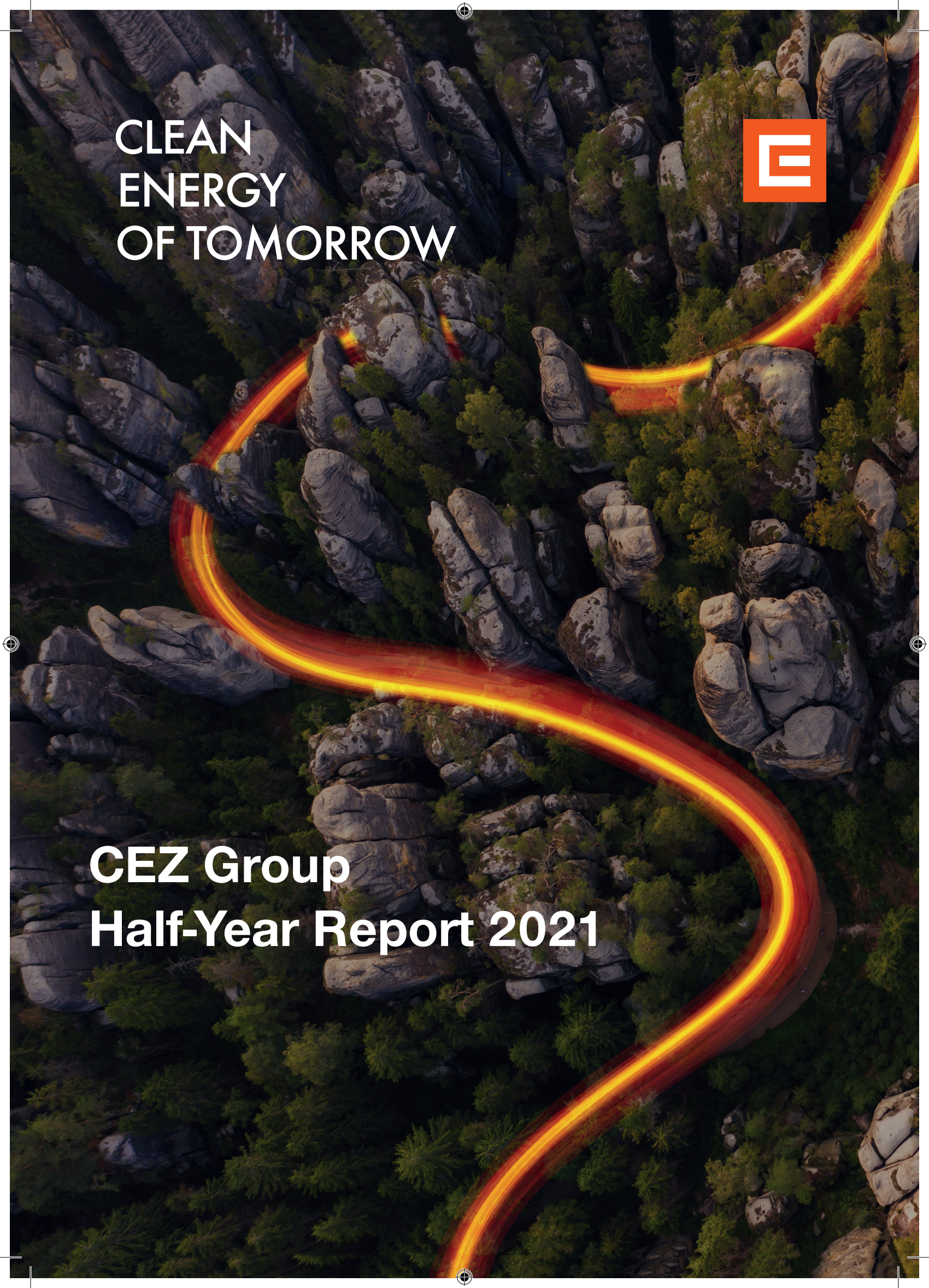


CLEAN
ENERGY
OF TOMORROW



CEZ Group
Half-Year Report 2021



CEZ Group Profile

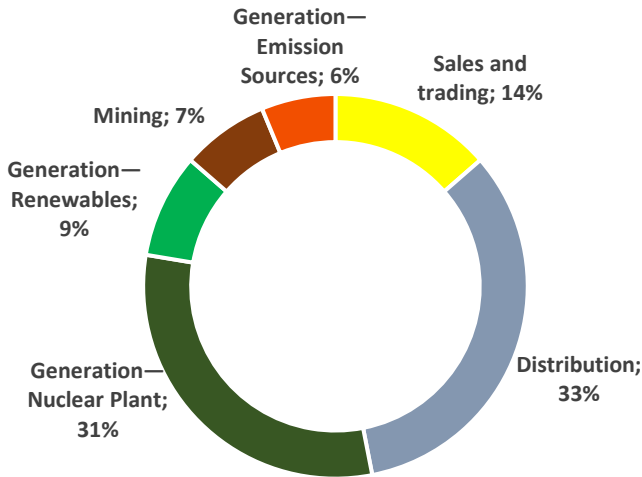
Employing more than 30,000 employees, CEZ Group is one of the largest economic entities in Czechia and Central Europe. The largest shareholder of the parent company ČEZ is the Czech Republic with a nearly 70% stake in the company's stated capital. ČEZ shares are traded on the Prague and Warsaw stock exchanges and included in the PX and WIG-CEE exchange indices. ČEZ's market capitalization was CZK 342 bn as at June 30, 2021.

CEZ Group is an International Vertically Integrated Energy Industry

Our main business activity is the generation, distribution, trade, and sale of electricity and heat. Significant activities also include commodity trading, trade and sale of natural gas, mining, and, in particular, the provision of comprehensive energy services, which, together with electromobility, form CEZ Group's fast-growing business sector.

The importance of individual activities for the total value for shareholders is illustrated by the share of individual activities in EBITDA:

The Share of CEZ Group's Main Activities in H1 2021 EBITDA¹



In Czechia, CEZ Group companies generate and distribute electricity and heat, sell electricity, gas, and energy services, trade in commodities, provide telecommunications services, and are engaged in mining. CEZ Group also focuses on innovation and has a stake in a number of cleantech companies.

CEZ Group operates abroad in the field of generation, trade, and sale of electricity, gas, and heat, and in the field of energy services. Outside Czechia, it operates mainly in Germany, Poland, and Slovakia. In 2021, significant assets, mainly distribution and generation assets in Romania and Bulgaria were sold.

CEZ Group's Mission and Corporate Responsibility

The mission is to provide safe, reliable, and positive energy to its customers and society at large. The long-term vision is to be a driver and incubator of innovations, a leader in the field of modern energy, and the everyday partner for solving energy needs of customers, and thus contribute to a higher quality of life for them. CEZ Group's accelerated strategy, VISION 2030—Clean Energy for Tomorrow, is based on transforming its generation portfolio to a low-emission one, achieving carbon neutrality by

¹ This is the share of individual activities in the EBITDA of the so-called Strategic Assets, i.e. CEZ Group excluding the Romanian and Bulgarian assets sold and the Polish assets to be sold.

2050, and providing the most cost-effective energy solutions and the best customer experience in the market.

CEZ Group's business activities are governed by strict ethical standards that include responsible behavior toward employees, society, and the environment. As part of its business activities, it adheres to the principles of sustainable development with an emphasis on the area of ESG, which is an integral part of its management. CEZ Group supports energy efficiency, promotes new technologies, and creates an inclusive environment supporting diversity, professional growth of employees and equal opportunities, and focuses on investments in modern technologies, science, and research. Donorship forms an integral part of corporate responsibility, and the ČEZ Foundation has been helping in all areas across Czechia since 2002.

The corporate culture emphasizes safety, continuous growth in internal efficiency, and encouragement of innovation to increase CEZ Group's value.

CEZ Group emphasizes the implementation of global climate goals and the decarbonization of its portfolio in accordance with the Paris Agreement, and the environmental impact of its business in general. In the areas of environmental protection, social relations, and corporate governance, CEZ Group has made specific commitments, including a commitment to reduce the CO₂ emissions intensity of electricity generation by more than 50% by 2030 and an overall ambition to raise CEZ Group's ESG rating to at least 80% by 2023.

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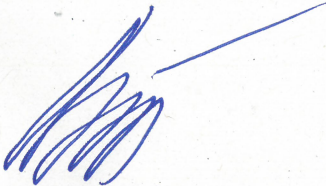
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Statutory Declaration of Persons Responsible for the CEZ Group Half-Year Report 2021

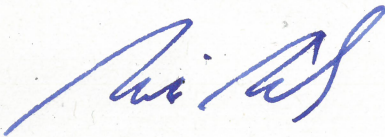
Statutory Declaration

To the best of our knowledge, the consolidated Half-Year Report gives a true and fair view of the financial position, business activities, and financial results of the issuer and its consolidated group for the past financial year, and the prospects for the future development of the financial position, business activities, and financial results.

Prague, August 23, 2021



Daniel Beneš
Chairman of the Board of Directors, ČEZ, a. s.



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

Selected CEZ Group Indicators

Selected CEZ Group Indicators

	Unit	H1 2020	H1 2021	Index 2021/2020 (%)
Installed capacity	GW	13.9	12.3	88.6
Electricity generated (gross)	TWh	29.8	27.7	93.0
Share of emission-free generation	%	54.6	59.8	x
Electricity sold ¹⁾	TWh	17.0	16.9	99.6
Heat sold ¹⁾	'000 TJ	13.7	15.2	111.4
Gas sold ¹⁾	TWh	5.2	4.3	83.1
Workforce headcount as at June 30	'000 persons	32.7	30.3	92.7
Operating revenues	CZK billions	106.3	108.2	101.9
Of which: Sales of electricity, heat, gas, and coal	CZK billions	69.3	72.5	104.6
Revenues from the sale of services and other revenues	CZK billions	34.9	34.3	98.1
EBITDA	CZK billions	38.7	31.6	81.7
Net income	CZK billions	14.7	1.6	10.7
Adjusted net income ²⁾	CZK billions	16.4	11.3	68.7
Dividend per share ³⁾	CZK / share	34.0	52.0	152.9
Net cash provided by operating activities	CZK billions	31.1	23.6	75.7
Capital expenditures (CAPEX) ⁴⁾	CZK billions	(12.2)	(11.7)	96.0
Assets ⁵⁾	CZK billions	702.5	844.2	120.2
Net debt ²⁾	CZK billions	153.7	100.6	65.5
Net debt / EBITDA ²⁾	1	2.40	1.74	x

1) Sales to end-use customers (outside CEZ Group).

2) The definition is given in the chapter Definitions and Calculations of Indicators Unspecified in IFRS.

3) Dividend per share before tax declared in the year. The value reflects the shareholder's entitlement to receive a share of the profit of a public limited liability company equivalent to the ownership of one share.

4) Acquisition of tangible and intangible fixed assets.

5) The 2020 figure is as at December 31, 2020.

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

	Czechia		Germany		Poland		Bulgaria		Romania		Other Countries and Region Eliminations	
	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021
Operation Revenues	77.4	81.5	6.9	7.3	4.3	4.0	10.4	11.0	8.3	4.6	(1.0)	(0.2)
EBITDA	33.8	28.1	0.6	0.6	0.4	0.3	1.4	1.2	2.6	1.2	(0.1)	0.2
Net Income	15.5	3.0	(0.2)	(0.2)	(0.4)	(0.9)	0.6	0.4	0.5	0.0	(1.3)	(0.7)

Credit Rating

ČEZ's long-term credit ratings remained unchanged in the first half of 2021.

On June 7, 2021, the rating agency Standard & Poor's updated ČEZ's long-term rating to A- with a stable outlook.

On January 26, 2021, the rating agency Moody's updated the long-term rating of ČEZ a. s., to the Baa1 level with a stable outlook.

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

Shares

In H1 2021, shares of five CEZ Group companies were traded on public markets, two of which were sold at the beginning of H2.

1) ČEZ, a. s.

As at June 30, 2021, the stated capital of ČEZ, a. s. totaled CZK 53,798,975,900. The Company's stated capital consisted of 537,989,759 shares with a nominal value of CZK 100. Their ISIN is CZ0005112300.

Structure of Shareholders by Entity Type (%)

	Share in stated capital	Share in voting rights ¹⁾	Share in stated capital	Share in voting rights ¹⁾
	as at June 22, 2020 ²⁾		as at June 21, 2021 ³⁾	
Legal entities, total	87.72	87.66	86.85	86.82
of which: Czechia	69.78	70.11	69.78	69.95
ČEZ, a. s.	0.47	–	0.24	–
Other legal entities	17.47	17.55	16.83	16.87
Private individuals, total	12.28	12.34	13.15	13.18

¹⁾ The calculation of the share of voting rights takes into account the prohibition of exercising voting rights associated with own shares held by ČEZ, a. s., not any restrictions on the exercise of voting rights resulting from other facts.

²⁾ Date of record for participation in the 29th annual Shareholders' Meeting.

³⁾ Date of record for participation in the 30th annual Shareholders' Meeting.

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

Entities holding a share amounting to at least 1% of the stated capital of ČEZ, a. s., as registered in the Central Securities Depository as at June 21, 2021, were:

- The Czech Republic, represented by the Ministry of Finance of the Czech Republic, having a total share of 69.78% in the stated capital, i.e., 69.95% of voting rights
- Clearstream Banking, S.A., holding a share amounting to 2.20% of the stated capital, that is, 2.20% of voting rights
- Chase Nominees Limited, holding a share amounting to 1.73% of the stated capital, that is, 1.73% of voting rights

As of the aforementioned date, the aforementioned entities had the rights arising from the provisions of Section 365 et seq. of the Business Corporations Act. The possibility that some of the aforementioned entities manage shares owned by third parties cannot be excluded.

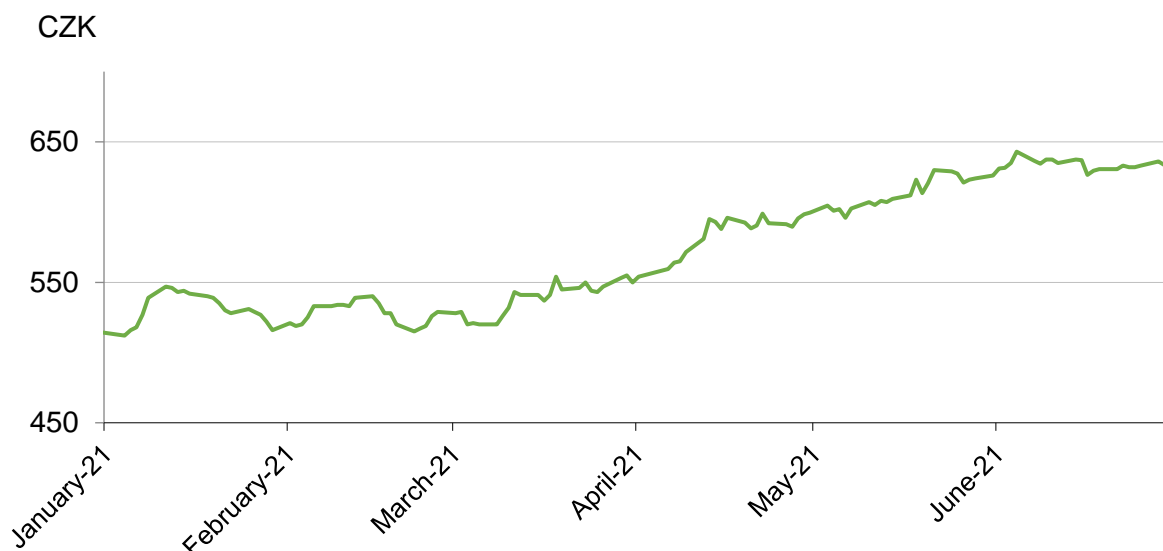
Treasury Shares

To cover claims arising out of the Company's stock option plan, 2,516,240 treasury shares, representing 0.468% of its stated capital, were held on the asset account of ČEZ, a. s., with the Central Securities Depository as at January 1, 2021.

ČEZ used 1,236,274 shares to satisfy the claims of beneficiaries under the stock option plan in the first half of 2021. The average call price at which the shares were sold to beneficiaries amounted to CZK 524.57 per share. The total amount received for the transfer of the shares to the beneficiaries was CZK 648.6 million (including interest).

As at June 30, 2021, the above-mentioned asset account contained 1,279,966 treasury shares, that is, 0.238% of the stated capital.

ČEZ, a. s., Share Prices in H1 2021



Dividend Policy

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

Payment of Dividends to Shareholders

At its meeting on June 28, 2021, the company's annual Shareholders' Meeting resolved to pay a dividend of CZK 52 per share to the company's shareholders, which corresponds to a total share of profit for distribution to shareholders in the amount of CZK 28.0 billion. It is payable from August 2, 2021, and can be claimed until July 31, 2025.

CEZ Group's adjusted consolidated net profit for 2020 amounted to CZK 22.8 billion. From this base, an ordinary dividend component corresponding to 100% of the adjusted consolidated net profit for 2020 was determined. In addition, an extraordinary dividend component of CZK 5.2 billion was determined to reflect the contribution of the sale of Romanian assets to the total debt capacity of CEZ Group.

Entities that were shareholders of ČEZ at the record date, July 2, 2021, are entitled to the dividend. The dividend on treasury shares held by the Company at the record date was not paid out and was transferred to the retained earnings account.

2) ČEZ OZ uzavřený investiční fond a.s.

The company's shares were admitted to trading on the Prague Stock Exchange's regulated market with effect from December 31, 2015 with ISIN CZ0008041787. An issue of 5,310,498 shares, that is, 15% of the total number of the company's shares, previously held by ČEZ, was admitted to trading. As of June 30, 2021, the joint-stock company ČEZ held almost 99.6% of the company; the other shareholder was ČEZ Obnovitelné zdroje. Shareholders outside CEZ Group held a 0.04% stake in the company's stated capital.

3) Akenerji Elektrik Üretim A.S.

The company's shares are traded freely on the stock exchange. A portion of shares representing a 25.3% stake in the company's stated capital has been freely traded on the Istanbul stock exchange

since July 3, 2000. The ISIN is TRAAKENR91L9. The shares are not traded on any other public markets. ČEZ, a. s., held an almost 37.4% stake in the company's stated capital as at June 30, 2021.

4) CEZ Elektro Bulgaria AD

The company's shares have been traded on the Bulgarian Stock Exchange (Българска Фондова Борса) since October 29, 2012. Their ISIN is BG1100024113. The shares are not traded on any other public markets. As at June 30, 2021, ČEZ held a 67% stake and the second largest shareholder, the Chimimport group, held a 25.06% stake in the company's stated capital. On July 27, 2021, ČEZ sold its stake in the company.

5) CEZ Razpredelenie Bulgaria AD

The company's shares have been traded on the Bulgarian Stock Exchange (Българска Фондова Борса) since October 29, 2012. Their ISIN is BG1100025110. The shares are not traded on any other public markets. As at June 30, 2021, ČEZ held a 67% stake and the second largest shareholder, the DOVERIE group, held an 11.02% stake in the company's stated capital. On July 27, 2021, ČEZ sold its stake in the company.

Selected Events

Selected Events in H1 2021

January

- The sale of Romanian assets related to the generation, distribution, and sale of electricity by the Romanian State Security Council is approved.
- The sale of Bulgarian assets was approved by the Bulgarian Commission for Energy and Water Regulation.

February

- The digitization of nuclear power plant processes continues with the deployment of the “Mobile Support for Operation and Maintenance Preparation” application at both nuclear power plants; maintenance preparation is now fully managed through this digital application, which increases efficiency and ensures safe execution of work.

March

- On March 31, the sale of seven Romanian companies (the distribution and sales companies and the Fântânele and Cogeaalac wind farms, four small hydroelectric power plants, and a shared services center) was completed; the shares of the companies were handed over to the buyer, Macquarie Infrastructure and Real Assets against payment of the full purchase price.
- The conditions for supporting the construction of RES from the Modernization Fund in Czechia were specified.
- A SÚJB permit for the location of two new nuclear units at the Dukovany site was obtained and the plant was authorized under the Energy Act.
- An award of the arbitration tribunal in the international investment arbitration of ČEZ, a. s., against the Bulgarian state was issued, which confirmed the legitimacy of the arbitration within the current jurisdiction and thus moved the proceedings to the next phase, in which the merits of the dispute will be assessed.

April

- In February, a joint ESCO venture was formed with a strong local partner SPP in Slovakia to develop decentralized energy and comprehensive energy services and commodity customer portfolio sold to SPP.
- The overhaul of Units 21 and 22 of the Tušimice power plant was started, including the implementation of additional greening measures, enabling the units to operate in accordance with the new BREF/BAT limits.

May

- CEZ Group's accelerated strategy, VISION 2030—Clean Energy for Tomorrow was announced, based on transforming the generation portfolio to low-emission one, achieving carbon neutrality by 2050, and providing the most cost-effective energy solutions and best customer experience in the market; CEZ Group's focus on social responsibility and decarbonization in line with the Paris Agreement deepens.
- The largest ČEZ ESCO energy savings project in Slovakia has been completed; thanks to the modernization of the University Hospital and Health Center in Nové Zámky, which included replacement of lighting in selected buildings, a new boiler room, laundry, and reconstruction of the air conditioning system, the hospital will save up to CZK 20 million annually in operating costs. It will also reduce CO₂ emissions by 2,000 tons per year.
- A new information website, <https://www.cezdistribuce.cz/cs/pro-vyrobce>, was launched, offering clear information and instructions on how to proceed when applying to connect a generating facility or micro-source, with an emphasis on self-care channels.

June

- In connection with the accelerated VISION 2030—Clean Energy for Tomorrow strategy and a significant deterioration of the medium-term market conditions for coal-fired power in Q2, updates of the concepts for the future operation of the coal-fired portfolio and the use of all generation sites in Czechia were initiated; priority was given to the sites of Mělník and Dětmarovice, where the operation of facilities is linked to a large supply to the centralized heat supply systems.
- Three bidders for the construction of a new nuclear power plant at Dukovany (approved by the Czech state) were sent an invitation to participate in the safety assessment; following confirmation of their interest and fulfillment of the conditions, preliminary tender documents were sent to all three bidders.
- ČEZ Prodej has entered into a strategic partnership with Česká pošta with the aim of getting closer to its end-use customers in the regions in terms of service; the current network of 24 customer centers and other contact points of ČEZ Prodej will be gradually supplemented by 73 branches of Česká pošta in 2021 and 2022.
- A new parking lot with a photovoltaic power plant was opened at the Dukovany Nuclear Power Plant; the carport, a roofed parking lot for more than 320 cars of the plant's employees and contractors, consists of 2,600 photovoltaic panels and, thanks to its capacity, will generate about 850 MWh of electricity per year emission-free, which will cover the year-round consumption of almost three hundred households.
- The Shareholders' Meeting of ČEZ, a. s. was held, at which, among other things, a dividend of CZK 52 per share was approved.

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

July

- On July 15, ČEZ ESCO became a 100% owner of EP Rožnov, a Czech market leader in comprehensive services in the design and implementation of cleanrooms, especially for the electrical, automotive, pharmaceutical, and medical industries.
- On July 27, the sale of seven companies in Bulgaria, including distribution and sales companies, was completed; against payment of the full purchase price of EUR 335 million, the shares of the companies were handed over to the buyer—Eurohold Bulgaria; the sale of assets has no impact on the international investment arbitration against the Bulgarian state, which is ongoing and represents a potential additional return for CEZ shareholders.
- On July 27, the Ministry of Industry and ČEZ concluded a memorandum regarding the preparation of a project for a battery cell factory for electric vehicles, the so-called gigafactory, with the assumption of subsequent involvement of the automotive industry and battery manufacturers representatives; the investment in the project with an annual generation capacity of 40 GWh is assumed at the level of EUR 2 billion, 2,300 jobs should be created; within the contemplated investor consortium, ČEZ could act as a developer, which, among other things, will provide the necessary land and take care of energy supply and energy services.
- The achievable capacity of Unit 1 of Temelín NPP increased by 4 MW_e (to 1,086 MW_e); the increase was achieved by installing two new separators—steam heaters in the non-nuclear part of the plant, which increased the efficiency of the unit while maintaining the reactor capacity.

Developments in Relevant Energy Markets

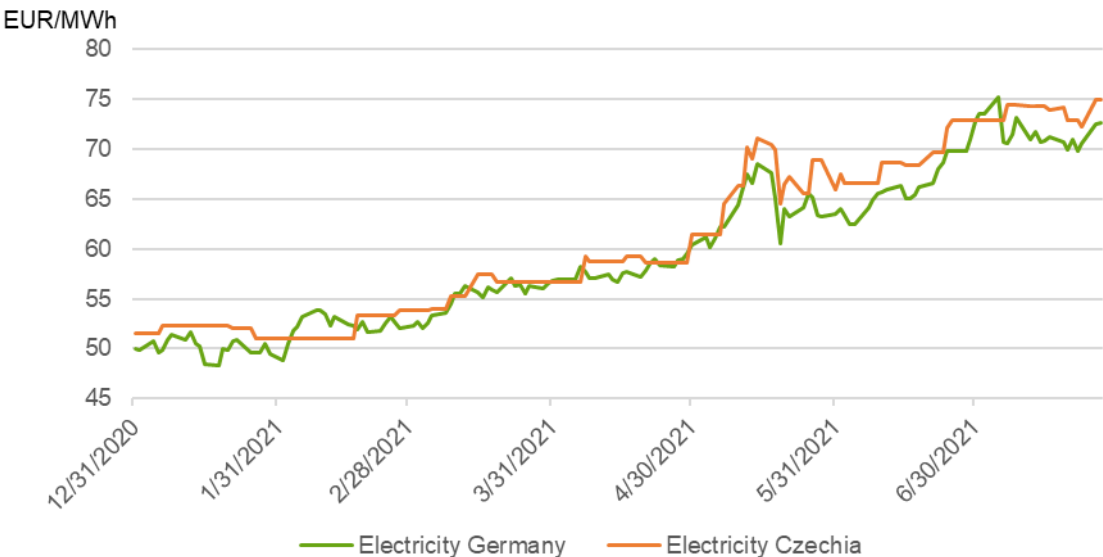
Electricity

CEZ Group's business environment is significantly affected by regulations and legislation at the European Union level and in the individual countries where CEZ Group operates. An overview of the main events, standards, and developments in regulation and legislation at the level of the European Union and in Czechia forms the chapter Development of Sector Regulation and Legislation of this Half-Year Report.

This chapter discusses the main market factors for CEZ Group's business (i.e. electricity prices and emission allowance prices on relevant energy markets) in H1 2021 and contains a summary of the main determining factors for the future development of the electricity sector.

During H1, electricity prices showed continuous increase. The price of the base band with delivery in Germany for 2022 increased from EUR 50/MWh to EUR 73/MWh, an increase of 46%. This increase was due to the increase in the prices of the two relevant fuels as well as the continued increase in the price of emission allowances. The gas price increased by 57% to EUR 25/MWh and the coal price by 25% to USD 88/t.

Wholesale Electricity Price in H1 2021 (Annual Band with Delivery in 2022)



Emission Allowances

The price of emission allowances increased by 72% to EUR 56/t in H1. The allowance is now trading at historic highs as it is supported by the European Commission's proposal to increase the EU's climate ambition for 2030.

Emission Allowance Prices in H1 2021 (for Delivery in December 2021 in Germany)



Future Development of the Electricity Sector from the Perspective of CEZ Group

The short-term development of the energy sector is mainly influenced by climate conditions, regulation, and economic developments, including the specifics of COVID-19 and the forthcoming economic recovery. Commodity prices were further affected by the long winter. The energy sector development for the next decade will be fundamentally determined by the European Commission's "Fit for 55" decarbonization package.

The price of hard coal has increased sharply to USD 90/t in recent months. Following the drop in consumption and price in 2020 due to COVID-19, there has been a sharp increase in consumption which has driven coal prices up. Unusually cold weather and increasing economic activity have increased fossil fuel consumption. China, as the largest importer, played a crucial role when even increased domestic production could not cover the high consumption. In addition, due to internal import restrictions on Australian coal, it is forced to buy more expensive coal from other countries. At the same time, there have been several shortfalls on the part of the largest suppliers. The sharp increase in prices on the Asian market has spilled over into Europe. However, in view of the tightening climate targets, a rather downward trend in hard coal prices can be expected in the long term.

Natural gas has also been hit by reduced consumption in 2020 due to COVID-19. However, a very long winter led to an increase in gas consumption in H1 2021 and a sharp increase in forward prices up to EUR 26/MWh. Summer prices have even climbed to EUR 38/MWh, a sharp leap compared to EUR 5/MWh in 2020. The high consumption led to a very rapid depletion of gas storage below the long-term average. Together with lower Russian gas transport via Ukraine, this will keep natural gas prices high in the coming months. Higher imports of liquefied natural gas (LNG) and, above all, the possible opening of the Nord Stream II pipeline will lead to lower prices next year. In the long term, gas will act as a temporary substitute for coal and its consumption and prices will remain high.

The price of emission allowances has been increasing steadily in recent months. The historic high of EUR 33.4/t in late 2020 would be considered rather low in 2021. A new all-time high of EUR 58.3/t was made in July 2021, after which prices decreased by approximately 10%. The increase in prices is driven by the increase in the EU's decarbonization target from 40% to 55% by 2030. Speculative activity is also an important factor, with allowance prices increasing even though there is a surplus of approximately one year's consumption on the market. As the share of renewable energy sources (RES) increases, the impact of allowances on the price of electricity gradually decreases. Previously, EUR 10/t change in the price of an allowance led to a EUR 8/MWh change in the price of electricity. Now it is less than EUR 6/MWh and is projected to decrease further by 2030.

The long-term development of the electricity sector is mainly determined by political decisions. The European Union intends to become climate neutral by 2050. It therefore wants to reduce greenhouse

gas production by 55% by 2030 compared to 1990. Key measures have been proposed by the European Commission as part of the “Fit for 55” legislative package. Important points include:

- 40% of all energy consumed in the EU is to come from renewable sources by 2030; accompanying analyses show that the share of RES in the electricity sector will increase to almost 65%,
- the withdrawal of surplus allowances into the Market Stability Reserve (MSR) will remain at the current level of 24%,
- the EU-level Modernization Fund will increase by 2.5% of all European allowances,
- the Carbon Border Adjustment Mechanism (CBAM), also known as the 'carbon tariff', is intended to balance the industrial field within and outside the EU; in the first phase it is likely to be applied mainly to commodities such as iron and steel, cement, fertilizers, aluminum, and electricity generation,
- zero emissions from new cars by 2035; this means a transition to electro-mobility, which will involve increased consumption of zero-emission electricity, and to hydrogen cars.

Technical progress is also affecting the energy sector. Renewables are steadily becoming cheaper and are now a standard part of the energy mix. In the German auctions, guaranteed feed-in tariffs for photovoltaics have decreased to EUR 50/MWh and for onshore wind to EUR 60/MWh.

Electrification is set to make a significant contribution to decarbonization, with emission-free sources supplying an increasing share of electricity. However, in some areas electrification is difficult to achieve, if at all. Then the introduction of hydrogen is an option. In July 2020, the European Commission presented a proposal for a hydrogen strategy, which targets the production of 1 million tons of hydrogen from 6 GW of electrolyzers by 2024, or 10 million tons of hydrogen from 40 GW of electrolyzers by 2030. A number of European countries have also presented their own hydrogen strategy. Hydrogen and P2X technologies are estimated to develop and become cheaper in a similar way to PV or wind, creating new business opportunities for a number of energy companies.

CEZ Group Strategy

Europe's energy sector is undergoing a major transformation towards sustainable solutions. The European Commission has been continuously increasing and accelerating ambitious targets for faster decarbonization, renewable energy development and energy efficiency, while at the same time envisaging massive financial support for these targets from national governments. The current objectives and specific instruments are set out in the "European Green Deal" and fundamentally affect the business environment not only in the energy sector.

Czechia is developing the European Commission's targets into a climate and energy plan with an increase in the share of generation from renewable sources. The discussion on updating the Czech State Energy Policy to take more account of the "European Green Deal" has been intensifying. The Coal Commission was established with the aim of defining the Czechia's decarbonization strategy. Work is underway on the National Action Plan for Smart Grids and Electromobility. The strengthening of energy sector digitization is being prepared. Discussion continues on how to secure electricity supplies after the end of generation from coal facilities and on the construction of a new nuclear facility. In 2020, Czechia signed a framework and first implementation agreement with ČEZ and Elektrárna Dukovany II for the first stage of the construction of a new nuclear power plant in Dukovany.

The current business concept of CEZ Group, which was updated in 2019 at the company's annual Shareholders' Meeting, and the CEZ Group's strategy based on it anticipated these trends and aims to maximize the business opportunities associated with the modernization, digitalization, and decarbonization of the energy sector in the EU.

CEZ Group Mission and Vision

CEZ Group's mission is to provide safe, reliable, and positive energy to its customers and society as a whole.

CEZ Group's vision is to bring innovations for addressing energy needs and help improve the quality of life.

The current strategy was defined in 2019 in line with the company's updated business concept. In May 2021, as part of its accelerated strategy—VISION 2030 "Clean Energy for Tomorrow", CEZ Group defined strategic objectives for 2030 reflecting the EU's decarbonization vision and set specific ambitions in the area of social responsibility and sustainable development.

Strategic Vision 2030 "Clean Energy for Tomorrow"

The main strategic priorities of the accelerated strategy—VISION 2030:

- 1) Transform our generation portfolio to a low-emission one and achieve carbon neutrality by 2050
- 2) Provide the most cost-effective energy solutions and the best customer experience in the market
- 3) Develop CEZ Group in a responsible and sustainable manner in accordance with ESG principles.

The basic premise is to continuously adjust the structure of CEZ Group to meet the demands of investors, creditors and employees, and to enable maximum increase in shareholder value.

The main strategic objectives and commitments defined under the individual strategic priorities:

1) Transform our generation portfolio to a low-emission one and achieve carbon neutrality

Comprehensive objective—to reduce emissions intensity by more than 50% by 2030 and achieve carbon neutrality by 2050.

Nuclear Facilities

- We will safely increase generation from existing nuclear sources to an average of over 32 TWh and achieve a 60-year lifetime for nuclear units.
- We are ready to build a new nuclear unit at Dukovany.

- We will prepare for the construction of small modular reactors (SMRs) with a total capacity of over 1,000 MW after 2040.

Renewables

- We will build 1.5 GW of RES by 2025 and 6 GW by 2030.
- We will increase the installed capacity for electricity storage by at least 300 MW_e by 2030.

Conventional Facilities

- We will decarbonize the thermal power sector and convert our coal sites to new activities after the shift away from coal.
- We will build new gas-fired capacities that are ready to burn hydrogen.
- We will reduce the share of electricity generated from coal to 25% by 2025 and 12.5% by 2030.

2) Provide the most cost-effective energy solutions and the best customer experience in the market

Distribution

- We will invest in Smart grids and decentralization to further develop a stable and digital distribution grid, including the development of fiber optic networks.

Sales—Retail

- We will digitize 100% of key customer processes by 2025.
- We will maintain the highest Net Promoter Score (NPS) of the major electricity suppliers and grow our customer base by increasing service quality.
- We will offer a product portfolio that enables residential customers to achieve energy savings and reduce emissions.

Sales—ESCO

- We will build infrastructure for electromobility—quadruple the charging capacity and operate at least 800 charging stations by 2025.
- We will further develop our role as a decarbonization leader—enabling effective emission reductions and delivering energy savings also for our clients in industry, municipalities, and government in line with the EU target of delivering energy savings of 39–40%.

New Segments

- We will expand our activities into other areas of battery production, electromobility, and hydrogen.

3) Develop CEZ Group in a responsible and sustainable manner in accordance with ESG principles

Comprehensive objective—to increase ČEZ's ESG rating to at least 80% by 2023.

Selected objectives in the environmental area

- We will reduce CO₂ emissions in line with the Paris Agreement “well below 2 Degrees” by 2030 (reduction from 0.36 tCO_{2e}/MWh in 2019 to 0.16 in 2030).
- We will reduce NO_x from 23 kt in 2019 to 13 kt by 2025 and 7 kt by 2030.
- We will reduce the quantity of SO₂ from 21 kt in 2019 to 6.5 kt by 2025 and 3 kt by 2030.

Selected objectives in the area of social relations

- We will continue to be decent corporate citizens, cultivating good relationships with communities.
- We will maintain our position of the most attractive employer for future talents and current employees.
- We will ensure a fair transition for all employees affected by shifting away from coal through retraining, reskilling, or compensation.

- We will maintain the highest Net Promoter Score (NPS) of the major electricity suppliers.
- We will digitize all key customer processes by 2025.

Selected objectives in the area of corporate **g**overnance

- Achieve 30% female representation in management
- Increase the proportion of women in management in non-technical segments to 30% by 2025
- We will increase the frequency of employee training concerning the Code of Ethics and will train at least 95% of employees each year from 2022 on

Social responsibility

CEZ Group's strategy fully reflects the principles of sustainable energy development, i.e. the emphasis on evaluating and managing the impact of business on the environment, employees, customers, and societal interests, and last but not least, the emphasis on responsible and ethical corporate management. Sustainable approach and emphasis on ESG forms an integral part of CEZ Group management. CEZ Group prepares an annual CEZ Group Sustainability Report, which includes reporting in accordance with GRI standards.

Meeting the global climate goals, decarbonization, and the impact of business on the environment in general are of priority to CEZ Group. CEZ Group has long been committed to reducing its carbon footprint, and as early as in 2015, it made a commitment to generate electricity without CO₂ emissions no later than by 2050. CEZ Group is actively continuing to decarbonize its portfolio and is gradually shutting down coal-fired power plants without compromising its commitments to supply stable electricity and heat. At the same time, CEZ Group is aware of its commitment to communities and regions adversely affected by the shutdown of coal-fired power plants or mining. It already supports the regions through the ČEZ Foundation activities and prepares plans for retraining employees so that even in the event of a plant shutdown or mine closure, negative social impacts are minimized.

CEZ Group's sustainable development commitment "is based on the principles of corporate culture, the Code of Ethics, the Safety and Environmental Protection Policy, and other internally defined policies. Sustainable solutions are gradually being implemented into business processes across all business segments.

CEZ Group Financial Performance

As at June 30, 2021, the consolidated CEZ Group comprised a total of 194 companies, with 171 companies fully consolidated and 23 associates and joint ventures consolidated using the equity method.

CEZ Group Consolidated Unit as at June 30, 2021

The companies of the consolidated accounting unit of CEZ Group are divided into four operating segments:

GENERATION, MINING, DISTRIBUTION, and SALES.

GENERATION

ČEZ, a. s.	ČEZ Recyklace, s.r.o.
A.E. Wind S.A.	ČEZ Teplárenská, a.s.
Areál Třeboradice, a.s.	Elektrárna Dětmorovice, a.s.
Baltic Green Construction sp. z o.o.	Elektrárna Dukovany II, a. s.
Baltic Green II sp. z o.o.	Elektrárna Mělník III, a. s.
Baltic Green III sp. z o.o.	Elektrárna Temelín II, a. s.
Baltic Green VI sp. z o.o.	Energetické centrum s.r.o.
Baltic Green VIII sp. z o.o. w likwidacji	Energotrans, a.s.
Baltic Green IX sp. z o.o.	Ferme Eolienne d'Andelaroche SAS
BANDRA Mobiliengesellschaft mbH & Co. KG	Ferme éolienne d'Allas-Nieul SAS
Bara Group EOOD	Ferme éolienne de Feuillade et Souffrignac SAS
CASANO Mobiliengesellschaft mbH & Co. KG	Ferme éolienne de Genouillé SAS
Centrum výzkumu Řež s.r.o.	Ferme éolienne de la Petite Valade SAS
CEZ Bulgarian Investments B.V.	Ferme Eolienne de la Piballe SAS
CEZ Deutschland GmbH	Ferme Eolienne de Neuville-aux-Bois SAS
CEZ Erneuerbare Energien Beteiligungs GmbH	Ferme éolienne de Nueil-sous-Faye SAS
CEZ Erneuerbare Energien Beteiligungs II GmbH	Ferme Eolienne de Saint-Laurent-de-Céris SAS
CEZ Erneuerbare Energien Verwaltungs GmbH	Ferme éolienne de Saugon SAS
CEZ Finance B.V.	Ferme Eolienne de Seigny SAS
CEZ France SAS	Ferme Eolienne de Thorigny SAS
CEZ Holdings B.V.	Ferme éolienne des Besses SAS
CEZ Chorzów S.A.	Ferme Eolienne des Breuils SAS
CEZ Chorzów II sp. z o.o.	Ferme Eolienne des Grands Clos SAS
CEZ Magyarország Kft. (CEZ Hungary Ltd.)	Ferme éolienne du Blessonnier SAS
CEZ MH B.V.	Ferme Eolienne du Germancé SAS
CEZ Polska sp. z o.o.	Free Energy Project Oreshets EAD
CEZ Produkty Energetyczne Polska sp. z o.o.	MARTIA a.s.
CEZ RES International B.V.	OSC, a.s.
CEZ Skawina S.A.	ŠKODA PRAHA a.s.
CEZ Srbija d.o.o.	Tepelné hospodářství města Ústí nad Labem s.r.o.
CEZ Trade Romania S.R.L.	ÚJV Řež, a. s.
CEZ Ukraine LLC	Ústav aplikované mechaniky Brno, s.r.o.
CEZ Windparks Lee GmbH	Windpark Baben Erweiterung GmbH & Co. KG
CEZ Windparks Luv GmbH	Windpark Badow GmbH & Co. KG
CEZ Windparks Nordwind GmbH	Windpark Cheinitz-Zethlingen GmbH & Co. KG
ČEZ Asset Holding, a. s.	Windpark FOHREN-LINDEN GmbH & Co. KG
ČEZ Bohunice a.s.	Windpark Frauenmark III GmbH & Co. KG
ČEZ Energetické produkty, s.r.o.	Windpark Gremersdorf GmbH & Co. KG
ČEZ ENERGOSERVIS spol. s r.o.	Windpark Mengerlinghausen GmbH & Co. KG
ČEZ ICT Services, a. s.	Windpark Naundorf GmbH & Co. KG
ČEZ Obnovitelné zdroje, s.r.o.	Windpark Zagelsdorf GmbH & Co. KG
ČEZ OZ uzavřený investiční fond a.s.	

GENERATION

AK-EL Kemah Elektrik Üretim ve Ticaret A.S. *)
Akenerji Dogal Gaz Ithalat Ihracat ve Toptan
Ticaret A.S. *)
Akenerji Elektrik Enerjisi Ithalat Ihracat ve
Toptan Ticaret A.S *)
Akenerji Elektrik Üretim A.S. *)
GP JOULE PPX Verwaltungs-GmbH *)
GP JOULE PP1 GmbH & Co. KG *)
Green Wind Deutschland GmbH *)
Jadrová energetická spoločnosť
Slovenska, a. s. *)
juwi Wind Germany 100 GmbH & Co. KG *)
Windpark Bad Berleburg GmbH & Co. KG *)
Windpark Berka GmbH & Co. KG *)
Windpark Datteln GmbH & Co. KG *)
Windpark Moringen Nord GmbH & Co. KG *)
Windpark Nortorf GmbH & Co. KG *)
Windpark Prezelle GmbH & Co. KG *)

*) *Joint venture or associate*

MINING

PRODECO, a.s.
Revitrans, a.s.
SD - Kolejová doprava, a.s.
Severočeské doly a.s.

GEOMET s.r.o. *)
LOMY MOŘINA spol. s r.o. *)

*) *Joint venture or associate*

DISTRIBUTION

CEZ Bulgaria EAD
CEZ ICT Bulgaria EAD
CEZ Razpredelenie Bulgaria AD
ČEZ Distribuce, a. s.

Akcez Enerji Yatirimlari Sanayi ve Ticaret A.S. *)
Sakarya Elektrik Dagitim A.S. *)

*) *Joint venture or associate*

SALES

AirPlus, spol. s r.o.
AxE AGRICOLTURA PER L'ENERGIA
SOCIETA' AGRICOLA A R.L.
AZ KLIMA a.s.
AZ KLIMA SK, s.r.o.
Budrio GFE 312 Società Agricola S.r.l.
CEZ Elektro Bulgaria AD
CEZ ESCO Bulgaria EOOD
CEZ ESCO II GmbH
CEZ ESCO Polska sp. z o.o.
CEZ ESCO Romania S.A.
CEZ Trade Bulgaria EAD
ČEZ Energetické služby, s.r.o.
ČEZ Energo, s.r.o.
ČEZ ESCO, a.s.
ČEZ LDS s.r.o.
ČEZNET s.r.o.
ČEZ Prodej, a.s.
D-I-E ELEKTRO AG
Domat Control System s.r.o.
EAB Elektroanlagenbau GmbH Rhein/Main
e-Dome a. s.
Elektro-Decker GmbH
Elevion Deutschland Holding GmbH
Elevion GmbH
Elevion Group B.V.
Elevion Holding Italia S.r.l.
Elevion Österreich Holding GmbH
En.plus GmbH
ENESA a.s.
ESCO City I sp. z o.o. w likwidacji
ESCO City II sp. z o.o. w likwidacji
ESCO City III sp. z o.o. w likwidacji
ESCO City IV sp. z o.o. w likwidacji
ESCO City V sp. z o.o. w likwidacji
ESCO City VI sp. z o.o. w likwidacji
ESCO Distribučné sústavy a.s.
ESCO Servis, s. r. o.
ESCO Slovensko, a. s.
ETS Efficient Technical Solutions GmbH
ETS Efficient Technical Solutions
Shanghai Co. Ltd.
ETS Engineering Kft.
Euroklimat sp. z o.o.
FDLnet.CZ, s.r.o.
GWE Verwaltungs GmbH
GWE Wärme- und Energietechnik
GmbH & Co. KG
HA.EM OSTRAVA, s.r.o.
Hermos AG
Hermos Gesellschaft für Steuer-, Meß- und
Regeltechnik mbH

HERMOS International GmbH
HERMOS SDN. BHD
Hermos Schaltanlagen GmbH
Hermos Sp. z.o.o.
Hermos Systems GmbH
High-Tech Clima d.o.o.
High-Tech Clima S.A.
HORMEN CE a.s.
Hybridkraftwerk Culemeyerstraße Projekt GmbH
inewa Srl
inewa consulting Srl
Inven Capital, SICAV, a.s.
ISP West s.r.o.
KART, spol. s r.o.
Kofler Energies Energieeffizienz GmbH
Kofler Energies Ingenieurgesellschaft mbH
Kofler Energies Systems GmbH
Metrolog sp. z o.o.
Moser & Partner Ingenieurbüro GmbH
M&P Real GmbH
NEK Facility Management GmbH
OEM Energy sp. z o.o.
Rudolf Fritz GmbH
Solární servis, s.r.o.
SPRAVBYTKOMFORT, a.s. Prešov
SYNECO PROJECT S.r.l.
SYNECOTEC Deutschland GmbH
Syneco tec GmbH
Telco Infrastructure, s.r.o.
Telco Pro Services, a. s.
TENAUR, s.r.o.
VESER, s. r. o.

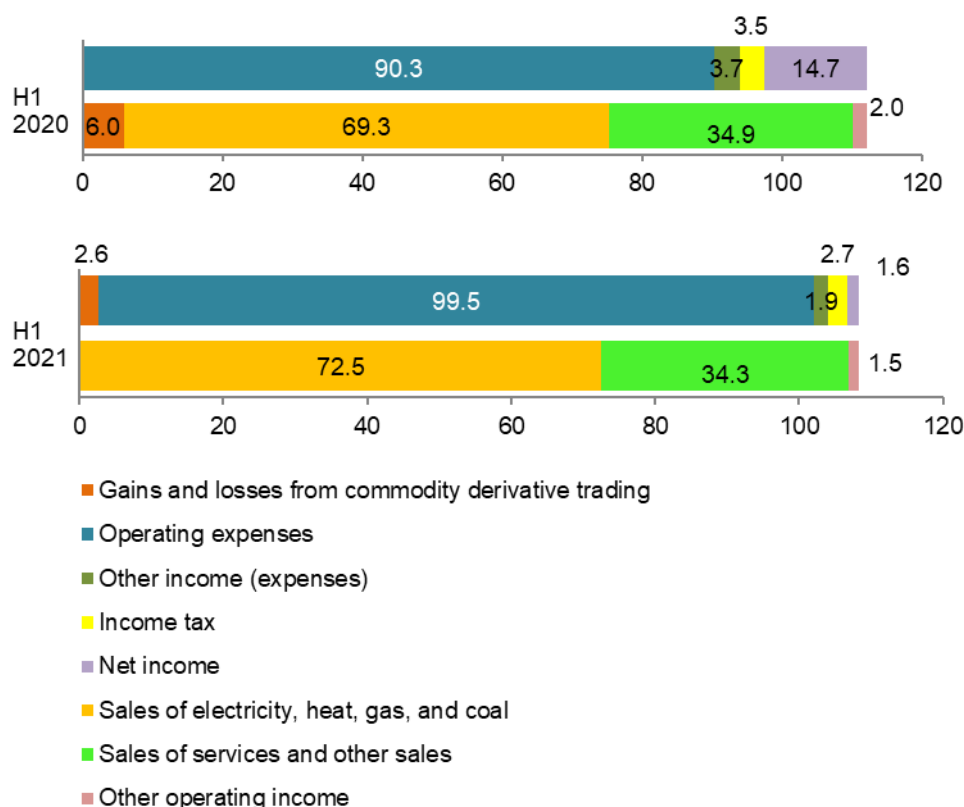
Bytkomfort, s.r.o. *)
Elevion Co-Investment GmbH & Co. KG *)
KLF-Distribúcia, s.r.o. *)
Sakarya Elektrik Perakende Satis A.S. *)

*) *Joint venture or associate*

CEZ Group Financial Results

Changes in Revenues, Expenses, and Income

CEZ Group Net Income Breakdown (CZK Billions)



Net income (after-tax income) in the first half of 2021 amounted to CZK 1.6 billion, which is a year-on-year decrease of CZK 13.1 billion. The decrease was mainly due to higher provisioning for tangible and intangible fixed assets, including goodwill (CZK -9.7 billion) and a worse result in gains and losses from commodity derivative transactions (CZK -8.6 billion).

Operating revenues increased by CZK 2.0 billion year-on-year to CZK 108.2 billion, mainly due to higher revenues from the sale of electricity, heat, gas, and coal (CZK +3.2 billion).

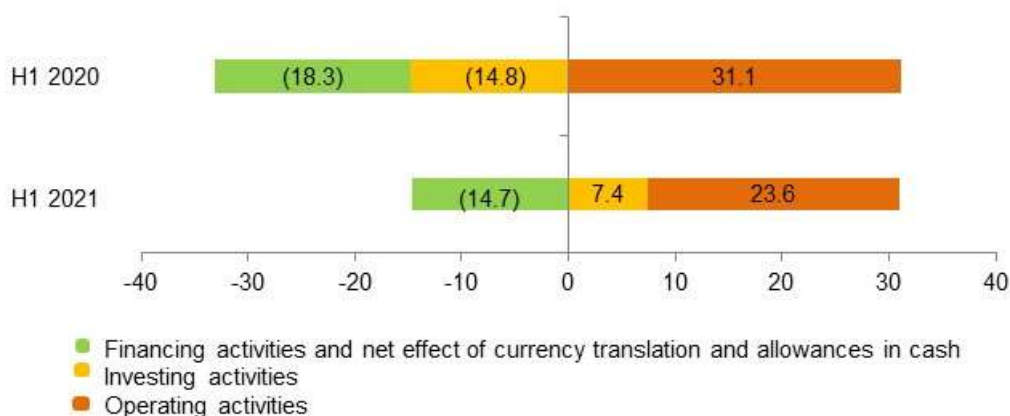
Operating expenses increased by CZK 9.3 billion year-on-year to CZK 99.5 billion. The increase in costs was driven by higher impairment charges on fixed assets, including goodwill impairment of CZK 9.7 billion, including in Severočeské doly (CZK -8.7 billion), Poland (CZK -0.6 billion), Romania (CZK -0.3 billion), and Bulgaria (CZK -0.1 billion). The creation of an allowance for mining company assets of CZK 8.7 billion in 2021 reflects the deterioration in medium-term market conditions for coal-fired power generation, and thus lower expected demand for coal, in line with the increase in climate targets at the EU level and also following the recommendation of the Coal Commission of the Czech Republic to cease burning coal by 2038 at the latest.

Other expenses and revenues increased net profit by CZK 1.8 billion year-on-year mainly due to foreign exchange gains, revaluation of financial derivatives, and lower interest expenses. Income tax decreased by CZK 0.9 billion due to lower earnings before taxes.

Gains and losses from commodity derivative trading decreased year-on-year by CZK 8.6 billion. The decrease was mainly due to specific temporary effects (CZK -3.9 billion) as a result of the decrease in electricity market prices following the expansion of COVID-19 to Europe in 2020 and due to the revaluation of generation hedging contracts. In addition, CEZ Group made a unique profit from speculative commodity trading in H1 2020 in the record amount of almost CZK 3 billion.

Cash Flows

CEZ Group Cash Flows (CZK Billions)



Cash flows generated from operating activities (+ CZK 23.6 billion) decreased by CZK 7.6 billion year-on-year. Profit before tax adjusted for non-cash operations decreased year-on-year (CZK -22.2 billion). Paid income tax increased year-on-year (CZK -0.5 billion). In contrast, the change in assets and liabilities was positive year-on-year (CZK +14.3 billion) and interest paid, excluding capitalized interest, decreased (CZK +0.9 billion).

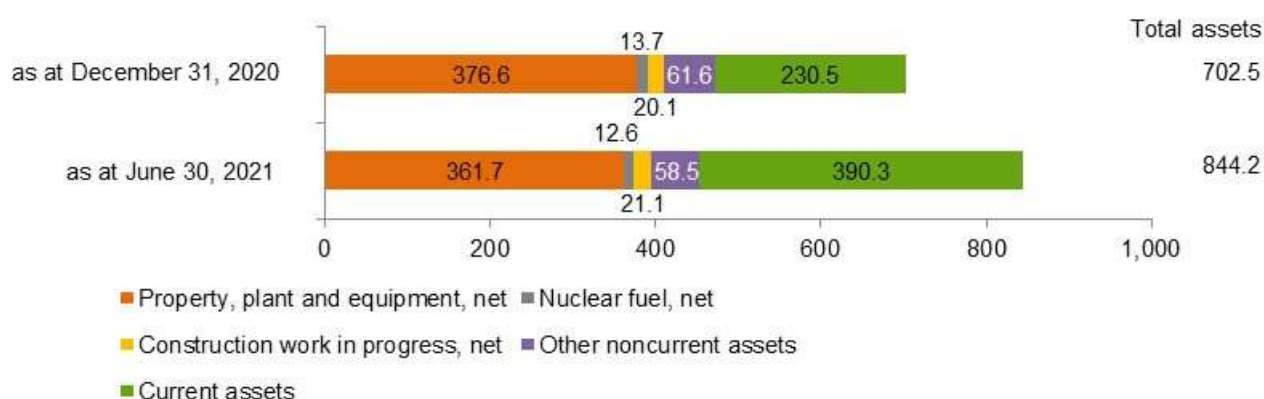
Net cash flow from investing activities (CZK +7.4 billion) reached a positive balance, as the contribution from the sale of Romanian assets as at March 31, 2021 (CZK +21.2 billion) exceeded the funds used for own investing activities in H1 2021 (CZK -13.8 billion). In a year-on-year comparison, this is a positive difference of CZK 22.1 billion. The funds used for investment activities were therefore CZK 0.9 billion lower year-on-year. Lower expenditure was spent on the acquisition of subsidiaries, affiliates, and joint ventures (CZK +1.0 billion). In addition, there was an increase in income from the sale of other subsidiaries (CZK +0.4 billion). Repayments of loans increased (CZK +0.3 billion). By contrast, the change in the stock of financial assets with limited availability led to a year-on-year decrease (CZK -0.5 billion) and income from the sale of fixed assets decreased (CZK -0.2 billion).

Funds used in financing activities, including the effect of currency translations and allowances in cash (CZK -14.7 billion), decreased by CZK 3.6 billion. The main reason was the year-on-year difference in drawing and repayment of loans and borrowings (CZK +2.4 billion), purchase of a non-controlling interest in ČEZ Energo in 2020 (CZK +1.0 billion), the sale of a non-controlling interest in ESCO Slovensko (Slovakia) in 2021 (CZK +0.8 billion) and the sale of treasury shares (CZK +0.6 billion). Conversely, the net effect of currency translation and valuation allowances in cash was negative (CZK -1.0 billion) in year-on-year comparison. Other funds used in financial activities increased (CZK -0.2 billion).

Structure of Assets, Equity, and Liabilities

The value of CEZ Group's consolidated assets, equity, and liabilities increased by CZK 141.8 billion in the first half of 2021 to CZK 844.2 billion.

Structure of CEZ Group Assets (CZK Billions)



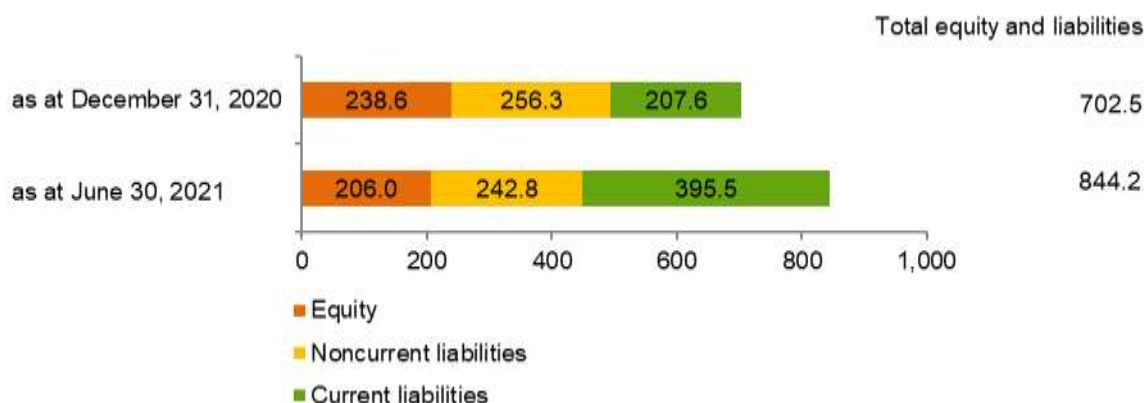
Noncurrent assets decreased by CZK 18.0 billion to CZK 454.0 billion.

The value of property, plant, and equipment, nuclear fuel, and construction work in progress decreased by CZK 14.9 billion to CZK 395.5 billion. Property, plant, and equipment, gross, and construction work in progress increased (CZK +5.3 billion), as did accumulated depreciation and impairments (CZK -19.1 billion). Nuclear fuel decreased (CZK -1.1 billion).

Other noncurrent assets decreased by CZK 3.1 billion to CZK 58.5 billion, primarily due to a decrease in noncurrent intangible assets (CZK -3.5 billion), most importantly emission allowances. Deferred tax assets (CZK -0.3 billion) and investments in joint ventures and affiliates (CZK -0.2 billion) decreased. By contrast, other non-current financial assets increased (CZK +0.5 billion), mainly long-term receivables and debt equity securities, and financial assets with restricted disposals increased (CZK +0.4 billion).

Current assets increased by CZK 159.8 billion to CZK 390.3 billion. The main contributors to the increase in current assets were derivatives receivables including options (CZK +153.4 billion) and emission allowances (CZK +20.0 billion). The stock of cash and cash equivalents increased (CZK +17.5 billion) and short-term deposits increased (CZK +3.9 billion). Other current assets, mainly short-term contractual assets, increased (CZK +3.7 billion) and income tax receivables increased (CZK +1.5 billion). By contrast, assets classified as held for sale decreased (CZK -24.2 billion), mainly due to the sale of Romanian assets on March 31, 2021. Trade receivables decreased (CZK -13.5 billion), receivables from the sale of subsidiaries decreased (CZK -2.0 billion) and short-term loans decreased (CZK -0.7 billion). The other items under current assets increased (CZK +0.2 billion).

Structure of CEZ Group Equity and Liabilities (CZK Billions)



Equity, including noncontrolling interests, decreased by CZK 32.6 billion to CZK 206.0 billion in H1 2021. The decrease was caused by dividends declared for payment to shareholders, including noncontrolling interests (CZK -28.1 billion) and other comprehensive income (CZK -7.5 billion). On the

other hand, net profit (CZK +1.6 billion) and the sale of treasury shares and the stake in ESCO Slovakia (CZK +1.4 billion) contributed.

Long-term liabilities decreased by CZK 13.5 billion to CZK 242.8 billion, mainly due to a decrease in long-term debt (CZK -19.5 billion). The deferred tax liability also decreased (CZK -0.9 billion). Long-term liabilities from forward transactions increased in H1 2021 (CZK +6.8 billion).

Current liabilities increased by CZK 187.9 billion to CZK 395.5 billion. The increase was mainly due to an increase in short-term derivative liabilities (CZK +179.4 billion) and profit distribution liabilities (CZK +27.9 billion). By contrast, trade payables (CZK -9.0 billion) and liabilities related to assets held for sale (CZK -7.2 billion) decreased. Short-term provisions decreased (CZK -3.0 billion), especially the provision for emission allowances. Other short-term liabilities decreased (CZK -0.2 billion).

Comprehensive Income

The comprehensive income after tax for H1 2021 (CZK -5.9 billion) was CZK 20.7 billion lower year-on-year.

Net profit (CZK +1.6 billion) decreased by CZK 13.1 billion year-on-year and other comprehensive income (CZK -7.5 billion) decreased by CZK 7.6 billion. Other comprehensive income was negatively affected year-on-year mainly by the change in the fair value of cash flow hedging instruments (CZK -13.4 billion). Foreign exchange translation differences on subsidiaries, affiliates, and joint ventures (CZK -3.2 billion) and the change in the fair value of debt instruments (CZK -1.6 billion) also had a negative impact on the comprehensive income. The positive effect was due to the derecognition of exchange differences resulting from the sale of subsidiaries (CZK +6.6 billion) and the change in deferred tax related to other comprehensive income (CZK +2.6 billion). Cash flow hedges charged to profit or loss had a positive effect (CZK +1.4 billion).

Net Debt

CEZ Group Net Debt (CZK Billions)

	as at December 31, 2020	as at June 30, 2021
Long-term debt, net of current portion	122.1	102.6
Current portion of long-term debt	28.7	25.2
Short-term borrowings	1.0	4.8
Long-term debt, net of current portion related to assets held for sale	4.1	1.1
Current portion of long-term debt related to assets held for sale	0.6	0.1
Short-term borrowings related to assets held for sale	0.0	0.2
Total debt	156.5	133.9
Cash and cash equivalents	(6.1)	(23.6)
Cash and cash equivalents classified as held for sale	(4.1)	(2.8)
Highly liquid financial assets	(2.9)	(6.9)
Net debt	143.5	100.6
EBITDA (in preceding 12 months)	64.8	57.7
Net debt / EBITDA	2.22	1.74

Financial Results of CEZ Group Segments

Segments¹ and Their Contributions to CEZ Group's Financial Performance

	Operating revenues	EBITDA	Net income	Workforce headcount as at June 30
	(CZK billions)	(CZK billions)	(CZK billions)	('000 persons)
GENERATION				
H1 2020	55.3	23.1	14.7	11.3
H1 2021	57.2	14.5	9.3	10.9
MINING				
H1 2020	4.4	1.7	0.3	4.6
H1 2021	4.7	2.1	(8.2)	4.5
DISTRIBUTION				
H1 2020	22.3	10.9	5.1	9.0
H1 2021	21.5	11.1	4.9	7.7
SALES				
H1 2020	50.0	3.0	1.8	7.9
H1 2021	49.1	3.9	2.6	7.3
Elimination across segments				
H1 2020	(25.6)	0.0	(7.2)	-
H1 2021	(24.2)	(0.1)	(7.1)	-
CEZ Group				
H1 2020	106.3	38.7	14.7	32.7
H1 2021	108.2	31.6	1.6	30.3

Note: The year-on-year comparison is affected by the sale of Romanian assets on March 31, 2021.

The GENERATION segment's net income decreased by CZK 5.4 billion year-on-year. In Czechia, the segment's net profit decreased year-on-year by CZK 5.8 billion, which was due to lower operating profit before depreciation, amortization, impairments, and sale of assets (EBITDA; CZK -7.7 billion). On the other hand, lower interest expenses and revenues (CZK +0.7 billion) and lower income tax (CZK +1.2 billion) had a positive effect. In Poland, segment net profit decreased by CZK 0.6 billion due to higher provisions for fixed assets (CZK -0.6 billion). In Romania, segment net profit increased by CZK 0.1 billion, driven by lower EBITDA (CZK -0.7 billion), lower depreciation and amortization (CZK +0.4 billion), and lower provisions for fixed assets (CZK +0.3 billion).

The MINING segment's net profit decreased by CZK 8.5 billion, mainly due to provisioning for fixed assets (CZK -8.7 billion) as a result of a decrease in the expected demand for coal following the deterioration of market conditions in 2021 for the operation of coal-fired power plants in mid-term and the probable earlier phase-out of coal combustion in Czechia.

Net profit of the DISTRIBUTION segment decreased by CZK 0.2 billion, of which in Romania (CZK -0.3 billion) due to the sale of assets as at March 31, 2021. Net profit in Czechia increased by CZK 0.4 billion due to an increase in EBITDA (CZK +0.7 billion), while higher depreciation and amortization (CZK -0.2 billion) and higher interest expenses and revenues (CZK -0.1 billion) had a negative impact. Net profit of Bulgarian distribution decreased by CZK 0.2 billion due to lower EBITDA (CZK -0.1 billion) and higher provisions for fixed assets (CZK -0.1 billion).

¹ As at January 1, 2021, there was a change in the structure of segments, and thus changes in the classification of some companies of the consolidation group into individual segments. The main reason for this was the fact that the development of renewables in CEZ Group will take place primarily within the existing companies operating mainly traditional power generation.

Net profit of the SALES segment increased by CZK 0.8 billion, of which in Czechia (+CZK 0.8 billion) due to an increase in EBITDA of CZK 1.1 billion and higher income tax (CZK -0.2 billion). In Romania, on the other hand, net profit decreased (CZK -0.2 billion) due to the sale of assets as at March 31, 2021. In Germany, segment's net profit increased by CZK 0.1 billion due to higher EBITDA.

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

In the largest segment, GENERATION, the indicator decreased by CZK 8.6 billion to CZK 14.5 billion. In Czechia, the indicator decreased by CZK 7.7 billion. The decrease was mainly due to specific temporary effects (CZK -3.9 billion) as a result of the decrease in electricity market prices following the expansion of COVID-19 to Europe in 2020 and due to the revaluation of generation hedging contracts. In addition, the trading area had a negative impact (CZK -2.2 billion) with regard to achieving a record profit from speculative commodity trading in 2020. The impact of market prices of emission allowances and commodities on the generation margin, including the effects of hedging and the exchange rate was also negative (CZK -2.1 billion). On the other hand, higher generation volume from nuclear facilities and renewables had a positive effect (CZK +0.6 billion). In Germany, the indicator decreased by CZK 0.1 billion due to lower wind power generation. In Romania, the indicator decreased by CZK 0.7 billion mainly due to the sale of assets as at March 31, 2021.

In the MINING segment, the indicator reached CZK 2.1 billion, an increase of CZK 0.4 billion year-on-year, including higher revenues related to higher coal supplies to CEZ Group (CZK +0.4 billion), lower revenues from coal sales to external customers (CZK -0.2 billion), and lower fixed operating costs of Severočeské doly (CZK +0.1 billion), mainly lower maintenance and personnel costs.

In the DISTRIBUTION segment, the indicator increased by CZK 0.2 billion to CZK 11.1 billion. In Czechia, it increased by CZK 0.7 billion mainly due to higher gross margin from electricity distribution due to higher volume of distributed electricity (CZK +0.5 billion), higher revenues from power input supply and connection (CZK +0.3 billion). Higher fixed costs had a negative impact (CZK -0.1 billion). In Romania, the indicator decreased by CZK 0.4 billion mainly due to the sale of assets as at March 31, 2021. In Bulgaria, the indicator decreased by CZK 0.1 billion due to higher prices for the purchase of electricity to cover network losses.

The SALES segment showed EBITDA of CZK 3.9 billion, i.e. CZK 0.9 billion more year-on-year. In Czechia, the indicator increased by CZK 1.1 billion as a result of a higher margin on commodity sales due to higher volumes and lower purchase prices (CZK +0.8 billion) and the negative impact of COVID-19 on commodity sales to corporate customers in 2020 (CZK +0.3 billion). In Germany, the indicator increased by CZK 0.1 billion due to restoring growth after the negative impact of COVID-19 in 2020. In Romania, the indicator decreased by CZK 0.3 billion due to the sale of assets as at March 31, 2021. In Bulgaria, the indicator decreased by CZK 0.1 billion due to a lower gross margin on electricity sales due to higher electricity purchase costs. In other countries, the indicator increased (CZK +0.1 billion) mainly due to the contribution of the sale of the portfolio of customers to which commodities are supplied in Slovakia as at April 1, 2021.

Related Parties

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

	Receivables		Liabilities	
	as at Dec 31, 2020	at Jun 30, 2021	at Dec 31, 2020	as at Jun 30, 2021
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	–	–	29	27
Elevion Co-Investment GmbH & Co. KG	1	–	71	69
GP JOULE PP1 GmbH & Co. KG	14	17	–	–
In PROJEKT LOUNY ENGINEERING s.r.o.	15	15	15	14
LOMY MOŘINA spol. s r.o.	45	13	32	27
Výzkumný a zkušební ústav Plzeň s.r.o.	10	7	11	2
Others	23	26	15	7
Total	108	78	173	146

Sales to and Purchases from Related Parties (CZK Millions)

	Sales to related parties		Purchases from related parties	
	H1 2020	H1 2021	H1 2020	H1 2021
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	4	–	3	27
Bytkomfort, s.r.o.	31	14	–	–
In PROJEKT LOUNY ENGINEERING	–	16	2	12
LOMY MOŘINA spol. s r.o.	5	67	103	134
Teplo Klášterec s.r.o.	32	36	–	–
VLAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	15	18	1	–
Výzkumný ústav pro hnědé uhlí a.s.	1	–	8	13
Others	8	13	10	11
Total	96	164	127	197

Economic and Financial Outlook for 2021

As at August 10, 2021, CEZ Group estimated consolidated net profit adjusted for extraordinary effects¹⁾ for the full year 2021 in the amount of CZK 18 to 20 billion and consolidated EBITDA in the amount of CZK 58 to 60 billion.

The main negative year-on-year effects include the sale of Romanian and Bulgarian assets, higher costs of emission allowances for generation, lower revenues from ancillary services, and lower profit from commodity trading. On the other hand, the positive effects are mainly due to higher realized electricity prices, stabilization of the SALES segment after the impact of COVID-19 on corporate customers, and higher generation from nuclear facilities.

For the purposes of comparability of year-on-year economic development, we therefore divide the CEZ Group assets into two parts below, namely “Assets Held for Sale” (Romanian, Bulgarian, and Polish companies outside the ESCO activities) and “Strategic Assets” (all other CEZ Group companies).

Strategic Assets

As at August 10, 2021, CEZ Group expected the contribution of Strategic Assets to CEZ Group's EBITDA for 2021 in the amount of CZK 55 to 57 billion, which represents a year-on-year decrease of a total of CZK 0 to CZK 2 billion.

The major causes of the year-on-year change in financial performance are listed below, broken down by the segment structure applicable since January 1, 2021, to indicate CEZ Group's Strategic Assets expected financial position in 2021.

The GENERATION segment is expected to decrease by CZK 2.0 to 4.0 billion year-on-year. In Trading, the year-on-year change is expected to be in the range of CZK -2.0 billion to CZK -0.5 billion due to a lower expected profit from commodity trading. In renewable generation, no change is expected, that is, year-on-year change is in the range of CZK -0.2 billion to CZK +0.2 billion. In nuclear

generation, a year-on-year increase of CZK 1.0 to 1.8 billion is expected, with higher realization prices of electricity generated (CZK +1.2 to +1.7 billion) and higher generation volumes having a positive effect. In the area of generation from emission sources, a year-on-year decrease of CZK 3.0 to 3.8 billion is expected, with the negative impact of market prices of emission allowances, natural gas, and electricity on the gross margin from generation including hedging (CZK -2.7 to -2.2 billion), lower revenues from the sale of ancillary services, and higher costs of equipment maintenance.

In the MINING segment, the year-on-year change is expected to be in the range of CZK 0.0 to CZK +0.3 billion. The main reason for the expected increase is higher coal sales.

In the DISTRIBUTION segment, a year-on-year change in the range of CZK 0.0 billion to CZK +0.6 billion is expected, with the impact of the new Czech regulatory period having a negative effect and, conversely, the effect of correction factors having a positive effect.

In the SALES segment, a year-on-year increase by CZK 1.6 to 2.1 billion is expected with regard to ESCO-related growth ambitions and the negative impact of COVID-19 on the ESCO companies in 2020. On the contrary, lower settlement of unbilled electricity in ČEZ Prodej has a negative impact on the year-on-year comparison.

The reasons for using the EBITDA and net profit forecast range for 2021 are mainly the following risks and opportunities: availability of generation facilities, realization prices of generated electricity, gains from commodity trading, and revaluation of derivatives.

Investments in the fixed assets of CEZ Group's Strategic Assets in 2021 are expected to amount to CZK 34 billion, mostly planned to be invested in generation and distribution assets in Czechia.

The 2021 net income of the parent company, ČEZ, a. s., is estimated at CZK 6 billion to 8 billion, the bulk of which consists of dividends received from subsidiaries.

Assets Held for Sale

As at August 10, 2021, CEZ Group expected the contribution of assets held for sale to CEZ Group's EBITDA to be CZK 3 billion, which corresponded to the settlement of the sale transaction of the Romanian assets as at March 31, 2021, the Bulgarian assets as at July 27, 2021, and the consolidation of the Polish assets throughout 2021. The contribution of assets held for sale to CEZ Group's net profit in 2021 is estimated to be close to zero, mainly due to the concluded sale agreements, under which the net profit effectively belongs to the buyers.

Investments in fixed assets held for sale (for the period when they will be part of CEZ Group) are estimated at approximately CZK 1.5 billion in 2021.

* These are extraordinary effects that are generally unrelated to ordinary financial performance in a given year (such as fixed asset impairments and goodwill impairment) and such adjusted net income of CEZ Group then forms the basis for the application of the Company's current dividend policy.

CEZ Group Capital Expenditure

Total Capital Expenditure (CZK Billions)

	H1 2020	H1 2021
Additions to property, plant, and equipment, including capitalized interest	13.5	13.5
Additions to property, plant, and equipment	11.8	11.1
Of which: Nuclear fuel procurement	1.1	1.2
Additions to intangibles	0.4	0.6
Additions to noncurrent financial assets	–	0.4
Change in balance of liabilities attributable to capital expenditure	1.3	1.4
Financial investments ¹⁾	1.0	–
Total capital expenditure	14.5	13.5

¹⁾ Acquisition of subsidiaries, associates, and joint ventures, net of cash acquired.

Acquisition of Tangible and Intangible Fixed Assets (CAPEX) by Type (CZK Millions)

	Czechia		Germany		Poland		Bulgaria		Romania		Others		Total	
	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021
Generation	4,067	3,471	(1)	4	345	114	–	–	217	48	–	–	–	4,629
Of which: Nuclear fuel procurement	1,124	1,236	–	–	–	–	–	–	–	–	–	–	–	1,124
Mining	928	781	–	–	–	–	–	–	–	–	–	–	–	928
Distribution	5,068	5,670	–	–	–	–	549	611	622	412	–	–	–	6,239
Sales	311	395	76	107	10	22	1	–	2	–	38	77	–	439
Elimination	–	–	–	–	–	–	–	–	–	–	(70)	(33)	(70)	(33)
Total	10,374	10,316	76	111	355	135	550	611	841	460	(32)	44	12,165	11,678

CEZ Group Commodity Procurement, Sales, and Generation

The year-on-year comparison is affected by the sale of Romanian assets on March 31, 2021.

Electricity

Electricity Procured and Sold (GWh)

	H1 2020	H1 2021	Index 2021/2020 (%)
Electricity procured	26,783	25,011	93.4
Generation	29,805	27,724	93.0
In-house and other consumption, including pumping in pumped-storage plants	(3,022)	(2,713)	89.7
Sold to end-use customers	(16,984)	(16,910)	99.6
Wholesale balance	(7,926)	(6,569)	82.9
Sold in the wholesale market	(134,682)	(121,231)	90.0
Purchased in the wholesale market	126,755	114,662	90.5
Grid losses	(1,872)	(1,533)	81.9

Electricity Generation, by Source of Energy (GWh)

Type of source	Czechia		Germany		Poland		Bulgaria		Romania		Total	
	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021
Emission-free:	15,368	16,060	166	117	4	6	3	3	741	394	16,282	16,580
Nuclear	14,233	14,759	-	-	-	-	-	-	-	-	14,233	14,759
Hydro	1,058	1,233	-	-	4	6	-	-	40	30	1,102	1,268
Photovoltaic	72	64	-	-	-	-	3	3	-	-	75	67
Wind	5	4	166	117	-	-	-	-	700	364	871	485
Emission-generating:	12,378	10,042	-	-	1,146	1,103	-	-	-	-	13,524	11,144
Coal	9,926	7,691	-	-	903	926	-	-	-	-	10,828	8,616
Natural gas	2,162	2,032	-	-	-	-	-	-	-	-	2,162	2,032
Biomass	289	317	-	-	243	177	-	-	-	-	532	494
Biogas	1	2	-	-	-	-	-	-	-	-	1	2
Total	27,746	26,101	166	117	1,149	1,108	3	3	741	394	29,805	27,724

Outlook of Electricity Generation, by Source of Energy in 2021 year (GWh)

Type of source	Czechia	Germany	Poland	Bulgaria	Romania	Total
Emission-Free:	33,091	268	10	3	394	33,766
Nuclear	30,564	-	-	-	-	30,564
Hydro	2,396	-	10	-	30	2,437
Photovoltaic	122	-	-	3	-	125
Wind	8	268	-	-	364	640
Emission-generating:	20,661	-	2,136	-	-	22,797
Coal	16,514	-	1,789	-	-	18,303
Natural gas	3,539	-	-	-	-	3,539
Biomass	606	-	348	-	-	954
Biogas	2	-	-	-	-	2
Total	53,752	268	2,147	3	394	56,563

Electricity Sales to End-Use Customers by Type of Consumption and Country (GWh)

	Czechia		Slovakia		Poland		Bulgaria		Romania		Hungary	
	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021
Large customers	3,914	4,422	149	41	133	79	2,285	2,281	475	301	650	709
Commercial retail	1,050	1,014	69	28	9	3	793	634	420	235	-	-
Residential customers	3,703	4,151	-	-	-	-	2,452	2,502	882	509	-	-
Total	8,667	9,586	218	70	142	82	5,530	5,417	1,777	1,045	650	709

Total												
	16,910	16,984	16,910	16,984	16,910	16,984	16,910	16,984	16,910	16,984	16,910	16,984

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

Type of Source	Czechia		Germany		Poland		Bulgaria		Romania		Total	
	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021
Emission-free:	6,384	6,403	134	134	1	2	5	5	622	-	7,146	6,544
Nuclear	4,290	4,290	-	-	-	-	-	-	-	-	4,290	4,290
Hydro	1,961	1,980	-	-	1	2	-	-	22	-	1,984	1,982
Photovoltaic	125	125	-	-	-	-	5	5	-	-	130	130
Wind	8	8	134	134	-	-	-	-	600	-	742	142
Renewable sources:	6,211	5,221	-	568	568	568	-	-	-	-	6,780	5,789
Coal	5,248	4,248	-	-	568	568	-	-	-	-	5,816	4,816
Natural gas	957	967	-	-	-	-	-	-	-	-	957	967
Biomass	6	6	-	-	-	-	-	-	-	-	6	6
Biogas	1	1	-	-	-	-	-	-	-	-	1	1
Total	12,596	11,624	134	134	569	570	5	5	622	-	13,926	12,333

Heat

Heat Supplied and Sold (TJ)

	Heat Supplied for Heating Purposes		External Heat Sales (outside CEZ Group)	
	H1 2020	H1 2021 *)	H1 2020	H1 2021
Czechia	11,994	13,818	10,635	11,708
Poland	3,105	3,597	3,040	3,526
CEZ Group, total	15,099	17,415	13,675	15,234

*) Supply of heat for heating purposes includes companies that do not sell heat or generate heat from leased equipment (newly from 2021).

Natural Gas

Natural Gas Procured and Sold (GWh)

	H1 2020	H1 2021	Index 2021/2020 (%)
Procured	247,771	264,551	106.8
Removed from storage	3,579	3,925	109.7
Sold	(241,254)	(262,602)	108.8
Of which: Trading	(235,789)	(258,003)	109.4
External large end-use customers	(1,791)	(736)	41.1
Medium-sized end-use customers	(930)	(660)	70.9
Small end-use customers	(670)	(733)	109.4
Residential customers	(1,791)	(2,176)	121.5
OTE	(283)	(294)	103.9
Placed in storage	(5,428)	(1,449)	26.7
Consumed in-house	(4,668)	(4,424)	94.8

Natural Gas Sold to End-Use Customers (GWh)

	Czechia		Slovakia		Poland		Romania		Total	
	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021
External large customers	570	679	1,017	58	204	–	–	–	1,791	736
Medium-sized end-use customers	146	188	35	25	14	–	735	446	930	660
Small end-use customers	580	664	90	69	–	–	–	–	670	733
Residential customers	1,788	2,174	3	2	–	–	–	–	1,791	2,176
Total	3,084	3,705	1,145	154	218	–	735	446	5,183	4,306

Distributed Electricity

Electricity Distributed to End-Use Customers (GWh)

	Czechia		Bulgaria		Romania		Total	
	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021
Electricity distributed to end-use customers	17,452	19,007	4,865	5,025	3,087	1,773	25,405	25,805

Safety Management

Safety of Operated Nuclear Power Plants

ČEZ's nuclear power plants were operated in compliance with applicable nuclear energy legislation in H1 2021, fulfilling the conditions of their valid licenses. Their operation had a negligible impact on the environment and the populace.

Even during the state of emergency declared in Czechia and during the adopted crisis measures, refueling outages and all other activities were carried out to ensure safe production.

Dukovany Nuclear Power Plant

In early 2021, the outage to refuel Unit 1 continued under stringent restrictive measures against COVID-19, including preventive antigen testing of employees and contractors. Subsequently, there were further outages at Units 4 and 3. During the outages, in addition to fuel replacement and regular maintenance, significant investment actions were carried out to improve the safety of the nuclear power plant (e.g. replacement of heterogeneous welded joints on the emergency feed sleeves of the steam generators, optimization of the steam generator impulse insurance valve bodies, measurement of turbine blade oscillations).

In the period from April 19 to May 7, 2021, the international WANO Peer Review took place at the Dukovany Nuclear Power Plant. A team of international experts defined nine areas for improvement and also identified three good practices that will become examples for other nuclear power plants.

In June, an employee of a contractor company was fatally injured at the Dukovany Nuclear Power Plant site when he fell through the roof of an auxiliary warehouse that was not designed for the movement of people. The incident was not related to the operation of the plant itself.

Temelín Nuclear Power Plant

The outage for refueling the Unit 1 was carried out under a stricter regime of restrictive measures against COVID-19, i.e. with full testing of employees and contractors. Key occupations were strictly separated into two teams, for which the COVID-19 testing period was shortened. In addition to refueling and regular checking of safety systems and the turbine, two separators (the equipment in the non-nuclear section that removes moisture from the steam and then heats it) were replaced; the benefit of the new separators is an extra 4 MW_e increase in the capacity of Unit 1, with the environmental benefit of saving units of thousands of tons of CO₂ emissions per year that would otherwise have been generated by coal-fired generation. In addition, special equipment has been installed on the turbine to reduce vibration and the diagnostic system has been strengthened.

The outage for refueling the Unit 2 started a week earlier than planned. A storm and strong winds that swept across southern Bohemia caused three pylons of the extra-high voltage line connecting the Temelín Nuclear Power Plant to the Kočín substation to fall. Due to the outage of the line outside the plant site, Unit 2 could not discharge electricity and the automatic systems shut it down. Safety was not affected. The duration of the repair of the pylons was estimated at several days, so it was decided to start the planned outage of the unit a week earlier.

Cybersecurity

Since 2016, ČEZ has been the administrator of critical information infrastructure in the sense of Act No. 181/2014 Sb., on cybersecurity, and since 2019, the designation under the Act has been extended for ČEZ both in the critical information infrastructure (especially for electricity generation facilities), and in the field of information systems operated by providers of essential services (thermal energy generation facilities). In H1 2021, cybersecurity was fully ensured in accordance with the requirements of the Cybersecurity Act and with an emphasis on protecting the key assets of CEZ Group companies.

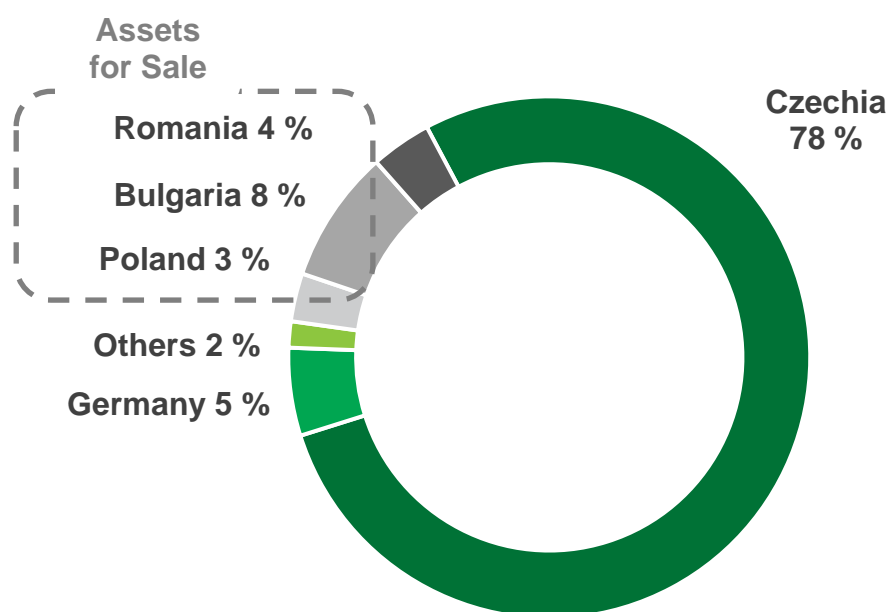
Training of employees of CEZ Group companies and suppliers in information and cybersecurity continues to be a priority. Compliance with specific security rules is required, which is supported by security tools as well as appropriate information and technological system configuration.

ČEZ also duly honors its obligations concerning computer security pursuant to Act No. 263/2016 Sb., Atomic Energy Act. In May 2021, the Dukovany Nuclear Power Plant was inspected by the State Office for Nuclear Safety in this matter. The final inspection report states that ČEZ complies with the requirements of the Act.

CEZ Group Operations

CEZ Group operates mainly in Czechia and in Central European markets. The parent company, ČEZ, a. s., is based in Czechia and applies segment management within the four main business segments of GENERATION, MINING, DISTRIBUTION, and SALES.

Operating Revenues in H1 2021 by Country of Operation



In Czechia, CEZ Group operates in generation, sales and distribution of electricity, mining of mineral resources, and provision of energy services. The most important generation company is the parent company ČEZ, a. s., which operates nuclear, emission and renewables generation facilities and provides, among other things, sales and trading activities with operations on the European wholesale markets.

The most important companies of CEZ Group in Czechia are also ČEZ Distribuce, ČEZ Prodej, ČEZ ESCO, Energotrans, and Severočeské doly. INVEN CAPITAL, one of the largest corporate cleantech funds in Europe, is also based here.

In Germany, CEZ Group operates mainly in the area of comprehensive energy services, represented by Elevion Group. CEZ Group is also active in Germany in the renewables sector, where it focuses on the operation and development of wind power plants.

In Poland, Slovakia, Austria, Italy, Romania, Serbia, and Bulgaria, CEZ Group operates mainly in the field of energy services. CEZ Group also owns several companies in Asia, particularly in China and Malaysia, focused on the promotion and development of energy services.

In Poland, CEZ Group companies are also involved in heat and power generation, commodity sales, and own wind power plant development projects, while a divestment process is underway.

In France, CEZ Group is active in the development of onshore wind power plants.

In Hungary, it sells electricity and provides energy services.

In the Netherlands, CEZ Group owns companies that carry out holding, financing, or management activities.

In Turkey, CEZ Group is active in the generation, distribution, and sale of electricity. All assets are jointly owned by CEZ Group and its Turkish partner and are therefore consolidated using the equity method.

Assets for Sale

In accordance with the updated business concept in 2019, CEZ Group has set a divestment strategy with the aim of exiting selected markets and less attractive areas.

In 2021, it has already completed the sale of significant assets in Romania and Bulgaria and is continuing the divestment processes in Poland and is screening the possibility of selling assets in Turkey.

Romania

On March 31, 2021, the shares of the Romanian companies were handed over to the buyer against payment of the purchase price. The purchase price was CZK 24.6 billion. The companies sold were from the GENERATION—Renewables segment (Ovidiu Development, Tomis Team, MW Team Invest, TMK Hydroenergy Power), the DISTRIBUTION segment (Distributie Energie Oltenia, CEZ Romania), and the SALES segment (CEZ Vanzare). Macquarie Infrastructure and Real Assets (MIRA) was the buyer.

Bulgaria

On July 27, 2021, the sale of the Bulgarian assets was settled between CEZ Group and Eurohold Bulgaria and the buyer paid the entire purchase price of CZK 8.6 billion. The sale involved the sale of seven Bulgarian companies from the GENERATION—Renewables segment (Free Energy Project Oreshets and Bara Group), the DISTRIBUTION segment (CEZ Bulgaria, CEZ Razpredelenie Bulgaria, CEZ ICT Bulgaria), and the SALES segment (CEZ Elektro Bulgaria, CEZ Trade Bulgaria).

Poland

In H2 2020, the divestment process of Polish coal-fired power and heat generation assets started in accordance with the updated strategy. On June 25, 2021, ČEZ received several binding offers and their evaluation is underway.

The divestment of the remaining four Polish wind power projects in the development phase is underway.

Turkey

CEZ Group is exploring the possibility of divesting the assets operated in Turkey. The actual divestment process has not yet been initiated.

GENERATION SEGMENT

In the GENERATION segment, CEZ Group operates mainly in Czechia, Germany, Poland, and Turkey. It operates nuclear, renewable, and emission sources in Czechia, renewable and emission sources in Poland and Turkey, and only renewable sources in Germany. It was also previously active in renewables generation in Romania (until March 31) and Bulgaria (until July 27). It is preparing the construction of new emission-free sources in Slovakia, Germany, and France.

The GENERATION segment is monitored in 4 areas: Nuclear plants, Emission facilities, Renewables, and Trading. In view of the ongoing divestment process, it also records separately the so-called Strategic Assets, which are CEZ Group companies outside the selected assets to be sold in Romania, Bulgaria, and Poland.

CEZ Group's sources generated 27.8 TWh of electricity in H1 2021. 26.2 TWh of this was generated in strategic assets (Czechia and Germany), where nuclear plants generated 14.8 TWh, renewable sources 1.7 TWh, and emission sources a total of 10.0 TWh, 2.0 TWh of which from natural gas and 7.7 TWh from coal. In H1 2020, these assets generated 27.9 TWh, a year-on-year decrease of 6%.

The expected electricity generation in 2021 in strategic assets amounts to 54.0 TWh, of which 30.6 TWh in nuclear plants, 3.4 TWh in renewables, and 20.7 TWh in emission sources, 3.5 TWh of which from natural gas and 16.5 TWh from coal.

Installed capacity decreased by 1.6 GW (-11%) year-on-year and reached 12.3 GW as at June 30, 2021. The main reasons for the decrease were the sale of the Počerady coal-fired power plant as at December 31, 2020 (-1.0 GW) and the sale of the wind power park in Romania as at March 31, 2021 (-0.6 GW).

Nuclear Facilities

Czechia

1. Existing Nuclear Plants

Electricity Generation

Nuclear power plants generated 14,759 GWh of electricity in H1 2021, or 526 GWh more year-on-year. The Temelín Nuclear Power Plant generated 7,757 GWh, i.e. 517 GWh more year-on-year (due to the delayed start date of Unit B2 outage in 2021 by 13 days, higher achievable output of Unit B2, and a fault at Unit B1 in January 2020). The Dukovany Nuclear Power Plant generated 7,002 GWh, i.e. 9 GWh more than in the same period in 2020.

Capital Construction

The Dukovany and Temelín nuclear power plants were implementing capital projects focusing on safety enhancement, compliance with legislative requirements, and plant renovation in H1 2021 with the aim of ensuring long-term safe operation.

In H1, the schedule for the construction of the thermal feeder from Temelín to České Budějovice was postponed due to extraordinary measures related to COVID-19 on the part of the contractor and the necessity to announce a new tender.

The second stage of the efficiency improvement of the secondary circuit at the Temelín power plant was launched and the first stage of upgrading the technical system for the physical protection of nuclear power plants was finalized.

Digitization of nuclear power plant processes continues. The launch of mobile application support for suppliers' personnel to manage the work directly at the facility is in preparation. The system in place will enable real-time transmission of instructions and necessary information on the status of the equipment to all the personnel concerned, and furthermore significantly streamline the entire cycle of activities at the facility. The system ensures significantly higher control and demonstrability of all activities performed and high usability of the digital form of the information obtained.

A new sheltered parking lot with a photovoltaic power plant was opened at the Dukovany Nuclear Power Plant in June. The sheltered parking lot, carport, consists of 2,600 photovoltaic panels. With its 831 kWp of power, the new emission-free source will generate approx. 850 MWh of electricity per year. Double-sided panels were used, the underside of which takes advantage of the light reflection from parked cars. The lighter the metallic color of the car, the more efficient the generation. If a white car is parked under the panel, the full potential of this innovative technology is realized. The carport structure itself weighs 150 tons.

Installed Capacity

The installed capacity of nuclear power plants remained unchanged at 4,290 MW.

Outlook for 2021

We estimate nuclear generation at 30.6 TWh in 2021. The availability of nuclear power plants is affected by the timing of scheduled outages related not only to refueling and the performance of scheduled maintenance, inspections, and revisions of key equipment, but also activities aimed at continual upgrades and enhancement of the operational efficiency of the two plants.

2. Upcoming Nuclear Plants

Dukovany New Nuclear Power Plant (NNPP EDU)

In H1 2021, the project preparation continued in accordance with the current business plan and the First Implementation Agreement for cooperation in the construction of a new nuclear power plant at the Dukovany site in Czechia. On the basis of a resolution of the Czech Government, the investor of the NNPP EDU project is Elektrárna Dukovany II, a. s.

On March 8, the State Office for Nuclear Safety issued a permit for the location of the nuclear facility. On April 27, the Ministry of Industry and Trade granted a state authorization for the construction of the electricity generation plant. On June 1, Elektrárna Dukovany II submitted the documentation for the zoning procedure to the Building Authority in Třebíč together with the application for the zoning permit.

On June 21, the safety assessment of the bidders for the construction of the new nuclear unit at Dukovany was launched. Elektrárna Dukovany II launched the safety assessment of three potential bidders for the construction of the new nuclear unit by sending out letters. The French company Électricité de France, the US-Canadian company Westinghouse and the South Korean company KHNP were approached. All the bidders approached gave consent to participate in the safety assessment. The bidders are to submit all relevant information on security issues until the end of November 2021 and the government will then decide which of them will be invited to the actual selection process, which has not yet been launched.

The purpose of the security assessment is to evaluate all potential contractors and obtain the information needed to ensure security interests. This includes clarification of the ownership structure, the supply chain, the links of the entities concerned with the state, problems with project implementation, allegations and other problems in nuclear projects, transfer of technology and know-how, etc.

In order to answer the questions in the safety assessment, potential bidders will also receive complete preliminary documentation, which will help to speed up the subsequent processing of bids of those who will be finally invited to the tender.

Temelín New Nuclear Power Plant (NNPP ETE)

In H1 2021, the necessary preparatory activities for the NNPP ETE project continued, which include in particular the analysis of the issue of small modular reactors (SMRs) as one of the alternatives to be considered in the longer term. The investor of the NNPP ETE project is Elektrárna Temelín II, a. s.

Slovakia

Prepared New Nuclear Power Plant at Jaslovské Bohunice

ČEZ Bohunice owns a 49% stake in Jadrová energetická spoločnosť Slovenska, a company established for the purpose of constructing a new nuclear power plant at Bohunice. In H1 2021,

communication with the Nuclear Regulatory Authority took place during the development of the documentation for locating a new nuclear power source through a cautious approach and the documentation “Requirements for the Quality of the Nuclear Facility” was assessed. The first part of the site aspects related to seismicity—slope stability—was completed. In addition, there were necessary design activities undertaken to maintain the value of the project and keep the Final EIA Opinion in effect and activities necessary to renew certification by the Ministry of Economy where an application for a new certificate was prepared. Negotiations with affected municipalities are held on an ongoing basis concerning the inclusion of the new nuclear power plant in land use planning documentation.

Renewables

Renewable generation includes electricity generation from water, wind, solar, biomass, and biogas.

Czechia

Electricity Generation

Hydroelectric power plants in Czechia generated 1,233 GWh of electricity in H1 2021, or 174 GWh more year-on-year. The output of ČEZ's hydroelectric power plants was 1,093 GWh, an increase of 157 GWh year-on-year. In H1 2021, ČEZ OZ uzavřený investiční fond's hydroelectric power plants generated 139 GWh of electricity, an increase of 17 GWh year-on-year. The year-on-year higher generation was mainly due to better weather conditions in spring 2021.

In H1 2021, electricity generation from photovoltaic resources of CEZ OZ uzavřený investiční fond in Czechia amounted to 64 GWh, i.e. 8 GWh less than in the same period of 2020. Generation from wind sources was 4 GWh, i.e. 1 GWh less than in the same period of 2020.

Capital Construction

For renewables, investments were mainly small-scale. In photovoltaic and small hydroelectric power plants, the focus was mainly on the security of buildings. In April 2021, the tender documentation was published and the qualification of contractors for the planned modernization of the Orlík hydroelectric power plant started.

Installed Capacity

The installed capacity of emission-free sources was increased by 19 MW year-on-year, starting from June 8, 2021 at the Lipno 1 power plant.

Outlook for 2021

In 2021, the CEZ Group's sources are expected to generate 2,396 GWh from hydroelectric power plants, 122 GWh from photovoltaic power plants, 8 GWh from wind power plants, and 2 GWh from biogas power plants.

Supplies of heat from renewables to customers in Czechia are estimated at 1,818 TJ in 2021.

Germany

At the end of June 2021, Germany adopted an amendment to the Climate Protection Act that tightens climate protection requirements and sets a target of achieving GHG neutrality by 2045, 5 years earlier than originally intended. Germany wants to move faster on climate protection than the European Union, which envisages neutrality by 2050. By 2030, the country will produce 65% fewer greenhouse gas emissions than in 1990, according to the new targets. The previous plan was 55%. By 2040, Germany wants to be close to 90% milestone.

According to the Federal Network Agency (BNetzA), 239 onshore wind farms with an installed capacity of 944 MW were connected to the grid in Germany in the first half of 2021. Renewables covered approximately 43% of gross electricity consumption. Compared to H1 2020, when renewables accounted for 50% of gross electricity consumption, generation from photovoltaic and wind sources declined due to unusual windless weather and insufficient sunshine.

Electricity Generation

In H1 2021, the German wind power plants of the CEZ Group generated 117 GWh of electricity, i.e. 49 GWh less than in the same period of 2020.

Installed Capacity

As at June 30, 2021, CEZ Group companies owned ten wind farms located in Germany, consisting of the total of 53 turbines with installed capacity of 133.5 MW.

Operations and development activities are supported by CEZ Deutschland GmbH, based in Hamburg.

Outlook for 2021

Electricity generation of 0.3 TWh is expected for the whole year 2021.

France

CEZ Group is preparing the construction of onshore wind power plants in France and participates in start-ups through minority stakes.

French government continues to pursue its goal of achieving a 33% share of renewables in the energy mix by 2030. The government aims to maintain a stable and simplified legal framework for permitting new projects and for repowering. France aims to achieve 35.1-44.0 GW of installed PV capacity, 34.7 GW of installed onshore wind capacity, and 5.2-6.2 GW of offshore wind capacity by 2028.

Capital Construction

During H1 2021, CEZ Group advanced the development of a portfolio of 17 onshore wind power projects with an expected capacity of up to 225.4 MW, with 9 projects receiving permits for construction and operation. To a large extent, the administrative processes have been negatively impacted by the current situation of the COVID-19 pandemic, which has delayed the expected construction of the developed projects by several months.

Outlook for 2021

At the end of H1 2021, CEZ Group successfully completed the selection of an alternative turbine supplier for the Aschères-le-Marché project due to the insolvency of the original turbine supplier, Servion GmbH. Commercial generation is estimated to start at the end of 2022. The Neuville-aux-Bois project will be gradually transferred from the development phase to the implementation phase at the end of 2021.

Romania

Electricity Generation

Support for generation at the Fântânele and Cogeaalac wind parks continued in compliance with applicable law in 2021. The wind parks were entitled to participate in the renewable generation support program and get green certificates for the electricity they generate. As at March 31, 2021, these assets have been sold.

The Fântânele and Cogeaalac wind power plants generated 364 GWh of electricity in Q1 2021, while TMK Hydroenergy Power S.R.L.'s small hydroelectric power plants in Reșița generated 30 GWh of electricity.

Installed Capacity

As at June 30, 2021, no CEZ Group companies owned any generation resources in Romania.

Bulgaria

On May 12, 2021, Bulgaria interconnected with Greece to the integrated daily electricity market. Bulgaria is planned to be identically interconnected with Romania in H2 2021.

Electricity Generation

The Oreshets photovoltaic power plant generated 3.1 GWh of electricity in H1 2021, which was a slight decrease (5%) compared to the same period of 2020.

Capital Construction

No capital expenditure on Bulgarian generation assets was made in the first half of 2021.

Installed Capacity

The installed capacity of generating facilities in Bulgaria remained unchanged. As at June 30, 2021, the subsidiary Free Energy Project Oreshets owned a photovoltaic power plant with an installed capacity of 5 MW.

Poland

In April 2021, an amendment to the Renewable Energy Sources Act was adopted by the Cabinet of Ministers. The existing public support programs related to auctions for renewable energy producers will be extended until December 31, 2021. Support programs related to the sale of electricity at a fixed price (the FiT system) or the right to a market price subsidy for electricity (the FiP system) will be extended until June 30, 2024.

Electricity Generation

The small hydroelectric power plant Borek Szlachecki generated 3.5 GWh of electricity (the same as in H1 2020) and the small hydroelectric power plant Skawinka II generated 2.2 GWh of electricity.

Installed Capacity

As at June 30, 2021, CEZ Group companies in Poland owned generating plants with an installed capacity of 1.8 MW; these were hydroelectric power plants. The installed capacity changed compared to the same date last year due to the commissioning of the small hydroelectric power plant Skawinka II.

Outlook for 2021

Electricity generation in hydroelectric power plants is planned for 2021 in the volume of 0.01 TWh.

Turkey

Electricity Generation

Renewables generated 515 GWh of electricity: hydroelectric power plants generated 478 GWh and wind turbines generated 37 GWh. This was a decrease of 20 % as compared to the same period of 2020, when renewables generated 648 GWh.

Installed Capacity

Akenerji operated seven hydroelectric power plants with an installed capacity of 288.9 MW and a wind park with an installed capacity of 28.2 MW.

Note: The Turkish companies are consolidated using the equity method; consequently neither their generation nor their installed capacity are included in CEZ Group's aggregate figures.

Emission Sources

Czechia

On March 8, 2021, the Czech Government passed a resolution approving the Evaluation of the Implementation of the State Energy Concept of the Czech Republic, but in particular instructed the Minister of Industry and Trade to submit a draft update of the State Energy Concept by the end of 2023, which should take into account the newly approved EU climate targets and the conclusions of the Coal Commission.

Electricity Generation

Generation from CEZ Group's emission sources in Czechia in H1 2021 amounted to 10,042 GWh and was 2,336 GWh lower than in the same period of 2020, when it amounted to 12,378 GWh.

Among them, coal-fired power plants generated 7,691 GWh of electricity in H1 2021 (excluding biomass electricity), i.e. 2,235 GWh less than in the same period of 2020. The decrease is due to the sale of the Počerady coal-fired power plant, which generated 2,475 GWh in H1 2020, and the outage of the Prunéřov 1 power plant on June 30, 2020. On the other hand, the Prunéřov 2 and Ledvice power plants had higher year-on-year generation due to shorter outages.

The Počerady II CCGT generated 1,827 GWh of electricity, a year-on-year decrease of 150 GWh due to unfavourable developments in market prices for gas and emission allowances.

ČEZ Energo¹ generated 205 GWh of electricity from natural gas in CHP units and boiler plants, a year-on-year increase of 20 GWh.

Biomass generation amounted to 317 GWh, an increase of 28 GWh.

Capital Construction

In connection with the accelerated strategy of the CEZ Group VISION 2030—Clean Energy for Tomorrow work has been initiated on updating the concept of future operation of the coal-fired facility portfolio. Priority was given to the Mělník and Dětmárovice sites, where the operation of the existing facilities is linked to a large supply to the district heating systems. Analytical work has been initiated on concepts for the other sites, which should determine the technically and economically optimal structure of the future portfolio of operated facilities.

The fossil fuel facilities are being prepared for operation with emission limits at the level of Best Available Techniques (BAT) according to the BREF for large combustion facilities, which must be achieved from August 17, 2021. In Q2 2021, the overhaul of units 21 and 22 of the Tušimice power plant started with the implementation of additional greening measures that will allow the units to operate with the new BREF/BAT limits.

Installed Capacity

The installed capacity of emission sources was 990 MW lower year-on-year, mainly due to the sale of the Počerady coal-fired power plant on December 31, 2020 (1,000 MW). On the other hand, ČEZ Energo connected new CHP units with an installed capacity of 10 MW in H2 2020.

Outlook for 2021

Coal-fired power plants are anticipated to generate 16.5 TWh of electricity in 2021. The significant year-on-year decrease is mainly due to the sale of the Počerady coal-fired power plant at the end of 2020. A priority task is to make preparations, commercial arrangements, and implementing environmental upgrades, which will allow operating the facilities after new emission limits enter into force. These include in particular the implementation of greening measures at the Tušimice power plant and preparing a new production technology based on natural gas in Mělník, which will ensure the fulfillment of a long-term heat supply contract for the capital city of Prague, and towns of Mělník and Neratovice.

We anticipate generation of 3.5 TWh from gas-fired power plants, CHP units and boiler plants in Czechia, among which the Počerady CCGT is expected to generate 3.2 TWh. At the same time,

¹ The company is accounted for in the SALES segment.

analyses and preparatory work will go on, which will confirm or exclude possible further future installations of similar gas-fired plants.

Heat Generation and Sales

In H1 2021, 11,708 TJ of heat was supplied to customers from CEZ Group sources in Czechia, which represented an increase of 1,073 TJ compared to the same period in 2020. The increase was mainly due to colder weather in H1 2021.

Energotrans' delivery volume increased by 548 TJ year-on-year to 5,973 TJ. Its main customer is Pražská teplotárenská supplying the capital city of Prague, and the town of Neratovice.

In H1 2021, ČEZ Teplotárenská delivered heat outside CEZ Group in the volume of 4,154 TJ, i.e. 396 TJ more. It supplies heat to customers in cities in the Ústí nad Labem, Karlovy Vary, Central Bohemia, Pardubice, Hradec Králové, Moravia-Silesia and Southern Moravia Regions.

ČEZ Energo² increased its heat supply by 101 TJ year-on-year to 864 TJ. Here, however, the increase was mainly influenced by the construction of new generation capacity in 2021.

Outlook for 2021

Heat supplies to customers in Czechia are estimated at 19,544 TJ in 2021. The actual amount will primarily depend on climatic conditions.

Poland

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

CEZ Skawina and CEZ Chorzów underwent mandatory certification for joining the capacity market system in early 2020. At the moment, CEZ Skawina has supply contracts for 2021–2026 and CEZ Chorzów has a one-year contract for 2024. Relevant agreements have been signed in connection with the planned participation in the secondary market.

On May 25, 2021, the Ministry of State Treasury submitted for public consultation a document entitled "Transformation of the Energy Sector in Poland". The Ministry has developed a concept for the separation of assets related to electricity generation in conventional coal-fired units from state-owned energy groups. The concept envisages the separation of coal-fired power plants, while retaining heat and CHP units in the structure of the groups, which will be gradually replaced by gas-fired units adapted in the future to emission-free hydrogen technology.

Heat Generation

The Chorzów and Skawina power plants generated 3,597 TJ of heat, 492 TJ more than in the same period in 2020. The main reason was lower average temperature in H1 2021. Heat supply amounted to 3,526 TJ, i.e. 486 TJ more than in the same period of 2020.

Electricity Generation

In H1 2021, CEZ Group's coal-fired facilities in Poland generated (excluding electricity generated from biomass) 926 GWh of electricity, i.e. 23 GWh (3%) more than in the same period of 2020. Biomass generation at the Chorzów and Skawina power plants amounted to 177 GWh, i.e. 66 GWh (27%) less than in the same period of 2020. This was due to a change in the fuel mix at the Skawina power plant, which was combusting only coal in 2021. The 15-year support period for biomass actually ended in 2020.

Capital Construction

At Skawina power plant, investment funds were spent mainly on the modernization of boilers, and at Chorzów power plant on the refurbishment of Unit I (turbine and boiler), the construction of equipment to reduce chlorine emissions and the modernization of electrostatic precipitators.

² The company is accounted for in the SALES segment.

Installed Capacity

As at June 30, 2021, CEZ Group companies in Poland owned generating plants with an installed capacity of 568.4 MW in coal-fired power plants. The installed capacity did not change year-on-year.

Outlook for 2021

Electricity generation at the Chorzów and Skawina power plants is planned at a volume of 2.1 TWh in 2021, while the volume of heat is planned at 6,000 TJ.

Turkey

Turkey's economy and domestic politics started 2021 under the influence of continued restrictive measures against COVID-19, similar to Czechia. Continued tensions in foreign relations (mainly with the US and EU) are contributing to local currency volatility and a negative view of the environment among foreign investors. The depreciating lira negatively affects the results of Turkish companies that are funded with loans denominated in US dollars.

Credit rating agencies unanimously give Turkey speculative-grade ratings (Moody's: B2 with a negative outlook (2020), Standard & Poor's: B+ with a stable outlook).

Electricity Generation

Akenerji operates a modern CCGT plant at Erzin that generated 1,753 GWh of electricity in the first half of 2021, which was 34% more than in the same period of 2020.

Capital Construction

Investment construction in H1 2021 was mainly directed towards the overhaul of the Erzin power plant and the pyrolysis project.

Installed Capacity

The installed capacity of the Erzin CCGT plant was 904.0 MW.

Outlook for 2021

Electricity generation at CEZ Group's Turkish power plants is projected at 5.0 TWh for 2021.

Note: The Turkish companies are consolidated using the equity method; consequently neither their generation nor their installed capacity are included in CEZ Group's aggregate figures.

Trading

The trading activity involves trading commodities on one's own account for speculative profit. The economic effect from trading activities is generated primarily in ČEZ, a. s. This activity contributes low units of CZK billions to the CEZ Group's economy each year. The trading activities are separated from the actual business of securing the needs of generation sources, including the hedging activities of these sources in the medium term.

The activity is managed centrally from Czechia by ČEZ, a. s., while the actual trading, including settlement of trades, is carried out in several European countries with wholesale partners and through energy exchanges. At the same time, CEZ Group operates its own trading companies in several countries, where trades are executed or commodities are sold simultaneously to end-use customers.

All trading activities are subject to Risk Frameworks (defining market and credit limits, permitted trades, and trading rules), compliance with which is continuously monitored by the CEZ Group Risk Committee. Activities are also subject to EFET regulatory rules.

MINING SEGMENT

CEZ Group's operations in the segment concern only Czechia, where CEZ Group mines brown coal and limestone. At the same time, it is exploring the possibility of mining lithium ore.

Czechia

The mining business is significantly influenced by regulatory developments and climate targets at the EU and Czech levels. Czechia has a Coal Commission, an advisory body to the government, which has recommended to the government a deadline of 2038 for the end of coal mining and combustion in Czechia. In H1, the government tasked the Commission with examining the possibility of an earlier date for the end of coal combustion. In addition, in H1, market conditions for the operation of coal-fired facilities in the medium term deteriorated significantly, which substantially reduced the expected demand for coal.

Brown Coal

The CEZ Group company engaged in brown coal mining is Severočeské doly. In H1 2021, it sold 7.7 million tons of coal, 5.9 million tons of which to CEZ Group members. In year-on-year comparison, this meant a decrease in total sales by 0.1 million tons, while supplies to customers of CEZ Group increased by 0.3 million tons.

Capital Construction

The capital program focuses primarily on projects making provisions for extraction in the Bílina Mine. The structure of capital investment consists primarily of deliveries, reconstructions, and upgrades of mining technologies and dressing and crushing plants and construction of stabilization measures and water management structures.

Outlook for 2021

Severočeské doly plans to generate 16.3 million tons of coal in 2021, i.e. 0.9 million tons more than in 2020. Fuel supplies are determined primarily by the needs of coal-fired power plants, which are in turn based on demand for electricity and also related to winter temperatures. Higher year-on-year demand from the CEZ Group is expected, which should offset lower requirements for supplies to customers outside CEZ Group.

Lithium Ore (Zinnwaldite)

Following ČEZ's entry into the lithium ore mining and processing project at Zinnwald in the spring of 2020, development of the project continues. The currently starting second stage of the extraction project consists in technical verification of the production process under pilot conditions and on pilot testing lines; it does not include actual extraction yet. Specific methods for lithium extraction from zinnwaldite will be verified, in particular. A geological survey will continue at the location in order to verify some parts of the deposit. The pilot tests are planned to be carried out until 2022.

DISTRIBUTION SEGMENT

CEZ Group is involved in electricity distribution in Czechia and Turkey. Previously, it was also active in electricity distribution in Romania (until March 31) and Bulgaria (until July 27).

Czechia

CEZ Group's electricity distribution in Czechia is provided by ČEZ Distribuce. Priority areas in distribution include in particular safe, reliable and efficient operation of the distribution system and implementation of key investment measures related to the integration of decentral facilities and implementation of new technologies and smart grid elements, including elements supporting the reliability increase of the distribution system. The company continued to develop its fiber-optic infrastructure in order to ensure long-term development of advanced technologies in distribution grid management, in synergy with preparations for a higher degree of grid automation.

The price of electricity distribution and other services is regulated by the Energy Regulatory Office (ERO) in Czechia. During H1 2021, the ERO approved several price decisions regulating the electricity, gas, and heat supply sectors. These were the ERO Price Decision No. 1/2021, effective from February 1, 2021, on thermal energy prices, the ERO Price Decision No. 2/2021 for the electricity sector, which sets prices for related services in the electricity sector and other regulated prices, effective from April 1, 2021. These amending price decisions modify the previous valid ERO price decisions. The ERO also issued a new Price Decision No. 3/2021 for the gas sector, on regulated prices related to gas supply, with split effect from June 4, 2021 and January 1, 2022.

In H1 2021, 4 calamities hit the distribution territory of ČEZ Distribuce. In total, during these calamities, more than 363 thousand consumption sites were reduced in supply, more than 24 thousand calls were recorded at the call center and more than 49 thousand accesses to the distribution portal Bez Šťávy ("Without Electricity"). The consequences of the calamities were handled in record time.

In H1 2021, ČEZ Distribuce provided customers with electricity in the volume of 19.0 TWh, which meant 1.5 TWh more than in the same period of 2020. In terms of individual voltage levels, there was a total increase of 0.7 TWh at the high-voltage and medium-voltage levels and 0.8 TWh at the low-voltage level. Consumption in 2020 was negatively impacted by the significant economic downturn due to the COVID-19 pandemic and above-average temperatures in 2020.

Capital Construction

ČEZ Distribuce's capital expenditures went mostly into the renovation of distribution grids at all voltage levels, transformer substation reconstructions, and transformer and electricity meter renovations. The principal objective of such capital expenditures is to ensure operational reliability of the distribution system. A significant part of the funding is related to dealing with customer requests for connection to the distribution system. Investments in digitization, smart technologies, and the development of optic infrastructure also continued.

Outlook for 2021

ČEZ Distribuce estimates its 2021 electricity supplies to customers at over 36 TWh. The volume of supply is based on the estimated development of electricity consumption, taking into account the estimated development of the economy.

Romania

CEZ Group's distribution assets were sold as at March 31, 2021.

Electricity Distribution

In Q1 2021, Distribuție Energie Oltenia S.A. distributed a total of 1,773 GWh of electricity to end-use customers.

Bulgaria

CEZ Group's distribution assets were sold as at July 27, 2021.

Electricity Distribution

In Bulgaria, electricity is distributed by CEZ Razpredelenie Bulgaria AD, which distributed a total of 5,025 GWh of electricity to end-use customers in H1 2021, i.e. 159 GWh more year-on-year.

Capital Construction

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

Turkey

Electricity is distributed in Turkey by regulated regional distribution companies. One of them is Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ), indirectly controlled by ČEZ and its Turkish partner AKKÖK (through the joint venture Akcez Enerji A.Ş.).

The amount of electricity distributed to end-use customers in the first half of 2021 was 4,715 GWh, which was a year-on-year increase of 2%.

Capital Construction

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

Outlook for 2021

The volume of electricity distributed to end-use customers is estimated at 10.1 TWh.

Note: Turkish companies are consolidated using the equity method and therefore their distribution is not included in the aggregate data for CEZ Group.

SALES SEGMENT

CEZ Group sells commodities to end-use customers in Czechia, Poland, and Hungary. For part of the year, it also sold commodities in Romania (until March 31), Slovakia (until April 1), and Bulgaria (until July 27).

CEZ Group also provides comprehensive energy services in Czechia, Germany, Poland, Slovakia, as well as in Austria, Italy, Hungary, Romania, and Bulgaria. The management of these activities is coordinated from Czechia (ČEZ ESCO Group) for the Czech and Slovak markets, and the management of activities in other foreign countries is coordinated from Germany (Elevion Group).

Czechia

The SALES segment includes companies selling commodities and energy services.

Commodity Sales

The energy market in Czechia is fully liberalized and all customers, including residential customers, can choose their electricity and gas supplier. In Czechia, there is a functioning energy exchange PXE (which is part of the German EEX exchange) and a market operator ensuring the functioning of the electricity and gas markets. The purchase of commodities for the retail company ČEZ Prodej and for B2B customers of ČEZ ESCO is provided by ČEZ, a. s.

Sales of Electricity and Natural Gas

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

ČEZ Prodej has significantly strengthened its indirect sales and service channels, especially the internal call center, as a result of the extraordinary COVID-19 measures, when, as in 2020, all direct sales and service channels were closed for a certain period of time by government regulation. Like other suppliers, ČEZ Prodej had to react to the continued increase in wholesale market prices of the commodity that started in November 2020 and therefore proceeded to adjust its pricing strategy for products with a fixed-term contract as at April 1, 2021.

In March, ČEZ ESCO introduced its customers to an innovative product called Emission-Free Electricity. This is electricity generated in CEZ Group's nuclear power plants¹, the generation of which does not result in direct CO₂ emissions.

Total sales to end-use customers in the first half of 2021 amounted to 9,586 GWh of electricity and 3,705 GWh of natural gas. This was an increase of 919 GWh in electricity and 621 GWh in natural gas, as compared to the first half of 2020.

Sales of Energy Services

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

For cities and municipalities in Czechia, ČEZ ESCO launched and received the first references from the Lighting for CZK 1 service in H1 2021, where municipalities do not buy the upgraded lighting but rent it. The lighting rental is paid for by the savings from replacing the street lighting with new ones.

In the context of the development of COVID-19 epidemic, ČEZ ESCO Group also faced greater caution on the part of its customers in view of the uncertain future of the use of office buildings and hotels, which was further compounded by the expected slowdown in construction orders. In addition,

¹ It is a guarantee of origin with a certificate that the customer's consumption is fully covered by the generation in nuclear power plants. For physical reasons, electricity from a mix of generating facilities is supplied to the customer from the distribution network.

there was a delay in waiting for subsidies—the Modernization Fund, the National Recovery and Resilience Facility (RRF)—originally scheduled for H1 2021, which are now expected in H2. The market is also experiencing extremely rapid price increases for materials and technologies.

On July 15, ČEZ ESCO became a 100% owner of EP Rožnov, a Czech market leader in the field of comprehensive services in the design and implementation of cleanrooms (spaces with controlled concentration of airborne particles and other relevant parameters such as temperature, humidity, and pressure), mainly for the electrical, automotive, pharmaceutical, and medical industries.

Sales of Other Products and Services

In H1, more than 540 photovoltaic power plants were installed for customers, an increase of 112% compared to H1 2020. The number of heat pumps installed in H1 exceeded 350, a year-on-year increase of 180%. In both technologies, ČEZ Prodej managed to expand faster than the market.

ČEZ ESCO continues to work intensively on “Photovoltaic power plant as a service” contracts, which, due to their nature, should ensure a regular supply of projects in the future, and thus the possibility of standardizing technology and optimizing the logistics of key components. In cooperation with an automotive company, the company has started project preparations for the construction of the largest rooftop photovoltaic power plant in Czechia (installed capacity of 2.3 MWp).

As part of the cooperation between ČEZ Prodej and its subsidiary TENAUR on the implementation of photovoltaic power plants and heat pumps, both companies opened a new branch in Jičín for their customers in June. We have thus succeeded in expanding installation and service capacity in another region.

ČEZ Prodej also offers additional, complementary services besides services directly related to energy. It is one of the most widespread virtual cell phone operators in Czechia with more than 128 thousand SIM cards.

Outlook for 2021

In 2021, CEZ Group expects to supply end-use customers with 17.4 TWh of electricity and 6.8 TWh of natural gas. The year-on-year increases in supply volumes are mainly due to changes in the customer portfolio, lower average temperature compared to the previous year and the ongoing COVID-19 pandemic.

In energy services, ČEZ ESCO Group expects revenues of CZK 5.9 billion, a year-on-year increase of 7%.

Germany

Sales of Energy Services

Elevion Group companies generated sales of CZK 6.9 billion in H1 2021. This is a resumption of increase after the negative impact of the COVID-19 pandemic.

However, in the ESCO sector, CEZ Group is facing shortages in the supply chains of materials and components needed for project implementation. The disruptions are due to the COVID-19 crisis and affect all companies across customer segments.

German ESCOs made two small acquisitions in H1. On March 2, 2021, MWS GmbH, based in Berlin, was acquired. The company focuses on execution of technical work in the Technical Building Equipment sector. On May 19, 2021, Peil und Partner Ingenieure GmbH, based in Berlin, was acquired. The company is a provider of engineering services in the field of Technical Building Equipment. In combination with Elevion Group, this will be an ideal addition to the value chain.

This year, the Elevion Group companies will be involved in the project to build the FAIR (Facility for Antiproton and Ion Research) research center near Darmstadt, the core of which is the world's unique SIS100 particle accelerator, which, among other things, has the ambition to investigate phenomena related to the origin of the universe. The project is expected to last 4.5 years.

Outlook for 2021

Revenues from the sale of energy services in Germany for the full year 2021 are forecast at CZK 13.9 billion, a year-on-year increase of 7%.

Slovakia

In Slovakia, CEZ Group wants to focus on higher value-added advanced energy service products (ESCOs). This was also the reason for the sale of the customer portfolio for commodity sales to Slovenský plynárenský priemysel (SPP). The transfer of the portfolio took place on April 1, 2021.

Sales of Energy Services

In February 2021, a joint entity was created between a member of CEZ Group, the Czech company ČEZ ESCO, and the Slovak company SPP. The joint venture is called ESCO Slovensko, a. s. and is under the management control of ČEZ ESCO.

Six companies operating in Slovakia were contributed to the joint venture by ČEZ ESCO (SPRAVBYTKOMFORT, a.s. Prešov, ESCO Servis, s. r. o., ESCO Distribučné sústavy a.s., e-Dome a.s., AZ KLIMA SK, s.r.o., KLF-Distribúcia, s.r.o.) and by SPP the financial equivalent of the value of the companies contributed.

The main strategic objective of the new cooperation is the development of decentralized energy and comprehensive energy services in the country.

Outlook for 2021

The strategic priorities for 2021 in Slovakia are the development of the joint venture with SPP and the implementation of the strategy for the development of ESCO services, especially the addition of competencies in the field of technical building equipment. At the same time, organic growth is expected at the level of Slovak subsidiaries and suitable acquisition opportunities are being sought.

Hungary

Sales of Commodities and Energy Services

In Hungary, CEZ Magyarország Kft. (CEZ Hungary Ltd.) sold 709 GWh of electricity to end-use customers in H1 2021, a year-on-year increase of approximately 59 GWh.

Through ETS Engineering, CEZ Group provides project support in the planning and implementation of energy saving projects.

Outlook for 2021

In 2021, sales of 1.5 TWh of electricity to end-use customers are estimated.

CEZ Group also intends to be active in the area of ESCO services.

Austria

Sales of Energy Services

In Austria, Moser & Partner Ingenieurbüro GmbH and Syneco tec are active in the planning and installation of complex electrotechnical equipments.

Outlook for 2021

CEZ Group will continue to monitor the Austrian market in order to identify potential investment opportunities in the segment of ESCO services.

Italy

Sales of Energy Services

The inewa Group is based in South Tyrol and focuses on a wide range of energy services—from planning and consulting to downstream operations and maintenance. The group also specializes in the operation of its own biogas plants.

Outlook for 2021

CEZ Group will continue to monitor the northern Italian market in order to identify potential investment opportunities in the segment of ESCO services.

Romania

Sales of Electricity and Natural Gas

CEZ Vanzare S.A., which was sold as at March 31, 2021, was engaged in the sale of electricity and natural gas to end-use customers in Romania and supplied 1,045 GWh of electricity and 446 GWh of natural gas to its end-use customers in Q1 2021.

Sales of Energy Services

CEZ Group provides ESCO services in Romania through High-Tech Clima S.A. High-Tech Clima S.A. is a leading company on the Romanian market in the field of HVAC (Heating, Ventilation and Air Conditioning) systems and electrical installation works for commercial facility owners. It is also an industrial supplier for manufacturing plants, logistic parks, business offices, buildings, and shopping malls. The company's activities have been affected by the ongoing impact of the spread of COVID-19.

Active activity in the ESCO services market will continue. CEZ Group does not plan to significantly expand its ESCO activities in Romania.

Bulgaria

CEZ Elektro Bulgaria AD, which sells electricity to end-use customers, was sold as at July 27, 2021.

Electricity Sales

CEZ Elektro Bulgaria AD sold end-use customers a total of 3,275 GWh of electricity in the first half of 2021, which was a year-on-year decrease of 132 GWh.

CEZ Trade Bulgaria EAD sold to end-use customers 2,143 GWh of electricity in the free market in H1 2021, which was approximately 20 GWh more year-on-year.

Sales of Commodities and Energy Services

CEZ ESCO Bulgaria EOOD has been implementing energy projects for end-use customers on the Bulgarian market since 2017.

At the end of June, the construction of a solar park for the local branch of the customer Aurubis started. This is a copper processing plant and the new photovoltaic plant will cover part of its electricity consumption. The annual generation of the 10MW plant is estimated at 11,700 MWh.

Outlook for 2021

The sale of commodities within the CEZ Group was terminated as at July 27, 2021. The implementation of energy-saving projects will continue in the area of ESCO services.

Poland

Sales of ESCO Services

CEZ Group provides ESCO services through Euroklimat, Metrolog, and OEM Energy. The ownership stake in Euroklimat was increased to 90%.

The Polish companies generated sales of CZK 1.0 billion in H1 2021. The companies' activities were adversely affected by the ongoing impact of the COVID-19 pandemic and disruptions in the supply chains of materials and components required for the execution of projects.

Electricity Sales

CEZ Polska sp. z o.o. sells electricity to end-use customers in Poland. In H1 2021, the company supplied 82 GWh of electricity to its wholesale and retail customers, which represented a year-on-year decrease of 60 GWh. The year-on-year decreases are in line with the commercial intent for 2021.

Outlook for 2021

Electricity supply to end-use customers is estimated to be 0.2 TWh.

ESCO service projects will be negatively affected by supply chain disruptions.

Turkey

Sakarya Elektrik Perakende Satış A.S. (SEPAŞ), a company controlled through the joint venture Akcez Enerji A.S., sells electricity to end-use customers mostly in the SEDAŞ distribution area. The amount of electricity sold in the first half of 2021 was 5,510 GWh, which was a 21% increase year-on-year.

Outlook for 2021

Sales to end-use customers are estimated at 11.5 TWh.

Note: Turkish companies are consolidated using the equity method and therefore their sales are not included in the aggregate data for CEZ Group.

Environment

Reducing the impact of power industry on the environment and contributing to the fulfillment of global climate goals are long-term strategic goals of CEZ Group.

In May 2021, CEZ Group signed up to ambitious environmental and climate protection targets in accordance with the Paris Agreement as part of its accelerated strategy—VISION 2030. It committed to reducing the CO₂ emissions intensity of electricity generation by more than 50% by 2030 and to ensuring overall carbon neutrality by 2050. It also set an overall ambition to raise CEZ's ESG rating to at least 80% by 2023.

Specifically, in the area of decarbonization, CEZ Group has set a target to reduce CO₂ emissions per MWh of electricity generated by 33% by 2025 compared to 2018, which means achieving an emission intensity below 0.26 t/MWh and then reducing the emission intensity for electricity generation below 0.16 t/MWh by 2030. CEZ Group has also set specific targets in other areas, e.g. a target of reducing SO₂ emissions by 75% and NO_x emissions by 45% by 2025 compared to 2018. In order to achieve these objectives, no new coal-fired power plants are planned to be built, but the operation of selected coal-fired power plants will be curtailed and the capacity of emission-free and low-emission sources will be increased.

In H1 2021, CEZ Group's emission intensity reached 0.27 t CO₂ per MWh of electricity generated, which was 19% lower than in H1 2020 (0.33 t CO₂/MWh_e). For the full year 2021, a decrease of 12% is forecast to 0.29 t CO₂/MWh_e compared to 0.33 t CO₂/MWh_e for 2020. As at January 1, 2021, CEZ Group entered the 4th allocation period for the allocation of emission allowances, which is associated with a number of new obligations for operators. In June 2021, all prerequisites for the allocation of emission allowances for heat generation for 2021 were fulfilled by CEZ Group.

Investment projects to implement techniques leading to reducing mercury emissions into the air at all fluidized bed boilers (Hodonín, Ledvice, Poříčí) have been completed, and extensive greening of the Tušimice and Trmice facilities is underway. In particular, in view of the previous necessary identification of suitable techniques to reduce mercury emissions at large granulation boilers, a temporary exemption from BAT limits was requested for Mělník I, Ledvice, Prunéřov and Tušimice power plants, for the Trmice heating plant an exemption from BAT was requested for the period of completion of the ongoing greening, for the Mělník II power plant until the end of operation of the source in 2026. In the Dvůr Králové heating plant and the Dětmárovice power plant, heat generation from coal-fired sources is replaced by gas-fired sources in the summer period, with savings in dust emissions, SO₂, NO_x, and CO₂.

In H1 2021, EUR 21 million was spent on the preparation and obliteration of previous mining activities, CZK 16 million of which was spent on actual remediation and restoration.

No flood or drought conditions were recorded in H1 2021 that would threaten the operation of sources and facilities. There were no accidents during the operation of the sources that would pose a threat to groundwater or surface water. The conditions of the approval for the abstraction of surface water and groundwater as well as the conditions related to the discharge of wastewater and mine water were complied with.

The leakage of approximately 1,500 liters of transformer oil occurred in connection with the supplier's activities on February 4, 2021 from a damaged stored transformer in transformer station Výškov at ČEZ Distribuce. The fire brigade provided a quick remediation intervention, the contractual emergency service carried out a subsequent remediation intervention including soil removal and cleaning the area. Thanks to the timely intervention, neither groundwater nor surface water were contaminated.

Research, Development, and Innovation

Research and Development

In H1 2021, many specific research and development projects continued. Traditionally, a larger number of projects are in the field of nuclear energy. They concern safety aspects or improving the reliability and lifetime of equipment. In the non-nuclear area, research focused, among other things, on the behavior of concrete structures and their degradation mechanisms. Energy storage in battery systems was also an important area of activity; a joint pilot project with ČEPS aimed at testing batteries for automatic frequency control was successfully completed.

ČEZ participates in many R&D projects supported by the Technology Agency of the Czech Republic. These include projects in the field of nuclear energy, research into the behavior of new types of steel or energy storage. The most important project in this category is participation in the National Competence Center for Energy coordinated by Vysoká škola báňská—Technická univerzita Ostrava.

Support for the development of new technologies continued at the Tenauro development center. The primary orientation of the development center is focused on the development of new solutions over technologies aimed primarily at increasing energy savings, increasing the use of energy from photovoltaic power plants, and exploiting technology synergies. The center is also involved in the development of technologies to support electromobility.

A very intensively developed area are hydrogen technologies, which are estimated to play an important role in the decarbonization of industry, energy, and transport. ČEZ is preparing a number of pilot projects for the generation of low-emission hydrogen and its use, for example, in public transport.

Investments in New Technologies

Inven Capital

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

Inven Capital focuses on investments in cleantech start-ups in later stages of growth with a business model proven by sales and with considerable growth potential. Since its establishment, Inven Capital has invested in thirteen companies (six German, two French, two Israeli, two Czech, and one Swedish) and in Environmental Technologies Fund 2 in the United Kingdom.

In H1 2021, there were no changes in Inven Capital's portfolio. The value (valuation) of one of the companies in the portfolio, Berlin-based Forto, exceeded USD 1 billion, making it one of the unicorns. This designation is used for privately owned start-ups with a valuation¹ of over USD 1 billion (approx. CZK 21.7 billion).

Promoting Innovation

Support for innovation naturally corresponds to the accelerated strategy VISION 2030—Clean Energy for Tomorrow.

In the area of commercial innovation, decarbonization plays an important role in B2B and B2C. An example of a successful implementation of a decarbonization project in the CEZ Group's product portfolio is the Emission-Free Electricity from a nuclear source, which was developed in a joint project between ČEZ and ČEZ ESCO.

ČEZ is involved in the Innovation Roadshow, and People and Culture Roadshow platforms, which aim to connect professionals from companies across business areas and share know-how in implementing innovation and corporate culture.

¹ However, the valuation of high-growth companies such as technology start-ups differs from that of traditional companies. It uses an estimate of the future development of the market in which the company operates. For traditional companies, the valuation is based on their past performance. (www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/valuing-high-tech-companies)

On the basis of the I2US cooperation platform, ČEZ shares information with innovative and non-competing utilities across Europe under the open innovation principle. Its main collaboration tool is sharing innovation opportunities and experience from the implementation of new services, products, business models, and methods for cooperation with partners.

Electric Mobility in Czechia

Charging Stations

Also in H1 2021, CEZ Group continued to further develop the public charging infrastructure for electric vehicles, especially by increasing the number of DC fast charging stations. As at June 30, 2021, 298 stations were in operation (246 fast charging and 52 with normal charging). The charging stations delivered almost 1.58 GWh of electricity in H1, 45% more than in the same period in 2020. In total, electric vehicles pulled up to CEZ Group's stands more than 100,000 times.

As in 2020, the progress of construction was affected by complications caused by COVID-19, which was mainly reflected in extending the time for obtaining the necessary permits, as well as the availability of capacity of suppliers and partners. Nevertheless, the number of stations installed this year is estimated to reach at least the 2020 level.

The construction of the ČEZ network is also significantly supported by public funds. Under the European program Connecting Europe Facility, a second subsidized project is being finalized, which will put into operation a total of 83 DC fast charging stations near the main corridors of the trans-European transport network. Construction is also underway with the support of the Transport operational program. Under this program, ČEZ has successively succeeded in four calls for tenders: two for the construction of the so-called backbone network of DC fast charging stations, under which 250 stations will be installed, and two for the so-called supplementary network of charging stations, under which up to 127 AC charging stations and up to 129 DC fast charging stations will be installed. Beyond subsidy projects, CEZ Group also carries out construction from its own sources.

CEZ Group continues to support the operation of electric buses on the line between BB Centrum (where ČEZ is based) and the Budějovická subway station in Prague, where the format of cooperation allows for a gradual increase in the number of electric buses in operation following the reverse transition to regular office operation, which has been limited as part of the COVID-19 measures. Support for the operation of two electric public transport buses in Vrchlabí also continues.

Changes in CEZ Group Ownership Interests

Czechia

- January 1—ČEZ Korporátní služby, s.r.o., ceased to exist as a result of a merger by acquisition by ČEZ, a. s.
- January 1—stake of ČEZ, a. s., in ČEZ OZ uzavřený investiční fond a.s. increased as a result of a merger with ČEZ Korporátní služby, s.r.o., which ceased to exist (ČEZ, a. s., owns a 99.575% stake in total)
- January 1—KART TZB, spol. s r.o., ceased to exist as a result of a merger by acquisition by KART, spol. s r.o.
- May 14—the name of Tanet West s.r.o. was changed to ČEZNET s.r.o.
- May 30—EGP INVEST, spol. s r.o., v likvidaci (in liquidation) ceased to exist
- June 30—according to the shareholders' statement, the stake of ČEZ, a. s., in OSC, a.s., was increased from 66.67% to 93.25% by successive purchases from minority shareholders at a single price; the acquisition process continues
- July 1—effective as at that date, TaNET Borsko s.r.o., ISP West s.r.o. and KTN Servis s.r.o., were dissolved by merger with the successor company ČEZNET s.r.o.
- July 1—Telco Pro Services, a.s., acquired 100% of the business shares of ČEZNET s.r.o.
- July 15—ČEZ ESCO, a.s., acquired 100% of the shares in EP Rožnov, a.s.; EP Rožnov, a.s., is the sole shareholder in ELEKTROPROJEKTA SLOVAKIA, s.r.o. (foreign company—country of domicile: Slovakia), and EPIGON spol. s r.o., and owns 90% of the shares in PIPE SYSTEMS s.r.o.

Germany

- March 2—acquisition of MWS GmbH, sole shareholder is the German company CEZ ESCO II GmbH
- March 22—dissolution of EAB Automation Solutions GmbH by merger with EAB Elektroanlagenbau GmbH Rhein/Main
- April 23—formation of the limited partnership Windpark DattelIn GmbH & Co. KG, with GP JOULE PP SPV Verwaltungs-GmbH as sole general partner and GP JOULE PP1 GmbH & Co. KG as sole limited partner.
- May 19—acquisition of Peil und Partner Ingenieure GmbH, sole shareholder is the German company CEZ ESCO II GmbH

Slovakia

- February 10—the name of CEZ SERVIS, s. r. o., was changed to ESCO Servis, s. r. o.
- February 10—the name of CEZ Distribučné sústavy a.s. was changed to ESCO Distribučné sústavy a.s.
- February 16—the name of CEZ ESCO Slovensko, a.s., was changed to ESCO Slovensko, a. s.
- February 18—Slovenský plynárenský priemysel acquired a 50% stake in ESCO Slovensko, a. s.
- June 1—ČEZ Slovensko, s.r.o., entered liquidation and at the same time the company's business name was changed to VESER, s.r.o.

Austria

- January 1—change of ownership of M&P Real GmbH, the sole shareholder is the Austrian company Syneco tec GmbH (formerly Moser & Partner Ingenieurbüro GmbH)

Romania

- January 1—due to a merger of ČEZ Korporátní služby, s.r.o., by acquisition with ČEZ, a. s., ČEZ, a. s., became a sole member of CEZ Trade Romania S.R.L.
- March 31—100% of the shares in Distribuție Energie Oltenia S.A., CEZ Romania S.A., TMK Hydroenergy Power S.R.L., CEZ Vanzare S.A., Tomis Team S.A., M.W. Team Invest S.R.L., and Ovidiu Development S.A. were sold

Bulgaria

- July 27—sold all shareholdings in CEZ Bulgaria, CEZ Elektro Bulgaria, CEZ Razpredelenie Bulgaria, CEZ Trade Bulgaria, CEZ ICT Bulgaria, Free Energy Project Oreshets, and Bara Group.

Poland

- January 15—ČEZ, a. s., sold off its 100% stake in CEZ Towarowy Dom Maklerski sp. z o.o.
- June 30—the share of Elevion Group B.V. in Euroklimat sp. z o.o. was increased from 84 to 90%.

Shareholders' Meeting of ČEZ, a. s.

An annual Shareholders' Meeting of ČEZ, a. s., was held on June 28, 2021, which:

- Heard the reports of the company's bodies,
- Heard information on CEZ Group's development plans for 2030 "Vision 2030—Clean Energy for Tomorrow",
- Approved the financial statements of ČEZ, a. s., the consolidated financial statements of CEZ Group and the final financial statements of ČEZ Korporátní služby, s.r.o., which were prepared as at December 31, 2020,
- Approved the distribution of the 2020 profit of ČEZ, a. s., amounting to CZK 21,076,986,263.84 and a portion of retained earnings amounting to CZK 6,898,481,204.16 as follows:

Share in profit to be distributed to shareholders (dividend) CZK 27,975,467,468
The dividend is CZK 52 per share before tax,
- Appointed the auditing company Ernst & Young Audit, s.r.o. as auditor to perform the statutory audit for the accounting period of calendar years 2021 and 2022 and the auditing company Deloitte Audit s.r.o. to perform the statutory audit for the accounting period of calendar years 2023 and 2024,
- Approved a 2022 donations budget of CZK 110 million,
- Elected Tomáš Vyhnánek and Jiří Pelák as members of the Audit Committee,
- Approved the Report on Remuneration of ČEZ, a. s., for the accounting period 2020 as submitted to the Shareholders' Meeting by the Company's Board of Directors.

Changes in Governance Bodies

Supervisory Board

There was no change in the composition of the Supervisory Board in H1 2021, or until the closing date of the Half-Year Report.

Audit Committee

Members of the Audit Committee whose membership commenced in H1 2021:

Jiří Pelák Member of the Audit Committee since June 28, 2021 (term ending June 28, 2025)

Tomáš Vyhnánek Member of the Audit Committee since June 28, 2021 (term ending June 28, 2025)

Members of the Audit Committee whose membership terminated in H1 2021:

Jiří Pelák Member of the Audit Committee since June 21, 2017 (term ending June 21, 2021)

Tomáš Vyhnánek Member of the Audit Committee since June 21, 2017 (term ending June 21, 2021)

Board of Directors

Member of the Board of Directors whose membership commenced in H1 2021:

Jan Kalina Member of the Board of Directors since June 29, 2021 (term ending June 29, 2025)

Member of the Board of Directors reelected for another term:

Bohdan Zronek Member of the Board of Directors since May 18, 2017 reelected with effect from May 19, 2021 (term ending May 19, 2025)

Member of the Board of Directors whose membership terminated in H1 2021:

Ladislav Štěpánek Member of the Board of Directors from June 27, 2013 until June 28, 2021

Competence of Division Directors of ČEZ, a. s.

Organizational changes were implemented in ČEZ during 2021. As at July 1, 2021, the delegated competences of the members of the Board of Directors are as follows:

Daniel Beneš—Chief Executive Officer, Chairman of the Board of Directors in charge of the CEO Division

He is responsible for the fulfillment of tasks assigned by the Board of Directors in its resolutions and has the authority to take decisions on Company matters that are not reserved for the shareholders' meeting, the Supervisory Board, or another Company body, and are within the decision-making authority of the Board of Directors and were not expressly placed within the decision-making authority of other members of the Board of Directors or the Board of Directors as a whole. In particular, the Chief Executive Officer coordinates the activities of division heads.

He takes care of the management of CEO division departments, management activities concerning the system of management, communication and marketing, legal services, corporate compliance, corporate governance, public affairs, CEZ Group security, independent nuclear oversight,

sustainability with respect to ESG, and activities related to the ombudsman function. His competence extends to procurement and sales (other than the procurement and sales of electricity, heat, certain process materials, and financial services), incorporated in the procurement function that Board of Directors member Michaela Chaloupková, Chief Administrative Officer, is in charge of. He manages Czech subsidiaries' matters relating to coal extraction and sales and the subsidiary ČEZ Distribuce.

**Pavel Cyrani—Chief Sales and Strategy Officer,
Vice-Chairman of the Board of Directors in charge of the Sales and Strategy Division, Chief Executive Officer's Deputy for Strategic Development**

He is responsible for the sale of electricity, gas, and other commodities and energy services to end-use customers (households, small and large business customers, and public administration). He is in charge of commercial arrangements for CEZ Group's generation position (sales of electricity, purchases of emission allowances, and purchases of gas) and of trading in electricity, gas, emission allowances, and other commodities in Czechia and abroad. He is responsible for the development of the CEZ Group's strategy and strategic plans, checking their implementation, and coordinating the preparation of strategically important projects in CEZ Group. He is also responsible for managing the DISTRIBUTION segment—distribution companies and services in Czechia. He manages subsidiaries' matters relating to sales of electricity, natural gas, and energy services to end-use customers and foreign trade agencies' matters.

**Bohdan Zronek—Chief Nuclear Officer,
Member of the Board of Directors in charge of the Nuclear Energy Division**

He is responsible for the safe and efficient operation and development of the nuclear generation assets operated by the GENERATION—Nuclear facilities, including the generation of heat for central heat supply from nuclear power plants. He manages subsidiaries' matters relating to providing support and maintenance services for the nuclear generation assets in operation.

**Jan Kalina—Director of the Renewable and Traditional Energy Division,
Member of the Board of Directors in charge of the Renewable and Traditional Energy Division**

He is responsible for the safe and efficient operation and development of the existing generation assets of the GENERATION—Renewables (hydro, wind, and photovoltaic sources) and GENERATION—Emission Sources (coal and gas sources) segments for electricity generation and heat generation and distribution in Czechia and abroad. He is responsible for ensuring environmental investments in the construction of new and comprehensive renovation of existing conventional power plant units in Czechia and for providing technical support for acquisition projects. He manages subsidiaries' matters relating to operating renewable and traditional sources for electricity generation and heat generation and distribution and the subsidiaries providing related support and service activities.

**Tomáš Pleskač—Chief New Energy Officer
member of the Board of Directors in charge of the New Energy Division, Chief Executive Officer's Deputy for New Energy**

He is responsible for sourcing and developing new energy opportunities in Czechia and abroad, supporting mergers and acquisitions (M&A) within the scope of other divisions, and operating country management units. He is responsible for the management of new nuclear power plants, including the management of project teams preparing the construction of new nuclear power plant units. He manages subsidiaries' matters relating to acquiring and developing opportunities in clean and smart technologies as well as innovative business models.

**Martin Novák—Chief Financial Officer,
member of the Board of Directors in charge of the Finance Division, Chief Executive Officer's Deputy for Operations**

He is responsible for economic and financial management, financing, controlling, accounting, tax agenda, risk management, investor relations, and coordinates the efficient setup and operation of ICT

support services. He manages subsidiaries' matters relating to information technology and telecommunications.

**Michaela Chaloupková—Chief Administrative Officer,
Member of the Board of Directors in charge of the Administration Division**

She is responsible for human resource management and Ownership Interests. She also ensures the efficient delivery of corporate support services in the areas of nontechnology asset management and vehicle management. She is also in charge of the procurement function (procurement and sales, except for the procurement and sales of electricity, heat, certain process materials, and financial services), organized under the CEO division.

COVID-19

Measures Adopted in CEZ Group

In H1 2021, CEZ Group continued its prudent approach to all measures against the spread of COVID-19. In accordance with emergency measures taken by the Ministry of Health or recommendations of the sanitary service, personal contacts between employees, including business trips, were limited, teleworking was applied to the maximum extent possible, and employee meetings with customers were kept to a minimum, including by closing information and customer centers to the public.

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

In accordance with an extraordinary measure of the Ministry of Health, testing of employees entering the workplace was introduced across all CEZ Group companies. In addition to one-time antigen tests for self-testing, testing centers were established at both ČEZ nuclear power plants by a contracted medical service provider, through which testing of employees in other key operations such as control rooms and other elements of the critical infrastructure of the state was also provided. Full-scale testing was terminated on June 30, 2021, when the emergency measure of the Ministry of Health expired. Employee testing continued on a voluntary basis after that date.

Similarly, ČEZ Distribuce continued its 2020 measures to ensure safe and reliable electricity supply. Due to the continued high use of teleworking and distance learning in schools, planned interruptions in electricity supply were limited.

Vaccination

Since the beginning of 2021, representatives of CEZ Group companies have been intensively discussing the priority COVID-19 vaccination of particularly critical and critical employees of critical infrastructure. As a result, vaccination of these employees within CEZ Group companies started as early as April 9, 2021.

The vaccination coverage of particularly critical employees exceeded 84% of the total number of 399 persons at the end of June 2021; in the case of critical employees, it exceeded 71% of the total number of 5,092 persons.

At the moment when the government started to make vaccination available to working-age Czech citizens, the communication of anti-epidemic measures in CEZ Group focused mainly on objectively informing employees about vaccination so that they could make their decision about vaccine application as much informed as possible. This was probably reflected in the fact that by June 30, more than 60% of the 23,000 employees of the CEZ Group's Czech companies had received the COVID-19 vaccine.

Use of Government Support and Contribution in ČEZ

CEZ Group companies in Czechia took advantage of the Antivirus program approved by the government with a view to job protection on March 31, 2020. The companies used the program's Mode A, compensating employers for expenses on employees in compulsory quarantine or isolation. ČEZ received a total of CZK 0.8 million for the period of January to June 2021.

The possibility of receiving contributions under the Program to support the implementation of self-sampling tests for COVID-19 in connection with the emergency measure issued by the Ministry of Health of the Czech Republic on March 1, 2021 was also used. Companies have taken advantage of this program, which reimburses employers for the cost of employees performing antigen self-tests. For the period from January to June, ČEZ, a. s., received the amount of CZK 1.1 million.

The Impact of the Pandemic on ČEZ's Financial Performance

The existence of no CEZ Group company is threatened by the COVID-19 pandemic and, in general, the impact of the pandemic on CEZ Group is relatively limited and mainly indirect. However, it is difficult to estimate the long-term impact of the COVID-19 pandemic on CEZ Group, given the uncertainty of the extent to which the pandemic itself and government countermeasures will affect economic growth, unemployment, and debt growth in the relevant European countries. The COVID-19 pandemic has certainly had and is having a significant direct impact on the wholesale electricity market, which is, however, simultaneously influenced by other significant macroeconomic and regulatory factors, making any quantification of the actual impact of COVID-19 on CEZ Group materially impossible.

However, the COVID-19 pandemic has not yet caused direct losses or significant extra costs to CEZ Group (we estimate the costs of providing pandemic measures at tens of CZK millions so far, especially for the provision of protective equipment and disinfectants and the increase in clean-up work). The pandemic has caused a deceleration of both acquisition and organic growth in the companies of the SALES segment and generally caused a deceleration or time lag of investments in all other segments, especially in 2020.

The impact of COVID-19 in the coming years will depend basically on the measures adopted in individual countries and their effects on the overall economic developments and structural changes in the economy in Europe.

For more information on the impact of COVID-19 on the financial performance, see also the financial statements and the notes thereto, Note No. 16 Covid-19.

Legal Proceedings

Czechia

ČEZ, a. s. (hereinafter referred to as ČEZ)

1. Minority shareholders carry on a lawsuit against ČEZ and Severočeské doly a.s. based on an action filed in 2006, seeking declaratory judgment on the adequacy of consideration in compulsory sale of corporate securities. Should the plaintiffs win, the total additional payment could be in the order of hundreds of millions of CZK. The case is heard at first instance. The outcome of the proceeding is impossible to predict.
2. ČEZ carries on a lawsuit against the Appellate Financial Directorate based on an administrative action brought against the decision of the Specialized Tax Office imposing a fine of CZK 150 million for violating the Prices Act in the payment of the price of brown thermal coal supplied by Sokolovská uhelná, právní nástupce, a.s., in 2010, 2012, and 2013. The administrative court admitted the action. The case is heard by the Supreme Administrative Court based on a cassation appeal filed by the Appellate Financial Directorate (however, the Appellate Financial Directorate rescinded the fine imposing decision based on the legal opinion of the court of first instance). The outcome of the proceeding is impossible to predict.
3. In an insolvency proceeding against PLP a.s., Teplárna Trmice, a.s., the legal predecessor of ČEZ Teplárenská, a. s., submitted claims totaling CZK 220 million. The enterprise of the debtor, PLP a.s., was realized for USD 10 million and the proceeds were rendered to a secured creditor in July 2013. The amount of settlement for ČEZ Teplárenská, a.s., in the insolvency proceeding in question is still nil. According to the latest receiver's management report issued at the end of 2020, the termination of the insolvency proceedings is expected to take place in 2021. It is not possible to expect any satisfaction of claims of ČEZ Teplárenská, a.s., or of other non-secured creditors. According to the insolvency administrator's latest report, all litigation has been resolved.
4. ČEZ carries on a lawsuit against ŠKODA JS a.s. based on an action filed in 2016. The issue in dispute is damages for lost profits due to wrongly performed radiographic inspections of welded joints at the Dukovany Nuclear Power Plant and the Temelín Nuclear Power Plant. The amount originally claimed was CZK 611 million plus interest and costs back in 2016 but, after negotiations over an out-of-court settlement of the dispute failed, a motion was filed to extend the action to a total of CZK 2,759 million in February 2020. The amount currently claimed includes full damages for lost profits. The case is heard at first instance. The outcome of the proceeding is impossible to predict.
5. In the insolvency proceedings against TENZA, a.s., ČEZ filed claims in the total amount of over CZK 1,327 million in March 2021 and subsequently claims in the total amount of almost CZK 203 million were filed in April 2021. The vast majority of the claims were made for contractual penalties and damages, as well as for related costs associated with the breach of work contracts for the construction of the Temelín Nuclear Power Plant (TPP) thermal feeder and the reconstruction of the TPP unit heat exchanger station. TENZA, a.s., breached its contractual obligation to complete the work and hand it over in a proper and timely manner. Most of the claims in both applications were denied by the insolvency administrator and the debtor as to their authenticity and, to a limited extent, as to their amount. For this reason, ČEZ filed a total of 6 injunctive claims in June 2021. The injunctive claims are currently underway. The outcomes of the proceedings are impossible to predict.

ČEZ Distribuce, a. s. (hereinafter referred to as ČEZ Distribuce)

6. SPR a.s. carries on a lawsuit against ČEZ Distribuce based on an action filed in May 2013, seeking payment of CZK 213 million plus interest and costs. The matter in dispute is the existence of loss alleged by the plaintiff, which was allegedly incurred due to a breach of obligations by ČEZ Distribuce in relation to the connection of the Dubí photovoltaic power plant to the distribution grid. The case is heard at first instance, currently resumed after a stay based on the court's May 2020 decision. The outcome of the proceeding is impossible to predict.

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

commenced in 2018 and is still pending. A decision to permit a partial schedule to distribute the recovered fulfillment in the amount of approx. CZK 97 million was issued in October 2020 and the creditor, ČEZ Distribuce was satisfied with the proportional amount exceeding CZK 49 million. This recovered fulfillment was repaid to ČEZ Distribuce in late November 2020. In addition, a resolution approving the final report was published in July 2021, after which the final amount of the recovered performance of almost CZK 12 million will be paid to ČEZ Distribuce. It is expected that ČEZ Distribuce will receive this payment by the end of August 2021 at the latest. This will be the end of the proceedings.

ČEZ Prodej, a.s. (hereinafter referred to as ČEZ Prodej)

14. ČEZ Prodej carries on a lawsuit against state organization Správa železnic ("SŽ", formerly SŽDC) based on an action brought in 2010, seeking damages in the amount of CZK 805 million plus interest and costs. The matter in dispute is an alleged breach of an electricity supply contract by SŽ, consisting in failure to take deliveries of an agreed amount of electricity in 2010, and the resulting loss. Following an application for leave to appeal filed by SŽ, the Czech Supreme Court overturned the rulings of the courts of first and second instance and remanded the case to the court of first instance. The court of first instance dismissed the action. The appellate court upheld the ruling of the court of first instance in May 2019. ČEZ Prodej withdrew the action before it was served the judgment of the court of second instance. The judgment of the court of second instance was received in August 2019, whereby the judgment of the court of first instance was upheld and the withdrawal was declared void. The judgments of the courts of both instances are final. ČEZ Prodej filed an application for leave to appeal and a constitutional complaint, on which the Constitutional Court decided by judgment in August 2020. The Constitutional Court stated that the appellate court had erred in making a decision on the motion to withdraw the action itself, instead of the court of first instance, once the judgment of the appellate court had been pronounced. The court rejected the rest of the constitutional complaint. Additionally, it stated that such a procedure denied ČEZ Prodej the right to have a ruling reviewed and infringed its right to judicial protection. The Constitutional Court therefore revoked the decision of the appellate court on ineffectiveness of withdrawal. In October 2020, the Municipal Court decided on ineffectiveness of withdrawal of the action again. The application for leave to appeal is still pending. SŽ, which had paid the amount claimed, subsequently brought an action against ČEZ Prodej, seeking recovery of unjust enrichment amounting to the paid sum of CZK 1,116 million plus interest and costs, which the court of first instance admitted. The appellate court upheld the judgment of the court of first instance. ČEZ Prodej filed an application for leave to appeal in the case and paid SŽ the amount claimed plus interest and costs. In May 2021, a court decision of April 2021 was published on the official bulletin board of the Supreme Court of the Czech Republic, by which the court revoked the previous rejection decisions and returned the case to the court of first instance for further proceedings. The outcomes of the proceedings are impossible to predict.
15. ČEZ Prodej carries on a lawsuit against SŽ based on an action brought in 2013, seeking damages in the amount of CZK 857 million plus interest and costs. The matter in dispute is an alleged breach of an electricity supply contract by SŽ, consisting in failure to take deliveries of an agreed amount of electricity in 2011, and the resulting loss. After the decision of the court of first instance was overturned by the appellate court, the case is now reheard by the court of first instance. The outcome of the proceeding is impossible to predict.
16. ČEZ Prodej carries on a lawsuit against OTE, a.s., based on an action brought in 2016, seeking substitution of a decision by the Energy Regulatory Office and a decision by the Chairwoman of the Energy Regulatory Office concerning the payment of an amount in excess of CZK 124 million as the outstanding difference in purchase prices paid to solar electricity producers, which were paid by OTE, a.s., to ČEZ Prodej as a mandatory purchaser. The court of first instance dismissed the action. The appellate court upheld the ruling of the court of first instance. ČEZ Prodej filed an appeal against the decision of the court of appeal, which was rejected by the Supreme Court of the Czech Republic in August 2021. The decision is final.
17. ČEZ Prodej carries on a lawsuit against ACTHERM, spol. s r.o. (a distribution system operator), seeking damages in excess of CZK 185 million plus interest and costs based on an action brought in 2016 (CZK 124 million) and its extension in 2017 concerning loss incurred in the subsequent period (CZK 61 million). The matter in dispute is loss caused by the actions of ACTHERM, spol. s r.o., during the registration of three solar electricity producers in the market

operator's system and the delivery of information on the registration to ČEZ Prodej. In May 2021, ČEZ Prodej received a resolution to discontinue the proceedings and refer the case to the Energy Regulatory Office. ČEZ Prodej appealed against the decision. The outcome of the proceeding is impossible to predict.

18. ČEZ Prodej carries on three lawsuits with solar electricity producers based on actions filed in March 2017, seeking recovery of unjust enrichment of nearly CZK 160 million. The unjust enrichment consists in the collection of higher purchase prices than those reimbursed to ČEZ Prodej by OTE, a.s. The court of first instance discontinued the proceedings in all three cases and referred the cases to the Energy Regulatory Office for further proceedings. Additionally, the appellate court also overturned a judgment of the court of first instance dismissing the action in the case of one of the producers. In all cases, the Energy Regulatory Office issued a decision according to which the producers are obliged to pay the due amount with accessories. The Board of the Energy Regulatory Office confirmed the first-instance decision on the appeal of two producers, while the appeal of the third producer has not yet been decided. The outcomes of the proceedings are impossible to predict.
19. OTE, a.s., carries on a lawsuit against ČEZ Prodej, based on an action brought in 2018, seeking payment of approximately CZK 104.4 million plus interest and costs. The legal ground for the amount sought is recovery of the difference between the purchase price and the hourly price paid by OTE, a.s., to ČEZ Prodej as a mandatory purchaser from a solar electricity producer in the period from January 1, 2013, to April 30, 2018. The court of first instance issued a ruling discontinuing the action and referring the case to the Energy Regulatory Office. The Energy Regulatory Office decided to reject the motion of OTE, a.s. OTE, a.s., appealed against the ruling dismissing its motion. The outcome of the proceeding is impossible to predict.
20. OTE, a.s., carries on two administrative proceedings before the Energy Regulatory Office against ČEZ Prodej, based on petitions filed in July 2019, seeking recovery of unjust enrichment totaling approximately CZK 327 million. The legal ground for the amount claimed is recovery of the difference between the purchase price and the hourly price paid by OTE, a.s., to ČEZ Prodej as a mandatory purchaser in the period from January 1, 2013, to May 31, 2018. The Energy Regulatory Office decided to reject the motions of OTE, a.s. OTE, a.s., appealed against the rulings dismissing its motions. The outcomes of the proceedings are impossible to predict.
21. Three producers of photovoltaic electricity commenced three administration proceedings in December 2020 against ČEZ Prodej seeking a payment of the sum of approx. CZK 475 million plus accessories. According to the producers, the claimed amount represents an outstanding financial aid having the form of purchase prices applicable to generation facilities commissioned in 2010 (or of the difference between 2010 and 2011) for electricity produced in the period from May 1, 2018 or June 1, 2018 to November 30, 2020. For the period from May 1, 2018 to February 28, 2019, the producers claim only the difference between purchase prices applicable to generating facilities commissioned in 2010 and 2011; for the period from March 1, 2019 to November 30, 2020, the producers claim purchase prices applicable to generating facilities commissioned in 2010 in full. Three separate administration proceedings are related to these proceedings, where the same producers claim the financial aid totaling to CZK 69.5 million plus accessories. According to the producers, the amount claimed in these proceedings represents an outstanding financial aid having the form of purchase prices applicable to generation facilities commissioned in 2011 for electricity produced in the period from May 1, 2018 or June 1, 2018 to February 28, 2019. The outcomes of the proceedings are impossible to predict.

Germany

22. In June 2017, D-I-E Elektro AG (a member of CEZ Group) brought an action against Minto GmbH in the regional court in Mönchengladbach, seeking payment of compensation under a contract for work of EUR 6.7 million (approximately CZK 170 million) plus interest and costs. In March 2021, a settlement agreement was concluded under which Minto GmbH committed to pay EUR 700,000 (approx. CZK 17.8 million). This amount was paid at the beginning of July 2021 and the proceedings were thus terminated.
23. In December 2018, Minto GmbH brought a counteraction against D-I-E Elektro AG (a member of CEZ Group) in the regional court in Mönchengladbach, seeking payment of EUR 2.1 million (approximately CZK 52 million) in compensation for additional expenses under a contract for

work. Procedurally, the dispute is related to D-I-E Elektro AG's action from June 2017. In view of the amicable settlement of the 2017 action, this proceeding has also been terminated.

24. CEZ Erneuerbare Energien Beteiligungs II GmbH, together with CEZ MH B.V. and other interested parties within CEZ Group, pursue claims against a group of accused persons (and related companies), who are subject to criminal proceedings on the basis of a suspicion that these accused persons, acting as an organized group, committed fraud, forged documents and committed bribery in relation to sale of wind farm projects to institutional and other investors across Europe (the so-called Holt Holding case). The total claimed sum amounts to EUR 5.68 million (approx. CZK 149 million) without accessories. More than EUR 1 million (more than CZK 26 million) was recovered in 2020. As part of the criminal proceedings, all the offenders have been caught; the two main perpetrators have been kept in custody. The outcome of the proceeding is impossible to predict.
25. In December 2020, GMH Gebäudemanagement Hamburg GmbH (subsidiary of the Free and Hanseatic City of Hamburg) filed an action against Kofler Energies Ingenieurgesellschaft mbH. The action requires an issuance of a preliminary judgment that will decide on the basis of the case only, specifically determining the justification of liability of the defendant for damage caused in the supply of design work in construction of buildings of Hamburg University in 2013–2017 (i.e. before the acquisition of the defendant by CEZ Group). Although there is no specific amount specified in the action yet, it is clear that the dispute is significant. If the claimant succeeds to the extent that the awarded amount shall not be covered by defendant's liability insurance, the amount shall be claimed by CEZ Group against the sellers, as it is stipulated in the transaction documentation on the basis of which the defendant became a member of CEZ Group. The outcome of the proceeding is impossible to predict.
26. CEZ ESCO II GmbH (a member of CEZ Group), as buyer, claims damages against Kofler Energies AG (now KO Energies GmbH) and its two guarantors as sellers in a lawsuit filed in July 2020. The claims are asserted on the basis of the SPA (acquisition of shares in Kofler Energies Ingenieurgesellschaft) in the total amount of approx. EUR 4.48 million (approx. CZK 113.8 million). Following the termination of the SPA in July 2018, certain projects of Kofler Energies Ingenieurgesellschaft turned out to incur losses. However, the buyer was not properly informed of their losses when negotiating the SPA. Along with the application, expert reports were submitted to the court to assess the loss-incurring projects. According to CEZ ESCO II GmbH, the defendants have the necessary means to pay the compensation. The outcome of the proceeding is impossible to predict.

Poland

27. In 2009, Agrowind Kończewo sp. z o.o. (AWK) filed a lawsuit against seven companies jointly and severally, one of which is Eco-Wind Construction S.A. (member of the CEZ Group), seeking PLN 22.7 million plus interest in compensation because the companies frustrated the installation of wind turbines and transformer stations on land that the claim alleges was held by AWK. In December 2012, the claim was increased to a total of PLN 112.7 million plus interest (approximately CZK 673 million). The case was subsequently suspended on the ground of notified bankruptcy of one of the companies. The judicial proceeding was resumed in January 2019 but only with six parties that continue in the proceeding. In June 2019, the Court of First Instance issued a negative decision, against which AWK appealed. The appeal filed was dismissed by the Court of Appeal in June 2021, thereby upholding the decision of the Court of First Instance. AWK may appeal against the negative decision to the Supreme Court. The outcome of the proceeding is impossible to predict.

Turkey

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

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

30. In March and May 2016, SEDAŞ brought three administrative actions against EPDK's decisions regulating the limits of SEDAŞ's revenue from electricity distribution in the regulatory period of 2016–2020, including the method of calculation and application. One of the lawsuits was dismissed by the Court of Appeals, and the other two are currently in the appeals phase. The outcome of the proceeding is impossible to predict.

Other Proceedings

Czechia

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

1. Attachment of receivables of ČEZ Obnovitelné zdroje, s.r.o., due from OTE, a.s., as support paid for the green bonus, totaling almost CZK 1,022 million as at July 31, 2021; the amount in question will be deposited on a bank account with the Czech National Bank for the duration of the attachment, and ČEZ Obnovitelné zdroje, s.r.o., cannot dispose of the funds.
2. Attachment of funds on a bank account of ČEZ in the amount of approximately CZK 223 million as at July 31, 2021; ČEZ cannot dispose of the funds for the duration of the attachment.

In both cases, these are interlocutory attachment orders made by law enforcement authorities in a case where the defendants are not employees of CEZ Group companies. ČEZ Obnovitelné zdroje, s.r.o., and, consequently, ČEZ are injured parties in the case. An acquittal in the criminal proceedings was issued in September 2020. On the appeal filed by the public prosecutor, the Court of Appeal ruled in May 2021 that the acquittal was set aside and the case was returned to the Court of First Instance for a new hearing and decision. The seizure of funds thus continues. The outcome of the proceeding is impossible to predict.

Bulgaria

In July 2016, ČEZ, formally filed a Request for Arbitration with the International Center for Settlement of Investment Disputes (ICSID), officially commencing international investment arbitration against the Republic of Bulgaria under the Energy Charter Treaty on the grounds of nonprotection of investment. The claim amounts to hundreds of millions of EUR. The first matter addressed was an objection to jurisdiction, that is, the competence of the arbitration tribunal to decide on the dispute. Following an exchange of written pleadings, a hearing on jurisdiction was held on June 8 —June 9, 2020. The arbitration tribunal subsequently issued an award on jurisdiction on March 2, 2021, in which it rejected the jurisdictional objection of the Republic of Bulgaria. The arbitration proceedings will thus continue and move to the next phase, in which also the merits of the dispute will be examined on the basis of the arguments and documents submitted by both parties. The place of arbitration is Washington, D.C., USA, in accordance with the rules of the International Center for Settlement of Investment Disputes (ICSID). On July 3, 2021, ČEZ filed its first Memorial on Merits in the arbitration, containing a factual description of the facts of the case, a detailed legal argumentation, and a quantification of the claim. The outcome of the proceeding is impossible to predict.

Developments in Sectoral Regulation and Legislation

Developments in Regulation for the Electricity Sector

The business environment in which CEZ Group operates is significantly impacted by regulation and legislation at the level of the European Union as well as that of individual countries in which we have a presence. The present chapter is not a list of all relevant changes in this field. It only highlights the major events, documents and acts at the European and Czech national levels.

European Union

Developments in Regulation for the Electricity Sector

Regulation (EU) 2021/241 of the European Parliament and of the Council of February 12, 2021 establishing The Recovery and Resilience Facility was published on February 18, 2021. The facility aims to support Member States in the aftermath of the COVID-19 pandemic through direct grants in a total of six pillars, of which support for green transformation is central to the electricity sector.

On April 15, 2021, guidelines on certain state aid measures in the context of the post-2021 greenhouse gas emission allowance trading scheme were published in the Official Journal of the EU, covering two areas linked to the EU ETS, namely support to compensate for the increase in electricity prices due to the inclusion of the costs of greenhouse gas emissions resulting from the EU ETS and support linked to the optional transitional allocation of free allowances for the modernization of the energy sector.

Climate Law

The European Commission published a proposal for a “climate law” on March 4, 2020. The law has the form of a regulation and sets a legal framework for achieving the EU’s carbon neutrality in 2050. After more than a year of negotiations in the Council of the EU and the European Parliament, a political agreement was reached in April 2021 and the draft climate law was approved.

On the basis of this agreement, the EU is strengthening its target to reduce emissions to 55% by 2030 (compared to the current 40%). The agreement also maintains the EU level target to achieve climate neutrality by 2050, which is considered a victory for Member States as the European Parliament had called for national level targets. The agreement also included a commitment by the Commission to bring forward a proposal this summer to promote higher CO₂ sequestration in forests. This proposal was presented as part of the Fit for 55 package on July 14, 2021 as a revision of the regulation on the inclusion of greenhouse gas emissions and removals from land use, land-use change, and forestry (LULUCF). The European Parliament succeeded in pushing through in the final text the requirement to create an independent advisory panel to monitor the EU's climate direction.

The “Fit for 55” Package

The climate law is directly linked to the planned package of legislative measures that the European Commission (EC) plans to publish in mid-July 2021, or in Q4 this year. The aim of the package is to set the legislative conditions for achieving the enhanced mitigation ambition by 2030 (a reduction of net greenhouse gas emissions, i.e. emissions net of removals, by at least 55% by 2030 compared to 1990).

The following initiatives are announced for H2 2021:

- Revision of the Energy Performance of Buildings Directive (EPBD)
- Revision of the Third Energy Package for gas (Directive 2009/73/EU and Regulation 715/2009/EU) to regulate competitive markets for decarbonized gas.

A parallel ETS for buildings and transport will be introduced from 2025, and from 2026 these sectors will surrender allowances for their emissions to create a fair environment for all heat facilities.

Revision of the TEN-E Regulation

In December 2020, the European Commission published a proposal to revise the TEN-E Regulation, which sets out the rules under which individual technologies and projects can qualify for European co-

financing for so-called Projects of Common Interest (PCIs). The draft revision includes, among other things, an obligation for all projects to meet mandatory sustainability criteria and to respect the “*Do no harm*” principle of the European Green Deal. Among other things, the proposal also ends support for oil and gas infrastructure—however, on the other hand, support for carbon capture and storage (CCS) projects is proposed. There is a strong emphasis on support for offshore electricity grid projects (offshore electricity grids and interconnection of offshore sites) with provisions to facilitate more integrated planning and implementation of offshore renewable energy projects. It also proposes a new focus on hydrogen infrastructure, including transport and certain types of electrolyzers. The proposed support for the deployment of smart grids to facilitate rapid electrification and expand renewable electricity generation is of great importance. Support for projects between EU and non-EU countries is also a novelty.

The proposal is currently under discussion within the EU institutions. A consensus was reached in the EU Council on June 14, 2021. Negotiations on the position paper for the dialogues with the Commission and the Council of the EU continue on the floor of the European Parliament. The adoption of the Parliament's position is expected in Q4 this year.

Sustainability

Regulation (EU) 2020/852 of the European Parliament and of the Council establishing a framework to facilitate sustainable investments entered into force in June 2020. The regulation establishes a uniform classification system (taxonomy) aiming to harmonize criteria for the purposes of determining whether an economic activity may be considered sustainable under existing market practices. On the basis of the Regulation, the European Commission has prepared and submitted for approval delegated acts for the first two of the six environmental objectives on April 21, 2021—climate mitigation (climate change mitigation) and climate adaptation (climate change adaptation). This delegated act specifies which activities will be on the list of sustainable activities if they meet the criteria for a significant contribution to combating climate change while not harming any of the other objectives. Natural gas and nuclear energy did not make it into the first draft of the delegated act due to major differences of opinion and should be included in the so-called complementary delegated act, which the European Commission should prepare by the end of summer 2021. At the same time, a delegated act under Article 8 of the regulation has been presented, which regulates the reporting of taxonomically eligible activities. This delegated act will also enter into force after approval by the European Parliament and the Council.

Just Transition Mechanism

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

The Just Transition Mechanism is based on three fundamental pillars:

- The Just Transition Fund is the first pillar of the mechanism. According to the EU regulation approved by the European Parliament on May 17, 2021, the fund will have an amount of EUR 17.5 billion at its disposal. EUR 7.5 billion should come from budget appropriations for the EU Multiannual Financial Framework in 2021 to 2027, while the remaining resources of EUR 10 billion, covering the period from 2021 to 2024, will constitute external assigned revenue stemming from the EU Recovery Instrument (i. e. Next Generation EU¹). The fund will support the economic diversification and reconversion of the territories concerned. The fund establishing regulation shall come into effect in 2021.
- A dedicated scheme under InvestEU is the second pillar of the Just Transition Mechanism. Similarly, InvestEU will support investments in a wider range of projects, such as projects for energy and transport infrastructure. It aims to encourage additional investments in the private sector amounting to at least EUR 45 billion.

¹ One-off program to cope with the Covid-19 consequences. The overall amount of funds provided to EU Member States totals EUR 750 billion (approx. CZK 19 billion). The funds used in the program are drawn from loans that will be repaid in 2028–2058.

- A public sector loan facility leveraged by the European Investment Bank (EIB) is the third pillar. It concerns investment promotion. It involves a contribution from the EU budget of EUR 1.5 billion and EIB loans of up to EUR 10 billion. With its leverage, the tool can mobilize public investments of EUR 25 to 30 billion over the period of 2021–2027.

The total Czech allocation for the Just Transition Fund for 2021–2027 will amount to approx. CZK 41 billion. It will be, however, subject to approval within the frames of notification procedure by the European Commission, which will review the Just Transition Plan to be prepared by the Ministry of Regional Development, containing a description of measures projected to be implemented in Czechia within the specified time frame. Funds will be subsequently allocated to beneficiaries based on their grant applications submitted on the basis of the respective calls within the new national Just Transition Fund operation program to be established for this purpose and managed by the State Environmental Fund of the Czech Republic.

The notification process for the Just Transition Plan is expected to be completed by the European Commission probably during H2 2021. Upon its completion, it will become clear what types of measures will be supported. Funds will be directed, among other things, to renewable energy sources and production of heat for central heating systems using renewables. On the other hand, nuclear facilities shall be excluded from aid as well as investments related to fossil-fuel-fired facilities, including any technology based on combustion of natural gas.

Projects that plan to use natural gas as a transition technology that should allow for a faster phase-out of coal-fired generating facilities in regions most affected by coal industry could be temporarily funded under very strict conditions within the European Regional Development Fund and the Cohesion Fund and in the coal-dependent regions only.

Czechia

Legislation in Czechia

The following significant legislation relevant to the energy sector was amended in H1 2021:

On February 19, 2021, Decree No. 78/2021 Coll., amending Decree No. 108/2011 Coll., on gas metering and on the method of determining compensation for damages in the event of unauthorized abstraction, unauthorized supply, unauthorized storage, unauthorized transport, or unauthorized distribution of gas, as amended, and Decree No. 459/2012 Coll., entered into force, on requirements for biomethane, the method of measuring biomethane and the quality of biomethane supplied to the transmission system, distribution system, or underground gas storage facilities. The Decree entered into force on July 1, 2021.

On March 1, 2021, Act No 88/2021 Coll. amending Act No 44/1988 Coll. on the protection and use of mineral resources (Mining Act), as amended, and other related acts entered into force. The amendment to the Mining Act introduced statutory regulation of the State Raw Materials Policy, changes in the obligations of the reimbursement rate for extracted minerals and the introduction of new obligations for mining organizations with regard to cash reserves for reclamation and reimbursement of mining damage. The effective date of this Act amending the Mining Act was set in part for March 16, 2021 and in part for July 1, 2021.

On March 19, 2021, Decree No. 125/2021 Coll. of the Energy Regulatory Office (ERO) amending Decree No. 408/2015 Coll. on the electricity market rules entered into force, with partial effectiveness of this Decree on April 1, 2021 and full effectiveness on January 1, 2022.

Decree No. 140/2021 Coll., on Energy Audit and Decree No. 141/2021 Coll., on energy assessment and on the data recorded in the Energy Consumption Monitoring System, entered into force on March 31, 2021. Both decrees implement EU regulations (Energy Efficiency Directive) and came into force on April 1, 2021.

Decree No. 207/2021 Coll. on the billing of supplies and related services in the energy sectors entered into force on May 26, 2021. The decree implements the relevant provisions of Directive 2019/944 of the European Parliament and of the Council on common rules for the internal market in electricity in the field of billing for electricity, gas, and heat. The decree has been set to take effect on January 1, 2022.

On July 9, 2021, Act No. 261/2021 amending certain acts in connection with further computerization of procedures of public authorities entered into force, postponing the termination of the registration of the birth number in the ID card to December 31, 2023. The effective date of the act is February 1, 2022.

Coal Commission

By Government Resolution No. 565 of July 30, 2019, the Coal Commission was established as an advisory body to the Government of the Czech Republic. The Chairmen of the Commission are the Minister of Industry and Trade and the Minister of the Environment. The main goal of the Commission is to provide the government with objective and, to the maximum extent possible, consensual outputs with regard to the future use of brown coal in Czechia, including all related aspects.

In December 2020, the Coal Commission recommended an end date of 2038 for the mining and combustion of coal. It submitted this recommendation to the Government. The decline in the use of coal by 2038 is conditioned by the timely replacement of the declined coal facilities by other generating facilities. Another condition is the successful transformation of the heating industry, which will enable a controlled departure from the use of coal in heat generation.

On May 24, 2021, the Czech Government took note of the recommendations of the Coal Commission, but has not yet set 2038 as a binding date for the phase-out of coal combustion in Czechia. The government decided that the Coal Commission should further elaborate and evaluate in more detail the conditions, instruments and impacts of an earlier phase-out of coal in the Czech energy sector. The resolution further instructs the Coal Commission chairpersons to develop a detailed phase-out schedule for each type of source with respect to its emission intensity, a proposal for the necessary regulatory and legislative instruments to enforce the government's objectives in this area, and a detailed assessment and solution of the economic and social impacts in the regions affected by the phase-out.

The Coal Commission will thus continue to work, in particular with regard to the elaboration of a more detailed timetable for the decline, regulatory legislative instruments, and detailed assessment of the economic and social impacts of the decline.

Modernization Fund

The RES+ program allocates 38.7% of the Modernization Fund (CZK 58–108 billion at emission allowance prices of EUR 30–56/t), of which 60% is allocated directly to existing CO₂ emitters. The amount of investment support will be determined in regular calls announced every 1–2 years by auction. The maximum amount of funding is set at 60% of the eligible costs or CZK 6.2–7.3 million/MW (the maximum funding per MW is determined by the size of the project and the type of installation—rooftop vs. ground-mounted).

Market Interconnection

On June 18, 2021, the *Interim Coupling* project for the interconnection of electricity markets across Europe was completed. This interconnected Czechia and other 4M market coupling countries (Romania, Hungary, Slovakia) with the markets included in the Multi-Regional Coupling project (EU countries in Western, Central and Northern Europe, Bulgaria, Poland, Norway) through implicit auctions. This interconnection will help to increase the efficiency of trading on the electricity markets in Czechia.

Information for Shareholders and Investors

Contacts

	E-mail/Website	Phone/Fax
Website	www.cez.cz	
	www.facebook.com/SkupinaCEZ	
	www.twitter.com/SkupinaCEZ	
	www.linkedin.com/company/cez	
	www.instagram.com/cez_group	
	www.youtube.com/skupinacez	
	In German: www.cezdeutschland.de	
	In French: www.cezfrance.fr	
	In English: www.cez.cz/en/home	
	https://twitter.com/cez_group	
CEZ Group Spokespeople		
Ladislav Kříž	ladislav.kriz@cez.cz	+420 211 042 383
Roman Gazdík	roman.gazdik@cez.cz	+420 211 042 456
Investor Relations		
Barbara Seidlová	barbara.seidlova@cez.cz	+420 211 042 529
Zdeněk Zábojník	zdenek.zabojnik@cez.cz	+420 211 042 524
ČEZ Foundation	www.nadacecez.cz	+420 211 046 720
	www.twitter.com/NadaceCEZ	
CEZ Group Sustainability Report (nonfinancial information)	www.cez.cz/cs/o-cez/energie-pro-budoucnost/zpravy-o-udrzitelnem-rozvoji	
Presentation for Investors	www.cez.cz/cs/pro-investory/prezentace-pro-investory	

Abbreviations

Term	Commentary
BAT	Best available techniques
BREF	European reference documents on best available techniques. (Reference Document on Best Available Techniques)
BSE	Bulgarian Stock Exchange (Българска Фондова Борса)
ESCO	A company providing comprehensive energy services to municipalities, businesses, and organizations (Energy service company)
ESG	Nonfinancial criteria that evaluate companies' performance in terms of environmental, social, and corporate governance sustainability. (Environmental, Social, Governance)
EU ETS	European Emissions Trading System (The EU Emissions Trading System)
GRI	An independent international organization that issues standards for sustainability reporting. (Global Reporting Initiative)
NPS	Net promoter score, registered trademark A market research metric that measures a respondent's likelihood of recommending a product or service to others.
RES	Renewable energy sources.
Repowering	Replacing older power plants with newer ones that provide more power or are more efficient, resulting in increased generation.

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

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

Definitions and Calculations of Indicators Unspecified in IFRS

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

Indicator	
Adjusted Net Income (After-Tax Income, Adjusted)	<p><u>Purpose:</u> This is a supporting indicator, intended primarily for investors, creditors, and shareholders, which allows interpreting achieved financial results with the exclusion of extraordinary, usually nonrecurring effects that are generally unrelated to ordinary financial performance and value creation in a given period.</p> <p><u>Definition:</u> Net income (after-tax income) +/- additions to and reversals of impairments of property, plant, and equipment and intangible assets (including goodwill write-off) +/- additions to and reversals of impairments of developed projects +/- other extraordinary effects that are generally unrelated to ordinary financial performance and value creation in a given period +/- effects of the above on income tax.</p>
Net Debt	<p><u>Purpose:</u> The indicator shows the real level of a company's financial debt, i.e., the carrying amount of debt net of cash, cash equivalents, and highly liquid financial assets held. The indicator is primarily used to assess the overall appropriateness of the indebtedness, e.g., in comparison with selected profit or balance sheet indicators.</p> <p><u>Definition:</u> Long-Term Debt, Net of Current Portion + Current Portion of Long-Term Debt + Short-Term Loans – (Cash and Cash Equivalents + Highly Liquid Financial Assets).</p> <p>The components of the indicator, except for Highly Liquid Financial Assets, are reported individually on the balance sheet, with items related to assets held for sale are presented separately on the balance sheet.</p>
Net Debt / EBITDA	<p><u>Purpose:</u> This indicates a company's capability to pay back its debt as well as its ability to take on additional debt to grow its business. CEZ Group uses this indicator primarily to assess the adequacy of its capital structure to the structure and stability of its expected cash flows.</p> <p><u>Definition:</u> Net Debt / EBITDA. Net Debt is the amount at the end of the reported period. EBITDA is the running total for the past 12 months, i.e. as at June 30 and EBITDA for the period from July 1 of previous year until June 30 of current year.</p>

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

Highly Liquid Financial Assets—component of Net Debt indicator (CZK billions)

	As at Dec 31, 2020	As at Jun 30, 2021
Current debt financial assets	0.1	–
Non-current debt financial assets	–	–
Current term deposits	2.8	6.6
Non-current term deposits	–	–
Short-term equity securities	–	0.3
Highly liquid financial assets, total	2.9	6.9

Adjusted Net Income indicator—calculation for periods in question (CZK billions)

Adjusted Net Income (After-Tax Income, Adjusted)	Q1–Q2 2020	Q1–Q2 2021
Net income	14.7	1.6
Impairments of property, plant, and equipment and intangible assets (including goodwill write-off) ¹⁾	1.9	11.6
Impairments of developed projects ²⁾	–	–
Effects of additions to or reversals of impairments on income tax ³⁾	(0.2)	(0.3)
Other extraordinary effects ⁴⁾	-	(1.7)
Adjusted net income	16.4	11.3

1) Corresponds to the total value reported in the row Impairment of Property, Plant and Equipment and Intangible Assets in the Consolidated Statement of Income

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

3) Included in the row Income taxes in the Consolidated Statement of Income

4) The adjustment consists of a correction of adjustment of the net income by the part of impairments of property, plant, and equipment and intangible assets (including the related effect on income taxes) that relates—based on its characteristics—to the current year. This item represents impairments of non-current assets in H1 2021 of companies in Romania and Bulgaria that are being sold, which reflect that net income for this period — taking into account the “Locked-box date” as defined in agreements for the sale of assets—belongs effectively to purchasers.

CEZ GROUP

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

CEZ GROUP CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2021

In CZK Millions

	Note	June 30, 2021	December 31, 2020
ASSETS:			
Plant in service		831,865	827,652
Less accumulated depreciation and impairment		(470,117)	(451,033)
Net plant in service		361,748	376,619
Nuclear fuel, at amortized cost		12,610	13,697
Construction work in progress, net		21,144	20,056
Total property, plant and equipment		395,502	410,372
Investments in associates and joint-ventures		3,924	4,075
Restricted financial assets, net		21,782	21,424
Other non-current financial assets, net	5	11,476	11,002
Intangible assets, net		20,784	24,244
Deferred tax assets		510	828
Total other non-current assets		58,476	61,573
Total non-current assets		453,978	471,945
Cash and cash equivalents, net		23,608	6,064
Trade receivables, net		50,142	63,648
Income tax receivable		2,201	664
Materials and supplies, net		10,374	9,898
Fossil fuel stocks		712	1,220
Emission rights	6	57,866	37,833
Other current financial assets, net	5	216,612	61,894
Other current assets, net		12,574	8,919
Assets classified as held for sale	7	16,178	40,373
Total current assets		390,267	230,513
Total assets		844,245	702,458

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

continued

	Note	June 30, 2021	December 31, 2020
EQUITY AND LIABILITIES:			
Stated capital		53,799	53,799
Treasury shares		(1,447)	(2,845)
Retained earnings and other reserves		148,224	182,917
Total equity attributable to equity holders of the parent		200,576	233,871
Non-controlling interests		5,381	4,692
Total equity		205,957	238,563
Long-term debt, net of current portion	9	102,568	122,102
Provisions		105,593	105,326
Other long-term financial liabilities	10	16,167	9,414
Deferred tax liability		18,434	19,383
Other long-term liabilities		33	34
Total non-current liabilities		242,795	256,259
Short-term loans	11	4,763	984
Current portion of long-term debt	9	25,164	28,741
Trade payables		64,162	73,189
Income tax payable		243	555
Provisions		10,713	13,665
Other short-term financial liabilities	10	279,415	72,114
Other short-term liabilities		6,580	6,759
Liabilities associated with assets classified as held for sale	7	4,453	11,629
Total current liabilities		395,493	207,636
Total equity and liabilities		844,245	702,458

CEZ GROUP
CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2021

In CZK Millions

	Note	1-6/2021	1-6/2020	4-6/2021	4-6/2020
Sales of electricity, heat, gas and coal		72,493	69,294	32,615	31,076
Sales of services and other revenues		34,251	34,928	15,915	17,113
Other operating income		1,506	2,031	645	1,018
Total revenues and other operating income	11	108,250	106,253	49,175	49,207
Gains and losses from commodity derivative trading		(2,588)	5,964	(1,478)	28
Purchase of electricity, gas and other energies		(30,108)	(28,392)	(14,425)	(14,162)
Fuel and emission rights		(11,272)	(11,205)	(4,682)	(4,600)
Services		(12,524)	(13,241)	(6,677)	(7,078)
Salaries and wages		(14,360)	(14,401)	(7,288)	(7,445)
Material and supplies		(5,257)	(4,961)	(2,829)	(2,455)
Capitalization of expenses to the cost of assets and change in own inventories		1,959	1,696	1,022	951
Depreciation and amortization		(13,899)	(14,878)	(7,218)	(7,548)
Impairment of property, plant and equipment and intangible assets	13	(11,626)	(1,901)	(9,575)	(2,157)
Impairment of trade and other receivables		68	(135)	(16)	(149)
Other operating expenses		(2,499)	(2,839)	(1,100)	(1,439)
Income (loss) before other income (expenses) and income taxes		6,144	21,960	(5,091)	3,153
Interest on debt		(2,216)	(2,810)	(1,074)	(1,439)
Interest on provisions		(997)	(979)	(495)	(491)
Interest income		215	221	100	91
Share of profit (loss) from associates and joint-ventures		33	(128)	21	20
Impairment of financial assets		(122)	(34)	(98)	(195)
Other financial expenses		(356)	(823)	(303)	(468)
Other financial income		1,571	842	793	386
Total other income (expenses)		(1,872)	(3,711)	(1,056)	(2,096)
Income (loss) before income taxes		4,272	18,249	(6,147)	1,057
Income taxes		(2,696)	(3,548)	(663)	(518)
Net income (loss)		1,576	14,701	(6,810)	539
Net income (loss) attributable to:					
Equity holders of the parent		1,433	14,437	(6,971)	632
Non-controlling interests		143	264	161	(93)
Net income (loss) per share attributable to equity holders of the parent (CZK per share):					
Basic		2.7	27.0	(13.0)	1.2
Diluted		2.7	27.0	(13.0)	1.2

CEZ GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2021

In CZK Millions

	Note	1-6/2021	1-6/2020	4-6/2021	4-6/2020
Net income		1,576	14,701	(6,810)	539
Change in fair value of cash flow hedges		(16,195)	(2,799)	(10,488)	(4,897)
Cash flow hedges reclassified to statement of income		789	(596)	1,307	750
Change in fair value of debt instruments		(877)	730	67	797
Disposal of debt instruments		(2)	-	-	-
Translation differences – subsidiaries		(880)	2,041	(481)	(1,178)
Translation differences – associates and joint-ventures		(76)	211	(75)	(23)
Disposal of translation differences		6,607	-	-	-
Share on other equity movements of associates and joint-ventures		28	(13)	28	(7)
Deferred tax related to other comprehensive income	14	3,095	508	1,732	637
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		(7,511)	82	(7,910)	(3,921)
Total comprehensive income, net of tax		(5,935)	14,783	(14,720)	(3,382)
Total comprehensive income attributable to:					
Equity holders of the parent		(5,945)	14,322	(14,763)	(3,189)
Non-controlling interests		10	461	43	(193)

**CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

In CZK Millions

	Note	Attributable to equity holders of the parent							Non-controlling interests	Total equity	
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves	Retained earnings			Total
Balance as at January 1, 2020		53,799	(2,885)	(12,837)	(2,831)	648	(160)	215,027	250,761	4,603	255,364
Net income		-	-	-	-	-	-	14,437	14,437	264	14,701
Other comprehensive income		-	-	2,056	(2,750)	592	-	(13)	(115)	197	82
Total comprehensive income		-	-	2,056	(2,750)	592	-	14,424	14,322	461	14,783
Dividends		-	-	-	-	-	-	(18,206)	(18,206)	(17)	(18,223)
Sale of treasury shares		-	40	-	-	-	-	(25)	15	-	15
Exercised and forfeited share options		-	-	-	-	-	(8)	8	-	-	-
Contribution from owners of non-controlling interests		-	-	-	-	-	-	-	-	13	13
Acquisition of non-controlling interests		-	-	-	-	-	-	(336)	(336)	(767)	(1,103)
Put options held by non-controlling interests		-	-	10	-	-	-	30	40	701	741
Balance as at June 30, 2020		<u>53,799</u>	<u>(2,845)</u>	<u>(10,771)</u>	<u>(5,581)</u>	<u>1,240</u>	<u>(168)</u>	<u>210,922</u>	<u>246,596</u>	<u>4,994</u>	<u>251,590</u>

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2021

continued

	Note	Attributable to equity holders of the parent							Non-controlling interests	Total equity	
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves	Retained earnings			Total
Balance as at January 1, 2021		53,799	(2,845)	(11,777)	(7,110)	874	(1,022)	201,952	233,871	4,692	238,563
Net income		-	-	-	-	-	-	1,433	1,433	143	1,576
Other comprehensive income		-	-	5,784	(12,479)	(711)	-	28	(7,378)	(133)	(7,511)
Total comprehensive income		-	-	5,784	(12,479)	(711)	-	1,461	(5,945)	10	(5,935)
Dividends	8	-	-	-	-	-	-	(27,909)	(27,909)	(142)	(28,051)
Sale of treasury shares		-	1,398	-	-	-	-	(749)	649	-	649
Exercised and forfeited share options		-	-	-	-	-	(53)	53	-	-	-
Acquisition of non-controlling interests	4.2	-	-	-	-	-	-	(68)	(68)	5	(63)
Sale of non-controlling interests	4.2	-	-	-	-	-	-	(5)	(5)	799	794
Put options held by non-controlling interests		-	-	(6)	-	-	-	(11)	(17)	17	-
Balance as at June 30, 2021		<u>53,799</u>	<u>(1,447)</u>	<u>(5,999)</u>	<u>(19,589)</u>	<u>163</u>	<u>(1,075)</u>	<u>174,724</u>	<u>200,576</u>	<u>5,381</u>	<u>205,957</u>

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2021

In CZK Millions

	Note	1-6/2021	1-6/2020
OPERATING ACTIVITIES:			
Income before income taxes		4,272	18,249
Adjustments of income before income taxes to cash generated from operations:			
Depreciation and amortization		13,899	14,878
Amortization of nuclear fuel		1,966	1,993
(Gains) and losses on non-current asset retirements		(219)	(76)
Foreign exchange rate loss (gain)		(641)	(559)
Interest expense, interest income and dividend income		1,991	2,581
Provisions		(2,444)	(1,969)
Impairment of property, plant and equipment and intangible assets		11,626	1,901
Valuation allowances and other non-cash expenses and income		(18,568)	(3,036)
Share of (profit) loss from associates and joint-ventures		(33)	128
Changes in assets and liabilities:			
Receivables and contract assets		7,949	9,114
Materials, supplies and fossil fuel stocks		48	(1,413)
Receivables and payables from derivatives		14,081	3,107
Other assets		(2,564)	3,509
Trade payables		(3,323)	(12,463)
Other liabilities		(116)	(84)
Cash generated from operations		27,924	35,860
Income taxes paid		(2,038)	(1,581)
Interest paid, net of capitalized interest		(2,488)	(3,341)
Interest received		183	206
Dividends received		1	-
Net cash provided by operating activities		23,582	31,144
INVESTING ACTIVITIES:			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired		(31)	(1,027)
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of	4	21,889	246
Additions to non-current assets, including capitalized interest		(13,496)	(13,467)
Proceeds from sale of non-current assets		130	337
Loans made		(315)	(317)
Repayment of loans		285	21
Change in restricted financial assets		(1,107)	(564)
Net cash provided by (used in) investing activities		7,355	(14,771)

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2021

continued

	Note	1-6/2021	1-6/2020
FINANCING ACTIVITIES:			
Proceeds from borrowings		92,800	38,985
Payments of borrowings		(107,856)	(56,469)
Payments of lease liabilities		(362)	(416)
Proceeds from other long-term liabilities		96	168
Payments of other long-term liabilities		(169)	(31)
Dividends paid to Company's shareholders		(43)	(30)
(Dividends paid to) contributions received from non-controlling interests, net		(138)	13
Sale of treasury shares		649	15
(Acquisition) sale of non-controlling interests, net		757	(1,133)
Total cash used in financing activities		(14,266)	(18,898)
Net effect of currency translation and allowances in cash		(429)	605
Net increase (decrease) in cash and cash equivalents		16,242	(1,920)
Cash and cash equivalents at beginning of period *		10,169	11,906
Cash and cash equivalents at end of period *		26,411	9,986

Supplementary cash flow information:

Total cash paid for interest	2,647	3,507
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* Presented values of cash and cash equivalents contain also cash and cash equivalents included on the balance sheet on the line Assets classified as held for sale.

CEZ GROUP

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2021

1. The Company

ČEZ, a. s. (“ČEZ” or “the Company”) is a Czech joint-stock company, owned 69.8% (69.9% of voting rights) at June 31, 2021 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are publicly held. The address of the Company's registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic.

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

2. Summary of Significant Accounting Policies

2.1. Financial Statements

The interim consolidated financial statements for the six months ended June 30, 2021 have been prepared in accordance with IAS 34 and have not been audited by an independent auditor. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with [the Group's annual financial statement as of December 31, 2020](#).

2.2. Changes in Accounting Policies

2.2.1. Adoption of New IFRS Standards in 2021

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of [the Group's annual financial statement as of December 31, 2020](#).

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

3. Seasonality of Operations

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

4. Changes in the Group Structure

4.1. Sale of 100% Shares in Romanian Companies

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

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

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

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

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

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

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

Total cash received from sale of Romanian companies	21,189
Sale of 100% share in CEZ Towarowy Dom Maklerski sp. z o.o.:	
Proceeds from the sale	53
Unpaid part of the sale price	(15)
Cash disposed of on sale	(46)
Payments of receivables from acquisitions of previous periods	672
Cash payments from joint-ventures	<u>36</u>
Total cash flow in the first six months of 2021	<u><u>21,889</u></u>

4.2. Changes in Non-controlling Interests

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

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

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

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

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

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

	<u>OSC, a.s.</u>	<u>ENESA a.s.</u>	<u>Total</u>
Share acquired in 2021	26.58%	-	
Acquired share of net assets derecognized from non-controlling interests	(5)	-	(5)
Amount directly recognized in equity caused by acquisition of non-controlling interest	<u>45</u>	<u>23</u>	<u>68</u>
Total purchase consideration	<u><u>40</u></u>	<u><u>23</u></u>	<u><u>63</u></u>

5. Other Financial Assets, Net

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

	June 30, 2021			December 31, 2020		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Term deposits	-	6,623	6,623	-	2,755	2,755
Other financial receivables	2,022	287	2,309	1,786	987	2,773
Receivables from sale of subsidiaries, associates and joint-ventures	2,374	14	2,388	2,349	2,012	4,361
Investment in finance lease	238	46	284	261	51	312
Debt financial assets	-	-	-	-	10	10
Total financial assets at amortized cost	4,634	6,970	11,604	4,396	5,815	10,211
Equity financial assets – investments in Inven Capital, SICAV, a.s.	1,939	255	2,194	1,750	-	1,750
Commodity and other derivatives	231	208,526	208,757	224	55,694	55,918
Total financial assets at fair value through profit or loss	2,170	208,781	210,951	1,974	55,694	57,668
Equity financial assets	1,838	-	1,838	1,768	-	1,768
Fair value of cash flow hedge derivatives	2,834	861	3,695	2,864	284	3,148
Debt financial assets	-	-	-	-	101	101
Total financial assets at fair value through other comprehensive income	4,672	861	5,533	4,632	385	5,017
Total	11,476	216,612	228,088	11,002	61,894	72,896

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

6. Emission Rights

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

	June 30, 2021			December 31, 2020		
	Non-current	Current	Total	Non-current	Current	Total
Emission rights for own use	160	8,154	8,314	2,701	12,753	15,454
Emission rights held for trading	-	49,588	49,588	-	24,840	24,840
Green and similar certificates	-	124	124	-	240	240
Total	<u>160</u>	<u>57,866</u>	<u>58,026</u>	<u>2,701</u>	<u>37,833</u>	<u>40,534</u>

Increase of short-term emission rights and green and similar certificates as of June 30, 2021 compared to December 31, 2020 is mainly due increase of market price of emission rights during the period by 73% (from 32.56 EUR/t to 56.25 EUR/t).

7. Assets and Associated Liabilities Classified as Held for Sale

As of June 30, 2021 the Group performed an impairment test for any potential impairment loss related to assets and associated liabilities held for sale in the Bulgarian companies CEZ Razpredelenie Bulgaria AD, CEZ ICT Bulgaria EAD, CEZ Trade Bulgaria EAD, CEZ Bulgaria EAD, CEZ Elektro Bulgaria AD, Free Energy Project Oreshets EAD and Bara Group EOOD. The result of this test, reflecting the contractual sales price of EUR 335 million, was impairment of assets in the amount of CZK 799 million, which was presented in the statement of income on the line Impairment of property, plant and equipment and intangible assets (Note 13). Further information on the sale of ownership interests in Bulgarian companies is described in Note 17.

Information on the sale of ownership interests in Romanian companies is described in Note 4.1.

The assets classified as held for sale and associated liabilities at June 30, 2021 and December 31, 2020 are as follows (in CZK millions):

	June 30, 2021	December 31, 2020		
	Bulgarian companies	Bulgarian companies	Romanian companies	Total
Property, plant and equipment, net	9,668	10,148	14,966	25,114
Intangible assets, net	491	498	1,784	2,282
Other non-current assets	51	63	1,507	1,570
Cash and cash equivalents	2,803	2,740	1,365	4,105
Trade receivables, net	2,561	2,871	1,238	4,109
Another current assets	604	1,066	2,127	3,193
Assets classified as held for sale	16,178	17,386	22,987	40,373
Long-term debt, net of current portion	1,119	1,173	2,955	4,128
Non-current provisions	202	210	1,011	1,221
Other long-term financial liabilities	228	197	9	206
Deferred tax liability	117	103	-	103
Short-term loans	164	37	-	37
Current portion of long-term debt	127	234	321	555
Trade payables	1,826	2,366	1,014	3,380
Current provisions	425	528	319	847
Another current liabilities	245	267	885	1,152
Liabilities associated with assets classified as held for sale	4,453	5,115	6,514	11,629
Related non-controlling interests	3,491	3,616	-	3,616
Related currency translation differences (cumulative loss)	(1,628)	(1,408)	(6,345)	(7,753)

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

8. Equity

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

9. Long-term Debt

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

	June 30, 2021	December 31, 2020
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,342	2,505
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,562	1,671
5.000% Eurobonds, due 2021 (EUR 541 million) ¹⁾	14,263	19,872
4.875% Eurobonds, due 2025 (EUR 750 million)	19,274	20,328
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	2,249	2,405
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	1,259	1,288
2.150%*IR CPI Eurobonds, due 2021 (EUR 100 million) ²⁾	-	2,688
4.102% Eurobonds, due 2021 (EUR 50 million)	1,304	1,315
4.375% Eurobonds, due 2042 (EUR 50 million)	1,304	1,314
4.500% Eurobonds, due 2047 (EUR 50 million)	1,303	1,312
4.383% Eurobonds, due 2047 (EUR 80 million)	2,112	2,130
3.000% Eurobonds, due 2028 (EUR 725 million)	18,840	19,713
0.875% Eurobonds, due 2022 (EUR 269 million) ³⁾	6,886	13,106
0.875% Eurobonds, due 2026 (EUR 750 million)	19,034	19,499
4.250% U.S. bonds, due 2022 (USD 266 million) ⁴⁾	5,756	6,226
5.625% U.S. bonds, due 2042 (USD 300 million)	6,465	6,448
4.500% Registered bonds, due 2030 (EUR 40 million)	1,033	1,040
4.750% Registered bonds, due 2023 (EUR 40 million)	1,037	1,092
4.700% Registered bonds, due 2032 (EUR 40 million)	1,027	1,083
4.270% Registered bonds, due 2047 (EUR 61 million)	1,570	1,583
3.550% Registered bonds, due 2038 (EUR 30 million)	769	806
	<hr/>	<hr/>
Total bonds and debentures	109,389	127,424
Less: Current portion	(22,108)	(25,339)
	<hr/>	<hr/>
Bonds and debentures, net of current portion	87,281	102,085
	<hr/>	<hr/>
Long-term bank loans and lease liabilities:	18,343	23,419
Less: Current portion	(3,056)	(3,402)
	<hr/>	<hr/>
Long-term bank loans and lease payables, net of current portion	15,287	20,017
	<hr/>	<hr/>
Total long-term debt	127,732	150,843
Less: Current portion	(25,164)	(28,741)
	<hr/>	<hr/>
Total long-term debt, net of current portion	<u>102,568</u>	<u>122,102</u>

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

²⁾ The interest rate is based on inflation realized in Eurozone Countries (Harmonized Index of Consumer Prices – HICP) and is fixed through the closed swap to the rate 4.553% p. a.

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

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

10. Other Financial Liabilities

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

	June 30, 2021		
	Long-term liabilities	Short-term liabilities	Total
Payables from non-current assets purchase	39	-	39
Other	206	28,205	28,411
Financial liabilities at amortized cost	245	28,205	28,450
Cash flow hedge derivatives	14,758	24,109	38,867
Commodity and other derivatives	675	226,888	227,563
Liabilities from put options held by non-controlling interests	335	-	335
Contingent consideration from the acquisition of subsidiaries	154	213	367
Financial liabilities at fair value	15,922	251,210	267,132
Total	16,167	279,415	295,582

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

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

11. Short-term Loans

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

	June 30, 2021	December 31, 2020
Short-term bank and other loans	4,748	961
Bank overdrafts	15	23
Total	4,763	984

12. Revenues and Other Operating Income

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

	1-6/2021	1-6/2020
<u>Sales of electricity:</u>		
Sales of electricity to end customers	26,482	25,652
Sales of electricity through energy exchange	1,329	1,084
Sales of electricity to traders	16,131	19,482
Sales to distribution and transmission companies	268	341
Other sales of electricity	18,095	12,620
Effect of hedging – presales of electricity	(1,281)	(741)
Effect of hedging – currency risk hedging	667	445
Total sales of electricity	61,691	58,883
<u>Sales of gas, coal and heat:</u>		
Sales of gas	3,927	3,955
Sales of coal	1,708	1,865
Sales of heat	5,167	4,591
Total sales of gas, coal and heat	10,802	10,411
Total sales of electricity, heat, gas and coal	72,493	69,294
<u>Sales of services and other revenues:</u>		
Distribution services	21,139	22,228
Other services	12,058	11,824
Rental income	95	102
Revenues from goods sold	366	431
Other revenues	593	343
Total sales of services and other revenues	34,251	34,928
<u>Other operating income:</u>		
Granted green and similar certificates	470	703
Contractual fines and interest fees for delays	132	172
Gain on sale of property, plant and equipment	80	49
Gain on sale of material	73	68
Other	751	1,039
Total other operating income	1,506	2,031
Total revenues and other operating income	108,250	106,253

Revenues from contracts with customers for the six months ended June 30, 2021 and 2020 were CZK 107,263 million and CZK 104,416 million, respectively, and can be linked to the above figures as follows:

	1-6/2021	1-6/2020
Sales of electricity, heat, gas and coal	72,493	69,294
Sales of services and other revenues	34,251	34,928
Total revenues	106,744	104,222
<u>Adjustments:</u>		
Effect of hedging – presales of electricity	1,281	741
Effect of hedging – currency risk hedging	(667)	(445)
Rental income	(95)	(102)
Revenues from contracts with customers	107,263	104,416

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

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

Based on an updated estimate of recoverable amounts, the Group recognized a total impairment loss of CZK 11,626 million in first six months of 2021.

The impairment loss in the amount of CZK 8,688 million relates to property, plant and equipment and intangible assets of the cash-generating unit Severočeské doly a.s. The decrease in the value of assets was mainly due to the development of market assumptions concerning mainly a significant increase in market prices of emission rights and a decrease in the expected so-called clean spread (electricity price minus price of CO₂ emission rights), which was reflected in lower expected demand for brown coal. The decrease in the carrying amount of assets of CZK 1,034 million relates to property, plant and equipment and intangible assets of the cash-generating unit CEZ Chorzów S.A. Also here, the value of assets decreased mainly due to the development of market assumptions concerning, in particular, a significant increase in the market prices of emission rights and a decrease in the expected so-called clean spread. The impairment of assets in the amount of CZK 799 million relates to the assets of the cash-generating unit Bulgarian Distribution, whose assets are classified as held for sale (Notes 7 and 17). At March 31, 2021, the Group also recognized an impairment loss of property, plant and equipment and intangible assets of Romanian companies held for sale in the amount of CZK 1,145 million (Note 4.1).

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

Information on segmentation is provided in Note 15.

14. Income Taxes

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

	1-6/2021			1-6/2020		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
Change in fair value of cash flow hedges	(16,195)	3,077	(13,118)	(2,799)	532	(2,267)
Cash flow hedges reclassified to statement of income	789	(150)	639	(596)	113	(483)
Change in fair value of debt instruments	(877)	168	(709)	730	(137)	593
Disposal of debt instruments	(2)	-	(2)	-	-	-
Translation differences – subsidiaries	(880)	-	(880)	2,041	-	2,041
Translation differences – associates and joint-ventures	(76)	-	(76)	211	-	211
Disposal of translation differences	6,607	-	6,607	-	-	-
Share on other equity movements of associates and joint-ventures	28	-	28	(13)	-	(13)
Total	(10,606)	3,095	(7,511)	(426)	508	82

15. Segment Information

The Group reports its result using four reportable operating segments:

- Generation
- Distribution
- Sales
- Mining

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

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

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

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

	<u>1-6/2021</u>	<u>1-6/2020</u>
Income before other income (expenses) and income taxes (EBIT)	6,144	21,960
Depreciation and amortization	13,899	14,878
Impairment of property, plant and equipment and intangible assets	11,626	1,901
Gains and losses on sale of property, plant and equipment, net *	<u>(73)</u>	<u>(48)</u>
EBITDA	<u><u>31,596</u></u>	<u><u>38,691</u></u>

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

The following tables summarize segment information by operating segments for the six months ended June 30, 2021 and 2020 and at December 31, 2020 (in CZK millions):

June 30, 2021:

	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Revenues and other operating income – other than intersegment	39,447	21,182	45,698	1,923	108,250	-	108,250
Revenues and other operating income – intersegment	17,743	290	3,358	2,805	24,196	(24,196)	-
Total revenues and other operating income	57,190	21,472	49,056	4,728	132,446	(24,196)	108,250
Thereof:							
Sales of electricity, heat, gas and coal	51,689	10	37,750	4,206	93,655	(21,162)	72,493
Sales of services and other revenues	4,046	21,291	10,909	495	36,741	(2,490)	34,251
Other operating income	1,455	171	397	27	2,050	(544)	1,506
EBITDA	14,526	11,130	3,908	2,119	31,683	(87)	31,596
Depreciation and amortization	(8,713)	(3,024)	(772)	(1,390)	(13,899)	-	(13,899)
Impairment of property, plant and equipment and intangible assets	(1,510)	(1,437)	9	(8,688)	(11,626)	-	(11,626)
EBIT	4,324	6,690	3,174	(7,957)	6,231	(87)	6,144
Interest on debt and provisions	(3,002)	(458)	(135)	(92)	(3,687)	474	(3,213)
Interest income	658	9	20	2	689	(474)	215
Share of profit (loss) from associates and joint-ventures	(10)	(1)	93	(49)	33	-	33
Income taxes	(830)	(1,151)	(571)	(144)	(2,696)	-	(2,696)
Net income	9,253	4,946	2,615	(8,181)	8,633	(7,057)	1,576
Identifiable assets	263,368	113,299	7,672	11,164	395,503	(1)	395,502
Investment in associates and joint-ventures	2,804	-	277	843	3,924	-	3,924
Unallocated assets							444,819
Total assets							844,245
Capital expenditure	3,636	6,693	601	781	11,711	(33)	11,678

June 30, 2020:

	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Revenues and other operating income – other than intersegment	36,159	21,990	46,100	2,004	106,253	-	106,253
Revenues and other operating income – intersegment	19,096	268	3,866	2,388	25,618	(25,618)	-
Total revenues and other operating income	55,255	22,258	49,966	4,392	131,871	(25,618)	106,253
Thereof:							
Sales of electricity, heat, gas and coal	49,253	18	38,810	3,932	92,013	(22,719)	69,294
Sales of services and other revenues	3,963	22,054	10,934	437	37,388	(2,460)	34,928
Other operating income	2,039	186	222	23	2,470	(439)	2,031
EBITDA	23,078	10,901	2,960	1,750	38,689	2	38,691
Depreciation and amortization	(9,211)	(3,511)	(794)	(1,362)	(14,878)	-	(14,878)
Impairment of property, plant and equipment and intangible assets	(1,222)	(690)	-	11	(1,901)	-	(1,901)
EBIT	12,667	6,711	2,173	407	21,958	2	21,960
Interest on debt and provisions	(3,580)	(388)	(177)	(104)	(4,249)	460	(3,789)
Interest income	525	46	71	39	681	(460)	221
Share of profit (loss) from associates and joint-ventures	(9)	(175)	59	(3)	(128)	-	(128)
Income taxes	(1,938)	(1,166)	(362)	(82)	(3,548)	-	(3,548)
Net income	14,667	5,106	1,802	319	21,894	(7,193)	14,701
Capital expenditure	4,629	6,239	439	928	12,235	(70)	12,165
December 31, 2020:							
Identifiable assets	271,744	110,289	7,874	20,465	410,372	-	410,372
Investment in associates and joint- ventures	2,898	-	285	892	4,075	-	4,075
Unallocated assets							288,011
Total assets							702,458

16. Covid-19

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

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

From the point of view of the medium-term economic outlook of the Generation segment, the negative impact of covid-19, or impacts of fluctuations in market prices for electricity and emission rights respectively, is limited with regard to the continuous securing of the generation margin for 3 years ahead. As of June 30, 2021, approximately 75% of expected generation for 2022 has been contracted, for 2023 approximately 42% has been contracted and for 2024 approximately 17%. Along with these presales of electricity, the emission rights for emission sources have been contracted.

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

17. Events after the Balance Sheet Date

On July 27, 2021 the transaction for the sale of Bulgarian assets (Note 7) was settled between the Group and Eurohold Bulgaria. The sale price for all the Group's shares in Bulgarian companies in the amount of EUR 335 million was repaid and the Group transferred control of the sold subsidiaries. As part of the transaction, the Group's outstanding loans provided to Bulgarian companies were transferred to the buyer.

The following table shows the best estimate of the effects of the sale that is available at the date of issue of these interim consolidated financial statements, i.e. according to the balance sheet as at June 30, 2021 (in CZK millions):

	<u>Total</u>
Property, plant and equipment, net	9,668
Intangible assets, net	491
Cash and cash equivalents	2,803
Other assets	3,216
Long term liabilities	1,653
Short term liabilities	2,683
Deferred tax liabilities	<u>117</u>
Total net assets	11,725
Disposal of translation differences	1,628
Disposal of non-controlling interests	(3,491)
Effect of intercompany balances:	
Trade receivables	(600)
Other financial assets	(407)
Trade payables	522
Short-term financial payables	<u>421</u>
Total cost of sale of the Group	9,798
Revenue from sale of shares and loans provided	<u>9,798</u>
Gain on sale	<u><u>-</u></u>

Identification of ČEZ, a. s.



Fig. Vydra hydroelectric power plant

ČEZ, a. s.
Duhová 2/1444
140 53 Praha 4
Czechia

Registered in the Commercial Register kept by the
Municipal Court in Prague, Section B, File 1581

Established:	1992
Legal form:	Joint-stock company
Company reg. No.:	452 74 649
LEI:	529900S5R9YHJHYKKG94
Bankers:	KB Praha 1, acc. No. 71504011/0100
Phone:	+420 211 041 111
Fax:	+420 211 042 001
Internet:	www.cez.cz
Data box ID:	yqkcds6
E-mail:	cez@cez.cz

Closing date of the 2021 Half-Year Report: August 23, 2021