CEZ GROUP

CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH IFRS ACCOUNTING STANDARDS AS ADOPTED BY EUROPEAN UNION
AS OF DECEMBER 31, 2023

(Translation of Consolidated Financial Statements Originally Issued in Czech)

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2023

In CZK Millions

	Note	2023	2022
ASSETS:			
Plant in service		947,745	903,545
Less accumulated depreciation and impairment		(538,500)	(505,564)
Net plant in service		409,245	397,981
Nuclear fuel		16,228	11,993
Construction work in progress		26,659	25,145
Total property, plant and equipment	3	452,132	435,119
Investments in associates and joint-ventures	9	3,737	3,743
Restricted financial assets	4	25,229	21,561
Other non-current financial assets	5	30,379	16,715
Intangible assets	6	27,801	24,423
Deferred tax assets	34	1,380	50,432
Total other non-current assets		88,526	116,874
Total non-current assets		540,658	551,993
Cash and cash equivalents	10	10,892	36,609
Trade and other receivables	11	84,759	167,346
Income tax receivable		942	896
Materials and supplies	12	20,255	23,790
Fossil fuel stocks		2,857	1,551
Emission rights	13	30,819	29,668
Derivatives and other current financial assets	5	111,714	278,509
Other current assets	14	22,869	17,018
Total current assets		285,107	555,387
Total assets		825,765	1,107,380

The accompanying notes are an integral part of these consolidated financial statements.

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2023

continued

	Note	2023	2022
EQUITY AND LIABILITIES:			
Stated capital		53,799	53,799
Treasury shares		(1,334)	(1,334)
Retained earnings and other reserves		191,587	206,421
Total equity attributable to equity holders of the parent	15	244,052	258,886
Non-controlling interests	9	1,549	1,375
Total equity		245,601	260,261
Long-term debt, net of current portion	16	131,042	140,234
Provisions	19	165,440	146,094
Other long-term financial liabilities	20	6,104	39,618
Deferred tax liability	34	43,888	13,768
Other long-term liabilities		31	31
Total non-current liabilities		346,505	339,745
Short-term loans	21	7,314	53,056
Current portion of long-term debt	16	30,554	8,856
Trade payables		59,869	84,713
Income tax payable		2,268	16,525
Provisions	19	31,113	30,923
Derivatives and other short-term financial liabilities	20	82,540	294,631
Other short-term liabilities	22	20,001	18,670
Total current liabilities		233,659	507,374
Total equity and liabilities		825,765	1,107,380

The accompanying notes are an integral part of these consolidated financial statements.

CEZ GROUP
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

In CZK Millions

	Note	2023	2022
Sales of electricity, heat, gas and coal		251,799	205,688
Sales of services and other revenues		84,585	75,365
Other operating income		4,201	7,432
Total revenues and other operating income	24	340,585	288,485
Gains and losses from commodity derivative trading	25	15,504	41,150
Purchase of electricity, gas and other energies	26	(83,181)	(69,634)
Fuel and emission rights	27	(40,243)	(45,409)
Services	28	(39,722)	(31,931)
Salaries and wages	29	(37,783)	(33,915)
Material and supplies		(17,514)	(15,036)
Capitalization of expenses to the cost of assets and change in own inventories		4,590	4,445
Depreciation and amortization	3, 6	(35,336)	(32,757)
Impairment of property, plant and equipment and intangible assets	7	(5,300)	2,864
Impairment of trade and other receivables		(443)	(377)
Other operating expenses	30	(16,645)	(5,958)
Income before other income (expenses) and income taxes		84,512	101,927
Interest on debt		(6,299)	(5,013)
Interest on provisions		(7,289)	(2,861)
Interest income	31	6,279	3,804
Share of profit (loss) from associates and joint-ventures	9	832	897
Impairment of financial assets		(344)	(519)
Other financial expenses	32	(2,108)	(5,211)
Other financial income	33	3,433	6,599
Total other income (expenses)		(5,496)	(2,304)
Income before income taxes		79,016	99,623
Income taxes	34	(49,442)	(18,918)
Net income		29,574	80,705
Net income attributable to:			
Equity holders of the parent		29,524	80,786
Non-controlling interests		50	(81)
Net income per share attributable to equity holders of the parent (CZK per share):	37		
Basic		55.0	150.5
Diluted		55.0	150.5

The accompanying notes are an integral part of these consolidated financial statements.

CEZ GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

In CZK Millions

	Note	2023	2022
Net income		29,574	80,705
Change in fair value of cash flow hedges		83,278	(82,058)
Cash flow hedges reclassified to statement of income		22,373	87,751
Cash flow hedges reclassified to assets		(131)	403
Change in fair value of debt instruments		2,347	(1,359)
Disposal of debt instruments		26	(1)
Translation differences – subsidiaries		948	(412)
Translation differences – associates and joint-ventures		(317)	(140)
Disposal of translation differences		1,099	(14)
Share on other equity movements of associates and joint-ventures		(40)	(56)
Deferred tax related to other comprehensive income	34	(75,295)	39,189
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		34,288	43,303
Change in fair value of equity instruments		(304)	111
Re-measurement gains (losses) on defined benefit plans		(3)	12
Deferred tax related to other comprehensive income	34	-	(405)
Net other comprehensive income not to be reclassified from equity in subsequent periods		(307)	(282)
Total other comprehensive income, net of tax		33,981	43,021
Total comprehensive income, net of tax		63,555	123,726
Total comprehensive income attributable to:			
Equity holders of the parent		63,473	123,840
Non-controlling interests		82	(114)

The accompanying notes are an integral part of these consolidated financial statements.

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

In CZK Millions

	Note	Attributable to equity holders of the parent									
		Stated capital	Treasury shares	Transla-tion difference	Cash flow hedge reserve	Debt instru-ments	Equity instruments and other reserves	Retained earnings	**Total**	Non-controlling interests	**Total equity**
Balance as at January 1, 2022		53,799	(1,423)	(4,637)	(67,212)	(647)	(1,721)	182,597	160,756	1,742	162,498
Net income		-	-	-	-	-	-	80,786	80,786	(81)	80,705
Other comprehensive income		-	-	(534)	44,954	(1,028)	(295)	(43)	43,054	(33)	43,021
Total comprehensive income		-	-	(534)	44,954	(1,028)	(295)	80,743	123,840	(114)	123,726
Dividends		-	-	-	-	-	-	(25,727)	(25,727)	(23)	(25,750)
Sale of treasury shares		-	89	-	-	-	-	(47)	42	-	42
Exercised and forfeited share options		-	-	-	-	-	(4)	4	-	-	-
Acquisition of subsidiaries	8	-	-	-	-	-	-	-	-	36	36
Changes of non-controlling interests without loss of control	8	-	-	-	-	-	-	(52)	(52)	(306)	(358)
Put options held by non-controlling interests		-	-	(6)	-	-	-	33	27	40	67
Balance as at December 31, 2022		53,799	(1,334)	(5,177)	(22,258)	(1,675)	(2,020)	237,551	258,886	1,375	260,261

The accompanying notes are an integral part of these consolidated financial statements.

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

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**
Balance as at January 1, 2023		53,799	(1,334)	(5,177)	(22,258)	(1,675)	(2,020)	237,551	258,886	1,375	260,261
Net income		-	-	-	-	-	-	29,524	29,524	50	29,574
Other comprehensive income		-	-	1,698	30,640	1,959	(304)	(44)	33,949	32	33,981
Total comprehensive income		-	-	1,698	30,640	1,959	(304)	29,480	63,473	82	63,555
Dividends		-	-	-	-	-	-	(77,810)	(77,810)	(9)	(77,819)
Contribution from owners of non-controlling interests		-	-	-	-	-	-	-	-	40	40
Acquisition of subsidiaries	8	-	-	-	-	-	-	-	-	194	194
Changes of non-controlling interests without loss of control	8	-	-	1	-	-	-	(8)	(7)	(9)	(16)
Put options held by non-controlling interests		-	-	10	-	-	-	(500)	(490)	(124)	(614)
Balance as at December 31, 2023		53,799	(1,334)	(3,468)	8,382	284	(2,324)	188,713	244,052	1,549	245,601

The accompanying notes are an integral part of these consolidated financial statements.

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

In CZK Millions

	Note	2023	2022
OPERATING ACTIVITIES:			
Income before income taxes		79,016	99,623
Adjustments of income before income taxes to cash generated from operations:			
Depreciation and amortization	3, 6	35,336	32,757
Amortization of nuclear fuel	3	3,655	3,907
(Gains) and losses on non-current asset retirements		(486)	(92)
Foreign exchange rate loss (gain)		(1,102)	4,432
Interest expense, interest income and dividend income		8	1,195
Provisions		6,505	11,557
Impairment of property, plant and equipment and intangible assets	7	5,300	(2,864)
Other non-cash expenses and income		26,559	85,508
Share of (profit) loss from associates and joint-ventures	9	(832)	(897)
Changes in assets and liabilities:			
Receivables and contract assets		74,817	(38,091)
Materials, supplies and fossil fuel stocks		3,002	(11,095)
Receivables and payables from derivatives		(8,733)	(166,580)
Other assets		3,488	(16,292)
Trade payables		(29,005)	(1,391)
Other liabilities		172	9,194
Cash from operations		197,700	10,871
Income taxes paid		(60,313)	(5,409)
Interest paid, net of capitalized interest		(6,075)	(4,158)
Interest received		6,222	3,761
Dividends received		33	27
Net cash flow from operating activities		137,567	5,092
INVESTING ACTIVITIES:			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	8	(2,584)	(1,864)
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of		2,735	(12)
Additions to non-current assets, including capitalized interest		(44,792)	(33,948)
Proceeds from sale of non-current assets		432	918
Loans made		(154)	(37)
Repayment of loans		34	468
Change in restricted financial assets		(1,726)	(2,237)
Total cash used in investing activities		(46,055)	(36,712)

The accompanying notes are an integral part of these consolidated financial statements.

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

continued

	Note	2023	2022
FINANCING ACTIVITIES:			
Proceeds from borrowings		114,195	301,606
Payments of borrowings		(150,442)	(232,276)
Payments of lease liabilities	23	(856)	(709)
Proceeds from other long-term liabilities		12	71
Payments of other long-term liabilities		(2,436)	(76)
Dividends paid to Company's shareholders		(77,435)	(25,626)
(Dividends paid) contributions received – owners of non-controlling interests, net		27	(23)
Sale of treasury shares		-	42
Acquisition of non-controlling interests		(28)	(358)
Sale of non-controlling interests		12	-
Total cash used in financing activities		(116,951)	42,651
Net effect of currency translation and allowances in cash		(278)	(1,062)
Net increase (decrease) in cash and cash equivalents		(25,717)	9,969
Cash and cash equivalents at beginning of period		36,609	26,640
Cash and cash equivalents at end of period	10	10,892	36,609

Supplementary cash flow information:

Total cash paid for interest		6,548	4,449

The accompanying notes are an integral part of these consolidated financial statements.

CEZ GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023

CONTENT:

CEZ GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023

1. Description of the Company

ČEZ, a. s. (ČEZ or the Company), company reg. No. 45274649, is a Czech Republic joint-stock company, owned 69.8% (69.9% of voting rights) at December 31, 2023 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are held by legal persons and individuals and they are traded on stock exchange markets in Prague and Warsaw. 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, see Note 9). CEZ Group is a vertically integrated energy group that is among the largest economic entities in the Czech Republic and Central Europe. The main business of the Group is the generation, distribution, trade and sale in the field of electricity and heat, coal mining, trading in commodities and providing of complex energy services, distribution, trade and sale in the field of natural gas and providing of telecommunications services.

The main point of the Group's value relates to emission-free mainly nuclear electricity generation and to the distribution and sale of electricity and heat in the Czech Republic. CEZ Group supplies energy and modern energy solutions to millions of customers in the Czech Republic, Germany, Poland and Slovakia. Outside Central Europe, it operates mainly in France, Italy, the Netherlands and Austria. The average number of employees of the Company and its subsidiaries included in the consolidation was 29,563 and 27,372 in 2023 and 2022, respectively.

The CEZ Group's business environment is significantly affected by regulation and legislation at the level of the European Union and in the individual countries in which the CEZ Group operates. Responsibility for public administration in the energy sector is exercised by the Ministry of Industry and Trade, the Energy Regulatory Office and the State Energy Inspection Board.

1.1. Strategy of the Company in the Context of Climate Changes

The "VISION 2030 – Clean Energy of Tomorrow" strategy is focused on dynamic transformation of the generation portfolio to low-emission one and achievement of full climate neutrality already by 2040. The strategy includes a commitment to end the production of heat from coal and fundamentally limit the production of electricity from coal by 2030. In areas of distribution and sales, the basic goal is to provide the most advantageous energy solutions and the best customer experience on the market.

This strategy considers and responds to the regulatory environment of the European Union and its expected development. A key element is the EU's climate goals contained in particular in the European Green Deal communication from 2019, which includes, among other things, an increase in the goal in the area of reducing greenhouse gas emissions and the full decarbonization of Europe (the goal for reducing emissions by 2030 compared to 1990 was increased to 55%). Furthermore, in 2021, the European Commission came up with the Fit for 55 package and, in response to the Russian invasion of Ukraine, with the REPowerEU measure, which ultimately led to the setting of a target for the share of renewable energies in the total gross final energy consumption at a level of at least 42.5% in 2030. The Coal Commission (an advisory body of the government of the Czech Republic established in 2019) has recommended 2038 as the latest date for the use of coal in the Czech Republic for the time being. But the government assumes the creation of conditions for end of the use of coal as early as 2033 in its program statement, and with the same date operates the proposal update of "The National Energy and Climate Plan of the Czech Republic", which was acknowledged by the government in October 2023.

As one of the tools for achieving these climate goals, which has a significant impact on the Company, is the emission rights market in Europe. The European Union influences the market with these emission rights, for example by introducing a Market Stability Reserve (MSR), by reducing the total number of emission rights or by releasing them onto the market (back-loading). With increased decarbonization efforts, the market price of CO_2 emission rights receives a long-term growth stimulus; older, less efficient coal-fired power plants and heating plants or, in general, equipment cost-linked to the price of emission rights get under considerable economic pressure.

The biggest impact of these trends is on the assets of segment Mining and on coal and gas generation assets of the Group. CEZ Group's strategy anticipated this development in the long-term, and therefore measures and strategic steps are being continuously implemented with the aim of minimizing the negative impact of these factors on the Group's value and at the same time making maximum use of the new opportunities that these trends bring for the Group.

The impacts of climate changes, but also a number of other factors, are evaluated in the various estimates and accounting judgments that the preparation of financial statements according to IFRS requires (see Note 2.4). Mainly it relates to determination of recoverable amount of property, plant and equipment and intangible assets (Note 7), of the provision for mine reclamation and mining damages (Note 19.2), of the provision for demolition and dismantling of fossil-fuel power plants (Note 19.2) and of remaining useful life of property, plant and equipment used for depreciation (Note 2.8).

2. Summary of Significant Accounting Policies

2.1. Financial Statements

These consolidated financial statements of the CEZ Group have been prepared in accordance with IFRS Accounting Standards as adopted by European Union (EU).

The financial statements are based on a historical cost approach, except where IFRS require a different measurement basis as disclosed in the description of accounting policies below.

Explanation Added for Translation into English

These financial statements represent a translation of financial statements originally issued in Czech.

2.2. Consolidation Method

2.2.1. Group Structure

The consolidated financial statements of the CEZ Group include data of ČEZ, a. s., and its subsidiaries, associates and joint-ventures included in the consolidation unit (see Note 9).

2.2.2. Subsidiaries

Subsidiaries included in the consolidation unit are those entities which the CEZ Group controls. The Group controls an investee if, and only if, the Group:

- Has power over the investee (i.e., the Group has existing rights that give it the current ability to direct the activities of the entity that significantly affect its revenues)
- Is exposed to risk associated with or entitled to variable returns from its involvement with the investee
- Is able to use its power over the investee to affect the amount of the Group's returns

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Business combinations are accounted for using the acquisition method. The cost of a business combination is the sum of the consideration transferred, measured at fair value at acquisition date, and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized directly in profit or loss.

If the business combination is achieved in stages, the Group, as the acquirer, remeasures, through profit or loss, previously held equity interests in the acquiree to fair value at the acquisition date.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired (“bargain purchase gain”), then the Group first reassesses the identification and measurement of the acquiree’s identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination. Any excess remaining after the reassessment is recognized immediately in the income statement and is presented in the line Impairment of property, plant and equipment and intangible assets.

A change in the ownership interest of a subsidiary, without loss of control, is accounted as an equity transaction.

Losses within a subsidiary incurred are attributed to the non-controlling interest even if that results in a deficit balance.

Put options held by non-controlling interests are recorded as a derecognition of non-controlling interest and recognition of a liability at the end of the reporting period. The liability is recognized at the present value of the amount payable on exercise of the option. Any difference between the amount of non-controlling interest is derecognized and this liability is accounted for within equity. Subsequent changes to the present value of liability are recorded directly in equity.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are eliminated unless transaction indicates impairment of the asset transferred. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the CEZ Group.

2.2.3. Associates

Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Investments in associates are included in the consolidated financial statements using the equity method of accounting. Under this method the Group’s share of the post-acquisition profits or losses of associates is recognized in the income statement. The Group’s share of other post-acquisition movements in equity of associates is recognized in other comprehensive income against the cost of the investment. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group’s investment in associates includes goodwill (net of accumulated impairment losses) on acquisition.

When the Group’s share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses. In such a case, the Group recognizes its full share on profit or loss and its share on other comprehensive income only to the extent to recognize nil interest in an associate. This amount is included in the item Translation differences – associates and joint-ventures in the statement of comprehensive income, then the Group discontinues of using equity method of accounting. However, additional losses are provided for, and a liability is recognized on the balance sheet in the item Other long-term liabilities or in the item Provisions, after the Group’s interest is reduced to zero, only to the extent that the Group has incurred legal or constructive obligations (e.g., provided guarantees) or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

2.2.4. Joint-ventures

A joint-venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to its net assets. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary considerations to determine control over subsidiaries. The Group recognizes its interest in the joint-venture using the equity method of accounting (see Note 2.2.3).

2.2.5. Transactions Involving Entities under Common Control of Majority Owner

Acquisitions of subsidiaries from entities under common control are recorded using a method similar to pooling of interests.

The assets and liabilities of the acquired subsidiaries are included in the Group's consolidated financial statements at their book values. The difference between the cost of acquisition of subsidiaries from entities under common control and the share of net assets acquired in book values is recorded directly in equity.

2.3. Changes in Accounting Policies

2.3.1. Adoption of New IFRS Standards in 2023

The accounting policies adopted are consistent with those of the previous financial year, except for as follows. The Group has adopted the following new or amended standards endorsed by EU as of January 1, 2023:

- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments).
- IFRS 17: Insurance Contracts.
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (Amendments).
- IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments).
- IAS 12 Income Taxes: International Tax Reform—Pillar Two Model Rules (Amendments).

The application of these new standards and amendments did not have significant impact to the Group's financial statements.

2.3.2. New IFRS Standards and IFRIC Interpretations either not yet Effective or not yet Adopted by EU

The Group is currently assessing the potential impacts of the revised standards that will be effective or adopted by the EU from January 1, 2024 or later:

- IFRS 16 Leases: Lease Liability in a Sale and Leaseback (Amendments).
- IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments).
- IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants (Amendments).
- IAS 7 Statements of Cash Flows and IFRS 7 Financial Instruments: Disclosures (Amendments).
- IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint-ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint-venture (Amendments).
- IAS 21 The Effects of Changes in Foreign Exchange Rates – Insufficient convertibility (Amendments).

The Group does not expect early adoption of any of the above-mentioned amendments and does not expect any significant impact to the Group's financial statements.

2.4. Estimates and Accounting Judgments

The Group makes significant estimates when determining the recoverable amounts of property, plant and equipment and intangible assets (see Note 7), accounting for the nuclear provisions (see Note 19.1), provisions for reclamation of mines, mining damages and waste storage reclamation (see Note 19.2), provision for demolition and dismantling of fossil-fuel power plants (see Note 19.2), unbilled electricity and gas (see Note 2.6), fair value of commodity contracts (see Notes 2.15 and 17), financial derivatives (see Notes 2.14 and 17), incremental borrowing rate and lease terms to measure lease liability (see Notes 2.27 and 23) and deferred tax calculation (see Notes 2.21 and 34).

The most significant changes in estimates in 2023 related to the provision for nuclear decommissioning due to update of the expert decommissioning studies for Dukovany and Temelín Nuclear Power Plants, change of the discount rate and determining the recoverable amount of property, plant and equipment and intangible assets.

The most significant changes in estimates in 2022 related to the provision for nuclear decommissioning and provision for demolition and dismantling of fossil-fuel power plants due to updating the amount and scope of decommissioning costs, determining the recoverable amount of financial assets and estimation of expected income tax rate during the years 2023–2025 due to windfall tax.

2.5. Revenues

Revenue is recognized, when the Group has satisfied a performance obligation and the amount of revenue can be reliably measured. The Group recognizes revenue at the amount of estimated consideration (less estimated discounts) that it expects to receive for goods transferred or services provided to the customer.

The Group recognizes revenue from sales of electricity, heat, gas and coal based on contract terms. Any differences between contracted amounts and actual supplies for electricity and gas are settled through the market operator.

Revenues from the sales of electricity
The Group generates, sells and trades in electricity. Revenues from the sale of electricity are generated from sales on organized markets and from sales to traders and to end consumers. Sales on organized markets - energy exchanges - are typified sales, standardly. Sales to end consumers are often in a form of combined supply of power electricity and distribution services. In the case of sale in the territory of another distributor, the Group acts as an agent of the distribution company as far as distribution services are concerned. To fulfill the obligation arising from the contract, i.e., revenue from the sale of electricity is reported at the time of delivery of electricity. Revenue from unbilled electricity supplies is accounted for as an estimate using accruals (see Note 2.6). Invoicing to customers takes place according to the agreed contractual terms and volumes taken on a monthly, quarterly or annual basis, with the reconciliation of paid advances for the given period.

Revenues from the sales of gas
The Group sells and trades in gas. Revenues from the sale of gas are generated from sales to traders and to end consumers. Sales to end consumers are often in a form of combined supply of gas and distribution services. To fulfill the obligation arising from the contract, i.e., revenue from the sale of gas is reported at the time of delivery of gas. Revenue from unbilled gas supplies is accounted for as an estimate using accruals (see Note 2.6). Invoicing to customers takes place according to the agreed contractual terms and volumes taken on a monthly, quarterly or annual basis, with the reconciliation of paid advances for the given period.

Revenues from the sale of heat
The Group produces and trades in heat. Customers mainly consist of the sector of housing, as well as customers from industry and the public sector. The sale and distribution of heat is a regulated sector. The contract is fulfilled by physical delivery to the place of the contracted customer. Invoicing is most often monthly or annual and, depending on the conditions set, eventually in the form of advance payments. According to the agreed tariff, invoicing depends on the amount of heat delivered, or may also include a fixed component for the agreed heat output. Customers with large heat consumptions have concluded contracts in the form of “take or pay”.

Revenues from sales of coal
The Group mines, processes and sells coal. Customers are mainly producers of electricity and heat and wholesale partners. To an insignificant extent, the Group also sells to end consumers, including the public sector. The contract is fulfilled at the moment of physical delivery. According to the parameters of the contract, transportation may be part of the delivery. The invoiced revenues are determined by the delivered quantity, the quality parameters of the deliveries, which are verified by accredited laboratories and the prices according to the contractual arrangements. Contract prices are variable in accordance with medium-term contracts and depend on indices of electricity price and inflation. Some business partners have concluded contracts in the form of "take or pay". The maturity of the invoices is short-term. Most customers pay first advance payments. Any bonuses from the quantity withdrawn are included as a reduction of the period’s revenues.

Revenues from sales of distribution services
Revenues from distribution services in the supply of electricity mainly consist of revenues for the price of the distribution system service and revenues from ensuring power input and connectivity. Revenues for the price of the distribution system service include payments for reserved capacity or for power input according to the value of the circuit breaker, for the use of networks or the amount consumed. Revenues are accounted during invoicing after the end of the accounting period, most often with annual or monthly periodicity. Advances are paid by customers during the settlement period. Prices for distribution system services are subject to price regulation by the Energy Regulatory Office (ERÚ) and are determined by the ERÚ's price decision. Revenues for securing the power input and connectivity cover the costs associated with the connectivity and securing the required power input and, in the case of rellocation of distribution equipment for constructions related to them. These are contributions for connection in the sense of the Energy Act No. 458/2000 Coll. and Measurement Decree No. 16/2016 Coll. Revenues from securing power input are reported after payment is received. Connection contributions and related payments for power input and transmission of end consumers are charged to revenues in the period in which this performance was provided.

Revenues from sales of services
The group provides several types of services in the field of engineering, designing complex energy and construction solutions, including their implementation. Obligations to fulfill from these types of services are fulfilled on an ongoing basis and contractual assets and liabilities are recognized. The Group uses the percentage of completion method for these types of services. The group assesses the criteria of whether the customer has gained control over the product or service with the chosen method of gradual fulfillment. The criteria are as follows:

a) The buyer simultaneously receives and consumes benefits from the assets provided by the supplier.
b) The company delivers or raise the value of an asset that is controlled by the customer during the creation.
c) The company creates an asset that cannot be used for purposes other than delivery to this customer, and the company has an enforceable right for remuneration from performance so far performed.

In case that at least one of the above-mentioned requirements has been met, the Group reports revenues using the input method, which is based on the ratio of the costs already spent on the fulfillment of obligations and the total estimated costs of the project. The revenue is subsequently reported in the given period in such an amount that it cumulatively corresponds to the percentage of completion related to the total estimated revenue. If an ongoing project or contract is onerous, the loss is reported immediately in full. Most contracts are concluded for a period of up to one year.

In addition to the above services, the Group also provides virtual mobile operator services. Invoicing is most often done monthly with fixed rates and a variable part according to the telecommunications services used.

Government and similar grants related to income are recognized in the income statement in the period in which the Group recognizes related expenses to be offset by the grant and is presented in the line Other operating income.

2.6. Unbilled Electricity and Gas

The change of unbilled electricity and gas is determined monthly on the basis of an estimate. The estimate of monthly change in unbilled electricity and gas is based on deliveries in a given month after deduction of invoiced amounts and estimated grid losses. The estimate of total unbilled balance is verified by extrapolation of consumption in the last measured period for individual locations. The ending balance of contract assets and liabilities is disclosed net in the balance sheet after deduction of advances received from customers and is included in the line item of Other current assets or Other short-term liabilities.

2.7. Fuel Costs

Fuel is recognized as costs when it is consumed. Fuel costs include the depreciation of nuclear fuel (see Note 2.9).

2.8. Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairments. The cost of property, plant and equipment comprises the purchase price and the related cost of materials and labor and the cost of debt financing used in the construction. The cost also includes the estimated cost of dismantling and removing a tangible asset to the extent specified by IAS 37, Provisions, Contingent Liabilities, and Contingent Assets. Government grants and similar subsidies received for the acquisition of property, plant and equipment decrease the cost.

Self-constructed property, plant and equipment are measured at the cost of constructing them. Expenditures on the repair, maintenance, and replacement of minor asset items are recognized as repair and maintenance expenses in the period when such repair is carried out. Improvements are capitalized. When an item of property, plant and equipment or a part thereof is sold or disposed of, its cost, relevant accumulated depreciation, and any impairments are derecognized in the balance sheet. Any gains or losses arising from the sale or disposal of property, plant and equipment are included in profit or loss.

At each reporting date, the Group assesses whether there are any indicators that an asset may have been impaired. Where there are such indicators of impairment, the Group checks whether the recoverable amount of the item of property, plant and equipment is less than its depreciated cost. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Any impairment of property, plant and equipment is recognized in profit or loss and presented in the line item Impairments of property, plant and equipment and intangible assets.

At each reporting date, the Group assesses whether there are any indicators that previously recognized impairments of assets are no longer justified or should be decreased. If there are such indicators, the Group determines the recoverable amount of non-current assets. A previously recognized impairment is recognized as an expense only if there has been a change in the assumptions used to estimate the non-current asset's recoverable amount since the last recognition of the impairment. If that is the case, the depreciated cost of the asset including the impairment is increased to the new recoverable amount. The new depreciated cost may not exceed the current carrying amount, less accumulated depreciation, that would be determined had no impairment been recognized in the past. A reversal of previously recognized impairment is recognized in profit or loss and presented in the line item Impairments of property, plant and equipment and intangible assets.

The Group depreciates the cost of property, plant and equipment less their residual value using the straight-line method over their estimated useful life. Each part of an item of property, plant and equipment that is significant in relation to the total amount of the asset is recognized and depreciated separately.

The estimated useful life of property, plant and equipment as of December 31, 2023, is determined as follows:

	Useful lives (years)
Buildings and structures	10–60
Machinery and equipment	4–45
Vehicles	4–34
Furniture and fixtures	4–15

2.9. Nuclear Fuel

The Group recognizes nuclear fuel as part of property, plant and equipment because the period for which it is used for electricity generation exceeds 1 year. Nuclear fuel is measured at cost less accumulated depreciation and, if applicable, impairments. Nuclear fuel includes a capitalized portion of the provision for interim storage of spent nuclear fuel. The depreciation of nuclear fuel in a reactor is determined on the basis of the amount of energy generated and presented in the statement of income in the line item Fuel and emission rights. The depreciation of nuclear fuel includes additions to the provision for interim storage of spent nuclear fuel.

2.10. Intangible Assets

Intangible assets are measured at costs, including the purchase price and related expenses. Non-current intangible assets are amortized using the straight-line method over their estimated useful life, which ranges 3–25 years.

At each reporting date, the Group assesses whether there are any indicators that a non-current intangible asset may have been impaired (for goodwill see Note 2.11). Non-current intangible assets under development are tested for possible impairment annually regardless of whether there are indicators of possible impairment. Any impairment of non-current intangible assets is recognized in profit or loss and presented in the line item Impairments of property, plant and equipment and intangible assets.

2.11. Goodwill

Goodwill is initially measured at the amount of the difference between the consideration transferred plus the value of any non-controlling interest and the net amount of the identifiable assets acquired and liabilities assumed (see Note 2.2). Goodwill arising on the acquisition of subsidiaries is included in intangible assets. Goodwill relating to associates and joint-ventures is recognized in the balance sheet as part of investments in associates and joint-ventures. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. The recognized goodwill is tested for possible impairment. The test is performed at least once a year or more frequently if there are indicators of possible impairment of goodwill.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the synergies arising from the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets. Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment loss is recognized. Recognized impairment losses of goodwill cannot be reversed in subsequent periods. In the event of a partial sale of a cash-generating unit to which goodwill has been allocated, the carrying amount of goodwill relating to the sold part is included in the gain or loss on sale. The amount of goodwill disposed is measured on the basis of the ratio of the value of the sold part of the cash-generating unit to the value of the part that remains in the ownership of the Group.

2.12. Emission Rights

The greenhouse gas emission right (hereinafter the emission right) represents the right of the operator of a facility that emits greenhouse gases in the course of its operation to release the equivalent of a ton of carbon dioxide to the air in a given calendar year. Operators of such facilities are required to determine and report the amount of greenhouse gases produced by its facilities in every calendar year and this amount must be to be audited by an accredited person. Some Group companies as operators of such facilities were allocated a certain amount of emission rights based on the National Allocation Plan.

The Group is required to remit the number of emission rights corresponding to its actual amount of greenhouse gas emissions in the previous calendar year by no later than April 30 of the next calendar year.

Allocated emission rights are measured at nominal, i.e., zero value in financial statements. Purchased emission rights are measured at cost (except for emission allowances held for trading). The Group makes a provision for covering released emissions corresponding to the difference between the actually released amount of emissions and its inventory of allocated emission rights. The provision is measured primarily at the cost of emission rights that were purchased with the intention of covering greenhouse gas emissions in the reporting period. The provision for released emissions exceeding such rights is measured at the market price effective at the end of the reporting period. Emission rights purchased for use in the next year are recognized as current assets in the line item Emission rights. Emission rights with a later planned time of use are recognized as part of non-current intangible assets.

At each reporting date, the Group assesses whether there are any indicators that emission allowances may have been impaired. Where there are such indicators, the Group checks whether the recoverable amount of cash-generating units that the emission rights were allocated to is less than their depreciated cost. Any impairment of emission rights is recognized in profit or loss and presented in the line item Other operating expenses.

The Group also purchases emission rights for the purpose of trading. The portfolio of emission rights held for trading is measured at fair value at the end of the reporting period, with any changes in fair value recognized in profit or loss and presented in the line item Gains and losses from commodity derivative trading. Emission rights purchased for the purpose of trading are recognized as current assets in the line item Emission rights.

Sale and repurchase agreements concerning emission rights are accounted for as collateralized loans.

Allocated green and similar certificates are initially recognized at fair value and subsequently treated similarly to purchased emission rights.

2.13. Classification of Financial Instruments

Financial assets comprise primarily cash, equity instruments of another entity, or a contractual right to receive cash or another financial asset and derivatives with positive fair value.

Financial liabilities are primarily contractual obligations to deliver cash or another financial asset and derivatives with negative fair value.

Financial assets are classified as current if the Group intends to realize them within 12 months of the end of the reporting period or if there is not reasonable assurance that the Group will hold the financial assets for more than 12 months after the end of the reporting period.

Financial liabilities are presented as current if they are payable within 12 months of the end of the reporting period. Assets and liabilities held for trade are also presented as current assets and liabilities.

Financial assets and financial liabilities are offset and the resulting net amount is presented in the balance sheet if there is a legally enforceable right to set off the recognized amounts and the Group intends to settle on a net basis or to realize the financial assets and settle the financial liabilities simultaneously.

2.13.1. Financial Assets

Financial assets are classified into two main categories in terms of measurement of at amortized cost and at fair value depending on whether the financial assets are held for sale or whether they are held under a business model whose objective is to hold the assets to collect contractual cash flows.

The Group classifies assets into the following categories:

a) Financial asset measurement at amortized cost
This category comprises financial assets for which the Group’s strategy is to hold them to collect contractual cash flows, consisting of both principal and interest. Examples of such financial assets include loans, securities held to maturity, trade receivables.

Expected credit losses, exchange differences, and interest revenue are recognized in profit or loss.

b) Financial asset measurement at fair value through other comprehensive income
This category comprises financial assets where the Group’s strategy is both to collect contractual cash flows and to sell the financial assets. This model differentiates between two types of accounting treatment:

- Without future transfer to profit or loss – used for equity financial assets
Impairments are neither calculated nor recognized. Changes in fair value are recognized in other comprehensive income. When a financial asset is sold, no gain or loss is recognized in profit or loss, so it never affects profit or loss. If an equity financial asset is sold, the accumulated revaluation amount is transferred to retained earnings. Exchange differences are recognized in other comprehensive income as part of the revaluation amount. Dividends on such financial assets are recognized in profit or loss provided that the payment of such dividends does not reduce the value of the investment.

- With future transfer to profit or loss – used for debt financial assets
  Additions to impairment are recognized in profit or loss. Changes in fair value are recognized in other comprehensive income. On the disposal of a financial asset, the gain or loss is recognized in profit or loss (the gain/loss is transferred from other comprehensive income to profit or loss). Exchange differences in relation to revaluation surplus are recognized in other comprehensive income. Exchange differences in relation to impairment are recognized in profit or loss. Interest revenue is recognized in profit or loss.

c) Financial asset measurement at fair value through profit or loss
   A category of financial assets for which the Group's strategy is to actively trade the asset. The collection of contractual cash flows is not the main objective of the strategy. Examples of such financial assets are securities held for trading and derivatives which are not designated as cash flow hedge instruments. Impairments are neither calculated nor recognized. Changes in fair value and exchange differences are recognized in profit or loss.

   Changes in the fair value of financial investments at fair value through profit or loss are recognized in Other financial expenses or Other financial income.

2.13.2. Financial Liabilities

Financial liabilities are classified into two main categories at amortized cost and at fair value through profit or loss. If a financial liability is not in the category of fair value through profit or loss and it is not a financial guarantee contract nor a commitment to provide a loan at below-market interest rate, then the financial lability is classified in the category at amortized cost.

For fair value option financial liabilities, i.e., those measured at fair value through profit or loss, a change in fair value that is attributable to changes in credit risk is presented in other comprehensive income; the remaining amount is presented in profit or loss. However, if the treatment of changes in fair value that are attributable to credit risk created or enlarged an accounting mismatch in profit or loss, the entity would present all gains or losses on such a liability in profit or loss.

2.13.3. Derivatives

Derivatives are a special category of financial assets and liabilities. The manner of recognizing gains or losses from the revaluation of derivatives to fair value depends on whether a derivative is classified as a hedging instrument and on the nature of the item being hedged. More information on the reporting of derivatives can be found in Note 2.14.

2.13.4. Impairment of Financial Assets

The impairment of financial assets is based on a model of expected credit losses (ECL).

An impairment analysis of receivables is performed by the Group at each reporting date on an individual basis for significant specific receivables. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively where the individual approach is not applicable.

The Group accounts for either 12-month expected credit losses or lifetime expected credit losses depending on whether there has been a significant increase in credit risk since initial recognition (or since the commitment was made or the guarantee was provided). The Group has used a simplified approach for trade receivables, contract assets and lease receivables, under which lifetime expected credit losses are always accounted for.

The portfolio of financial assets is broken down into 3 categories for the purposes of ECL calculation. At the date of initial recognition, financial assets are included in Category 1 with the lowest impairment, which is determined as a percentage of historically unpaid receivables. They are subsequently reclassified as Category 2 and 3 as the debtor's credit risk increases. If a financial asset is bearing interest, interest revenue in Category 3 is calculated from the net amount of the asset.

2.14. Derivatives

The Group uses financial derivatives, such as interest rate swaps and foreign exchange contracts, to hedge risks associated with interest rate and exchange rate fluctuations. Derivatives are measured at fair value. They are recognized as part of non-current and current other financial assets and liabilities in the balance sheet. The manner of recognizing gains or losses from the revaluation of derivatives to fair value depends on whether a derivative is classified as a hedging instrument and on the nature of the item being hedged.

For hedge accounting purposes, hedging transactions are classified either as fair value hedges where the risk of change in the fair value of a balance sheet asset or liability is hedged or as cash flow hedges where the Group is hedged against the risk of changes in cash flows attributable to a balance sheet asset or liability or to a highly probable forecast transaction.

At the inception of a hedge, the Group prepares a documentation identifying the hedged item and the hedging instrument used, describes economical relationship between hedged item and the hedging instrument, evaluation of effectivity and also describes targets and strategy for managing risks for various hedging transactions.

2.14.1. Fair Value Hedging Derivatives

Changes in the fair values of fair value hedging derivatives are recognized in expenses or income, as appropriate, together with the relevant change in the fair value of the hedged asset or liability that is related to the hedged risk. Where an adjustment to the carrying amount of a hedged item is made for a debt financial instrument, the adjustment is amortized in profit or loss over time until the maturity of such a financial instrument.

2.14.2. Cash Flow Hedging Derivatives

Changes in the fair values of derivatives hedging expected cash flows are initially recognized in other comprehensive income. The gain or loss attributable to the ineffective portion is presented in the statement of income in the item Other financial expenses or Other financial income.

Amounts accumulated in equity are recognized in profit or loss in the period when the expenses or income associated with the hedged items are accounted for.

When a hedging instrument expires or a derivative is sold or it no longer meets the criteria for hedge accounting, the cumulative gain or loss recognized in equity remains in equity until the forecast transaction is closed and then recognized in the statement of income. If a forecast transaction is no longer likely to occur, the cumulative gain or loss, originally recognized in other comprehensive income, is transferred to profit or loss.

2.14.3. Other Derivatives

Some derivatives are not intended for hedge accounting. A change in the fair value of such derivatives is recognized directly in profit or loss.

2.15. Commodity Contracts

According to IFRS 9, certain commodity contracts are considered to be financial instruments and accounted for in accordance with the standard. Most commodity purchases and sales carried out by the Group assume physical delivery of the commodity in amounts intended for use or sale in the course of the Group's ordinary activities. Therefore, such contracts (so-called "own-use" contracts) are not within the scope of IFRS 9 and are specifically registered to allow differentiation from contracts within the scope of IFRS 9.

Forward purchases and sales with physical delivery of energy are not within the scope of IFRS 9 as long as the contract is made in the course of the Group's ordinary activities. This is true if all of the following conditions are met:

- Physical delivery of the commodity takes place under the contract;
- The amount of the commodity purchased or sold under the contract corresponds to the Group's operating requirements;
- There is no practice of settlements of these contracts net in cash or another financial instrument or by exchanging financial instruments;
- The contract does not represent a sold option as defined by IFRS 9. In the specific case of electricity sales contracts, the contracts are substantially equivalent to firm forward sales or can be considered sales of generation capacity.

These conditions must be met at the contract's inception and throughout its duration, which is regularly evaluated by the Group.

The Group considers transactions entered into with the aim of balancing electricity amounts purchased and sold to be part of an integrated energy group's ordinary activities; therefore, such contracts are not within the scope of IFRS 9.

Commodity contracts that are within the scope of IFRS 9 and that do not hedge cash flows are revalued to fair value, with changes in fair value recognized in profit or loss. The Group presents revenue and expenses related to trading in electricity and other commodities in the statement of income item Gains and losses from commodity derivative trading.

Changes in the fair values of commodity contracts that are within the scope of IFRS 9 and that hedge expected cash flows are initially recognized in other comprehensive income. The gain or loss attributable to the ineffective portion is presented in the statement of income in the item Gains and losses from commodity derivative trading.

Subsequently, in accordance with the description in Note 2.14.2, amounts accumulated in equity are recognized in profit or loss in the period when the expenses or income associated with the hedged items are accounted for.

When a hedging instrument expires or a commodity contract is sold or it no longer meets the criteria for hedge accounting, the cumulative gain or loss recognized in equity remains in equity until the expected transaction is closed and then recognized in the statement of income. If the expected transaction is no longer likely to occur, the cumulative gain or loss, originally recognized in other comprehensive income, is transferred to profit or loss.

2.16. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, current accounts with banks, and short-term financial deposits with maturity of no more than 6 months.

2.17. Restricted Financial Assets

Cash and other financial assets that are recognized as restricted funds (see Note 4) are intended for the funding of nuclear decommissioning, for mining reclamation and damages, for the restoration and rehabilitation of waste dumps, or are cash guarantees given to counterparties. Such funds are classified as non-current assets due to the time at which they are expected to be released for the Group's purposes.

2.18. Contract Assets and Liabilities

Contract asset is the Group's right to a consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the Group's future performance).

Contract liability is the Group's obligation to transfer goods or provide services to a customer for which the Group has received consideration from the customer.

For work in progress, costs incurred and recognized gains are presented on the balance sheet net of any issued invoices and advances received as an asset or a liability.

Contract assets and contract liabilities are presented in the line Other current assets and Other short-term liabilities.

2.19. Materials and Supplies

Purchased inventories (except for gas for trading - see the next paragraph) are measured at actual cost, using the weighted average cost method. The costs of purchased inventories include all costs of purchase, including transport costs. Upon use, they are recognized in expenses or capitalized as non-current assets. Work in progress is measured at actual cost. The costs include, primarily, direct material and labor costs. Obsolete inventories are written down using impairments recognized in expenses.

Gas inventories are acquired mainly for purpose of trading (and also for supplies to end customers – see the previous paragraph). Gas in a gas storage, which is intended for trading, is measured at fair value less cost to sell at the date of the financial statements. Changes in fair value are recognized in the statement of income in the line item Gains and losses from commodity derivative trading.

2.20. Fossil Fuel Stocks

Inventories of fossil fuels are measured at actual cost, determined on a weighted average cost basis.

2.21. Income Taxes

The amount of income taxes is determined in compliance with the tax regulations of the states of residence of the Group companies and is based on the profit or loss determined in accordance with local accounting regulations and adjusted for permanently or temporarily nondeductible expenses and untaxed income. Income taxes are calculated on an individual company basis as the Czech tax laws do not permit consolidated tax returns. For companies located in the Czech Republic, the current income tax at December 31, 2023 and 2022, respectively was calculated from income before tax in accordance with Czech accounting regulations, adjusted for some items that are nondeductible or nontaxable for tax purposes, using a base rate of 19%. From January 1, 2024, this base rate is changed to 21%. In the period of 2023–2025 the company (above the tax base derived from average tax base from years 2018–2021 increased by 20%) is, and will be, respectively, burdened by an increased tax rate of 60%, windfall tax (see Note 34). The applicable tax rate including windfall tax is 71% for 2023. Expected tax rate from 2026 is 21%.

The Group, in the jurisdictions in which the Group operates, will obligatorily apply the international tax reform – model rules of BEPS Pillar Two for the period from January 1, 2024, at the earliest. The expected impact of the top-up tax from this tax reform on the Group is not significant at the time of the preparation of these financial statements.

Deferred tax is calculated on the basis of the liability method based on a balance sheet approach. Deferred tax is calculated from temporary differences between accounting measurement and measurement for the purposes of determining the income tax base. Deferred tax is determined using rates and laws that have been enacted by the end of the reporting period and are expected to apply when the deferred tax asset is realized, or the deferred tax liability is settled. The Group applied a mandatory temporary exception for the calculation and disclosure of deferred tax from transactions in connection with the application of the international tax reform – OECD BEPS Pillar Two model rules.

A deferred tax asset or liability is not discounted. A deferred tax liability is recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by parent and it is probable that the temporary differences will not be realized in the foreseeable future.

Deferred tax asset is recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax asset is recognized to the extent that it is probable that sufficient taxable profit will be available in the future against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be claimed, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the reported profit after tax nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint-ventures, when it is probable, that the temporary differences will not be reversed and there will not be sufficient taxable profit against which the deductible temporary differences can be applied.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and, if necessary, the carrying amount of the deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities of Group companies are not offset in the balance sheet.

If the current and deferred tax relate to items that are charged or credited directly to equity in the same or a different tax period, the tax is also recognized directly in equity.

Changes in the deferred tax due to a change in tax rates are recognized in profit or loss, except for items charged or credited directly to equity in the same or a different tax period, for which such a change is also recognized directly in equity.

2.22. Long-term Debt

Debt is initially measured at the amount of proceeds from the issue of the debt, less transaction costs. It is then carried at amortized cost, which is determined using the effective interest rate. The difference between the nominal amount and the initial measurement of debt is recognized in profit or loss as interest expense over the period of debt.

Transaction costs comprise commission paid to advisers, agents, and brokers and levies by regulatory agencies and securities exchanges.

2.23. Nuclear Provisions

The Group makes a provision for nuclear decommissioning, a provision for interim storage of spent nuclear fuel and other radioactive waste, and a provision for the funding of subsequent permanent disposal of spent nuclear fuel and irradiated reactor components (see Note 19.1).

The provisions made correspond to the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The estimate, expressed at the price level at the date of estimate, is discounted using an estimated long-term risk-free real interest rate of 2.1% and 2.0% per annum as at December 31, 2023 and 2022, respectively, so as to take into account the timing of expenditure. While estimating future expenses, an associated risk related to these future expenses is taken into account. This risk adjustment can be expressed as a reduction of the used discount rate by 1.9% and 1.5% as at December 31, 2023 and 2022, respectively. Initial discounted costs are capitalized as part of property, plant and equipment and then amortized for the duration of time for which nuclear power plants will generate electricity. The provision is increased by the estimated inflation and real interest rate annually. Such expenses are recognized in the statement of income in the line item Interest expense on provisions. The effect of the expected rate of inflation is estimated at 2.6% and 2.8% as at December 31, 2023 and 2022, respectively.

The process of nuclear power plant decommissioning is estimated to continue for approximately 50 years after the termination of electricity generation. It is assumed that a permanent repository for spent nuclear fuel will commence operation in 2065 and the disposing of stored spent nuclear fuel at the repository will continue until approximately 2090. Although the Group has made the best estimate of the amount of nuclear provisions, potential changes in technology, changes in safety and environmental requirements, and changes in the duration of such activities may result in actual costs varying considerably from the Group’s current estimates.

Changes in estimates concerning the provisions for nuclear decommissioning and permanent disposal of spent nuclear fuel resulting from new estimates of the amount or timing of cash flows required to settle these obligations or from a change in the discount rate are added to, or deducted from, the amount recognized as an asset in the balance sheet. Should the amount of the asset be negative, i.e., should the deducted amount exceed the amount of the asset, the difference is recognized directly in profit or loss.

2.24. Provisions for Decommissioning and Reclamation of Mines and Mining Damages

The Group has recognized a provision for obligations to decommission and reclaim (see Note 19.2). The provision recognized represents the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such estimate, expressed at the price level at the date of estimate, are discounted at December 31, 2023 and 2022, using an estimated long-term risk-free real interest rate to take into account the timing of payments in amount of 2.1% and 2.0% per annum, respectively. While estimating future expenses, an associated risk related to these future expenses is taken into account. This risk adjustment can be expressed as a reduction of the used discount rate by 1.9% and 1.5% as at December 31, 2023 and 2022, respectively. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the mines. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation. These expenses are presented in the income statement in the line Interest on provisions. The effect of the expected rate of inflation is estimated at 2.6% and 2.8% as at December 31, 2023 and 2022, respectively.

Although the Group has made the best estimate of the amount of provision for decommissioning and reclamation of mines and mining damages, potential changes in technology, changes in safety and environmental requirements, and changes in the duration of such activities may result in actual costs varying considerably from the Group’s current estimates.

Changes in a decommissioning liability that result from a change in the current best estimate of timing and/or amount of cash flows required to settle the obligation or from a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized directly in profit or loss.

2.25. Provision for Demolition and Dismantling of Fossil-fuel Power Plants

The Group has recognized a provision for demolition and dismantling of fossil-fuel power plants after their decommissioning (see Note 19.2). The provisions were created in 2021 in connection with the deepening of decarbonization targets at the EU level and in connection with updating the Group's strategy and signing up to accelerate the decarbonization of the generation portfolio within the "VISION 2030 – Clean Energy of Tomorrow". The provision created corresponds to the best estimate of the expenditures required to settle the present obligation at the balance sheet date. The estimate, expressed in the price level at the date of estimate, is discounted using an estimated risk-free real interest rate of 1.7% and 0.8% per annum as at December 31, 2023 and 2022, respectively, in order to take into account the timing of expenditures. While estimating future expenses, an associated risk related to these future expenses is taken into account. This risk adjustment can be expressed as a reduction of the used discount rate by 1.8% and 1.3% as at December 31, 2023 and 2022, respectively. Initial discounted costs are capitalized as part of property, plant and equipment and then depreciated over the period during which coal power plants will generate electricity. The provision is updated annually with regard to the estimated inflation rate and the real interest rate. These expenses are recognized in the statement of income in the line item Interest on provisions. The effect of the expected rate of inflation is estimated at 2.9% and 4.0% as at December 31, 2023 and 2022, respectively.

Although the Group has made the best estimate of the amount of provision for demolition and dismantling of fossil-fuel power plants, potential changes in technology, changes in safety and environmental requirements, and changes in the duration of such activities may result in actual costs varying considerably from the Group's current estimates.

Changes in estimates concerning the provision resulting from new estimates of the amount or timing of cash flows required to settle these obligations or from a change in the discount rate are added to, or deducted from, the amount recognized as an asset in the balance sheet. Should the amount of the asset be negative, i.e., should the deducted amount exceed the amount of the asset, the difference is recognized directly in profit or loss.

2.26. Exploration for and Evaluation of Mineral Resources

Expenditures on exploration for and evaluation of mineral resources are charged to expense when incurred.

2.27. Leases

Determining whether a contract is, or contains, a lease is based on the economic substance of the transaction and requires an assessment of whether the fulfillment of the contractual obligation is dependent on the use of a specific asset or assets and whether the contract conveys a right to use the asset.

The Group does not apply the standard IFRS 16 to leases of intangible assets, but the Group has identified contracts for which an intangible asset from a right-of-use have been recognized. These are the cases where the Group acquires the right to place advertising on a building or on other tangible asset.

2.27.1. Group as a Lessee

The Group uses a consistent approach to the reporting and measurement of all leases, except for short-term leases and leases of low-value assets. The Group accounts for future lease payments as lease liabilities and recognizes right-of-use assets that represent a right to use the underlying assets. Lease payments for short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

a) Lease Liability

At the commencement date of a lease, the Group recognizes lease liabilities measured at the present value of the lease payments that are to be made over the lease term. Lease payments comprise fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers those payments occurs.

When calculating the present value of lease payments, the Group uses an incremental interest rate at the commencement date of the lease because the interest rate implicit in the lease cannot be readily determined. After the commencement date, the amount of lease liabilities is increased by accrued interest and decreased by the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a lease modification, i.e., a change in the lease term, a change in lease payments (e.g., changes in future payments resulting from a change in an index or a rate used to determine the amount of the lease payment), or a change in the assessment of the option to purchase the underlying asset.

The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the incremental interest rate using observable inputs, such as market interest rates.

The Group uses judgment to determine the expected lease term for contracts made for an indefinite time.

b) Right-of-use Assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date when the underlying assets are available for use). Right-of-use assets are measured at cost less accumulated amortization and impairment losses and adjusted for any reassessment of lease liabilities. The cost of right-of-use assets comprises the amount of recognized lease liabilities, initial direct costs, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized using the straight-line method over the lease term or the estimated life of the assets as follows:

	Depreciation period (years)
Lands	2–27
Buildings	1–46
Vehicles, machinery and equipment	1–34
Inventory and other tangible assets	10–17

2.27.2. Group as a Lessor

The Group leases out its tangible assets including own tangibles and right-of-use assets. The Group has classified the leases as financial or operating leases. Operating leases are the leases, in which the Group does not transfer substantially all the risk and rewards incidental to ownership of an assets.

Lease income from operating leases is recognized on a straight-line basis over the lease term and included as income in profit or loss due to their operating nature.

For the leases classified as financial leases the Group recognizes net investment in the lease measured at the present value of lease payments to be made over the lease term, increased by any unguaranteed residual value of the leased asset at the end of the lease, which is not conditioned by future cash flow. In calculating the present value of net investment in the lease, the Group uses the interest rate implicit in the lease. In the case of a sublease, if the interest rate implicit in the sublease is not readily determined, the Group uses the discount rate used for the head lease.

2.28. Share-based Payments

Members of the Board of Directors and selected managers are in the new long-term bonus program since January 1, 2020 (Note 29). The amount of the bonus is partially based on the value of the Company’s shares and it is settled in cash. The expense and related liability are recognized when the services are provided to the Group and in the fair value of the expected cash-settled transactions. The liability is subsequently revalued at fair value for each reporting period and at the settlement date, with any changes in fair value being reported in the relevant period in the statement of income in the line Salaries and wages.

2.29. Treasury Shares

Treasury shares are reported in the balance sheet as an item reducing equity. The acquisition of treasury shares is recognized in the statement of changes in equity as a deduction from equity. No gain or loss is recognized in the statement of income on the sale, issue, or cancellation of treasury shares. Consideration received is recognized in financial statements as a direct increase in equity.

2.30. Translation of Foreign Currencies

The consolidated financial statements are presented in Czech crowns (CZK), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured and reported using that functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when they arise in connection with a liability classified as effective cash flow hedges. Such exchange differences are recognized directly in equity.

The assets and liabilities of foreign subsidiaries are translated at the rate of exchange valid at the balance sheet date. The costs and revenues of foreign subsidiaries are translated at average exchange rates for the given year. The exchange differences arising on the retranslation are taken directly to other comprehensive income. On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as a component of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign operation and are translated at the closing exchange rate.

The Group used the following exchange rates to translate assets and liabilities in foreign currencies at December 31, 2023 and 2022:

	2023	2022
CZK per 1 EUR	24.725	24.115
CZK per 1 USD	22.376	22.616
CZK per 1 PLN	5.694	5.152
CZK per 1 BGN	12.642	12.330
CZK per 1 RON	4.969	4.873
CZK per 100 JPY	15.811	17.152
CZK per 1 TRY	0.757	1.208
CZK per 1 GBP	28.447	27.200
CZK per 100 HUF	6.455	6.015
CZK per 100 RSD	21.115	20.541

2.31. Assets Held for Sale

Assets and disposal groups of assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets and groups of assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is considered met only if the sale is highly probable and the asset or group of assets is available for immediate sale in its present condition. Group management must take steps toward the sale of the asset or group of assets so as to complete the sale within one year from the date of the classification of the assets or group of assets as held for sale.

3. Property, Plant and Equipment

The overview of property, plant and equipment at December 31, 2023, is as follows (in CZK millions):

	Buildings	Plant and equipment	Land and other	Total plant in service	Nuclear fuel	Construction work in progress	Total
Cost at January 1, 2023	339,869	549,019	14,657	903,545	20,586	26,624	950,755
Additions	1,375	1,145	109	2,629	146	41,607	44,382
Disposals	(2,134)	(6,186)	(70)	(8,390)	(4,627)	(426)	(13,443)
Bring into use	17,695	15,784	201	33,680	7,371	(41,051)	-
Acquisition of subsidiaries	300	389	20	709	-	639	1,348
Change in capitalized part of provisions	(275)	12,592	1,406	13,723	62	-	13,785
Reclassification and other	322	(80)	(2)	240	-	(225)	15
Currency translation differences	523	1,053	33	1,609	-	99	1,708
Cost at December 31, 2023	357,675	573,716	16,354	947,745	23,538	27,267	998,550
Accumulated depreciation and impairment at January 1, 2023	(157,102)	(343,677)	(4,785)	(505,564)	(8,593)	(1,479)	(515,636)
Depreciation and amortization of nuclear fuel [1)]	(11,685)	(21,223)	(289)	(33,197)	(3,344)	-	(36,541)
Net book value of assets disposed	(423)	(190)	(12)	(625)	-	-	(625)
Disposals	2,134	6,186	29	8,349	4,627	-	12,976
Reclassification and other	(21)	(835)	(8)	(864)	-	876	12
Impairment losses recognized	(1,939)	(2,629)	(1,979)	(6,547)	-	(360)	(6,907)
Impairment losses reversed	529	311	453	1,293	-	368	1,661
Currency translation differences	(424)	(901)	(20)	(1,345)	-	(13)	(1,358)
Accumulated depreciation and impairment at December 31, 2023	(168,931)	(362,958)	(6,611)	(538,500)	(7,310)	(608)	(546,418)
Property, plant and equipment at December 31, 2023	188,744	210,758	9,743	409,245	16,228	26,659	452,132

[1)] The amortization of nuclear fuel also includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel in the amount of CZK 311 million.

The overview of property, plant and equipment at December 31, 2022, is as follows (in CZK millions):

	Buildings	Plant and equipment	Land and other	Total plant in service	Nuclear fuel	Construction work in progress	Total
Cost at January 1, 2022	308,372	534,273	13,553	856,198	22,193	22,937	901,328
Additions	611	1,264	55	1,930	72	31,466	33,468
Disposals	(1,649)	(8,815)	(19)	(10,483)	(4,086)	(334)	(14,903)
Bring into use	13,849	11,126	65	25,040	2,407	(27,447)	-
Acquisition of subsidiaries	659	542	323	1,524	-	63	1,587
Disposal of subsidiaries	(2)	(2)	-	(4)	-	-	(4)
Change in capitalized part of provisions	18,259	11,251	746	30,256	-	-	30,256
Reclassification and other	31	20	(40)	11	-	(3)	8
Currency translation differences	(261)	(640)	(26)	(927)	-	(58)	(985)
Cost at December 31, 2022	339,869	549,019	14,657	903,545	20,586	26,624	950,755
Accumulated depreciation and impairment at January 1, 2022	(148,253)	(333,920)	(5,038)	(487,211)	(9,097)	(1,928)	(498,236)
Depreciation and amortization of nuclear fuel [1)]	(10,970)	(19,784)	(201)	(30,955)	(3,582)	-	(34,537)
Net book value of assets disposed	(563)	(252)	(5)	(820)	-	-	(820)
Disposals	1,649	8,815	7	10,471	4,086	26	14,583
Disposal of subsidiaries	1	1	-	2	-	5	7
Reclassification and other	(46)	(17)	14	(49)	-	64	15
Impairment losses recognized	(12)	(463)	-	(475)	-	(105)	(580)
Impairment losses reversed	887	1,489	428	2,804	-	450	3,254
Currency translation differences	205	454	10	669	-	9	678
Accumulated depreciation and impairment at December 31, 2022	(157,102)	(343,677)	(4,785)	(505,564)	(8,593)	(1,479)	(515,636)
Property, plant and equipment at December 31, 2022	182,767	205,342	9,872	397,981	11,993	25,145	435,119

1) The amortization of nuclear fuel also includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel in the amount of CZK 325 million.

In 2023 and 2022, a composite depreciation rate of plant in service was 3.6% and 3.6%, respectively.

As at December 31, 2023 and 2022, capitalized interest costs amounted to CZK 477 million and CZK 338 million, respectively, and the interest capitalization rate was 3.4% and 3.2%, respectively.

Group's plant in service pledged as security for liabilities at December 31, 2023 and 2022, is CZK 7,592 million and CZK 12,939 million, respectively.

Construction work in progress contains mainly refurbishments performed on nuclear plants, including the acquisition of nuclear fuel, and investment in the electricity distribution network of subsidiary ČEZ Distribuce, a. s. As at December 31, 2023 and 2022, the construction work in progress includes the preparation of new nuclear power sources of CZK 4,277 million and CZK 3,676 million, respectively.

The Group drew in 2023 and 2022 grants related to the property, plant and equipment in the amount of CZK 741 million and CZK 95 million, respectively.

Group as a Lessee

Set out below are the carrying amounts and other information at December 31, 2023, and for the year ended 2023, respectively, about right-of-use assets recognized in total property, plant and equipment (in CZK millions):

	2023			
	Buildings	Plant and equipment	Land and other	Total plant in service
Additions of right-of-use assets	574	394	93	1,061
Depreciation charge for right-of-use assets	(504)	(280)	(73)	(857)
Carrying amount as at December 31	2,387	805	768	3,960

Set out below are the carrying amounts and other information at December 31, 2022, and for the year ended 2022, respectively, about right-of-use assets recognized in total property, plant and equipment (in CZK millions):

	2022			
	Buildings	Plant and equipment	Land and other	Total plant in service
Additions of right-of-use assets	411	422	27	860
Depreciation charge for right-of-use assets	(477)	(169)	(69)	(715)
Carrying amount as at December 31	2,234	662	792	3,688

Group as a Lessor

The carrying amounts of property, plant and equipment that are subject to an operating lease (in CZK millions):

	Buildings	Plant and equipment	Land and other	Total plant in service
Carrying amount as at December 31, 2023	630	47	734	1,411
Carrying amount as at December 31, 2022	273	45	797	1,115

4. Restricted Financial Assets

The overview of restricted financial assets at December 31, 2023 and 2022, is as follows (in CZK millions):

	2023	2022
Czech government bonds	24,545	19,245
Cash in banks	684	2,316
Total restricted financial assets	25,229	21,561

The Czech government bonds are measured at fair value through other comprehensive income. The restricted financial assets contain in particular restricted financial assets to cover the costs of nuclear decommissioning, to cover the costs for mine reclamation and mining damages and for waste storage reclamation.

5. Derivatives and Other Financial Assets

The overview of derivatives and other financial assets at December 31, 2023 and 2022, is as follows (in CZK millions):

	2023			2022		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Term deposits	66	-	66	-	100	100
Other financial receivables	4,912	128	5,040	2,728	31	2,759
Receivables from sale of subsidiaries, associates and joint-ventures	-	31	31	-	2,450	2,450
Investment in finance lease	213	49	262	200	46	246
Total financial assets at amortized cost	5,191	208	5,399	2,928	2,627	5,555
Equity financial assets – investments in Inven Capital, SICAV, a.s., ČEZ sub-funds	3,746	-	3,746	3,840	-	3,840
Commodity and other derivatives	62	82,465	82,527	446	262,159	262,605
Total financial assets at fair value through profit or loss	3,808	82,465	86,273	4,286	262,159	266,445
Veolia Energie ČR, a.s.	403	-	403	709	-	709
Other equity financial assets	271	6	277	178	-	178
Total equity financial assets	674	6	680	887	-	887
Cash flow hedge derivatives	20,706	22,378	43,084	8,612	3,971	12,583
Investments in progress	-	-	-	2	-	2
Debt financial assets	-	6,657	6,657	-	9,752	9,752
Total financial assets at fair value through other comprehensive income	21,380	29,041	50,421	9,501	13,723	23,224
Total	30,379	111,714	142,093	16,715	278,509	295,224

The following table analyses the value of receivables from commodity and other derivatives by the period of delivery as at December 31, 2023 and 2022 (in CZK millions):

	2023	2022
Delivery in 2022	-	3,019
Delivery in 2023	413	203,890
Delivery in 2024	68,392	48,826
Delivery in 2025	12,633	6,326
Delivery in 2026 and thereafter	1,089	544
Total commodity and other derivatives	82,527	262,605

The following table provides an overview of the value of receivables from commodity derivatives by the commodities and other derivatives at December 31, 2023 and 2022 (in CZK millions):

	2023	2022
Electricity including cross-border capacities	45,400	183,669
Gas	34,677	74,796
Emission rights, guarantees of origin	800	801
Financial derivatives	1,650	3,339
Total commodity and other derivatives	82,527	262,605

The decrease of receivables from commodity and other derivatives in 2023 is caused mainly due to physical delivery of the commodity or by financial settlement. Year-to-year decrease is also influenced by volatility of the market prices of electricity, gas, emission rights and other commodities. Related decrease of liabilities from commodity and other derivatives is disclosed in Note 20.

Movements in impairment provisions of other financial receivables (in CZK millions):

	2023	2022
Balance as at January 1	(92)	(117)
Additions	(25)	(9)
Reversals	20	29
Currency translation differences	(2)	5
Balance as at December 31	(99)	(92)

Contractual maturities of debt financial assets as at December 31, 2023 (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
Due in 2024	6,657	31	49	128
Due in 2025	-	-	42	3,055
Due in 2026	-	-	39	374
Due in 2027	-	-	31	902
Thereafter	-	-	101	581
Total	6,657	31	262	5,040

Contractual maturities of debt financial assets as at December 31, 2022 (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
Due in 2023	9,752	2,450	46	31
Due in 2024	-	-	42	1,109
Due in 2025	-	-	35	110
Due in 2026	-	-	32	90
Thereafter	-	-	91	1,419
Total	9,752	2,450	246	2,759

Debt financial assets at December 31, 2023, have following effective interest rate structure (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
Less than 2.00% p. a.	-	31	1	4,471
2.00% to 2.99% p. a.	-	-	5	16
3.00% to 3.99% p. a.	-	-	129	103
4.00% to 4.99% p. a.	-	-	3	23
5.00% to 5.99% p. a.	-	-	49	66
6.00% to 6.99% p. a.	6,633	-	26	90
7% p. a. and more	24	-	49	271
Total	6,657	31	262	5,040

Debt financial assets at December 31, 2022, have following effective interest rate structure (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
Less than 2.00% p. a.	-	-	3	2,275
2.00% to 2.99% p. a.	-	2,450	5	55
3.00% to 3.99% p. a.	-	-	149	128
4.00% to 4.99% p. a.	-	-	3	9
5.00% to 5.99% p. a.	-	-	48	157
6.00% to 6.99% p. a.	3,261	-	28	44
7% p. a. and more	6,491	-	10	91
Total	9,752	2,450	246	2,759

The following table analyses the debt financial assets at December 31, 2023, by currency (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
CZK	6,657	-	135	4,687
EUR	-	3	127	309
PLN	-	-	-	39
Other	-	28	-	5
Total	6,657	31	262	5,040

The following table analyses the debt financial assets at December 31, 2022, by currency (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
CZK	9,752	2,450	107	1,595
EUR	-	-	139	300
PLN	-	-	-	861
Other	-	-	-	3
Total	9,752	2,450	246	2,759

6. Intangible Assets

The overview of intangible assets at December 31, 2023, is as follows (in CZK millions):

	Software	Rights and other	Emission rights	Goodwill	Intangibles in progress	Total
Cost at January 1, 2023	16,508	14,359	-	13,379	1,575	45,821
Additions	68	115	-	-	2,138	2,321
Disposals	(226)	(37)	-	-	(11)	(274)
Bring to use	1,320	174	-	-	(1,494)	-
Acquisition of subsidiaries	5	1,391	-	1,416	11	2,823
Transfer to non-current emission rights	-	-	5	-	-	5
Reclassification and other	50	(42)	-	-	-	8
Currency translation differences	16	375	-	304	3	698
Cost at December 31, 2023	17,741	16,335	5	15,099	2,222	51,402
Accumulated amortization and impairment at January 1, 2023	(13,806)	(7,584)	-	-	(8)	(21,398)
Amortization	(1,402)	(737)	-	-	-	(2,139)
Net book value of assets disposed	(5)	(2)	-	-	-	(7)
Disposals	226	37	-	-	-	263
Impairment losses recognized	(32)	-	-	-	(6)	(38)
Impairment losses reversed	18	-	-	-	2	20
Reclassification and other	(31)	31	-	-	-	-
Currency translation differences	(10)	(292)	-	-	-	(302)
Accumulated amortization and impairment at December 31, 2023	(15,042)	(8,547)	-	-	(12)	(23,601)
Intangible assets at December 31, 2023	2,699	7,788	5	15,099	2,210	27,801

The overview of intangible assets at December 31, 2022, is as follows (in CZK millions):

	Software	Rights and other	Emission rights	Goodwill	Intangibles in progress	Total
Cost at January 1, 2022	15,753	13,630	160	13,193	1,247	43,983
Additions	38	129	-	-	2,072	2,239
Disposals	(353)	(16)	(160)	-	(9)	(538)
Bring to use	1,066	628	-	-	(1,694)	-
Acquisition of subsidiaries	25	219	-	437	3	684
Reclassification and other	(8)	5	-	-	(42)	(45)
Currency translation differences	(13)	(236)	-	(251)	(2)	(502)
Cost at December 31, 2022	16,508	14,359	-	13,379	1,575	45,821
Accumulated amortization and impairment at January 1, 2022	(13,075)	(7,053)	-	-	(1)	(20,129)
Amortization	(1,085)	(700)	-	-	-	(1,785)
Net book value of assets disposed	(6)	(2)	-	-	-	(8)
Disposals	353	16	-	-	-	369
Impairment losses recognized	-	-	-	-	(7)	(7)
Impairment losses reversed	1	-	-	-	-	1
Currency translation differences	6	155	-	-	-	161
Accumulated amortization and impairment at December 31, 2022	(13,806)	(7,584)	-	-	(8)	(21,398)
Intangible assets at December 31, 2022	2,702	6,775	-	13,379	1,567	24,423

Research and development costs, net of grants and subsidies received, that are not eligible for capitalization have been expensed in the period incurred and amounted to CZK 635 million and CZK 551 million in 2023 and 2022, respectively.

Group's intangible assets pledged as security for liabilities at December 31, 2023 and 2022, is CZK 62 million and CZK 203 million, respectively.

The net book value of intangible assets under the right-of-use assets at December 31, 2023 and 2022, is CZK 25 million and CZK 25 million, respectively.

At December 31, 2023 and 2022, goodwill allocated to cash-generating units is as follows (in CZK millions):

	2023	2022
Companies of Elevion Deutschland Holding Group excluding Hermos	3,879	3,525
Czech distribution	2,200	2,200
Energotrans	1,675	1,675
Hermos	1,518	1,265
Companies of ČEZ ESCO Group excluding CAPEXUS	1,221	1,207
Companies of Kofler Energies Group	971	841
Euroklimat	845	718
Companies of SERCOO Group	715	-
Companies of Telco Pro Services Group	516	480
CAPEXUS	419	419
Zonnepanelen op het Dak	264	258
Beletric	206	201
PV Design and Build	112	112
Metrolog	112	102
Czech sales	110	110
Companies of Elevion Österreich Holding Group	93	91
Other	243	175
Total	15,099	13,379

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

The following table summarizes the impairments of property, plant and equipment and intangible assets by cash-generating units in 2023 (in CZK millions):

	Impairment losses			Impairment reversal		
	Intangible assets other than goodwill	Property plant and equipment, nuclear fuel and investments	Total	Property, plant and equipment, nuclear fuel and investments	Bargain purchase gain	Total
Severočeské doly	(34)	(6,581)	(6,615)	1,630	-	(4,985)
German wind power plants	-	(292)	(292)	-	-	(292)
Energetické centrum	-	(23)	(23)	-	-	(23)
Other	(4)	(48)	(52)	51	1	-
Total	(38)	(6,944)	(6,982)	1,681	1	(5,300)

The following table summarizes the impairments of property, plant and equipment and intangible assets by cash-generating units in 2022 (in CZK millions):

	Impairment losses			Impairment reversal		
	Intangible assets other than goodwill	Property plant and equipment, nuclear fuel and investments	Total	Property, plant and equipment, nuclear fuel and investments	Bargain purchase gain	Total
Severočeské doly	(3)	(35)	(38)	2,860	-	2,822
ŠKODA JS	-	-	-	-	286	286
ÚJV Řež	-	(285)	(285)	-	-	(285)
Elektrárna Dětmarovice	-	(3)	(3)	212	-	209
CEZ Skawina	-	(130)	(130)	-	-	(130)
CEZ Chorzów	-	(115)	(115)	-	-	(115)
Other	(4)	(110)	(114)	183	8	77
Total	(7)	(678)	(685)	3,255	294	2,864

In 2023 and 2022, the Group performed impairment tests of goodwill and tests of other non-current assets where there was an indication that the carrying amounts could be impaired.

The impairment of tangible and intangible fixed assets of the cash-generating unit Severočeské doly in the amount CZK 4,985 million in 2023 was due to development of market assumptions connected mainly with decrease of expected clean spread (electricity price minus price of emission right of CO_2) and decrease of price of gas, which is main substitute of lignite which resulted in decrease of expected demand for lignite.

The impairment of tangible and intangible fixed assets of the cash-generating unit German wind power plants in the amount CZK 292 million in 2023 was due to development of market assumptions connected with year-to-year increase of discount rate to 4.6%.

The accounting for the reversal of previously created impairment of tangible and intangible assets of the cash-generating unit of Severočeské doly in 2022 was due to the improvement of market assumptions, especially the increase in prices and demand for coal.

The accounting for the reversal of previously created impairment of tangible and intangible assets of the cash-generating unit Elektrárna Dětmarovice in 2022 was due to the improvement of market assumptions, in particular the increase in market prices of electricity and the increase in the so-called clean spread (price of electricity minus price of emission right for CO_2).

The impairment of tangible fixed assets of the cash-generating unit CEZ Chorzów in 2022 mainly corresponds to new investments in fixed assets that are not recoverable with regard to the update of the value in use. Also, the impairment of tangible fixed assets of the cash-generating unit CEZ Skawina in 2022 mainly corresponds to new investments in fixed assets that are not recoverable with regard to the update of the value in use.

The recognized impairment of tangible assets of the cash-generating unit ÚJV Řež in 2022 occurred as a result of performing a test for possible impairment connected with the indicators resulting from the completed transaction of the partial acquisition of a non-controlling interest.

Description of selected parameters related to testing and determination of recoverable amounts

The impairment test involves determining the recoverable amount of the cash-generating unit, which corresponds to the value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit and is internally assessed by the company's management.

Values in use are determined based on a complex projection of cash flows or on the medium-term budget for a period of 5 years and on the anticipated development of the expected cash flows in the long term, which is valid when the impairment test is performed. These budgets are based on the past experience, as well as on the anticipated future market trends and on the macroeconomic development of the respective region.

a. The value in use based on complex projection of cash flows of respective companies for the period covering remaining useful life of tested assets was used for determination of the recoverable amounts of the following cash-generating units:

ČEZ, a. s., generation assets are tested for any possible impairment as a single cash-generating unit with the exception of specific assets, e.g., the CCGT plant in Počerady. Company's cash-generating unit of generation assets is characterized by portfolio management in the deployment and maintenance of various power plants and the cash flows generated from these activities.

As part of testing the recoverable value of fixed assets of the cash-generating unit of ČEZ, a. s., (hereinafter the ČEZ value) we performed a sensitivity analysis of the test results to changes in certain key parameters of the used model – changes in wholesale power prices (hereinafter the EE prices), changes in the discount rate used in the calculation of the present value of future cash flows and changes in CZK/EUR exchange rate.

The development of commodity prices and, in particular, the development of wholesale power prices in Germany (as German power prices have a major impact on the development of wholesale power prices in the Czech Republic) are the key assumptions used for the ČEZ value model. The developments of wholesale prices are primarily determined by the EU political decisions, the development of global demand and supply of commodities and the technological progress.

Developments in EE prices are affected by a number of external factors, in particular changes in the structure and availability of generating facilities in the Czech Republic and its neighboring countries, macroeconomic developments in the region of Central Europe, and energy sector regulation in the EU and Germany. The model is built for a period matching the operating life of generating facilities, which means that its time frame greatly exceeds the period for which commodities, including electricity, are traded in public liquid markets. In addition, there are discussion being held about structural changes in the electricity market ("Market Design") and about substantial sector regulation. So it is very possible that market mechanisms for electricity pricing will be abandoned completely within the lifetime of generating facilities. And it will be introduced alternatively centrally regulated payments for the availability and deliveries of generating facilities or eventually mechanism combining market aspects and regulatory support would be introduced.

Due to the long-term nature of the model, the sensitivity of the ČEZ value to developments in electricity prices is also affected by internal factors and assumptions. These are, in particular, generation portfolio deployment varying with different changes in the prices of electricity, emission rights, and variable generation costs and, in the longer term, also with respect to changes in fixed costs reflecting changes in the gross margin of generating facilities.

The sensitivity test results reflect expert estimates of the status and development of the above factors in the period of the model and the status of commercial securing of the generation portfolio as at December 31, 2023.

The test is based on the business plan of CEZ Group for 2024–2028 and on the assumptions of long-term development of relevant electricity prices. The business plan was prepared in the fourth quarter 2023 whereas the plan was based on the active market parameters observed in October 2023, respectively plan of 2024 from December 2023 (power prices on EEX energy exchange in Germany, prices on PXE energy exchange in the Czech Republic, price of emission rights, FX rates, interest rates etc.). Electricity contracts traded on EEX are liquid for the whole period covering the business plan time frame and considering the interconnectedness of German and Czech power transmission grids, makes them a fundamental market indicator for EE prices in the Czech Republic. As part of all tests, it was considered the impact of windfall tax for years 2024–2025.

The Company did not recognize any impairment of generation assets in 2023 and 2022. A change of the assumed EE prices as per the models by 1%, while other parameters remain unchanged, has an impact of approximately CZK 5.5 billion on the ČEZ value test result. Future cash flows of the model were discounted using a 8.3% rate. A change of 0.1 percentage point in the discount rate, with other parameters remaining unchanged, would change the ČEZ value by approximately CZK 2.9 billion. A 1% change in the CZK/EUR exchange rate, with other parameters remaining unchanged, would result in a change of approximately CZK 5.9 billion in the ČEZ value. Above mentioned changes in ČEZ value would not lead to an impairment of assets.

The generation sources in Poland – power plants Chorzów and Skawina – also belong among tested non-current assets where cash flow projections covering remaining useful life were used. The discount rate of 8.4% was used for CEZ Chorzów and for CEZ Skawina as well.

The discount rate of 8.3% was used for cash-generating unit Energotrans. For testing of Energotrans, the assumptions from “EGT site strategy” were used. The model assumes change in the long-term contract for heat supply to Prague and its prolongation until 2050. The supply of heat by 2028 is expected under assumption of construction from one to three new combined cycle power plants of specific design.

The cash flow projections covering expected remaining useful life, which is estimated at 2030 as at December 31, 2023, were used for determination of the recoverable amount of the cash-generating unit Severočeské doly. Future cash flows were discounted using increased rate of 7.2%.

b. The value in use derived from the projection of cash flows based on financial budget for a period of 5 years and on the expected future development of cash flows generated from the respective assets was applied when determining the recoverable amount of the following cash-generating units:

The discount rate of 6.6% was used for cash-generating unit Czech distribution. The increase of cash flows beyond the five-year period for Czech distribution is getting from 3.4% towards 2.0% within following five years. Cash flows beyond 10-year period were based on the terminal value of regulatory asset base.

The discount rate of 7.2% was used for cash-generating unit ČEZ Teplárenská. Cash flows beyond five-year period were determined from the expected growth within next three years of about 2.0% and nill growth in following seven years.

The discount rate of 8.2% was used for cash-generating unit Elevion Deutschland Holding. Cash flows beyond five-year period were determined from the expected long-term growth of about 2.0%.

The discount rate of 8.2% was used for cash-generating unit Hermos. The increase of cash flows beyond the five-year period is getting towards long-term increase of 2.0%.

The discount rate of 8.2% was used for cash-generating unit Kofler Energies Energieeffizienz. The increase of cash flows beyond the five-year period is getting towards long-term increase of 2.0%.

The discount rate of 9.4% was used for cash-generating unit Kofler Energies Italia. Cash flows beyond five-year period were determined from the expected long-term growth of about 2.0%.

The discount rate of 9.3% was used for cash-generating unit ÚJV Řež. The increase of cash flows beyond the five-year period is getting towards long-term increase of 2.0%.

c. The calculations of value in use for all cash-generating units are most sensitive to the following assumptions:

Gross margins – Gross margins are based on experience from historical trends in the preceding periods, current outlook of market and non-market parameters, eventually with regard to operational efficiency improvements. Gross margins are affected especially by wholesale electricity prices, prices of emission rights and prices of green and similar certificates.

Raw materials price inflation – Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is available, otherwise past actual raw material price movements have been used as an indicator of future price movements.

Discount rate – Discount rates reflect management's estimate of the risk specific to each unit. The basis used to determine the value assigned is weighted average cost of capital (WACC) of the related subsidiaries.

Estimated growth rate – The basis used to determine the value assigned to estimated growth rate is the anticipated future development of the market, gross domestic product, nominal wages and interest rates and the forecast of regulation.

The development of regulatory environment – Windfall tax.

8. Changes in the Group Structure

8.1. Changes in the Group Structure in 2023

The following table summarizes the cash flows related to acquisitions in 2023 (in CZK millions):

Cash outflow on acquisitions of the subsidiaries[1)]	2,562
Cash outflow on investments in joint-ventures	263
Payments of payables from acquisitions in previous periods	201
Less:	
Cash and cash equivalents acquired	(442)
Total cash outflows on acquisitions	2,584

[1)] It includes also payments for taking over shareholders loans from the original owners in the amount of CZK 453 million.

8.1.1. Acquisitions of Companies in 2023, in which CEZ Group Gained Control

On January 31, 2023, the Group acquired a 100% interest in the company Web4Soft Internet s.r.o., which focuses on providing high speed internet connection.

On February 28, 2023, the Group acquired a 100% interest in the company SALLEKO, spol. s r.o., which focuses on building constructions, their changes and removals.

On March 28, 2023, the Group acquired a 100% interest in the German company GESPA GmbH, which focuses on services in the field of installation of rooftop photovoltaic power plants, electromobility and recharging station infrastructure.

On March 31, 2023, the Group acquired a 100% interest in the company MD Projekt s.r.o., which focuses on assembly, repairs, revisions and tests of electrical equipment.

On April 20, 2023, the Group acquired a 100% interest in the German companies Elektro Hofmockel GmbH & Co. Elektroanlagen KG and Elektro Hofmockel Verwaltungsgesellschaft mit beschränkter Haftung, managing company, which focus on services in the field of automatization of treatment of wastewater. Industrial companies and municipalities are the main customers.

On May 11, 2023, the Group acquired a 51% interest in the company Grid Design, s.r.o., which focuses on the design of power structures of low voltage and high voltage and, in the future, extra high voltage as well.

On July 1, 2023, the Group gained control over Tepelné hospodářství města Ústí nad Labem s.r.o. The gain of the control resulted from a new amendment of the shareholder’s agreement. In this context, there was no change in the ownership interest or in the voting rights interests (these interests remain on 55.83% share) and the amendment was concluded without any transfer of consideration. The company Tepelné hospodářství města Ústí nad Labem s.r.o. focuses on heat distribution.

On July 4, 2023, the Group acquired a 85% interest in the Italian company Societa' Agricola Falgas S.r.l. The company was founded for the acquisition of two biogas plants in northern Italy (1 Mwe each), which took place in November 2023. It is planned to expand the capacity of the plants and convert them to biomethane.

On July 7, 2023, the Group acquired a 100% interest in the German companies Alexander Ochs Wärmetechnik GmbH and Bechem & Post Wärmetechnik Kundendienst GmbH. Companies focus on the ventilation and air-conditioning segment, from initial consultation and planning to installation and subsequent service and maintenance.

On August 31, 2023, the Group acquired a 100% interest in the German group SERCOO, comprising the parent company SERCOO Group GmbH and its subsidiaries Brandt GmbH, Bücker & Essing GmbH, Deutsche Technik Service GmbH, MT Energy Service GmbH, MWB Power GmbH a SERCOO ENERGY GmbH. The SERCOO group specializes in the maintenance and repair of biogas plants, cogeneration units, gas and diesel engines and rotating equipment.

On November 15, 2023, the Group acquired a 70% interest in the Italian company Projekt X S.r.l. The company was established to build and operate 7 cogeneration units in 4 locations in northern Italy with an installed capacity of 26.4 MW, which will supply electricity and heat for the TAL pipeline, which is a key oil pipeline for deliveries to refineries in Austria, Germany and the Czech Republic.

On November 28, 2023, the Group acquired a 100% interest in the Polish company TRIM-TECH TECHNIKA INSTALACJI sp. z o.o. The company provides design services mainly in the areas of ventilation, heating, air conditioning and internal and external networks of waste water system.

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):

	Group SERCOO	Group Alexander Ochs	Hofmockel companies	Tepelné hospodářství města Ústí nad Labem	Projekt X	Other	Total
Share of the Group being acquired	100%	100%	100%	55.83%	70%		
Property, plant and equipment	200	42	23	213	494	376	1,348
Intangible assets	690	105	110	2	410	90	1,407
Another non-current assets	58	-	2	-	2	-	62
Cash and cash equivalents	25	107	13	231	21	45	442
Another short-term financial assets	601	-	-	-	-	-	601
Materials	228	3	11	4	-	95	341
Trade receivables	134	44	5	38	-	83	304
Contractual assets	37	32	-	7	-	1	77
Another current assets	18	1	3	4	33	3	62
Long-term debt, net of current portion	(153)	(29)	(7)	(30)	(268)	(15)	(502)
Deferred tax liability	(199)	(32)	(34)	(13)	(115)	(22)	(415)
Long-term provisions	(11)	-	-	(20)	-	(1)	(32)
Trade payables	(70)	(103)	(14)	(38)	(151)	(104)	(480)
Short-term provisions	(167)	(17)	(10)	-	-	(22)	(216)
Another short-term financial liabilities	(624)	-	(8)	(5)	(170)	(76)	(883)
Another short-term liabilities	(104)	(30)	(14)	(119)	(3)	(83)	(353)
Total net assets	663	123	80	274	253	370	1,763
Share of net assets acquired	663	123	80	153	180	370	1,569
Goodwill	696	254	196	-	33	237	1,416
Total purchase consideration	1,359	377	276	153	213	607	2,985
Liabilities from acquisition of the subsidiary	-	(54)	(34)	-	(135)	(47)	(270)
Carrying amount of the previous investment in the joint-venture	-	-	-	(153)	-	-	(153)
Cash outflow on acquisition in 2023	1,359	323	242	-	78	560	2,562
Less: Cash and cash equivalents acquired	(25)	(107)	(13)	(231)	(22)	(44)	(442)
Cash outflow on acquisition in 2023, net	1,334	216	229	(231)	56	516	2,120

If the acquisitions had taken place at the beginning of the year 2023, net income for CEZ Group as at December 31, 2023, would have been CZK 29,339 million and the revenues and other operating income from continuing operations would have been CZK 340,984 million. The amounts of goodwill recognized as a result of the business combinations comprise the value of expected synergies arising from the acquisitions. Non-controlling interest from all acquisitions in 2023 was measured as a proportionate share in the recognized amounts of the acquiree's identifiable net assets.

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

	Group SERCOO	Group Alexander Ochs	Hofmockel companies	Tepelné hospodářství města Ústí nad Labem	Projekt X	Other	Total
Revenues and other operating income	676	441	237	266	1	167	1,788
Income before other income (expense) and income taxes	95	51	37	13	(4)	(17)	175
Net income	66	48	38	7	6	51	216
Net income attributable:							
Equity holders of the parent	66	44	37	4	4	74	229
Non-controlling interests	-	4	1	3	2	(23)	(13)

8.1.2. Changes in Non-controlling Interests in 2023

On June 19, 2023, the Group acquired non-controlling interest corresponding to 49% of the share of company e-Dome a. s., which resulted in increase in its equity interest to 100%. Former investors owned put option for sale of non-controlling interest to the Group. In such a case, as long as the option is valid, the non-controlling interest is derecognized at the balance sheet date and a liability is recognized, which is measured at the present value of the amount payable when the option is exercised. This option expired, and as a result, the liability was derecognized and the non-controlling interest was booked, which was also immediately derecognized due to the realization of the buyout of the non-controlling interest.

On November 13, 2023, the Group sold 15% of non-controlling interest of the company SOCIETA' AGRICOLA B.T.C. S.R.L. The equity interest of the Group is 85% now.

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

	e-Dome	SOCIETA' AGRICOLA B.T.C.	Other	Total
Change in share of the Group in 2023	+49%	(15)%		
Liability from option derecognized from balance sheet	1			
Direct impact on equity from recognition of non-controlling interest after termination of put option	13			
Acquired share of net assets derecognized from non-controlling interests	14	(7)	2	9
Amount directly recognized in equity caused by acquisition of non-controlling interest	11	(5)	1	7
Total purchase consideration	25	(12)	3	16

8.2. Changes in the Group Structure in 2022

The following table summarizes the cash flows related to acquisitions in 2022 (in CZK millions):

Cash outflow on acquisitions of the subsidiaries[1)]	1,979
Cash outflow on investments in joint-ventures	1
Payments of payables from acquisitions in previous periods	61
Less:	
Cash and cash equivalents acquired	(156)
Cash and cash equivalents acquired on including the previously unconsolidated subsidiary in consolidation[2)]	(21)
Total cash outflows on acquisitions	1,864

1) Without the cash outflow used for acquisition of 17.39% of non-controlling interest in subsidiary ÚJV Řež, a. s., which is owned by ŠKODA JS a.s. Related cash outflow in the amount of CZK 238 million was disclosed in consolidated statement of cash flows in the line item Acquisition of non-controlling interests.

2) During the first half year of 2022, the Group started to consolidate previously not consolidated subsidiary of Teplo Klášterec s.r.o.

8.2.1. Acquisitions of Companies in 2022, in which CEZ Group Gained Control

On January 20, 2022, the Group acquired a 100% interest in the company Hermos Signaltechnik GmbH, which focuses on measurement and control services.

On February 24, 2022, the Group acquired a 100% interest in the company ELIMER, a.s., which provides comprehensive services in the field of electrical installations (i.e., design, implementation, service and maintenance of high-current and low-current electrical installations).

On May 31, 2022, the Group acquired a 100% interest in the company KABELOVÁ TELEVIZE CZ s.r.o., which focuses on providing high speed internet connection and mobile services.

On June 1, 2022, the Group acquired a 100% interest in the company PV Design and Build s.r.o., which focuses on the realization of photovoltaic power plants.

On June 20, 2022, the Group acquired a 100% interest in the company Wagner Consult GmbH, which focuses on providing planning services in the field of water management infrastructure and wastewater treatment plant technologies.

On August 4, 2022, the Group acquired a 100% interest in the company SOCIETA' AGRICOLA B.T.C. S.R.L., which owns and operates biogas plant.

On October 10, 2022, the Group acquired a 95% interest in the company AMPRO Medientechnik GmbH, which deals with security systems (sound alarm) and acoustics for buildings.

On October 10, 2022, the Group acquired a 95% interest in the company Ampro Projektmanagement GmbH, which focuses on consulting, planning and construction supervision in the field of technical equipment of buildings.

On November 24, 2022, the Group acquired a 100% interest in ŠKODA JS a.s. ŠKODA JS a.s. is one of the leading European engineering and manufacturing companies with experience in the construction and servicing of nuclear power plants and is one of the important suppliers of ČEZ, a. s. The Group also acquired a 100% interest in the company Middle Estates, s.r.o. (the current company name is Nuclear Property Services, s.r.o.), as part of the transaction, which owns real estate that ŠKODA JS a.s. uses for its business. With the purchase, the Group solved ownership issue of its important supplier, which a few years ago became part of the Russian engineering group OMZ, controlled by Gazprombank. The transaction was approved by four antimonopoly authorities in the Czech Republic, Hungary, Slovakia and Ukraine.

On December 14, 2022, the Group acquired a 50.23% interest in the company BIOPEL, a. s., which focuses on the production and purchase of wood raw materials and the sale of biofuels.

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):

	ELIMER	SOCIETA' AGRICOLA B.T.C.	KABELOVÁ TELEVIZE CZ	ŠKODA JS and Middle Estates	Other Elevion	Other	Total
Share of the Group being acquired	100%	100%	100%	100%			
Property, plant and equipment	9	63	35	1,306	24	150	1,587
Intangible assets	85	31	60	22	20	29	247
Deferred tax asset	-	1	-	-	-	-	1
Another non-current assets	35	-	1	180	-	-	216
Cash and cash equivalents	24	2	7	99	15	21	168
Trade and other receivables	95	11	3	152	9	3	273
Materials	17	-	12	474	18	31	552
Contract assets	-	-	-	660	-	1	661
Another current assets	23	27	1	391	2	15	459
Long-term debt, net of current portion	(3)	(44)	(2)	(35)	(15)	(20)	(119)
Deferred tax liability	(18)	(5)	(1)	(126)	(8)	(9)	(167)
Another non-current liabilities	(7)	-	(13)	(110)	(2)	-	(132)
Trade payables	(90)	(20)	(9)	(1,191)	(3)	(51)	(1,364)
Payables from income tax	-	-	(1)	(3)	-	-	(4)
Another current liabilities	(4)	(24)	(2)	(178)	(11)	(34)	(253)
Total net assets	166	42	91	1,641	49	136	2,125
Share of net assets acquired	166	42	91	1,641	49	100	2,089
Goodwill	69	7	85	-	96	180	437
Bargain purchase gain	-	-	-	(286)	-	(8)	(294)
Total purchase consideration	235	49	176	1,355	145	272	2,232
Contingent liabilities from acquisition of the subsidiary	(29)	-	-	-	(5)	(89)	(123)
Consideration paid in previous periods	-	-	-	-	-	(130)	(130)
Cash outflow on acquisition in 2022	206	49	176	1,355	140	53	1,979
Less: Cash and cash equivalents acquired	(24)	(2)	(7)	(107)	(15)	(1)	(156)
Less: Cash and cash equivalents of the previously unconsolidated subsidiary	-	-	-	-	-	(21)	(21)
Cash outflow on acquisition in 2022, net	182	47	169	1,248	125	31	1,802

If the acquisitions had taken place at the beginning of the year 2022, net income for CEZ Group as at December 31, 2022, would have been CZK 79,360 million and the revenues and other operating income from continuing operations would have been CZK 290,557 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):

	ELIMER	SOCIETA' AGRICOLA B.T.C.	KABELOVÁ TELEVIZE CZ	ŠKODA JS and Middle Estates	Other Elevion	Other	Total
Revenues and other operating income	575	13	53	14	41	20	716
Income before other income (expense) and income taxes	22	(13)	4	352	7	9	381
Net income	15	2	-	401	7	9	434
Net income attributable:							
Equity holders of the parent	8	2	-	401	7	5	423
Non-controlling interests	7	-	-	-	-	4	11

8.2.2. Changes in Non-controlling Interests in 2022

In the first half of 2022, within several sub-transactions, the Group acquired the non-controlling interest representing a 6.75% interest in the company OSC, a.s., which increased the Group's interest to 100%.

On June 1, 2022, the Group acquired the non-controlling interest representing a 49% interest in the company HORMEN CE a.s., which increased the Group's interest to 100%. 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 valid, the non-controlling interest is derecognized at the balance sheet date and a liability is recognized, which is measured at the present value of the amount payable when the option is exercised. This option expired, and as a result, the liability was derecognized and the non-controlling interest was booked, which was also immediately derecognized due to the realization of the buyout of the non-controlling interest.

By acquisition of the company ŠKODA JS a.s. in 2022 the Group increased the equity interest in the company ÚJV Řež, a. s., from 52.46% to 69.85%.

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

	OSC	HORMEN CE	ÚJV Řež	Total
Share acquired in 2022	6.75%	49.00%	17.39%	
Liability from option derecognized from balance sheet		99		
Direct impact on equity from recognition of non-controlling interest after termination of put option		(89)		
Acquired share of net assets derecognized from non-controlling interests	(6)	10	302	306
Amount directly recognized in equity caused by acquisition of non-controlling interest	16	100	(64)	52
Total purchase consideration	10	110	238	358

9. Investments in Subsidiaries, Associates and Joint-ventures

The consolidated financial statements of CEZ Group include the financial figures of ČEZ, a. s., and its subsidiaries, associates and joint-ventures listed in the following table:

			% equity interest[1]		% voting interest
Subsidiaries	Country	Operating segment	Change in 2023	2023	2023
New acquisitions					
Alexander Ochs Wärmetechnik GmbH	DE	S	94.73	94.73	100.00
Bechem & Post Wärmetechnik Kundendienst GmbH	DE	S	94.73	94.73	100.00
Belectric SP Solarprojekte 101 GmbH & Co. KG	DE	S	100.00	100.00	100.00
Brandt GmbH	DE	S	100.00	100.00	100.00
Bücker & Essing GmbH	DE	S	100.00	100.00	100.00
Deutsche Technik Service GmbH	DE	S	100.00	100.00	100.00
Elektro Hofmockel GmbH & Co. Elektroanlagen KG	DE	S	94.73	94.73	100.00
Elektro Hofmockel Verwaltungsgesellschaft mit beschränkter Haftung	DE	S	94.73	94.73	100.00
GESPA GmbH	DE	S	75.10	75.10	75.10
Grid Design, s.r.o.	CZ	D	51.00	51.00	51.00
MD projekt s.r.o.	CZ	G	100.00	100.00	100.00
MT Energy Service GmbH	DE	S	100.00	100.00	100.00
MWB Power GmbH	DE	S	100.00	100.00	100.00
Project X S.r.l.	IT	S	70.00	70.00	70.00
SALLEKO, spol. s r.o.	CZ	G	100.00	100.00	100.00
SERCOO ENERGY GmbH	DE	S	100.00	100.00	100.00
SERCOO Group GmbH	DE	S	100.00	100.00	100.00
Societa' Agricola Falgas S.r.l.	IT	S	85.00	85.00	85.00
Tepelné hospodářství města Ústí nad Labem s.r.o.[2]	CZ	S	-	55.83	55.83
TRIM-TECH TECHNIKA INSTALACJI sp. z o.o.	PL	S	96.00	96.00	100.00
Web4Soft Internet s.r.o.	CZ	S	100.00	100.00	100.00
Previously not-consolidated companies					
Pantegra Ingenieure GmbH	DE	S	100.00	100.00	100.00
Solarkraftwerk Reddehausen GmbH & Co. KG	DE	S	100.00	100.00	100.00
Changes of non-controlling interests					
AMPRO Medientechnik GmbH	DE	S	(0.27)	94.73	100.00
Ampro Projektmanagement GmbH	DE	S	(0.27)	94.73	100.00
BIOPEL, a. s.[3]	SK	S	-	25.12	55.43
D-I-E Elektro AG	DE	S	(0.27)	94.73	100.00
EAB Elektroanlagenbau GmbH Rhein/Main	DE	S	(0.27)	94.73	100.00
e-Dome a. s.[4]	SK	S	24.5	50.00	100.00
Elektro-Decker GmbH	DE	S	(0.27)	94.73	100.00
Elevion Deutschland Holding GmbH[5]	DE	S	(0.27)	94.73	100.00

1) The equity interest represents effective ownership interest of the Group.
2) During the year 2023 the Group gained control over the company Tepelné hospodářství města Ústí nad Labem s.r.o. and the company was listed as subsidiary. The gain of the control resulted from a new amendment of the shareholder's agreement. In this context, there was no change in the ownership interest or in the voting rights interests.
3) During the year 2023 the voting interest was increased by 5.2%.
4) During the year 2023 the voting interest was increased by 49%.
5) During the year 2023 the voting interest was increased by 8%.

Subsidiaries	Country	Operating segment	% equity interest[1)] Change in 2023	2023	% voting interest 2023
Elevion GmbH	DE	S	(0.27)	94.73	100.00
En.plus GmbH	DE	S	(0.27)	94.73	100.00
ETS Efficient Technical Solutions GmbH	DE	S	(0.27)	94.73	100.00
ETS Efficient Technical Solutions Shanghai Co. Ltd.	CN	S	(0.27)	94.73	100.00
ETS Engineering Kft.	HU	S	(5.27)	94.73	100.00
Hermos AG	DE	S	(0.27)	94.73	100.00
HERMOS International GmbH	DE	S	(0.27)	94.73	100.00
HERMOS SDN. BHD	MY	S	(0.27)	94.73	100.00
Hermos Schaltanlagen GmbH	DE	S	(0.27)	94.73	100.00
Hermos Signaltechnik GmbH	DE	S	(0.27)	94.73	100.00
Hermos sp. z o.o.	PL	S	(0.27)	94.73	100.00
Hermos Systems GmbH	DE	S	(0.27)	94.73	100.00
PIPE SYSTEMS s.r.o.[6)]	CZ	S	10.00	100.00	100.00
Rudolf Fritz GmbH	DE	S	(0.27)	94.73	100.00
SOCIETA' AGRICOLA B.T.C. S.R.L.	IT	S	(15.00)	85.00	85.00
<u>Purchased companies which do not represent business combinations</u>					
Windpark Nortorf GmbH & Co. KG[7)]	DE	G	50.00	100.00	100.00
<u>Liquidations and mergers</u>					
ADAPTIVITY s.r.o.	CZ	S	(100.00)	-	-
Baltic Green II sp. z o.o. w likwidacji	PL	G	(100.00)	-	-
Baltic Green IX. sp. z o.o. w likwidacji	PL	G	(100.00)	-	-
Baltic Green VI sp. z o.o. w likwidacji	PL	G	(100.00)	-	-
CEZ Finance B.V.	NL	G	(100.00)	-	-
CEZ Srbija d.o.o. – u likvidaciji	RS	G	(100.00)	-	-
ČEZ LDS s.r.o.	CZ	S	(100.00)	-	-
Elektrárna Dětmarovice, a.s.	CZ	G	(100.00)	-	-
FDLnet.CZ, s.r.o.	CZ	S	(100.00)	-	-
MWS GmbH	DE	S	(95.00)	-	-
<u>Other – no change in 2023</u>					
A.E. Wind S.A. w likwidacji	PL	G	-	100.00	100.00
AirPlus, spol. s r.o.	CZ	S	-	100.00	100.00
Areál Třeboradice, a.s.	CZ	G	-	100.00	100.00
AxE AGRICOLTURA PER L'ENERGIA SOCIETA' AGRICOLA A R.L.	IT	S	-	100.00	100.00
AZ KLIMA a.s.	CZ	S	-	100.00	100.00
AZ KLIMA SK, s.r.o.	SK	S	-	50.00	100.00
Baltic Green Construction sp. z o.o.	PL	G	-	100.00	100.00
Baltic Green III sp. z o.o. w likwidacji	PL	G	-	100.00	100.00
BANDRA Mobiliengesellschaft mbH & Co. KG	DE	G	-	100.00	100.00
Belectric France S.A.R.L.	FR	S	-	100.00	100.00
BELECTRIC GmbH	DE	S	-	100.00	100.00
BELECTRIC Greenvest GmbH[8)]	DE	S	-	100.00	100.00
Belectric Israel Ltd.	IL	S	-	100.00	100.00

[6)] During the year 2023 the voting interest was increased by 10%.
[7)] The company was an associate till Deccember 19, 2023. The company is a subsidiary since December 20, 2023. The voting interest was increased by 50% simultaneously.
[8)] The company name Kofler Energies Systems GmbH was changed to BELECTRIC Greenvest GmbH in 2023.

Subsidiaries	Country	Operating segment	% equity interest[1)] Change in 2023	2023	% voting interest 2023
Belectric Italia S.r.l.[9)]	IT	S	-	100.00	100.00
Belectric Solar Ltd.	GB	S	-	100.00	100.00
BUDRIO GFE 312 SOCIETA' AGRICOLA S.R.L.	IT	S	-	70.00	70.00
CAPEXUS s.r.o.	CZ	S	-	100.00	100.00
CAPEXUS SK s. r. o.	SK	S	-	50.00	100.00
CASANO Mobiliengesellschaft mbH & Co. KG	DE	G	-	100.00	100.00
CE Insurance Limited	MT	G	-	100.00	100.00
Centrum výzkumu Řež s.r.o.	CZ	G	-	69.85	100.00
CERBEROS s.r.o.	CZ	S	-	100.00	100.00
CEZ Bulgarian Investments B.V.	NL	G	-	100.00	100.00
CEZ Deutschland GmbH	DE	G	-	100.00	100.00
CEZ Erneuerbare Energien Beteiligungs GmbH	DE	G	-	100.00	100.00
CEZ Erneuerbare Energien Beteiligungs II GmbH	DE	G	-	100.00	100.00
CEZ Erneuerbare Energien Verwaltungs GmbH	DE	G	-	100.00	100.00
CEZ France SAS	FR	G	-	100.00	100.00
CEZ Holdings B.V.	NL	G	-	100.00	100.00
CEZ Hungary Ltd.	HU	G	-	100.00	100.00
CEZ Chorzów II sp. z o.o.	PL	G	-	100.00	100.00
CEZ Chorzów S.A.	PL	G	-	100.00	100.00
CEZ MH B.V.	NL	G	-	100.00	100.00
CEZ Polska sp. z o.o.	PL	G	-	100.00	100.00
CEZ Produkty Energetyczne Polska sp. z o.o.	PL	G	-	100.00	100.00
CEZ RES International B.V.	NL	G	-	100.00	100.00
CEZ Skawina S.A.	PL	G	-	100.00	100.00
CEZ Ukraine LLC	UA	G	-	100.00	100.00
CEZ Windparks Lee GmbH	DE	G	-	100.00	100.00
CEZ Windparks Luv GmbH	DE	G	-	100.00	100.00
CEZ Windparks Nordwind GmbH	DE	G	-	100.00	100.00
ČEZ Distribuce, a. s.	CZ	D	-	100.00	100.00
ČEZ Energetické produkty, s.r.o.	CZ	G	-	100.00	100.00
ČEZ Energetické služby, s.r.o.	CZ	S	-	100.00	100.00
ČEZ Energo, s.r.o.	CZ	S	-	100.00	100.00
ČEZ ENERGOSERVIS spol. s r.o.	CZ	G	-	100.00	100.00
ČEZ ESCO, a.s.	CZ	S	-	100.00	100.00
ČEZ ICT Services, a. s.	CZ	G	-	100.00	100.00
ČEZ Invest Slovensko, a.s.	CZ	G	-	100.00	100.00
ČEZ Obnovitelné zdroje, s.r.o.	CZ	G	-	100.00	100.00
ČEZ OZ uzavřený investiční fond a.s.	CZ	G	-	99.96	99.96
ČEZ Prodej, a.s.	CZ	S	-	100.00	100.00
ČEZ Teplárenská, a.s.	CZ	S	-	100.00	100.00
ČEZNET s.r.o.	CZ	S	-	100.00	100.00
Domat Control System s.r.o.	CZ	S	-	100.00	100.00
E-City Polska sp. z o.o.	PL	S	-	100.00	100.00
Elektrárna Dukovany II, a. s.	CZ	G	-	100.00	100.00
Elektrárna Temelín II, a. s.	CZ	G	-	100.00	100.00
Elevion Energy & Engineering Solutions GmbH	DE	S	-	100.00	100.00
Elevion Group B.V.	NL	S	-	100.00	100.00
Elevion Holding Italia Srl	IT	S	-	100.00	100.00
Elevion Österreich Holding GmbH	AT	S	-	100.00	100.00
ELIMER, a.s.	SK	S	-	50.00	100.00
Energetické centrum s.r.o.	CZ	S	-	100.00	100.00

[9)] The company name Belectric Italia S.r.l. was changed to Belectric Italia Srl in 2024.

Subsidiaries	Country	Operating segment	% equity interest[1)] Change in 2023	% equity interest[1)] 2023	% voting interest 2023
Energotrans, a.s.	CZ	G	-	100.00	100.00
Energy Shift B.V.[10)]	NL	S	-	66.00	100.00
Energy Shift Installaties B.V.[11)]	NL	S	-	66.00	100.00
ENESA a.s.	CZ	S	-	100.00	100.00
Entract Energy GmbH[12)]	DE	S	-	100.00	100.00
ENVEZ, a. s.	CZ	S	-	51.00	51.00
EP Rožnov, a.s.	CZ	S	-	100.00	100.00
EPIGON spol. s r.o.	CZ	S	-	100.00	100.00
ESCO Distribučné sústavy a.s.	SK	S	-	50.00	100.00
ESCO Servis, s. r. o.	SK	S	-	50.00	100.00
ESCO Slovensko, a. s.	SK	S	-	50.00	50.00
Euroklimat sp. z o.o.	PL	S	-	96.00	96.00
Ferme Eolienne d´Andelaroche SAS	FR	G	-	100.00	100.00
Ferme éolienne de Feuillade et Souffrignac SAS	FR	G	-	100.00	100.00
Ferme éolienne de Genouillé SAS	FR	G	-	100.00	100.00
Ferme éolienne de la Petite Valade SAS	FR	G	-	100.00	100.00
Ferme Eolienne de la Piballe SAS	FR	G	-	100.00	100.00
Ferme Eolienne de Neuville-aux-Bois SAS	FR	G	-	100.00	100.00
Ferme éolienne de Nueil-sous-Faye SAS	FR	G	-	100.00	100.00
Ferme Eolienne de Saint-Laurent-de-Céris SAS	FR	G	-	100.00	100.00
Ferme Eolienne de Seigny SAS	FR	G	-	100.00	100.00
Ferme Eolienne de Thorigny SAS	FR	G	-	100.00	100.00
Ferme éolienne des Besses SAS	FR	G	-	100.00	100.00
Ferme Eolienne des Breuils SAS	FR	G	-	100.00	100.00
Ferme Eolienne des Grands Clos SAS	FR	G	-	100.00	100.00
Ferme éolienne du Blessonnier SAS	FR	G	-	100.00	100.00
Ferme Eolienne du Germancé SAS	FR	G	-	100.00	100.00
Green energy capital, a.s.	CZ	S	-	100.00	100.00
GWE Verwaltungs GmbH	DE	S	-	100.00	100.00
GWE Wärme- und Energietechnik GmbH	DE	S	-	100.00	100.00
HA.EM OSTRAVA, s.r.o.	CZ	S	-	100.00	100.00
High-Tech Clima S.A.	RO	S	-	100.00	100.00
HORMEN CE a.s.	CZ	S	-	100.00	100.00
Hybridkraftwerk Culemeyerstraße Projekt GmbH[13)]	DE	S	-	100.00	100.00
IBP Ingenieure GmbH	DE	S	-	100.00	100.00
IBP Verwaltungs GmbH	DE	S	-	100.00	100.00
inewa consulting Srl	IT	S	-	100.00	100.00
inewa Srl	IT	S	-	100.00	100.00
INTERNEXT 2000, s.r.o.	CZ	S	-	100.00	100.00
Inven Capital, SICAV, a.s.	CZ	S	-	100.00	100.00
KABELOVÁ TELEVIZE CZ s.r.o.	CZ	S	-	100.00	100.00
KART, spol. s r.o.	CZ	S	-	100.00	100.00
Kofler Energies Ingenieurgesellschaft mbH	DE	S	-	100.00	100.00
M&P Real GmbH	AT	S	-	100.00	100.00
Magnalink, a.s.	CZ	S	-	85.00	85.00
MARTIA a.s.	CZ	G	-	100.00	100.00
Metrolog sp. z o.o.	PL	S	-	100.00	100.00

10) The company name Zonnepanelen op het Dak B.V. was changed to Energy Shift B.V. in 2023.
11) The company name Zonnepanelen op het Dak Installaties B.V. was changed to Energy Shift Installaties B.V. in 2023.
12) The company name Kofler Energies Energieeffizienz GmbH was changed to Entract Energy GmbH in 2023.
13) The name of the company was clarified.

Subsidiaries	Country	Operating segment	% equity interest[1)] Change in 2023	% equity interest[1)] 2023	% voting interest 2023
Moser & Partner Ingenieurbüro GmbH	AT	S	-	100.00	100.00
NEK Facility Management GmbH	DE	S	-	100.00	100.00
Nuclear Property Services, s.r.o.[14)]	CZ	G	-	100.00	100.00
OEM Energy sp. z o.o.	PL	S	-	77.68	77.68
Optické sítě s.r.o.	CZ	S	-	100.00	100.00
OSC, a.s.	CZ	G	-	100.00	100.00
Peil und Partner Ingenieure GmbH	DE	S	-	100.00	100.00
PRODECO, a.s.	CZ	M	-	100.00	100.00
PV Design and Build s.r.o.	CZ	G	-	100.00	100.00
Revitrans, a.s.	CZ	M	-	100.00	100.00
SD - Kolejová doprava, a.s.	CZ	M	-	100.00	100.00
Severočeské doly a.s.	CZ	M	-	100.00	100.00
Shift Energy B.V.[15)]	NL	S	-	66.00	100.00
SOCIETA' AGRICOLA DEF S.R.L.	IT	S	-	100.00	100.00
Solární servis, s.r.o.	CZ	S	-	100.00	100.00
SPRAVBYTKOMFORT, a.s. Prešov	SK	S	-	27.50	55.00
SYNECO PROJECT S.r.l.	IT	S	-	100.00	100.00
Syneco tec GmbH	AT	S	-	100.00	100.00
SYNECOTEC Deutschland GmbH	DE	S	-	100.00	100.00
ŠKODA JS a.s.	CZ	G	-	100.00	100.00
ŠKODA PRAHA a.s.	CZ	G	-	69.85	100.00
Telco Infrastructure, s.r.o.	CZ	S	-	100.00	100.00
Telco Pro Services, a. s.	CZ	S	-	100.00	100.00
TENAUR, s.r.o.	CZ	S	-	100.00	100.00
Teplo Klášterec s.r.o.	CZ	S	-	100.00	100.00
ÚJV Řež, a. s.	CZ	G	-	69.85	69.85
Ústav aplikované mechaniky Brno, s.r.o.	CZ	G	-	100.00	100.00
Wagner Consult GmbH	AT	S	-	100.00	100.00
Windpark Baben Erweiterung GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Badow GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark FOHREN-LINDEN GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Frauenmark III GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Gremersdorf GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Cheinitz-Zethlingen GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Mengeringhausen GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Naundorf GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Zagelsdorf GmbH & Co. KG	DE	G	-	100.00	100.00
ZOHD Groep B.V.	NL	S	-	66.00	66.00

[14)] The company name Middle Estates, s.r.o., was changed to Nuclear Property Services, s.r.o., in 2023.
[15)] The company name Energy Shift B.V. was changed to Shift Energy B.V. in 2023.

Associates and joint-ventures	Country	Operating segment	% equity interest[1)] Change in 2023	% equity interest[1)] 2023	% voting interest 2023
Changes in equity or voting interest					
Elevion Co-Investment GmbH & Co. KG	DE	S	(3.33)	34.18	34.18
Step acquisitions					
Tepelné hospodářství města Ústí nad Labem s.r.o.[16)]	CZ	S	-	55.83	55.83
Lost investments					
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.S.	TR	D	(50.00)	-	-
Sakarya Elektrik Dağitim A.S.	TR	D	(50.00)	-	-
Sakarya Elektrik Perakende Satis A.S.	TR	S	(50.00)	-	-
Sepas Akıllı Çözümler A.S.	TR	S	(50.00)	-	-
Other – no change in 2023					
5 ER ENERJİ TARIM HAYVANCILIK ANONİM SİRKETİ	TR	G	-	-	50.00
AK-EL Kemah Elektrik Üretim A.S.	TR	G	-	37.36	50.00
AKEL SUNGURLU ELEKTRİK ÜRETİM ANONİM SİRKETİ	TR	G	-	-	50.00
Akenerji Doğalgaz Ithalat Ihracat ve Toptan Ticaret A.S.	TR	G	-	37.36	50.00
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	TR	G	-	37.36	50.00
Akenerji Elektrik Üretim A. S.	TR	G	-	37.36	37.36
Bytkomfort, s.r.o.	SK	S	-	49.00	49.00
ČEZ Recyklace, s.r.o.	CZ	G	-	34.00	34.00
GEOMET s.r.o.	CZ	M	-	51.00	51.00
GP JOULE PP1 GmbH & Co. KG	DE	G	-	50.00	50.00
GP JOULE PPX Verwaltungs-GmbH	DE	G	-	50.00	50.00
Green Wind Deutschland GmbH	DE	G	-	50.00	50.00
Jadrová energetická spoločnosť Slovenska, a. s.	SK	G	-	49.00	49.00
juwi Wind Germany 100 GmbH & Co. KG	DE	G	-	51.00	51.00
KLF-Distribúcia, s.r.o.	SK	S	-	25.00	50.00
LOMY MOŘINA spol. s r.o.	CZ	M	-	51.05	51.05
Windpark Bad Berleburg GmbH & Co. KG	DE	G	-	50.00	50.00
Windpark Berka GmbH & Co. KG	DE	G	-	50.00	50.00
Windpark Datteln GmbH & Co. KG	DE	G	-	50.00	50.00
Windpark Moringen Nord GmbH & Co. KG	DE	G	-	50.00	50.00
Windpark Prezelle GmbH & Co. KG	DE	G	-	50.00	50.00

16) During the year 2023 the Group gained control over the company Tepelné hospodářství města Ústí nad Labem s.r.o. and the company was listed as subsidiary. The gain of the control resulted from a new amendment of the shareholder's agreement. In this context, there was no change in the ownership interest or in the voting rights interests.

Used shortcuts:

Country ISO code	Country	Country ISO code	Country	Segment	Operating segment
AT	Austria	MT	Malta	G	Generation
CN	China	MY	Malaysia	D	Distribution
CZ	Czech Republic	NL	Netherlands	S	Sales
DE	Germany	PL	Poland	M	Mining
FR	France	RO	Romania		
GB	United Kingdom	RS	Serbia		
HU	Hungary	SK	Slovakia		
IL	Israel	TR	Turkey		
IT	Italy	UA	Ukraine		

Subsidiaries with Non-controlling Interests

The following table shows the composition of Group's non-controlling interests and dividends paid to non-controlling interests by respective subsidiaries (in CZK millions):

	2023		2022	
	Non-controlling interests	Dividends paid	Non-controlling interests	Dividends paid
ÚJV Řež, a. s.	577	-	543	-
ESCO Slovensko, a. s.	671	-	685	-
SPRAVBYTKOMFORT, a.s. Prešov	120	-	95	7
Tepelné hospodářství města Ústí nad Labem s.r.o.	125	-	-	-
Other	56	9	52	16
Total	1,549	9	1,375	23

The following table shows summarized financial information of subsidiaries that have material non-controlling interests for the year ended December 31, 2023 (in CZK millions):

	ÚJV Řež	ESCO Slovensko	SPRAVBYT-KOMFORT, Prešov	Tepelné hospodářství města Ústí nad Labem[1)]
Ownership share of non-controlling interests	30.15%	50%	72.50%	44.17%
Current assets	1,076	413	238	477
Non-current assets	2,651	1,129	470	226
Current liabilities	(730)	(69)	(311)	(352)
Non-current liabilities	(717)	(127)	(140)	(68)
Equity	2,280	1,346	257	283
Attributable to:				
Equity holders of the parent	1,703	675	137	158
Non-controlling interests	577	671	120	125
Revenues and other operating income	1,732	87	672	272
Income (loss) before other income (expenses) and income taxes	163	(60)	34	14
Income (loss) before income taxes	147	(22)	28	19
Income taxes	(24)	-	(6)	(9)
Net income (loss)	123	(22)	22	10
Attributable to:				
Equity holders of the parent	86	(11)	6	6
Non-controlling interests	37	(11)	16	4
Total comprehensive income	110	(75)	35	21
Attributable to:				
Equity holders of the parent	77	(41)	11	17
Non-controlling interests	33	(34)	24	4
Operating cash flow	291	(59)	171	224
Investing cash flow	(177)	(88)	(94)	(22)
Financing cash flow	(12)	128	(11)	(5)
Net effect of currency translation and allowances in cash	(3)	6	3	-
Net increase (decrease) in cash and cash equivalents	99	(13)	69	197

1) Data from statement of income, statement of comprehensive income and from statement of cash flows are disclosed for the period 7-12/2023, when the company was a subsidiary.

The following table shows summarized financial information of subsidiaries that have material non-controlling interests for the year ended December 31, 2022 (in CZK millions):

	ÚJV Řež.	ESCO Slovensko	SPRAVBYT-KOMFORT, Prešov
Ownership share of non-controlling interests	30.15%	50.00%	72.50%
Current assets	1,003	383	165
Non-current assets	2,460	1,183	417
Current liabilities	(697)	(36)	(248)
Non-current liabilities	(598)	(29)	(106)
Equity	2,168	1,501	228
Attributable to:			
Equity holders of the parent	1,625	816	133
Non-controlling interests	543	685	95
Revenues and other operating income	1,642	9	515
Income (loss) before other income (expenses) and income taxes	(255)	(3)	-
Income (loss) before income taxes	(150)	(53)	4
Income taxes	12	-	(1)
Net income (loss)	(138)	(53)	3
Attributable to:			
Equity holders of the parent	(96)	(27)	2
Non-controlling interests	(42)	(26)	1
Total comprehensive income	(137)	(79)	(13)
Attributable to:			
Equity holders of the parent	(95)	(40)	(6)
Non-controlling interests	(42)	(39)	(7)
Operating cash flow	126	(65)	95
Investing cash flow	(163)	(236)	(79)
Financing cash flow	(12)	(51)	3
Net effect of currency translation and allowances in cash	(1)	(13)	(3)
Net increase (decrease) in cash and cash equivalents	(50)	(365)	16

Interests in Associates and Joint-ventures

The following table shows the composition of Group's investment in associates and joint-ventures and share of main financial results from associates and joint-ventures for the year ended December 31, 2023 (in CZK millions):

			Group's share of associate's and joint-venture's:		
	Investment in associates and joint-ventures	Dividends received	Net income (loss)	Other compre-hensive income	Total compre-hensive income
Akcez Group	-	-	985	(430)	555
Akenerji Group	-	-	-	-	-
Jadrová energetická spoločnosť Slovenska, a. s.	2,433	-	(22)	60	38
GEOMET s.r.o.	529	-	(159)	-	(159)
Bytkomfort, s.r.o.	251	24	(2)	6	4
LOMY MOŘINA spol. s r.o.	151	-	6	-	6
Tepelné hospodářství města Ústí nad Labem s.r.o.[1)]	-	2	14	-	14
Other	373	-	10	7	17
Total	3,737	26	832	(357)	475

1) Data from statement of income and statement of comprehensive income are disclosed for the period 1-6/2023, when the company was a joint-venture of the Group.

On July 29, 2022, the Company concluded an agreement to sell its 50% share in Akcez Enerji Yatirimlari Sanayi ve Ticaret A.S., which includes three companies engaged in electricity distribution, energy sales and energy services. The settlement of the transaction is, among other things, conditional on the refinancing of Akcez's existing debt by the new co-owners. The transaction was subsequently subject to approval by the Turkish Competion Authority and the local energy regulator. The settlement of the sale transaction took place on December 1, 2023, after fulfillment of all postponing conditions. Gain on sale disclosed in Other financial income (Note 33) is presented in following table (in CZK millions):

Gain on sale according to the contract of sale of 50% share	224
Gain on reversal of provision for guarantee for Akcez group loans	1,370
Disposal of translation differences on sale	(1,111)
Gain on sale of Akcez group	483

The following table shows the composition of Group's investment in joint-ventures and share of main financial results from joint-ventures for the year ended December 31, 2022 (in CZK millions):

	Investment in associates and joint-ventures	Dividends received	Group's share of associate's and joint-venture's: Net income (loss)	Other compre-hensive income	Total compre-hensive income
Akcez Group	-	-	965	(105)	860
Akenerji Group	-	-	-	-	-
Jadrová energetická spoločnosť Slovenska, a. s.	2,395	-	(22)	(74)	(96)
GEOMET s.r.o.	517	-	(120)	-	(120)
Bytkomfort, s.r.o.	271	8	51	(8)	43
LOMY MOŘINA spol. s r.o.	145	-	-	-	-
Tepelné hospodářství města Ústí nad Labem s.r.o.	141	8	10	-	10
Other	274	-	13	(9)	4
Total	3,743	16	897	(196)	701

The Group is a guarantor for the liabilities of companies within the joint-venture with Akcez Enerji Yatirimlari Sanayi ve Ticaret A.S. in the amount of USD 67.4 million and TRY 44.9 million as of December 31, 2022 (see Note 18.2). Based on calculation of recoverable amount from future cash flows, a provision in the amount of CZK 1,578 million was recognized as at December 31, 2022. Because the Group's total cumulative share on losses of Akcez group did not exceed the amount of the guarantee provided as at December 31, 2022, the Group recognized its share on losses of Akcez group in full (in the statement of income included in the line Share of profit (loss) from associates and joint-ventures). As at December 31, 2022, the provision in the amount of CZK 1,046 million was recorded on the balance sheet this way including the use and additions to the provision in the previous years and including the unwinding of discount and this amount was increased by CZK 532 million (in the statement of income in the line Impairment of financial assets) in order to arrive to the assumed amount of the provision of CZK 1,578 million as at December 31, 2022.

The Company assessed whether the conditions for classifying the investment as an asset held for sale were met. In view of the fact that refinancing, which is a condition precedent to the realization of the sale, has not yet been bindingly agreed upon, the Group does not report the investment in Akcez as an asset held for sale as at December 31, 2022.

In 2017, the share on losses of joint-venture Akenerji Elektrik Üretim A.S. exceeded the carrying amount of Group's investment in this joint-venture. The Group has made no obligations on behalf of Akenerji Elektrik Üretim A.S., so therefore the Group discontinued of using equity method of accounting as at December 31, 2017 (Note 2.2.3). The amount of unrecognized share of the Group on losses of Akenerji Group amounted to CZK 4,064 million and CZK 4,412 million as at December 31, 2023 and 2022, respectively.

The joint-venture Akenerji Elektrik Üretim A.S. is formed by partnership of CEZ Group and Akkök Group in Turkey to invest mainly into power generation projects. Akcez Enerji Yatirimlari Sanayi ve Ticaret A.S. was also joint-venture of CEZ Group and Akkök Group. CEZ Group left this joint-venture at December 1, 2023. The joint-venture Jadrová energetická spoločnosť Slovenska, a. s., is a joint-venture formed by CEZ Group and the Slovak government to prepare the project of building a new nuclear power source in Slovakia. GEOMET s.r.o. is a joint-venture of CEZ Group and European Metals Holdings Limited with the intention to develop a potential lithium ore mining project in Cínovec.

The IAS 29 Reporting in Hyperinflationary Economies standard was not applied in 2023 and 2022 for the Group's investments in Turkish joint-ventures, although in general for the purposes of IFRS reporting for 2022 Turkey is considered to be a country where the conditions for the application of IAS 29 are met. The Group performed calculations and analysis, which, taking into account that the Group's investments have a zero value, show that the effects of the application of IAS 29 on the Group's financial statements as at December 31, 2023 and 2022, would not be significant and costs of calculation of the impacts would exceed the benefits for the users of these consolidated financial statements.

The following tables present summarized financial information of material associates and joint-ventures for the year ended December 31, 2023 (in CZK millions):

	Current assets	Thereof: Cash and cash equivalents	Non-current assets	Current liabilities	Non-current liabilities	Equity	Share of the Group	Recognized liability / unrecognized share on loss	Goodwill	Total investment in associates and joint-ventures
Akenerji Elektrik Üretim A.S.	2,548	766	1,978	6,102	7,216	(8,792)				
Akenerji Group						(10,872)	(4,064)	4,064	-	-
Jadrová energetická spoločnosť Slovenska, a. s.	1,041	748	4,203	278	1	4,965	2,433	-	-	2,433
GEOMET s.r.o.	255	250	310	41	247	277	141	-	388	529
Bytkomfort, s.r.o.	155	100	243	132	23	243	119	-	132	251
LOMY MOŘINA spol. s r.o.	169	68	245	96	23	295	151	-	-	151

	Revenues and other operating income	Depre-ciation and amortization	Interest income	Interest expense	Income taxes	Net income (loss)	Other compre-hensive income	Total compre-hensive income
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.S.[1)]	34	-	131	(310)	-	(829)	840	11
Sakarya Elektrik Dagitim A.S.[1)]	7,651	(53)	46	(88)	88	2,346	1,820	4,166
Sakarya Elektrik Perakende Satis A.S.[1)]	23,712	(31)	401	(61)	325	729	319	1,048
Akenerji Elektrik Üretim A.S.	17,060	(116)	82	(1,569)	41	(3,451)	(5,922)	(9,373)
Jadrová energetická spoločnosť Slovenska, a. s.	21	(9)	29	-	(5)	(46)	122	76
GEOMET s.r.o.	-	(1)	-	(13)	-	(312)	-	(312)
Bytkomfort, s.r.o.	796	(25)	1	(1)	(27)	(5)	6	1
LOMY MOŘINA spol. s r.o.	466	(18)	1	-	(4)	11	-	11
Tepelné hospodářství města Ústí nad Labem s.r.o.[2)]	370	(10)	3	(1)	-	25	-	25

1) Data are for the period 1-11/2023, when the company was joint-venture of the Group.
2) Data are for the period 1-6/2023, when the company was joint-venture of the Group.

The following tables present summarized financial information of material associates and joint-ventures for the year ended December 31, 2022 (in CZK millions):

	Current assets	Thereof: Cash and cash equivalents	Non-current assets	Current liabilities	Non-current liabilities	Equity	Share of the Group	Recognized liability / unrecognized share on loss	Goodwill	Total investment in associates and joint-ventures
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.S.	27	6	1,218	1,343	1,677	(1,775)				
Sakarya Elektrik Dagitim A.S.	2,924	118	3,209	1,842	854	3,437				
Sakarya Elektrik Perakende Satis A.S.	4,916	1,099	699	5,003	60	552				
Akcez Group						1,052	526	(526)	-	-
Akenerji Elektrik Üretim A.S.	4,838	1,219	3,067	3,761	13,843	(9,699)				
Akenerji Group						(11,809)	(4,412)	4,412	-	-
Jadrová energetická spoločnosť Slovenska, a. s.	1,194	1,185	3,713	18	1	4,888	2,395	-	-	2,395
GEOMET s.r.o.	345	341	13	100	-	258	132	-	385	517
Bytkomfort, s.r.o.	141	103	220	36	34	291	143	-	128	271
LOMY MOŘINA spol. s r.o.	106	3	249	51	20	284	145	-	-	145
Tepelné hospodářství města Ústí nad Labem s.r.o.	362	319	253	262	99	254	141	-	-	141

	Revenues and other operating income	Depre-ciation and amortization	Interest income	Interest expense	Income taxes	Net income (loss)	Other compre-hensive income	Total compre-hensive income
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.S.	3	-	259	(245)	-	(836)	495	(341)
Sakarya Elektrik Dagitim A.S.	5,489	(38)	53	(132)	999	2,801	(743)	2,058
Sakarya Elektrik Perakende Satis A.S.	31,526	(32)	172	(399)	(180)	202	(231)	(29)
Akenerji Elektrik Üretim A.S.	23,985	(156)	58	(1,886)	120	(2,032)	3,087	1,055
Jadrová energetická spoločnosť Slovenska, a. s.	17	(10)	4	-	1	(44)	(152)	(196)
GEOMET s.r.o.	-	(1)	-	-	-	(236)	-	(236)
Bytkomfort, s.r.o.	405	(25)	-	-		103	(7)	96
LOMY MOŘINA spol. s r.o.	370	(19)	-	-	(1)	1	-	1
Tepelné hospodářství města Ústí nad Labem s.r.o.	607	(22)	4	(3)	(4)	18	(1)	17

10. Cash and Cash Equivalents

The overview of cash and cash equivalents at December 31, 2023 and 2022, is as follows (in CZK millions):

	2023	2022
Cash on hand and current accounts with banks	5,573	5,058
Term deposits	3,251	31,559
Reverse repurchase agreements	1,952	-
Debt securities	117	-
Allowance to cash and cash equivalents	(1)	(8)
Total	10,892	36,609

At December 31, 2023 and 2022, cash and cash equivalents included foreign currency deposits of CZK 5,012 million and CZK 30,999 million, respectively.

The weighted average interest rate on short-term securities and term deposits at December 31, 2023 and 2022, was 4.6% and 2.7%, respectively. For the years 2023 and 2022, the weighted average interest rate was 6.5% and 5.2%, respectively.

11. Trade and Other Receivables

The overview of trade and other receivables at December 31, 2023 and 2022, is as follows (in CZK millions):

	2023	2022
Trade receivables	66,745	92,220
Margin calls	19,926	47,508
Collaterals	1,869	30,661
Allowances	(3,781)	(3,043)
Total	84,759	167,346

The information about receivables from related parties is included in Note 35.

Carrying amount of receivables pledged as security for liabilities at December 31, 2023 and 2022, are CZK 89 million and CZK 100 million, respectively.

At December 31, 2023 and 2022, the ageing structure of trade and other receivables is as follows (in CZK millions):

	2023	2022
Not past due	81,872	163,362
Past due:		
Less than 3 months	1,478	1,866
3–6 months	458	146
6–12 months	235	688
More than 12 months	716	1,284
Total	84,759	167,346

Receivables include impairment allowance created by the Group in the same way for all similar receivables that are not individually significant.

The most significant item of receivables overdue for more than 12 months are receivables of the company ČEZ Distribuce, a. s. The company ČEZ Distribuce, a. s., undertakes several litigations concerning the payments for system services of local distribution grid's providers from 2016–2021 and collection of the price component related to the costs of support for the generation of electricity from renewable energy sources and combined generation of electricity and heat in 2013. The management of the company ČEZ Distribuce, a. s., is convinced that in the event of a negative judgment against ČEZ Distribuce in these and similar litigations, the company ČEZ Distribuce will be able to demand the reimbursement of fees and accessories from companies ČEPS, a.s., and OTE, a.s., and in this regard the management is committed to make all necessary actions to ensure that eventual loss in such disputes will not have negative impact on the company ČEZ Distribuce, a. s.

Movements in allowance (in CZK millions):

	2023	2022
Balance as at January 1	(3,043)	(3,067)
Additions	(2,906)	(3,681)
Reversals	2,143	3,661
Derecognition of impaired assets	51	21
Currency translation differences	(26)	23
Balance as at December 31	(3,781)	(3,043)

12. Materials and Supplies

The overview of materials and supplies at December 31, 2023 and 2022, is as follows (in CZK millions):

	2023	2022
Gas storage	4,548	10,409
Other material	15,029	11,357
Work in progress	716	1,724
Other supplies	820	776
Allowance for obsolescence	(858)	(476)
Total	20,255	23,790

13. Emission Rights

The following table summarizes the movements in the quantity (in thousand tons) and book value of emission rights and credits held by the Group during 2023 and 2022 (in CZK millions):

	2023		2022	
	in thousands tons	in millions CZK	in thousands tons	in millions CZK
Emission rights for own use:				
Emission rights for own use at January 1	19,507	23,093	23,212	13,584
Emission rights granted	335	-	303	-
Settlement of emissions with register	(16,848)	(20,134)	(16,496)	(9,553)
Emission rights purchased	14,289	21,868	16,206	21,072
Emission rights sold	-	-	(3,718)	(1,922)
Reclassification	(16)	(5)	-	-
Currency translation differences	-	296	-	(88)
Emission rights for own use at December 31	17,267	25,118	19,507	23,093
Emission rights held for trading:				
Emission rights held for trading at January 1	3,281	6,408	3,035	6,042
Settlement of emissions with register	(737)	(1,640)	-	-
Emission rights purchased	43,413	88,963	46,306	89,024
Emission rights sold	(43,036)	(87,910)	(46,060)	(93,972)
Fair value adjustment	-	(232)	-	5,314
Emission rights held for trading at December 31	2,921	5,589	3,281	6,408

The composition of emission rights and green and similar certificates at December 31, 2023 and 2022 (in CZK millions):

	2023			2022
	Non-current	Current	Total	Current
Emission rights	5	30,707	30,712	29,501
Green and similar certificates	-	112	112	167
Total	5	30,819	30,824	29,668

Non-current emission rights for own use and non-current green and similar certificates are part of intangible assets (Note 6).

During 2023 and 2022, total emissions of CO_2 made by the Group amounted to of 15,359 thousand tons and 17,585 thousand tons, respectively. At December 31, 2023 and 2022, the Group recognized a provision for CO_2 emissions in total amount of CZK 22,422 million and CZK 21,383 million, respectively (see Notes 2.12 and 19).

14. Other Current Assets

The overview of other current assets at December 31, 2023 and 2022, is as follows (in CZK millions):

	2023	2022
Unbilled electricity and gas supplied to the retail customers	100	77
Received advances from retail customers	(34)	(29)
Unbilled supplies to retail customers, net	66	48
Gross contract assets based on percentage of completion	20,301	17,822
Received billings and advances	(14,567)	(15,308)
Net contract assets	5,734	2,514
Advances paid	2,929	3,800
Prepayments	1,525	2,504
Accruals	9,953	5,913
Taxes and fees, excluding income tax	2,662	2,239
Total	22,869	17,018

15. Equity

As at December 31, 2023 and 2022, the share capital of the Company registered in the Commercial Register totaled CZK 53,798,975,900 and consisted of 537,989,759 shares with a nominal value of CZK 100 per share. All shares are bearer common shares that are fully paid and listed. The rights and obligations attached to the Company's shares are governed by applicable law as set down in Section 210 et seq. of Act No. 89/2012 Coll., Civil Code, as amended, and Section 243 et seq. of Act No. 90/2012 Coll., Business Corporations Act, as amended. No special rights or restrictions are attached to the Company's shares. Pursuant to Section 256(1) of the Business Corporations Act, shareholder rights attached to the shares are to participate, in compliance with the Act and the Company's Articles of Association, in Company management and receive a portion of its profits or its liquidation surplus when wound up with liquidation.

Movements of treasury shares in 2023 and 2022 (in pieces):

	2023	2022
Number of treasury shares at beginning of period	1,179,512	1,258,349
Sales of treasury shares	-	(78,837)
Number of treasury shares at end of period	1,179,512	1,179,512

Treasury shares remaining at end of period are presented at cost as a deduction from equity.

Declared dividends per share before tax were CZK 145 in 2023 and CZK 48 in 2022. Dividends for the year 2023 will be declared at the General Meeting, which will be held in the first half of 2024.

Capital Structure Management

The primary objective of the Group's capital structure management is to maintain its credit rating at an investment grade and a level that is standard in the sector and to maintain a healthy ratio of equity to borrowed capital to support the Group's business and maximize value for shareholders. The Group monitors its capital structure and makes adjustments to it with a view to changes in the business environment.

The Group primarily monitors its capital structure using the net debt-to-EBITDA ratio. Considering the current structure and stability of its cash flows and its development strategy, the Group aims to keep the ratio at 2.5–3.0.

EBITDA comprises earnings before taxes and other expenses and revenues plus depreciation and amortization and impairment of property, plant and equipment and intangible assets less gain (or plus loss) from sales of property, plant and equipment. Total debt comprises long-term debt including the current portion and short-term borrowings. Net debt represents total debt less cash and cash equivalents and highly liquid financial assets. For the purposes of capital structure management, highly liquid financial assets comprise short-term and long-term debt financial assets and short-term and long-term deposits. Total capital is equity attributable to parent company shareholders plus total debt. These calculations always include items relating to assets held for sale, which are reported separately in the balance sheet.

The calculation and evaluation of the ratios is done using consolidated figures (in CZK millions):

	2023	2022
Long-term debt	161,596	149,090
Short-term loans	7,314	53,056
Total debt	168,910	202,146
Less:		
Cash and cash equivalents	(10,892)	(36,609)
Highly liquid financial assets:		
Short-term debt financial assets (Note 5)	(6,657)	(9,752)
Long-term term deposits (Note 5)	(66)	-
Short-term term deposits (Note 5)	-	(100)
Total net debt	151,295	155,685
Income before income taxes and other income (expenses)	84,512	101,927
Depreciation and amortization	35,336	32,757
Impairment of property, plant and equipment and intangible assets	5,300	(2,864)
Gains and losses on sale of property, plant and equipment (Note 24 and 30)	(309)	(252)
EBITDA	124,839	131,568
Net debt to EBITDA ratio	1.21	1.18

16. Long-term Debt

The overview of long-term debt at December 31, 2023 and 2022, is as follows (in CZK millions):

	2023	2022
3.005% Eurobonds, due 2038 (JPY 12,000 million)	1,910	2,071
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,274	1,382
4.875% Eurobonds, due 2025 (EUR 750 million)	19,173	18,694
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	-	1,988
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	-	1,288
4.375% Eurobonds, due 2042 (EUR 50 million)	1,241	1,209
4.500% Eurobonds, due 2047 (EUR 50 million)	1,238	1,207
4.383% Eurobonds, due 2047 (EUR 80 million)	2,006	1,957
3.000% Eurobonds, due 2028 (EUR 725 million)	18,433	18,024
0.875% Eurobonds, due 2026 (EUR 750 million)	18,464	17,978
2,375% Eurobonds, due 2027 (EUR 600 million)	15,020	14,628
5.625% U.S. bonds, due 2042 (USD 300 million)	6,754	6,824
4.500% Registered bonds, due 2030 (EUR 40 million)	984	958
4.750% Registered bonds, due 2023 (EUR 40 million)	-	1,006
4.700% Registered bonds, due 2032 (EUR 40 million)	1,021	995
4.270% Registered bonds, due 2047 (EUR 61 million)	1,493	1,456
3.550% Registered bonds, due 2038 (EUR 30 million)	760	741
Total bonds and debentures	89,771	92,406
Less: Current portion	(1,469)	(5,725)
Bonds and debentures, net of current portion	88,302	86,681
Long-term bank and other[1)] loans and lease liabilities:		
Less than 2.00% p. a.	9,893	20,928
2.00% to 2.99% p. a.	1,260	4,625
3.00% to 3.99% p. a.	27,441	25,659
4.00% to 4.99% p. a.	19,318	5,325
5.00% to 6.99% p. a.	13,018	112
7.00% p. a. and more	895	35
Total long-term bank and other loans and lease liabilities	71,825	56,684
Less: Current portion	(29,085)	(3,131)
Long-term bank and other loans and lease liabilities, net of current portion	42,740	53,553
Total long-term debt	161,596	149,090
Less: Current portion	(30,554)	(8,856)
Total long-term debt, net of current portion	131,042	140,234

[1)] Other loans represent mainly long-term loans provided by the Ministry of Finance of the Czech Republic in the amount of EUR 1 billion to cover the liquidity risk associated to potential immediate increase of requests for extraordinary increase of margin calls on energy stock exchange and towards business counterparties.

The interest rates indicated above are historical rates for fixed rate debt and current market rates for floating rate debt. The actual interest payments are affected by interest rate risk hedging carried out by the Group.

All long-term debt is recognized in original currencies while the related hedging derivatives are recognized using the method described in Note 2.14.

The overview of long-term debt maturities, is as follows (in CZK millions):

	2023	2022
Within 1 year	30,552	8,856
Between 1 year and 2 years	24,713	27,607
Between 2 and 3 years	24,190	23,429
Between 3 and 4 years	21,527	21,352
Between 4 and 5 years	28,807	19,962
Thereafter	31,807	47,884
Total long-term debt	161,596	149,090

The summary of long-term debt by currency (in millions):

	2023		2022	
	Foreign currency	CZK	Foreign currency	CZK
EUR	6,003	148,423	5,492	132,447
USD	302	6,754	302	6,824
JPY	20,135	3,184	31,724	5,441
CZK		3,016		4,195
PLN	28	157	25	128
Other		62		55
Total long-term debt		161,596		149,090

Long-term debt with floating interest rates exposes the Group to interest rate risk. The following table summarizes long-term debt by contractual reprising dates of interest rates at December 31, 2023 and 2022, without considering interest rate hedging (in CZK millions):

	2023	2022
Floating rate long-term debt		
with interest rate fixed to 1 month	128	87
with interest rate fixed from 1 to 3 months	1,326	1,295
with interest rate fixed from 3 months to 1 year	30,927	15,091
with interest rate fixed for more than 1 year	112	17
Total floating rate long-term debt	32,493	16,490
Fixed rate long-term debt	129,103	132,600
Total long-term debt	161,596	149,090

Fixed rate long-term debt exposes the Group to the risk of change in fair values of these financial instruments. For related fair value information and risk management policies of all financial instruments see Note 17 and Note 18.

The following table analyses the changes in liabilities and receivables arising from financing activities in 2023 and 2022 (in CZK millions):

	Debt	Derivatives and other financial liabilities	Other long-term liabilities	Derivatives and other current financial assets	Total liabilities / assets from financing activities
Liabilities / assets from financing at January 1, 2022	137,890	1,010	30	(38)	138,892
Cash flows	68,622	(25,674)	-	19	42,967
Additions and modifications of leases	626	-	-	-	626
Foreign exchange movement	(3,041)	(1)	(1)	-	(3,043)
Changes in fair values	(2,849)	-	-	-	(2,849)
Acquisition of subsidiaries	169	119	-	-	288
Declared dividends	-	25,750	-	-	25,750
Other[1)]	729	(120)	-	-	609
Liabilities / assets arising from financing activities at December 31, 2022	202,146	1,084	29	(19)	203,240
Liabilities / assets arising from other than financing activities	-	333,165	2	(278,490)	
Total amount on balance sheet at December 31, 2022	202,146	334,249	31	(278,509)	
Less: Liabilities / assets from other than financing activities	-	(333,165)	(2)	278,490	
Liabilities / assets from financing at January 1, 2023	202,146	1,084	29	(19)	203,240
Cash flows	(37,119)	(79,765)	-	(51)	(116,935)
Additions and modifications of leases	1,007	-	-	-	1,007
Foreign exchange movement	(1,325)	15	2	-	(1,308)
Changes in fair values	3,626	-	-	-	3,626
Acquisition of subsidiaries	594	3	-	-	597
Disposal of subsidiaries	(9)	7	-	-	(2)
Declared dividends	-	77,819	-	-	77,819
Other[1)]	(10)	4,205	-	-	4,195
Liabilities / assets arising from financing activities at December 31, 2023	168,910	3,368	31	(70)	172,239
Liabilities / assets arising from other than financing activities	-	85,276	-	(111,644)	
Total amount on balance sheet at December 31, 2023	168,910	88,644	31	(111,714)	

[1)] The item Other includes accrued interest, transfer of interest paid on leasing to operating activities and non-cash additions and decreases of liabilities.

The column Debt consists of balance sheet items Long-term debt, net of current portion, Current portion of long-term debt and Short-term loans. In terms of financing activities, item Derivatives and other financial liabilities consists of dividend payables and other financial liabilities (short-term and long-term including short-term portion), item Other long-term liabilities consists especially of long-term deposits and received advanced payments, item Derivatives and other current financial assets consists of advanced payments to dividend administrator.

17. Fair Value of Financial Instruments

Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, which excludes a forced or liquidation sale. Fair value is determined as a quoted market price or a value obtained on the basis of discounted cash flow models or option pricing models.

The Group uses the following methods and assumptions to determine the fair value of each class of financial instruments:

Cash, Cash Equivalents and Short-term Investments

The fair value of cash and other current financial assets is deemed to be the carrying amount due to their relatively short maturity.

Securities Held for Trading

The fair value of current equity and debt securities held for trading is based on their market price.

Non-current Debt and Equity Financial Assets

The fair value of non-current debt and equity financial assets that are publicly traded in an active market is based on their quoted market price. The fair value of non-current and equity financial assets that are not publicly traded in an active market is determined using appropriate valuation techniques.

Short-term Receivables and Payables

The fair value of receivables and payables is deemed to be the carrying amount due to their relatively short maturity.

Short-term Borrowings

The fair value of these financial instruments corresponds to the carrying amount due to their short maturity.

Long-term Debt

The fair value of long-term debt is deemed to be the market value of identical or similar instruments, or the measurement is based on current interest rates on debt with the same maturity. The fair value of long-term debt with a variable interest rate is deemed to be the carrying amount.

Derivatives

The fair value of derivatives corresponds to their market value.

Carrying amounts and the estimated fair values of financial assets (except for derivatives) at December 31, 2023 and 2022, are as follows (in CZK millions):

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-current assets at amortized cost:</u>				
Other financial receivables	4,912	4,912	2,728	2,728
Investment in finance lease	213	213	200	200
<u>Non-current assets at fair value through other comprehensive income:</u>				
Restricted debt financial assets	24,545	24,545	19,245	19,245
Equity financial assets	674	674	887	887
<u>Non-current assets at fair value through profit or loss:</u>				
Equity financial assets	3,746	3,746	3,840	3,840
<u>Current assets at amortized cost:</u>				
Term deposits	69	69	100	100
Cash and cash equivalents	10,892	10,892	36,609	36,609
Trade and other receivables	84,759	84,759	167,346	167,346
Other financial receivables	128	128	31	31
Receivables from sale of subsidiaries, associates and joint-ventures	31	31	2,450	2,450
Investment in finance lease	49	49	46	46
<u>Current assets at fair value through other comprehensive income:</u>				
Debt financial assets	6,657	6,657	9,752	9,752

Carrying amounts and the estimated fair values of financial liabilities (except for derivatives) at December 31, 2023 and 2022, are as follows (in CZK millions):

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt[1)]	(157,946)	(156,450)	(145,665)	(142,557)
Other long-term financial liabilities	(1,699)	(1,699)	(1,850)	(1,849)
Short-term loans	(7,314)	(7,314)	(53,056)	(53,056)
Other short-term financial liabilities	(2,066)	(2,066)	(3,009)	(3,010)

1) The value of long-term debts is shown without lease liabilities of which the fair value is not published (book value as at December 31, 2023 and 2022, in the amount of CZK (3,650) million and CZK (3,425) million, respectively.

Carrying amounts and the estimated fair values of derivatives and liabilities recognized at fair value at December 31, 2023 and 2022, are as follows (in CZK millions):

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities from put options held by non-controlling interests	(1,136)	(1,136)	(509)	(509)
Contingent consideration from the acquisition of subsidiaries	(666)	(666)	(591)	(591)
Cash flow hedge derivatives:				
Short-term receivables	22,378	22,378	3,971	3,971
Long-term receivables	20,706	20,706	8,612	8,612
Short-term liabilities	(8,455)	(8,455)	(45,714)	(45,714)
Long-term liabilities	(2,579)	(2,579)	(36,757)	(36,757)
Commodity derivatives:				
Short-term receivables	80,879	80,879	259,137	259,137
Short-term liabilities	(70,877)	(70,877)	(245,337)	(245,337)
Other derivatives:				
Short-term receivables	1,586	1,586	3,022	3,022
Long-term receivables	62	62	446	446
Short-term liabilities	(736)	(736)	(321)	(321)
Long-term liabilities	(430)	(430)	(161)	(161)

17.1. Fair Value Hierarchy

The Group uses and discloses financial instruments with the following structure according to the manner in which the fair value is determined:

Level 1: Measured at fair value using the market prices of identical assets and liabilities quoted in active markets.

Level 2: Measured at fair value using methods under which significant inputs are directly or indirectly derived from data observable in active markets.

Level 3: Measured at fair value using methods under which significant inputs are not derived from data observable in active markets.

For assets and liabilities that occur regularly or repeatedly in financial statements, the Group reviews categorization in levels of the fair value hierarchy (according to the lowest input level that is significant to the measurement of fair value as a whole) at the end of each reporting period to determine whether there have been any transfers between levels of the fair value hierarchy.

There were no transfers between the levels of financial instruments at fair value in 2023. In 2022, the fair value of commodity contracts of gas on insufficiently active markets for the whole period of the contract was transferred from level 2 to level 3.

As at December 31, 2023, the fair value hierarchy was the following (in CZK millions):

Assets measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	80,879	11,146	66,184	3,549
Cash flow hedge derivatives	43,084	31,954	11,130	-
Other derivatives	1,648	-	1,648	-
Restricted debt financial assets	24,545	24,545	-	-
Debt financial assets at fair value through other comprehensive income	6,657	6,657	-	-
Equity financial assets at fair value through profit or loss	3,746	-	-	3,746
Equity financial assets at fair value through other comprehensive income	680	-	-	680

Liabilities measured at fair value:

	Total	Level,1	Level,2	Level,3
Commodity derivatives	(70,877)	(36,700)	(30,100)	(4,077)
Cash flow hedge derivatives	(11,034)	(5,495)	(5,539)	-
Other derivatives	(1,166)	-	(1,166)	-
Liabilities from put options held by non-controlling interests	(1,136)	-	-	(1,136)
Contingent consideration from the acquisition of subsidiaries	(666)	-	-	(666)

Assets and liabilities for which fair values are disclosed:

	Total	Level,1	Level,2	Level,3
Term deposits	69	-	69	-
Other financial receivables	128	-	128	-
Receivables from sale of subsidiaries, associates and joint-ventures	31	-	31	-
Investment in finance lease	262	-	262	-
Long-term debt	(156,450)	(84,412)	(72,038)	-
Short-term loans	(7,314)	-	(7,314)	-
Other financial liabilities	(3,765)	-	(3,765)	-

As at December 31, 2022, the fair value hierarchy was the following (in CZK millions):

Assets measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	259,137	59,450	194,479	5,208
Cash flow hedge derivatives	12,584	7,252	5,332	-
Other derivatives	3,468	168	3,300	-
Restricted debt financial assets	19,245	19,245	-	-
Debt financial assets at fair value through other comprehensive income	9,752	9,752	-	-
Equity financial assets at fair value through profit or loss	3,840	-	-	3,840
Equity financial assets at fair value through other comprehensive income	887	-	-	887

Liabilities measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	(245,337)	(30,739)	(210,278)	(4,320)
Cash flow hedge derivatives	(82,471)	(44,307)	(38,164)	-
Other derivatives	(482)	(7)	(475)	-
Liabilities from put options held by non-controlling interests	(509)	-	-	(509)
Contingent consideration from the acquisition of subsidiaries	(591)	-	-	(591)

Assets and liabilities for which fair values are disclosed:

	Total	Level 1	Level 2	Level 3
Term deposits	100	-	100	-
Other financial receivables	2,759	-	2,759	-
Receivables from sale of subsidiaries, associates and joint-ventures	2,450	-	2,450	-
Investment in finance lease	246	-	246	-
Long-term debt	(142,557)	(81,113)	(61,444)	-
Short-term loans	(53,056)	-	(53,056)	-
Other financial liabilities	(4,859)	-	(4,859)	-

The Group negotiates derivative financial instruments with various counterparties, especially large groups operating in the energy sector and large financial institutions with high credit ratings. Derivatives that are measured by means of techniques using market inputs include, in particular, commodity forward and futures contracts, foreign exchange forward contracts, interest rate swaps, and options. The most frequently applied valuation methods use commodity price curves, swap models, present value calculations, and option pricing models (e.g., Black-Scholes, Black-76). The models use various inputs including the forward curves of underlying commodities, foreign exchange spot and forward rates, and interest rate curves.

The following table shows roll-forward of the financial assets and liabilities measured at fair value – Level 3, for the years ended December 31, 2023 and 2022 (in CZK millions):

	Equity financial assets at fair value through profit or loss	Equity financial assets at fair value through other comprehensive income	Commodity derivatives
Balance at January 1, 2022	2,979	942	3,127
Reclassification[1]	-	-	148
Additions	936	-	-
Disposals	(610)	(166)	(15,549)
Revaluation	535	111	13,162
Balance at December 31, 2022	3,840	887	888
Additions	385	97	-
Disposals	(9)	-	(16,245)
Revaluation	(470)	(304)	14,829
Balance at December 31, 2023	3,746	680	(528)

[1] Transfer of contracts for gas on insufficiently active markets from level 2 as at January 1, 2022.

The main investment in the portfolio Equity financial assets at fair value through other comprehensive income is 15% interest in the company Veolia Energie ČR, a.s. (Note 5). The company's shares are not traded on any market. Fair value at December 31, 2023 and 2022, was determined using available public EBITDA data and the usual range of EBITDA multiples which corresponds to the purchase price of a 100% stake in a company in transactions observed in the market in the industry in question before adjustment for the amount of debt. The fair value at December 31, 2023 and 2022, was determined using 5 EBITDA multiple and 6 EBITDA multiple, respectively, as the best estimate of the fair value.

Equity financial assets at fair value through profit or loss include investments of the CEZ Group's investment fund in the company Inven Capital, SICAV, a.s. (Note 5). The fair value of the investments included in this portfolio at December, 31 2023 and 2022, was determined by a valuation expert. The determination of fair value takes into consideration, in particular, capital contributions and other forms of financing made by the co-investors recently. In addition, the valuation takes into account further development and eventual subsequent significant events, such as received bids for redemption.

The fair value of the contingent consideration was determined based on present value of future cash flows, which the Group expects to pay in connection with the acquisition of the subsidiary and is assessed internally by management. The amount of the payment depends on future financial results of the acquired company.

The liability from put option held by the non-controlling interests is measured as the present value of the amount payable on exercise of the option.

Commodity derivatives measured at fair value in level 3 include cross-border electricity transmission rights (hereinafter referred to as "cross-border capacities") and gas contracts with delivery in regions where the market is not sufficiently active throughout the duration of the contract. Cross-border capacities are sold in auctions organized by auction offices covering transmission system operators or in auctions organized directly by transmission system operators. Cross-border capacities are not traded on an organized market. The fair value of cross-border capacities, which represents an estimate of the expected value of compensation for unused cross-border capacities, takes into account especially the acquisition price of purchased capacities and the forward prices of electricity in the respective countries. The fair value of contracts for the purchase and sale of gas on insufficiently active markets is derived from the nearest active market and the location spread is determined using a valuation model that makes maximum use of available market data.

17.2. Offsetting of Financial Instruments

The following table shows the recognized financial instruments that are offset, or subject to enforceable master netting agreement or other similar agreements but not offset, as at December 31, 2023 and 2022 (in CZK millions):

	2023		2022	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Derivatives	125,611	(83,077)	275,189	(328,291)
Other financial instruments[1)]	58,612	(25,142)	69,013	(64,329)
Collaterals paid (received)[2)]	1,869	(2,208)	30,661	(1,942)
Gross financial assets / liabilities	186,092	(110,427)	374,863	(394,562)
Assets / liabilities set off under IAS 32	-	-	-	-
Amounts presented in the balance sheet	186,092	(110,427)	374,863	(394,562)
Effect of master netting agreements	(90,839)	90,839	(285,915)	285,915
Net amount after master netting agreements	95,253	(19,589)	88,948	(108,647)

1) Other financial instruments consist of invoices due from derivative trading and are included in Trade and other receivables or Trade payables.

2) Collaterals paid are included in Trade and other receivables and collaterals received are included in Trade payables.

ČEZ, a. s., trades in derivatives under EFET and ISDA master agreements. The agreements allow mutual setoff of receivables and payables on early termination of contracts. The reason for early termination is the counterparty’s insolvency or failure to fulfill agreed contract terms. All agreed contracts are settled financially on early termination. Their mutual setoff is either embedded in a contractual provision of the master agreements or results from the collateral provided. In addition, a CSA (Credit Support Annex) has been signed with several partners, defining the permitted limit of exposure between the partners. When the limit is exceeded, cash is transferred to reduce exposure below an agreed level. The deposited cash is also included in the final offset.

The information about offset of unbilled electricity supplied to retail customers with advances received is included in Note 14 and 22. The information about offset of construction contracts and related billings and advances received is included in Note 14.

Short-term derivative assets are included in the balance sheet in Derivatives and other current financial assets; long-term derivative assets are included in Other non-current financial assets; short-term derivative liabilities are included in Derivatives and other current financial liabilities; and long-term derivative liabilities are included in Other non-current financial liabilities.

18. Financial Risk Management

Risk Management Approach

A risk management system is being successfully developed in order to protect the Group's value while taking the level of risk acceptable for the shareholders. In the Group, the risk is defined as a potential difference between the actual and the expected (planned) developments and is measured by means of the extent of such difference in CZK and the likelihood with which such a difference may occur.

A risk capital concept is applied within the Group. The concept allows the setting of basic cap for partial risk limits and, in particular, the unified quantification of all kinds of risks. The value of aggregate annual risk limit (Profit@Risk) is approved by the Board of Directors based on the Risk Management Committee proposal for every financial year. The proposed limit value is derived from historical volatility of profit, revenues and costs of the Group (the top-down method). The approved value in CZK is set on the basis of a 95% confidence level and expresses a maximum profit decrease, which is the Group willing to take in order to reach the planned annual profit.

The bottom-up method is used for setting and updating the Risk frames. The Risk frames include the definition of risk and departments/units of the Group for which the frame is obligatory; definition of rules and responsibilities for risk management; permitted instruments and methods of risk management and actual risk limits, including a limit which expresses the share in the annual Profit@Risk limit.

The main Business Plan market risks are quantified in the Group (EBITDA@Risk based on MonteCarlo simulation in Y+1 to Y+5 horizon). The market risks are actively managed through gradual electricity sales and emission allowances' purchases in the following 6-year horizon, closed long-term contracts for electricity sale and emission allowances purchase and the FX and IR risk hedging in medium-term horizon. In Business Plan horizon, the risk management is also based on Debt Capacity concept which enables to assess the impact of main Investment and other Activities (incl. the risk characteristics), on expected cash flow and total debt in order to maintain corporate rating.

Since 2021, a new uniform Enterprise Risk Management scheme is adopted by the Group to be applied to all group-level significant risks. For this level of risks, the scheme integrates, across the process areas of the whole Group, all decentral risk management activities into one, uniform and centrally coordinated process of the group-level significant risks management, with the use of a software tool.

Risk Management Organization

The supreme authority responsible for risk management in ČEZ, a. s., is the CFO, except for approval of the aggregate annual budget risk limit (Profit@Risk) within the competence of the ČEZ, a. s., Board of Directors. CFO decides, based on the recommendation of the Risk Management Committee, on the development of a system of risk management, on an overall allocation of risk capital to the individual risks and organizational units, he approves obligatory rules, responsibilities and limit structure for the management of partial risks.

The Risk Management Committee (advisory committee of CFO) continuously monitors an overall risk impact on the Group, including Group risk limits utilization, status of risks linked to Business Plan horizon, hedging strategies status, assessment of impact of investment and other activities on potential Group debt capacity and cash flow in order to maintain corporate rating. Since 2021, it also monitors overviews regarding new uniform Enterprise Risk Management scheme.

Overview and Methods of Risk Management

The Group applies a unified categorization of the Group's risks which reflects the specifics of a corporate, i.e., non-banking company, and focuses on primary causes of unexpected development. The risks are divided into four basic categories listed below.

1. Market risks	**2. Credit risks**	**3. Operation risks**	**4. Business risks**
1.1 Financial (FX, IR)	2.1 Counterparty default	3.1 Operating	4.1 Strategic
1.2 Commodity	2.2 Supplier default	3.2 Internal change	4.2 Political
1.3 Volumetric	2.3 Settlement	3.3 Liquidity management	4.3 Regulatory
1.4 Market liquidity		3.4 Security	4.4 Reputation

From the view of risk management, the Group activities can be divided into two basic groups:

- Activities with the unified quantification of the share of respective activity in the aggregate risk limit of the Group (i.e., using specific likelihood, it is possible to objectively determine what risk is associated with an activity / planned profit). These risks are managed by the rules and limits set by the CFO of ČEZ, a. s., based on the recommendation of the Risk Management Committee and, concurrently, in accordance with governing documents of the respective units / processes of the Group.
- Activities whose share in the aggregate risk limit of the Group has not been quantified so far or for objective reasons. These risks are managed by the responsible owners of the relevant processes in accordance with internal governing documents of the respective units / processes of the Group which are newly also subject to policies defined by new uniform Enterprise Risk Management scheme since 2021.

For all risks quantified on a unified basis, a partial risk limit is set whose continuous utilization is evaluated on a monthly basis and is usually defined as a sum of the actually expected deviation of expected annual profit from the plan and the potential risk of loss on a 95% confidence interval. The Group's methodologies and data provide for a unified quantification of the following risks:

- Market risks: financial (currency, interest and stock price) risks, commodity prices (electricity, emission allowances, coal, gas, crude oil), volume (volume of electricity produced by wind power plants)
- Credit risks: financial and business counterparty risk and electricity, gas and heat end customer risk
- Operational risks: risks of nuclear and fossil power plants operation in the Czech Republic, investment risks.

The development of the Group's quantified risks is reported to the Risk Management Committee every month through 3 regular reports:

- Annual budget risks (annual Profit@Risk limit utilization)
- Business plan risks (EBITDA@Risk based on MonteCarlo simulation)
- Debt capacity (actual deviation from the optimal debt within Y+5 horizon, derived from rating agency requirements on debt indicators in order to preserve the ČEZ rating).

18.1. Qualitative Description of Risks Associated with Financial Instruments

Commodity Risks

The development of electricity, emission allowances, coal and gas prices is a key risk factor of the Group's value. The current system of commodity risk management is focused on (i) the margin from the own electricity production sales, i.e., from trades resulting in optimizing the sales of the Group's production and in optimizing the emission allowances position for production (the potential risk is managed on the EaR, VaR and the EBITDA@Risk bases), and (ii) the margin from the proprietary trading of commodities within the whole Group (the potential risk is managed on the VaR basis).

Market Financial Risks (currency, interest and stock price risks)

The development of foreign exchange rates, interest rates and stock prices is a significant risk factor of the Group's value. The current system of financial risk management is focused mainly on (i) the future cash flows and (ii) financial trades which are realized for the purposes of an overall risk position management in accordance with the risk limits (the potential risk is managed on the basis of VaR, EBITDA@Risk and complementary position limits). Own financial instruments (i.e., active and passive financial trades and derivative trades) are realized entirely in the context of an overall expected cash flows of the Group (including operational and investment foreign currency flows).

Credit Risks

With respect to the Group's activities managed on a centralized level, credit exposures of individual financial partners and wholesale partners are managed in accordance with individual credit limits. The individual limits are set and continuously updated according to the counterparty's credibility (in accordance with international rating and internal financial evaluation of counterparties with no international rating).

With respect to the electricity sales to end customers in the Czech Republic, the actual credibility is monitored for each business partner based on payment history (in addition, the financial standing is considered for selected partners). This credibility determines the payment conditions of partners (i.e., it indirectly determines an amount of an approved credit exposure) and also serves to quantify both the expected and the potential losses.

The Group's maximum exposure to credit risk to receivables and other financial instruments as at December 31, 2023 and 2022 is the carrying value of each class of financial assets except for financial guarantees. Credit risk from balances with banks and financial institutions is managed by the Group's risk management department in cooperation with Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

In accordance with the credit risk methodology applied to the banking sector per Basel II, every month the expected and potential losses are quantified on a 95% confidence level. It means that the share of all credit risks mentioned above in the aggregate annual Profit@Risk limit is quantified and evaluated.

Liquidity Risks

The Group's liquidity risk is primarily perceived as an operational risk (risk of liquidity management) and a risk factor is the internal ability to effectively manage the future cash flows planning process in the Group and to secure the adequate liquidity and effective short-term financing (the risk is managed on a qualitative basis). The fundamental liquidity risk management (i.e., liquidity risk within the meaning for banking purposes) is covered by the risk management system as a whole. In any given period, the future deviations of the Group's expected cash flows are managed in accordance with the aggregate risk limit and in the context of the actual and the targeted debt/equity ratio of the Group. Other tools used for liquidity risk management are the regularly evaluated Margin@Risk reports and liquidity stress scenario reports, which are mainly used to manage the liquidity risk related to the margin calls requirements. These reports also evaluate the effects of the transactions of the sliding sale of electricity and the purchase of emission rights in the horizon of the next 6 years.

18.2. Quantitative Description of Risks Associated with Financial Instruments

Commodity Risks

The required quantitative information on risks (i.e., a potential change of market value resulting from the effects of risk factors as at December 31) was prepared based on the assumptions given below:

- the indicator of risk associated with financial instruments is defined as the monthly parametric VaR (95% confidence) which expresses a maximum potential decrease in fair value of contracts classified as derivatives under IFRS 9 (the underlying commodities in the Group's derivative transactions are: electricity, EUA emission rights, gas, coal ARA, Richards Bay, Newcastle and crude oil and crude oil products) on the given confidence level;
- highly probable forecasted future electricity generation sales with the delivery in the CZ power grid are included in the VAR calculation to reflect the hedging character of significant portion of the existing derivative sales of electricity with delivery in Germany;
- for the calculation of volatility and correlations (between commodity prices), the SMA (Simple Moving Average) method is applied to 60 daily time series;
- the source of market data is mainly EEX, PXE and ICE;
- the indicator VaR illustrates mainly the impact of revaluation of above-mentioned financial instruments to statement of income.

Potential impact of the above risk factors as at December 31 (in CZK millions):

	2023	2022
Monthly VaR (95%) – impact of changes in commodity prices	1,215	4,300

Currency Risks

The required quantitative information on risks (i.e., a potential change of market value resulting from the effects of currency risk as at December 31) was prepared based on the assumptions given below:

- the indicator of currency risk is defined as the monthly VaR (95% confidence);
- for the calculation of VaR, which is based on volatility and internal correlations of each considered currency, the method of historical simulation VaR is applied to 90 daily historical time series;
- the relevant currency position is defined mainly as a value of foreign currency cash flows from all contracted financial instruments, from expected foreign currency operational revenues and costs in 2022 and from highly probable forecasted foreign currency revenues, costs or capital expenditures that are being hedged by financial instruments etc.;
- the relevant currency positions reflect all significant foreign-currency flows of the Group companies in the monitored basket of foreign currencies;
- the source of market FX and interest rate data is mainly IS Reuters and IS Bloomberg;
- the indicator VaR illustrates mainly the impact of revaluation of above-mentioned currency position to statement of income.

Potential impact of the currency risk as at December 31 (in CZK millions):

	2023	2022
Monthly currency VaR (95% confidence)	301	682

Interest Risks

The sensitivity of the interest revenue and cost to the parallel shift of yield curves was chosen for the quantification of the potential impact of the interest risk. The approximate quantification (as at December 31) was based on the following assumptions:

- parallel shift of the yield curves (+10bp) was selected as the indicator of interest risk;
- the statement of income sensitivity is measured as an annual change of the interest revenue and cost resulting from the interest-sensitive positions as at December 31;
- the considered interest positions reflect all significant interest-sensitive positions of the Group companies;
- the source of market interest rates is mainly IS Reuters and IS Bloomberg.

Potential impact of the interest risk as at December 31 (in CZK millions):

	2023	2022
IR sensitivity* to parallel yield curve shift (+10bp)	(24)	(6)

* Negative result denotes higher increase in interest costs than in interest revenues.

Credit Exposure

The Group is exposed to credit risk on all financial assets presented in the balance sheet as well as credit risk from provided guarantees. Credit exposure from provided guarantees that are not included in the balance sheet were nill as at December 31, 2023 and 2022.

The guarantees provided related to bank loans at December 31, 2022. The beneficiary might claim the guarantee only upon failure to comply with certain conditions of loans. There were no guarantees provided at December 31, 2023. Companies, which liabilities were subject of the guarantee, fulfilled own liabilities until the moment of their release.

Liquidity Risk

Contractual maturities of undiscounted payments of financial liabilities as at December 31, 2023 (in CZK millions):

	Loans	Bonds and debentures	Trade payables and other financial liabilities	Derivatives[1)]	Guarantees issued[2)]
Due in 2023	37,271	4,274	62,404	407,376	-
Due in 2024	7,506	21,338	1,751	63,784	-
Due in 2025	6,834	20,352	495	8,850	-
Due in 2026	8,218	16,500	596	1,270	-
Due in 2027	11,362	19,513	56	802	-
Thereafter	15,016	29,653	717	24,289	-
Total	86,207	111,630	66,019	506,371	-

1) Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Group will receive corresponding consideration. For fair values of derivatives see Note 17.

2) The guarantees issued for the Akcez group loans were released without use in December 2023, the loans were refinanced as a part of the sale of the share in the Akcez group.

Contractual maturities of undiscounted payments of financial liabilities as at December 31, 2022 (in CZK millions):

	Loans	Bonds and debentures	Trade payables and other financial liabilities	Derivatives[1)]	Guarantees issued[2)]
Due in 2023	57,228	8,610	88,146	1,078,236	1,578
Due in 2024	28,624	2,759	1,836	244,665	-
Due in 2025	5,898	20,828	687	80,848	-
Due in 2026	4,028	19,843	319	8,360	-
Due in 2027	5,897	16,094	502	756	-
Thereafter	12,511	48,943	116	24,605	-
Total	114,186	117,077	91,606	1,437,470	1,578

1) Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Group will receive corresponding consideration. For fair values of derivatives see Note 17.

2) Maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. The ultimate date for guarantee call is June 2026.

Following table shows the exposure to liquidity risk related to requirements for margin calls connected to existing contracts of electricity, gas and emission rights for next 6 years (in CZK millions):

				Market price[1)] (EUR/MWh)	
Year	Maximum net amount of margin calls and collaterals	Peak day	Average daily net amount of margin calls and collaterals	Electricity CAL DE BL Y+1	Gas TTF Y+1
2021	60,816	December 27, 2021	3,680	271	98
2022	195,240	August 29, 2022	86,612	985	312
2023	76,737	January 2, 2023	30,681	214	78

1) Market price is stated for the trading day preceding the indicated day of the maximum. The product for electricity is calendar baseload with delivery in Germany for following year (Y+1) - at December 31, 2023, the price of this product CAL 2024 DE BL was 96 EUR/MWh, the price of gas at the trade point TTF with delivery following year - at December 31, 2023 the price of TTF 2024 was 34 EUR/MWh.

The committed credit facilities available to the Group as at December 31, 2023 and 2022, amounted to CZK 53.2 billion and CZK 50.3 billion, respectively. In addition, up to a total of EUR 540 million remained available to be drawn down as at December 31, 2023, of a committed loan facility agreement signed in December 2022 with the European Investment Bank to support financing of the program of renewal and further development of the distribution grid in the Czech Republic.

18.3. Hedge Accounting

The Group hedges cash flows arising from highly probable future sales of electricity in the Czech Republic. Hedging instruments are futures and forward contracts electricity sales in Germany. The fair value of these derivative hedging instruments amounted to CZK 32,552 million and CZK (73,096) million at December 31, 2023 and 2022, respectively. The result of own-use presales (Note 2.15) and this hedging strategy as at December 31, 2023, is that for 2024 approximately 92% of expected generation in the Czech Republic was hedged at an average price of EUR 129 per MWh, for 2025 approximately 64% of expected generation at an average price of EUR 125 per MWh, for 2026 approximately 27% of expected generation at an average price of EUR 107 per MWh and for 2027 approximately 6% at an average price of EUR 92 per MWh.

The Group also hedges cash flows arising from highly probable future revenue in EUR for the purposes of currency and interest risk hedging. The hedged cash flows are expected to occur in 2024–2028. The relevant hedging instruments as at December 31, 2023 and 2022, are the EUR denominated liabilities from the issued Eurobonds and bank loans in the total amount of EUR 5.6 billion and EUR 4.0 billion, respectively, and currency forward contracts and swaps. The fair value of these derivative hedging instruments amounted to CZK (364) million and CZK 2,938 million at December 31, 2023 and 2022, respectively.

In 2023 and 2022, the Company also hedged selected cash flows connected to purchase of emission rights, to cover its CO_2 emissions for the year 2023 and 2022, respectively, for the purpose of hedging the currency risk associated with the time difference between the time when the emission rights are expensed and the payment for their purchase. The hedge was made by currency swaps. The accumulated value of change of fair value revaluation, transferred from the equity to the price of emission rights connected with the hedge for purchase of emission rights amounted to CZK (131) million and CZK 403 million, respectively.

The Group also hedges purchases of gas for consumption in cogeneration units for combined generation of electricity and heat with the aim to hedge connected cash flows and final gas consumption with regard to valid regulatory frame of hedged period. At December 31, 2023 and 2022, respectively, the relevant hedging instruments were commodity forward and swaps for gas.

The following tables provide an overview of the fair value of hedging derivatives as at December 31, 2023 and 2022 (in CZK millions):

	2023			
	Unit of measure	Quantity / nominal value1)	Fair value (in CZK millions)	Effective hedge amount before tax (in CZK millions)
Derivative cash flow hedge				
Commodity risk – presale of electricity:				
2024	GWh	(12,033)	14,993	12,597
2025	GWh	(18,037)	14,144	14,170
2026 and thereafter	GWh	(10,706)	3,415	3,432
Commodity risk – electricity, total	GWh	(40,776)	32,552	30,199
Commodity risk – gas consumption	GWh	194	(141)	(133)
Commodity risk total			32,411	30,066
Foreign currency risk in years 2024–2042	mil. EUR	(2,725)	(1,723)	(1,041)
Foreign currency risk in years 2024–2042	mil. USD	300	1,359	713
Foreign currency risk – other			3	12
Foreign currency risk total			(361)	(316)
Total derivative cash flow hedge			32,050	29,750

	2022			
	Unit of measure	Quantity / nominal value[1)]	Fair value (in CZK millions)	Effective hedge amount before tax[2)] (in CZK millions)
Derivative cash flow hedge				
Commodity risk – presale of electricity:				
2023	GWh	(13,560)	(42,431)	(52,359)
2024	GWh	(12,224)	(25,560)	(25,616)
2025 and thereafter	GWh	(7,224)	(5,105)	(5,140)
Commodity risk – electricity, total	GWh	(33,008)	(73,096)	(83,115)
Commodity risk – gas consumption	GWh	181	250	197
Commodity risk total			(72,846)	(82,918)
Foreign currency risk in years 2023–2042	mil. EUR	(2,317)	873	314
Foreign currency risk in years 2023–2042	mil. USD	300	2,065	1,314
Foreign currency risk – other			20	13
Foreign currency risk total			2,958	1,641
Total derivative cash flow hedge			(69,888)	(81,277)

1) Positive values represent purchase, negative values represent sale.

2) The value in the column Effective hedge amount before tax also includes values in equity related to terminated hedging instruments (until the realization of the cash flow).

In 2023 and 2022, the amounts removed from equity in respect of cash flow hedges were recognized in profit or loss and included in the lines Sales of electricity, heat, gas and coal, Gains and losses from commodity derivative trading, Other financial expenses and Other financial income and on the balance sheet in the lines Intangible assets and Emission rights. In 2023 and 2022, the Group recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK (76) million and CZK (194) million, respectively. The ineffectiveness in 2023 and 2022 was primarily caused by the volatility of electricity price on Czech / German market and unequal price increase / decrease of the electricity on Czech and German market.

The following tables provide an overview of movements in equity, which is related to cash flow hedge in 2023 and 2022 (in CZK millions):

	2023		
	Change in fair value of financial instruments recorded in equity, gross	Change in fair value transferred to profit or loss / assets, gross	Transfer of ineffective part of hedge to profit or loss, gross
Commodity risk – presale of electricity	87,735	25,487	92
Commodity risk – gas consumption	(332)	2	-
Foreign currency risk – presale of electricity, purchase of emission rights	(582)	(1,358)	(16)
Foreign currency risk – other	7	-	-
Derivatives cash flow hedge	86,828	24,131	76
Non-derivative cash flow hedge	(3,626)	(1,889)	-
Total cash flow hedge	83,202	22,242	76

	2022		
	Change in fair value of financial instruments recorded in equity, gross	Change in fair value transferred to profit or loss / assets, gross	Transfer of ineffective part of hedge to profit or loss, gross
Commodity risk – presale of electricity	(88,364)	87,931	(124)
Commodity risk – gas consumption	250	(53)	-
Foreign currency risk – presale of electricity, purchase of emission rights	2,990	1,427	318
Foreign currency risk – other	24	(39)	-
Derivatives cash flow hedge	(85,100)	89,266	194
Non-derivative cash flow hedge	2,848	(1,112)	-
Total cash flow hedge	(82,252)	88,154	194

19. Provisions

The following table provides an overview of provisions as at December 31, 2023 and 2022 (in CZK millions):

	2023			2022		
	Non-current	Current	Total	Non-current	Current	Total
Nuclear provisions	126,055	2,563	128,618	107,542	2,168	109,710
Provision for demolition and dismantling of fossil-fuel power plants	16,387	141	16,528	18,505	1,217	19,722
Provision for reclamation of mines and mining damages	15,113	210	15,323	13,095	311	13,406
Provision for waste storage reclamation	573	24	597	594	22	616
Provision for CO_2 emissions (Note 13)	-	22,422	22,422	-	21,383	21,383
Provision for obligation in case of claim from guarantee for Akcez group loans	-	-	-	-	1,578	1,578
Other provisions	7,312	5,753	13,065	6,358	4,244	10,602
Total	165,440	31,113	196,553	146,094	30,923	177,017

19.1. Nuclear Provisions

The Company operates two nuclear power plants. The Dukovany Nuclear Power Plant comprises four units commissioned for continuous operation in 1985 to 1987. The Temelín Nuclear Power Plant consists of two units that were commissioned for continuous operation in 2002 and 2003. The Nuclear Energy Act sets down obligations for nuclear facility decommissioning and disposal of radioactive waste and spent nuclear fuel. In accordance with the Nuclear Energy Act, all the nuclear parts and equipment of a nuclear power plant must be disposed of after the end of operation. For the purpose of determining the amount of nuclear provisions, it is estimated that the Dukovany Nuclear Power Plant will stop generating electricity in 2047, the Temelín plant in 2062. A 2022 Dukovany and a 2023 Temelín decommissioning cost study assume that the total costs of decommissioning of so-called nuclear island and conventional part of these power plants will reach the amount of CZK 45.3. billion and CZK 36.9 billion, respectively. The Company makes contributions to a restricted bank accounts in the amount of the nuclear provisions recorded under the Nuclear Energy Act. These funds can be invested in government bonds in accordance with legislation. These restricted financial assets are reported in the balance sheet as part of the line item Restricted financial assets (see Note 4).

The Ministry of Industry and Trade established the Radioactive Waste Repository Authority (SÚRAO) as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The SÚRAO operates, supervises and is responsible for disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the SÚRAO are financed through a nuclear account funded by the originators of radioactive waste. Contribution to the nuclear account is stated by Nuclear Energy Act at CZK 55 per MWh produced at nuclear power plants. In 2023 and 2022, the payments to the nuclear account amounted to CZK 1,673 million and CZK 1,706 million, respectively. The originator of radioactive waste and spent fuel directly covers all costs associated with interim storage of radioactive waste and spent fuel.

The Group has established provisions for estimated future expenses on nuclear decommissioning and interim storage and permanent disposal of spent nuclear fuel in accordance with the principles described in Note 2.23. The following is a summary of the provisions for the years ended December 31, 2023 and 2022 (in CZK millions):

	Accumulated provisions			
	Nuclear decommis-sioning	Spent fuel storage		
		Interim	Long-term	Total
Balance at January 1, 2022	42,284	9,972	41,446	93,702
Discount accretion and effect of inflation	973	226	953	2,152
Provision charged in profit or loss	-	486	-	486
Effect of change in estimate recognized in profit or loss	-	(207)	-	(207)
Effect of change in estimate added to fixed assets	16,160	-	275	16,435
Current cash expenditures	-	(1,152)	(1,706)	(2,858)
Balance at December 31, 2022	59,417	9,325	40,968	109,710
Discount accretion and effect of inflation	2,911	463	2,007	5,381
Provision charged in profit or loss	-	585	-	585
Effect of change in estimate recognized in profit or loss	-	579	-	579
Effect of change in estimate added to fixed assets	12,628	62	1,835	14,525
Current cash expenditures	-	(490)	(1,672)	(2,162)
Balance at December 31, 2023	74,956	10,524	43,138	128,618

The use of the provision for permanent disposal of spent nuclear fuel in a current year comprises payments made to the government-controlled nuclear account and the use of the provision for interim storage represents, in particular, purchases of containers for spent nuclear fuel and other related equipment for these purposes.

In 2023, the Company recorded the change in estimated provision for interim storage of spent nuclear fuel. The change relates to the change in expectations of future storage cost and change in discount rate. The change in estimated provision for nuclear decommissioning is due to the update of the expert decommissioning studies for Dukovany Nuclear Power Plant and for Temelín Nuclear Power Plant and due to the change in discount rate. The change in estimated provision for long-term spent fuel storage is connected with the modification of the expected output of the nuclear power plants, change of expected contribution to the nuclear account per MWh in future years and change in discount rate.

In 2022, the Company recorded the change in estimated provision for interim storage of spent nuclear fuel. The change relates to the change in expectations of future storage cost and change in discount rate. The change in estimated provision for nuclear decommissioning is due to the update of the amount and scope of the decommissioning costs for Dukovany Nuclear Power Plant and for Temelín Nuclear Power Plant and due to the change in discount rate. The change in estimated provision for long-term spent fuel storage is connected with the modification of the expected output of the nuclear power plants, change of expected contribution to the nuclear account per MWh in future years and change in discount rate.

The actual decommissioning and spent fuel storage costs could vary substantially from the above estimates because of new regulatory requirements, changes in technology, increased costs of labor, materials and equipment and/or the actual time required to complete all decommissioning, disposal and storage activities.

The following table shows the sensitivity of nuclear provisions to changes in the discount rate, keeping all other parameters unchanged, as at December 31, 2023 (in CZK millions):

	Accumulated provision				
	Nuclear decommis-sioning	Spent fuel storage – Interim	Spent fuel storage – Long-term	Total	Change in %
Effect of discount rate decrease:					
(20)bp	8,357	495	1,193	10,045	7.8%
(10)bp	4,059	243	590	4,892	3.8%
Balance at December 31, 2023 – base scenario[1)]	74,956	10,524	43,138	128,618	
Effect of discount rate increase:					
+10bp	(3,835)	(233)	(578)	(4,646)	(3.6%)
+20bp	(7,458)	(456)	(1,144)	(9,058)	(7.0%)

1) Base scenario as of December 31, 2023, corresponds to the long-term risk-free real interest rate of 2.1% and to the expected rate of inflation of 2.6% (Note 2.23).

19.2. Provision for Mine Reclamation and Mining Damages, Waste Storage Reclamation and Demolition and Dismantling of Fossil-fuel Power Plants

The following table shows the movements of provisions for the years ended December 31, 2023 and 2022 (in CZK millions):

	Mine reclamation and damages	Waste storage	Demolition and dismantling of fossil-fuel power plants
Balance at January 1, 2022	12,417	656	6,761
Discount accretion and effect of inflation	282	11	321
Provision charged in profit or loss	135	-	-
Change in estimate added to (deducted from) fixed assets	746	(17)	12,968
Current cash expenditures	(174)	(32)	(328)
Reversal of provision	-	(2)	-
Balance at December 31, 2022	13,406	616	19,722
Discount accretion and effect of inflation	647	28	956
Provision charged in profit or loss	53	-	-
Change in estimate added to (deducted from) fixed assets	1,406	(22)	(2,227)
Current cash expenditures	(189)	(25)	(1,163)
Reversal of provision	-	-	(760)
Balance at December 31, 2023	15,323	597	16,528

The provision for decommissioning and reclamation of mines and the provision for mining damages were recorded by Severočeské doly a.s., a mining subsidiary of ČEZ. Severočeské doly a.s. operates open pit coal mines and is responsible for decommissioning and reclamation of the mines as well as for damages caused by the operations of the mines. Current cash expenditures represent cash payments for current reclamation of mining area and settlement of mining damages. The use of the provision for decommissioning and reclamation of mines is not so intense during the period, when the mining is in progress (the cease of mining is expected in 2030). The highest use of the provision is expected during years 2033–2040 (CZK 10.8 billion in present value) in relation to solution of the residual pits. Mine reclamation should be finalized in 2045, during years 2041–2045 is expected the use of provision CZK 2.6 billion in present value. This expected future time course of using the provision is uncertain and corresponds to the current strategy of the Group (Note 1.1). Changes in estimate in 2023 and 2022 represent change in provision as result of updated cost estimates in the current period, mainly due to changes in expected prices of reclamation activities, and also due to changes in their timing and in the discount rate.

The use of the provision for demolition and dismantling of fossil-fuel power plants in 2023 and 2022 was related especially to generation unit Prunéřov I, whose demolition and dismantling was completed in 2023. For the next years, the use of provision is expected mainly in 2026–2028 for power plant Dětmarovice (CZK 2.3 billion in present value), in 2031–2034 for remaining coal-fired power plants (CZK 10.9 billion in present value) and in 2047–2048 for combined-cycle gas turbine in Počerady (CZK 0.5 billion in present value). This expected future time course of using the provision is uncertain and corresponds to the current strategy of the Group (Note 1.1). In 2023 and 2022, the Group recorded the change in estimate in provision for demolition and dismantling of fossil-fuel power plants due to the update of the amount and scope of the decommissioning costs and due to change in discount rate.

The actual decommissioning and reclamation of mines and mining damages could vary substantially from the above estimates, because of new regulatory requirements, changes in technology, increased costs of labor, materials and equipment and/or the actual time required to complete all related operations.

20. Derivatives and Other Financial Liabilities

Derivatives and other financial liabilities at December 31, 2023 and 2022, are as follows (in CZK millions):

	2023		
	Long-term liabilities	Short-term liabilities	Total
Payables from non-current assets purchase	318	-	318
Other	1,381	2,066	3,447
Financial liabilities at amortized cost	1,699	2,066	3,765
Cash flow hedge derivatives	2,579	8,455	11,034
Commodity and other derivatives	430	71,613	72,043
Liabilities from put options held by non-controlling interests	933	203	1,136
Contingent consideration from the acquisition of subsidiaries	463	203	666
Financial liabilities at fair value	4,405	80,474	84,879
Total	6,104	82,540	88,644

	2022		
	Long-term liabilities	Short-term liabilities	Total
Payables from non-current assets purchase	366	-	366
Other	1,484	3,009	4,493
Financial liabilities at amortized cost	1,850	3,009	4,859
Cash flow hedge derivatives	36,757	45,714	82,471
Commodity and other derivatives	161	245,658	245,819
Liabilities from put options held by non-controlling interests	509	-	509
Contingent consideration from the acquisition of subsidiaries	341	250	591
Financial liabilities at fair value	37,768	291,622	329,390
Total	39,618	294,631	334,249

The following table analyses the value of liabilities from commodity and other derivatives by the period of delivery as at December 31, 2023 and 2022 (in CZK millions):

	2023	2022
Delivery in 2022	-	5,689
Delivery in 2023	608	201,475
Delivery in 2024	57,407	34,637
Delivery in 2025	12,764	3,820
Delivery in 2026 and thereafter	1,264	198
Total commodity and other derivatives	72,043	245,819

The following table provides an overview of the value of liabilities from commodity derivatives by the commodities and other derivatives at December 31, 2023 and 2022 (in CZK millions):

	2023	2022
Electricity including cross-border capacities	35,726	156,401
Gas	29,406	77,010
Emission rights, guarantees of origin	5,736	11,899
Financial derivatives	1,175	509
Total commodity and other derivatives	72,043	245,819

The decrease of liabilities from commodity and other derivatives in 2023 is caused mainly due to physical delivery of the commodity or by financial settlement. Year-to-year decrease is also influenced by volatility of the market prices of electricity, gas, emission rights and other commodities. Related decrease of receivables from commodity and other derivatives is disclosed in Note 5.

21. Short-term Loans

The overview of short-term loans at December 31, 2023 and 2022, is as follows (in CZK millions):

	2023	2022
Bank loans	7,214	4,805
Other loans[1)]	-	48,230
Bank overdrafts	100	21
Total	7,314	53,056

[1)] In 2022, Other loans represented short-term loans provided by the Ministry of Finance of the Czech Republic to cover the liquidity risk associated to potential immediate increase of requests for extraordinary increase of margin calls on energy stock exchange and towards business counterparties.

Short-term loans bear interest at fixed interest rates. The weighted average interest rate was 5.5% and 4.5% at December 31, 2023 and 2022, respectively. For the years 2023 and 2022, the weighted average interest rate was 8.1% and 5.3%, respectively.

22. Other Short-term Liabilities

Other short-term liabilities at December 31, 2023 and 2022, are as follows (in CZK millions):

	2023	2022
Advances received from retail customers	37,732	35,045
Unbilled electricity and gas supplied to retail customers	(32,129)	(28,765)
Received advances from retail customers, net	5,603	6,280
Taxes and fees, except income tax	6,446	6,548
Other advances received	3,184	3,651
Deferred income	387	1,037
Other contract liabilities	4,381	1,154
Total	20,001	18,670

23. Leases

23.1. Group as a Lessee

The Group has lease contracts for various items of offices, vehicles, buildings and land used to place its own electricity and heat production facilities. Leases of vehicles generally have lease terms between 1–8 years, while buildings and lands between 4–21 years.

The Group has entered into lease contracts with fixed and variable payments. The variable payments are regularly adjusted according to the inflation index or are based on use of the underlying assets.

The Group also leases buildings, machinery or equipment with lease terms of 12 months or less or with low value. In this case the Group applies recognition exemption for these leases.

The net book values of the right-of-use assets presented under Property, plant and equipment are described in the Note 3.

The amounts of lease liability are presented under Long-term debt (see Note 16).

The following table sets out total cash outflows for lease payments (in CZK millions):

	2023	2022
Payments of principal	856	709
Payments of interests	148	99
Lease payments not included in valuation of lease liability	166	187
Total cash outflow for leases	1,170	995

The following are the amounts that are recognized in profit or loss (in CZK millions):

	2023	2022
Expense relating to short-term leases	87	84
Expense relating to leases of low-value assets	17	3
Variable lease payments not included in valuation of lease liability	62	100
Depreciation charge for right-of-use assets	857	715
Interest expenses	157	112
Lease modifications	(5)	(9)

Next year, the Group expects to pay lease payments that are not included in valuation of lease liability to be similar to the year 2023.

23.2. Group as a Lessor

Finance Lease

The most significant lease under finance lease is the lease of assets for electricity and heat production directly at the customer.

The following table sets out a maturity analysis of investment in finance lease, showing the undiscounted lease payments to be received after the reporting date (in CZK millions):

	2023	2022
Up to 1 year	59	52
Between 1 year and 2 years	51	49
Between 2 and 3 years	49	42
Between 3 and 4 years	40	39
Between 4 and 5 years	36	31
Thereafter	91	80
Total undiscounted investment in finance lease	326	293
Unearned finance income	(64)	(47)
Net investment in the lease	262	246

The Group recognized interest income on lease receivables of CZK 12 million and CZK 8 million at December 31, 2023 and 2022, respectively.

Operating Lease

The net book values of the property, plant and equipment leased out under operating lease are disclosed in the Note 3.

Rental income recognized by the Group during 2023 and 2022 was CZK 202 million and CZK 177 million, respectively. In the following years, the Group expects rental income to be similar to the year 2023.

24. Revenues and Other Operating Income

The overview of revenues and other operating income for the years ended December 31, 2023 and 2022, is as follows (in CZK millions):

	2023	2022
Sales of electricity:		
Sales of electricity to end customers	114,278	77,124
Sales of electricity through energy exchange and other organized markets	53,842	118,889
Sales of electricity to traders	38,004	46,619
Sales to distribution and transmission companies	196	499
Other sales of electricity	16,113	10,233
Effect of hedging – presales of electricity (Note 18.3)	(25,487)	(87,895)
Effect of hedging – currency risk hedging (Note 18.3)	3,276	171
Total sales of electricity	200,222	165,640
Sales of gas, coal and heat:		
Sales of gas	31,009	24,446
Sales of coal	7,108	5,708
Sales of heat	13,460	9,894
Total sales of gas, coal and heat	51,577	40,048
Total sales of electricity, heat, gas and coal	251,799	205,688
Sales of services and other revenues:		
Distribution services	35,869	35,073
Other services	43,380	36,561
Rental income	202	177
Revenues from goods sold	1,076	1,425
Other revenues	4,058	2,129
Total sales of services and other revenues	84,585	75,365
Other operating income:		
Granted green and similar certificates	70	169
Contractual fines and interest fees for delays	821	727
Gain on sale of property, plant and equipment	340	264
Gain on sale of material	383	185
Gain on sale of emission rights	9	4,295
Other	2,578	1,792
Total other operating income	4,201	7,432
Total revenues and other operating income	340,585	288,485

The Group drew in 2023 and 2022 grants related to income in the amount of CZK 559 million and CZK 428 million, respectively. Grants related to income are included in Other operating income in item Other.

Revenues from contracts with customers for the years ended December 31, 2023 and 2022, were CZK 358,393 million and CZK 368,600 million, respectively, and can be linked to the above figures as follows (in CZK million):

	2023	2022
Sales of electricity, heat, gas and coal	251,799	205,688
Sales of services and other revenues	84,585	75,365
Total revenues	336,384	281,053
Adjustments:		
Effect of hedging – presales of electricity	25,487	87,895
Effect of hedging – currency risk hedging	(3,276)	(171)
Rental income	(202)	(177)
Revenues from contracts with customers	358,393	368,600

The Group assumes that in the following periods it will recognize in the profit and loss statement revenues related to unsatisfied obligations from construction contracts in these amounts (in CZK millions):

	2023	2022
Within 1 year	20,471	17,292
More than 1 year	8,877	11,181
Total	29,348	28,473

25. Gains and Losses from Commodity Derivative Trading

The composition of gains and losses from commodity derivative trading for the years ended December 31, 2023 and 2022, is as follows (in CZK millions):

	2023	2022
Gain from electricity derivative trading	16,358	24,745
Gain (loss) from gas derivative trading	(784)	15,037
Gain (loss) from emission rights derivative trading	(89)	1,380
Loss from oil derivative trading	(1)	(11)
Gain (loss) from coal derivative trading	20	(1)
Total gains and losses from commodity derivative trading	15,504	41,150

26. Purchase of Electricity, Gas and Other Energies

The composition of purchase of electricity, gas and other energies for the years ended December 31, 2023 and 2022, is as follows (in CZK millions):

	2023	2022
Purchase of electricity for resale	(53,001)	(49,774)
Purchase of gas for resale	(27,754)	(17,523)
Purchase of other energies	(2,426)	(2,337)
Total purchase of electricity, gas and other energies	(83,181)	(69,634)

27. Fuel and Emission Rights

The composition of fuel and emission rights for the years ended December 31, 2023 and 2022, is as follows (in CZK millions):

	2023	2022
Emission rights for generation	(22,544)	(21,430)
Consumption of biomass and fossil energy fuel except gas	(7,426)	(5,441)
Consumption of gas	(6,618)	(14,631)
Amortization of nuclear fuel	(3,655)	(3,907)
Total fuel and emission rights	(40,243)	(45,409)

28. Services

The composition of services for the years ended December 31, 2023 and 2022, is as follows (in CZK millions):

	2023	2022
Services for manufacturing orders and products for sale	(17,837)	(11,756)
Transmission grid services for distribution of electricity	(6,419)	(5,848)
Repairs and maintenance	(5,107)	(5,222)
Other distribution services	(657)	(556)
Other services	(9,702)	(8,549)
Total services	(39,722)	(31,931)

Information about fees charged by independent auditors is provided in the annual financial report of CEZ Group.

29. Salaries and Wages

Salaries and wages for the years ended December 31, 2023 and 2022, were as follows (in CZK millions):

	2023		2022	
	Total	Key management[1)]	Total	Key management[1)]
Salaries and wages including remuneration of the board members	(27,605)	(136)	(24,952)	(137)
Social and health security	(8,183)	(21)	(7,253)	(22)
Other personal expenses	(1,995)	(13)	(1,710)	(13)
Total	(37,783)	(170)	(33,915)	(172)

1) Members of the Supervisory Board and the Board of Directors of the parent company. The remuneration of former board members is also included in personal expenses.

Members of the Board of Directors and selected managers are in the new long-term bonus program since January 1, 2020. The program of long-term performance bonus is based on performance units that will be allocated to each beneficiary every year. The number of performance units allocated is based on the defined yearly value of a given long-term bonus and the price of share before the allocation. The Supervisory Board sets out the performance indicators for each year's allocation of the performance units. The defined performance indicators will be evaluated by the Supervisory Board and number of performance units allocated to a beneficiary will be adjusted accordingly. Then a two-year holding period will follow. The long-term performance bonus will be paid three years after the initial allocation, and the amount will be based on the adjusted number of performance units as well as on the share price at the end of the holding period and the amount of dividends distributed during the holding period.

Cost of cash-settled share-based payments related to the long-term performance bonus program for 2023 and 2022 was CZK 91 million and CZK 37 million, respectively. Liabilities from share-based payments as at December 31, 2023 and 2022, amounted to CZK 200 million and CZK 109 million, respectively.

30. Other Operating Expenses

Other operating expenses for the years ended December 31, 2023 and 2022, consist of the following (in CZK millions):

	2023	2022
Change in provisions	1,608	3,005
Levy on revenues above price caps	(10,076)	(1,599)
Other taxes and fees	(3,083)	(3,188)
Costs related to trading of commodities	(1,147)	(521)
Insurance	(966)	(786)
Cost of goods sold	(621)	(943)
Bad debt expense	(524)	(580)
Gifts	(499)	(368)
Loss on sale of property, plant and equipment	(31)	(12)
Consumption of guarantees of origin and green and similar certificates	(14)	(7)
Other	(1,292)	(959)
Total	(16,645)	(5,958)

Contributions to the nuclear account (see Note 19.1) is part of Other taxes and fees. The settlement of the provision for long-term spent fuel storage is accounted for in the amount of contributions to nuclear account. Settlement of provision for long-term spent fuel storage is included in Change in provisions.

31. Interest Income

Interest income for each category of financial assets for the years ended December 31, 2023 and 2022, is as follows (in CZK millions):

	2023	2022
Bank accounts	4,006	2,784
Debt financial assets designated at fair value through other comprehensive income	1,192	531
Loans, receivables and other debt financial assets at amortized cost	1,057	468
Financial assets and liabilities at fair value through profit or loss	12	13
Finance lease	12	8
Total	6,279	3,804

32. Other Financial Expenses

Other financial expenses for the years ended December 31, 2023 and 2022, consist of the following (in CZK millions):

	2023	2022
Loss from revaluation of equity financial assets	(972)	(223)
Loss on sale of debt financial assets	(346)	(160)
Losses on financial derivatives	(294)	(80)
Creation and settlement of provisions	(36)	(31)
Foreign exchange rate loss	(1)	(4,433)
Other	(459)	(284)
Total	(2,108)	(5,211)

33. Other Financial Income

Other financial income for the years ended December 31, 2023 and 2022, consists of the following (in CZK millions):

	2023	2022
Foreign exchange rate gain	1,098	-
Gains on financial derivatives	876	5,429
Gain on revaluation of equity financial assets	510	758
Gain on disposal of subsidiaries, associates and joint-ventures	483	-
Gain on sale of debt financial assets	11	15
Dividend income	10	11
Other	445	386
Total	3,433	6,599

34. Income Taxes

Companies resident in the Czech Republic calculated corporate income tax in accordance with the Czech tax regulations at the rate of 19% in 2023 and 2022. The Company's corporate income tax for 2023 corresponds to a rate of 71% due to the application of windfall tax.

Pursuant to Act No. 366/2022 Coll. the Company's taxable income in the years 2023–2025 is further burdened with an increased tax rate of 60%, windfall tax. It is a component of corporate income tax.

The tax base for windfall tax is the difference between the comparative tax base and the average of the comparative tax bases from years 2018–2021 increased by 20%. The Group plans to use the legal ability to move tax bases within the group of companies with windfall profits.

This increased tax rate affects the calculation of deferred income tax of the Company. Tax rates for calculating deferred tax in individual years were calculated as a share of the sum of corporate income tax and windfall tax, where the denominator is the total (compared) tax base.

The estimated effective income tax rates of the Company for the calculation of deferred tax in the future years are as follows:

Year 2024	72%
Year 2025	73%
From 2026 and on	21%

Management believes that it has adequately provided for tax liabilities in the accompanying financial statements. However, it cannot be ruled out that the relevant tax authorities may take a different view on issues allowing for different interpretations of the law, which could have an impact on the reported income.

The components of the income tax provision are as follows (in CZK millions):

	2023	2022
Current income tax charge	(45,833)	(20,198)
Adjustments in respect of current income tax of previous periods[1)]	(203)	994
Deferred income taxes	(3,406)	286
Total	(49,442)	(18,918)

1) In 2022, company ČEZ OZ uzavřený investiční fond a.s. reported a tax income CZK 1,004 million in connection with the termination of the tax audit, which confirmed the income tax rate of 5% for the previous periods, for which ČEZ OZ uzavřený investiční fond a.s. previously reported income tax at a rate of 19%.

The following table summarizes the differences between the income tax expense and accounting profit before taxes multiplied by the applicable tax rate (in CZK millions):

	2023	2022
Income before income taxes	79,016	99,623
Statutory income tax rate in the Czech Republic	71%	19%
"Expected" income tax expense	(55,825)	(18,928)
Tax effect of:		
Non-deductible income (expenses) related to shareholdings	(8)	(40)
Impairment of goodwill and other non-current assets	(147)	20
Share of profit (loss) from associates and joint-ventures	581	170
Adjustments in respect of current income tax of previous periods	(203)	994
Effect of different tax rate in other countries	11,519	343
Impact of different tax rate for calculation of deferred tax	(3,586)	(1,164)
Change in unrecorded deferred tax asset	(2,196)	447
Provisions	(160)	(114)
Social expenses	(162)	(62)
Dividend income	2	2
Expiration of tax losses with recorded deferred tax assets	(38)	(213)
Gain on sale of Akcez group	341	-
Other already taxed, tax exempt or non-deductible items, net	440	(373)
Income taxes	(49,442)	(18,918)
Effective tax rate	63%	19%

Deferred income taxes at December 31, 2023 and 2022 consist of the following (in CZK millions):

	2023	2022
Nuclear provisions	26,725	22,473
Difference between financial statement value and tax value of net book value of fixed assets	2,736	6,269
Revaluation of financial instruments	520	55,999
Allowances	4,847	3,787
Other provisions	20,583	19,426
Lease liabilities	748	539
Tax loss carry forwards	924	1,086
Other temporary differences	2,772	2,915
Unrecorded deferred tax asset	(3,683)	(1,461)
Total deferred tax assets	56,172	111,033
Difference between financial statement value and tax value of net book value of fixed assets	(62,250)	(58,934)
Revaluation of financial instruments	(20,469)	(558)
Other provisions	(163)	(158)
Right-of-use assets	(620)	(465)
Investment in finance lease	(139)	(114)
Emission rights	(12,252)	(11,984)
Other temporary differences	(2,787)	(2,156)
Total deferred tax liability	(98,680)	(74,369)
Total deferred tax (liability) assets	(42,508)	36,664
Reflected in the balance sheet as follows:		
Deferred tax assets	1,380	50,432
Deferred tax liability	(43,888)	(13,768)
Total deferred tax (liability) assets	(42,508)	36,664

Movements of deferred tax in the balance sheet in 2023 and 2022 were as follows (in CZK millions):

	2023	2022
Balance at January 1	36,664	(2,243)
Deferred tax recognized in profit or loss	(3,406)	286
Deferred tax recognized in other comprehensive income	(75,295)	38,784
Acquisition of subsidiaries	(415)	(166)
Disposal of subsidiaries	-	(2)
Currency translation differences	(56)	5
Balance at December 31	(42,508)	36,664

At December 31, 2023 and 2022, the aggregate amount of temporary differences associated with investments in subsidiaries, for which no deferred tax liability was recognized, amounted to CZK 41,658 million and CZK 38,575 million, respectively.

Tax effects relating to individual items of other comprehensive income (in CZK millions):

	2023			2022		
	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	83,278	(59,170)	24,108	(82,058)	55,615	(26,443)
Cash flow hedges reclassified to statement of income	22,373	(15,806)	6,567	87,751	(16,680)	71,071
Cash flow hedges reclassified to assets	(131)	94	(37)	403	(77)	326
Change in fair value of debt instruments	2,347	(398)	1,949	(1,359)	330	(1,029)
Disposal of debt instruments	26	(15)	11	(1)	1	-
Translation differences – subsidiaries	948	-	948	(412)	-	(412)
Translation differences – associates and joint-ventures	(317)	-	(317)	(140)	-	(140)
Disposal of translation differences	1,099	-	1,099	(14)	-	(14)
Share on other equity movements of associates and joint-ventures	(40)	-	(40)	(56)	-	(56)
Change in fair value of equity instruments	(304)	-	(304)	111	(405)	(294)
Re-measurement gains (losses) on defined benefit plans	(3)	-	(3)	12	-	12
Total	109,276	(75,295)	33,981	4,237	38,784	43,021

35. Related Parties

The Group purchases from and sells to related parties products, goods and services in the ordinary course of business.

At December 31, 2023 and 2022, the receivables from related parties and payables to related parties are as follows (in CZK millions):

	Receivables		Payables	
	2023	2022	2023	2022
ČEZ Recyklace, s.r.o.[1)]	144	125	-	3
Elevion Co-Investment GmbH & Co. KG	-	-	68	65
GEOMET s.r.o.	126	2	-	-
GP JOULE PP1 GmbH & Co. KG	56	34	-	-
in PROJEKT LOUNY ENGINEERING s.r.o.	16	-	16	15
LOMY MOŘINA spol. s r.o.	52	24	40	40
Tepelné hospodářství města Ústí nad Labem s.r.o.[2)]	-	69	-	-
Výzkumný a zkušební ústav Plzeň s.r.o.	8	4	18	8
Výzkumný ústav pro hnědé uhlí a.s.	-	-	10	11
Windpark Berka GmbH & Co. KG	11	10	-	-
Other	46	19	12	13
Total	459	287	164	155

[1)] Company has been related party from December 1, 2022.

[2)] Company has been related party till June 30, 2023. Company is a subsidiary since July 1, 2023.

The following table provides the total amount of transactions, which have been entered into with related parties for 2023 and 2022 (in CZK millions):

	Sales to related parties		Purchases from related parties	
	2023	2022	2023	2022
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	23	-	35	374
in PROJEKT LOUNY ENGINEERING s.r.o.	41	-	40	43
Jadrová energetická spoločnosť Slovenska, a. s.	16	17	-	-
juwi Wind Germany 100 GmbH & Co. KG	-	-	10	10
LOMY MOŘINA spol. s r.o.	184	153	368	299
RadioMedic s.r.o.	12	-	2	-
Tepelné hospodářství města Ústí nad Labem s.r.o.[1)]	240	368	1	5
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	29	33	-	-
Výzkumný a zkušební ústav Plzeň s.r.o.	9	10	90	43
Výzkumný ústav pro hnědé uhlí a.s.	-	1	22	22
Other	15	3	28	8
Total	569	585	596	804

[1)] Company has been related party till June 30, 2023. Company is a subsidiary since July 1, 2023.

Dividend income, interest and other financial income from related parties for 2023 and 2022 (in CZK millions):

	Interest and other financial income		Dividend income	
	2023	2022	2023	2022
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.S.[1)]	7	10	-	-
Bytkomfort, s.r.o.	-	-	23	8
GEOMET s.r.o.	6	-	-	-
Výzkumný ústav pro hnědé uhlí a.s.	-	-	8	2
Other	9	7	5	13
Total	22	17	36	23

1) The company has been related party till November 30, 2023.

Information about compensation of key management is included in Note 29. Information about guarantees provided to joint-ventures is included in Note 18.2.

36. Segment Information

The Group reports its result using four primary reportable operating segments:

- Generation
- Distribution
- Sales
- Mining

The segments are defined across the countries that CEZ Group operates. Segment is a functionally autonomous part of CEZ Group that forms a separate process part of the value chain of the Group.

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 EBITDA (see Note 15). The Group also monitors and evaluates the results of individual segments according to the gross margin indicator, which is defined as follows (in CZK millions):

	2023	2022
Revenues and other operating income	340,585	288,485
Gains and losses from commodity derivative trading	15,504	41,150
Purchase of electricity, gas and other energies	(83,181)	(69,634)
Fuel and emission rights	(40,243)	(45,409)
Services	(39,722)	(31,931)
Capitalization of expenses to the cost of assets and change in own inventories	4,590	4,445
Levy on revenues above price caps[1)]	(10,076)	(1,559)
Other[2)]	(1,676)	(623)
Gross margin	185,781	184,924

1) Levy on revenues above price caps is part of the statement of income line-item Other operating expenses (see Note 30).

2) Other includes relevant part of the material costs (part of the statement of income line-item Material and supplies) and excludes part of the statement of income line-item Services, which refers to repair and maintenance services and other services that have rather overhead nature.

The following tables summarize segment information by operating segments for the years ended December 31, 2023 and 2022 (in CZK millions):

Year 2023:	Generation	Distribution	Sales	Mining	Combined	Elimination	Consolidated
Revenues and other operating income – other than intersegment	103,994	35,828	193,015	7,748	340,585	-	340,585
Revenues and other operating income – intersegment	141,107	379	28,785	13,765	184,036	(184,036)	-
Total revenues and other operating income	245,101	36,207	221,800	21,513	524,621	(184,036)	340,585
Thereof:							
Sales of electricity, heat, gas and coal	227,999	-	178,736	20,130	426,865	(175,066)	251,799
Sales of services and other revenues	15,126	35,870	40,680	1,310	92,986	(8,401)	84,585
Other operating income	1,976	337	2,384	73	4,770	(569)	4,201
Revenues and other operating income, including result from commodity derivative trading	259,869	36,207	222,802	21,512	540,390	(184,301)	356,089
Total sales of electricity, including the result of electricity trading[1)]	201,627	-	139,241	5	340,873	(124,293)	216,580
Gross margin	119,400	28,837	25,737	21,113	195,087	(9,306)	185,781
EBITDA	90,445	17,431	6,317	12,251	126,444	(1,605)	124,839
Depreciation and amortization	(23,301)	(7,305)	(2,348)	(2,382)	(35,336)	-	(35,336)
Impairment of property, plant and equipment and intangible assets	(263)	(29)	(23)	(4,985)	(5,300)	-	(5,300)
Income before other income (expenses) and income taxes	67,079	10,149	3,974	4,915	86,117	(1,605)	84,512
Interest on debt and provisions	(12,379)	(1,263)	(488)	(654)	(14,784)	1,196	(13,588)
Interest income	4,732	734	1,325	684	7,475	(1,196)	6,279
Share of profit (loss) from associates and joint-ventures	(18)	612	391	(153)	832	-	832
Income taxes	(42,491)	(3,078)	(1,153)	(2,920)	(49,642)	200	(49,442)
Net income	28,167	6,802	3,450	2,099	40,518	(10,944)	29,574
Identifiable assets	288,800	135,516	15,104	12,977	452,397	(265)	452,132
Investment in associates and joint-ventures	2,773	-	284	680	3,737	-	3,737
Unallocated assets							369,896
Total assets							825,765
Capital expenditure	22,305	17,008	4,776	2,480	46,569	(785)	45,784
Average number of employees	12,005	4,621	8,606	4,331	29,563	-	29,563

1) The item contains the line Total sales of electricity (Note 24) and the line Gain from electricity derivative trading (Note 25).

Year 2022:	Generation	Distribution	Sales	Mining	Combined	Elimination	Consolidated
Revenues and other operating income – other than intersegment	120,947	35,314	125,926	6,298	288,485	-	288,485
Revenues and other operating income – intersegment	90,933	462	18,269	6,924	116,588	(116,588)	-
Total revenues and other operating income	211,880	35,776	144,195	13,222	405,073	(116,588)	288,485
Thereof:							
Sales of electricity, heat, gas and coal	191,515	-	110,997	11,898	314,410	(108,722)	205,688
Sales of services and other revenues	13,607	35,207	32,086	1,237	82,137	(6,772)	75,365
Other operating income	6,758	569	1,112	87	8,526	(1,094)	7,432
Revenues and other operating income, including result from commodity derivative trading	255,311	35,776	141,909	13,222	446,218	(116,583)	329,635
Total sales of electricity, including the result of electricity trading[1)]	183,122	-	86,071	3	269,196	(78,811)	190,385
Gross margin	130,424	27,968	20,340	12,918	191,650	(6,726)	184,924
EBITDA	103,481	18,074	4,408	6,212	132,175	(607)	131,568
Depreciation and amortization	(22,343)	(6,694)	(2,096)	(1,624)	(32,757)	-	(32,757)
Impairment of property, plant and equipment and intangible assets	104	(35)	(28)	2,823	2,864	-	2,864
Income before other income (expenses) and income taxes	81,378	11,435	2,298	7,423	102,534	(607)	101,927
Interest on debt and provisions	(7,201)	(903)	(387)	(290)	(8,781)	907	(7,874)
Interest income	2,903	491	975	342	4,711	(907)	3,804
Share of profit (loss) from associates and joint-ventures	(11)	862	166	(120)	897	-	897
Income taxes	(14,465)	(2,055)	(706)	(1,437)	(18,663)	(255)	(18,918)
Net income	67,968	9,300	2,886	6,090	86,244	(5,539)	80,705
Identifiable assets	281,176	125,898	11,751	16,458	435,283	(164)	435,119
Investment in associates and joint-ventures	2,630	-	451	662	3,743	-	3,743
Unallocated assets							668,518
Total assets							1,107,380
Capital expenditure	14,892	15,070	3,045	2,163	35,170	(372)	34,798
Average number of employees	10,641	4,586	7,833	4,312	27,372	-	27,372

1) The item contains the line Total sales of electricity (Note 24) and the line Gain from electricity derivative trading (Note 25).

Prices in certain intersegment transactions are regulated by the Energy Regulatory Office.

The following table shows the split of revenues and other operating income by the location of the entity where the revenues are originated (in CZK millions):

	2023	2022
Czech Republic	288,628	247,860
Germany	22,199	17,243
Poland	12,596	9,441
Hungary	11,501	9,193
Slovakia	2,499	1,715
Israel	1,157	1,372
Romania	610	452
Italy	445	378
Netherlands	430	502
Other	520	329
Total revenues and other operating income	340,585	288,485

The following table shows the split of property, plant and equipment by the location of entity which they belong to at December 31, 2023 and 2022 (in CZK millions):

	2023	2022
Czech Republic	439,116	425,114
Germany	7,182	6,158
France	2,702	1,874
Italy	1,549	805
Slovakia	727	665
Poland	537	309
Other	319	194
Total property, plant and equipment	452,132	435,119

37. Net Income per Share

	2023	2022
Numerator (CZK millions)		
Basic and diluted:		
Net income attributable to equity holders of the parent	29,524	80,786
Denominator (thousands shares)		
Basic:		
Weighted average shares outstanding	536,810	536,781
Dilutive effect of share options	-	26
Diluted:		
Adjusted weighted average shares	536,810	536,807
Net income per share (CZK per share)		
Basic	55.0	150.5
Diluted	55.0	150.5

38. Commitment and Contingencies

Investment Plans

Capital expenditures for the next five years as at December 31, 2023 are estimated as follows (in CZK billions):

2024	56.9
2025	73.9
2026	81.4
2027	75.4
2028	70.5
Total	358.1

The above-mentioned values do not include planned acquisitions of subsidiaries, associates and joint-ventures. From 2025 onwards, they do not include the investments of the company Elektrárna Dukovany II, a. s., where, in accordance with Act No. 367/2021 Coll., on measures for the transition of the Czech Republic to low-carbon energy, it is assumed, that investments will be financed through repayable financial assistance provided to the company Elektrárna Dukovany II, a. s.

The Group reviews regularly investment plan and actual capital expenditures may vary from the above estimates. At December 31, 2023, significant purchase commitments were outstanding in connection with the investment plan.

Insurance Matters

The Nuclear Energy Act sets limits for liabilities for nuclear damages so that the operator of nuclear installations for energy generation purposes is liable for up to CZK 8 billion per incident. The Nuclear Energy Act limits the liability for damage caused by other nuclear installations and activities (such as transportation) to CZK 2 billion. The Nuclear Energy Act also requires an operator to insure its liability connected with the operation of a nuclear power plant up to a minimum of CZK 2 billion and up to a minimum of CZK 300 million for other activities (such as transportation). The Company concluded the above-mentioned insurance policies with company Generali Česká pojišťovna a.s. (representing Czech Nuclear Insurance Pool) and European Liability Insurance for the Nuclear Industry. The Company has obtained all insurance policies with minimal limits as required by the law.

The Group also maintains the insurance policies covering the assets of its coal-fired, hydroelectric, CCGT and nuclear power plants and general third-party liability insurance in connection with main operations of the Group.

39. Events after the Balance Sheet Date

On March 20, 2024, the Company concluded the contract for acquisition of 55.21% stake in Luxembourg company Czech Gas Networks S.à r.l. for the purchase price of EUR 846.5 million. The company Czech Gas Networks S.à r.l. is indirect 100% owner of Czech companies GasNet, s.r.o., which is the leading gas distribution infrastructure operator based in the Czech Republic, and GasNet Služby, s.r.o. The completion of the transaction is subject to approval by the European Commission and the Czech Ministry of Industry and Trade, and it is expected in second half of the year 2024.

These consolidated financial statements have been authorized for issue on March 20, 2024.

Daniel Beneš
Chairman of the Board of Directors

Martin Novák
Member of the Board of Directors