

# Half-Year Report 2020

CEZ Group



## CEZ Group Profile

Headquartered in Czechia, CEZ Group is an integrated energy conglomerate with operations in Western, Central, and Southeastern European countries. Its core business is the generation, distribution, trade in, and sales of electricity, heat, and natural gas and coal extraction. It also provides its customers with comprehensive energy services that help them save energy and reduce CO<sub>2</sub> emissions. CEZ Group companies employed almost 32,000 people in mid-2020.

The largest shareholder of the parent company ČEZ is the Czech Republic with a nearly 70% stake in the company's stated capital. ČEZ shares are traded on the Prague and Warsaw stock exchanges and included in the PX and WIG-CEE exchange indices.

CEZ Group's mission is to provide safe, reliable, and positive energy to its customers and society at large. Its long-term vision is to bring innovations for resolving energy needs and to help improve the quality of life. CEZ Group's strategy consists of four priorities: Efficient Operation, Optimum Utilization, and Development of the Generation Portfolio; Modern Distribution and Care for Customers' Energy Needs; New Energy Sector Development in Czechia; Energy Services Development in Europe.

CEZ Group companies in Czechia generate, distribute, and supply electricity and heat, trade in electricity, natural gas, and other commodities, provide comprehensive energy services, and one company extracts and sells coal. Their generation portfolio consists of nuclear, hydroelectric, photovoltaic, wind, gas-fired, coal-fired, biomass, and biogas facilities.

CEZ Group's business activities abroad concern electricity distribution, generation, trading, and sales, as well as natural gas trading and sales and commodity trading in wholesale markets. Plus, it actively develops modern energy services. Foreign countries where CEZ Group is doing business include, most importantly, Germany, Poland, Romania, and Bulgaria, as well as Slovakia, Italy, France, Hungary, Austria, and Turkey.

CEZ Group's business activities are governed by strict ethical standards that include responsible behavior toward employees, society, and the environment. In its business activities, CEZ Group embraces the principles of sustainable development, supports energy efficiency, promotes new technologies, and creates an environment for employees' professional growth. Its corporate culture emphasizes safety, continuous growth in internal efficiency, and support for innovation in order to increase CEZ Group's value.

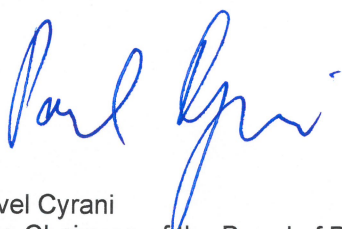
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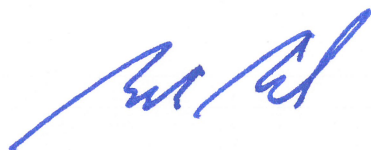
## Statutory Declaration of Persons Responsible for the CEZ Group Half-Year Report

With the use of all reasonable care, to the best of our knowledge the consolidated half-year report provides a true and fair view of the financial standing, business activities, and results of operations of the issuer and its consolidated group for the first half of 2020 and of the outlook for the future development of the financial standing, business activities, and results of operations of the issuer and its consolidated group, and no facts have been omitted that could change the meaning of this report.

Prague, August 24, 2020



Pavel Cyraní  
Vice-Chairman of the Board of Directors, ČEZ, a. s.



Martin Novák  
Member of the Board of Directors, ČEZ, a. s.

## Selected CEZ Group Indicators

### Selected CEZ Group Indicators

	Unit	H1 2019 <sup>6)</sup>	H1 2020	2020/2019 Index (%)
Installed capacity	MW	14,857	13,926	93.7
Electricity generated (gross)	GWh	32,075	29,805	92.9
Share of emission-free generation	%	55.3	56.4	x
Electricity sold <sup>1)</sup>	GWh	18,005	16,984	94.3
Heat sold <sup>1)</sup>	TJ	13,865	13,675	98.6
Gas sold <sup>1)</sup>	GWh	5,379	5,183	96.3
Workforce headcount as at June 30	Persons	32,030	31,850	99.4
Operating revenues	CZK millions	100,027	106,253	106.2
Of which: Sales of electricity, heat, gas, and coal	CZK millions	64,575	69,294	107.3
EBITDA	CZK millions	34,842	38,691	111.0
Net income	CZK millions	13,441	14,701	109.4
Adjusted net income <sup>2)</sup>	CZK millions	14,175	16,409	115.8
Dividend per share (gross) <sup>3)</sup>	CZK / share	24.0	34.0	141.7
Net cash provided by operating activities	CZK millions	27,943	31,144	111.5
Capital expenditures (CAPEX) <sup>4)</sup>	CZK millions	(11,608)	(12,165)	104.8
Assets	CZK millions	704,574 <sup>5)</sup>	699,881	99.3
Net debt <sup>2)</sup>	CZK millions	143,259	153,678	107.3
Net debt / EBITDA <sup>2)</sup>	1	2.49	2.40	x

<sup>1)</sup> Sold to end-use customers (outside CEZ Group).

<sup>2)</sup> A definition is provided under Methods Used to Calculate Indicators Unspecified in IFRS.

<sup>3)</sup> Awarded in a given year.

<sup>4)</sup> Additions to property, plant, and equipment and intangibles.

<sup>5)</sup> Data as at December 31, 2019

<sup>6)</sup> Data for the comparable period of H1 2019 were adjusted as compared to the data published for H1 2019 due to accounting, which additionally revised the recognition of the effect of hedging for price risks in electricity sales on individual quarters of 2019.

### Selected Indicators of the Most Significant Regions of CEZ Group Presence (CZK Millions)

	Czechia <sup>1)</sup>		Germany		Poland		Romania		Bulgaria		Other Countries and Region Eliminations	
	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020
Operation revenues	74,889	77,376	5,927	6,921	5,020	4,257	8,132	8,339	8,805	10,418	(2,746)	(1,058)
EBITDA	31,445	33,782	455	547	354	401	1,709	2,624	862	1,389	17	(52)
Net income	12,993	15,502	(236)	(243)	13	(413)	481	489	184	606	6	(1,240)

<sup>1)</sup> Data for the comparable period of H1 2019 were adjusted as compared to the data published for H1 2019 due to accounting, which additionally revised the recognition of the effect of hedging for price risks in electricity sales on individual quarters of 2019.

## Credit Rating

ČEZ's long-term credit ratings remained unchanged in the first half of 2020.

Standard & Poor's reaffirmed ČEZ's long-term credit rating of A- on March 31, 2020, changing its outlook to negative.

Moody's updated its Credit Opinion on the Company with a long-term credit rating of Baa1 with a stable outlook on January 15, 2020.

Both credit rating agencies are included in the list of credit rating agencies pursuant to Regulation (EC) No. 1060/2009 of the European Parliament and of the Council, as amended by Regulation (EU) No. 513/2011 of the European Parliament and of the Council and Regulation (EU) No. 462/2013 of the European Parliament and of the Council. When selecting credit rating agencies, ČEZ complies with Article 8d of the above-mentioned Regulation.

## Shares

Five CEZ Group companies have publicly traded shares.

### 1) ČEZ, a. s.

As at June 30, 2020, the total stated capital of ČEZ, a. s., was CZK 53,798,975,900. The Company's stated capital consisted of 537,989,759 shares with a nominal value of CZK 100. Their ISIN is CZ0005112300.

#### Structure of Shareholders by Entity Type (%)

	Share in stated capital as at June 19, 2019 <sup>1)</sup>	Share in voting rights as at June 19, 2019 <sup>1)</sup>	Share in stated capital as at June 22, 2020 <sup>2)</sup>	Share in voting rights as at June 22, 2020 <sup>2)</sup>
<b>Legal entities, total</b>	<b>89.07</b>	<b>89.02</b>	<b>87.72</b>	<b>87.66</b>
Of which: Czech Republic	69.78	70.12	69.78	70.11
ČEZ, a. s.	0.48	—	0.47	—
Other legal entities	18.81	18.90	17.47	17.55
<b>Private individuals, total</b>	<b>10.93</b>	<b>10.98</b>	<b>12.28</b>	<b>12.34</b>

<sup>1)</sup> Date of record for participation in the 28th annual shareholders' meeting.

<sup>2)</sup> Date of record for participation in the 29th annual shareholders' meeting.

#### Entities Holding at Least 1% of the Shares of ČEZ, a. s.

Entities holding a share amounting to at least 1% of the stated capital of ČEZ, a. s., as registered in the Central Securities Depository as at June 22, 2020, were:

- The Czech Republic, represented by the Ministry of Finance of the Czech Republic, holding a share amounting in total to 69.78% of the stated capital, that is, 70.11% of voting rights
- Clearstream Banking, S.A., holding a share amounting to 2.29% of the stated capital, that is, 2.30% of voting rights
- Chase Nominees Limited, holding a share amounting to 1.82% of the stated capital, that is, 1.83% of voting rights

On March 14, 2018, a group of shareholders (consisting of corporations J&T SECURITIES MANAGEMENT PLC, TINSEL ENTERPRISES LIMITED, and HAMAFIN RESOURCES LIMITED, and an individual, Ing. Michal Šnobl), declaring itself to act in concert, delivered a notice, in the capacity of a qualified shareholder, of its share in voting rights pursuant to Section 122(1) of the Capital Market Undertakings Act. According to the notice, its share in voting rights was 1%. According to the records of the Central Securities Depository, this group of shareholders held a share of 1.25% in the stated capital and a share of 1.26% in voting rights as at June 22, 2020.

On June 22, 2020, JPMorgan Chase & Co. delivered a notice of its share in voting rights pursuant to Section 122(1) of the Capital Market Undertakings Act. According to the notice, its share in voting rights was 1%. At June 23, 2020, the company delivered a notice stating that its share in voting rights had increased to 1.11%. At July 7, 2020, the company delivered a notice stating that its share in voting rights had decreased to 1%. At July 8, 2020, the company delivered a notice stating that its share in voting rights had decreased below 1%.

The abovementioned entities have rights pursuant to Section 365 et seq. of the Business Corporations Act. The possibility that some of the aforementioned entities manage shares owned by third parties cannot be excluded.

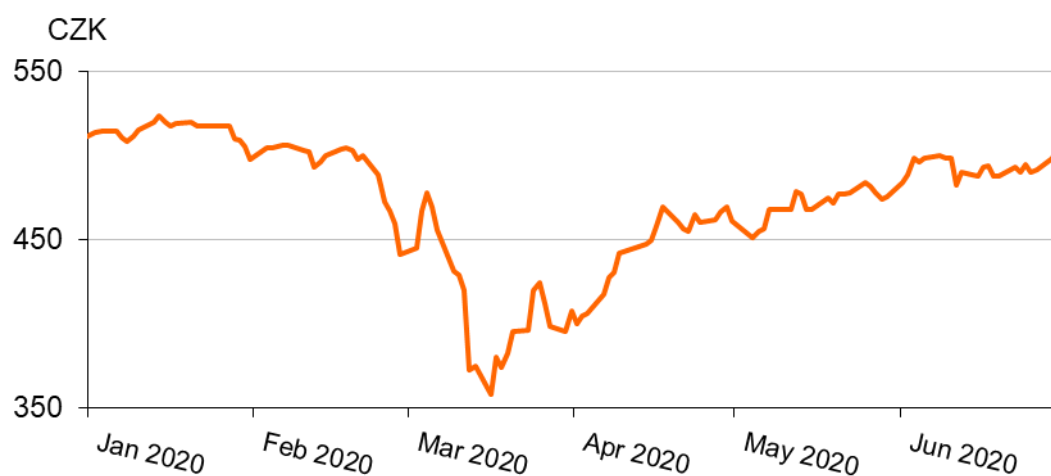
## Treasury Shares

To cover claims arising out of the Company's stock option plan, 2,551,240 treasury shares, representing 0.474% of its stated capital, were held on the asset account of ČEZ, a. s., with the Central Securities Depository as at January 1, 2020.

ČEZ used 35,000 shares to satisfy the claims of beneficiaries under the stock option plan in the first half of 2020. The average call price at which the shares were sold to beneficiaries amounted to CZK 421.50 per share. The total amount received for the transfer of the shares to the beneficiaries was CZK 14.76 million (including interest).

As at June 30, 2020, the above-mentioned asset account contained 2,516,240 treasury shares, that is, 0.468% of the stated capital.

## ČEZ, a. s., Share Prices in H1 2020



## Dividend Policy

Since 2019, ČEZ has applied a dividend policy that anticipates paying out 80–100% of consolidated net income adjusted for extraordinary effects generally unrelated to ordinary financial performance in a given year.

### Payment of Dividends to Shareholders

The Company's annual shareholders' meeting, held on June 29, 2020, decided to pay a dividend of CZK 34 per share before tax to Company shareholders. It is payable from August 3, 2020, and can be claimed until July 31, 2024.

The approved dividend amount is in line with the Company's current dividend policy. The 2019 consolidated net income adjusted for extraordinary effects was CZK 18,856 million; the dividend approved by the shareholders' meeting to be distributed to shareholders was CZK 18,292 million, which corresponds to 97% of the consolidated net income adjusted for extraordinary effects.

Entities that were shareholders of ČEZ at the record date, that is, July 3, 2020, are entitled to the dividend for 2019. The dividend on treasury shares held by the Company at the record date was not paid out and was transferred to the retained earnings account.

In view of the impacts of emergency measures taken in connection with the COVID-19 pandemic in 2020, which curtailed shareholders in the exercise of their right to be paid the dividend for 2019, the Board of Directors of ČEZ decided to extend the payment period for that dividend until December 31, 2020 (originally, the period was to end on July 31, 2020).



## **2) ČEZ OZ uzavřený investiční fond a.s.**

The company's shares were admitted to trading on the Prague Stock Exchange's regulated market with effect from December 31, 2015. The ISIN is CZ0008041787. An issue of 5,310,498 shares, that is, 15% of the total number of the company's shares, previously held by ČEZ, was admitted to trading. ČEZ held an almost 99.6% stake in the company as at June 30, 2020; other shareholders were ČEZ Obnovitelné zdroje and ČEZ Korporátní služby. Shareholders outside CEZ Group held a 0.04% stake in the company's stated capital.

## **3) Akenerji Elektrik Üretim A.S.**

The company's shares are traded freely on the stock exchange. A portion of shares representing a 25.3% stake in the company's stated capital has been freely traded on the Istanbul stock exchange since July 3, 2000. The ISIN is TRAAKENR91L9. The shares are not traded on any other public markets. ČEZ, a. s., held an almost 37.4% stake in the company's stated capital as at June 30, 2020.

## **4) CEZ Elektro Bulgaria AD**

The company's shares have been traded on the Bulgarian Stock Exchange (Българска Фондова Борса) since October 29, 2012. The ISIN is BG1100024113. The shares are not traded on any other public markets. As at June 30, 2020, ČEZ held a 67% stake and the second largest shareholder, the Chimimport group, held a 24.98% stake in the company's stated capital.

## **5) CEZ Razpredelenie Bulgaria AD**

The company's shares have been traded on the Bulgarian Stock Exchange (Българска Фондова Борса) since October 29, 2012. The ISIN is BG1100025110. The shares are not traded on any other public markets. As at June 30, 2020, ČEZ held a 67% stake and the second largest shareholder, the DOVERIE group, held an 11.19% stake in the company's stated capital.

## Selected Events

### Selected Events in H1 2020

#### February

- An agreement was made with US company GE Hitachi Nuclear Energy to investigate the economic and technical feasibility of the potential construction of a BWRX-300 small modular nuclear reactor in Czechia.

#### March

- Joining a call by large European energy companies whereby a total of seven companies ask the European Commission to leave nuclear energy on its list of sustainable economic activities.
- A siting permit application for the construction of a new nuclear power plant at Dukovany was submitted to the State Office for Nuclear Safety.
- Timely measures were taken to minimize COVID-19 pandemic risks for and impacts on key activities and to protect the health of CEZ Group companies' employees. The measures were coordinated with national crisis staff even before a state of emergency was declared.
- A state of emergency was declared in the Czech Republic due to the COVID-19 pandemic (March 12 to May 17, 2020).

#### April

- A 51% stake in GEOMET s.r.o. was acquired through Severočeské doly. GEOMET, a Czech company, is the holder of preferential exploration and production rights to a lithium mineral deposit at Cínovec.

#### June

- The parameters of the fifth regulatory period, spanning 2021–2025, were approved for ČEZ Distribuce.
- The Prunéřov I coal-fired power plant, which generated 139 TWh of electricity throughout its lifetime, was put out of operation.
- An additional stake of 49.9% in ČEZ Energo was acquired by ČEZ ESCO, becoming the sole owner of the company.
- A smaller battery system for customers purchasing a photovoltaic installation from ČEZ was presented. The system is intended for smaller family houses and low-energy houses.
- Inven Capital sold its share in CyberX, an Israeli company specializing in industrial cybersecurity, to Microsoft.
- Binding offers were received concerning the sale of assets in Romania. The sale involves, most importantly, distribution and sales companies and the Fântânele and Cogeaalac wind park.
- The annual shareholders' meeting of ČEZ, a. s., was held; a dividend of CZK 34 per share was approved.

## Selected Events until the Closing Date for the Half-Year Report

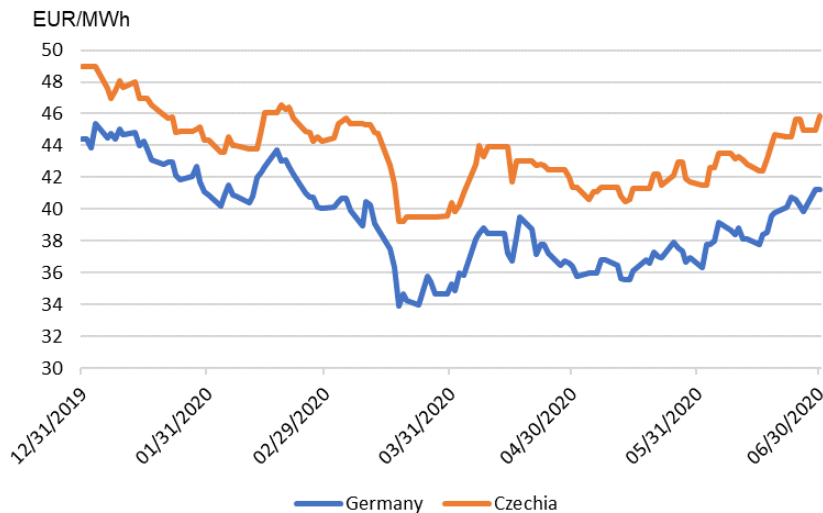
### July

- On July 27, 2020, the Czech government discussed an act on measures for Czechia's transition to low-carbon energy with the aim of enabling the state to order the construction of a nuclear power plant with a fixed commissioning date, generation volume, and electricity purchase price and also to provide some funding for the project.
- On July 28, 2020, the Czech government signed a framework agreement and an implementation agreement with ČEZ, a. s., and Elektrárna Dukovany II, a. s., for stage 1 of the construction of a new nuclear power plant at Dukovany.

## Developments in Relevant Energy Markets

Electricity prices were slightly declining in January and February 2020 due to decreasing prices of coal and natural gas. The decline was markedly accelerated in March as the COVID-19 pandemic spread to Europe. Prices of electricity with delivery in 2021 hit bottom on March 18, 2020, at 34 EUR/MWh for Germany and 39 EUR/MWh for delivery in Czechia. However, the trend reversed soon and prices of electricity with delivery in 2021 increased over the first half-year up to 41 EUR/MWh for Germany and 46 EUR/MWh for delivery in Czechia. As a result, they closed the half-year at just 7% and 6% down from the beginning of the year, respectively.

### Wholesale Price of Electricity in 2020 (2021 Year Band)



The price of emission allowances represented a major factor affecting electricity prices. The price of allowances also responded dramatically to the COVID-19 outbreak, dropping by 38% as compared to the beginning of the year to EUR 15. However, the European Commission's proposals to direct a large part of the financial package to start up the economy at the green agenda inspired optimism in the market in emission allowances, which were growing strongly from May up to values nearing several-year highs. Emission allowances closed the half-year at 27 EUR/t, 9% up as compared to the end of 2019.

### Prices of Emission Allowances in 2020 (2021 Forward Contracts)



## External Conditions in the Energy Sector

### Developments in Regulation for the Electricity Sector

#### European Union

##### Developments in Regulation for the Electricity Sector

A significant body of EU legislation with impact on the energy sector was published in the Official Journal of the EU in the first half of 2020:

On April 8, 2020, it published a decision of the European Commission (EC) on the notification by the Czech Republic of a modified transitional national plan referred to in Article 32 of Directive 2010/75/EU on industrial emissions, in which the Commission approved the modification to the transitional plan, which sets emission ceilings for selected pollutants.

A Commission decision delegating the management of the revenues of the Innovation Fund to the European Investment Bank was published on April 24, 2020. The Innovation Fund aims to support large innovative projects, such as projects for renewable energy sources, energy storage, or carbon capture and storage.

##### Just Transition Mechanism

The Just Transition Mechanism is a key tool for implementing the European Green Deal presented by the European Commission in late 2019, which aims to ensure that the transition towards a climate-neutral economy happens in a fair way, leaving no one behind, and to alleviate the socio-economic impacts of the transition. It is a program that will create the conditions for making additional investments of EUR 100 billion in regions whose economies have high dependence on fossil fuel mining and combustion in 2021 to 2027.

The Just Transition Mechanism is based on three fundamental pillars:

- The **Just Transition Fund** is the first pillar of the mechanism. According to the current draft of the founding regulation, the Fund will be equipped with EUR 20 billion. EUR 10 billion should come from budget appropriations for the next budget period under the EU Multiannual Financial Framework in 2021 to 2027, while the remaining resources of EUR 10 billion, covering the period from 2021 to 2024, will constitute external assigned revenue stemming from the EU Recovery Instrument. The fund will support the economic diversification and reconversion of the territories concerned. The Fund establishing regulation should come into effect in 2021.
- A dedicated scheme under **InvestEU** is the second pillar of the Just Transition Mechanism. Similarly, the InvestEU fund will support investments in a wider range of projects, such as projects for energy and transport infrastructure. It aims to encourage additional investments in the private sector amounting to at least EUR 45 billion.
- A **public sector loan facility leveraged by the EIB** is the third pillar. It concerns investment promotion. It involves a contribution from the EU budget of EUR 1.5 billion and EIB loans of up to EUR 10 billion. With its leverage, the tool can mobilize public investments of EUR 25 to 30 billion over the period of 2021–2027.

##### Climate Law

The EC published a proposal for a “climate law” on March 4, 2020. The law has the form of a regulation and sets a legal framework for achieving the EU’s carbon neutrality in 2050.

The climate law proposal empowers the Commission to adopt delegated acts to set out an emission reduction trajectory for 2030 to 2050. Every five years, the Commission will review whether national and Union measures are consistent with the climate-neutrality objective and the trajectory for 2030 to 2050, with the first review carried out by September 2023. In the fall of 2020, the EC should also publish an impact assessment study of increasing the 2030 emission reduction target up to 50% to 55%. The climate law proposal is now debated by the EU Council and the European Parliament.

## Taxonomy Regulation

The European Parliament passed the regulation on the establishment of a framework to facilitate sustainable investment in the plenary in June 2020, and the regulation will thus be published in the Official Journal as effective law soon. The regulation establishes a uniform classification system (taxonomy) aiming to harmonize criteria for the purposes of determining whether an economic activity may be considered sustainable under existing market practices. Based on the regulation, the European Commission is preparing a delegated act to alleviate its impacts (expected to be proposed in September and adopted by the end of 2020), specifying which activities will be listed as sustainable activities contributing to climate change mitigation while not causing harm to any other areas covered by the taxonomy.

## Czechia

The following significant legislation relevant to the energy sector was amended in the first half of 2020:

Act No. 33/2020 Sb., amending Act No. 90/2012 Sb., on commercial companies and cooperatives (Business Corporations Act), as amended by Act No. 458/2016 Sb., and other related acts entered into force on January 21, 2020.

Act No. 47/2020 Sb., amending Act No. 200/1994 Sb., on land surveying and changing and amending some acts related to its introduction, as amended, Act No. 183/2006 Sb., on land use planning and the building code (Building Act), as amended, and other related acts entered into force on February 26, 2020. Some parts of the amendment will enter into effect on July 1, 2022.

Act No. 48/2020 Sb., amending Act No. 311/2006 Sb., on fuels and fueling stations and on amendment to some related acts (Fuels Act), as amended, entered into effect on April 1, 2020.

Act No. 237/2020 Sb., amending Act No. 151/1997 Sb., on asset valuation and on amendment to some acts, as amended, and other related acts. The amendment to the act, among other things, updates a provision on the valuation of servitudes and provides for a more detailed servitude valuation procedure to be set out in a decree implementing the Asset Valuation Act. The effective date of the act is January 1, 2021.

Act No. 238/2020 Sb., amending Act No. 634/1992 Sb., on consumer protection, as amended, and other related acts. The amendment to the act transposed a directive concerning cross-border cooperation between supervisory authorities in consumer protection. The effective date of the act is July 1, 2020.

An amendment to Act No. 200/1994 Sb., on land surveying, published in the Collection of Laws under No. 47/2020 Sb., came into force early in the year. The reason for the amendment was to introduce rules for nationwide application of digital technical maps, which will be prepared at regional level. A region's digital technical map will include data on transport and engineering infrastructure objects and facilities and information on plans to make changes to the infrastructure. In its material aspects, the amendment is set to enter into effect on July 1, 2023.

An amendment to Decree No. 189/2013 Sb., on woody plant protection and cutting permitting, entered into effect on April 1, 2019, stipulating that the property owner's written consent to cutting will no longer be required for cutting woody plants growing outside of a wood or forest if the cutting is performed in connection with a project that allows expropriation of rights. This should facilitate the construction of power lines, in particular.

Decree of the Energy Regulatory Office (ERO) No. 302/2020 Sb., amending Decree No. 408/2015 Sb., on Electricity Market Rules, as amended by Decree No. 127/2017 Sb., came into effect on July 1, 2020; the decree reflects the introduction of the TERRE platform and also regulates some matters concerning the provision of ancillary services at distribution system level.

As a result of changes in the EU's electricity system and in accordance with the EU's energy legislation, the Ministry of Industry and Trade presented a proposal for an amendment to the decree on electricity metering and the method for determining damages in case of unauthorized consumption, unauthorized supply, unauthorized transmission, or unauthorized distribution of electricity in April 2020.

## A Brief Forecast of the Development of the Electricity Sector from CEZ Group's Perspective

In the medium term of several years, electricity prices in our region are linked to the prices of energy commodities, especially hard coal and gas and also the price of CO<sub>2</sub> emission allowances. The COVID-19 pandemic resulted in a drop in consumption and, subsequently, the prices of energy commodities. For natural gas, the effect was amplified by two additional factors: the mild winter of 2019/20 meant that gas storage facilities remained unusually full in the spring and a boom in the global trade in liquefied natural gas (LNG) resulted in fierce competition for traditional suppliers. The result was an extremely low price of gas. These effects will fade over the course of the next years. The price of emission allowances dropped at the beginning of the COVID-19 pandemic but then increased to several-year highs. Future developments will be determined by two contradictory factors: an existing surplus of allowances in the market, which will become even greater due to a drop in consumption during measures taken to fight the coronavirus and will push the price of allowances down, and a prepared tightening in decarbonization targets, which will raise the price of allowances.

The long-term development of the electricity sector is fundamentally affected by political decisions, most significantly by the European Union's climate and energy targets. The share of renewable energy should be 32% of all consumed energy (heat, transportation, electricity) across the EU by 2030, which corresponds to 55% of renewable energy sources (RES) in the electricity sector. This target is most likely to be further increased within a year or two. The contribution of each member state is described in its national integrated energy and climate plan. Czechia made a commitment to use 22% of renewable energy by 2030: 30.7% for heating, 14% for transportation, and 16.9% for electricity. The other V4 countries have similar aggregate targets but have set a higher partial target for RES share in electricity generation.

Protecting the environment and climate remains a priority for the new European Commission. What is crucial for the electricity sector is reducing the emissions of greenhouse gases, especially CO<sub>2</sub>. The published European Green Deal program statement included a schedule of individual legislative measures in all economic sectors, from the energy industry to transportation, industry, and construction to the food industry and agriculture. The parts most significant to the energy sector include raising the 2030 decarbonization target from the current 40% to 50–55%, raising the target share of renewable energy sources in energy consumption, and raising the energy efficiency target.

Achieving carbon neutrality in 2050 was also approved by an EU summit in December 2019.

In May, the European Commission presented the 2021–2027 budget and a recovery program for the EU's economy after the COVID-19 pandemic. The budget will be EUR 1,100 billion; another EUR 750 billion is to go to economic recovery. Out of all the money, 25% should be allocated to expenditure associated with climate protection. Conversely, no project funded from the recovery package may threaten the EU's climate objectives.

The future of the energy sector is largely determined by progressive and persistent technological advancement. Renewables have already become a standard part of the energy mix. They already represent the cheapest way of electricity generation from new generators. Electricity production costs under 20 EUR/MWh are achieved under favorable conditions (Portugal, Mexico, the Middle East). Photovoltaic power plants in Central Europe are built with an auctioned purchase price of about 50 EUR/MWh; wind farms, about 60 EUR/MWh. Offshore wind farms in the United Kingdom obtained a contract for difference at 49 EUR/MWh; those in the Netherlands are built without any subsidy, even paying for the lease of seabed.

The growing share of wind farms and photovoltaic power plants will also result in greater price volatility: when generation is high, electricity prices will more and more often be around zero or even negative; conversely, periods without sunshine and wind will see very high electricity prices. This will create a business opportunity for both flexible sources and energy storage.

The simplest and cheapest way of decarbonization is electrifying industry, transportation, and other sectors using renewables. However, direct use of electricity may be difficult in some sectors, such as the chemical industry or freight transportation. The European Commission would like to see those sectors utilizing hydrogen or another power-to-X product generated, in particular, by electrolysis using renewable electricity. Such technologies also provide a solution to seasonal energy storage. There are hundreds of projects under preparation or in operation throughout the EU. The European Commission presented a proposal for a long-term hydrogen strategy in July. It estimates obtaining 1 million tons of hydrogen from renewables using 6,000 MW electrolyzers or P2X facilities by 2024 and 10 million tons

using 40,000 MW by 2030. Germany and the Netherlands presented their own hydrogen strategies. In the next years, clean hydrogen production and utilization are generally expected to undergo development similar to that of photovoltaic power plants and wind turbines in the past fifteen years. This will also create new business opportunities for energy companies. More and more often, however, they will meet with new competitors: oil and gas giants that are beginning to take an active part in the energy sector.



## CEZ Group Strategy

Europe's energy sector is undergoing a major transformation. Traditional energy is stagnating but remains an indispensable part of the energy sector. Renewables and decentral energy keep growing. Customers require comprehensive services relating to energy use. The European Commission approved new ambitious targets for 2030 in decarbonization, renewables, and energy efficiency.

Complex changes are also underway in the Czech energy market. Czechia has begun incorporating the European Commission's targets in its climate and energy plan with a growing share of renewable generation, has been debating an update to its State Energy Policy, has advanced in preparations for the construction of a new nuclear power plant, has been working on its National Action Plan for Smart Grids and Electric Mobility, and has been preparing nationwide digitization.

CEZ Group's mission is to provide safe, reliable, and positive energy to its customers and society as a whole. Its vision is to bring innovations for resolving energy needs and to help improve quality of life.

### Grounds for CEZ Group's Current Strategy

The current business policy of CEZ Group and ČEZ, a. s., was approved by an annual shareholders' meeting on June 27, 2019.

CEZ Group's major challenges in the traditional energy sector include decarbonization, phase-out of coal-fired generating facilities, ensuring stable supplies when those facilities are shut down, and continued preparation of projects for new nuclear power plants.

In the new energy sector, CEZ Group anticipates further development of renewables and growth in the energy services market, where it wants to remain a major player innovating both products and services. In distribution and sales, the biggest challenge is gradual digitization and decentralization.

CEZ Group's current strategy and business policy aims at the following business opportunities:

- Participation in enhancing Czechia's energy security
- Modernization of the Czech energy sector and growth in decentral energy
- Fulfillment of Czechia's energy and climate plan meeting the European Union targets
- Interconnection of Czech industry and trade with neighboring countries

In comparison with the previous strategy from 2014, the current strategy has stronger focus on the Czech market. Its aim for abroad is long-term growth primarily in comprehensive energy services. New development investments will be mostly made in the new energy sector and distribution assets in Czechia and in energy services abroad.

### CEZ Group's Strategic Priorities

#### 1) Efficient Operation, Optimum Utilization, and Development of the Generation Portfolio

Efficient management of nuclear power plants and coal-fired power plants in mining regions, preparation of conditions for the construction of a new nuclear power plant as part of energy security enhancement and decarbonization of the generation portfolio in Czechia.

- Enhancing the safety, security, and effectiveness of the operation of nuclear power plants in accordance with international practices and ensuring their long-term operation
- Managing efficiently the portfolio of coal-fired power plants and heating plants in mining regions and mines
- Operating efficiently and phasing out the portfolio of power plants located outside mining regions
- Continuing the preparation of the project for a new nuclear power plant at Dukovany, including the negotiation of a contractual framework with the Czech state to cover, most importantly, the regulatory and market risks of the project

#### 2) Modern Distribution and Care for Customers' Energy Needs

Modernizing and digitizing distribution and sales in Czechia with respect to customers' energy needs in the context of the development of the Czech energy sector.

In distribution:

- Increasing investments in the distribution network in the context of changes induced by decentral energy and in the context of conditions imposed by a new regulatory period
- Increasing investments in smart and innovative solutions focused on Smart Grid, electric mobility integration, and decentralized energy sources
- Digitizing operations to optimize operating expenses

In sales:

- Maintaining the current profitability and customer base in commodities
- Keeping extending the base of satisfied customers through offerings of noncommodity products and services enhancing their quality of life
- Digitizing the whole sales process to optimize operating expenses

### 3) New Energy Sector Development in Czechia

Developing energy services and renewables in Czechia and taking advantage of conditions set under Czechia's energy and climate plan.

- Building an efficient structure to cover the entire value chain associated with the development of renewable energy sources in the domestic market
- Achieving a major position in the generation and supply of heat from renewable energy sources
- Consolidating the energy services market

### 4) Energy Services Development in Europe

Developing energy services abroad with the aim of achieving a major position in European markets close to Czechia.

- Keeping growing in the energy services market in Germany, northern Italy, and Poland
- Offering customers innovative products that will allow them to cut their expenses on energies, heating and cooling, and lighting and enhance their comfort in other areas

The updated strategy anticipates leaving some markets and segments abroad. The current divestment strategy assumes completing the sale of assets in Bulgaria and selling generation and distribution assets in Romania and assets in Poland and Turkey.

As concerns the current portfolio of renewables abroad, the goal is to finish development and ensure return of invested funds.

## CEZ Group Financial Performance

As at June 30, 2020, the consolidated CEZ Group comprised a total of 204 companies, with 178 companies fully consolidated and 26 associates and joint ventures consolidated using the equity method.

### CEZ Group Consolidated Unit as at June 30, 2020

The companies of the consolidated accounting unit of CEZ Group are divided into six operating segments.

#### Generation—Traditional Energy

ČEZ, a. s.  
Areál Třeboradice, a.s.  
Centrum výzkumu Řež s.r.o.  
CEZ Chorzów S.A.  
CEZ Chorzów II sp. z o.o.  
CEZ Magyarország Kft.  
CEZ Produkty Energetyczne Polska sp. z o.o.  
CEZ Skawina S.A.  
CEZ Srbija d.o.o.  
CEZ Towarowy Dom Maklerski sp. z o.o.  
CEZ Trade Romania S.R.L.  
ČEZ Bohunice a.s.  
ČEZ Energetické produkty, s.r.o.  
ČEZ ENERGOSERVIS spol. s r.o.  
ČEZ Teplárenská, a.s.  
Elektrárna Dětmarovice, a.s.  
Elektrárna Dukovany II, a. s.  
Elektrárna Mělník III, a. s.  
Elektrárna Počerady, a.s.  
Elektrárna Temelín II, a. s.  
Energetické centrum s.r.o.  
Energotrans, a.s.  
MARTIA a.s.  
OSC, a.s.  
ŠKODA PRAHA a.s.  
Tepelné hospodářství města Ústí nad Labem s.r.o.  
ÚJV Řež, a. s.  
Ústav aplikované mechaniky Brno, s.r.o.  
AK-EL Kemah Elektrik Üretim ve Ticaret A.S. \*)  
Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S. \*)  
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S. \*)  
Akenerji Elektrik Üretim A. S. \*)  
Jadrová energetická spoločnosť Slovenska, a. s. \*)

#### Generation—New Energy

A.E. Wind S.A.  
Baltic Green Construction sp. z o.o.  
Baltic Green II sp. z o.o.  
Baltic Green III sp. z o.o.  
Baltic Green VI sp. z o.o.  
Baltic Green VIII sp. z o.o.  
Baltic Green IX sp. z o.o.  
BANDRA Mobiliengesellschaft mbH & Co. KG  
Bara Group EOOD  
CASANO Mobiliengesellschaft mbH & Co. KG  
CEZ Bulgarian Investments B.V.  
CEZ Deutschland GmbH  
CEZ Erneuerbare Energien Beteiligungs GmbH  
CEZ Erneuerbare Energien Beteiligungs II GmbH  
CEZ Erneuerbare Energien Verwaltungs GmbH  
CEZ France SAS  
CEZ Holdings B.V.  
CEZ RES International B.V.  
CEZ Windparks Lee GmbH  
CEZ Windparks Luv GmbH  
CEZ Windparks Nordwind GmbH  
ČEZ Obnovitelné zdroje, s.r.o.  
ČEZ OZ uzavřený investiční fond a.s.  
ČEZ Recyklace, s.r.o.  
Ferme éolienne d'Allas-Nieul SAS  
Ferme Eolienne d'Andelaroche SAS  
Ferme éolienne de Feuillade et Souffrignac SAS  
Ferme éolienne de Genouillé SAS  
Ferme éolienne de la Petite Valade SAS  
Ferme Eolienne de la Piballe SAS  
Ferme Eolienne de Neuville-aux-Bois SAS  
Ferme éolienne de Nueil-sous-Faye SAS  
Ferme Eolienne de Saint-Laurent-de-Céris SAS  
Ferme éolienne de Saugon SAS  
Ferme Eolienne de Seigny SAS  
Ferme Eolienne de Thorigny SAS  
Ferme éolienne des Besses SAS  
Ferme Eolienne des Breuils SAS  
Ferme Eolienne des Grands Clos SAS  
Ferme éolienne du Blessonnier SAS  
Ferme Eolienne du Germancé SAS  
Free Energy Project Oreshets EAD  
Inven Capital, SICAV, a.s.  
M.W. Team Invest S.R.L.  
Ovidiu Development S.R.L.

TMK Hydroenergy Power S.R.L.  
 Tomis Team S.A.  
 Windpark Baben Erweiterung GmbH & Co. KG  
 Windpark Badow GmbH & Co. KG  
 Windpark Cheinitz-Zethlingen GmbH & Co. KG  
 Windpark FOHREN-LINDEN GmbH & Co. KG  
 Windpark Frauenmark III GmbH & Co. KG  
 Windpark Gremersdorf GmbH & Co. KG  
 Windpark Mengeringhausen GmbH & Co. KG  
 Windpark Naundorf GmbH & Co. KG  
 Windpark Zagelsdorf GmbH & Co. KG  
  
 GP JOULE PPX Verwaltungs-GmbH \*)  
 GP JOULE PP1 GmbH & Co. KG \*)  
 Green Wind Deutschland GmbH \*)  
 juwi Wind Germany 100 GmbH & Co. KG \*)  
 Socrates JVCo Verwaltungs GmbH \*)  
 Socrates Windprojekt GmbH & Co. KG \*)  
 Windpark Bad Berleburg GmbH & Co. KG \*)  
 Windpark Berka GmbH & Co. KG \*)  
 Windpark Harrenstetter Heide GmbH & Co. KG \*)  
 Windpark Moringen Nord GmbH & Co. KG \*)  
 Windpark Palmpohl GmbH & Co. KG \*)  
 Windpark Prezelle GmbH & Co. KG \*)  
 Windpark Soeste GmbH & Co. KG \*)

## Distribution

CEZ Bulgaria EAD  
 CEZ ICT Bulgaria EAD  
 CEZ Razpredelenie Bulgaria AD  
 CEZ Romania S.A.  
 ČEZ Distribuce, a. s.  
 Distribuție Energie Oltenia S.A.  
  
 Akcez Enerji A.S. \*)  
 Sakarya Elektrik Dagitim A.S. \*)

## Sales

AirPlus, spol. s r.o.  
 AZ KLIMA a.s.  
 AZ KLIMA SK, s.r.o.  
 BUDRIO GFE 312 SOCIETA' AGRICOLA S.R.L.  
 CEZ Distribučné systavy a.s.  
 CEZ Elektro Bulgaria AD  
 CEZ ESCO Bulgaria EOOD  
 CEZ ESCO II GmbH  
 CEZ ESCO Polska sp. z o.o.  
 CEZ ESCO Romania S.A.  
 CEZ ESCO Slovensko, a.s.  
 CEZ SERVIS, s.r.o.  
 CEZ Slovensko, s.r.o.  
 CEZ Trade Bulgaria EAD  
 CEZ Vanzare S.A.  
 ČEZ Energetické služby, s.r.o.  
 ČEZ Energo, s.r.o.  
 ČEZ ESCO, a.s.  
 ČEZ LDS s.r.o.  
 ČEZ Prodej, a.s.  
 ČEZ Solární, s.r.o.  
 D-I-E ELEKTRO AG  
 Domat Control System s.r.o.  
 e-Dome a. s.  
 EAB Automation Solutions GmbH  
 EAB Elektroanlagenbau GmbH Rhein/Main  
 Elektro-Decker GmbH  
 Elektro-Technik-Pfisterer GmbH  
 Elevion Deutschland Holding GmbH

Elevion GmbH  
 Elevion Group B.V.  
 Elevion Österreich Holding GmbH  
 En.plus GmbH  
 ENESA a.s.  
 ESCO City I sp. z o.o.  
 ESCO City II sp. z o.o.  
 ESCO City III sp. z o.o.  
 ESCO City IV sp. z o.o.  
 ESCO City V sp. z o.o.  
 ESCO City VI sp. z o.o.  
 ETS Efficient Technical Solutions GmbH  
 ETS Efficient Technical Solutions Shanghai Co.  
 Ltd.  
 ETS Engineering Kft.  
 Euroklimat sp. z o.o.  
 GWE Verwaltungs GmbH  
 GWE Wärme- und Energietechnik GmbH & Co.  
 KG  
 HA.EM OSTRAVA, s.r.o.  
 Hermos AG  
 Hermos Gesellschaft für Steuer-, Meß- und  
 Regeltechnik mbH  
 HERMOS International GmbH  
 HERMOS SDN. BHD  
 Hermos Schaltanlagen GmbH  
 Hermos Sp. z.o.o.  
 Hermos Systems GmbH  
 High-Tech Klima d.o.o.  
 High-Tech Klima S.A.  
 HORMEN CE a.s.  
 Hybridkraftwerk Culemeyerstraße Projekt GmbH  
 KART, spol. s r.o.  
 Kofler Energies Energieeffizienz GmbH  
 Kofler Energies Ingenieurgesellschaft mbH  
 Kofler Energies International GmbH  
 KOFLER ENERGIES ITALIA SRL  
 Kofler Energies Systems GmbH  
 Metrolog sp. z o.o.  
 Moser & Partner Ingenieurbüro GmbH  
 NEK Facility Management GmbH  
 OEM Energy sp. z o.o.  
 Rudolf Fritz GmbH  
 SPRAVBYTKOMFORT, a.s. Prešov  
 SYNECO ENERGY SERVICE S.R.L.  
 SYNECO GROUP S.R.L.  
 SYNECO PROJECT S.R.L.  
 SYNECO tec GmbH  
 TENAUR, s.r.o.  
 WPG Projekt GmbH  
  
 Bytkomfort, s.r.o. \*)  
 Elevion Co-Investment GmbH & Co. KG \*)  
 KLF-Distribúcia, s.r.o. \*)  
 Sakarya Elektrik Perakende Satis A.S. \*)

## Mining

PRODECO, a.s.  
Revitrans, a.s.  
SD - Kolejová doprava, a.s.  
Severočeské doly a.s.  
GEOMET s.r.o. \*)  
LOMY MOŘINA spol. s r.o. \*)

\*) *Joint venture or associate*

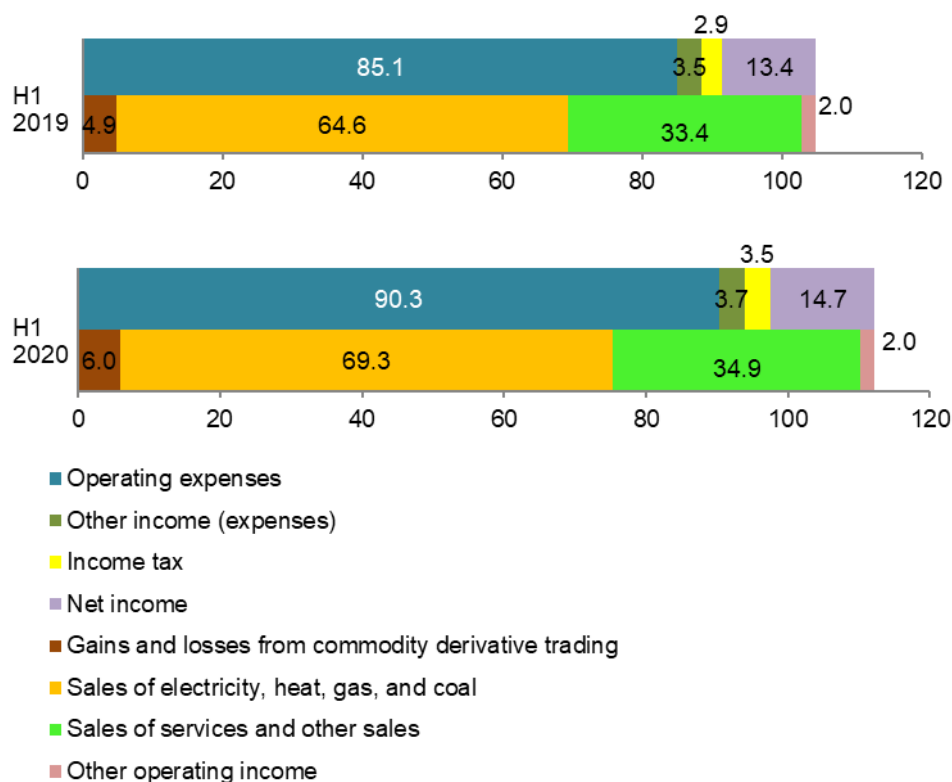
## Supporting Activities

CEZ MH B.V.  
CEZ Polska sp. z o.o.  
CEZ Ukraine LLC  
ČEZ Asset Holding, a. s.  
ČEZ ICT Services, a. s.  
ČEZ Korporátní služby, s.r.o.  
Telco Infrastructure, s.r.o.  
Telco Pro Services, a. s.

## CEZ Group Financial Results

### Changes in Revenues, Expenses, and Income

#### CEZ Group Net Income Breakdown (CZK Billions)



Net income (after-tax income) in the first half of 2020 amounted to CZK 14.7 billion, which is a year-on-year increase of CZK 1.3 billion. The growth reflects a year-on-year increase in operating income, reflecting in turn growth in gross margin on electricity generation.

Operating revenues increased by CZK 6.2 billion year-on-year, primarily due to higher revenues from sales of electricity, heat, gas, and coal (CZK +4.7 billion), of which the highest increase of CZK 5.2 billion was in electricity sales, primarily due to higher realization prices of generated electricity, including the effect of hedges, in Czechia. The increase in revenues was also contributed to by sales of services and other revenues (CZK +1.5 billion).

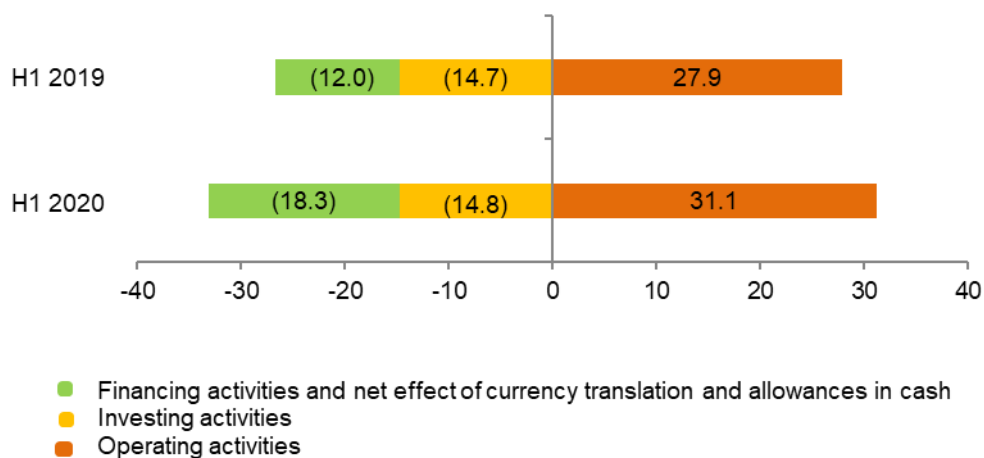
Operating expenses increased by CZK 5.2 billion year-on-year. Most significantly, expenses on emission allowances for generation in Czechia increased by CZK 2.2 billion in a year-on-year comparison due to growth in purchase prices and a lower allocation of free allowances. Additionally, there was an effect of expenses on the purchases of electricity, gas, and other energies increased by CZK 0.6 billion, personnel costs increased by CZK 1.1 billion, and depreciation and amortization increased by CZK 0.7 billion. The year-on-year increase in operating expenses was also due to an increase of CZK 1.1 billion in fixed asset impairment, including goodwill impairment in Romania and Poland. Other operating expenses decreased by a total of CZK 0.5 billion primarily due to lower fuel costs.

Other income (expenses) reduced income by CZK 0.2 billion year-on-year, primarily due to higher interest expenses. Income tax increased by CZK 0.6 billion due to higher earnings before taxes. Gains from commodity derivative trading increased by CZK 1.0 billion.

*Note: Data for the comparable period of Q1-Q2 2019 were adjusted as compared to the data published for H1 2019 due to accounting, which additionally revised the recognition of the effect of hedging for price risks in electricity sales on individual quarters of 2019.*

## Cash Flows

### CEZ Group Cash Flows (CZK Billions)



Cash flows obtained from operating activities increased by CZK 3.2 billion year-on-year to CZK 31.1 billion. There was a positive year-on-year effect of change in assets and liabilities (CZK +7.0 billion). Paid income tax decreased year-on-year (CZK +0.3 billion). In contrast, income before tax adjusted to cash generated by operating activities decreased year-on-year (CZK -4.1 billion) and paid interest other than capitalized interest increased slightly (CZK -0.1 billion).

Cash used in investing activities increased slightly by CZK 0.1 billion in a year-on-year comparison, amounting to CZK 14.8 billion. This was primarily due to lower proceeds from the sale of noncurrent assets (CZK -2.0 billion), higher additions to noncurrent assets including capitalized interest (CZK -0.4 billion) primarily due to higher investments in property, plant, and equipment, and loans made (CZK -0.2 billion). In contrast, acquisitions of subsidiaries, associates, and joint ventures decreased year-on-year (CZK +1.5 billion). Change in financial assets with limited availability decreased cash used in investing activities year-on-year (CZK +1.0 billion).

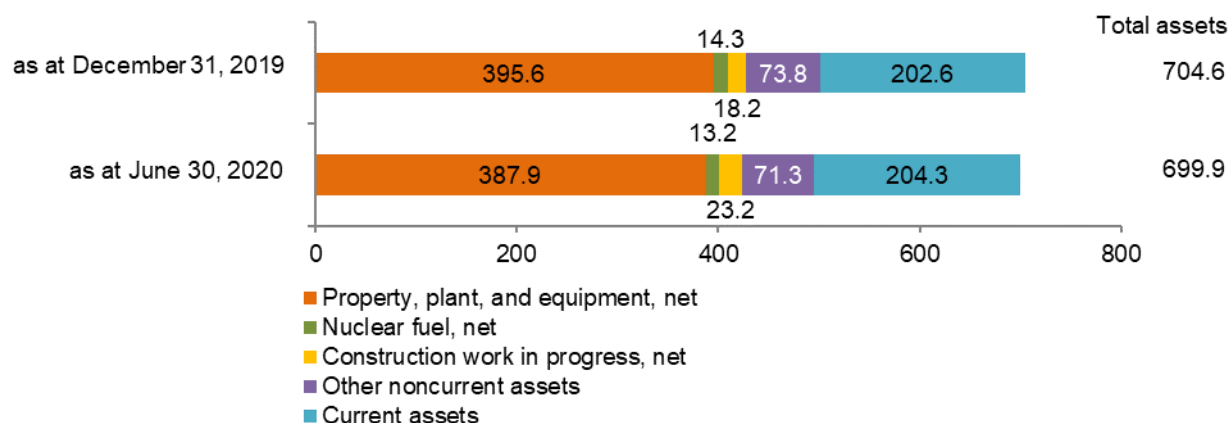
Cash used in financing activities, including the net effect of currency translation and valuation allowances in cash, increased by CZK 6.3 billion year-on-year to CZK 18.3 billion. This was primarily due to a negative balance of loans and repayments (CZK -5.7 billion) and acquisitions of noncontrolling interests in the first half of 2020 (CZK -1.1 billion). Conversely, the net effect of currency translation and valuation allowances in cash was positive (CZK +0.6 billion) in a year-on-year comparison.



## Structure of Assets, Equity, and Liabilities

The value of CEZ Group's consolidated assets, equity, and liabilities decreased by CZK 4.7 billion in the first half of 2020 to CZK 699.9 billion.

### Structure of CEZ Group Assets (CZK Billions)



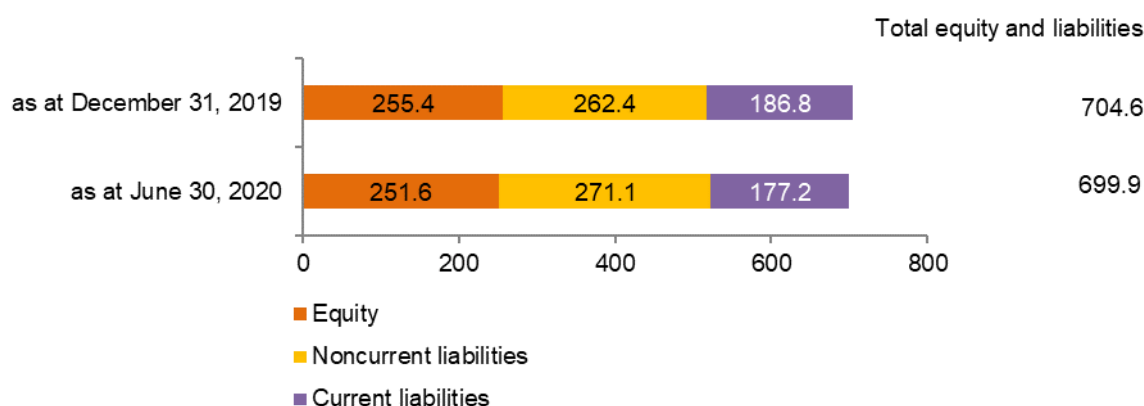
Noncurrent assets decreased by CZK 6.4 billion to CZK 495.6 billion.

The value of property, plant, and equipment, nuclear fuel, and construction work in progress decreased by CZK 3.8 billion to CZK 424.3 billion. Property, plant, and equipment, gross, and construction work in progress increased (CZK +11.7 billion), as did accumulated depreciation and impairments (CZK -14.5 billion). Nuclear fuel decreased (CZK -1.0 billion).

Other noncurrent assets decreased by CZK 2.5 billion to CZK 71.3 billion in the first half of 2020, primarily due to a decrease in noncurrent intangible assets (CZK -6.2 billion), most importantly emission allowances. Conversely, there was an increase in other noncurrent financial assets (CZK +1.5 billion), financial assets with limited availability (CZK +1.3 billion), and investments in associates and joint ventures (CZK +0.9 billion) in the first half-year. Deferred tax asset decreased (CZK -0.1 billion).

Current assets increased by CZK 1.7 billion to CZK 204.3 billion in the first half-year. The increase in current assets was primarily due to emission allowances (CZK +6.3 billion) and receivables from derivatives, including options (CZK +3.6 billion). Other assets, primarily current contract assets, increased (CZK +2.4 billion), as did income tax receivables (CZK +1.3 billion), material inventories (CZK +1.6 billion), and assets classified as held for sale (CZK +0.7 billion). Trade receivables, net, decreased (CZK -11.7 billion) and cash and cash equivalents decreased (CZK -2.7 billion) in the first half-year.

## Structure of CEZ Group Equity and Liabilities (CZK Billions)



Equity, including noncontrolling interests, decreased by CZK 3.8 billion to CZK 251.6 billion. The decrease was due to approved dividends for shareholders (CZK -18.2 billion) as well as other changes in equity (CZK -0.4 billion). The opposite effect was produced by net income generated in the first half-year (CZK +14.7 billion) and other comprehensive income (CZK +0.1 billion).

Noncurrent liabilities increased by CZK 8.7 billion to CZK 271.1 billion primarily due to an increase in issued bonds and long-term bank loans (CZK +7.2 billion). Additionally, deferred tax liability increased noncurrent liabilities (CZK +2.6 billion) and long-term provisions also increased in the first half-year (CZK +0.3 billion). Other noncurrent financial liabilities, primarily liabilities from derivatives, decreased (CZK -1.3 billion).

Current liabilities decreased by CZK 9.6 billion to CZK 177.2 billion. The decrease was primarily due to a decrease in the current portion of long-term debt (CZK -16.8 billion) and decreased trade payables (CZK -14.1 billion). There was also a decrease in short-term provisions (CZK -2.0 billion), primarily due to reversals of provisions for emission allowances and liabilities associated with assets held for sale (CZK -0.4 billion). Conversely, there was an increase in payables to shareholders on account of the dividend awarded (CZK +18.2 billion) and short-term derivative liabilities (CZK +5.5 billion) in the first half-year.

## Comprehensive Income

Net comprehensive income in the first half of 2020 decreased by CZK 5.5 billion as compared to the first half of 2019, to CZK 14.8 billion.

Net income increased by CZK 1.3 billion year-on-year to CZK 14.7 billion and other comprehensive income decreased by CZK 6.7 billion to CZK 0.1 billion. In a year-on-year comparison, other comprehensive income was negatively affected primarily by change in the fair value of financial instruments for cash flow hedges (CZK -7.7 billion) and derecognition of cash flow hedges in income (CZK -4.9 billion). Translation differences for subsidiaries had a positive effect on comprehensive income (CZK +3.0 billion). There was also a positive effect of deferred tax relating to other comprehensive income (CZK +2.3 billion) and other changes in comprehensive income (CZK +0.6 billion).

## Net Debt

### CEZ Group Net Debt (CZK Millions)

	As at Dec 31, 2019	As at Jun 30, 2020
Long-term debt, net of current portion	142,570	149,710
Current portion of long-term debt	25,063	8,229
Short-term borrowings	4,260	4,322
Long-term debt, net of current portion related to assets held for sale	1,357	1,424
Current portion of long-term debt related to assets held for sale	251	136
Short-term borrowings related to assets held for sale	170	359
<b>Total debt</b>	<b>173,671</b>	<b>164,181</b>
Cash and cash equivalents	(9,755)	(7,027)
Cash and cash equivalents classified as held for sale	(2,151)	(2,959)
Highly liquid financial assets	(517)	(517)
<b>Net debt</b>	<b>161,248</b>	<b>153,678</b>
EBITDA (in preceding 12 months)	<b>60,175</b>	<b>64,024</b>
<b>Net debt / EBITDA</b>	<b>2.68</b>	<b>2.40</b>

## Financial Results of CEZ Group Segments

### Segments and Their Contributions to CEZ Group's Financial Performance

	Operating Revenues Other Than Intersegment Revenues (CZK millions)	Operating Intersegment Revenues (CZK millions)	Total Operating Revenues (CZK millions)	EBITDA (CZK millions)	Net Income (CZK millions)	CAPEX (CZK millions)	Workforce Headcount as at June 30 (persons)
<b>Generation—Traditional Energy</b>							
H1 2019	29,997	19,188	49,185	16,856	16,397	3,763	9,930
H1 2020	32,523	18,184	50,707	19,739	16,142	4,122	10,423
<b>Generation—New Energy</b>							
H1 2019	3,397	185	3,582	2,322	1,475	486	160
H1 2020	3,197	680	3,877	2,718	862	248	201
<b>Distribution</b>							
H1 2019	21,320	313	21,633	10,398	4,717	5,651	9,015
H1 2020	21,990	268	22,258	10,901	5,106	6,239	9,029
<b>Sales</b>							
H1 2019	42,925	3,808	46,733	1,884	1,095	622	7,053
H1 2020	46,008	3,567	49,575	2,862	1,696	431	6,823
<b>Mining</b>							
H1 2019	2,239	3,052	5,291	2,525	942	770	4,778
H1 2020	2,003	2,388	4,391	1,750	319	928	4,596
<b>Support Services</b>							
H1 2019	149	2,109	2,258	854	759	370	1,094
H1 2020	532	2,044	2,576	719	486	272	778
<b>Elimination</b>							
H1 2019	—	(28,655)	(28,655)	3	(11,944)	(54)	—
H1 2020	—	(27,131)	(27,131)	2	(9,910)	(75)	—
<b>Consolidated</b>							
H1 2019	100,027	—	100,027	34,842	13,441	11,608	32,030
H1 2020	106,253	—	106,253	38,691	14,701	12,165	31,850

Note: Data for the comparable period of Q1–Q2 2019 were adjusted as compared to the data published for H1 2019 due to accounting, which additionally revised the recognition of the effect of hedging for price risks in electricity sales on individual quarters of 2019.

The net income of CEZ Group's biggest segment, Generation—Traditional Energy, decreased by CZK 0.3 billion year-on-year, which was due to lower dividends received in 2020 by the parent company ČEZ (CZK -2.1 billion), higher fixed asset impairments (CZK -0.4 billion), and higher income tax (CZK -0.6 billion). In contrast, there was a positive year-on-year effect of higher operating income before depreciation and amortization, impairment, and asset sales (EBITDA) in the segment (CZK +2.9 billion) primarily due to higher realization prices of generated electricity, including the effect of hedges.

The net income of the Generation—New Energy segment decreased by CZK 0.6 billion primarily in connection with additions to fixed asset impairments in Romania (CZK -0.8 billion).

The Distribution segment's net income increased by CZK 0.4 billion. Net income in both Romania and Bulgaria increased identically by CZK 0.3 billion, primarily due to an increase in EBITDA in both countries. Net income in Czechia decreased by CZK 0.3 billion primarily due to a decrease in EBITDA and an increase in depreciation and amortization.

The Sales segment's net income increased by CZK 0.6 billion year-on-year, including CZK 0.3 billion in Czechia, CZK 0.2 billion in Romania, and CZK 0.1 billion in Bulgaria.

The Mining segment's net income decreased by CZK 0.6 billion year-on-year due to lower sales of coal.

The Support Services segment's net income decreased by CZK 0.3 billion year-on-year due to lower EBITDA and additions to impairments in financial expenses.

Concerning other indicators of individual segments included in the table, comments are provided below on year-on-year changes in EBITDA (operating income before depreciation and amortization, impairment, and asset sales), which is the most frequently used indicator of operating performance of companies traded on global exchanges and is monitored by international analysts, creditors, investors, and shareholders.

The EBITDA of CEZ Group's Generation—Traditional Energy segment increased by CZK 2.9 billion overall and by CZK 2.9 billion in Czechia alone. The year-on-year increase was due to higher realization prices of generated electricity including the effect of hedges and commodity trading (CZK +5.8 billion), additional gains (overhedge) in the first half of 2020 from German hedge contracts for generation deliveries in 2020 to 2025 due to a significant increase in the difference between Czech and German market prices of electricity (CZK +0.9 billion), higher revenue from heat sales (CZK +0.3 billion), and received damages for a steam generator failure at the Dukovany power plant in 2018 (CZK +0.2 billion). Conversely, there was a negative effect of higher expenses on emission allowances for generation (CZK -2.2 billion) due to increased market prices and a lower allocation of free allowances, lower generation at nuclear power plants (CZK -1.0 billion), the operation of other generating facilities (CZK -0.8 billion), and higher facility maintenance costs at nuclear power plants (CZK -0.3 billion).

The Generation—New Energy segment's EBITDA increased by CZK 0.4 billion. In Romania, the indicator increased by CZK 0.4 billion year-on-year due to higher gross margin on electricity resulting from higher generation and higher selling prices of electricity and by CZK 0.1 billion in Germany primarily due to a higher amount of generated electricity.

The Distribution segment's EBITDA increased by CZK 0.5 billion year-on-year. In Czechia, there was a decrease of CZK 0.2 billion resulting from lower gross margin on electricity distribution (CZK -0.2 billion) due to COVID-19, higher fixed operating expenses (CZK -0.1 billion), and higher revenue from capacity reservation and connection (CZK +0.1 billion). In Romania, the indicator increased by CZK 0.2 billion primarily due to higher revenue from electricity distribution and lower costs to cover losses in the grid (CZK +0.2 billion), higher revenue from pole leases, and higher revenue from connection (CZK +0.1 billion). The effect of COVID-19 on gross margin on electricity distribution in Romania was (CZK -0.1 billion). In Bulgaria, the indicator increased by CZK 0.4 billion due to lower costs to cover losses in the grid and higher revenue from electricity distribution (CZK +0.5 billion). The effect of COVID-19 on gross margin on electricity distribution in Bulgaria was (CZK -0.1 billion).

The Sales segment reported a year-on-year increase of CZK 1.0 billion in EBITDA. In Czechia, the indicator increased by CZK 0.5 billion due to higher margin on commodity sales. In Romania, the indicator increased by CZK 0.3 billion due to higher gross margin, primarily due to higher expenses on electricity purchases in 2019 (the higher margin in the first half of 2020 will be negatively offset in the second half-year). A year-on-year increase of CZK 0.1 billion in Bulgaria was due to higher gross margin on electricity sales. A total increase of CZK 0.1 billion in the other countries of the Sales segment was primarily due to the acquisition of Euroklimat in Poland in Q3 2019 and the merger of CEZ Trade Polska with CEZ Polska in Q4 2019.

The Mining segment's EBITDA decreased by CZK 0.8 billion as compared to the first half of 2019 due to decreased revenue from coal sales to CEZ Group (CZK -0.5 billion), primarily due to an extended outage of the Ledvice 4 power plant (new facility) and the shutdown of the Prunéřov 1 power plant. The decrease in EBITDA was also due to decreased revenue from coal sales to external customers (CZK -0.2 billion).

The Support Services segment's EBITDA decreased by CZK 0.1 billion primarily due to lower intragroup sales and margins.

## Related Parties

### Overview of Receivables from and Payables to Related Parties (CZK Millions)

	Receivables		Payables	
	as at December 31, 2019	as at June 30, 2020	as at December 31, 2019	as at June 30, 2020
Akenerji Elektrik Üretim A.S.	2	—	—	21
Bytkomfort, s.r.o.	—	17	—	4
Elevion Co-Investment GmbH & Co. KG	—	—	80	83
LOMY MOŘINA spol. s r.o.	1	4	27	20
Socrates Windprojekt GmbH & Co. KG	111	—	—	—
Výzkumný a zkušební ústav Plzeň s.r.o.	86	83	5	4
Others	36	27	32	20
<b>Subsidiaries, associates, and joint ventures, total</b>	<b>236</b>	<b>131</b>	<b>144</b>	<b>152</b>

### Sales to and Purchases from Related Parties (CZK Millions)

	Sales to Related Parties		Purchases from Related Parties	
	H1 2019	H1 2020	H1 2019	H1 2020
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	—	4	58	3
Bytkomfort, s.r.o.	—	31	—	—
LOMY MOŘINA spol. s r.o.	5	5	92	103
Teplo Klášterec s.r.o.	32	32	—	—
VLAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	16	15	1	1
Výzkumný ústav pro hnědé uhlí a.s.	—	1	9	8
Others	13	8	6	12
<b>Subsidiaries, associates, and joint ventures, total</b>	<b>66</b>	<b>96</b>	<b>166</b>	<b>127</b>

### Interest, Other Finance Income, and Revenue from Shares of Profit Received from Related Parties (CZK millions)

	Interest and Other Finance Expenses		Interest and Other Finance Income		Income from Received Shares of Profit	
	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020
Akcez Enerji A.S.	—	—	17	7	—	—
Elevion Co-Investment GmbH & Co. KG	3	3	—	—	—	—
LOMY MOŘINA spol. s r.o.	—	—	—	—	5	4
Sakarya Elektrik Dagitim A.S.	—	—	3	3	—	—
Výzkumný ústav pro hnědé uhlí a.s.	—	—	—	—	5	4
Others	—	—	—	3	—	1
<b>Subsidiaries and joint ventures, total</b>	<b>3</b>	<b>3</b>	<b>20</b>	<b>13</b>	<b>10</b>	<b>9</b>

## Economic and Financial Outlook for 2020

As at August 11, 2020, CEZ Group estimated its 2020 consolidated net income\* at CZK 21 to 23 billion.

The estimated year-on-year increase is primarily due to estimated increase in consolidated operating income before depreciation and amortization, impairment, and asset sales (EBITDA). Conversely, there is a negative year-on-year effect of higher depreciation and amortization and income tax.

The 2020 EBITDA was estimated by CEZ Group at CZK 62 to 64 billion as at August 11, 2020, which is a year-on-year increase of CZK 2 to 4 billion (that is, 3% to 6% more than the actual 2019 figure).

The major causes of the year-on-year change in operating results are listed below, broken down by segments, to indicate CEZ Group's expected financial position in 2020.

The Mining segment is estimated to decrease by CZK 1.3 billion to 1.7 billion year-on-year, primarily due to lower sales of coal for ČEZ power plants (resulting from increased prices of emission allowances, decreased electricity prices due to COVID-19, and due to outages) and decreased demand by customers outside CEZ Group. The Generation—Traditional Energy segment is estimated to grow by CZK 2.5 billion to 4.0 billion year-on-year, with positive effects including, above all, higher realization prices of generated electricity, including the effects of hedging, and additional gains from German hedge contracts for deliveries from generation in Czechia in 2020 to 2025. In contrast, there is a negative effect of higher expenses on emission allowances for generation, lower revenue from ancillary services, and estimated lower revenue from commodity trading as compared to exceptionally good results in 2019. The Generation—New Energy segment is estimated to grow by CZK 0.3 billion to 0.5 billion year-on-year, primarily due to higher generation and higher electricity prices in Romania. The Distribution segment is estimated to change by CZK -0.4 billion to +0.2 billion year-on-year, with a lower amount of distributed electricity (COVID-19) partially offset by lower costs to cover losses. The Sales segment is estimated to grow by CZK 0.7 billion to 1.4 billion year-on-year, affected positively by the negative effect of litigation with SŽDC (current name: Správa železnic, státní organizace; a state organization managing national railway infrastructure) on financial performance in 2019, amounting to CZK 1.3 billion, and negatively by estimated lower margin on commodity sales to corporate customers (due to COVID-19). The Support Services segment is estimated to grow by CZK 0.1 billion year-on-year.

Reasons for using an interval for the prediction of CEZ Group's 2020 EBITDA and net income include, in particular, the following risks and opportunities: availability of generating facilities, realization price of generated electricity, COVID-19 impacts on commodity consumption and demand for services, revenue from commodity trading, and revenue from ancillary services for the generation portfolio in Czechia.

CEZ Group estimates its 2020 capital expenditures at CZK 35 billion, mostly planned to be invested in generation and distribution assets in Czechia.

The 2020 net income of the parent company, ČEZ, a. s., is estimated at CZK 15 billion to 17 billion, the bulk of which consists of dividends received from subsidiaries.

\* When assessing the fulfillment of estimates, CEZ Group adjusts achieved net income for extraordinary effects that are generally unrelated to ordinary financial performance in a given year (such as fixed asset impairments and goodwill write-off) and such adjusted net income of CEZ Group then forms the basis for the application of the Company's current dividend policy.

## CEZ Group Capital Expenditure

### Total Capital Expenditures (CZK Millions)

	H1 2019	H1 2020
<b>Additions to property, plant, and equipment, including capitalized interest</b>	<b>13,064</b>	<b>13,467</b>
Additions to property, plant, and equipment	11,306	11,779
Of which: Nuclear fuel procurement	1,629	1,124
Additions to intangibles	302	386
Additions to noncurrent financial assets	216	43
Change in balance of liabilities attributable to capital expenditure	1,240	1,259
<b>Financial investments <sup>1)</sup></b>	<b>2,494</b>	<b>1,027</b>
<b>Total capital expenditures</b>	<b>15,558</b>	<b>14,494</b>

<sup>1)</sup> Acquisition of subsidiaries, associates, and joint ventures, net of cash acquired.



Additions to Property, Plant and, Equipment and Intangibles (CAPEX), by Type (CZK Millions)

	Czechia		Germany		Poland		France		Romania		Bulgaria		Others		Total	
	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020
	Mining	770	928	—	0	—	0	—	—	0	—	—	0	—	—	0
Generation—Traditional Energy	3,651	3,777	—	0	112	345	—	—	0	—	—	0	—	—	0	3,763
Of which: Nuclear fuel procurement	1,629	1,115	—	0	—	0	—	—	0	—	—	0	—	—	0	1,115
Generation—New Energy	2	1	1	(1)	18	10	349	20	116	217	—	—	—	—	0	486
Distribution	4,356	5,068	—	0	—	0	—	—	549	622	745	549	—	—	0	5,651
Sales	309	303	302	76	1	10	—	—	—	2	—	1	10	38	622	431
Support Services *)	314	197	—	0	2	0	—	—	—	0	—	0	—	—	0	316
<b>Total</b>	<b>9,402</b>	<b>10,274</b>	<b>303</b>	<b>76</b>	<b>133</b>	<b>365</b>	<b>349</b>	<b>20</b>	<b>666</b>	<b>841</b>	<b>745</b>	<b>550</b>	<b>10</b>	<b>38</b>	<b>11,608</b>	<b>12,165</b>

\*) Including the amount of intersegment elimination.

## CEZ Group Commodity Procurement, Sales, and Generation

### Electricity

#### Electricity Procured and Sold (GWh)

	H1 2019	H1 2020	2020/2019 Index (%)
<b>Electricity procured</b>	<b>29,005</b>	<b>26,783</b>	<b>92.3</b>
Generation	32,075	29,805	92.9
In-house and other consumption, including pumping in pumped-storage plants	(3,071)	(3,022)	98.4
<b>Sold to end-use customers</b>	<b>(18,005)</b>	<b>(16,984)</b>	<b>94.3</b>
<b>Wholesale balance</b>	<b>(9,026)</b>	<b>(7,926)</b>	<b>87.8</b>
Sold in the wholesale market	(165,665)	(137,011)	82.7
Purchased in the wholesale market	156,639	129,084	82.4
<b>Grid losses</b>	<b>(1,974)</b>	<b>(1,872)</b>	<b>94.8</b>

Electricity Generation, by Source of Energy (GWh)

H1 2019	Czechia		Germany		Poland		Romania		Bulgaria		H1 2019 Total	
	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Total
Nuclear	15,115	—	—	—	—	—	—	—	—	—	15,115	—
Coal	11,877	9	—	—	1,006	—	—	—	—	—	12,883	9
Hydro	1,106	133	—	—	2	—	—	46	—	—	1,109	179
Biomass	289	—	—	—	179	—	—	—	—	—	468	—
Photovoltaic	—	74	—	—	—	—	—	—	—	3	—	77
Wind	—	6	—	153	—	—	—	643	—	—	—	802
Natural gas	1,267	166	—	—	—	—	—	—	—	—	1,267	166
Biogas	—	1	—	—	—	—	—	—	—	—	—	1
<b>Total</b>	<b>29,655</b>	<b>388</b>	<b>—</b>	<b>153</b>	<b>1,187</b>	<b>—</b>	<b>—</b>	<b>689</b>	<b>—</b>	<b>—</b>	<b>30,842</b>	<b>1,233</b>
<b>32,075</b>												
H1 2020	Czechia		Germany		Poland		Romania		Bulgaria		H1 2020 Total	
	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Total
Nuclear	14,233	—	—	—	—	—	—	—	—	—	14,233	—
Coal	9,926	—	—	—	903	—	—	—	—	—	10,828	—
Hydro	936	122	—	—	4	—	—	40	—	—	940	163
Biomass	289	—	—	—	243	—	—	—	—	—	532	—
Photovoltaic	—	72	—	—	—	—	—	—	—	3	—	75
Wind	—	5	—	166	—	—	—	700	—	—	—	871
Natural gas	1,977	184	—	—	—	—	—	—	—	—	1,977	184
Biogas	—	1	—	—	—	—	—	—	—	—	—	1
<b>Total</b>	<b>27,361</b>	<b>385</b>	<b>—</b>	<b>166</b>	<b>1,149</b>	<b>—</b>	<b>—</b>	<b>741</b>	<b>—</b>	<b>—</b>	<b>28,510</b>	<b>1,295</b>
<b>29,805</b>												

Estimated Electricity Generation, by Source of Energy (GWh)

Whole Year 2020—Estimate	Czechia		Germany		Poland		Romania		Bulgaria		2020 Total	
	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Total
Nuclear	29,998	—	—	—	—	—	—	—	—	—	29,998	—
Coal	20,321	—	—	2,028	—	—	—	—	—	—	22,349	—
Hydro	2,035	201	—	8	—	70	—	—	—	2,043	271	2,314
Biomass	628	—	—	522	—	—	—	—	—	1,149	—	1,149
Photovoltaic	—	130	—	—	—	—	—	6	—	—	137	137
Wind	—	9	—	319	—	1,304	—	—	—	—	1,632	1,632
Natural gas	3,787	332	—	—	—	—	—	—	—	3,787	332	4,120
Biogas	—	3	—	—	—	—	—	—	—	—	—	3
<b>Total</b>	<b>56,769</b>	<b>676</b>	<b>0</b>	<b>319</b>	<b>2,558</b>	<b>0</b>	<b>1,374</b>	<b>0</b>	<b>0</b>	<b>59,327</b>	<b>2,375</b>	<b>61,702</b>

Electricity Sales to End-Use Customers (GWh)

	Czechia		Poland		Romania		Bulgaria		Slovakia		Hungary		Total	
	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020
Large customers	3,751	3,914	842	133	504	475	2,197	2,285	625	149	751	650	8,669	7,606
Commercial retail	1,091	1,050	71	9	498	420	808	793	76	69	—	—	2,544	2,341
Residential retail	3,601	3,703	—	—	869	882	2,322	2,452	—	—	—	—	6,791	7,037
<b>Total</b>	<b>8,443</b>	<b>8,667</b>	<b>913</b>	<b>142</b>	<b>1,870</b>	<b>1,777</b>	<b>5,327</b>	<b>5,530</b>	<b>701</b>	<b>218</b>	<b>751</b>	<b>650</b>	<b>18,005</b>	<b>16,984</b>

Installed Capacity by Type of Generation Facility and Country (MW)

H1 2019	Czechia		Germany		Poland		Romania		Bulgaria		H1 2019 Total	
	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Total
Nuclear power plants	4,290	—	—	—	—	—	—	—	—	—	4,290	—
CCGT power plants; gas-fired CUs and boiler plants	845	104	—	—	—	—	—	—	—	—	845	104
Coal-fired power plants and heating plants	6,114	79	—	—	568	—	—	—	—	6,682	79	6,761
Hydroelectric power plants	1,893	68	—	—	1	—	—	22	—	1,894	90	1,984
Photovoltaic power plants	—	125	—	—	—	—	—	—	—	—	5	130
Wind power plants	—	8	—	134	—	—	—	600	—	—	—	742
Biogas plants	—	1	—	—	—	—	—	—	—	—	—	1
<b>Total</b>	<b>13,142</b>	<b>385</b>	<b>—</b>	<b>134</b>	<b>569</b>	<b>—</b>	<b>—</b>	<b>622</b>	<b>—</b>	<b>13,711</b>	<b>1,146</b>	<b>14,857</b>
H1 2020	Czechia		Germany		Poland		Romania		Bulgaria		H1 2020 Total	
	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Renewables	Traditional Sources	Total
Nuclear power plants	4,290	—	—	—	—	—	—	—	—	—	4,290	—
CCGT power plants; gas-fired CUs and boiler plants	845	112	—	—	—	—	—	—	—	—	845	112
Coal-fired power plants and heating plants	5,254	—	—	—	568	—	—	—	—	5,822	—	5,822
Hydroelectric power plants	1,893	68	—	—	1	—	—	22	—	1,894	90	1,984
Photovoltaic power plants	—	125	—	—	—	—	—	—	—	—	5	130
Wind power plants	—	8	—	134	—	—	—	600	—	—	—	742
Biogas plants	—	1	—	—	—	—	—	—	—	—	—	1
<b>Total</b>	<b>12,282</b>	<b>314</b>	<b>—</b>	<b>134</b>	<b>569</b>	<b>—</b>	<b>—</b>	<b>622</b>	<b>—</b>	<b>12,851</b>	<b>1,075</b>	<b>13,926</b>

## Heat

### Heat Supplied and Sold (TJ)

	Heat Supplied for Heating Purposes		External Heat Sales (outside CEZ Group)	
	H1 2019	H1 2020	H1 2019	H1 2020
Czechia	12,677	11,994	10,751	10,635
Poland	3,177	3,105	3,114	3,040
<b>CEZ Group, total</b>	<b>15,854</b>	<b>15,099</b>	<b>13,865</b>	<b>13,675</b>

## Natural Gas

### Natural Gas Procured and Sold (GWh)

	H1 2019	H1 2020	2020/2019 Index (%)
<b>Procured</b>	<b>151,258</b>	<b>247,771</b>	<b>163.8</b>
<b>Removed from storage</b>	<b>5,221</b>	<b>3,579</b>	<b>68.5</b>
<b>Sold</b>	<b>(147,003)</b>	<b>(241,254)</b>	<b>164.1</b>
Of which: Trading	(141,296)	(235,789)	166.9
External large end-use customers	(2,134)	(1,791)	83.9
Medium-sized end-use customers	(847)	(930)	109.8
Small end-use customers	(654)	(670)	102.5
Residential retail	(1,744)	(1,791)	102.7
OTE	(328)	(283)	86.2
<b>Placed in storage</b>	<b>(6,251)</b>	<b>(5,428)</b>	<b>86.8</b>
<b>Consumed in-house</b>	<b>(3,225)</b>	<b>(4,668)</b>	<b>144.7</b>

### Natural Gas Sold to End-Use Customers (GWh)

	Czechia		Poland		Romania		Slovakia		Total	
	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020
External large customers	493	570	496	204	–	–	1,145	1,017	2,134	1,791
Medium-sized end-use customers	162	146	15	14	626	735	44	35	847	930
Small end-use customers	573	580	–	–	–	–	81	90	654	670
Residential retail	1,741	1,788	–	–	–	–	3	3	1,744	1,791
<b>Total</b>	<b>2,969</b>	<b>3,084</b>	<b>512</b>	<b>218</b>	<b>626</b>	<b>735</b>	<b>1,272</b>	<b>1,145</b>	<b>5,379</b>	<b>5,183</b>

## Distributed Electricity

### Electricity Distributed to End-Use Customers (GWh)

	Czechia		Romania		Bulgaria		Total	
	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020
Electricity distributed to end-use customers	18,362	17,452	3,439	3,087	4,921	4,865	26,722	25,405

## Safety and Quality Management

### Safety and Quality Management

Safety is CEZ Group's topmost priority, which employees are reminded of at regular intervals by means of internal communication tools. The Board of Directors of ČEZ fully accepts its responsibility for ensuring the safety and security of generating facilities and the protection of individuals and the public. In environmental protection, it proceeds in compliance with applicable law as well as Czechia's international commitments. CEZ Group's centrally managed internal regulations give priority to safety and security in all processes and activities.

Fulfillment of obligations arising from our Safety and Environmental Protection Policy is reviewed regularly within CEZ Group through "Safety Topic of the Year" assessments. The Safety Topic of the Year 2020 is: "We regularly assess risks, prevent them, eliminate them, or reduce them to an acceptable level."

### Safety of Operated Nuclear Power Plants

ČEZ's nuclear power plants were operated in compliance with applicable nuclear energy legislation in the first half of 2020, fulfilling the conditions of their valid licenses. Their operation had a negligible impact on the environment and the populace.

Refueling outages and all other activities ensuring safe generation were performed even during the period of a state of emergency due to the COVID-19 pandemic (March 12 to May 17, 2020) and adopted emergency measures.

All international reviews and emergency response drills planned for the spring were postponed until the fall, international events until some later time.

Nuclear Power Plant Safety Enhancement Plans were evaluated, updated, and implemented in relation to our Nuclear Safety Policy. The evaluation and updates take place every April and also this year's evaluation showed that campaigns to enhance the safety of our nuclear power plants were conducted on schedule.

The Temelín and Dukovany plants were successfully audited and recertified as a "Safe Enterprise" in April and May, respectively.

### Dukovany Nuclear Power Plant

When Unit 3 of the Dukovany Nuclear Power Plant was being put into operation again in March after a regular refueling outage, the outage was extended. The extension included cleaning and inspecting the equipment of the reactor upper block, in connection with changes in the required vessel level.

### Temelín Nuclear Power Plant

A refueling outage was successfully completed at Unit 1 of the Temelín Nuclear Power Plant in May. Nuclear power plants have been operating in a mode with defined "vital premises" since January and this outage was the first one to take their existence into account. Moreover, COVID-19 measures made the outage even more difficult.

A refueling outage was started at Unit 2 of the Temelín Nuclear Power Plant in June. The most difficult work done during the outage was replacing two 110-ton separators/steam reheaters, which is expected to increase output capacity.

### Cybersecurity

Following a change in the scope of identified critical information infrastructure elements and fundamental service information systems, made by CEZ Group under the direction of the National Cyber and Information Security Agency in 2019, work is carried out in 2020 to properly assess the risks of identified systems and take appropriate security measures.

ČEZ is implementing new organizational measures in 2020 in relation to new legal requirements and in order to enhance the security of computer systems at the nuclear power plants it operates.

To be able to meet its objectives in the protection of key assets more efficiently, CEZ Group is implementing a project for an integrated security operations center (iSOC), under which measures for comprehensive security monitoring and efficient response to cyber and other threats are being introduced.



## Czechia

### Business Environment

The energy market in Czechia is fully liberalized and all customers, including residential customers, can choose their electricity supplier. There is a functional electricity exchange (PXE, which is part of the EEX) and a market operator guaranteeing the functioning of the market. The price of electricity distribution is regulated.

On January 13, 2020, the Czech government approved the Czech National Energy and Climate Plan, prepared under Regulation (EU) 2018/1999 of the European Parliament and of the Council on the Governance of the Energy Union and Climate Action. The plan outlines the development of the Czech energy sector while Czechia aims to reduce total greenhouse gas emissions by 30% by 2030 as compared to 2005, which corresponds to reducing emissions by 44 million tons of CO<sub>2</sub>. Concerning renewable energy sources, Czechia has undertaken to have a 22% share of renewables in gross final energy consumption by 2030. Concerning energy savings, Czechia aims at 1,735 PJ in primary energy sources, at 990 PJ in final consumption, and at GDP energy intensity of 0.157 CZK/MJ. The national plan will be turned into specific policies by amending or reworking several legal regulations, which will be passed over the period of 2020–2022.

On June 9, 2020, the ERO Council approved the Price Regulation Principles for the regulatory period of 2021–2025 for the electricity sector and gas sectors, for market operator activities in the electricity and gas sectors, and for mandatory purchasers. The fifth regulatory period, to which the new Price Regulation Principles will apply, will start on January 1, 2021, and end on December 31, 2025. The rules for the fifth regulatory period reflect the transformation that the energy sector is undergoing and whose duration will exceed that of the regulatory period. Regulated entities will have sufficient funds for necessary effective investments while the newly set procedures will reduce their financial risks. This will allow them to respond to the development of renewable and decentralized sources, introduce smart solutions for remote metering and system management, take into consideration the development of electric mobility, and enhance digitization.

Due to the declared stage of emergency and the COVID-19 pandemic, the ERO decided to publish price decisions on April 23, 2020, namely ERO Price Decision No. 2/2020 and ERO Price Decision No. 3/2020 for the electricity sector and Price Decision No. 1/2020 for the gas sector. Measures newly introduced by the price decisions made it easier for customers to cope with restrictions resulting from the state of emergency in the specified period of April to June 2020, such as by allowing changes in the reserved capacity of service points.

In late March 2020, the government approved an “Amendment to the National Raw Material Policy,” aiming to define the state’s position in the handling of critical and supercritical minerals and conceptually identify tools that will be reflected by amendments to appropriate implementing regulations, most importantly the Mining Act and Geological Works Act.

## **Construction of New Nuclear Units**

### **Dukovany New Nuclear Power Plant (NNPP)**

Based on conclusions from a session of the Standing Committee on the Construction of New Nuclear Power Plants and a resolution of the Czech government, Elektrárna Dukovany II has been confirmed as the developer of the Dukovany NNPP project, concentrating maximum personnel capacities and financial resources for the preparatory stage of the construction of new nuclear power plants at Dukovany has been identified as a priority, negotiations between the government and the European Commission have started as part of a prenotification process concerning the compatibility of proposed state aid with the European Union's internal market rules, a mechanism has been prepared for the state's support to the construction of low-carbon facilities in Czechia, and a proposal has been debated concerning the funding of new nuclear power plants in Czechia preventing artificial increases in electricity prices.

Negotiations with potential contractors for a new nuclear unit at Dukovany took place in February 2020. The negotiations were attended by representatives of EDU II, a. s., and ČEZ, a. s., as well as state officials.

The company is working hard on the preparation of tender specifications for the selection of the contractor for a new nuclear unit at Dukovany.

On March 25, 2020, Elektrárna Dukovany II, a. s., submitted its application for a nuclear facility siting permit, including all documents required by law, to the State Office for Nuclear Safety.

Negotiations were concluded between the government, ČEZ, and Elektrárna Dukovany II concerning the Framework Agreement for cooperation in the construction of a new nuclear power plant in Czechia and the First Implementation Agreement for cooperation in the construction of a new nuclear power plant at Dukovany in Czechia. Both agreements were signed on July 28, 2020. The First Implementation Agreement covers the period from a call for tenders from contractors for the new nuclear facility to the end of the tendering procedure. The contractor is expected to be selected by the end of 2022.

Independently of the signed agreements, the Czech government debated an act on measures for Czechia's transition to low-carbon energy on July 27, 2020, with the aim of enabling the state to order the construction of a nuclear power plant with a fixed commissioning date, generation volume, and electricity purchase price and also to provide some funding for the project.

Work on the preparation of documentation necessary for the initiation of land use proceedings continued. Support documents are being prepared for the incorporation of the Dukovany NNPP project in all levels of land use planning documents and efforts are made to obtain a defined scope of rights to land.

### **Temelín New Nuclear Power Plant (NNPP)**

Based on conclusions from a session of the Standing Committee on the Construction of New Nuclear Power Plants and a resolution of the Czech government, it has been determined that concentrating maximum personnel capacities and financial resources for the preparatory stage of the construction of new nuclear power plants at Dukovany is a priority; however, it was also determined that activities at the Temelín site must be managed so that it may always be activated quickly if necessary.

Conditions arising from the issued EIA opinion were being implemented (while a proceeding is under way concerning an application for the extension of the validity of the opinion, which was submitted to the Ministry of the Environment on December 11, 2019), activities were carried out in connection with the issued siting permit for the Temelín 3 and Temelín 4 NNPPs, and other preparatory development activities resulting from the abovementioned terms of reference were performed.

Developments in the field of small modular reactors (SMRs) are monitored in connection with the Temelín NNPP project.

## Traditional Generation and Mining

### Traditional Generation

#### Electricity Generation

Electricity generation by CEZ Group traditional facilities in Czechia was 27,361 GWh in the first half of 2020, having decreased by 2,294 GWh as compared to the same period of 2019.

Nuclear power plants generated 14,233 GWh of electricity in the first half of 2020, or 882 GWh less year-on-year, with the Dukovany Nuclear Power Plant generating 517 GWh less primarily due to a prolonged outage of Unit 4 and extended maintenance of the reactor coolant pump and emergency shutdown and control rod assemblies at Unit 3 in the first half of 2020 and the Temelín Nuclear Power Plant generating 365 GWh less due to rescheduled outage dates and activities.

Coal-fired power plants (biomass excluded) generated 9,926 GWh of electricity, or 1,952 GWh less year-on-year. The decrease in generation was primarily due to a higher failure rate, longer outages, and lower market prices.

The Počerady II CCGT plant generated 1,977 GWh of electricity, that is, 710 GWh more year-on-year, due to favorable spot market prices of electricity and gas in this year.

Generation from biomass amounted to 289 GWh, with no year-on-year change.

Generation by large hydroelectric power plants was 936 GWh, that is, 170 GWh less year-on-year, primarily due to hydrological drought in January to April 2020.

#### Heat Generation and Sales

A total of 9,606 TJ of heat was supplied to customers from CEZ Group's facilities in Czechia in the first half of 2020, which was 98 TJ less than in the same period of 2019. This was primarily due to a lower amount of heat supplied by the Energotrans facility.

### Capital Construction

#### Nuclear Energy—Existing Facilities

The Dukovany and Temelín nuclear power plants were implementing capital projects focusing on safety enhancement, compliance with legislative requirements, and plant renovation in the first half-year with the aim of ensuring long-term safe operation. The schedule of the construction of a heat supply pipe from Temelín to České Budějovice was adversely affected by COVID-19-related emergency measures on the part of the contractor.

#### Conventional Energy

Preparatory, designing, and implementing work continued on projects related to plant renovation and maximization of operational safety, efficiency, and environmental friendliness in 2020. Special attention was paid to projects that will enable facility operation after 2020, when new BREF limits (applied to integrated permits issued to polluters) will enter into force. This applied especially to the Tušimice power plant, where overhauls and additional environmental upgrades are being prepared for the period of 2021 and 2022.

#### Installed Capacity

The installed capacity of traditional generating facilities amounted to 12,282 MW as at June 30, 2020, which is 860 MW less than at June 30, 2019.

There was a decrease at coal-fired power plants—220 MW at the Ledvice 2 power plant (license for two units terminated at November 15, 2019), 200 MW at the Dětmarovice power plant (license for one unit terminated at January 1, 2020), and 440 MW at the Prunéřov 1 power plant (license for four units terminated at June 30, 2020). As a result, the installed capacity of coal-fired power plants and heating plants amounted to 5,253.90 MW as at June 30, 2020.

Nuclear power plants retained the same capacity of 4,290 MW (Dukovany: 2,040 MW, Temelín: 2,250 MW). Other power plants also retained the same installed capacity—CCGT plants: 844.9 MW, hydroelectric and pumped-storage power plants: 1892.8 MW, cogeneration units and boiler plants: 0.4 MW.

## **Outlook for 2020**

### **Nuclear Power Plants**

Generation by nuclear power plants should amount to 30 TWh in 2020. The availability of nuclear power plants is affected by the timing of scheduled outages related not only to refueling and the performance of scheduled maintenance but also activities aimed at continual upgrades and enhancement of the operational efficiency of the two plants, such as the replacement of steam separators in the nonnuclear part of the Temelín power plant. This is another example of continual upgrading, which increases the efficiency and supports the long-term safe operation of nuclear facilities. Environmental benefits are another important aspect, as the installation of new separators will save several tons of CO<sub>2</sub> per year.

### **Coal-Fired and Gas-Fired Power Plants**

Conventional coal-fired power plants are estimated to generate 20.3 TWh of electricity in 2020. A priority task is to make preparations and commercial arrangements for another round of environmental upgrades in 2021 and 2022, which will allow operating the facilities after new emission limits enter into force. Utmost attention will be paid to the completion of environmental upgrades at the Mělník I power plant and the construction of a new DeNO<sub>x</sub> system at the Trmice heating plant, which will enable long-term operation of district heating systems in Prague and Ústí nad Labem.

The Počerady CCGT plant estimates its generation at 3.8 TWh; it has also prepared an extensive overhaul for the fall of 2020, during which its capacity will be increased by approximately 40 MW by utilizing design margins.

### **Hydroelectric Power Plants**

Hydroelectric power plants are estimated to generate approximately 2 TWh. Their actual generation will depend on hydrological conditions in Czechia, especially in the Vltava River Cascade.

Major repairs will be carried out at the Štěchovice II, Kamýk, and Slapy power plants.

### **Heat Generation**

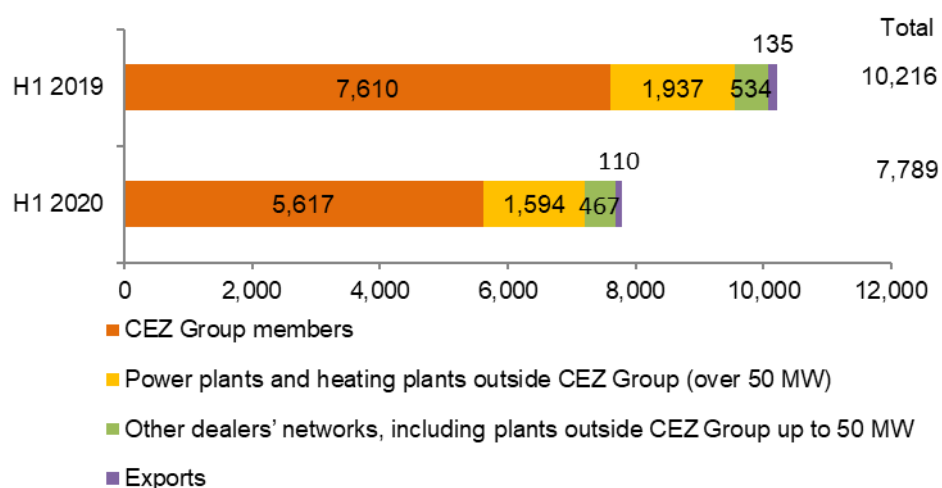
Heat supplies to customers from traditional facilities in Czechia are estimated at 17,319 TJ in 2020. The actual amount will primarily depend on climatic conditions.

## Mining

### Coal Mining and Sales

The CEZ Group company engaged in brown coal mining is Severočeské doly. It sold 7,789 thousand tons of coal in the first half of 2020, or 2,428 thousand tons less than in the same period of 2019. The drop in deliveries was due to lower demand from customers, both from CEZ Group and from external customers. Decreased deliveries within CEZ Group were primarily due to the shutdown of the Prunéřov I power plant, an outage of the Ledvice coal-fired power plant, and lower demand for deliveries to the Mělník II and III power plant, Počerady power plant, and Tušimice power plant. Lower demand from external customers was primarily connected with deliveries to Teplárna Kladno and United Energy.

#### Coal Sales, by Customer (Thousands of Tons)



### Capital Construction

Severočeské doly's capital program focused primarily on projects making provisions for extraction in the Bílina Mine in the first half of 2020. Its capital investments consisted mostly of deliveries, renovations, and upgrades of mining equipment and dressing and crushing plants and construction of stabilization measures and water management structures.

### Outlook for 2020

Severočeské doly plans to produce 16 million tons of coal in 2020, which would be significantly less than the actual production in 2019 (20.4 million tons). The reasons include, in particular, lower planned consumption by CEZ Group power plants and heating plants due to shutdowns of obsolescent coal-fired facilities (especially the Prunéřov I power plant) and due to unfavorable development of market conditions for the deployment of coal-fired power plants.

### Lithium Ore (Zinnwaldite) Exploration

ČEZ decided to join a lithium ore extraction project at Cínovec. The original developer of the project, European Metals Holdings Limited (EMH), held a 100% stake in Geomet, the holder of an exclusive license for exploration for zinnwaldite, a lithium-containing mineral. CEZ Group's Severočeské doly acquired a 51% stake in Geomet through an increase of its stated capital in the first half of 2020.

The starting second stage of the extraction project will consist in technical verification of the production process under pilot conditions and on pilot testing lines; it does not include actual extraction yet. In particular, specific methods for lithium extraction from zinnwaldite will be verified. A geological survey will continue at the location in order to verify some parts of the deposit. The pilot tests are planned to be carried out for two years.

## Renewable Generation

### Electricity Generation

Electricity generation by facilities operated by ČEZ OZ uzavřený investiční fond in Czechia totaled 200 GWh in the first half of 2020, that is, 13 GWh less than in the same period of 2019. This includes 122 GWh of electricity generated by hydroelectric power plants, 72 GWh generated by photovoltaic power plants, 5 GWh generated by wind turbines, and 1 GWh generated by biogas plants.

The highest year-on-year generation decrease of 11 GWh was registered at hydroelectric power plants due to better-than-average hydrological conditions in early 2019.

ČEZ Energo generated 184 GWh of electricity from natural gas at cogeneration units and boiler plants in the first half of 2020, which was 19 GWh more than in the first half of 2019.

### Heat Generation and Sales

CEZ Group's facilities in Czechia supplied 1,029 TJ to customers in the first half of 2020, which was 19 TJ less than in the same period of 2019 due to lower supplies from ČEZ Energetické služby.

### Installed Capacity

CEZ Group operated generating facilities with a total renewable installed capacity of 314 MW in Czechia as at June 30, 2020, a year-on-year decrease of 71 MW:

- ČEZ OZ uzavřený investiční fond operated generating facilities with a total installed capacity of 202 MW (hydroelectric power plants: 68 MW, photovoltaic power plants: 125 MW, wind turbines: 8 MW, biogas plants: 0.5 MW) in Czechia, without any year-on-year change.
- ČEZ Energo's cogeneration units had 112 MW of installed capacity, year-on-year increase by 8 MW.
- Vítkovice Heating Plant lost its license at January 1, 2020, deducting 79 MW of installed capacity.

### Capital Construction

Mostly small-scale investments to photovoltaic and small hydroelectric power plants were made at power plants operated by ČEZ OZ uzavřený investiční fond.

### Outlook for 2020

Renewable generation by facilities operated by ČEZ OZ uzavřený investiční fond is estimated at 344 GWh in 2020, including 201 GWh generated by hydroelectric power plants, 130 GWh by solar power plants, 9 GWh by wind turbines, and 3 GWh by biogas plants.

Electricity generation by ČEZ Energo's cogeneration units is estimated at 332 GWh.

Supplies of heat from renewables to customers in Czechia are estimated at 1,818 TJ in 2020.

## **Distribution**

### **Electricity Distribution**

CEZ Group's electricity distribution business in Czechia is taken care of by ČEZ Distribuce, which distributed 17.5 TWh of electricity to customers in the first half of 2020, which was 0.9 TWh less than in the same period of 2019. With regard to individual voltage levels, there was a decrease of 1.1 TWh at the high-voltage and medium-voltage level but an increase of 0.1 TWh at the low-voltage level.

The Energy Regulatory Office approved the parameters of a new regulatory period for 2021–2025, which include 100% alignment of the regulatory asset base (RAB) with the total residual value of assets by the end of 2025 in a progressive manner; to ensure reasonable return on RAB, nominal WACC before tax is set at 6.54% and a minimum efficiency factor is set for regulated entities in Czechia (that is, the rate of mandatory reduction of permitted costs in the future with a view to economy measures taken by a regulated company in the past).

### **Capital Construction**

ČEZ Distribuce's capital expenditures in the first half of 2020 went mostly into the renovation of distribution grids at all voltage levels, transformer substation reconstructions, and transformer and electricity meter renovations. The principal objective of such capital expenditures is to ensure operational reliability of the distribution system. A significant portion of the funds is connected with distribution system development addressing customer requests for connection to the distribution system. The company continued to make capital expenditures on digitization, smart technologies, and optic infrastructure development in the period in question.

### **Outlook for 2020**

ČEZ Distribuce estimates its 2020 electricity supplies to customers at 34.3 TWh. In respect of processes, the company will concentrate primarily on increasing the level of digitization and automation, both towards customers and inside the company, with the aim of improving the speed and efficiency of such processes.

## **Sales of Commodities and Energy Services**

### **Sales of Electricity and Natural Gas**

Commodities are sold to residential and small business end-use customers in Czechia primarily by ČEZ Prodej and to corporate, municipal, and public authority customers by ČEZ ESCO.

Customers in Czechia can order electricity and natural gas as the commodity alone (Electricity/Natural Gas Supply Contract) and purchase distribution services directly from a competent distributor under a separate Distribution Service Contract. However, the much more frequent form is “integrated supply” under an Integrated Supply Contract for a given commodity, under which ČEZ Prodej or ČEZ ESCO not only supplies the commodity to the customer but also arranges for the provision of distribution services by a distributor according to rules specified by law.

ČEZ Prodej continued to offer electricity and natural gas supplies and related services only to bulk-service customers, namely residential customers and small and midsize businesses, in the first half of 2020. During emergency measures against COVID-19, when all direct sales and service channels were closed down for the necessary time by a government decree, ČEZ Prodej considerably reinforced its indirect sales and service channels, especially its internal call center.

Similarly to other suppliers, ČEZ Prodej had to react to a continued rise in wholesale commodity prices in late 2019 and adjust its price strategy for selected tariffs in two steps during the first quarter of 2020.

Sales to end-use customers in the first half of 2020 amounted to 8,667 GWh of electricity and 3,084 GWh of natural gas. This was an increase of 224 GWh in electricity and 115 GWh in natural gas, as compared to the first half of 2019.

### **Sales of Services and Energy Solutions in Decentralized Energy**

Energy services and new energy solutions for customers include energy savings, decentralized sources, lighting, and other energy products, offering solutions with emphasis on new technologies, efficient use of energy, and integrated product offers. There are also commercial products and services developed for electric mobility (electricity-powered vehicles and related infrastructure) and the Smart City concept with emphasis on healthy buildings, especially schools, and “smart” offices (combining a photovoltaic installation and battery storage).

During the COVID-19 pandemic, significant advances were made in the digitization of customer care, such as switching customers to electronic billing, and a process was started to equip sales representatives with electronic signatures. Additionally, the Safe to Complete platform, allowing online planning of rooftop photovoltaic installations, was put into pilot operation. A campaign to help hospitals was conducted, offering standby power supplies for free during the state of emergency. Furthermore, a new Ozone Disinfection service using an ANNIHILATOR ozone generator was put on the market.

### **Sales of Other Products and Services**

More than 260 photovoltaic systems were installed in the first half of the year, which is a 40% year-on-year increase. The number of heat pumps installed exceeds 120, matching the number of orders completed and accepted in the same period of 2019.

A single-phase ČEZ Battery Box 1F EASY was put on the market in the second quarter 2020 to complement the product line of battery systems. The system is suitable for smaller single-family houses or for customers having smaller roofs.

Collaboration between ČEZ Prodej and TENAUR gave rise to a “Development Center,” which is primarily in charge of the development of new products for the TENGEO control system and custom solutions for residential photovoltaic systems and heat pumps.

ČEZ Prodej also offers additional, complementary services besides services directly related to energy. It is a fully-fledged mobile virtual network operator (MVNO) with its own offer of “MOBILE FROM ČEZ” products. Classified as a medium-sized MVNO by the scope of provided services, its portfolio of more than 80,000 SIM cards makes it one of the largest MVNOs in Czechia.



## **Commodity and Energy Services Sales Outlook for 2020**

CEZ Group estimates there will be a slight y-o-y increase in electricity and natural gas supplied to end-use customers in 2020, primarily thanks to changes in the customer portfolio.

ČEZ ESCO will further promote products related to energy optimization and environmental impacts in the next half-year. Promoting the sales of the two commodities and developing products meeting some customers' environmental requirements will continue to be a strategically important activity. There will also be development of a platform for interconnecting and monitoring data from IoT sensors and in the field of other innovations.

## Germany

### Business Environment

Under the “Energiewende,” Germany’s energy sector continues with long-term transformation with the aim of creating a low-carbon, renewables-based energy system. Germany plans to reduce greenhouse gas emissions by at least 40% from the 1990 baseline in 2030 and by 85–95% in 2050. An important part of the commitment is increasing the share of renewable energy in total gross consumption to 30% by 2030 and 60% by 2050. In the first half of 2020, renewable energy sources covered 50.3% of total electricity consumption, which was 7% more than in the same period of 2019. The bulk of generated green electricity was provided by wind turbines.

According to the Federal Network Agency (BNetzA), 188 wind farms with an installed capacity of 591 MW were connected to the grid in Germany in the first half of 2020. An amendment to the Renewable Energy Sources Act (EEG 2017) was passed in May 2020, revoking simplified rules for civic societies’ participation in auctions. Until now, civic societies could participate in auction rounds without having a permit under the German Immission Control Act (BImSchG). They will newly be required to meet the same conditions for participation in auction proceedings as other entities.

There were 3 auctions for the construction of onshore wind turbines held in the first half of 2020. Support was granted to 148 projects with a total capacity of 1,138 MW. There were also 3 auctions for the construction of solar facilities and support was granted to 90 projects with a total capacity of 502 MW.

### CEZ Group Operations

Regarding renewables, CEZ Group in Germany concentrates on the operation of its wind farms and the development of its existing wind portfolio with a capacity of up to 193.5 MW. Development activities are supported by CEZ Deutschland GmbH, based in Hamburg.

Sunfire (invested in through Inven Capital) was appointed by the European Commission as a member of the European Clean Hydrogen Alliance, which is tasked with preparing a plan to increase clean hydrogen production capacity in Europe to 40 GW by 2030.

### Electricity Generation

CEZ Group’s wind farms in Germany generated 166 GWh of electricity in the first half of 2020, as compared to 153 GWh in the same period of 2019.

### Installed Capacity

As at June 30, 2020, CEZ Group companies owned ten wind farms in Germany, consisting of 53 wind turbines with a total installed capacity of 133.5 MW.

### Sales of Commodities and Energy Services

German energy service companies from the Elevion and Kofler Energies groups had sales amounting to CZK 6.5 billion in the first half of 2020. The sales fell short of original expectations due to COVID-19 measures. The impacts were analyzed thoroughly and optimization measures were taken to mitigate them. The companies returned to their original mode of operation by June 30, 2020, after the situation calmed down.

German ESCOs did not make any acquisition in the first half of 2020, concentrating on developing their existing business and mitigating the impacts of COVID-19.

### Outlook for 2020

Electricity generation at CEZ Group power plants in Germany in 2020 is estimated at 0.3 TWh; annual sales of ESCO services are estimated at CZK 13.7 billion.

Aside from energy and mechanical building systems, CEZ Group also wants to focus—through the Elevion and Kofler Energies groups—on decentral energy supply or deliveries of heating, ventilation, and air-conditioning equipment. There was a change in membership in companies’ statutory governing

bodies and the Kofler Energies group has been under the management control of Elevion since July 2020. Legal steps toward a merger will be taken in the third quarter.

The German market will continue to be monitored with a view to undertaking further acquisition activities.

## Poland

### Business Environment

The Polish energy market is almost fully liberalized. Wholesale market pricing is based on market factors. Electricity tariffs for residential customers and distribution charges are regulated. Prices in the heat market are based on a tariff system and require annual approval by the Energy Regulatory Office.

### Capacity Market

Capacity market mechanisms are intended to provide investment incentives, in particular for coal-fired and gas-fired power plants, which can then serve as a backup in case there is lack of electricity in the grid. They involve paying operators for keeping their power plants on standby to be able to quickly start supplying electricity to the grid. Capacity market auctions took place in December 2019.

CEZ Chorzów took part in the main auction for electricity supply in 2024 and its offer was successful. Due to rules arising from European Union regulations, the December auction was the last one that allowed participation of units with emissions greater than 550 g CO<sub>2</sub>/kWh. The rules exclude coal-fired generating units from participation in the capacity market mechanism in the future.

CEZ Skawina and CEZ Chorzów underwent mandatory certification for joining the capacity market system in early 2020. At the moment, CEZ Skawina has supply contracts for 2021–2026 and CEZ Chorzów has a one-year contract for 2024.

### Cogeneration Support

A new act on support for electricity cogeneration entered into force in January 2019. In April, the European Commission approved the Polish program of support for high-efficiency cogeneration, which was subsequently launched. The new system aims to create an incentive to construct new cogeneration units or at least modernize existing ones.

The existing generating units of CEZ Chorzów and CEZ Skawina are not allowed to take part in the high-efficiency cogeneration support system. The support system can be joined by new projects developed in the ESCO segment.

### Renewables

The Renewable Energy Sources Act has been fully implemented in Poland. Concluded auctions resulted in the sale of almost 154 TWh. The total worth of energy provided by the winners was more than PLN 38 billion.

The auctions held to date allow creating approximately 3.4 GW of new capacity in wind technologies, approximately 1.7 GW in photovoltaic technologies, and almost 70 MW of new capacity in other renewable energy technologies. According to data from the Polish Energy Regulatory Office, the installed capacity of renewable energy sources reached 9.1 GW at the end of 2019.

This year's RES auctions will probably take place in the fourth quarter, like in previous years.

### CEZ Group Operations

#### Electricity Generation

CEZ Group's coal-fired power plants in Poland generated 903 GWh of electricity (excluding generation from biomass) in the first half of 2020, which is 103 GWh (10%) less than in the same period of 2019 due to an early overhaul at Chorzów and a boiler failure at Skawina. Generation from biomass at the Chorzów and Skawina power plants amounted to 243 GWh, which is 64 GWh more year-on-year due to more favorable economic conditions for biomass combustion in 2020.

The Borek Szlachecki small hydropower plant generated 3.5 GWh of electricity.

## Heat Generation

The Chorzów and Skawina power plants supplied 3,040 TJ of heat, which is 74 TJ less than in the same period of 2019 due to higher average temperatures in the first half of 2020.

## Capital Construction

Capital expenditures were made primarily on denitrification of the Skawina power plant, on the preparation of a project for a new small hydroelectric power plant at Skawinka, and at the Chorzów power plant in connection with an IT equipment project.

## Installed Capacity

As at June 30, 2020, CEZ Group companies in Poland owned generating facilities with an installed capacity of 569.3 MW: 568.4 MW in coal-fired power plants and 0.9 MW in hydroelectric power plants. The installed capacity remained unchanged from the same date of the last year.

## Outlook for 2020

The Chorzów and Skawina power plants in Poland are planned to generate 2.56 TWh of electricity in 2020.

The total amount of electricity supplied in 2020 is estimated at 2.22 TWh; the planned amount of heat is 5,448 TJ.

## Sales of Commodities and Energy Services

### Sales of Electricity and Natural Gas

Electricity and natural gas are sold to end-use customers in Poland by CEZ Polska sp. z o.o. (a successor to CEZ Trade Polska sp. z o.o., which ceased to exist in a merger with CEZ Polska sp. z o.o. at September 30, 2019). The company supplied 142 GWh of electricity to its large and commercial retail customers in the first half of 2020, which was a year-on-year decrease of 771 GWh. The company supplied 218 GWh of natural gas to its customers in the first half of 2020 (293 GWh less than in the first half of 2019). The year-on-year decreases are in accordance with the 2020 business plan but there is also a deepening impact of the COVID-19 pandemic.

### Sales of ESCO Services

CEZ Group provides ESCO services through OEM Energy. A 51% stake in the company was acquired in 2017, with an option to purchase an additional stake up to 100%. CEZ Group exercised the option in February 2020, purchasing another 25% stake. The remaining 24% stake is kept by minority shareholders. OEM Energy is a Polish market leader in solar panels, offering the modernization and installation of solar and photovoltaic panels, hot water tanks, and heat pumps.

In addition, CEZ Group provides ESCO services in Poland through Metrolog and Euroklimat. Metrolog is a leading Polish manufacturer of compact district heating substations. Euroklimat is a market leader in heating, ventilation, and air conditioning (HVAC) whose projects have won several awards from both public and private organizations.

### Outlook for 2020

The total amount of electricity supplied in 2020 is estimated at 0.3 TWh. The estimated amount of natural gas supplies is 0.4 TWh.

CEZ Group keeps monitoring the Polish market in order to identify potential future investment opportunities in the segment of ESCO services.

## Divestment of Generation Assets

The sale of Polish wind turbine projects in their development stage continues. The sale of the Krasin and Sakówko projects was completed in the second quarter of 2020; the sale of the remaining four projects is expected to be completed still in 2020.

In accordance with our updated strategy, a process of divesting Polish coal-fired assets and other non-ESCO Polish companies will be started in the second half of 2020.

## Romania

### Business Environment

The liberalization of the energy market in Romania was completed in the past. All electricity users are now entitled to choose their supplier in the free market.

Regulation No. 251/2019 concerning another change to the fee paid to ANRE was published in the Official Journal on December 30, 2019. The new regulation brings the rate of a licensed activity turnover fee from 2% back to levels applicable prior to government regulation No. 114/2018, namely 0.2% for distribution companies and 0.1% for other companies in 2020. The regulation did not enter into force until government regulation No. 1/2020 was published. This government regulation No. 1/2020 amending government regulations No. 114/2018 and No. 19/2019, adopted by the preceding government, was published on January 9, 2020.

### CEZ Group Operations

#### Electricity Generation

Support for generation at the Fântânele and Cogeaalac wind parks continued in compliance with applicable law in 2020. The wind parks were entitled to participate in the renewable generation support program and get green certificates for the electricity they generate. They are allocated 1 green certificate per MWh of generated electricity in 2020.

The Fântânele and Cogeaalac wind parks generated 700 GWh of electricity in the first half of 2020, which was a year-on-year increase of 57 GWh, primarily due better weather conditions. Small hydroelectric power plants operated by TMK Hydroenergy Power S.R.L. at Reșița generated 40 GWh of electricity, which was a year-on-year decrease of 5 GWh.

#### Capital Construction

Capital expenditures in the first half of 2020 went primarily into the renovation of individual turbine components at the Fântânele and Cogeaalac wind parks. Minor capital expenditures at the hydroelectric power plant of TMK Hydroenergy Power S.R.L. were primarily made on repairs of water channels.

#### Installed Capacity

As at June 30, 2020, CEZ Group companies in Romania owned generating facilities with an installed capacity of 622 MW (600 MW in wind parks, 22 MW in hydro plants).

#### Electricity Distribution

Distributie Energie Oltenia S.A. distributed a total of 3,087 GWh of electricity to customers in the first half of 2020, which was a year-on-year decrease of 352 GWh.

On December 16, 2019, the Romanian regulatory authority approved new distribution tariffs effective from January 1, 2020. The Romanian distribution company's tariffs increased by more than 7% at all voltage levels. Another minor adjustment was made to the tariffs by the regulatory authority in January 2020. This change adjusted the tariffs to factor in a decrease in distribution costs due to another change of the licensed activity turnover fee paid to ANRE, which was decreased from 2% to 0.2% by government regulation 1/2020. Even after this adjustment, the 2020 tariffs are higher year-on-year by more than 5% on average.

On May 6, 2020, the Romanian regulator ANRE approved a new value of WACC, which entered into force upon its publication in the Official Journal on May 13, 2020. According to the regulation, the value of WACC is 6.39% and an additional 1% applies to new investments. The new value is expected to be taken into account through a correction to tariffs for the next years of the regulatory period, that is, 2021–2023.

## **Capital Construction**

Capital expenditures on distribution in 2020 were primarily aimed at improving the parameters of the distribution grid at all voltage levels and at replacements of electricity meters.

## **Sales of Commodities and Energy Services**

Electricity and natural gas are sold to end-use customers in Romania by CEZ Vanzare S.A. The company sold 1,777 GWh of electricity to its end-use customers in the first half of 2020, which was a slight year-on-year decrease of 93 GWh. It also supplied 735 GWh of natural gas to both existing and new end-use customers, which was a year-on-year increase of 109 GWh.

CEZ Group provides ESCO services in Romania through High-Tech Clima S.A. High-Tech Clima S.A. is a Romanian market leader in deliveries of HVAC systems and electrical installation work for commercial facility owners. It is also an industrial supplier for manufacturing plants, logistic parks, business offices, buildings, and shopping malls.

## **Outlook for 2020**

CEZ Group estimates electricity generation at the Fântânele and Cogeaalac wind parks at 1.3 TWh in 2020. The Reșița hydroelectric power plant system should generate 0.1 TWh of electricity. The amount of electricity distributed to end-use customers in 2020 is estimated at 6.7 TWh. Electricity sales to end-use customers are estimated at 3.5 TWh in 2020. The estimated amount of natural gas supplies is 1.4 TWh.

The total amount of electricity and gas supplied will be affected by COVID-19. While electricity is primarily facing a temporary drop in corporate customers' consumption, which is, moreover, partially offset by increased household consumption, natural gas is estimated to experience a more considerable impact, considering also future market developments.

High-Tech Clima expects to achieve further growth in the services it offers in 2020. CEZ Group will monitor the Romanian market in ESCO services in order to identify potential investment opportunities.

## **Divestment of Generation and Distribution Assets**

A sale of Romanian assets was initiated transparently by publishing a request for letters of interest in the Financial Times, Hospodářské noviny, and other media on September 9, 2019. Based on the published request, 34 investors expressed interest in CEZ Group's Romanian assets. The subject of the sale includes but is not limited to the distribution and sales companies and the Fântânele and Cogeaalac wind parks.

All interested parties that met the conditions for participation in the selling process were sent documents needed to prepare and submit indicative offers, starting the first stage of the selling process.

Offers from 19 investors were received by the deadline for indicative offers, which was set to December 2, 2019. All indicative offers were carefully evaluated and investors whose offers were found the most interesting were invited to the second stage of the selling process.

The second stage of the selling process began on January 27, 2020, and firm offers were received on June 25, 2020. The offers were evaluated and negotiations are currently underway with the submitter of the most advantageous offer.



## Bulgaria

### Business Environment

Corporate and residential low-voltage customers have been able to choose a supplier of electricity at unregulated prices since April 2016. However, these customers largely keep their protected customer status and are generally supplied with energy at regulated prices set by the regulatory authority—the Energy and Water Regulatory Commission (EWRC).

On June 17, 2020, the parliament passed a bill presented by the EWRC concerning the switchover of business, government, and municipal customers to the free market. The bill envisages that all such customers who have been in the regulated market until now should switch over to the free market starting from October 1, 2020. There is no reference price set for the purposes of the switchover and a customer who will not choose a supplier by July 1, 2021, will automatically keep their current supplier as a supplier of last resort. Only households will be allowed to purchase electricity at regulated prices.

New rules for trading on the IBEX energy exchange, which electricity generators must use to sell generated electricity, entered into force on June 19. The exchange is now entitled to define the types of products that may be traded. Soon after the new rules were announced, IBEX excluded flexible and unstandardized products, which had been common until then, from trading. According to IBEX, these changes should help improve transparency in trading on the energy exchange.

### CEZ Group Operations

#### Electricity Generation

The Oreshets photovoltaic power plant generated 3.3 GWh of electricity in the first half of 2020, which was an increase (8%) from the same period of 2019.

No capital expenditure on Bulgarian generation assets was made in the first half of 2020.

#### Installed Capacity

The installed capacity of generating facilities in Bulgaria remained unchanged. As at June 30, 2020, the subsidiary Free Energy Project Oreshets owned a photovoltaic power plant with an installed capacity of 5 MW.

#### Electricity Distribution

On July 1, 2020, the EWRC issued a price decision effective from July 1, 2020, to June 30, 2021. Distribution tariffs are reduced by 1.08% on average, which means a total decrease in estimated revenues of 2.97% as compared to the previous price decision.

Electricity is distributed in Bulgaria by CEZ Razpredelenie Bulgaria AD, which distributed a total of 4,865 GWh of electricity to end-use customers in the first half of 2020, or 56 GWh less year-on-year.

#### Capital Construction

Distribution capital expenditures went primarily to distribution grid quality improvements, electricity meters replacements, critical infrastructure in Sofia, and new connections to the distribution grid. Furthermore, capital expenditure was used for mandatory buyouts of distribution assets.

### Sales of Commodities and Energy Services

#### Electricity Sales

A new EWRC price decision effective from July 1, 2020, to June 30, 2021, has an estimated positive effect on the average regulated selling price of 3.64% and on the total amount of regulated revenues of 2.05% as compared to the previous price decision.

CEZ Elektro Bulgaria AD sold end-use customers a total of 3,407 GWh of electricity, which was a year-on-year increase of 124 GWh.

CEZ Trade Bulgaria EAD sold end-use customers 2,123 GWh of electricity in the free market in the first half of 2020, which is approximately 79 GWh more year-on-year.

### **Sales of ESCO Services**

CEZ ESCO Bulgaria EOOD was established in Bulgaria in 2017. The company implements energy projects for end-use customers in the Bulgarian market. It successfully completed 12 projects in the first half of 2020 and should finish another 10 projects by the end of the year.

### **Outlook for 2020**

The amount of electricity generated is estimated at 6.2 GWh and the amount of electricity supplied to CEZ Elektro Bulgaria's customers is estimated at 6.3 TWh in 2020. Active operations will continue in the market.

The total amount supplied by CEZ Trade Bulgaria EAD in 2020 is estimated at a level similar to that of 2019. Proactive market activities will continue in order to increase the market share.

The implementation of energy-saving ESCO projects will continue, primarily in photovoltaics, lighting, and HVAC (heating, ventilation, and air conditioning).

### **Divestment of Assets**

An agreement for the sale of Bulgarian assets was made with Inercom on February 23, 2018, as part of a transparent selling process. The sale concerns seven companies: CEZ Bulgaria, CEZ Elektro Bulgaria, CEZ Razpredelenie Bulgaria, CEZ Trade Bulgaria, CEZ ICT Bulgaria, Free Energy Project Oreshets, and Bara Group.

After the purchase agreement with Inercom was disapproved by the Bulgarian Commission for Protection of Competition (CPC), an agreement for the sale of CEZ Group's Bulgarian assets, debated and approved by the governance bodies of ČEZ, was made with Eurohold on June 20, 2019. The settlement of the transaction was also subject to approval by the CPC and the Bulgarian energy regulatory authority.

Eurohold submitted an application for the authorization of a concentration of undertakings to the CPC on August 2, 2019. The CPC initiated an authorization proceeding in respect of the concentration of undertakings no sooner than on October 3, 2019, more than two months after the application was submitted, only to reject the application three weeks later, on October 24, 2019.

Reasons given by the CPC for its decision were considered irrelevant by ČEZ; for example, the CPC argued that the concentration would allow the merged group to make use of its significant position in the Bulgarian markets in insurance (where the Eurohold group operates) and electricity trading (where CEZ Group operates).

Having analyzed the reasoning, both ČEZ and Eurohold filed an administrative action against the CPC's decision with the Administrative Court in Sofia. The first hearing was held on March 9, 2020, and after several adjournments, caused by measures to prevent the spread of COVID-19, among other things, the Administrative Court in Sofia rescinded the CPC's decision on July 22, 2020.

The CPC may file an appeal against the ruling of the Administrative Court in Sofia with the Bulgarian Supreme Court within 14 days. If the CPC does not exercise its right to appeal, it will have to make a new decision on the matter.

The arbitration claim was not sold off and the arbitration is still carried on by ČEZ, a. s. (see the section on Legal and Other Proceedings).

## Other Countries

### Slovakia

#### Business Environment

Slovakia puts great emphasis on air quality, reduction of greenhouse gas emissions, and security and affordability of energy supplies. It made a commitment in 2019 to become carbon-neutral by 2050. Development of the country's energy sector is focused on optimizing the energy mix so as to cut down emissions of greenhouse gases and pollutants as much as possible while maintaining or increasing energy security and the affordability of the different kinds of energy. The share of renewables in final energy consumption in Slovakia should be 19.2% by 2030 (the target share of RES in 2020 is 14%). Another priority is increasing energy efficiency, especially in key industrial sectors and of buildings.

#### Sales of Commodities and Energy Services

##### Sales of Electricity and Gas

Sales of electricity and natural gas to large customers and small and midsize businesses continued in the first half of 2020. Total electricity supplies to all customer segments in the first half-year amounted to 218 GWh, which is 483 GWh less than in the same period of 2019.

Natural gas supplies amounted to 1,145 GWh in the first half of 2020; in a year-on-year comparison, this is 127 GWh less than last year. An expected decrease was further augmented by the impact of the COVID-19 pandemic.

##### Sales of ESCO Services

CEZ Group has been involved in energy savings, EPC projects, decentralized sources, heating, local distribution systems, and other energy products in Slovakia since 2018. ČEZ ESCO Slovensko, a.s., was founded as a wholly owned subsidiary of Czech ČEZ ESCO, a.s., in February 2020 with the aim of putting a local entity in charge of all ESCO activities in the country.

##### Outlook for 2020

The amount of electricity supplied to the segments of large and retail customers in 2020 is estimated at 0.5 TWh and natural gas supplies are estimated at 2.0 TWh. A year-on-year decrease in the amount supplied is due to a competitive environment in the end-use customer market.

CEZ Group wants to build on an ongoing trend of successfully performed contracts, development, and expansion within its Slovak subsidiaries, primarily energy performance contracting (EPC) projects and projects for the construction and operation of energy facilities. In addition, CEZ Group concentrates on continued growth through acquisitions in providing comprehensive energy solutions.

##### Prepared New Nuclear Power Plant at Jaslovské Bohunice

ČEZ Bohunice owns a 49% stake in Jadrová energetická spoločnosť Slovenska, a company established for the purpose of constructing a new nuclear power plant at Bohunice. Activities were underway in relation to a change in the Atomic Energy Act and the preparation of a new Building Act. The nuclear energy supervisory authority was communicated with during the preparation of documentation for the siting of a new nuclear power plant using the envelope approach in accordance with the Atomic Energy Act. A draft plan was prepared for the creation of documents according to the Atomic Energy Act and the first parts of reference sections of documents were drawn up using the envelope approach in accordance with the Atomic Energy Act to be discussed with the Nuclear Regulatory Authority of the Slovak Republic. Local seismicity-related aspects—slope stability—are being addressed. In addition, there were necessary design activities undertaken to maintain the value of the project and keep the Final EIA Opinion in effect and activities necessary to renew certification by the Ministry of Economy. Negotiations with affected municipalities are held on an ongoing basis concerning the inclusion of the new nuclear power plant in land use planning documentation.

## Turkey

### Business Environment

While Turkey's economy grew by 4.5% year-on-year in the first quarter, its internal and economic situation was impacted by the spread of COVID-19 in the second quarter. Measures to stop the spread were taken on a scale similar to the EU's, which brought the domestic economy to a halt. The measures had negative impacts on developments in financial markets as well as electricity consumption. Economic activity has been recovering since the beginning of June. An expected economic downturn is also contributed to by a drop in investments and declining exports due to decreasing foreign demand. According to the World Bank's estimate from this June, the country's GDP will start growing again in 2021.

COVID-19 resulted in an outflow of venture capital, which further weakened the Turkish lira against the dollar, and there is continued double-digit inflation (12.6% in June). The Turkish lira weakened by 7% in the first 6 months of 2020 and the exchange rate was 6.85 TRY/USD on June 30, 2020, while the low in the first half of 2020 was 7.20 TRY/USD (on May 7, 2020). The depreciating lira negatively affects the results of Turkish companies that are funded with loans denominated in US dollars. The Turkish central bank still maintained a relatively low interest rate at the end of the first half-year so as to encourage economic activity. However, further growth in the inflation rate and continued depreciation of the Turkish lira cannot be excluded under such conditions, additionally combined with a reduced inflow of foreign currencies due to halted tourism and a decrease in foreign-exchange reserves.

Credit rating agencies unanimously give Turkey speculative-grade ratings (Moody's: B1 with a negative outlook, Standard & Poor's: B+ with a stable outlook).

### CEZ Group Operations

#### Electricity Generation

Akenerji operates a modern CCGT plant at Erzin that generated 1,308 GWh of electricity in the first half of 2020, which was 28% more than in the same period of 2019.

Renewables generated 648 GWh of electricity: hydroelectric power plants generated 609 GWh and wind turbines generated 39 GWh. This was a decrease of 19% as compared to the same period of 2019, when renewables generated 793 GWh.

#### Installed Capacity

The installed capacity of the Erzin CCGT plant was 904.0 MW; in addition, Akenerji operated 7 hydroelectric power plants with an installed capacity of 288.9 MW and a wind park with an installed capacity of 28.2 MW.

#### Electricity Distribution

Electricity is distributed in Turkey by regulated regional distribution companies. One of them is Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ), indirectly controlled by ČEZ and its Turkish partner AKKÖK (through their joint venture Akcez Enerji A.Ş.). The amount of electricity distributed to end-use customers in the first half of 2020 was 4,613 GWh, which was a year-on-year decrease of 4%.

#### Capital Construction

Capital expenditures in distribution were primarily made to enhance capacities and meet new requirements for connection, to upgrade the grid, and to ensure the continuity and quality of electricity supply, in accordance with the business plan.

#### Electricity Sales

Sakarya Elektrik Perakende Satış A.Ş. (SEPAŞ), a sales company controlled through the joint venture Akcez Enerji A.Ş., sells electricity to end-use customers mostly in the SEDAŞ distribution area. The amount of electricity sold in the first half of 2020 was 4,564 GWh, which was a year-on-year decrease of 20%.

**Outlook for 2020**

The amounts of electricity distributed and sold are estimated at 9.4 TWh and 9.6 TWh, respectively.

Total electricity generation is estimated at 4 TWh, which would be a 5% increase resulting from estimated higher generation at the gas-fired power plant.

*Note: The Turkish companies are consolidated using the equity method; as such, their sales, generation, or installed capacity are not included in CEZ Group's aggregate figures.*

## France

### Business Environment

The Energy Transition for Green Growth Act specified an intention to increase the share of renewables in final gross energy consumption to 23% in 2020 and to 32% by 2030. The act also defined the objective to reduce the nuclear sector's share in electricity generation from 75% to 50% by 2025. The government postponed the deadline in November 2017 by 10 years, until 2035, stating that such a fast phaseout was not feasible and would result in increased CO<sub>2</sub> emissions and pose a threat to the security of electricity supply or the unemployment rate.

A “multiyear energy program” (PPE) entered into force at the end of April 2020, setting short-term and medium-term targets for energy and climate in the periods of 2019–2023 and 2024–2028. The PPE places emphasis on energy mix diversification through support for renewable energy sources with the aim of accelerating their deployment—doubling the installed capacity by 2028 as compared to 2017 and achieving a 36% share of renewables in electricity generation. The program specified a schedule of auction rounds for renewables projects. With a view to targets set for renewable energy sources, the installed capacity of photovoltaic power plants should increase to 35.1–44.0 GW by the end of 2028 and the capacity of onshore wind farms should increase to 33.2–34.7 GW. Offshore wind farms had the targets for 2023 slightly decreased (2.4 GW), while a capacity of up to 5.2–6.2 GW is expected in 2028.

### CEZ Group Operations

#### Capital Construction

CEZ Group made a progress in the development of its portfolio of 17 onshore wind turbine projects in the first half of 2020. To date, 8 projects have been issued construction and operating permits. Administrative procedures were greatly affected by the current situation (COVID-19) and scheduled activities will be delayed by several months.

#### Other Activities

There are two companies operating in the country that have been acquired by CEZ Group's investment fund Inven Capital for its portfolio. Cosmo Tech, based in Lyon, specializes in the development of a software platform for the optimization of decision-making processes in the management of critical infrastructures and processes. Its solution based on “Digital Twins” allows companies to simulate and virtually test their strategies, identify possible changes, and propose optimal paths toward greater efficiency and profitability. VU LOG, based in Nice, is a global leader in the provision of technology for mobility sharing in cities, involving green cars, motor scooters, and scooters. In May 2020 VU LOG began offering a ready-made solution for micromobility providers (for example, focusing on mopeds, scooters, or electric bikes) that will allow them to launch their services in under 30 days. In June it was announced that VU LOG would provide its technology to a company offering furnished camper vans for rent under the brand name Cabana in the United States.

#### Outlook for 2020

The Neuville-aux-Bois wind park project will be transferred from its development stage to the construction stage at the end of 2020.

Due to the insolvency of Senvion GmbH, the supplier of turbines for the Aschères-le-Marché project, the start of commercial generation will be postponed until 2021/2022. The exact start date of generation will depend on the course of a public procurement procedure and the new supplier's capacity.

## **Hungary**

### **Sales of Commodities and Energy Services**

#### **Electricity Sales**

In Hungary, CEZ Magyarország Kft. (CEZ Hungary Ltd.) sold 650 GWh of electricity to end-use customers in the first half of 2020, which is 13% less year-on-year as compared to the same period of 2019.

#### **Sales of ESCO Services**

CEZ Group provides designing support for the planning and implementation of energy saving projects through ETS Engineering.

#### **Outlook for 2020**

CEZ Magyarország Kft. estimates its 2020 electricity sales to end-use customers at approximately 1.25 TWh. Active operations will continue in the market. CEZ Group does not plan any significant expansion of ESCO activities in Hungary.

## **Other Countries**

### **Italy**

SYNECO (part of the German Elevion group focusing on developing CEZ Group's ESCO services abroad) is a South Tyrol-based group that provides a broad range of energy services to its customers—from planning and consultancy to subsequent operation and maintenance.

CEZ Group keeps monitoring the northern Italy market in order to identify potential future investment opportunities in the segment of ESCO services.

### **Austria**

One of companies in the SYNECO group operates in Tyrol, serving customers from Austria, Germany, and Switzerland.

In 2020, CEZ Group acquired Moser & Partner Ingenieurbüro GmbH, a company designing and installing comprehensive electrical equipment.

### **Netherlands**

CEZ Group operates in the country's wholesale market in electricity and natural gas (with both physical and financial settlement). Its local subsidiaries pursue holding, financial, or management activities.

### **Serbia**

CEZ Group operates in the wholesale market in electricity and one of its design companies is active in the HVAC sector in Serbia.

### **China**

ETS Efficient Technical Solutions Shanghai Co., Ltd., a company operating in the country, is a member of the German Elevion group (focusing on developing CEZ Group's ESCO services abroad).

### **Malaysia**

HERMOS SDN. BHD, a member of the German Elevion group, operates in the country. HERMOS SDN. BHD is engaged in building automation and facility management.

### **Ukraine**

CEZ Group operations in Ukraine have been discontinued; the existing subsidiary CEZ Ukraine LLC is in liquidation.



## Research, Development, and Innovation

### Research and Development

Many specific research and development projects were undertaken and several new ones were initiated in the first half of 2020.

Nuclear energy projects, for example, included McSafe, a project that uses Monte Carlo simulation methods for advanced simulations of the core of light-water nuclear reactors. Another project focused on post-irradiation testing of zirconium alloys for nuclear fuel. Nonnuclear projects included an ongoing project aiming to reduce the emissions of mercury and other pollutants from fossil fuel combustion. Another significant field of activity was energy storage in battery systems. A key project is participation in the National Energy Competence Center, coordinated by the VŠB–Technical University of Ostrava and participated in by a broad range of businesses and research organizations. ČEZ participates in a total of 17 work packages ranging from nuclear power plant materials to assembly reliability models for conventional power plants to energy storage and hydrogen technology.

Projects that were freshly completed in the first half of 2020 included pilot verification of a spectrometry system in a pulverized coal boiler. The system allows optimally controlling the combustion process in the chamber in order to achieve lower emissions. Newly undertaken projects included the development of software tools for assessing the impacts of using accident tolerant nuclear fuels.

### Investments in New Technologies

#### Inven Capital

Inven Capital, SICAV, a.s., is a joint-stock company with variable capital that manages two subfunds: Inven Capital—Subfund A and Inven Capital—Subfund B. The holder of founder's shares in Inven Capital, SICAV, a.s., is ČEZ, a. s. Investment shares in Subfund A are held by CEZ Group; investment shares in Subfund B are held by the European Investment Bank.

Inven Capital focuses on investments in clean-tech startups in later stages of growth with a business model proven by sales and with considerable growth potential. Since its establishment, Inven Capital has invested in ten companies (five German, two French, two Israeli, and one Czech) and in Environmental Technologies Fund 2 in the United Kingdom. In February 2019, Inven Capital sold off the first company from its portfolio—sonnen, a market leader in smart battery systems for domestic electricity storage. Inven Capital, together with other shareholders, sold its share in the company to the Royal Dutch Shell group. In June 2020, Inven Capital sold off its share in CyberX, a company providing a software platform for comprehensive industrial cybersecurity solutions. The company multiplied the number of orders for its solutions year-on-year and won a number of new customers. The stakes of all shareholders were bought by Microsoft. The gains in both cases considerably exceeded expected returns on the original investment.

Inven Capital's current portfolio consists of the following companies:

- **SunFire**—a manufacturer of fuel cells that can convert fuel into electricity and heat but also turn electricity back into hydrogen and other gases (power-to-gas)
- **tado**—the European leader offering smart temperature control for households based on the user's location and habits
- **Cloud&Heat Technologies**—the designer, vendor, and operator of the most energy- and cost-efficient distributed data centers deploying water-cooled servers whose waste heat is used to heat buildings and domestic hot water
- **VU LOG**—a global leader in the provision of technology for mobility sharing in cities, involving green cars, motor scooters, and scooters
- **Cosmo Tech**—the vendor of a software platform for complex system modeling, providing key information for decision-making optimization in the management of critical infrastructures and processes
- **Driivz**—the vendor of a software platform for electric vehicle charging station management, including energy management (charging optimization)

- **NeuronSW**—a technology firm that developed a comprehensive solution for sound analysis enabling prediction of machinery failures
- **Zolar**—its online configurator allows purchasing a photovoltaic system with batteries over the Internet based on requirements specified by the customer; in addition, it provides the installation of these systems through external installation contractors consolidated in its digital platform

## Promoting Innovation

ČEZ, a. s., is a founding member of the I2US cooperation platform, associating primarily innovative, mutually noncompeting utilities. The I2US platform attempts to accelerate innovation to exploit business opportunities and address the needs of customers as well as the energy sector itself. Its main collaboration tool is sharing innovation opportunities and experience from the implementation of new services, products, business models, and methods for cooperation with partners.

ČEZ created a new development center, Tenauro, in 2020, which has an ambition to enhance CEZ Group's competence in technology development and customer offerings for buildings. The development center is primarily oriented toward developing new solutions based on building technologies geared for both households and commercial entities. The development center's goal is to have sufficient capacities so that know-how in this field is preferentially developed directly within the Group.

## Electric Mobility in Czechia

### Charging Stations

As regards the construction and operation of a public charging network, CEZ Group continued to expand its network of public fast charging stations in line with its strategy to become one of leading providers of public charging. As at June 30, 2020, it operated 225 charging stations in Czechia, comprising 165 fast charging (DC) stations and 60 standard charging (AC) stations.

In spite of restrictions caused by COVID-19, the charging stations delivered a total of 1,089,492 kW of electricity to electric vehicle batteries in the first half of 2020. In total, electric vehicles stopped by chargers 80,754 times to recharge.

The construction continues to be significantly aided by subsidies to public charging infrastructure that ČEZ successfully applied for in the past.

They are provided under two projects funded by the Connecting Europe Facility (CEF), a program aimed at supporting the construction of fast charging station near major TEN-T (Trans-European Transport Network) roads. One of the projects (EV Fast Charging Backbone Network Central Europe), with 42 fast charging stations and one site fitted with three fast charging stations, a photovoltaic system, and battery electricity storage, has already been completed and a final report has been prepared for submission to the European Commission. The other project is still underway and has been extended until December 31, 2021.

Charging stations also continue to be constructed under the Transportation Operational Program 2014–2020, specifically the “ČEZ Charging Station Backbone Network” project, under which 125 fast charging stations will be built, and the “ČEZ, a. s., Charging Station Complementary Network” project, under which 127 standard charging stations will be built.

ČEZ is also applying for aid in another call under the Transportation Operational Program 2014–2020, specifically Call IV for the construction of a charging station backbone network involving the construction of another 125 DC charging stations in total. The application is expected to be evaluated in the summer of 2020.

CEZ Group's charging station for electric vehicles with the highest number of chargers was put into operation in April. The station has four charges and is located at Kénik (Královo Pole shopping center) in Brno.

ČEZ launched a new IT system by Israeli company Driivz, including new tariffs for public charging, in mid-May. The FUTUR/E/GO application is available for Android and iOS and enables comfortable management of customer accounts as well as charger control as an alternative to a charging fob. The new system provides customers with an overview of their charging, account, and billing. They can also take advantage of a search function to find the nearest charging station, including indication of free and occupied chargers.

ABB Power Grids Czech Republic completed its testing of an Energy Storage system at Vestec in late May and early June, where local energy generation combined with storage complements standard grid power to supply 3 DC charging stations. Installation of the system was funded from a CEF grant.

ČEZ keeps supporting the operation of two electric buses on a line between the BB Center (where ČEZ headquarters are located) and the Budějovická subway station in Prague and the operation of another two electric public buses in Vrchlabí.

### **Offerings for Households and Sole Proprietors**

ČEZ Prodej provides its customers with comprehensive services in this segment. Besides purchases of new electric vehicles, it offers preparing a home for an EV by checking the electrical system for sufficient robustness for home charging, installing a turnkey home charger (wall box), or assisting with a distribution tariff change or circuit breaker upgrade. ČEZ Prodej focuses on additional energy solutions besides electric mobility, so it can offer, for example, a home photovoltaic system with battery storage that can supply a car and the entire home with green energy, even if there is a failure in the distribution grid.

### **Offerings for Large Customers**

ČEZ ESCO continued to offer a comprehensive range of electric mobility products in the first half of 2020. Customers are offered solutions linked to other ESCO products for maximum efficiency in EV operation, usually in connection with a private photovoltaic system and battery storage. In addition to designing tailor-made solutions, providing all design documents, delivering and installing charging stations of all categories, and delivering other related components, the offerings also include creating electric mobility concepts for individual cities and regions.

For example, the vehicle fleet of the city of Mělník was renewed and new charging stations or wall boxes were installed for public and regional authorities as well as private entities in the reporting period. Negotiations were started with developers concerning possible collaboration on the implementation of electric mobility solutions at sites with administrative parks and residential houses.

## Changes in CEZ Group Ownership Interests

### Czechia

- January 1—Energocentrum Vítkovice, a. s., ceased to exist through a merger by acquisition with ČEZ Energetické služby, s.r.o.
- January 16—AZ KLIMA a.s. sold off its stake in AZ VENT s.r.o.
- April 27—Severočeské doly a.s. acquired a 51% stake in GEOMET s.r.o.
- May 30—EGP INVEST, spol. s r.o., v likvidaci (in liquidation) ceased to exist
- June 15—ČEZ Energetické produkty, s.r.o., acquired a 100% stake in VÍTKOVICE - IOS s.r.o. (current name: 1. Opravářská společnost, s.r.o.)
- June 26—A 100% stake in ČEZ Asset Holding, a. s., was transferred from ČEZ, a. s., to ČEZ ESCO, a.s.
- June 30—ČEZ ESCO, a.s., acquired a 49.9% stake in ČEZ Energo, s.r.o., becoming its sole member
- July 1—A 100% stake in Ústav aplikované mechaniky Brno, s.r.o., was transferred from ÚJV Řež, a. s., to ČEZ, a. s.
- July 1—A 100% stake in ŠKODA PRAHA a.s. was transferred from ČEZ, a. s., to ÚJV Řež, a. s.
- July 13—The name of VÍTKOVICE - IOS s.r.o. was changed to 1. Opravářská společnost, s.r.o.

### Italy

- April 24—A 100% stake in KOFLER ENERGIES ITALIA SRL was transferred from Kofler Energies Energieeffizienz GmbH to Dutch company CEZ ESCO International B.V. (current name: Elevion Group B.V.)

### Poland

- May 4—100% stakes in Baltic Green I sp. z o.o. and Baltic Green V sp. z o.o. were sold off
- May 11—Baltic Green VIII sp. z o.o., ESCO City III sp. z o.o., ESCO City IV sp. z o.o., ESCO City V sp. z o.o., and ESCO City VI sp. z o.o. went into liquidation
- June 4—The stake of Elevion Group B.V. in OEM Energy sp. z o.o. increased from 51% to 77.68%
- July 3—The stake of Elevion Group B.V. in Euroklimat sp. z o.o. increased from 76% to 84%

### Germany

- January 1—Division of Dutch company CEZ New Energy Investments B.V. resulted in transfer of 100% stakes in CEZ Erneuerbare Energien Beteiligungs GmbH, CEZ Erneuerbare Energien Beteiligungs II GmbH, and CEZ Erneuerbare Energien Verwaltungs GmbH to newly established company CEZ RES International B.V.
- February 14—H & R Elektromontagen GmbH ceased to exist through a merger with Elektro-Decker GmbH
- February 20—Jäger & Co. Gesellschaft mit beschränkter Haftung ceased to exist through a merger with EAB Elektroanlagenbau GmbH Rhein/Main
- February 24—FEA Automation GmbH ceased to exist through a merger with D-I-E Elektro AG

- March 3—Detlef Walther GmbH ceased to exist through a merger with ETS Efficient Technical Solutions GmbH
- March 12—Kälteanlagenbau Schröder GmbH ceased to exist through a merger with En.plus GmbH

### **Netherlands**

- January 1—CEZ New Energy Investments B.V. was split into CEZ ESCO International B.V. and CEZ RES International B.V.; each company also established its branch in Czechia
- May 21—The name of CEZ ESCO International B.V. was changed to Elevion Group B.V.

### **Austria**

- March 24—Elevion Österreich Holding GmbH was founded; its sole member is Elevion Group B.V. (formerly CEZ ESCO International B.V.)
- April 9—Elevion Österreich Holding GmbH acquired a 100% stake in Moser & Partner Ingenieurbüro GmbH
- April 9—Elevion Österreich Holding GmbH acquired a 100% stake in SYNECO tec GmbH; the 100% stake remained held within CEZ Group
- April 9—Austrian company M&P Real GmbH was acquired; its sole member is Moser & Partner Ingenieurbüro GmbH

### **Slovakia**

- February 25—ČEZ ESCO Slovensko, a.s., was founded; its sole shareholder is ČEZ ESCO, a.s.

## Shareholders' Meeting of ČEZ, a. s.

An annual shareholders' meeting of ČEZ, a. s., was held on June 29, 2020, which:

- Heard the Board of Directors' Report on the Company's Business Activities and Assets for 2019, the Summary Report pursuant to Section 118(9) of the Capital Market Undertakings Act, and Conclusions from the Related Parties Report for 2019, the Supervisory Board's Report, and the Audit Committee's Report on the Results of Its Activities
- Approved the financial statements of ČEZ, a. s., and the consolidated financial statements of CEZ Group for 2019
- Approved the distribution of the 2019 profit of ČEZ, a. s., amounting to CZK 17,393,230,007.24 and a portion of retained earnings amounting to CZK 898,421,798.76 as follows:  

Share in profit to be distributed to shareholders (dividend) ..... CZK 18,291,651,806

The dividend is CZK 34 per share before tax.
- Appointed Ernst & Young Audit, s.r.o., as the auditor to perform the statutory audit for the accounting period of the calendar year of 2020
- Approved a 2021 donations budget of CZK 110 million
- Approved raising the 2020 donations budget by CZK 30 million to a total of CZK 140 million
- Approved granting a noncash donation totaling CZK 50,752,450 in 2020
- Decided to change some of the Company's bylaws with effect from June 30, 2020, and some of the Company's bylaws with effect from January 1, 2021
- Approved the contribution of a part of the Mělník Power Plant enterprise to the stated capital of Energotrans, a.s.
- Approved the Remuneration Policy of ČEZ, a. s., as presented to the shareholders' meeting by the company's Board of Directors
- Heard information about the preparation of a new nuclear power plant at Dukovany
- Removed Vladimír Kohout, Ondřej Landa, Lubomír Lízal, and František Vágner from the Supervisory Board with effect from July 1, 2020
- Elected Vladimír Černý, Vladimír Kohout, Ondřej Landa, and František Vágner as members of the Supervisory Board with effect from July 2, 2020
- Removed Otakar Hora from the company's Audit Committee with effect from July 1, 2020
- Elected Otakar Hora as a member of the Audit Committee with effect from July 2, 2020
- Heard the proposal of a group of the Company's shareholders in the capacity of a qualified shareholder, which consists of Ing. Michal Šnobl and J&T SECURITIES MANAGEMENT PLC, TINSEL ENTERPRISES LIMITED, and HAMAFIN RESOURCES LIMITED, to change the business policy of CEZ Group and ČEZ, a. s., and did not approve this proposal.

## Changes in ČEZ, a. s., Governance Bodies

### Supervisory Board

Member of the Supervisory Board whose membership began in the first half of 2020 or before the half-year report closing date:

**Vladimír Černý** member of the Supervisory Board since July 2, 2020 (term ending July 2, 2024)

Members of the Supervisory Board reelected for another term:

**Ondřej Landa** Vice-Chairman of the Supervisory Board from June 23, 2016, to July 1, 2020  
reelected from July 23, 2020  
member of the Supervisory Board from June 3, 2016, to July 1, 2020<sup>\*)</sup>  
reelected from July 2, 2020 (term ending July 2, 2024)

**Vladimír Kohout** member of the Supervisory Board from June 3, 2016, to July 1, 2020<sup>\*)</sup>,  
reelected from July 2, 2020 (term ending July 2, 2024)

**František Vágner** member of the Supervisory Board from June 3, 2016, to July 1, 2020<sup>\*)</sup>  
reelected from July 2, 2020 (term ending July 2, 2024)

Member of the Supervisory Board whose membership ended in the first half of 2020 or before the half-year report closing date:

**Lubomír Lízal** member of the Supervisory Board from June 23, 2018, to July 1, 2020

### Audit Committee

Member of the Audit Committee reelected for another term:

**Otakar Hora** Vice-Chairman of the Audit Committee from September 27, 2016, to July 1, 2020  
reelected with effect from July 2, 2020  
member of the Audit Committee from June 3, 2016, to July 1, 2020<sup>\*)</sup>  
reelected from July 2, 2020 (term ending July 2, 2024)

### Board of Directors

Member of the Board of Directors elected to a new position:

**Pavel Cyrani** Vice-Chairman of the Board of Directors since January 1, 2020  
member of the Board of Directors since October 20, 2011  
(term ending October 22, 2023)

Members of the Board of Directors reelected for another term:

**Michaela Chaloupková** member of the Board of Directors from October 20, 2011, to October 21, 2019  
reelected with effect from January 1, 2020  
(term ending January 1, 2024)

\* The term of office of the indicated members of the Supervisory Board and the Audit Committee ending on June 3, 2020, was extended pursuant to Section 20(1) and Section 20(4) of Act No. 191/2020 Sb., on some measures to mitigate the impacts of the SARS CoV-2 epidemic on persons participating in judicial proceedings, aggrieved parties, crime victims, and legal persons and on amendment to the Insolvency Act and the Code of Civil Procedure.

## Legal and Other Proceedings Involving CEZ Group Companies

### Legal Proceedings

#### Czechia

##### ČEZ, a. s.

1. Minority shareholders carry on a lawsuit against ČEZ, a. s., and Severočeské doly a.s. based on an action filed in 2006, seeking declaratory judgment on the adequacy of consideration in compulsory sale of corporate securities. Should the plaintiffs win, the total additional payment could be in the order of hundreds of millions of CZK. The case is heard at first instance. The outcome of the proceeding is impossible to predict.
2. ČEZ, a. s., carries on a lawsuit against the Appellate Financial Directorate based on an administrative action brought against the decision of the Specialized Tax Office imposing a fine of CZK 150 million for violating the Prices Act in the payment of the price of brown thermal coal supplied by Sokolovská uhelná, právní nástupce, a.s., in 2010, 2012, and 2013. The administrative court admitted the action. The case is heard by the Supreme Administrative Court based on a cassation appeal filed by the Appellate Financial Directorate (however, the Appellate Financial Directorate rescinded the fine imposing decision based on the legal opinion of the court of first instance). The outcome of the proceeding is impossible to predict.
3. Lesy České republiky, s.p., carries on 34 lawsuits against ČEZ, a. s., and some of its subsidiaries based on actions filed since 1997. The issue in dispute is a claim for compensation for loss caused by the operations of ČEZ, a. s., and its subsidiaries in forest stands in 1997 and 1999–2015. The total amount of damages claimed is CZK 282 million plus interest and costs. The outcome of the proceedings is impossible to predict.
4. In an insolvency proceeding against PLP a.s., Teplárna Trmice, a.s., the legal predecessor of ČEZ Teplárenská, a. s., submitted claims totaling CZK 220 million. The enterprise of the debtor, PLP a.s., was realized for USD 10 million and the proceeds were rendered to a secured creditor in July 2013. The amount of settlement for ČEZ Teplárenská, a.s., in the insolvency proceeding in question is still nil. The outcome of the proceeding is impossible to predict.
5. ČEZ, a. s., carries on a lawsuit against ŠKODA JS a.s. based on an action filed in 2016, seeking payment of a total of CZK 2,759 million plus interest and costs. The issue in dispute is damages for lost profits due to wrongly performed radiographic inspections of welded joints at the Dukovany Nuclear Power Plant and the Temelín Nuclear Power Plant. The amount originally claimed was CZK 611 million plus interest and costs back in 2016 but, after negotiations over an out-of-court settlement of the dispute failed, a motion was filed to extend the action to a total of CZK 2,759 million in February 2020. The amount currently claimed includes full damages for lost profits. The case is heard at first instance. The outcome of the proceeding is impossible to predict.
6. ČEZ, a. s., carries on two lawsuits against the Appellate Financial Directorate based on administrative actions filed against the Appellate Financial Directorate's decisions by which the Appellate Financial Directorate awarded ČEZ, a. s., interest on tax authority misconduct in 2011 and 2012 but only for the periods after additional payment assessments. ČEZ, a. s., believes that there was an error in law in the assessment of the period for which ČEZ, a. s., is entitled to interest on tax authority misconduct. The Municipal Court in Prague delivered a judgment in July 2020 in which it agreed with ČEZ, a. s., about the period for which the company should be entitled to interest on tax authority misconduct and returned the matter to the Appellate Financial Directorate for further proceedings. ČEZ, a. s., is now waiting for a new decision issued by the Appellate Financial Directorate and the related payment of the rest of the interest (approximately CZK 1.5 billion). The Appellate Financial Directorate has already filed a cassation appeal with the Supreme Administrative Court. The outcomes of the proceedings are impossible to predict.

##### ČEZ Distribuce, a. s.

7. SPR a.s. carries on a lawsuit against ČEZ Distribuce, a. s., based on an action filed in May 2013, seeking payment of CZK 213 million plus interest and costs. The matter in dispute is the existence of loss alleged by the plaintiff, which was allegedly incurred due to a breach of obligations by ČEZ



Distribuce, a. s., in relation to the connection of the Dubí photovoltaic power plant to the distribution grid. The case is heard at first instance, currently resumed after a stay based on the court's May 2020 decision. The outcome of the proceeding is impossible to predict.

8. Four electricity generators/local distribution system operators carry on significant lawsuits against ČEZ Distribuce, a. s., based on actions filed in 2015, 2016, and 2017. The matter in dispute is a claim for recovery of unjust enrichment consisting in the electricity distribution price component to cover costs associated with renewable electricity support that was allegedly incorrectly billed but duly paid by the plaintiffs in relation to their internal electricity consumption from January 1, 2013, to October 1, 2013. The total payment claimed from ČEZ Distribuce, a. s., exceeds CZK 1 billion plus interest and costs. Following a special panel's decision on conflict of jurisdiction, court proceedings in all of the lawsuits were discontinued in 2019 and the matter was referred to the Energy Regulatory Office. The outcomes of the proceedings are impossible to predict.
9. ČEZ Distribuce, a. s., carries on three lawsuits against OTE, a.s., based on actions brought in 2016 and 2017, seeking recovery of unjust enrichment from OTE amounting to approximately CZK 7.6 billion plus interest and costs, consisting in the electricity distribution price component to cover costs associated with renewable electricity support being incorrectly billed but duly paid by ČEZ Distribuce, a. s., from January 1, 2013, to December 31, 2013. Following a special panel's decision on conflict of jurisdiction, court proceedings in two of the lawsuits were discontinued in 2019 and the matter was referred to the Energy Regulatory Office. The third dispute was referred to the Energy Regulatory Office for the same reasons in 2020. The Energy Regulatory Office dismissed the claim of ČEZ Distribuce, a. s., in the first dispute concerning CZK 1.86 billion. A remonstrance against the decision has been filed. The other disputes are still pending. The outcomes of the proceedings are impossible to predict.
10. ČEZ Distribuce, a. s., carries on a lawsuit against ŠKO-ENERGO, s.r.o., based on an action brought in 2016, seeking payment in excess of CZK 113 million plus interest and costs from ŠKO-ENERGO. The matter in dispute is additional payment of the electricity distribution price component to cover costs associated with electricity support for the period from April 1, 2013, to October 1, 2013. The Energy Regulatory Office dismissed the claim of ČEZ Distribuce, a. s., in the first instance. Based on a remonstrance filed by ČEZ Distribuce, a. s., the first-instance decision was reversed by the ERO Board in January 2020 and the matter was remanded to the first instance. The Energy Regulatory Office decided to dismiss the claim of ČEZ Distribuce, a. s., in May 2020. A remonstrance against the decision has been filed. The outcome of the proceeding is impossible to predict.
11. ČEZ Distribuce, a. s., carries on a lawsuit against Liberty Ostrava a.s. (formerly ArcelorMittal Ostrava a.s.), based on an action brought in 2019, seeking payment of approximately CZK 225 million plus interest and costs. The matter in dispute is unreceived payments for system services for the period from February 2016 to November 2018 for which ČEZ Distribuce, a. s., invoiced ArcelorMittal Ostrava a.s. The case is heard at first instance and has been stayed. The outcome of the proceeding is impossible to predict.
12. In an insolvency proceeding against Česká energie, a.s., ČEZ Distribuce, a. s., submitted an unsecured claim for approximately CZK 138 million plus interest and costs arising from failure to pay for distribution system services under a contract. The insolvency proceeding commenced in December 2016 and is still pending. The outcome of the proceeding is impossible to predict.
13. ČEZ Distribuce, a. s., filed an insolvency petition combined with a bankruptcy petition against SCP first payment of receivables s.r.o. (formerly ENWOX ENERGY s.r.o.) in December 2017, submitting its matured unsecured claim for approximately CZK 115 million plus interest and costs in the proceeding. The claim arose from failure to pay for distribution system services under a contract. The insolvency proceeding is pending. The outcome of the proceeding is impossible to predict.
14. In an insolvency proceeding against One Energy & One Mobile a.s., ČEZ Distribuce, a. s., submitted an unsecured claim for approximately CZK 154 million plus interest and costs arising from failure to pay for distribution system services under a contract. The insolvency proceeding commenced in 2018 and is still pending. The outcome of the proceeding is impossible to predict.

## ČEZ Prodej, a.s.

15. ČEZ Prodej, a.s., carries on a lawsuit against state organization Správa železnic (“SŽ”, formerly SŽDC) based on an action brought in 2010, seeking damages in the amount of CZK 805 million plus interest and costs. The matter in dispute is an alleged breach of an electricity supply contract by SŽ, consisting in failure to take deliveries of an agreed amount of electricity in 2010, and the resulting loss. Following an application for leave to appeal filed by SŽ, the Czech Supreme Court overturned the rulings of the courts of first and second instance and remanded the case to the court of first instance. The court of first instance dismissed the action. The appellate court upheld the ruling of the court of first instance in May 2019. ČEZ Prodej, a.s., withdrew the action before it was served the judgment of the court of second instance. The judgment of the court of second instance was received in August 2019, whereby the judgment of the court of first instance was upheld and the withdrawal was declared void. The judgments of the courts of both instances are final. ČEZ Prodej, a.s., filed an application for leave to appeal and a constitutional complaint, on which the Constitutional Court decided by judgment in August 2020. The Constitutional Court stated that the appellate court had erred in making a decision on the motion to withdraw the action itself, instead of the court of first instance, once the judgment of the appellate court had been pronounced. The court rejected the rest of the constitutional complaint. Additionally, it stated that such a procedure denied ČEZ Prodej, a.s., the right to have a ruling reviewed and infringed its right to judicial protection. Therefore, the Constitutional Court reversed the appellate court’s decision that the withdrawal was void and the court of first instance will now have to make a decision on the motion to withdraw the action. The application for leave to appeal is still pending. SŽ, which had paid the amount claimed, subsequently brought an action against ČEZ Prodej, a.s., seeking recovery of unjust enrichment amounting to the paid sum of CZK 1,116 million plus interest and costs, which the court of first instance admitted. The appellate court upheld the judgment of the court of first instance. The case has been closed with final effect since October 2019, when the judgment of the appellate court was received. ČEZ Prodej, a.s., filed an application for leave to appeal in the case and paid SŽ the amount claimed plus interest and costs. The outcomes of the proceedings are impossible to predict.
16. ČEZ Prodej, a.s., carries on a lawsuit against SŽ based on an action brought in 2013, seeking damages in the amount of CZK 857 million plus interest and costs. The matter in dispute is an alleged breach of an electricity supply contract by SŽ, consisting in failure to take deliveries of an agreed amount of electricity in 2011, and the resulting loss. After the decision of the court of first instance was overturned by the appellate court, the case is reheard by the court of first instance and is currently stayed until the application for leave to appeal in the case referred to in the previous section is decided on. The outcome of the proceeding is impossible to predict.
17. ČEZ Prodej, a.s., carries on a lawsuit against OTE, a.s., based on an action brought in 2016, seeking substitution of a decision by the Energy Regulatory Office and a decision by the Chairwoman of the Energy Regulatory Office concerning the payment of an amount in excess of CZK 124 million as the outstanding difference in purchase prices paid to solar electricity producers, which were paid by OTE, a.s., to ČEZ Prodej, a.s., as a mandatory purchaser. The court of first instance dismissed the action. The appellate court upheld the ruling of the court of first instance. The proceeding is pending before the Czech Supreme Court. The outcome of the proceeding is impossible to predict.
18. ČEZ Prodej, a.s., carries on a lawsuit against ACTHERM, spol. s r.o. (a distribution system operator), seeking damages in excess of CZK 185 million plus interest and costs based on an action brought in 2016 (CZK 124 million) and its extension in 2017 concerning loss incurred in the subsequent period (CZK 61 million). The matter in dispute is loss caused by the actions of ACTHERM, spol. s r.o., during the registration of three solar electricity producers in the market operator’s system and the delivery of information on the registration to ČEZ Prodej, a.s. The case is heard at first instance; the proceeding has been resumed after a stay. The outcome of the proceeding is impossible to predict.
19. ČEZ Prodej, a.s., carries on three lawsuits with solar electricity producers based on actions filed in March 2017, seeking recovery of unjust enrichment of nearly CZK 160 million. The unjust enrichment consists in the collection of higher purchase prices than those reimbursed to ČEZ Prodej, a.s., by OTE, a.s. The court of first instance discontinued the proceedings in all three cases and referred the cases to the Energy Regulatory Office for further proceedings. Additionally, the appellate court also overturned a judgment of the court of first instance dismissing the action in the case of one of the producers. The outcomes of the proceedings are impossible to predict.

20. OTE, a.s., carries on a lawsuit against ČEZ Prodej, a.s., based on an action brought in 2018, seeking payment of approximately CZK 104.4 million plus interest and costs. The legal ground for the amount sought is recovery of the difference between the purchase price and the hourly price paid by OTE, a.s., to ČEZ Prodej, a.s., as a mandatory purchaser from a solar electricity producer in the period from January 1, 2013, to April 30, 2018. The court of first instance issued a ruling discontinuing the action and referring the case to the Energy Regulatory Office. The proceeding between the parties is now conducted by the Energy Regulatory Office. The outcome of the proceeding is impossible to predict.
21. OTE, a.s., carries on two administrative proceedings before the Energy Regulatory Office against ČEZ Prodej, a.s., based on petitions filed in July 2019, seeking recovery of unjust enrichment totaling approximately CZK 327 million. The legal ground for the amount claimed is recovery of the difference between the purchase price and the hourly price paid by OTE, a.s., to ČEZ Prodej, a.s., as a mandatory purchaser in the period from January 1, 2013, to May 31, 2018. The outcomes of the proceedings are impossible to predict.

#### **ŠKODA PRAHA a.s., Successor to ŠKODA PRAHA Invest s.r.o. since January 1, 2019**

22. In insolvency proceedings against Chladicí věže Praha, a. s., ŠKODA PRAHA a.s. submitted conditional and unconditional claims relating to the execution of an 880 MW<sub>e</sub> CCGT Unit project at the Počerady power plant totaling CZK 451 million, based on a filing in 2015. The submitted claims were denied by the receiver to the full amount. Therefore, ŠKODA PRAHA a.s. carries on a lawsuit against the receiver based on an action brought in 2016, seeking the determination of the authenticity and amounts of the denied claims. The case is heard at first instance. The outcome of the proceeding is impossible to predict.

#### **Abroad**

##### **Poland**

23. In 2009, Agrowind Kończewo sp. z o.o. (AWK) brought a lawsuit against seven companies jointly and severally, one of which is Eco-Wind Construction S.A., seeking PLN 22.7 million plus interest in compensation for the companies having frustrated the installation of wind turbines and transformer substations on land that the claim alleges was held by AWK. In December 2012, the claim was increased to a total of PLN 112.7 million plus interest (approximately CZK 673 million). The case was subsequently suspended on the ground of notified bankruptcy of one of the companies. The judicial proceeding was resumed in January 2019 but only with six parties that continue in the proceeding. The outcome of the proceeding is impossible to predict.

##### **Germany**

24. In June 2017, D-I-E Elektro AG (a member of CEZ Group) brought an action against Minto GmbH in the regional court in Mönchengladbach, seeking payment of compensation under a contract for work of EUR 6.7 million (approximately CZK 170 million) plus interest and costs. The case is pending at first instance. The outcome of the proceeding is impossible to predict.
25. In December 2018, Minto GmbH brought a counteraction against D-I-E Elektro AG in the regional court in Mönchengladbach, seeking payment of EUR 2.1 million (approximately CZK 52 million) in compensation for additional expenses under a contract for work. Procedurally, the dispute is related to D-I-E Elektro AG's action from June 2017. The outcome of the proceeding is impossible to predict.

##### **Turkey**

26. From 2011 to 2015, Sakarya Elektrik Dagitim A.S. (SEDAŞ) filed appeals against administrative decisions of the Turkish energy market regulatory authority (EPDK) that were the basis for reducing the portion of the companies' operating expenses that were automatically recognized in tariffs. SEDAŞ appealed against one of the first-instance decisions to the Supreme Administrative Court of Turkey. The appeal was dismissed. The remaining lawsuits are in the pleading submission stage. The outcome of the proceedings is impossible to predict.
27. Distribution and sales companies in Turkey are facing lawsuits concerning a refund of the costs of technical and nontechnical losses paid for by the companies' customers. In the case of SEDAŞ,

the total amount of pending lawsuits is immaterial and courts have been deciding in favor of the company with regard to legislation passed in 2016 as well as the Constitutional Court's jurisprudence. The outcome of the proceeding is impossible to predict.

28. In March and May 2016, SEDAŞ brought three administrative actions against EPDK's decisions regulating the limits of SEDAŞ's revenue from electricity distribution in the regulatory period of 2016–2020, including the method of calculation and application. A ruling in favor of SEDAŞ has been given on one of the actions; the other two are pending in the appellate court. The outcome of the proceedings is impossible to predict.

## **Romania**

29. Distribuție Energie Oltenia S.A. has been carrying on a lawsuit against the regulatory authority (ANRE) since early 2014, concerning distribution tariffs in the second regulatory period. In April 2016, the court of first instance partially admitted the complaint of Distribuție Energie Oltenia S.A. against the regulatory authority and decided that the correction for the past regulatory period was applied wrongfully. The regulatory authority appealed against the judgment and also disputed a submitted expert opinion. The opinion says that the amount of the negative correction (the primary cause of a decrease in tariffs) is unjustified. Based on the appeal filed by the regulatory authority, the appellate court overturned the ruling of the court of first instance and remanded the case to the court of first instance for further proceedings in March 2019. The case is still pending at first instance. The outcome of the proceeding is impossible to predict.
30. Distribuție Energie Oltenia S.A. has been carrying on a lawsuit against the regulatory authority (ANRE) since late 2018, concerning administrative regulation No. 169/2018 governing distribution tariff methodology. The case is pending at first instance. The outcome of the proceeding is impossible to predict.
31. Distribuție Energie Oltenia S.A. carried on a lawsuit against the regulatory authority (ANRE), starting from late 2018, concerning administrative regulation No. 168/2018 governing WACC. ANRE passed a new regulation No. 75/2020 governing WACC and repealed regulation No. 168/2018. The case was dismissed on July 7, 2020, on motion of Distribuție Energie Oltenia S.A.
32. Tomis Team S.A. carries on a lawsuit against the Municipal Authority of Fântânele concerning a property tax obligation for properties under turbines, as the Romanian law was amended in this respect. The company filed the action in 2018. The proceeding was stayed between May 2019 and June 2020, pending the result of another related dispute concerning the interpretation of tax rules. The case is heard at first instance now. The outcome of the proceeding is impossible to predict.
33. Tomis Team S.A. carries on a lawsuit against the Municipal Authority of Fântânele concerning its obligation to pay property tax (in 2010–2014) and related penalty (totaling approximately RON 27.5 million, that is, approximately CZK 148 million), based on an action brought in 2016. The proceeding was stayed between May 2019 and June 2020, pending the result of another related dispute concerning the interpretation of tax rules. The case is heard at first instance now. The outcome of the proceeding is impossible to predict.

## **Bulgaria**

34. CEZ Razpredelenie Bulgaria AD and CEZ Elektro Bulgaria AD appealed in 2017, 2018, 2019, and 2020 against numerous decisions of the regulatory authority—Energy and Water Regulatory Commission (EWRC)—stipulating electricity prices. An appeal filed in 2017 was dismissed by court, which was confirmed by the Supreme Administrative Court in June 2020. Judicial proceedings concerning the other appeals are underway. The outcomes of the proceedings are impossible to predict.
35. CEZ Razpredelenie Bulgaria AD and CEZ Elektro Bulgaria AD appealed against changes in regulation No. 1 concerning electricity price regulation starting from June 2018. The outcome of the proceeding is impossible to predict.
36. CEZ Razpredelenie Bulgaria AD appealed against the proposal for a new regulation governing the measurement of the quality of supplied energy. The proceeding is pending in the Supreme Administrative Court. The outcome of the proceeding is impossible to predict.
37. In July 2019, Receiver CB EOOD, as a creditor of Future Energy in an insolvency proceeding, brought an action against CEZ Elektro Bulgaria AD. In the action, Receiver CB EOOD seeks

ineffectiveness of the setoff of counterclaims and the use of a bank guarantee confirmed by a settlement agreement made among CEZ Elektro Bulgaria AD, Future Energy (FE), and Karpleon Bulgaria EOOD in March 2018. The plaintiff seeks reversal of the effect of the part of the settlement agreement confirming the setoff of a liability of CEZ Elektro Bulgaria AD to FE totaling BGN 6.7 million (approximately CZK 85.5 million) against entitlement to a penalty and the use of a bank guarantee of BGN 500,000. The plaintiff also seeks that CEZ Elektro pay an amount of BGN 3.3 million (approximately CZK 42.1 million) toward FE's insolvent estate, representing a portion of the amount due and the amount received under the bank guarantee of BGN 500,000. Receiver CB EOOD brought an additional action in September 2019. CEZ Elektro Bulgaria AD answered to both actions in due time. The court appointed an expert in forensic economics to prepare an expert testimony in November 2019. The last hearing was held in June 2020, when the court partially dismissed the action of Receiver CB EOOD seeking payment of BGN 3.3 million but ruled in favor of the plaintiff as regards the payment of BGN 500,000 from the bank guarantee. CEZ Elektro Bulgaria filed an appeal against this part of the ruling. The outcome of the proceeding is impossible to predict.

38. As a result of a regulatory audit of compliance with the terms of its distribution license in the period of July 1, 2008, to November 30, 2013, conducted by the EWRC, CEZ Razpredelenie Bulgaria AD was served 981 administrative decisions on a breach of obligations, which the company submitted written objections to. On the basis of the objections submitted, CEZ Razpredelenie Bulgaria AD subsequently received 206 penalty decisions issued by the EWRC for BGN 20,000 (approximately CZK 260,000) per breach. The company duly appealed against all of the penalty decisions. At the report closing date, there are 203 final court rulings, of which 96 confirmed the imposed penalties and the penalties were paid by the company; 107 rulings definitely dismissed the penalties. Additionally, seven proceedings are awaiting a ruling of the court of first instance. The outcome of the proceedings is impossible to predict.
39. In 2013, the Commission for Protection of Competition (CPC) initiated proceedings on infringements of the Competition Protection Act and Articles 101 and 102 of the Treaty on the Functioning of the European Union (cartel agreements consisting in concerted practices and abuse of a dominant position) by CEZ companies and other companies in connection with the opening of the electricity market. On December 14, 2017, the CPC made a decision whereby CEZ Elektro Bulgaria AD was fined BGN 1.14 million (approximately CZK 14.3 million) and CEZ Razpredelenie Bulgaria AD was fined BGN 1.06 million (approximately CZK 13.9 million). Both companies appealed against this decision to the Supreme Administrative Court. The Supreme Administrative Court found the fines justified and dismissed both companies' appeals. An appeal was filed against this ruling. In May 2019, the Supreme Administrative Court overturned the previous court ruling confirming the fine for CEZ Elektro Bulgaria AD and CEZ Razpredelenie Bulgaria AD and remanded the case to the court of first instance to gather additional evidence. At a September 2019 hearing, the court of first instance appointed a sworn expert and laid down questions to answer. In its ruling from April 2020, the court of first instance reversed the CPC decision, including the part imposing a fine on both companies. The CPC appealed against the ruling to the Supreme Administrative Court; both companies will make their pleadings in response to the appeal. The outcome of the proceeding is impossible to predict.
40. In December 2019, the CPC published on its website a notice of a new proceeding against CEZ Razpredelenie Bulgaria AD, CEZ Elektro Bulgaria AD, and CEZ Bulgaria EAD, commenced at the initiative of Fast Pay HD AD due to suspected abuse of a dominant market position within the companies' activities. The companies were asked by the CPC to notify their positions, which they did. At a hearing held in June 2020, CEZ Elektro Bulgaria AD was fined BGN 4.2 million (approximately CZK 57.2 million), CEZ Razpredelenie Bulgaria AD was fined BGN 10,000 (approximately CZK 136,000), and CEZ Bulgaria EAD was fined BGN 208,000 (approximately CZK 2.8 million). All companies appealed against the decision imposing the fines. The outcome of the proceeding is impossible to predict.
41. The Commission for Protection against Discrimination opened case No. 258/2008 for alleged discrimination based on ethnic origin due to the installation of junction boxes at a height of 6–8 meters in some areas but at a height of 1–2 meters in other areas. The Court of Justice of the European Union in Luxembourg decided in July 2015 that Anelia Nikolova was discriminated against. The Administrative Court in Sofia has taken the case over. Subsequently, in August 2017, the Administrative Court decided to return the case to the Commission for Protection against Discrimination. The case was reopened by the Commission. The Commission appealed to the

parties to seek agreement at a September 2018 hearing. In March 2019, the Commission for Protection against Discrimination decided that there was no discrimination. The complainant filed an appeal against the decision, on the basis of which the court returned the case back to the Commission for new, thorough examination. CEZ Razpredelenie filed a cassation appeal against the court ruling. The case is still open and the outcome is impossible to predict.

42. In April 2017, Piraeus Bank Bulgaria AD (now part of Eurobank Bulgaria AD) brought an action against Bara Group EOOD concerning pledged receivables of SANO EPC EOOD due from Bara Group EOOD. The action claiming BGN 50,000 (approximately CZK 0.6 million) is just a portion of the total pledged receivable amounting to BGN 3 million (approximately CZK 39 million). Bara Group EOOD submitted its objections to the action in writing. After the action was dismissed by the court of first instance, Piraeus Bank Bulgaria appealed against the ruling dismissing the action. The appellate court ruled against Bara Group EOOD in July 2020, ordering it to pay EUR 25,000. The company is preparing an appeal, which will be filed in due time. The outcome of the proceedings is impossible to predict.

## Other Proceedings

### Czechia

As part of an investigation into possible criminal activity related to obtaining a license to operate the Vranovská Ves photovoltaic power plant, the police authority issued a resolution on the attachment of a replacement value of the likely proceeds of the criminal activity pursuant to the Code of Criminal Procedure, specifically:

1. Attachment of receivables of ČEZ Obnovitelné zdroje, s.r.o., due from OTE, a.s., as support paid for the green bonus, totaling over CZK 905 million as at July 31, 2020; the amount in question will be deposited on a bank account with the Czech National Bank for the duration of the attachment, and ČEZ Obnovitelné zdroje, s.r.o., cannot dispose of the funds.
2. Attachment of funds on a bank account of ČEZ, a. s., in the amount of approximately CZK 223 million; ČEZ, a. s., cannot dispose of the funds for the duration of the attachment.

In both cases, these are interlocutory attachment orders made by law enforcement authorities in a case where the accused are not employees of CEZ Group companies. ČEZ Obnovitelné zdroje, s.r.o., and ČEZ, a. s., are injured parties in the case. The outcome of the proceeding is impossible to predict.

### Bulgaria

In July 2016, ČEZ, a. s., formally filed a Request for Arbitration with the International Centre for Settlement of Investment Disputes (ICSID), officially commencing international investment arbitration against the Republic of Bulgaria under the Energy Charter Treaty on the grounds of nonprotection of investment. The claim amounts to hundreds of millions of EUR. The first matter addressed is an objection to jurisdiction, that is, the competence of the arbitral tribunal to decide the dispute. Following an exchange of written pleadings, a hearing on jurisdiction was held on June 8–9, 2020. Because of, in particular, travel restrictions due to the COVID-19 pandemic, the hearing was held by videoconference. The tribunal's decision on whether it has the jurisdiction to hear the matter and render an award can be expected within the next few months. The place of arbitration is Washington, D.C., USA, in accordance with the rules of the International Centre for Settlement of Investment Disputes (ICSID). The outcome of the proceeding is impossible to predict.

## COVID-19 Pandemic

### Operation of Generation and Distribution Facilities

The COVID-19 pandemic that hit the European continent this year has tested CEZ Group's preparedness for risks arising from such a situation. As an entity that is part of Czechia's critical infrastructure, ČEZ has drawn up crisis preparedness and emergency preparedness plans, which also cover risks associated with the spread of diseases. As such, ČEZ has been in contact with the Czech emergency management authorities since the very beginning. A "Coronavirus" expert task force of ČEZ's crisis management board was established as early as on February 27, 2020, in order to minimize risks associated with the pandemic. A whole range of preventive measures were taken, which were expanded and tightened as necessary using a tiered approach. Personal contact among employees was limited, telecommuting was introduced to the maximum extent possible, and contact between employees and the public was kept to a minimum, which included closing information centers and customer care centers for the public.

Body temperature of all entering persons was screened at selected facilities. Adopted measures were geared towards protecting employee health, restricting economic impacts, and most importantly securing electricity generation and distribution in Czechia in case the situation aggravated. Shift schedules were adjusted at all power plants so that shifts did not meet one another. Nuclear power plant operators were separated from other employees. Distribution system control center operator shifts were isolated from one another so as to stay on the premises when not working and change at weekly intervals. The personnel of the ČEZ technical dispatching center in Prague were divided between two separate workplaces and a completely isolated workplace was prepared at the Tušimice data center if needed.

Starting from May, adopted measures were relaxed step by step, customer care and information centers reopened, and employees returned to their offices. Several individual cases of SARS-CoV-2 infection were identified at the Dukovany Nuclear Power Plant, at the corporate headquarters in Prague, and in an office in Ostrava in late June and early July, resulting in the restoration of stricter sanitation measures.

### Consumption and Electricity Price

Electricity consumption decreased in the first half-year due to the COVID-19 pandemic; the biggest year-on-year decrease occurred in mid-April. Lower demand for electricity resulted in a short-term drop in its price. In mid-March, its price in Czechia dropped from about 45 to 38 EUR/MWh over several days. It was over 40 EUR/MWh starting from April but it was not until the second half of June that it returned to the level of 45 EUR/MWh, primarily due to increasing market prices of emission allowances.

### Measures in Relation to Customers

ČEZ Prodej allowed residential customers to put off advance payments for up to three months, less strict dunning was introduced, and the company did not ask distributors to disconnect customers or terminate their contracts for an interim period of three months. All MOBILE FROM ČEZ customers got unlimited calls to other customers using the service. Clients with recently installed photovoltaic systems had their final invoice payment dates postponed in view of delays caused by their inability to have their electricity meters replaced and receive subsidies.

Businesses and large customers supplied with energy by ČEZ ESCO were able to ask for postponed payment dates, lower advance payments, and a more sympathetic attitude when negotiating installment plans. ČEZ Teplárenská allowed its customers to postpone payments and arrange installment plans. ČEZ Distribuce postponed 40% of scheduled power outages in March to cause as little disruption as possible to people working from out of office.

### Impact on Generation and Sales

A decline in spot electricity prices in the second quarter was reflected in decreased generation while one of the causes of decreased electricity prices was decline in consumption caused by contraction in economic activity due to measures taken to fight the spread of COVID-19. However, financial impacts on the year 2020 in generation are considerably reduced by cash flow hedging by means of electricity

futures contracts. In the distribution and sales of electricity and ESCO services, declined electricity consumption resulted in slightly lower revenue from sales and lower margins received.

### **Impact on Financial Performance**

The current negative impact of COVID-19 on the 2020 EBITDA outlook is less than CZK 3 billion in total, as compared to the original plan. This includes a negative impact of a total of CZK 1.5 billion to 2 billion on the Sales and the Distribution segments and an estimated negative impact of a total of CZK 1 billion to 1.5 billion on the Generation—Traditional Energy and the Mining segments.

### **Use of State Aid**

CEZ Group companies in Czechia took advantage of the Antivirus program approved by the government with a view to job protection on March 31, 2020. The companies used the program's Mode A, compensating employers for expenses on employees in compulsory quarantine. CEZ Group companies received a total of CZK 0.3 million for the period of March to June.



## Information for Shareholders and Investors

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	<a href="http://www.facebook.com/ICDukovany">www.facebook.com/ICDukovany</a>	
	<a href="http://www.facebook.com/ICTemelin">www.facebook.com/ICTemelin</a>	
	<a href="http://www.twitter.com/SkupinaCEZ">www.twitter.com/SkupinaCEZ</a>	
	<a href="http://www.linkedin.com/company/cez">www.linkedin.com/company/cez</a>	
	<a href="http://www.instagram.com/pomahejpohybem">www.instagram.com/pomahejpohybem</a>	
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<b>CEZ Group Sustainability Report (nonfinancial information)</b>	<a href="http://www.cez.cz/cs/o-cez/energie-pro-budoucnost/zpravy-o-udrzitelnem-rozvoji">www.cez.cz/cs/o-cez/energie-pro-budoucnost/zpravy-o-udrzitelnem-rozvoji</a>	
<b>CEZ Group Ombudsmen</b>		
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## Abbreviations

Term	Commentary
BSE	Bulgarian Stock Exchange (Българска Фондова Борса)
Dukovany NPP	Dukovany nuclear power plant
EIA	Environmental Impact Assessment
EPC	Energy Performance Contracting An efficient tool for implementing energy saving measures. The EPC method can be described as a guarantee of anticipated reduction in energy consumption, resulting in savings in operating expenses used to repay the original investment.
Temelín NPP	Temelín nuclear power plant
ESCO	Energy service company A company providing comprehensive energy services to municipalities, businesses, and organizations
IoT	Internet of Things
OTC	Over-the-counter A term for off-exchange trading in securities and other financial instruments. Trading is done directly between two parties that negotiate the individual terms of each transaction.
SÚJB	State Office for Nuclear Safety (Státní úřad pro jadernou bezpečnost)

Totals and subtotals in this half-year report can differ from the sum of individual values due to rounding.

In text concerning generation and describing the countries of CEZ Group's presence, information identified as "Traditional Generation" means totals for companies included in the Generation—Traditional Energy accounting segment. Information identified as "Renewable Generation" means totals for companies included in the accounting segments of Generation—New Energy and Sales. Categorization thus depends on the inclusion of the company to which the generating facility belongs in an accounting segment; that is why hydroelectric power plants, for example, are divided between both categories.

Information in this half-year report was not verified by an independent auditor.

## Methods Used to Calculate Indicators Unspecified in IFRS

In accordance with ESMA guidelines, ČEZ provides detailed information on indicators that are not reported as standard under IFRS reporting or the components of which are not directly available from standardized statements (financial statements and notes thereto). Such indicators represent supplementary information in respect of financial data, providing report users with additional information for their assessment of the financial position and performance of CEZ Group or ČEZ. In general, these indicators are also commonly used in other commercial companies, not only in the energy sector.

Indicator	
Net Debt	<p><b>Purpose:</b> The indicator shows the real level of a company's financial debt, i.e., the nominal amount of debt net of cash, cash equivalents, and highly liquid financial assets held by the company. The indicator is primarily used to assess the overall appropriateness of the company's debt, e.g., in comparison with selected corporate profit or balance sheet indicators.</p> <p><b>Definition:</b> Long-Term Debt, Net of Current Portion + Current Portion of Long-Term Debt + Short-Term Loans – (Cash and Cash Equivalents + Highly Liquid Financial Assets).</p> <p>The components of the indicator, except for Highly Liquid Financial Assets, are reported individually in the balance sheet, with items relating to assets held for sale reported separately in the balance sheet.</p>
Adjusted Net Income (After-Tax Income, Adjusted)	<p><b>Purpose:</b> This is a supporting indicator, intended primarily for investors, creditors, and shareholders, which allows interpreting achieved financial results with the exclusion of extraordinary, usually nonrecurring effects that are generally unrelated to ordinary financial performance and value creation in a given period.</p> <p><b>Definition:</b> Net income (after-tax income) +/- additions to and reversals of impairments of property, plant, and equipment and intangible assets, including goodwill +/- additions to and reversals of impairments of developed projects +/- other extraordinary effects that are generally unrelated to ordinary financial performance in a given year and value creation in a given period +/- effects of the above on income tax.</p>
Dividend per Share (Gross)	<p><b>Purpose:</b> The indicator expresses a shareholder's right to the payment of a share in a joint-stock company's profits (usually for the past year) corresponding to the holding of one share. As the subsequent payment of the share in profits is usually subject to taxes, which may be different for different shareholders, the value before tax is reported.</p> <p><b>Definition:</b> Dividend granted in a given year, before tax, for outstanding shares.</p>
Net Debt/EBITDA	<p><b>Purpose:</b> This indicates a company's capability to pay back its debt as well as its ability to take on additional debt to grow its business. CEZ Group uses this indicator primarily to assess the adequacy of its capital structure to the structure and stability of its expected cash flows.</p> <p><b>Definition:</b> Net Debt / EBITDA. EBITDA is the running total for the past 12 months, that is, the amount of EBITDA generated from July 1 of the previous year to June 30; Net Debt is the amount at the end of the period.</p>

Most of the components used in the calculation of individual indicators are directly shown in financial statements. The components of calculations that are not included in the financial statements are usually shown directly in a company's books and are defined as follows:

**Highly Liquid Financial Assets—component of the Net Debt indicator (CZK millions):**

	As at Dec 31, 2019	As at Jun 30, 2020
Current debt financial assets	403	504
Noncurrent debt financial assets	111	10
Short-term deposits	3	2
Long-term deposits	0	0
Short-term equity securities	0	0
<b>Highly liquid financial assets, total</b>	<b>517</b>	<b>517</b>

**Adjusted Net Income indicator—individual components (CZK millions):**

Adjusted Net Income (After-Tax Income, Adjusted)	H1 2019	H1 2020
Net income	13,441	14,701
Impairments of property, plant, and equipment and intangible assets	826	1,901
Impairments of developed projects *)	3	–
Impairments of property, plant, and equipment and intangible assets, including goodwill, at joint ventures **)	–	–
Effects of additions to or reversals of impairments on income tax ***)	-95	-193
Other extraordinary effects	–	–
<b>Adjusted net income</b>	<b>14,175</b>	<b>16,409</b>

\*) Included in the row *Other operating expenses in the Consolidated Statement of Income*

\*\*) Included in the row *Share of profit (loss) from associates and joint ventures in the Consolidated Statement of Income*

\*\*\*) Included in the row *Income taxes in the Consolidated Statement of Income*

Totals and subtotals can differ from the sum of individual values due to rounding.

# **CEZ GROUP**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AS OF JUNE 30, 2020

**CEZ GROUP**  
**CONSOLIDATED BALANCE SHEET**  
**AS OF JUNE 30, 2020**

In CZK Millions

	Note	June 30, 2020	December 31, 2019
<b>ASSETS:</b>			
Plant in service		871,864	865,106
Less accumulated depreciation and impairment		(484,003)	(469,476)
<b>Net plant in service</b>		<b>387,861</b>	<b>395,630</b>
Nuclear fuel, at amortized cost		13,215	14,250
Construction work in progress, net		23,186	18,208
<b>Total property, plant and equipment</b>		<b>424,262</b>	<b>428,088</b>
Investments in associates and joint-ventures		4,228	3,283
Restricted financial assets, net		22,034	20,732
Other non-current financial assets, net		12,470	10,923
Intangible assets, net		31,221	37,429
Deferred tax assets		1,346	1,481
<b>Total other non-current assets</b>		<b>71,299</b>	<b>73,848</b>
<b>Total non-current assets</b>		<b>495,561</b>	<b>501,936</b>
Cash and cash equivalents, net		7,027	9,755
Trade receivables, net		53,351	65,030
Income tax receivable		2,004	707
Materials and supplies, net		10,484	8,889
Fossil fuel stocks		1,565	1,764
Emission rights		33,329	27,029
Other current financial assets, net		65,122	61,114
Other current assets, net		13,485	11,070
Assets classified as held for sale	5	17,953	17,280
<b>Total current assets</b>		<b>204,320</b>	<b>202,638</b>
<b>Total assets</b>		<b>699,881</b>	<b>704,574</b>

**CEZ GROUP**  
**CONSOLIDATED BALANCE SHEET**  
**AS OF JUNE 30, 2020**

continued

	Note	June 30, 2020	December 31, 2019
<b>EQUITY AND LIABILITIES:</b>			
Stated capital		53,799	53,799
Treasury shares		(2,845)	(2,885)
Retained earnings and other reserves		195,641	199,847
<b>Total equity attributable to equity holders of the parent</b>		<b>246,595</b>	<b>250,761</b>
Non-controlling interests		4,995	4,603
<b>Total equity</b>		<b>251,590</b>	<b>255,364</b>
Long-term debt, net of current portion	7	149,710	142,570
Provisions		89,795	89,512
Other long-term financial liabilities		8,366	9,700
Deferred tax liability		23,204	20,626
Other long-term liabilities		41	31
<b>Total non-current liabilities</b>		<b>271,116</b>	<b>262,439</b>
Short-term loans		4,322	4,260
Current portion of long-term debt	7	8,229	25,063
Trade payables		52,179	66,244
Income tax payable		636	628
Provisions		12,283	14,253
Other short-term financial liabilities		86,813	63,187
Other short-term liabilities		7,519	7,544
Liabilities associated with assets classified as held for sale	5	5,194	5,592
<b>Total current liabilities</b>		<b>177,175</b>	<b>186,771</b>
<b>Total equity and liabilities</b>		<b>699,881</b>	<b>704,574</b>

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020**

**In CZK Millions**

	Note	1-6/2020	1-6/2019 *	4-6/2020	4-6/2019 *
Sales of electricity, heat, gas and coal		69,294	64,575	31,076	29,680
Sales of services and other revenues		34,928	33,422	17,113	17,334
Other operating income		2,031	2,030	1,018	1,164
<b>Total revenues and other operating income</b>	8	106,253	100,027	49,207	48,178
Gains and losses from commodity derivative trading		5,964	4,919	28	1,144
Purchase of electricity, gas and other energies		(28,392)	(27,811)	(14,162)	(13,402)
Fuel and emission rights		(11,205)	(9,811)	(4,600)	(4,442)
Services		(13,241)	(13,017)	(7,078)	(6,973)
Salaries and wages		(14,401)	(13,264)	(7,445)	(6,953)
Material and supplies		(4,961)	(4,423)	(2,455)	(2,407)
Capitalization of expenses to the cost of assets and change in own inventories		1,696	1,588	951	294
Depreciation and amortization		(14,878)	(14,213)	(7,548)	(7,224)
Impairment of property, plant and equipment and intangible assets	9	(1,901)	(826)	(2,157)	(314)
Impairment of trade and other receivables		(135)	(101)	(149)	(119)
Other operating expenses		(2,839)	(3,227)	(1,439)	(1,742)
<b>Income before other income (expenses) and income taxes</b>		21,960	19,841	3,153	6,040
Interest on debt		(2,810)	(2,698)	(1,439)	(1,334)
Interest on provisions		(979)	(933)	(491)	(467)
Interest income		221	210	91	100
Share of profit (loss) from associates and joint-ventures		(128)	(88)	20	(25)
Impairment of financial assets		(34)	31	(195)	(6)
Other financial expenses		(823)	(388)	(468)	(361)
Other financial income		842	401	386	214
<b>Total other income (expenses)</b>		(3,711)	(3,465)	(2,096)	(1,879)
<b>Income before income taxes</b>		18,249	16,376	1,057	4,161
Income taxes		(3,548)	(2,935)	(518)	(645)
<b>Net income</b>		14,701	13,441	539	3,516
Net income attributable to:					
Equity holders of the parent		14,437	13,353	632	3,529
Non-controlling interests		264	88	(93)	(13)
Net income per share attributable to equity holders of the parent (CZK per share):					
Basic		27.0	25.0	1.2	6.6
Diluted		27.0	24.9	1.2	6.6

\* The figures for comparative period 1-6/2019 and 4-6/2019 were adjusted compared to figures presented in the interim consolidated financial statements as of June 30, 2019 (Note 2.2.2).



**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020**

In CZK Millions

	Note	1-6/2020	1-6/2019 *	4-6/2020	4-6/2019 *
<b>Net income</b>		14,701	13,441	539	3,516
Change in fair value of cash flow hedges		(2,799)	4,918	(4,897)	(2,065)
Cash flow hedges reclassified to statement of income		(596)	4,265	750	2,185
Change in fair value of debt instruments		730	400	797	367
Disposal of debt instruments		-	1	-	-
Translation differences – subsidiaries		2,041	(964)	(1,178)	(494)
Translation differences – associates and joint-ventures		211	20	(23)	(15)
Share on other equity movements of associates and joint-ventures		(13)	4	(7)	8
Deferred tax related to other comprehensive income	10	508	(1,820)	637	(93)
<b>Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods</b>		82	6,824	(3,921)	(107)
Re-measurement gains (losses) on defined benefit plans		-	2	-	-
<b>Net other comprehensive income not to be reclassified from equity in subsequent periods</b>		-	2	-	-
<b>Total other comprehensive income, net of tax</b>		82	6,826	(3,921)	(107)
<b>Total comprehensive income, net of tax</b>		14,783	20,267	(3,382)	3,409
Total comprehensive income attributable to:					
Equity holders of the parent		14,322	20,220	(3,189)	3,473
Non-controlling interests		461	47	(193)	(64)

\* The figures for comparative period 1-6/2019 and 4-6/2019 were adjusted compared to figures presented in the interim consolidated financial statements as of June 30, 2019 (Note 2.2.2).

**CEZ GROUP  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 2020**

In CZK Millions

	Note	Attributable to equity holders of the parent							Non-controlling interests	Total equity	
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves	Retained earnings			Total
<b>Balance as at January 1, 2019</b>		53,799	(3,534)	(11,565)	(18,337)	388	113	213,857	234,721	4,560	239,281
Net income		-	-	-	-	-	-	13,353	13,353	88	13,441
Other comprehensive income		-	-	(903)	7,438	326	-	6	6,867	(41)	6,826
<b>Total comprehensive income</b>		-	-	(903)	7,438	326	-	13,359	20,220	47	20,267
Dividends		-	-	-	-	-	-	(12,850)	(12,850)	(21)	(12,871)
Sale of treasury shares		-	632	-	-	-	-	(388)	244	-	244
Share options exercised and forfeited share options		-	-	-	-	-	16	-	16	-	16
Put options held by non-controlling interests		-	-	-	-	-	(15)	15	-	-	-
<b>Balance as at June 30, 2019 *</b>		<u>53,799</u>	<u>(2,902)</u>	<u>(12,471)</u>	<u>(10,899)</u>	<u>714</u>	<u>114</u>	<u>214,102</u>	<u>242,457</u>	<u>4,581</u>	<u>247,038</u>

\* The figures for comparative period 1-6/2019 were adjusted compared to figures presented in the interim consolidated financial statements as of June 30, 2019 (Note 2.2.2).

**CEZ GROUP  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 2020**

Continued

	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
<b>Balance as at January 1, 2020</b>		53,799	(2,885)	(12,837)	(2,831)	648	(160)	215,027	250,761	4,603	255,364
Net income		-	-	-	-	-	-	14,437	14,437	264	14,701
Other comprehensive income		-	-	2,056	(2,750)	592	-	(13)	(115)	197	82
<b>Total comprehensive income</b>		-	-	2,056	(2,750)	592	-	14,424	14,322	461	14,783
Dividends	6	-	-	-	-	-	-	(18,206)	(18,206)	(17)	(18,223)
Sale of treasury shares		-	40	-	-	-	-	(25)	15	-	15
Exercised and forfeited share options		-	-	-	-	-	(8)	8	-	-	-
Contribution from owners of non-controlling interests		-	-	-	-	-	-	-	-	13	13
Acquisition of non-controlling interests	4.3	-	-	-	-	-	-	(336)	(336)	(767)	(1,103)
Put options held by non-controlling interests		-	-	10	-	-	-	30	40	701	741
<b>Balance as at June 30, 2020</b>		<b>53,799</b>	<b>(2,845)</b>	<b>(10,771)</b>	<b>(5,581)</b>	<b>1,240</b>	<b>(168)</b>	<b>210,922</b>	<b>246,596</b>	<b>4,994</b>	<b>251,590</b>

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020**

In CZK Millions

	Note	1-6/2020	1-6/2019 *
<b>OPERATING ACTIVITIES:</b>			
<b>Income before income taxes</b>		18,249	16,376
<b>Adjustments of income before income taxes to cash generated from operations:</b>			
Depreciation and amortization		14,878	14,213
Amortization of nuclear fuel		1,993	2,048
(Gains) and losses on non-current asset retirements		(76)	(49)
Foreign exchange rate loss (gain)		(559)	300
Interest expense, interest income and dividend income		2,581	2,331
Change in provisions		(1,969)	(2,856)
Impairment of property, plant and equipment and intangible assets		1,901	826
Valuation allowances and other non-cash expenses and income		(3,036)	4,876
Share of (profit) loss from associates and joint-ventures		128	88
<b>Changes in assets and liabilities:</b>			
Receivables and contract assets		9,114	3,509
Materials, supplies and fossil fuel stocks		(1,413)	(1,132)
Receivables and payables from derivatives		3,107	(15)
Other assets		3,509	27
Trade payables		(12,463)	(7,899)
Other liabilities		(84)	232
<b>Cash generated from operations</b>		35,860	32,875
Income taxes paid		(1,581)	(1,890)
Interest paid, net of capitalized interest		(3,341)	(3,257)
Interest received		206	213
Dividends received		-	2
<b>Net cash provided by operating activities</b>		31,144	27,943
<b>INVESTING ACTIVITIES:</b>			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	4	(1,027)	(2,494)
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of		246	188
Additions to non-current assets, including capitalized interest		(13,467)	(13,064)
Proceeds from sale of non-current assets		337	2,335
Loans made		(317)	(101)
Repayment of loans		21	22
Change in restricted financial assets		(564)	(1,537)
<b>Total cash used in investing activities</b>		(14,771)	(14,651)

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020**

Continued

	Note	1-6/2020	1-6/2019 *
<b>FINANCING ACTIVITIES:</b>			
Proceeds from borrowings		38,985	43,221
Payments of borrowings		(56,469)	(54,984)
Lease payments		(416)	(357)
Proceeds from other long-term liabilities		168	33
Payments of other long-term liabilities		(31)	(38)
Dividends paid to Company's shareholders		(30)	(39)
(Dividends paid to) contributions received from non-controlling interests, net		13	(15)
Sale of treasury shares		15	244
Acquisition of non-controlling interests		(1,133)	-
<b>Total cash used in financing activities</b>		<u>(18,898)</u>	<u>(11,935)</u>
Net effect of currency translation and allowances in cash		605	(41)
<b>Net increase (decrease) in cash and cash equivalents</b>		(1,920)	1,316
<b>Cash and cash equivalents at beginning of period **</b>		<u>11,906</u>	<u>9,245</u>
<b>Cash and cash equivalents at end of period **</b>		<u><u>9,986</u></u>	<u><u>10,561</u></u>

Supplementary cash flow information:

Total cash paid for interest	3,507	3,406
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\* The figures for comparative period 1-6/2019 were adjusted compared to figures presented in the interim consolidated financial statements as of June 30, 2019 (Note 2.2.2).

\*\* Presented values of cash and cash equivalents contain also cash and cash equivalents included on the balance sheet on the line Assets classified as held for sale.

# **CEZ GROUP**

## **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

### **AS OF JUNE 30, 2020**

#### **1. The Company**

ČEZ, a. s. (“ČEZ” or “the Company”) is a Czech joint-stock company, owned 69.8% (70.1% of voting rights) at June 30, 2020 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are publicly held. The address of the Company's registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic.

The Company is a parent company of the CEZ Group (“the Group”). Main business of the Group is the production, distribution, trade and sale of electricity and heat, trade and sale of natural gas, coal mining and providing energy services.

#### **2. Summary of Significant Accounting Policies**

##### **2.1. Financial Statements**

The interim consolidated financial statements for the six months ended June 30, 2020 have been prepared in accordance with IAS 34 and have not been audited by an independent auditor. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with [the Group's annual financial statement as of December 31, 2019](#).

##### **2.2. Changes in Accounting Policies**

###### **2.2.1. Adoption of New IFRS Standards in 2020**

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of [the Group's annual financial statement as of December 31, 2019](#).

As of January 1, 2020, the Group did not adopt any new International Financial Reporting Standard that would have a significant impact on Group's interim consolidated financial statements.

## 2.2.2. Change of Reported Data for I. and II. Quarters 2019

After the financial results for I. and II. quarters 2019 were published, the accounting was made, which additionally brought more precise presentation of effects of hedging on individual quarters of 2019. The adjustments recorded affected financial results of the company ČEZ, a. s., and they relate to commodity derivatives, which hedge price risks of future sales of generated electricity with supply in 2019.

The Group also adjusted a final recognition of the acquisition of the Hermos Group, specifying the fair values of the identifiable assets, liabilities and costs of the acquisition as at the acquisition date of May 15, 2019.

Quantification of the above-mentioned relevant effects on reported amounts for I. quarter and II. quarter of 2019 is provided by the following tables (in CZK millions):

<b>CONSOLIDATED STATEMENT OF INCOME:</b>	1-3/2019 adjustment of hedging	4-6/2019 adjustment of hedging	4-6/2019 adjustment of Hermos's acquisition	1-6/2019 total adjustment
Gains and losses from commodity derivative trading	2,008	742	-	2,750
Depreciation and amortization	-	-	(9)	(9)
Income before other income (expenses) and income taxes	2,008	741	(10)	2,739
Income before income taxes	2,007	743	(11)	2,739
Income taxes	(381)	(142)	4	(519)
<b>Net income</b>	<b>1,626</b>	<b>601</b>	<b>(7)</b>	<b>2,220</b>
Net income attributable to equity holders of the parent	1,626	601	(7)	2,220
Net income per share attributable to equity holders of the parent (CZK per share):				
Basic	3.1	1.1	0.0	4.1
Diluted	3.1	1.1	0.0	4.1
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME:</b>	1-3/2019 adjustment of hedging	4-6/2019 adjustment of hedging	4-6/2019 adjustment of Hermos's acquisition	1-6/2019 total adjustment
Net income	1,626	601	(7)	2,220
Change in fair value of cash flow hedges	(2,008)	(1,382)	-	(3,390)
Deferred tax related to other comprehensive income	382	262	-	644
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods	(1,626)	(1,120)	(1)	(2,747)
Total other comprehensive income, net of tax	(1,626)	(1,120)	(1)	(2,747)
<b>Total comprehensive income, net of tax</b>	<b>-</b>	<b>(519)</b>	<b>(8)</b>	<b>(527)</b>
Total comprehensive income attributable to equity holders of the parent	-	(519)	(8)	(527)

<b>CONSOLIDATED BALANCE SHEET:</b>	June 30, 2019 original	Adjustment of hedging	Adjustment of Hermos's acquisition	June 30, 2019 adjusted
Net plant in service	384,081	-	199	384,280
Other non-current financial assets, net	10,264	-	(86)	10,178
Intangible assets, net	32,755	-	192	32,947
of which: Goodwill	15,060	-	14	15,074
Total non-current assets	484,941	-	310	485,251
Cash and cash equivalents, net	8,266	-	44	8,310
Other current financial assets, net	60,144	(641)	-	59,503
Other current assets, net	13,167	-	49	13,216
Total current assets	193,863	(641)	105	193,327
<b>Total assets</b>	<b>678,804</b>	<b>(641)</b>	<b>415</b>	<b>678,578</b>
Retained earnings and other reserves	192,087	(519)	(8)	191,560
Total equity attributable to equity holders of the parent	242,984	(519)	(8)	242,457
Total equity	247,565	(519)	(8)	247,038
Long-term debt, net of current portion	124,668	-	65	124,733
Non-current provisions	77,304	-	16	77,320
Deferred tax liability	21,150	(122)	194	21,222
Total non-current liabilities	234,786	(122)	275	234,939
Trade payables	54,355	-	107	54,462
Current provisions	9,682	-	25	9,707
Total current liabilities	196,453	-	148	196,601
<b>Total liabilities</b>	<b>678,804</b>	<b>(641)</b>	<b>415</b>	<b>678,578</b>

<b>CONSOLIDATED STATEMENT OF CASH FLOWS:</b>	1-6/2019 adjustment of hedging	1-6/2019 adjustment of Hermos's acquisition	1-6/2019 total adjustment
Income before income taxes	2,750	(11)	2,739
Depreciation and amortization	-	9	9
Receivables and payables from derivatives	(2,750)	-	(2,750)
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	-	44	44
Total cash used in investing activities	-	44	44
Net increase (decrease) in cash and cash equivalents	-	44	44
Cash and cash equivalents at end of period	-	44	44

<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY as of June 30, 2019:</b>	Adjustment		
	Cash flow hedge reserve	Retained earnings	Total equity
Net income	-	2,220	2,220
Other comprehensive income	(2,747)	-	(2,747)
Total comprehensive income	(2,747)	2,220	(527)
<b>Balance as of June 30, 2019</b>	<b>(2,747)</b>	<b>2,220</b>	<b>(527)</b>



### 3. Seasonality of Operations

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

### 4. Changes in the Group Structure

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

Cash outflow on acquisition of the subsidiaries	116
Cash outflow on investment in joint-ventures	791
Cash contributions to joint-ventures	1
Payments of payables from acquisitions of previous periods	119
	<hr/>
Total cash outflows on acquisition	<u>1,027</u>

#### 4.1. Acquisitions of Subsidiaries in the First Six Months of 2020

On April 9, 2020 the Group acquired a 100% interest in Austrian company Moser & Partner Ingenieurbüro GmbH, which focuses on building engineering services and energy saving projects.

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 acquisition (in CZK millions):

	<u>Moser</u>
Share of the Group being acquired	100%
Property, plant and equipment, net	46
Intangible assets, net	57
Another non-current assets	1
Cash and cash equivalents	-
Trade receivables, net	10
Contractual assets	12
Long-term debt, net of current portion	(37)
Deferred tax liability	(12)
Current portion of long-term debt	(3)
Income tax payable	(6)
Current provisions	(8)
Another current liabilities	(3)
	<hr/>
Total net assets	57
Share of net assets acquired	57
Goodwill	97
	<hr/>
Total purchase consideration	154
Liabilities from acquisition of the subsidiary	(38)
	<hr/>
Cash outflow on acquisition of the subsidiary in 2020	116
Less: Cash and cash equivalents in the subsidiary acquired	-
	<hr/>
Cash outflow in 2020, net	<u>116</u>

If the combinations had taken place at the beginning of the year 2020, net income for CEZ Group as of June 30, 2020 would have been CZK 14,692 million and the revenues and other operating income from continuing operations would have been CZK 106,262 million. The amount of goodwill recognized as a result of the business combination comprises the fair value of expected synergies arising from the acquisition.

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

	<u>Moser</u>
Revenues and other operating income	28
Income before other income (expense) and income taxes	10
Net income	8
Net income attributable to:	
Equity holders of the parent	8
Non-controlling interests	-

#### 4.2. Acquisitions of Joint-ventures in the First Six Months of 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 this transaction (in CZK millions):

	<u>GEOMET</u>
Share acquired in 2020	51%
Total net assets	610
Share of net assets acquired	311
Goodwill	<u>480</u>
Total purchase consideration	<u><u>791</u></u>

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

#### 4.3. Acquisitions of Non-controlling in the First Six Months of 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):

	<u>OEM Energy</u>	<u>ČEZ Energo</u>	<u>Total</u>
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	<u>35</u>	<u>(21)</u>	<u>14</u>
Acquired share of net assets derecognized from non-controlling interests	55	712	767
Amount directly recognized in equity caused by acquisition of non-controlling interest	<u>48</u>	<u>288</u>	<u>336</u>
Total purchase consideration	<u><u>103</u></u>	<u><u>1,000</u></u>	<u><u>1,103</u></u>

## 5. Assets and Associated Liabilities Classified as Held for Sale

As of June 30, 2020 the Group performed an impairment test for any potential impairment loss related to assets and associated liabilities held for sale in the Bulgarian companies CEZ Razpredelenie Bulgaria AD, CEZ ICT Bulgaria EAD, CEZ Trade Bulgaria EAD, CEZ Bulgaria EAD, CEZ Elektro Bulgaria AD, Free Energy Project Oreshets EAD and Bara Group EOOD. The result of this test, reflecting the contractual sales price of EUR 335 million, was a reversal of a part of previously recognized impairment of assets in the amount of CZK 685 million, which was presented in the statement of income on the line Impairment of property, plant and equipment and intangible assets (see Note 9).

If the intention to sell should be abandoned in the future, or the sale should no longer be highly probable in the next twelve months respectively, CEZ Group does not expect material effect on net income caused by the reclassification from assets held for sale.

The assets classified as held for sale and associated liabilities at June 30, 2020 and December 31, 2019 are as follows (in CZK millions):

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
	<u>Bulgarian companies</u>	<u>Bulgarian companies</u>
Property, plant and equipment, net	10,964	10,539
Intangible assets, net	492	461
Other non-current assets	178	145
Cash and cash equivalents	2,959	2,151
Trade receivables, net	2,690	2,875
Other current assets	<u>670</u>	<u>1,109</u>
Assets classified as held for sale	17,953	17,280
Long-term debt, net of current portion	1,424	1,357
Non-current provisions	191	183
Other long-term financial liabilities	168	247
Deferred tax liability	337	247
Short-term loans	359	170
Current portion of long-term debt	136	251
Trade payables	1,820	2,498
Current provisions	448	432
Other current liabilities	<u>311</u>	<u>207</u>
Liabilities associated with assets classified as held for sale	5,194	5,592

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

## 6. Equity

On June 29, 2020 the Annual Shareholders Meeting of ČEZ, a. s. approved the dividends per share before tax of CZK 34.0. The total amount of dividend approved for distribution to shareholders net of treasury shares amounts to CZK 18,206 million.

## 7. Long-term Debt

Long-term debt at June 30, 2020 and December 31, 2019 is as follows (in CZK millions):

	June 30, 2020	December 31, 2019
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,675	2,516
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,785	1,679
5.000% Eurobonds, due 2021 (EUR 750 million)	20,739	19,228
4.875% Eurobonds, due 2025 (EUR 750 million)	20,214	19,671
4.500% Eurobonds, due 2020 (EUR 750 million)	-	19,478
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	2,569	2,416
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	1,258	1,287
2.150%*IR CPI Eurobonds, due 2021 (EUR 100 million) <sup>1)</sup>	2,677	2,602
4.102% Eurobonds, due 2021 (EUR 50 million)	1,367	1,273
4.375% Eurobonds, due 2042 (EUR 50 million)	1,368	1,271
4.500% Eurobonds, due 2047 (EUR 50 million)	1,366	1,269
4.383% Eurobonds, due 2047 (EUR 80 million)	2,216	2,062
3.000% Eurobonds, due 2028 (EUR 725 million)	19,817	19,133
0.875% Eurobonds, due 2022 (EUR 500 million)	13,404	12,675
0.875% Eurobonds, due 2026 (EUR 750 million)	19,937	18,847
4.250% U.S. bonds, due 2022 (USD 289 million)	6,948	6,578
5.625% U.S. bonds, due 2042 (USD 300 million)	7,198	6,817
4.500% Registered bonds, due 2030 (EUR 40 million)	1,083	1,006
4.750% Registered bonds, due 2023 (EUR 40 million)	1,087	1,056
4.700% Registered bonds, due 2032 (EUR 40 million)	1,078	1,048
4.270% Registered bonds, due 2047 (EUR 61 million)	1,647	1,531
3.550% Registered bonds, due 2038 (EUR 30 million)	807	780
Total bonds and debentures	131,240	144,223
Less: Current portion	(4,345)	(21,163)
Bonds and debentures, net of current portion	126,895	123,060
Long-term bank loans and lease liabilities:	26,699	23,410
Less: Current portion	(3,884)	(3,900)
Long-term bank loans and lease payables, net of current portion	22,815	19,510
Total long-term debt	157,939	167,633
Less: Current portion	(8,229)	(25,063)
Total long-term debt, net of current portion	149,710	142,570

<sup>1)</sup> The interest rate is based on inflation realized in Eurozone Countries (Harmonized Index of Consumer Prices – HICP) and is fixed through the closed swap to the rate 4.553% p. a.

## 8. Revenues and Other Operating Income

The composition of revenues and other operating income for the first six months ended June 30, 2020 and 2019 is as follows (in CZK millions):

	<u>1-6/2020</u>	<u>1-6/2019</u>
Sales of electricity:		
Sales of electricity to end customers	25,652	24,036
Sales of electricity through energy exchange	1,084	600
Sales of electricity to traders	19,482	19,713
Sales to distribution and transmission companies	341	179
Other sales of electricity	12,620	13,392
Effect of hedging – presales of electricity	(741)	(5,248)
Effect of hedging – currency risk hedging	445	1,028
<b>Total sales of electricity</b>	<b>58,883</b>	<b>53,700</b>
Sales of gas, coal and heat:		
Sales of gas	3,955	4,375
Sales of coal	1,865	2,090
Sales of heat	4,591	4,410
<b>Total sales of gas, coal and heat</b>	<b>10,411</b>	<b>10,875</b>
<b>Total sales of electricity, heat, gas and coal</b>	<b>69,294</b>	<b>64,575</b>
Sales of services and other revenues:		
Distribution services	22,228	22,247
Other services	11,824	9,993
Rental income	102	99
Revenues from goods sold	431	578
Other revenues	343	505
<b>Total sales of services and other revenues</b>	<b>34,928</b>	<b>33,422</b>
Other operating income:		
Granted green and similar certificates	703	612
Contractual fines and interest fees for delays	172	289
Gain on sale of property, plant and equipment	49	41
Gain on sale of material	68	61
Other	1,039	1,027
<b>Total other operating income</b>	<b>2,031</b>	<b>2,030</b>
<b>Total revenues and other operating income</b>	<b>106,253</b>	<b>100,027</b>

Revenues from contracts with customers for the years ended June 30, 2020 and 2019 were CZK 104,416 million and CZK 102,118 million, respectively, and can be linked to the above figures as follows:

	<u>1-6/2020</u>	<u>1-6/2019</u>
Sales of electricity, heat, gas and coal	69,294	64,575
Sales of services and other revenues	34,928	33,422
<b>Total revenues</b>	<b>104,222</b>	<b>97,997</b>
Adjustments:		
Effect of hedging – presales of electricity	741	5,248
Effect of hedging – currency risk hedging	(445)	(1,028)
Rental income	(102)	(99)
<b>Revenues from contracts with customers</b>	<b>104,416</b>	<b>102,118</b>

## 9. Impairment of Property, Plant and Equipment and Intangible assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired or that previously recognized impairment loss, excluding goodwill, is no longer justified or should be reduced. The result of the analysis updated as at June 30, 2020 was the conclusion that selected assets of the Group could be impaired. In such a case, the Group reviews that the recoverable amount of these property, plant and equipment and intangible assets is not lower than their carrying amounts, and if so, the Group recognizes an impairment loss in profit or loss on the line Impairment of property, plant and equipment and intangible assets including goodwill.

Based on an updated estimate of recoverable amounts, the Group recognized a total impairment loss of CZK 1,901 million for the period 1-6/2020.

The decrease in the carrying amount of assets in the amount of CZK 798 million relates to the property, plant and equipment of the cash-generating unit of the Romanian wind farms. The decrease in value occurred mainly due to the expected decrease in electricity prices on the market in future compared to the previous long-term assumptions following the decrease in electricity prices in II. quarter. The decrease in the carrying amount of assets of CZK 685 million relates to the assets of the cash-generating unit Bulgarian distribution, whose assets are classified as held for sale (see Note 5). The impairment of assets of CZK 433 million relates to the goodwill of the cash-generating unit CEZ Chorzów S.A. The decrease in value occurred mainly due to a decrease in the expected gross margin from electricity and heat production due to the change in expected market prices of emission rights and electricity.

Although the ongoing COVID-19 pandemic was the indicator of a possible impairment of the Group's assets, according to updated analyses, this was not a crucial factor causing the impairment loss, as evidenced by the above descriptions of reasons that primarily led to the impairment loss. Further information on the effects of the COVID-19 pandemic on the Group's financial performance is provided in Note 12.

The segment information is provided in Note 11.

## 10. Income Taxes

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

	1-6/2020			1-6/2019		
	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	(2,799)	532	(2,267)	4,918	(935)	3,983
Cash flow hedges reclassified to statement of income	(596)	113	(483)	4,265	(810)	3,455
Change in fair value of debt instruments	730	(137)	593	400	(75)	325
Disposal of debt instruments	-	-	-	1	-	1
Translation differences – subsidiaries	2,041	-	2,041	(964)	-	(964)
Translation differences – associates and joint-ventures	211	-	211	20	-	20
Share on other equity movements of associates and joint-ventures	(13)	-	(13)	4	-	4
Re-measurement gains (losses) on defined benefit plans	-	-	-	2	-	2
<b>Total</b>	<b>(426)</b>	<b>508</b>	<b>82</b>	<b>8,646</b>	<b>(1,820)</b>	<b>6,826</b>

## 11. Segment Information

The Group reports its result using six reportable operating segments:

- Generation – Traditional Energy
- Generation – New Energy
- Distribution
- Sales
- Mining
- Support Services

The segments are defined across the countries that CEZ Group operates. Segment is a functionally autonomous part of CEZ Group that serves a single part of the value chain in the energy sector and is within the purview of individual members of the ČEZ, a. s. Board of Directors.

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

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

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

	1-6/2020	1-6/2019 *
Income before other income (expenses) and income taxes (EBIT)	21,960	19,841
Depreciation and amortization	14,878	14,213
Impairment of property, plant and equipment and intangible assets	1,901	826
Gains and losses on sale of property, plant and equipment, net **	(48)	(38)
EBITDA	<u>38,691</u>	<u>34,842</u>

\* The figures for comparative period 1-6/2019 were adjusted compared to figures presented in the interim consolidated financial statements as of June 30, 2019 (Note 2.2.2).

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

The following tables summarize segment information by operating segments for the six months ended June 30, 2020 and 2019 and at December 31, 2019 (in CZK millions):

	June 30, 2020:								
	Gene- ration – Traditional Energy	Gene- ration – New Energy	Distribu- tion	Sales	Mining	Support Services	Combined	Elimination	Consoli- dated
Revenues and other operating income – other than intersegment	32,523	3,197	21,990	46,008	2,003	532	106,253	-	106,253
Revenues and other operating income – intersegment	18,184	680	268	3,567	2,388	2,044	27,131	(27,131)	-
Total revenues and other operating income	50,707	3,877	22,258	49,575	4,391	2,576	133,384	(27,131)	106,253
EBITDA	19,739	2,718	10,901	2,862	1,750	719	38,689	2	38,691
Impairment of property, plant and equipment and intangible assets	(433)	(803)	(690)	-	12	13	(1,901)	-	(1,901)
EBIT	11,640	901	6,711	2,159	407	140	21,958	2	21,960
Interest on debt and provisions	(3,502)	(115)	(387)	(176)	(104)	(49)	(4,333)	544	(3,789)
Interest income	463	88	46	58	39	71	765	(544)	221
Share of profit (loss) from associates and joint-ventures	(9)	-	(175)	59	(3)	-	-128	-	-128
Income taxes	(1,841)	(101)	(1,166)	(360)	(82)	2	(3,548)	-	(3,548)
Net income	16,142	862	5,106	1,696	319	486	24,611	(9,910)	14,701
Identifiable assets	244,256	26,753	118,860	6,734	22,196	5,463	424,262	-	424,262
Investment in associates and joint-ventures									
Unallocated assets	2,715	249	-	301	963	-	4,228	-	4,228
Total assets									271,391
Capital expenditure	4,122	248	6,239	431	928	272	12,240	(75)	12,165
									699,881



June 30, 2019:	Gene- ration – Traditional Energy	Gene- ration – New Energy	Distribu- tion	Sales	Mining	Support Services	Combined	Elimination	Consoli- dated
Revenues and other operating income – other than intersegment	29,997	3,397	21,320	42,925	2,239	149	100,027	-	100,027
Revenues and other operating income – intersegment	19,188	185	313	3,808	3,052	2,109	28,655	(28,655)	-
Total revenues and other operating income	49,185	3,582	21,633	46,733	5,291	2,258	128,682	(28,655)	100,027
EBITDA	16,856	2,322	10,398	1,884	2,525	854	34,839	3	34,842
Depreciation and amortization	(7,593)	(908)	(3,258)	(459)	(1,393)	(602)	(14,213)	-	(14,213)
Impairment of property, plant and equipment and intangible assets	(15)	(12)	(810)	-	11	-	(826)	-	(826)
EBIT	9,260	1,402	6,339	1,428	1,148	261	19,838	3	19,841
Interest on debt and provisions	(3,350)	(117)	(387)	(152)	(108)	(72)	(4,186)	555	(3,631)
Interest income	390	85	85	81	55	69	765	(555)	210
Share of profit (loss) from associates and joint-ventures	(16)	(1)	(130)	51	8	-	(88)	-	(88)
Income taxes	(1,194)	13	(1,199)	(292)	(223)	(40)	(2,935)	-	(2,935)
Net income	16,397	1,475	4,717	1,095	942	759	25,385	(11,944)	13,441
Capital expenditure	3,763	486	5,651	622	770	370	11,662	(54)	11,608
December 31, 2019:									
Identifiable assets	249,324	27,712	116,132	6,616	22,612	5,692	428,088	-	428,088
Investment in associates and joint- ventures	2,589	235	-	280	179	-	3,283	-	3,283
Unallocated assets									273,203
Total assets									<u>704,574</u>

\* The figures for comparative period 1-6/2019 were adjusted compared to figures presented in the interim consolidated financial statements as of June 30, 2019 (Note 2.2.2).

## 12. COVID-19 Pandemic

According to the current evaluation of the impacts of the COVID-19 pandemic on the Group, the existence of no Group company is endangered and, in general, the pandemic has a relatively limited and temporary impact on the Group. However, the reliability of the estimate of the long-term effects of the COVID-19 pandemic on the Group is considerably limited due to the uncertainty of the extent of the effects of the pandemic on the economies of individual countries in Europe and the measures of countries on the economic growth of relevant countries.

The negative impact on the Group's operations is expected mainly for the year 2020 and to a relatively limited extent in the order of percentage units. The Group expects the greatest negative impact of the pandemic on the Sales segment, where we expect a reduction in the margin on the sale of services, a reduction in the margin on the sale of commodities to corporate customers and a potential deterioration in customers' solvency. In the Distribution segment, we expect the overall impact of the pandemic with regard to regulation to a relatively limited extent, however, in 2020 we expect a decrease in the volume of electricity distributed, and thus in the overall profit of distribution companies. The pandemics have a negative effect on the Generation – Traditional Energy and Mining segments, especially as a factor causing a decline in consumption, and thus in market electricity prices. On the other hand, there was a significant increase in market prices of emission rights, which in turn led to an increase in market prices of electricity. Therefore, the pandemic has a negative effect on the lower use of coal-based generation sources, and thus on the decline in demand for coal and on the margin of mining companies. From the point of view of the medium-term economic outlook of the Generation – Traditional Energy segment, the negative impact of the pandemic is limited due to the high level of cash flow hedging. For 2020, almost all expected production has already been contracted, for 2021 approximately 71% of expected production revenues have been contracted and for 2022 approximately 42% has been contracted.

The COVID-19 pandemic is considered an indicator of a possible impairment of the Group's assets, and therefore recoverable value tests have been updated using the best estimates available. The results of the analyzes do not show that the pandemic caused a decrease in the value of the Group's assets. Primary reasons that led to a decrease in the value of selected assets in II. quarter were different (see Note 9). In the second half of 2020, all relevant assets will be tested based on updated business plans of individual segments. The impact of the pandemic in the coming years will depend mainly on the overall development of the economy in Europe.

The Group has taken adequate measures to eliminate the risks and impacts of the COVID-19 pandemic on key operations and employee health.

## Identification of ČEZ, a. s.



Fig. A female falcon on a flue-gas stack platform at the Počerady power plant

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