CEZ GROUP

CONSOLIDATED FINANCIAL STATEMENTS

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

(Translation of Consolidated Financial Statements Originally Issued in Czech)

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2022

In CZK Millions

	Note	2022	2021 (adjusted*)
ASSETS:			
Plant in service		903,545	856,198
Less accumulated depreciation and impairment		(505,564)	(487,211)
Net plant in service		397,981	368,987
Nuclear fuel, at amortized cost		11,993	13,096
Construction work in progress, net		25,145	21,009
Total property, plant and equipment	3	435,119	403,092
Investments in associates and joint-ventures	9	3,743	3,916
Restricted financial assets, net	4	21,561	20,804
Other non-current financial assets, net	5	16,715	11,805
Intangible assets, net	6	24,423	23,854
Deferred tax assets	34	50,432	10,719
Total other non-current assets		116,874	71,098
Total non-current assets		551,993	474,190
Cash and cash equivalents, net	10	36,609	26,640
Trade receivables, net	11	167,346	137,405
Income tax receivable		896	397
Materials and supplies, net	12	23,790	13,372
Fossil fuel stocks, net		1,551	574
Emission rights	13	29,668	19,534
Other current financial assets, net	5	278,509	497,295
Other current assets, net	14	17,018	13,674
Total current assets		555,387	708,891
Total assets		1,107,380	1,183,081

* Some figures were adjusted due to the final valuation of Belectric Group companies at fair value on the date of acquisition and do not correspond to the amounts stated in the consolidated financial statements as of December 31, 2021 (see Note 2.3.3).

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2022

continued

	Note	2022	2021 (adjusted)*
EQUITY AND LIABILITIES:			
Stated capital		53,799	53,799
Treasury shares		(1,334)	(1,423)
Retained earnings and other reserves		206,421	108,722
Total equity attributable to equity holders of the parent	15	258,886	161,098
Non-controlling interests	9	1,375	1,742
Total equity		260,261	162,840
Long-term debt, net of current portion	16	140,234	95,925
Provisions	19	146,094	117,072
Other long-term financial liabilities	20	39,618	35,219
Deferred tax liability	34	13,768	12,962
Other long-term liabilities		31	32
Total non-current liabilities		339,745	261,210
Short-term loans	21	53,056	25,310
Current portion of long-term debt	16	8,856	16,655
Trade payables		84,713	85,928
Income tax payable		16,525	2,248
Provisions	19	30,923	18,281
Other short-term financial liabilities	20	294,631	601,027
Other short-term liabilities	22	18,670	9,582
Total current liabilities		507,374	759,031
Total equity and liabilities		1,107,380	1,183,081

* Some figures were adjusted due to the final valuation of Belectric Group companies at fair value on the date of acquisition and do not correspond to the amounts stated in the consolidated financial statements as of December 31, 2021 (see Note 2.3.3).

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

CEZ GROUP
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

In CZK Millions

	Note	2022	2021
Sales of electricity, heat, gas and coal		205,688	157,493
Sales of services and other revenues		75,365	67,329
Other operating income		7,432	2,971
Total revenues and other operating income	24	288,485	227,793
Gains and losses from commodity derivative trading	25	41,150	(4,468)
Purchase of electricity, gas and other energies	26	(69,634)	(62,669)
Fuel and emission rights	27	(45,409)	(24,555)
Services	28	(31,931)	(29,044)
Salaries and wages	29	(33,915)	(30,591)
Material and supplies		(15,036)	(11,017)
Capitalization of expenses to the cost of assets and change in own inventories		4,445	4,285
Depreciation and amortization	3, 6	(32,757)	(31,628)
Impairment of property, plant and equipment and intangible assets	7	2,864	(15,799)
Impairment of trade and other receivables		(377)	602
Other operating expenses	30	(5,958)	(6,811)
Income before other income (expenses) and income taxes		101,927	16,098
Interest on debt		(5,013)	(4,206)
Interest on provisions		(2,861)	(2,014)
Interest income	31	3,804	431
Share of profit (loss) from associates and joint-ventures	9	897	(534)
Impairment of financial assets		(519)	(449)
Other financial expenses	32	(5,211)	(659)
Other financial income	33	6,599	4,759
Total other income (expenses)		(2,304)	(2,672)
Income before income taxes		99,623	13,426
Income taxes	34	(18,918)	(3,517)
Net income		80,705	9,909
Net income attributable to:			
Equity holders of the parent		80,786	9,791
Non-controlling interests		(81)	118
Net income per share attributable to equity holders of the parent (CZK per share):	37		
Basic		150.5	18.3
Diluted		150.5	18.3

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, 2022

In CZK Millions

	Note	2022	2021
Net income		80,705	9,909
Change in fair value of cash flow hedges		(82,058)	(85,679)
Cash flow hedges reclassified to statement of income		87,751	11,479
Cash flow hedges reclassified to assets		403	-
Change in fair value of debt instruments		(1,359)	(1,869)
Disposal of debt instruments		(1)	(12)
Translation differences – subsidiaries		(412)	(1,284)
Translation differences – associates and joint-ventures		(140)	37
Disposal of translation differences		(14)	8,238
Share on other equity movements of associates and joint-ventures		(56)	59
Deferred tax related to other comprehensive income	34	39,189	14,458
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		43,303	(54,573)
Change in fair value of equity instruments		111	(795)
Re-measurement gains (losses) on defined benefit plans		12	6
Deferred tax related to other comprehensive income	34	(405)	151
Net other comprehensive income not to be reclassified from equity in subsequent periods		(282)	(638)
Total other comprehensive income, net of tax		43,021	(55,211)
Total comprehensive income, net of tax		123,726	(45,302)
Total comprehensive income attributable to:			
Equity holders of the parent		123,840	(45,259)
Non-controlling interests		(114)	(43)

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, 2022

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, 2021		53,799	(2,845)	(11,777)	(7,110)	874	(1,022)	201,952	233,871	4,692	238,563
Net income		-	-	-	-	-	-	9,791	9,791	118	9,909
Other comprehensive income		-	-	7,152	(60,102)	(1,521)	(644)	65	(55,050)	(161)	(55,211)
Total comprehensive income		-	-	7,152	(60,102)	(1,521)	(644)	9,856	(45,259)	(43)	(45,302)
Dividends		-	-	-	-	-	-	(27,873)	(27,873)	(150)	(28,023)
Sale of treasury shares		-	1,422	-	-	-	-	(762)	660	-	660
Exercised and forfeited share options		-	-	-	-	-	(55)	55	-	-	-
Acquisition of subsidiaries	8	-	-	-	-	-	-	-	-	32	32
Acquisition of non-controlling interests	8	-	-	-	-	-	-	(69)	(69)	5	(64)
Disposal of non-controlling interests	8	-	-	1	-	-	-	31	32	811	843
Disposal of subsidiaries	8	-	-	-	-	-	-	-	-	(3,606)	(3,606)
Put options held by non-controlling interests		-	-	(13)	-	-	-	(251)	(264)	1	(263)
Balance as at December 31, 2021		53,799	(1,423)	(4,637)	(67,212)	(647)	(1,721)	182,939	161,098	1,742	162,840

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, 2022

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, 2022		53,799	(1,423)	(4,637)	(67,212)	(647)	(1,721)	182,939	161,098	1,742	162,840
Change of accounting policy	2.3.1	-	-	-	-	-	-	(342)	(342)	-	(342)
Balance as at January 1, 2022 (adjusted)		53,799	(1,423)	(4,637)	(67,212)	(647)	(1,721)	182,597	160,756	1,742	162,498
Net income		-	-	-	-	-	-	80,786	80,786	(81)	80,705
Other comprehensive income		-	-	(534)	44,954	(1,028)	(295)	(43)	43,054	(33)	43,021
Total comprehensive income		-	-	(534)	44,954	(1,028)	(295)	80,743	123,840	(114)	123,726
Dividends		-	-	-	-	-	-	(25,727)	(25,727)	(23)	(25,750)
Sale of treasury shares		-	89	-	-	-	-	(47)	42	-	42
Exercised and forfeited share options		-	-	-	-	-	(4)	4	-	-	-
Acquisition of subsidiaries	8	-	-	-	-	-	-	-	-	36	36
Acquisition of non-controlling interests	8	-	-	-	-	-	-	(52)	(52)	(306)	(358)
Put options held by non-controlling interests		-	-	(6)	-	-	-	33	27	40	67
Balance as at December 31, 2022		53,799	(1,334)	(5,177)	(22,258)	(1,675)	(2,020)	237,551	258,886	1,375	260,261

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, 2022

In CZK Millions

	Note	2022	2021
OPERATING ACTIVITIES:			
Income before income taxes		99,623	13,426
Adjustments of income before income taxes to cash generated from operations:			
Depreciation and amortization	3, 6	32,757	31,628
Amortization of nuclear fuel	3	3,907	4,110
(Gains) and losses on non-current asset retirements		(92)	(507)
Foreign exchange rate loss (gain)		4,432	(686)
Interest expense, interest income and dividend income		1,195	3,765
Provisions		11,557	4,844
Impairment of property, plant and equipment and intangible assets	7	(2,864)	15,799
Other non-cash expenses and income		85,508	(38,481)
Share of (profit) loss from associates and joint-ventures	9	(897)	534
Changes in assets and liabilities:			
Receivables and contract assets		(38,091)	(78,918)
Materials, supplies and fossil fuel stocks		(11,095)	(2,466)
Receivables and payables from derivatives		(166,580)	23,034
Other assets		(16,292)	70,381
Trade payables		(1,391)	17,619
Other liabilities		9,194	2,662
Cash from operations		10,871	66,744
Income taxes paid		(5,409)	(3,550)
Interest paid, net of capitalized interest		(4,158)	(4,415)
Interest received		3,761	364
Dividends received		27	13
Net cash flow from operating activities		5,092	59,156
INVESTING ACTIVITIES:			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	8	(1,864)	(3,051)
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of	8	(12)	28,770
Additions to non-current assets, including capitalized interest		(33,948)	(32,226)
Proceeds from sale of non-current assets		918	468
Loans made		(37)	(305)
Repayment of loans		468	320
Change in restricted financial assets		(2,237)	(1,094)
Total cash used in investing activities		(36,712)	(7,118)

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, 2022

continued

	Note	2022	2021
FINANCING ACTIVITIES:			
Proceeds from borrowings		301,606	313,886
Payments of borrowings		(232,276)	(321,466)
Payments of lease liabilities	23	(709)	(692)
Proceeds from other long-term liabilities		71	229
Payments of other long-term liabilities		(76)	(198)
Dividends paid to Company's shareholders		(25,626)	(27,813)
Dividends paid to non-controlling interests		(23)	(150)
Sale of treasury shares		42	660
(Acquisition) and sale of non-controlling interests, net		(358)	744
Total cash used in financing activities		42,651	(34,800)
Net effect of currency translation and allowances in cash		(1,062)	(767)
Net increase in cash and cash equivalents		9,969	16,471
Cash and cash equivalents at beginning of period		26,640	10,169
Cash and cash equivalents at end of period	10	36,609	26,640

Supplementary cash flow information:

Total cash paid for interest		4,449	4,714

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

CEZ GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2022

CONTENT:

CEZ GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2022

1. The Company

ČEZ, a. s. (ČEZ or the Company), company reg. No. 45274649, is a Czech Republic joint-stock company, owned 69.8% (69.9% of voting rights) at December 31, 2022 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are held by legal persons and individuals and they are traded on stock exchange markets in Prague and Warsaw. The address of the Company's registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic.

The Company is a parent company of the CEZ Group (the Group, see Note 9). CEZ Group is a vertically integrated energy group that is among the largest economic entities in the Czech Republic and Central Europe. The main business of the Group is the generation, distribution, trade and sale in the field of electricity and heat, coal mining, trading in commodities and providing of complex energy services, distribution, trade and sale in the field of natural gas and providing of telecommunications services.

The main point of the Group's value relates to emission-free mainly nuclear electricity generation and to the distribution and sale of electricity and heat in the Czech Republic. CEZ Group supplies energy and modern energy solutions to millions of customers in the Czech Republic, Germany, Poland and Slovakia. Outside Central Europe, it operates mainly in France, Italy, the Netherlands and Austria. The average number of employees of the Company and its subsidiaries included in the consolidation was 27,372 and 28,697 in 2022 and 2021, respectively.

The CEZ Group's business environment is significantly affected by regulation and legislation at the level of the European Union and in the individual countries in which the CEZ Group operates. 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 "VISION 2030 – Clean Energy of Tomorrow" strategy is focused on the dynamic transformation of the generation portfolio to low-emission one and the achievement of full climate neutrality already by 2040. The strategy includes a commitment to end the generation of heat from coal and fundamentally limit the generation of electricity from coal by 2030. In areas of distribution and sales, the basic goal is to provide the most advantageous energy solutions and the best customer experience on the market.

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 of accounting policies below.

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

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 ("bargain purchase gain"), 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 or in the item Provisions, 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 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 2022

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 EU as of January 1, 2022:

IAS 16 Property, Plant and Equipment (Amendments)
By applying those IASB amendments the Group is prohibited from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced by this asset before it is put into use. Instead, a company recognizes such sales proceeds and related cost in profit or loss. The application of those amendments did not have significant impact to the Group's financial statements.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)
The 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. The amendments clarify that it is necessary to evaluate full costs directly attributable to the fulfilling of onerous contracts (not incremental costs). By applying of those amendments, the Group disclosed the provision for onerous contract at the company CEZ Skawina S.A. in the amount of CZK 342 million. Consistently with IAS 37, the cumulative effect of the application of those amendments was booked to the opening balance of equity as of January 1, 2022.

IFRS 3 Business Combinations (Amendments)
The target of those amendments is to update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly changing the accounting requirements for business combinations. The application of those amendments did not have significant impact to the Group's financial statements.

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. The application of those amendments did not have significant impact to the Group's financial statements.

2.3.2. 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, 2023 or later.

IFRS 17: Insurance Contracts
This standard was originally supposed to be binding from the accounting period beginning January 1, 2021. The IASB on its session in March 2020 decided to postpone the binding validity from January 1, 2023. Earlier application of the standard is permitted under the condition that the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. The Group does not conclude contracts in scope of IFRS 17 and therefore the Group does not expect any significant impact of this standard to the Group's financial statements.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (Amendments)
The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. Those amendments are not expected to have a significant impact on the Group's financial statements.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)
The amendments become effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. Those amendments are not expected to have a significant impact on the Group's financial statements.

IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments)
The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. If the payments that settle the liability are deductible for tax purposes, it depends on the assessment of the relevant tax legislation whether they will be attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. Those amendments are not expected to have a significant impact on the Group's financial statements.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)
The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement and defines the requirement for this right to exist at the end of the reporting period. The amendments also specify that management's intention or counterparty's option do not affect current or non-current classification of the liability, which would result in the settlement by the transfer of the entity's own equity instruments. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU. Those amendments are not expected to have a significant impact on the Group's financial statements.

IFRS 16 Leases: Lease Liability in a Sale and Leaseback (Amendments)
The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognizing, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being this the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments have not yet been endorsed by the EU. Those amendments are not expected to have a significant impact on the Group's financial statements.

Amendments in 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 those amendments indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Those amendments are not expected to have a significant impact on the Group's financial statements.

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

2.3.3. Change of Reported Data for 2021 Year-end

The Group adjusted a final recognition of the acquisition of the companies of Belectric Group, specifying the fair values of the identifiable assets and liabilities of the acquisition as at the acquisition date of December 16, 2021.

Quantification of the above-mentioned relevant effect on reported amounts as at December 31, 2021 is provided by the following table (in CZK millions):

CONSOLIDATED BALANCE SHEET:	December 31, 2021 original	Adjustment of Belectric acquisition	December 31, 2021 adjusted
Plant in service	856,189	9	856,198
Net plant in service	368,978	9	368,987
Total property, plant and equipment	403,083	9	403,092
Intangible assets, net	23,677	177	23,854
Total other non-current assets	70,921	177	71,098
Total non-current assets	474,004	186	474,190
Trade receivables, net	137,432	(27)	137,405
Total current assets	708,918	(27)	708,891
Total assets	1,182,922	159	1,183,081
Long-term debt, net of current portion	95,924	1	95,925
Deferred tax liability	12,839	123	12,962
Total non-current liabilities	261,086	124	261,210
Current portion of long-term debt	16,647	8	16,655
Income tax payable	2,249	(1)	2,248
Current provisions	18,253	28	18,281
Total current liabilities	758,996	35	759,031
Total equity and liabilities	1,182,922	159	1,183,081

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 19.1), provisions for reclamation of mines, mining damages and waste storage reclamation (see Note 19.2), provision for demolition and dismantling of fossil-fuel power plants (see Note 19.2), unbilled electricity and gas (see Note 2.6), fair value of commodity contracts (see Notes 2.16 and 17), financial derivatives (see Notes 2.15

and 17), incremental borrowing rate and lease terms to measure lease liability (see Notes 2.28 and 23) and deferred tax calculation (see Notes 2.22 and 34).

The most significant changes in estimates in 2022 related to the provision for nuclear decommissioning and provision for demolition and dismantling of fossil-fuel power plants due to updating the amount and scope of decommissioning costs, determining the recoverable amount of financial assets and estimation of expected income tax rate during the years 2023–2025 due to windfall tax.

In 2021, there were significant changes in some estimates in connection with the adoption of the accelerated strategy VISION 2030 – Clean Energy of Tomorrow, which takes into account the EU's decarbonization vision and sets out specific ambitions in the area of social responsibility and sustainable development. The most significant changes in estimates in 2021 concerned the shortening of the expected remaining useful life of coal-fired power plants (see Note 2.9), the determination of the provisions for demolition and dismantling of fossil-fuel power plants, the shortening of the expected life of coal mining and the related shortening of the expected remaining useful life of mining assets.

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.

In the case of construction contracts, where an asset is being created or appreciated for a certain period and the customer controls this asset at the time of its creation or appreciation, revenues are recognized over time. 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 as of December 31, 2022, is determined as follows:

	Useful lives (years)
Buildings and structures	10–60
Machinery and equipment	4–36
Vehicles	4–34
Furniture and fixtures	4–15

Depreciation periods, residual values, and depreciation methods are annually reviewed and adjusted as appropriate. In 2021, the expected remaining useful life of the assets of coal-fired plants was reduced by 7–10 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 spent 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 income 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 3–25 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 that were purchased with the intention of covering greenhouse gas emissions in the reporting period. The provision for released emissions exceeding such rights 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 for the purpose of trading. The portfolio of emission rights 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 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 (a) amortized cost, at (b) 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 loss 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 (a) amortized cost and at (b) 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

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 income 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 income. 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 and that do not hedge cash flows 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 income item Gains and losses from commodity derivative trading.

Changes in the fair values of commodity contracts that are within the scope of IFRS 9 and that hedge 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 income in the item Gains and losses from commodity derivative trading.

Subsequently, in accordance with the description in Note 2.15.2, 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 commodity contract 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 expected transaction is closed and then recognized in the statement of income. If the expected transaction is no longer likely to occur, the cumulative gain or loss, originally recognized in other comprehensive income, is transferred to profit or loss.

2.17. 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 a 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, the current income tax at December 31, 2022 and 2021, respectively was calculated from income before tax in accordance with Czech accounting regulations, adjusted for some items that are nondeductible or nontaxable for tax purposes, using a rate of 19%. The company will be burdened by an increased tax rate, so called windfall tax, in the period of 2023–2025 (see Note 34). During this period, the taxable income of the Company (above the tax base derived from average tax base from 2018–2021 increased by 20%) will be taxed by 60%. Expected tax rate in the Czech Republic from 2026 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 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 income 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 19.1).

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 2.0% and 0.3% per annum as at December 31, 2022 and 2021, 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 income in the line item Interest expense on provisions. The effect of the expected rate of inflation is estimated at 2.8% and 2.0% as at December 31, 2022 and 2021, respectively.

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 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 a provision for obligations to decommission and reclaim (see Note 19.2). The provision recognized represents the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such estimate, expressed at the price level at the date of estimate, are discounted at December 31, 2022 and 2021, using an estimated long-term real interest rate to take into account the timing of payments in amount of 2.0% and 0.3% 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. The effect of the expected rate of inflation is estimated at 2.8% and 2.0% as at December 31, 2022 and 2021, respectively.

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. Provision for Demolition and Dismantling of Fossil-fuel Power Plants

The Group has recognized a provision for demolition and dismantling of fossil-fuel power plants after their decommissioning (see Note 19.2). The provisions were created in 2021 in connection with the deepening of decarbonization targets at the EU level and in connection with updating the Group’s strategy and signing up to accelerate the decarbonization of the generation portfolio within the “VISION 2030 – Clean Energy of Tomorrow”. The provision created corresponds to the best estimate of the expenditures required to settle the present obligation at the balance sheet date. The estimate, expressed in the price level at the date of estimate, is discounted using an estimated real interest rate of 0.8% and (0.4)% per annum as at December 31, 2022 and 2021, respectively, in order to take into account the timing of expenditures. Initial discounted costs are capitalized as part of property, plant and equipment and then depreciated over the period during which coal power plants will generate electricity. The provision is updated annually with regard to the estimated inflation rate and the real interest rate. These expenses are recognized in the statement of income in the line item Interest on provisions. The effect of the expected rate of inflation is estimated at 4.0% and 2.0% as at December 31, 2022 and 2021, respectively.

Although the Group has made the best estimate of the amount of provision for demolition and dismantling of fossil-fuel power plants, 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 provision 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.

2.27. Exploration for and Evaluation of Mineral Resources

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

2.28. 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.

2.28.1. 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 a right to use the underlying assets. Lease payments for short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

a) Lease Liability

At the commencement date of a lease, the 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	2–27
Buildings	2–46
Vehicles, machinery and equipment	3–42
Inventory and other tangible assets	6–17

2.28.2. 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, increased by any unguaranteed residual value of the leased asset at the end of the lease, which is not conditioned by future cash flow. 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.

2.29. Share-based Payments

Members of the Board of Directors and selected managers are in the new long-term bonus program since January 1, 2020 (Note 29). The amount of the bonus is partially based on the value of the Company's shares and it is settled in cash. The expense and related liability are recognized when the services are provided to the Group and in the fair value of the expected cash-settled transactions. The liability is subsequently revalued at fair value for each reporting period and at the settlement date, with any changes in fair value being reported in the relevant period in the statement of income in the line Salaries and wages.

2.30. 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 income on the sale, issue, or cancellation of treasury shares. Consideration received is recognized in financial statements as a direct increase in equity.

2.31. 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 Note 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, 2022 and 2021:

	2022	2021
CZK per 1 EUR	24.115	24.860
CZK per 1 USD	22.616	21.951
CZK per 1 PLN	5.152	5.408
CZK per 1 BGN	12.330	12.711
CZK per 1 RON	4.873	5.023
CZK per 100 JPY	17.152	19.069
CZK per 1 TRY	1.208	1.631
CZK per 1 GBP	27.200	29.585
CZK per 100 HUF	6.015	6.734

2.32. 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, 2022 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, 2022	308,372	534,273	13,553	856,198	22,193	22,937	901,328
Additions	611	1,264	55	1,930	72	31,466	33,468
Disposals	(1,649)	(8,815)	(19)	(10,483)	(4,086)	(334)	(14,903)
Bring into use	13,849	11,126	65	25,040	2,407	(27,447)	-
Acquisition of subsidiaries	659	542	323	1,524	-	63	1,587
Disposal of subsidiaries	(2)	(2)	-	(4)	-	-	(4)
Change in capitalized part of provisions	18,259	11,251	746	30,256	-	-	30,256
Reclassification and other	31	20	(40)	11	-	(3)	8
Currency translation differences	(261)	(640)	(26)	(927)	-	(58)	(985)
Cost at December 31, 2022	339,869	549,019	14,657	903,545	20,586	26,624	950,755
Accumulated depreciation and impairment at January 1, 2022	(148,253)	(333,920)	(5,038)	(487,211)	(9,097)	(1,928)	(498,236)
Depreciation and amortization of nuclear fuel [1)]	(10,970)	(19,784)	(201)	(30,955)	(3,582)	-	(34,537)
Net book value of assets disposed	(563)	(252)	(5)	(820)	-	-	(820)
Disposals	1,649	8,815	7	10,471	4,086	26	14,583
Disposal of subsidiaries	1	1	-	2	-	5	7
Reclassification and other	(46)	(17)	14	(49)	-	64	15
Impairment losses recognized	(12)	(463)	-	(475)	-	(105)	(580)
Impairment losses reversed	887	1,489	428	2,804	-	450	3,254
Currency translation differences	205	454	10	669	-	9	678
Accumulated depreciation and impairment at December 31, 2022	(157,102)	(343,677)	(4,785)	(505,564)	(8,593)	(1,479)	(515,636)
Total property, plant and equipment at December 31, 2022	182,767	205,342	9,872	397,981	11,993	25,145	435,119

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 325 million.

The overview of property, plant and equipment, net at December 31, 2021 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, 2021	290,602	526,143	10,907	827,652	22,646	21,510	871,808
Additions	361	720	90	1,171	-	29,056	30,227
Disposals	(808)	(5,437)	(112)	(6,357)	(3,590)	(411)	(10,358)
Bring into use	12,238	11,663	84	23,985	3,137	(27,122)	-
Acquisition of subsidiaries	296	300	1	597	-	13	610
Derecognition due to loss of control [1)]	(187)	(196)	(10)	(393)	-	(4)	(397)
Change in capitalized part of provisions	6,159	2,091	2,637	10,887	-	-	10,887
Reclassification and other	74	(63)	-	11	-	(29)	(18)
Currency translation differences	(363)	(948)	(44)	(1,355)	-	(76)	(1,431)
Cost at December 31, 2021	308,372	534,273	13,553	856,198	22,193	22,937	901,328
Accumulated depreciation and impairment at January 1, 2021	(134,894)	(314,060)	(2,079)	(451,033)	(8,949)	(1,454)	(461,436)
Depreciation and amortization of nuclear fuel [2)]	(10,110)	(19,751)	(176)	(30,037)	(3,738)	-	(33,775)
Net book value of assets disposed	(33)	(288)	(47)	(368)	-	-	(368)
Disposals	808	5,437	61	6,306	3,590	212	10,108
Derecognition due to loss of control [1)]	56	78	-	134	-	-	134
Reclassification and other	(90)	(482)	6	(566)	-	563	(3)
Impairment losses recognized	(4,316)	(5,528)	(2,818)	(12,662)	-	(1,277)	(13,939)
Impairment losses reversed	58	77	3	138	-	12	150
Currency translation differences	268	597	12	877	-	16	893
Accumulated depreciation and impairment at December 31, 2021	(148,253)	(333,920)	(5,038)	(487,211)	(9,097)	(1,928)	(498,236)
Total property, plant and equipment at December 31, 2021	160,119	200,353	8,515	368,987	13,096	21,009	403,092

1) In 2021, the Group reclassified its investment in the company Tepelné hospodářství města Ústí nad Labem s.r.o. to the investment in the joint-venture. As a result of losing control, the assets of the company Tepelné hospodářství města Ústí nad Labem s.r.o. were derecognized.

2) 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 371 million.

In 2022 and 2021, a composite depreciation rate of plant in service was 3.6% and 3.6%, respectively.

As at December 31, 2022 and 2021, capitalized interest costs amounted to CZK 338 million and CZK 289 million, respectively, and the interest capitalization rate was 3.2% and 3.3%, respectively.

Group's plant in service pledged as security for liabilities at December 31, 2022 and 2021, is CZK 12,939 million and CZK 12,495 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 at December 31, 2022 and 2021, the construction work in progress includes the preparation of new nuclear power sources of CZK 3,676 million and CZK 3,275 million, respectively.

The Group drew in 2022 and 2021 grants related to the property, plant and equipment in the amount of CZK 95 million and CZK 92 million, respectively. In 2021, the Group recognized a reversal of a previous draw of grant in the amount of CZK 375 million.

Group as a Lessee

Set out below are the carrying amounts and other information at December 31, 2022 and for the year ended 2022, respectively, about right-of-use assets recognized in total property, plant and equipment (in CZK millions):

	2022			
	Buildings	Plant and equipment	Land and other	Total plant in service
Additions of right-of-use assets	411	422	27	860
Depreciation charge for right-of-use assets	(477)	(169)	(69)	(715)
Carrying amount as at December 31	2,234	662	792	3,688

Set out below are the carrying amounts and other information at December 31, 2021 and for the year ended 2021, respectively, about right-of-use assets recognized in total property, plant and equipment (in CZK millions):

	2021			
	Buildings	Plant and equipment	Land and other	Total plant in service
Additions of right-of-use assets	247	214	66	527
Depreciation charge for right-of-use assets	(420)	(162)	(75)	(657)
Carrying amount as at December 31	2,423	490	894	3,807

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, 2022	273	45	797	1,115
Carrying amount as at December 31, 2021	275	44	804	1,123

4. Restricted Financial Assets, Net

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

	2022	2021
Czech government bonds	19,245	18,159
Cash in banks, net	2,316	2,645
Total restricted financial assets, net	21,561	20,804

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, 2022 and 2021 is as follows (in CZK millions):

	2022			2021		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Term deposits	-	100	100	-	-	-
Other financial receivables	2,728	31	2,759	2,156	288	2,444
Receivables from sale of subsidiaries, associates and joint-ventures	-	2,450	2,450	2,399	-	2,399
Investment in finance lease	200	46	246	211	44	255
Total financial assets at amortized cost	2,928	2,627	5,555	4,766	332	5,098
Equity financial assets – investments in Inven Capital, SICAV, a.s., ČEZ sub-funds	3,840	-	3,840	2,538	441	2,979
Commodity and other derivatives	446	262,159	262,605	212	495,139	495,351
Total financial assets at fair value through profit or loss	4,286	262,159	266,445	2,750	495,580	498,330
Veolia Energie ČR, a.s.	709	-	709	599	-	599
Other equity financial assets	178	-	178	343	-	343
Total equity financial assets	887	-	887	942	-	942
Fair value of cash flow hedge derivatives	8,612	3,971	12,583	3,347	884	4,231
Investments in progress	2	-	2	-	-	-
Debt financial assets	-	9,752	9,752	-	499	499
Total financial assets at fair value through other comprehensive income	9,501	13,723	23,224	4,289	1,383	5,672
Total	16,715	278,509	295,224	11,805	497,295	509,100

The following table analyses the value of receivables from commodity and other derivatives by the period of delivery as at December 31, 2022 and 2021 and the year to year development (in CZK millions):

	2022	2021	Year to year change
Delivery in 2021	-	5,473	(5,473)
Delivery in 2022	3,019	423,868	(420,849)
Delivery in 2023	203,890	59,751	144,139
Delivery in 2024	48,826	5,769	43,057
Delivery in 2025 and thereafter	6,870	490	6,380
Total commodity and other derivatives	262,605	495,351	(232,746)

The balance of derivatives comprises mainly the positive fair values of commodity trading contracts. The decrease of receivables from commodity and other derivatives in 2022 is caused mainly due to physical delivery of the commodity or by financial settlement. Year to year decrease is also influenced by volatility of the market prices of electricity, gas, emission rights and other commodities. Related decrease of liabilities from commodity and other derivatives is disclosed in Note 20.

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

	2022	2021
Balance as at January 1	(117)	(114)
Additions	(9)	(7)
Reversals	29	4
Currency translation differences	5	-
Balance as at December 31	(92)	(117)

Debt financial assets at December 31, 2022 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	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
Due in 2023	9,752	2,450	46	31
Due in 2024	-	-	42	1,109
Due in 2025	-	-	35	110
Due in 2026	-	-	32	90
Thereafter	-	-	91	1,419
Total	9,752	2,450	246	2,759

Debt financial assets at December 31, 2021 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	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
Due in 2022	499	-	44	288
Due in 2023	-	2,399	44	795
Due in 2024	-	-	39	870
Due in 2025	-	-	32	69
Thereafter	-	-	96	422
Total	499	2,399	255	2,444

Debt financial assets at December 31, 2022 have following effective interest rate structure (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
Less than 2.00% p. a.	-	-	3	2,275
2.00% to 2.99% p. a.	-	2,450	5	55
3.00% to 3.99% p. a.	-	-	149	128
4.00% to 4.99% p. a.	-	-	3	9
5.00% to 5.99% p. a.	-	-	48	157
6.00% to 6.99% p. a.	3,261	-	28	44
7% p. a. and more	6,491	-	10	91
Total	9,752	2,450	246	2,759

Debt financial assets at December 31, 2021 have following effective interest rate structure (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
Less than 2.00% p. a.	-	-	-	1,720
2.00% to 2.99% p. a.	499	2,399	6	228
3.00% to 3.99% p. a.	-	-	187	403
4.00% to 4.99% p. a.	-	-	3	9
5% p. a. and more	-	-	59	84
Total	499	2,399	255	2,444

The following table analyses the debt financial assets at December 31, 2022 by currency (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
CZK	9,752	2,450	107	1,595
EUR	-	-	139	300
PLN	-	-	-	861
Other	-	-	-	3
Total	9,752	2,450	246	2,759

The following table analyses the debt financial assets at December 31, 2021 by currency (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
CZK	499	2,399	83	1,005
EUR	-	-	172	620
PLN	-	-	-	816
Other	-	-	-	3
Total	499	2,399	255	2,444

6. Intangible Assets, Net

The overview of intangible assets, net at December 31, 2022 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, 2022	15,753	13,630	160	13,193	1,247	43,983
Additions	38	129	-	-	2,072	2,239
Disposals	(353)	(16)	(160)	-	(9)	(538)
Bring to use	1,066	628	-	-	(1,694)	-
Acquisition of subsidiaries	25	219	-	437	3	684
Reclassification and other	(8)	5	-	-	(42)	(45)
Currency translation differences	(13)	(236)	-	(251)	(2)	(502)
Cost at December 31, 2022	16,508	14,359	-	13,379	1,575	45,821
Accumulated amortization and impairment at January 1, 2022	(13,075)	(7,053)	-	-	(1)	(20,129)
Amortization	(1,085)	(700)	-	-	-	(1,785)
Net book value of assets disposed	(6)	(2)	-	-	-	(8)
Disposals	353	16	-	-	-	369
Impairment losses recognized	-	-	-	-	(7)	(7)
Impairment losses reversed	1	-	-	-	-	1
Currency translation differences	6	155	-	-	-	161
Accumulated amortization and impairment at December 31, 2022	(13,806)	(7,584)	-	-	(8)	(21,398)
Net intangible assets at December 31, 2022	2,702	6,775	-	13,379	1,567	24,423

The overview of intangible assets, net at December 31, 2021 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, 2021	14,728	13,025	2,701	12,118	942	43,514
Additions	39	55	-	-	1,793	1,887
Disposals	(461)	(77)	-	-	(13)	(551)
Bring to use	1,465	37	-	-	(1,502)	-
Acquisition of subsidiaries	9	1,306	-	1,488	22	2,825
Derecognition due to loss of control	(7)	-	-	-	-	(7)
Reclassification and other	2	(417)	(2,531)	-	7	(2,939)
Currency translation differences	(22)	(299)	(10)	(413)	(2)	(746)
Cost at December 31, 2021	15,753	13,630	160	13,193	1,247	43,983
Accumulated amortization and impairment at January 1, 2021	(12,442)	(6,825)	-	-	(3)	(19,270)
Amortization	(1,074)	(517)	-	-	-	(1,591)
Net book value of assets disposed	(12)	-	-	-	-	(12)
Disposals	461	77	-	-	-	538
Derecognition due to loss of control	5	-	-	-	-	5
Reclassification and other	(2)	7	-	-	-	5
Impairment losses recognized	(18)	-	-	-	-	(18)
Impairment losses reversed	-	-	-	-	2	2
Currency translation differences	7	205	-	-	-	212
Accumulated amortization and impairment at December 31, 2021	(13,075)	(7,053)	-	-	(1)	(20,129)
Net intangible assets at December 31, 2021	2,678	6,577	160	13,193	1,246	23,854

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 551 million and CZK 543 million in 2022 and 2021, respectively.

Group’s intangible assets, net pledged as security for liabilities at December 31, 2022 and 2021, is CZK 203 million and CZK 224 million, respectively.

The net book value of intangible assets under the right-of-use assets at December 31, 2022 and 2021, is CZK 25 million and CZK 27 million, respectively.

At December 31, 2022 and 2021, goodwill allocated to cash-generating units is as follows (in CZK millions):

	2022	2021
Companies of Elevion Deutschland Holding Group excluding Hermos	3,759	3,793
Czech distribution	2,200	2,200
Energotrans	1,675	1,675
Companies of ČEZ ESCO Group excluding CAPEXUS	1,183	1,132
Hermos	1,032	1,060
Euroklimat	718	754
Companies of Kofler Energies Group	582	600
CAPEXUS	419	419
Companies of Telco Pro Services Group	480	395
Zonnepanelen op het Dak	258	266
IBP Ingenieure	190	196
Beletric	114	119
PV Design and Build	112	-
Czech sales	110	110
Metrolog	102	107
Companies of Elevion Österreich Holding Group	91	94
Other	354	273
Total	13,379	13,193

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 2022 (in CZK millions):

	Impairment losses			Impairment reversal		
	Intangible assets other than goodwill	Property plant and equipment, nuclear fuel and investments	Total	Property, plant and equipment, nuclear fuel and investments	Bargain purchase gain	Total
Severočeské doly	(3)	(35)	(38)	2,860	-	2,822
ŠKODA JS	-	-	-	-	286	286
ÚJV Řež	-	(285)	(285)	-	-	(285)
Elektrárna Dětmarovice	-	(3)	(3)	212	-	209
CEZ Skawina	-	(130)	(130)	-	-	(130)
CEZ Chorzów	-	(115)	(115)	-	-	(115)
Other	(4)	(110)	(114)	183	8	77
Total	(7)	(678)	(685)	3,255	294	2,864

The following table summarizes the impairments of property, plant and equipment and intangible assets by cash-generating units in 2021 (in CZK millions):

	Impairment losses			Impairment losses on assets held for sale			Impairment reversals		
	Intangible assets other than goodwill	Property plant and equipment, nuclear fuel and investments	Total	Intangible assets other than goodwill	Property, plant and equipment, nuclear fuel and investments	Total	Intangible assets other than goodwill	Property plant and equipment, nuclear fuel and investments	Total
Severočeské doly	(18)	(11,682)	(11,700)	-	-	-	2	-	(11,698)
CEZ Chorzów	-	(1,119)	(1,119)	-	-	-	-	-	(1,119)
Bulgarian distribution	-	-	-	-	(849)	(849)	-	-	(849)
Romanian distribution	-	-	-	-	(637)	(637)	-	-	(637)
Elektrárna Dětmarovice	-	(608)	(608)	-	-	-	-	-	(608)
Romanian wind power plants	-	-	-	(134)	(334)	(468)	-	-	(468)
German wind power plants	-	(175)	(175)	-	-	-	-	-	(175)
CEZ Skawina	-	(155)	(155)	-	-	-	-	2	(153)
ČEZ	-	(91)	(91)	-	-	-	-	39	(52)
CEZ Romania	-	-	-	-	(23)	(23)	-	-	(23)
TMK Hydroenergy Power	-	-	-	-	(17)	(17)	-	-	(17)
Other	-	(109)	(109)	-	-	-	-	109	-
Total	(18)	(13,939)	(13,957)	(134)	(1,860)	(1,994)	2	150	(15,799)

In 2022 and 2021, 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 accounting for the reversal of previously created impairment of tangible and intangible assets of the cash-generating unit of Severočeské doly in 2022 was due to the improvement of market assumptions, especially the increase in prices and demand for coal.

The accounting for the reversal of previously created impairment of term tangible and intangible assets of the cash-generating unit Elektrárna Dětmarovice in 2022 was due to the improvement of market assumptions, in particular the increase in market prices of electricity and the increase in the so-called clean spread (price of electricity minus price of emission right for CO_2).

The impairment of tangible fixed assets of the cash-generating unit CEZ Chorzów in 2022 mainly corresponds to new investments in fixed assets that are not recoverable with regard to the update of the value in use. Also, the impairment of tangible fixed assets of the cash-generating unit CEZ Skawina in 2022 mainly corresponds to new investments in fixed assets that are not recoverable with regard to the update of the value in use.

The recognized impairment of tangible assets of the cash-generating unit ÚJV Řež in 2022 occurred as a result of performing a test for possible impairment connected with the indicators resulting from the completed transaction of the partial acquisition of a non-controlling interest.

The recognized impairment of property, plant and equipment and intangible assets of cash-generating unit Severočeské doly in 2021 was caused by the unfavorable development of market and regulatory expectations. In particular, there was a significant decrease in the expected demand for lignite in medium term due to a significant increase in market prices of emission rights and a decrease in the expected so-called clean spread (electricity price minus price of CO_2 emission rights). Furthermore, the development of regulation and decarbonization goals of the EU and the Czech Republic assumes an earlier termination of mining in the Czech Republic.

The recognized impairment of property, plant and equipment of the cash-generating unit CEZ Chorzów in 2021 was caused mainly by the unfavorable development of market assumptions concerning, in particular, a significant increase in the market prices of emission rights and a decrease in the expected so-called clean spread.

The impairment loss of property, plant and equipment of cash-generating unit Bulgarian distribution in 2021 was recognized with regard to the fact that the assets were classified as held for sale and the contractual sale price was fixed and denominated in EUR (so called “locked box“) and the carrying amount of assets being sold and associated liabilities as of the date of sale at July 27, 2021 exceeded the contractual sale price.

In the first quarter of 2021, the Group reported assets of cash-generating units Romanian wind power plants, Romanian distribution, Romanian sale, TMK Hydroenergy Power and CEZ Romania as assets held for sale, while this constitutes a single sale transaction realized on March 31, 2021. The Group determined the total impairment loss of intangible assets and property, plant and equipment of all these cash-generating units as of March 31, 2021 in the amount of CZK 1,145 million with regard to the contractual sale price stated in EUR (arranged as so-called “locked box”). The impairment loss was allocated based on relative carrying amounts of intangible assets and property, plant and equipment of the cash-generating units being sold.

The impairment loss of property, plant and equipment of the cash-generating unit Elektrárna Dětmarovice in 2021 was recognized as a result of a test for possible impairment with regard to the expected low profitability of the production source for the remaining life and with regard to the increased value of property, plant and equipment in connection with creation of provision for demolition and dismantling of the plant after its decommissioning.

Description of selected parameters related to testing and determination of recoverable amounts

The impairment test involves determining the recoverable amount of the cash-generating unit, which corresponds to the value in use. 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.

Developments in EE prices are affected by a number of external factors, in particular changes in the structure and availability of generating facilities in the Czech Republic and its neighboring countries, macroeconomic developments in the region of Central Europe, and energy sector regulation in the EU and Germany. The model is built for a period matching the operating life of generating facilities, which means that its time frame greatly exceeds the period for which commodities, including electricity, are traded in public liquid markets. In addition, there are discussion being held about structural changes in the electricity market ("Market Design") and about substantial sector regulation. So it is very possible that market mechanisms for electricity pricing will be abandoned completely within the lifetime of generating facilities. And it will be introduced alternatively centrally regulated payments for the availability and deliveries of generating facilities.

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

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, 2022.

The test is based on the business plan of CEZ Group for 2023–2027 and on the assumptions of long-term development of relevant electricity prices. The business plan was prepared in the fourth quarter 2022 whereas the plan was based on the active market parameters observed in October 2022 (power prices on EEX energy exchange in Germany, prices on PXE energy exchange in the Czech Republic, price of emission rights, FX rates, interest rates etc.). Electricity contracts traded on EEX are liquid for the whole period covering the business plan time frame and considering the interconnectedness of German and Czech power transmission grids, makes them a fundamental market indicator for EE prices in the Czech

Republic. As part of the sensitivity analysis, the risk scenario of the EE price was defined and this test confirmed the valuation of assets of the Group. For the purpose of sensitivity analysis, the input EE prices, emission rights prices and foreign exchange rates were applied to the relevant opened positions of ČEZ. As part of all tests, it was considered the impact of levy on revenues above price caps of electricity producers, as well as impact of windfall tax for years 2023–2025.

The Company did not recognize any impairment of generation assets in 2022 and 2021. A change of the assumed EE prices as per the models by 1%, while other parameters remain unchanged, has an impact of approximately CZK 9.7 billion on the ČEZ value test result. Future cash flows of the model were discounted using a 6.3% 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 7.9 billion. A 1% change in the CZK/EUR exchange rate, with other parameters remaining unchanged, would result in a change of approximately CZK 9.3 billion in the ČEZ value. Above mentioned changes in ČEZ value would not lead to an impairment of assets.

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. The discount rate 8.3% was used for CEZ Skawina and the increased discount rate 10.0% was used for CEZ Chorzów.

The discount rate of 5.7% was used for cash-generating unit Energotrans. For testing of Energotrans, the assumptions from “EGT site strategy” 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 expected under assumption of construction from one to three new combined cycle power plants of specific design.

The cash flow projections covering expected remaining useful life, which is estimated at 2030 as at December 31, 2022, were used for determination of the recoverable amount of the cash-generating unit Severočeské doly. Future cash flows were discounted using increased rate of 7.1%.

The discount rate of 6.3% 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 5.3% was used for cash-generating unit Czech distribution. The increase of cash flows beyond the five-year period for Czech distribution is getting from 3.1% towards 2.0% within following five years. Cash flows beyond 10-year period were based on the terminal value of regulatory asset base.

The discount rate of 5.6% was used for cash-generating unit ČEZ Teplárenská. Cash flows beyond five-year period were determined from the expected growth within next ten years about 2.6% and 2.0% thereafter.

The discount rate of 5.9% was used for cash-generating unit Elevion Deutschland Holding. Cash flows beyond five-year period were determined from the expected long-term growth about 2.0%.

The discount rate of 5.9% was used for cash-generating unit Hermos. The increase of cash flows beyond the five-year period for Hermos is getting from 3.4% towards long-term increase 2.0%.

The discount rate of 5.0% was used for cash-generating unit Kofler Energies. Cash flows beyond five-year period were determined from the expected long-term growth about 2.0%.

The discount rate of 6.7% was used for cash-generating unit ÚJV Řež. The increase of cash flows beyond the five-year period is getting from 3.4% towards long-term increase 2.0%.

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 regulation.

The development of regulatory environment – Levy on revenues above price caps of electricity producers, as well as impact of windfall tax.

8. Changes in the Group Structure

8.1. Changes in the Group Structure in 2022

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

Cash outflow on acquisitions of the subsidiaries [1)]	1,979
Cash outflow on investments in joint-ventures	1
Payments of payables from acquisitions in previous periods	61
Less:	
Cash and cash equivalents acquired	(156)
Cash and cash equivalents acquired on including the previously unconsolidated subsidiary in consolidation [2)]	(21)
Total cash outflows on acquisitions	1,864

[1)] Without the cash outflow used for acquisition of 17.39% of non-controlling interest in subsidiary ÚJV Řež, a. s., which is owned by ŠKODA JS a.s. Related cash outflow in the amount of CZK 238 million was disclosed in consolidated statement of cash flows in the line item Acquisition and sale of non-controlling interests, net.
[2)] During the first half year of 2022, the Group started to consolidate previously not consolidated subsidy of Teplo Klášterec s.r.o.

8.1.1. Acquisitions of Companies in 2022, in which CEZ Group Gained Control

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

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

On May 31, 2022, the Group acquired a 100% interest in the company KABELOVÁ TELEVIZE CZ s.r.o., which focuses on providing high speed internet connection and mobile services.

On June 1, 2022, the Group acquired a 100% interest in the company PV Design and Build s.r.o., which focuses on the realization of photovoltaic power plants.

On June 20, 2022, the Group acquired a 100% interest in the company Wagner Consult GmbH, which focuses on providing planning services in the field of water management infrastructure and wastewater treatment plant technologies.

On August 4, 2022, the Group acquired a 100% interest in the company SOCIETA' AGRICOLA B.T.C. S.R.L., which owns and operates biogas plant.

On October 10, 2022, the Group acquired a 95% interest in the company AMPRO Medientechnik GmbH, which deals with security systems (sound alarm) and acoustics for buildings.

On October 10, 2022, the Group acquired a 95% interest in the company Ampro Projektmanagement GmbH, which focuses on consulting, planning and construction supervision in the field of technical equipment of buildings.

On November 24, 2022, the Group acquired a 100% interest in ŠKODA JS a.s. ŠKODA JS a.s. is one of the leading European engineering and manufacturing companies with experience in the construction and servicing of nuclear power plants and is one of the important suppliers of ČEZ, a. s. The Group also acquired a 100% interest in the company Middle Estates, s.r.o., as part of the transaction, which owns real estate that ŠKODA JS a.s. uses for its business. With the purchase, the Group solved ownership issue of its important supplier, which a few years ago became part of the Russian engineering group OMZ, controlled by Gazprombank. The transaction was approved by four antimonopoly authorities in the Czech Republic, Hungary, Slovakia and Ukraine.

On December 14, 2022, the Group acquired a 50.23% interest in the company BIOPEL, a. s., which focuses on the production and purchase of wood raw materials and the sale of biofuels.

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

	ELIMER	SOCIETA' AGRICO-LA B.T.C.	KABE-LOVÁ TELE-VIZE CZ	ŠKODA JS and Middle Estates	Other Elevion	Other	Total
Share of the Group being acquired	100%	100%	100%	100%			
Property, plant and equipment, net	9	63	35	1,306	24	150	1,587
Intangible assets, net	85	31	60	22	20	29	247
Deferred tax asset	-	1	-	-	-	-	1
Another non-current assets	35	-	1	180	-	-	216
Cash and cash equivalents	24	2	7	99	15	21	168
Trade receivables, net	95	11	3	152	9	3	273
Materials, net	17	-	12	474	18	31	552
Contractual assets	-	-	-	660	-	1	661
Another current assets	23	27	1	391	2	15	459
Long-term debt, net of current portion	(3)	(44)	(2)	(35)	(15)	(20)	(119)
Deferred tax liability	(18)	(5)	(1)	(126)	(8)	(9)	(167)
Another non-current liabilities	(7)	-	(13)	(110)	(2)	-	(132)
Trade payables	(90)	(20)	(9)	(1,191)	(3)	(51)	(1,364)
Payables from income tax	-	-	(1)	(3)	-	-	(4)
Another current liabilities	(4)	(24)	(2)	(178)	(11)	(34)	(253)
Total net assets	166	42	91	1,641	49	136	2,125
Share of net assets acquired	166	42	91	1,641	49	100	2,089
Goodwill	69	7	85	-	96	180	437
Bargain purchase gain	-	-	-	(286)	-	(8)	(294)
Total purchase consideration	235	49	176	1,355	145	272	2,232
Contingent liabilities from acquisition of the subsidiary	(29)	-	-	-	(5)	(89)	(123)
Consideration paid in previous periods	-	-	-	-	-	(130)	(130)
Cash outflow on acquisition in 2022	206	49	176	1,355	140	53	1,979
Less: Cash and cash equivalents acquired	(24)	(2)	(7)	(107)	(15)	(1)	(156)
Less: Cash and cash equivalents of the previously unconsolidated subsidiary	-	-	-	-	-	(21)	(21)
Cash outflow on acquisition in 2022, net	182	47	169	1,248	125	31	1,802

If the acquisitions had taken place at the beginning of the year 2022, net income for CEZ Group as at December 31, 2022 would have been CZK 79,360 million and the revenues and other operating income from continuing operations would have been CZK 290,557 million. The amounts of goodwill recognized as a result of the business combinations comprise the value of expected synergies arising from the acquisitions.

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

	ELIMER	SOCIETA' AGRICOLA B.T.C.	KABELOVÁ TELEVIZE CZ	ŠKODA JS and Middle Estates	Other Elevion	Other	Total
Revenues and other operating income	575	13	53	14	41	20	716
Income before other income (expense) and income taxes	22	(13)	4	352	7	9	381
Net income	15	2	-	401	7	9	434
Net income attributable:							
Equity holders of the parent	8	2	-	401	7	5	423
Non-controlling interests	7	-	-	-	-	4	11

8.1.2. Changes in Non-controlling Interests in 2022

An overview of basic financial information on these transactions is given in the following table (in CZK millions):

	OSC	HORMEN CE	ÚJV Řež	Total
Share acquired in 2022	6.75%	49.00%	17.39%	
Liability from option derecognized from balance sheet		99		
Direct impact on equity from recognition of non-controlling interest after termination of put option		(89)		
Acquired share of net assets derecognized from non-controlling interests	(6)	10	302	306
Amount directly recognized in equity caused by acquisition of non-controlling interest	16	100	(64)	52
Total purchase consideration	10	110	238	358

In the first half of 2022, within several sub-transactions, the Group acquired the non-controlling interest representing a 6.75% interest in the company OSC, a.s., which increased the Group's interest to 100%.

On June 1, 2022, the Group acquired the non-controlling interest representing a 49% interest in the company HORMEN CE a.s., which increased the Group's interest to 100%. 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 valid, the non-controlling interest is derecognized at the balance sheet date and a liability is recognized, which is measured at the present value of the amount payable when the option is exercised. This option expired, and as a result, the liability was derecognized and the non-controlling interest was booked, which was also immediately derecognized due to the realization of the buyout of the non-controlling interest.

By acquisition of the company ŠKODA JS a.s. in 2022 the Group increased the equity interest in the company ÚJV Řež, a. s., from 52.46% to 69.85%.

8.2. Changes in the Group Structure in 2021

The following table summarizes the cash flows related to acquisitions in 2021 (in CZK millions):

Cash outflow on acquisitions of the subsidiaries	3,794
Payments of payables from acquisitions in previous periods	138
Less: Cash and cash equivalents acquired	(881)
Total cash outflows on acquisitions	3,051

8.2.1. Acquisitions of Companies in 2021, in which CEZ Group Gained Control

Through new acquisitions, the Group follows a strategic plan for developing of emission-free energy and telecommunication services in the Czech Republic and Slovakia and in foreign markets, primarily in Germany, Italy and the Netherlands.

On March 3, 2021, the Group acquired a 100% interest in the company MWS GmbH (hereinafter ESCO other), which provides custom welding work in the construction of industrial plants, pipeline construction and the implementation of similar technological projects.

On May 19, 2021, the Group acquired a 100% interest in the company Peil und Partner Ingenieure GmbH (hereinafter ESCO other), which focuses on building engineering services and energy saving projects.

On July 15, 2021, the Group acquired a 100% interest in the company EP Rožnov, a.s., which owns a 100% interest in the company EPIGON spol. s r.o. and a 90% interest in the company PIPE SYSTEMS s.r.o. (hereinafter ESCO other). The companies are engaged in providing complex services for the construction of clean rooms.

On July 19, 2021, the Group acquired a 100% interest in companies IBP Ingenieure GmbH & Co. KG and IBP Verwaltungs GmbH (hereinafter ESCO other), which focuses on building engineering services and energy saving projects.

On July 26, 2021, the Group acquired a 100% interest in the company SOCIETA' AGRICOLA DEF S.R.L. (hereinafter ESCO other), which owns and operates a biogas plant.

On August 25, 2021, the Group acquired 100% of assets and liabilities that constitute the business Heinz Hildebrand (hereinafter ESCO other). The business Heinz Hildebrand was acquired by the company EAB Elektroanlagenbau GmbH Rhein/Main and it provides electrical installation work mainly in the Hesse and Rhineland areas.

On August 27, 2021, the Group acquired a 66% interest in the company ZOHD Groep B.V., which owns a 100% interest in Energy Shift B.V., Zonnepanelen op het Dak Installaties B.V and Zonnepanelen op het Dak B.V. (hereinafter ZOHD). The companies are engaged in the production and installation of rooftop solar panels.

On November 1, 2021, the Group acquired a 100% interest in the company TelNet Holding, s.r.o., which owns 100% interest in CERBEROS s.r.o. and HELIOS MB s.r.o. and 85% interest in the company Magnalink, a.s. (hereinafter Telco 2021), which focus on providing high speed internet connection.

On December 13, 2021, the Group acquired a 100% interest in the company CAPEXUS s.r.o. and 50% interest in the company CAPEXUS SK s. r. o. (hereinafter CAPEXUS), which focus on designing, planning and realization of modern and energy-efficient office spaces.

On December 16, 2021, the Group acquired a 100% interest in the companies BELECTRIC GmbH, Belectric Israel Ltd., Belectric France S.A.R.L., Belectric Italia S.r.l. and Belectric Solar Ltd. (hereinafter Belectric), which focus on the realization of photovoltaic power plants.

On December 31, 2021, the Group acquired a 100% interest in the company ADAPTIVITY s.r.o. and 100% interest in the company INTERNEXT 2000, s.r.o., which owns 100% interest in the company Optické sítě s.r.o. (hereinafter Telco 2021). The companies focus on providing high speed internet connection.

The fair values of acquired identifiable assets and liabilities and the purchase considerations are presented in following table:

	Belectric	CAPEXUS	Telco 2021	ZOHD	ESCO other	Total
Share of the Group being acquired	100%	100%	100%	66%	100%	
Property, plant and equipment, net	150	19	204	16	221	610
Intangible assets, net	806	205	145	30	151	1,337
Deferred tax asset	17	2	6	1	17	43
Another non-current assets	15	-	26	-	4	45
Cash and cash equivalents	585	44	52	8	192	881
Trade receivables, net	470	218	3	22	227	940
Materials, net	293	2	4	63	182	544
Other current financial assets, net	441	22	-	-	-	463
Contractual assets	796	27	3	6	10	842
Another current assets	30	4	4	2	34	74
Long-term debt, net of current portion	(78)	(9)	(14)	(6)	(102)	(209)
Deferred tax liability	(218)	(40)	(28)	(7)	(22)	(315)
Another non-current liabilities	-	-	(27)	-	(1)	(28)
Current portion of long-term debt	(37)	(5)	-	(3)	(18)	(63)
Trade payables	(526)	(83)	(8)	(44)	(154)	(815)
Payables from income tax	(65)	(2)	-	-	(21)	(88)
Current provisions	(514)	(1)	-	(2)	(33)	(550)
Contractual liabilities	(406)	(13)	(1)	(27)	(209)	(656)
Another current liabilities	(126)	(34)	(7)	(27)	(28)	(222)
Total net assets	1,633	356	362	32	450	2,833
Share of net assets acquired	1,633	356	343	22	447	2,801
Goodwill	119	419	301	272	377	1,488
Bargain purchase gain	-	-	-	-	(9)	(9)
Total purchase consideration	1,752	775	644	294	815	4,280
Less: Consideration paid in previous periods	-	-	(32)	-	(11)	(43)
Liabilities from acquisition of the subsidiary	(115)	(176)	(21)	-	(131)	(443)
Cash outflow on acquisition in 2022	1,637	599	591	294	673	3,794
Less: Cash and cash equivalents acquired	(585)	(44)	(52)	(8)	(192)	(881)
Cash outflow on acquisition in 2022, net	1,052	555	539	286	481	2,913

The final accounting of the acquisition of the Belectric group companies took place. The fair values of the acquired identifiable assets and liabilities at the date of acquisition were adjusted and do not correspond to the status stated in the consolidated financial statements as of December 31, 2021 (see Note 2.3.3).

If the acquisitions had taken place at the beginning of the year 2021, net income for CEZ Group as at December 31, 2021 would have been CZK 10,387 million and the revenues and other operating income from continuing operations would have been CZK 235,442 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):

	Telco 2021	ZOHD	ESCO other	Total
Revenues and other operating income	4	169	491	664
Income before other income (expense) and income taxes	(6)	8	97	99
Net income	(8)	4	68	64
Net income attributable:				
Equity holders of the parent	(8)	3	68	63
Non-controlling interests	-	1	-	1

As the acquisitions of Belectric and CAPEXUS took place during December 2021, the results of these companies will be consolidated starting January 1, 2022.

8.2.2. Sale of Shares in Romanian and Bulgarian Companies in 2021

On October 22, 2020, a share purchase agreement was concluded for the sale of the interests in Romanian companies Distributie Energie Oltenia S.A., CEZ Vanzare S.A., CEZ Romania S.A. (including its interest in TMK Hydroenergy Power S.R.L.), Tomis Team S.A. (including its interest in M.W. Team Invest S.R.L.) and Ovidiu Development S.A. From that date, the assets and related liabilities were classified as held for sale and tested for possible impairment with respect to the sale price. In the first quarter of 2021, the Group recognized an impairment of property, plant and equipment and intangible assets in the amount of CZK 1,145 million, which was reported in the statement of income in the line Impairment of property, plant and equipment and intangible assets (Note 7).

The transaction was settled on March 31, 2021. The total sale price for the shares in the Romanian companies was paid in full and the Group transferred control over the sold subsidiaries.

The following table provides an overview of the impacts related to the derecognition of Romanian companies from consolidation, with the derecognized net assets broken down by operating segments (in CZK millions):

	Generation	Distribution	Sales	Total
Sold interest				100%
Property, plant and equipment, net	6,645	7,489	6	14,140
Non-current green and similar certificates, net	1,288	-	-	1,288
Deferred tax asset	1,109	360	59	1,528
Another non-current assets	43	270	21	334
Cash and cash equivalents	1,453	1,783	218	3,454
Trade receivables, net	422	542	1,114	2,078
Materials and supplies, net	63	140	3	206
Green and similar certificates	909	-	-	909
Another current assets	159	602	961	1,722
Long-term debt, net of current portion	(233)	(2,767)	(2)	(3,002)
Non-current provisions	(783)	(211)	(7)	(1,001)
Other long-term financial liabilities	(1)	(157)	(9)	(167)
Current portion of long-term debt	(19)	(107)	(3)	(129)
Trade payables	(207)	(722)	(1,348)	(2,277)
Current provisions	(143)	(133)	(367)	(643)
Another short-term liabilities	(6)	(205)	(135)	(346)
Total net assets	10,699	6,884	511	18,094
Disposal of translation differences				6,605
Effect of intercompany balances:				
Trade receivables, net				(120)
Trade payables				64
Total cost of sale of the Group				24,643
Revenue from sale				24,643
Gain on sale				-

The following table shows the cash flows related to the sale and derecognition of the Romanian subsidiaries from consolidation (in CZK millions):

Cash received from sale in 2021	24,643
Cash disposed of on sale	(3,454)
Total cash flow from sale of Romanian companies in 2021	21,189

On June 20, 2019, an agreement with the company Eurohold Bulgaria AD was signed on the sale of ownership interests in the Bulgarian companies CEZ Razpredelenie Bulgaria AD (including its share 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. The assets and related liabilities of the sold companies were classified as held for sale and were tested for possible impairment with respect to the sale price. In the first nine months of 2021, the Group recognized an impairment of property, plant and equipment and intangible assets of CEZ Razpredelenie Bulgaria AD representing the cash-generating unit Bulgarian distribution for the purpose of testing assets for possible impairment in the amount of CZK 849 million, which was reported in the statement of income in the line Impairment of property, plant and equipment and intangible assets (Note 7).

On July 27, 2021, the transaction for the sale of Bulgarian assets was settled between the Group and Eurohold Bulgaria AD. The sale price for all the Group's shares in Bulgarian companies in the amount of EUR 335 million was repaid and the Group transferred control of the sold subsidiaries. As part of the transaction, the Group's outstanding loans provided to Bulgarian companies were transferred to the buyer.

The following table provides an overview of the impacts related to the derecognition of Bulgarian companies from consolidation, with the derecognized net assets broken down by operating segments (in CZK millions):

	Generation	Distribution	Sales	Total
Sold interest	100%	67%	67%	
Property, plant and equipment, net	158	9,484	80	9,722
Intangible assets, net	-	494	1	495
Cash and cash equivalents	16	820	1,967	2,803
Other assets	8	669	2,895	3,572
Long-term liabilities	-	(1,543)	(110)	(1,653)
Short-term liabilities	(36)	(1,085)	(2,011)	(3,132)
Deferred tax liabilities	(4)	(120)	(4)	(128)
Total net assets	142	8,719	2,818	11,679
Disposal of translation differences				1,628
Disposal of non-controlling interests				(3,499)
Effect of intercompany balances:				
Trade receivables				(17)
Other financial assets				(386)
Trade payables				41
Short-term financial payables				408
Total cost of sale of the Group				9,854
Revenue from sale of shares and loans provided				9,854
Gain on sale				-

The following table shows the cash flows related to the sale and derecognition of the Bulgarian subsidiaries from consolidation (in CZK millions):

Cash received from sale in 2021	9,871
Cash disposed of on sale	(2,803)
Total cash flow from sale of Bulgarian companies in 2021	7,068

The following table summarizes the total cash flows related to the sales of subsidiaries and payment from joint-ventures in 2021 (in CZK millions):

Total cash received from sale of Romanian companies	21,189
Total cash received from sale of Bulgarian companies	7,068
Sale of 100% share in CEZ Towarowy Dom Maklerski sp. z o.o.	5
Payments of receivables from sales in previous periods	672
Cash disposed due to the reclassification of Tepelné hospodářství města Ústí nad Labem s.r.o. to joint-venture (originally classified as a subsidiary)	(200)
Cash payments received from joint-ventures	36
Total cash flow in 2021	28,770

8.2.3. Changes in Non-controlling Interests in 2021

In February 2021, Slovenský plynárenský priemysel, a.s., made a cash contribution to ESCO Slovensko, a. s., thus acquiring a 50% non-controlling interest and the Group's share fell to 50%, while maintaining control. The main strategic intention of ESCO Slovensko, a. s., which owned on the date of transaction shares in 6 Slovak companies invested from ČEZ ESCO, a.s., is the development of decentralized energy and complex energy services in Slovakia.

On June 24, 2021, an agreement was signed that replaced the original contractual relationship between the Group and selected owners of non-controlling interests in Euroklimat sp. z o.o. The original contractual arrangement represented a contingent consideration, so-called earn-out liability, from acquisition of a subsidiary. This agreement related to a 4% interest in Euroklimat sp. z o.o. was replaced by an option to sell the interest to the Group, and therefore it was effectively recognized as a sale of a 4% interest and the put option held by non-controlling interests.

On July 29, 2021, the Group sold a non-controlling 49% interest in the company ČEZ Asset Holding, a. s. In August 2021, the company then changed its name to ENVEZ, a. s.

An overview of basic financial information on these transactions is given in the following table (in CZK millions):

	ESCO Slovensko	ENVEZ	Euroklimat	Total
Share acquired in 2021	50.00%	49.00%	4.00%	
Liabilities from put options held by non-controlling interests	-	-	48	48
Direct impact on equity related to put option	-	-	(40)	(40)
Sold share of net assets increasing non-controlling interests	799	4	8	811
Direct impact on equity from the sale of a non-controlling interest	(5)	1	36	32
Total	794	5	44	843
Derecognition of earn-out liability	-	-	(41)	(41)
Impact on profit or loss	-	-	(3)	(3)
Total sale price	794	5	-	799

During May and June 2021, within several sub-transactions, the Group acquired a part of the non-controlling interest representing a 26.58% interest in the company OSC, a.s., which increased Group's interest to 93.25%.

In June 2021, there was an additional adjustment to the acquisition price for a 25% non-controlling interest in ENESA a.s., which was acquired in 2018.

An overview of basic financial information on these transactions is given in the following table (in CZK millions):

	OSC	ENESA	Total
Share acquired in 2021	26.58%	-	
Acquired share of net assets derecognized from non-controlling interests	(5)	-	(5)
Amount directly recognized in equity caused by acquisition of non-controlling interest	46	23	69
Total purchase consideration	41	23	64

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:

Subsidiaries	Country	Operating segment	% equity interest [1) Change in 2022	% equity interest 1) 2022	% voting interest 2022
New acquisitions					
AMPRO Medientechnik GmbH	DE	S	95.00	95.00	100.00
Ampro Projektmanagement GmbH	DE	S	95.00	95.00	100.00
BIOPEL, a. s.	SK	S	25.12	25.12	50.23
ELIMER, a.s.	SK	S	50.00	50.00	100.00
Hermos Signaltechnik GmbH	DE	S	95.00	95.00	100.00
KABELOVÁ TELEVIZE CZ s.r.o.	CZ	S	100.00	100.00	100.00
Middle Estates, s.r.o.	CZ	G	100.00	100.00	100.00
PV Design and Build s.r.o.	CZ	G	100.00	100.00	100.00
ŠKODA JS a.s.	CZ	G	100.00	100.00	100.00
SOCIETA' AGRICOLA B.T.C. S.R.L.[2)]	IT	S	100.00	100.00	100.00
Teplo Klášterec s.r.o.	CZ	S	100.00	100.00	100.00
Wagner Consult GmbH	AT	S	100.00	100.00	100.00
Changes of non-controlling interests					
Centrum výzkumu Řež s.r.o.	CZ	G	17.39	69.85	100.00
HORMEN CE a.s.	CZ	S	49.00	100.00	100.00
MWS GmbH	DE	S	(5.00)	95.00	100.00
OSC, a.s.	CZ	G	6.75	100.00	100.00
ŠKODA PRAHA a.s.	CZ	G	17.39	69.85	100.00
ÚJV Řež, a. s.	CZ	G	17.39	69.85	69.85
Sales					
CEZ ESCO Bulgaria EOOD	BG	S	(100.00)	-	-
ČEZ Recyklace, s.r.o.[3)]	CZ	G	(65.00)	34.00	34.00
Liquidations and mergers					
CEZ ESCO Romania S.R.L.[4)]	RO	S	(100.00)	-	-
CEZ Trade Romania S.R.L.	RO	G	(100.00)	-	-
Elektrárna Mělník III, a. s. v likvidaci	CZ	G	(100.00)	-	-
Ferme éolienne d'Allas-Nieul SAS, société en liquidation[5)]	FR	G	(100.00)	-	-
Ferme éolienne de Saugon SAS, société en liquidation[6)]	FR	G	(100.00)	-	-
HELIOS MB s.r.o.	CZ	S	(100.00)	-	-
Hermos Gesellschaft für Steuer-, Meß- und Regeltechnik mbH	DE	S	(95.00)	-	-
TelNet Holding, s.r.o.	CZ	S	(100.00)	-	-
VESER, s. r. o. v likvidácii	SK	S	(100.00)	-	-

1) The equity interest represents effective ownership interest of the Group.
2) The name of the company was clarified.
3) During the year 2022 the Group acquired 1% of equity and voting interest in the company ČEZ Recyklace, s.r.o. After the subsequent sale of part of equity and voting interest the company ČEZ Recyklace, s.r.o., was classified to associates and joint-ventures.
4) The company name CEZ ESCO Romania S.A. was changed to CEZ ESCO Romania S.R.L. in 2022.
5) The company name Ferme éolienne d'Allas-Nieul SAS was changed to Ferme éolienne d'Allas-Nieul SAS, société en liquidation in 2022.
6) The company name Ferme éolienne de Saugon SAS was changed to Ferme éolienne de Saugon SAS, société en liquidation in 2022.

Subsidiaries	Country	Operating segment	% equity interest [1] Change in 2022	% equity interest [1] 2022	% voting interest 2022
<u>Other – no change in 2022</u>					
A.E. Wind S.A. w likwidacji[7)]	PL	G	-	100.00	100.00
ADAPTIVITY s.r.o.	CZ	S	-	100.00	100.00
AirPlus, spol. s r.o.	CZ	S	-	100.00	100.00
Areál Třeboradice, a.s.	CZ	G	-	100.00	100.00
AxE AGRICOLTURA PER L'ENERGIA SOCIETA' AGRICOLA A R.L. [8)]	IT	S	-	100.00	100.00
AZ KLIMA a.s.	CZ	S	-	100.00	100.00
AZ KLIMA SK, s.r.o.	SK	S	-	50.00	100.00
Baltic Green Construction sp. z o.o.	PL	G	-	100.00	100.00
Baltic Green II sp. z o.o. w likwidacji[9)]	PL	G	-	100.00	100.00
Baltic Green III sp. z o.o. w likwidacji[10)]	PL	G	-	100.00	100.00
Baltic Green IX sp. z o.o. w likwidacji[11)]	PL	G	-	100.00	100.00
Baltic Green VI sp. z o.o. w likwidacji[12)]	PL	G	-	100.00	100.00
BANDRA Mobiliengesellschaft mbH & Co. KG	DE	G	-	100.00	100.00
Belectric France S.A.R.L.	FR	S	-	100.00	100.00
BELECTRIC GmbH	DE	S	-	100.00	100.00
Belectric Israel Ltd.	IL	S	-	100.00	100.00
Belectric Italia S.r.l.	IT	S	-	100.00	100.00
Belectric Solar Ltd.	GB	S	-	100.00	100.00
BUDRIO GFE 312 SOCIETA´ AGRICOLA S.R.L.[13)]	IT	S	-	70.00	70.00
CAPEXUS s.r.o.	CZ	S	-	100.00	100.00
CAPEXUS SK s. r. o.	SK	S	-	50.00	100.00
CASANO Mobiliengesellschaft mbH & Co. KG	DE	G	-	100.00	100.00
CE Insurance Limited[14)]	MT	G	-	100.00	100.00
CERBEROS s.r.o.	CZ	S	-	100.00	100.00
CEZ Bulgarian Investments B.V.	NL	G	-	100.00	100.00
CEZ Chorzów II sp. z o.o.	PL	G	-	100.00	100.00
CEZ Chorzów S.A.	PL	G	-	100.00	100.00
CEZ Deutschland GmbH	DE	G	-	100.00	100.00
CEZ Erneuerbare Energien Beteiligungs GmbH	DE	G	-	100.00	100.00
CEZ Erneuerbare Energien Beteiligungs II GmbH	DE	G	-	100.00	100.00
CEZ Erneuerbare Energien Verwaltungs GmbH	DE	G	-	100.00	100.00
CEZ ESCO II GmbH[15)]	DE	S	-	100.00	100.00
CEZ Finance B.V.	NL	G	-	100.00	100.00
CEZ France SAS	FR	G	-	100.00	100.00
CEZ Holdings B.V.	NL	G	-	100.00	100.00
CEZ Hungary Ltd.	HU	G	-	100.00	100.00
CEZ MH B.V.	NL	G	-	100.00	100.00
CEZ Polska sp. z o.o.	PL	G	-	100.00	100.00

[7)] The company name A.E. Wind S.A. was changed to A.E. Wind S.A. w likwidacji in 2022.
[8)] The company name AxE AGRICOLTURA PER L'ENERGIA SOCIETA‘ AGRICOLA A R.L. was changed to AxE AGRICOLTURA PER L'ENERGIA SOCIETA' AGRICOLA A R.L. in 2022.
[9)] The company name Baltic Green II sp. z o.o. was changed to Baltic Green II sp. z o.o. w likwidacji in 2022.
[10)] The company name Baltic Green III sp. z o.o. was changed to Baltic Green III sp. z o.o. w likwidacji in 2022.
[11)] The company name Baltic Green IX sp. z o.o. was changed to Baltic Green IX sp. z o.o. w likwidacji in 2022.
[12)] The company name Baltic Green VI sp. z o.o. was changed to Baltic Green VI sp. z o.o. w likwidacji in 2022.
[13)] The name of the company was clarified.
[14)] The company name CEZ CI Limited was changed to CE Insurance Limited in 2022.
[15)] The company name CEZ ESCO II GmbH was changed to Elevion Energy & Engineering Solutions GmbH in 2023.

Subsidiaries	Country	Operating segment	% equity interest [1] Change in 2022	% equity interest [1] 2022	% voting interest 2022
CEZ Produkty Energetyczne Polska sp. z o.o.	PL	G	-	100.00	100.00
CEZ RES International B.V.	NL	G	-	100.00	100.00
CEZ Skawina S.A.	PL	G	-	100.00	100.00
CEZ Srbija d.o.o. – u likvidaciji [16]	RS	G	-	100.00	100.00
CEZ Ukraine LLC	UA	G	-	100.00	100.00
CEZ Windparks Lee GmbH	DE	G	-	100.00	100.00
CEZ Windparks Luv GmbH	DE	G	-	100.00	100.00
CEZ Windparks Nordwind GmbH	DE	G	-	100.00	100.00
ČEZ Bohunice a.s.[17]	CZ	G	-	100.00	100.00
ČEZ Distribuce, a. s.	CZ	D	-	100.00	100.00
ČEZ Energetické produkty, s.r.o.	CZ	G	-	100.00	100.00
ČEZ Energetické služby, s.r.o.	CZ	S	-	100.00	100.00
ČEZ Energo, s.r.o.	CZ	S	-	100.00	100.00
ČEZ ENERGOSERVIS spol. s r.o.	CZ	G	-	100.00	100.00
ČEZ ESCO, a.s.	CZ	S	-	100.00	100.00
ČEZ ICT Services, a. s.	CZ	G	-	100.00	100.00
ČEZ LDS s.r.o.	CZ	S	-	100.00	100.00
ČEZ Obnovitelné zdroje, s.r.o.	CZ	G	-	100.00	100.00
ČEZ OZ uzavřený investiční fond a.s.	CZ	G	-	99.96	99.96
ČEZ Prodej, a.s.	CZ	S	-	100.00	100.00
ČEZ Teplárenská, a.s.	CZ	S	-	100.00	100.00
ČEZNET s.r.o.	CZ	S	-	100.00	100.00
D-I-E ELEKTRO AG	DE	S	-	95.00	100.00
Domat Control System s.r.o.	CZ	S	-	100.00	100.00
EAB Elektroanlagenbau GmbH Rhein/Main[18]	DE	S	-	95.00	100.00
E-City Polska sp. z o.o. [19]	PL	S	-	100.00	100.00
e-Dome a. s.	SK	S	-	25.50	51.00
Elektrárna Dětmarovice, a.s.	CZ	G	-	100.00	100.00
Elektrárna Dukovany II, a. s.	CZ	G	-	100.00	100.00
Elektrárna Temelín II, a. s.	CZ	G	-	100.00	100.00
Elektro-Decker 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.	NL	S	-	100.00	100.00
Elevion Holding Italia S.r.l.	IT	S	-	100.00	100.00
Elevion Österreich Holding GmbH	AT	S	-	100.00	100.00
En.plus GmbH	DE	S	-	95.00	100.00
Energetické centrum s.r.o.	CZ	S	-	100.00	100.00
Energotrans, a.s.	CZ	G	-	100.00	100.00
Energy Shift B.V.	NL	S	-	66.00	100.00
ENESA a.s.	CZ	S	-	100.00	100.00
ENVEZ, a. s.	CZ	S	-	51.00	51.00
EP Rožnov, a.s.	CZ	S	-	100.00	100.00
EPIGON spol. s r.o.	CZ	S	-	100.00	100.00
ESCO Distribučné sústavy a.s.	SK	S	-	50.00	100.00
ESCO Servis, s. r. o.	SK	S	-	50.00	100.00
ESCO Slovensko, a. s.	SK	S	-	50.00	50.00
ETS Efficient Technical Solutions GmbH	DE	S	-	95.00	100.00
ETS Efficient Technical Solutions Shanghai Co. Ltd.	CN	S	-	95.00	100.00

16) The company name CEZ Srbija d.o.o. was changed to CEZ Srbija d.o.o. – u likvidaciji in 2022.
17) The company name ČEZ Bohunice a.s. was changed to ČEZ Invest Slovensko, a.s., in 2023.
18) The name of the company was clarified.
19) The company name E-City sp. z o.o. was changed to E-City Polska sp. z o.o. in 2022.

Subsidiaries	Country	Operating segment	% equity interest [1] Change in 2022	% equity interest [1] 2022	% voting interest 2022
ETS Engineering Kft.	HU	S	-	100.00	100.00
Euroklimat sp. z o.o.	PL	S	-	96.00	96.00
FDLnet.CZ, s.r.o.	CZ	S	-	100.00	100.00
Ferme Eolienne d'Andelaroche SAS	FR	G	-	100.00	100.00
Ferme éolienne de Feuillade et Souffrignac SAS	FR	G	-	100.00	100.00
Ferme éolienne de Genouillé SAS	FR	G	-	100.00	100.00
Ferme éolienne de la Petite Valade SAS	FR	G	-	100.00	100.00
Ferme Eolienne de la Piballe SAS	FR	G	-	100.00	100.00
Ferme Eolienne de Neuville-aux-Bois SAS	FR	G	-	100.00	100.00
Ferme éolienne de Nueil-sous-Faye SAS	FR	G	-	100.00	100.00
Ferme Eolienne de Saint-Laurent-de-Céris SAS	FR	G	-	100.00	100.00
Ferme Eolienne de Seigny SAS	FR	G	-	100.00	100.00
Ferme Eolienne de Thorigny SAS	FR	G	-	100.00	100.00
Ferme éolienne des Besses SAS	FR	G	-	100.00	100.00
Ferme Eolienne des Breuils SAS	FR	G	-	100.00	100.00
Ferme Eolienne des Grands Clos SAS	FR	G	-	100.00	100.00
Ferme éolienne du Blessonnier SAS	FR	G	-	100.00	100.00
Ferme Eolienne du Germancé SAS	FR	G	-	100.00	100.00
Green energy capital, a.s.	CZ	S	-	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 International GmbH	DE	S	-	95.00	100.00
Hermos Schaltanlagen GmbH	DE	S	-	95.00	100.00
HERMOS SDN. BHD	MY	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 S.A.	RO	S	-	100.00	100.00
Hybridkraftwerk Culemeyerstraße Projekt GmbH	DE	S	-	100.00	100.00
IBP Ingenieure GmbH[20]	DE	S	-	100.00	100.00
IBP Verwaltungs GmbH	DE	S	-	100.00	100.00
Inewa Consulting S.r.l.	IT	S	-	100.00	100.00
Inewa S.r.l.	IT	S	-	100.00	100.00
INTERNEXT 2000, s.r.o.	CZ	S	-	100.00	100.00
Inven Capital, SICAV, a.s.	CZ	S	-	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 Systems GmbH	DE	S	-	100.00	100.00
M&P Real GmbH	AT	S	-	100.00	100.00
Magnalink, a.s.	CZ	S	-	85.00	85.00
MARTIA a.s.	CZ	G	-	100.00	100.00
Metrolog sp. z o.o.	PL	S	-	100.00	100.00
Moser & Partner Ingenieurbüro GmbH	AT	S	-	100.00	100.00
NEK Facility Management GmbH	DE	S	-	100.00	100.00
OEM Energy sp. z o.o.	PL	S	-	77.68	77.68
Optické sítě s.r.o.	CZ	S	-	100.00	100.00
Peil und Partner Ingenieure GmbH	DE	S	-	100.00	100.00

[20] The company name IBP Ingenieure GmbH & Co. KG was changed to IBP Ingenieure GmbH in 2022.

Subsidiaries	Country	Operating segment	% equity interest [1)] Change in 2022	% equity interest [1)] 2022	% voting interest 2022
PIPE SYSTEMS s.r.o.	CZ	S	-	90.00	90.00
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
SOCIETA’ AGRICOLA DEF S.R.L.	IT	S	-	100.00	100.00
Solární servis, s.r.o.	CZ	S	-	100.00	100.00
SPRAVBYTKOMFORT, a.s. Prešov	SK	S	-	27.50	55.00
SYNECO PROJECT S.R.L.	IT	S	-	100.00	100.00
SYNECO tec GmbH	AT	S	-	100.00	100.00
SYNECOTEC Deutschland GmbH	DE	S	-	100.00	100.00
Telco Infrastructure, s.r.o.	CZ	S	-	100.00	100.00
Telco Pro Services, a. s.	CZ	S	-	100.00	100.00
TENAUR, s.r.o.	CZ	S	-	100.00	100.00
Ústav aplikované mechaniky Brno, s.r.o.	CZ	G	-	100.00	100.00
Windpark Baben Erweiterung GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Badow GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Cheinitz-Zethlingen GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark FOHREN-LINDEN GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Frauenmark III GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Gremersdorf GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Mengeringhausen GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Naundorf GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Zagelsdorf GmbH & Co. KG	DE	G	-	100.00	100.00
ZOHD Groep B.V.	NL	S	-	66.00	66.00
Zonnepanelen op het Dak B.V.	NL	S	-	66.00	100.00
Zonnepanelen op het Dak Installaties B.V.	NL	S	-	66.00	100.00

Associates and joint-ventures	Country	Operating segment	% equity interest 1) Change in 2022	% equity interest 1) 2022	% voting interest 2022
New investments					
5 ER ENERJİ TARIM HAYVANCILIK A.Ş.	TR	G	-	-	50.00
Changes in equity or voting interest					
ČEZ Recyklace, s.r.o.[21]	CZ	G	(65.00)	34.00	34.00
Other – no change in 2022					
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş.	TR	D	-	50.00	50.00
AK-EL Kemah Elektrik Üretim A.Ş.	TR	G	-	37.36	50.00
AKEL SUNGURLU ELEKTRİK ÜRETİM A.Ş.	TR	G	-	-	50.00
Akenerji Doğalgaz Ithalat Ihracat ve Toptan Ticaret A.Ş.	TR	G	-	37.36	50.00
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	TR	G	-	37.36	50.00
Akenerji Elektrik Üretim A.S.	TR	G	-	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
GEOMET s.r.o.	CZ	M	-	51.00	51.00
GP JOULE PPX Verwaltungs-GmbH	DE	G	-	50.00	50.00
GP JOULE PP1 GmbH & Co. KG	DE	G	-	50.00	50.00
Green Wind Deutschland GmbH	DE	G	-	50.00	50.00
Jadrová energetická spoločnosť Slovenska, a. s.	SK	G	-	49.00	49.00
juwi Wind Germany 100 GmbH & Co. KG	DE	G	-	51.00	51.00
KLF-Distribúcia, s.r.o.	SK	S	-	25.00	50.00
LOMY MOŘINA spol. s r.o.	CZ	M	-	51.05	51.05
Sakarya Elektrik Dagitim A.Ş.	TR	D	-	50.00	50.00
Sakarya Elektrik Perakende Satis A.S.	TR	S	-	50.00	50.00
Sepaş Akıllı Çözümler A.Ş.	TR	S	-	50.00	50.00
Tepelné hospodářství města Ústí nad Labem s.r.o.	CZ	S	-	55.83	55.83
Windpark Bad Berleburg GmbH & Co. KG	DE	G	-	50.00	50.00
Windpark Berka GmbH & Co. KG	DE	G	-	50.00	50.00
Windpark Datteln GmbH & Co. KG	DE	G	-	50.00	50.00
Windpark Moringen Nord GmbH & Co. KG	DE	G	-	50.00	50.00
Windpark Nortorf GmbH & Co. KG	DE	G	-	50.00	50.00
Windpark Prezelle GmbH & Co. KG	DE	G	-	50.00	50.00

21) The company ČEZ Recyklace, s.r.o., was a subsidiary in 2021. During the year 2022, after the sale of part of equity and voting interest, the company ČEZ Recyklace, s.r.o., was classified to associates and joint-ventures.

Used shortcuts:

Country ISO code	Country	ISO code	Country	Segment	Operating segment
AT	Austria	MT	Malta	G	Generation
BG	Bulgaria	MY	Malaysia	D	Distribution
CN	China	NL	Netherlands	S	Sales
CZ	Czech Republic	PL	Poland	M	Mining
DE	Germany	RO	Romania		
FR	France	RS	Serbia		
GB	United Kingdom	SK	Slovakia		
HU	Hungary	TR	Turkey		
IL	Israel	UA	Ukraine		
IT	Italy				

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):

	2022		2021	
	Non-controlling interests	Dividends paid	Non-controlling interests	Dividends paid
ÚJV Řež, a. s.	543	-	923	-
ESCO Slovensko, a. s.	685	-	720	-
SPRAVBYTKOMFORT, a.s. Prešov	95	7	113	8
CEZ Elektro Bulgaria AD	-	-	-	128
Other	52	16	(14)	14
Total	1,375	23	1,742	150

The following table shows summarized financial information of subsidiaries that have material non-controlling interests for the year ended December 31, 2022 (in CZK millions):

	ÚJV Řež.	ESCO Slovensko	SPRAVBYT-KOMFORT, Prešov
Ownership share of non-controlling interests	30.15%	50.00%	72.50%
Current assets	1,003	383	165
Non-current assets	2,460	1,183	417
Current liabilities	(697)	(36)	(248)
Non-current liabilities	(598)	(29)	(106)
Equity	2,168	1,501	228
Attributable to:			
Equity holders of the parent	1,625	816	133
Non-controlling interests	543	685	95
Revenues and other operating income	1,642	9	515
Income (loss) before other income (expenses) and income taxes	(255)	(3)	-
Income (loss) before income taxes	(150)	(53)	4
Income taxes	12	-	(1)
Net income (loss)	(138)	(53)	3
Attributable to:			
Equity holders of the parent	(96)	(27)	2
Non-controlling interests	(42)	(26)	1
Total comprehensive income	(137)	(79)	(13)
Attributable to:			
Equity holders of the parent	(95)	(40)	(6)
Non-controlling interests	(42)	(39)	(7)
Operating cash flow	126	(65)	95
Investing cash flow	(163)	(236)	(79)
Financing cash flow	(12)	(51)	3
Net effect of currency translation and allowances in cash	(1)	(13)	(3)
Net increase (decrease) in cash and cash equivalents	(50)	(365)	16

The following table shows summarized financial information of subsidiaries that have material non-controlling interests for the year ended December 31, 2021 (in CZK millions):

	ÚJV Řež	ESCO Slovensko	SPRAVBYT-KOMFORT, Prešov
Ownership share of non-controlling interests	47.54%	50.00%	72.50%
Current assets	956	693	120
Non-current assets	2,614	912	395
Current liabilities	(663)	(29)	(165)
Non-current liabilities	(602)	(3)	(104)
Equity	2,305	1,573	246
Attributable to:			
Equity holders of the parent	1,382	853	133
Non-controlling interests	923	720	113
Revenues and other operating income	1,569	2	415
Income (loss) before other income (expenses) and income taxes	96	(51)	38
Income (loss) before income taxes	79	(43)	34
Income taxes	(20)	-	(7)
Net income (loss)	59	(43)	27
Attributable to:			
Equity holders of the parent	31	(22)	12
Non-controlling interests	28	(21)	15
Total comprehensive income	57	(91)	(3)
Attributable to:			
Equity holders of the parent	30	(46)	(2)
Non-controlling interests	27	(45)	(1)
Operating cash flow	210	(55)	82
Investing cash flow	(337)	(39)	(51)
Financing cash flow	(15)	760	1
Net effect of currency translation and allowances in cash	(5)	(21)	(4)
Net increase (decrease) in cash and cash equivalents	(147)	645	28

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, 2022 (in CZK millions):

			Group's share of associate's and joint-venture's:		
	Investment in associates and joint-ventures	Dividends received	Net income (loss)	Other compre-hensive income	Total compre-hensive income
Akcez Group	-	-	965	(105)	860
Akenerji Group	-	-	-	-	-
Jadrová energetická spoločnosť Slovenska, a. s.	2,395	-	(22)	(74)	(96)
GEOMET s.r.o.	517	-	(120)	-	(120)
Bytkomfort, s.r.o.	271	8	51	(8)	43
LOMY MOŘINA spol. s r.o.	145	-	-	-	-
Tepelné hospodářství města Ústí nad Labem s.r.o.	141	8	10	-	10
Other	274	-	13	(9)	4
Total	3,743	16	897	(196)	701

The Group is a guarantor for the liabilities of companies within the joint-venture with Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş. in the amount of USD 67.4 million and TRY 44.9 million as of December 31, 2022 (see Note 18.2). Based on calculation of recoverable amount from future cash flows, a provision in the amount of CZK 1,578 million was recognized as at December 31, 2022. Because the Group's total cumulative share on losses of Akcez group did not exceed the amount of the guarantee provided as at December 31, 2022, 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 at December 31, 2022, the provision in the amount of CZK 1,046 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 532 million (in the statement of income in the line Impairment of financial assets) in order to arrive to the assumed amount of the provision CZK 1,578 million as at December 31, 2022.

On July 29, 2022, the Company concluded an agreement to sell its 50% share in Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş., which includes three companies engaged in electricity distribution, energy sales and energy services. The settlement of the transaction is, among other things, conditional on the refinancing of Akcez's existing debt by the new co-owners. The transaction was subsequently subject to approval by the Turkish Competion Authority and the local energy regulator.

The Company assessed whether the conditions for classifying the investment as an asset held for sale were met. In view of the fact that refinancing, which is a condition precedent to the realization of the sale, has not yet been bindingly agreed upon, the Group does not report the investment in Akcez as an asset held for sale as at December 31, 2022.

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 at December 31, 2017 (Note 2.2.3). The amount of unrecognized share of the Group on losses of Akenerji Group amounted to CZK 4,412 million and CZK 4,770 million as at December 31, 2022 and 2021, respectively.

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, 2021 (in CZK millions):

			Group's share of associate's and joint-venture's:		
	Investment in associates and joint-ventures	Dividends received	Net income (loss)	Other compre-hensive income	Total compre-hensive income
Akcez Group	-	-	(416)	264	(152)
Akenerji Group	-	-	-	-	-
Jadrová energetická spoločnosť Slovenska, a. s.	2,491	-	(23)	(139)	(162)
GEOMET s.r.o.	637	-	(112)	-	(112)
Bytkomfort, s.r.o.	236	6	8	(13)	(5)
LOMY MOŘINA spol. s r.o.	145	-	2	-	2
Tepelné hospodářství města Ústí nad Labem s.r.o.	140	-	7	-	7
Other	267	-	-	(16)	(16)
Total	3,916	6	(534)	96	(438)

The Group is a guarantor for the liabilities of companies within the joint-venture with Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş. in the amount of USD 82.7 million and TRY 55.4 million as at December 31, 2021 (see Note 18.2). Based on calculation of recoverable amount from future cash flows a provision in the amount of CZK 1,907 million was recognized as at December 31, 2021. 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, 2021, 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 at December 31, 2021, the provision in the amount of CZK 1,444 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 463 million (in the statement of income in the line Impairment of financial assets) in order to arrive to the assumed amount of the provision CZK 1,907 million as at December 31, 2021.

The joint-ventures Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş. 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 IAS 29 Reporting in Hyperinflationary Economies standard was not applied in 2022 for the Group's investments in Turkish joint-ventures, although in general for the purposes of IFRS reporting for 2022 Turkey is considered to be a country where the conditions for the application of IAS 29 are met. The Group performed calculations and analysis, which taking into account that the Group's investments have a zero value, show that the effects of the application of IAS 29 on the Group's financial statements as at December 31, 2022 would not be significant and costs of calculation of the impacts would exceed the benefits for the users of these consolidated financial statements.

The following tables present summarized financial information of material associates and joint-ventures for the year ended December 31, 2022 (in CZK millions):

	Current assets	Thereof: Cash and cash equivalents	Non-current assets	Current liabilities	Non-current liabilities	Equity	Share of the Group	Recognized liability / unrecognized share on loss	Goodwill	Total investment in associates and joint-ventures
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş.	27	6	1,218	1,343	1,677	(1,775)				
Sakarya Elektrik Dagitim A.Ş.	2,924	118	3,209	1,842	854	3,437				
Sakarya Elektrik Perakende Satis A.S.	4,916	1,099	699	5,003	60	552				
Akcez Group						1,052	526	(526)	-	-
Akenerji Elektrik Üretim A.S.	4,838	1,219	3,067	3,761	13,843	(9,699)				
Akenerji Group						(11,809)	(4,412)	4,412	-	-
Jadrová energetická spoločnosť Slovenska, a. s.	1,194	1,185	3,713	18	1	4,888	2,395	-	-	2,395
GEOMET s.r.o.	345	341	13	100	-	258	132	-	385	517
Bytkomfort, s.r.o.	141	103	220	36	34	291	143	-	128	271
LOMY MOŘINA spol. s r.o.	106	3	249	51	20	284	145	-	-	145
Tepelné hospodářství města Ústí nad Labem s.r.o.	362	319	253	262	99	254	141	-	-	141

	Revenues and other operating income	Depre-ciation and amortization	Interest income	Interest expense	Income taxes	Net income (loss)	Other compre-hensive income	Total compre-hensive income
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş.	3	-	259	(245)	-	(836)	495	(341)
Sakarya Elektrik Dagitim A.Ş.	5,489	(38)	53	(132)	999	2,801	(743)	2,058
Sakarya Elektrik Perakende Satis A.S.	31,526	(32)	172	(399)	(180)	202	(231)	(29)
Akenerji Elektrik Üretim A.S.	23,985	(156)	58	(1,886)	120	(2,032)	3,087	1,055
Jadrová energetická spoločnosť Slovenska, a. s.	17	(10)	4	-	1	(44)	(152)	(196)
GEOMET s.r.o.	-	(1)	-	-	-	(236)	-	(236)
Bytkomfort, s.r.o.	405	(25)	-	-		103	(7)	96
LOMY MOŘINA spol. s r.o.	370	(19)	-	-	(1)	1	-	1
Tepelné hospodářství města Ústí nad Labem s.r.o.	607	(22)	4	(3)	(4)	18	(1)	17

The following tables present summarized financial information of material associates and joint-ventures for the year ended December 31, 2021 (in CZK millions):

	Current assets	Thereof: Cash and cash equivalents	Non-current assets	Current liabilities	Non-current liabilities	Equity	Share of the Group	Recognized liability / unrecognized share on loss	Goodwill	Total investment in associates and joint-ventures
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş.	130	17	1,573	896	2,240	(1,433)				
Sakarya Elektrik Dagitim A.Ş.	2,056	215	1,702	836	1,156	1,766				
Sakarya Elektrik Perakende Satis A.S.	3,178	201	196	2,735	66	573				
Akcez Group						(668)	(334)	334	-	-
Akenerji Elektrik Üretim A.S.	1,956	984	4,072	1,942	14,770	(10,684)				
Akenerji Group						(12,768)	(4,770)	4,770	-	-
Jadrová energetická spoločnosť Slovenska, a. s.	1,333	1,324	3,763	11	1	5,084	2,491	-	-	2,491
GEOMET s.r.o.	513	509	16	35	-	494	252	-	385	637
Bytkomfort, s.r.o.	110	29	240	90	49	211	103	-	133	236
LOMY MOŘINA spol. s r.o.	98	20	253	49	19	283	145	-	-	145
Tepelné hospodářství města Ústí nad Labem s.r.o.	281	239	259	184	104	252	140	-	-	140

	Revenues and other operating income	Depre-ciation and amortization	Interest income	Interest expense	Income taxes	Net income (loss)	Other compre-hensive income	Total compre-hensive income
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş.	-	-	365	(169)	-	(1,673)	849	(824)
Sakarya Elektrik Dagitim A.Ş.	4,477	(58)	112	(133)	(353)	832	(1,259)	(427)
Sakarya Elektrik Perakende Satis A.S.	17,619	(51)	77	(37)	(73)	304	(327)	(23)
Akenerji Elektrik Üretim A.S.	9,466	(263)	46	(2,335)	119	(6,780)	7,152	372
Jadrová energetická spoločnosť Slovenska, a. s.	15	(12)	1	-	-	(46)	(284)	(330)
GEOMET s.r.o.	-	-	-	-	-	(220)	-	(220)
Bytkomfort, s.r.o.	276	(26)	-	(1)	(4)	16	(11)	5
LOMY MOŘINA spol. s r.o.	356	(19)	-	-	(2)	5	-	5
Tepelné hospodářství města Ústí nad Labem s.r.o.	596	(21)	-	(3)	(4)	19	(1)	18

10. Cash and Cash Equivalents, Net

The overview of cash and cash equivalents, net at December 31, 2022 and 2021, is as follows (in CZK millions):

	2022	2021
Cash on hand and current accounts with banks	5,058	26,559
Term deposits	31,559	85
Allowance to cash and cash equivalents	(8)	(4)
Total	36,609	26,640

At December 31, 2022 and 2021, cash and cash equivalents included foreign currency deposits of CZK 30,999 million and CZK 22,815 million, respectively.

The weighted average interest rate on short-term securities and term deposits at December 31, 2022 and 2021, was 2.7% and 1.8%, respectively. For the years 2022 and 2021, the weighted average interest rate was 1.6% and 0.3%, respectively.

11. Trade Receivables, Net

The overview of trade receivables, net at December 31, 2022 and 2021 is as follows (in CZK millions):

	2022	2021
Trade receivables	92,220	73,354
Margin calls	47,508	38,285
Collaterals	30,661	28,833
Allowances	(3,043)	(3,067)
Total	167,346	137,405

The information about receivables from related parties is included in Note 35.

Carrying amount of receivables pledged as security for liabilities at December 31, 2022 and 2021 are CZK 100 million and CZK 84 million, respectively.

At December 31, 2022 and 2021, the ageing structure of receivables, net is as follows (in CZK millions):

	2022	2021
Not past due	163,362	133,866
Past due:		
Less than 3 months	1,866	1,302
3–6 months	146	239
6–12 months	688	284
More than 12 months	1,284	1,714
Total	167,346	137,405

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 payments for system services of local distribution grid's providers from 2016–2021 and 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 companies ČEPS, a.s., and 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):

	2022	2021
Balance as at January 1	(3,067)	(3,627)
Allowances related to receivables classified as held for sale as at January 1	-	(2,037)
Additions	(3,681)	(1,556)
Reversals	3,661	2,079
Derecognition of impaired assets	21	69
Sale of subsidiaries	-	1,960
Currency translation differences	23	45
Balance as at December 31	(3,043)	(3,067)

12. Materials and Supplies, Net

The overview of materials and supplies, net at December 31, 2022 and 2021 is as follows (in CZK millions):

	2022	2021
Gas storage	10,409	4,585
Other material	11,357	8,169
Work in progress	1,724	800
Other supplies	776	229
Allowance for obsolescence	(476)	(411)
Total	23,790	13,372

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 2022 and 2021 (in CZK millions):

	2022		2021	
	in thousands tons	in millions CZK	in thousands tons	in millions CZK
Emission rights for own use:				
Emission rights for own use at January 1	23,212	13,584	33,524	15,454
Emission rights granted	303	-	343	-
Settlement of emissions with register	(16,496)	(9,553)	(17,120)	(7,103)
Emission rights purchased	16,206	21,072	6,465	5,328
Emission rights sold	(3,718)	(1,922)	-	-
Currency translation differences	-	(88)	-	(95)
Emission rights for own use at December 31	19,507	23,093	23,212	13,584
Emission rights and credits held for trading:				
Emission rights and credits held for trading at January 1	3,035	6,042	29,059	24,840
Emission rights purchased	46,306	89,024	137,423	169,549
Emission rights sold	(46,060)	(93,972)	(163,593)	(237,403)
Emission credits purchased	-	-	162	2
Emission credits sold and disposed	-	-	(16)	-
Fair value adjustment	-	5,314	-	49,054
Emission rights and credits held for trading at December 31	3,281	6,408	3,035	6,042

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

	2022	2021		
	Current	Non-current	Current	Total
Emission rights	29,501	160	19,466	19,626
Green and similar certificates	167	-	68	68
Total	29,668	160	19,534	19,694

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

During 2022 and 2021, total emissions of greenhouse gases made by the Group amounted to an equivalent of 17,554 thousand tons and 18,410 thousand tons of CO_2, respectively. At December 31, 2022 and 2021, the Group recognized a provision for CO_2 emissions in total amount of CZK 21,383 million and CZK 9,622 million, respectively (see Notes 2.13 and 19).

14. Other Current Assets, Net

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

	2022	2021
Unbilled electricity and gas supplied to the retail customers	77	19,583
Received advances from retail customers	(29)	(18,741)
Unbilled supplies to retail customers, net	48	842
Gross contract assets based on percentage of completion, net	17,822	13,647
Received billings and advances	(15,308)	(11,443)
Net contract assets	2,514	2,204
Advances paid, net	3,800	2,537
Prepayments	2,504	1,309
Accruals	5,913	4,017
Taxes and fees, excluding income tax	2,239	2,765
Total	17,018	13,674

15. Equity

As at December 31, 2022 and 2021, 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 2022 and 2021 (in pieces):

	2022	2021
Number of treasury shares at beginning of period	1,258,349	2,516,240
Sales of treasury shares	(78,837)	(1,257,891)
Number of treasury shares at end of period	1,179,512	1,258,349

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

Declared dividends per share before tax were CZK 48 in 2022 and CZK 52 in 2021. Dividends for the year 2022 will be declared at the General Meeting, which will be held in the first half of 2023.

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):

	2022	2021
Long-term debt	149,090	112,580
Short-term loans	53,056	25,310
Total debt	202,146	137,890
Less:		
Cash and cash equivalents	(36,609)	(26,640)
Highly liquid financial assets:		
Current debt financial assets (Note 5)	(9,752)	(499)
Current term deposits (Note 5)	(100)	-
Total net debt	155,685	110,751
Income before income taxes and other income (expenses)	101,927	16,098
Depreciation and amortization	32,757	31,628
Impairment of property, plant and equipment and intangible assets	(2,864)	15,799
Gains and losses on sale of property, plant and equipment (Note 24 and 30)	(252)	(285)
EBITDA	131,568	63,240
Equity attributable to equity holders of the parent	258,886	161,098
Total debt	202,146	137,890
Total capital	461,032	298,988
Net debt to EBITDA ratio	1.18	1.75
Total debt to total capital ratio	43.8%	46.1%

16. Long-term Debt

The overview of long-term debt at December 31, 2022 and 2021 is as follows (in CZK millions):

	2022	2021
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,071	2,302
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,382	1,536
4.875% Eurobonds, due 2025 (EUR 750 million)	18,694	19,263
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	1,988	2,210
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	1,288	1,288
4.375% Eurobonds, due 2042 (EUR 50 million)	1,209	1,246
4.500% Eurobonds, due 2047 (EUR 50 million)	1,207	1,243
4.383% Eurobonds, due 2047 (EUR 80 million)	1,957	2,017
3.000% Eurobonds, due 2028 (EUR 725 million)	18,024	18,627
0.875% Eurobonds, due 2022 (EUR 269 million) [1)]	-	6,692
0.875% Eurobonds, due 2026 (EUR 750 million)	17,978	18,502
2,375% Eurobonds, due 2027 (EUR 600 million)	14,628	-
4.250% U.S. bonds, due 2022 (USD 266 million) [2)]	-	5,897
5.625% U.S. bonds, due 2042 (USD 300 million)	6,824	6,621
4.500% Registered bonds, due 2030 (EUR 40 million)	958	987
4.750% Registered bonds, due 2023 (EUR 40 million)	1,006	1,036
4.700% Registered bonds, due 2032 (EUR 40 million)	995	1,026
4.270% Registered bonds, due 2047 (EUR 61 million)	1,456	1,500
3.550% Registered bonds, due 2038 (EUR 30 million)	741	764
Total bonds and debentures	92,406	92,757
Less: Current portion	(5,725)	(13,911)
Bonds and debentures, net of current portion	86,681	78,846
Long-term bank and other[3)] loans and lease liabilities:		
Less than 2.00% p. a.	20,928	15,380
2.00% to 2.99% p. a.	4,625	2,163
3.00% to 3.99% p. a.	25,659	1,651
4.00% p. a. and more	5,472	629
Total long-term bank and other loans and lease liabilities	56,684	19,823
Less: Current portion	(3,131)	(2,744)
Long-term bank and other loans and lease liabilities, net of current portion	53,553	17,079
Total long-term debt	149,090	112,580
Less: Current portion	(8,856)	(16,655)
Total long-term debt, net of current portion	140,234	95,925

1) In April 2021, the original nominal value of the issue (EUR 500 million) was reduced by bond buyback in a nominal value of EUR 231 million.

2) In April and May 2021, the original nominal value of the issue (USD 289 million) was reduced by bond buyback in a nominal value of USD 23 million.

3) Other loans represent mainly long-term loans provided by the Ministry of Finance of the Czech Republic to cover the liquidity risk associated to potential immediate increase of requests for extraordinary increase of margin calls on energy stock exchange and towards business counterparties.

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):

	2022	2021
Within 1 year	8,856	16,655
Between 1 year and 2 years	27,607	6,270
Between 2 and 3 years	23,429	2,262
Between 3 and 4 years	21,352	21,113
Between 4 and 5 years	19,962	20,746
Thereafter	47,884	45,534
Total long-term debt	149,090	112,580

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

	2022		2021	
	Foreign currency	CZK	Foreign currency	CZK
EUR	5,492	132,447	3,581	89,031
USD	302	6,824	570	12,518
JPY	31,724	5,441	31,722	6,048
CZK		4,195		4,116
PLN	25	128	153	827
Other		55		40
Total long-term debt		149,090		112,580

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, 2022 and 2021, without considering interest rate hedging (in CZK millions):

	2022	2021
Floating rate long-term debt		
with interest rate fixed to 1 month	87	19
with interest rate fixed from 1 to 3 months	1,295	1,900
with interest rate fixed from 3 months to 1 year	15,091	4,719
with interest rate fixed for more than 1 year	17	19
Total floating rate long-term debt	16,490	6,657
Fixed rate long-term debt	132,600	105,923
Total long-term debt	149,090	112,580

Fixed rate long-term debt exposes the Group to the risk of change in fair values of these financial instruments. For related fair value information and risk management policies of all financial instruments see Note 17 and Note 18.

The following table analyses the changes in liabilities and receivables arising from financing activities in 2022 and 2021 (in CZK millions):

	Debt	Other financial liabilities	Other long-term liabilities	Other current financial assets, net	Total liabilities / assets from financing activities
Liabilities / assets from financing at January 1, 2021	151,827	548	32	(30)	152,377
Cash flows	(8,263)	(27,933)	-	(8)	(36,204)
Additions and modifications of leases	489	-	-	-	489
Foreign exchange movement	(1,663)	(13)	(2)	-	(1,678)
Changes in fair values	(4,615)	-	-	-	(4,615)
Acquisition of subsidiaries	312	4	-	-	316
Disposal of subsidiaries	(4,931)	(82)	-	-	(5,013)
Liabilities associated to assets classified as held for sale	4,719	125	-	-	4,844
Declared dividends	-	28,023	-	-	28,023
Other [1)]	15	338	-	-	353
Liabilities / assets arising from financing activities at December 31, 2021	137,890	1,010	30	(38)	138,892
Liabilities / assets arising from other than financing activities	-	635,236	2	(497,257)	
Total amount on balance sheet at December 31, 2021	137,890	636,246	32	(497,295)	
Less: Liabilities / assets from other than financing activities	-	(635,236)	(2)	(497,257)	
Liabilities / assets from financing at January 1, 2022	137,890	1,010	30	(38)	138,892
Cash flows	68,622	(25,674)	-	19	42,967
Additions and modifications of leases	626	-	-	-	626
Foreign exchange movement	(3,041)	(1)	(1)	-	(3,043)
Changes in fair values	(2,849)	-	-	-	(2,849)
Acquisition of subsidiaries	169	119	-	-	288
Disposal of subsidiaries	-	-	-	-	-
Liabilities associated to assets classified as held for sale	-	-	-	-	-
Declared dividends	-	25,750	-	-	25,750
Other	729	(120)	-	-	609
Liabilities / assets arising from financing activities at December 31, 2022	202,146	1,084	29	(19)	203,240
Liabilities / assets arising from other than financing activities	-	333,165	2	(278,490)	
Total amount on balance sheet at December 31, 2022	202,146	334,249	31	(278,509)	

1) The item Other includes accrued interest, transfer of interest paid on leasing to operating activities and non-cash additions and decreases of liabilities.

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 payables 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.

17. 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, 2022 and 2021 are as follows (in CZK millions):

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current assets at amortized cost:				
Other financial receivables	2,728	2,728	2,156	2,156
Receivables from sale of subsidiaries, associates and joint-ventures	-	-	2,399	2,399
Investment in finance lease	200	200	211	211
Non-current assets at fair value through other comprehensive income:				
Restricted debt financial assets	19,245	19,245	18,159	18,159
Equity financial assets	887	887	942	942
Non-current assets at fair value through profit or loss:				
Equity financial assets	3,840	3,840	2,538	2,538
Current assets at amortized cost:				
Term deposits	100	100	-	-
Other financial receivables	31	31	288	288
Receivables from sale of subsidiaries, associates and joint-ventures	2,450	2,450	-	-
Investment in finance lease	46	46	44	44
Current assets at fair value through other comprehensive income:				
Debt financial assets	9,752	9,752	499	499
Current assets at fair value through profit or loss:				
Equity financial assets	-	-	441	441

Carrying amounts and the estimated fair values of financial liabilities (except for derivatives) at December 31, 2022 and 2021 are as follows (in CZK millions):

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt[1)]	(145,665)	(142,557)	(109,151)	(119,797)
Other long-term financial liabilities	(1,850)	(1,849)	(630)	(630)
Short-term loans	(53,056)	(53,056)	(25,310)	(25,310)
Other short-term financial liabilities	(3,009)	(3,010)	(417)	(417)

1) The value of long-term debts is shown without lease liabilities of which the fair value is not published (book value as at December 31, 2022 and 2021 in the amount of CZK (3,425) million and CZK (3,429) million, respectively.

Carrying amounts and the estimated fair values of derivatives and liabilities recognized at fair value at December 31, 2022 and 2021 are as follows (in CZK millions):

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities from put options held by non-controlling interests	(509)	(509)	(589)	(589)
Contingent consideration from the acquisition of subsidiaries	(591)	(591)	(583)	(583)
Cash flow hedges:				
Short-term receivables	3,971	3,971	884	884
Long-term receivables	8,612	8,612	3,347	3,347
Short-term liabilities	(45,714)	(45,714)	(49,287)	(49,287)
Long-term liabilities	(36,757)	(36,757)	(33,257)	(33,257)
Commodity derivatives:				
Short-term receivables	259,137	259,137	494,419	494,419
Short-term liabilities	(245,337)	(245,337)	(550,657)	(550,657)
Other derivatives:				
Short-term receivables	3,022	3,022	720	720
Long-term receivables	446	446	212	212
Short-term liabilities	(321)	(321)	(253)	(253)
Long-term liabilities	(161)	(161)	(573)	(573)

17.1. 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.

In 2022, the fair value of commodity contracts of gas on insufficiently active markets for the whole period of the contract was transferred from level 2 to level 3. There were no transfers between the levels of financial instruments at fair value in 2021.

As at December 31, 2022, the fair value hierarchy was the following (in CZK millions):

Assets measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	259,137	59,450	194,479	5,208
Cash flow hedges	12,584	7,252	5,332	-
Other derivatives	3,468	168	3,300	-
Restricted debt financial assets	19,245	19,245	-	-
Debt financial assets at fair value through other comprehensive income	9,752	9,752	-	-
Equity financial assets at fair value through profit or loss	3,840	-	-	3,840
Equity financial assets at fair value through other comprehensive income	887	-	-	887

Liabilities measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	(245,337)	(30,739)	(210,278)	(4,320)
Cash flow hedges	(82,471)	(44,307)	(38,164)	-
Other derivatives	(482)	(7)	(475)	-
Liabilities from put options held by non-controlling interests	(509)	-	-	(509)
Contingent consideration from the acquisition of subsidiaries	(591)	-	-	(591)

Assets and liabilities for which fair values are disclosed:

	Total	Level 1	Level 2	Level 3
Term deposits	100	-	100	-
Other financial receivables	2,759	-	2,759	-
Receivables from sale of subsidiaries, associates and joint-ventures	2,450	-	2,450	-
Investment in finance lease	246	-	246	-
Long-term debt	(142,557)	(81,113)	(61,444)	-
Short-term loans	(53,056)	-	(53,056)	-
Other financial liabilities	(4,859)	-	(4,859)	-

As at December 31, 2021, the fair value hierarchy was the following (in CZK millions):

Assets measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	494,419	47,322	443,970	3,127
Cash flow hedges	4,231	101	4,130	-
Other derivatives	932	66	866	-
Restricted debt financial assets	18,159	18,159	-	-
Debt financial assets at fair value through other comprehensive income	499	499	-	-
Equity financial assets at fair value through profit or loss	2,979	-	-	2,979
Equity financial assets at fair value through other comprehensive income	942	-	-	942

Liabilities measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	(550,657)	(24,715)	(525,942)	-
Cash flow hedges	(82,544)	(22,744)	(59,800)	-
Other derivatives	(826)	(15)	(811)	-
Liabilities from put options held by non-controlling interests	(589)	-	-	(589)
Contingent consideration from the acquisition of subsidiaries	(583)	-	-	(583)

Assets and liabilities for which fair values are disclosed:

	Total	Level 1	Level 2	Level 3
Other financial receivables	2,444	-	2,444	-
Receivables from sale of subsidiaries, associates and joint-ventures	2,399	-	2,399	-
Investment in finance lease	255	-	255	-
Long-term debt	(119,797)	(98,166)	(21,631)	-
Short-term loans	(25,310)	-	(25,310)	-
Other financial liabilities	(1,047)	-	(1,047)	-

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 and liabilities measured at fair value – Level 3, for the years ended December 31, 2022 and 2021 (in CZK millions):

	Equity financial assets at fair value through profit or loss	Equity financial assets at fair value through other comprehensive income	Commodity derivatives
Balance at January 1, 2021	1,750	1,768	-
Additions	497	-	-
Disposals	(8)	(31)	(1,604)
Revaluation	740	(795)	4,731
Balance at December 31, 2021	2,979	942	3,127
Reclassification [1)]	-	-	148
Additions	936	-	-
Disposals	(610)	(166)	(15,549)
Revaluation	535	111	13,162
Balance at December 31, 2022	3,840	887	888

[1)] Transfer of contracts for gas on insufficiently active markets from level 2 as at January 1, 2022.

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, 2022 and 2021 was determined using available public EBITDA data and the usual range of 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, 2022 and 2021 was determined using 6 EBITDA multiple and 7 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 2022 and 2021 was determined by a valuation expert. The determination of fair value takes into consideration, in particular, capital contributions and 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 depends 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.

Commodity derivatives measured at fair value in level 3 include cross-border electricity transmission rights (hereinafter referred to as "cross-border capacities") and gas contracts with delivery in regions where the market is not sufficiently active throughout the duration of the contract. Cross-border capacities are sold in auctions organized by auction offices covering transmission system operators or in auctions organized directly by transmission system operators. Cross-border capacities are not traded on an organized market. The fair value of cross-border capacities, which represents an estimate of the expected value of compensation for unused cross-border capacities, takes into account especially the acquisition price of purchased capacities and the forward prices of electricity in the respective countries. The fair value of contracts for the purchase and sale of gas on insufficiently active markets is derived from the nearest active market and the location spread is determined using a valuation model that makes maximum use of available market data.

17.2. 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 at December 31, 2022 and 2021 (in CZK millions):

	2022		2021	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Derivatives	275,189	(328,291)	499,582	(634,027)
Other financial instruments [1]	69,013	(64,329)	60,512	(60,384)
Collaterals paid (received) [2]	30,661	(1,942)	28,833	(9,344)
Gross financial assets / liabilities	374,863	(394,562)	588,927	(703,755)
Assets / liabilities set off under IAS 32	-	-	-	-
Amounts presented in the balance sheet	374,863	-394,562	588,927	(703,755)
Effect of master netting agreements	(285,915)	285,915	(496,706)	496,706
Net amount after master netting agreements	88,948	(108,647)	92,221	(207,049)

[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.

ČEZ, a. s., 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 22. 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.

18. 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.

Since 2021, a new uniform Enterprise risk management scheme is adopted by the Group to be applied to all group-level significant risks. For this level of risks, the scheme integrates, across the process areas of the whole Group, all decentral risk management activities into one, uniform and centrally coordinated process of the group-level significant risks management, with the use of a software tool.

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. Since 2021, it also monitors overviews regarding new uniform Enterprise risk management scheme.

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 which are newly also subject to policies defined by new uniform Enterprise risk management scheme since 2021.

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 interval. 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).

18.1. 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, 2022 and 2021 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. Other tools used for liquidity risk management are the regularly evaluated Margin@Risk reports and liquidity stress scenario reports, which are mainly used to manage the liquidity risk related to the margin calls requirements. These reports also evaluate the effects of the transactions of the sliding sale of electricity and the purchase of emission rights in the horizon of the next 6 years.

18.2. 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 emission rights, 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):

	2022	2021
Monthly VaR (95%) – impact of changes in commodity prices	4,300	9,298

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, which is 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 value of foreign currency cash flows from all contracted financial instruments, from expected foreign currency operational revenues and costs in 2022 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):

	2022	2021
Monthly currency VaR (95% confidence)	682	437

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):

	2022	2021
IR sensitivity* to parallel yield curve shift (+10bp)	(5)	-

* 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 (in CZK millions):

	2022	2021
Guarantees off balance sheet provided to joint-ventures	-	-

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, 2022 (in CZK millions):

	Loans	Bonds and debentures	Trade payables and other financial liabilities	Derivatives [1)]	Guarantees issued [2)]
Due in 2023	57,228	8,610	88,146	1,078,236	1,578
Due in 2024	28,624	2,759	1,836	244,665	-
Due in 2025	5,898	20,828	687	80,848	-
Due in 2026	4,028	19,843	319	8,360	-
Due in 2027	5,897	16,094	502	756	-
Thereafter	12,511	48,943	116	24,605	-
Total	114,186	117,077	91,606	1,437,470	1,578

[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 17.

[2)] Maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. The ultimate date for guarantee call is June 2026.

Contractual maturities of undiscounted payments of financial liabilities as at December 31, 2021 (in CZK millions):

	Loans	Bonds and debentures	Trade payables and other financial liabilities	Derivatives [1]	Guarantees issued [2]
Due in 2022	28,250	16,722	86,780	1,431,988	1,907
Due in 2023	2,011	7,039	763	230,712	-
Due in 2024	2,430	2,476	297	57,558	-
Due in 2025	2,645	21,094	305	4,894	-
Due in 2026	2,371	20,055	109	839	-
Thereafter	8,913	51,528	76	26,212	-
Total	46,620	118,914	88,330	1,752,203	1,907

[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 17.

[2] Maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. The ultimate date for guarantee call is June 2026.

The committed credit facilities available to the Group as at December 31, 2022 and 2021 amounted to CZK 50.3 billion and CZK 15.2 billion, respectively. In addition, in December 2022, the Company signed committed loan facility agreement with the European Investment Bank to support financing of the program of renewal and further development of the distribution grid in the Czech Republic up to a total of EUR 790 million, which was not drawn as at December 31, 2022.

18.3. Hedge Accounting

The Group hedges cash flows arising from highly probable future sales of electricity in the Czech Republic. Hedging instruments are futures and forward contracts electricity sales in Germany. The fair value of these derivative hedging instruments amounted to CZK (73,096) million and CZK (77,985) million at December 31, 2022 and 2021, respectively. The result of this hedging strategy as at December 31, 2022, is that for 2023 approximately 75% of expected generation in the Czech Republic was hedged at an average price of EUR 117 per MWh, for 2024 approximately 47% of expected generation at an average price of EUR 120 per MWh, for 2025 approximately 21% of expected generation at an average price of EUR 129 per MWh and for 2026 approximately 2% at an average price of EUR 97 per MWh.

The Group also 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 2023–2026. The relevant hedging instruments as at December 31, 2022 and 2021 are the EUR denominated liabilities from the issued Eurobonds and bank loans in the total amount of EUR 4.0 billion and EUR 3.3 billion, respectively, and currency forward contracts and swaps. The fair value of these derivative hedging instruments amounted to CZK 2,938 million and CZK (325) million at December 31, 2022 and 2021, respectively.

In 2022, the Company also hedged selected cash flow connected to purchase of emission rights, to cover its CO_2 emission for the year 2022, for the purpose of hedging the currency risk associated with the time difference between the allocation of emission rights and the payment for their purchase. The hedge was made by currency swaps. The accumulated value of change of fair value revaluation, transferred from the equity to the price of emission rights connected with the hedge for purchase of emission rights amounted to CZK 403 million.

In 2022 and 2021, 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 2022 and 2021, the Group recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK (194) million and CZK 284 million, respectively. The ineffectiveness in 2022 and 2021 was primarily caused by the fact that the hedged future cash flows were no longer highly probable and by the volatility of electricity price on Czech / German market and unequal price increase / decrease of the electricity on Czech and German market.

19. Provisions

The following table provides an overview of provisions as at December 31, 2022 and 2021 (in CZK millions):

	2022			2021		
	Non-current	Current	Total	Non-current	Current	Total
Nuclear provisions	107,542	2,168	109,710	91,629	2,073	93,702
Provision for demolition and dismantling of fossil-fuel power plants	18,505	1,217	19,722	6,198	563	6,761
Provision for reclamation of mines and mining damages	13,095	311	13,406	12,118	299	12,417
Provision for waste storage reclamation	594	22	616	617	39	656
Provision for CO_2 emissions (Note 13)	-	21,383	21,383	-	9,622	9,622
Provision for obligation in case of claim from guarantee for Akcez group loans	-	1,578	1,578	-	1,907	1,907
Other provisions	6,358	4,244	10,602	6,510	3,778	10,288
Total	146,094	30,923	177,017	117,072	18,281	135,353

19.1. Nuclear Provisions

The Company operates two nuclear power plants. The Dukovany Nuclear Power Plant comprises four units commissioned for continuous operation in 1985 to 1987. The Temelín Nuclear Power Plant consists of two units that were commissioned for continuous operation in 2002 and 2003. The Nuclear Energy Act sets down obligations for nuclear facility decommissioning and disposal of radioactive waste and spent nuclear fuel. In accordance with the Nuclear Energy Act, all the nuclear parts and equipment of a nuclear power plant must be disposed of after the end of operation. For the purpose of determining the amount of nuclear provisions, it is estimated that the Dukovany Nuclear Power Plant will stop generating electricity in 2047, the Temelín plant in 2062. Studies for the Dukovany Nuclear Power Plant and for the Temelín Nuclear Power Plant from 2020 assume that the total costs of decommissioning of so-called nuclear island and conventional part of these power plants will reach the amount of CZK 32.2 billion and CZK 24.1 billion, respectively. The Company makes contributions to a restricted bank accounts in the amount of the nuclear provisions recorded under the Nuclear Energy Act. These funds can be invested in government bonds in accordance with legislation. These restricted financial assets are reported in the balance sheet as part of the line item Restricted financial assets, net (see Note 4).

The Ministry of Industry and Trade established the Radioactive Waste Repository Authority (SÚRAO) as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The SÚRAO operates, supervises and is responsible for disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the SÚRAO are financed through a nuclear account funded by the originators of radioactive waste. Contribution to the nuclear account is stated by Nuclear Energy Act at CZK 55 per MWh produced at nuclear power plants. In 2022 and 2021, the payments to the nuclear account amounted to CZK 1,706 million and CZK 1,690 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, 2022 and 2021 (in CZK millions):

	Accumulated provisions			
	Nuclear decommis-sioning	Spent fuel storage		
		Interim	Long-term	Total
Balance at January 1, 2021	39,016	9,345	43,350	91,711
Discount accretion and effect of inflation	742	178	823	1,743
Provision charged in profit or loss	-	546	-	546
Effect of change in estimate recognized in profit or loss	-	787	-	787
Effect of change in estimate added to (deducted from) fixed assets	2,526	-	(1,037)	1,489
Current cash expenditures	-	(884)	(1,690)	(2,574)
Balance at December 31, 2021	42,284	9,972	41,446	93,702
Discount accretion and effect of inflation	973	226	953	2,152
Provision charged in profit or loss	-	486	-	486
Effect of change in estimate recognized in profit or loss	-	(207)	-	(207)
Effect of change in estimate added to fixed assets	16,160	-	275	16,435
Current cash expenditures	-	(1,152)	(1,706)	(2,858)
Balance at December 31, 2022	59,417	9,325	40,968	109,710

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

In 2022, the Company recorded the change in estimated provision for interim storage of spent nuclear fuel. The change relates to the change in expectations of future storage cost and change in discount rate. The change in estimated provision for nuclear decommissioning is due to the update of the amount and scope of the decommissioning costs for Dukovany Nuclear Power Plant and for Temelín Nuclear Power Plant and due to the change in discount rate. The change in estimated provision for long-term spent fuel storage is connected with the modification of the expected output of the nuclear power plants, change of expected contribution to the nuclear account per MWh in future years and change in discount rate.

In 2021, the Company recorded the change in estimate for interim storage of spent nuclear fuel in connection with the change in expectations of future storage cost and change in discount rate, the change in estimate in provision for nuclear decommissioning in connection with the 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, change of expected contribution to the nuclear account per MWh in future years 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.

19.2. Provision for Mine Reclamation and Mining Damages, Waste Storage Reclamation and Demolition and Dismantling of Fossil-fuel Power Plants

The following table shows the movements of provisions for the years ended December 31, 2022 and 2021 (in CZK millions):

	Mine reclamation and damages	Waste storage	Demolition and dismantling of fossil-fuel power plants
Balance at January 1, 2021	9,751	659	-
Discount accretion and effect of inflation	180	13	27
Provision charged in profit or loss	122	-	-
Change in estimate added to fixed assets	2,635	29	6,734
Current cash expenditures	(271)	(38)	-
Reversal of provision	-	(7)	-
Balance at December 31, 2021	12,417	656	6,761
Discount accretion and effect of inflation	282	11	321
Provision charged in profit or loss	135	-	-
Change in estimate and creation added to fixed assets	746	(17)	12,968
Current cash expenditures	(174)	(32)	(328)
Reversal of provision	-	(2)	-
Balance at December 31, 2022	13,406	616	19,722

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. 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, however, in 2021, the estimate was also changed due to the expected earlier termination of mining and the related earlier expenditure of expected expenses.

In 2022, the Group recorded the change in estimate in provision for demolition and dismantling of fossil-fuel power plants due to the update of the amount and scope of the decommissioning costs and due to change in discount rate.

20. Other Financial Liabilities

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

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

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

The following table analyses the value of liabilities from commodity and other derivatives by the period of delivery as at December 31, 2022 and 2021 and the year to year development (in CZK millions):

	2022	2021	Year to year change
Delivery in 2021	-	4,515	(4,515)
Delivery in 2022	5,689	484,387	(478,698)
Delivery in 2023	201,475	57,278	144,197
Delivery in 2024	34,637	4,399	30,238
Delivery in 2025 and thereafter	4,018	904	3,114
Total commodity and other derivatives	245,819	551,483	(305,664)

Derivatives balance comprises mainly the negative fair values of commodity trading contracts. The decrease of liabilities from commodity and other derivatives in 2022 is caused mainly due to physical delivery of the commodity or by financial settlement. Year to year decrease is also influenced by volatility of the market prices of electricity, gas, emission rights and other commodities. Related decrease of receivables from commodity and other derivatives is disclosed in Note 5.

21. Short-term Loans

The overview of short-term loans at December 31, 2022 and 2021 is as follows (in CZK millions):

	2022	2021
Bank loans	4,805	25,282
Other loans [1)]	48,230	-
Bank overdrafts	21	28
Total	53,056	25,310

1) Other loans represent short-term loans provided by the Ministry of Finance of the Czech Republic to cover the liquidity risk associated to potential immediate increase of requests for extraordinary increase of margin calls on energy stock exchange and towards business counterparties.

Short-term loans bear interest at fixed interest rates. The weighted average interest rate was 4.5% and 0.2% at December 31, 2022 and 2021, respectively. For the years 2022 and 2021, the weighted average interest rate was 5.3% and 0.6%, respectively.

22. Other Short-term Liabilities

Other short-term liabilities at December 31, 2022 and 2021 are as follows (in CZK millions):

	2022	2021
Advances received from retail customers	35,045	2,778
Unbilled electricity and gas supplied to retail customers	(28,765)	(2,597)
Received advances from retail customers, net	6,280	181
Taxes and fees, except income tax	6,548	3,159
Other advances received	3,651	5,191
Deferred income	1,037	486
Other contract liabilities	1,154	565
Total	18,670	9,582

23. Leases

23.1. Group as a Lessee

The Group has lease contracts for various items of offices, vehicles, buildings and land used to place its own electricity and heat production facilities. Leases of vehicles generally have lease terms between 1–8 years, while buildings and lands between 4–21 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 Long-term debt (see Note 16).

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

	2022	2021
Payments of principal	709	692
Payments of interests	99	118
Lease payments not included in valuation of lease liability	187	131
Total cash outflow for leases	995	941

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

	2022	2021
Expense relating to short-term leases	84	68
Expense relating to low-value assets	3	6
Variable lease payments not included in valuation of lease liability	100	57
Depreciation charge for right-of-use assets	715	657
Interest expenses	112	123
Modifications	(9)	-

Next year, the Group expects to pay lease payments that are not included in valuation of lease liability to be similar to the year 2022.

23.2. 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):

	2022	2021
Up to 1 year	52	48
Between 1 year and 2 years	49	49
Between 2 and 3 years	42	44
Between 3 and 4 years	39	37
Between 4 and 5 years	31	35
Thereafter	80	80
Total undiscounted investment in finance lease	293	293
Unearned finance income	(47)	(38)
Net investment in the lease	246	255

The Group recognized interest income on lease receivables of CZK 8 million and CZK 8 million at December 31, 2022 and 2021, 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 2022 and 2021 was CZK 177 million and CZK 187 million, respectively. In the following years, the Group expects rental income to be similar to the year 2022.

24. Revenues and Other Operating Income

The overview of revenues and other operating income for the years ended December 31, 2022 and 2021 is as follows (in CZK millions):

	2022	2021
Sales of electricity:		
Sales of electricity to end customers	77,124	47,308
Sales of electricity through energy exchange and other organized markets	118,889	51,479
Sales of electricity to traders	46,619	34,158
Sales to distribution and transmission companies	499	566
Other sales of electricity	10,233	14,237
Effect of hedging – presales of electricity (Note 18.3)	(87,895)	(12,926)
Effect of hedging – currency risk hedging (Note 18.3)	171	1,422
Total sales of electricity	165,640	136,244
Sales of gas, coal and heat:		
Sales of gas	24,446	8,272
Sales of coal	5,708	3,999
Sales of heat	9,894	8,978
Total sales of gas, coal and heat	40,048	21,249
Total sales of electricity, heat, gas and coal	205,688	157,493
Sales of services and other revenues:		
Distribution services	35,073	38,454
Other services	36,561	25,891
Rental income	177	187
Revenues from goods sold	1,425	951
Other revenues	2,129	1,846
Total sales of services and other revenues	75,365	67,329
Other operating income:		
Granted green and similar certificates	169	548
Contractual fines and interest fees for delays	727	202
Gain on sale of property, plant and equipment	264	328
Gain on sale of material	185	192
Gain on sale of emission rights	4,295	-
Other	1,792	1,701
Total other operating income	7,432	2,971
Total revenues and other operating income	288,485	227,793

The Group drew in 2022 and 2021 grants related to income in the amount of CZK 428 million and CZK 407 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, 2022 and 2021 were CZK 368,600 million and CZK 236,139 million, respectively, and can be linked to the above figures as follows (in CZK million):

	2022	2021
Sales of electricity, heat, gas and coal	205,688	157,493
Sales of services and other revenues	75,365	67,329
Total revenues	281,053	224,822
Adjustments:		
Effect of hedging – presales of electricity	87,895	12,926
Effect of hedging – currency risk hedging	(171)	(1,422)
Rental income	(177)	(187)
Revenues from contracts with customers	368,600	236,139

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 millions):

	2022	2021
Within 1 year	17,292	12,065
More than 1 year	11,181	3,251
Total	28,473	15,316

25. Gains and Losses from Commodity Derivative Trading

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

	2022	2021
Gains (losses) from electricity derivative trading	24,745	(26,302)
Gain from gas derivative trading	15,037	8,391
Gain from emission rights derivative trading	1,380	13,034
Loss from oil derivative trading	(11)	(21)
Gain (loss) from coal derivative trading	(1)	430
Total gains and losses from commodity derivative trading	41,150	(4,468)

26. Purchase of Electricity, Gas and Other Energies

The composition of purchase of electricity, gas and other energies for the years ended December 31, 2022 and 2021 is as follows (in CZK millions):

	2022	2021
Purchase of electricity for resale	(49,774)	(51,753)
Purchase of gas for resale	(17,523)	(8,919)
Purchase of other energies	(2,337)	(1,997)
Total purchase of electricity, gas and other energies	(69,634)	(62,669)

27. Fuel and Emission Rights

The composition of fuel and emission rights for the years ended December 31, 2022 and 2021 is as follows (in CZK millions):

	2022	2021
Emission rights for generation	(21,430)	(10,226)
Consumption of gas	(14,631)	(5,952)
Consumption of fossil energy fuel and biomass	(5,441)	(4,267)
Amortization of nuclear fuel	(3,907)	(4,110)
Total fuel and emission rights	(45,409)	(24,555)

28. Services

The composition of services for the years ended December 31, 2022 and 2021 is as follows (in CZK millions):

	2022	2021
Transmission grid services for distribution of electricity	(5,848)	(5,426)
Repairs and maintenance	(5,222)	(5,050)
Other distribution services	(556)	(714)
Other services	(20,305)	(17,854)
Total services	(31,931)	(29,044)

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

29. Salaries and Wages

Salaries and wages for the years ended December 31, 2022 and 2021 were as follows (in CZK millions):

	2022		2021	
	Total	Key management [1)]	Total	Key management [1)]
Salaries and wages including remuneration of the board members	(24,952)	(137)	(21,790)	(136)
Social and health security	(7,253)	(22)	(6,500)	(30)
Other personal expenses	(1,710)	(13)	(2,301)	(13)
Total	(33,915)	(172)	(30,591)	(179)

1) Members of the Supervisory Board and the Board of Directors of the parent company. The remuneration of former members of key management is also included in personal expenses.

Members of the Board of Directors and selected managers are in the new long-term bonus program since January 1, 2020. 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 share 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 share price at the end of the holding period and the amount of dividends distributed during the holding period.

Cost of cash-settled share-based payments related to the long-term performance bonus program for 2022 and 2021 was CZK 37 million and CZK 72 million, respectively. Liabilities from share-based payments as at December 31, 2022 and 2021 amounted to CZK 109 million and CZK 72 million, respectively.

The following table shows changes during 2022 and 2021 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, 2021	1,099	322	1,421	524.90
Options exercised [1)]	(1,051)	(207)	(1,258)	524.95
Options forfeited	-	(45)	(45)	495.46
Share options at December 31, 2021 [2)]	48	70	118	535.53
Options exercised [1)]	(48)	(31)	(79)	528.19
Options forfeited	-	(39)	(39)	550.10
Share options at December 31, 2022	-	-	-	

1) In 2022 and 2021, the weighted average market share price at the date of the exercise for the options exercised was CZK 984.11 and CZK 621.63, respectively.

2) At December 31, 2021, the number of exercisable options was 118 thousand. The weighted average exercise price of the exercisable options was CZK 535.53 per share.

30. Other Operating Expenses

Other operating expenses for the years ended December 31, 2022 and 2021 consist of the following (in CZK millions):

	2022	2021
Change in provisions	3,005	701
Taxes and fees, including levy on revenues above price caps	(4,787)	(2,942)
Cost of goods sold	(943)	(755)
Insurance	(786)	(902)
Bad debt expense	(580)	(996)
Costs related to trading of commodities	(521)	(452)
Gifts	(368)	(319)
Loss on sale of property, plant and equipment	(12)	(43)
Consumption of guarantees of origin and green and similar certificates	(7)	(15)
Other	(959)	(1,088)
Total	(5,958)	(6,811)

Contributions to the nuclear account (see Note 19.1) is part of Taxes and fees, including levy on revenues above price caps. The settlement of the provision for long-term spent fuel storage is accounted for in the amount of contributions to nuclear account. Settlement of provision for long-term spent fuel storage is included in Change in provisions.

31. Interest Income

Interest income for each category of financial assets for the years ended December 31, 2022 and 2021 is as follows (in CZK millions):

	2022	2021
Bank accounts	2,784	70
Debt financial assets designated at fair value through other comprehensive income	531	194
Loans, receivables and other debt financial assets at amortized cost	468	147
Financial assets and liabilities at fair value through profit or loss	13	12
Finance lease	8	8
Total	3,804	431

32. Other Financial Expenses

Other financial expenses for the years ended December 31, 2022 and 2021 consist of the following (in CZK millions):

	2022	2021
Foreign exchange rate loss	(4,433)	(1)
Loss from revaluation of equity financial assets	(223)	(114)
Loss on sale of debt financial assets	(160)	(3)
Derivative losses	(80)	(35)
Creation and settlement of provision	(31)	(19)
Bond buyback costs	-	(254)
Other	(284)	(233)
Total	(5,211)	(659)

33. Other Financial Income

Other financial income for the years ended December 31, 2022 and 2021 consists of the following (in CZK millions):

	2022	2021
Derivative gains	5,429	1,258
Gain on revaluation of financial assets	758	854
Gain on sales of debt financial assets	15	201
Dividend income	11	7
Interest related to the refunded overpayment of gift tax on emission rights	-	1,499
Foreign exchange rate gain	-	690
Gain on disposal of subsidiaries, associates and joint-ventures	-	19
Other	386	231
Total	6,599	4,759

34. 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 2022 and 2021.

Pursuant to Act No. 366/2022 Coll. the Company's taxable income is further burdened with an increased tax rate of 60%, so-called windfall tax, starting on January 1, 2023 and lasting until December 31, 2025. It is a component of corporate income tax.

The tax base for windfall tax is the difference between the comparative tax base and the average of the comparative tax bases from years 2018–2021 increased by 20%. The Group plans to use the legal ability to move tax bases within the group of companies with windfall profits.

This increased tax rate affects the calculation of deferred income tax. Tax rates for calculating deferred tax in individual years were calculated as a share of the sum of corporate income tax and windfall tax, where the denominator is the total (compared) tax base.

The estimated effective income tax rates for the calculation of deferred tax in the future years are as follows:

Year 2023	69%
Year 2024	74%
Year 2025	74%
From 2026 and on	19%

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):

	2022	2021
Current income tax charge	(20,198)	(5,418)
Adjustments in respect of current income tax of previous periods [1)]	994	(19)
Deferred income taxes	286	1,920
Total	(18,918)	(3,517)

1) In 2022, company ČEZ OZ uzavřený investiční fond a.s. reported a tax income CZK 1,004 million in connection with the termination of the tax audit, which confirmed the income tax rate of 5% for the previous periods, for which ČEZ OZ uzavřený investiční fond a.s. previously reported income tax at a rate of 19%.

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):

	2022	2021
Income before income taxes	99,623	13,426
Statutory income tax rate in the Czech Republic	19%	19%
"Expected" income tax expense	(18,928)	(2,551)
Tax effect of:		
Non-deductible income (expenses) related to shareholdings	(40)	63
Impairment of goodwill and other non-current assets	20	(228)
Share of profit (loss) from associates and joint-ventures	170	(101)
Adjustments in respect of current income tax of previous periods	994	(19)
Effect of different tax rate in other countries	343	83
Impact of different tax rate for calculation of deferred tax	(1,164)	-
Change in unrecorded deferred tax asset	447	(749)
Provisions	(114)	18
Social expenses	(62)	(56)
Dividend income	2	1
Expiration of tax losses with recorded deferred tax assets	(213)	(156)
Interest on arrears from the gift tax of emission rights	-	285
Other already taxed, tax exempt or non-deductible items, net	(373)	(107)
Income taxes	(18,918)	(3,517)
Effective tax rate	19%	26%

Deferred income taxes, net at December 31, 2022 and 2021 consist of the following (in CZK millions):

	2022	2021
Nuclear provisions	22,473	15,518
Difference between financial statement value and tax value of net book value of fixed assets	6,269	2,024
Revaluation of financial instruments	55,999	16,451
Allowances	3,787	4,121
Other provisions	19,426	5,308
Lease liabilities	539	642
Tax loss carry forwards	1,086	1,265
Other temporary differences	2,915	693
Unrecorded deferred tax asset	(1,461)	(1,745)
Total deferred tax assets	111,033	44,277
Difference between financial statement value and tax value of net book value of fixed assets	(58,934)	(42,146)
Revaluation of financial instruments	(558)	(58)
Other provisions	(158)	(146)
Right-of-use assets	(465)	(573)
Investment in finance lease	(114)	(100)
Emission rights	(11,984)	(1,534)
Other temporary differences	(2,156)	(1,963)
Total deferred tax liability	(74,369)	(46,520)
Total deferred tax assets (liability), net	36,664	(2,243)
Reflected in the balance sheet as follows:		
Deferred tax assets	50,432	10,719
Deferred tax liability	(13,768)	(12,962)
Total deferred tax assets (liability), net	36,664	(2,243)

Movements in net deferred tax assets (liability) in 2022 and 2021 were as follows (in CZK millions):

	2022	2021
Balance at January 1	(2,243)	(18,555)
Deferred tax classified as held for sale as of January 1	-	1,457
Deferred tax recognized in profit or loss	286	1,920
Deferred tax recognized in other comprehensive income	38,784	14,609
Acquisition of subsidiaries	(166)	(272)
Disposal of subsidiaries	(2)	(1,401)
Currency translation differences	5	(1)
Balance at December 31	36,664	(2,243)

At December 31, 2022 and 2021, the aggregate amount of temporary differences associated with investments in subsidiaries, for which no deferred tax liability was recognized, amounted to CZK 38,575 million and CZK 24,413 million, respectively.

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

	2022			2021		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
Change in fair value of cash flow hedges	(82,058)	55,615	(26,443)	(85,679)	16,279	(69,400)
Cash flow hedges reclassified to statement of income	87,751	(16,680)	71,071	11,479	(2,181)	9,298
Cash flow hedges reclassified to assets	403	(77)	326	-	-	-
Change in fair value of debt instruments	(1,359)	330	(1,029)	(1,869)	358	(1,511)
Disposal of debt instruments	(1)	1	-	(12)	2	(10)
Translation differences – subsidiaries	(412)	-	(412)	(1,284)	-	(1,284)
Translation differences – associates and joint-ventures	(140)	-	(140)	37	-	37
Disposal of translation differences	(14)	-	(14)	8,238	-	8,238
Share on other equity movements of associates and joint-ventures	(56)	-	(56)	59	-	59
Change in fair value of equity instruments	111	(405)	(294)	(795)	151	(644)
Re-measurement gains (losses) on defined benefit plans	12	-	12	6	-	6
Total	4,237	38,784	43,021	(69,820)	14,609	(55,211)

35. Related Parties

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

At December 31, 2022 and 2021, the receivables from related parties and payables to related parties are as follows (in CZK millions):

	Receivables		Payables	
	2022	2021	2022	2021
ČEZ Recyklace, s.r.o. [1)]	125	-	3	-
Elevion Co-Investment GmbH & Co. KG	-	-	65	67
GP JOULE PP1 GmbH & Co. KG	34	19	-	-
in PROJEKT LOUNY ENGINEERING s.r.o.	-	8	15	7
LOMY MOŘINA spol. s r.o.	24	20	40	42
Tepelné hospodářství města Ústí nad Labem s.r.o. [2)]	69	56	-	1
Výzkumný a zkušební ústav Plzeň s.r.o.	4	5	8	6
Windpark Berka GmbH & Co. KG	10	-	-	-
Other	21	25	24	14
Total	287	133	155	137

[1)] Company has been related party from December 1, 2022.

[2)] Company has been related party from October 1, 2021.

The following table provides the total amount of transactions, which have been entered into with related parties for 2022 and 2021 (in CZK millions):

	Sales to related parties		Purchases from related parties	
	2022	2021	2022	2021
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.Ş.	-	-	374	67
Bytkomfort, s.r.o.	3	16	-	-
in PROJEKT LOUNY ENGINEERING s.r.o.	-	45	43	38
LOMY MOŘINA spol. s r.o.	153	145	299	284
Tepelné hospodářství města Ústí nad Labem s.r.o. [1)]	368	119	5	4
Teplo Klášterec s.r.o. [2)]	-	62	-	-
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	33	30	-	-
Výzkumný a zkušební ústav Plzeň s.r.o.	10	6	43	46
Výzkumný ústav pro hnědé uhlí a.s.	1	1	22	26
Other	17	21	18	15
Total	585	445	804	480

[1)] Company has been related party from October 1, 2021.

[2)] Company has been subsidiary from January 1, 2022.

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	
	2022	2021	2022	2021
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş.	10	11	-	-
Bytkomfort, s.r.o.	-	-	8	6
Domat Control System s.r.o. (SK)	-	-	4	-
Sakarya Elektrik Dagitim A.Ş.	3	4	-	-
Tepelné hospodářství města Ústí nad Labem s.r.o.	-	-	8	-
Výzkumný ústav pro hnědé uhlí a.s.	-	-	2	3
Other	4	1	1	3
Total	17	16	23	12

Information about compensation of key management is included in Note 29. Information about guarantees provided to joint-ventures is included in Note 18.2.

36. Segment Information

The Group reports its result using four primary reportable operating segments:

- Generation
- Distribution
- Sales
- Mining

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 structure of the segments has changed since 2022. Some companies, out of which the most significant is ČEZ Teplárenská, were changed from the segment Generation to the segment Sales. The change took place as consequence of the update of the corporate strategy and concept of the heating industry and with regard to the prevailing business activities of these companies. Data by segment for the previous period of 2021 has been adjusted to be comparable.

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

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

The Group evaluates the performance of its segments based on EBITDA (see Note 15). The Group also monitors and evaluates the results of individual segments according to the gross margin indicator, which is defined as follows (in CZK millions):

	2022	2021
Revenues and other operating income	288,485	227,793
Gains (losses) from commodity derivative trading	41,150	(4,468)
Purchase of electricity, gas and other energies	(69,634)	(62,669)
Fuel and emission rights	(45,409)	(24,555)
Services	(31,931)	(29,044)
Capitalization of expenses to the cost of assets and change in own inventories	4,445	4,285
Other [1]	(2,182)	3,138
Gross margin	184,924	114,480

[1] Other includes relevant part of the material costs (part of the statement of income line-item Material and supplies) and excludes part of the statement of income line-item Services, which refers to repair and maintenance services and other services that have rather overhead nature.

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

Year 2022:	Generation	Distribution	Sales	Mining	Combined	Elimination	Consolidated
Revenues and other operating income – other than intersegment	120,947	35,314	125,926	6,298	288,485	-	288,485
Revenues and other operating income – intersegment	90,933	462	18,269	6,924	116,588	(116,588)	-
Total revenues and other operating income	211,880	35,776	144,195	13,222	405,073	(116,588)	288,485
Thereof:							
Sales of electricity, heat, gas and coal	191,515	-	110,997	11,898	314,410	(108,722)	205,688
Sales of services and other revenues	13,607	35,207	32,086	1,237	82,137	(6,772)	75,365
Other operating income	6,758	569	1,112	87	8,526	(1,094)	7,432
Revenues and other operating income, including result from commodity derivative trading	255,311	35,776	141,909	13,222	446,218	(116,583)	329,635
Total sales of electricity, including the result of electricity trading [1)]	183,122	-	86,071	3	269,196	(78,811)	190,385
Gross margin	130,424	27,968	20,340	12,918	191,650	(6,726)	184,924
EBITDA	103,481	18,074	4,408	6,212	132,175	(607)	131,568
Depreciation and amortization	(22,343)	(6,694)	(2,096)	(1,624)	(32,757)	-	(32,757)
Impairment of property, plant and equipment and intangible assets	104	(35)	(28)	2,823	2,864	-	2,864
EBIT	81,378	11,435	2,298	7,423	102,534	(607)	101,927
Interest on debt and provisions	(7,201)	(903)	(387)	(290)	(8,781)	907	(7,874)
Interest income	2,903	491	975	342	4,711	(907)	3,804
Share of profit (loss) from associates and joint-ventures	(11)	862	166	(120)	897	-	897
Income taxes	(14,465)	(2,055)	(706)	(1,437)	(18,663)	(255)	(18,918)
Net income	67,968	9,300	2,886	6,090	86,244	(5,539)	80,705
Identifiable assets	281,176	125,898	11,751	16,458	435,283	(164)	435,119
Investment in associates and joint-ventures	2,630	-	451	662	3,743	-	3,743
Unallocated assets							668,518
Total assets							1,107,380
Capital expenditure	14,892	15,070	3,045	2,163	35,170	(372)	34,798
Average number of employees	10,641	4,586	7,833	4,312	27,372	-	27,372

1) The item contains the line Total sales of electricity (Note 24) and the line Gains (losses) from electricity derivative trading (Note 25).

Year 2021:	Gene-ration	Distribu-tion	Sales	Mining	Combined	Elimina-tion	Consoli-dated
Revenues and other operating income – other than intersegment	95,794	38,531	88,990	4,478	227,793	-	227,793
Revenues and other operating income – intersegment	41,415	423	8,038	5,594	55,470	(55,470)	-
Total revenues and other operating income	137,209	38,954	97,028	10,072	283,263	(55,470)	227,793
Thereof:							
Sales of electricity, heat, gas and coal	125,686	10	71,894	8,997	206,587	(49,094)	157,493
Sales of services and other revenues	8,755	38,598	24,310	1,009	72,672	(5,343)	67,329
Other operating income	2,768	346	824	66	4,004	(1,033)	2,971
Revenues and other operating income, including result from commodity derivative trading	132,705	38,954	97,054	10,072	278,785	(55,460)	223,325
Total sales of electricity, including the result of electricity trading [1)]	85,120	10	61,275	2	146,407	(36,465)	109,942
Gross margin	58,623	30,897	20,703	9,980	120,203	(5,723)	114,480
EBITDA	33,132	19,872	5,785	4,488	63,277	(37)	63,240
Depreciation and amortization	(21,587)	(6,200)	(1,797)	(2,044)	(31,628)	-	(31,628)
Impairment of property, plant and equipment and intangible assets	(2,571)	(1,532)	2	(11,698)	(15,799)	-	(15,799)
EBIT	9,124	12,195	4,050	(9,234)	16,135	(37)	16,098
Interest on debt and provisions	(5,795)	(869)	(275)	(185)	(7,124)	904	(6,220)
Interest income	1,145	53	111	26	1,335	(904)	431
Share of profit (loss) from associates and joint-ventures	(24)	(568)	168	(110)	(534)	-	(534)
Income taxes	(1,600)	(2,198)	(772)	1,053	(3,517)	-	(3,517)
Net income	12,870	8,134	4,287	(8,327)	16,964	(7,055)	9,909
Identifiable assets	262,314	117,650	10,740	12,400	403,104	(12)	403,092
Investment in associates and joint-ventures	2,721	-	413	782	3,916	-	3,916
Unallocated assets							776,073
Total assets							1,183,081
Capital expenditure	13,432	14,419	2,165	2,724	32,740	(194)	32,546
Average number of employees	10,455	6,550	7,218	4,474	28,697	-	28,697

1) The item contains the line Total sales of electricity (Note 24) and the line Gains (losses) from electricity derivative trading (Note 25).

Prices in certain intersegment transactions are regulated by the Energy Regulatory Office.

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 millions):

	2022	2021
Czech Republic	247,860	182,327
Germany	17,243	15,079
Poland	9,441	8,009
Hungary	9,193	3,559
Slovakia	1,715	723
Israel	1,372	-
Netherlands	502	220
Romania	452	4,881
Bulgaria	38	12,254
Other	669	741
Total revenues and other operating income	288,485	227,793

The following table shows the split of property, plant and equipment by the location of entity which they belong to at December 31, 2022 and 2021 (in CZK millions):

	2022	2021
Czech Republic	425,114	393,813
Germany	6,158	6,791
France	1,874	1,079
Italy	805	400
Slovakia	665	507
Poland	309	317
Other	194	185
Total property, plant and equipment	435,119	403,092

37. Net Income per Share

	2022	2021
Numerator (CZK millions)		
Basic and diluted:		
Net income attributable to equity holders of the parent	80,786	9,791
Denominator (thousands shares)		
Basic:		
Weighted average shares outstanding	536,781	536,218
Dilutive effect of share options	26	118
Diluted:		
Adjusted weighted average shares	536,807	536,336
Net income per share (CZK per share)		
Basic	150.5	18.3
Diluted	150.5	18.3

38. War in Ukraine

Since February 24, 2022, there has been a military conflict in Ukraine. The Group continuously evaluates the potential impacts, including the effects of the consequent sanctions, that have been imposed on the Russian Federation, and takes adequate measures. The impacts on the Group are significant especially regarding the fundamental effects of the war in Ukraine on the wholesale electricity and natural gas markets, on supplier relations, payments, on macroeconomic developments and on the regulatory measures of states. The biggest challenge was ensuring sufficient liquidity to cover margin calls on the stock exchanges related to the securing of negotiated trades as well as ensuring the supply of nuclear fuel for 2022 and subsequent years and the need to replace Russian suppliers of maintenance services and of development of generation assets.

The ongoing conflict brings significant uncertainty regarding the future prediction of the CEZ Group's financial results. The most significant sources of risks and opportunities for the Group's business in the future include:

1. High price volatility on the wholesale electricity market, which means a significant increase in liquidity risk.
2. Limitation or cessation of supplies of natural gas transported by gas pipelines from Russia to Europe, which affects the CEZ Group mainly through impacts on the electricity market, because the CEZ Group does not purchase any gas from Russian entities.
3. Possibility of unpredictable actions by foreign states in relation to contracted capacities, stored supplies and natural gas transport ways from abroad to the Czech Republic.
4. Limitation of economic development in Europe.
5. Influence on political changes consisting in higher regulation or other specific taxation of selected areas of business.
6. Worsen possibilities and availability of ensuring the maintenance of production facilities and supplies of nuclear fuel with regard to the impact of sanctions and measures limiting the supply of services and materials from selected countries and regions.
7. Risk of declining customer payment discipline due to rising commodity prices, despite the existence of price caps on electricity and natural gas for end customers, and due to generally high inflation rate.
8. Risk of an escalation of the military conflict from Ukraine to other countries in Europe, and the associated increase in uncertainty and restrictions on the markets, including the imposition of additional sanctions and measures by the states of the European Union or Russia, which may further limit mutual trade, commodity supplies, transport routes and method of cross-border payments.

The impact of the above-mentioned risks and opportunities on the Group's business in the middle-term cannot be objectively quantified in view of other fundamental factors operating simultaneously (especially the effect of inflation, the effect of the European Green Deal initiative and EU energy sector regulation, political and economic developments in Europe and in the Czech Republic).

39. Commitment and Contingencies

Investment Plans

Capital expenditures for the next five years as at December 31, 2022 are estimated as follows (in CZK billions):

2023	51.4
2024	61.7
2025	69.1
2026	86.7
2027	88.7
Total	357.6

The above-mentioned values do not include planned acquisitions of subsidiaries, associates and joint-ventures. From 2025 onwards, they do not include the investments of Elektrárna Dukovany II, where, in accordance with Act No. 367/2021 Coll., on measures for the transition of the Czech Republic to low-carbon energy, it is assumed, that investments will be financed through repayable financial assistance provided to the company Elektrárna Dukovany II, a. s.

The Group reviews regularly investment plan and actual capital expenditures may vary from the above estimates. At December 31, 2022, 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.

40. Events after the Balance Sheet Date

During January and February 2023, the Company concluded credit agreements of the Schuldscheindarlehen type (an unsecured loan funded by private investors governed by German law) in the amount of EUR 330 million. This is the second and third part of drawing loans with two to five-year maturities in order to cover liquidity risks associated with potential peaks in requirements for temporary extraordinary increases in margin calls on energy stock exchanges and towards business trading counterparties.

On February 8, 2023, the Company initiated arbitration proceedings against Gazprom Export LLC by filing an arbitration claim. ČEZ, a. s., claims damages in the amount of around CZK 1 billion as a result of a significant reduction in natural gas supplies in 2022 by Gazprom Export LLC.

These consolidated financial statements have been authorized for issue on March 20, 2023.

Daniel Beneš chairman of the Board of Directors	Martin Novák member of the Board of Directors