



APPROVAL OF THE TRANSFER OF A PART OF THE MĚLNÍK POWER PLANT AS A CONTRIBUTION TO THE REGISTERED CAPITAL OF ENERGOTRANS, a.s.

Draft resolution:

The General Meeting of ČEZ, a. s. approves, in compliance with the provision of Section 421(2)(m) of Act No. 90/2012 Sb., on commercial companies and cooperatives (Business Corporations Act), and the provision of Article 8(1)(j) of the Articles of Association of ČEZ, a. s., the contribution of the part of the enterprise of ČEZ, a. s. represented by the “Mělník Power Plant” organizational unit to Energotrans, a.s., having its registered office at Duhová 1444/2, Michle, 140 00 Praha 4, ID No. 471 15 726, in the form of an increase of its registered capital.

Rationale:

Of all generating units of ČEZ, Mělník Power Plant is nearest to Prague. It is located approximately thirteen kilometers before the confluence of the Elbe and the Vltava. Originally, it consisted of three technological units, MPP I, MPP II, and MPP III, constructed gradually in the late 1950s and 1980s as a complex of steam turbine power plants burning lignite brought by trains from the north Bohemian and west Bohemian coal mines. At present, the installed capacity of the Mělník PP generating units is: Mělník PP I – 4 x 60 MW, Mělník PP II – 2 x 110 MW and Mělník PP III – 1 x 500 MW.

The Mělník Power Plant I has the installed capacity of 240 MW. Its construction started in 1956 and it was commissioned in 1960. Since 1993, its operator is Energotrans, a.s., which has been a subsidiary in 100% ownership of ČEZ since 2012.

In the 1980s, reconstruction of the power plant to include a heat plant was commenced. Four of the original six units were fundamentally rebuilt and two were permanently shut down. At the same time, construction of a heat supply pipe to supply heat to the Prague heating system started. Supply of heat to the City of Prague started in 1995. Since 2003, heat has been supplied to Neratovice as well.

The four original units of the Mělník Power Plant II were commissioned in November 1971. Within the framework of this program for dampening of ČEZ resources, it was decided to operate only two units after the new environmental legislation came into force (from January 1, 1999). The two units were comprehensively reconstructed and environmentally upgraded in 1994—1996. Since 2000, the Mělník Power Plant II has supplied heat to the regional heat supply pipe to Mělník and the nearby communities of Horní Počaply and Dolní Beřkovice. A hot-water pipeline connecting Mělník Power Plants I and II has been built. The Mělník Power Plant II thus operates as a backup resource for heat supplies to the City of Prague and Neratovice.

The future of the Mělník Power Plant in the context of ČEZ's power generation portfolio has been the subject of much debate for some time. In July 2020 (after the expiry of the Transitional National Plan), new environmental limits complying with the requirements of the EU Directive 2010/75/EU (the IED Directive) will come into force, followed by the limits according to the Commission Implementing Decision (EU) 2017/1442 – BREF/BAT in August 2021.

Resources not complying with IED environmental limits will be operable only in a transitional regime for a limited period of 5 years and with a limit on operating hours.

Gradual shutting down of power plants in consequence of the requirements of IED/BAT legislation is expected for those CEZ Group generating facilities, for which an economic evaluation has shown that their environmental upgrade and renovation would not be effective from the economic viewpoint. The Mělník Power Plants II and III also belong to the facilities that will not comply with the BAT environmental limits. ČEZ has applied for an exemption from the emission limits related to BAT, for selected substances and for a limited period for the heat supply backup regime.

ČEZ has prepared an optimized operating plan for the units of the Mělník Power Plant for the transitional regime, so that the units can be available as a backup facility, if needed, for the maximum period of 5 years, i.e. until mid-2025. After that date, all units without an environmental upgrade will be shut down for good.

Energotrans, a subsidiary that operates the renovated and environmentally upgraded units of the Mělník Power Plant I, is however obliged—based on a long-term contract—to supply heat to the City of Prague at least until 2037.

For its operation, the Mělník Power Plant I absolutely needs the common infrastructure and technology of the entire location. These needs include water management, railroad siding, access roads, etc. All common infrastructure is owned by ČEZ.

Energotrans will absolutely need the common infrastructure even after a full shut down of the units of the Mělník Power Plants II and III where ČEZ will have no reason to operate the infrastructure any more as the generation of electricity from coal-based facilities will cease.

A spin-off of the Mělník Power Plant organizational unit, i.e. of the Mělník PP II and III units in Energotrans, a subsidiary in 100% ownership, will optimize the phasing out of the condensation generation from coal-fired facilities of ČEZ and create conditions for a long-term safe supply of heat for the City of Prague, as it will provide Energotrans with a backup heat generating facility for the transitional period of 5 years (the Mělník PP II units) that will no longer be operable in the power plant regime, and most importantly the common infrastructure providing certainty of continuing operation after 2025.

Consolidation of the location will bring other synergies, for instance streamlining of legal and administration relationships in the location, easier operating planning, etc.

Based on prior legal and tax analysis, contribution of a part of the enterprise to the registered capital of Energotrans, a.s., a subsidiary in 100% ownership, has been chosen for spinning off the Mělník Power Plant. Pursuant to Section 421(2)(m) of the Business Corporations Act, the decision on spinning off the Mělník Power Plant by contribution of a part of the enterprise is subject to the approval of the General Meeting of ČEZ, a. s.

The proposed draft agreement on the contribution of a part of the enterprise and the respective opinion of an expert have been published on the Company's website www.cez.cz under the "Investors" link, in the subsection concerning the 2020 General Meeting in the "General Meetings" section. The draft agreement and the related expert's opinion have also been available for review at the Company's registered office and will also be available for shareholders' review on the day of and in the place of the General Meeting.