

CEZ GROUP

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS OF JUNE 30, 2021

**CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2021**

In CZK Millions

	Note	June 30, 2021	December 31, 2020
ASSETS:			
Plant in service		831,865	827,652
Less accumulated depreciation and impairment		(470,117)	(451,033)
Net plant in service		361,748	376,619
Nuclear fuel, at amortized cost		12,610	13,697
Construction work in progress, net		21,144	20,056
Total property, plant and equipment		395,502	410,372
Investments in associates and joint-ventures		3,924	4,075
Restricted financial assets, net		21,782	21,424
Other non-current financial assets, net	5	11,476	11,002
Intangible assets, net		20,784	24,244
Deferred tax assets		510	828
Total other non-current assets		58,476	61,573
Total non-current assets		453,978	471,945
Cash and cash equivalents, net		23,608	6,064
Trade receivables, net		50,142	63,648
Income tax receivable		2,201	664
Materials and supplies, net		10,374	9,898
Fossil fuel stocks		712	1,220
Emission rights	6	57,866	37,833
Other current financial assets, net	5	216,612	61,894
Other current assets, net		12,574	8,919
Assets classified as held for sale	7	16,178	40,373
Total current assets		390,267	230,513
Total assets		844,245	702,458

**CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2021**

continued

	Note	June 30, 2021	December 31, 2020
EQUITY AND LIABILITIES:			
Stated capital		53,799	53,799
Treasury shares		(1,447)	(2,845)
Retained earnings and other reserves		148,224	182,917
Total equity attributable to equity holders of the parent		200,576	233,871
Non-controlling interests		5,381	4,692
Total equity		205,957	238,563
Long-term debt, net of current portion	9	102,568	122,102
Provisions		105,593	105,326
Other long-term financial liabilities	10	16,167	9,414
Deferred tax liability		18,434	19,383
Other long-term liabilities		33	34
Total non-current liabilities		242,795	256,259
Short-term loans	11	4,763	984
Current portion of long-term debt	9	25,164	28,741
Trade payables		64,162	73,189
Income tax payable		243	555
Provisions		10,713	13,665
Other short-term financial liabilities	10	279,415	72,114
Other short-term liabilities		6,580	6,759
Liabilities associated with assets classified as held for sale	7	4,453	11,629
Total current liabilities		395,493	207,636
Total equity and liabilities		844,245	702,458

CEZ GROUP
CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2021

In CZK Millions

	Note	1-6/2021	1-6/2020	4-6/2021	4-6/2020
Sales of electricity, heat, gas and coal		72,493	69,294	32,615	31,076
Sales of services and other revenues		34,251	34,928	15,915	17,113
Other operating income		1,506	2,031	645	1,018
Total revenues and other operating income	11	108,250	106,253	49,175	49,207
Gains and losses from commodity derivative trading		(2,588)	5,964	(1,478)	28
Purchase of electricity, gas and other energies		(30,108)	(28,392)	(14,425)	(14,162)
Fuel and emission rights		(11,272)	(11,205)	(4,682)	(4,600)
Services		(12,524)	(13,241)	(6,677)	(7,078)
Salaries and wages		(14,360)	(14,401)	(7,288)	(7,445)
Material and supplies		(5,257)	(4,961)	(2,829)	(2,455)
Capitalization of expenses to the cost of assets and change in own inventories		1,959	1,696	1,022	951
Depreciation and amortization		(13,899)	(14,878)	(7,218)	(7,548)
Impairment of property, plant and equipment and intangible assets	13	(11,626)	(1,901)	(9,575)	(2,157)
Impairment of trade and other receivables		68	(135)	(16)	(149)
Other operating expenses		(2,499)	(2,839)	(1,100)	(1,439)
Income (loss) before other income (expenses) and income taxes		6,144	21,960	(5,091)	3,153
Interest on debt		(2,216)	(2,810)	(1,074)	(1,439)
Interest on provisions		(997)	(979)	(495)	(491)
Interest income		215	221	100	91
Share of profit (loss) from associates and joint-ventures		33	(128)	21	20
Impairment of financial assets		(122)	(34)	(98)	(195)
Other financial expenses		(356)	(823)	(303)	(468)
Other financial income		1,571	842	793	386
Total other income (expenses)		(1,872)	(3,711)	(1,056)	(2,096)
Income (loss) before income taxes		4,272	18,249	(6,147)	1,057
Income taxes		(2,696)	(3,548)	(663)	(518)
Net income (loss)		1,576	14,701	(6,810)	539
Net income (loss) attributable to:					
Equity holders of the parent		1,433	14,437	(6,971)	632
Non-controlling interests		143	264	161	(93)
Net income (loss) per share attributable to equity holders of the parent (CZK per share):					
Basic		2.7	27.0	(13.0)	1.2
Diluted		2.7	27.0	(13.0)	1.2

CEZ GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2021

In CZK Millions

	Note	1-6/2021	1-6/2020	4-6/2021	4-6/2020
Net income		1,576	14,701	(6,810)	539
Change in fair value of cash flow hedges		(16,195)	(2,799)	(10,488)	(4,897)
Cash flow hedges reclassified to statement of income		789	(596)	1,307	750
Change in fair value of debt instruments		(877)	730	67	797
Disposal of debt instruments		(2)	-	-	-
Translation differences – subsidiaries		(880)	2,041	(481)	(1,178)
Translation differences – associates and joint-ventures		(76)	211	(75)	(23)
Disposal of translation differences		6,607	-	-	-
Share on other equity movements of associates and joint-ventures		28	(13)	28	(7)
Deferred tax related to other comprehensive income	14	3,095	508	1,732	637
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		(7,511)	82	(7,910)	(3,921)
Total comprehensive income, net of tax		(5,935)	14,783	(14,720)	(3,382)
Total comprehensive income attributable to:					
Equity holders of the parent		(5,945)	14,322	(14,763)	(3,189)
Non-controlling interests		10	461	43	(193)

**CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

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, 2020		53,799	(2,885)	(12,837)	(2,831)	648	(160)	215,027	250,761	4,603	255,364
Net income		-	-	-	-	-	-	14,437	14,437	264	14,701
Other comprehensive income		-	-	2,056	(2,750)	592	-	(13)	(115)	197	82
Total comprehensive income		-	-	2,056	(2,750)	592	-	14,424	14,322	461	14,783
Dividends		-	-	-	-	-	-	(18,206)	(18,206)	(17)	(18,223)
Sale of treasury shares		-	40	-	-	-	-	(25)	15	-	15
Exercised and forfeited share options		-	-	-	-	-	(8)	8	-	-	-
Contribution from owners of non-controlling interests		-	-	-	-	-	-	-	-	13	13
Acquisition of non-controlling interests		-	-	-	-	-	-	(336)	(336)	(767)	(1,103)
Put options held by non-controlling interests		-	-	10	-	-	-	30	40	701	741
Balance as at June 30, 2020		<u>53,799</u>	<u>(2,845)</u>	<u>(10,771)</u>	<u>(5,581)</u>	<u>1,240</u>	<u>(168)</u>	<u>210,922</u>	<u>246,596</u>	<u>4,994</u>	<u>251,590</u>

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2021

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, 2021		53,799	(2,845)	(11,777)	(7,110)	874	(1,022)	201,952	233,871	4,692	238,563
Net income		-	-	-	-	-	-	1,433	1,433	143	1,576
Other comprehensive income		-	-	5,784	(12,479)	(711)	-	28	(7,378)	(133)	(7,511)
Total comprehensive income		-	-	5,784	(12,479)	(711)	-	1,461	(5,945)	10	(5,935)
Dividends	8	-	-	-	-	-	-	(27,909)	(27,909)	(142)	(28,051)
Sale of treasury shares		-	1,398	-	-	-	-	(749)	649	-	649
Exercised and forfeited share options		-	-	-	-	-	(53)	53	-	-	-
Acquisition of non-controlling interests	4.2	-	-	-	-	-	-	(68)	(68)	5	(63)
Sale of non-controlling interests	4.2	-	-	-	-	-	-	(5)	(5)	799	794
Put options held by non-controlling interests		-	-	(6)	-	-	-	(11)	(17)	17	-
Balance as at June 30, 2021		<u>53,799</u>	<u>(1,447)</u>	<u>(5,999)</u>	<u>(19,589)</u>	<u>163</u>	<u>(1,075)</u>	<u>174,724</u>	<u>200,576</u>	<u>5,381</u>	<u>205,957</u>

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2021

In CZK Millions

	Note	1-6/2021	1-6/2020
OPERATING ACTIVITIES:			
Income before income taxes		4,272	18,249
Adjustments of income before income taxes to cash generated from operations:			
Depreciation and amortization		13,899	14,878
Amortization of nuclear fuel		1,966	1,993
(Gains) and losses on non-current asset retirements		(219)	(76)
Foreign exchange rate loss (gain)		(641)	(559)
Interest expense, interest income and dividend income		1,991	2,581
Provisions		(2,444)	(1,969)
Impairment of property, plant and equipment and intangible assets		11,626	1,901
Valuation allowances and other non-cash expenses and income		(18,568)	(3,036)
Share of (profit) loss from associates and joint-ventures		(33)	128
Changes in assets and liabilities:			
Receivables and contract assets		7,949	9,114
Materials, supplies and fossil fuel stocks		48	(1,413)
Receivables and payables from derivatives		14,081	3,107
Other assets		(2,564)	3,509
Trade payables		(3,323)	(12,463)
Other liabilities		(116)	(84)
Cash generated from operations		27,924	35,860
Income taxes paid		(2,038)	(1,581)
Interest paid, net of capitalized interest		(2,488)	(3,341)
Interest received		183	206
Dividends received		1	-
Net cash provided by operating activities		23,582	31,144
INVESTING ACTIVITIES:			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired		(31)	(1,027)
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of	4	21,889	246
Additions to non-current assets, including capitalized interest		(13,496)	(13,467)
Proceeds from sale of non-current assets		130	337
Loans made		(315)	(317)
Repayment of loans		285	21
Change in restricted financial assets		(1,107)	(564)
Net cash provided by (used in) investing activities		7,355	(14,771)

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2021

continued

	Note	1-6/2021	1-6/2020
FINANCING ACTIVITIES:			
Proceeds from borrowings		92,800	38,985
Payments of borrowings		(107,856)	(56,469)
Payments of lease liabilities		(362)	(416)
Proceeds from other long-term liabilities		96	168
Payments of other long-term liabilities		(169)	(31)
Dividends paid to Company's shareholders		(43)	(30)
(Dividends paid to) contributions received from non-controlling interests, net		(138)	13
Sale of treasury shares		649	15
(Acquisition) sale of non-controlling interests, net		757	(1,133)
Total cash used in financing activities		(14,266)	(18,898)
Net effect of currency translation and allowances in cash		(429)	605
Net increase (decrease) in cash and cash equivalents		16,242	(1,920)
Cash and cash equivalents at beginning of period *		10,169	11,906
Cash and cash equivalents at end of period *		26,411	9,986

Supplementary cash flow information:

Total cash paid for interest	2,647	3,507
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* Presented values of cash and cash equivalents contain also cash and cash equivalents included on the balance sheet on the line Assets classified as held for sale.

CEZ GROUP

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2021

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 31, 2021 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are publicly held. 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”). Main business of the Group is the generation, distribution, trade and sale of electricity and heat, trade and sale of natural gas, provision of complex energy services and coal mining.

2. Summary of Significant Accounting Policies

2.1. Financial Statements

The interim consolidated financial statements for the six months ended June 30, 2021 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, 2020](#).

2.2. Changes in Accounting Policies

2.2.1. Adoption of New IFRS Standards in 2021

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, 2020](#).

As of January 1, 2021, 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

4.1. Sale of 100% Shares in Romanian Companies

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 income statement on the line Impairment of property, plant and equipment and intangible assets (Note 13).

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):

	<u>Generation</u>	<u>Distribution</u>	<u>Sales</u>	<u>Total</u>
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 the first six months of 2021	24,643
Cash disposed of on sale	<u>(3,454)</u>
Total cash flow from sale of Romanian companies in the first six months of 2021	<u><u>21,189</u></u>

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

Total cash received from sale of Romanian companies	21,189
Sale of 100% share in CEZ Towarowy Dom Maklerski sp. z o.o.:	
Proceeds from the sale	53
Unpaid part of the sale price	(15)
Cash disposed of on sale	(46)
Payments of receivables from acquisitions of previous periods	672
Cash payments from joint-ventures	<u>36</u>
Total cash flow in the first six months of 2021	<u><u>21,889</u></u>

4.2. Changes in Non-controlling Interests

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 owns shares in 6 Slovak companies invested from ČEZ ESCO, a.s., is the development of decentralized energy and complex energy services in Slovakia.

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

	<u>ESCO Slovensko</u>
Share sold in 2021	50.00%
Sold share of net assets increasing non-controlling interests	799
Direct impact on equity from the sale of a non-controlling interest	<u>(5)</u>
Total sale price	<u><u>794</u></u>

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):

	<u>OSC, a.s.</u>	<u>ENESA a.s.</u>	<u>Total</u>
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	<u>45</u>	<u>23</u>	<u>68</u>
Total purchase consideration	<u><u>40</u></u>	<u><u>23</u></u>	<u><u>63</u></u>

5. Other Financial Assets, Net

The overview of other financial assets, net at June 30, 2021 and December 31, 2020 is as follows (in CZK millions):

	June 30, 2021			December 31, 2020		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Term deposits	-	6,623	6,623	-	2,755	2,755
Other financial receivables	2,022	287	2,309	1,786	987	2,773
Receivables from sale of subsidiaries, associates and joint-ventures	2,374	14	2,388	2,349	2,012	4,361
Investment in finance lease	238	46	284	261	51	312
Debt financial assets	-	-	-	-	10	10
Total financial assets at amortized cost	4,634	6,970	11,604	4,396	5,815	10,211
Equity financial assets – investments in Inven Capital, SICAV, a.s.	1,939	255	2,194	1,750	-	1,750
Commodity and other derivatives	231	208,526	208,757	224	55,694	55,918
Total financial assets at fair value through profit or loss	2,170	208,781	210,951	1,974	55,694	57,668
Equity financial assets	1,838	-	1,838	1,768	-	1,768
Fair value of cash flow hedge derivatives	2,834	861	3,695	2,864	284	3,148
Debt financial assets	-	-	-	-	101	101
Total financial assets at fair value through other comprehensive income	4,672	861	5,533	4,632	385	5,017
Total	11,476	216,612	228,088	11,002	61,894	72,896

The increase of short-term commodity derivatives in the first half of 2021 is mainly due to an increase in the market prices of emission rights, electricity and gas.

6. Emission Rights

The composition of emission rights and green and similar certificates at June 30 2021 and December 31, 2020 (in CZK millions):

	June 30, 2021			December 31, 2020		
	Non-current	Current	Total	Non-current	Current	Total
Emission rights for own use	160	8,154	8,314	2,701	12,753	15,454
Emission rights held for trading	-	49,588	49,588	-	24,840	24,840
Green and similar certificates	-	124	124	-	240	240
Total	<u>160</u>	<u>57,866</u>	<u>58,026</u>	<u>2,701</u>	<u>37,833</u>	<u>40,534</u>

Increase of short-term emission rights and green and similar certificates as of June 30, 2021 compared to December 31, 2020 is mainly due increase of market price of emission rights during the period by 73% (from 32.56 EUR/t to 56.25 EUR/t).

7. Assets and Associated Liabilities Classified as Held for Sale

As of June 30, 2021 the Group performed an impairment test for any potential impairment loss related to assets and associated liabilities held for sale in the Bulgarian companies CEZ Razpredelenie Bulgaria AD, 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 result of this test, reflecting the contractual sales price of EUR 335 million, was impairment of assets in the amount of CZK 799 million, which was presented in the statement of income on the line Impairment of property, plant and equipment and intangible assets (Note 13). Further information on the sale of ownership interests in Bulgarian companies is described in Note 17.

Information on the sale of ownership interests in Romanian companies is described in Note 4.1.

The assets classified as held for sale and associated liabilities at June 30, 2021 and December 31, 2020 are as follows (in CZK millions):

	June 30, 2021	December 31, 2020		
	Bulgarian companies	Bulgarian companies	Romanian companies	Total
Property, plant and equipment, net	9,668	10,148	14,966	25,114
Intangible assets, net	491	498	1,784	2,282
Other non-current assets	51	63	1,507	1,570
Cash and cash equivalents	2,803	2,740	1,365	4,105
Trade receivables, net	2,561	2,871	1,238	4,109
Another current assets	604	1,066	2,127	3,193
Assets classified as held for sale	16,178	17,386	22,987	40,373
Long-term debt, net of current portion	1,119	1,173	2,955	4,128
Non-current provisions	202	210	1,011	1,221
Other long-term financial liabilities	228	197	9	206
Deferred tax liability	117	103	-	103
Short-term loans	164	37	-	37
Current portion of long-term debt	127	234	321	555
Trade payables	1,826	2,366	1,014	3,380
Current provisions	425	528	319	847
Another current liabilities	245	267	885	1,152
Liabilities associated with assets classified as held for sale	4,453	5,115	6,514	11,629
Related non-controlling interests	3,491	3,616	-	3,616
Related currency translation differences (cumulative loss)	(1,628)	(1,408)	(6,345)	(7,753)

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

8. Equity

On June 28, 2021 the Annual Shareholders Meeting of ČEZ, a. s. approved the dividends per share before tax of CZK 52.0. The total amount of dividend approved for distribution to shareholders net of treasury shares amounts to CZK 27,909 million.

9. Long-term Debt

Long-term debt at June 30, 2021 and December 31, 2020 is as follows (in CZK millions):

	June 30, 2021	December 31, 2020
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,342	2,505
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,562	1,671
5.000% Eurobonds, due 2021 (EUR 541 million) ¹⁾	14,263	19,872
4.875% Eurobonds, due 2025 (EUR 750 million)	19,274	20,328
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	2,249	2,405
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	1,259	1,288
2.150%*IR CPI Eurobonds, due 2021 (EUR 100 million) ²⁾	-	2,688
4.102% Eurobonds, due 2021 (EUR 50 million)	1,304	1,315
4.375% Eurobonds, due 2042 (EUR 50 million)	1,304	1,314
4.500% Eurobonds, due 2047 (EUR 50 million)	1,303	1,312
4.383% Eurobonds, due 2047 (EUR 80 million)	2,112	2,130
3.000% Eurobonds, due 2028 (EUR 725 million)	18,840	19,713
0.875% Eurobonds, due 2022 (EUR 269 million) ³⁾	6,886	13,106
0.875% Eurobonds, due 2026 (EUR 750 million)	19,034	19,499
4.250% U.S. bonds, due 2022 (USD 266 million) ⁴⁾	5,756	6,226
5.625% U.S. bonds, due 2042 (USD 300 million)	6,465	6,448
4.500% Registered bonds, due 2030 (EUR 40 million)	1,033	1,040
4.750% Registered bonds, due 2023 (EUR 40 million)	1,037	1,092
4.700% Registered bonds, due 2032 (EUR 40 million)	1,027	1,083
4.270% Registered bonds, due 2047 (EUR 61 million)	1,570	1,583
3.550% Registered bonds, due 2038 (EUR 30 million)	769	806
	<hr/>	<hr/>
Total bonds and debentures	109,389	127,424
Less: Current portion	(22,108)	(25,339)
	<hr/>	<hr/>
Bonds and debentures, net of current portion	87,281	102,085
	<hr/>	<hr/>
Long-term bank loans and lease liabilities:	18,343	23,419
Less: Current portion	(3,056)	(3,402)
	<hr/>	<hr/>
Long-term bank loans and lease payables, net of current portion	15,287	20,017
	<hr/>	<hr/>
Total long-term debt	127,732	150,843
Less: Current portion	(25,164)	(28,741)
	<hr/>	<hr/>
Total long-term debt, net of current portion	<u>102,568</u>	<u>122,102</u>

¹⁾ On April 21, 2021 the repurchase of part of the issue of these bonds was settled in the amount of EUR 209 million.

²⁾ The interest rate is based on inflation realized in Eurozone Countries (Harmonized Index of Consumer Prices – HICP) and is fixed through the closed swap to the rate 4.553% p. a.

³⁾ On April 21, 2021 the repurchase of part of the issue of these bonds was settled in the amount of EUR 231 million.

⁴⁾ On April 21, 2021 and May 5, 2021, the repurchase of part of the issue of these bonds was settled in the total amount of USD 23 million.

10. Other Financial Liabilities

Other financial liabilities at June 30, 2021 and December 31, 2020, are as follows (in CZK millions):

	June 30, 2021		
	Long-term liabilities	Short-term liabilities	Total
Payables from non-current assets purchase	39	-	39
Other	206	28,205	28,411
Financial liabilities at amortized cost	245	28,205	28,450
Cash flow hedge derivatives	14,758	24,109	38,867
Commodity and other derivatives	675	226,888	227,563
Liabilities from put options held by non-controlling interests	335	-	335
Contingent consideration from the acquisition of subsidiaries	154	213	367
Financial liabilities at fair value	15,922	251,210	267,132
Total	16,167	279,415	295,582

	December 31, 2020		
	Long-term liabilities	Short-term liabilities	Total
Payables from non-current assets purchase	32	-	32
Other	201	353	554
Financial liabilities at amortized cost	233	353	586
Cash flow hedge derivatives	7,776	301	8,077
Commodity and other derivatives	854	71,272	72,126
Liabilities from put options held by non-controlling interests	340	-	340
Contingent consideration from the acquisition of subsidiaries	211	188	399
Financial liabilities at fair value	9,181	71,761	80,942
Total	9,414	72,114	81,528

The increase of short-term commodity derivatives in the first half of 2021 is mainly due to an increase in the market prices of emission rights, electricity and gas.

11. Short-term Loans

Short-term loans at June 30, 2021 and December 31, 2020 are as follows (in CZK millions):

	June 30, 2021	December 31, 2020
Short-term bank and other loans	4,748	961
Bank overdrafts	15	23
Total	4,763	984

12. Revenues and Other Operating Income

The composition of revenues and other operating income for the first six months ended June 30, 2021 and 2020 is as follows (in CZK millions):

	1-6/2021	1-6/2020
<u>Sales of electricity:</u>		
Sales of electricity to end customers	26,482	25,652
Sales of electricity through energy exchange	1,329	1,084
Sales of electricity to traders	16,131	19,482
Sales to distribution and transmission companies	268	341
Other sales of electricity	18,095	12,620
Effect of hedging – presales of electricity	(1,281)	(741)
Effect of hedging – currency risk hedging	667	445
Total sales of electricity	61,691	58,883
<u>Sales of gas, coal and heat:</u>		
Sales of gas	3,927	3,955
Sales of coal	1,708	1,865
Sales of heat	5,167	4,591
Total sales of gas, coal and heat	10,802	10,411
Total sales of electricity, heat, gas and coal	72,493	69,294
<u>Sales of services and other revenues:</u>		
Distribution services	21,139	22,228
Other services	12,058	11,824
Rental income	95	102
Revenues from goods sold	366	431
Other revenues	593	343
Total sales of services and other revenues	34,251	34,928
<u>Other operating income:</u>		
Granted green and similar certificates	470	703
Contractual fines and interest fees for delays	132	172
Gain on sale of property, plant and equipment	80	49
Gain on sale of material	73	68
Other	751	1,039
Total other operating income	1,506	2,031
Total revenues and other operating income	108,250	106,253

Revenues from contracts with customers for the six months ended June 30, 2021 and 2020 were CZK 107,263 million and CZK 104,416 million, respectively, and can be linked to the above figures as follows:

	1-6/2021	1-6/2020
Sales of electricity, heat, gas and coal	72,493	69,294
Sales of services and other revenues	34,251	34,928
Total revenues	106,744	104,222
<u>Adjustments:</u>		
Effect of hedging – presales of electricity	1,281	741
Effect of hedging – currency risk hedging	(667)	(445)
Rental income	(95)	(102)
Revenues from contracts with customers	107,263	104,416

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

At each reporting date, the Group assesses whether there are any indicators that an asset may have been impaired, or whether previously recognized impairments of assets except goodwill are no longer justified or should be decreased. The result of the analysis updated as at June 30, 2021 was, that the selected assets of the Group could be impaired, especially with regard to the significant growth in the market prices of emission rights in first six months of 2021. In such a case, the Group checks whether the recoverable amount of the item of property, plant, and equipment is less than its depreciated cost, and if so, the Group recognizes an impairment loss in profit or loss in the line item Impairments of Property, plant, and equipment and intangible assets.

Based on an updated estimate of recoverable amounts, the Group recognized a total impairment loss of CZK 11,626 million in first six months of 2021.

The impairment loss in the amount of CZK 8,688 million relates to property, plant and equipment and intangible assets of the cash-generating unit Severočeské doly a.s. The decrease in the value of assets was mainly due to the development of market assumptions concerning mainly a significant increase in market prices of emission rights and a decrease in the expected so-called clean spread (electricity price minus price of CO₂ emission rights), which was reflected in lower expected demand for brown coal. The decrease in the carrying amount of assets of CZK 1,034 million relates to property, plant and equipment and intangible assets of the cash-generating unit CEZ Chorzów S.A. Also here, the value of assets decreased mainly due to the 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 of assets in the amount of CZK 799 million relates to the assets of the cash-generating unit Bulgarian Distribution, whose assets are classified as held for sale (Notes 7 and 17). At March 31, 2021, the Group also recognized an impairment loss of property, plant and equipment and intangible assets of Romanian companies held for sale in the amount of CZK 1,145 million (Note 4.1).

Information on the effects of covid-19 on the Group's financial performance is provided in Note 16.

Information on segmentation is provided in Note 15.

14. Income Taxes

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

	1-6/2021			1-6/2020		
	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	(16,195)	3,077	(13,118)	(2,799)	532	(2,267)
Cash flow hedges reclassified to statement of income	789	(150)	639	(596)	113	(483)
Change in fair value of debt instruments	(877)	168	(709)	730	(137)	593
Disposal of debt instruments	(2)	-	(2)	-	-	-
Translation differences – subsidiaries	(880)	-	(880)	2,041	-	2,041
Translation differences – associates and joint-ventures	(76)	-	(76)	211	-	211
Disposal of translation differences	6,607	-	6,607	-	-	-
Share on other equity movements of associates and joint-ventures	28	-	28	(13)	-	(13)
Total	<u>(10,606)</u>	<u>3,095</u>	<u>(7,511)</u>	<u>(426)</u>	<u>508</u>	<u>82</u>

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 in the energy sector. The structure of the segments has changed since 2021. The substance of the change is the merging of the segments Generation – Traditional Energy and Generation – New Energy into a new segment Generation. The main reason is the fact that the development of renewable sources in CEZ Group will take place primarily within existing companies now operating mainly traditional energy, and not in existing companies in the original Generation – New Energy segment or in newly acquired companies. Furthermore, the Support Services segment was abolished, especially with regard to the dissolution of the company ČEZ Korporátní služby. Data by segments for the previous period of 2020 were 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 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):

	<u>1-6/2021</u>	<u>1-6/2020</u>
Income before other income (expenses) and income taxes (EBIT)	6,144	21,960
Depreciation and amortization	13,899	14,878
Impairment of property, plant and equipment and intangible assets	11,626	1,901
Gains and losses on sale of property, plant and equipment, net *	<u>(73)</u>	<u>(48)</u>
EBITDA	<u><u>31,596</u></u>	<u><u>38,691</u></u>

- * 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 following tables summarize segment information by operating segments for the six months ended June 30, 2021 and 2020 and at December 31, 2020 (in CZK millions):

June 30, 2021:

	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Revenues and other operating income – other than intersegment	39,447	21,182	45,698	1,923	108,250	-	108,250
Revenues and other operating income – intersegment	17,743	290	3,358	2,805	24,196	(24,196)	-
Total revenues and other operating income	57,190	21,472	49,056	4,728	132,446	(24,196)	108,250
Thereof:							
Sales of electricity, heat, gas and coal	51,689	10	37,750	4,206	93,655	(21,162)	72,493
Sales of services and other revenues	4,046	21,291	10,909	495	36,741	(2,490)	34,251
Other operating income	1,455	171	397	27	2,050	(544)	1,506
EBITDA	14,526	11,130	3,908	2,119	31,683	(87)	31,596
Depreciation and amortization	(8,713)	(3,024)	(772)	(1,390)	(13,899)	-	(13,899)
Impairment of property, plant and equipment and intangible assets	(1,510)	(1,437)	9	(8,688)	(11,626)	-	(11,626)
EBIT	4,324	6,690	3,174	(7,957)	6,231	(87)	6,144
Interest on debt and provisions	(3,002)	(458)	(135)	(92)	(3,687)	474	(3,213)
Interest income	658	9	20	2	689	(474)	215
Share of profit (loss) from associates and joint-ventures	(10)	(1)	93	(49)	33	-	33
Income taxes	(830)	(1,151)	(571)	(144)	(2,696)	-	(2,696)
Net income	9,253	4,946	2,615	(8,181)	8,633	(7,057)	1,576
Identifiable assets	263,368	113,299	7,672	11,164	395,503	(1)	395,502
Investment in associates and joint-ventures	2,804	-	277	843	3,924	-	3,924
Unallocated assets							444,819
Total assets							844,245
Capital expenditure	3,636	6,693	601	781	11,711	(33)	11,678

June 30, 2020:

	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Revenues and other operating income – other than intersegment	36,159	21,990	46,100	2,004	106,253	-	106,253
Revenues and other operating income – intersegment	19,096	268	3,866	2,388	25,618	(25,618)	-
Total revenues and other operating income	55,255	22,258	49,966	4,392	131,871	(25,618)	106,253
Thereof:							
Sales of electricity, heat, gas and coal	49,253	18	38,810	3,932	92,013	(22,719)	69,294
Sales of services and other revenues	3,963	22,054	10,934	437	37,388	(2,460)	34,928
Other operating income	2,039	186	222	23	2,470	(439)	2,031
EBITDA	23,078	10,901	2,960	1,750	38,689	2	38,691
Depreciation and amortization	(9,211)	(3,511)	(794)	(1,362)	(14,878)	-	(14,878)
Impairment of property, plant and equipment and intangible assets	(1,222)	(690)	-	11	(1,901)	-	(1,901)
EBIT	12,667	6,711	2,173	407	21,958	2	21,960
Interest on debt and provisions	(3,580)	(388)	(177)	(104)	(4,249)	460	(3,789)
Interest income	525	46	71	39	681	(460)	221
Share of profit (loss) from associates and joint-ventures	(9)	(175)	59	(3)	(128)	-	(128)
Income taxes	(1,938)	(1,166)	(362)	(82)	(3,548)	-	(3,548)
Net income	14,667	5,106	1,802	319	21,894	(7,193)	14,701
Capital expenditure	4,629	6,239	439	928	12,235	(70)	12,165
	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
December 31, 2020:							
Identifiable assets	271,744	110,289	7,874	20,465	410,372	-	410,372
Investment in associates and joint- ventures	2,898	-	285	892	4,075	-	4,075
Unallocated assets							288,011
Total assets							702,458

16. Covid-19

With regard the covid-19 pandemic, the existence of no Group company is endangered and, in general, the pandemic has a relatively limited impact on the CEZ Group. The reliability of the estimate of the long-term effects of the covid-19 pandemic on the CEZ Group is considerably limited due to the uncertainty of the extent of the effects of the pandemic itself and of countries' countermeasures on economic growth, unemployment and debt growth in relevant European countries. In addition, these impacts affect CEZ Group only indirectly; other important factors also play a role apart from measures of the states. The covid-19 pandemic has had and continues to have a significant impact on the wholesale electricity market, which is also affected by other significant macroeconomic and regulatory factors, which further complicates any quantification of the impact of covid-19 on CEZ Group.

The covid-19 pandemic has not yet caused CEZ Group direct losses or significant additional costs (we still estimate the cost of securing pandemic measures at tens of millions of CZK). The pandemic caused a slowdown in acquisition and organic growth in the companies of the Sales segment and generally caused a slowdown or time lag in investments in all other segments, especially in 2020.

From the point of view of the medium-term economic outlook of the Generation segment, the negative impact of covid-19, or impacts of fluctuations in market prices for electricity and emission rights respectively, is limited with regard to the continuous securing of the generation margin for 3 years ahead. As of June 30, 2021, approximately 75% of expected generation for 2022 has been contracted, for 2023 approximately 42% has been contracted and for 2024 approximately 17%. Along with these presales of electricity, the emission rights for emission sources have been contracted.

The impact of the covid-19 in the coming years will depend mainly on the measures taken in individual countries and their impact on the overall development and structural changes of the economy in Europe. However, the approach of European countries to the installed climate goals by the European Commission will be more significant for CEZ Group.

17. Events after the Balance Sheet Date

On July 27, 2021 the transaction for the sale of Bulgarian assets (Note 7) was settled between the Group and Eurohold Bulgaria. 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 shows the best estimate of the effects of the sale that is available at the date of issue of these interim consolidated financial statements, i.e. according to the balance sheet as at June 30, 2021 (in CZK millions):

	<u>Total</u>
Property, plant and equipment, net	9,668
Intangible assets, net	491
Cash and cash equivalents	2,803
Other assets	3,216
Long term liabilities	1,653
Short term liabilities	2,683
Deferred tax liabilities	<u>117</u>
Total net assets	11,725
Disposal of translation differences	1,628
Disposal of non-controlling interests	(3,491)
Effect of intercompany balances:	
Trade receivables	(600)
Other financial assets	(407)
Trade payables	522
Short-term financial payables	<u>421</u>
Total cost of sale of the Group	9,798
Revenue from sale of shares and loans provided	<u>9,798</u>
Gain on sale	<u><u>-</u></u>