



ANNEX

INFORMATION ON REASONS FOR CONTEMPLATING CEZ GROUP TRANSFORMATION - PRESENTATION

THE IDEA OF CEZ TRANSFORMATION IS BASED ON CURRENT CHANGES IN THE ENERGY SECTOR AND HAS THE POTENTIAL TO BRING CONSIDERABLE BENEFITS



Why consider CEZ transformation?

A Europe's energy sector is undergoing a fundamental change and is splitting into two diverging directions

Vertically integrated utilities

Large generating facilities with focus on operation and maintenance — **Traditional energy**

New, decentralized energy and energy services with focus on customer services

B Transformation of energy utilities is a reaction to these changes and brings a number of benefits

- Transformation allows for establishing of companies with a clear strategic focus according to the changes in the energy sector:
 - “Traditional Energy” with focus on capital-intensive projects and national energy security
 - “New Energy” with focus on growth and innovation in the light of rapidly growing competition
- There is a favorable environment for IPOs - high valuation multipliers on stock exchanges and a “New Energy” profile attractive to investors

EUROPE'S ENERGY SECTOR IS UNDERGOING A FUNDAMENTAL EVOLUTION



Development factors in the energy sector

Commodity prices

EU's political decisions

Technology advancement

Main trends

Traditional energy is stagnating but remains an indispensable part of the energy sector

- Environmental legislation for the operation of coal-fired power plants and mines is getting stricter
- There are increasingly stringent requirements for the operational safety of nuclear power plants
- Various upkeep mechanisms are emerging in countries that emphasize energy security; other countries are phasing it out

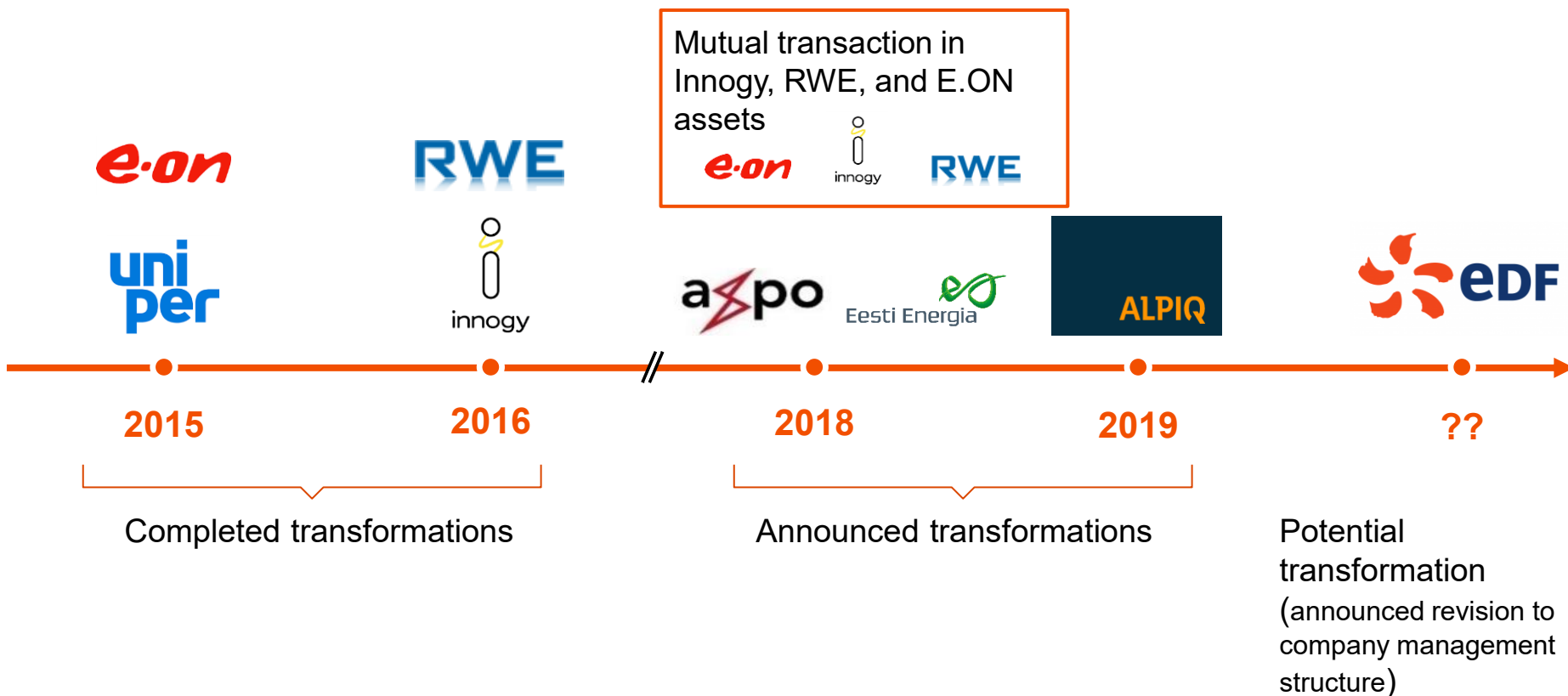
RES and decentral energy are growing

- Ongoing pressure from the EU's legislation and political decisions creates opportunities for further growth in renewable energy sources
- Technological advancement in renewables means that investment in their construction is already returnable even on a market-price basis
- The renewables sector is entered by new competitors from among large oil and gas corporations

Customers focus on comprehensive services relating to energy utilization

- Ongoing pressure for energy efficiency from European legislation and corporations' social responsibility result in a growth in energy services
- New technologies provide for substantial energy savings but result in increased used of electricity
- The target customer segment is not only households but mainly businesses, public administration, and public bodies
- Specialized players are increasingly establishing in the energy services market

B AFTER A PERIOD OF UTILITIES CONSOLIDATIONS AND INTEGRATIONS, WE ARE WITNESSING DISINTEGRATION IN THE POWER SECTOR VALUE CHAIN



The context and specific reasons vary for each of the transformations; what they have in common is the **creation of additional value for shareholders** and the new companies' closer focus on a portion of the energy value chain

„SCNE“ LED BY THE MINISTRY OF INDUSTRY AND TRADE HAVE CHOSEN THREE ALTERNATIVES OF „NNPP“ INVESTMENT MODELS FOR FURTHER CONSIDERATION



A1—“Construction by a wholly owned subsidiary of CEZ, a. s.”

- NNPP construction by a wholly owned subsidiary of CEZ, a. s., with the possibility of capital entry of the technology provider, (where the necessary condition for financing is providing a regulatory framework ensuring economic profitability of the project)

A2—“Construction by a 100% state-owned company (SPV)”

- NNPP construction by special-purpose vehicles (SPV), wholly owned and transferred to the state, with the possibility of capital entry of the technology provider

A3—“Purchase of parts of CEZ”

- NNPP construction by a 100% state-owned company (arising from the purchase of the parts of CEZ containing both new and existing nuclear power plants)

THE BOARD OF DIRECTORS OF CEZ, A. S., IS CONSIDERING TRANSFORMATION BECAUSE ...



An appropriate transformation of the CEZ Group might be a suitable reaction to changes in the power sector and a prerequisite for successful growth

It allows for establishing of different types of entities **with a clear strategic focus** according to changes in the energy sector, where the types are:

- “Traditional Energy” with focus on national energy security and NNPP construction
- “New Energy” with focus on growth and innovation in the light of rapidly growing competition

An appropriate transformation of the CEZ Group can bring several benefits for all shareholders

The transformation can create value for all shareholders; at the moment, there is a favorable environment for IPOs — high valuation multipliers on stock exchanges and the attractive “New Energy” profile to investors

It allows fulfilling the State Energy Policy and Czechia’s other energy policy (energy security) goals; **provides an alternative for NNPP financing**

- **The Board of Directors of CEZ, a. s., has not yet arrived to any conclusions on this matter**