



APPROVAL OF THE FINANCIAL STATEMENTS OF ČEZ, a. s. AND CONSOLIDATED FINANCIAL STATEMENTS OF CEZ GROUP FOR 2019

DRAFT RESOLUTION

Draft resolution (1):

The General Meeting of ČEZ, a. s., approves the financial statements of ČEZ, a. s. prepared as of December 31, 2019.

Draft resolution (2):

The General Meeting of ČEZ, a. s., approves the consolidated financial statements of CEZ Group prepared as of December 31, 2019.

Rationale:

The Board of Directors is presenting the financial statements of ČEZ, a. s., and consolidated financial statements of CEZ Group as of December 31, 2019, to the General Meeting for approval pursuant to applicable legal provisions and the Company's Articles of Association.

Pursuant to Section 19a and Section 23a of the Accounting Act, the financial statements of ČEZ, a. s., and consolidated financial statements of CEZ Group as of December 31, 2019, were compiled in accordance with International Financial Reporting Standards. Both sets of compiled statements comprise, respectively, the following financial statements or consolidated financial statements: a balance sheet, a statement of income, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, and notes to the financial statements or notes to the consolidated financial statements. In accordance with applicable provisions of the Accounting Act, the financial statements and consolidated financial statements were audited by an independent auditor. The audit was performed by Ernst & Young Audit, s.r.o. According to the independent auditor's opinion of March 16, 2020, the financial statements give a true and fair view of the financial position of ČEZ, a. s., as at December 31, 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union. According to the independent auditor's opinion of March 16, 2020, the consolidated financial statements give a true and fair view of CEZ Group's consolidated financial position as at December 31, 2019, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The full financial statements and consolidated financial statements are part of the annual report, which is available to shareholders at the shareholders' meeting and on the Company's website. Values from the financial statements and consolidated financial statements, that is, the balance sheet, statement of income, statement of comprehensive income, statement of changes in equity, and statement of cash flows, are also included in material for this item on the agenda of the General Meeting of ČEZ, a. s., published on the Company's website at www.cez.cz under the "Investors" link, in the subsection concerning the 2020 General Meeting in the "General Meetings" section.

Both sets of financial statements were debated by the Board of Directors of ČEZ, a. s., audited by the independent auditor giving the opinions cited above, and reviewed by the Company's Supervisory Board, concluding that it recommends the General Meeting to approve them. Based on the independent auditor's reports, the Board of Directors is thus proposing that the General Meeting approve the financial statements of ČEZ, a. s., as of December 31, 2019, and the consolidated financial statements of CEZ Group as of December 31, 2019.

SELECTED INFORMATION FROM THE FINANCIAL STATEMENTS OF ČEZ, a. s. AS OF DECEMBER 31, 2019

ČEZ, a. s. BALANCE SHEET AS OF DECEMBER 31, 2019

in CZK Millions

	2019	2018
ASSETS:		
Plant in service	475,880	454,354
Less accumulated depreciation and impairment	(258,822)	(244,830)
Net plant in service	217,058	209,524
Nuclear fuel, at amortized cost	14,191	14,331
Construction work in progress, net	8,302	7,242
Total property, plant and equipment	239,551	231,097
Restricted financial assets, net	14,303	13,336
Other non-current financial assets, net	181,201	177,479
Intangible assets, net	9,014	4,235
Total other non-current assets	204,518	195,050
Total non-current assets	444,069	426,147
Cash and cash equivalents, net	3,516	454
Trade receivables, net	58,042	64,287
Income tax receivable	–	7
Materials and supplies, net	6,599	6,526
Fossil fuel stocks	608	462
Emission rights	24,326	13,157
Other current financial assets, net	75,602	106,133
Other current assets, net	2,784	2,362
Assets classified as held for sale, net	6,540	6,540
Total current assets	178,017	199,928
Total assets	622,086	626,075

ČEZ, a. s.

BALANCE SHEET

AS OF DECEMBER 31, 2019

continued

	2019	2018
EQUITY AND LIABILITIES:		
Stated capital	53,799	53,799
Treasury shares	(2,885)	(3,534)
Retained earnings and other reserves	152,565	132,947
Total equity	203,479	183,212
Long-term debt, net of current portion	133,848	133,026
Provisions	75,315	62,971
Other long-term financial liabilities	8,216	13,776
Deferred tax liability	8,044	4,539
Total non-current liabilities	225,423	214,312
Short-term loans	4,119	11,709
Current portion of long-term debt	24,760	5,590
Trade payables	53,748	51,208
Income tax payable	483	–
Provisions	9,282	6,889
Other short-term financial liabilities	99,954	152,544
Other short-term liabilities	838	611
Total current liabilities	193,184	228,551
Total equity and liabilities	622,086	626,075

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

in CZK Millions

	2019	2018
Sales of electricity, heat and gas	81,943	74,151
Sales of services and other revenues	5,002	4,834
Other operating income	1,353	764
Total revenues and other operating income	88,298	79,749
Gains and losses from commodity derivative trading	7,159	300
Purchase of electricity, gas and other energies	(33,082)	(33,071)
Fuel and emission rights	(17,927)	(14,741)
Services	(9,549)	(9,104)
Salaries and wages	(7,165)	(6,533)
Materials and supplies	(1,851)	(1,823)
Capitalization of expenses to the cost of assets and change in own inventories	91	99
Depreciation and amortization	(14,535)	(14,310)
Impairment of property, plant and equipment and intangible assets	(114)	(188)
Impairment of trade and other receivables	(23)	(46)
Other operating expenses	(2,525)	(1,281)
Income (loss) before other income (expenses) and income taxes	8,777	(949)
Interest on debt, net of capitalized interest	(5,918)	(5,378)
Interest on provisions	(1,637)	(1,571)
Interest income	1,292	870
Impairment of financial assets	2,511	(3,468)
Other financial expenses	(462)	(897)
Other financial income	13,234	34,002
Total other income (expenses)	9,020	23,558
Income before income taxes	17,797	22,609
Income taxes	(404)	1,167
Net income	17,393	23,776

Net income per share (CZK per share):

Basic	32.5	44.5
Diluted	32.5	44.4

ČEZ, a. s.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

in CZK Millions

	2019	2018
Net income	17,393	23,776
Change in fair value of cash flow hedges	10,891	(16,016)
Cash flow hedges reclassified to statement of income	8,253	3,927
Cash flow hedges reclassified to assets	–	(972)
Change in fair value of debt financial instruments	207	(227)
Deferred tax related to other comprehensive income	(3,678)	2,525
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods	15,673	(10,763)
Change in fair value of equity instruments	(347)	59
Deferred tax related to other comprehensive income	67	(11)
Net other comprehensive income not to be reclassified from equity	(280)	48
Total other comprehensive income, net of tax	15,393	(10,715)
Total comprehensive income, net of tax	32,786	13,061

ČEZ, a. s.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

in CZK Millions

	Stated capital	Treasury shares	Cash flow hedge reserve	Debt financial instruments	Equity financial instruments and other reserves	Retained earnings	Total equity
Balance as at December 31, 2017	53,799	(4,077)	(7,794)	294	78	145,207	187,507
Adoption of IFRS 9	–	–	–	–	–	(34)	(34)
Balance as at January 1, 2018 (restated)	53,799	(4,077)	(7,794)	294	78	145,173	187,473
Net income	–	–	–	–	–	23,776	23,776
Other comprehensive income	–	–	(10,579)	(184)	48	–	(10,715)
Total comprehensive income	–	–	(10,579)	(184)	48	23,776	13,061
Effect of merger	–	–	–	–	3	35	38
Dividends	–	–	–	–	–	(17,603)	(17,603)
Sale of treasury shares	–	543	–	–	–	(333)	210
Share options	–	–	–	–	33	–	33
Exercised and forfeited share options	–	–	–	–	(45)	45	–
Balance as at December 31, 2018	53,799	(3,534)	(18,373)	110	117	151,093	183,212
Net income	–	–	–	–	–	17,393	17,393
Other comprehensive income	–	–	15,506	167	(280)	–	15,393
Total comprehensive income	–	–	15,506	167	(280)	17,393	32,786
Dividends	–	–	–	–	–	(12,806)	(12,806)
Sale of treasury shares	–	649	–	–	–	(400)	249
Share options	–	–	–	–	38	–	38
Exercised and forfeited share options	–	–	–	–	(31)	31	–
Balance as at December 31, 2019	53,799	(2,885)	(2,867)	277	(156)	155,311	203,479

ČEZ, a. s.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED

DECEMBER 31, 2019

in CZK Millions

	2019	2018
OPERATING ACTIVITIES:		
Income before income taxes	17,797	22,609
Adjustments of income before income taxes to cash generated from operations:		
Depreciation and amortization	14,535	14,310
Amortization of nuclear fuel	4,059	4,005
(Gains) and losses on non-current asset retirements	(38)	(37)
Foreign exchange rate loss (gain)	231	808
Interest expense, interest income and dividend income	(8,491)	(27,481)
Provisions	3,062	1,133
Impairment of property, plant and equipment and intangible assets	144	188
Other impairment and other non-cash expenses and income	5,244	(251)
Changes in assets and liabilities:		
Receivables and contract assets	5,541	(23,756)
Materials, supplies and fossil fuel stocks	(212)	(545)
Receivables and payables from derivatives	(15,163)	1,048
Other assets	(15,580)	(2,925)
Trade payables	4,791	20,126
Other liabilities	228	44
Cash generated from operations	16,118	9,276
Income taxes received	(21)	321
Interest paid, net of capitalized interest	(5,886)	(5,299)
Interest received	1,295	825
Dividends received	13,117	31,989
Net cash provided by operating activities	24,623	37,112
INVESTING ACTIVITIES:		
Acquisition of subsidiaries and joint-ventures	(2,860)	(1,813)
Proceeds from disposal of subsidiaries and joint-ventures and original investments repayments	3,524	156
Additions to non-current assets, including capitalized interest	(8,397)	(7,893)
Proceeds from sale of non-current assets	1,364	2,865
Loans made	(4,361)	(18,536)
Repayment of loans	2,234	3,338
Change in restricted financial assets	(735)	(548)
Total cash used in investing activities	(9,231)	(22,431)

ČEZ, a. s.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

continued

	2019	2018
FINANCING ACTIVITIES:		
Proceeds from borrowings	210,254	124,391
Payments of borrowings	(202,352)	(117,934)
Payments of lease liabilities	(1,159)	–
Payments of other long-term liabilities	(750)	(500)
Change in payables/receivables from group cashpooling	(5,721)	(3,933)
Dividends paid	(12,836)	(17,596)
Sale of treasury shares	249	210
Net cash used in financing activities	(12,315)	(15,362)
Net effect of currency translation and allowances in cash	(15)	(137)
Net increase (decrease) in cash and cash equivalents	3,062	(818)
Cash and cash equivalents at beginning of period	454	1,272
Cash and cash equivalents at end of period	3,516	454
Supplementary cash flow information:		
Total cash paid for interest	6,114	5,522

SELECTED INFORMATION FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF CEZ GROUP AS OF DECEMBER 31, 2019

CEZ GROUP CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2019

in CZK Millions

	2019	2018
ASSETS:		
Plant in service	865,106	830,955
Less accumulated depreciation and impairment	(469,476)	(445,926)
Net plant in service	395,630	385,029
Nuclear fuel, at amortized cost	14,250	14,427
Construction work in progress, net	18,208	16,452
Total property, plant and equipment	428,088	415,908
Investments in associates and joint-ventures	3,283	3,361
Restricted financial assets, net	20,732	18,834
Other non-current financial assets, net	10,923	9,948
Intangible assets, net	37,429	31,127
Deferred tax assets	1,481	1,269
Total other non-current assets	73,848	64,539
Total non-current assets	501,936	480,447
Cash and cash equivalents, net	9,755	7,278
Trade receivables, net	65,030	72,234
Income tax receivable	707	352
Materials and supplies, net	8,889	8,737
Fossil fuel stocks	1,764	1,066
Emission rights	27,029	16,655
Other current financial assets, net	61,114	93,303
Other current assets, net	11,070	9,874
Assets classified as held for sale	17,280	17,497
Total current assets	202,638	226,996
Total assets	704,574	707,443

CEZ GROUP

CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2019

continued

	2019	2018
EQUITY AND LIABILITIES:		
Stated capital	53,799	53,799
Treasury shares	(2,885)	(3,534)
Retained earnings and other reserves	199,847	184,456
Total equity attributable to equity holders of the parent	250,761	234,721
Non-controlling interests	4,603	4,560
Total equity	255,364	239,281
Long-term debt, net of current portion	142,570	142,440
Provisions	89,512	75,798
Other long-term financial liabilities	9,700	15,054
Deferred tax liability	20,626	16,699
Other long-term liabilities	31	31
Total non-current liabilities	262,439	250,022
Short-term loans	4,260	11,783
Current portion of long-term debt	25,063	6,743
Trade payables	66,244	63,093
Income tax payable	628	253
Provisions	14,253	12,323
Other short-term financial liabilities	63,187	110,287
Other short-term liabilities	7,544	7,461
Liabilities associated with assets classified as held for sale	5,592	6,197
Total current liabilities	186,771	218,140
Total equity and liabilities	704,574	707,443

CEZ GROUP

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

in CZK Millions

	2019	2018
Sales of electricity, heat, gas and coal	130,418	121,450
Sales of services and other revenues	71,363	59,868
Other operating income	4,411	3,168
Total revenues and other operating income	206,192	184,486
Gains and losses from commodity derivative trading	7,610	575
Purchase of electricity, gas and other energies	(55,545)	(52,168)
Fuel and emission rights	(21,357)	(19,064)
Services	(31,231)	(26,092)
Salaries and wages	(28,820)	(25,620)
Material and supplies	(10,262)	(8,240)
Capitalization of expenses to the cost of assets and change in own inventories	2,986	3,446
Depreciation and amortization	(29,016)	(28,139)
Impairment of property, plant and equipment and intangible assets	(4,860)	(1,766)
Impairment of trade and other receivables	(386)	(559)
Other operating expenses	(8,882)	(7,100)
Income before other income (expenses) and income taxes	26,429	19,759
Interest on debt	(5,473)	(5,177)
Interest on provisions	(1,893)	(1,800)
Interest income	403	315
Share of profit (loss) from associates and joint-ventures	18	(308)
Impairment of financial assets	(921)	(508)
Other financial expenses	(813)	(1,051)
Other financial income	661	2,287
Total other income (expenses)	(8,018)	(6,242)
Income before income taxes	18,411	13,517
Income taxes	(3,911)	(3,017)
Net income	14,500	10,500
Net income attributable to:		
Equity holders of the parent	14,373	10,327
Non-controlling interests	127	173
Net income per share attributable to equity holders of the parent (CZK per share):		
Basic	26.9	19.3
Diluted	26.8	19.3

CEZ GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

in CZK Millions

	2019	2018
Net income	14,500	10,500
Change in fair value of cash flow hedges	10,891	(16,016)
Cash flow hedges reclassified to statement of income	8,253	3,927
Cash flow hedges reclassified to assets	–	(972)
Change in fair value of debt instruments	326	(363)
Disposal of debt instruments	(7)	–
Translation differences – subsidiaries	(1,337)	107
Translation differences – associates and joint-ventures	21	115
Disposal of translation differences	–	1
Share on other equity movements of associates and joint-ventures	(8)	–
Deferred tax related to other comprehensive income	(3,696)	2,555
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods	14,443	(10,646)
Change in fair value of equity instruments	(347)	87
Re-measurement gains (losses) on defined benefit plans	(48)	(22)
Deferred tax related to other comprehensive income	70	(11)
Net other comprehensive income not to be reclassified from equity in subsequent periods	(325)	54
Total other comprehensive income, net of tax	14,118	(10,592)
Total comprehensive income, net of tax	28,618	(92)
Total comprehensive income attributable to:		
Equity holders of the parent	28,538	(291)
Non-controlling interests	80	199

CEZ GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

in CZK Millions

	Attributable to equity holders of the parent							Total	Non-controlling interests	Total equity
	Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves	Retained earnings			
Balance as at December 31, 2017	53,799	(4,077)	(11,906)	(7,757)	678	570	218,711	250,018	4,304	254,322
Adoption of IFRS 9 and IFRS 15	–	–	143	–	–	(493)	2,800	2,450	(26)	2,424
Balance as at January 1, 2018 (restated)	53,799	(4,077)	(11,763)	(7,757)	678	77	221,511	252,468	4,278	256,746
Net income	–	–	–	–	–	–	10,327	10,327	173	10,500
Other comprehensive income	–	–	198	(10,580)	(290)	75	(21)	(10,618)	26	(10,592)
Total comprehensive income	–	–	198	(10,580)	(290)	75	10,306	(291)	199	(92)
Dividends	–	–	–	–	–	–	(17,604)	(17,604)	(17)	(17,621)
Sale of treasury shares	–	543	–	–	–	–	(333)	210	–	210
Share options	–	–	–	–	–	33	–	33	–	33
Exercised and forfeited share options	–	–	–	–	–	(45)	45	–	–	–
Transfer of measurement of equity instruments on sale	–	–	–	–	–	(27)	27	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	756	756
Acquisition of non-controlling interests	–	–	–	–	–	–	(4)	(4)	(1)	(5)
Sale of non-controlling interests	–	–	–	–	–	–	1	1	4	5
Put options held by non-controlling interests	–	–	–	–	–	–	(92)	(92)	(659)	(751)
Balance as at December 31, 2018	<u>53,799</u>	<u>(3,534)</u>	<u>(11,565)</u>	<u>(18,337)</u>	<u>388</u>	<u>113</u>	<u>213,857</u>	<u>234,721</u>	<u>4,560</u>	<u>239,281</u>

CEZ GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

continued

	Attributable to equity holders of the parent							Non-controlling interests	Total equity	
	Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves	Retained earnings			Total
Balance as at January 1, 2019	53,799	(3,534)	(11,565)	(18,337)	388	113	213,857	234,721	4,560	239,281
Net income	–	–	–	–	–	–	14,373	14,373	127	14,500
Other comprehensive income	–	–	(1,269)	15,506	260	(280)	(52)	14,165	(47)	14,118
Total comprehensive income	–	–	(1,269)	15,506	260	(280)	14,321	28,538	80	28,618
Dividends	–	–	–	–	–	–	(12,806)	(12,806)	(25)	(12,831)
Sale of treasury shares	–	649	–	–	–	–	(400)	249	–	249
Share options	–	–	–	–	–	38	–	38	–	38
Exercised and forfeited share options	–	–	–	–	–	(31)	31	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	3	3
Acquisition of non-controlling interests	–	–	(1)	–	–	–	(92)	(93)	29	(64)
Put options held by non-controlling interest	–	–	(2)	–	–	–	116	114	(44)	70
Balance as at December 31, 2019	<u>53,799</u>	<u>(2,885)</u>	<u>(12,837)</u>	<u>(2,831)</u>	<u>648</u>	<u>(160)</u>	<u>215,027</u>	<u>250,761</u>	<u>4,603</u>	<u>255,364</u>

CEZ GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

in CZK Millions

	2019	2018
OPERATING ACTIVITIES:		
Income before income taxes	18,411	13,517
Adjustments of income before income taxes to cash generated from operations:		
Depreciation and amortization	29,016	28,139
Amortization of nuclear fuel	4,096	4,027
(Gains) and losses on non-current asset retirements	(165)	(312)
Foreign exchange rate loss (gain)	315	776
Interest expense, interest income and dividend income	4,929	4,685
Provisions	2,858	2,780
Impairment of property, plant and equipment and intangible assets	4,860	1,766
Valuation allowances and other non-cash expenses and income	8,630	(2,017)
Share of (profit) loss from associates and joint-ventures	(18)	308
Changes in assets and liabilities:		
Receivables and contract assets	6,695	(27,469)
Materials, supplies and fossil fuel stocks	(742)	905
Receivables and payables from derivatives	(15,528)	1,527
Other assets	(14,935)	(4,369)
Trade payables	3,570	17,429
Other liabilities	(50)	1,581
Cash generated from operations	51,942	43,273
Income taxes paid	(4,136)	(3,327)
Interest paid, net of capitalized interest	(5,426)	(5,091)
Interest received	403	314
Dividends received	148	182
Net cash provided by operating activities	42,931	35,351
INVESTING ACTIVITIES:		
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	(3,529)	(2,214)
Disposal of subsidiaries and joint-ventures, net of cash disposed of	187	155
Additions to non-current assets, including capitalized interest	(29,802)	(26,018)
Proceeds from sale of non-current assets	2,550	3,118
Loans made	(264)	(227)
Repayment of loans	41	22
Change in restricted financial assets	(1,546)	(737)
Total cash used in investing activities	(32,363)	(25,901)

CEZ GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

continued

	2019	2018
FINANCING ACTIVITIES:		
Proceeds from borrowings	210,765	125,213
Payments of borrowings	(204,416)	(119,961)
Payments of lease liabilities	(787)	(17)
Proceeds from other long-term liabilities	80	51
Payments of other long-term liabilities	(834)	(583)
Dividends paid to Company's shareholders	(12,836)	(17,596)
Dividends paid to non-controlling interests	(25)	(17)
Sale of treasury shares	249	210
(Acquisition) sale of non-controlling interests, net	(15)	5
Total cash used in financing activities	(7,819)	(12,695)
Net effect of currency translation and allowances in cash	(88)	(133)
Net increase (decrease) in cash and cash equivalents	2,661	(3,378)
Cash and cash equivalents at beginning of period	9,245	12,623
Cash and cash equivalents at end of period	11,906	9,245
Supplementary cash flow information:		
Total cash paid for interest	5,686	5,344