



# GRANTING APPROVAL TO CONTRIBUTION OF A PART OF THE ENTERPRISE, THE “TISOVÁ POWER PLANT”, TO THE REGISTERED CAPITAL OF ELEKTRÁRNA TISOVÁ, a. s.

The Tisová power plant is the westernmost located power generation facility of ČEZ and one of the oldest brown-coal-fired power plants. The Tisová power plant is supplied with coal from nearby open-cast mines owned by Sokolovská uhelná, právní nástupce, a. s. Geographically, it is located almost exactly in the geometric center of a “spa triangle” with its vertices formed by the spa towns of Karlovy Vary (Carlsbad), Mariánské Lázně, and Františkovy Lázně. Heat from the Tisová power plant is distributed to the adjacent towns and villages: Sokolov, Svatava, Březová, Bukovany, Habartov, and Královské Poříčí.

The future of the Tisová power plant in the context of ČEZ's power generation portfolio has been the subject of much debate for some time. Due to the power plant's age and technical parameters, increasing legislative and administrative pressure on emission limit reduction, the expected scenario of gradually reducing allocations of CO<sub>2</sub> emission allowances, and the expected trend in electricity prices, it cannot be ruled out that the power plant's operation within ČEZ's portfolio will become economically inefficient in the years to come.

The power plant can only be operated until 2020 without substantial investments in environmental and other upgrades. Spinning off the power plant into a separate company gives more flexibility in seeking alternative scenarios for the development of the Tisová site. Possible solutions include finding a strategic partner to create a joint venture with a view to implementing a new energy project, such as the construction of an alternative energy source or partial decentralization of the site, or selling the site to an investor that would perhaps find another use for the site.

The site's advantages include access to sufficient amounts of service water from the Ohře River, high-capacity power output lines connecting to the transmission and distribution systems, and opportunities for heat sales, which makes the site ideal for energy-intensive projects.

Based on prior legal and tax analysis, contribution of a part of the enterprise to the registered capital of a separate subsidiary was chosen for spinning off the Tisová power plant, similarly to the Vítkovice heating plant. Pursuant to Section 421(2)(m) of the Business Corporations Act, the decision on spinning off the Tisová power plant by contribution of a part of the enterprise is subject to the approval of the General Meeting of ČEZ, a. s.

A draft of the agreement on the contribution of a part of the enterprise and the relevant statement of an expert institute have been available for review on the Company's website since the date of publication of the notice on the General Meeting. The draft agreement and the related expert's opinion have also been available for review at the Company's registered office since the date of publication of the notice on the General Meeting and are also available for shareholders' review at this General Meeting's information center.

# GENERAL MEETING AGENDA PROPOSAL

**The General Meeting of ČEZ, a. s.** grants, 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., its approval to contribution of the part of the enterprise of ČEZ, a. s. represented by the “Tisová Power Plant” organizational unit to Elektrárna Tisová, a.s., having its registered office at Tisová 2, 356 01 Březová, ID No. 291 60 189, in the form of an increase of its registered capital.

## **Justification:**

Spinning off the power plant into a separate company gives more flexibility in seeking alternative scenarios for the development of the Tisová site. Pursuant to the applicable provisions of the law and the Company’s Articles of Association, the decision on spinning off the Tisová power plant by contribution of a part of the enterprise is subject to the approval of the General Meeting of ČEZ, a. s.