**Internal Information**

# CEZ Group Earned CZK 22bn in H1 2023, 34% Less YoY.

## The share of coal-fired generation fell to 27%, reaching an all-time low.

Operating income before depreciation and amortization (EBITDA) reached CZK 62.4bn in the first half of the year, up 5% year on year. The year-on-year comparison is affected by extreme fluctuations in commodity prices, especially last year following Russia's military invasion of Ukraine and the subsequently introduced levies on excess generation sales of CZK 11 billion. These costs almost eliminated the year-on-year increase in selling prices of electricity generated.

Net income for H1 2023 reached CZK 22.3bn, down CZK 11.3bn year on year. The decrease was caused by the newly introduced windfall tax of 60 percent, which resulted in more than CZK 13bn charged to costs.

CEZ Group confirms its 2023 full-year outlook: EBITDA of CZK 105 to 115bn and adjusted net income of CZK 33 to 37bn. CEZ Group will have paid CZK 110 to 120bn to the Czech state this year in dividends, income taxes and levies on excess generation sales.

"The results for the first half of the year are in line with our expectations and reflect the gradual stabilization of the energy markets. Following the approval of the record-high dividend of CZK 145 per share and taking into account the extraordinary taxation of sales and profits of energy businesses, we expect CEZ Group to pay CZK 110 to 120bn to the Czech state in dividends, taxes on profits and levies on excess generation sales this year," said Daniel Beneš, Chairman of the Board of Directors and CEO of CEZ.

Operating revenues for H1 2023 reached CZK 169.7bn, up CZK 39.2bn year on year. Operating income before depreciation and amortization (EBITDA) reached CZK 62.4bn, up CZK 3.1bn year on year. The year-on-year comparison is affected by extreme fluctuations in commodity prices, particularly last year, and the subsequent introduction of levies on excess generation sales. GENERATION segment decreased by CZK 0.5bn. Of which, EBITDA from generation increased by CZK 1.9bn due to a CZK 13bn increase in selling prices of electricity generated, which was almost eliminated by the levies on excess generation sales of CZK 11bn. The Trading sub-segment's contribution, on the other hand, declined by CZK 2.4bn year on year, mainly due to record-high profits from commodity trading in 2022.

Fluctuations in market prices of commodities last year and seasonal business factors have also significantly affected the performance of the SALES segment. CEZ Prodej, which supplies electricity and gas to end customers, mainly households, achieved EBITDA of only CZK 0.2bn in the first half of the year, including specific income of CZK 1.2bn from litigation with the Railway Administration regarding electricity supplies in 2010 and 2011. The company's own performance therefore ended with a loss of CZK 1.4bn due to extreme increase in electricity and gas purchase prices and the impact of high seasonal factors. On the other hand, companies supplying commodities and energy services to B2B customers generated CZK 2.5bn higher EBITDA year on year, mainly due to purchases of electricity from RES operators at fixed contract prices, seasonal business factors and higher profits from the sale of energy services.

Electricity generation from nuclear and renewable sources increased by 2% year on year to 17.2 TWh, with the increase driven mainly by higher generation from hydropower plants and higher availability of the Dukovany nuclear power plant. On the other hand, generation from coal and steam-gas sources with emissions fell by 22% to 7.8 TWh due to lower deployment of these sources in view of the decline in market prices for electricity and the trend in the price of emission allowances and natural gas. The share of generation from coal-fired sources reached 27%, an all-time low. CEZ Group is thus fulfilling its Clean Energy for Tomorrow strategy in terms of decarbonization commitments toward the public.

The consumption of electricity in the distribution territory of CEZ Distribuce decreased by 4% year on year to 17.4 TWh. The consumption of large enterprises decreased by 4%, as did the consumption of households, while the consumption of small enterprises was lower by 7%. The decrease is mainly due to the reduction in customer consumption as a result of high commodity prices.

"The H1 results reflect the extreme fluctuations in market commodity prices and the extraordinary taxation introduced last year. The cost of levies on excess generation sales exceeded CZK 11bn and the windfall tax amounted to CZK 13bn. For the full year 2023, we expect levies from these extraordinary measures to reach CZK 30-40bn," said Martin Novák, member of the Board of Directors and Director of the Finance Division, adding: "CEZ Group's net debt decreased by CZK 113bn in the first half of the year. Above and beyond EBITDA, the main contributor was the reduction of margin deposits on commodity exchanges due to partial stabilization of the energy market. Subsequently, however, in the period from 1 July to 1 August 2023, three significant payments totaling CZK 117bn were made, including dividends of CZK 78bn, a supplementary payment of tax on CEZ' income for 2022 of CZK 15bn, and a repayment of EUR 1bn on a loan from the Czech state, i.e. approximately CZK 24bn."