

CEZ GROUP

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS OF SEPTEMBER 30, 2021

CEZ GROUP CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2021

In CZK Millions

	Note	September 30, 2021	December 31, 2020
ASSETS:			
Plant in service		835,530	827,652
Less accumulated depreciation and impairment		(476,356)	(451,033)
Net plant in service		359,174	376,619
Nuclear fuel, at amortized cost		12,778	13,697
Construction work in progress, net		21,695	20,056
Total property, plant and equipment		393,647	410,372
Investments in associates and joint-ventures		3,897	4,075
Restricted financial assets, net		21,614	21,424
Other non-current financial assets, net	5	12,198	11,002
Intangible assets, net		21,449	24,244
Deferred tax assets		795	828
Total other non-current assets		59,953	61,573
Total non-current assets		453,600	471,945
Cash and cash equivalents, net		8,023	6,064
Trade receivables, net		81,626	63,648
Income tax receivable		2,477	664
Materials and supplies, net		14,555	9,898
Fossil fuel stocks		822	1,220
Emission rights	6	64,161	37,833
Other current financial assets, net	5	589,460	61,894
Other current assets, net		11,841	8,919
Assets classified as held for sale	7	-	40,373
Total current assets		772,965	230,513
Total assets		1,226,565	702,458

**CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2021**

continued

	Note	September 30, 2021	December 31, 2020
EQUITY AND LIABILITIES:			
Stated capital		53,799	53,799
Treasury shares		(1,447)	(2,845)
Retained earnings and other reserves		126,688	182,917
Total equity attributable to equity holders of the parent		179,040	233,871
Non-controlling interests		1,891	4,692
Total equity		180,931	238,563
Long-term debt, net of current portion	9	102,895	122,102
Provisions		105,229	105,326
Other long-term financial liabilities	10	28,827	9,414
Deferred tax liability		13,297	19,383
Other long-term liabilities		33	34
Total non-current liabilities		250,281	256,259
Short-term loans	11	12,964	984
Current portion of long-term debt	9	25,386	28,741
Trade payables		79,481	73,189
Income tax payable		122	555
Provisions		13,062	13,665
Other short-term financial liabilities	10	654,487	72,114
Other short-term liabilities		9,851	6,759
Liabilities associated with assets classified as held for sale	7	-	11,629
Total current liabilities		795,353	207,636
Total equity and liabilities		1,226,565	702,458

CEZ GROUP
CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

In CZK Millions

	Note	1-9/2021	1-9/2020	7-9/2021	7-9/2020
Sales of electricity, heat, gas and coal		104,383	100,784	31,890	31,490
Sales of services and other revenues		49,172	51,842	14,921	16,914
Other operating income		2,400	2,924	894	893
Total revenues and other operating income	12	155,955	155,550	47,705	49,297
Gains and losses from commodity derivative trading		(405)	6,119	2,183	155
Purchase of electricity, gas and other energies		(42,149)	(42,546)	(12,041)	(14,154)
Fuel and emission rights		(16,399)	(16,254)	(5,127)	(5,049)
Services		(19,445)	(20,432)	(6,921)	(7,191)
Salaries and wages		(21,333)	(21,789)	(6,973)	(7,388)
Material and supplies		(8,049)	(7,720)	(2,792)	(2,759)
Capitalization of expenses to the cost of assets and change in own inventories		3,112	2,727	1,153	1,031
Depreciation and amortization		(21,810)	(22,083)	(7,911)	(7,205)
Impairment of property, plant and equipment and intangible assets	13	(12,165)	(5,743)	(539)	(3,842)
Impairment of trade and other receivables		63	(197)	(5)	(62)
Other operating expenses		(3,571)	(4,470)	(1,072)	(1,631)
Income before other income (expenses) and income taxes		13,804	23,162	7,660	1,202
Interest on debt		(3,245)	(3,993)	(1,029)	(1,183)
Interest on provisions		(1,491)	(1,468)	(494)	(489)
Interest income		321	321	106	100
Share of profit (loss) from associates and joint-ventures		80	(88)	47	40
Impairment of financial assets		(185)	(188)	(63)	(154)
Other financial expenses		(412)	(1,319)	(56)	(496)
Other financial income		1,971	1,043	400	201
Total other income (expenses)		(2,961)	(5,692)	(1,089)	(1,981)
Income (loss) before income taxes		10,843	17,470	6,571	(779)
Income taxes		(4,135)	(3,884)	(1,439)	(336)
Net income (loss)		6,708	13,586	5,132	(1,115)
Net income (loss) attributable to:					
Equity holders of the parent		6,560	13,261	5,127	(1,176)
Non-controlling interests		148	325	5	61
Net income (loss) per share attributable to equity holders of the parent (CZK per share):					
Basic		12.2	24.8	9.6	(2.2)
Diluted		12.2	24.8	9.5	(2.2)

CEZ GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

In CZK Millions

	Note	1-9/2021	1-9/2020	7-9/2021	7-9/2020
Net income (loss)		6,708	13,586	5,132	(1,115)
Change in fair value of cash flow hedges		(52,844)	(5,598)	(36,649)	(2,799)
Cash flow hedges reclassified to statement of income		3,032	674	2,243	1,270
Change in fair value of debt instruments		(1,112)	744	(235)	14
Disposal of debt instruments		(12)	-	(10)	-
Translation differences – subsidiaries		(935)	2,618	(55)	577
Translation differences – associates and joint-ventures		(78)	339	(2)	128
Disposal of translation differences		8,235	-	1,628	-
Share on other equity movements of associates and joint-ventures		25	(25)	(3)	(12)
Deferred tax related to other comprehensive income	14	9,680	796	6,585	288
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		(34,009)	(452)	(26,498)	(534)
Change in fair value of equity instruments		-	4	-	4
Net other comprehensive income not to be reclassified from equity in subsequent periods		-	4	-	4
Total other comprehensive income, net of tax		(34,009)	(448)	(26,498)	(530)
Total comprehensive income, net of tax		(27,301)	13,138	(21,366)	(1,645)
Total comprehensive income attributable to:					
Equity holders of the parent		(27,316)	12,545	(21,371)	(1,777)
Non-controlling interests		15	593	5	132

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

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
Balance as at January 1, 2020		53,799	(2,885)	(12,837)	(2,831)	648	(160)	215,027	250,761	4,603	255,364
Net income		-	-	-	-	-	-	13,261	13,261	325	13,586
Other comprehensive income		-	-	2,688	(3,988)	605	4	(25)	(716)	268	(448)
Total comprehensive income		-	-	2,688	(3,988)	605	4	13,236	12,545	593	13,138
Dividends		-	-	-	-	-	-	(18,206)	(18,206)	(46)	(18,252)
Sale of treasury shares		-	40	-	-	-	-	(25)	15	-	15
Exercised and forfeited share options		-	-	-	-	-	(15)	15	-	-	-
Contribution from owners of non-controlling interests		-	-	-	-	-	-	-	-	13	13
Acquisition of non-controlling interests		-	-	-	-	-	-	(302)	(302)	(766)	(1,068)
Put options held by non-controlling interests		-	-	12	-	-	-	(5)	7	733	740
Balance as at September 30, 2020		<u>53,799</u>	<u>(2,845)</u>	<u>(10,137)</u>	<u>(6,819)</u>	<u>1,253</u>	<u>(171)</u>	<u>209,740</u>	<u>244,820</u>	<u>5,130</u>	<u>249,950</u>

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

continued

	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		
Balance as at January 1, 2021		53,799	(2,845)	(11,777)	(7,110)	874	(1,022)	201,952	233,871	4,692	238,563
Net income		-	-	-	-	-	-	6,560	6,560	148	6,708
Other comprehensive income		-	-	7,354	(40,347)	(908)	-	25	(33,876)	(133)	(34,009)
Total comprehensive income		-	-	7,354	(40,347)	(908)	-	6,585	(27,316)	15	(27,301)
Dividends	8	-	-	-	-	-	-	(27,909)	(27,909)	(150)	(28,059)
Sale of treasury shares		-	1,398	-	-	-	-	(749)	649	-	649
Exercised and forfeited share options		-	-	-	-	-	(54)	54	-	-	-
Acquisition of subsidiaries	4.1	-	-	-	-	-	-	-	-	13	13
Acquisition of non-controlling interests	4.3	-	-	-	-	-	-	(71)	(71)	5	(66)
Sale of subsidiaries	4.2	-	-	-	-	-	-	-	-	(3,499)	(3,499)
Sale of non-controlling interests	4.3	-	-	-	-	-	-	(4)	(4)	803	799
Put options held by non-controlling interests		-	-	(6)	-	-	-	(174)	(180)	12	(168)
Balance as at September 30, 2021		<u>53,799</u>	<u>(1,447)</u>	<u>(4,429)</u>	<u>(47,457)</u>	<u>(34)</u>	<u>(1,076)</u>	<u>179,684</u>	<u>179,040</u>	<u>1,891</u>	<u>180,931</u>

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

In CZK Millions

	Note	1-9/2021	1-9/2020
OPERATING ACTIVITIES:			
Income before income taxes		10,843	17,470
Adjustments of income before income taxes to cash generated from operations:			
Depreciation and amortization		21,810	22,083
Amortization of nuclear fuel		2,979	3,051
(Gains) and losses on non-current asset retirements		(456)	(108)
Foreign exchange rate loss (gain)		(876)	(697)
Interest expense, interest income and dividend income		2,914	3,659
Provisions		(495)	(254)
Impairment of property, plant and equipment and intangible assets		12,165	5,743
Valuation allowances and other non-cash expenses and income		(21,651)	(2,528)
Share of (profit) loss from associates and joint-ventures		(80)	88
Changes in assets and liabilities:			
Receivables and contract assets		(22,556)	5,735
Materials, supplies and fossil fuel stocks		(4,116)	(2,199)
Receivables and payables from derivatives		16,101	6,779
Other assets		203	7,265
Trade payables		11,830	(10,934)
Other liabilities		3,106	3,049
Cash generated from operations		31,721	58,202
Income taxes paid		(2,728)	(2,703)
Interest paid, net of capitalized interest		(3,180)	(3,764)
Interest received		273	296
Dividends received		7	13
Net cash provided by operating activities		26,093	52,044
INVESTING ACTIVITIES:			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	4.1	(790)	(1,215)
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of	4.2	28,970	252
Additions to non-current assets, including capitalized interest		(21,157)	(20,741)
Proceeds from sale of non-current assets		308	389
Loans made		(317)	(1,008)
Repayment of loans		307	32
Change in restricted financial assets		(1,135)	(544)
Net cash provided by (used in) investing activities		6,186	(22,835)

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

continued

	Note	1-9/2021	1-9/2020
FINANCING ACTIVITIES:			
Proceeds from borrowings		193,994	119,402
Payments of borrowings		(201,163)	(132,000)
Payments of lease liabilities		(502)	(612)
Proceeds from other long-term liabilities		220	180
Payments of other long-term liabilities		(188)	(52)
Dividends paid to Company's shareholders		(27,645)	(18,064)
(Dividends paid to) contributions received from non-controlling interests, net		(142)	(8)
Sale of treasury shares		649	15
(Acquisition) sale of non-controlling interests, net		746	(1,090)
Total cash used in financing activities		(34,031)	(32,229)
Net effect of currency translation and allowances in cash		(394)	726
Net decrease in cash and cash equivalents		(2,146)	(2,294)
Cash and cash equivalents at beginning of period *		10,169	11,906
Cash and cash equivalents at end of period *		8,023	9,612

Supplementary cash flow information:

Total cash paid for interest	3,390	3,962
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* 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 SEPTEMBER 30, 2021

1. The Company

ČEZ, a. s. (“ČEZ” or “the Company”) is a Czech joint-stock company, owned 69.8% (69.9% of voting rights) at September 30, 2021 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 generation, distribution, trade and sale of electricity and heat, trade and sale of natural gas, provision of complex energy services and coal mining.

2. Summary of Significant Accounting Policies

2.1. Financial Statements

The interim consolidated financial statements for the nine months ended September 30, 2021 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, 2020](#).

2.2. Changes in Accounting Policies

2.2.1. Adoption of New IFRS Standards in 2021

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, 2020](#).

As of January 1, 2021, the Group did not adopt any new International Financial Reporting Standard that would have a significant impact on Group's interim consolidated financial statements.

3. Seasonality of Operations

The seasonality within the segments Generation, 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

4.1. Acquisitions of Subsidiaries in the First Nine Months of 2021

The following table summarizes the cash flows related to acquisitions in first nine months of 2021 (in CZK millions):

Cash outflow on acquisition of the subsidiaries	670
Cash outflow on acquisitions of the subsidiaries, where provisional accounting was not completed yet	168
Payments of payables from acquisitions of previous periods	125
Less:	
Cash and cash equivalents acquired on acquisition of the subsidiaries	(156)
Cash and cash equivalents acquired on including the previously unconsolidated subsidiaries in consolidation	(17)
Total cash outflows on acquisition	<u>790</u>

On May 19, 2021, the Group acquired a 100% interest in the company Peil und Partner Ingenieure GmbH, which focuses on building engineering services and energy saving projects.

On July 15, 2021, the Group acquired a 100% interest in the company EP Rožnov, a.s., which owns a 100% interest in the company EPIGON spol. s r.o. and a 90% interest in the company PIPE SYSTEMS s.r.o (further also as EP Rožnov). The companies are engaged in providing complex services for the construction of clean rooms.

On July 19, 2021, the Group acquired a 100% interest in companies IBP Ingenieure GmbH & Co. KG and IBP Verwaltungs GmbH, which focuses on building engineering services and energy saving projects.

On July 26, 2021, the Group acquired a 100% interest in the company I SOCIETA' AGRICOLA DEF S.r.l., which focuses on building engineering services and energy saving projects.

On August 27, 2021, the Group acquired a 66% interest in the company ZOHD Groep B.V., which owns a 100% interest in Energy Shift B.V., Zonnepanelen op het Dak Installaties B.V and Zonnepanelen op het Dak B.V. The companies are engaged in the production and installation of solar panels.

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):

	EP Rožnov	ZOHD	Other	Total
Share of the Group being acquired	100%	66%		
Property, plant and equipment, net	33	16	123	172
Intangible assets, net	1	30	60	91
Another non-current assets	6	1	2	9
Cash and cash equivalents	99	9	48	156
Trade receivables, net	164	21	20	205
Materials and supplies, net	37	63	-	100
Another current assets	21	8	23	52
Long-term debt, net of current portion	-	(6)	(77)	(83)
Deferred tax liability	-	(7)	(9)	(16)
Another non-current assets	-	-	(1)	(1)
Short-term loans	-	(20)	(2)	(22)
Current portion of long-term debt	-	(3)	(12)	(15)
Trade payables	(104)	(44)	(17)	(165)
Income tax payable	-	-	(21)	(21)
Short-term provisions	(1)	(2)	(14)	(17)
Another current liabilities	(21)	(33)	(2)	(56)
Total net assets	235	33	121	389
Share of net assets acquired	233	22	121	376
Goodwill	14	273	79	366
Total purchase consideration	247	295	200	742
Liabilities from acquisition of the subsidiary	(22)	-	(18)	(40)
Cash paid in previous years	-	-	(32)	(32)
Cash outflow on acquisition in 2021	225	295	150	670
Less: Cash and cash equivalents in the subsidiary acquired	(99)	(9)	(48)	(156)
Cash outflow on acquisition in 2021, net	126	286	102	514

If the acquisitions had taken place at the beginning of the year 2021, net income for CEZ Group as of September 30, 2021 would have been CZK 6,690 million and the revenues and other operating income from continuing operations would have been CZK 156,503 million. The amounts of goodwill recognized as a result of the business combinations comprise the value of expected synergies arising from the acquisitions.

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

	EP Rožnov	ZOHD	Other	Total
Revenues and other operating income	73	28	42	143
Income before other income (expense) and income taxes	2	1	19	22
Net income	2	1	19	22
Net income attributable:				
Equity holders of the parent	2	1	19	22
Non-controlling interests	-	-	-	-

4.2. Sale of Shares in Romanian and Bulgarian Companies

On October 22, 2020, a share purchase agreement was concluded for the sale of the interests in Romanian companies Distributie Energie Oltenia S.A., CEZ Vanzare S.A., CEZ Romania S.A. (including its interest in TMK Hydroenergy Power S.R.L.), Tomis Team S.A. (including its interest in M.W. Team Invest S.R.L.) and Ovidiu Development S.A. From that date, the assets and related liabilities were classified as held for sale and tested for possible impairment with respect to the sale price. In the first quarter of 2021, the Group recognized an impairment of property, plant and equipment and intangible assets in the amount of CZK 1,145 million, which was reported in the income statement on the line Impairment of property, plant and equipment and intangible assets (Note 13).

The transaction was settled on March 31, 2021. The total sale price for the shares in the Romanian companies was paid in full and the Group transferred control over the sold subsidiaries.

The following table provides an overview of the impacts related to the derecognition of Romanian companies from consolidation, with the derecognized net assets broken down by operating segments (in CZK millions):

	Generation	Distribution	Sales	Total
Sold interest				100%
Property, plant and equipment, net	6,645	7,489	6	14,140
Non-current green and similar certificates, net	1,288	-	-	1,288
Deferred tax asset	1,109	360	59	1,528
Another non-current assets	43	270	21	334
Cash and cash equivalents	1,453	1,783	218	3,454
Trade receivables, net	422	542	1,114	2,078
Materials and supplies, net	63	140	3	206
Green and similar certificates	909	-	-	909
Another current assets	159	602	961	1,722
Long-term debt, net of current portion	(233)	(2,767)	(2)	(3,002)
Non-current provisions	(783)	(211)	(7)	(1,001)
Other long-term financial liabilities	(1)	(157)	(9)	(167)
Current portion of long-term debt	(19)	(107)	(3)	(129)
Trade payables	(207)	(722)	(1,348)	(2,277)
Current provisions	(143)	(133)	(367)	(643)
Another short-term liabilities	(6)	(205)	(135)	(346)
Total net assets	10,699	6,884	511	18,094
Disposal of translation differences				6,605
Effect of intercompany balances:				
Trade receivables, net				(120)
Trade payables				64
Total cost of sale of the Group				24,643
Revenue from sale				24,643
Gain on sale				-

The following table shows the cash flows related to the sale and derecognition of the Romanian subsidiaries from consolidation (in CZK millions):

Cash received from sale in the first nine months of 2021	24,643
Cash disposed of on sale	(3,454)
	<hr/>
Total cash flow from sale of Romanian companies in the first nine months of 2021	<u>21,189</u>

On June 20, 2019, an agreement with the company Eurohold AD was signed on the sale of ownership interests in the Bulgarian companies CEZ Razpredelenie Bulgaria AD (including its share in CEZ ICT Bulgaria EAD), CEZ Trade Bulgaria EAD, CEZ Bulgaria EAD, CEZ Elektro Bulgaria AD, Free Energy Project Oreshets EAD and Bara Group EOOD. The assets and related liabilities of the sold companies were classified as held for sale and were tested for possible impairment with respect to the sale price. In the first nine months of 2021, the Group recognized an impairment of property, plant and equipment and intangible assets of CEZ Razpredelenie Bulgaria AD representing the cash-generating unit Bulgarian distribution for the purpose of testing assets for possible impairment in the amount of CZK 849 million, which was reported in the income statement on the line Impairment of property, plant and equipment and intangible assets (Note 13).

On July 27, 2021, the transaction for the sale of Bulgarian assets was settled between the Group and Eurohold Bulgaria. The sale price for all the Group's shares in Bulgarian companies in the amount of EUR 335 million was repaid and the Group transferred control of the sold subsidiaries. As part of the transaction, the Group's outstanding loans provided to Bulgarian companies were transferred to the buyer.

The following table provides an overview of the impacts related to the derecognition of Bulgarian companies from consolidation, with the derecognized net assets broken down by operating segments (in CZK millions):

	<u>Generation</u>	<u>Distribution</u>	<u>Sales</u>	<u>Total</u>
Sold interest	100%	67%	67%	
Property, plant and equipment, net	158	9,484	80	9,722
Intangible assets, net	-	494	1	495
Cash and cash equivalents	16	820	1,967	2,803
Other assets	8	669	2,895	3,572
Long term liabilities	-	(1,543)	(110)	(1,653)
Short term liabilities	(36)	(1,085)	(2,011)	(3,132)
Deferred tax liabilities	(4)	(120)	(4)	(128)
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	142	8,719	2,818	11,679
Disposal of translation differences				1,628
Disposal of non-controlling interests				(3,499)
Effect of intercompany balances:				
Trade receivables				(17)
Other financial assets				(386)
Trade payables				41
Short-term financial payables				408
				<hr/>
Total cost of sale of the Group				9,854
Revenue from sale of shares and loans provided				9,854
				<hr/>
Gain on sale				<u>-</u>

The following table shows the cash flows related to the sale and derecognition of the Bulgarian subsidiaries from consolidation (in CZK millions):

Cash received from sale in the first nine months of 2021	9,871
Cash disposed of on sale	<u>(2,803)</u>
Total cash flow from sale of Bulgarian companies in the first nine months of 2021	<u><u>7,068</u></u>

The following table summarizes the total cash flows related to the sales of subsidiaries and payment from joint-ventures in the first nine months of 2021 (in CZK millions):

Total cash received from sale of Romanian companies	21,189
Total cash received from sale of Bulgarian companies	7,068
Sale of 100% share in CEZ Towarowy Dom Maklerski sp. z o.o.	5
Payments of receivables from acquisitions of previous periods	672
Cash payments from joint-ventures	<u>36</u>
Total cash flow in the first nine months of 2021	<u><u>28,970</u></u>

4.3. Changes in Non-controlling Interests

In February 2021, Slovenský plynárenský priemysel, a.s. made a cash contribution to ESCO Slovensko, a.s., thus acquiring a 50% non-controlling interest and the Group's share fell to 50%, while maintaining control. The main strategic intention of ESCO Slovensko, a.s., which owns shares in 6 Slovak companies invested from ČEZ ESCO, a.s., is the development of decentralized energy and complex energy services in Slovakia.

On July 29, 2021 the Group sold a non-controlling 49% interest in the company ČEZ Asset Holding, a. s. In August 2021, the company then changed its name to ENVEZ, a.s.

An overview of basic financial information on these transactions is given in the following table (in CZK millions):

	ESCO Slovensko	ENVEZ	Total
Share sold in 2021	50.00%	49.00%	
Sold share of net assets increasing non-controlling interests	799	4	803
Direct impact on equity from the sale of a non-controlling interest	(5)	1	(4)
Total sale price	<u>794</u>	<u>5</u>	<u>799</u>

During May and June 2021, within several sub-transactions, the Group acquired a part of the non-controlling interest representing a 26.58% interest in the company OSC, a.s., which increased Group's interest to 93.25%.

In June 2021, there was an additional adjustment to the acquisition price for a 25% non-controlling interest in ENESA a.s., which was acquired in 2018.

An overview of basic financial information on these transactions is given in the following table (in CZK millions):

	OSC, a.s.	ENESA a.s.	Total
Share acquired in 2021	26.58%	-	
Acquired share of net assets derecognized from non-controlling interests	(5)	-	(5)
Amount directly recognized in equity caused by acquisition of non-controlling interest	48	23	71
Total purchase consideration	<u>43</u>	<u>23</u>	<u>66</u>

5. Other Financial Assets, Net

The overview of other financial assets, net at September 30, 2021 and December 31, 2020 is as follows (in CZK millions):

	September 30, 2021			December 31, 2020		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Term deposits	-	3,183	3,183	-	2,755	2,755
Other financial receivables	2,207	306	2,513	1,786	987	2,773
Receivables from sale of subsidiaries, associates and joint-ventures	2,387	2	2,389	2,349	2,012	4,361
Investment in finance lease	229	46	275	261	51	312
Debt financial assets	-	-	-	-	10	10
Total financial assets at amortized cost	4,823	3,537	8,360	4,396	5,815	10,211
Equity financial assets – investments in Inven Capital, SICAV, a.s.	2,245	255	2,500	1,750	-	1,750
Commodity and other derivatives	232	584,652	584,884	224	55,694	55,918
Total financial assets at fair value through profit or loss	2,477	584,907	587,384	1,974	55,694	57,668
Equity financial assets	1,913	-	1,913	1,768	-	1,768
Fair value of cash flow hedge derivatives	2,984	1,016	4,000	2,864	284	3,148
Financial assets in progress	1	-	1	-	-	-
Debt financial assets	-	-	-	-	101	101
Total financial assets at fair value through other comprehensive income	4,898	1,016	5,914	4,632	385	5,017
Total	12,198	589,460	601,658	11,002	61,894	72,896

The increase of short-term commodity derivatives in the first nine months of 2021 is mainly due to an increase in the market prices of emission rights, electricity and gas.

6. Emission Rights

The composition of emission rights and green and similar certificates at September 30, 2021 and December 31, 2020 (in CZK millions):

	September 30, 2021			December 31, 2020		
	Non-current	Current	Total	Non-current	Current	Total
Emission rights for own use	160	8,144	8,304	2,701	12,753	15,454
Emission rights held for trading	-	55,842	55,842	-	24,840	24,840
Green and similar certificates	-	175	175	-	240	240
Total	160	64,161	64,321	2,701	37,833	40,534

Increase of short-term emission rights and green and similar certificates as of September 30, 2021 compared to December 31, 2020 is mainly due increase of market price of emission rights during the period by 89% (from 32.56 EUR/t to 61.66 EUR/t).

7. Assets and Associated Liabilities Classified as Held for Sale

Information on the sale of ownership interests in Romanian and Bulgarian companies is described in Note 4.2.

8. Equity

On June 28, 2021 the Annual Shareholders Meeting of ČEZ, a. s. approved the dividends per share before tax of CZK 52.0. The total amount of dividend approved for distribution to shareholders net of treasury shares amounts to CZK 27,909 million.

9. Long-term Debt

Long-term debt at September 30, 2021 and December 31, 2020 is as follows (in CZK millions):

	September 30, 2021	December 31, 2020
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,356	2,505
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,573	1,671
5.000% Eurobonds, due 2021 (EUR 541 million) ¹⁾	14,444	19,872
4.875% Eurobonds, due 2025 (EUR 750 million)	19,519	20,328
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	2,267	2,405
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	1,273	1,288
2.150%*IR CPI Eurobonds, due 2021 (EUR 100 million) ²⁾	-	2,688
4.102% Eurobonds, due 2021 (EUR 50 million)	1,318	1,315
4.375% Eurobonds, due 2042 (EUR 50 million)	1,263	1,314
4.500% Eurobonds, due 2047 (EUR 50 million)	1,261	1,312
4.383% Eurobonds, due 2047 (EUR 80 million)	2,046	2,130
3.000% Eurobonds, due 2028 (EUR 725 million)	18,975	19,713
0.875% Eurobonds, due 2022 (EUR 269 million) ³⁾	6,906	13,106
0.875% Eurobonds, due 2026 (EUR 750 million)	19,091	19,499
4.250% U.S. bonds, due 2022 (USD 266 million) ⁴⁾	5,852	6,226
5.625% U.S. bonds, due 2042 (USD 300 million)	6,548	6,448
4.500% Registered bonds, due 2030 (EUR 40 million)	1,046	1,040
4.750% Registered bonds, due 2023 (EUR 40 million)	1,050	1,092
4.700% Registered bonds, due 2032 (EUR 40 million)	1,040	1,083
4.270% Registered bonds, due 2047 (EUR 61 million)	1,587	1,583
3.550% Registered bonds, due 2038 (EUR 30 million)	776	806
	<hr/>	<hr/>
Total bonds and debentures	110,191	127,424
Less: Current portion	(22,622)	(25,339)
Bonds and debentures, net of current portion	87,569	102,085
Long-term bank loans and lease liabilities:	18,090	23,419
Less: Current portion	(2,764)	(3,402)
	<hr/>	<hr/>
Long-term bank loans and lease payables, net of current portion	15,326	20,017
Total long-term debt	128,281	150,843
Less: Current portion	(25,386)	(28,741)
	<hr/>	<hr/>
Total long-term debt, net of current portion	102,895	122,102

¹⁾ On April 21, 2021 the repurchase of part of the issue of these bonds was settled in the amount of EUR 209 million.

²⁾ 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.

³⁾ On April 21, 2021 the repurchase of part of the issue of these bonds was settled in the amount of EUR 231 million.

⁴⁾ On April 21, 2021 and May 5, 2021, the repurchase of part of the issue of these bonds was settled in the total amount of USD 23 million.

10. Other Financial Liabilities

Other financial liabilities at September 30, 2021 and December 31, 2020 are as follows (in CZK millions):

	September 30, 2021		
	Long-term liabilities	Short-term liabilities	Total
Payables from non-current assets purchase	34	-	34
Other	351	618	969
Financial liabilities at amortized cost	385	618	1,003
Cash flow hedge derivatives	27,173	29,889	57,062
Commodity and other derivatives	598	623,817	624,415
Liabilities from put options held by non-controlling interests	503	-	503
Contingent consideration from the acquisition of subsidiaries	168	163	331
Financial liabilities at fair value	28,442	653,869	682,311
Total	28,827	654,487	683,314

	December 31, 2020		
	Long-term liabilities	Short-term liabilities	Total
Payables from non-current assets purchase	32	-	32
Other	201	353	554
Financial liabilities at amortized cost	233	353	586
Cash flow hedge derivatives	7,776	301	8,077
Commodity and other derivatives	854	71,272	72,126
Liabilities from put options held by non-controlling interests	340	-	340
Contingent consideration from the acquisition of subsidiaries	211	188	399
Financial liabilities at fair value	9,181	71,761	80,942
Total	9,414	72,114	81,528

The increase of short-term commodity derivatives in the first nine months of 2021 is mainly due to an increase in the market prices of emission rights, electricity and gas.

11. Short-term Loans

Short-term loans at September 30, 2021 and December 31, 2020 are as follows (in CZK millions):

	September 30, 2021	December 31, 2020
Short-term bank and other loans	12,427	961
Bank overdrafts	537	23
Total	12,964	984

12. Revenues and Other Operating Income

The composition of revenues and other operating income for the first nine months ended September 30, 2021 and 2020 is as follows (in CZK millions):

	1-9/2021	1-9/2020
<u>Sales of electricity:</u>		
Sales of electricity to end customers	34,826	36,953
Sales of electricity through energy exchange	1,654	1,645
Sales of electricity to traders	23,766	28,473
Sales to distribution and transmission companies	409	466
Other sales of electricity	33,036	21,195
Effect of hedging – presales of electricity	(4,305)	(1,514)
Effect of hedging – currency risk hedging	1,110	365
Total sales of electricity	90,496	87,583
<u>Sales of gas, coal and heat:</u>		
Sales of gas	5,121	4,958
Sales of coal	2,691	2,785
Sales of heat	6,075	5,458
Total sales of gas, coal and heat	13,887	13,201
Total sales of electricity, heat, gas and coal	104,383	100,784
<u>Sales of services and other revenues:</u>		
Distribution services	29,179	32,630
Other services	18,242	17,788
Rental income	136	150
Revenues from goods sold	626	666
Other revenues	989	608
Total sales of services and other revenues	49,172	51,842
<u>Other operating income:</u>		
Granted green and similar certificates	540	981
Contractual fines and interest fees for delays	206	266
Gain on sale of property, plant and equipment	265	83
Gain on sale of material	114	105
Other	1,275	1,489
Total other operating income	2,400	2,924
Total revenues and other operating income	155,955	155,550

Revenues from contracts with customers for the nine months ended September 30, 2021 and 2020 were CZK 156,614 million and CZK 153,625 million, respectively, and can be linked to the above figures as follows:

	1-9/2021	1-9/2020
Sales of electricity, heat, gas and coal	104,383	100,784
Sales of services and other revenues	49,172	51,842
Total revenues	153,555	152,626
<u>Adjustments:</u>		
Effect of hedging – presales of electricity	4,305	1,514
Effect of hedging – currency risk hedging	(1,110)	(365)
Rental income	(136)	(150)
Revenues from contracts with customers	156,614	153,625

13. Impairment of Property, Plant and Equipment and Intangible Assets

At each reporting date, the Group assesses whether there are any indicators that an asset may have been impaired, or whether previously recognized impairments of assets except goodwill are no longer justified or should be decreased. The result of the analysis updated as at September 30, 2021 was, that the selected assets of the Group could be impaired, especially with regard to the significant growth in the market prices of emission rights in first nine months of 2021. In such a case, the Group checks whether the recoverable amount of the item of property, plant, and equipment is less than its depreciated cost, and if so, the Group recognizes an impairment loss in profit or loss in the line item Impairments of Property, plant, and equipment and intangible assets.

Based on an updated estimate of recoverable amounts, the Group recognized a total impairment loss of CZK 12,165 million in first nine months of 2021.

The impairment loss in the amount of CZK 9,201 million relates to property, plant and equipment and intangible assets of the cash-generating unit Severočeské doly a.s. The decrease in the value of assets was mainly due to the development of market assumptions concerning mainly a significant increase in market prices of emission rights and a decrease in the expected so-called clean spread (electricity price minus price of CO₂ emission rights), which was reflected in lower expected demand for brown coal, and also due to the expected earlier termination of mining in the Czech Republic. The decrease in the carrying amount of assets of CZK 1,027 million relates to property, plant and equipment and intangible assets of the cash-generating unit CEZ Chorzów S.A. Also here, the value of assets decreased mainly due to the development of market assumptions concerning, in particular, a significant increase in the market prices of emission rights and a decrease in the expected so-called clean spread. The Group recognized the impairment of assets in the amount of CZK 849 million of the cash-generating unit Bulgarian Distribution, whose assets were classified as held for sale (Note 4.2). At March 31, 2021, the Group also recognized an impairment loss of property, plant and equipment and intangible assets of Romanian companies held for sale in the amount of CZK 1,145 million (Note 4.2).

Information on the effects of covid-19 on the Group's financial performance is provided in Note 16.

Information on segmentation is provided in Note 15.

14. Income Taxes

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

	1-9/2021			1-9/2020		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
Change in fair value of cash flow hedges	(52,844)	10,040	(42,804)	(5,598)	1,063	(4,535)
Cash flow hedges reclassified to statement of income	3,032	(576)	2,456	674	(128)	546
Change in fair value of debt instruments	(1,112)	213	(899)	744	(139)	605
Disposal of debt instruments	(12)	3	(9)	-	-	-
Translation differences – subsidiaries	(935)	-	(935)	2,618	-	2,618
Translation differences – associates and joint-ventures	(78)	-	(78)	339	-	339
Disposal of translation differences	8,235	-	8,235	-	-	-
Share on other equity movements of associates and joint-ventures	25	-	25	(25)	-	(25)
Change in fair value of equity instruments	-	-	-	4	-	4
Total	(43,689)	9,680	(34,009)	(1,244)	796	(448)

15. Segment Information

The Group reports its result using four reportable operating segments:

- Generation
- Distribution
- Sales
- Mining

The segments are defined across the countries in which 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. The structure of the segments has changed since 2021. The substance of the change was the merging of the segments Generation – Traditional Energy and Generation – New Energy into a new segment Generation. The main reason is the fact that the development of renewable sources in CEZ Group will take place primarily within existing companies now operating mainly traditional energy, and not in existing companies in the original Generation – New Energy segment or in newly acquired companies. Furthermore, the Support Services segment was abolished, especially with regard to the dissolution of the company ČEZ Korporátní služby. Data by segments for the previous period of 2020 were adjusted to be comparable.

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

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

The Group evaluates the performance of its segments based on 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):

	<u>1-9/2021</u>	<u>1-9/2020</u>
Income before other income (expenses) and income taxes (EBIT)	13,804	23,162
Depreciation and amortization	21,810	22,083
Impairment of property, plant and equipment and intangible assets	12,165	5,743
Gains and losses on sale of property, plant and equipment, net *	<u>(259)</u>	<u>(82)</u>
EBITDA	<u><u>47,520</u></u>	<u><u>50,906</u></u>

* 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 nine months ended September 30, 2021 and 2020 and at December 31, 2020 (in CZK millions):

September 30, 2021:

	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Revenues and other operating income – other than intersegment	60,612	29,255	63,071	3,017	155,955	-	155,955
Revenues and other operating income – intersegment	24,720	343	4,997	3,945	34,005	(34,005)	-
Total revenues and other operating income	85,332	29,598	68,068	6,962	189,960	(34,005)	155,955
Thereof:							
Sales of electricity, heat, gas and coal	76,953	10	50,824	6,207	133,994	(29,611)	104,383
Sales of services and other revenues	6,119	29,357	16,610	714	52,800	(3,628)	49,172
Other operating income	2,260	231	634	41	3,166	(766)	2,400
EBITDA	24,271	15,250	4,942	3,143	47,606	(86)	47,520
Depreciation and amortization	(14,348)	(4,579)	(1,156)	(1,727)	(21,810)	-	(21,810)
Impairment of property, plant and equipment and intangible assets	(1,482)	(1,491)	9	(9,201)	(12,165)	-	(12,165)
EBIT	8,598	9,216	3,854	(7,778)	13,890	(86)	13,804
Interest on debt and provisions	(4,427)	(665)	(198)	(138)	(5,428)	692	(4,736)
Interest income	956	13	40	4	1,013	(692)	321
Share of profit (loss) from associates and joint-ventures	(15)	47	119	(71)	80	-	80
Income taxes	(1,620)	(1,644)	(708)	(163)	(4,135)	-	(4,135)
Net income	12,017	6,754	3,043	(8,049)	13,765	(7,057)	6,708
Identifiable assets	259,992	114,815	7,864	10,984	393,655	(8)	393,647
Investment in associates and joint-ventures	2,800	-	276	821	3,897	-	3,897
Unallocated assets							829,021
Total assets							<u>1,226,565</u>
Capital expenditure	7,151	9,781	1,000	1,461	19,393	(57)	19,336

September 30, 2020:

	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Revenues and other operating income – other than intersegment	53,004	32,295	67,256	2,995	155,550	-	155,550
Revenues and other operating income – intersegment	26,392	409	5,425	3,247	35,473	(35,473)	-
Total revenues and other operating income	79,396	32,704	72,681	6,242	191,023	(35,473)	155,550
Thereof:							
Sales of electricity, heat, gas and coal	70,588	22	55,770	5,577	131,957	(31,173)	100,784
Sales of services and other revenues	5,983	32,396	16,494	632	55,505	(3,663)	51,842
Other operating income	2,825	286	417	33	3,561	(637)	2,924
EBITDA	28,743	15,995	3,785	2,381	50,904	2	50,906
Depreciation and amortization	(13,547)	(5,300)	(1,195)	(2,041)	(22,083)	-	(22,083)
Impairment of property, plant and equipment and intangible assets	(3,130)	(1,792)	-	(821)	(5,743)	-	(5,743)
EBIT	12,104	8,928	2,599	(471)	23,160	2	23,162
Interest on debt and provisions	(5,129)	(614)	(266)	(154)	(6,163)	702	(5,461)
Interest income	844	56	82	41	1,023	(702)	321
Share of profit (loss) from associates and joint-ventures	(15)	(194)	124	(3)	(88)	-	(88)
Income taxes	(1,759)	(1,672)	(480)	27	(3,884)	-	(3,884)
Net income	12,717	6,459	2,074	(471)	20,779	(7,193)	13,586
Capital expenditure	6,863	9,960	878	1,494	19,195	(247)	18,948
December 31, 2020:							
Identifiable assets	271,744	110,289	7,874	20,465	410,372	-	410,372
Investment in associates and joint- ventures	2,898	-	285	892	4,075	-	4,075
Unallocated assets							288,011
Total assets							702,458

16. Covid-19

With regard the covid-19 pandemic, the existence of no Group company is endangered and, in general, the pandemic has a relatively limited impact on the CEZ Group. The reliability of the estimate of the long-term effects of the covid-19 pandemic on the CEZ Group is considerably limited due to the uncertainty of the extent of the effects of the pandemic itself and of countries' countermeasures on economic growth, unemployment and debt growth in relevant European countries. In addition, these impacts affect CEZ Group only indirectly; other important factors also play a role apart from measures of the states. The covid-19 pandemic has had and continues to have a significant impact on the wholesale electricity market, which is also affected by other significant macroeconomic and regulatory factors, which further complicates any quantification of the impact of covid-19 on CEZ Group.

The covid-19 pandemic has not yet caused CEZ Group direct losses or significant additional costs (we still estimate the cost of securing pandemic measures at tens of millions of CZK). The pandemic caused a slowdown in acquisition and organic growth in the companies of the Sales segment and generally caused a slowdown or time lag in investments in all other segments, especially in 2020.

From the point of view of the medium-term economic outlook of the Generation segment, the negative impact of covid-19, or impacts of fluctuations in market prices for electricity and emission rights respectively, is limited with regard to the continuous securing of the generation margin for 3 years ahead. As of September 30, 2021, approximately 79% of expected generation for 2022 has been contracted, for 2023 approximately 49% has been contracted and for 2024 approximately 21%. Along with these presales of electricity, the emission rights for emission sources have been contracted.

The impact of the covid-19 in the coming years will depend mainly on the measures taken in individual countries and their impact on the overall development and structural changes of the economy in Europe. However, the approach of European countries to the installed climate goals by the European Commission will be more significant for CEZ Group.

17. Events after the Balance Sheet Date

At the beginning of November 2021, the company ČEZ, a. s. received CZK 1,484 million corresponding to interest related to the refunded overpayment of gift tax on emission rights for 2011 and 2012.