CEZ GROUP

CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS OF DECEMBER 31, 2021

(Translation of Consolidated Financial Statements Originally Issued in Czech)

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2021

In CZK Millions

	Note	2021	2020
ASSETS:			
Plant in service		856,189	827,652
Less accumulated depreciation and impairment		(487,211)	(451,033)
Net plant in service		368,978	376,619
Nuclear fuel, at amortized cost		13,096	13,697
Construction work in progress, net		21,009	20,056
Total property, plant and equipment	3	403,083	410,372
Investments in associates and joint-ventures	9	3,916	4,075
Restricted financial assets, net	4	20,804	21,424
Other non-current financial assets, net	5	11,805	11,002
Intangible assets, net	6	23,677	24,244
Deferred tax assets	35	10,719	828
Total other non-current assets		70,921	61,573
Total non-current assets		474,004	471,945
Cash and cash equivalents, net	10	26,640	6,064
Trade receivables, net	11	137,432	63,648
Income tax receivable		397	664
Materials and supplies, net	12	13,372	9,898
Fossil fuel stocks, net		574	1,220
Emission rights	13	19,534	37,833
Other current financial assets, net	5	497,295	61,894
Other current assets, net	14	13,674	8,919
Assets classified as held for sale	15	-	40,373
Total current assets		708,918	230,513
Total assets		1,182,922	702,458

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

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2021

continued

	Note	2021	2020
EQUITY AND LIABILITIES:			
Stated capital		53,799	53,799
Treasury shares		(1,423)	(2,845)
Retained earnings and other reserves		108,722	182,917
Total equity attributable to equity holders of the parent	16	161,098	233,871
Non-controlling interests	9	1,742	4,692
Total equity		162,840	238,563
Long-term debt, net of current portion	17	95,924	122,102
Provisions	20	117,072	105,326
Other long-term financial liabilities	21	35,219	9,414
Deferred tax liability	35	12,839	19,383
Other long-term liabilities		32	34
Total non-current liabilities		261,086	256,259
Short-term loans	22	25,310	984
Current portion of long-term debt	17	16,647	28,741
Trade payables		85,928	73,189
Income tax payable		2,249	555
Provisions	20	18,253	13,665
Other short-term financial liabilities	21	601,027	72,114
Other short-term liabilities	23	9,582	6,759
Liabilities associated with assets classified as held for sale	15	-	11,629
Total current liabilities		758,996	207,636
Total equity and liabilities		1,182,922	702,458

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

CEZ GROUP
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

In CZK Millions

	Note	2021	2020
Sales of electricity, heat, gas and coal		157,493	138,015
Sales of services and other revenues		67,329	71,507
Other operating income		2,971	4,215
Total revenues and other operating income	25	227,793	213,737
Gains and losses from commodity derivative trading	26	(4,468)	6,122
Purchase of electricity, gas and other energies	27	(62,669)	(56,335)
Fuel and emission rights	28	(24,555)	(23,262)
Services	29	(29,044)	(30,147)
Salaries and wages	30	(30,591)	(30,855)
Material and supplies		(11,017)	(10,576)
Capitalization of expenses to the cost of assets and change in own inventories		4,285	3,450
Depreciation and amortization	3, 6	(31,628)	(28,284)
Impairment of property, plant and equipment and intangible assets	7	(15,799)	(24,062)
Impairment of trade and other receivables		602	(544)
Other operating expenses	31	(6,811)	(6,659)
Income before other income (expenses) and income taxes		16,098	12,585
Interest on debt		(4,206)	(5,269)
Interest on provisions		(2,014)	(1,955)
Interest income	32	431	377
Share of profit (loss) from associates and joint-ventures	9	(534)	188
Impairment of financial assets		(449)	(433)
Other financial expenses	33	(659)	(962)
Other financial income	34	4,759	3,375
Total other income (expenses)		(2,672)	(4,679)
Income before income taxes		13,426	7,906
Income taxes	35	(3,517)	(2,438)
Net income		9,909	5,468
Net income attributable to:			
Equity holders of the parent		9,791	5,438
Non-controlling interests		118	30
Net income per share attributable to equity holders of the parent (CZK per share):	38		
Basic		18.3	10.2
Diluted		18.3	10.2

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, 2021

In CZK Millions

	Note	2021	2020
Net income		9,909	5,468
Change in fair value of cash flow hedges		(85,679)	(8,198)
Cash flow hedges reclassified to statement of income		11,479	2,916
Change in fair value of debt instruments		(1,869)	277
Disposal of debt instruments		(12)	(1)
Translation differences – subsidiaries		(1,284)	980
Translation differences – associates and joint-ventures		37	191
Disposal of translation differences		8,238	3
Share on other equity movements of associates and joint-ventures		59	(5)
Deferred tax related to other comprehensive income	35	14,458	954
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		(54,573)	(2,883)
Change in fair value of equity instruments		(795)	(1,046)
Re-measurement gains (losses) on defined benefit plans		6	(46)
Deferred tax related to other comprehensive income	35	151	199
Net other comprehensive income not to be reclassified from equity in subsequent periods		(638)	(893)
Total other comprehensive income, net of tax		(55,211)	(3,776)
Total comprehensive income, net of tax		(45,302)	1,692
Total comprehensive income attributable to:			
Equity holders of the parent		(45,259)	1,542
Non-controlling interests		(43)	150

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, 2021

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, 2020		53,799	(2,885)	(12,837)	(2,831)	648	(160)	215,027	250,761	4,603	255,364
Net income		-	-	-	-	-	-	5,438	5,438	30	5,468
Other comprehensive income		-	-	1,056	(4,279)	226	(847)	(52)	(3,896)	120	(3,776)
Total comprehensive income		-	-	1,056	(4,279)	226	(847)	5,386	1,542	150	1,692
Dividends		-	-	-	-	-	-	(18,163)	(18,163)	(36)	(18,199)
Sale of treasury shares		-	40	-	-	-	-	(25)	15	-	15
Exercised and forfeited share options		-	-	-	-	-	(15)	15	-	-	-
Contribution from owners of non-controlling interests		-	-	-	-	-	-	-	-	13	13
Acquisition of non-controlling interests	8	-	-	-	-	-	-	(309)	(309)	(766)	(1,075)
Put options held by non-controlling interests		-	-	4	-	-	-	21	25	728	753
Balance as at December 31, 2020		53,799	(2,845)	(11,777)	(7,110)	874	(1,022)	201,952	233,871	4,692	238,563

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

continued

	Note	Attributable to equity holders of the parent									
		Stated capital	Treasury shares	Transla-tion difference	Cash flow hedge reserve	Debt instru-ments	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 CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

In CZK Millions

	Note	2021	2020
OPERATING ACTIVITIES:			
Income before income taxes		13,426	7,906
Adjustments of income before income taxes to cash generated from operations:			
Depreciation and amortization	3, 6	31,628	28,284
Amortization of nuclear fuel	3	4,110	4,197
(Gains) and losses on non-current asset retirements		(507)	(252)
Foreign exchange rate loss (gain)		(686)	(1,244)
Interest expense, interest income and dividend income		3,765	4,879
Provisions		4,844	2,834
Impairment of property, plant and equipment and intangible assets	7	15,799	24,062
Valuation allowances and other non-cash expenses and income		(38,481)	(10,495)
Share of (profit) loss from associates and joint-ventures	9	534	(188)
Changes in assets and liabilities:			
Receivables and contract assets		(78,918)	(2,032)
Materials, supplies and fossil fuel stocks		(2,466)	(1,095)
Receivables and payables from derivatives		23,034	13,306
Other assets		70,381	4,458
Trade payables		17,619	7,072
Other liabilities		2,662	(503)
Cash generated from operations		66,744	81,189
Income taxes paid		(3,550)	(3,748)
Interest paid, net of capitalized interest		(4,415)	(5,649)
Interest received		364	342
Dividends received		13	23
Net cash provided by operating activities		59,156	72,157
INVESTING ACTIVITIES:			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	8	(3,051)	(1,347)
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of	8	28,770	59
Additions to non-current assets, including capitalized interest		(32,226)	(31,558)
Proceeds from sale of non-current assets		468	467
Loans made		(305)	(1,160)
Repayment of loans		320	221
Change in restricted financial assets		(1,094)	(405)
Total cash used in investing activities		(7,118)	(33,723)

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, 2021

continued

	Note	2021	2020
FINANCING ACTIVITIES:			
Proceeds from borrowings		313,886	158,320
Payments of borrowings		(321,466)	(178,869)
Payments of lease liabilities	24	(692)	(852)
Proceeds from other long-term liabilities		229	211
Payments of other long-term liabilities		(198)	(102)
Dividends paid to Company's shareholders		(27,813)	(18,116)
Dividends paid to non-controlling interests		(150)	(23)
Sale of treasury shares		660	15
(Acquisition) and sale of non-controlling interests, net		744	(1,097)
Total cash used in financing activities		(34,800)	(40,513)
Net effect of currency translation and allowances in cash		(767)	342
Net increase (decrease) in cash and cash equivalents		16,471	(1,737)
Cash and cash equivalents at beginning of period		10,169	11,906
Cash and cash equivalents at end of period	10	26,640	10,169

Supplementary cash flow information:		
Total cash paid for interest	4,714	5,952

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

CEZ GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021

CONTENT:

CEZ GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021

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, 2021 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are held by legal persons and individuals. The address of the Company's registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic.

The Company is a parent company of the CEZ Group (the Group, see Note 9). Main business of the Group is the production, distribution, trade and sale of electricity and heat, trade and sale of natural gas, provision of complex energy services and coal mining. ČEZ is an electricity generation company, which in 2021 generated approximately 58% of the electricity in the Czech Republic. In the Czech Republic the Company operates two nuclear plants, sixteen hydroelectric plants, one combined cycle gas turbine plant and eight fossil fuel plants. The Company also operates through its subsidiaries several power plants (fossil fuel, hydro, wind, solar, gas, biogas, biomass) in the Czech Republic, eleven wind power plants in Germany, two fossil fuel plants and two hydroelectric plants in Poland. Further the Group also owns an electricity distribution company and a lignite mining company in the Czech Republic. In the Czech Republic and other countries, the Group controls companies engaged in the provision of energy services. The average number of employees of the Company and its consolidated subsidiaries was 28,697 and 31,704 in 2021 and 2020, respectively.

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

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

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

2. Summary of Significant Accounting Policies

2.1. Financial Statements

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

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

<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 ("negative goodwill"), then the Group first reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination. Any excess remaining after the reassessment is recognized immediately in the income statement and is presented in the line Impairment of property, plant and equipment and intangible assets.

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

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

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

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

2.2.3. Associates

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

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses. In such a case, the Group recognizes its full share on profit or loss and its share on other comprehensive income only to the extent to recognize nil interest in an associate. This amount is included in the item Translation differences – associates and joint-ventures in the statement of comprehensive income, then the Group discontinues of using equity method of accounting. However, additional losses are provided for, and a liability is recognized on the balance sheet in the item Other long-term liabilities 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 2021

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, 2021:

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

IFRS 4: Insurance Contracts (Amendment)
The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023. The application of the amendment 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, 2022 or later.

IFRS 17: Insurance Contracts
The standard is effective for annual periods beginning on or after January 1, 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its March 2020 meeting the Board decided to defer the effective date to 2023. IFRS 17 Insurance Contracts will replace IFRS 4 Insurance Contracts and establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance, and cash flows of an entity. This standard is not expected to have a material effect on the Group's financial statements.

IFRS 17: Insurance Contracts (Amendment)
The amendment to IFRS 17 is effective, retrospectively, for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendment aims at helping companies implement the standard. In particular, the amendment is designed to reduce costs by simplifying some requirements in the standard, make financial performance easier to explain and ease transition by deferring the effective

date of the standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. This amendment is not expected to have a material effect on the Group's financial statements.

IFRS 17: Insurance Contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment)
The amendment is effective for annual reporting periods beginning on or after January 1, 2023 with early application. For entities that first apply IFRS 17 and IFRS 9 at the same time, the amendment adds a transition option for a "classification overlay", relating to comparative information of financial assets. An entity applying the classification overlay to a financial asset shall present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset. Also, in applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of IFRS 9. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. This amendment has not yet been endorsed by the EU. This amendment is not expected to have a material effect on the Group's financial statements.

Amendment 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 (Amendments)
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint-venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. These amendments are not expected to have a material effect on the Group's financial statements.

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

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date after the reporting period. In particular, the Board proposes narrow scope amendment to IAS 1 which effectively reverses the 2020 amendment requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after January 1, 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendment accordingly, such that entities will not be required to change current practice before the proposed amendment comes into effect. This amendment, including ED proposals, has not yet been endorsed by the EU. This amendment is not expected to have a material effect on the Group's financial statements.

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

- IAS 16 Property, Plant and Equipment (Amendment) prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment) specifies which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.

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

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

IFRS 16 Leases: Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment)
The amendment applies to annual reporting periods beginning on or after April 1, 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. This amendment is not expected to have a material effect on 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 the 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. The amendments have not yet been endorsed by the EU. These amendments are not expected to have a material effect on the Group's financial statements.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendment)
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. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The amendment has not yet been endorsed by the EU. This amendment is not expected to have a material effect on the Group's financial statements.

IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendment)
The amendment is effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. 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. The amendment has not yet been endorsed by the EU. This amendment is not expected to have a material effect on the Group's financial statements.

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

2.4. Estimates

The preparation of financial statements in accordance with IFRS requires Group management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date, the disclosure of information on contingent assets and contingent liabilities, and the amounts of revenues and expenses reported for a reporting period. Actual results may differ from such estimates. A description of key assumptions for significant estimates is included in the relevant sections of the Notes. The Group makes significant estimates when determining the recoverable amounts of property, plant and equipment and intangible assets (see Note 7), accounting for the nuclear provisions (see Note 20.1), provisions for reclamation of mines, mining damages and waste storage reclamation (see Note 20.2), provision for demolition and dismantling of coal-fired plants (see Note 20.2), unbilled electricity and gas (see Note 2.6), fair value of commodity contracts (see Notes 2.16 and 18), financial derivatives (see Notes 2.15 and 18) and incremental borrowing rate and lease terms to measure lease liability (see Notes 2.28 and 24).

In 2021, there were significant changes in some estimates in connection with the adoption of the accelerated strategy VIZE 2030, 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 plants (see Note 2.9), the determination of the provisions for demolition and dismantling of coal-fired 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 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. In 2020, the expected remaining useful life of the main assets of nuclear power plants was extended by 10 years.

2.10. Nuclear Fuel

The Group recognizes nuclear fuel as part of property, plant, and equipment because the period for which it is used for electricity generation exceeds 1 year. Nuclear fuel is measured at cost less accumulated depreciation and, if applicable, impairments. Nuclear fuel includes a capitalized portion of the provision for interim storage of 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 amortized cost, at fair value depending on whether the financial assets are held for sale or whether they are held under a business model whose objective is to hold the assets to collect contractual cash flows, and at cost.

The Group classifies assets into the following categories:

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

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

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

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

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

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

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

2.14.2. Financial Liabilities

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

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

2.14.3. Derivatives

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

2.14.4. Impairment of Financial Assets

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

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

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

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

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

2.15. Derivatives

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

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

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

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

2.15.1. Fair Value Hedging Derivatives

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

2.15.2. Cash Flow Hedging Derivatives

Changes in the fair values of derivatives hedging expected cash flows are initially recognized in other comprehensive income. The gain or loss attributable to the ineffective portion is presented in the statement of 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 income taxes are provided at a rate of 19% for the years ended December 31, 2021 and 2020, respectively, from income before income taxes after adjustments for certain items which are not deductible, or taxable, for taxation purposes. The Czech corporate income tax rate enacted for 2022 and on is 19%.

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

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

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

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

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

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

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

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

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

2.23. Long-term Debt

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

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

For long-term debt that is hedged with derivatives hedging against changes in fair value, the measurement of hedged debt is adjusted for changes in fair value. Changes in the fair value of such debt are recognized in profit or loss and reported in the statement of 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 20.1).

The provisions made correspond to the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The estimate, expressed at the price level at the date of estimate, is discounted using an estimated long-term real interest rate of 0.3% and 0.4% per annum as at December 31, 2021 and 2020, 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 2.0% and 1.5% as at December 31, 2021 and 2020, 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 20.2). 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, 2021 and 2020, using an estimated long-term real interest rate to take into account the timing of payments in amount of 0.3% and 0.4% 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 2.0% and 1.5% as at December 31, 2021 and 2020, 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 Coal-fired Plants

The Group has recognized a provision for demolition and dismantling of coal-fired plants (see Note 20.2). 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, including setting a commitment to decommission all coal-fired plants by 2038 at the latest and achieve carbon neutrality by 2050. 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 (0.4)% per annum as at December 31, 2021, 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 2.0% as at December 31, 2021.

Although the Group has made the best estimate of the amount of provision for demolition and dismantling of coal-fired 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	2–22
Buildings	2–40
Vehicles, machinery and equipment	3–42
Inventory and other tangible assets	10–17

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. 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.

2.30. Translation of Foreign Currencies

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

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

Exchange differences on financial assets are described in 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, 2021 and 2020:

	2021	2020
CZK per 1 EUR	24.860	26.245
CZK per 1 USD	21.951	21.387
CZK per 1 PLN	5.408	5.755
CZK per 1 BGN	12.711	13.417
CZK per 1 RON	5.023	5.391
CZK per 100 JPY	19.069	20.747
CZK per 1 TRY	1.631	2.880
CZK per 1 GBP	29.585	29.190
CZK per 100 HUF	6.734	7.211

2.31. Assets Held for Sale

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

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

3. Property, Plant and Equipment

The overview of property, plant and equipment, net at December 31, 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 January 1, 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	295	292	1	588	-	13	601
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	308,371	534,265	13,553	856,189	22,193	22,937	901,319
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	160,118	200,345	8,515	368,978	13,096	21,009	403,083

[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.

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

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

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

In 2021 and 2020, a composite depreciation rate of Plant in service was 3.6% and 3.1%, respectively.

As at December 31, 2021 and 2020, capitalized interest costs amounted to CZK 289 million and CZK 277 million, respectively, and the interest capitalization rate was 3.3% and 3.5%, respectively.

Group's plant in service pledged as security for liabilities at December 31, 2021 and 2020 is CZK 12,495 million and CZK 13,510 million, respectively.

Construction work in progress contains mainly refurbishments performed on nuclear plants, including the acquisition of nuclear fuel, and investment in the electricity distribution network of subsidiary ČEZ Distribuce, a. s. As of December 31, 2021, the construction work in progress includes the preparation of new nuclear power sources of CZK 3,275 million.

The Group drew in 2021 and 2020 grants related to the property, plant and equipment in the amount of CZK 92 million and CZK 862 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, 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	2,422	482	894	3,798

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

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

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, 2021	275	44	804	1,123
Carrying amount as at December 31, 2020	651	80	751	1,482

4. Restricted Financial Assets, Net

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

	2021	2020
Czech government bonds	18,159	19,206
Cash in banks, net	2,645	2,218
Total restricted financial assets, net	20,804	21,424

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, 2021 and 2020 is as follows (in CZK millions):

	2021			2020		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Term deposits	-	-	-	-	2,755	2,755
Other financial receivables	2,156	288	2,444	1,786	987	2,773
Receivables from sale of subsidiaries, associates and joint-ventures	2,399	-	2,399	2,349	2,012	4,361
Investment in finance lease	211	44	255	261	51	312
Debt financial assets	-	-	-	-	10	10
Total financial assets at amortized cost	4,766	332	5,098	4,396	5,815	10,211
Equity financial assets – investments in Inven Capital, SICAV, a.s., ČEZ sub-fund	2,538	441	2,979	1,750	-	1,750
Commodity and other derivatives	212	495,139	495,351	224	55,694	55,918
Total financial assets at fair value through profit or loss	2,750	495,580	498,330	1,974	55,694	57,668
Veolia Energie ČR, a.s.	599	-	599	1,394	-	1,394
Other financial assets	343	-	343	374	-	374
Total equity financial assets	942	-	942	1,768	-	1,768
Fair value of cash flow hedge derivatives	3,347	884	4,231	2,864	284	3,148
Debt financial assets	-	499	499	-	101	101
Total financial assets at fair value through other comprehensive income	4,289	1,383	5,672	4,632	385	5,017
Total	11,805	497,295	509,100	11,002	61,894	72,896

Derivatives balance comprises mainly the positive fair values of commodity trading contracts. The increase of short-term receivables from commodity derivatives in 2021 is mainly due to an increase in the market prices of emission rights, electricity and gas. Related increase of short-term liabilities from commodity derivatives is disclosed in Note 21.

ČEZ, a. s., concluded two put option agreements with Vršanská uhelná a.s. in March 2013. Under these contracts, the Company has the right to transfer 100% of the shares of its subsidiary Elektrárna Počerady, a.s., to Vršanská uhelná a.s. First option for the year 2016 was not exercised, second option could be exercised in 2024 for cash consideration of CZK 2 billion. The option agreement could have been inactivated until December 31, 2019, which the Group did not apply. These contracts represented derivatives that would be settled by the delivery of unquoted equity instrument. Elektrárna Počerady, a.s., is not quoted on any market. There was a significant variability in the range of reasonable fair values for this equity instrument (there is no similar power plant in the Czech Republic for sale and also no similar transaction has taken place) and thus it was difficult to reasonably assess the probabilities of various estimates. As a result, the fair value could not be reliably measured. Consequently, the put option was measured at cost. No option premium was paid when the contracts were concluded and therefore the cost of these instruments was zero. The second put option expired on the exercise of the sale on December 31, 2020 (see 8.2.4).

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

	2021	2020
Balance as at January 1	(114)	(2)
Additions	(7)	(140)
Reversals	4	28
Balance as at December 31	(117)	(114)

In 2020, the impairment provisions were created mainly for loans granted in connection with the Socrates project, which was to be a joint-venture with the company Holt Holding GmbH group for the construction of wind farms in Germany.

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

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

Debt financial assets at December 31, 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

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

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

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

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

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

6. Intangible Assets, Net

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	833	-	1,784	22	2,648
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	13,157	160	13,489	1,247	43,806
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	6,104	160	13,489	1,246	23,677

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

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

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 543 million and CZK 507 million in 2021 and 2020, respectively.

Group’s intangible assets, net pledged as security for liabilities at December 31, 2021 and 2020, is CZK 224 million and CZK 250 million, respectively.

The net book value of intangible assets under the right-of-use assets at December 31, 2021 and 2020, is CZK 27 million and CZK 25 million, respectively.

At December 31, 2021 and 2020, goodwill allocated to cash-generating units is as follows (in CZK millions):

	2021	2020
Companies of Elevion Deutschland Holding Group excluding Hermos	3,793	3,930
Czech distribution	2,200	2,200
Energotrans	1,675	1,675
Companies of ČEZ ESCO Group excluding CAPEXUS	1,132	1,160
Hermos	1,060	1,119
Euroklimat	754	802
Companies of Kofler Energies Group	600	634
CAPEXUS	419	-
Belectric	415	-
Companies of Telco Pro Services Group	395	95
Zonnepanelen op het Dak	266	-
IBP Ingenieure	196	-
Metrolog	107	114
Companies of Elevion Österreich Holding Group	94	99
Other	383	290
Total	13,489	12,118

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 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)

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

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

In 2021 and 2020, 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 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 and 2020 was recognized with regard to the fact that the assets were classified as held for sale (see Notes 8.1.2 and 15) 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 and at December 31, 2020, respectively, 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 (see Notes 8.1.2 and 15), 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.

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

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

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

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

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

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

The recognized impairment of property, plant and equipment of cash-generating unit Elektrárna Počerady in 2020 occurred with regard to fact that sale price indicated the impairment of property, plant and equipment (see Note 8.2.4).

The Group classified assets of cash-generating units Romanian wind power plants, Romanian distribution, Romanian sale, TMK Hydroenergy Power and CEZ Romania as assets held for sale since November 1, 2020 (Note 15), while this constituted a single sale transaction. The Group determined the total impairment loss of intangible assets and property, plant and equipment of all these cash-generating units as of December 31, 2020 in the amount of CZK 10,837 million with regard to the contractual sale price stated in EUR (arranged as so-called “locked box”). The impairment loss was allocated to the remaining goodwill at first and then based on relative carrying amount of intangible assets and property, plant and equipment of the cash-generating units being sold.

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

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

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

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

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

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

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

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

The sensitivity test results reflect expert estimates of the status and development of the above factors in the period of the model and the status of commercial securing of the generation portfolio as at December 31, 2021.

The test is based on the business plan of CEZ Group for 2022–2026 and on the assumptions of long-term development of relevant electricity prices. The plan was prepared in the fourth quarter 2021 whereas the plan was based on the active market parameters observed in October 2021 (power prices on EEX energy exchange in Germany, prices on PXE energy exchange in the Czech Republic, price of CO_2 emission rights, FX rate CZK/EUR, interest rates etc.). There is a liquidity for power contracts traded on EEX for the period covering the horizon of the business plan and with regard to links between German and Czech power transmission network, the EEX prices are basic market price indicator for EE prices in the Czech Republic. For the purposes of the sensitivity analysis, the input EE prices, emission rights prices and foreign exchange rates were applied to the relevant opened positions of the Company.

The company did not recognize any impairment of generation assets in 2021 and 2020. A change of the assumed EE prices as per the models by 1%, with other parameters remaining unchanged, has an impact of approximately CZK 10.2 billion on the ČEZ value test result. Future cash flows of the model were discounted using a 4.7% 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 7.8 billion. A 1% change in the CZK/EUR exchange rate, with other parameters remaining unchanged, would result in a change of approximately CZK 9 billion in the ČEZ value. Such changes in ČEZ value would not lead to an impairment.

The generation sources in Poland – power plants Chorzów and Skawina – also belong among tested non-current assets where cash flow projections covering remaining useful life were used and the future cash flows were discounted using rate of 5.8%.

The discount rate of 4.2% 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 assumed 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, 2021, were used for determination of the recoverable amount of the cash-generating unit Severočeské doly. Future cash flows were discounted using increased rate of 5.2%.

The discount rate of 4.7% 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 4.0% was used for cash-generating unit Czech distribution. Cash flows beyond the five-year period for Czech distribution were based on the terminal value of regulatory asset base.

The discount rate of 4.1% was used for cash-generating unit ČEZ Teplárenská. There is no growth rate considered for cash flows beyond five-year period.

The discount rate of 4.1% was used for cash-generating unit Energetické centrum. Cash flows beyond the five-year period are extrapolated using 2.0% growth rate.

The discount rate of 4.6% was used for companies of Elevion Deutschland Holding Group (including Hermos) and Kofler Energies Group. There is no growth rate considered for cash flows beyond five-year period.

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

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

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

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

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

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

The impact of covid-19 alone cannot be reliably quantified, as overall aggregate demand and supply and economies in general are affected by many more important macroeconomic factors, such as world commodity prices, GDP development in individual countries and regulation at EU level.

From the point of view of the medium-term economic outlook of the Generation segment, the negative impact of covid-19 is limited also with regard to the high level of cash flow hedging. As of December 31, 2021, approximately 88% of expected generation for 2022 has been contracted, for 2023 approximately 60% has been contracted and for 2024 approximately 28%. Along with these presales of electricity, the emission rights for emission sources have been contracted.

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

8. Changes in the Group Structure

8.1. Changes in the Group Structure in 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

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

	Belectric	CAPEXUS	Telco 2021	ZOHD	ESCO other	Total
Share of the Group being acquired	100%	100%	100%	66%	100%	
Property, plant and equipment, net	141	19	204	16	221	601
Intangible assets, net	333	205	145	30	151	864
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	497	218	3	22	227	967
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	(77)	(9)	(14)	(6)	(102)	(208)
Deferred tax liability	(95)	(40)	(28)	(7)	(22)	(192)
Another non-current liabilities	-	-	(27)	-	(1)	(28)
Current portion of long-term debt	(29)	(5)	-	(3)	(18)	(55)
Trade payables	(526)	(83)	(8)	(44)	(154)	(815)
Payables from income tax	(66)	(2)	-	-	(21)	(89)
Current provisions	(486)	(1)	-	(2)	(33)	(522)
Contractual liabilities	(406)	(13)	(1)	(27)	(209)	(656)
Another current liabilities	(126)	(34)	(7)	(27)	(28)	(222)
Total net assets	1,337	356	362	32	450	2,537
Share of net assets acquired	1,337	356	343	22	447	2,505
Goodwill	415	419	301	272	377	1,784
Negative goodwill 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 2021	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 2021, net	1,052	555	539	286	481	2,913

If the acquisitions had taken place at the beginning of the year 2021, net income for CEZ Group as of 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.

8.1.2. 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 on 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 on 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

8.1.3. 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 a 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, a.s.	ENESA a.s.	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

8.2. Changes in the Group Structure in 2020

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

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

8.2.1. Acquisitions of Subsidiaries in 2020

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

	Moser	AXE	Telco	Total
Share of the Group being acquired	100%	100%	100%	
Property, plant and equipment, net	46	156	32	234
Intangible assets, net	57	-	2	59
Other non-current assets	1	1	1	3
Cash and cash equivalents	-	16	32	48
Trade receivables, net	10	29	9	48
Another current assets	12	31	7	50
Long-term debt, net of current portion	(37)	(20)	-	(57)
Deferred tax liability	(12)	-	-	(12)
Short-term loans	(1)	(23)	-	(24)
Current portion of long-term debt	(3)	(111)	-	(114)
Trade payables	-	(35)	(11)	(46)
Payables from income tax	(6)	-	-	(6)
Short-term provisions	(8)	(8)	-	(16)
Another current liabilities	(2)	-	(4)	(6)
Total net assets	57	36	68	161
Share of net assets acquired	57	36	68	161
Goodwill / negative goodwill gain	97	(18)	95	174
Total purchase consideration	154	18	163	335
Liabilities from acquisition of the subsidiary	(38)	-	(12)	(50)
Cash outflow on acquisition in 2021	116	18	151	285
Less: Cash and cash equivalents in the subsidiary acquired	-	(16)	(32)	(48)
Cash outflow on acquisition in 2021, net	116	2	119	237

If the acquisitions had taken place at the beginning of the year 2020, net income for CEZ Group as of December 31, 2020 would have been CZK 5,460 million and the revenues and other operating income from continuing operations would have been CZK 213,884 million. The amounts of goodwill recognized as a result of the business combinations comprise the value of expected synergies arising from the acquisitions.

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

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

8.2.2. Acquisitions of Joint-ventures in 2020

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

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

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

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

8.2.3. Acquisitions of Non-controlling Interests in 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 2021	% equity interest [1)] 2021	% voting interest 2021
New acquisitions					
ADAPTIVITY s.r.o.	CZ	S	100.00	100.00	100.00
Belectric France S.A.R.L.	FR	S	100.00	100.00	100.00
BELECTRIC GmbH	DE	S	100.00	100.00	100.00
Belectric Israel Ltd.	IL	S	100.00	100.00	100.00
Belectric Italia S.r.l.	IT	S	100.00	100.00	100.00
Belectric Solar Ltd	GB	S	100.00	100.00	100.00
CAPEXUS s.r.o.	CZ	S	100.00	100.00	100.00
CAPEXUS SK s. r. o.	SK	S	50.00	50.00	100.00
CERBEROS s.r.o.	CZ	S	100.00	100.00	100.00
CEZ Finance B.V.	NL	G	100.00	100.00	100.00
Energy Shift B.V.	NL	S	66.00	66.00	100.00
EP Rožnov, a.s.	CZ	S	100.00	100.00	100.00
EPIGON spol. s r.o.	CZ	S	100.00	100.00	100.00
HELIOS MB s.r.o.	CZ	S	100.00	100.00	100.00
IBP Ingenieure GmbH & Co. KG.	DE	S	100.00	100.00	100.00
IBP Verwaltungs GmbH	DE	S	100.00	100.00	100.00
INTERNEXT 2000, s.r.o.	CZ	S	100.00	100.00	100.00
M&P Real GmbH	AT	S	100.00	100.00	100.00
Magnalink, a.s.	CZ	S	85.00	85.00	85.00
MWS GmbH	DE	S	100.00	100.00	100.00
Optické sítě s.r.o.	CZ	S	100.00	100.00	100.00
Peil und Partner Ingenieure GmbH	DE	S	100.00	100.00	100.00
PIPE SYSTEMS s.r.o.	CZ	S	90.00	90.00	90.00
SOCIETA' AGRICOLA DEF S.R.L. [2)]	IT	S	100.00	100.00	100.00
TelNet Holding, s.r.o.	CZ	S	100.00	100.00	100.00
ZOHD Groep B.V.	NL	S	66.00	66.00	66.00
Zonnepanelen op het Dak B.V.	NL	S	66.00	66.00	100.00
Zonnepanelen op het Dak Installaties B.V.	NL	S	66.00	66.00	100.00
Newly established subsidiaries					
CEZ CI Limited	MT	G	100.00	100.00	100.00
Green energy capital, a.s.	CZ	S	100.00	100.00	100.00
Changes of non-controlling interests					
ENVEZ, a. s. [3)]	CZ	G	(49.00)	51.00	51.00
ESCO Slovensko, a. s. [4)]	SK	S	(50.00)	50.00	50.00
Euroklimat sp. z o.o.	PL	S	(4.00)	96.00	96.00
OSC, a.s.	CZ	G	26.58	93.25	93.25
AZ KLIMA SK, s.r.o.	SK	S	(50.00)	50.00	100.00
e-Dome a. s.	SK	S	(25.50)	25.50	51.00
ESCO Distribučné sústavy a.s. [5)]	SK	S	(50.00)	50.00	100.00
ESCO Servis, s. r. o. [6)]	SK	S	(50.00)	50.00	100.00
SPRAVBYTKOMFORT, a.s. Prešov	SK	S	(27.50)	27.50	55.00

[1)] The equity interest represents effective ownership interest of the Group.
[2)] The company name SOCIETA' AGRICOLA DEF S.r.l. was changed to SOCIETA' AGRICOLA DEF S.R.L. in 2021.
[3)] The company name ČEZ Asset Holding, a. s., was changed to ENVEZ, a. s., in 2021.
[4)] The company name CEZ ESCO Slovensko, a.s., was changed to ESCO Slovensko, a. s., in 2021.
[5)] The company name CEZ Distribučné sústavy a.s. was changed to ESCO Distribučné sústavy a.s. in 2021.
[6)] The company name CEZ SERVIS, s. r. o., was changed to ESCO Servis, s. r. o., in 2021.

Subsidiaries	Country	Operating segment	% equity interest 1) Change in 2021	% equity interest 1) 2021	% voting interest 2021
Sales					
Bara Group EOOD	BG	G	(100.00)	-	-
CEZ Bulgaria EAD	BG	D	(100.00)	-	-
CEZ Elektro Bulgaria AD	BG	S	(67.00)	-	-
CEZ ICT Bulgaria EAD	BG	D	(67.00)	-	-
CEZ Razpredelenie Bulgaria AD	BG	D	(67.00)	-	-
CEZ Romania S.A.	RO	D	(100.00)	-	-
CEZ Towarowy Dom Maklerski sp. z o.o.	PL	G	(100.00)	-	-
CEZ Trade Bulgaria EAD	BG	S	(100.00)	-	-
CEZ Vanzare S.A.	RO	S	(100.00)	-	-
Distributie Energie Oltenia S.A.	RO	D	(100.00)	-	-
Free Energy Project Oreshets EAD	BG	G	(100.00)	-	-
M.W. Team Invest S.R.L.	RO	G	(100.00)	-	-
Ovidiu Development S.A.	RO	G	(100.00)	-	-
TMK Hydroenergy Power S.R.L.	RO	G	(100.00)	-	-
Tomis Team S.A.	RO	G	(100.00)	-	-
Liquidations and mergers					
Baltic Green VIII sp. z o.o. w likwidacji	PL	G	(100.00)	-	-
ČEZ Korporátní služby, s.r.o.	CZ	G	(100.00)	-	-
EAB Automation Solutions GmbH	DE	S	(95.00)	-	-
Elektro-Technik-Pfisterer-GmbH	DE	S	(95.00)	-	-
ESCO City I sp. z o.o. w likwidacji	PL	S	(100.00)	-	-
ESCO City II sp. z o.o. w likwidacji	PL	S	(100.00)	-	-
ESCO City III sp. z o.o. w likwidacji	PL	S	(100.00)	-	-
ESCO City IV sp. z o.o. w likwidacji	PL	S	(100.00)	-	-
ESCO City V sp. z o.o. w likwidacji	PL	S	(100.00)	-	-
ESCO City VI sp. z o.o. w likwidacji	PL	S	(100.00)	-	-
High-Tech Clima d.o.o.	RS	S	(100.00)	-	-
ISP West s.r.o.	CZ	S	(77.82)	-	-
Other – no change in 2021					
A.E. Wind S.A.	PL	G	-	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.	IT	S	-	100.00	100.00
AZ KLIMA a.s.	CZ	S	-	100.00	100.00
Baltic Green Construction sp. z o.o.	PL	G	-	100.00	100.00
Baltic Green II sp. z o.o.	PL	G	-	100.00	100.00
Baltic Green III sp. z o.o.	PL	G	-	100.00	100.00
Baltic Green IX sp. z o.o.	PL	G	-	100.00	100.00
Baltic Green VI sp. z o.o.	PL	G	-	100.00	100.00
BANDRA Mobiliengesellschaft mbH & Co. KG	DE	G	-	100.00	100.00
BUDRIO GFE 312 SOCIETA´ AGRICOLA S.R.L.	IT	S	-	70.00	70.00
CASANO Mobiliengesellschaft mbH & Co. KG	DE	G	-	100.00	100.00
Centrum výzkumu Řež s.r.o.	CZ	G	-	52.46	100.00
CEZ Bulgarian Investments B.V.	NL	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

Subsidiaries	Country	Operating segment	% equity interest [1] Change in 2021	% equity interest [1] 2021	% voting interest 2021
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 Bulgaria EOOD	BG	S	-	100.00	100.00
CEZ ESCO II GmbH	DE	S	-	100.00	100.00
CEZ ESCO Romania S.A.	RO	S	-	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 Chorzów II sp. z o.o.	PL	G	-	100.00	100.00
CEZ Chorzów S.A.	PL	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
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.	RS	G	-	100.00	100.00
CEZ Trade Romania S.R.L.	RO	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.	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 Recyklace, s.r.o.	CZ	G	-	99.00	99.00
ČEZ Teplárenská, a.s.	CZ	G	-	100.00	100.00
ČEZNET s.r.o. [7]	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	DE	S	-	95.00	100.00
E-City sp. z o.o. [8]	PL	S	-	100.00	100.00
Elektrárna Dětmarovice, a.s.	CZ	G	-	100.00	100.00
Elektrárna Dukovany II, a. s.	CZ	G	-	100.00	100.00
Elektrárna Mělník III, a. s. v likvidaci [9]	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

[7] The company name TaNET West s.r.o. was changed to ČEZNET s.r.o. in 2021.
[8] The company name CEZ ESCO Polska sp.z.o.o. was changed to E-City sp. z o.o. in 2021.
[9] The company name Elektrárna Mělník III, a. s., was changed to Elektrárna Mělník III, a. s. v likvidaci in 2021.

Subsidiaries	Country	Operating segment	% equity interest 1) Change in 2021	% equity interest 1) 2021	% voting interest 2021
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	G	-	100.00	100.00
Energotrans, a.s.	CZ	G	-	100.00	100.00
ENESA a.s.	CZ	S	-	100.00	100.00
ETS Efficient Technical Solutions GmbH	DE	S	-	95.00	100.00
ETS Efficient Technical Solutions Shanghai Co. Ltd.	CN	S	-	95.00	100.00
ETS Engineering Kft.	HU	S	-	100.00	100.00
FDLnet.CZ, s.r.o.	CZ	S	-	100.00	100.00
Ferme Eolienne d’Andelaroche SAS	FR	G	-	100.00	100.00
Ferme éolienne d’Allas-Nieul 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 éolienne de Saugon 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
GWE Verwaltungs GmbH	DE	S	-	100.00	100.00
GWE Wärme- und Energietechnik GmbH & Co. KG 10)	DE	S	-	100.00	100.00
HA.EM OSTRAVA, s.r.o.	CZ	S	-	100.00	100.00
Hermos AG	DE	S	-	95.00	100.00
Hermos Gesellschaft für Steuer-, Meß- und Regeltechnik mbH	DE	S	-	95.00	100.00
HERMOS International GmbH	DE	S	-	95.00	100.00
HERMOS SDN. BHD	MY	S	-	95.00	100.00
Hermos Schaltanlagen GmbH	DE	S	-	95.00	100.00
Hermos sp. z.o.o.	PL	S	-	95.00	100.00
Hermos Systems GmbH	DE	S	-	95.00	100.00
High-Tech Clima S.A.	RO	S	-	100.00	100.00
HORMEN CE a.s.	CZ	S	-	51.00	51.00
Hybridkraftwerk Culemeyerstraße Projekt GmbH	DE	S	-	100.00	100.00
Inewa Consulting S.r.l.	IT	S	-	100.00	100.00
Inewa S.r.l.	IT	S	-	100.00	100.00
Inven Capital, SICAV, a.s., ČEZ sub-fund	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

[10] The company name GWE Wärme- und Energietechnik GmbH & Co. KG was changed to GWE Wärme- und Energietechnik GmbH in 2021.

Subsidiaries	Country	Operating segment	% equity interest [1] Change in 2021	% equity interest [1] 2021	% voting interest 2021
Kofler Energies Systems GmbH	DE	S	-	100.00	100.00
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
PRODECO, a.s.	CZ	M	-	100.00	100.00
Revitrans, a.s.	CZ	M	-	100.00	100.00
Rudolf Fritz GmbH	DE	S	-	95.00	100.00
SD - Kolejová doprava, a.s.	CZ	M	-	100.00	100.00
Severočeské doly a.s.	CZ	M	-	100.00	100.00
Solární servis, s.r.o.	CZ	S	-	100.00	100.00
SYNECO PROJECT S.R.L.	IT	S	-	100.00	100.00
SYNECO tec GmbH	AT	S	-	100.00	100.00
SYNECOTEC Deutschland GmbH [11]	DE	S	-	100.00	100.00
ŠKODA PRAHA a.s.	CZ	G	-	52.46	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
ÚJV Řež, a. s.	CZ	G	-	52.46	52.46
Ústav aplikované mechaniky Brno, s.r.o.	CZ	G	-	100.00	100.00
VESER, s. r. o. "v likvidácii" [12]	SK	S	-	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 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 Cheinitz-Zethlingen 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

[11] The company name Kofler Energies International GmbH was changed to SYNECOTEC Deutschland GmbH in 2021.
[12] The company name CEZ Slovensko, s.r.o., was changed to VESER, s. r. o. "v likvidácii“ in 2021.

Associates and joint-ventures	Country	Operating segment	% equity interest [1]) Change in 2021	% equity interest [1]) 2021	% voting interest 2021
New investments					
AKEL SUNGURLU ELEKTRİK ÜRETİM A.Ş.	TR	G	-	-	50.00
Sepaş Akıllı Çözümler A.Ş.	TR	S	50.00	50.00	50.00
Windpark Datteln GmbH & Co. KG	DE	G	50.00	50.00	50.00
Other companies with no change in ownership interest or voting rights in 2021					
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş. [13])	TR	D	-	50.00	50.00
AK-EL Kemah Elektrik Üretim A.Ş.	TR	G	-	37.36	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
Tepelné hospodářství města Ústí nad Labem s.r.o.	CZ	G	-	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 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

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				

[13]) The company name Akcez Enerji A.S. was changed to Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş. in 2021.

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):

	2021		2020	
	Non-controlling interests	Dividends paid	Non-controlling interests	Dividends paid
ÚJV Řež, a. s.	923	-	896	-
ESCO Slovensko, a. s.	720	-	-	-
SPRAVBYTKOMFORT, a.s. Prešov	113	8	112	13
CEZ Razpredelenie Bulgaria AD	-	-	2,758	-
CEZ Elektro Bulgaria AD	-	128	753	-
Other	(14)	14	173	10
Total	1,742	150	4,692	23

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, a. s.	ESCO Slovensko, a. s.	SPRAVBYT-KOMFORT, a.s. 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

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

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

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, 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 of December 31, 2021 (see Note 19.2). Based on calculation of recoverable amount from future cash flows a provision in the amount of CZK 1,907 million was recognized as of 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 of 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 on 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.

In 2017, the share on losses of joint-venture Akenerji Elektrik Üretim A.S. exceeded the carrying amount of Group's investment in this joint-venture. The Group has made no obligations on behalf of Akenerji Elektrik Üretim A.S., so therefore the Group discontinued of using equity method of accounting as of December 31, 2017 (Note 2.2.3). The amount of unrecognized share of the Group on losses of Akenerji Group amounted to CZK 4,770 million and CZK 4,900 million as of December 31, 2021 and 2020, 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, 2020 (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	-	-	237	86	323
Akenerji Group	-	-	-	-	-
Jadrová energetická spoločnosť Slovenska, a. s.	2,653	-	(22)	86	64
GEOMET s.r.o.	750	-	(41)	-	(41)
Bytkomfort, s.r.o.	247	8	7	9	16
LOMY MOŘINA spol. s r.o.	142	4	3	-	3
Other	283	-	4	5	9
Total	4,075	12	188	186	374

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

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 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

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

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

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

10. Cash and Cash Equivalents, Net

The overview of cash and cash equivalents, net at December 31, 2021 and 2020, is as follows (in CZK millions):

	2021	2020
Cash on hand and current accounts with banks	26,559	5,492
Short-term securities	-	2
Term deposits	85	570
Allowance to cash and cash equivalents	(4)	-
Total	26,640	6,064

At December 31, 2021 and 2020, cash and cash equivalents included foreign currency deposits of CZK 22,815 million and CZK 3,681 million, respectively.

The weighted average interest rate on short-term securities and term deposits at December 31, 2021 and 2020, was 1.8% and 0.01%, respectively. For the years 2021 and 2020, the weighted average interest rate was 0.3% and 0.6%, respectively.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at December 31, 2021 and 2020 (in CZK millions):

	2021	2020
Cash and cash equivalents as a separate line in the balance sheet	26,640	6,064
Cash and cash equivalents attributable to assets classified as held for sale (Note 15)	-	4,105
Total	26,640	10,169

11. Trade Receivables, Net

The overview of trade receivables, net at December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Trade receivables	140,499	67,275
Allowances	(3,067)	(3,627)
Total	137,432	63,648

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

Carrying amount of receivables pledged as security for liabilities at December 31, 2021 and 2020 are CZK 84 million and CZK 67 million, respectively.

At December 31, 2021 and 2020, the ageing structure of receivables, net is as follows (in CZK millions):

	2021	2020
Not past due	133,893	60,544
Past due:		
Less than 3 months	1,302	909
3–6 months	239	354
6–12 months	284	330
More than 12 months	1,714	1,511
Total	137,432	63,648

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

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

Movements in allowance (in CZK millions):

	2021	2020
Balance as at January 1	(3,627)	(4,046)
Allowances related to receivables classified as held for sale as at January 1	(2,037)	(1,166)
Additions	(1,556)	(1,930)
Reversals	2,079	1,464
Derecognition of impaired assets	69	22
Transfer to assets held for sale	-	2,037
Sale of subsidiaries	1,960	12
Currency translation differences	45	(20)
Balance as at December 31	(3,067)	(3,627)

12. Materials and Supplies, Net

The overview of materials and supplies, net at December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Gross costs incurred on wind projects in Poland in development	109	300
Allowance to wind projects in Poland	(96)	(283)
Wind projects in Poland in development, net	13	17
Materials	12,754	9,429
Other work in progress	787	644
Other supplies	229	173
Allowance for obsolescence	(411)	(365)
Total	13,372	9,898

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 2021 and 2020 (in CZK millions):

	2021		2020	
	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	33,524	15,454	53,728	21,011
Emission rights granted	343	-	2,846	-
Settlement of emissions with register	(17,120)	(7,103)	(28,364)	(7,401)
Emission rights purchased	6,465	5,328	12,861	5,520
Emission rights sold	-	-	(5)	-
Emission credits purchased	-	-	3	-
Disposal of subsidiary Elektrárna Počerady, a.s.	-	-	(4,568)	(1,960)
Reclassification of emission rights [1)]	-	-	(2,977)	(1,657)
Currency translation differences	-	(95)	-	(59)
Emission rights for own use at December 31	23,212	13,584	33,524	15,454
Emission rights and credits held for trading:				
Emission rights and credits held for trading at January 1	29,059	24,840	22,485	14,002
Emission rights purchased	137,423	169,549	148,341	95,238
Emission rights sold	(163,593)	(237,403)	(144,913)	(99,112)
Emission credits purchased	162	2	228	13
Emission credits sold and disposed	(16)	-	(59)	(12)
Reclassification of emission rights [1)]	-	-	2,977	1,657
Fair value adjustment	-	49,054	-	13,054
Emission rights and credits held for trading at December 31	3,035	6,042	29,059	24,840

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

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

	2021			2020		
	Non-current	Current	Total	Non-current	Current	Total
Emission rights	160	19,466	19,626	2,701	37,593	40,294
Green and similar certificates	-	68	68	-	240	240
Total	160	19,534	19,694	2,701	37,833	40,534

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

During 2021 and 2020, total emissions of greenhouse gases made by the Group amounted to an equivalent of 18,583 thousand tons and 22,274 thousand tons of CO_2, respectively. At December 31, 2021 and 2020, the Group recognized a provision for CO_2 emissions in total amount of CZK 9,622 million and CZK 7,176 million, respectively (see Notes 2.13 and 20).

14. Other Current Assets, Net

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

	2021	2020
Unbilled electricity and gas supplied to the retail customers	19,583	3,019
Received advances from retail customers	(18,741)	(2,662)
Unbilled supplies to retail customers, net	842	357
Gross contract assets based on percentage of completion, net	13,647	12,164
Received billings and advances	(11,443)	(10,568)
Net contract assets	2,204	1,596
Advances paid, net	2,537	2,431
Prepayments	1,309	1,170
Accruals	4,017	1,992
Taxes and fees, excluding income tax	2,765	1,373
Total	13,674	8,919

15. Assets and Associated Liabilities Classified as Held for Sale

Information on the sale of interests in Romanian and Bulgarian companies is described in the Note 8.1.2.

At December 31, 2021, there are no assets classified as held for sale. The overview of assets classified as held for sale and associated liabilities for the comparable period as at December 31, 2020 is as follows (in CZK millions):

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

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

16. Equity

As at December 31, 2021 and 2020, 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 2021 and 2020 (in pieces):

	2021	2020
Number of treasury shares at beginning of period	2,516,240	2,551,240
Sales of treasury shares	(1,257,891)	(35,000)
Number of treasury shares at end of period	1,258,349	2,516,240

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

Declared dividends per share before tax were CZK 52 in 2021 and CZK 34 in 2020. Dividends for the year 2021 will be declared at the general meeting, which will be held in the first half of 2022.

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):

	2021	2020
Long-term debt	112,571	150,843
Short-term loans	25,310	984
Long-term debt associated with assets classified as held for sale (Note 15)	-	4,683
Short-term loans associated with assets classified as held for sale (Note 15)	-	37
Total debt	137,881	156,547
Less:		
Cash and cash equivalents	(26,640)	(6,064)
Cash and cash equivalents classified as held for sale (Note 15)	-	(4,105)
Highly liquid financial assets:		
Current debt financial assets (Note 5)	(499)	(111)
Non-current debt financial assets (Note 5)	-	-
Current term deposits (Note 5)	-	(2,755)
Total net debt	110,742	143,512
Income before income taxes and other income (expenses)	16,098	12,585
Depreciation and amortization	31,628	28,284
Impairment of property, plant and equipment and intangible assets	15,799	24,062
Gains and losses on sale of property, plant and equipment (Note 25 and 31)	(285)	(148)
EBITDA	63,240	64,783
Equity attributable to equity holders of the parent	161,098	233,871
Total debt	137,881	156,547
Total capital	298,979	390,418
Net debt to EBITDA ratio	1.75	2.22
Total debt to total capital ratio	46.1%	40.1%

17. Long-term Debt

The overview of long-term debt at December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,302	2,505
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,536	1,671
5.000% Eurobonds, due 2021 (EUR 541 million) 1)	-	19,872
4.875% Eurobonds, due 2025 (EUR 750 million)	19,263	20,328
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	2,210	2,405
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	1,288	1,288
2.150%*IR CPI Eurobonds, due 2021 (EUR 100 million) 2)	-	2,688
4.102% Eurobonds, due 2021 (EUR 50 million)	-	1,315
4.375% Eurobonds, due 2042 (EUR 50 million)	1,246	1,314
4.500% Eurobonds, due 2047 (EUR 50 million)	1,243	1,312
4.383% Eurobonds, due 2047 (EUR 80 million)	2,017	2,130
3.000% Eurobonds, due 2028 (EUR 725 million)	18,627	19,713
0.875% Eurobonds, due 2022 (EUR 269 million) 3)	6,692	13,106
0.875% Eurobonds, due 2026 (EUR 750 million)	18,502	19,499
4.250% U.S. bonds, due 2022 (USD 266 million) 4)	5,897	6,226
5.625% U.S. bonds, due 2042 (USD 300 million)	6,621	6,448
4.500% Registered bonds, due 2030 (EUR 40 million)	987	1,040
4.750% Registered bonds, due 2023 (EUR 40 million)	1,036	1,092
4.700% Registered bonds, due 2032 (EUR 40 million)	1,026	1,083
4.270% Registered bonds, due 2047 (EUR 61 million)	1,500	1,583
3.550% Registered bonds, due 2038 (EUR 30 million)	764	806
Total bonds and debentures	92,757	127,424
Less: Current portion	(13,911)	(25,339)
Bonds and debentures, net of current portion	78,846	102,085
Long-term bank loans and lease liabilities:		
Less than 2.00% p. a.	15,371	18,385
2.00% to 2.99% p. a.	2,163	2,036
3.00% to 3.99% p. a.	1,651	2,078
4.00% p. a. and more	629	920
Total long-term bank loans and lease liabilities	19,814	23,419
Less: Current portion	(2,736)	(3,402)
Long-term bank loans and lease liabilities, net of current portion	17,078	20,017
Total long-term debt	112,571	150,843
Less: Current portion	(16,647)	(28,741)
Total long-term debt, net of current portion	95,924	122,102

1) In April 2021, the original nominal value of the issue (EUR 750 million) was reduced by bond buyback in a nominal value of EUR 209 million. The remaining value of the issue (EUR 541 million) was repaid on the expiration date in October 2021.

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

3) 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.

4) 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.

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):

	2021	2020
Within 1 year	16,647	28,741
Between 1 year and 2 years	6,269	22,975
Between 2 and 3 years	2,262	6,749
Between 3 and 4 years	21,113	2,594
Between 4 and 5 years	20,746	22,157
Thereafter	45,534	67,627
Total long-term debt	112,571	150,843

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

	2021		2020	
	Foreign currency	CZK	Foreign currency	CZK
EUR	3,581	89,022	4,799	125,944
USD	570	12,518	593	12,675
JPY	31,722	6,048	31,720	6,581
CZK		4,116		3,860
PLN	153	827	310	1,783
Other		40		-
Total long-term debt		112,571		150,843

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, 2021 and 2020, without considering interest rate hedging (in CZK millions):

	2021	2020
Floating rate long-term debt		
with interest rate fixed to 1 month	19	30
with interest rate fixed from 1 to 3 months	1,900	2,689
with interest rate fixed from 3 months to 1 year	4,719	6,693
with interest rate fixed for more than 1 year	19	17
Total floating rate long-term debt	6,657	9,429
Fixed rate long-term debt	105,914	141,414
Total long-term debt	112,571	150,843

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 18 and Note 19.

The following table analyses the changes in liabilities and receivables arising from financing activities in 2021 and 2020 (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, 2020	171,893	366	31	(26)	172,264
Cash flows	(21,404)	(18,022)	-	(4)	(39,430)
Additions and modifications of leases	289	-	-	-	289
Foreign exchange movement	(932)	14	1	-	(917)
Changes in fair values	5,106	-	-	-	5,106
Acquisition of subsidiaries	195	-	-	-	195
Disposal of subsidiaries	(105)	-	-	-	(105)
Liabilities associated to assets classified as held for sale	(2,942)	(23)	-	-	(2,965)
Declared dividends	-	18,199	-	-	18,199
Other	(273)	14	-	-	(259)
Liabilities / assets arising from financing activities at December 31, 2020	151,827	548	32	(30)	152,377
Liabilities / assets arising from other than financing activities	-	80,980	2	(61,864)	
Total amount on balance sheet at December 31, 2020	151,827	81,528	34	(61,894)	
Less: Liabilities / assets from other than financing activities	-	(80,980)	(2)	61,864	
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	303	4	-	-	307
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	137,881	1,010	30	(38)	138,883
Liabilities / assets arising from other than financing activities	-	635,236	2	(496,763)	
Total amount on balance sheet at December 31, 2021	137,881	636,246	32	(496,801)	

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.

18. Fair Value of Financial Instruments

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

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

Cash, Cash Equivalents and Short-term Investments

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

Securities Held for Trading

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

Non-current Debt and Equity Financial Assets

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

Short-term Receivables and Payables

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

Short-term Borrowings

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

Long-term Debt

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

Derivatives

The fair value of derivatives corresponds to their market value.

Carrying amounts and the estimated fair values of financial assets (except for derivatives) at December 31, 2021 and 2020 are as follows (in CZK millions):

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current assets at amortized cost:				
Other financial receivables	2,156	2,156	1,786	1,786
Receivables from sale of subsidiaries, associates and joint-ventures	2,399	2,399	2,349	2,349
Investment in finance lease	211	211	261	261
Non-current assets at fair value through other comprehensive income:				
Restricted debt financial assets	18,159	18,159	19,206	19,206
Equity financial assets	942	942	1,768	1,768
Non-current assets at fair value through profit or loss:				
Equity financial assets	2,538	2,538	1,750	1,750
Current assets at amortized cost:				
Term deposits	-	-	2,755	2,755
Other financial receivables	288	288	987	987
Receivables from sale of subsidiaries, associates and joint-ventures	-	-	2,012	2,012
Investment in finance lease	44	44	51	51
Debt financial assets	-	-	10	10
Current assets at fair value through other comprehensive income:				
Debt financial assets	499	499	101	101
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, 2021 and 2020 are as follows (in CZK millions):

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	(112,571)	(122,817)	(150,843)	(164,135)
Other long-term financial liabilities	(630)	(630)	(233)	(233)
Short-term loans	(25,310)	(25,310)	(984)	(984)
Other short-term financial liabilities	(417)	(417)	(353)	(353)

Carrying amounts and the estimated fair values of derivatives and liabilities recognized at fair value at December 31, 2021 and 2020 are as follows (in CZK millions):

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities from put options held by non-controlling interests	(589)	(589)	(340)	(340)
Contingent consideration from the acquisition of subsidiaries	(583)	(583)	(399)	(399)
Cash flow hedges:				
Short-term receivables	884	884	284	284
Long-term receivables	3,347	3,347	2,864	2,864
Short-term liabilities	(49,287)	(49,287)	(301)	(301)
Long-term liabilities	(33,257)	(33,257)	(7,776)	(7,776)
Commodity derivatives:				
Short-term receivables	494,419	494,419	54,858	54,858
Short-term liabilities	(550,657)	(550,657)	(70,168)	(70,168)
Other derivatives:				
Short-term receivables	720	720	836	836
Long-term receivables	212	212	224	224
Short-term liabilities	(253)	(253)	(1,104)	(1,104)
Long-term liabilities	(573)	(573)	(854)	(854)

18.1. Fair Value Hierarchy

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

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

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

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

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

There were no transfers between the levels of financial instruments at fair value in 2021. At December 31, 2020, the Group transferred liabilities from put options held by non-controlling interests and contingent consideration from the acquisition of subsidiaries from the level 2 to level 3.

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 securities	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	(122,817)	(98,151)	(24,666)	-
Short-term loans	(25,310)	-	(25,310)	-
Other financial liabilities	(1,047)	-	(1,047)	-

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

Assets measured at fair value:

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

Liabilities measured at fair value:

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

Assets and liabilities for which fair values are disclosed:

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

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

The following table shows roll-forward of the financial assets measured at fair value – Level 3, for the years ended December 31, 2021 and 2020 (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, 2020	1,468	2,711	-
Additions	315	103	-
Disposals	(256)	-	-
Revaluation	223	(1,046)	-
Balance at December 31, 2020	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

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, 2021 and 2020 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, 2021 and 2020 was determined using 7 EBITDA multiple and 8 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 2021 and 2020 was determined by a valuation expert. The determination of fair value takes into consideration, in particular, capital contributions and to other forms of financing made by the co-investors recently. In addition, the valuation takes into account further development and eventual subsequent significant events, such as received bids for redemption.

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

18.2. Offsetting of Financial Instruments

The following table shows the recognized financial instruments that are offset, or subject to enforceable master netting agreement or other similar agreements but not offset, as of December 31, 2021 and 2020 (in CZK millions):

	2021		2020	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Derivatives	499,582	(634,027)	59,066	(80,198)
Other financial instruments [1]	60,512	(60,384)	45,500	(41,633)
Collaterals paid (received) [2]	28,840	(9,351)	1,919	(2,452)
Gross financial assets / liabilities	588,934	(703,762)	106,485	(124,283)
Assets / liabilities set off under IAS 32	-	-	-	-
Amounts presented in the balance sheet	588,934	(703,762)	106,485	(124,283)
Effect of master netting agreements	(496,713)	496,713	(98,385)	98,385
Net amount after master netting agreements	92,221	(207,049)	8,100	(25,898)

[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 23. The information about offset of construction contracts and related billings and advances received is included in Note 14.

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

19. Financial Risk Management

Risk Management Approach

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

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

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

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

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).

19.1. Qualitative Description of Risks Associated with Financial Instruments

Commodity Risks

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

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

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

Credit Risks

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

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

The Group's maximum exposure to credit risk to receivables and other financial instruments as at December 31, 2021 and 2020 is the carrying value of each class of financial assets except for financial guarantees. Credit risk from balances with banks and financial institutions is managed by the Group's risk management department in cooperation with Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

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

Liquidity Risks

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

19.2. Quantitative Description of Risks Associated with Financial Instruments

Commodity Risks

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

- the indicator of risk associated with financial instruments is defined as the monthly parametric VaR (95% confidence) which expresses a maximum potential decrease in fair value of contracts classified as derivatives under IFRS 9 (the underlying commodities in the Group's derivative transactions are: electricity, EUA 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):

	2021	2020
Monthly VaR (95%) – impact of changes in commodity prices	9,298	4,512

Currency Risks

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

- the indicator of currency risk is defined as the monthly VaR (95% confidence);
- for the calculation of VaR, based on volatility and internal correlations of each considered currency, the method of historical simulation VaR is applied to 90 daily historical time series;
- the relevant currency position is defined mainly as a 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):

	2021	2020
Monthly currency VaR (95% confidence)	437	302

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):

	2021	2020
IR sensitivity* to parallel yield curve shift (+10bp)	-	(4)

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

Credit Exposure

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

	2021	2020
Guarantees off balance sheet provided to joint-ventures *	-	959

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

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

Liquidity Risk

Contractual maturities of undiscounted payments of financial liabilities as at December 31, 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

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

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

1) Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Group will receive corresponding consideration. For fair values of derivatives see Note 18.

2) Maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

The committed credit facilities available to the Group as at December 31, 2021 and 2020 amounted to CZK 15.2 billion and CZK 35.3 billion, respectively. In addition, in November and December 2021, the Company signed committed loan facility agreements with the European Investment Bank to support financing of the distribution grid renewal and further development program in the Czech Republic up to a total of EUR 400 million, which were not drawn as at December 31, 2021.

19.3. Hedge Accounting

The Group hedges cash flows arising from highly probable future revenue in EUR for the purposes of currency and interest risk hedging. The hedged cash flows are expected to occur in 2022–2026. The relevant hedging instruments as at December 31, 2021 and 2020 are the EUR denominated liabilities from the issued Eurobonds and bank loans in the total amount of EUR 3.3 billion and currency forward contracts and swaps. The fair value of these derivative hedging instruments amounted to CZK (325) million and CZK 896 million at December 31, 2021 and 2020, respectively.

The Group also hedges cash flows arising from highly probable future sales of electricity in the Czech Republic in 2022–2027. The relevant hedging instruments are the futures and forward contracts electricity sales in Germany. The fair value of these derivative hedging instruments amounted to CZK (77,985) million and CZK (4,023) million at December 31, 2021 and 2020, respectively. The result of this hedging strategy as at December 31, 2021 is that for 2022 approximately 88% of expected generation in the Czech Republic was hedged at an average price of EUR 68.3 per MWh, for 2023 approximately 60% of expected generation at an average price of EUR 61.5 per MWh, for 2024 approximately 28% of expected generation at an average price of EUR 61.8 per MWh and for 2025 approximately 6% at an average price of EUR 64.6 per MWh.

In 2021 and 2020, 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 2021 and 2020, the Group recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK 284 million and CZK 371 million, respectively. The ineffectiveness in 2021 and 2020 was primarily caused by the fact that the hedged cash flows are no more highly probable to occur.

20. Provisions

The following table provides an overview of provisions as at December 31, 2021 and 2020 (in CZK millions):

	2021			2020		
	Non-current	Current	Total	Non-current	Current	Total
Nuclear provisions	91,629	2,073	93,702	89,343	2,368	91,711
Provision for demolition and dismantling of coal-fired plants	6,198	563	6,761	-	-	-
Provision for reclamation of mines and mining damages	12,118	299	12,417	9,516	235	9,751
Provision for waste storage reclamation	617	39	656	607	52	659
Provision for CO_2 emissions (Note 13)	-	9,622	9,622	-	7,176	7,176
Provision for obligation in case of claim from guarantee for Akcez group loans	-	1,907	1,907	-	1,267	1,267
Other provisions	6,510	3,750	10,260	5,860	2,567	8,427
Total	117,072	18,253	135,325	105,326	13,665	118,991

20.1. 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 costs of decommissioning of these power plants will reach in the amount CZK 26.5 billion and CZK 21.0 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 55 CZK per MWh produced at nuclear power plants. In 2021 and 2020, the payments to the nuclear account amounted to CZK 1,690 million and CZK 1,652 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, 2021 and 2020 (in CZK millions):

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

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 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.

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

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

20.2. Provision for Mine Reclamation and Mining Damages, Waste Storage Reclamation and Demolition and Dismantling of Coal-fired Plants

The following table shows the movements of provisions for the years ended December 31, 2021 and 2020 (in CZK millions):

	Mine reclamation and damages	Waste storage	Demolition and dismantling of coal-fired plants
Balance at January 1, 2020	9,372	807	-
Discount accretion and effect of inflation	198	18	-
Provision charged in profit or loss	101	-	-
Change in estimate added to fixed assets	366	163	-
Current cash expenditures	(286)	(34)	-
Reversal of provision	-	(3)	-
Disposal of subsidiary Elektrárna Počerady, a.s.	-	(292)	-
Balance at December 31, 2020	9,751	659	-
Discount accretion and effect of inflation	180	13	27
Provision charged in profit or loss	122	-	-
Change in estimate and creation 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

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.

21. Other Financial Liabilities

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

	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

	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 liabilities from commodity derivatives in 2021 is mainly due to an increase in market price of emission rights, electricity and gas. Related increase of short-term receivables from commodity derivatives is disclosed in Note 5.

22. Short-term Loans

The overview of short-term loans at December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Short-term bank and other loans	25,282	961
Bank overdrafts	28	23
Total	25,310	984

Short-term loans bear interest at variable interest rates. The weighted average interest rate was 0.2% and 0.7% at December 31, 2021 and 2020, respectively. For the years 2021 and 2020, the weighted average interest rate was 0.6% and 1.7%, respectively.

23. Other Short-term Liabilities

Other short-term liabilities at December 31, 2021 and 2020 are as follows (in CZK millions):

	2021	2020
Advances received from retail customers	2,778	20,777
Unbilled electricity and gas supplied to retail customers	(2,597)	(19,133)
Received advances from retail customers, net	181	1,644
Taxes and fees, except income tax	3,159	2,695
Other advances received	5,191	1,785
Deferred income	486	355
Other contract liabilities	565	280
Total	9,582	6,759

24. Leases

24.1. 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 17).

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

	2021	2020
Payments of principal	692	852
Payments of interests	118	145
Lease payments not included in valuation of lease liability	131	134
Total cash outflow for leases	941	1,131

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

	2021	2020
Expense relating to short-term leases	68	97
Expense relating to low-value assets	6	9
Variable lease payments not included in valuation of lease liability	57	28
Depreciation charge for right-of-use assets	657	784
Interest expenses	123	168

Next year, the Group expects to pay lease payments that are not included in valuation of lease liability to be similar to the year 2021.

24.2. Group as a Lessor

Finance Lease

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

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

	2021	2020
Up to 1 year	48	55
Between 1 year and 2 years	49	55
Between 2 and 3 years	44	50
Between 3 and 4 years	37	47
Between 4 and 5 years	35	39
Thereafter	80	115
Total undiscounted investment in finance lease	293	361
Unearned finance income	(38)	(49)
Net investment in the lease	255	312

The Group recognized interest income on lease receivables of CZK 8 million and CZK 13 million at December 31, 2021 and 2020, 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 2021 and 2020 was CZK 187 million and CZK 206 million, respectively. In the following years, the Group expects rental income to be similar to the year 2021.

25. Revenues and Other Operating Income

The overview of revenues and other operating income for the years ended December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Sales of electricity:		
Sales of electricity to end customers	47,308	51,298
Sales of electricity through energy exchange and other organized markets	51,479	14,375
Sales of electricity to traders	34,158	38,966
Sales to distribution and transmission companies	566	598
Other sales of electricity	14,237	15,624
Effect of hedging – presales of electricity (Note 19.3)	(12,926)	(2,396)
Effect of hedging – currency risk hedging (Note 19.3)	1,422	277
Total sales of electricity	136,244	118,742
Sales of gas, coal and heat:		
Sales of gas	8,272	7,088
Sales of coal	3,999	3,949
Sales of heat	8,978	8,236
Total sales of gas, coal and heat	21,249	19,273
Total sales of electricity, heat, gas and coal	157,493	138,015
Sales of services and other revenues:		
Distribution services	38,454	44,925
Other services	25,891	24,514
Rental income	187	206
Revenues from goods sold	951	862
Other revenues	1,846	1,000
Total sales of services and other revenues	67,329	71,507
Other operating income:		
Granted green and similar certificates	548	1,313
Contractual fines and interest fees for delays	202	446
Gain on sale of property, plant and equipment	328	152
Gain on sale of material	192	123
Other	1,701	2,181
Total other operating income	2,971	4,215
Total revenues and other operating income	227,793	213,737

The Group drew in 2021 and 2020 grants related to income in the amount of CZK 407 million and CZK 529 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, 2021 and 2020 were CZK 236,139 million and CZK 211,435 million, respectively, and can be linked to the above figures as follows (in CZK million):

	2021	2020
Sales of electricity, heat, gas and coal	157,493	138,015
Sales of services and other revenues	67,329	71,507
Total revenues	224,822	209,522
Adjustments:		
Effect of hedging – presales of electricity	12,926	2,396
Effect of hedging – currency risk hedging	(1,422)	(277)
Rental income	(187)	(206)
Revenues from contracts with customers	236,139	211,435

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

	2021	2020
Within 1 year	12,065	11,237
More than 1 year	3,251	2,959
Total	15,316	14,196

26. Gains and Losses from Commodity Derivative Trading

The composition of gains and losses from commodity derivative trading for the years ended December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Electricity derivative trading:		
Sales – domestic	13,757	14,042
Sales – foreign	254,259	251,503
Purchases – domestic	(15,037)	(9,983)
Purchases – foreign	(296,258)	(245,347)
Purchases and sales of cross-border capacities [1)]	1,604	-
Changes in fair value of derivatives	15,373	(6,613)
Total gains (losses) from electricity derivative trading	(26,302)	3,602
Other commodity derivative trading:		
Gain from gas derivative trading	8,391	1,086
Gain (loss) from oil derivative trading	(21)	7
Gain (loss) from coal derivative trading	430	(1,894)
Gain from emission rights derivative trading	13,034	3,321
Total gains and losses from commodity derivative trading	(4,468)	6,122

1) Purchases of cross-border capacities were not considered as commodity derivatives until June 30, 2021, and were recognized on the line Purchase of electricity, gas and other energies. Sales of cross-border capacities were recognized on the line Sales of services and other revenues. From July 1, 2021, these contracts are considered as commodity derivatives in accordance with the business strategy.

27. Purchase of Electricity, Gas and Other Energies

The composition of purchase of electricity, gas and other energies for the years ended December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Purchase of electricity for resale	(51,753)	(47,719)
Purchase of gas for resale	(8,919)	(5,709)
Purchase of other energies	(1,997)	(2,907)
Total purchase of electricity, gas and other energies	(62,669)	(56,335)

28. Fuel and Emission Rights

The composition of fuel and emission rights for the years ended December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Consumption of fossil energy fuel and biomass	(4,267)	(6,807)
Amortization of nuclear fuel	(4,110)	(4,197)
Consumption of gas	(5,952)	(2,939)
Emission rights for generation	(10,226)	(9,319)
Total fuel and emission rights	(24,555)	(23,262)

29. Services

The composition of services for the years ended December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Transmission grid services for distribution of electricity	(5,426)	(5,684)
Other distribution services	(714)	(1,809)
Repairs and maintenance	(5,050)	(5,467)
Other services	(17,854)	(17,187)
Total services	(29,044)	(30,147)

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

30. Salaries and Wages

Salaries and wages for the years ended December 31, 2021 and 2020 were as follows (in CZK millions):

	2021		2020	
	Total	Key management [1)]	Total	Key management [1)]
Salaries and wages including remuneration of the board members	(21,790)	(136)	(22,318)	(134)
Social and health security	(6,500)	(30)	(6,421)	(21)
Other personal expenses	(2,301)	(13)	(2,116)	(15)
Total	(30,591)	(179)	(30,855)	(170)

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

At December 31, 2021 and 2020, the aggregate number of share options granted to members of Board of Directors and selected managers was 118 thousand and 1,421 thousand, respectively.

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

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

The following table shows changes during 2021 and 2020 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, 2020	1,279	372	1,651	513.02
Options exercised [1]	-	(35)	(35)	421.50
Options forfeited	(180)	(15)	(195)	442.83
Share options at December 31, 2020 [2]	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

1) In 2021 and 2020, the weighted average market share price at the date of the exercise for the options exercised was CZK 621.63 and CZK 508.00, respectively.

2) At December 31, 2021 and 2020, the number of exercisable options was 118 thousand and 1,421 thousand, respectively. The weighted average exercise price of the exercisable options was CZK 535.53 per share and CZK 524.90 per share at December 31, 2021 and 2020, respectively.

As at December 31, 2021 and 2020, the exercise prices of outstanding options were in the following ranges (in thousand pieces):

	2021	2020
CZK 400–500 per share	-	310
CZK 500–600 per share	118	1,111
Total	118	1,421

The options granted which were outstanding as at December 31, 2021 and 2020 had an average remaining contractual life of 0.9 years and 1.1 years, respectively.

31. Other Operating Expenses

Other operating expenses for the years ended December 31, 2021 and 2020 consist of the following (in CZK millions):

	2021	2020
Change in provisions	701	1,952
Taxes and fees	(2,942)	(3,219)
Cost of goods sold	(755)	(569)
Consumption of guarantees of origin and green and similar certificates	(15)	(1,231)
Insurance	(902)	(814)
Costs related to trading of commodities	(452)	(435)
Gifts	(319)	(397)
Bad debt expense	(996)	(499)
Loss on sale of property, plant and equipment	(43)	(4)
Other	(1,088)	(1,443)
Total	(6,811)	(6,659)

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

32. Interest Income

Interest income for each category of financial assets for the years ended December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Debt financial assets designated at fair value through other comprehensive income	194	226
Bank accounts	70	94
Loans, receivables and other debt financial assets at amortized cost	147	32
Finance lease	8	13
Financial assets and liabilities at fair value through profit or loss	12	12
Total	431	377

33. Other Financial Expenses

Other financial expenses for the years ended December 31, 2021 and 2020 consist of the following (in CZK millions):

	2021	2020
Derivative losses	(35)	(609)
Foreign exchange rate loss	(1)	(1)
Creation and settlement of provision	(19)	(21)
Loss on sale of debt financial assets	(3)	-
Loss from revaluation of equity financial assets	(114)	(97)
Bond buyback costs	(254)	-
Other	(233)	(234)
Total	(659)	(962)

34. Other Financial Income

Other financial income for the years ended December 31, 2021 and 2020 consist of the following (in CZK millions):

	2021	2020
Interest related to the refunded overpayment of gift tax on emission rights	1,499	1,463
Foreign exchange rate gain	690	1,243
Gain on revaluation of financial assets	854	320
Derivative gains	1,258	22
Dividend income	7	10
Gain on disposal of subsidiaries, associates and joint-ventures	19	87
Gain on sales of debt financial assets	201	19
Other	231	211
Total	4,759	3,375

35. Income Taxes

Companies resident in the Czech Republic calculated corporate income tax in accordance with the Czech tax regulations at the rate of 19% in 2021 and 2020. 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):

	2021	2020
Current income tax charge	(5,418)	(3,496)
Adjustments in respect of current income tax of previous periods	(19)	(47)
Deferred income taxes	1,920	1,105
Total	(3,517)	(2,438)

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):

	2021	2020
Income before income taxes	13,426	7,906
Statutory income tax rate in Czech Republic	19%	19%
“Expected” income tax expense	(2,551)	(1,502)
Tax effect of:		
Non-deductible expenses related to shareholdings	63	23
Goodwill and other non-current assets impairment	(228)	(498)
Share of profit (loss) from associates and joint-ventures	(101)	36
Adjustments in respect of current income tax of previous periods	(19)	(47)
Effect of different tax rate in other countries	83	(147)
Change in unrecorded deferred tax asset	(749)	(769)
Provisions	18	-
Social expenses	(56)	(93)
Dividend income	1	2
Interest on arrears from the gift tax of emission rights	285	278
Other already taxed, tax exempt or non-deductible items, net	(263)	279
Income taxes	(3,517)	(2,438)
Effective tax rate	26%	31%

Deferred income taxes, net at December 31, 2021 and 2020 consist of the following (in CZK millions):

	2021	2020
Nuclear provisions	15,518	15,296
Financial statement depreciation in excess of tax depreciation	2,024	1,943
Revaluation of financial instruments	16,451	2,011
Allowances	4,121	2,047
Other provisions	5,308	3,192
Lease liabilities	640	919
Tax loss carry forwards	1,265	1,170
Other temporary differences	693	647
Unrecorded deferred tax asset	(1,745)	(1,042)
Total deferred tax assets	44,275	26,183
Tax depreciation in excess of financial statement depreciation	(42,023)	(39,570)
Revaluation of financial instruments	(58)	(154)
Other provisions	(146)	(351)
Right-of-use assets	(571)	(863)
Investment in finance lease	(100)	(85)
Other temporary differences	(3,497)	(3,715)
Total deferred tax liability	(46,395)	(44,738)
Total deferred tax liability, net	(2,120)	(18,555)
Reflected in the balance sheet as follows:		
Deferred tax assets	10,719	828
Deferred tax liability	(12,839)	(19,383)
Total deferred tax liability, net	(2,120)	(18,555)

Movements in net deferred tax liability in 2021 and 2020 were as follows (in CZK millions):

	2021	2020
Balance at January 1	18,555	19,145
Deferred tax classified as held for sale as of January 1	(1,457)	103
Deferred tax recognized in profit or loss	(1,920)	(1,105)
Deferred tax recognized in other comprehensive income	(14,609)	(1,153)
Acquisition of subsidiaries	149	12
Disposal of subsidiaries	1,401	63
Currency translation differences	1	33
Deferred tax classified as held for sale as of December 31	-	1,457
Balance at December 31	2,120	18,555

At December 31, 2021 and 2020, the aggregate amount of temporary differences associated with investments in subsidiaries, for which no deferred tax liability was recognized, amounted to CZK 24,413 million and CZK 7,734 million, respectively.

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

	2021			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	(85,679)	16,279	(69,400)	(8,198)	1,558	(6,640)
Cash flow hedges reclassified to statement of income	11,479	(2,181)	9,298	2,916	(554)	2,362
Change in fair value of debt instruments	(1,869)	358	(1,511)	277	(50)	227
Disposal of debt instruments	(12)	2	(10)	(1)	-	(1)
Translation differences – subsidiaries	(1,284)	-	(1,284)	980	-	980
Translation differences – associates and joint-ventures	37	-	37	191	-	191
Disposal of translation differences	8,238	-	8,238	3	-	3
Share on other equity movements of associates and joint-ventures	59	-	59	(5)	-	(5)
Change in fair value of equity instruments	(795)	151	(644)	(1,046)	200	(846)
Re-measurement gains (losses) on defined benefit plans	6	-	6	(46)	(1)	(47)
Total	(69,820)	14,609	(55,211)	(4,929)	1,153	(3,776)

36. Related Parties

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

At December 31, 2021 and 2020, the receivables from related parties and payables to related parties are as follows (in CZK millions):

	Receivables		Payables	
	2021	2020	2021	2020
Elevion Co-Investment GmbH & Co. KG	-	1	67	71
GP JOULE PP1 GmbH & Co. KG	19	14	-	-
in PROJEKT LOUNY ENGINEERING s.r.o.	8	15	7	15
LOMY MOŘINA spol. s r.o.	20	45	42	32
Tepelné hospodářství města Ústí nad Labem s.r.o. [1)]	56	-	1	-
Výzkumný a zkušební ústav Plzeň s.r.o.	5	10	6	11
Other	25	23	14	44
Total	133	108	137	173

[1)] 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 2021 and 2020 (in CZK millions):

	Sales to related parties		Purchases from related parties	
	2021	2020	2021	2020
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	-	4	67	25
Bytkomfort, s.r.o.	16	74	-	3
in PROJEKT LOUNY ENGINEERING s.r.o.	45	41	38	33
LOMY MOŘINA spol. s r.o.	145	43	284	219
Tepelné hospodářství města Ústí nad Labem s.r.o. [1)]	119	-	4	-
Teplo Klášterec s.r.o.	62	58	-	-
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	30	27	-	3
Výzkumný a zkušební ústav Plzeň s.r.o.	6	4	46	20
Výzkumný ústav pro hnědé uhlí a.s.	1	1	26	16
Other	21	44	15	10
Total	445	296	480	329

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

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	
	2021	2020	2021	2020
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş.	11	13	-	-
Bytkomfort, s.r.o.	-	-	6	8
Sakarya Elektrik Dagitim A.Ş.	4	5	-	-
Výzkumný ústav pro hnědé uhlí a.s.	-	-	3	4
Other	1	2	3	8
Total	16	20	12	20

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

37. Segment Information

The Group reports its result using 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 2021. The substance of the change was 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 EBITDA (see Note 16).

The following tables summarize segment information by operating segments for the years ended December 31, 2021 and 2020 (in CZK millions):

Year 2021:	Generation	Distribution	Sales	Mining	Combined	Elimination	Consolidated
Revenues and other operating income – other than intersegment	99,033	38,530	85,751	4,479	227,793	-	227,793
Revenues and other operating income – intersegment	39,385	423	7,937	5,594	53,339	(53,339)	-
Total revenues and other operating income	138,418	38,953	93,688	10,073	281,132	(53,339)	227,793
Thereof:							
Sales of electricity, heat, gas and coal	126,922	10	68,699	8,998	204,629	(47,136)	157,493
Sales of services and other revenues	8,723	38,598	24,175	1,009	72,505	(5,176)	67,329
Other operating income	2,773	345	814	66	3,998	(1,027)	2,971
EBITDA	33,536	19,872	5,381	4,488	63,277	(37)	63,240
Depreciation and amortization	(21,796)	(6,200)	(1,588)	(2,044)	(31,628)	-	(31,628)
Impairment of property, plant and equipment and intangible assets	(2,573)	(1,532)	4	(11,698)	(15,799)	-	(15,799)
EBIT	9,317	12,195	3,857	(9,234)	16,135	(37)	16,098
Interest on debt and provisions	(5,800)	(869)	(270)	(185)	(7,124)	904	(6,220)
Interest income	1,150	53	105	27	1,335	(904)	431
Share of profit (loss) from associates and joint-ventures	(17)	(569)	162	(110)	(534)	-	(534)
Income taxes	(1,637)	(2,198)	(735)	1,053	(3,517)	-	(3,517)
Net income	12,991	8,135	4,118	(8,327)	16,917	(7,008)	9,909
Identifiable assets	264,460	117,650	8,585	12,400	403,095	(12)	403,083
Investment in associates and joint-ventures	2,861	-	273	782	3,916	-	3,916
Unallocated assets							775,923
Total assets							1,182,922
Capital expenditure	13,612	14,419	2,008	2,724	32,763	(217)	32,546
Average number of employees	10,851	6,550	6,822	4,474	28,697	-	28,697

Year 2020:	Gene-ration	Distribu-tion	Sales	Mining	Combined	Elimina-tion	Consoli-dated
Revenues and other operating income – other than intersegment	73,847	44,622	90,987	4,281	213,737	-	213,737
Revenues and other operating income – intersegment	36,628	586	7,400	4,697	49,311	(49,311)	-
Total revenues and other operating income	110,475	45,208	98,387	8,978	263,048	(49,311)	213,737
Thereof:							
Sales of electricity, heat, gas and coal	98,329	33	74,884	7,980	181,226	(43,211)	138,015
Sales of services and other revenues	8,272	44,694	22,845	936	76,747	(5,240)	71,507
Other operating income	3,874	481	658	62	5,075	(860)	4,215
EBITDA	35,079	21,502	4,770	3,429	64,780	3	64,783
Depreciation and amortization	(17,023)	(6,907)	(1,659)	(2,695)	(28,284)	-	(28,284)
Impairment of property, plant and equipment and intangible assets	(12,618)	(7,682)	(492)	(3,270)	(24,062)	-	(24,062)
EBIT	5,515	6,951	2,624	(2,508)	12,582	3	12,585
Interest on debt and provisions	(6,661)	(934)	(387)	(204)	(8,186)	962	(7,224)
Interest income	1,144	66	87	42	1,339	(962)	377
Share of profit (loss) from associates and joint-ventures	(20)	121	125	(38)	188	-	188
Income taxes	(873)	(1,452)	(516)	403	(2,438)	-	(2,438)
Net income	8,274	4,412	2,161	(2,186)	12,661	(7,193)	5,468
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
Capital expenditure	11,886	14,869	1,369	3,307	31,431	(272)	31,159
Average number of employees	11,170	9,070	6,870	4,594	31,704	-	31,704

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

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

	2021	2020
Czech Republic	182,327	148,801
Germany	15,079	13,804
Bulgaria	12,254	19,854
Poland	8,009	8,771
Romania	4,881	16,658
Other	5,243	5,849
Total revenues and other operating income	227,793	213,737

The following table shows the split of property, plant and equipment by the location of entity which they belong to at December 31, 2021 and 2020 (in CZK millions):

	2021	2020
Czech Republic	393,813	399,469
Germany	6,791	7,712
Poland	317	1,361
Romania	17	12
Other	2,145	1,818
Total property, plant and equipment	403,083	410,372

38. Net Income per Share

	2021	2020
Numerator (CZK millions)		
Basic and diluted:		
Net income attributable to equity holders of the parent	9,791	5,438
Denominator (thousands shares)		
Basic:		
Weighted average shares outstanding	536,218	535,468
Dilutive effect of share options	118	13
Diluted:		
Adjusted weighted average shares	536,336	535,481
Net income per share (CZK per share)		
Basic	18.3	10.2
Diluted	18.3	10.2

39. Commitment and Contingencies

Investment Plans

Capital expenditures for the next five years as at December 31, 2021 are estimated as follows (in CZK billions):

2022	39.9
2023	45.2
2024	55.3
2025	51.0
2026	59.5
Total	250.9

The above 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, 2021, 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

In February 2022, Inven Capital, SICAV, a.s., sold its entire interest in the company Driivz. The first investment in this global company, which develops software for electro mobile charging infrastructure, was made by Inven Capital, SICAV, a.s., in 2018.

Since February 24, 2022, there has been a military conflict in Ukraine. The Group intensively evaluates the potential impacts, including the effects of the consequent sanctions, that have been imposed on the Russian Federation. The Group does not expect the immediate effects to be significant. In the short term, due to increased volatility in commodity markets, there is an increased liquidity need for so-called margin calls arising from counterparty requirements related to derivative contracts. The impacts on the CEZ Group in the medium term will depend on the further development of the conflict in Ukraine, on the specific form and duration of sanctions against the Russian Federation and their consequences for European and Czech energy sector. As the main risks for the Group are considered the potential impacts on securing supplies of nuclear fuel, ensuring the maintenance of generation facilities, securing gas purchases for end customers, and the risk that Russian companies will not be able to fulfill other concluded contracts or make financial settlements according to previously concluded contracts and agreed financial instruments. The Group has the highest credit exposure from the concluded commodity contracts for the purchase of electricity and gas from the company Gazprom Marketing & Trading with the seat in the United Kingdom, when, as at December 31, 2021, the fair value of commodity derivatives for the purchase of electricity was CZK 3,307 million and for the gas purchase was CZK 2,582 million. The Group also has a significant credit exposure from commodity gas contracts from Gazprom Export with the seat in the Russian Federation, when, as at December 31, 2021, the fair value of commodity derivatives for gas purchase was CZK 2,149 million. Up to the approval of these consolidated financial statements for issue, the obligations of these companies have been fulfilled, as have been the obligations arising from business contracts for the supply of goods and services by the suppliers from Russian Federation.

On March 14, 2022, the Company's Board of Directors approved a dividend proposal for 2021 in the amount of CZK 44 per share before tax.

These consolidated financial statements have been authorized for issue on March 14, 2022.

Daniel Beneš	Martin Novák
Chairman of Board of Directors	Member of Board of Directors