

CEZ GROUP

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

CEZ GROUP CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2023

In CZK Millions

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

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

continued

	Note	June 30, 2023	December 31, 2022
EQUITY AND LIABILITIES:			
Stated capital		53,799	53,799
Treasury shares		(1,334)	(1,334)
Retained earnings and other reserves		170,975	206,421
Total equity attributable to equity holders of the parent		223,440	258,886
Non-controlling interests		1,382	1,375
Total equity		224,822	260,261
Long-term debt, net of current portion	8	120,948	140,234
Provisions		149,007	146,094
Other long-term financial liabilities	9	14,282	39,618
Deferred tax liability		35,229	13,768
Other long-term liabilities		29	31
Total non-current liabilities		319,495	339,745
Short-term loans	10	26,833	53,056
Current portion of long-term debt	8	27,589	8,856
Trade payables		47,417	84,713
Income tax payable		15,247	16,525
Provisions		18,243	30,923
Other short-term financial liabilities	9	193,295	294,631
Other short-term liabilities		21,789	18,670
Total current liabilities		350,413	507,374
Total equity and liabilities		894,730	1,107,380

CEZ GROUP

CONSOLIDATED STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2023

In CZK Millions

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

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

In CZK Millions

	Note	1-6/2023	1-6/2022	4-6/2023	4-6/2022
Net income		22,281	33,602	11,460	6,895
Change in fair value of cash flow hedges		53,830	(109,900)	6,306	(68,190)
Cash flow hedges reclassified to statement of income		15,312	31,260	4,623	16,591
Change in fair value of debt instruments		1,060	(1,703)	560	(919)
Disposal of debt instruments		24	(1)	1	-
Translation differences – subsidiaries		(122)	(74)	255	165
Translation differences – associates and joint-ventures		(327)	(10)	(202)	44
Disposal of translation differences		(15)	(17)	(15)	2
Share on other equity movements of associates and joint-ventures		(60)	(10)	1	(6)
Deferred tax related to other comprehensive income	14	(49,548)	15,267	(7,586)	9,979
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		20,154	(65,188)	3,943	(42,334)
Change in fair value of equity instruments		-	1	-	-
Net other comprehensive income not to be reclassified from equity in subsequent periods		-	1	-	-
Total other comprehensive income, net of tax		20,154	(65,187)	3,943	(42,334)
Total comprehensive income, net of tax		42,435	(31,585)	15,403	(35,439)
Total comprehensive income attributable to:					
Equity holders of the parent		42,399	(31,545)	15,388	(35,422)
Non-controlling interests		36	(40)	15	(17)

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2023

In CZK Millions

	Note	Attributable to equity holders of the parent							Non-controlling interests	Total equity	
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves	Retained earnings			Total
Balance as at January 1, 2022		53,799	(1,423)	(4,637)	(67,212)	(647)	(1,721)	182,939	161,098	1,742	162,840
Net income		-	-	-	-	-	-	33,634	33,634	(32)	33,602
Other comprehensive income		-	-	(93)	(63,698)	(1,379)	1	(10)	(65,179)	(8)	(65,187)
Total comprehensive income		-	-	(93)	(63,698)	(1,379)	1	33,624	(31,545)	(40)	(31,585)
Dividends		-	-	-	-	-	-	(25,767)	(25,767)	(14)	(25,781)
Sale of treasury shares		-	69	-	-	-	-	(37)	32	-	32
Exercised and forfeited share options		-	-	-	-	-	(3)	3	-	-	-
Acquisition of non-controlling interests		-	-	-	-	-	-	(115)	(115)	(4)	(119)
Put options held by non-controlling interests		-	-	(2)	-	-	-	64	62	37	99
Balance as at June 30, 2022		<u>53,799</u>	<u>(1,354)</u>	<u>(4,732)</u>	<u>(130,910)</u>	<u>(2,026)</u>	<u>(1,723)</u>	<u>190,711</u>	<u>103,765</u>	<u>1,721</u>	<u>105,486</u>

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2023

continued

	Note	Attributable to equity holders of the parent							Non-controlling interests	Total equity	
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves	Retained earnings			Total
Balance as at January 1, 2023		53,799	(1,334)	(5,177)	(22,258)	(1,675)	(2,020)	237,551	258,886	1,375	260,261
Net income		-	-	-	-	-	-	22,230	22,230	51	22,281
Other comprehensive income		-	-	(448)	19,794	884	-	(61)	20,169	(15)	20,154
Total comprehensive income		-	-	(448)	19,794	884	-	22,169	42,399	36	42,435
Dividends	7	-	-	-	-	-	-	(77,838)	(77,838)	(9)	(77,847)
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	(3)	(3)
Acquisition of non-controlling interests		-	-	-	-	-	-	(3)	(3)	(23)	(26)
Disposal of non-controlling interests		-	-	1	-	-	-	(11)	(10)	11	1
Put options held by non-controlling interests		-	-	(1)	-	-	-	7	6	(5)	1
Balance as at June 30, 2023		<u>53,799</u>	<u>(1,334)</u>	<u>(5,625)</u>	<u>(2,464)</u>	<u>(791)</u>	<u>(2,020)</u>	<u>181,875</u>	<u>223,440</u>	<u>1,382</u>	<u>224,822</u>

CEZ GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2023

In CZK Millions

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

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

continued

	Note	1-6/2023	1-6/2022
FINANCING ACTIVITIES:			
Proceeds from borrowings		66,366	102,438
Payments of borrowings		(88,144)	(107,716)
Payments of lease liabilities		(362)	(335)
Proceeds from other long-term liabilities		38	58
Payments of other long-term liabilities		(2,444)	(7)
Dividends paid to Company's shareholders		(133)	(71)
Dividends paid to non-controlling interests		(7)	(13)
Sale of treasury shares		-	32
(Acquisition) sale of non-controlling interests, net		(25)	(119)
Net cash used in financing activities		<u>(24,711)</u>	<u>(5,733)</u>
Net effect of currency translation and allowances in cash		(664)	(77)
Net increase in cash and cash equivalents		88,681	18,879
Cash and cash equivalents at beginning of period		<u>36,609</u>	<u>26,640</u>
Cash and cash equivalents at end of period		<u><u>125,290</u></u>	<u><u>45,519</u></u>
Supplementary cash flow information:			
Total cash paid for interest		4,914	2,415

CEZ GROUP

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2023

1. The Company

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

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

2. Summary of Significant Accounting Policies

2.1. Financial Statements

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

2.2. Changes in Accounting Policies

2.2.1. Adoption of New IFRS Standards in 2023

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

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

3. Seasonality of Operations

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

4. Changes in the Group Structure

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

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

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

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

On March 28, 2023, the Group acquired a 75% interest in the German company GESPA GmbH which focuses on services in the field of installation of rooftop photovoltaic power plants, electromobility and recharging station infrastructure.

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

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

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

If the acquisitions had taken place at the beginning of the year 2023, net income for CEZ Group as of June 30, 2023 would have been CZK 22,279 million and the revenues and other operating income from continuing operations would have been CZK 169,808 million. The amounts of goodwill recognized as a result of the business combinations comprise the value of expected synergies arising from the acquisitions.

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

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

5. Other Financial Assets, Net

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

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

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

6. Emission rights

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

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

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

7. Equity

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

8. Long-term Debt

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

	June 30, 2023	December 31, 2022
3.005% Eurobonds, due 2038 (JPY 12,000 million)	1,823	2,071
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,216	1,382
4.875% Eurobonds, due 2025 (EUR 750 million)	17,962	18,694
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	-	1,988
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	-	1,288
4.375% Eurobonds, due 2042 (EUR 50 million)	1,217	1,209
4.500% Eurobonds, due 2047 (EUR 50 million)	1,215	1,207
4.383% Eurobonds, due 2047 (EUR 80 million)	1,967	1,957
3.000% Eurobonds, due 2028 (EUR 725 million)	17,454	18,024
0.875% Eurobonds, due 2026 (EUR 750 million)	17,783	17,978
2.375% Eurobonds, due 2027 (EUR 600 million)	14,234	14,628
5.625% U.S. bonds, due 2042 (USD 300 million)	6,589	6,824
4.500% Registered bonds, due 2030 (EUR 40 million)	965	958
4.750% Registered bonds, due 2023 (EUR 40 million)	-	1,006
4.700% Registered bonds, due 2032 (EUR 40 million)	957	995
4.270% Registered bonds, due 2047 (EUR 61 million)	1,463	1,456
3.550% Registered bonds, due 2038 (EUR 30 million)	716	741
Total bonds and debentures	85,561	92,406
Less: Current portion	(734)	(5,725)
Bonds and debentures, net of current portion	84,827	86,681
Long-term bank and other loans, lease liabilities:	62,976	56,684
Less: Current portion	(26,855)	(3,131)
Long-term bank and other loans, lease payables, net of current portion	36,121	53,553
Total long-term debt	148,537	149,090
Less: Current portion	(27,589)	(8,856)
Total long-term debt, net of current portion	120,948	140,234

9. Other Financial Liabilities

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

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

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

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

10. Short-term Loans

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

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

11. Revenues and Other Operating Income

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

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

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

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

12. Gains and Losses from Commodity Derivative Trading

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

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

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

13. Other Operating Expenses

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

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

14. Income Taxes

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

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

15. Segment Information

The Group reports its result using four reportable operating segments:

- Generation
- Distribution
- Sales
- Mining

The segments are defined across the countries in which CEZ Group operates. Segment is a functionally autonomous part of CEZ Group that serves a single part of the value chain of the Group.

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

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

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

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

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

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

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

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

- ²⁾ Other includes relevant part of the material costs (part of the statement of income line-item Material and supplies) and excludes part of the statement of income line-item Services, which refers to repair and maintenance services and other services that have rather overhead nature.

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

June 30, 2023:

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

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

June 30, 2022:

	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Revenues and other operating income – other than intersegment	50,489	17,783	59,626	2,622	130,520	-	130,520
Revenues and other operating income – intersegment	45,033	173	7,301	3,594	56,101	(56,101)	-
Total revenues and other operating income	95,522	17,956	66,927	6,216	186,621	(56,101)	130,520
Thereof:							
Sales of electricity, heat, gas and coal	83,330	-	52,490	5,534	141,354	(52,776)	88,578
Sales of services and other revenues	6,991	17,800	13,782	615	39,188	(3,025)	36,163
Other operating income	5,201	156	655	67	6,079	(300)	5,779
Revenues and other operating income, including result from commodity derivative trading	111,272	17,956	66,965	6,215	202,408	(56,101)	146,307
Total sales of electricity, including the result of electricity trading ¹⁾	67,005	-	41,809	-	108,814	(38,068)	70,746
Gross margin	57,097	13,995	8,049	6,205	85,346	(2,987)	82,359
EBITDA	45,962	9,542	729	3,113	59,346	(66)	59,280
Depreciation and amortization	(10,096)	(3,282)	(1,020)	(765)	(15,163)	-	(15,163)
Impairment of property, plant and equipment and intangible assets	(10)	(10)	(16)	8	(28)	-	(28)
EBIT	35,932	6,296	(303)	2,370	44,295	(66)	44,229
Interest on debt and provisions	(2,770)	(383)	(146)	(143)	(3,442)	401	(3,041)
Interest income	803	170	310	112	1,395	(401)	994
Share of profit (loss) from associates and joint-ventures	(12)	549	94	(35)	596	-	596
Income taxes	(6,335)	(1,145)	(165)	(444)	(8,089)	-	(8,089)
Net income	33,234	4,923	(17)	1,934	40,074	(6,472)	33,602
Capital expenditure	3,881	6,613	927	739	12,160	(78)	12,082
	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
December 31, 2022:							
Identifiable assets	281,176	125,898	11,751	16,458	435,283	(164)	435,119
Investment in associates and joint-ventures	2,630	-	451	662	3,743	-	3,743
Unallocated assets							668,518
Total assets							<u>1,107,380</u>

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