

Deposit of a part of the enterprise Power Plant Chvaletice to a 100% subsidiary company

(Dear Ladies and Gentlemen, Dear Shareholders,

Allow me to familiarize you with a report on the item of deposit of a part of the enterprise Power Plant Chvaletice to a 100% subsidiary company.)

In the context of the production portfolio of ČEZ, the future of the power plant Chvaletice has been discussed for a long time. The power plant Chvaletice is the youngest brown-coal power plant of ČEZ, thanks to its technical level it ranks among one of the state-of-the-art facilities. In view of the fact that this power plant is not located in a coal basin, coal transport costs are responsible for the fact that Power Plant Chvaletice shows one of the highest variable costs per 1 MWh of produced electricity in the ČEZ Group. Due to the increasing legislative and administrative pressure on reduction in emission limits, and in view of the expected scenario of a decrease in allocations of CO₂ emission permits and the expected development of the electricity price one cannot exclude the situation that after the year 2012 operation of the power plant in the portfolio of ČEZ will be ineffective from the economic point of view. In an endeavour to avert this situation, the board of directors of ČEZ has decided on an intention to hive off Power Plant Chvaletice as an independent subsidiary company, which will be an independent subject in terms of running of business, setting of emission limits, and allocation of CO₂ permits.

Within the framework of its wide portfolio of power plants, in the future ČEZ must strengthen its position above all in the area of non-emission resources. Therefore it strategically focuses on renewable, nuclear and gas resources.

Several have investors shown their interest in the locality of Chvaletice in an endeavour to use the present infrastructure.

Hiving off the power plant as an independent company provides higher flexibility in searching for a strategic partner, e.g. for the purposes of creating a joint venture.

On the basis of a legal and tax analysis, deposit of a part of the enterprise – the organizational unit Power Plant Chvaletice – to a newly established 100% subsidiary company was opted for as the most advantageous method of hiving off Power Plant Chvaletice. The chosen variant is neutral and transparent in terms of taxation both from the commercial-law and labour-law points of view. Pursuant to Section 67a of the Commercial Code, the Contract of Deposit of a Part of the Enterprise requires approval by the general meeting of ČEZ. Pursuant to the relevant provisions of the Commercial Code, all rights and commitments related to the transferred part of the Enterprise, e.g. rights of ownership such as real estate and technologies, rights and obligations arising from contractual relations (trade contracts), as well as all rights and obligations based on the labour-law relations towards the employees of the part of the enterprise will pass on to the target company (Elektrárna Chvaletice, a.s.).