

# **CEZ GROUP**

CONSOLIDATED REPORT ON PAYMENTS  
TO THE GOVERNMENT OF A EUROPEAN UNION  
MEMBER STATE OR A THIRD COUNTRY

FOR 2020

(Translation of Consolidated Report on Payments Originally Issued in Czech)

## **1. Company and the reason for the preparation of the consolidated report on payments**

ČEZ, a. s. (the "Company"), Company Reg. No. 45274649, is a joint-stock company, owned 69.8% (70.1% of voting rights) as at December 31, 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 the parent company of CEZ Group (the "Group"). The Group's core business is the generation, distribution, trade in, and sale of electricity and heat, trade in and sale of natural gas, and coal mining.

Severočeské doly a.s., active in the mining industry, is also included in the Group. Severočeské doly a.s. is wholly owned by ČEZ, a. s. Data for Severočeské doly a.s. is included in the consolidated financial statements of CEZ Group prepared as of December 31, 2020 in accordance with International Financial Reporting Standards ("IFRS") using the full consolidation method. Pursuant to Section 32c of the Act on Accounting, ČEZ, a. s., is therefore obliged to prepare and publish this consolidated report on payments to the government of a European Union member state or a third country ("consolidated report on payments"). The data specified in point 2 for Severočeské doly a.s. is also the consolidated data for CEZ Group.

In the consolidated financial statements of CEZ Group prepared as at December 31, 2020 in accordance with IFRS, a joint-venture LOMY MOŘINA spol. s r.o., active in the mining industry, is included using the equity method. Although LOMY MOŘINA spol. s r.o. is not a consolidated entity as defined in the Act on Accounting, the payment data of this company resulting from its mining activities is presented in point 3 for the sake of completeness.

For the purpose of maximizing informative value, this consolidated report on payments also includes payments that do not reach the statutory threshold of CZK 2,600 thousand for the accounting period (see Section 32b(2) of the Act on Accounting) but exceed the threshold of materiality of CZK 200 thousand set by the Company for an individual payment type and accounting period.

## **2. Severočeské doly a.s.**

Severočeské doly a.s. ("Severočeské doly"), Company Reg. No. 49901982, is a joint-stock company, whose sole shareholder is ČEZ, a. s.; it's registered office is at Boženy Němcové 5359, Chomutov, 430 01, Czech Republic.

The registered business activities of Severočeské doly consist of mining activities within the scope of Section 2(a), (b), (c), (d), (e), (i) of Act No. 61/1988 Coll., and activities performed using mining techniques within the scope of Section 3(a), (e) of said act. These activities include searching for and exploration of reserved mineral deposits, opening, preparation and extraction of reserved deposits, establishment, provision and disposal of mining works and quarries, treatment and refining of minerals carried out in connection with their extraction, establishment and operation of spoil banks, dumps and wasteponds in these activities and mine surveying activities.

## 2.1. Extracted deposits

Six mining areas were allocated to Severočeské doly by final decisions of mining authorities:

Mining Area Number	Mining Area Name	Extracted Mineral	District
40	Hrdlovka	brown coal	Teplice
49	Bílina	brown coal	Teplice
57	Duchcov	brown coal	Teplice
70	Lom II	brown coal	Most
101	Pařidla	brown coal	Most
62	Tušimice	brown coal	Chomutov

Severočeské doly performs these activities exclusively in the designated mining areas with the approval and under the supervision of the Czech Mining Administration. Mining area Nos. 40, 49, 57, 70, and 101 are designated for the extraction of brown coal by the Bílina Quarry and the mining area No. 62 is designated for the extraction of brown coal by the Libouš Quarry.

The Bílina Quarry (also named **Doly Bílina** within the organization) and the Libouš Quarry (also named **Doly Nástup Tušimice** within the organization) are identified by Severočeské doly as projects within the meaning of Section 32a(5) of the Act on Accounting. The Bílina Quarry performs mining activities on the basis of a Plan for the Opening and Preparation of Extraction approved under the mining permit Nos. 3426/10/II and SBS 28039/2019/OBÚ-04/1 issued by the District Mining Office for the Ústí nad Labem region. The Libouš Quarry performs mining activities on the basis of a Plan for the Opening and Preparation of Extraction approved under the mining permit Nos. SBS/37968/2012/OBÚ-04/5, SBS/23953/2015/OBÚ-04/3, and SBS 28031/2019/OBÚ-04/1 issued by the District Mining Office for the Ústí nad Labem region.

Payments that cannot be directly attributed to these projects are reported collectively as one amount.

## 2.2. Identified payment recipients

Recipients of payments identified within the meaning of Section 32a(4) of the Act on Accounting are the tax authorities, state mining authorities, local government authorities and entities in which an administration body exercises decisive influence.

## 2.3. Identified payments

The present report concerns payments to identified recipients as defined in Section 32a(6) of the Act on Accounting. The report does not include payments to identified recipients that occurred as part of normal business transactions.

- **Fees for extracted minerals**

Severočeské doly is obliged to pay the fee for extracted minerals in accordance with the respective provisions of the Mining Act. Severočeské doly is obliged to pay an annual payment for minerals extracted in the designated mining areas on the basis of a mining permit to the account of the competent district mining office. A partial base of the fee for the brown coal extracted using surface mining techniques is equivalent to the amount of heat contained in the extracted brown coal. This amount of heat is determined as the product of the net extracted volume and calorific value of coal (according to the relevant provisions of the Mining Act). Severočeské doly is paying a fee determined using the rate of CZK 1.18 per GJ in accordance with Government Order No. 98/2016 Coll., on Fee Rates. The fee for extracted minerals is paid in advance, advances are payable until the end of the third, sixth and twelfth calendar month of the fee period. The fee period is a calendar year and the settlement of the annual fees is carried out by March 31 of the following year.

- **Fees for the mining area**

Severočeské doly is obliged to pay the fee for mining areas in accordance with the respective provisions of the Mining Act. Severočeské doly is obliged to pay an annual payment for a mining area based on its area (rounded up to hectares) to the account of the competent district mining office. The fee covers mining areas designated by Severočeské doly and the mining areas transferred to it. For mining areas where the permitted mining activities consist of the preparation, opening and extraction of a reserved deposit, the rate of the fee for the mining area amounts to CZK 1,000 per hectare. The fee period is a calendar year. The annual payment for the mining area is carried out by March 31 of the respective year.

- **Fee for the withdrawal of land from the agricultural land fund**

Pursuant to the Act on the Protection of the Agricultural Land Fund, Severočeské doly is obliged to pay a fee for the withdrawal of agricultural land for the purposes of permanent and temporary mining activities, construction of buildings and structures and placement of equipment. In the areas temporarily withdrawn for the purpose of mining activities, Severočeské doly pays these fees until the completion of the restoration or to the termination of the restoration obligation.

- **Solid fuel tax**

As a supplier of solid fuels to end consumers, Severočeské doly is obliged to pay the solid fuel tax in accordance with the relevant provisions of the Act on Stabilization of Public Budgets. The tax liability arises upon the supply of these fuels, the base for the calculation of the tax being the fuel's calorific value determined according to an original sample. The taxation period is one month. The taxpayer is obliged to submit a tax return and to pay the tax no later than on the 25th day following the end of the taxable period in which the obligation arose.

- **Corporate income tax**

Severočeské doly is obliged to pay corporate income tax. Tax advances are paid during the year in accordance with the relevant provisions of the Income Tax Act. For a preceding tax period, Severočeské doly is obliged to file the corporate income tax return no later than on June 30 of the following year. If the total tax liability exceeds the sum of advances paid during the taxation period, the outstanding tax should be paid within the same deadline. Income tax cannot be allocated to individual projects.

Identified payments paid by Severočeské doly in 2020 are listed in the following summary:

Type of Payment	Recipient of Payment	Doly Bílina CZK Thousands	Doly Nástup Tušimice CZK Thousands	Not Allocated to Projects CZK Thousands	Total CZK Thousands	Category Pursuant to Section 32a(6)
Fees for extracted minerals	Czech Mining Office	144,793	137,022	-	281,815	Letter (b)
Fees for the mining area	Czech Mining Office	5,596	4,227	-	9,823	Letter (e)
Fee from the withdrawal of land from the agricultural land fund	Customs Office for the Ústí region	18,795	26,845	-	45,640	Letter (e)
Solid fuel tax	Customs Office for the Ústí region	6,213	-	-	6,213	Letter (b)
Corporate income tax	Specialized Tax Office	-	-	221,999	221,999	Letter (b)
<b>Total</b>		<b>175,397</b>	<b>168,094</b>	<b>221,999</b>	<b>565,490</b>	

Note: Furthermore, Severočeské doly paid a share in its profits (dividend) of CZK 1,707,159 thousand to its parent company (ČEZ, a. s.), in which the government has a decisive influence, in 2020. Taking into account the method of inclusion of the subsidiary in the consolidation, including the elimination of all mutual relationships, this payment is not shown in the consolidated data in the above table.

### 3. LOMY MOŘINA spol. s r.o.

LOMY MOŘINA spol. s r.o. ("LOMY MOŘINA"), Company Reg. No. 61465569, is a limited-liability company with its registered office at Mořina 73, postcode 267 17, whose shareholders are ČEZ, a. s., and Českomoravský cement, a.s. In the consolidated financial statement of CEZ Group prepared as of December 31, 2020 in accordance with IFRS, the data for the joint-venture LOMY MOŘINA is included using the equity method.

Registered business activities of LOMY MOŘINA include mining activities and activities carried out using mining techniques. In particular, these activities consist of the mining and processing of high-percentage limestone used in desulfurization equipment in thermal power plants. The material is further used in the chemical and food industry and in the construction industry.

#### 3.1. Extracted deposits

- **Mořina Operation**

For the Mořina Operation, limestone is extracted in the Čeřinka quarry, which is located in the cadastral area of the municipalities of Bubovice and Kozolupy. The quarry is opened in seven mining stages and the raw material extracted there contains both the chemical limestone and limestone that can only be used as an aggregate in the construction industry.

- **Tetín Operation**

The Tetín Operation is used for extracting limestone in the quarry of the same name; it is located in the cadastral territory of the municipality of Tetín. The quarry is opened in five mining stages and the raw material extracted there contains chemical limestone and limestone that can only be used as an aggregate in the construction industry.

LOMY MOŘINA identified the Mořina and Tetín operations as projects within the meaning of the provisions of Section 32a(5) of the Act on Accounting.

Payments that cannot be directly attributed to these projects are reported collectively as one amount.

### **3.2. Identified payment recipients**

Recipients of payments identified within the meaning of Section 32a(4) of the Act on Accounting are the tax authorities, mining authorities, and entities in which an administration body exercises decisive influence.

### **3.3. Identified payments**

- **Fees for extracted minerals**

It is determined for the minerals for which the mining area was established. The payment cannot exceed 10% of the market price of the extracted minerals. Their average market price in the year in which the minerals were extracted is decisive.

- **Fee for the withdrawal of land from the agricultural land fund**

Permanent withdrawal of agricultural land from the agricultural land fund for the purposes of mining of limestone and stone used in the construction industry.

- **Rent**

Lease of land pursuant to Agreement No. 13/96/8.

- **Corporate income tax**

LOMY MOŘINA is obliged to pay corporate income tax. Payments of the income tax cannot be allocated to individual projects.

- **Dividend**

Dividend paid to ČEZ, a. s., in which the government exercises a decisive influence. Dividend payments cannot be allocated to individual projects.

Identified payments paid by LOMY MOŘINA in 2020 are listed in the following summary:

Type of Payment	Recipient of Payment	Mořina Operation CZK Thousands	Tetín Operation CZK Thousands	Not Allocated to Projects CZK Thousands	Total CZK Thousands	Category Pursuant to Section 32a(6)
Fees for extracted minerals	Czech Mining Office	3,531	1,254	-23	4,762	Letter (b)
Fee from the withdrawal of land from the agricultural land fund	Customs Office for the Central Bohemia region	47	140	17	204	Letter (e)
Rent	Lesy ČR, s. p.	510	–	152	662	Letter (e)
Corporate income tax	Tax Office for the Central Bohemia region	-	-	1,377	1,377	Letter (b)
Dividend	ČEZ, a. s.	-	-	4,187	4,187	Letter (c)
<b>Total</b>		<b>4,088</b>	<b>1,394</b>	<b>5,710</b>	<b>11,192</b>	

Declaration of the statutory governing body of ČEZ, a. s.:

This consolidated report on payments has been, to the best of our knowledge and abilities, compiled and published in accordance with the requirements of the Act on Accounting.

In Prague on April 12, 2021

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Daniel Beneš  
Chairman of the Board of Directors

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Martin Novák  
Member of the Board of Directors