ČEZ, a. s.

SEPARATE FINANCIAL STATEMENTS

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

(Translation of Separate Financial Statements Originally Issued in Czech)

ČEZ, a. s.
BALANCE SHEET
AS OF DECEMBER 31, 2023

In CZK Millions

	Note	2023	2022
ASSETS:			
Plant in service		545,946	514,654
Less accumulated depreciation and impairment		(311,853)	(287,171)
Net plant in service		234,093	227,483
Nuclear fuel		16,002	11,873
Construction work in progress		13,457	13,473
Total property, plant and equipment	3	263,552	252,829
Restricted financial assets	4	18,224	15,215
Other non-current financial assets	5	182,991	157,686
Intangible assets	6	1,705	1,143
Investment properties	7	382	437
Deferred tax assets	33	-	47,885
Total other non-current assets		203,302	222,366
Total non-current assets		466,854	475,195
Cash and cash equivalents	8	5,680	33,012
Trade and other receivables	9	86,885	169,773
Income tax receivable		2	-
Materials and supplies		10,488	16,028
Fossil fuel stocks		2,056	300
Emission rights	10	23,196	21,216
Derivatives and other current financial assets	5	126,010	304,894
Other current assets	11	4,795	8,582
Total current assets		259,112	553,805
Total assets		725,966	1,029,000

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

ČEZ, a. s.
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		129,117	145,975
Total equity	13	181,582	198,440
Long-term debt, net of current portion	14	122,644	132,739
Provisions	17	143,009	122,067
Other long-term financial liabilities	18	4,363	38,659
Deferred tax liability	33	28,116	-
Total non-current liabilities		298,132	293,465
Short-term loans	19	7,240	52,933
Current portion of long-term debt	14	29,456	8,034
Trade payables		45,654	76,525
Income tax payable		356	15,117
Provisions	17	20,677	21,515
Derivatives and other short-term financial liabilities	18	139,881	358,311
Other short-term liabilities	20	2,988	4,660
Total current liabilities		246,252	537,095
Total equity and liabilities		725,966	1,029,000

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

ČEZ, a. s.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

In CZK Millions

	Note	2023	2022
Sales of electricity, heat and gas		206,998	183,634
Sales of services and other revenues		10,938	10,946
Other operating income		1,138	5,611
Total revenues and other operating income	22	219,074	200,191
Gains and losses from commodity derivative trading	23	16,499	44,262
Purchase of electricity, gas and other energies	24	(74,560)	(85,498)
Fuel and emission rights	25	(38,916)	(37,665)
Services	26	(14,377)	(11,090)
Salaries and wages	27	(10,828)	(10,694)
Materials and supplies		(2,526)	(2,127)
Capitalization of expenses to the cost of assets and change in own inventories		175	150
Depreciation and amortization	3, 6, 7	(19,670)	(18,021)
Impairment of property, plant and equipment and intangible assets		20	65
Impairment of trade and other receivables		97	(167)
Other operating expenses	28	(11,517)	(4,035)
Income before other income (expenses) and income taxes		63,471	75,371
Interest on debt		(9,611)	(6,806)
Interest on provisions	17	(6,300)	(2,390)
Interest income	29	8,114	4,998
Impairment of financial assets	30	140	(562)
Other financial expenses	31	(1,159)	(4,595)
Other financial income	32	15,257	11,665
Total other income (expenses)		6,441	2,310
Income before income taxes		69,912	77,681
Income taxes	33	(41,818)	(13,859)
Net income		28,094	63,822
Net income per share (CZK per share):	36		
Basic		52.3	118.9
Diluted		52.3	118.9

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

ČEZ, a. s.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

In CZK Millions

	Note	2023	2022
Net income		28,094	63,822
Change in fair value of cash flow hedges		83,603	(82,332)
Cash flow hedges reclassified to statement of income		22,371	87,843
Cash flow hedges reclassified to assets		(131)	403
Change in fair value of debt financial instruments		1,925	(887)
Deferred tax related to other comprehensive income	33	(75,260)	39,144
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		32,508	44,171
Change in fair value of equity instruments		(305)	109
Deferred tax related to other comprehensive income	33	-	(405)
Net other comprehensive income not to be reclassified from equity		(305)	(296)
Total other comprehensive income, net of tax		32,203	43,875
Total comprehensive income, net of tax		60,297	107,697

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

ČEZ, a. s.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

In CZK Millions

	Stated capital	Treasury shares	Cash flow hedge reserve	Debt financial instruments	Equity financial instruments and other reserves	Retained earnings	**Total equity**
Balance as at January 1, 2022	53,799	(1,423)	(67,248)	(652)	(1,687)	133,639	116,428
Net income	-	-	-	-	-	63,822	63,822
Other comprehensive income	-	-	44,819	(648)	(296)	-	43,875
Total comprehensive income	-	-	44,819	(648)	(296)	63,822	107,697
Dividends	-	-	-	-	-	(25,727)	(25,727)
Sale of treasury shares	-	89	-	-	-	(47)	42
Exercised and forfeited share options	-	-	-	-	(4)	4	-
Balance as at December 31, 2022	53,799	(1,334)	(22,429)	(1,300)	(1,987)	171,691	198,440
Net income	-	-	-	-	-	28,094	28,094
Other comprehensive income	-	-	30,907	1,601	(305)	-	32,203
Total comprehensive income	-	-	30,907	1,601	(305)	28,094	60,297
Effect of business combinations	-	-	-	-	97	558	655
Dividends	-	-	-	-	-	(77,810)	(77,810)
Balance as at December 31, 2023	53,799	(1,334)	8,478	301	(2,195)	122,533	181,582

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

ČEZ, a. s.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

In CZK Millions

	Note	2023	2022
OPERATING ACTIVITIES:			
Income before income taxes		69,912	77,681
Adjustments of income before income taxes to cash generated from operations:			
Depreciation and amortization	3, 6, 7	19,670	18,021
Amortization of nuclear fuel	3	3,706	3,980
(Gains) and losses on non-current asset retirements		(1,484)	19
Foreign exchange rate loss (gain)		(899)	4,180
Interest expense, interest income and dividend income		(10,650)	(5,638)
Provisions		2,988	9,807
Impairment of property, plant and equipment and intangible assets		(20)	(65)
Other non-cash expenses and income		24,826	86,256
Changes in assets and liabilities:			
Receivables and contract assets		84,537	(43,481)
Materials, supplies and fossil fuel stocks		4,656	(5,760)
Receivables and payables from derivatives		(10,393)	(167,272)
Other assets		4,195	(12,446)
Trade payables		(31,757)	(686)
Other liabilities		(1,675)	2,970
Cash from operations		157,612	(32,434)
Income taxes paid		(56,307)	(2,742)
Interest paid, net of capitalized interest		(9,516)	(5,779)
Interest received		8,087	4,851
Dividends received	5, 32	12,147	7,446
Net cash flow from operating activities		112,023	(28,658)
INVESTING ACTIVITIES:			
Acquisition of subsidiaries, associates and joint-ventures		(10,927)	(4,145)
Proceeds from disposal of subsidiaries, associates and joint-ventures and original investments repayments	12	2,959	909
Additions to non-current assets, including capitalized interest		(19,673)	(11,529)
Proceeds from sale of non-current assets		906	477
Loans made		(5,147)	(5,000)
Repayment of loans		8,813	2,232
Change in restricted financial assets		(1,484)	(1,228)
Net cash flow from investing activities		(24,553)	(18,284)

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

ČEZ, a. s.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

continued

	Note	2023	2022
FINANCING ACTIVITIES:			
Proceeds from borrowings		113,483	300,171
Payments of borrowings		(149,956)	(230,889)
Payments of lease liabilities	21	(259)	(194)
Proceeds from other long-term liabilities		5	17
Payment of other long-term liabilities		(1,822)	(4)
Change in payables/receivables from Group cashpooling		1,546	16,580
Dividends paid		(77,435)	(25,626)
Sale of treasury shares		-	42
Net cash flow from financing activities		(114,438)	60,097
Net effect of currency translation and allowances in cash		(364)	(947)
Net increase (decrease) in cash and cash equivalents		(27,332)	12,208
Cash and cash equivalents at beginning of period		33,012	20,804
Cash and cash equivalents at end of period	8	5,680	33,012

Supplementary cash flow information:

		2023	2022
Total cash paid for interest		9,959	6,043

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

ČEZ, a. s.
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023

CONTENT:

ČEZ, a. s.
NOTES TO THE 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 joint-stock company that came into existence by registration in the Commercial Register maintained by the Municipal Court in Prague (section B, file 1581) on May 6, 1992, and has its registered office at Duhová 2/1444, Praha 4, Czech Republic.

The main subject of the Company's business is the production of electricity, trade in electricity, gas and other commodities and production and distribution of thermal energy. ČEZ is an energy company that generated approximately 62% of electricity produced in the Czech Republic in 2023. ČEZ is a parent company of the CEZ Group, which is one of the largest economical entities in Central Europe.

The average full-time equivalent number of employees was 6,345 and 5,876 in 2023 and 2022, respectively.

The majority stake in the Company is owned by the Czech Republic, represented by the Ministry of Finance of the Czech Republic. The Czech Republic held a 69.8% share in the Company's stated capital at December 31, 2023. The majority shareholder's share in voting rights was 69.9% at the same date.

The Company's business environment is significantly affected by regulation and legislation at the level of the European Union and in the Czech Republic. 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 Company's coal and gas generation assets. The Company'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 Company's value and at the same time making maximum use of the new opportunities that these trends bring for the Company.

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 2.3). Mainly it relates to determination of recoverable amount of property, plant and equipment and intangible assets (see Note 3), of the provision for demolition and dismantling of fossil-fuel power plants (see Note 17.2) and of remaining useful life of property, plant and equipment used for depreciation (see Note 2.6).

2. Summary of Significant Accounting Policies

2.1. Financial Statements

These separate financial statements 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.

Due to the economic substance of transactions and the environment in which the Company operates, the Czech crowns (CZK) is used as the functional currency and reporting currency.

The Company has also prepared CEZ Group's consolidated financial statements in accordance with IFRS Accounting Standards as adopted by European Union for the same period.

Explanation Added for Translation into English

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

2.2. Changes in Accounting Policies

2.2.1. 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 Company 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 those new standards and amendments did not have significant impact to the Company's financial statements.

2.2.2. New IFRS Standards either not yet Effective or not yet Adopted by the EU

The Company 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: Supplier Finance Arrangements (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 (Amendment)

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

2.3. Estimates and Accounting Judgments

The Company makes significant estimates when determining the recoverable amounts of property, plant and equipment and non-current financial assets (see Notes 3 and 5), for nuclear provisions (see Notes 2.20 and 17.1), provision for demolition and dismantling of fossil-fuel power plants (see Notes 2.21 and 17.2), for provision for waste storage restoration (see Note 17.2), and when determining the fair value of commodity contracts (see Notes 2.13 and 15) and financial derivatives (see Notes 2.12 and 15), incremental interest rates and lease terms to measure lease liabilities (see Notes 2.22 and 21) and deferred tax calculation (see Notes 2.18 and 33). Actual results may differ from such estimates.

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 and to the change of the discount rate.

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. The other significant changes relate to determining the recoverable amount of financial assets and estimation of expected income tax rate during the years 2023–2025 due to windfall tax.

2.4. Revenues and Other Income

Revenue is recognized, when the Company has satisfied a performance obligation and the amount of revenue can be reliably measured. The Company 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 Company recognizes revenue from sales of electricity, heat and gas based on contract terms at the moment of the delivery. Any differences between contracted amounts and actual supplies are settled through the market operator.

Dividend income is recognized when the Company is awarded the right to the payment of the dividend.

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

2.5. Fuel Costs

Fuel is recognized as costs when it is consumed. Fuel costs include the depreciation of nuclear fuel (see Note 2.7).

2.6. 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. 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 Company assesses whether there are any indicators that an asset may have been impaired. Where there are such indicators of impairment, the Company 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 Company 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 Company 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 Company 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 at December 31, 2023, is determined as follows:

	Useful lives (years)
Buildings and structures	13–60
Machinery and equipment	4–45
Vehicles	4–34
Furniture and fixtures	4–15

The average depreciation period depending on useful life as at December 31, 2023, is determined as follows:

	Average life (years)
Hydro plants	
Buildings and structures	48
Machinery and equipment	17
Fossil fuel plants	
Buildings and structures	30
Machinery and equipment	17
Nuclear power plant	
Buildings and structures	50
Machinery and equipment	38

2.7. Nuclear Fuel

The Company 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.

2.8. Intangible Assets

Intangible assets are measured at costs, including the purchase price and related expenses.

At each reporting date, the Company assesses whether there are any indicators that a non-current intangible asset may have been impaired. 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.

Non-current intangible assets are amortized using the straight-line method over their estimated useful life.

The estimated useful life of intangible assets as at December 31, 2023, is determined as follows:

	Average life (years)
Software	3–24
Rights	6–29
Easements	6

2.9. Investment Property

Investment property is a property held to earn rentals or for capital appreciation, or both, rather than use for ordinary course of business. If the property is also used for ordinary business, it is an investment in property only if the owner-occupied portion is non-material.

Investment property is initially measured at cost, which consists of the purchase cost and any directly attributable transaction costs. After initial recognition, investment property is recognized in accordance with the cost model. The average depreciation period based on useful life is 49 years.

2.10. Emission Rights

The greenhouse gas emission right (hereinafter the emission right) represents the right of the operator of a facility that generates greenhouse gas emissions by its operation to emit the equivalent of a ton of carbon dioxide into the atmosphere in a given calendar year. The Company is obliged to determine and report the amount of greenhouse gas emissions from the facilities for each calendar year and this amount must be audited by an accredited person. The Company was allocated a certain amount of emission rights on the basis of the National Allocation Plan.

The Company 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 rights held for trading). The Company 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 Company assesses whether there are any indicators that emission allowances may have been impaired. Where there are such indicators, the Company 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 Company 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.

2.11. 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 Company intends to realize them within 12 months of the end of the reporting period or if there is not reasonable assurance that the Company 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 Company intends to settle on a net basis or to realize the financial assets and settle the financial liabilities simultaneously.

2.11.1. Financial Assets

Financial assets are classified into the categories in terms of measurement of at amortized cost, 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 and at cost.

The Company classifies assets into the following categories:

a) Financial asset measurement at amortized cost
This category comprises financial assets for which the Company'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 Company'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 Company'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.

d) Financial asset measurement at cost
This category of financial assets comprises investments in subsidiaries, associates and joint-ventures. Additions to impairment are recognized in profit or loss.

2.11.2. Financial Liabilities

Financial liabilities are classified into two core categories of 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.

2.11.3. 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 2.11.

2.11.4. Impairment of Financial Assets

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

The Company 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 Company has used an 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.

2.12. Derivatives

The Company 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 Company 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 Company 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.

2.12.1. 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.

2.12.2. Cash Flow Hedging Derivatives

Changes in the fair values of derivatives hedging expected cash flows are 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.

2.12.3. 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.

2.13. 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 Company assume physical delivery of the commodity in amounts intended for use or sale in the course of the Company'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 Company'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 Company'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 Company.

The Company 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 flow are revalued to fair value, with changes in fair value recognized in profit or loss. The Company 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 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 2.12.2 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.

2.14. 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. Foreign currency cash and cash equivalents are translated to the Czech crowns at the exchange rate applicable at the end of the reporting period.

2.15. 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 the waste storage reclamation 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 Company's purposes.

2.16. Materials and Supplies

Purchased inventories are measured at actual cost, using the weighted average cost method. 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. Impairments of inventories amounted to CZK 43 million and CZK 22 million at December 31, 2023 and 2022, respectively.

Gas inventories are acquired mainly for purpose of trading. 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.

2.17. Fossil Fuel Stocks

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

2.18. Income Taxes

The amount of income taxes is determined in compliance with Czech tax laws and is based on the Company's profit or loss determined in accordance with Czech accounting regulations and adjusted for permanently or temporarily nondeductible expenses and untaxed income (e.g., a difference in the depreciation and amortization of non-current assets for tax and accounting purposes). The current income tax at December 31, 2023 and 2022, 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 taxable income of 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 33). The applicable income tax rate including windfall tax is 71% for 2023. Expected tax rate from 2026 is 21%.

The Company 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 Company 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 Company 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 asset is recognized when it is probable that the Company will generate sufficient taxable profit in the future against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized. A deferred tax liability is recognized for all taxable temporary differences.

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.

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.

2.19. 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.

2.20. Nuclear Provisions

The Company 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 17.1).

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 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 Company 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 Company’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.

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

The Company has recognized provision for demolition and dismantling of fossil-fuel power plants (see Note 17.2) after their decommissioning. 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 at 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 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 1.8% and 1.3% as at December 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 of the estimated inflation and 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 Company 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 Company’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.

2.22. 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 Company does not apply IFRS 16 to leases of intangible assets.

2.22.1. Company as a Lessee

The Company uses a consistent approach to the reporting and measurement of all leases, except for short-term leases and leases of low-value assets. The Company accounts for future lease payments as lease liabilities and recognizes right-of-use assets, which 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 Company 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 Company uses an incremental interest rate at the commencement date of the lease. 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 Company 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 Company estimates the incremental interest rate using observable inputs, such as market interest rates.

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

b) Right-of-Use Assets

The Company 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	4–22
Buildings	8–13
Vehicles, machinery and equipment	3–34
Furniture and fixtures and other tangible assets	13

2.22.2. Company as a Lessor

The Company leases out its tangible assets including own tangibles and right-of-use assets. The Company has classified the leases as financial or operating leases. Operating lease is a lease whereby the Company does not transfer substantially all the risks and rewards incidental to the ownership of 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 finance leases, the Company recognizes a 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 Company 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 Company uses the discount rate used for the head lease.

2.23. 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 27). 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 Company 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.

2.24. 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.

2.25. Foreign Currency Transactions

Assets and liabilities in foreign currencies are translated into the Czech currency at the exchange rate applicable at the date of the accounting transaction as published by the Czech National Bank for that date. In annual financial statements, such monetary assets and liabilities are translated at the exchange rate applicable at December 31. Exchange differences arising on the settlement of such transactions and from the translation of monetary assets and liabilities in foreign currencies are recognized in profit or loss, except when exchange differences arise in connection with a liability that is classified as an effective hedge of cash flows. Such exchange differences are recognized directly in equity.

The Company 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

2.26. Assets Classified as 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. Company 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 and 2022, was 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	132,811	380,261	1,582	514,654	20,467	13,512	548,633
Additions	54	68	18	140	-	17,741	17,881
Disposals	(1,097)	(3,081)	(15)	(4,193)	(4,586)	(24)	(8,802)
Bring into use	4,351	5,876	123	10,350	7,371	(17,721)	-
Change in capitalized part of the provision	990	12,689	-	13,679	62	-	13,741
Effect of business combinations	4,331	6,789	69	11,189	-	-	11,189
Other	118	4	5	127	-	(12)	115
Cost at December 31, 2023	141,558	402,606	1,782	545,946	23,314	13,496	582,756
Accumulated depreciation and impairment at January 1, 2023	(62,519)	(224,489)	(163)	(287,171)	(8,594)	(39)	(295,804)
Depreciation and amortization of nuclear fuel[1)]	(5,698)	(13,787)	(20)	(19,505)	(3,304)	-	(22,809)
Net book value of assets disposed	(22)	(99)	(2)	(123)	-	-	(123)
Disposals	1,097	3,081	9	4,187	4,586	-	8,772
Effect of business combinations	(3,296)	(5,899)	-	(9,195)	-	-	(9,195)
Other	(66)	-	-	(66)	-	-	(66)
Impairment losses recognized	(1)	(1)	-	(2)	-	-	(2)
Impairment losses reversed	21	-	1	22	-	-	22
Accumulated depreciation and impairment at December 31, 2023	(70,484)	(241,194)	(175)	(311,853)	(7,312)	(39)	(319,205)
Property, plant and equipment at December 31, 2023	71,074	161,412	1,607	234,093	16,002	13,457	263,552

[1)] The amortization of nuclear fuel as at December 31, 2023, also includes the creation of a provision for temporary storage of spent nuclear fuel in the amount of CZK 402 million.

	Buildings	Plant and equipment	Land and other	Total plant in service	Nuclear fuel	Construction work in progress	Total
Cost at January 1, 2022	116,634	371,033	1,544	489,211	22,119	11,542	522,872
Additions	15	70	8	93	-	11,211	11,304
Disposals	(477)	(5,431)	(6)	(5,914)	(4,060)	(3)	(9,977)
Bring into use	1,894	4,888	37	6,819	2,408	(9,227)	-
Change in capitalized part of the provision	14,813	9,701	-	24,514	-	-	24,514
Effect of merger and other	(68)	-	(1)	(69)	-	(11)	(80)
Cost at December 31, 2022	132,811	380,261	1,582	514,654	20,467	13,512	548,633
Accumulated depreciation and impairment at January 1, 2022	(58,276)	(216,593)	(146)	(275,015)	(9,098)	(64)	(284,177)
Depreciation and amortization of nuclear fuel[1)]	(4,778)	(13,141)	(18)	(17,937)	(3,556)	-	(21,493)
Net book value of assets disposed	(18)	(183)	(3)	(204)	-	-	(204)
Disposals	477	5,431	2	5,910	4,060	-	9,970
Effect of merger and other	49		1	50	-	-	50
Impairment losses recognized	-	(2)		(2)	-	-	(2)
Impairment losses reversed	27	(1)	1	27	-	25	52
Accumulated depreciation and impairment at December 31, 2022	(62,519)	(224,489)	(163)	(287,171)	(8,594)	(39)	(295,804)
Property, plant and equipment at December 31, 2022	70,292	155,772	1,419	227,483	11,873	13,473	252,829

[1)] The amortization of nuclear fuel as at December 31, 2022, also includes the creation of a provision for temporary storage of spent nuclear fuel in the amount of CZK 424 million.

In 2023 and 2022, a composite depreciation rate of plant in service was 3.7% and 3.6%, respectively.

In 2023 and 2022, capitalized interest costs amounted to CZK 447 million and CZK 311 million, respectively, and the interest capitalization rate was 3.3% and 3.1%, respectively.

Construction work in progress contains mainly investments related to the acquisition of nuclear fuel, photovoltaic power plants and refurbishments performed on Temelín, Dukovany and Prunéřov power plants.

The Company drew in 2023 and 2022 grants related to the property, plant and equipment in amount CZK 664 million and CZK 47 million, respectively.

Company as a Lessee

The following table shows selected information as at December 31, 2023, and for the year ended 2023, respectively, relating to rights-of-use assets according to the classes of leased tangible fixed assets (in CZK millions):

	2023			
	Buildings	Plant and equipment	Land and other	Total plant in service
Additions of right-of-use assets	54	68	18	140
Depreciation charge for right-of-use assets	(134)	(32)	(17)	(183)
Carrying amounts as at December 31	470	149	99	718

The following table shows selected information as at December 31, 2022, and for the year ended 2022, respectively, relating to rights-of-use assets according to the classes of leased tangible fixed assets (in CZK millions):

	2022			
	Buildings	Plant and equipment	Land and other	Total plant in service
Additions of right-of-use assets	15	70	8	93
Depreciation charge for right-of-use assets	(124)	(15)	(15)	(154)
Carrying amounts as at December 31	568	117	98	783

Company as a Lessor

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

	Buildings	Vehicles	Land and other	Total plant in service
Carrying amount as at December 31, 2023	2,302	131	381	2,814
Carrying amount as at December 31, 2022	2,154	162	436	2,752

Testing Assets for Impairment

The Company's generation assets are tested for potential impairment as a single cash-generating unit except for specific assets such as the CCGT plant at Počerady. The cash-generating unit of the Company's generation assets is characterized by portfolio management in the deployment of generating facilities, in their maintenance and in the cash flows arising from this activity.

Testing of the recoverable amount of non-current assets of the ČEZ, a. s., cash-generating unit (hereinafter the ČEZ value) included an analysis of the sensitivity of test results to change in selected significant parameters of the model used – change in wholesale electricity prices (hereinafter the EE prices), the discount rate used in calculating the present value of future cash flows, and the CZK/EUR exchange rate.

A key assumption of the ČEZ value model is developments in commodity prices and, most importantly, developments in the wholesale price of electricity in Germany, which has a profound impact on developments in wholesale electricity prices in the Czech Republic. Developments in wholesale prices are determined primarily by the EU's political decisions, developments in global commodity demand and supply, and 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 centrally regulated payments for the availability and deliveries of generating facilities will be introduced alternatively 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. It relates, 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 result of the sensitivity test shown below reflects an expert estimation of the status and changes of the abovementioned factors within the modeled period time frame and the status of price and currency hedges for future generation as at December 31, 2023.

The test is based on the business plan of ČEZ for 2024–2028 and on the assumptions of long-term development of relevant electricity prices. The business plan was prepared in the fourth quarter of 2023 based on market parameters from October 2023, respectively plan of 2024 from December 2023 (electricity prices on the EEX energy exchange in Germany, prices on the PXE energy exchange in the Czech Republic, prices of emission rights, foreign exchange 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 the German and Czech transmission grids makes them a fundamental market indicator for EE prices in the Czech Republic. As part of all tests it was considered as impact of windfall tax for years 2024–2025.

The Company did not recognize any impairment losses on generation assets in 2023 and 2022. A change in the assumed EE prices according to 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 were discounted at a rate of 8.3%. A change of 0.1 percentage point in the discount factor, while other parameters remain unchanged, would change the ČEZ value by approximately CZK 2.9 billion. A 1% change in the CZK/EUR exchange rate, while other parameters remain 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.

4. Restricted Financial Assets

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

	2023	2022
Czech government bonds	18,090	13,918
Cash in banks	134	1,297
Total restricted financial assets	18,224	15,215

The Czech government bonds are measured at fair value through other comprehensive income. At December 31, 2023 and 2022, the most significant restricted financial assets are the financial assets to cover the costs of nuclear decommissioning totaling CZK 18,103 million and CZK 15,100 million, respectively, and financial assets to cover the costs for waste storage reclamation totaling CZK 66 million and CZK 62 million, respectively.

5. Derivatives and Other Financial Assets

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

	2023			2022		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans granted	29,795	2,549	32,344	27,845	8,287	36,132
Receivables from Group cashpooling	-	6,458	6,458	-	4,910	4,910
Receivables from the sale of subsidiaries	10	31	41	11	2,451	2,462
Sublease receivables	250	100	350	203	65	268
Other financial receivables	4,301	70	4,371	1,300	19	1,319
Total financial assets at amortized cost	34,356	9,208	43,564	29,359	15,732	45,091
Equity financial assets (Inven Capital, SICAV, a.s., ČEZ sub-funds)	5,624	-	5,624	5,360	-	5,360
Commodity and other derivatives	126	87,849	87,975	456	275,701	276,157
Total financial assets at fair value through profit or loss	5,750	87,849	93,599	5,816	275,701	281,517
Equity financial assets (Veolia Energie ČR, a.s.)	403	-	403	709	-	709
Cash flow hedge derivatives	20,706	22,296	43,002	8,605	3,709	12,314
Debt financial assets	-	6,657	6,657	-	9,752	9,752
Total financial assets at fair value through other comprehensive income	21,109	28,953	50,062	9,314	13,461	22,775
Financial assets at cost – share on subsidiaries, associates and joint-ventures	121,776	-	121,776	113,197	-	113,197
Total	182,991	126,010	309,001	157,686	304,894	462,580

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

	2023	2022
Delivery in 2022	-	3,072
Delivery in 2023	646	213,495
Delivery in 2024	72,157	51,737
Delivery in 2025	13,957	7,309
Delivery in 2026 and thereafter	1,215	544
Total commodity and other derivatives	87,975	276,157

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

	2023	2022
Electricity including cross-border capacities	48,698	194,703
Gas	35,612	75,696
Emission rights, guarantees of origin	1,541	2,480
Financial derivatives	2,124	3,278
Total commodity and other derivatives	87,975	276,157

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 18.

Movements in impairment provisions of financial assets at amortized cost and financial assets at cost were as follows (in CZK millions):

	2023	2022
Balance at January 1	(32,066)	(31,706)
Additions (see Note 30)	(79)	(5,939)
Reversals (see Note 30)	11	5,054
Derecognition of financial assets	3,800	525
Balance at December 31	(28,334)	(32,066)

In 2023, an impairment loss was derecognized in the amount of CZK 3,753 million due to sale of the company Akcez Enerji Yatirimlari Sanayi ve Ticaret A.S. Further impairment loss was derecognized due to liquidation of the company CEZ Srbija d.o.o. – u likvidaciji and the company CEZ Finance B.V. in the amount of CZK 42 million and CZK 5 million, respectively.

In 2022, an impairment loss was derecognized in the amount of CZK 429 million due to non-monetary contribution of Energetické centrum s.r.o. into the company ČEZ Teplárenská, a.s., and CZK 64 million due non-monetary contribution of CEZ Deutschland GmbH into the company CEZ RES International B.V. Further impairment loss was derecognized due to liquidation of the company Elektrárna Mělník III, a. s. v likvidaci, and the company CEZ Trade Romania S.R.L. in the amount of CZK 19 million and CZK 13 million, respectively.

The contractual maturity of loans granted and other financial assets at December 31, 2023, is shown in the following table (in CZK millions):

	Loans granted	Receivables from Group cashpooling	Receivables from the sale of subsidiaries	Sublease receivables	Debt financial assets	Other financial receivables
Due in 2024	2,549	6,458	31	100	6,657	70
Due in 2025	2,302	-	10	103	-	2,935
Due in 2026	1,882	-	-	97	-	348
Due in 2027	1,882	-	-	23	-	854
Due in 2028	20,621	-	-	4	-	56
Thereafter	3,108	-	-	23	-	108
Total	32,344	6,458	41	350	6,657	4,371

The contractual maturity of loans granted and other financial assets at December 31, 2022, is shown in the following table (in CZK millions):

	Loans granted	Receivables from Group cashpooling	Receivables from the sale of subsidiaries	Sublease receivables	Debt financial assets	Other financial receivables
Due in 2023	8,287	4,910	2,451	65	9,752	19
Due in 2024	1,924	-	-	65	-	96
Due in 2025	1,785	-	11	64	-	60
Due in 2026	1,366	-	-	54	-	49
Due in 2027	1,366	-	-	4	-	1,067
Thereafter	21,404	-	-	16	-	28
Total	36,132	4,910	2,462	268	9,752	1,319

The structure of provided loans and other financial assets, according to effective interest rates as at December 31, 2023, is shown the following table (in CZK millions):

	Loans granted	Receivables from Group cashpooling	Receivables from the sale of subsidiaries	Sublease receivables	Debt financial assets	Other financial receivables
Less than 2.00%	-	-	41	8	-	4,159
From 2.00% to 2.99%	6,637	-	-	-	-	-
From 3.00% to 3.99%	17,045	-	-	-	-	103
From 4.00% to 4.99%	-	2,493	-	191	-	-
From 5.00% to 5.99%	8,662	1,376	-	1	-	2
From 6.00% to 6.99%	-	-	-	11	6,633	11
From 7.00% to 7.99%	-	2,589	-	139	24	96
Total	32,344	6,458	41	350	6,657	4,371

The structure of provided loans and other financial assets, according to effective interest rates as at December 31, 2022, is shown the following table (in CZK millions):

	Loans granted	Receivables from Group cashpooling	Receivables from the sale of subsidiaries	Sublease receivables	Debt financial assets	Other financial receivables
Less than 2.00%	6,514	1,011	12	145	-	1,163
From 2.00% to 2.99%	8,063	-	2,450	30	-	-
From 3.00% to 3.99%	17,043	-	-	1	-	126
From 4.00% to 4.99%	4,512	-	-	92	-	-
From 5.00% to 5.99%	-	-	-	-	-	20
From 6.00% to 6.99%	-	3,899	-	-	3,261	10
From 7.00% to 7.99%	-	-	-	-	6,491	-
Total	36,132	4,910	2,462	268	9,752	1,319

The structure of provided loans and other financial assets by currency as at December 31, 2023, is shown in the following overview (in CZK millions):

	Loans granted	Receivables from Group cashpooling	Receivables from the sale of subsidiaries	Sublease receivables	Debt financial assets	Other financial receivables
CZK	32,344	2,589	10	210	6,657	4,358
EUR	-	3,733	3	140	-	13
USD	-	136	-	-	-	-
RSD	-	-	28	-	-	-
Total	32,344	6,458	41	350	6,657	4,371

The structure of provided loans and other financial assets by currency as at December 31, 2022, is shown in the following overview (in CZK millions):

	Loans granted	Receivables from Group cashpooling	Receivables from the sale of subsidiaries	Sublease receivables	Debt financial assets	Other financial receivables
CZK	29,618	3,899	2,462	133	9,752	1,309
EUR	6,514	916	-	135	-	10
USD	-	95	-	-	-	-
Total	36,132	4,910	2,462	268	9,752	1,319

The investments in subsidiaries, associates and joint-ventures and other ownership interests at December 31, 2023 and 2022, are shown in the following overview:

			2023		2022	
Company	Country	% Interest[2)]	Interest, net in CZK millions	Dividends in CZK millions	Interest, net in CZK millions	Dividends in CZK millions
ČEZ Distribuce, a. s.	CZ	100.00	32,742	3,806	32,742	3,935
CEZ Holdings B.V.	NL	100.00	22,072	-	12,933	-
Severočeské doly a.s.	CZ	100.00	14,344	3,850	14,344	-
Energotrans, a.s.	CZ	100.00	13,370	-	13,370	-
ČEZ OZ uzavřený investiční fond a.s.	CZ	99.57	10,545	2,115	10,545	1,014
ČEZ ESCO, a.s.	CZ	100.00	7,066	-	7,066	-
ČEZ ICT Services, a. s.	CZ	100.00	6,007	-	5,430	-
ČEZ Teplárenská, a.s.	CZ	100.00	3,165	-	3,190	-
ČEZ Invest Slovensko, a.s.	CZ	100.00	2,598	-	2,598	-
Elektrárna Dukovany II, a. s.	CZ	100.00	2,563	-	2,023	-
Elektrárna Temelín II, a. s.	CZ	100.00	2,054	-	2,008	-
ČEZ Prodej, a.s.	CZ	100.00	1,396	2,344	1,396	2,486
ŠKODA JS a.s.	CZ	100.00	925	-	925	-
Nuclear Property Services, s.r.o.[1)]	CZ	100.00	678	-	678	-
ČEZ Energetické produkty, s.r.o.	CZ	100.00	472	10	472	-
ÚJV Řež, a. s.	CZ	69.85	424	-	185	-
MARTIA a.s.	CZ	100.00	373	-	73	-
CEZ MH B.V.	NL	100.00	251	-	251	-
Ústav aplikované mechaniky Brno, s.r.o.	CZ	100.00	220	-	248	-
LOMY MOŘINA spol. s r.o.	CZ	51.05	133	-	133	-
ČEZ ENERGOSERVIS spol. s r.o.	CZ	100.00	121	2	5	2
ČEZ Obnovitelné zdroje, s.r.o.	CZ	100.00	78	-	78	-
OSC, a.s.	CZ	100.00	66	-	66	-
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	CZ	41.87	55	-	55	-
CEZ Bulgarian Investments B.V.	NL	100.00	48	-	292	-
Elektrárna Dětmarovice, a.s.	CZ	-	-	-	2,046	-
Other			10	20	45	9
Total financial assets at cost			121,776	12,147	113,197	7,446
Inven Capital, SICAV, a.s., ČEZ sub-fund (A)	CZ	99.84	3,714	-	4,469	-
Inven Capital, SICAV, a.s., ČEZ sub-fund (C)	CZ	99.90	1,910	-	891	-
Veolia Energie ČR, a.s.	CZ	15.00	403	-	709	-
Total financial assets at fair value			6,027	-	6,069	-
Total			127,803	12,147	119,266	7,446

1) The company name Middle Estates, s.r.o., was changed to Nuclear Property Services, s.r.o., in 2023.

2) Equity interest is equal to voting rights as at December 31, 2023.

Used country shortcuts: CZ – Czech Republic, NL – Netherlands.

Movements in investments in share of subsidiaries, associates and joint-ventures at cost in 2023 and 2022 were as follows (in CZK millions):

Net investments at January 1, 2023	113,197
Additions – cash and non-monetary contributions to equity:	
CEZ Holdings B.V.	9,139
ČEZ ICT Services, a. s.	577
Elektrárna Dukovany II, a. s.	540
MARTIA a.s.	300
ÚJV Řež, a. s.	239
Other	171
Total additions	10,966
Decreases – decrease of equity with payment:	
CEZ Bulgarian Investments B.V.	(234)
Decreases – merger:	
Elektrárna Dětmarovice, a.s.	(2,046)
Decreases – liquidation:	
CEZ Srbija d.o.o. – u likvidaciji	(31)
CEZ Finance B.V.	(1)
Total decreases	(2,312)
Impairment provisions – additions (see Note 30):	
Ústav aplikované mechaniky Brno, s.r.o.	(28)
ČEZ Teplárenská, a.s.	(25)
CEZ Bulgarian Investments B.V.	(10)
Elektrárna Temelín II, a. s.	(9)
Other	(3)
Total impairment provisions	(75)
Net investments at December 31, 2023	121,776

Net investments at January 1, 2022	110,856
Additions – newly acquired companies:	
ŠKODA JS a.s.	925
Middle Estates, s.r.o.[1)]	678
MARTIA a.s.	73
South Bohemian Nuclear Park, s.r.o	2
ČEZ Recyklace, s.r.o.	1
Additions – cash and non-monetary contributions to equity:	
ČEZ ICT Services, a. s.	976
CEZ Holdings B.V.	732
ČEZ Energetické produkty, s.r.o.	450
Elektrárna Dukovany II, a. s.	382
ČEZ Teplárenská, a.s.	250
Other	42
Total additions	4,511
Decreases – decrease of equity with payment:	
CEZ Bulgarian Investments B.V.	(502)
ČEZ OZ uzavřený investiční fond a.s.	(397)
Decreases – non-monetary contribution:	
Energetické centrum s.r.o.	(250)
CEZ Deutschland GmbH	(119)
Decreases – liquidation:	
Elektrárna Mělník III, a. s. v likvidaci	(1)
Total decreases	(1,269)
Impairment provisions – additions (see Note 30):	
CEZ Holdings B.V.	(5,643)
ČEZ Bohunice a.s.[2)]	(128)
CEZ Hungary Ltd.	(61)
Elektrárna Dukovany II, a. s.	(43)
CEZ Bulgarian Investments B.V.	(33)
Other	(26)
Impairment provisions – reversals (see Note 30):	
Severočeské doly a.s.	2,574
Elektrárna Dětmarovice, a.s.	2,046
ČEZ Teplárenská, a.s.	413
Total impairment provisions	(901)
Net investments at December 31, 2022	113,197

1) The company name Middle Estates, s.r.o., was changed to Nuclear Property Services, s.r.o., in 2023.

2) The company name ČEZ Bohunice, a.s., was changed to ČEZ Invest Slovensko, a.s., in 2023.

6. Intangible Assets

Intangible assets at December 31, 2023 and 2022, are as follows (in CZK millions):

	Software	Rights and other	Intangibles in progress	Total
Cost at January 1, 2023	2,381	1,726	318	4,425
Additions	-	-	506	506
Disposals	(13)	(8)	-	(21)
Bring to use	135	72	(207)	-
Effect of business combinations	1,006	1	25	1,032
Other	22	-	-	22
Cost at December 31, 2023	3.531	1,791	642	5,964
Accumulated amortization at January 1, 2023	(2,113)	(1,169)	-	(3,282)
Amortization	(126)	(24)	-	(150)
Disposals	13	8	-	21
Effect of business combinations	(847)	(1)	-	(848)
Accumulated amortization at December 31, 2023	(3,073)	(1,186)	-	(4,259)
Intangible assets at December 31, 2023	458	605	642	1,705

	Software	Rights and other	Intangibles in progress	Emission rights	Total
Cost at January 1, 2022	2,321	1,268	526	160	4,275
Additions	-	-	324	-	324
Disposals	(9)	(6)	-	-	(15)
Bring to use	68	464	(532)	-	-
Other	1	-	-	(160)	(159)
Cost at December 31, 2022	2,381	1,726	318	-	4,425
Accumulated amortization at January 1, 2022	(2,061)	(1,167)	-	-	(3,228)
Amortization	(61)	(8)	-	-	(69)
Disposals	9	6	-	-	15
Accumulated amortization at December 31, 2022	(2,113)	(1,169)	-	-	(3,282)
Intangible assets at December 31, 2022	268	557	318	-	1,143

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 383 million and CZK 376 million in 2023 and 2022, respectively.

7. Investment Properties

Investment properties at December 31, 2023 and 2022, are as follows (in CZK millions):

	Buildings	Land	Construction work in progress	Total
Cost at January 1, 2023	820	44	10	874
Additions	-	-	16	16
Disposals	-	-	(1)	(1)
Bring into use	12	-	(12)	-
Reclassification	(118)	(5)	(3)	(126)
Cost at December 31, 2023	714	39	10	763
Accumulated depreciation at January 1, 2023	(435)	(2)	-	(437)
Depreciation	(15)	-	-	(15)
Reclassification	66	-	-	66
Impairment losses reversed	5	-	-	5
Accumulated depreciation at December 31, 2023	(379)	(2)	-	(381)
Investment properties at December 31, 2023	335	37	10	382

	Buildings	Land	Construction work in progress	Total
Cost at January 1, 2022	749	44	3	796
Additions	-	-	12	12
Disposals	(3)	(1)	-	(4)
Bring into use	5	-	(5)	-
Reclassification	69	1		70
Cost at December 31, 2022	820	44	10	874
Accumulated depreciation at January 1, 2022	(388)	(2)	-	(390)
Depreciation	(15)	-	-	(15)
Net book value of asset disposed	(2)	-	-	(2)
Disposals	3	-	-	3
Reclassification	(49)	(1)	-	(50)
Impairment losses reversed	16	1	-	17
Accumulated depreciation at December 31, 2022	(435)	(2)	-	(437)
Investment properties at December 31, 2022	385	42	10	437

The most significant investments properties were subject to an expert assessment in order to determine their fair value. Considering the current situation on the real estate market, it was determined using the income method that the fair value of the assessed investments as at December 31, 2023 and 2022, is CZK 74 million and CZK 91 million, respectively, higher compared to their book value. Therefore, the best estimate of the fair value of investment property is CZK 456 million and CZK 528 million as at December 31, 2023 and 2022, respectively.

Investment properties mainly represent investments in buildings and land, where an insignificant part is used by the Company in the ordinary course of business, whereas these assets are leased to the Group's companies.

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

	2023	2022
Rental income from investment properties	51	52
Direct operating expenses (including repairs and maintenance) related to investment properties generating rental	(41)	(40)
Total profit arising from investment properties	10	12

8. Cash and Cash Equivalents

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

	2023	2022
Current accounts with banks	1,256	1,564
Term deposits	2,473	31,456
Reverse repurchase agreements	1,952	-
Allowance	(1)	(8)
Total	5,680	33,012

At December 31, 2023 and 2022, cash and cash equivalents included balances in foreign currencies in the amount of CZK 3,363 million and CZK 29,799 million, respectively.

At December 31, 2023 and 2022, weighted average interest rate for term deposits including transactions of reverse repurchase agreements was 4.7% and 2.5%, respectively. For the years 2023 and 2022, the weighted average interest rate was 6.5% and 5.2%, respectively.

9. Trade and Other Receivables

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

	2023	2022
Trade receivables	65,336	91,926
Margin calls	19,926	47,508
Collaterals	1,869	30,661
Allowance	(246)	(322)
Total	86,885	169,773

The information about receivables from related parties is included in Note 34.

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

	2023	2022
Not past due	86,809	169,121
Past due:		
less than 3 months	71	611
3–6 months	2	8
6–12 months	3	33
Total	86,885	169,773

Receivables include impairment allowance based on the collective assessment of impairment of receivables that are not individually significant.

The overview of movements in allowance for doubtful receivables was as follows (in CZK millions):

	2023	2022
Balance at January 1	(322)	(173)
Additions	(48)	(223)
Reversals	124	73
Currency translation difference	-	1
Balance at December 31	(246)	(322)

10. 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 Company during 2023 and 2022 (in CZK millions):

	2023		2022	
	in thousands tons	in CZK millions	in thousands tons	in CZK millions
Emission rights for own use:				
Emission rights for own use at January 1	12,644	14,789	16,309	8,303
Merger Elektrárna Dětmarovice, a.s.	1,515	2,289	-	-
Emission rights granted	157	-	105	-
Settlement with register	(12,220)	(15,101)	(10,623)	(5,456)
Emission rights purchased	10,565	15,598	10,561	13,864
Emission rights sold	-	-	(3,708)	(1,922)
Emission rights for own use at December 31	12,661	17,575	12,644	14,789
Emission rights held for trading:				
Emission rights held for trading at January 1	3,291	6,415	3,045	6,049
Settlement with register	(737)	(1,640)	-	-
Emission rights purchased	47,190	95,543	52,131	100,855
Emission rights sold	(46,814)	(94,458)	(51,885)	(105,796)
Fair value adjustment	-	(265)	-	5,307
Emission rights held for trading at December 31	2,930	5,595	3,291	6,415

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

	2023	2022
Guarantees of origin	26	11
Green and similar certificates	-	1
Total	26	12

In 2023 and 2022, total emissions of greenhouse gases made by the Company amounted to an equivalent of 11,771 thousand tons and 11,885 thousand tons of CO_2, respectively. At December 31, 2023 and 2022, the Company recognized a provision for CO_2 emissions in total amount of CZK 16,645 million and CZK 14,796 million, respectively (see Notes 2.10 and 17). As a result of the merger, the net assets of the defunct company Elektrárna Dětmarovice, a.s., were transferred to ČEZ, a. s., as the successor company on January 1, 2023. The Company merged a provision for CO_2 emissions in total amount of CZK 1,616 million and made settlement of emissions for 2022 in the amount of 1,072 thousand tons of CO_2.

11. Other Current Assets

Other current assets at December 31, 2023 and 2022, were as follows (in CZK millions):

	2023	2022
Prepayments	694	1,715
Taxes and fees, except income tax	1,699	1,108
Advances paid	1,079	1,624
Accruals	1,323	4,135
Total	4,795	8,582

12. Proceeds from Disposal of Subsidiaries, Associates and Joint-ventures and Original Investments Repayments

The following table summarizes total cash flows related to the proceeds from the sale of subsidiaries, associates and joint-ventures and the repayments of original investments at December 31, 2023 and 2022 (in CZK millions):

	2023	2022
Cash received from sale of share in company Elektrárna Počerady, a.s.	2,500	-
Cash received from sale of shares in Akcez group	223	-
Repayments of original investments	235	908
Cash received from other sales	1	1
Total cash flow	2,959	909

13. Equity

The Company’s stated capital registered in the Commercial Register is CZK 53,798,975,900 as at December 31, 2023 and 2022. It consists of 537,989,759 shares with a par value of CZK 100. All shares are fully paid; they are dematerialized, bearer, quoted shares. 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 are recognized at cost in the balance sheet as an item reducing equity.

The payment of dividends of CZK 145 and CZK 48 per share, before tax, was approved in 2023 and 2022, respectively. Dividends for 2023 will be approved at the Company’s General Meeting that will be held in the first half of 2024.

Capital Structure Management

The primary objective of the Company'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 Company monitors its capital structure and makes adjustments to it with a view to changes in the business environment.

The Company 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
Total long-term debt	161,596	149,090
Total 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	(6,657)	(9,752)
Long-term term deposits	(66)	-
Short-term term deposits	-	(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	(309)	(252)
EBITDA	124,839	131,568
Net debt to EBITDA ratio	1.21	1.18

14. 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 loans, other loans[1] and lease liabilities:		
Less than 2% p. a.	5,439	16,133
2.00 to 2.99% p. a.	430	3,538
3.00 to 3.99% p. a.	24,943	24,330
4.00 to 4.99% p. a.	18,633	4,362
5.00 to 5.99% p. a.	12,584	4
6.00 p. a.	300	-
Total long-term bank loans, other loans and lease liabilities	62,329	48,367
Less: Current portion	(27,987)	(2,309)
Long-term bank loans, other loans and lease liabilities, net of current portion	34,342	46,058
Total long-term debt	152,100	140,773
Less: Current portion	(29,456)	(8,034)
Total long-term debt, net of current portion	122,644	132,739

[1] Other loans represent mainly long-term loan 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 Company.

All long-term debt is recognized in original currencies while the related hedging derivatives are recognized using the method described in Note 2.12.

Future maturities of long-term debt are as follows (in CZK millions):

	2023	2022
Current portion	29,456	8,034
Between 1 year and 2 years	23,020	26,700
Between 2 and 3 years	22,951	22,259
Between 3 and 4 years	20,346	20,314
Between 4 and 5 years	28,171	18,988
Thereafter	28,156	44,478
Total long-term debt	152,100	140,773

The following table analyses long-term debt by currency (in millions):

	2023		2022	
	Foreign currency	CZK	Foreign currency	CZK
EUR	5,730	141,673	5,260	126,839
USD	302	6,754	302	6,824
JPY	20,135	3,184	31,724	5,441
CZK		489		1,669
Total long-term debt		152,100		140,773

Long-term debt exposes the Company 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 from 3 months to 1 year	30,927	15,085
Fixed rate long-term debt	121,173	125,688
Total long-term debt	152,100	140,773

Fixed rate long-term debt exposes the Company to the risk of changes in fair values of these financial instruments. For related fair value information and risk management policies of all financial instruments see Notes 15 and 16.

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

	Debt	Other long-term financial liabilities	Derivatives and other short-term financial liabilities	Derivatives and other current financial assets	Total liabilities / assets from financing activities
Amount at December 31, 2021	129,303	34,173	641,849	(515,435)	
Less: Liabilities / assets from other than financing activities	-	(33,859)	(605,796)	510,353	
Liabilities / assets from financing activities at January 1, 2022	129,303	314	36,053	(5,082)	160,588
Cash flows	69,089	12	(9,240)	194	60,055
Additions of leases and premature termination	234	-	-	-	234
Foreign exchange movement	(2,840)	-	(215)	-	(3,055)
Changes in fair values	(2,849)	-	-	-	(2,849)
Approved dividends	-	-	25,727	-	25,727
Reclassification	-	(422)	422	-	-
Other[1)]	769	1,345	1,632	(42)	3,704
Liabilities / assets from financing at December 31, 2022	193,706	1,249	54,379	(4,930)	244,404
Liabilities / assets arising from other than financing activities	-	37,410	303,932	(299,964)	
Total amount on balance sheet at December 31, 2022	193,706	38,659	358,311	(304,894)	
Less: Liabilities / assets from other than financing activities	-	(37,410)	(303,932)	299,964	
Liabilities / assets arising from financing activities at January 1, 2023	193,706	1,249	54,379	(4,930)	244,404
Cash flows	(36,732)	5	(75,857)	(1,854)	(114,438)
Additions of leases and premature termination	297	-	-	-	297
Foreign exchange movement	(1,517)	-	(30)	-	(1,547)
Changes in fair values	3,626	-	-	-	3,626
Effect of business combinations	(9)	-	(304)	269	(44)
Approved dividends	-	-	77,809	-	77,809
Reclassification	-	(935)	935	-	-
Other[1)]	(31)	847	(80)	(12)	724
Liabilities / assets from financing at December 31, 2023	159,340	1,166	56,852	(6,527)	210,831
Liabilities / assets arising from other than financing activities	-	3,197	83,029	(119,483)	
Total amount on balance sheet at December 31, 2023	159,340	4,363	139,881	(126,010)	

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 Other long-term financial liabilities consists of long-term payables, which have the financing character, item Derivatives and other short-term financial liabilities consists of dividend payables, payables from Group cashpooling and other short-term financial payables including current portion of long-term financial liability, item Derivatives and other current financial assets consists of receivables from Group cashpooling and advanced payments to dividend administrator.

15. 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 Company 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.

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

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current assets at amortized cost:				
Loans granted	29,795	29,668	27,845	24,786
Receivables from the sale of subsidiaries	10	10	11	11
Other financial receivables	4,551	4,551	1,503	1,503
Non-current assets at fair value through other comprehensive income:				
Restricted debt securities	18,090	18,090	13,918	13,918
Equity financial assets	403	403	709	709
Non-current assets at fair value through profit or loss:				
Equity financial assets	5,624	5,624	5,360	5,360
Current assets at fair value through other comprehensive income:				
Debt financial assets	6,657	6,657	9,752	9,752
Current assets at amortized cost:				
Cash and cash equivalents	5,680	5,680	33,012	33,012
Trade and other receivables	86,885	86,885	169,773	169,773
Loans granted	2,549	2,549	8,287	8,287
Receivables from the sale of subsidiaries	31	31	2,451	2,451
Other financial receivables	6,628	6,628	4,994	4,994

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

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt[1)]	(151,035)	(149,974)	(139,751)	(133,625)
Other long-term financial liabilities	(1,166)	(1,166)	(1,249)	(1,249)
Short-term loans	(7,240)	(7,240)	(52,933)	(52,933)
Other short-term financial liabilities	(56,852)	(56,852)	(54,379)	(54,379)

1) The value of long-term debt is disclosed without lease liabilities, whose fair value is not disclosed (carrying amount of CZK (1,065) million as at December 31, 2023, and CZK (1,022) million as at December 31, 2022, respectively).

The overview of carrying amounts and the estimated fair values of derivatives at December 31, 2023 and 2022, is as follows (in CZK millions):

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash flow hedges:				
Short-term receivables	22,296	22,296	3,709	3,709
Long-term receivables	20,706	20,706	8,605	8,605
Short-term liabilities	(8,236)	(8,236)	(45,714)	(45,714)
Long-term liabilities	(2,578)	(2,578)	(36,758)	(36,758)
Commodity derivatives:				
Short-term receivables	85,850	85,850	272,879	272,879
Short-term liabilities	(73,655)	(73,655)	(256,848)	(256,848)
Other derivatives:				
Short-term receivables	1,999	1,999	2,822	2,822
Long-term receivables	126	126	456	456
Short-term liabilities	(1,138)	(1,138)	(1,370)	(1,370)
Long-term liabilities	(619)	(619)	(652)	(652)

15.1. Fair Value Hierarchy

The Company 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 Company 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 levels of financial instruments measured 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	85,850	10,831	70,830	4,189
Cash flow hedge derivatives	43,002	31,954	11,048	-
Other derivatives	2,125	-	2,125	-
Restricted debt financial assets	18,090	18,090	-	-
Debt instruments at fair value through other comprehensive income	6,657	6,657	-	-
Equity financial assets at fair value through other comprehensive income	403	-	-	403
Equity financial assets at fair value through profit or loss	5,624	-	-	5,624

Liabilities measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	(73,655)	(36,700)	(32,517)	(4,438)
Cash flow hedge derivatives	(10,814)	(5,495)	(5,319)	-
Other derivatives	(1,757)	-	(1,757)	-

Assets and liabilities for which fair value is disclosed:

	Total	Level 1	Level 2	Level 3
Loans granted	29,668	-	29,668	-
Receivables from the sale of subsidiaries	41	-	41	-
Other financial receivables	11,179	-	11,179	-
Long-term debt	(149,974)	(84,395)	(65,579)	-
Short-term loans	(7,240)	-	(7,240)	-
Other financial liabilities	(58,018)	-	(58,018)	-

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	272,879	60,847	206,418	5,614
Cash flow hedge derivatives	12,314	7,252	5,062	-
Other derivatives	3,278	-	3,278	-
Restricted debt securities	13,918	13,918	-	-
Debt instruments at fair value through other comprehensive income	9,752	9,752	-	-
Equity financial assets at fair value through profit or loss	709	-	-	709
Equity financial assets at fair value through profit or loss	5,360	-	-	5,360

Liabilities measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	(256,848)	(30,740)	(221,788)	(4,320)
Cash flow hedge derivatives	(82,472)	(44,307)	(38,165)	-
Other derivatives	(2,022)	-	(2,022)	-

Assets and liabilities for which fair value is disclosed:

	Total	Level 1	Level 2	Level 3
Loans granted	33,073	-	33,073	-
Receivables from the sale of subsidiaries	2,462	-	2,462	-
Other financial receivables	6,497	-	6,497	-
Long-term debt	(133,625)	(81,082)	(52,543)	-
Short-term loans	(52,933)	-	(52,933)	-
Other financial liabilities	(55,628)	-	(55,628)	-

The Company 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 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	4,187	599	3,127
Reclassification[1)]	-	-	148
Additions	1,000	-	-
Disposals	(329)	-	(15,610)
Revaluation	502	110	13,629
Balance at December 31, 2022	5,360	709	1,294
Additions	1,450	-	-
Disposals	(622)	-	(16,381)
Revaluation	(564)	(306)	14,838
Balance at December 31, 2023	5,624	403	(249)

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

The most significant investment in the portfolio of Equity financial assets at fair value through other comprehensive income is a 15% interest in company Veolia Energie ČR, a.s. (see Note 5). The company's shares are not traded in any market. The fair value at December 31, 2023 and 2022, was determined using available public information on EBITDA and usual 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 an investment in ČEZ's investment funds at Inven Capital, SICAV, a.s. (see Note 5). The fair value of the investments as 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 funding recently provided by co-investors. In addition, the measurement takes into account future development and any subsequent significant events, such as received offers to buy a share.

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.

15.2. 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	130,976	(86,226)	288,471	(341,342)
Other financial instruments [1]	85,183	(55,325)	90,921	(91,063)
Collaterals paid (received) [2]	1,869	(2,208)	30,661	(1,942)
Gross financial assets / liabilities	218,028	(143,759)	410,053	(434,347)
Assets / liabilities set off under IAS 32	-	-	-	-
Amounts presented in the balance sheet	218,028	(143,759)	410,053	(434,347)
Effect of master netting agreements	(114,414)	114,414	(304,383)	304,383
Net amount after master netting agreements	103,614	(29,345)	105,670	(129,964)

1) Other financial instruments consist of invoices 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.

The Company 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.

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.

16. 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 group-level significant risks management, with the use of the 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, investment risks.

The development of 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).

16.1. Qualitative Description of ČEZ, a. s., Risks Associated with Financial Instruments

<u>Commodity Risks</u>

The development of electricity, emission allowances, coal and gas prices is a key risk factor of the ČEZ 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 ČEZ'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 (the potential risk is managed on the VaR basis).

<u>Market Financial Risks (currency and interest risks)</u>

The development of foreign exchange rates and interest rates is a significant risk factor of the ČEZ 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 (including operational and investment foreign currency flows).

<u>Credit Risks</u>

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).

Company’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 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 the above credit risks in the aggregate annual Profit@Risk limit is quantified and evaluated.

Liquidity Risks

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 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 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 ČEZ. 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.

16.2. Quantitative Description of ČEZ, a. s., 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 Company’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 Income Statement.

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	1,785	4,914

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 2023 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 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 Income Statement.

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 these assumptions:

- parallel shift of the yield curves (+10bp) was selected as the indicator of interest risk;
- the Income Statement 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;
- the source of market interest rates is mainly IS Reuters and IS Bloomberg.

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

	2023	2022
IR sensitivity to parallel yield curve shift (+10bp)	(22)	(5)

Credit Exposure

The Company 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, as at December 31 (millions of CZK):

	2023	2022
Guarantees provided to subsidiaries not recorded on balance sheet	10,363	9,756

Provided guarantees are, in particular, warranties for performed contracts and guarantees for bank loans and other liabilities of relevant companies. A beneficiary may only make a warranty claim under the conditions set out in the warranty document, usually following the nonpayment of an amount arising from the contract or on default. At present, companies whose obligations are covered by warranty meet their obligations. Warranties have various expiration dates, as at December 31, 2023 and 2022, the latest deadline for making a warranty claim is September 2053 and October 2053, respectively.

Liquidity Risk

Maturity profile of financial liabilities based on contractual undiscounted payments as at December 31, 2023 (in CZK millions):

	Bonds and debentures	Loans and lease payables	Derivatives[1]	Other financial liabilities	Trade payables	Guarantees issued[2]
Due in 2024	2,805	28,612	438,688	56,852	45,654	10,363
Due in 2025	21,339	5,571	71,023	727	-	-
Due in 2026	20,352	5,451	11,114	368	-	-
Due in 2027	16,500	6,390	1,286	55	-	-
Due in 2028	19,513	10,614	802	15	-	-
Thereafter	29,652	10,533	24,289	1	-	-
Total	110,161	67,171	547,202	58,018	45,654	10,363

Maturity profile of financial liabilities based on contractual undiscounted payments as at December 31, 2022 (in CZK millions):

	Bonds and debentures	Loans and lease payables	Derivatives[1]	Other financial liabilities	Trade payables	Guarantees issued[2]
Due in 2023	7,071	3,264	1,124,610	54,379	76,525	11,334
Due in 2024	2,760	27,513	254,766	720	-	-
Due in 2025	20,828	4,592	83,194	323	-	-
Due in 2026	19,843	2,639	9,120	191	-	-
Due in 2027	16,094	4,871	756	-	-	-
Thereafter	48,943	8,504	24,605	15	-	-
Total	115,539	51,383	1,497,051	55,628	76,525	11,334

1) Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Company will receive corresponding consideration. For fair values of derivatives see Note 15.

2) Maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

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 relates to natural 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 Company as at December 31, 2023 and 2022, amounted to CZK 53.2 billion and CZK 50.3 billion, respectively. In addition, the amount of EUR 540 million remained available to be drawn down as at December 31, 2023, from the committed loan facility agreements 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.

16.3. Hedge Accounting

The Company hedges cash flows arising from highly probable future sales of electricity in the Czech Republic. Hedging instrument are futures and forward contracts for electricity sales in Germany. The fair value of these hedging derivatives was CZK 32,552 million and CZK (73,096) million at December 31, 2023 and 2022, respectively. The result of own-use resale (see Note 2.14) and this hedging strategy as at December 31, 2023, is that for 2024 approximately 92% of expected production in the Czech Republic was hedged at an average price EUR 129 per MWh, for 2025 approximately 64% of expected production at an average price EUR 125 per MWh, for 2026 approximately 27% of expected production at an average price EUR 107 per MWh and for 2027 approximately 6% of expected production at an average price EUR 92 per MWh.

The Company 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 billion, respectively, and currency forward contracts and swaps. The fair value of these hedging derivatives was CZK (364) million and CZK 2,938 million as at December 31, 2023 and 2022, respectively.

In 2023 and 2022, the Company also hedged selected cash flow connected to purchase of emission rights, to cover its CO_2 emission 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) milion and CZK 403 million, respectively.

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 value[1)]	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
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 total	-		(364)	(328)
Total derivative cash flow hedge			32,188	29,871

	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 – resale 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)
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 total	-		2,938	1,628
Total derivative cash flow hedge			(70,158)	(81,487)

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, cash flow hedging amounts transferred from equity were reported in the statement of income in Sales of electricity, heat, and gas, Gains and losses from derivative commodity trading, Other financial expenses and Other financial income. CZK (76) million and CZK (194) million was recognized in profit or loss in 2023 and 2022, respectively, due to ineffectiveness of cash flow hedging. In 2023 and 2022, the ineffectiveness 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
Foreign currency risk – presale of electricity, purchase of emission rights	(582)	(1,358)	(16)
Derivatives cash flow hedge	87,153	24,129	76
Non-derivative cash flow hedge	(3,626)	(1,889)	-
Total cash flow hedge	83,527	22,240	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)
Foreign currency risk – presale of electricity, purchase of emission rights	2,990	1,427	318
Derivatives cash flow hedge	(85,374)	89,358	194
Non-derivative cash flow hedge	2,848	(1,112)	-
Total cash flow hedge	(82,526)	88,246	194

17. Provisions

The following is a summary of the provisions at December 31, 2023 and 2022 (in CZK millions):

	2023			2022		
	Long-term	Short-term	Total	Long-term	Short-term	Total
Nuclear provisions	126,226	3,031	129,257	108,126	2,786	110,912
Provision for demolition and dismantling of fossil-fuel power plants	13,659	125	13,784	11,224	1,488	12,712
Provision for waste storage reclamation	488	8	496	492	6	498
Provision for CO_2 emissions (see Note 10)	-	16,645	16,645	-	14,796	14,796
Provision for employee benefits	2,567	222	2,789	2,225	180	2,405
Provision for legal and commercial disputes	-	617	617	-	581	581
Provision for obligation in case of claim from guarantee for Akcez group loans	-	-	-	-	1,578	1,578
Other provisions	69	29	98	-	100	100
Total	143,009	20,677	163,686	122,067	21,515	143,582

17.1. 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 studies assume that the total costs of decommissioning of so-called nuclear island and conventional part of these power plants will reach the amount 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 Company 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 2.20.

The following is a summary of the nuclear provisions for the years ended December 31, 2023 and 2022 (in CZK millions):

	Accumulated provision			
	Nuclear decommis-sioning	Spent fuel storage		Total
		Interim	Long-term	
Balance at January 1, 2022	41,757	9,972	41,446	93,175
Discount accretion and effect of inflation	961	226	953	2,140
Provision charged in profit or loss	-	586	-	586
Effect of change in estimate recognized in profit or loss	-	957	-	957
Effect of change in estimate added to fixed assets	16,183	-	275	16,458
Current cash expenditures	-	(698)	(1,706)	(2,404)
Balance at December 31, 2022	58,901	11,043	40,968	110,912
Discount accretion and effect of inflation	2,886	541	2,007	5,434
Provision charged in profit or loss	-	555	-	555
Effect of change in estimate recognized in profit or loss	-	579	-	579
Effect of change in estimate added to fixed assets	12,367	62	1,835	14,264
Current cash expenditures	-	(815)	(1,672)	(2,487)
Balance at December 31, 2023	74,154	11,965	43,138	129,257

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 costs of nuclear decommissioning, interim storage, and permanent disposal of spent nuclear fuel may vary substantially from the above estimates due to changes in legislation or technology or increase in labor costs and the costs of materials and equipment, as well as due to a different timing of all activities relating to nuclear decommissioning and storage and disposal of spent nuclear fuel.

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	Long-term	Total	Change in %
Effect of discount rate decrease:					
(20)bp	8,314	506	1,193	10,013	+7.9%
(10)bp	4,038	248	590	4,876	+3.8%
Balance at December 31, 2023 – base scenario[1)]	74,154	11,965	43,138	129,257	
Effect of discount rate increase:					
+10bp	(3,814)	(238)	(578)	(4,630)	(3.6)%
+20bp	(7,418)	(466)	(1,144)	(9,028)	(7.1)%

1) Base scenario as at December 31, 2023 corresponds to long-term risk-free real interest rate 2.1% and expected inflation rate 2.6% (see Note 2.20).

17.2. Provision for Demolition and Dismantling of Fossil-fuel Power Plants, Waste Storage Reclamation and Employee Benefits

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

	Accumulated provision		
	Demolition and dismantling of fossil-fuel power plants	Waste storage reclamation	Employee benefits
Balance at January 1, 2022	4,530	512	2,243
Discount accretion and effect of inflation	206	8	36
Provision charged in profit or loss	-	-	237
Change in estimate and creation added to (deducted from) fixed assets	8,062	(6)	-
Current cash expenditures	(86)	(16)	(111)
Balance at December 31, 2022	12,712	498	2,405
Discount accretion and effect of inflation	722	23	119
Provision charged in profit or loss	-	-	273
Change in estimate deducted from fixed assets	(514)	(9)	-
Effect of business combinations	2,424	-	109
Current cash expenditures	(1,560)	(16)	(117)
Balance at December 31, 2023	13,784	496	2,789

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 9.8 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 Company (Note 1.1). In 2023 and 2022, the Company 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.

18. Derivatives and Other Financial Liabilities

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

	2023		
	Long-term liabilities	Short-term liabilities	Total
Payables from Group cashpooling	-	55,036	55,036
Other	1,166	1,816	2,982
Financial liabilities at amortized cost	1,166	56,852	58,018
Cash flow hedge derivatives	2,578	8,236	10,814
Commodity and other derivatives	619	74,793	75,412
Financial liabilities at fair value	3,197	83,029	86,226
Total	4,363	139,881	144,244

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

	2022		
	Long-term liabilities	Short-term liabilities	Total
Payables from Group cashpooling	-	52,021	52,021
Other	1,249	2,358	3,607
Financial liabilities at amortized cost	1,249	54,379	55,628
Cash flow hedge derivatives	36,758	45,714	82,472
Commodity and other derivatives	652	258,218	258,870
Financial liabilities at fair value	37,410	303,932	341,342
Total	38,659	358,311	396,970

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	-	5,700
Delivery in 2023	673	212,529
Delivery in 2024	60,018	36,419
Delivery in 2022	13,284	3,975
Delivery in 2026 and thereafter	1,437	247
Total commodity and other derivatives	75,412	258,870

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	37,138	165,889
Gas	30,062	77,363
Emission rights, guarantees of origin	6,455	13,596
Financial derivatives	1,757	2,022
Total commodity and other derivatives	75,412	258,870

The decrease of liabilities from commodity and other derivatives in 2023 was 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.

19. Short-term Loans

Short-term loans as at December 31, 2023 and 2022, were as follows (in CZK millions):

	2023	2022
Bank loans	7,240	4,703
Other loans[1)]	-	48,230
Total	7,240	52,933

[1)] Other loans represented in 2022 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 energetic stock exchange and towards business counterparties.

Short-term loans bear interest at fixed interest rates. The weighted average interest rate was 5.5% and 5.2% at December 31, 2023 and 2022, respectively. For the years 2023 and 2022, the weighted average interest rate was 8.2% and 4.5%, respectively.

20. Other Short-term Liabilities

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

	2023	2022
Taxes and fees, except income tax	2,589	3,536
Deferred income	8	634
Advances received	391	490
Total	2,988	4,660

21. Leases

21.1. Company as a Lessee

The Company 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 3–4 years, while buildings and lands between 8–13 years.

The Company 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 Company leases buildings, machinery or equipment with lease terms of 12 months or less or with low value. In this case the Company 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 14).

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

	2023	2022
Payments of principal	259	194
Payments of interests	39	23
Lease payments not included in valuation of lease liability	334	51
Total cash outflow for leases	632	268

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

	2023	2022
Expense relating to short-term leases	90	91
Expense relating to leases of low-value assets	4	1
Variable lease payments	334	51
Depreciation charge for right-of-use assets	183	154
Interest expenses	39	23

The most significant part of variable lease payments are costs related to contract to rent of photovoltaic power plants with the company ČEZ OZ uzavřený investiční fond a.s.

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

21.2. Company as a Lessor

Finance Lease

The most significant lease under finance lease is the lease of administrative premises to the Group's companies.

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	117	70
Between 1 year and 2 years	115	69
Between 2 and 3 years	103	67
Between 3 and 4 years	26	55
Between 4 and 5 years	6	4
Thereafter	26	17
Total undiscounted investment in finance lease	393	282
Unearned finance income	(43)	(13)
Net investment in the lease	350	269

The Company recognized interest income on lease receivables of CZK 16 million and CZK 3 million at December 31, 2023 and 2022, respectively.

Operating Lease

Rental income recognized by the Company during 2023 and 2022 was CZK 603 million and CZK 613 million, respectively. Investment property rental income are disclosed in the Note 7. In the following years, the Company expects similar rental income as in the year 2023.

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

22. 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
Sale of electricity, heat and gas:		
Electricity sales – domestic:		
ČEZ Prodej, a.s.	100,504	64,672
OTE, a.s.	53,261	119,074
Pražská energetika, a.s.	10,066	3,275
MVM Partner Zrt.	3,428	3,551
E.ON Energie, a.s.	3,056	4,645
Severočeské doly a.s.	2,674	1,412
Entauri trading s.r.o.	2,275	2,923
Slovenské elektrárne, a.s.	1,137	5,495
Pražská plynárenská, a.s.	966	854
MND a.s.	933	746
Energy Financig Team	929	-
LAMA energy a.s.	761	358
innogy Energie, s.r.o.	602	1,076
Energotrans, a.s.	513	260
CENTROPOL ENERGY, a.s.	503	178
Veolia Energie ČR, a.s.	493	498
SSE CZ, s.r.o.	443	889
ARMEX ENERGY a.s.	383	-
Českomoravský cement, a.s.	254	369
Sev.en Commodities AG	253	-
EDF Trading Limited	238	881
Engie Global Markets	130	248
Veolia Komodity ČR, s.r.o.	118	-
VEMEX Energie a.s.	118	66
ČEZ Obnovitelné zdroje, s.r.o.	98	-
CARBOUNION BOHEMIA,spol. s r.o.	92	306
TAURON Czech Energy s.r.o.	76	544
Elektrárna Dětmarovice, a.s.	-	8,074
ALPIQ ENERGY SE	58	2,856
Other customers	865	11,519
Total sales of electricity – domestic	185,227	234,769
Sales of electricity – foreign	9,364	6,981
Effect of hedging – presales of electricity (Note 16.3)	(25,487)	(87,931)
Effect of hedging – currency risk hedging (Note 16.3)	3,276	171
Total sales of electricity	172,380	153,990
Sales of gas	32,034	27,689
Sales of heat	2,584	1,955
Total sales of electricity, heat and gas	206,998	183,634
Sale of services and other income:		
Sales of ancillary and distribution services	5,799	6,180
Sales of other services	4,317	3,907
Rental income	653	665
Other revenues	169	194
Total sales of services and other revenues	10,938	10,946
Other operating income	1,138	5,611
Total revenues and other operating income	219,074	200,191

Revenues from contracts with customers for the years ended December 31, 2023 and 2022, were CZK 239,494 million and CZK 281,675 million, respectively, and can be linked to the figures in the previous table as follows:

	2023	2022
Sales of electricity, gas and heat	206,998	183,634
Sales of services and other revenues	10,938	10,946
Total revenues	217,936	194,580
Adjustments:		
Effect of hedging – presales of electricity	25,487	87,931
Effect of hedging – currency risk hedging	(3,276)	(171)
Rental income	(653)	(665)
Revenues from contracts with customers	239,494	281,675

23. Gains and Losses from Commodity Derivative Trading

The overview 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, net	17,472	27,601
Gain (loss) from gas derivative trading	(856)	15,523
Gain (loss) from emission rights derivative trading	(137)	1,150
Loss from oil derivative trading	-	(11)
Gain (loss) from coal derivative trading	20	(1)
Total gains and losses from commodity derivative trading	16,499	44,262

24. Purchase of Electricity, Gas and Other Energies

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

	2023	2022
Purchase of electricity for resale	(44,575)	(62,135)
Purchase of gas for resale	(28,214)	(21,671)
Purchase of other energies	(1,771)	(1,692)
Total purchase of electricity, gas and other energies	(74,560)	(85,498)

25. Fuel and Emission Rights

The overview of fuel cost and emission rights for production as at December 31, 2023 and 2022, is as follows (in CZK millions):

	2023	2022
Emission rights for generation	(16,975)	(14,804)
Consumption of biomass and fossil energy fuel except gas	(14,541)	(6,184)
Amortization of nuclear fuel	(3,706)	(3,980)
Consumption of gas	(3,694)	(12,697)
Total fuel and emission rights	(38,916)	(37,665)

26. Services

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

	2023	2022
Repairs and maintenance	(5,652)	(4,886)
Demolition	(1,432)	(76)
Technology and operation support services	(1,378)	(1,172)
Rental, property management and security	(1,203)	(799)
IT related services	(1,095)	(1,025)
Equipment operation services	(451)	(406)
Other services	(3,166)	(2,726)
Total services	(14,377)	(11,090)

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

27. Salaries and Wages

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

	2023		2022	
	Total	Key management[1)]	Total	Key management[1)]
Salaries and wages including remuneration of board members	(7,808)	(136)	(7,878)	(137)
Social and health security	(2,348)	(21)	(2,218)	(22)
Other personal expenses	(672)	(13)	(598)	(13)
Total	(10,828)	(170)	(10,694)	(172)

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

The individual components of the remuneration of the members of the Board of Directors and Supervisory Board are described in the Remuneration Policy of ČEZ, a. s. The Remuneration Policy was approved by the Company's General Meeting on June 29, 2020.

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 payments tied to shares as at December 31, 2023 and 2022, amounted to CZK 200 million and CZK 109 million, respectively.

28. Other Operating Expenses

Other operating expenses as at December 31, 2023 and 2022, were as follows (in CZK millions):

	2023	2022
Change in provisions	3,360	1,470
Taxes and fees	(2,084)	(2,081)
Levy on revenues above price caps	(10,065)	(1,559)
Costs related to trading of commodities	(1,152)	(522)
Insurance	(508)	(468)
Gifts	(167)	(143)
Other	(901)	(732)
Total	(11,517)	(4,035)

The taxes and fees include payment the contributions to the nuclear account (see Note 17.1). 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.

29. Interest Income

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

	2023	2022
Bank accounts	3,927	2,601
Loans, receivables and other debt financial assets at amortized cost	2,156	1,380
Debt financial assets at fair value through other comprehensive income	1,192	531
CEZ Group cashpooling	823	483
Finance lease	16	3
Total	8,114	4,998

30. Impairment of Financial Assets

Additions and reversals of impairment of financial assets for each category for the years ended December 31, 2023 and 2022, were as follows (in CZK millions):

	2023	2022
Shares in subsidiaries, associates and joint-ventures (see Note 5)		
Additions	(75)	(5,934)
Reversals	-	5,033
Loans granted	3	16
Financial guarantee for Akcez group loans	208	329
Other	4	(6)
Total	140	(562)

The Company had a guarantor for the liabilities of companies within the joint-venture Akcez Enerji Yatirimlari Sanayi ve Ticaret A.S. in the amount of USD 67.4 million and TRY 44.9 million as at December 31, 2023. 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. In 2023, the provision was derecognized on sale of the company Akcez Energji Yatirimlari Sanayi ve Ticaret A.S.

31. Other Financial Expenses

Other financial expenses for the years ended December 31, 2023 and 2022, were as follows (in CZK millions):

	2023	2022
Foreign exchange rate loss	-	(4,180)
Loss on sale of restricted debt instruments	(312)	(159)
Loss from revaluation of financial assets	(583)	(109)
Creation and settlement of provisions	(36)	(31)
Other	(228)	(116)
Total	(1,159)	(4,595)

32. Other Financial Income

Other financial income as at December 31, 2023 and 2022, was as follows (in CZK millions):

	2023	2022
Dividends received (see Note 5)	12,147	7,446
Foreign exchange rate gain	899	-
Gain on sale of share in Akcez group	1,594	-
Gain on revaluation of financial assets	18	611
Gain on sale of debt instruments	9	14
Gain on financial derivatives	509	3,434
Other	81	160
Total	15,257	11,665

33. Income Taxes

The Company calculated corporate income tax for 2022 in accordance with the Czech tax regulations at the rate of 19%. The Company income tax for 2023 corresponds to the 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 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 Company 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. 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 for the calculation of deferred tax in the future years are as follows:

2024	72%
2025	73%
2026 and thereafter	21%

The Company's management believes that the tax expense was recognized in the financial statements in an appropriate amount. 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 were as follows (in CZK millions):

	2023	2022
Current income tax charge	(41,219)	(16,162)
Deferred income taxes	(599)	2,303
Total	(41,818)	(13,859)

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	69,912	77,681
Statutory income tax rate	71%	19%
"Expected" income tax expense	(49,393)	(14,759)
Adjustments:		
Non-tax-deductible allowances, net	(66)	(169)
Non-tax gains/losses associated with changes in shareholding interest	727	-
Non-taxable income from dividends	8,582	1,415
Reversal (creation) of non-tax-deductible provision	51	62
Tax incentives, tax discounts	1	1
Impact of different tax rate for calculation of deferred tax	(2,081)	(572)
Difference between financial statement value and tax value of net book value of fixed assets	-	(29)
Other non-tax-deductible items, net	361	192
Income tax	(41,818)	(13,859)
Effective tax rate	60%	18%

The overview of deferred income tax at December 31, 2023 and 2022 (in CZK millions):

	2023	2022
Nuclear provisions	27,228	23,266
Other provisions	16,341	14,378
Allowances	504	286
Revaluation of financial instruments	-	55,072
Lease liabilities	224	194
Other temporary differences	2,894	6,590
Total deferred tax assets	47,191	99,786
Difference between financial statement value and tax value of net book value of fixed assets	(43,001)	(41,227)
Revaluation of financial instruments	(20,257)	-
Right-of-use assets	(144)	(145)
Investment in finance lease – lessor	(74)	(51)
Emission rights	(11,649)	(10,373)
Other temporary differences	(182)	(105)
Total deferred tax liability	(75,307)	(51,901)
Total deferred tax (liability) assets	(28,116)	47,885

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

	2023	2022
Balance at January 1	47,885	6,843
Effect of business combinations	(142)	-
Deferred tax recognized in profit or loss	(599)	2,303
Deferred tax recognized in other comprehensive income	(75,260)	38,739
Balance at December 31	(28,116)	47,885

Tax impact related to individual items of other comprehensive income was as follows (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	83,603	(59,224)	24,379	(82,332)	55,672	(26,660)
Cash flow hedges reclassified to statement of income	22,371	(15,805)	6,566	87,843	(16,690)	71,153
Cash flow hedges reclassified to assets	(131)	93	(38)	403	(77)	326
Change in fair value of debt instruments	1,925	(324)	1,601	(887)	239	(648)
Change in fair value of equity instruments	(305)	-	(305)	109	(405)	(296)
Total	107,463	(75,260)	32,203	5,136	38,739	43,875

34. Related Parties

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

The following table shows receivables from related parties and payables to related parties as at December 31, 2023 and 2022 (in CZK million):

	Receivables		Payables	
	2023	2022	2023	2022
AZ KLIMA a.s.	216	124	-	-
CAPEXUS s.r.o.	-	-	82	27
CEZ Bulgarian Investments B.V.	-	-	41	280
CEZ Deutschland GmbH	-	-	117	108
CEZ Erneubare Energien Beteiligungs GmbH	336	258	-	-
CEZ Erneuerbare Energien Beteiligungs II GmbH	251	34	-	-
CEZ Holdings B.V.	-	6,514	166	334
CEZ Hungary Ltd.	2,038	2,393	1,035	868
CEZ Chorzów S.A.	1,351	1,195	69	222
CEZ MH B.V.	220	157	-	-
CEZ Polska sp. Z o.o.	9	5	941	310
CEZ RES International B.V.	-	-	525	545
CEZ Skawina S.A.	1,952	1,297	117	90
ČEZ Distribuce, a. s.	32,838	30,014	6,265	7,758
ČEZ Energetické produkty, s.r.o.	96	353	983	780
ČEZ Energetické služby, s.r.o.[1)]	55	215	156	60
ČEZ Energo, s.r.o.	218	1	542	177
ČEZ ENERGOSERVIS spol. S r.o.	380	262	943	733
ČEZ ESCO, a.s.	2,507	1,854	772	1,661
ČEZ ICT Services, a. s.	689	225	197	212
ČEZ Invest Slovensko, a.s.	-	-	136	149
ČEZ Obnovitelné zdroje, s.r.o.	108	23	270	207
ČEZ OZ uzavřený investiční fond a.s.	16	-	3,569	3,228
ČEZ Prodej, a.s.	17,492	26,405	20,908	33,374
ČEZ Teplárenská, a.s.	404	221	997	844
Elektrárna Dětmarovice, a.s.[2)]	-	271	-	2,100
Elektrárna Dukovany II, a. s.	21	10	89	142
Elektrárna Temelín II, a. s.	1	1	90	28
Elevion Group B.V.	1,241	2	-	234
Energetické centrum s.r.o.	-	-	155	96
Energotrans, a.s.	3,689	2,635	8,307	7,154
ENESA a.s.	1	213	189	11
EP Rožnov, a.s.	-	-	447	154
Inven Capital, SICAV, a.s.	-	1	2,012	1,518
MARTIA a.s.	22	200	578	189
PRODECO, a.s.	7	18	171	-
PV Design and Build s.r.o.	618	6	4	38
SD – Kolejová doprava, a.s.	5	3	301	249
Severočeské doly a.s.	315	168	12,666	7,967
ŠKODA JS a.s.	766	924	823	584
Telco Infrastructure, s.r.o.	1	1	223	61
Telco Pro Services, a. s.	28	28	157	76
TENAUR, s.r.o.	1	813	122	3
ÚJV Řež, a. s.	29	20	442	450
Ústav aplikované mechaniky Brno, s.r.o.	-	-	84	72
Other	436	373	298	283
Total	68,357	77,237	65,989	73,376

The following table provides the total amount of transactions (sales and purchases), which were entered into with related parties in 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
BELECTRIC GmbH	324	110	205	113
CAPEXUS s.r.o.	-	-	49	4
CE Insurance Limited	-	-	199	151
Centrum výzkumu Řež s.r.o.	2	3	15	42
CEZ Holdings B.V.	10	65	-	-
CEZ Hungary Ltd.	9,712	12,256	1,138	6,171
CEZ Chorzów S.A.	1,254	1,171	-	-
CEZ Skawina S.A.	1,818	1,269	2	2
ČEZ Distribuce, a. s.	2,185	1,858	44	63
ČEZ Energetické produkty, s.r.o.		51		1,583
ČEZ Energetické služby, s.r.o.[1)]	57	54	465	2
ČEZ Energo, s.r.o.	326	2	179	-
ČEZ ENERGOSERVIS spol. s r.o.	65	54	2,080	1,685
ČEZ ESCO, a.s.[2)]	67,007	44,598	23,644	10,306
ČEZ ICT Services, a. s.	142	114	1,292	1,233
ČEZ Obnovitelné zdroje, s.r.o.	59	40	502	582
ČEZ OZ uzavřený investiční fond a.s.	44	1	275	-
ČEZ Prodej, a.s.[3)]	95,170	65,896	29,192	28,660
ČEZ Teplárenská, a.s.	2,524	1,819	120	52
Elektrárna Dětmarovice, a.s.[2)]	-	10,604	-	14,033
Elektrárna Dukovany II, a. s.	72	50	1	-
Energotrans, a.s.	4,637	3,497	4,456	5,308
LOMY MOŘINA spol. s r.o.	-	-	362	291
MARTIA a.s.	26	12	852	656
OSC, a.s.	-	-	169	148
PV Design and Build s.r.o.	-	-	40	40
SD – Kolejová doprava, a.s.	14	14	379	323
Severočeské doly a.s.	2,780	1,505	11,638	5,271
ŠKODA JS a.s.	10	1	2,158	538
ŠKODA PRAHA a.s.	11	9	78	81
Telco Pro Services, a. s.	65	55	-	-
ÚJV Řež, a. s.	14	13	885	832
Ústav aplikované mechaniky Brno, s.r.o.	-	-	113	109
Výzkumný a zkušební ústav Plzeň s.r.o.	1	1	68	40
Other	140	126	88	21
Total	188,544	145,248	83,614	78,714

1) The company ČEZ LDS s.r.o. merged with the succession company ČEZ Energetické služby, s.r.o., with the legal effective date of January 1, 2023.

2) The company Elektrárna Dětmarovice, a.s., merged with the succession company ČEZ, a. s., with the legal effective date of January 1, 2023.

3) Due to re-invoicing in the company ČEZ Prodej, a.s., in 2023 and 2022, the relevant part of sales was transferred to the company ČEZ ESCO, a.s., in the amount of CZK 43,819 million and CZK 40,940 million, respectively.

The Company and some of its subsidiaries are included in the cash-pool system. Receivables from subsidiaries related to cashpooling are included in balance sheet on the line Derivatives and other financial assets (see Note 5), payables to subsidiaries related to cashpooling and similar borrowings are included in balance sheet on the line Derivatives and other financial liabilities (see Note 0).

Information on the remuneration of key management is included in Note 27. Information about guarantees provided is included in Note 16.2.

35. Segment Information

The Company is mainly engaged in the generation of electricity and trade in electricity and other commodities, which is a separate operating segment. Most of the Company’s activities take place in the markets of the European Union. The Company did not identify other separate operating segments.

36. Net Income per Share

	2023	2022
Numerator (in CZK millions)		
Basic and diluted:		
Net income	28,094	63,822
Denominator (in 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	52.3	118.9
Diluted	52.3	118.9

37. Commitments and Contingencies

Investment Plans

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

2024	24.9
2025	39.2
2026	43.1
2027	37.2
2028	37.2
Total	181.6

The above-mentioned values do not include planned acquisitions of subsidiaries, associates and joint-ventures.

The Company 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 on liability for nuclear damages so that the operator of nuclear installations is liable for up to CZK 8 billion per incident. The Nuclear Energy Act limits the liability for damage caused by other activities (such as transportation) to CZK 2 billion. The Nuclear Energy Act also requires the operator to insure its liability in connection 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 has concluded the above insurance policies with company Generali Česká pojišťovna a.s. (representing the Czech Nuclear Insurance Pool) and European Liability Insurance for the Nuclear Industry. The Company has taken out all insurance policies with the minimum limits as required by the law.

The Company also maintains the insurance policies covering the assets of its coal-fired, hydroelectric, CCGT and nuclear power plants, as well as general liability insurance in connection with the Company's main activities.

38. 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 separate 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