pay lease payments that are not included in valuation of lease liability to be similar to the year 2020.

24.2. Group as a Lessor

Finance Lease

The most significant lease under finance lease is the lease of assets for electricity and heat production directly at the customer.

The following table sets out a maturity analysis of investment in finance lease, showing the undiscounted lease payments to be received after the reporting date (in CZK millions):

	2020	2019
Up to 1 year	55	59
Between 1 year and 2 years	55	60
Between 2 and 3 years	50	54
Between 3 and 4 years	47	51
Between 4 and 5 years	39	46
Thereafter	115	145
Total undiscounted investment in finance lease	361	415
Unearned finance income	(49)	(62)
Net investment in the lease	312	353

The Group recognized interest income on lease receivables of CZK 13 million and CZK 14 million at December 31, 2020 and 2019, respectively.

Operating Lease

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

Rental income recognized by the Group during 2020 and 2019 was CZK 206 million and CZK 200 million, respectively. In the following years, the Group expects rental income to be similar to the year 2020.

25. Revenues and Other Operating Income

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

	2020	2019
Sales of electricity:		
Sales of electricity to end customers	51,298	49,620
Sales of electricity through energy exchange	2,220	742
Sales of electricity to traders	38,966	39,913
Sales to distribution and transmission companies	598	250
Other sales of electricity	27,779	28,083
Effect of hedging – presales of electricity (Note 19.3)	(2,396)	(9,662)
Effect of hedging – currency risk hedging (Note 19.3)	277	1,302
Total sales of electricity	118,742	110,248
Sales of gas, coal and heat:		
Sales of gas	7,088	7,968
Sales of coal	3,949	4,400
Sales of heat	8,236	7,802
Total sales of gas, coal and heat	19,273	20,170
Total sales of electricity, heat, gas and coal	138,015	130,418
Sales of services and other revenues:		
Distribution services	44,925	44,778
Other services	24,514	24,153
Rental income	206	200
Revenues from goods sold	862	1,110
Other revenues	1,000	1,122
Total sales of services and other revenues	71,507	71,363
Other operating income:		
Granted green and similar certificates	1,313	1,144
Contractual fines and interest fees for delays	446	474
Gain on sale of property, plant and equipment	152	147
Gain on sale of material	123	126
Other	2,181	2,520
Total other operating income	4,215	4,411
Total revenues and other operating income	213,737	206,192

The Group drew in 2020 and 2019 grants related to income in the amount of CZK 529 million and CZK 491 million, respectively. Grants related to income are included in Other operating income in item Other.

Revenues from contracts with customers for the years ended December 31, 2020 and 2019, were CZK 211,435 million and CZK 209,941 million, respectively, and can be linked to the above figures as follows (in CZK million):

	2020	2019
Sales of electricity, heat, gas and coal	138,015	130,418
Sales of services and other revenues	71,507	71,363
Total revenues	209,522	201,781
Adjustments:		
Effect of hedging – presales of electricity	2,396	9,662
Effect of hedging – currency risk hedging	(277)	(1,302)
Rental income	(206)	(200)
Revenues from contracts with customers	211,435	209,941

The Group assumes, that in the following periods it will recognize in the profit and loss statement revenues related to unsatisfied obligations from construction contracts in these amounts (in CZK million):

	2020	2019
Within 1 year	11,237	9,504
More than 1 year	2,959	2,253
Total	14,196	11,757

26. Gains and Losses from Commodity Derivative Trading

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

	2020	2019
Electricity derivative trading:		
Sales – domestic	14,042	18,997
Sales – foreign	251,503	290,588
Purchases – domestic	(9,983)	(18,467)
Purchases – foreign	(245,347)	(291,464)
Changes in fair value of derivatives	(6,613)	8,359
Total gains from electricity derivative trading	3,602	8,013
Other commodity derivative trading:		
Gain (loss) from gas derivative trading	1,086	(513)
Gain from oil derivative trading	7	6
Loss from coal derivative trading	(1,894)	(298)
Gain from emission rights derivative trading	3,321	402
Total gains and losses from commodity derivative trading	6,122	7,610

27. Purchase of Electricity, Gas and Other Energies

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

	2020	2019
Purchase of electricity for resale	(47,719)	(46,583)
Purchase of gas for resale	(5,709)	(6,539)
Purchase of other energies	(2,907)	(2,423)
Total purchase of electricity, gas and other energies	(56,335)	(55,545)

28. Fuel and Emission Rights

The composition of fuel and emission rights for the years ended December 31, 2020 and 2019, is as follows (in CZK millions):

	2020	2019
Consumption of fossil energy fuel and biomass	(6,807)	(6,939)
Amortization of nuclear fuel	(4,197)	(4,096)
Consumption of gas	(2,939)	(3,717)
Emission rights for generation	(9,319)	(6,605)
Total fuel and emission rights	(23,262)	(21,357)

29. Services

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

	2020	2019
Transmission grid services for distribution of electricity	(5,684)	(5,544)
Other distribution services	(1,809)	(2,964)
Repairs and maintenance	(5,467)	(5,734)
Other services	(17,187)	(16,989)
Total services	(30,147)	(31,231)

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

30. Salaries and Wages

Salaries and wages for the years ended December 31, 2020 and 2019, were as follows (in CZK millions):

	2020		2019	
	Total	Key management personnel [1]	Total	Key management personnel [1]
Salaries and wages including remuneration of the board members	(22,318)	(260)	(20,852)	(251)
Share options	-	-	(38)	(38)
Social and health security	(6,421)	(45)	(6,064)	(47)
Other personal expenses	(2,116)	(18)	(1,866)	(14)
Total	(30,855)	(323)	(28,820)	(350)

[1] Key management personnel represent members of Supervisory Board, Audit Committee and Board of Directors of the parent company and selected managers of departments with group field of activity. The remuneration of former members of company bodies is also included in personal expenses.

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

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

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

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

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

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

2) In 2020 and 2019, the weighted average market share price at the date of the exercise for the options exercised was CZK 508.00 and CZK 542.81, respectively.

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

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

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

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

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

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

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

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

31. Other Operating Expenses

Other operating expenses for the years ended December 31, 2020 and 2019 consist of the following (in CZK millions):

	2020	2019
Change in provisions	1,952	1,005
Taxes and fees	(3,219)	(3,256)
Cost of goods sold	(569)	(778)
Consumption of guarantees of origin and green and similar certificates	(1,231)	(1,766)
Insurance	(814)	(739)
Costs related to trading of commodities	(435)	(415)
Gifts	(397)	(349)
Bad debt expense	(499)	(210)
Loss on sale of property, plant and equipment	(4)	(17)
Other	(1,443)	(2,357)
Total	(6,659)	(8,882)

Taxes and fees include the contributions to the nuclear account (see Note 20.1). The settlement of the provision for long-term spent fuel storage is accounted for at the amount of contributions to nuclear account. Settlement of provision for long-term spent fuel storage is included in Change in provisions.

32. Interest Income

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

	2020	2019
Debt financial assets designated at fair value through other comprehensive income	226	228
Bank accounts	94	126
Loans and receivables	45	41
Debt financial assets at amortized cost	-	7
Financial assets and liabilities at fair value through profit or loss	12	1
Total	377	403

33. Other Financial Expenses

Other financial expenses for the years ended December 31, 2020 and 2019, consist of the following (in CZK millions):

	2020	2019
Derivative losses	(609)	(199)
Foreign exchange rate loss	(1)	(315)
Creation and settlement of provision	(21)	(26)
Loss on revaluation of equity financial assets	(97)	(90)
Other	(234)	(183)
Total	(962)	(813)

34. Other Financial Income

Other financial income for the years ended December 31, 2020 and 2019, consist of the following (in CZK millions):

	2020	2019
Interest related to the refunded overpayment of gift tax on emission rights	1,463	-
Foreign exchange rate gain	1,243	-
Gain from revaluation of financial assets	320	151
Derivative gains	22	77
Dividend income	10	140
Gain on disposal of subsidiaries, associates and joint-ventures	87	3
Gain on sales of debt financial assets	19	33
Other	211	257
Total	3,375	661

35. Income Taxes

Companies resident in the Czech Republic calculated corporate income tax in accordance with the Czech tax regulations at the rate of 19% in 2020 and 2019. Management believes that it has adequately provided for tax liabilities in the accompanying financial statements. However, it cannot be ruled out that the relevant tax authorities may take a different view on issues allowing for different interpretations of the law, which could have an impact on the reported income.

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

	2020	2019
Current income tax charge	(3,496)	(4,100)
Adjustments in respect of current income tax of previous periods	(47)	(19)
Deferred income taxes	1,105	208
Total	(2,438)	(3,911)

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

	2020	2019
Income before income taxes	7,906	18,411
Statutory income tax rate in Czech Republic	19%	19%
"Expected" income tax expense	(1,502)	(3,498)
Tax effect of:		
Non-deductible expenses related to shareholdings	23	6
Goodwill and other non-current assets impairment	(498)	(244)
Share of profit (loss) from associates and joint-ventures	36	3
Adjustments in respect of current income tax of previous periods	(47)	(19)
Effect of different tax rate in other countries	(147)	115
Change in unrecorded deferred tax asset	(769)	11
Provisions	-	(155)
Dividend income	2	27
Interest on arrears from the gift tax of emission rights	278	-
Other already taxed, tax exempt or non-deductible items, net	186	(157)
Income taxes	(2,438)	(3,911)
Effective tax rate	31%	21%

Deferred income taxes, net at December 31, 2020 and 2019, consist of the following (in CZK millions):

	2020	2019
Nuclear provisions	15,296	12,422
Financial statement depreciation in excess of tax depreciation	1,943	2,149
Revaluation of financial instruments	2,011	737
Allowances	2,047	1,245
Other provisions	3,192	3,327
Lease liabilities	919	853
Tax loss carry forwards	1,170	1,597
Other temporary differences	647	633
Unrecorded deferred tax asset	(1,042)	(818)
Total deferred tax assets	26,183	22,145
Tax depreciation in excess of financial statement depreciation	(39,570)	(36,254)
Revaluation of financial instruments	(154)	(101)
Other provisions	(351)	(402)
Right-of-use assets	(863)	(816)
Investment in finance lease	(85)	(96)
Other temporary differences	(3,715)	(3,621)
Total deferred tax liability	(44,738)	(41,290)
Total deferred tax liability, net	(18,555)	(19,145)
Reflected in the balance sheet as follows:		
Deferred tax assets	828	1,481
Deferred tax liability	(19,383)	(20,626)
Total deferred tax liability, net	(18,555)	(19,145)

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

	2020	2019
Balance at January 1	19,145	15,430
Deferred tax classified as held for sale as of January 1	103	164
Deferred tax recognized in profit or loss	(1,105)	(208)
Deferred tax recognized in other comprehensive income	(1,153)	3,626
Acquisition of subsidiaries	12	248
Disposal of subsidiaries	63	-
Currency translation differences	33	(12)
Deferred tax classified as held for sale as of December 31	1,457	(103)
Balance at December 31	18,555	19,145

At December 31, 2020 and 2019, the aggregate amount of temporary differences associated with investments in subsidiaries, for which no deferred tax liability was recognized, amounted to CZK 7,734 million and CZK 24,617 million, respectively.

Tax effects relating to individual items of other comprehensive income (in CZK millions):

	2020			2019		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
Change in fair value of cash flow hedges	(8,198)	1,558	(6,640)	10,891	(2,069)	8,822
Cash flow hedges reclassified to statement of income	2,916	(554)	2,362	8,253	(1,568)	6,685
Change in fair value of debt instruments	277	(50)	227	326	(60)	266
Disposal of debt instruments	(1)	-	(1)	(7)	1	(6)
Change in fair value of equity instruments	(1,046)	200	(846)	(347)	67	(280)
Translation differences – subsidiaries	980	-	980	(1,337)	-	(1,337)
Translation differences – associates and joint-ventures	191	-	191	21	-	21
Disposal of translation differences	3	-	3	-	-	-
Share on other equity movements of associates and joint-ventures	(5)	-	(5)	(8)	-	(8)
Re-measurement gains (losses) on defined benefit plans	(46)	(1)	(47)	(48)	3	(45)
Total	(4,929)	1,153	(3,776)	17,744	(3,626)	14,118

36. Related Parties

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

At December 31, 2020 and 2019, the receivables from related parties and payables to related parties are as follows (in CZK millions):

	Receivables		Payables	
	2020	2019	2020	2019
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	-	-	29	10
Elevion Co-Investment GmbH & Co. KG	1	-	71	80
GP JOULE PP1 GmbH & Co. KG	14	6	-	-
in PROJEKT LOUNY ENGINEERING s.r.o.	15	7	15	3
LOMY MOŘINA spol. s r.o.	45	1	32	27
Socrates Windprojekt GmbH & Co. KG [1)]	-	111	-	-
Výzkumný a zkušební ústav Plzeň s.r.o.	10	86	11	5
Other	23	25	15	19
Total	108	236	173	144

[1)] Company was related party till August 31, 2020.

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

	Sales to related parties		Purchases from related parties	
	2020	2019	2020	2019
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	4	-	25	102
Bytkomfort, s.r.o.	74	-	3	-
in PROJEKT LOUNY ENGINEERING s.r.o.	41	23	33	18
LOMY MOŘINA spol. s r.o.	43	10	219	194
Teplo Klášterec s.r.o.	58	57	-	-
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	27	27	3	3
Výzkumný a zkušební ústav Plzeň s.r.o.	4	5	20	8
Výzkumný ústav pro hnědé uhlí a.s.	1	2	16	18
Other	44	23	10	17
Total	296	147	329	360

Dividend income, interest and other financial income from related parties for the relevant financial year (in CZK millions):

	Interest and other financial income		Dividend income	
	2020	2019	2020	2019
Akcez Enerji A.S.	13	24	-	-
Bytkomfort, s.r.o.	-	-	8	2
LOMY MOŘINA spol. s r.o.	-	-	4	5
Sakarya Elektrik Dagitim A.S.	5	6	-	-
Výzkumný ústav pro hnědé uhlí a.s.	-	-	4	5
Other	2	6	4	4
Total	20	36	20	16

Information about compensation of key management personnel is included in Note 30. Information about guarantees provided to joint-ventures is included in Note 19.2.

37. Segment Information

The Group reports its result using six primary reportable operating segments in 2020 and 2019:

- Generation – Traditional Energy
- Generation – New Energy
- Distribution
- Sales
- Mining
- Support Services

The segments are defined across the countries that CEZ Group operates. Segment is a functionally autonomous part of CEZ Group that forms a separate process 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 EBITDA (see Note 16).

The following tables summarize segment information by operating segments for the years ended December 31, 2020 and 2019 (in CZK millions):

Year 2020:	Generation – Traditional Energy	Generation – New Energy	Distribution	Sales	Mining	Support Services	Combined	Elimination	Consolidated
Revenues and other operating income – other than intersegment	66,913	6,067	44,621	90,789	4,281	1,066	213,737	-	213,737
Revenues and other operating income – intersegment	34,874	1,269	586	6,806	4,697	4,170	52,402	(52,402)	-
Total revenues and other operating income	101,787	7,336	45,207	97,595	8,978	5,236	266,139	(52,402)	213,737
Thereof:									
Sales of electricity, heat, gas and coal	92,978	5,692	33	74,886	7,980	1,142	182,711	(44,696)	138,015
Sales of services and other revenues	6,445	122	44,693	22,151	936	3,987	78,334	(6,827)	71,507
Other operating income	2,364	1,522	481	558	62	107	5,094	(879)	4,215
EBITDA	29,260	4,629	21,502	4,644	3,429	1,316	64,780	3	64,783
Depreciation and amortization	(14,189)	(1,778)	(6,907)	(1,487)	(2,695)	(1,228)	(28,284)	-	(28,284)
Impairment of property, plant and equipment and intangible assets	(6,376)	(6,276)	(7,682)	(493)	(3,270)	35	(24,062)	-	(24,062)
EBIT	8,716	(3,417)	6,951	2,670	(2,508)	170	12,582	3	12,585
Interest on debt and provisions	(6,521)	(224)	(933)	(385)	(204)	(51)	(8,318)	1,094	(7,224)
Interest income	1,017	151	67	67	42	127	1,471	(1,094)	377
Share of profit (loss) from associates and joint-ventures	(22)	1	122	125	(38)	-	188	-	188
Income taxes	(1,287)	451	(1,452)	(504)	403	(49)	(2,438)	-	(2,438)
Net income	13,617	(2,819)	4,412	1,986	(2,186)	568	15,578	(10,110)	5,468
Identifiable assets	252,269	14,690	110,289	7,004	20,465	5,655	410,372	-	410,372
Investment in associates and joint-ventures	2,653	246	-	285	892	-	4,076	-	4,076
Unallocated assets									288,010
Total assets									702,458
Capital expenditure	10,705	427	14,869	1,160	3,307	969	31,437	(278)	31,159
Average number of employees	10,311	195	9,070	6,741	4,594	793	31,704	-	31,704

Year 2019:	Generation – Traditional Energy	Generation – New Energy	Distribution	Sales	Mining	Support Services	Combined	Elimination	Consolidated
Revenues and other operating income – other than intersegment	61,498	6,346	43,151	86,557	4,882	3,758	206,192	-	206,192
Revenues and other operating income – intersegment	36,864	368	632	7,013	6,099	4,781	55,757	(55,757)	-
Total revenues and other operating income	98,362	6,714	43,783	93,570	10,981	8,539	261,949	(55,757)	206,192
Thereof:									
Sales of electricity, heat, gas and coal	89,362	5,240	32	69,774	9,541	4,078	178,027	(47,609)	130,418
Sales of services and other revenues	6,593	108	43,224	23,055	1,383	4,345	78,708	(7,345)	71,363
Other operating income	2,407	1,366	527	741	57	116	5,214	(803)	4,411
EBITDA	25,633	4,100	20,553	3,561	4,991	1,347	60,185	(10)	60,175
Depreciation and amortization	(15,167)	(1,881)	(6,669)	(1,340)	(2,763)	(1,196)	(29,016)	-	(29,016)
Impairment of property, plant and equipment and intangible assets	(3,182)	1,041	(2,754)	(1)	22	14	(4,860)	-	(4,860)
EBIT	7,291	3,261	11,165	2,242	2,280	200	26,439	(10)	26,429
Interest on debt and provisions	(6,777)	(219)	(821)	(357)	(211)	(103)	(8,488)	1,122	(7,366)
Interest income	775	174	176	164	108	128	1,525	(1,122)	403
Share of profit (loss) from associates and joint-ventures	(24)	1	(90)	123	8	-	18	-	18
Income taxes	(550)	(156)	(2,218)	(468)	(454)	(65)	(3,911)	-	(3,911)
Net income	11,859	3,136	7,259	1,636	1,862	696	26,448	(11,948)	14,500
Identifiable assets	249,324	27,712	116,132	6,616	22,612	5,692	428,088	-	428,088
Investment in associates and joint-ventures	2,589	235	-	280	179	-	3,283	-	3,283
Unallocated assets									273,203
Total assets									704,574
Capital expenditure	10,759	682	13,709	1,530	2,306	1,088	30,074	(285)	29,789
Average number of employees	9,934	166	9,008	6,574	4,789	1,101	31,572	-	31,572

Prices in certain intersegment transactions are regulated by the Energy Regulatory Office (see Note 1).

The following table shows the split of revenues and other operating income by the location of the entity where the revenues are originated (in CZK million):

	2020	2019
Czech Republic	148,801	138,324
Bulgaria	19,854	18,339
Romania	16,658	16,379
Germany	13,804	13,704
Poland	8,771	10,148
Other	5,849	9,298
Total revenues and other operating income	213,737	206,192

The following table shows the split of property, plant and equipment by the location of entity which they belong to at December 31, 2020 and 2019 (in CZK million):

	2020	2019
Czech Republic	399,469	388,917
Romania	12	24,431
Germany	7,712	7,987
Poland	1,361	5,265
Other	1,818	1,488
Total property, plant and equipment	410,372	428,088

38. Net Income per Share

	2020	2019
Numerator (CZK millions)		
Basic and diluted:		
Net income attributable to equity holders of the parent	5,438	14,373
Denominator (thousands shares)		
Basic:		
Weighted average shares outstanding	535,468	535,255
Dilutive effect of share options	13	119
Diluted:		
Adjusted weighted average shares	535,481	535,374
Net income per share (CZK per share)		
Basic	10.2	26.9
Diluted	10.2	26.8

39. Commitment and Contingencies

Investment Plans

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

2021	38.7
2022	39.3
2023	36.9
2024	39.6
2025	38.5
Total	193.0

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

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

Insurance Matters

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

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

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

Daniel Beneš
Chairman of Board of Directors

Martin Novák
Member of Board of Directors