

**ČEZ, a. s.**

(incorporated with limited liability in the Czech Republic)  
and

**CEZ Finance B.V.**

(incorporated as a private limited liability company (besloten vennootschap met beperkte aansprakelijkheid) in the Netherlands)  
and in the case of Notes issued by CEZ Finance B.V., unconditionally and irrevocably guaranteed by

**ČEZ, a. s.**

**€8,000,000,000**

**Euro Medium Term Note Programme**

Under this €8,000,000,000 Euro Medium Term Note Programme (the "*Programme*"), CEZ Finance B.V. ("*CEZ Finance*") and ČEZ, a. s. ("*ČEZ*") may from time to time issue notes (the "*Notes*") (each in such capacity, an "*Issuer*" and together the "*Issuers*") denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below). Where CEZ Finance acts as the Issuer of Notes under the Programme, the payment of all amounts owing by CEZ Finance in respect of such Notes will be unconditionally and irrevocably guaranteed by ČEZ, a. s. (in such capacity, the "*Guarantor*" pursuant to a guarantee (the "*Guarantee*") contained in the Deed of Guarantee (as defined in the Conditions).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme is specified under "*Overview of the Programme – Programme Size*" and will not exceed €8,000,000,000 (or its equivalent in other currencies calculated as described in the Amended and Restated Programme Agreement described herein), subject to any increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer and the Guarantor (if applicable) (each a "*Dealer*" and together the "*Dealers*"), which appointment may be for a specific issue or on an ongoing basis. References in this base prospectus (the "*Base Prospectus*") to the "*relevant Dealer*" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".**

This Base Prospectus has been approved as a base prospectus by the *Commission de Surveillance du Secteur Financier* (the "*CSSF*"), as competent authority under Regulation (EU) 2017/1129 (the "*Prospectus Regulation*"). This Base Prospectus comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation. The CSSF only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CSSF should not be considered as an endorsement of ČEZ, CEZ Finance or of the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes. By approving this Base Prospectus, neither the CSSF nor the Luxembourg Stock Exchange assume responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of ČEZ or CEZ Finance in accordance with Article 6(4) of the Luxembourg Act dated 16 July 2019 relating to prospectuses for securities.

Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the official list of the Luxembourg Stock Exchange (the "*Official List*"). Application has also been made to the Luxembourg Stock Exchange for the Exempt Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF market and to be listed on the Official List.

References in this Base Prospectus to Notes being "*listed*" (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU), as amended ("*MiFID II*").

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the relevant Issuer and the Guarantor (if applicable) and the relevant Dealer. The Issuers may also issue unlisted Notes and/or Notes not admitted to trading on any market.

This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid until 5 May 2022 in relation to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the "*EEA*") and/or offered to the public in the EEA, other than in circumstances where an exemption is available, respectively, under the Prospectus Regulation. References in this Base Prospectus to "*Exempt Notes*" are to Notes which are neither (i) to be admitted to trading on a regulated market for the purposes of MiFID II, in the EEA, nor (ii) offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Regulation. **The CSSF has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.** Application has been made to the Luxembourg Stock Exchange in its capacity as competent authority to approve this Base Prospectus as a base prospectus in respect of Exempt Notes only.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will (other than in the case of Exempt Notes, as defined above) be set out in a final terms document (the "*Final Terms*") which will be filed with the CSSF. Copies of Final Terms in relation to Notes to be listed on the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). In the case of Exempt Notes, notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of such Exempt Notes, the issue price of such Exempt Notes and certain other information which is applicable to each Tranche of such Exempt Notes will be set out in a pricing supplement document (the "*Pricing Supplement*").

<http://www.oblible.com>

CEZ has been rated A- (stable outlook) by S&P Global Ratings Europe Limited ("*Standard & Poor's*") and Baa1 (stable outlook) by Moody's France SAS ("*Moody's*"). The Programme has been rated A- by Standard & Poor's and Baa1 by Moody's. Each of Moody's and Standard & Poor's is established in the European Union and each of Moody's and Standard and Poor's is registered under the Regulation (EC) No. 1060/2009 (as amended) (the "*CRA Regulation*"). As such each of Moody's and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority ("*ESMA*") on its website (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by either of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms (or Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Amounts payable on Floating Rate Notes will be calculated by reference to one of LIBOR, EURIBOR or PRIBOR, as specified in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes). As at the date of this Base Prospectus, the European Money Markets Institute (as administrator of EURIBOR) and the Czech Financial Benchmark Facility s.r.o. (as administrator of PRIBOR) are included in the register of administrators and benchmarks (the "*EU Benchmarks Register*") established and maintained by ESMA under Article 36 of Regulation (EU) 2016/1011 (the "*Benchmark Regulation*"). As at the date of this Base Prospectus, ICE Benchmark Administration Limited (as administrator of LIBOR) does not appear on the EU Benchmarks Register. Transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the applicable Final Terms. The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, ČEZ and CEZ Finance do not intend to update the applicable Final Terms to reflect any change in the registration status of the administrator.

#### Arrangers

**BNP PARIBAS**

**CITIGROUP**

The date of this Base Prospectus is 5 May 2021.

## IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of all Notes, other than Exempt Notes, issued under the Programme for the purposes of Article 8 of the Prospectus Regulation. Application has been made to the *Commission de Surveillance du Secteur Financier* for this document to be approved as such a base prospectus. Application has been made to the Luxembourg Stock Exchange in its capacity as competent authority to approve this document as a base prospectus in respect of Exempt Notes only.

Each of ČEZ and CEZ Finance, having made all reasonable enquiries confirms that this Base Prospectus contains all information regarding CEZ Finance, ČEZ and its subsidiaries taken as a whole (the "*CEZ Group*"), the electricity industry in the Czech Republic and the Notes which is (in the context of the issue of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, estimates, or intentions expressed in this Base Prospectus on the part of ČEZ and CEZ Finance are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, estimates or intentions (in such context) not misleading in any material respect; and that all proper enquiries have been made to ascertain and to verify the foregoing.

Without prejudice to the foregoing, each of ČEZ and CEZ Finance accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme and declares that, having taken all reasonable care to ensure that such is the case, the information contained therein is, to the best of its knowledge, in accordance with the facts and makes no omission likely to affect its import. Certain information contained and identified as such in this Base Prospectus, in particular in sections "*Risk Factors*", "*Historical and Current Market and Industry Data*" and "*Description of ČEZ*" was derived from third parties. ČEZ and CEZ Finance do not accept any responsibility for the accuracy of such third-party information, nor have ČEZ or CEZ Finance independently verified any such third-party information. Each of ČEZ and CEZ Finance confirms that such third-party information has been accurately reproduced.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that such documents are incorporated by reference and form part of this Base Prospectus.

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated by reference in this Base Prospectus or any other information provided by ČEZ and CEZ Finance in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by ČEZ and CEZ Finance in connection with the Programme.

Nothing contained in this Base Prospectus is or should be relied upon as a promise or representation of future results or events. No person is or has been authorized by ČEZ and CEZ Finance to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by ČEZ and CEZ Finance or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by ČEZ or CEZ Finance or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of ČEZ or CEZ Finance. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of ČEZ and CEZ Finance or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning ČEZ and CEZ Finance is correct at any

time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of ČEZ and CEZ Finance during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

**IMPORTANT – EEA RETAIL INVESTORS –** If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) includes a legend entitled "Prohibition of Sales to EEA Retail Investors" the Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "*Insurance Distribution Directive*"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "*PRIIPs Regulation*") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**IMPORTANT – UK RETAIL INVESTORS –** If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) includes a legend entitled "Prohibition of Sales to UK Retail Investors" the Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2(1) of Regulation (EU) No 2017/565, as it forms part of the current domestic law of the UK by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "*FSMA*") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014, as it forms part of the current domestic law of the UK by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014, as it forms part of domestic law by virtue of the EUWA (the "*UK PRIIPs Regulation*"), for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**MiFID II PRODUCT GOVERNANCE / TARGET MARKET –** The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) may include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "*distributor*") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the "*MiFID Product Governance Rules*"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

**UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET –** The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) may include a legend entitled "UK MiFIR product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "*distributor*") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "*UK MiFIR Product Governance Rules*") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but

otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of UK MiFIR Product Governance Rules.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "*U.S. Securities Act*") or any state securities laws in the United States and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*").

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. ČEZ, CEZ Finance and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by ČEZ, CEZ Finance or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the Czech Republic), the United Kingdom and Japan, see "*Subscription and Sale*".

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behavior of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

This Base Prospectus has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency), only in circumstances where there is an exemption from the obligation under the (i) Prospectus Regulation to publish a prospectus in connection with such an offer in the EEA, or (ii) UK Prospectus Regulation to publish a prospectus in connection with such an

offer in the UK. As a result, any offer of Notes in the EEA and/or the United Kingdom must be made pursuant to an applicable exemption under the Prospectus Regulation and/or the UK Prospectus Regulation, as the case may be, from the requirement to publish a prospectus for such an offer of Notes. Accordingly, any person making or intending to make an offer of Notes in the EEA and/or the United Kingdom may only do so in circumstances in which no obligation arises for ČEZ or CEZ Finance to publish a prospectus, or supplement a prospectus, pursuant to the applicable provisions of the Prospectus Regulation and/or the UK Prospectus Regulation, as the case may be, in each case, in relation to such an offer. Neither ČEZ, CEZ Finance nor any Dealer have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for ČEZ or CEZ Finance to publish or supplement a prospectus for such offer.

This Programme is not a bond programme under the Czech Act No. 190/2004 Coll., on Bonds, as amended (the "*Bonds Act*") (Section 11). The issue of Notes will be notified to the Czech National Bank under Section 8a of the Czech Act No. 15/1998 Coll., on Capital Markets Supervision, as amended.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

All references in this document to "*U.S. dollars*" and "*U.S.\$*" refer to United States dollars and to "*Czech crowns*", "*CZK*" and "*Kč*" refer to the lawful currency for the time being of the Czech Republic. In addition, all references to "*euro*", "*EUR*" and "*€*" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, all references to "*BGN*" and "*Bulgarian Lev*" are to the lawful currency of Bulgaria, all references to "*PLN*" and "*Polish zloty*" are to the lawful currency of Poland, all references to "*RON*" and "*Romanian lei*" refer to the lawful currency of Romania and all references to "*TRY*" and "*Turkish Lira*" refer to the lawful currency of Turkey.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same item of information presented in different tables may vary slightly, and figures shown as totals in certain tables may not be an arithmetical aggregate of the figures preceding such totals.

ČEZ, a. s., was incorporated as a joint stock company under the laws of the Czech Republic on May 6, 1992 with unlimited duration and was registered in the Commercial Register administered by the Municipal Court in Prague, File B, Section 1581, with identification number 45274649. Its registered office is at Duhová 2/1444, 140 53 Prague 4, Czech Republic and its telephone number at that address is +420 211 041 111.

CEZ Finance B.V. was incorporated as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands on March 17, 2021 and was registered with the Dutch Chamber of Commerce (*Kamer van Koophandel*) with number 82230714. Its registered office is at Herikerbergweg 157, 1101CN Amsterdam, the Netherlands. CEZ Finance B.V. is a subsidiary of ČEZ, a. s., with ČEZ, a. s., as its sole shareholder.

In this Base Prospectus, references to "*ČEZ*" are to ČEZ, a. s. and references to the "*CEZ Group*", the "*Group*", "*we*", "*us*" and "*our*" are to ČEZ, a. s. and its consolidated subsidiaries.

The obligations of ČEZ and/or CEZ Finance are not in any way guaranteed by, or otherwise backed by the credit of, the Czech Republic or any agency, ministry or political subdivision thereof.

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## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement). The relevant Issuer, the Guarantor (if applicable) and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of Notes, other than Exempt Notes, and if appropriate, a supplement to the Base Prospectus or a new Base Prospectus will be published.*

This Overview constitutes a general description of the Programme for the purposes of Article 25.1 of Commission Delegated Regulation (EU) No. 2019/980.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

<b>Issuers:</b>	ČEZ, a. s.  CEZ Finance B.V.
<b>Issuer Legal Entity Identifier:</b>	ČEZ, a.s.: 529900S5R9YHJHYKKG94  CEZ Finance B.V.: 315700K4UNKLPGVH1Y89
<b>Guarantor:</b>	In respect of Notes issued by CEZ Finance, ČEZ, a. s.
<b>Risk Factors:</b>	There are certain factors that may affect either Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under " <i>Risk Factors</i> " below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under " <i>Risk Factors</i> " and include certain risks relating to the structure of particular Series of Notes and certain market risks.
<b>Description:</b>	Euro Medium Term Note Programme
<b>Arrangers:</b>	BNP Paribas and Citigroup Global Markets Europe AG
<b>Dealers:</b>	BNP Paribas  Citigroup Global Markets Europe AG  and any other Dealers appointed in accordance with the Amended and Restated Programme Agreement and excluding any entity whose appointment has been terminated.
<b>Certain Restrictions:</b>	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see " <i>Subscription and Sale</i> ") including the following restrictions applicable at the date of this Base Prospectus.

### **Notes having a maturity of less than one year**

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the FSMA unless they are issued to a limited class of professional

investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale.*"

- Issuing and Principal Paying Agent:** Deutsche Bank AG, London Branch
- Programme Size:** Up to €8,000,000,000 (or its equivalent in other currencies calculated as described in the Amended and Restated Programme Agreement) outstanding at any time provided that the sum of (i) the aggregate nominal amount of the outstanding Notes issued under the Programme from time to time and (ii) the aggregate nominal amount of outstanding *Namensschuldverschreibung* securities (the "NSV") issued by the ČEZ, a. s. under German law from time to time, shall not exceed the limit of €8,000,000,000. As of the date of this Base Prospectus, ČEZ has issued NSV in the aggregate nominal amount of €211,000,000. Pursuant to the resolution of the Board of Directors dated February 14, 2011 and the Supervisory Board dated February 24, 2011, as at the date of this Base Prospectus ČEZ's internal limit of the aggregate nominal amount of outstanding NSV, which may be issued from time to time, is €1,000,000,000. The relevant Issuer and the Guarantor (if applicable) may increase the amount of the Programme in accordance with the terms of the Amended and Restated Programme Agreement.
- Distribution:** Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
- Currencies:** Notes may be denominated in euro, Sterling, U.S. dollars, yen and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer.
- Maturities:** The Notes will have such maturities as may be agreed between the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.
- Issue Price:** Notes may be issued on a fully-paid or, in the case of Exempt Notes, a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
- Form of Notes:** The Notes will be issued in bearer form as described in "*Form of the Notes.*"
- Fixed Rate Notes:** Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer.
- Floating Rate Notes:** Floating Rate Notes will bear interest at a rate determined:
- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

- (b) on the basis of the reference rate set out in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).

The margin (if any) relating to such floating rate will be agreed between the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer.

**Benchmark Discontinuation**

In respect of Floating Rate Notes, if a Benchmark Event occurs, the relevant Issuer, the Guarantor (if applicable) shall use their reasonable endeavours to appoint an Independent Adviser to determine a Successor Rate, failing which, an Alternative Rate and, in either case, the applicable Adjustment Spread and any Benchmark Amendments (each term as defined in the Terms and Conditions of the Notes), as further described in Condition 4.4(a) of the Terms and Conditions of the Notes.

**Zero Coupon Notes:**

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

**Exempt Notes:**

The Issuer, the Guarantor (if applicable) may issue Exempt Notes which are Index Linked Notes, Dual Currency Notes, Partly Paid Notes or Notes redeemable in one or more instalments.

***Index Linked Notes:*** Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer may agree.

***Dual Currency Notes:*** Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer may agree.

***Partly Paid Notes:*** The relevant Issuer, the Guarantor (if applicable) may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer may agree.

***Notes redeemable in instalments:*** The relevant Issuer, the Guarantor (if applicable) may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer may agree.

The relevant Issuer, the Guarantor (if applicable) may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by

the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.

**Redemption:**

Subject as described in "*Certain Restrictions—Notes having a maturity of less than one year*" above, Notes may either be redeemed at 100 per cent. of their nominal amount or at such other amount, expressed as a percentage of their nominal amount, as may be agreed between the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer. Such amounts will be specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).

The applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default or, in the case of Exempt Notes in specified instalments, if applicable), or that such Notes will be redeemable at the option of the relevant Issuer, the Guarantor (if applicable) and/or the Noteholders upon giving notice to the Noteholders or the relevant Issuer, the Guarantor (if applicable), as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer.

If specified in the relevant Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), the relevant Issuer, the Guarantor (if applicable) will have the option to redeem the Notes, in whole or in part, at any time or from time to time, prior to their Maturity Date, at the Make-Whole Redemption Amount.

If specified in the relevant Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), the relevant Issuer, the Guarantor (if applicable) will have the option to redeem the Notes, in whole but not in part, on the Residual Maturity Call Option Redemption Date in accordance with Condition 6.5, at their principal amount, together with any accrued and unpaid interest up to (but excluding) the date of redemption or purchase.

In addition, the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) may provide that Notes may be redeemable at the option of the Noteholders upon the occurrence of a Change of Control and a consequential rating downgrade or withdrawal (or refusal to provide a rating) in the circumstances described in Condition 6.7(b).

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions—Notes having a maturity of less than one year*" above.

**Denomination of Notes:**

The Notes will be issued in such denominations as may be agreed between the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions – Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note, other than an Exempt Note, will be €100,000 (or, if the Notes

are denominated in a currency other than euro, the equivalent amount in such currency).

- Taxation:** All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, unless required by law. In the event that any such deduction or withholding is made, the relevant Issuer, the Guarantor (if applicable) will, save in the circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted or withheld.
- Negative Pledge:** The terms of the Notes will contain a negative pledge provision as further described in Condition 3.
- Cross Default:** The terms of the Notes will contain a cross default provision as further described in Condition 9.
- Status of the Notes:** The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3.1) unsecured obligations of the relevant Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.
- Status of the Guarantee:** The obligations of the Guarantor under the Guarantee in respect of Notes issued by CEZ Finance will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 15) unsecured obligations of the Guarantor and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding.
- Substitution of Issuer** As further described in Condition 15, the Issuer, or any previous substituted company, may at any time, without the consent of the holders of the Notes of any Series, Receipts or Coupons, substitute for itself as principal debtor under the Notes, Receipts or, Coupons any company that is the Guarantor, or a Subsidiary of the Guarantor, provided that no payment in respect of the Notes, Receipts or the Coupons is at the relevant time overdue.
- Ratings:** ČEZ has been rated A- (stable outlook) by Standard & Poor's and Baa1 (stable outlook) by Moody's. The Programme has been rated A- by Standard & Poor's and Baa1 by Moody's. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
- Listing, Approval and admission to trading:** The CSSF has approved this document as a base prospectus. Luxembourg Stock Exchange has approved this document as a base prospectus in respect of Exempt Notes. Application has been made for Notes issued under the Programme to be listed on the Luxembourg Stock Exchange.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer in relation to the Series.

Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

**Governing Law:**

The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the Czech Republic), the United Kingdom, Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*."

**Use of Proceeds**

The net proceeds from each issue of Notes will be applied by the relevant Issuer for the general corporate purposes of the CEZ Group, unless otherwise specified in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement.

## RISK FACTORS

*Each of ČEZ and CEZ Finance believe that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and ČEZ and CEZ Finance are not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.*

*Each of ČEZ and CEZ Finance believe that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of a relevant Issuer or Guarantor (if applicable) to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by ČEZ and CEZ Finance based on information that is currently available to them or which ČEZ and CEZ Finance may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

*In this Base Prospectus, the most material risk factors have been presented at the beginning in each category. The order of presentation of the remaining risk factors in each category in this Base Prospectus is not intended to be an indication of the probability of their occurrence or of their potential effect on ČEZ and CEZ Finance's ability to fulfil their obligations under the Notes or an indication of their materiality compared to the risk factors in other categories.*

*This Base Prospectus also contains forward-looking statements that involve risks and uncertainties. The actual results of the CEZ Group may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Base Prospectus. Please see "Forward-Looking Statements".*

### **Risks Related to Our Business and Operations**

#### ***Risks associated with any decreases in the prices obtained for our electricity.***

In the ordinary course of our business, we are exposed to the risk of decreases in the prices obtained for our electricity. We sell the majority of our electricity at prices derived from European market prices, which are mainly driven by the prices of E.U. emission allowances and the cost of raw materials, as well as by the European aggregate supply and demand balance; available cross-border capacities; global oil, coal and gas prices and E.U. and national regulation of the wholesale energy market. Furthermore, there is a strong correlation between the price of electricity in the Czech Republic and the price of electricity in Germany, which is one of our export markets and the primary price-setting market in the region. Changes in global commodity prices, available cross-border capacities (caused, for example, by renewable energy sources or flow-based allocation) or a decline in electricity demand in Europe, as a result of an economic slowdown or downturn or increased energy efficiency, could decrease the price of electricity and could have a material adverse effect on our business, results of operations and financial condition.

The operation of our power plants, in particular our nuclear power plants, is characterized by high fixed costs. Some of our costs are not faced by our non-nuclear competitors because they are unique to the nuclear power generation industry. Our ability to generate sufficient turnover at a margin sufficient to cover our fixed costs is dependent, in part, on favourable electricity prices and our overall sales and trading strategy. Because our costs are relatively fixed in nature, they cannot be reduced in periods of low electricity prices. Therefore, in these circumstances, it is possible that we may not produce sufficient cash flows from our electricity sales or trading activities, which could have a material adverse effect on our business, results of operations and financial condition.

To mitigate such exposure, we have developed a hedging strategy of stabilizing margins by contracting for deliveries of electricity to the wholesale market and to end-consumers up to six years ahead through the use of derivative instruments and by concluding long-term contracts. We have also implemented a formal procedure that measures our commodity risk, specifying a ceiling for the maximum acceptable risk. However, the hedging strategies we pursue may create new risks and exposures and we cannot give any assurance that they will function as intended. We cannot completely eliminate our exposure to potential decreases in electricity prices. Any significant decreases in electricity prices, or indeed any economic downturn, could reduce our revenues and have a material adverse effect on our business, results of operations and financial condition.

***Risks resulting from any reduction in demand for our electricity, heat, coal and gas as a result of poor economic performance in Europe or otherwise.***

In the ordinary course of our business, we are exposed to the risk of a reduction in demand for our electricity, heat, coal and gas, which may occur as a result of any global financial and economic uncertainty. The deterioration of macroeconomic conditions in Europe and globally may decrease consumption and industrial production. Electricity consumption is strongly affected by the level of economic activity in Europe, which, in turn, depends on the macroeconomic situation in Europe and worldwide.

Moreover, the economies of the countries in which we operate have been negatively affected by an outbreak of any contagious disease with human-to-human airborne or contact propagation effects, such as the novel coronavirus ("*COVID-19*") that was characterized as a global pandemic by the World Health Organization in March 2020. We can provide no assurance on the further and continued spread of COVID-19 or other contagious diseases in areas in which we operate or what the impact on our business will be, due to, among other things, positive diagnoses of our employees or suppliers, quarantines or other restrictive measures. In fact, due to the COVID-19 outbreak, the Czech Republic and many other countries in Europe and worldwide introduced quarantines and other restrictive measures intended to prevent the spread of COVID-19. These restrictive measures have led to serious interruptions in business, economic and day-to-day activities in the countries in which we operate and many other countries around the world, affecting, among other things, manufacturing, electricity consumption, trade, consumer confidence, levels of unemployment, the housing market, the commercial real estate sector, debt and equity markets, counterparty risk, inflation, the availability and cost of credit, transaction volumes in wholesale and retail markets, the liquidity of the global financial markets and market interest rates. These factors have resulted in a widespread deterioration in the economies of these countries and may, as a result, have a material adverse effect on our business, results of operations and financial condition (see also "*Risks connected with COVID-19 pandemic*" below).

Any reduction in demand for our electricity, heat, coal or gas as well as the materialization of any of the above risks could have a material adverse effect on our business, results of operations and financial condition.

***The risks and costs associated with increasing our nuclear generation capacity.***

Pursuant to the updated State Energy Policy of the Czech Republic ("*USEP*") and the National Action Plan for Development of Nuclear Energy in the Czech Republic ("*NAPNE*"), which were prepared by the government of the Czech Republic (the "*Czech Government*"), two new nuclear power plant units with a total installed capacity of 2,500 MW should be constructed and commissioned at the Dukovany and/or Temelín site by 2035 and, depending on predictions of the Czech Republic's electricity generation and consumption, one additional nuclear power plant unit could possibly be constructed and commissioned at the Dukovany or Temelín site in connection with expected end of the operation of the existing nuclear power plant units at Dukovany. Neither the Czech Government nor ČEZ has made the final decision as to whether or not those new nuclear power plant units will be constructed. In March 2018, a technical and economic study of the long-term operation of the Temelín nuclear power plant was completed, confirming the feasibility of the long-term operation of the source by 2060 for Unit 1 and 2062 for Unit 2. No significant safety engineering limitations were identified in the study for the potential operation of the Temelín nuclear power plant.

As of October 1, 2016, our projects for the construction of new nuclear power plant units were spun off into ČEZ's two project subsidiaries Elektrárna Dukovany II, a.s., and Elektrárna Temelín II, a.s., incorporated by ČEZ under the laws of the Czech Republic. In December 2017, the Standing Committee for Nuclear Energy established by the Czech Government (with ČEZ's controlling shareholder being the Czech Republic) investigated available options for developing new nuclear projects in the Czech Republic. The following three main options were considered by the committee: (i) ČEZ itself will develop new nuclear units; (ii) the Czech Government will acquire from ČEZ the two project subsidiaries – Elektrárna Dukovany II, a.s., and Elektrárna Temelín II, a.s., – and will continue with the development of the new nuclear units on its own; or (iii) the Czech Government will acquire from ČEZ part of its existing business activities, including ČEZ's existing nuclear power plants, and will develop new nuclear units within a new entity (see also "*Future privatization or split of ČEZ may result in a credit downgrade or may affect our ability to repay debt*"). Support mechanisms, including potential state guarantees, needed for each of these options are part of the ongoing analysis, in which ČEZ is participating. In the first half of 2019, the Standing Committee for Nuclear Energy concluded that the most adequate construction investment model would be to use special purpose vehicles established as ČEZ's subsidiaries. This was subsequently approved by the Czech Government in 2019. In addition, a team was established to coordinate dealings with the E.U. Commission, in particular the provision of state aid by the Czech Government in compliance with the E.U. state aid rules. The Czech Government considers the construction of a new unit at the Dukovany site as a preferable

option, with the construction in Temelín being back-up plan, which would be ready for acceleration in the future. In July 2019, the Czech Government concluded that it was considered necessary to enter into a series of agreements, addressing regulatory and market risks, during various phases of the new project development. In July 2020, the Czech Republic, ČEZ and Elektrárna Dukovany II entered into the first two agreements in relation to the project, in particular to set the framework of the state support for the project and the mutual obligations of the parties during the first phase of the project. In August 2020, the Czech Government prepared a draft law defining the conditions for the transition to a low carbon energy economy. This law is essential for the provision of state aid required for the construction of new nuclear power sources in the Czech Republic. The draft law is currently subject to the approval process in the Czech Parliament. Further, in March 2020, the Elektrárna Dukovany II, a.s. submitted to the Czech State Office for Nuclear Safety (the "SONS") the application for siting permit in accordance with Act No. 263/2016 Coll., the nuclear act (the "*Czech Nuclear Act 2016*"). Consequently, the siting permit has been issued by the SONS on March 8, 2021. Elektrárna Dukovany II, a.s. has finalised the inquiry documentation for EPC tender procedure and is ready to start the EPC contractor selection process subject to prior consent of the Czech Government. By the resolution no. 339 adopted as of March 29, 2021, the Czech Government approved the phase of so-called "security assessment" of potential EPC contractors before the actual commencement of the selection process. Subsequently, the Czech Government further decided – by adoption of the resolution no. 394 made on April 19, 2021 - not to invite Rosatom Overseas JSC to the security assessment.

In addition, the Czech Republic has also started the pre-notification process of the state aid with the E.U. Commission.

The significant participation of the Czech state in the financing and guarantee mechanism is essential for a positive decision to build new nuclear units in the Czech Republic. Without the involvement of the Czech state the decision to build the new nuclear generation capacity in the Dukovany nuclear power plant or in the Temelín nuclear power plant may result in a significant capital expenditure investment on the part of ČEZ, and may expose ČEZ to significant risks associated with building a nuclear power plant. Among other risks, the overall debt capacity risks and the risks and uncertainties involved in such a long and complex project could have a material adverse effect on our business, results of operations and financial condition. In addition, any failure to complete such a project within budget and on schedule may result in additional cost and loss of revenues, which could have a material adverse effect on our business, results of operations and financial condition. Moreover, and particularly in the situation where there is no Czech state guarantee mechanism, the profitability of the projects would be subject to many of the risk factors that we already face, including any political and regulatory developments, decrease in prices obtained for our electricity or default or delay by our counterparties, and would therefore be highly uncertain. Any significant decrease in expected revenues from the project(s) or any significant increase in operating costs could have a material adverse effect on our business, results of operations and financial condition.

#### ***Risks connected with COVID-19 pandemic.***

The current and ongoing COVID-19 pandemic has had a significant and material adverse impact on economic activity in the Czech Republic and in the countries in which ČEZ operates. This has had a corresponding negative impact on electricity demand and prices, as well as on our employees and suppliers (see also "*Description of ČEZ – Our Principal Markets*"). We estimate the negative effect of COVID-19 on fulfilling our initial business target at 2020 EBITDA level at over CZK 3 billion. We cannot give any assurance that the COVID-19 pandemic will not continue or deteriorate and worsen, or that mutations of COVID-19 would not occur or that the vaccination programmes would not succeed, including due to low supplies of vaccines or emergence of mutations resistant to the existing vaccines (thereby prolonging the pandemic) and will not, therefore, have a material adverse effect on our business, results of operations and financial condition.

#### ***We may not be able to operate our coal power plants over a period at least equal to the current expected life.***

In 2019, the Czech Government set up the Coal Commission, which should advise on the termination of coal usage in the Czech Republic. The Coal Commission proposed to terminate the usage of coal by 2038, but 2033 is also being considered as a potential target date. While we are planning to gradually reduce the operations of our coal power plants, we are currently planning to operate our last coal power plants and our mining business beyond 2038 with a full coal decommissioning by 2050. We cannot give any assurance that the proposal to terminate the use of coal will align with our plans, and the termination of coal usage in the Czech Republic by 2033 or 2038 may have a material adverse effect on our business, results of operations and financial condition. In addition, the coal power plants will need to comply with more strict emission limits which may limit their operations. We cannot give assurances that, if the relevant coal

power plants are not modernized on time to comply with the applicable emission limits, the relevant administrative authorities would grant the operator the necessary temporary exemption from exceeding the applicable emission limits.

***Future privatization or split of ČEZ may result in a credit downgrade or may affect our ability to repay debt.***

The Czech Republic, through the Ministry of Finance, holds approximately 69.8 % of all shares in ČEZ as of the date of this Base Prospectus. Although we do not currently expect the Czech Government to privatize ČEZ, we cannot give any assurance that the Czech Government or any future Government of the Czech Republic will not ultimately seek to undertake a partial or full privatization of ČEZ resulting in the sale of the Czech Republic's entire shareholding in ČEZ or a part thereof. We cannot give any assurance that the Czech Government or any future Government of the Czech Republic (as ČEZ's controlling shareholder) will not ultimately seek to undertake any split of ČEZ, by way of a de-merger, spin-off, or otherwise. It is not possible to rule out that following such a split of ČEZ, ČEZ will cease to be controlled by the Czech Government.

The credit rating currently assigned to ČEZ by the rating agencies is based in part on the opinion of the rating agencies that the Czech Republic may potentially provide support to ČEZ in the event of financial distress. This rating could come under pressure, potentially leading to a downgrade, if the Czech Republic is no longer a controlling shareholder or if the Czech Republic seeks a split of ČEZ. In addition, in the event that the Czech Republic ceases to be the controlling shareholder, it cannot be predicted who would become the new controlling shareholder, or if there would be one at all, and this, too, may negatively affect our credit rating. The materialization of any of the above risks could affect our ability to make repayments on our debt or otherwise have a material adverse effect on our business, results of operations and financial condition.

***Risk of impairment losses in connection with our existing or acquired operations and our investments.***

We may incur impairment losses in connection with our assets or investments mainly due to adverse regulatory actions and adverse market conditions. In 2020 and 2019, we performed impairment tests of goodwill and tests of other non-current assets where there was an indication that the carrying amounts could be impaired. Recognized impairments mainly resulted from the increase in the price of the emission allowances on the market, increase in the applied discount rates, or lower than expected profitability of the selected assets. In 2020, we recognized total impairment losses of CZK 11,543 million, which consisted of CZK 4,705 million and CZK 1,019 million incurred in relation to Polish coal power plants in Chorzów and Skawina, CZK 842 million in relation to the distribution of electricity in Romania, CZK 1,001 million in relation to wind farms in Romania, CZK 3,304 million in relation to the lignite mining company, Severočeské doly, a.s., CZK 341 million in relation to the Dětmarovice hard-coal power plant and CZK 216 million in relation to the Počerady power-plant. With respect to some of the assets classified as "assets for sale", we incurred further impairment loss of CZK 12,647 million as the carrying value as of December 31, 2020 exceeded the agreed sale price. For information on the impairment of property, plant and equipment and intangible assets including goodwill in 2020 and 2019, please refer to Note 7 of the financial statements as of and for the year ended December 31, 2020. Any future adverse changes in the economic and regulatory environment or market conditions of our reporting segments could result in further impairment charges, which could have a material adverse effect on our business, results of operations and financial condition.

***We may not be able to operate our nuclear power plants over a period at least equal to the current expected life.***

In the Czech Republic, certain authorizations are required to operate nuclear power plants. The operation of nuclear power plants is subject to numerous E.U. and national regulatory requirements and political policies, which are in turn sensitive to public opinion and E.U. development risks. We cannot give any assurance that we will successfully obtain the necessary authorizations at the appropriate time, or at all, that the duration of such authorizations will not change, or that we will not be subject to conditions that require us to make significant capital expenditures. Moreover, we cannot give any assurance, particularly in the event of an incident affecting the safety or operation of our facilities, that our nuclear power plants will actually be operated for such period of time, or at all.

If we are unable to operate any of our nuclear plants, or if any of our nuclear power plants are decommissioned before the end of their currently expected operating lives, we may be required to make additional investments to replace the loss of generation capacity or purchase electricity on the wholesale market and the payment of decommissioning costs would be accelerated. The inability to operate our nuclear power plants as expected would have a significant material adverse effect on our profit margin and cash flow from operations. Furthermore, should we be unable to operate our nuclear power plants over a period at least equal to the currently expected period (please see "*Description of ČEZ – Our*

*Business – Electricity Generation – Nuclear power generation - Czech Republic – Dukovany nuclear power plant and Temelín nuclear power plant"), we might not accumulate appropriate cash surpluses for decommissioning of such power plants. As a result, the materialization of any of the above risks could have a material adverse effect on our business, results of operations and financial condition.*

***Risk of default of or delay by any of our counterparties (which include our partners, contractors, customers, subcontractors and suppliers as well as by financial and insurance institutions).***

We face the risk of potential default of or delay by our counterparties (which include our partners, contractors, subcontractors, customers and suppliers), especially in cases of financial hardship or bankruptcy. Any default by our counterparties may affect the cost and completion of our projects, the quality of our work, the supply of certain critical products or services, the recovery of our capital expenditures or expose us to reputational risk, business continuity risk and the loss of important contracts, as well as to substantial additional costs, particularly in cases where we would have to pay contractual penalties, find alternative counterparties or complete work ourselves, which could have a material adverse effect on our business, results of operations and financial condition.

Our revenues are primarily generated by sales to end-consumers or wholesale partners and state-owned customers across European markets. There is a risk that some of our key counterparties, end-consumers or suppliers could default on or dispute their contractual obligations towards us, which could have a material adverse effect on our business, results of operations and financial condition. Furthermore, majority of our forward sales are executed on the OTC market. The credit quality of our counterparties may deteriorate during adverse economic conditions, which may threaten the results of our hedging strategy and proprietary trading, which in turn could have a material adverse effect on our business, results of operations and financial condition.

We conduct treasury operations with major European banks and with local regional banks in all countries in which we operate. Given the potential economic recession in Europe and its potential impact on Europe's financial services industry, there is a risk that some of our financial counterparties might default, which, too, could have a material adverse effect on our business, results of operations and financial condition.

***Our ability to supply electricity is dependent upon the transmission system and our reliance on third parties.***

The transmission of electricity from our power plants and to our distribution networks is dependent on the infrastructure of the transmission systems in the countries in which we operate. We have no control over the operation of these transmission systems and we must rely on independent third party transmission system operators in the countries in which we operate, including ČEPS, a.s., the state-owned transmission system operator in the Czech Republic. Any failure of the transmission systems in the countries in which we operate, including as a result of natural disasters, insufficient maintenance or inadequate development, could prevent us from distributing electricity from our power plants to end-consumers, which in turn could have a material adverse effect on our reputation, business, results of operations and financial condition.

***Risks associated with the disruptions in the supply of coal, nuclear fuel, gas or other raw materials, or an unexpected increase in their cost.***

In the ordinary course of our business, we are exposed to the risk of disruptions in the supply of coal, nuclear fuel, gas or other raw materials, and to increases in their cost. Our generation operations depend on obtaining deliveries of adequate supplies of raw materials on a timely basis and are therefore vulnerable to changes in the supply of the raw materials, including lignite, coal, nuclear fuel and gas. Any significant shortages or interruption in the supply of raw materials or increases in their costs could disrupt our generation operations and increase our cost of raw materials, which could have a material adverse effect on our business, results of operations and financial condition.

Nuclear fuel for our nuclear power plants in the Czech Republic is supplied by the Russian company TVEL (for more information, please see "*Description of ČEZ – Nuclear Fuel*"). The current political situation in Ukraine and Russia may lead to shortages or an interruption in the supply of nuclear fuel to our nuclear power plants and even though we have constructed a strategic inventory of fabricated fuel at our Temelín and Dukovany nuclear power plants, we cannot give any assurance that any shortages or interruptions in the supply of nuclear fuel will not have a material adverse effect on our business, results of operations and financial condition.

***Risk of failures, breakdowns, planned or unplanned outages as well as natural disasters or sabotage at our power plants (including our nuclear reactors and hydropower facilities) or in our distribution infrastructure.***

Our power plants (including our coal-fired heat and power plants, nuclear reactors and hydropower facilities), distribution infrastructure, mining facilities and information systems controlling these facilities could be subject to failure, breakdowns, unplanned outages, capacity limitations, system loss, breaches of security or physical damage due to natural disasters (such as storms, floods or earthquakes), sabotage, terrorism, computer viruses, fuel interruptions, shortage of workforce due to pandemics and other causes. With respect to our nuclear reactors, any nuclear accident or failure at our nuclear power plants could result in us incurring significant losses due to, among other things, a potential shut-down of the nuclear facility and the resulting loss of generation capacity, remedial and replacement expenses and negative publicity from such an accident. The main risk associated with our hydropower facilities is the risk of damage during floods. We cannot give any assurance that accidents will not occur or that the preventative measures taken by us will be fully effective in all cases, particularly in relation to external events that are not within our control, such as floods and other natural disasters.

Further, our operations may be negatively affected by an outbreak of any contagious disease with human-to-human airborne or contact propagation effects, such as the COVID-19 pandemic. We can provide no assurance on the continued or future spread of COVID-19 or other contagious diseases in the countries in which we operate or what the impact on its business and operations will be, due to, among other things, quarantines and/or other restrictive measures introduced by such countries with the aim of preventing the spread of COVID-19 or other contagious diseases. These restrictive measures have led to serious interruptions in business, economic and day-to-day activities in the countries in which we operate and many other countries around the world and, as a result, have adversely affected our and our suppliers' operations. The continuation of these measures or the introduction of any additional restrictive measures could further negatively affect our employees and facilities as well as facilities operated by third parties and, as a result, further disrupt our core operations, activities and initiatives.

Any physical damage to our facilities may be costly to repair and we may not have insurance coverage for all potential losses or our insurance claims may be subject to challenge or delay. In particular, due to our contractual obligations to deliver electricity at pre-established prices and quantities, if we suffer a reduction in electricity generation, we may be required to purchase electricity in the open market that may be at unfavourable prices. As a result, any failure, breakdown or unplanned outages at our power plants or any failure or interruption of our distribution infrastructure could have a material adverse effect on our reputation, business, results of operations and financial condition.

In addition, we may need to temporarily shut down some of our power plants and incur expenses in connection with inspections, maintenance or repair activities in addition to those that we currently conduct, including such additional activities that the governmental authorities in the countries in which we operate may require us to conduct.

Due to the complexity of operating nuclear and other power stations, we are not able to eliminate the risk of unplanned outages and we cannot predict the timing or impact of these outages with certainty. Our emergency response, disaster recovery and crisis management measures may not effectively protect us from these events. Any service disruption may cause loss in electricity generation, customer dissatisfaction and may lead to liability for damages, the imposition of penalties and other unforeseen costs and expenses, which could have a material adverse effect on our reputation, business, results of operations and financial condition.

***We could incur significant losses in the event of a nuclear accident.***

In accordance with the Vienna Convention, the Czech Nuclear Act 1997 provides that the operator of a nuclear facility is liable for any damage caused by a nuclear accident up to CZK 8 billion per accident and is obliged to maintain insurance coverage for potential liabilities for nuclear damage in an amount not less than CZK 2 billion. We have insurance policies in place for both the Dukovany and Temelín nuclear power plants, which provide coverage at these amounts. However, notwithstanding any limitation of liability under the Czech Nuclear Act 1997 and any additional coverage under our insurance policies, any nuclear accident or failure at our nuclear power plants could result in us incurring significant losses in excess of such amounts due to, among other things, a potential shut-down of the nuclear facility and the resulting loss of generation capacity, remedial and replacement expenses and negative publicity from such an accident. As a result, any nuclear accident suffered by our nuclear power plants could have a material adverse effect on our reputation, business, results of operations and financial condition.

***We may not successfully implement our key strategies.***

The energy markets continue their transition from the conventional energy sources to renewables and decentralized energy. Our key strategies include the efficient operation, optimal utilization and development of our conventional generation portfolio, modern distribution and a care for customers' energy needs, the development of new energy in the Czech Republic and the development of energy services in Europe (please see "*Description of ČEZ—Our Strategy*"). We face many risks that could adversely affect our ability to implement our key strategies, such as changes in legal and regulatory frameworks, increases in generation and distribution costs, future developments affecting the electricity infrastructure in Europe, technological changes, customer needs, competition in the markets in which we operate, political and economic developments affecting Europe, legal and regulatory requirements and the reliability and creditworthiness of our partners and customers. Any failure to implement our key strategies successfully could have a material adverse effect on our business, results of operations and financial condition.

***We may not successfully manage the risks associated with expanding our operations and integrating newly acquired subsidiaries and we may face significant risks and liabilities or rating downgrades as a result of such acquisitions.***

Since our foundation, we have expanded our operations through mergers and acquisitions (please see "*Description of ČEZ—History and Development of the CEZ Group*"). We continue to evaluate potential investment opportunities and we may decide to expand our operations both domestically and in other countries or in new markets (please see "*Description of ČEZ—Our Strategy*"). We face many risks inherent in expanding our operations and doing business on an international level, such as unexpected changes in regulatory requirements; default by our joint venture partners; trade barriers, including import and export controls, tariffs, customs and duties; difficulties in staffing and managing foreign operations; longer payment cycles and problems in collecting accounts receivable; political instability, expropriation, nationalization, war and other political risks; fluctuations in currency exchange rates; foreign exchange controls which restrict or prohibit repatriation of funds; technology export and import restrictions or prohibitions; and potentially adverse tax consequences. Any failure to manage the risks associated with expanding our operations could have a material adverse effect on our business, results of operations and financial condition.

In addition, although due diligence reviews are undertaken in relation to our acquisitions, such reviews may not reveal all existing or potential risks and liabilities and we cannot give any assurance that our acquisitions are not or will not become subject to liabilities of which we are unaware. While warranties and indemnities are generally obtained where practical and appropriate, we cannot give any assurance that we would be able to enforce our contractual or other rights against the relevant sellers or that any warranties and indemnities would be adequate to cover potential liabilities. The acquisition of businesses or assets with risks or liabilities of which we are or may be unaware, or do not correctly assess or assume, or against which we do not obtain full legal protection, could have a material adverse effect on our business, results of operations and financial condition.

We cannot give any assurance that we will successfully integrate our previous acquisitions in an efficient and effective manner or that we will be able to identify, consummate and integrate future acquisitions. Our failure to integrate our acquisitions and to manage any of the risks and costs associated with such integration, could have a material adverse effect on our business, results of operations and financial condition.

In addition, any future acquisition of highly leveraged companies might result in worsening of our financial condition and therefore, lead to rating downgrades in the future.

***Competition risk in the markets in which we operate.***

The energy markets in the majority of countries in which we operate are fully liberalized or in the final stages of liberalization. As a result of this liberalization, new competitors may enter many of the markets in which we operate. In relation to electricity, we compete in both the retail electricity market and the wholesale electricity market. In a liberalised market, all suppliers have the right to offer their electricity and all customers have the right to choose their electricity supplier at their own discretion and we cannot give any assurance that the customers will select us or that our customers will not change their suppliers. The situation in the gas retail market is comparable.

Since January 1, 2006, the Czech electricity market has been fully liberalized and all end-consumers are considered to be eligible customers who may freely choose their supplier of electricity based on the current market conditions. If our existing customers or potential new customers purchase electricity from other suppliers, our revenues and our market share will decrease. Our ability to develop our business and improve our financial results may be constrained by new competition and we may be unable to offset the financial effects of decreases in production and sales

of electricity through efficiency improvements, or expansion into new business areas or markets. As a result, any increase in competition in the markets in which we operate could have a material adverse effect on our business, results of operations and financial condition.

***Due to our position in the Czech market, we are subject to the risk of having our future expansion limited more than our competitors.***

According to the Czech Energy Regulatory Office ("*ERO*"), in the year ended December 31, 2020, we accounted for approximately 70% of electricity generated and 54% of installed electricity generation capacity in the Czech Republic, we distributed approximately 65% of the total electricity consumed in the regional distribution areas in the Czech Republic and sold 29% of the total net electricity consumed in the Czech Republic. In addition, we are the largest producer of brown coal in the Czech Republic, accounting for approximately 52 % of the total volume of brown coal produced in the Czech Republic for the year ended December 31, 2020, according to *ERO*.

Due to our market position, we may be particularly exposed to the risk of lawsuits or proceedings on the grounds of alleged non-compliance with competition, anti-trust and non-discrimination rules, and such lawsuits and proceedings could be decided against our interest, which could have a material adverse effect on our business, results of operations and financial condition. In order to enhance competition, the competent authorities or certain governments could also take decisions contrary to our interests. Such decisions could limit our expansion and growth and, thus, have a material adverse effect on our business, results of operations and financial condition.

***Risks resulting from our failure to expand and diversify our non-nuclear generation capacity.***

Our current generation capacity predominantly consists of coal and nuclear generation. We aim to expand our existing non-nuclear power generation as well as diversify our generation capacity in order to reduce CO<sub>2</sub> emissions, increase the flexibility of our generation facilities and increase our generation potential to meet future demand. We hope to achieve this by investing in the upgrade and replacement of coal-fired power plants, building new wind power plants and increasing our renewable power generation capacity. All of these investments require capital expenditure and substantial managerial attention. Furthermore, we may incur additional costs and face a loss of revenues if we fail to complete such expansion and diversification projects within budget and on schedule. Our failure to properly control these capital expenditures may result in a higher utilization of our debt capacity and our inability to contract the relevant supplies on terms substantially comparable to those of our competitors, which could lower the competitiveness of our generation fleet. Any failure to expand and diversify our non-nuclear generation capacity could have a material adverse effect on our business, results of operations and financial condition.

***Our revenues and results of operations are subject to climatic conditions and seasonal variations that are not within our control.***

Electricity and heat consumption is seasonal and is mainly affected by climatic conditions. In Central and South East Europe electricity consumption is generally higher during the cold winter months. However, when winters are warmer than expected, as was the case in 2014, 2018, 2019 and 2020, demand for gas, heat and power is typically lower than forecasted. Electricity generation may also depend on climatic conditions, such as droughts or heat waves, which may limit generation due to the requirements to observe certain temperature limits for rivers, requirements in connection with the cooling of power plants, or speed and direction of winds or sunshine for the generation of renewable energy. Consequently, our income reflects the seasonal character of the demand for electricity and may be adversely affected by significant variations in climatic conditions. We may need to compensate for a reduction in the availability of electricity generated by economical means by using other means with a higher generation cost or by being required to access the wholesale markets at higher prices, which could have a material adverse effect on our business, results of operations and financial condition.

***Some of our generation operations depend on the use of brown coal as a primary fuel source, which produces significantly more emissions than other fuel sources, and exposes us to the risk that our operations will become politically unpopular or the subject of restrictive regulations or private legal action.***

We operate power plants that depend on the use of brown coal as a primary fuel source. Brown coal produces significantly more emissions, most notably CO<sub>2</sub>, than other primary fuel sources, such as natural gas or nuclear fuel. If brown coal-fired heat and power generating activities become subject to increasing public and political opposition, as they have on occasions in the past, our business could be negatively affected. In 2019, the Czech Government initiated

the establishment of a Coal Committee, which has been tasked with preparing an assessment of different scenarios that should lead to the decrease in the use of coal as a fuel source. For instance, we could face increased costs of burning brown coal as a primary fuel source, in selling the power produced from brown coal, or as a result of potentially adverse environmental regulations, increased taxes, fees or fines, hindered access to financing, or private lawsuits against the CEZ Group. We may be adversely affected not only by measures that directly impede the use of brown coal in heat or power production, but also by measures that promote other fuel sources or alternative technologies for heat and power production (such as renewable energy).

***We are exposed to financial risks and market volatility.***

During the normal course of our business, we are exposed to the risk of energy price volatility, as well as interest rate, commodity price, currency and counterparty risks. While we partially hedge these risks, we may incur losses if any of the variety of instruments and strategies we use to hedge exposures is not effective.

We face risks from our energy trading operations. In general, we seek to hedge risks associated with volatile energy-related prices (including the price of CO<sub>2</sub> emission certificates) by entering into fixed price bilateral contracts and futures contracts on commodity exchanges and swaps and options traded in over the counter financial markets. To the extent we are unable to hedge these risks, enter into hedging contracts that fail to address our exposure or incorrectly anticipate market movements, we may suffer significant losses which could have a material adverse effect on our business, results of operations and financial condition.

We are also exposed to other financial risks. Financial markets experienced volatility in the course of the last financial crisis and more recently as a result of the outbreak of COVID-19 and markets may decline again or become even more volatile in the future. The value of certain of our assets and financial investments, including joint ventures, is sensitive to the performance of the European and global economies. The latest global crisis and sovereign debt crisis in Europe have had a significant impact on the world's banking system and financial markets. If the global economic situation worsens again, we may face liquidity problems and may experience increased costs of funding. For example, we hold substantial amounts in certain government bonds, particularly Czech Government bonds. Any future fluctuations in the capital markets could negatively influence the value of those assets which could have a material adverse effect on our business, results of operations and financial condition. We are dependent on debt capital markets to fund the majority of our working capital and capital expenditures. Any volatility in the debt capital markets could negatively affect this source of funding, which could have a material adverse effect on our business, results of operations and financial condition.

In addition, any future adverse changes in the economic and regulatory environment of our reporting segments could adversely affect our estimated future cash flows and discount rates and could result in impairment charges to goodwill, which could have a material adverse effect on our business, results of operations and financial condition.

***We are exposed to changes in the way emission allowances are allocated, including the conditions related to free allocations, as well as volatility in the market prices of emission allowances that we need to acquire.***

In 2005, the European Union introduced the European Union Emission Trading Scheme (the "E.U. ETS"). Within the E.U. ETS, each greenhouse gas emitter was allocated a certain cap by the national government, which was in turn allocated a national cap by the E.U. Commission, within which it was allowed to emit greenhouse gases (such as CO<sub>2</sub>, methane and nitrogen monoxide). Any emissions in excess of this cap had to be counterbalanced by emission allowances acquired in the open market at a market price, otherwise the emitter was penalized. Allocations were fixed for a specific trading period.

Since January 1, 2013, we have to buy a certain portion of the emission allowances on the market, because our emission allowances allocation that has been gradually decreasing to zero by 2020, has not covered 100% of our annual emissions. As of the date of this Base Prospectus, we have to buy a majority of the emission allowances on the market. Therefore, our costs may increase significantly, which could have a material adverse effect on our business, results of operations and financial conditions. Different principles apply to the E.U. ETS regarding heat. In compliance with Article 10a of the revised E.U. ETS Directive, district heating combined heat and power plants will receive free allowances for heat supply from 2013 to 2030. However, in 2020, free allocation in heat sector was to cover at maximum 30% of emissions produced by the respective entity and is to gradually decrease to 0%.

As such, we are vulnerable to risks relating to volatility in the price of CO<sub>2</sub> emission allowances. To mitigate this volatility risk, we have in place a hedging strategy of acquiring a certain volume of emission allowances along with

electricity sale. Nevertheless, in the event of potential decreases in the price of emission allowances, this hedging strategy itself could have a material adverse effect on our business, results of operations and financial condition.

Within Phase IV of the E.U. ETS (2021 - 2030), the overall number of emission allowances is to decline at an annual rate of 2.20% from 2021 onwards. However, energy intensive sectors with a high risk of relocation outside of the E.U. (e.g. the mining of hard coal, extraction of crude petroleum, manufacturing of cement) are to be allocated free allowances until 2030 at 100%. A continual decrease in the allocation of emission allowances across the European Union and a greater decrease in the allocation of emission allowances within the Phase III and Phase IV of the E.U. ETS (please see "*Regulation – Czech Republic – Carbon Compliance (Emission Allowances)*") as well as any increase in the price of CO<sub>2</sub> emission allowances, may result in a substantial increase in our variable generation costs making the price of electricity offered by us uncompetitive, which could have a material adverse effect on our business, results of operations and financial condition.

***We are exposed to risks on the wholesale energy, CO<sub>2</sub> emission allowances and green and other certificates markets.***

We operate in the deregulated energy markets in Europe through our trading activities. As a result, we are exposed to price fluctuations in the wholesale energy markets (electricity, gas, coal, crude oil) as well as in the CO<sub>2</sub> emission allowances market and green certificates markets. These fluctuations are particularly significant in the current context of major tensions and volatility on the energy markets. Any shortage of products or lack of liquidity could limit our ability to close our exposure to risk in the energy market quickly. In addition, these markets are still largely not integrated, mostly as a result of the lack of cross-border interconnections, and may experience significant increases or decreases in price movements and liquidity crises that are difficult to predict. Any such fluctuations in the wholesale energy markets could have a material adverse effect on our business, results of operations and financial condition.

***The growth of an integrated European electricity market may be slowed by a lack of cross-border transmission system interconnections.***

The growth of an integrated European electricity market is inhibited by a lack of cross-border interconnections. This situation limits exchange capacity between operators in different countries, notably the capacity to rapidly adapt supply to demand (so called "blackout risk"), and allows for persistent price differences between the different countries, which would be significantly reduced in a more efficient and integrated European market. It also impedes the emergence of efficient operators with a European dimension as it limits the options for synergies between companies within the same group, but located on different sides of a border. Although there are currently several projects to develop interconnections, their construction has nonetheless been slowed down, mainly by environmental, regulatory and local acceptability considerations. The absence of adequate interconnections between countries where we are based or the failure of such interconnections to develop at a sufficient pace, may limit industrial synergies which we intend to achieve or cause network interruptions in countries in which we operate, which could have a material adverse effect on our business, results of operations and financial condition.

***Our equipment and components of our power plants are subject to gradual deterioration over time.***

The continual operations of our power plants, as well as natural processes, such as erosion and corrosion, have an impact on the condition of some of our equipment and components of our power plants. The impact of such operation and processes tends to increase as our plants, equipment and components grow older. As part of our strategy, we have recently finalized a significant portfolio renewal program aimed at modernizing our coal power plant portfolio. Although we seek to implement new inspections and maintenance practices, including proactively repairing or replacing equipment and components before they fail, as well as our portfolio renewal program, we cannot give any assurance that we will be successful in our efforts, which could have a material adverse effect on our business, results of operations and financial condition.

***We are subject to a variety of litigation and regulatory proceedings and we cannot give any assurances as to their outcome or the sufficiency of our provisions.***

In the ordinary course of our business, we are subject to numerous civil, administrative and arbitration proceedings. We create provisions for contingent liabilities relating to particular proceedings, calculated based on the advice of our internal and external legal counsel. Our non-consolidated audited financial statements show accrued provisions for legal and commercial disputes in the amount of CZK 490 million as of December 31, 2019 and CZK 511 million as of December 31, 2020. As of December 31, 2020, we also recorded provisions relating to various other risks

and charges, primarily in connection with regulatory disputes and disputes with local authorities. However, we have not recorded provisions in respect of all legal, regulatory and administrative proceedings to which we are a party or in which we may become a party. In particular, we have not recorded provisions in cases in which the outcome is unquantifiable or which we currently expect to be ruled in our favour. As a result, we cannot give any assurance that our provisions will be adequate to cover all amounts payable by us in connection with such proceedings. Our failure to quantify sufficient provisions or to assess the likely outcome of any proceedings against us could have a material adverse effect on our business, results of operations and financial condition.

***Risks resulting from interlocutory security measures in connection with subsidies for the solar power plant Vranovská ves.***

In 2016, the police initiated an investigation of an alleged criminal activity related to obtaining a license by ČEZ Obnovitelné zdroje, s.r.o., to operate the Vranovská Ves photovoltaic power plant. As part of the investigation, the police authorities have, pursuant to the Czech Code of Criminal Procedure, issued a resolution on the seizure of a replacement value of the likely proceeds of the alleged criminal activity. Specifically, the following assets have been seized: (i) receivables of ČEZ Obnovitelné zdroje, s.r.o., against OTE, a.s., in the form of the paid support for the green bonus, in the total amount of nearly CZK 944 million as of January 31, 2021. The seized funds are deposited with the Czech National Bank for the duration of the seizure, and ČEZ Obnovitelné zdroje, s.r.o., may not dispose of the funds; and (ii) funds in ČEZ's bank account in the amount of approximately CZK 223 million as of January 31, 2021; ČEZ may not dispose of the funds for the duration of the seizure. In both cases, the measures taken by the law enforcement authorities are interlocutory and the defendants are not employees of the CEZ Group companies. Although ČEZ Obnovitelné zdroje, s.r.o. and/or ČEZ are the affected parties in this case, there is no guarantee that the seized assets will be returned to us in full or at all, or that the decision of the court or any follow-up decision of any regulatory authority will not have a material adverse effect on our business, results of operations and financial condition. See also "*Description of ČEZ—Legal Proceedings — Other Proceedings — Czech Republic*" for further details.

***We may become liable for increased decommissioning costs or be required to keep additional amounts as restricted funds for the decommissioning of our nuclear power plants and for the decommissioning and reclamation of our mines and the remediation of mining damage.***

As an owner and operator of electricity and heat facilities, we may in the future incur significant costs and expenses in connection with the decommissioning of such facilities. Under Czech law, we are required to reserve restricted funds to meet the expected future costs of decommissioning our nuclear power plants. We pay these funds into nuclear escrow accounts that can be used only to meet decommissioning costs with the permission of the Czech Repository Authority. In 2020 and 2019, the payments to the nuclear escrow account for our nuclear power plants amounted to CZK 804.6 million and CZK 501.8 million, respectively. We cannot give any assurance that amounts held by us as restricted funds will not increase as a result of increased projected costs of decommissioning or as a result of other factors determining the amount of our annual contributions. In addition, if such amounts are not sufficient to meet future decommissioning costs, we may be required to pay additional amounts, which could have a material adverse effect on our business, results of operations and financial condition.

In addition, we are involved in open pit mining in the Czech Republic and are required to keep funds to decommission mines at the end of their operating lives. In addition, Czech law relating to open pit mining also requires us to remediate land affected by our mining operations. The cost of remediation depends on the type of remediation and is subject to periodical review. In addition to the creation of remediation reserves, the Czech authorities may also require other payments relating to mining licenses. The methodology for determining the remediation costs and such other payments may change as might the requirements relating to the collateralization of obligations. The materialization of any of the above risks could have a material adverse effect on our business, results of operations and financial condition.

***Risk of an increase in the cost of disposing of radioactive waste.***

Under Czech law, we are required to contribute funds to a nuclear account administered by the Ministry of Finance (the "*Czech Nuclear Account*") based on the amount of electricity produced by our nuclear power plants. The Czech Nuclear Account is used by the Czech Radioactive Waste Repository Authority (the "*Czech Repository Authority*") to centrally organize, supervise and take responsibility for the disposal of the nuclear waste, as well as all final disposal facilities. We cannot give any assurance that the Czech Government will not increase the contributions that we are required to pay into the Czech Nuclear Account or that cash amounts accrued in the Czech Nuclear Account will be

sufficient to fund the disposal of the radioactive waste. Any requirement to pay additional amounts into the Czech Nuclear Account could have a material adverse effect on our business, results of operations and financial condition.

***Our insurance coverage may not be adequate.***

We have limited property and machinery insurance for our significant assets, including the Dukovany and Temelín nuclear power plants. We cannot give any assurance that our business will not be adversely affected by the costs of accidents or other unexpected occurrences at our facilities for which insurance coverage is not available, has not been obtained by us or is not sufficient, which could have a material adverse effect on our business, results of operations and financial condition.

***Risk of a strike or other labour disruption at our facilities.***

A substantial number of our employees are represented by labour unions and all ČEZ employees were covered by our collective bargaining agreement as of December 31, 2019 valid until December 31, 2022 (please see "*Description of ČEZ—Employees*"). This agreement includes provisions that limit our ability to realize cost savings from restructuring initiatives such as plant closures and reductions in workforce. Since our foundation we have not experienced any strikes or work stoppages, however, any strikes, threats of strikes, or other resistance or work stoppages in the future, particularly those affecting our facilities in the Czech Republic, could impair our ability to implement further measures to reduce costs and improve production efficiencies in furtherance of our strategy, which could have a material adverse effect on our business, results of operations and financial condition.

***We may not be able to hire, train or retain a sufficient number of qualified staff.***

Experienced and capable personnel in the energy industry are in high demand and we face significant competition in our principal markets to recruit such personnel. Consequently, when our experienced employees leave our business or retire, we may have difficulty, and incur additional costs, replacing them. In addition, the loss of any member of our senior management team may result in a loss of organizational focus, poor execution of our operations and corporate strategy and our inability to identify and execute potential strategic initiatives in the future, including strategies relating to the growth of our business. Further, with effect from January 1, 2017, the Czech Nuclear Act 2016 significantly extended the number of our employees that must be subject to security clearance from the Czech National Security Authority. The extended security clearance requirement could significantly restrict our hiring policy and further limit an already limited number of candidates qualified for the respective positions. Our failure to hire, train or retain a sufficient number of experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications, or to recruit skilled professional and technical staff in pace with our growth, could have a material adverse effect on our business, results of operations and financial condition.

***We have no control over the security and operational processes of the national registries for emission allowances and green and other certificates within Europe.***

We own a significant amount of emission allowances and emission credits, as well as green and other certificates which are registered as intangible assets by national registries in individual E.U. countries. National registries are operated by independent governmental bodies and are governed by E.U. law. We have no control or influence over the security and operational processes of these national registries. The financial value of our assets registered in such registries is significant and any unauthorized transactions could have a material adverse effect on our business, results of operations and financial condition.

***Electromagnetic fields may have an adverse impact on public health.***

Power lines, including those we operate, generate electromagnetic fields ("*EMFs*"). Questions with respect to the risks to human health as a result of exposure to EMFs have been raised both within the European Union and internationally. Over the past 20 years, several international health organizations (such as the World Health Organization ("*WHO*"), the International Agency for Research on Cancer ("*IARC*"), the American Academy of Sciences, the American National Institute of Environmental Health Sciences, and the English National Radiological Protection Board) have completed numerous studies on the existence of health risks as a result of exposure to EMFs. Since 2002, the IARC has classified the low-frequency electromagnetic fields at level 2B (possible carcinogen) on its scale of scientific evidence. However, in a report published in June 2007, the WHO considered the associated health risks, if any, low. Medical knowledge about health risks related to exposure to EMFs may evolve or public sensitivity about such risks could

increase, or the principle of precaution could be applied very broadly. At the E.U. and national level, new regulations aimed at understanding the risks associated with EMFs are being developed. This could expose us to litigation and significant costs, including costs incurred in connection with the adoption of more stringent security measures for the operation or construction of our generation facilities and distribution networks, which could have a material adverse effect on our business, results of operations and financial condition.

***Our facilities produce polychlorobiphenyls which could have an adverse impact on the environment or public health.***

We operate or have operated certain facilities which, as currently operated, could be or have been the source of industrial accidents or environmental and public health impacts (such as inadequately controlled emissions, leakages in electricity supply lines insulated with oil under pressure, a failure of decontamination facilities, pathogenic microorganisms, asbestos, and polychlorobiphenyls ("PCBs")). In particular, large quantities of hazardous materials (mainly explosive or flammable, such as gas and fuel oil) are stored in some of our facilities. These facilities may be located in industrial areas where other activities facing similar risks are carried out, such that our own facilities may be impacted by accidents occurring at neighbouring facilities that are not within our control. This could expose us to litigation and significant costs, including costs incurred in connection with adopting more stringent security measures for the operation or construction of our generation facilities and transmission or distribution networks, which could have a material adverse effect on our business, results of operations and financial condition.

**Risks relating to political, social and economic conditions**

***Risks associated with changes in the European Union's energy policy and an accelerated market shift towards renewable energy sources.***

The electricity generation industry in Europe is strongly influenced by the European Union's policy, to increase the share of electricity generated by renewable energy sources, which was implemented in 2008 by the E.U. Climate and Energy Package and amended in 2019 by a package of provisions called Clean Energy for all Europeans, also known as the Winter Package (the "*Winter Package*"). The Winter Package is a set of several directives, regulations and decisions whose application may significantly influence the energy sector and also the Group. The Winter Package aims to achieve three goals: to make energy efficiency a priority, to achieve the world leading position of EU countries in the sphere of energy from renewable sources, and to provide fair conditions for consumers. We are effectively obliged, due to economic incentives, to reflect the Winter Package within our own strategy. The Winter Package increases the required share of renewable sources from 20 % in 2020 to 32 % in 2030 and sets the energy efficiency target to at least 32.5 % in 2030. The energy efficiency target, renewable share target and the Winter Package in general aim to achieve low-carbon economy and to decrease emissions in accordance with EU emissions targets by 20 % in 2020 and by 80 % in 2050. In late 2019, the European Commission presented a strategy called the European Green Deal, which, among other things, aims to increase the EU's greenhouse gas emission reductions target for 2030 to at least 50 % and to 55 % compared to 1990 levels. The implementation of the Winter Package and targets of the E.U. council for the period from 2020 to 2030, or any amendments to such targets, could have a material adverse effect on our business, results of operations and financial condition. Support for renewable sources may decrease energy prices, limit the production time, the stability of transmission and distribution grid, the profitability of distribution services provided by us and production quantity of conventional power plants that we operate and may decrease our market share. In addition, the Group may be required to incur additional expenditure in order to meet the other related targets envisaged in the Winter Package. Continued or increased support for renewable energy sources in the European Union, particularly in the Czech Republic (please see "*Regulation – Czech Republic – Renewable Energy Sources – Current Legislation - The Czech Promoted Energy Sources Act*") and Germany, may adversely affect our profit from nuclear, coal-fired and gas power plants, which could have a material adverse effect on our business, results of operations and financial condition.

***Risks resulting from political developments in the European Union and in other countries where we have or plan to have a business presence.***

Any political developments in the European Union, including any future integration or withdrawal of European countries in the European Union (see also "*Risks associated with the exit of the United Kingdom from the European Union*") or changes in the economic policy, executive authority or composition of the European Union and its institutions, may have an adverse effect on the overall economic stability of the European Union and the European countries in which our assets and operations are located. Any changes in the political or economic stability of any of the countries in which we operate, as well as any political, economic, regulatory or administrative developments in these countries, over which we have no control, could have a material adverse effect on our business, results of operations and

financial condition. In particular, due to cross-border integration and fully liberalized power prices, the primary price-setting market in our region is Germany and its exchange in Leipzig and historically there has been a strong correlation between power prices in the Czech and German markets. Any political developments affecting the integration, integrity or stability of E.U. or other energy markets, could have a material adverse effect on our business, results of operations and financial condition.

***Risks associated with poor economic performance in the Czech Republic.***

Our revenues are sensitive to the performance of the Czech economy. As of December 31, 2020, nearly 97.3% of our property, plant and equipment was located in the Czech Republic and approximately 69.6% of our operational revenues and other operating income for the year ended December 31, 2020 was derived from the Czech Republic. Changes in economic, regulatory, administrative or other policies of the Czech Government, as well as political or economic developments in the Czech Republic (including potential changes in the Czech Republic's credit ratings) over which we have no control, could have a significant effect on the Czech economy, which in turn could have a material adverse effect on our business, results of operations and financial condition.

***Risks associated with political developments in the Czech Republic.***

The composition of the Czech Government and any political developments or changes in the economic policy of the Czech Republic may have an adverse effect on the overall economic stability of the Czech Republic. We cannot give any assurance that any change in the Czech Government would not affect the energy, economic, fiscal, and regulatory policies of the Czech Republic, nor can we give any assurance that any potential change in the Czech Government would not affect the structure of the presidium of the Ministry of Finance and, as a result, the structure of our Supervisory Board and our Board of Directors. Such unfavourable political developments could have a material adverse effect on our business, results of operations and financial condition.

***Our majority shareholder may pursue decisions that reflect the Czech Government's policy (including the Czech Government's desire for us to build a new nuclear power plant in the Czech Republic).***

As of the date of this Base Prospectus, the Czech Republic, through the Ministry of Finance, owns approximately 69.8% of the share capital of ČEZ, the parent company of the CEZ Group. As our controlling shareholder, the Czech Republic, through the Ministry of Finance, has the power to elect and remove two thirds of the members of our Supervisory Board. Our Supervisory Board elects members to our Board of Directors. Consequently, the Czech Republic, through its shareholdings or its positions on our Supervisory Board or our Board of Directors, has and will continue to have, directly or indirectly, the power to affect our operations. As a result, certain of our decisions may reflect the Czech Government policy, for example dividend policy for state-owned companies and the Czech energy policy, which includes the Czech Government's desire for us to build a new nuclear power plant in the Czech Republic. Complying with such decisions could lead to significant capital expenditures as well as the risks inherent in building a nuclear power plant, including debt capacity risks, which could in turn have a material adverse effect on our ratings, business, results of operations and financial condition. See also "*The risks and costs associated with increasing our nuclear generation capacity*" and "*Future privatization or split of ČEZ may result in a credit downgrade or may affect our ability to repay debt*".

***Risk associated with state support for certain power generation sources.***

The Czech Renewable Energy Act required and the Czech Promoted Energy Sources Act requires distribution companies to purchase certain amounts of electricity from environmentally friendly "co-generation," "small hydro", "decentralized" or "renewable" facilities. This results in significantly higher state support for small generation sources and for those that are connected directly to the distribution grid. This support may be in the form of regulated subsidized prices or preferential access of these generation sources to the distribution grid (please see "*Regulation – Czech Republic - Renewable Energy Sources*").

However, in the Czech Republic we operate mainly large plants and transmit a major portion of our electricity to the transmission grid. Consequently, we cannot take full advantage of state support for otherwise comparable power generation sources in the Czech Republic under the Czech Energy Act. Similar state support schemes for selected alternative power generation sources also exist in other countries in which we operate, including Bulgaria and Romania. While we believe that these purchases of electricity from renewable sources and the preferential treatment of renewable sources will not substantially adversely affect the generation volumes of our conventional generation facilities, we cannot

provide any assurance that this will in fact be the case or that our electricity sales to supply companies will not decrease, which could in turn have a material adverse effect on our business, results of operations and financial condition.

## **Risks relating to our investments outside of the Czech Republic**

### ***We may not be able to recover the value of our investment in Bulgaria.***

The Bulgarian Energy and Water Regulatory Commission (the "KEVR") and other Bulgarian authorities and agencies have taken various adverse regulatory and related actions against CEZ Elektro Bulgaria AD and CEZ Razpredelenie Bulgaria AD, our Bulgarian electricity seller and distributor, respectively.

On March 19, 2014, the KEVR initiated license revocation proceedings in respect of the electricity sale license held by CEZ Elektro Bulgaria AD based on the allegedly delayed payments of CEZ Elektro Bulgaria AD to NEK, a Bulgarian producer of electricity. These proceedings were initiated as a consequence of the unresolved regulatory regime of the renewable sources' support mechanism in 2012 and 2013. CEZ Elektro Bulgaria AD requested termination of the revocation proceedings and involvement of the E.U. Commission. On August 6, 2018 the license revocation proceedings were terminated without revocation of the electricity sale license held by CEZ Elektro Bulgaria AD.

As a consequence of various actions taken by Bulgarian state bodies, on July 12, 2016, we filed with the International Centre for Settlement of Investment Disputes ("ICSID") a Request for Arbitration against the Republic of Bulgaria on the grounds of the Republic of Bulgaria's failure to observe the investment protection provisions of the Energy Charter Treaty. We decided for this course of action after Bulgarian state bodies' actions had negatively influenced the business operations of ČEZ companies in Bulgaria. The award sought in the international investment arbitration against the Republic of Bulgaria amounts to hundreds of millions of euros. The ICSID was officially asked to appoint the presiding arbitrator at the beginning of 2019. On this basis, the president was elected, and the complete panel of arbitrators was appointed in February 2019. This was followed by an exchange of the parties' filings and an oral procedure is expected in June 2020. On March 2, 2021, the arbitration tribunal in the international investment arbitration of ČEZ, a. s., against the Republic of Bulgaria confirmed the legitimacy of conducting arbitration within the current jurisdiction and thus moving to the next phase in which the merits of the dispute will be assessed (please see "*Description of ČEZ – Legal Proceedings – Bulgaria*").

In February 2018, we concluded a share purchase agreement for the sale of our Bulgarian assets with the Bulgarian company Inercom Bulgaria EAD. The sale concerned seven companies, namely CEZ Bulgaria AD, CEZ Elektro Bulgaria AD (a retail electricity supplier), CEZ Razpredelenie Bulgaria AD (an electricity distribution company), CEZ Trade Bulgaria EAD (a wholesale trader), CEZ ICT Bulgaria EAD, Free Energy Project Oreshets EAD (a photovoltaic power plant), and Bara Group EOOD (former operator of a biomass combined heat and power plant). The transaction was not approved by the Bulgarian Commission for Protection of Competition on July 19, 2018. On April 15, 2019, the purchase agreement with Inercom Bulgaria EAD on the sale of ČEZ's Bulgarian assets was terminated. The reason for termination of the agreement by ČEZ was the non-fulfilment of certain conditions precedent, and therefore the contract never completed, because of unlawful obstructions from the Bulgarian State.

On April 1, 2019, we received two new indicative offers for the purchase of our Bulgarian assets from (i) India Power Corporation Limited and (ii) EuroHold Bulgaria AD. EuroHold Bulgaria AD's offer was accepted and on June 20, 2019, a share purchase agreement on the sale of our Bulgarian assets was signed with EuroHold Bulgaria AD. The closing of the transaction was subject to the approval by the Commission for Protection of Competition and KEVR in Bulgaria. In October 2019, the Commission for Protection of Competition declined to approve the sale on the basis that the transaction would allegedly allow the merged group to take a significant position in the Bulgarian insurance markets (where the Eurohold Group operates) and in the electricity trading sector (where the CEZ Group operates). In particular, the Commission for Protection of Competition argued that the insurance products necessary for operating on the electricity market could be provided under advantageous conditions, thus disadvantaging other market participants. Both EuroHold Bulgaria AD and we brought an action for judicial review against the decision in November 2019. On July 22, 2020, the Administrative Court in Sofia reversed the decision of the Bulgarian Commission for Protection of Competition, which stopped the sale of assets to Bulgarian company Eurohold in October 2019. The Commission for Protection of Competition approved the sale of assets to Eurohold at its meeting held on October 29, 2020. The Bulgarian energy regulatory authority approved the sale on January 19, 2021. We expect that the transaction will be settled during 2021.

The claims we asserted against the Republic of Bulgaria in the said international investment arbitration are independent of the transaction of the sale of the Bulgarian assets. Although the CEZ Group is defending itself vigorously

against all adverse regulatory actions in Bulgaria and filed the investment arbitration claim, we cannot give any assurance that we would be able to recover our investment in our business in Bulgaria. Consequently, the developments could have a material adverse effect on our business, results of operations and financial condition. For more information on the legal proceedings concerning our investment in Bulgaria, please see "*Description of ČEZ — Legal Proceedings — Bulgaria*".

***We may not be able to recover the value of our investment in Turkey.***

The joint-ventures Akcez Enerji A.S. and Akenerji Elektrik Üretim A.S. were formed in 2009 by the partnership of the CEZ Group and Akkök Group with the aim to invest mainly in power generation and electricity distribution projects in Turkey. Within these joint-ventures, we own and operate gas-fired, wind and hydroelectric power plants as well as electricity distribution and sales companies operating in the Sakarya region. After a period of fast-paced growth in the Turkish economy between 2009 and 2011, the year 2013 brought a strong depreciation of the Turkish Lira against the U.S. Dollar due to political destabilization, sustained inflation, growing labor costs, high balance of payments (current account) deficit and resulting lower interest of foreign investors in the Turkish market. This had a negative impact on most local companies, including our joint-ventures, which are financed mostly in U.S. Dollars. The weakening of the Turkish Lira continued through 2018, being caused by, among other things, an unsuccessful coup d'état attempt in July 2016 followed by a declaration of the state of emergency in the country and a referendum changing the state system to a presidential system. Following the instability and uncertainty about the future political and economic development, Standard & Poor's and Moody's lowered Turkey's credit rating to B+ with a stable outlook and to B2 with a negative outlook, respectively as of March 2021. During 2019, 2020 and 2021 the value of the Turkish Lira against the U.S. Dollar continued to depreciate, negatively influencing financial results of our joint-ventures, due to U.S. Dollar denominated loans. In 2013 unbundling, i.e. the separation in the ownership of electricity distribution and the sale of electricity, became mandatory and was completed in Turkey by 2015. The electricity market for end customers has been partially liberalized over the years, putting downward pressure on the market share of the sales companies with state owned companies still influencing the electricity and gas market. The conditions for the upcoming regulatory period (starting 2021) have been announced at the end of 2020 in line with the previous period with an emphasis on quality of distribution network. In 2017, our share of the losses of Akenerji Elektrik Üretim A.S. exceeded the carrying amounts of our investments in the joint-venture. Since we assumed no obligations on behalf of Akenerji Elektrik Üretim A.S., we discontinued using the equity method of accounting with respect to the company as of December 31, 2017. As of December 31, 2020, our unrecognised share of losses on Akenerji Elektrik Üretim A.S. and its subsidiaries amounted to CZK 4,900 million.

The CEZ Group is a guarantor for the liabilities of the companies within the joint venture Akcez Enerji A.S. in the amount of USD 95.5 million and TRY (Turkish Lira) 63.8 million as of December 31, 2020. Due to the increased risk of the potential exposure to claims under these guarantees and probability that future cash flows may not be sufficient to settle all liabilities of Akcez Enerji A.S. and its subsidiaries, a provision of CZK 1,267 million has been recognized in our financial statements of, as of December 31, 2020. On November 11, 2019, Yapı ve Kredi Bankası A.Ş. and Akenerji Elektrik Üretim A.S. as borrower concluded a loan agreement for the total amount of USD 859 million (and 13 year tenor) in order to refinance and extend the maturity of Akenerji Elektrik Üretim A.S.'s existing debts. In parallel, the shareholdings of ČEZ, Akkök and Akkarsu in Akenerji Elektrik Üretim A.S. have been pledged in favour of Yapı ve Kredi Bankası A.Ş. ČEZ is not a party to any of the above-mentioned financing arrangements with Akenerji Elektrik Üretim A.S. other than in its capacity as pledgor with respect to its shareholding in Akenerji Elektrik Üretim A.S. pledged in favour of Yapı ve Kredi Bankası A.Ş.

Even though we are trying to take all measures available to limit the negative impact on our investment arising from the developments in Turkey described above, we cannot give any assurance that we will be able to recover our investment in our joint-venture business in Turkey. Consequently, the developments in Turkey could have an adverse effect on our business, results of operations and financial condition.

**Risks related to governmental regulations and laws**

***Our activities require various administrative authorizations and licenses that may be difficult to obtain, maintain or renew or whose grant may be subject to conditions that may become significantly more stringent.***

Our core activities of generation, distribution and supply of electricity require various administrative authorizations, at local and national levels, in the Czech Republic (see "*Regulation—Czech Republic—Electric Energy Sector—Licensing Regime*") and in the other countries in which we operate. The procedures for obtaining and renewing these authorizations can be protracted and complex. Obtaining these authorizations is not routine and the conditions attached to obtaining them are subject to change and may not be predictable. As a result, we may incur significant

expenses in order to comply with the requirements associated with obtaining or renewing these authorizations (for example, the cost of preparing applications for authorizations or investments associated with installing equipment that are required before the authorization can be issued). Delays, extremely high costs or the suspension of our industrial activities due to our inability to obtain, maintain, or renew authorizations, may also have a negative impact on our business activities and profitability.

In addition, we often invest resources prior to obtaining the necessary permits and authorizations, particularly in connection with feasibility studies and environmental studies, but may have to cancel or withdraw from a project even after incurring such costs if we are unable to obtain the necessary permits or authorizations. Certain other material licenses for the operation of our power plants are due to expire within the next five years, such as the license of the Temelín nuclear power plant's Unit 2, which is valid until May 31, 2022, or the licenses for the generation of electricity and heat of the Chorzów power plant and the Skawina power plant, which expire on December 31, 2023, and December 31, 2025, respectively. Any failure to obtain, maintain, renew or extend all the necessary administrative authorizations and licenses necessary for the operation of our business and execution of our strategy, could have a material adverse effect on our business, results of operations and financial condition.

***We are subject to different regulatory regimes in all of the countries in which we operate, and these regimes are complex and subject to change.***

We are subject to the laws of various countries and jurisdictions, including the Czech Republic, Bulgaria, Poland, Romania, Turkey, France, Germany, Italy and the European Union, as well as the regulations of the regulatory agencies of the countries in which we operate, including the Energy Regulatory Office and the State Office for Nuclear Safety in the Czech Republic (please see "*Regulation*"), the Energy Regulatory Office in Romania, the Energy and Water Regulatory Commission in Bulgaria, Federal Network Agency for Electricity, Gas, Telecommunications, Posts and Railway (Bundesnetzagentur) in Germany, Regulatory Commission of Energy (Commission de Régulation de l'Energie) in France and The Energy Regulatory Office of Poland. These laws and regulations and their interpretation by the regulatory agencies affect many aspects of our business and, in many respects, determine the manner in which we conduct our business and the fees we charge or obtain for our products and services, including in respect of electricity generation (both traditional and from renewable sources). In particular, as an owner and operator of nuclear, coal-fired and gas power plants (including combined heat and electricity power plants), renewable energy facilities and electricity distribution, heat distribution and mining businesses, we are subject to extensive governmental and other regulations in the markets in which we operate, including in relation to nuclear safety. Any new regulation or any changes in the existing regulations or requirements of or the interpretation by the governments or regulatory authorities of the countries in which we operate, may require significant changes in our business in ways that we cannot predict, in particular the way in which we operate our nuclear assets. Any new regulations or requirements that cause us to restructure or otherwise change our business in any way, or that affect electricity generation, transmission, distribution or supply prices or related financial conditions, could have a material adverse effect on our business, results of operations and financial condition. In addition, we may fail to respond swiftly and appropriately to changes in applicable laws and regulations or to changes in the energy industry generally, which could have a material adverse effect on our business, results of operations and financial condition.

***We are subject to environmental, health and safety laws and regulations and must maintain environmental, health and safety regulatory approvals and we may be exposed to significant liabilities if we fail to comply with such laws or maintain such approvals.***

We are subject to various environmental, health and safety laws and regulations governing, among other things: the generation, storage, handling, release, use, disposal and transportation of waste or hazardous and radioactive materials; the emission and discharge of hazardous materials into the ground, air or water; the decommissioning and decontamination of our facilities; and the health and safety of the public and our employees. E.U. regulators and regulators in the countries in which we operate administer these laws and regulations. We are also required to obtain environmental and safety permits from various governmental authorities for our operations. Certain permits require periodic renewal or review of their conditions as well as continuous monitoring and reporting of compliance with their conditions and we cannot give any assurance that we will be able to renew such permits or that material changes to our permits requiring significant expenditures, will not be imposed. Violations of these laws, regulations or permits could result in plant shut-downs, fines or legal proceedings being commenced against us or other sanctions, in addition to negative publicity and significant damage to our reputation. Other liabilities under environmental laws, including the clean-up of radioactive or hazardous substances, can also be extremely costly to discharge. Environmental and health and safety laws are complex, change frequently and have tended to become more stringent over time. As a result, we may not at all times be in full compliance with all such laws and regulations. While we have budgeted for future capital and operating expenditures to

comply with current environmental and health and safety laws, it is possible that any of these laws may change or become more stringent in the future or that new laws may be adopted (for example E.U. legislation may be adopted that imposes additional capital expenditure on our brown coal-fired power plants). Therefore, our costs of complying with current and future environmental and health and safety laws and our liabilities arising from past or future releases of, or exposure to, radioactive or hazardous substances, could have a material adverse effect on our business, results of operations and financial condition.

Following the nuclear disaster at Fukushima in 2011, we have been required by the European Council to carry out "stress tests" in order to assess the safety of our nuclear power plants and how resistant these power plants are to natural disasters such as floods and earthquakes. We have successfully passed all such tests and our nuclear power plants are compliant with recommendations of the European Council. However, we were, and further are, required to take certain corrective actions to further improve the safety and resistance of our nuclear power plants. If we fail to implement the proposed corrective actions within the specified deadlines or if we are required to comply with any additional requirements of the European Council in the future, we could incur significant costs, which in turn could have a material adverse effect on our business, results of operations and financial condition.

***Risk of changes in regulated tariffs.***

In the Czech Republic, a significant part of our revenue depends on regulated tariffs (including electricity distribution prices and heat prices). Such tariffs are set by the ERO. As of the date of this Base Prospectus, we are in the 5th regulatory period (2021 – 2025) (please see "*Regulation - Transmission and Distribution of Electric Energy - Price of Electricity*"). The regulation tariffs may change in the next regulatory period and, as a result, any changes in regulated tariffs could have a material adverse effect on our business, results of operations and financial condition.

Tariffs are also set by the regulatory authorities of other countries in which we operate, including the Energy and Water Regulatory Commission in Bulgaria. A significant part of our revenue generated outside of the Czech Republic is generated by our electricity distribution businesses in Bulgaria. Regulatory policies of such countries in South East Europe, particularly Bulgaria, are less developed and are more susceptible to political intervention and adverse regulatory action. Public authorities and regulatory authorities in the countries in which we operate may decide to limit or block tariff increases, or even order tariff decreases, with no change to the quality of service, or may change the conditions of access to such regulated tariffs, including changes to the price setting mechanisms as a result of political interference. However, we cannot give any assurance that new tariff mechanisms would be put in place or that regulated tariffs would be set at a level which would allow us to preserve our short-, medium- or long-term investment capacity or our property interests, while ensuring a fair return on the capital invested in our electricity generation, distribution and supply assets. As a result, any changes in regulated tariffs, particularly those that may affect our revenues from electricity distribution, could have a material adverse effect on our business, results of operations and financial condition. For more information on our disputes in Bulgaria relating to the regulated tariffs, please see "*Description of ČEZ —Legal Proceedings — Bulgaria*".

***Risk of uncertain, unexpected or unlawful decisions of key regulatory or national administration executive authorities.***

Our business as well as our capital investment program and financial investment strategy are subject to decisions of numerous national and international institutions, as well as regulatory and administrative authorities. We face the risk that decision makers in these institutions may not act within the scope of existing laws and regulations, which could have uncertain and unexpected consequences on our business and operations in the Czech Republic, Germany, France, Romania, Bulgaria, Poland, Italy, South East Europe and Turkey, which in turn could have a material adverse effect on our business, results of operations and financial condition. Although we are not aware of any misconduct, we cannot exclude a politically motivated revocation of the license(s) which would have a material adverse effect on our business, results of operations and financial condition.

***Risks associated with E.U. regulation of energy market mechanisms, including the credit and cash settlement requirements for trading of commodities and financial instruments.***

We trade on the financial and wholesale energy markets. Over the past years, E.U. regulations, particularly Regulation on Energy Market Integrity and Transparency ("*REMIT*"), MIFID II, Market Abuse Directive and Regulation ("*MAD/MAR*") and European Market Infrastructure Regulation ("*EMIR*"), have put in place regulatory framework to increase transparency, avoid manipulation and abusive trading practices as well as to address potential cash margining requirements for over-the-counter (OTC) transactions. Due to the amount of our hedged production volume and the

volatility of power prices, such requirements could result in liquidity needs that may be difficult to cover. In addition, our foreign exchange and interest rate hedging transactions could also be affected.

We face the risk of non-compliance risk with the above regulation, which imposes strict penalties and sanctions. Although we strive to manage our commodity trading portfolio within the limits to remain a non-financial counterparty below the clearing threshold (NFC-), so that no additional requirements for margining or mandatory clearing of OTC deals must be fulfilled, there is no guarantee that we will be able to do so in the future, or that our trading activities will continue to qualify as exempted from MiFID II license regime with no need on capital or funds to cover regulatory requirements. As a result, E.U. financial market mechanisms, including any changes to credit and cash settlement requirements for trading of financial instruments, could have a material adverse effect on our business, results of operations and financial condition.

***Risks associated with changes in E.U. or national requirements affecting liability for nuclear damage, insurance requirements or decommissioning of nuclear power plants.***

Each Member State sets its own limits and rules relating to the liability for nuclear damage, insurance requirements and the decommissioning of nuclear power plants, which are affected by the political policies of each Member State. Any changes or developments in such legal or regulatory requirements or policies could affect the legal and regulatory requirements and political policies of the Czech Republic. Any changes to the limits and rules set by the Czech Republic affecting the operation of our nuclear power plants, including the liability for nuclear disasters, insurance coverage and premiums or decommissioning costs, could have a material adverse effect on our business, results of operations and financial condition.

***The new transparency regime in the Czech Republic may decrease our competitiveness.***

Under the Czech Registry of Contracts Act, certain business contracts with a consideration above CZK 50,000 entered into by a legal entity in which the Czech Republic, directly or indirectly, holds a majority ownership interest must be disclosed in a publicly accessible electronic registry, unless one of the exemptions provided for in the Czech Registry of Contracts Act applies. Otherwise, the respective business contract would be, after a certain period of time, automatically terminated by operation of Czech law. As of November 1, 2019, the Czech Registry of Contracts Act applies also to publicly traded companies in which the Czech Republic holds a majority ownership interest, including ČEZ.

There is a risk that know-how and other sensitive business-related information of ČEZ and its counterparties may be required to be disclosed in the Czech Registry of Contracts. Further, there could be disputes as to whether or not certain contracts and/or information is exempted from disclosure under the Czech Registry of Contracts Act and, as a result of such disputes, ČEZ could be forced to disclose in the Czech Registry of Contracts information which ČEZ considers to be a trade secret.

There is a significant risk that ČEZ, unlike its competitors, will be subject to a stringent transparency regime and, thus, put into a competitive disadvantage which could have a material adverse effect on our business, results of operations and financial condition.

***Recent case law of the Court of Justice of the European Union may have a significant adverse impact on our ability to recover the value of our investments in other Member States.***

In March 2018, the Court of Justice of the European Union held that a provision in a bilateral investment treaty ("*BIT*") concluded between a Member State that allows an investor from one Member State to arbitrate investment disputes against another Member State is incompatible with E.U. law (the "*Achmea Judgment*").

There is a risk that the Achmea Judgement might be interpreted as having such effect that all investor-State arbitration clauses in intra-E.U. BITs are inapplicable, and that any arbitration tribunal established on such basis lacks jurisdiction due to the absence of a valid arbitration agreement. Should such interpretation prevail, E.U. national courts would be under the obligation to annul any arbitral award rendered on that basis and to refuse to enforce it. Additionally, there is a risk that the findings of the Achmea Judgement could also be deemed to be relevant in respect of the investor-State arbitration clauses concluded under the Energy Charter Treaty, which would therefore make any such clause inapplicable, and any award rendered thereunder unenforceable.

Also, on July 19, 2018, the E.U. Commission issued a communication "*Protection of intra-E.U. investment*" stressing that investors can no longer rely on intra-E.U. BITs as such treaties overlap with the E.U. single market rules and discriminate against E.U. investors.

On January 15, 2019, representatives of 22 E.U. Member States signed a declaration on the legal consequences of the Achmea Judgment, in which they, *inter alia*, undertake to inform investment arbitration tribunals about the legal consequences of the Achmea Judgment in ongoing proceedings under intra-E.U. BITs and to terminate all intra-EU BITs by December 6, 2019.

On 5 May 2020, 23 E.U. Member States (including the Czech Republic) signed the Agreement for the Termination of Bilateral Investment Treaties between the Member States of the E.U. (the "*BIT Termination Agreement*") under which the EU Member States committed to terminate their Intra-E.U. BITs and which implements the above-mentioned Achmea decision. The Czech Republic has already initiated the ratification of the BIT Termination Agreement.

We carry out business activities in various other Member States where we may be subject to adverse regulatory actions. We also commenced international investment arbitration proceedings against the Republic of Bulgaria at ICSID (see "*We may not be able to recover the value of our investment in Bulgaria*"). We cannot give any assurance that the ruling of the Court of Justice of the European Union will not have a material adverse effect on our ability to fully recover the value of our investments in other Member States and, thus, also on our business, results of operations and financial condition.

#### **Risks relating to our financial profile**

***Our ability to access credit and bond markets and our ability to raise additional financing is in part dependent on our credit ratings.***

As of the date of this Base Prospectus, ČEZ has a credit rating of A- with a stable outlook by Standard & Poor's and Baa1 with a stable outlook by Moody's. On November 26, 2020, Standard & Poor's updated its credit report in relation to ČEZ and confirmed its long-term credit rating "A-" with a change in outlook to stable from the previous negative. On January 26, 2021 Moody's updated its credit opinion of ČEZ with an unchanged long-term credit rating of "Baa1" with outlook stable. These ratings reflect each agency's opinion of our financial strength, operating performance and ability to meet our debt obligations as they become due. These ratings are near the low-end of the respective rating agency's scale of investment-grade ratings. Credit rating agencies monitor companies more closely and have made liquidity, and the key ratios associated with it, such as gross leverage ratio, a particular priority when determining a company's rating. Our ability to access the capital markets and other forms of financing (or refinancing), and the costs connected with such activities, depend in part on our credit ratings. We currently expect to operate with sufficient liquidity to maintain our current ratings. However, this is dependent on a number of factors, some of which may be beyond our control. If we fail to maintain adequate levels of liquidity, our ratings may be downgraded. In the event our credit or debt ratings are further lowered by the rating agencies, we may not be able to raise additional indebtedness on terms similar to our existing indebtedness or at all, and our ability to access credit and bond markets and other forms of financing (or refinancing) could be limited, which could have a material adverse effect on our business, results of operations and financial condition. Further lowering of our credit rating may also trigger our obligation to redeem certain debt securities prior to their scheduled redemption date which could also have a material adverse effect on our business, results of operations and financial condition.

***We have substantial debt and our financial obligations could impair our ability to service our debt, carry out new financings and fund our capital expenditures.***

We have substantial debt and other financial obligations, amounting to CZK 156,547 million as of December 31, 2020, compared to CZK 173,671 million as of December 31, 2019. We cannot give any assurances that our cash flow from operations will be sufficient to service our debt and to meet other payment obligations or to fund our planned capital expenditures without the need for additional external financing. Our substantial debt and other financial obligations could limit our flexibility in planning for, or reacting to, changes in our business or our industry, which could have a material adverse effect on our business, results of operations and financial condition.

***The agreements that govern our long-term debt contain restrictive covenants.***

The agreements that govern our long-term debt contain certain restrictive covenants, including among others "negative-pledge" clauses, "no disposal of assets" clauses and "material change" clauses, which may restrict our ability to acquire or dispose of assets or incur new debt. Our failure to comply with any of these covenants could constitute an event of default, which could result in the immediate or accelerated repayment of our debt, lead to cross-default under our other credit agreements or limit or reduce our ability to implement and execute our key strategies, which could in turn have a material adverse effect on our business, results of operations and financial condition.

***We conduct our business in several different currencies and are exposed to foreign currency risks.***

We sell the electricity we generate in the Czech Republic on markets such as the PXE and the EEX, which trade electricity contracts denominated in Euro. As a result, the revenues we receive from these sales are either denominated in Euro or denominated in Czech crowns but derived from Euro-denominated electricity prices and the EUR/CZK exchange rate at the time the contract is concluded. However, a significant portion of our operating expenses and capital expenditure needs related to power generation in the Czech Republic are denominated in Czech crowns, which exposes us to substantial foreign exchange risk. We also generate revenues and incur costs in currencies other than Euro and Czech crown, such as Bulgarian lev, Polish zloty, Romanian lei and Turkish lira. We believe that our Euro denominated indebtedness acts as a natural foreign exchange hedge for our exposure to Euro denominated revenues and we also engage in transaction currency hedging. In general, we hedge our CZK/EUR position for the expected electricity supply from generation. As of December 31, 2020 we had our CZK/EUR position for 2021 hedged at an average rate of 26.90 CZK/EUR while for the period of 2022-2024 at a rate of 25.80-26.20 CZK/EUR. Any increase in our exposure to foreign exchange risks or our failure to manage or make use of financial or natural hedging in order to manage our exposure to foreign exchange risk could have a material adverse effect on our business, results of operations and financial condition.

The Czech crown volatility is affected by, among others, public finance deficits, the overall development of the global economy and the relative perception of risks associated with new Member States and other central and eastern European countries. The volatility of the Czech crown is also affected by the anticipated date that the Czech Republic joins the Eurozone, which has been delayed due to political developments. As of the date of this Base Prospectus, there is no official target date for the Czech Republic to join the Eurozone.

We cannot give any assurance that any government or monetary authorities will not impose (as some have done in the past) exchange controls or interventions that could adversely affect an applicable exchange rate. For instance, in the period from November 2013 to April 2017, the Czech National Bank was intervening in the foreign exchange markets to weaken the Czech crown against the Euro. The Czech National Bank ended its exchange rate intervention against the Czech crown on April 6, 2017 due to the rise in inflation. Any significant change or fluctuation in the Czech crown's exchange rate or inflation in the Czech Republic could have a material adverse effect on our business, results of operations and financial condition.

***External financing may increase our interest expense.***

Due to potential investments, acquisitions and our need to service existing debt and other financial obligations, we may need additional external financing to cover our payment obligations. Any increase in interest rates could therefore lead to a material increase in our interest expense, which could have a material adverse effect on our business, results of operations and financial condition. We use interest rate swaps and other types of derivatives to reduce the amount of debt exposed to interest rate fluctuations and to reduce borrowing costs. However, we may incur losses if any of the variety of instruments and strategies used to hedge exposures are not effective or cannot be implemented. Our actual hedging decisions will be determined in light of the facts and circumstances existing at the time of the hedge and may differ from time to time. Also, the risk management procedures we have in place may not always be followed or may not work as planned. In addition, we perform stress testing using a standardised interest rate shock, whereby an immediate increase or decrease in interest rates by one per cent. along the whole yield curve is applied to the interest rate positions of the portfolio. According to the results of these tests, as of December 31, 2020, an increase in interest rates by one per cent. would have had a negative impact on our results in the amount of approximately CZK 40 million. The occurrence of any of the aforesaid risks could have a material adverse effect on our business, results of operations and financial condition.

***We could incur unforeseen taxes, tax penalties and sanctions.***

A number of Member States face significant budget deficits and, as a result, new taxes have been, and may in the future be, imposed on the utilities sector, such as the nuclear tax in Germany and the power sales tax in Hungary. The imposition of any new taxes (including a carbon tax or sector tax) in the countries in which we operate, or changing interpretations or application of tax regulations by the tax authorities, harmonization of Czech and E.U. tax law and regulation, extensive time periods relating to overdue liabilities and the possible imposition of penalties and other sanctions due to unpaid tax liabilities may result in additional amounts being payable by us, which could have a material adverse effect on our business, results of operations and financial condition.

For example, with effect from January 1, 2014, operators of certain solar electricity producing facilities in the Czech Republic which were put into operation between January 1, 2010 and December 31, 2010 are subject to a withholding tax in the amount of (i) 10 % of the income corresponding to the feed-in tariff, or (ii) 11 % of the income corresponding to a "green bonus". As of December 31, 2020, we owned and operated 11 solar power plants in the Czech Republic, with installed capacity of 125.2 MW. The majority of these solar power plants were put into operation between January 1, 2010 and December 31, 2010 and are subject to the withholding tax. Extension or amendment to such tax legislation or introduction of any similar tax in the future could have a material adverse effect on our business, results of operations and financial condition.

**Risks Related to CEZ Finance**

***CEZ Finance is a newly set up entity.***

CEZ Finance is a newly incorporated entity with no operational history and the objective of which is to finance businesses within the CEZ Group. CEZ Finance may issue Notes under the Programme and lend the proceeds of such issuance to the Guarantor or other CEZ Group companies and may enter into certain ancillary arrangements. CEZ Finance's principal source of funds, if any, will be derived from the Guarantor and other CEZ Group companies. See "*– CEZ Finance is dependent on the Guarantor or other CEZ Group companies as the only source of its income will be the repayment by the Guarantor or other CEZ Group companies of the loans provided to them*". CEZ Finance is subject to all the risks relating to income and expenses to which the CEZ Group is subject, to the extent that such risks could limit CEZ Finance's ability to satisfy its obligations under any Notes in full and on a timely basis.

***CEZ Finance is dependent on the Guarantor or other CEZ Group companies as the only source of its income will be the repayment by CEZ or other CEZ Group companies of the loans provided to them.***

CEZ Finance is highly dependent on the Guarantor's or other CEZ Group companies' financial strength. CEZ Finance's only source of income will be the repayment of all principal amounts and interest under inter-company loan agreements to be entered into between CEZ Finance as the lender and the Guarantor or other CEZ Group companies as the borrower. If any of the risks mentioned in the section "*– Risks Related to Our Business and Operations*" have a material adverse effect on the CEZ Group's ability to conduct its business and generate revenues, or any other events materially adversely affect the CEZ Group's business, results of operations and/or financial condition and the Guarantor or other CEZ Group company becomes unable to make the scheduled repayments pursuant to inter-company loan agreements between the Guarantor or other CEZ Group company and CEZ Finance, this will have a material adverse effect on CEZ Finance's ability to satisfy in full and on a timely basis its obligations in respect of any Notes.

**Risks related to the structure of a particular issue of Notes**

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes and those which might occur in relation to certain types of Exempt Notes:

**Risks applicable to all Notes.**

*If an Issuer has a right to redeem any Notes at its option, this may limit the market value of the Notes concerned, and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.*

An optional redemption feature of Notes is likely to limit their market value. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Moreover, the applicable Final Terms or Pricing Supplement (as relevant) of a particular issue of Notes may provide for an early redemption at the option of the relevant Issuer (including a Make-Whole Redemption by the relevant Issuer as described in Condition 6.4 or a Residual Maturity Call Option by the relevant Issuer as described in Condition 6.5). As a consequence, the proceeds received upon redemption may be lower than expected, and the redeemed face amount of the Notes may be lower than the purchase price for the Notes paid by the Noteholder. As a result, part of the capital invested by the Noteholder may be lost, so that the Noteholder in such case would not receive the total amount of the capital invested.

Furthermore, the relevant Issuer may, in accordance with Condition 6.2, redeem the Notes in whole but not in part in the event that the relevant Issuer or, failing which, the Guarantor is obliged to increase the amounts payable in respect of any Notes as a result of any change in, or amendment to, the laws or regulations of the Czech Republic or the Netherlands, as the case may be, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations.

*A partial redemption at the option of the Issuer or redemption at the option of the Noteholders may affect the liquidity of the Notes of the same Series in respect of which such option is not exercised.*

An early redemption at the option of the relevant Issuer (including a Make-Whole Redemption by the relevant Issuer as described in Condition 6.4) or an early redemption at the option of the Noteholders in respect of certain Notes may affect the liquidity of the Notes of the same Series in respect of which such option is not exercised.

Depending on the number of Notes of the same Series in respect of which a partial redemption of the Notes at the option of the relevant Issuer or at the option of the Noteholders is made, any trading market in respect of those Notes in respect of which such option is not exercised may become illiquid.

*If the Notes include a feature to convert the interest basis from a fixed to a floating rate or vice versa, this may affect the secondary market and the market value of the Notes concerned.*

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

*There are particular risks associated with an investment in certain types of Floating Rate Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes.*

The relevant Issuer may issue Floating Rate Notes with interest determined by reference to a reference rate (such as EURIBOR, LIBOR or PRIBOR).

Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) a reference rate (such as EURIBOR, LIBOR or PRIBOR) may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

- (iv) the timing of changes in a reference rate may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the reference rate, the greater the effect on yield.

The historical experience of a reference rate should not be viewed as an indication of the future performance of such reference rate during the term of any the relevant Floating Rate Notes. Accordingly, each potential investor should consult its own financial and legal advisors about the risk entailed by an investment in any Floating Rate Note linked to a reference rate and the suitability of such Notes in light of its particular circumstances.

*Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.*

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

***Risks applicable to certain types of Exempt Notes.***

*There are particular risks associated with an investment in certain types of Exempt Notes, such as Index Linked Notes and Dual Currency Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it.*

The relevant Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "Relevant Factor"). In addition, the relevant Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated.

Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or a Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of the relevant Notes. Accordingly, each potential investor should consult its own financial and legal advisors about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

*Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of his investment.*

The relevant Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of the Notes could result in such investor losing all of his investment.

*Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

*Notes which are issued with an inverse floating interest rate will have more volatile market values than conventional floating rate notes*

Notes with an inverse floating rate have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR, EURIBOR or PRIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Notes with an inverse floating rate are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

***The regulation and reform of "benchmarks" may adversely affect the value of any Notes linked to such "benchmarks".***

Interest rates and indices which are deemed to be "benchmarks", and which may be used to determine the amounts payable under financial instruments or the value of such financial instruments including LIBOR, EURIBOR and PRIBOR, are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark".

The EU Benchmark Regulation applies, subject to certain transitional provisions. The EU Benchmark Regulation could have a material impact on any Notes linked to or refinancing LIBOR, EURIBOR or PRIBOR or another "benchmark" rate or index, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the terms of the EU Benchmark Regulation. Such changes could (amongst other things) have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements.

For example, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. The Financial Conduct Authority ("FCA") has indicated through a series of announcements that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. On 5 March 2021, the FCA announced that all 35 LIBOR settings currently published by ICE Benchmark Administration will either cease to be provided or will no longer be representative immediately after (as applicable to the particular LIBOR benchmark) 31 December 2021, 29 December 2022 or 30 June 2023. The Bank of England and the FCA had previously announced, on 29 November 2017, that from January 2018, its Working Group on Sterling Risk-Free Rates had been mandated with implementing a broad-based transition to the Sterling Overnight Index Average ("SONIA") across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

There are separate on-going workstreams to determine a euro risk free-rate as an alternative to EURIBOR. On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate ("€STR") as the new risk free rate. €STR has been published by the ECB since October 2019. Meanwhile, EURIBOR underwent a methodological reform in 2019 to make it compliant with the regulatory requirements outlined in the EU Benchmark Regulation. It is now determined using a hybrid methodology rather than a purely quote-based method. Following a testing phase and public consultations, the hybrid methodology became applicable at the end of 2019, and the European Money Markets Institute has received authorisation from the competent authority, meaning that the benchmark can continue to be used for new and legacy contracts after 3 January 2022. Nevertheless, the long-term sustainability of EURIBOR depends on factors such as the continued willingness of the panel of contributing banks to support it, the support of the regulator and the administrator and/or whether or not there is sufficient activity in its underlying market.

Such factors may have the following effects on certain benchmarks (including LIBOR, EURIBOR and PRIBOR): (i) discourage market participants from continuing to administer or contribute to certain "benchmarks", (ii) trigger changes in the rules or methodologies used in certain "benchmarks" or (iii) lead to the disappearance of certain "benchmarks". Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to a "benchmark".

It is not possible to predict with certainty whether, and to what extent, LIBOR, EURIBOR and/or PRIBOR will continue to be supported going forwards. This may cause LIBOR, EURIBOR and/or PRIBOR to perform differently than they have done in the past and may have other consequences which cannot be predicted. The elimination of LIBOR, EURIBOR, PRIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Terms and Conditions of the Notes, or result in other consequences, in respect of any Notes referencing such benchmark.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a published benchmark, including an inter-bank offered rate such as LIBOR, EURIBOR, PRIBOR or other relevant reference rates (including, without limitation, mid-swap rates and any page on which such benchmark may be published) becomes unavailable. Where the Rate of Interest (as defined in "*Terms and Conditions of the Notes*") is to be determined by reference to the Relevant Screen Page (as defined in "*Terms and Conditions of the Notes*") and the Relevant Screen Page is not available or the relevant rate does not appear on the Relevant Screen Page, the Terms and Conditions of the Notes provide for the Rate of Interest to be determined by the Agent by reference to quotations from Reference Banks communicated to the Agent at the request of the relevant Issuer.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Original Reference Rate (as defined in "*Terms and Conditions of the Notes*")), the ultimate fallback for the purposes of calculation of interest for a particular Interest Period (as defined in "*Terms and Conditions of the Notes*") may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Uncertainty as to the continuation of the Original Reference Rate, the availability of quotes from Reference Banks, and the rate that would be applicable if the Original Reference Rate is discontinued may adversely affect the value of, and return on, the Notes.

If a Benchmark Event (as defined in Condition 4.4(h)) (which, amongst other events, includes the permanent discontinuation of an Original Reference Rate) occurs, the relevant Issuer shall use its reasonable endeavours to appoint an Independent Adviser (as defined in "*Terms and Conditions of the Notes*"). After consulting with the Independent Adviser, the relevant Issuer shall endeavour to determine a Successor Rate or Alternative Rate (each as defined in "*Terms and Conditions of the Notes*") to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate to determine the Rate of Interest will result in Notes linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate or Alternative Rate for the Original Reference Rate is determined by the relevant Issuer, the Terms and Conditions of the Notes provide that the relevant Issuer may vary the Terms and Conditions of the Notes, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for consent or approval of the Noteholders.

If a Successor Rate or Alternative Rate is determined by the relevant Issuer, the Terms and Conditions of the Notes also provide that an Adjustment Spread (as defined in Condition 4.4(g)) may be determined by the relevant Issuer and applied to such Successor Rate or Alternative Rate. The aim of the Adjustment Spread is to reduce or eliminate, to the extent reasonably practicable, any economic prejudice or benefit (as the case may be) to Noteholders and Couponholders (each as defined in "*Terms and Conditions of the Notes*") as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate. However, it may not be possible to determine or apply an Adjustment Spread and even if an Adjustment Spread is applied, such Adjustment Spread may not be effective to reduce or eliminate economic prejudice to Noteholders and Couponholders. If no Adjustment Spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Rate of Interest. The use of any Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) will still result in Notes linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing LIBOR, EURIBOR or PRIBOR.

***In respect of any Notes issued with a specific use of proceeds, such as for financing of Green Projects, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor.***

The net proceeds from the issue of any Notes will be used by the relevant Issuer for general corporate purposes of the CEZ Group. If, in respect of any particular issue of Notes, there is a particular identified use of proceeds, this will be specified in the applicable Final Terms or, in case of Exempt Notes, in applicable Pricing Supplement. Prospective investors should have regard to the information set out in the applicable Final Terms or, in case of Exempt Notes, in applicable Pricing Supplement, regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary.

The relevant Issuer may choose to apply the proceeds from the issue of any Notes specifically for projects and activities that promote climate-friendly and other environmental purposes (the "**Green Projects**"). No assurance is given by the relevant Issuer, the Guarantor (if applicable) or the Dealers that the use of such proceeds for any Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Green Projects.

While it is the intention of the relevant Issuer to apply the proceeds of any Notes so specified in, or substantially in, the manner described in the relevant Final Terms or, in case of Exempt Notes, the applicable Pricing Supplement, there can be no assurance that the relevant project(s) or use(s) (including those the subject of, or related to, any Green Projects) will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such project(s) or use(s). Nor can there be any assurance that any Green Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the relevant Issuer or the Guarantor (if applicable). Moreover, there can be no assurance that adverse environmental impacts will not occur during the design, construction, commissioning and/or operation of any Green Project or that the anticipated environmental benefits will be realised. Any such event or failure by the relevant Issuer or the Guarantor (if applicable) will not constitute an Event of Default under the Notes.

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently-labelled project, or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label, nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any project(s) or use(s) the subject of, or related to, any Green Projects will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any project(s) or use(s) the subject of, or related to, any Green Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the ČEZ or CEZ Finance) which may be made available in connection with the issue of any Notes and in particular with any Green Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification (i) is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus, (ii) is not, nor should be deemed to be, a recommendation by ČEZ, CEZ Finance, the Dealers or any other person to buy, sell or hold any such Notes, (iii) would only be current as of the date that it was initially issued, (iv) may be subsequently withdrawn and (v) may not address risks that relate to any Green Project or may affect the value of the Notes. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the relevant Issuer, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, for example with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Green Projects. Additionally, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by ČEZ, CEZ Finance, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

Any such event or failure to apply the proceeds of any issue of Notes for any project(s) or use(s), including any Green Projects, and/or withdrawal of any opinion or certification as described above or any such opinion or certification attesting that ČEZ or CEZ Finance are not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid could have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended by the relevant Issuer to finance Green Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

### **Risks related to the Notes generally**

Set out below is a description of material risks relating to the Notes generally:

***The conditions of the Notes contain provisions which may permit their modification without the consent of all investors.***

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

***The value of the Notes could be adversely affected by a change in English law or administrative practice.***

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

***Possible difficulties or delays in enforcing English court judgements as a result of the UK's withdrawal from the EU.***

Upon the end of the transitional period following the withdrawal of the United Kingdom from the EU, the so-called Recast Brussels Regulation (Regulation (EU) No 1215/2012) (the "**Recast Regulation**"), which is the formal reciprocal regime on jurisdiction and judgments which is currently applied in the EU context no longer applies in the United Kingdom. As a result, persons enforcing a judgment obtained before English courts will no longer automatically be able to benefit from the recognition of such judgment in EU courts under the Recast Regulation.

On 8 April 2020, the UK government formally applied for the UK to re-join the Lugano Convention as an independent contracting state, which would mean English judgments would continue to be recognised and enforced in other contracting states. However, this application is pending review by the other contracting parties. Further, on 28 September 2020, the UK deposited its instrument of accession to the Hague Convention on Choice of Court Agreements 2005 (the "**Hague Convention**"). The Hague Convention requires that contracting states recognise and respect exclusive jurisdiction clauses, and to enforce related judgments, in favour of other contracting states. The Netherlands and the Czech Republic are each a party to the Hague Convention as a consequence of being EU Member States. Therefore, judgments of the English courts should be both recognised and enforced in the Netherlands and the Czech Republic pursuant to the Hague Convention. However, the scope of the Hague Convention is limited and it applies only to contracts with an exclusive jurisdiction clause.

Although unlikely, it cannot be excluded that Dutch or Czech courts considering the recognition and enforcement of English court judgments will apply the 1968 Brussels Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters. Therefore, Noteholders seeking to enforce an English court judgment against the relevant Issuer, or the Guarantor, if applicable, may need to rely on Dutch and/or Czech civil procedure rules for the recognition and enforcement of any such judgment in the Netherlands or the Czech Republic, as the case may be. As a result, a judgment entered against the relevant Issuer, or the Guarantor, if applicable, in an English court may not be recognised or enforceable without a re-trial on its merits.

***Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and be adversely affected if definitive Notes are subsequently required to be issued.***

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

**No gross-up for new withholding tax on interest in the Netherlands in respect of payments made by CEZ Finance to certain holders of Notes that are entities related to CEZ Finance.**

The Netherlands has introduced a new withholding tax on interest payments as of 1 January 2021 pursuant to the Dutch Withholding Tax Act 2021 (*Wet bronbelasting 2021*). The new withholding tax generally applies to interest payments made by an entity tax resident in the Netherlands, like CEZ Finance, to an entity *related (gelieerd)* to CEZ Finance (as described below) tax resident in a Listed Jurisdiction (as defined below).

For purposes of the Dutch Withholding Tax Act 2021, an entity is considered an entity *related* to CEZ Finance if (i) such entity has a Qualifying Interest (as defined below) in CEZ Finance; (ii) CEZ Finance has a Qualifying Interest in such entity; or (iii) a third party has a Qualifying Interest in both CEZ Finance and such entity. The term "*Qualifying Interest*" means a directly or indirectly held interest – either individually or jointly as part of a collaborating group (*samenwerkende groep*) – that confers a definite influence over the company's decisions and allows the holder of such interest to determine its activities (within the meaning of case law of the European Court of Justice on the right of freedom of establishment (*vrijheid van vestiging*)).

A jurisdiction is considered a listed jurisdiction (a "*Listed Jurisdiction*"), if it is listed in the yearly updated Dutch Regulation on low-taxing states and non-cooperative jurisdictions for tax purposes (*Regeling laagbelastende staten en niet-coöperatieve rechtsgebieden voor belastingdoeleinden*) which includes (i) jurisdictions with a corporation tax on business profits with a general statutory rate of less than 9 % and (ii) jurisdictions that are included in the EU list of non-cooperative jurisdictions. For the fiscal year 2021, the following 23 jurisdictions are Listed Jurisdictions: American Samoa, Anguilla, Bahamas, Bahrain, Barbados, Bermuda, the British Virgin Islands, the Cayman Islands, Fiji, Guam, Guernsey, Isle of Man, Jersey, Palau, Panama, Samoa, Seychelles, Trinidad and Tobago, Turkmenistan, Turks and Caicos Islands, Vanuatu, the United Arab Emirates and the U.S. Virgin Islands.

The new withholding tax may also apply in situations where artificial structures are put in place with the main purpose or one of the main purposes to avoid the Dutch withholding tax, e.g., where an interest payment into a Listed Jurisdiction is artificially routed via an intermediate entity in a non-Listed Jurisdiction, or in the event of a hybrid mismatch.

In practice, CEZ Finance may not always be able to assess whether a holder of Notes is an entity *related* to CEZ Finance or located in a Listed Jurisdiction. The applicable legislation is unclear on CEZ Finance's responsibilities to determine the absence of affiliation in respect of notes issued in the market, such as the Notes.

If the Notes become subject to withholding tax on interest in the Netherlands pursuant to the Dutch Withholding Tax Act 2021, CEZ Finance will make the required withholding or deduction of such withholding tax for the account of the relevant holder and shall not be obliged to pay any additional amounts to such holder in respect of the withholding or deduction, as provided in the terms and conditions of the Notes.

### **Risks related to the market generally**

Set out below is a description of the material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

***An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.***

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

***If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.***

The relevant Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the relevant Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.***

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

***Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes.***

ČEZ's credit ratings are A- (stable outlook) by Standard & Poor's and Baa1 (stable outlook) by Moody's. Standard & Poor's (domiciled in Ireland) and Moody's (domiciled in Ireland) are both included in the list of credit rating agencies registered in accordance with the CRA Regulation, which is available on the ESMA website (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>). The list of registered and certified rating agencies published by ESMA on its website is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. In addition, Standard & Poor's, Moody's and/or other independent credit rating agencies may assign credit ratings to the Notes. Any rating is not a recommendation to purchase, sell or hold any particular security, including the Notes. These ratings are limited in scope and do not comment as to market price or suitability for

a particular investor. In addition, ratings at any time may be lowered or withdrawn in their entirety. Actual or anticipated changes or downgrades in the Issuer's credit ratings, including any announcement that the Issuer's ratings are under further review for a downgrade, could affect the market value of the Notes and increase the Issuer's borrowing costs.

European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-E.U. credit rating agencies, unless the relevant credit ratings are endorsed by an E.U.-registered credit rating agency or the relevant non-E.U. rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Certain information with respect to the credit rating agencies and ratings is set out in this Base Prospectus.

Investors regulated in the UK are subject to similar restrictions under the CRA Regulation as it forms part of the current domestic law of the UK by virtue of the EUWA (the "*UK CRA Regulation*"). UK regulated investors are restricted under the UK CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the UK and registered under the UK CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-UK credit rating agencies, unless the relevant credit ratings are endorsed by a UK-registered credit rating agency or the relevant non-UK rating agency is certified in accordance with the UK CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Certain information with respect to the credit rating agencies and ratings is set out in this Base Prospectus.

## STABILIZATION

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilization Manager(s) (or persons acting on behalf of any Stabilization Manager(s)) in the applicable Final Terms or (in the case of Exempt Notes) the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilization Manager(s) (or persons acting on behalf of any Stabilization Manager(s)) in accordance with all applicable laws and rules.**

## PRESENTATION OF FINANCIAL INFORMATION

With the exception of certain alternative performance measures (please see "*Alternative Performance Measures*"), the financial information as of and for the years ended December 31, 2019 and 2020 included in this Base Prospectus has been derived from the audited consolidated financial statements of the CEZ Group as of and for the years ended December 31, 2019 (the "*2019 Financial Statements*") and the audited consolidated financial statements of the CEZ Group as of and for the years ended December 31, 2020 (the "*2020 Financial Statements*" and together with the 2019 Financial Statements, the "*Financial Statements*") which are incorporated by reference into this Base Prospectus (please see "*Documents Incorporated by Reference*"). The audited non-consolidated financial statements of ČEZ for the year ended December 31, 2020 are also incorporated by reference in this Base Prospectus (see "*Documents Incorporated by Reference*").

Certain amounts and percentages which appear in this Base Prospectus have been subject to rounding adjustments, and, accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

### Alternative Performance Measures

In this Base Prospectus, we present the following metrics calculated on the basis of the Financial Statements which are not calculated in accordance with International Financial Reporting Standards ("*IFRS*") as adopted in the E.U. and which are therefore non-IFRS measures. These metrics constitute the Alternative Performance Measures (the "*APMs*") as defined in the European Securities and Markets Authority Guidelines on Alternative Performance Measures. Please see "*Selected Financial Information – Other Financial Information*" for reconciliation of the APMs to our Financial Statements.

APM	Definition of APM	Purpose of APM
EBIT	Income before other income (expenses) and income taxes.	Measure of operating performance.
EBITDA	Income before income taxes and other income (expenses) plus depreciation and amortization plus impairment of property, plant and equipment and intangible assets and less gain (or loss) on sale of property, plant and equipment.	Measure of operating performance.
EBITDA Margin	Percentage corresponding to the ratio of EBITDA to total revenues and other operating income.	Measure of operating profitability.
Net Debt	Total Debt less cash and cash equivalents and highly liquid financial assets. Highly liquid financial assets consist for capital management purposes of short-term and long-term debt financial assets and short-term and long-term bank deposits.	Measure of indebtedness.
Net Debt/EBITDA Ratio	Ratio of Net Debt to EBITDA.	Measure of indebtedness and borrowing capacity.
Total Capital	Total equity attributable to equity holders of the parent plus Total Debt.	Measure of invested capital.
Total Debt	Long-term and short-term interest-bearing loans and borrowings (including those associated with assets classified as held for sale).	Measure of indebtedness.
Total Debt/Total Capital Ratio	Ratio of Total Debt to Total Capital.	Indicator of financial structure and solvency.

The APMs are supplemental measures of our performance and liquidity that are not required by or presented in accordance with IFRS. Furthermore, the APMs should not be considered as an alternative to income after taxes, income before taxes or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities, as a measure of our liquidity or as a measure of cash available to us to invest in the growth of our business.

The APMs are included in this Base Prospectus to extend the financial disclosure to metrics which are used, along with IFRS measures, by our management in monitoring and valuating the CEZ Group's economic and financial performance, and provide investors with further basis, along with IFRS measures, for measuring the CEZ Group's performance.

The APMs presented in this Base Prospectus may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. The APMs are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to operating income or net profit or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles, or as alternatives to cash flow from operating, investing or financing activities.

The APMs have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of our results as reported under IFRS as set out in our audited consolidated financial statements and you should not place any undue reliance on our APMs. Some of these limitations related to the APMs are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the interest expense or cash requirements necessary to service interest or principal payments on our debt;
- they do not reflect gains or losses in hedging or foreign exchange contracts;
- they do not reflect any cash income taxes that we may be required to pay;
- they are not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows;
- they do not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of our ongoing operations;
- assets are depreciated or amortized over differing estimated useful lives and often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, the APMs should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our IFRS results and using these APMs only as supplemental means for evaluating our performance. Please see "*Selected Financial Information*" and our audited consolidated financial statements and the notes thereto, which are incorporated by reference into this Base Prospectus.

## FORWARD-LOOKING STATEMENTS

This Base Prospectus includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believe," "estimate," "anticipate," "expect," "forecast," "foresee," "aim," "intend," "may," "plan," "project," "seek," "should," "will," "would" or, in each case, similar expressions or the negative thereof, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realized. They appear in a number of places throughout this Base Prospectus and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. ČEZ and CEZ Finance caution you that forward-looking statements are not guarantees of future performance and that the actual results of the Group's operations, including its financial condition and liquidity, and the development of the Group's industry may differ materially from those made in or suggested by the forward-looking statements contained in this Base Prospectus. In addition, even if the Group's results of operations, financial condition and liquidity, and the development of the Group's industry are consistent with the forward-looking statements contained in this Base Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Factors that could cause these differences include, but are not limited to:

- a decrease in demand for electricity, including as a result of a potential return of global economic crisis or an outbreak of any contagious disease with human-to-human airborne or contact propagation effects, such as the recent outbreak of COVID-19, that escalated into a global pandemic;
- our strategy, outlook and growth prospects;
- our ability to expand our business and our generation capacity;
- fluctuations in electricity generated by our power plants;
- changes in government regulation and expectations as to future governmental policies and actions;
- unanticipated increases in fuel and other costs;
- fluctuations in interest rates and other market conditions, including foreign currency exchange rates;
- our ability to generate cash flow and to finance our capital expenditure needs;
- any decision by the Czech Government to undertake a partial or full privatization of ČEZ;
- diverse political, economic, legal, tax and other conditions affecting the markets in which we operate;
- competition in the markets in which we operate and our ability to compete in such markets;
- costs, liabilities and penalties we may incur in connection with litigation;
- other risks and factors discussed in this Base Prospectus including under the heading "*Risk Factors*"; and
- other factors that are unforeseen or beyond our control.

Although each of ČEZ and CEZ Finance believe the expectations reflected in any forward-looking statement are reasonable, they cannot give any assurance that they will materialize or prove to be correct.

Each of ČEZ and CEZ Finance urge you to read "*Risk Factors*," "*Regulation*," "*Description of CEZ Finance*" and "*Description of ČEZ*" and for a more complete discussion of the factors that could affect ČEZ and CEZ Finance's future performance, its industry and related regulation thereof. In light of these risks, uncertainties and assumptions, the events described or suggested by the forward-looking statements in this Base Prospectus may not occur.

These forward-looking statements speak only as of the date on which the statements were made. Except as required by law or applicable stock exchange rules or regulations, ČEZ and CEZ Finance undertake no obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to ČEZ or CEZ Finance or to persons acting on each of their behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Prospectus.

## HISTORICAL AND CURRENT MARKET AND INDUSTRY DATA

Certain information contained in this Base Prospectus was derived from various public sources, including information published by Bloomberg, the Czech National Bank, the Czech Statistical Office, the Czech Energy Regulatory Office, Federal Network Agency for Electricity, Gas, Telecommunications, Posts and Railway (*Bundesnetzagentur*) in Germany, Regulatory Commission of Energy (*Commission de Régulation de l'Energie*) in France, the Energy and Water Regulatory Commission in Bulgaria and the Romanian Energy Regulatory Authority. Where information has been sourced from a third party the source has been identified, the information has been accurately reproduced and (as far as the Issuer is aware and is able to ascertain from information published by that third party) no facts have been omitted which could render the reproduced information inaccurate or misleading.

The Issuer believes that the market and industry information contained in this Base Prospectus provides fair and adequate estimates of the size of the Group's market and fairly reflects the Group's competitive position within that market. However, the Group's internal company surveys and management estimates have not been verified by any independent expert, and the Issuer cannot give any assurance that a third party using different methods to assemble, analyze or calculate market data would obtain or generate the same results.

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Issuer believes that these industry publications, surveys and forecasts are reliable but the Issuer has not independently verified them and cannot guarantee their accuracy or completeness. Further, the information presented in this Base Prospectus has been derived from several sources, as there is no single industry report or other source that covers all of the areas in which the Group conducts its operations.

In addition, the Issuer has provided the data contained in this Base Prospectus as to installed capacity, generation and other market share information with respect to the electricity and heating industries in the Czech Republic (unless explicitly stated otherwise). The Group compiles and publishes certain of this data on a regular basis, and also supplies certain of this data to the Czech Statistical Office and the Czech Energy Regulatory Office for use in compiling national data on the energy sector.

## SELECTED FINANCIAL INFORMATION

The following tables set forth summary consolidated financial information of the CEZ Group as of and for the periods indicated.

With the exception of certain APMs discussed in "*Presentation of Financial Information*" the financial information as of and for the years ended December 31, 2019 and 2020 included in this Base Prospectus has been derived from our Financial Statements prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, including interpretations of the International Financial Reporting Interpretations Committee ("*IFRIC*"), previously referred to as the "Standing Interpretations Committee" ("*SIC*"), and, also including, International Accounting Standards, where the context requires, as endorsed by the E.U. Commission for use in the European Union ("*IFRS*"), which are incorporated by reference into this Base Prospectus.

The summary financial data in the tables below should be read together with our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020, including the notes thereto, which are incorporated by reference into this Base Prospectus. Please also see "*Presentation of Financial Information*" and "*Risk Factors*" herein.

### Income Statement Data

The following table sets forth summary consolidated income statement data of the CEZ Group for the years ended December 31, 2019 and 2020.

	<b>For the year ended December 31,</b>	
	<b>2019</b>	<b>2020</b>
	<i>(CZK millions)</i>	
Sales of electricity, heat, gas and coal .....	130,418	138,015
Sales of services and other revenues .....	71,363	71,507
Other operating income .....	4,411	4,215
<b>Total Revenues and other operating income .....</b>	<b>206,192</b>	<b>213,737</b>
<b>Operating expenses:</b>		
Gains and losses from commodity derivative trading .....	7,610	6,122
Purchase of electricity, gas and other energies .....	(55,545)	(56,335)
Fuel and emission rights .....	(21,357)	(23,262)
Services .....	(31,231)	(30,147)
Salaries and wages .....	(28,820)	(30,855)
Materials and supplies .....	(10,262)	(10,576)
Capitalization of expenses to the cost of assets and change in own inventories .....	2,986	3,450
Depreciation and amortization .....	(29,016)	(28,284)
Impairment of property, plant and equipment and intangible assets .....	(4,860)	(24,062)
Impairment of trade and other receivables .....	(386)	(544)
Other operating expenses .....	(8,882)	(6,659)
<b>Income before other income (expenses) and income taxes .....</b>	<b>26,429</b>	<b>12,585</b>
Total other income (expenses) .....	(8,018)	(4,679)
<b>Income before income taxes .....</b>	<b>18,411</b>	<b>7,906</b>
Income taxes .....	(3,911)	(2,438)
<b>Net income .....</b>	<b>14,500</b>	<b>5,468</b>

## Balance Sheet Data

The following table sets forth summary consolidated balance sheet data of the CEZ Group as of December 31, 2019 and 2020.

	As of December 31,	
	2019	2020
	<i>(CZK millions)</i>	
<b>Assets:</b>		
Total property, plant and equipment .....	428,088	410,372
Total other non-current assets .....	73,848	61,573
<i>Total non-current assets</i> .....	<i>501,936</i>	<i>471,945</i>
Total current assets .....	202,638	230,513
<b>Total assets</b> .....	<b>704,574</b>	<b>702,458</b>
<b>Equity and Liabilities:</b>		
Total equity attributable to equity holders of the parent .....	250,761	233,871
<i>Total equity</i> .....	<i>255,364</i>	<i>238,563</i>
Total non-current liabilities.....	262,439	256,259
Total current liabilities .....	186,771	207,636
<b>Total equity and liabilities</b> .....	<b>704,574</b>	<b>702,458</b>

## Statement of Cash flow Data

The following table sets forth summary consolidated statement of cash flow data of the CEZ Group for the years ended December 31, 2019 and 2020.

	For the year ended December 31,	
	2019	2020
	<i>(CZK millions)</i>	
Net cash provided by operating activities.....	42,931	72,157
Total cash used in investing activities .....	(32,363)	(33,723)
Total cash used in financing activities.....	(7,819)	(40,513)
Net effect of currency translation and allowances in cash.....	(88)	342
<b>Net decrease in cash and cash equivalents</b> .....	<b>2,661</b>	<b>(1,737)</b>
Cash and cash equivalents at the beginning of the period .....	9,245	11,906
Cash and cash equivalents at the end of the period .....	11,906	10,169

## Other Financial Information

The following table sets forth certain APMs (non-IFRS financial information) used by our management to monitor and evaluate our economic and financial performance. These indicators, "EBIT", "EBITDA", "EBITDA Margin", and "Net Debt" are not recognized as accounting standards within the IFRS adopted by the European Union, and therefore must not be considered as alternatives to any measures of performance under IFRS.

	For the year ended December	
	2019	2020
	<i>(CZK millions, except percentages)</i>	
EBIT .....	26,429	12,585
EBITDA .....	60,175	64,783
EBITDA Margin .....	29.2%	30.3%

Net Debt .....	161,248	143,512
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The APMs presented above may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. These APMs are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to operating income or net profit or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles, or as alternatives to cash flow from operating, investing or financing activities.

Our APMs have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under IFRS as set out in our audited consolidated financial statements and you should not place any undue reliance on our APMs.

The following table is a reconciliation of the CEZ Group's Net Debt as of December 31, 2019 and 2020 to our Financial Statements. Net Debt is an APM. Please see "*Presentation of Financial Information — Alternative Performance Measures.*"

	<b>For the year ended December 31,</b>	
	<b>2019</b>	<b>2020</b>
	<i>(CZK millions)</i>	
<b>Long-term debt, net of current portion</b> .....	142,570	122,102
(line item of our audited consolidated balance sheet)		
<b>Current portion of long-term debt</b> .....	25,063	28,741
(line item of our audited consolidated balance sheet)		
Long-term debt associated with assets classified as held for sale (Note 15 to our Financial Statements)	1,608	4,683
Short-term loans associated with assets classified as held for sale (Note 15 to our Financial Statements)	170	37
<b>Short-term loans</b> .....	4,260	984
(line item our audited consolidated balance sheet)		
<b>Cash and cash equivalents</b> .....	(9,755)	(6,064)
(line item of our audited consolidated balance sheet)		
Cash and cash equivalents classified as held for sale (Note 15 to our Financial Statements)	(2,151)	(4,105)
<b>Highly liquid financial assets</b> , of which: .....	(517)	(2,866)
Current debt financial assets .....	(403)	(111)
(Note 5 to our Financial Statements)		
Non-current debt financial assets .....	(111)	-
(Note 5 to our Financial Statements)		
Current term deposits .....	(3)	(2,755)
(Note 5 to our Financial Statements)		
<b>NET DEBT</b> .....	<b>161,248</b>	<b>143,512</b>

The following table is a reconciliation of EBIT, EBITDA and Net Debt/EBITDA Ratio for the years ended December 31, 2019 and 2020 to our Financial Statements. EBIT, EBITDA and Net Debt/EBITDA Ratio are APMs. Please see "*Presentation of Financial Information—Alternative Performance Measures.*"

	<b>For the year ended December 31,</b>	
	<b>2019</b>	<b>2020</b>
	<i>(CZK millions, except percentages)</i>	
<b>Income before other income (expenses) and income taxes</b> .....	26,429	12,585
(line item of our audited consolidated statement of income)		
<b>EBIT</b> .....	<b>26,429</b>	<b>12,585</b>
<b>Depreciation and amortization</b> .....	29,016	28,284
(line item of our audited consolidated statement of income)		
<b>Impairment of property, plant and equipment and intangible assets including goodwill</b> .....	4,860	24,062
(line item of our audited consolidated statement of income)		
<b>Gain/loss from sale of property, plant and equipment and intangibles.</b> (Note 25 and 31 to our Financial Statements)	(130)	(148)
<b>EBITDA</b> .....	<b>60,175</b>	<b>64,783</b>
<b>Total revenues and other operating income</b> .....	206,192	213,737
<b>EBITDA Margin</b> .....	<b>29.2%</b>	<b>30.3%</b>
<b>Net Debt/EBITDA Ratio</b> .....	<b>2.68</b>	<b>2.22</b>

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the CSSF and the Luxembourg Stock Exchange shall be incorporated by reference in, and form part of, this Base Prospectus:

The following documents comprising the auditor's report and audited consolidated annual financial statements of the CEZ Group for the two financial years ended December 31, 2019 and December 31, 2020 as well as the audited non-consolidated financial statements of ČEZ for the year ended December 31, 2020:

<b>Annual Report of the CEZ Group for the Year Ended December 31, 2019</b>	<b>Page</b>
(available at <a href="https://www.cez.cz/webpublic/file/edee/ospol/fileexport/investori/vz-2019/annual-report-2019-cez-group.pdf">https://www.cez.cz/webpublic/file/edee/ospol/fileexport/investori/vz-2019/annual-report-2019-cez-group.pdf</a> )	
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The information incorporated by reference that is not included in the above cross-reference list is considered as additional information to be disclosed to investors rather than information required by the relevant schedules of Commission Delegated Regulation (EC) 2019/980 supplementing the Prospectus Regulation.

The section "*Terms and Conditions of the Notes*" from the following base prospectuses relating to the Programme shall be deemed to be incorporated by reference in, and to form part of, this Base Prospectus:

- (a) Base Prospectus dated September 24, 2007 (pages 40-64 inclusive)  
(available at <https://www.cez.cz/webpublic/file/edee/2020/04/base-prospectus-24-09-2007.pdf>);
- (b) Base Prospectus dated March 19, 2009 (pages 40-64 inclusive)  
(available at <https://www.cez.cz/webpublic/file/edee/2020/04/base-prospectus-19-03-2009.pdf>);
- (c) Base Prospectus dated March 31, 2010 (pages 41-66 inclusive)  
(available at <https://www.cez.cz/webpublic/file/edee/2020/04/base-prospectus-31-03-2010.pdf>);
- (d) Base Prospectus dated March 31, 2011 (pages 46-71 inclusive)  
(available at <https://www.cez.cz/webpublic/file/edee/2020/04/base-prospectus-31-03-2011.pdf>);
- (e) Base Prospectus dated April 23, 2012 (pages 62-87 inclusive)  
(available at <https://www.cez.cz/webpublic/file/edee/2020/04/base-prospectus-23-04-2012.pdf>);
- (f) Base Prospectus dated April 19, 2013 (pages 71-95 inclusive)  
(available at <https://www.cez.cz/webpublic/file/edee/2020/04/base-prospectus-19-04-2013.pdf>);
- (g) Base Prospectus dated April 20, 2018 (pages 82-107 inclusive)  
(available at <https://www.cez.cz/webpublic/file/edee/2020/04/base-prospectus-20-04-2018.pdf>); and
- (h) Base Prospectus dated April 23, 2019 (pages 91-120 inclusive)  
(available at <https://www.cez.cz/webpublic/file/edee/2020/04/base-prospectus-23-04-2019.pdf>);

(together, the "*Previous Terms and Conditions*").

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

Following the publication of this Base Prospectus, ČEZ and CEZ Finance will, in the event of any significant new factor, material mistake or material inaccuracy relating to the information included in this Base Prospectus which may affect the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of ČEZ, a. s. and from the specified offices of the Paying Agents for the time being in London and Luxembourg. The documents incorporated by reference will also be available free of charge on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## GLOSSARY OF TERMS AND DEFINITIONS

Terms and definitions used in this Base Prospectus have the meanings set forth below.

" <i>Achmea Judgement</i> "	the decision of the European Court of Justice in case C-284/16 <i>Slowakische Republik v Achmea BV</i>
" <i>ANRE</i> "	the Romanian Energy Regulatory Authority
" <i>Articles of Association</i> "	the articles of association of ČEZ
" <i>Audit Committee</i> "	the audit committee of ČEZ
" <i>BAT</i> "	the best available techniques
" <i>BIT</i> "	a bilateral investment treaty
" <i>BIT Termination Agreement</i> "	the Agreement for the Termination of Bilateral Investment Treaties between the Member States of the E.U.
" <i>Board of Directors</i> "	the board of directors of ČEZ
" <i>Bonds Act</i> "	Czech Act No. 190/2004 Coll., on Bonds, as amended
" <i>BGN</i> " or " <i>Bulgarian Lev</i> "	the lawful currency of Bulgaria
" <i>Capital Market Act</i> "	Czech Act No. 256/2004 Coll., on Conducting Business in the Capital Market, as amended
" <i>CCGT</i> "	a combined cycle gas turbine
" <i>CER</i> "	Certified Emission Reduction credits
" <i>ČEZ</i> "	ČEZ, a. s.
" <i>CEZ Finance</i> "	CEZ Finance B.V.
" <i>CEZ Group</i> ," the " <i>Group</i> ," " <i>we</i> ," " <i>us</i> " or " <i>our</i> "	ČEZ, a. s. and its consolidated subsidiaries
" <i>CEZ SH</i> "	Operatori i Shpërndarjes së Energjisë Elektrike Sh.A. (formerly known as CEZ Shpërndarje Sh.A.)
" <i>CHP</i> "	Combinat Heat and Power
" <i>CO<sub>2</sub></i> "	carbon dioxide
" <i>Corporate Governance Codex (2018)</i> "	the Czech 2018 Corporate Governance Codex compiled by the Czech Institute of Directors in cooperation with Deloitte.
" <i>CRA Regulation</i> "	Regulation (EC) No. 1060/2009, as amended by Regulation (EU) No 513/2011
" <i>CSD</i> "	the Czech Central Securities Depository, a wholly-owned subsidiary of the Prague Stock Exchange that records book-entry securities issued in the Czech Republic
" <i>CSSF</i> "	the <i>Commission de Surveillance du Secteur Financier</i> , the competent authority under the Prospectus Act 2019
" <i>Czech Air Protection Act</i> "	Czech Act No. 201/2012 Coll., on protection of the air, as amended

"Czech Banks Act"	Czech Act No. 21/1992 Coll., on Banks, as amended
"Czech Code of Criminal Procedure"	Czech Act No. 141/1961 Coll., on Criminal Procedure (Code of Criminal Procedure), as amended
"Czech Companies Act"	Czech Act No. 90/2012 Coll., on Companies and Cooperatives, as amended
"Czech crowns" and "CZK"	the lawful currency of the Czech Republic
"Czech Cybersecurity Act"	Czech Act No. 181/2014 Coll., on Cybersecurity, as amended
"Czech Ecological Losses Prevention Act"	Czech Act No. 167/2008 Coll., prevention of ecological losses, as amended
"Czech Emission Allowances Act"	Czech Act No. 383/2012 Coll., on conditions for trading with emission allowances, as amended
"Czech Energy Act"	Czech Act No. 458/2000 Coll., on conducting business and governmental oversight in the energy sectors, as amended
"Czech Energy Inspection"	the State Energy Inspection established by the Czech Energy Management Act
"Czech Energy Management Act"	Act No. 406/2000 Coll., on energy management, as amended
"Czech Environment Act"	Czech Act No. 17/1992 Coll., the environment act, as amended
"Czech Free Access to Information Act"	Czech Act No. 106/1999 Coll. on freedom of information, as amended
"Czech IPPC Act"	Czech Act No. 76/2002 Coll., on integrated pollution and control, as amended
"Czech Legal Entity Criminal Act"	Czech Act No. 418/2011 Coll., on criminal liability of legal entities and proceedings against them, as amended
"Czech Mining Act"	Czech Act No. 44/1988 Coll., on Protection and Exploitation of Minerals, as amended
"Czech Ministry of Environment"	the Ministry of Environment of the Czech Republic
"Czech Ministry of Industry"	the Ministry of Industry and Trade of the Czech Republic
"Czech Integrated National Energy and Climate Plan"	the integrated national energy and climate plan prepared by the Czech Ministry of Industry based on the E.U. Governance Regulation
"Czech Nuclear Account"	the nuclear account administered by the Czech Ministry of Finance
"Czech Nuclear Act 1997"	Czech Act No. 18/1997 Coll., on peaceful exploitation of nuclear energy and ionising radiation, as amended
"Czech Nuclear Act 2016"	Czech Act No. 263/2016 Coll., the nuclear act
"Czech Promoted Energy Sources Act"	Czech Act No. 165/2012 Coll., on promoted energy sources, as amended
"Czech Registry of Contracts Act"	Czech Act No. 340/2015 Coll., on specific conditions for certain contracts to become effective, on disclosure of such contracts and on the registry of contracts (Registry of Contracts Act)

" <i>Czech Renewable Energy Act</i> "	Czech Act No. 180/2005 Coll., on the promotion of production of electricity from renewable energy sources, as amended (no longer in force)
" <i>Czech Repository Authority</i> "	the regulatory authority Czech Radioactive Waste Repository Authority
" <i>Czech Waste Act</i> "	Czech Act No. 185/2001 Coll., on waste, as amended
" <i>Czech Water Act</i> "	Czech Act No. 254/2001 Coll., as amended
" <i>Division Heads</i> "	the chief officers of ČEZ
" <i>EBIT</i> "	income before income taxes and other income (expenses)
" <i>EBITDA</i> "	income before income taxes and other income (expenses) plus depreciation and amortization, plus impairment of property, plant and equipment and intangible assets including goodwill less gain (or loss) on sale of property, plant and equipment
" <i>EBITDA Margin</i> "	EBITDA divided by total revenues, expressed as a percentage
" <i>EDF</i> "	Electricite de France S.A.
" <i>EDP</i> "	Energias de Portugal
" <i>EEA</i> "	European Economic Area
" <i>EEX</i> "	the European Energy Exchange
" <i>EIA</i> "	an environmental impact assessment
" <i>ELINI</i> "	the European Liability Insurance for the Nuclear Industry
" <i>EMANI</i> "	the European Mutual Association for Nuclear Insurance
" <i>EMFs</i> "	electromagnetic fields
" <i>EMU</i> "	the European Monetary Union
" <i>EnBW</i> "	EnBW Energie Baden-Württemberg AG
" <i>ENEL</i> "	ENEL S.p.A.
" <i>Energy Charter Treaty</i> "	the Energy Charter Treaty of December 17, 1994, as amended
" <i>ENTSO for Electricity</i> "	the European Network of Transmission System Operators
" <i>ENTSO for Gas</i> "	the European Network of Transmission System Operators for Gas
" <i>E.ON</i> "	E.ON AG
" <i>EPC</i> "	Engineering, Procurement and Construction
" <i>EPEX SPOT</i> "	the European Power Exchange (Spot Markets) in Paris
" <i>ERO</i> "	the Czech Energy Regulatory Office
" <i>ERU</i> "	Emission Reduction Units

"ESA"	the European Supply Agency
"ESCO"	energy services and solutions
"ESO"	the electricity system operator
"ESG"	environmental, social and governance-related
"EUA"	E.U. Emission Allowances
"E.U. ACER Regulation"	Regulation (EC) No. 713/2009 Establishing an Agency for the Cooperation of Energy Regulators
"E.U. Energy Performance of Buildings Directive"	Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings
"E.U. CEF Regulation"	Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility
"E.U. Climate and Energy Package"	the climate and energy package adopted by the European Union in 2009
"E.U. DSO Entity"	the Entity for Distribution System Operators established under the recast Regulation on the Internal Market for Electricity
"E.U. Directive on Administrative Cooperation"	Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by Council Directive 2014/107/EU)
"E.U. Electricity Security of Supply Directive"	Directive 2005/89/EC Concerning Measures to Safeguard Security of Electricity Supply and Infrastructure Investment
"E.U. Energy Efficiency Directive"	Directive 2012/27/EU on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC
"E.U. ETS"	the E.U. Emission Trading Scheme for CO <sub>2</sub> emission allowances
"E.U. ETS Directive"	Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community
"E.U. First Electricity Directive"	Directive 96/92/EC Concerning Common Rules for the Internal Market in Electricity
"E.U. First Gas Directive"	Directive 98/30/EC Concerning Common Rules for the Internal Market in Natural Gas
"E.U. First Gas Supply Regulation"	Regulation (E.U.) 994/2010 Concerning Measures to Safeguard Security of Gas Supply
"E.U. Governance Regulation"	Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action
"E.U. Natural Gas Transmission Regulation"	Regulation 715/2009 on conditions for Access to Natural Gas Transmission Networks

"E.U. Labelling Directive"	Directive 2010/30/EU of 19 May 2010 on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products
"E.U. Renewable Energy Directive"	Directive 2009/28/EC on the promotion of the use of energy from renewable sources
"E.U. Second Gas Supply Regulation"	Regulation (EU) 2017/1938 Concerning Measures to Safeguard the Security of Gas Supply and Repealing Regulation (EU) No 994/2010
"Euratom Treaty"	the Treaty Establishing the European Atomic Energy Community
"EURIBOR"	the Euro Interbank Offered Rate
"Euro" "EUR" and "€"	the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended
"E.U. Regulation on Cross-Border Exchanges"	Regulation (EC) No. 714/2009 on Conditions for Access to the Network for Cross-Border Exchanges in Electricity
"E.U. Second Electricity Directive"	Directive 2003/54/EC Concerning Common Rules for the Internal Market in Electricity
"E.U. Second Gas Directive"	Directive 2003/55/EC Concerning Common Rules for the Internal Market in Natural Gas
"E.U. Third Electricity Directive"	Directive 2009/72/EC Concerning Common Rules for the Internal Market in Electricity
"E.U. Third Gas Directive"	Directive 2009/73/EC Concerning Common Rules for the Internal Market in Natural Gas
"E.U. Trans-European Energy Infrastructure Regulation"	Regulation (EU) No 347/2013 on Guidelines for Trans-European Energy Infrastructure
"Financial Stability Board"	an international body that monitors and makes recommendations about the global financial system established in April 2009
"Fortum"	Fortum Corporation
"French Energy Transition for Green Growth Act"	the French Law no. 2015-992 of 17 August 2015 on the Energy Transition for Green Growth
"FSMA"	the Financial Services and Markets Act 2000
"General Meeting"	the general meeting of ČEZ
"Green Projects"	the projects pursued and activities carried out from time to time by ČEZ that purport to promote climate-friendly and other environmental purposes
"GreenX"	the Green Exchange (Environmental Markets) in New York
"GW"	gigawatt, which is equal to 1,000 MW

"GWh"		gigawatt-hour, representing one hour of electricity consumption at a constant rate of 1 GW
"HTSO"		the Hellenic Transmission System Operator in Greece
"HUPX"		the Hungarian Power Exchange
"IAEA"		the International Atomic Energy Agency
"IARC"		the International Agency for Research on Cancer
"Iberdrola"		Iberdrola S.A.
"ICE"		the London Intercontinental Exchange
"ICSID"		the International Centre for Settlement of Investment Disputes established by the 1965 Convention on the settlement of investment disputes between States and nationals of other States
"IDD"		Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution
"IFRS"		the International Financial Reporting Standards issued by the International Accounting Standards Board, including interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously referred to as the "Standing Interpretations Committee" (SIC), and, also including, International Accounting Standards, where the context requires, as endorsed by the E.U. Commission for use in the European Union
"Industrial Emissions Directive"		Directive 2010/75/EC on industrial emissions (on integrated pollution prevention and control)
"installed capacity"		the highest constant level of generation of electricity which a power plant is designed to be capable of maintaining
"ISFSF"		an interim spent nuclear fuel storage facility
"ISIN"		International Security Identification Number
"ISO"		Independent System Operator
"Issuer"		ČEZ, a. s., or CEZ Finance B.V., as applicable
"ITO"		Independent Transmission Operator
"KEVR"		the Bulgarian Energy and Water Regulatory Commission
"kW"		kilowatt, representing the rate at which energy is produced
"KYOTO Protocol"		the Kyoto protocol for reducing greenhouse gas emissions
"LIBOR"		the London Interbank Offered Rate
"LTA"		lead test assemblies
"LTO"		long-term-operation

" <i>Madrid Agreement</i> "	the Madrid Agreement Concerning the International Registration of Marks and its Protocol
" <i>MAR</i> "	Regulation (EC) No. 596/2014 on Market Abuse
" <i>MCIFA</i> "	The Czech Act No. 240/2013 Coll., on Management Companies and Investment Funds, as amended, which implements the Directive 2011/61/EU
" <i>Member State</i> "	a member state of the European Union
" <i>MIBRAG</i> "	Mitteldeutsche Braunkohlengesellschaft GmbH
" <i>MIFID II</i> "	Directive (EU) No 65/2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU
" <i>MIFIR</i> "	Regulation (EU) No 600/2014 on markets in financial instruments and amending Regulation (EU) No 648/2012
" <i>MSR</i> "	the Market Stability Reserve established under E.U. ETS
" <i>MW</i> "	megawatt, which is equal to 1,000 kW
" <i>MWh</i> "	megawatt-hour, representing one hour of electricity consumption at a constant rate of 1 MW
" <i>NAPNE</i> "	the National Action Plan for Development of Nuclear Energy in the Czech Republic as approved by the Government of the Czech Republic on June 3, 2015
" <i>National Investment Plan of</i> "	the National Plan of Investments in retrofitting and upgrading the infrastructure and clean technologies in the energy sector approved by the E.U. Commission on July 6, 2012
" <i>Net Debt</i> "	long-term debt, net of current portion plus short-term loans plus current portion of long-term debt minus cash and cash equivalents plus highly liquid financial assets
" <i>NO<sub>x</sub></i> "	mono-nitrogen oxides
" <i>NSV</i> "	Namensschuldverschreibung securities
" <i>NYMEX</i> "	the New York Mercantile Exchange, a commodity futures exchange located in New York City
" <i>OKTE</i> "	OKTE, a.s., a short-term electricity market operator in the Slovak Republic
" <i>OPCOM</i> "	the Romanian Electricity Market Operator Opcom SA
" <i>OSART</i> "	the Operational Safety Review Team of the IAEA
" <i>OTC</i> "	over-the-counter
" <i>OTE</i> "	the Czech Electricity and Gas Market in Prague
" <i>PCBs</i> "	Polychlorobiphenyls
" <i>PGE</i> "	Polska Grupa Energetyczna S.A.
" <i>Polish Act on Investments in Wind Turbines</i> "	the Polish Act of 20 May 2016 on investments in wind power plants

"POLPX"	the Polish Power Exchange
"PRIBOR"	the Prague Interbank Offer Rate
"Prospectus Act 2019"	the Luxembourg Act dated 16 July 2019 on prospectuses for securities
"Prospectus Regulation"	Regulation (EU) 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71
"PV"	Photovoltaics
"PXE"	the Power Exchange Central Europe
"REAS"	the original, state-owned, regional distribution companies in the Czech Republic
"ROC"	the Regional Coordination Centre established under the recast Regulation on the Internal Market for Electricity
"Regulation S"	Regulation S under the U.S. Securities Act
"REMIT"	Regulation (EC) No. 1227/2011 on Wholesale Energy Market Integrity and Transparency
"RWE"	Rheinisch-Westfalishes Elektrizitätswerk
"R&D"	research and development
"SEI"	the Czech State Energy Inspectorate
"SONS"	the Czech State Office for Nuclear Safety
"SO <sub>x</sub> "	sulphur oxides
"Standard & Poor's"	S&P Global Ratings Europe Limited
"Supervisory Board"	the supervisory board of ČEZ
"SZSO"	the Czech state organization Railway Administration (Správa železnic, státní organizace)
"TGE"	the Towarowa Gielda Energii in Poland
"Ton"	metric ton
"Turkish Lira" or "TRY"	the lawful currency of the Republic of Turkey
"TVEL"	the Russian company JSC TVEL
"TW"	terawatt, which is equal to 1,000 GW
"TWh"	terawatt-hour, representing one hour of electricity consumption at a constant rate of 1 TW
"U.S. dollars," "USD" and "U.S.\$"	the lawful currency of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended
"USEP"	the updated Energy Policy of the Czech Republic as approved by the Government of the Czech Republic on May 18, 2015

" <i>Verbund</i> "	Verbund AG
" <i>Vienna Convention</i> "	the Vienna Convention on Civil Liability for Nuclear Damage
" <i>VOC</i> "	volatile organic compounds
" <i>WANO</i> "	the World Association of Nuclear Operators
" <i>WHO</i> "	the World Health Organization
" <i>Yen</i> "	Japanese Yen, the lawful currency of Japan

## FORM OF THE NOTES

Any reference in this section to "applicable Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" where relevant.

Each Tranche of Notes will be in bearer form and will initially be issued in the form of a temporary global note (a "Temporary Global Note") or, if so specified in the applicable Final Terms, a permanent global note (a "Permanent Global Note") which, in either case, will:

- (i) if the Global Notes are intended to be issued in new global note ("NGN") form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "Common Safekeeper") for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg"); and
- (ii) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the "Common Depositary") for, Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the "Exchange Date") which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, *Exchange Event* means that (i) an Event of Default (as defined in Condition 9) has occurred and is continuing, or (ii) the relevant Issuer and/or Guarantor (if applicable) have been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the relevant Issuer or (if applicable) the Guarantor have or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form. The relevant Issuer will promptly give notice to Noteholders in accordance

with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes (other than Temporary Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms or Pricing Supplement, as the case may be:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Amended and Restated Agency Agreement (as defined under "Terms and Conditions of the Notes"), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the U.S. Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 9. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the "*Deed of Covenant*") dated May 5, 2021 and executed by ČEZ and CEZ Finance.

The relevant Issuer and (if applicable) the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event, other than where such Notes are Exempt Notes, a new Base Prospectus or a supplement to the Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

## APPLICABLE FINAL TERMS

### NOTES WITH A DENOMINATION OF €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY) OR MORE, OTHER THAN EXEMPT NOTES

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes which are not Exempt Notes and which have a denomination of €100,000 (or its equivalent in any other currency) or more issued under the Programme.*

**[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer['s/s'] product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "*MiFID II*"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "*distributor*") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]<sup>1</sup>

**[UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer['s/s'] product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("*COBS*"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of the current domestic law of the UK by virtue of the EUWA ("*UK MiFIR*"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "*distributor*") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "*UK MiFIR Product Governance Rules*") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]<sup>2</sup>

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("*EEA*"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [MiFID II][Directive 2014/65/EU (as amended, "*MiFID II*")]; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "*Insurance Distribution Directive*"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "*Prospectus Regulation*"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "*PRIIPs Regulation*") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]<sup>3</sup>

**[PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("*UK*"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of the current domestic law of the UK by virtue of the [European Union (Withdrawal) Act 2018 ("*EUWA*")][EUWA]; (ii) a customer within the meaning of the provisions of the [Financial Services and Markets Act 2000 (the "*FSMA*")][FSMA] and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of the current domestic law of the UK by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of the current domestic law of the UK by virtue of the EUWA. Consequently no key information document

<sup>1</sup> Legend to be included on front of the Final Terms if following the ICMA 1 "all bonds to all professionals" target market approach.

<sup>2</sup> Legend to be included on front of the Final Terms if following the ICMA 1 "all bonds to all professionals" target market approach.

<sup>3</sup> Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

required by Regulation (EU) No 1286/2014 as it forms part of the current domestic law of the UK by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]<sup>4</sup>

[Date]

[ČEZ, a. s. (Legal Entity Identifier (LEI): 529900S5R9YHJHYKKG94)] / [CEZ Finance B.V. (Legal Entity Identifier (LEI): 315700K4UNKLPGVH1Y89)]

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the €8,000,000,000  
Euro Medium Term Note Programme  
[Unconditionally and irrevocably guaranteed by ČEZ, a. s.]**

**PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated May 5, 2021 [as supplemented by the supplement dated [date]] (the "*Base Prospectus*") which constitute[s] a base prospectus for the purposes of Regulation (EU) 2017/1129 (the "*Prospectus Regulation*"). This document constitutes the Final Terms of the Notes described herein for the purposes of Prospectus Regulation and must be read in conjunction with the Base Prospectus. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "*Conditions*") set forth in the Base Prospectus dated September 24, 2007 / March 19, 2009 / March 31, 2010 / March 31, 2011 / April 23, 2012 / April 19, 2013 / April 20, 2018 / April 23, 2019, which Conditions are incorporated by reference in the Base Prospectus dated May 5, 2021. This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus dated May 5, 2021 [as supplemented by the supplement dated [date]] (the "*Base Prospectus*") which constitute[s] a base prospectus for the purposes of the Prospectus Regulation, including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

*[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (in which case the subparagraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.]*

*[When adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.]*

- |    |     |                 |                                  |
|----|-----|-----------------|----------------------------------|
| 1. | (a) | Issuer:         | [ČEZ, a.s.] / [CEZ Finance B.V.] |
|    | (b) | Guarantor:      | [ČEZ, a.s.] / [Not Applicable]   |
| 2. | (a) | Series Number:  | [ ]                              |
|    | (b) | Tranche Number: | [ ]                              |

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<sup>4</sup> Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 25 below, which is expected to occur on or about [*date*]][Not Applicable]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:
- (a) Series: [ ]
- (b) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6. Specified Denominations: [ ]
- (N.B. Notes must have a minimum denomination of €100,000 (or equivalent))*
- (Note – where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:*
- "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")*
- (a) Calculation Amount (in relation to calculation of interest for Notes in global form see Conditions): [ ]
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: [ ]
- (b) Interest Commencement Date: [*specify/Issue Date/Not Applicable*]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [*Specify date or for Floating rate notes - Interest Payment Date falling in or nearest to [specify month and year]*]
- (NB: The Maturity Date may need to be not less than one year after the Issue Date)*
9. Interest Basis: [[ ] per cent. Fixed Rate]  
[[[ ] month LIBOR/EURIBOR/PRIBOR] +/- [ ] per cent. Floating Rate]

- [Zero Coupon]  
(further particulars specified below)
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100]/[ ] per cent. of their nominal amount.
11. Change of Interest Basis: [*Specify any Interest Basis change and the date when such Interest Basis change will occur or cross refer to paragraphs 14, and/or 15 and/or 16 below and identify there*] [Not Applicable]
12. Put/Call Options: [Investor Put]  
[Change of Control Put]  
[Issuer Call]  
[Make-Whole Redemption]  
[Residual Maturity Call Option]  
[(further particulars specified below)]  
[Not Applicable]
13. [Date [Board] approval for issuance of Notes obtained [ ] [and [ ], respectively]]  
  
*(N.B. Only relevant where Board (or similar) authorization is required for the particular tranche of Notes)*

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date  
  
*(N.B. Amend appropriately in the case of irregular coupons)*
- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [ ] per Calculation Amount
- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) [Determination Date(s): [[ ] in each year] [Not Applicable]  
*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*
15. Floating Rate Note Provisions [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Specified Period(s)/Specified Interest Payment Dates: [ ], subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]
- (c) Additional Business Centre(s): [ ]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (f) Screen Rate Determination:
- Reference Rate: [ ] month [LIBOR][EURIBOR][PRIBOR]
  - Interest Determination Date(s): [ ]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or Euro LIBOR), second Prague business day prior to the start of each Interest Period if PRIBOR, first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR)*
  - Relevant Screen Page: [ ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
  - Reference Banks: [ ] [To be selected by the Issuer]
- (g) ISDA Determination:
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (In the case of a LIBOR, EURIBOR or PRIBOR based option, the first day of the Interest Period)*
- (h) Linear Interpolation: [Not Applicable/Applicable - the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]

- (i) Margin(s): [ +/- ] [ ] per cent. per annum
- (j) Minimum Rate of Interest: [ ] per cent. per annum
- (k) Maximum Rate of Interest: [ ] per cent. per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360][360/360][Bond Basis]  
[30E/360][Eurobond Basis]  
[30E/360 (ISDA)]

16. Zero Coupon Note Provisions [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Day Count Fraction in relation to Early Redemption Amounts and late payment: [30/360][Actual/360]  
[Actual/365]

**PROVISIONS RELATING TO REDEMPTION**

17. Notice periods for Condition 6.2  
 Minimum Period: [ ] days  
 Maximum Period: [ ] days

18. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount(s) and method, if any, of calculation of such amount: [[ ] per Calculation Amount/specify other/see Appendix]
- (c) If redeemable in part:
  - (i) Minimum Redemption Amount: [ ]
  - (ii) Maximum Redemption Amount: [ ]

(d) Notice periods:  
 Minimum Period: [ ] days  
 Maximum Period: [ ] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 business days' notice for a call) and*

*custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*

19. Make-Whole Redemption: [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Make-Whole Redemption Date: [ ]
  - (b) Benchmark Security(ies): [ ]
  - (c) Reference Time: [ ]
  - (d) Make-Whole Margin: [ ] per cent.
  - (e) Par Redemption Date: [[ ] [Not Applicable]]
  - (f) If redeemable in part:
    - (i) Minimum Redemption Amount: [ ]
    - (ii) Maximum Redemption Amount: [ ]
  - (g) Calculation Agent [ ]
  - (h) Notice periods: Minimum Period: [ ] days  
Maximum Period: [ ] days
- (N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
20. Residual Maturity Call Option: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Notice Period: [ ]
  - (b) Residual Maturity Call Option Redemption Date: No earlier than [ ]
21. Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]
  - (b) Optional Redemption Amount: [ ] per Calculation Amount

(c) Notice periods: Minimum Period: [ ] days  
Maximum Period: [ ] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require 15 business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*

22. Change of Control Put: [Applicable/Not Applicable]

23. Final Redemption Amount: [ ] per Calculation Amount

24. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount

*(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)*

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes:

(a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

*(N.B. The exchange upon notice option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 7 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*

*N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]."*

*Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*

*[Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilization in accordance with article 4 of the Belgian Law of December 14, 2005.]*

- (b) New Global Note: [Yes][No]
26. Additional Financial Centre(s): [Not Applicable/give details]  
*(Note that this paragraph relates to the place of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs 15(c))*
27. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if on exchange into definitive form, more than 27 coupon payments are still to be made/No]

### **THIRD PARTY INFORMATION**

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of [ČEZ, a. s.] / [CEZ Finance B.V.]:

By: .....

Duly authorized

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange, and admission to the Official List of the Luxembourg Stock Exchange with effect from [ ].
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

Ratings: [Not applicable][The Notes to be issued [[have been]/[are expected to be]] rated:]

[S&P Global Ratings Europe Limited ("*Standard & Poor's*"):  
[ ]]

[Moody's France SAS ("*Moody's*"):  
[ ]]

[*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms*]

Each of [Standard & Poor's] [,/and] [Moody's] [and] [*defined term*] is established in the [European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "*CRA Regulation*") [UK and is registered under Regulation (EC) No. 1060/2009 (as amended) as it forms part of the current domestic law of the UK by virtue of EUWA (the "*UK CRA Regulation*".]

[*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. – *Amend as appropriate if there are other interests*]

[*(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.)*]

### 4. [USE OF PROCEEDS

Use of Proceeds: [ ] / [Not Applicable]

*(See "Use of Proceeds" wording in the Base Prospectus – if reasons for the offer are different from general*

*corporate purposes, include those reasons here, including if the Issuer intends to apply the net proceeds for Green Projects.))*

**5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i) Reasons for the offer: [ ] [Not Applicable]

(ii) Estimated net proceeds: [ ] [Not Applicable]

(iii) Estimated total expenses: [ ] [Not Applicable]

**6. YIELD** (*Fixed Rate Notes only*)

Indication of yield: [ ] [Not Applicable]

**7. OPERATIONAL INFORMATION**

(i) ISIN Code: [ ]

(ii) Common Code: [ ]

(iii) CFI: [[See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

(iv) FISN: [[See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

(v) Name and address of any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

(vi) Delivery: Delivery [against/free of] payment

(vii) Names and addresses of additional Paying Agent(s) (if any): [ ]

(viii) Deemed delivery of Clearing System notices for the purpose of Condition 14: Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second][business] day after the day on which it was given to Euroclear, and Clearstream, Luxembourg.

(ix) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

**8. DISTRIBUTION**

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/give names and addresses]
- (iii) Date of Subscription Agreement: [ ]
- (iv) Stabilization Manager(s) (if any): [Not Applicable/give name]
- (v) If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
- (vi) U.S. Selling Restrictions: [Reg. S Compliance Category 2] [TEFRA D] [TEFRA C] [TEFRA not applicable]
- (vii) Prohibition of Sales to EEA Investors: [Applicable/Not Applicable]  
  
*(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)*
- (viii) Prohibition of Sales to UK Investors: [Applicable/Not Applicable]  
  
*(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)*

## EXEMPT NOTES OF ANY DENOMINATION

### APPLICABLE PRICING SUPPLEMENT

*Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes, whatever the denomination of those Notes, issued under the Programme.*

**[MIFID II PRODUCT GOVERNANCE / TARGET MARKET – [appropriate target market legend to be included]]**

**[UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET -- [appropriate target market legend to be included]]**

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS –** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [MiFID II][Directive 2014/65/EU (as amended "MiFID II")]; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "*Insurance Distribution Directive*"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2019/1129 (the "*Prospectus Regulation*"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "*PRIIPs Regulation*") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]<sup>5</sup>

**[PROHIBITION OF SALES TO UK RETAIL INVESTORS –** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of the current domestic law of the UK by virtue of the [European Union (Withdrawal) Act 2018 ("*EUWA*") [EUWA]; (ii) a customer within the meaning of the provisions of the [Financial Services and Markets Act 2000 (the "*FSMA*") [FSMA] and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of the current domestic law of the UK by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of the current domestic law of the UK by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of the current domestic law of the UK by virtue of the EUWA (the "*UK PRIIPs Regulation*") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]<sup>6</sup>

**NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH THE PROSPECTUS REGULATION / REGULATION (EU) 2017/1129 FOR THE ISSUE OF NOTES DESCRIBED BELOW.**

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<sup>5</sup> Legend to be included on front of the Pricing Supplement if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

<sup>6</sup> Legend to be included on front of the Pricing Supplement if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

[Date]

[ČEZ, a. s. (Legal Entity Identifier (LEI): 529900S5R9YHJHYKKG94)] / [CEZ Finance B.V. (Legal Entity Identifier (LEI): 315700K4UNKLPGVH1Y89)]

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the €8,000,000,000  
Euro Medium Term Note Programme  
[Unconditionally and irrevocably guaranteed by ČEZ, a. s.]**

**PART A – CONTRACTUAL TERMS**

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Base Prospectus dated May 5, 2021 [as supplemented by the supplement[s] dated [date[s]]] (the "*Base Prospectus*"). Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. Copies of the Base Prospectus may be obtained during normal business hours at the registered office of ČEZ, a.s. and at the offices of the Paying Agents for the time being in London and Luxembourg.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "*Conditions*") set forth in the Base Prospectus [dated [original date] which are incorporated by reference in the Base Prospectus]<sup>7</sup>. Any reference in the Conditions to "applicable Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement", where relevant.

*[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (in which case the subparagraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Pricing Supplement.]*

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

- |    |     |                                                                        |                                                                                                                                                                                                                                                                                                    |
|----|-----|------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | (a) | Issuer:                                                                | [ČEZ, a.s.] / [CEZ Finance B.V.]                                                                                                                                                                                                                                                                   |
|    | (b) | Guarantor:                                                             | [ČEZ, a.s.] / [Not Applicable]                                                                                                                                                                                                                                                                     |
| 2. | (a) | Series Number:                                                         | [     ]                                                                                                                                                                                                                                                                                            |
|    | (b) | Tranche Number:                                                        | [     ]                                                                                                                                                                                                                                                                                            |
|    | (c) | Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 27 below, which is expected to occur on or about [date]][Not Applicable] |
| 3. |     | Specified Currency or Currencies:                                      | [     ]                                                                                                                                                                                                                                                                                            |
| 4. |     | Aggregate Nominal Amount:                                              |                                                                                                                                                                                                                                                                                                    |
|    | (a) | Series:                                                                | [     ]                                                                                                                                                                                                                                                                                            |
|    | (b) | Tranche:                                                               | [     ]                                                                                                                                                                                                                                                                                            |
| 5. |     | Issue Price:                                                           | [     ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]                                                                                                                                                                                       |

<sup>7</sup> Only include this language where it is a fungible issue and the original Tranche was issued under a Base Prospectus with a different date.

6. (a) Specified Denominations: [ ]
- (b) Calculation Amount (in relation to calculation of interest for Notes in global form see Conditions): [ ]  
*(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: [ ]
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]  
*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [Specify date or for Floating rate - Interest Payment Date falling in or nearest to [specify month and year]]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
 [[specify Reference Rate] +/- [ ] per cent. Floating Rate]  
 [Zero Coupon]  
 [Index Linked Interest]  
 [Dual Currency Interest]  
 [specify other]  
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
 [Index Linked Redemption]  
 [Dual Currency Redemption]  
 [Partly Paid]  
 [Instalment]  
 [specify other]
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis] [Not Applicable]
12. Put/Call Options: [Investor Put]  
 [Change of Control Put]  
 [Issuer Call]  
 [Make-Whole Redemption]  
 [Residual Maturity Call Option]  
 [(further particulars specified below)]  
 [Not Applicable]
13. (a) Status of the Notes: [Senior/[Dated/Perpetual] Subordinated]
- (b) [Date [Board] approval for issuance of Notes obtained: [ ]]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Rate(s) of Interest: [ ] per cent. per annum payable in arrears on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date  
*(Amend appropriately in the case of irregular coupons)*
- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [ ] per Calculation Amount
- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
- (e) Day Count Fraction: [30/360/Actual/Actual (ICMA)/specify other]
- (f) [Determination Date(s): [[ ] in each year][Not Applicable]  
*(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes: [None/Give details]

15. Floating Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Specified Period(s)/Specified Interest Payment Dates: [ ], subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[specify other]][Not Applicable]
- (c) Additional Business Centre(s): [ ]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (f) Screen Rate Determination:

- Reference Rate: Reference Rate: [ ] month  
[LIBOR/EURIBOR/PRIBOR/specify other Reference Rate].
  - Interest Determination Date(s): [ ]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), second Prague business day prior to the start of each Interest Period if PRIBOR, first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
  - Relevant Screen Page: [ ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
  - Reference Banks: [ ] [To be selected by the Issuer]
- (g) ISDA Determination:
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]  
*(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*
- (h) Linear Interpolation: [Not Applicable/Applicable - the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (i) Margin(s): [ +/- ] [ ] per cent. per annum
- (j) Minimum Rate of Interest: [ ] per cent. per annum
- (k) Maximum Rate of Interest: [ ] per cent. per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360][360/360][Bond Basis]  
[30E/360][Eurobond Basis]  
[30E/360 (ISDA)]  
[Other]
- (m) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions: [ ]

16. Zero Coupon Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes: [ ]
- (d) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
 [Actual/360]  
 [Actual/365]
17. Index Linked Interest Note [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Index/Formula: [give or annex details]
- (b) Calculation Agent [give name]
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): [ ]
- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (e) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (g) Additional Business Centre(s): [ ]
- (h) Minimum Rate of Interest: [ ] per cent. per annum
- (i) Maximum Rate of Interest: [ ] per cent. per annum
- (j) Day Count Fraction: [ ]
18. Dual Currency Interest Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details] [ ]
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): [ ]
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (d) Person at whose option Specified Currency(ies) is/are payable: [ ]

**PROVISIONS RELATING TO REDEMPTION**

- 19. Notice periods for Condition 6.2:
  - Minimum period: [ ] days
  - Maximum period: [ ] days
- 20. Issuer Call: [Applicable/Not Applicable]
 

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

  - (a) Optional Redemption Date(s): [ ]
  - (b) Optional Redemption Amount(s) and method, if any, of calculation of such amount: [[ ] per Calculation Amount/specify other/see Appendix]
  - (c) If redeemable in part:
    - (i) Minimum Redemption Amount: [ ]
    - (ii) Maximum Redemption Amount: [ ]
  - (d) Notice periods:
    - Minimum period: [ ] days
    - Maximum period: [ ] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
- 21. Make-Whole Redemption: [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
  - (a) Make-Whole Redemption Date: [ ]
  - (b) Benchmark Security(ies): [ ]

- (c) Reference Time: [ ]
- (d) Make-Whole Margin: [ ] per cent.
- (e) Par Redemption Date: [[ ] [Not Applicable]]
- (f) If redeemable in part:
  - (i) Minimum Redemption Amount: [ ]
  - (ii) Maximum Redemption Amount: [ ]
- (g) Calculation Agent [ ]
- (h) Notice periods:
  - Minimum Period: [ ] days
  - Maximum Period: [ ] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*

22. Residual Maturity Call Option: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Notice Period: [ ]
- (b) Residual Maturity Call Option Redemption Date: No earlier than [ ]

23. Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]
- (c) Notice periods:
  - Minimum period: [ ] days
  - Maximum period: [ ] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*

24. Change of Control Put: [Applicable/Not Applicable]

25. Final Redemption Amount:  per Calculation Amount/specify other/see Appendix]
26. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required):  per Calculation Amount/specify other/see Appendix]
- (N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)*

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Form of Notes:
- (a) Form:  Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]
- Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.<sup>8</sup>]
- (Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves.)*
- (b) New Global Note:  Yes][No]]
28. Additional Financial Centre(s):  Not Applicable/give details]
- (Note that this paragraph relates to the place of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs 15(c) and 17(g) relate)*
29. Talons for future Coupons to be attached to Definitive Notes:  Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
30. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay,  Not Applicable/give details. N.B. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]

<sup>8</sup> Include for Notes that are to be offered in Belgium.

including any right of the Issuer to forfeit the Notes and interest due on late payment.

31. Details relating to Instalment Notes: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Instalment Amount(s): [give details]
- (b) Instalment Date(s): [give details]
32. Other final terms: [Not Applicable/give details]
- [Consider including a term providing for tax certification if required to enable interest to be paid gross by issuers]*

## **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Pricing Supplement. *[[Relevant third party information]* has been extracted from *[specify source]*. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by *[specify source]*, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of [ČEZ, a. s.] / [CEZ Finance B.V.]:

By: .....

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

Listing and Admission to trading: Application has been made by the Issuer (or on its behalf) for the Exempt Notes to be admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange with effect from [ ].

### 2. RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*].

*(The above disclosure is only required if the ratings of the Notes are different to those stated in the Base Prospectus)*

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business - *Amend as appropriate if there are other interests*]

### 4. [USE OF PROCEEDS

Use of Proceeds: [ ] / [Not Applicable]

*(See "Use of Proceeds" wording in the Base Prospectus – if reasons for the offer are different from general corporate purposes, include those reasons here, including if the Issuer intends to apply the net proceeds for Green Projects.)*

### 5. OPERATIONAL INFORMATION

(i) ISIN Code: [ ]

(ii) Common Code: [ ]

(iii) CFI: [[See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

(iv) FISN: [[See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

(v) Name and address of any clearing system(s) other than Euroclear Bank SA/NV and Clearstream [Not Applicable/give name(s) and number(s)]

Banking S.A. and the relevant identification number(s):

- (vi) Delivery: Delivery [against/free of] payment
- (vii) Names and addresses of additional Paying Agent(s) (if any): [ ]
- (viii) Deemed delivery of clearing system notices for the purposes of Condition 14: Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.
- (ix) [Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/
- [No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

## 6. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/give names]
- (iii) Stabilization Manager(s) (if any): [Not Applicable/give name]
- (iv) If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
- (v) U.S. Selling Restrictions: Reg. S Compliance Category [1/2/3]; [TEFRA D/TEFRA C/TEFRA not applicable]
- (vi) Additional selling restrictions: [Not Applicable/give details]  
*(Additional selling restrictions are only likely to be relevant for certain structured Notes, such as commodity-linked Notes)*
- (vii) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]  
*(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may*

*constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)*

(viii) Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]

*(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)*

## TERMS AND CONDITIONS OF THE NOTES

Any reference in the Terms and Conditions to "applicable Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" where relevant.

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer, and if the Issuer is CEZ Finance B.V., the Guarantor and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by the issuer (the **Issuer**) named in the applicable Final Terms pursuant to the Amended and Restated Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement (such Amended and Restated Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Amended and Restated Agency Agreement**) dated May 5, 2021 and made between CEZ Finance B.V. (CEZ Finance) as an issuer, ČEZ, a.s. (**ČEZ**) as an issuer and as guarantor of Notes issued by CEZ Finance B.V. (ČEZ in such capacity, the **Guarantor**), Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms (or Pricing Supplement, in the case of Exempt Notes (as defined below)) attached to or endorsed on this Note which complete these Terms and Conditions (the **Conditions**). In the case of an **Exempt Note**, being a Note that is neither: (i) to be admitted to trading on a regulated market in the European Economic Area, for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU, as amended) (**MiFID**); nor (ii) offered in circumstances where a prospectus is required to be published in the European Economic Area, under Regulation (EU) 2017/1129 (the **Prospectus Regulation**), the final terms may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest bearing definitive Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Exempt Notes in definitive form which are repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to

**Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated May 5, 2021 and made by the Issuer. The original of the Deed of Covenant is held by the common depository for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

If the Issuer is CEZ Finance B.V., the payment of all amounts in respect of this Note have been guaranteed by the Guarantor pursuant to a deed of guarantee (such deed of guarantee as modified and/or supplement and/or restated from time to time) (the **Guarantee**) dated May 5, 2021 and executed by the Guarantor. The original Guarantee is held by the Agent on behalf of the Noteholders, the Receiptholders and the Couponholders.

Copies of the Amended and Restated Agency Agreement, the Guarantee and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. If Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). If this Note is an Exempt Note, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Amended and Restated Agency Agreement, the Guarantee, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Amended and Restated Agency Agreement.

Words and expressions defined in the Amended and Restated Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Amended and Restated Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

## 1. **FORM, DENOMINATION AND TITLE**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

Unless this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

If this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

If this Note is an Exempt Note, this Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Notes are issued with Coupons and, if appropriate, Talons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer, the Guarantor and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing

thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor (in the case of Notes issued by CEZ Finance) and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

## 2. STATUS OF THE NOTES AND THE GUARANTEE

- 2.1 The Notes and any relative Receipts and Coupons constitute direct, general, unsecured and unconditional obligations of the Issuer which (i) rank *pari passu* among themselves and (ii) will rank at least *pari passu* with all other present and future unsecured obligations of the Issuer, save only for such obligations as may be preferred by mandatory provisions of applicable law and subject always to Condition 3.
- 2.2 The obligations of the Guarantor under the Guarantee in respect of the Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3.1 (*Negative Pledge*)) unsecured obligations of the Guarantor (and save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding. This Condition 2.2 only applies to Notes issued by CEZ Finance.

## 3. NEGATIVE PLEDGE AND OTHER COVENANTS

### 3.1 Negative pledge

So long as any Note or Coupon remains outstanding (as defined in the Amended and Restated Agency Agreement) ČEZ will not, nor will it permit any Material Subsidiary to, issue, assume or guarantee any Indebtedness, if such Indebtedness is secured by a Lien upon any Principal Property now owned or hereafter acquired, unless, at the same time or prior thereto, the Issuer's obligations under the Notes and the Coupons shall (x) be secured equally and rateably with (or prior to) such Indebtedness or (y) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in the Amended and Restated Agency Agreement) of Noteholders; provided, however, that the foregoing restriction shall not apply to:

- (a) any Lien on any asset acquired, constructed or improved by ČEZ or any Subsidiary after the date of issue of the Notes, which Lien is created, incurred or assumed contemporaneously with, or within 180 days after, such acquisition (or, in the case of any such asset constructed or improved, after the completion or commencement of commercial operation of such asset, whichever is later) to secure or provide for the payment of any part of the purchase price of such asset or the costs of such construction or improvement (including costs such as escalation, interest during construction and finance costs); provided that, in the case of any such construction or improvement, the Lien shall not apply to any such asset previously owned by ČEZ or any Subsidiary, other than previously unimproved real property on which the asset so constructed, or the improvement, is located;
- (b) any Lien existing over any asset at the time of the acquisition of such asset and which is not created as a result of or in connection with or in anticipation of such acquisition;

- (c) any Lien on any asset acquired from a corporation which is merged with or into ČEZ or any Lien existing on any asset of a corporation which existed at the time such corporation becomes a Subsidiary and, in either such case, which is not created as a result of or in connection with or in anticipation of any such transaction;
- (d) any Lien which secures only Indebtedness owing by a Subsidiary to ČEZ, to one or more Subsidiaries or to ČEZ and one or more Subsidiaries;
- (e) any extension, renewal or replacement (or successive extensions, renewals or replacements; in whole or in part, of any Lien referred to in the foregoing clauses; provided, however, that the principal amount of Indebtedness secured thereby shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement and that such extension, renewal or replacement shall be limited to all or part of the asset which secured the Lien so extended, renewed or replaced (plus improvements on such asset); or
- (f) any Lien securing obligations of ČEZ or any Subsidiary to the Czech Republic in connection with a guarantee or similar assurance provided by the Czech Republic to third parties for the benefit of the Issuer.

ČEZ or any Material Subsidiary, however, may issue, assume or guarantee Indebtedness secured by a Lien which would otherwise be prohibited under this Condition 3.1 or enter into a Sale and Lease-Back Transaction that would otherwise be prohibited by the provisions of Condition 3.2; provided that the aggregate amount of such Indebtedness of ČEZ and its Material Subsidiaries together with the aggregate Attributable Value of all such Sale and Lease-Back Transactions of ČEZ and its Subsidiaries at any time outstanding shall not exceed the sum of (x) 10% of the Consolidated Net Tangible Assets at the time any such Indebtedness denominated in a currency other than that of the Czech Republic is issued, assumed or guaranteed by ČEZ or any Subsidiary or at the time any such Sale and Lease-Back Transaction is entered into, plus (y) the aggregate amount of any such Indebtedness that is denominated in the currency of the Czech Republic, up to an additional 20% of Consolidated Net Tangible Assets at such time.

### 3.2 **Limitations on sale and lease-back transactions**

For so long as any Note or Coupon is outstanding, neither ČEZ nor any Material Subsidiary may enter into any Sale and Lease-Back Transaction with respect to any Principal Property, unless either (x) ČEZ or such Material Subsidiary would be entitled pursuant to the provisions of Condition 3.1 to issue, assume or guarantee Indebtedness secured by a Lien on such Principal Property without equally and rateably securing ČEZ's obligations under the Notes and the Coupons or (y) ČEZ or such Material Subsidiary shall apply or cause to be applied, in the case of a sale or transfer for cash, an amount equal to the net proceeds thereof and, in the case of a sale or transfer otherwise than for cash, an amount equal to the fair market value of the Principal Property so leased to the retirement, within one year after the effective date of such Sale and Lease-Back Transaction, of Indebtedness of ČEZ ranking on a parity with the obligations of ČEZ under the Notes and owing to a Person other than ČEZ or any Affiliate of ČEZ or to the construction or improvement of real property or personal property used by ČEZ or any Material Subsidiary in the ordinary course of business. The restrictions set forth in the preceding sentence will not apply to transactions providing for a lease for a term, including any renewal thereof, of not more than three years.

### 3.3 **No consolidation or merger**

For so long as any Note or Coupon is outstanding, ČEZ may not consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety to any Person, unless (i) the successor corporation shall be a corporation organized and existing under the laws of the Czech Republic, and shall expressly assume by a deed the due and punctual payment of all amounts payable in respect of all the then outstanding Notes and the performance of every obligation contained in the Notes on the part of the Issuer to be performed or observed; (ii) immediately after giving effect to such transaction, no Event of Default or Potential Event of Default (as defined in the Amended and Restated Agency Agreement) shall have happened and be continuing; and (iii) ČEZ shall have delivered to the Agent a certificate signed by two directors of ČEZ and an opinion of independent legal advisers of recognized standing each stating that such consolidation, merger, conveyance or transfer and any such deed comply with the foregoing provisions relating to such a transaction.

In case of any such consolidation, merger, conveyance or transfer, such successor corporation will succeed to and be substituted for ČEZ as obligor under the Notes and Coupons, with the same effect as if it had been named in the Notes as such obligor.

### 3.4 **Certain definitions**

In these Conditions:

**Affiliate** means, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, such specified Person. For the purposes of this definition, **control**, when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise;

**Attributable Value** means, as to any particular Sale and Lease-Back Transaction under which ČEZ or any Subsidiary is at any time liable as lessee and any date as of which the amount thereof is to be determined, the total net obligations of the lessee for rental payments during the remaining term of the lease (including any period for which such lease has been extended) discounted from the respective due dates thereof to such date at a rate per annum equivalent to the interest rate inherent in such Sale and Lease-Back Transaction (as determined in good faith by the Issuer in accordance with generally accepted financial practice);

**Audited Statements** means ČEZ's audited annual financial statements (consolidated, if available) prepared in accordance with International Accounting Standards current as at the date of preparation;

**Consolidated Net Tangible Assets** means the total of all assets (including revaluations thereof as a result of commercial appraisals, price-level re-statements or otherwise) appearing on a consolidated balance sheet of ČEZ and its Subsidiaries, net of all applicable reserves and deductions, but excluding goodwill, trade names, trademarks, patents, unamortized debt discount and all other like intangible assets (which term shall not be construed to include such revaluations), less the aggregate of the current liabilities of ČEZ and its Subsidiaries appearing on such balance sheet;

**Consolidated Total Assets** means the total assets (consolidated, if the relevant Audited Statements are consolidated) of ČEZ and its Subsidiaries determined by reference to the most recent Audited Statements;

**EBITDA** means income before income taxes and other income (expenses) plus depreciation and amortization, plus impairment of property, plant and equipment and intangible assets including goodwill less gain (or loss) on sale of property, plant and equipment;

**Indebtedness** means, with respect to any Person (without duplication), (a) any liability of such Person (1) for borrowed money or under any reimbursement obligation relating to a letter of credit, financial bond or similar instrument or agreement, (2) evidenced by a bond, note, debenture or similar instrument or agreement (including a purchase money obligation) given in connection with the acquisition of any business, properties or assets of any kind (other than a trade payable or a current liability arising in the ordinary course of business or a performance bond or similar obligation), (3) for the payment of money relating to any obligations under any capital lease of real or personal property or (4) for the purposes of Condition 3.1(a) and (b) only, under any agreement or instrument in respect of an interest rate or currency swap, exchange or hedging transaction or other financial derivatives transaction; (b) any liability of others described in the preceding clause (a) that the Person has guaranteed or that is otherwise its legal liability; and (c) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in (a) and (b) above. For the purpose of determining any particular amount of Indebtedness under this definition, guarantees of (or obligations with respect to letters of credit or financial bonds supporting) Indebtedness otherwise included in the determination of such amount shall also not be included;

**Lien** means any mortgage, pledge, lien, security interest, charge or other encumbrance (including any conditional sale or other title retention agreement or lease in the nature thereof other than a title retention agreement in connection with the purchase of goods in the ordinary course of business);

**Material Subsidiary** means, at any time, any Subsidiary of ČEZ:

- (a) whose total assets or EBITDA (or, where the Subsidiary in question prepares consolidated financial statements, whose consolidated total assets or consolidated EBITDA), attributable to ČEZ represent not less than 10% of the Consolidated Total Assets or (as the case may be) the consolidated EBITDA of ČEZ and its Subsidiaries taken as a whole, all as determined, respectively, by reference to the most recent audited annual financial statements (or, as the case may be, audited consolidated annual financial statements) of such Subsidiary and the most recent Audited Statements; or
- (b) to which is transferred all or substantially all of the assets and undertaking of a Subsidiary of ČEZ which was a Material Subsidiary immediately prior to such transfer (which Subsidiary shall cease to be a Material Subsidiary upon such transfer becoming unconditional) and so that a Subsidiary of ČEZ which becomes a Material Subsidiary pursuant to this paragraph (b) shall remain a Material Subsidiary only until the publication of the next Audited Statements, unless on such publication it remains a Material Subsidiary pursuant to paragraph (a) above,

provided that a certificate by the Auditors (as defined in the Amended and Restated Agency Agreement) of ČEZ that, in their opinion, any Subsidiary of ČEZ is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

**Person** means any individual, corporation, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof;

**Principal Property** means any generation, transformation, transmission or distribution facility located in the Czech Republic, whether at the date of issue of the Notes owned or thereafter acquired, including any land, buildings, structures or machinery and other fixtures that constitute any such facility, or portion thereof, other than any such facility, or portion thereof, determined by ČEZ's Board of Directors and certified by two directors of ČEZ not to be of material importance to the total business conducted by ČEZ and its Subsidiaries as or whole;

**Reference Banks** means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and in the case of a determination of PRIBOR, the principal Prague office of four major banks in the Prague inter-bank market, in each case selected by ČEZ or as specified in the applicable Final Terms;

**Sale and Lease-Back Transaction** means any transaction or series of related transactions pursuant to which ČEZ or any Material Subsidiary sells or transfers any property to any Person with the intention of taking back a lease of such property pursuant to which the rental payments are calculated to amortize the purchase price of such property substantially over the useful life thereof and such property is in fact so leased; and

**Subsidiary** means any corporation or other business entity of which ČEZ owns or controls (either directly or through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interests, in each case having ordinary voting power to elect or appoint directors, managers or trustees of such corporation or other business entity (whether or not capital stock or other ownership interests or any other class or classes shall or might have voting power upon the occurrence of any contingency).

## 4. INTEREST

### 4.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

- (a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
  - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

**Determination Period** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**sub unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

## 4.2 Interest on Floating Rate Notes and Index Linked Interest Notes

### (a) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means a day which is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (b) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and

- (c) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity and Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR, EURIBOR or PRIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, Brussels time, in the case of EURIBOR, or Prague time, in the case of PRIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Agent cannot determine the Reference Rate as aforementioned, because the Relevant Screen Page is not available or if, in the case of (A) above, no offered quotation appears or, in the case of (B) above, fewer than three offered quotations appear, in each case as at the Specified Time, the Issuer shall request each of the Reference Banks (as defined in Condition 3.4 above and in the Amended and Restated Agency Agreement) to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to the Agent by the Reference Banks at the request of the Issuer or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Prague inter-bank market (if the Reference Rate is PRIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Prague inter-bank market (if the Reference Rate is PRIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) **Determination of Rate of Interest and calculation of Interest Amounts**

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

- (i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls:

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls:

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

(e) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight

line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

**Designated Maturity** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) **Notification of Rate of Interest and Interest Amounts**

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2 by the Agent shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer, the Agent, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 **Interest on Exempt Notes**

The rate or amount of interest payable in respect of Exempt Notes which are not also Fixed Rate Notes or Floating Rate Notes shall be determined in the manner specified in the applicable Pricing Supplement, provided that where such Notes are Index Linked Interest Notes the provisions of Condition 4.2 shall, save to the extent amended in the applicable Pricing Supplement, apply as if the references therein to Floating Rate Notes and to the Agent were references to Index Linked Interest Notes and the Calculation Agent, respectively, and provided further that the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

4.4 **Benchmark Discontinuation**

(a) **Independent Adviser**

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate,

the Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4.4(b) and, in either case, an Adjustment Spread if any (in accordance with Condition 4.4(c)) and any Benchmark Amendments (in accordance with Condition 4.4(d)).

In making such determination, an Independent Adviser shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith, wilful default or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Agents, the Noteholders, Receiptholders or the Couponholders for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 4.4.

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4.4(a) prior to the relevant Interest Determination Date, and notify the Calculation Agent of such determinations prior to the date which is ten Business Days prior the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 4.4(a).

(b) **Successor Rate or Alternative Rate**

If the Independent Adviser determines that:

- (i) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 4.4); or
- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 4.4).

(c) **Adjustment Spread**

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be) if the Independent Advisor is unable to determine the quantum of, or a formula or methodology for determining, the Adjustment Spread, then the Successor Rate or the Alternative Rate (as applicable) will apply without an Adjustment Spread.

(d) **Benchmark Amendments**

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 4.4 and the Independent Adviser determines (i) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread (such amendments, the **Benchmark Amendments**) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4.4(e), without any requirement for the consent or approval of Noteholders, vary these Conditions and the Amended and Restated Agency

Agreement, as applicable, to give effect to such Benchmark Amendments with effect from the date specified in such notice.

Notwithstanding any other provision of this Condition 4.4, the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 4.4 which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these Conditions.

In connection with any such variation in accordance with this Condition 4.4(d), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(e) **Notices, etc.**

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 4.4 will be notified promptly by the Issuer to the Agent, the Calculation Agent, if any, the Paying Agents and, in accordance with Condition 14, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

(f) **Survival of Original Reference Rate**

Without prejudice to the obligations of the Issuer under Conditions 4.4(a), (b), (d) and (e) the Original Reference Rate and the fallback provisions provided for in Conditions 4.2(b)(ii), as applicable, will continue to apply unless and until a Benchmark Event has occurred.

(g) **New Benchmark Event in respect of the Successor Rate or Alternative Rate**

If Benchmark Amendments have been implemented pursuant to this Condition 4.4 and a new Benchmark Event occurs in respect of the then applicable Successor Rate or Alternative Rate, the provisions of this Condition 4.4 shall apply as if the Successor Rate or Alternative Rate were the Original Reference Rate.

(h) **Definitions**

As used in this Condition 4.4:

**Adjustment Spread** means either (a) a spread (which may be positive, negative or zero), or (b) a formula or methodology for calculating a spread, in either case, which the Issuer, following consultation with the Independent Adviser and acting in good faith and a commercially reasonable manner, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders, Receiptholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(A)

(B) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(C) (B) (if no such recommendation has been made, or in the case of an Alternative Rate) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the

Original Reference Rate; or (if the Independent Adviser determines that no such spread is customarily applied); or

- (D) (C) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

**Alternative Rate** means an alternative benchmark or screen rate which the Issuer, following consultation with the Independent Adviser and acting in good faith and a commercially reasonable manner, determines in accordance with Condition 4.4(b) is customarily applied in the international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes and with an interest period of a comparable duration to the relevant Interest Period;

**Benchmark Amendments** has the meaning given to it in Condition 4.4(d);

**Benchmark Event** means:

- (i) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist;
- (ii) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate);
- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued;
- (iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes;
- (v) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market;
- (vi) it has become unlawful for any Paying Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate; or
- (vii) provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (ii) and (iii) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of subparagraph (iv) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (v) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.
- (viii) The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.
- (ix) Notwithstanding any other provision of this Condition 4.4, if in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making

any determination or calculation under this Condition 4.4, the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

**Independent Adviser** means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer at its own expense under Condition 4.4(a);

**Original Reference Rate** means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes;

**Relevant Nominating Body** means, in respect of a benchmark or screen rate (as applicable):

- (x) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (xi) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof; and

**Successor Rate** means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

#### 4.5 **Accrual of interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

## 5. **PAYMENTS**

### 5.1 **Method of payment**

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

## 5.2 **Presentation of definitive Notes, Receipts and Coupons**

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) and save as provided in Condition 5.5 should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

## 5.3 **Payments in respect of Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

## 5.4 **Specific provisions in relation to payments in respect of certain types of Exempt Notes**

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation

and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmaturing Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Upon the date on which any Dual Currency Note or Index Linked Note in definitive form becomes due and repayable, unmaturing Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

#### 5.5 **General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, if applicable, the Guarantor, will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, if applicable, the Guarantor, to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer and, if applicable, the Guarantor, has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and, if applicable, the Guarantor, adverse tax consequences to the Issuer or, if applicable, the Guarantor.

#### 5.6 **Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (i) in the case of Notes in definitive form only, the relevant place of presentation;
  - (ii) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;
  - (iii) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and

- (b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

#### 5.7 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 7;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) the Make-Whole Redemption Amount (if any) of the Notes;
- (f) in relation to Exempt Notes redeemable in instalments, the Instalment Amounts;
- (g) in relation to Zero Coupon Notes, the Amortized Face Amount (as defined in Condition 6.7); and
- (h) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

### 6. REDEMPTION AND PURCHASE

#### 6.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

#### 6.2 Redemption for tax reasons

Subject to Condition 6.7 the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

- (a) on the occasion of the next payment due under the Notes, the Issuer or, if applicable, the Guarantor, has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer or, if applicable, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognized standing to the effect that the Issuer or, if applicable, the Guarantor, has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.7 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

### 6.3 **Redemption at the option of the Issuer (Issuer Call)**

If Issuer Call is specified as being applicable in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) to the Noteholders in accordance with Condition 14 (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement). In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

### 6.4 **Make-Whole Redemption by the Issuer**

If Make-Whole Redemption by the Issuer is specified as being applicable in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) to the Noteholders in accordance with Condition 14 (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Make-Whole Redemption Date and at the Make-Whole Redemption Amount.

**The Make-Whole Redemption Amount** will be the higher of:

- (a) the principal amount of the Notes; and
- (b) the product of the principal amount of the Notes and the price, expressed as a percentage of the principal amount of the Notes (rounded to four decimal places with 0.00005 being rounded upwards), at which the then current yield on the Notes on the Reference Date would be equal to the sum of (x) the current yield to maturity (determined by reference to the middle market price) at the Reference Time on the Reference Date of the relevant Benchmark Security plus (y) the Make-Whole Margin, as determined by the Calculation Agent,

*provided however* that, if the Make-Whole Redemption Date occurs on or after the Par Redemption Date (if specified in the relevant Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement)), the Make-Whole Redemption Amount will be the principal amount of the Notes.

The **Benchmark Security**, the **Reference Time**, the **Make-Whole Margin** and the **Par Redemption Date** will be specified in the relevant Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) *provided however that*, if "Linear Interpolation" is specified as applicable in the relevant Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), the current yield of the Benchmark Security shall be determined by linear interpolation (calculated to the nearest one twelfth of a year) of the yield of the two Benchmark Securities specified in the Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).

The **Reference Date** means the date which is the third London Business Day prior to the date fixed for redemption.

The second paragraph of Condition 6.3 shall also apply in relation to the Make-Whole Redemption by the Issuer pursuant to this Condition 6.4

## **6.5 Residual Maturity Call Option**

If a Residual Maturity Call Option is specified as being applicable in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), the Issuer may, on giving not less than 15 nor more than 30 days' notice (or such other period of notice as may be specified in the relevant Final Terms) (or, in the case of Exempt Notes, the applicable Pricing Supplement) in accordance with Condition 14 (Notices), to the Noteholders (which notice shall specify the date fixed for redemption (the **Residual Maturity Call Option Redemption Date**)), redeem the Notes comprising the relevant Series, in whole but not in part, at their principal amount together with any accrued and unpaid interest up to (but excluding) the date fixed for redemption, which shall be no earlier than (i) three months before the Maturity Date in respect of Notes having a maturity of not more than ten years or (ii) six months before the Maturity Date in respect of Notes having a maturity of more than ten years; or in either case, such shorter time period as may be specified in the Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).

For the purpose of the preceding paragraph, the maturity of not more than ten years or the maturity of more than ten years (or such shorter maturity as may be specified in the Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement)) shall be determined as from the Issue Date of the first Tranche of the relevant Series of Notes. All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6.5.

## **6.6 Redemption at the option of the Noteholders**

### **(a) *Redemption at the option of the Noteholders (other than a Change of Control Put)***

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 6.6(a) accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form

and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note under this Condition 6.6(a) the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.6(a) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.6(a) and instead to declare such Note forthwith due and payable pursuant to Condition 9.

(b) ***Change of Control Put***

If Change of Control Put is specified as being applicable in the applicable Final Terms, upon the occurrence of a Put Event while this Note remains outstanding, the holder of this Note will have the option (the **Put Option**) (unless, prior to the giving of the Put Event Notice (as defined below), the Issuer gives notice of its intention to redeem the Notes under Condition 6.2) to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of this Note on the Optional Redemption Date (as defined below) at its principal amount together with (or, where purchased, together with an amount equal to) accrued interest (if applicable) to but excluding the Optional Redemption Date.

A **Put Event** shall be deemed to occur if:

- (i) any Person or Persons acting in concert come(s) to own or acquire(s) more than 50 per cent. of the issued share capital of ČEZ, or more than 50 per cent. of the voting rights normally exercisable at a general meeting of ČEZ (each a **Change of Control**); and
- (ii) during the Change of Control Period (as defined below), this Note carries from any of S&P Global Ratings Europe Limited, or Moody's France SAS, or any of their respective successors (each a **Rating Agency**) either:
  - (A) an investment grade credit rating (*BBB-/Baa3, or equivalent, or better*), and such rating from any Rating Agency is within the Change of Control Period either downgraded to a non-investment grade credit rating (*BB+/Ba1, or equivalent, or worse*) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded to an investment grade credit rating by such Rating Agency or (in the case of a withdrawal) replaced by, or reinstated to, an investment grade credit rating from any other Rating Agency, or such Rating Agency, as the case may be; or
  - (B) a non-investment grade credit rating (*BB+/Ba1, or equivalent, or worse*), and such rating from any Rating Agency is within the Change of Control Period downgraded by one or more notches (*for illustration, Ba1 to Ba2 being one notch*) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded to its earlier credit rating or better by such Rating Agency, or (in the case of a withdrawal) replaced by, or reinstated to, a credit rating equal to or better than such earlier credit rating from any other Rating Agency, or such Rating Agency, as the case may be; or
  - (C) no credit rating, and no Rating Agency assigns within the Change of Control Period an investment grade credit rating to the Notes; and
- (iii) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to ČEZ that such decisions(s) resulted, in whole or in part, from

the occurrence of the Change of Control or the public notice of an arrangement that could result in a Change of Control.

**Change of Control Period** means the period from the date of the public notice of an arrangement that could result in a Change of Control until the end of a 180-day period following public notice of the occurrence of a Change of Control (or such longer period as the rating of the Note is under publicly announced consideration for rating review).

Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 14 specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the option contained in this Condition 6.6(b).

To exercise the option to require redemption or, as the case may be, purchase of this Note under this Condition 6.6(b) the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the **Put Period**) of 45 days after a Put Event Notice is given, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Option Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 6.6(b), accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Option Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption or, as the case may be, purchase of this Note under this Condition 6.6(b) the holder of this Note must, within the Put Period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Option Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.6(b) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.6(b) and instead to declare such Note forthwith due and payable pursuant to Condition 9.

The Paying Agent to which this Note and Put Option Notice are delivered will issue to the holder concerned a non-transferable receipt (a **Put Option Receipt**) in respect of this Note so delivered or, in the case of a Global Note or Note in definitive form held through Euroclear or Clearstream, Luxembourg, notice so received. The Issuer shall redeem or at the option of the Issuer purchase (or procure the purchase of) this Note in respect of which Put Option Receipts have been issued on the date (the **Optional Redemption Date**) which is the seventh day after the last day of the Put Period, unless previously redeemed or purchased. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account to which payment is to be made in the Put Option Notice, on the Optional Redemption Date by transfer to that bank account and in every other case on or after the Optional Redemption Date, in each case against presentation and surrender or (as the case may be) endorsement of such Put Option Receipt at the specified office of any Paying Agent in accordance with the provisions of this Condition 6.6(b).

## 6.7 Early Redemption Amounts

For the purpose of Condition 6.2 above and Condition 9, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the **Amortized Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = RP \times (1 + AY)^y$$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

<sup>y</sup> is the Day Count Fraction, specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

## 6.8 Specific redemption provisions applicable to certain types of Exempt Notes

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Notes and Dual Currency Redemption Notes may be specified in, or determined in the manner specified in, the applicable Pricing Supplement. For the purposes of Condition 6.2, Index Linked Interest Notes and Dual Currency Interest Notes may be redeemed only on an Interest Payment Date.

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined in the manner specified in the applicable Pricing Supplement.

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

## 6.9 Purchases

The Issuer, the Guarantor (if applicable) or any Subsidiary of their respective Subsidiaries may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or, if applicable, the Guarantor, surrendered to any Paying Agent for cancellation.

## 6.10 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.9 (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

## 6.11 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3, 6.4 or 6.5 above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition (c) as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

## 7. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or, if applicable, the Guarantor, will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, if applicable, the Guarantor, will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons or under the Guarantee, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment in a Tax Jurisdiction; or
- (b) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.6); or
- (d) in respect of any withholding or deduction where such withholding or deduction is required to be made pursuant to the Dutch Withholding Tax Act 2021 (*Wet bronbelasting 2021*).

As used herein:

- (A) **Tax Jurisdiction** means the Czech Republic or the Netherlands, as applicable, or, in each case, any political subdivision or any authority thereof or therein having power to tax; and
- (B) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

## 8. PRESCRIPTION

The Notes, Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 or any Talon which would be void pursuant to Condition 5.2.

## 9. EVENTS OF DEFAULT

The holder of any Note may give notice to the Issuer (with a copy to the the Guarantor, if applicable) that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to the date of repayment, if any of the following events (Events of Default) shall have occurred and be continuing:

- (a) **Non-payment of Interest:** any amount of interest in respect of the Notes is not paid within 30 days of the due date for payment thereof; or
- (b) **Breach of other obligations:** the Issuer or the Guarantor (if applicable) defaults in the performance or observance of any of its other obligations under or in respect of the Notes and/or the Guarantee (if applicable) and (except where such default is not capable of remedy) such default remains unremedied for 60 days after written notice specifying such default or breach and requiring it to be remedied has been delivered to the Issuer; or
- (c) **Cross-acceleration:** any present or future indebtedness of the Issuer, the Guarantor (if applicable) or any Material Subsidiary of the ČEZ (excluding any such indebtedness owed to trade creditors not evidenced by a note, bond, debenture or similar instrument) having an aggregate principal amount exceeding U.S.\$30,000,000 (or its equivalent in any other currency or currencies) other than the Notes becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor (if applicable) or such Material Subsidiary, as the case may be; or
- (d) **Insolvency etc.:** (i) the Issuer, the Guarantor, if applicable, or any Material Subsidiary becomes insolvent, stops payment on its obligations generally or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer, the Guarantor, if applicable, or any Material Subsidiary or of the whole or any part of the undertaking, assets and revenues of the Issuer, the Guarantor (if applicable) or any Material Subsidiary, as the case may be, is appointed, (iii) the Issuer, the Guarantor, if applicable, or any Material Subsidiary takes any action for a readjustment or deferment of its obligations generally or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness, (iv) the Issuer, the Guarantor, if applicable, or any Material Subsidiary is declared to be bankrupt by any court or (v) an application for a declaration of bankruptcy in relation to the Issuer, the Guarantor, if applicable, or any Material Subsidiary is refused by any court and the court specifies that the sole ground on which such declaration has been refused is that the Issuer, the Guarantor (if applicable) or such Material Subsidiary, as the case may be, has insufficient assets out of which to meet the costs and expenses of any bankruptcy proceedings; or
- (e) **Winding up, etc.:** a legally effective and non-appealable order is made or a legally effective and non-appealable resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor, if applicable, or any Material Subsidiary; or
- (f) **Cessation of Business:** ČEZ ceases to conduct or to be authorized to conduct the business of the generation or sale of electricity
- (g) **Invalidity of Guarantee:** if applicable, the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect; or

- (h) **Analogous Event:** any event occurs which under the laws of the Czech Republic, the Netherlands or the jurisdiction of the relevant Material Subsidiary has an analogous effect to any of the events referred to in paragraphs (d) or (e) above.

#### 10. **REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

#### 11. **PAYING AGENTS**

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer and the Guarantor, if applicable, is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will at all times be an Agent; and
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

In addition, the Issuer and the Guarantor, if applicable, shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.5. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

In acting under the Amended and Restated Agency Agreement, the Paying Agents act solely as agents of the Issuer and the Guarantor (if applicable) and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Amended and Restated Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

#### 12. **EXCHANGE OF TALONS**

13. On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

#### 14. **NOTICES**

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London and (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg and/or the Luxembourg Stock Exchange's website, [www.bourse.lu](http://www.bourse.lu). It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on such day as is specified in the applicable Final Terms after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## **15. MEETINGS OF NOTEHOLDERS, MODIFICATION AND SUBSTITUTION**

The Amended and Restated Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Amended and Restated Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than three quarters in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one quarter in nominal amount of the Notes for the time being outstanding. The Amended and Restated Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Amended and Restated Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of all the holders or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Agent) by or on behalf of all the holders, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Receipt holders and Coupon holders.

The Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons or the Amended and Restated Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Receipts, the Coupons or the Amended and Restated Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

The Issuer, or any previous substituted company, may at any time, without the consent of the holders of the Notes of any Series, Receipts or Coupons, substitute for itself as principal debtor under the Notes, Receipts or Coupons any company (the Substitute) that is the Guarantor, or a Subsidiary of the Guarantor, provided that no Event of Default under Condition 9(a) (Non-payment of Interest) has occurred and is continuing. The substitution shall be made by a deed poll (the Deed Poll), to be substantially in the form scheduled to the Amended and Restated Agency Agreement as Schedule 9, and may take place only if (i) the Substitute shall, by means of the Deed Poll, agree to indemnify each holder of a Note, Receipt or Coupon against any tax, duty, assessment or governmental charge that is imposed on any Note, Receipt or Coupon or the Deed of Covenant by, or by any authority in or of, the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation that would not have been so imposed had the substitution not been made. In order for a holder to receive reimbursement from the Issuer in relation to such indemnity, such holder shall provide the Issuer with such documentary evidence as the Issuer may reasonably require showing (a) that such holder was the holder of such Note, Receipt or Coupon or beneficiary under the Deed of Covenant at the time the substitution took place, (b) the amount of any such tax, duty, assessment or governmental charge so imposed and (c) confirming that such tax, duty, assessment or governmental charge did not arise by reason of his having some connection with such jurisdiction other than the mere holding of such Note, Receipt or Coupon, (ii) where the Substitute is not the Guarantor, the obligations of the Substitute under the Deed Poll, the Notes, Receipts, and the Deed of Covenant shall be unconditionally guaranteed by the Guarantor by means of the Deed Poll, (iii) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll affecting the Notes, Receipts, Coupons, Talons and Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute and in the case of the Deed Poll of the Guarantor have been taken, fulfilled and done and are in full force and effect, (iv) the Substitute shall have become party to the Amended and Restated Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it, and (v) the Issuer shall have given at least 14 days' prior notice of such substitution to the holders of Notes, stating that copies of all documents in relation to the substitution that are referred to above, or that might otherwise reasonably be regarded, in the determination of the Issuer, as material to holders of Notes, shall be available for inspection at the specified office of each of the Paying Agents. References in Condition 10 to obligations under the Notes shall be deemed to include obligations under the Deed Poll, and, where the Deed Poll contains a guarantee, the events listed in Condition 9 shall be deemed to include that guarantee not being (or being claimed by the guarantor not to be) in full force and effect.

## **16. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## **17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **18. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **18.1 Governing law**

The Amended and Restated Agency Agreement, the Deed of Covenant, the Deed of Guarantee, the Notes, the Receipts, the Coupons and any non-contractual obligations arising out of or in connection with the Amended and Restated Agency Agreement, the Deed of Covenant, the Deed of Guarantee the Notes, the Receipts and the Coupons are governed by, and construed in accordance with, English law.

### **18.2 Submission to jurisdiction**

- (a) Subject to Condition 18.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences

of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons (a **Dispute**) and all Disputes will be submitted to the exclusive jurisdiction of the English courts.

- (b) For the purposes of this Condition 18.2, each of the Issuer, the Guarantor (if applicable) and any Noteholders, Receiptholders or Couponholders taking proceedings in relation to any Dispute waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) This Condition 18.2 is for the benefit of the Noteholders, the Receiptholders and the Couponholders only. To the extent allowed by law, the Noteholders, the Receiptholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

### 18.3 **Appointment of Process Agent**

Each of the ČEZ and CEZ Finance appoints Law Debenture Corporate Services Limited at its registered office for the time being in England as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Law Debenture Corporate Services Limited being unable or unwilling for any reason so to act, it will appoint another person, as the Agent may approve, as its agent for service of process in England in respect of any Dispute. Nothing herein shall affect the right to serve process in any other manner permitted by law.

### 18.4 **Waiver of immunity**

The Issuer irrevocably and unconditionally with respect to any Dispute (i) waives any right to claim sovereign or other immunity from jurisdiction, recognition or enforcement and any similar argument in any jurisdiction, (ii) submits to the jurisdiction of the English courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts or the courts of any competent jurisdiction in relation to any Dispute and (iii) consents to the giving of any relief (whether by way of injunction, attachment, specific performance or other relief) or the issue of any related process, including without limitation, the making, enforcement or execution against any property whatsoever in any jurisdiction, whether before or after final judgment (irrespective of its use or intended use) of any order or judgment made or given in connection with any Dispute..

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the relevant Issuer for its general corporate purposes, including the refinancing of its existing indebtedness or a provision of loans to members of the CEZ Group, unless otherwise specified in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement.

In particular, if so specified in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement, the relevant Issuer will apply the net proceeds from an issue of Notes specifically for Green Projects.

## DESCRIPTION OF CEZ FINANCE

CEZ Finance was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands on March 17, 2021. CEZ Finance is registered in the Trade Register of the Dutch Chamber of Commerce under number 82230714. The registered office of CEZ Finance is Herikerbergweg 157, 1101CN Amsterdam, the Netherlands. The telephone number of CEZ Finance is +31 (0) 207586692.

### Business

As of the date of this Base Prospectus, CEZ Finance's issued capital is EUR 250,000 and the issued capital is fully paid. The share capital of CEZ Finance is divided into 25,000 shares, each with a nominal value of EUR 10. All shares issued by CEZ Finance are owned by ČEZ.

As set out in Article 2 of its articles of association dated March 17, 2021, CEZ Finance was incorporated for the purpose of, among other things, borrowing moneys, issuing bonds or other securities or financing businesses, companies and other entities. CEZ Finance has been established with the aim to operate as a financing company for the CEZ Group, raising funds through notes issuances and lending them to the companies belonging to the CEZ Group. CEZ Finance is therefore part of the process of centralizing financial flows within the CEZ Group.

CEZ Finance has not commenced business operations and has no outstanding indebtedness in the nature of borrowings, guarantees or contingent liabilities as at the date of this Base Prospectus. Its activities are governed mainly by its articles of association and Book 2 of the Dutch Civil Code.

There are no and have been no governmental, legal or arbitration proceedings against CEZ Finance (including any such proceedings which are pending or threatened of which the Issuer is aware) during the last 12 months preceding the date of this Base Prospectus, which may have, or have had in the recent past a significant effect on CEZ Finance's financial position or profitability, nor is CEZ Finance aware of any pending or threatened proceedings of such kind.

### Management

CEZ Finance has two directors. Mr. Jan Hájek, born on 16 April 1979, acting as Director A and Mr. Derk Berend Blik, born on 19 April 1979, acting as Director B. The business address of both directors is Herikerbergweg 157, 1101CN Amsterdam, the Netherlands. Mr. Jan Hájek is Head of Structured Finance Department at CEZ, and his principal activities relate to financing business and companies within CEZ Group. These activities may be significant with respect to CEZ Finance. There are no significant principal activities of Mr. Blik outside of CEZ Finance that would be significant with respect to CEZ Finance.

There is no potential conflict of interest between any duties of the directors towards CEZ Finance and their private interests and/or other duties.

## DESCRIPTION OF ČEZ

### Overview

According to the ERO and our internal data, we are the largest electricity generation and distribution company in the Czech Republic. According to Sdružení CZECH TOP 100 and our internal data, we are one of the largest companies in the Czech Republic on the basis of our revenues and our total assets. In the years ended December 31, 2020 and 2019, we had revenues of CZK 213.7 billion and CZK 206.2 billion, respectively, and net income of CZK 5.5 billion and CZK 14.5 billion, respectively. As of December 31, 2020 and 2019, we had total assets of CZK 702.5 billion and CZK 704.6 billion, respectively. In the year ended December 31, 2020, we had an average of 31,704 employees.

According to data published by the ERO in the Czech Republic for the year ended December 31, 2020, we accounted for approximately 70 % of electricity generated, 54 % of installed electricity generation capacity, we distributed approximately 65 % of the total electricity consumed in the regional distribution areas in the Czech Republic and sold 29 % of the total net electricity consumed. In addition, we are the largest producer of brown coal in the Czech Republic, accounting for approximately 52 % of the total volume of brown coal produced in the Czech Republic for the year ended December 31, 2020, according to the Czech Ministry of Industry and our own data. Approximately 70 % of our revenues for the same period originated in the Czech Republic.

We operate through four principal businesses: the generation business, distribution business, sales business and trading business. We also undertake certain other ancillary activities, which are included in our other businesses.

Our generation business (the "*Generation Business*") owns and operates power plants primarily located in and connected to the transmission system in the Czech Republic, which generate electricity predominantly from brown coal and nuclear energy. We also own hard coal-fired power plants in Poland and wind and hydro power plants in Germany, Poland and until recently also in Romania. In the year ended December 31, 2020, the total installed capacity of our generation facilities was 12,933 MW, of which 89.7 % was in the Czech Republic, 4.4 % in Poland, 4.8 % in Romania and 1.0 % in Germany. In the year ended December 31, 2020, we generated 60,946 GWh of electricity, of which 93.2 % was generated in the Czech Republic. In the same year, 35.5 % of our total electricity generated was generated by our coal-fired power plants, 49.3 % was generated by our nuclear power plants, 8.7 % was generated by our hydroelectric, solar, wind, biogas, biomass power plants or through biomass co-firing and the remaining 6.5 % by our gas-fired power plants and co-generation units.

Our distribution business (the "*Distribution Business*") delivers electricity from the transmission system to end-consumers in the Czech Republic and, to a lesser extent, in Bulgaria and until recently also in Romania. In the year ended December 31, 2020, we distributed electricity to more than 3.7 million connection points in the Czech Republic covering an area of approximately 5/8 of the country, making us the largest of the three regional distributors of electricity. In the year ended December 31, 2020, we distributed a total of 50,559 GWh of electricity to end-consumers, 68.6 % of which was distributed to end-consumers in the Czech Republic. In addition, as of the date of this Base Prospectus, we have a majority ownership interest in the principal distribution company in Bulgaria.

Our sales business ("*Sales Business*") sells electricity generated by us and procured by our trading business to end-consumers in the Czech Republic, as well as in Bulgaria, Hungary and Slovakia. Until 31 March 2021, our Sales Business also sold electricity that we generated in Romania.

Our trading business (the "*Trading Business*") purchases and sells electricity and energy commodities on wholesale markets, including electricity sold by us to our end-consumers, and also executes trades for our own account.

Our other businesses (the "*Other Businesses*") include the mining, processing and sale of brown coal; decentralized energy solutions and other energy services, such as, among others, services, consultancy and audits concerning energy savings and management, the construction and subsequent operation of local small gas-fired combined heat and power facilities, delivery of photovoltaic rooftop power plants, heating, ventilation and air-conditioning solutions, technical and mechanical equipment of buildings, facility management services, and the realization and the operation of public and commercial lighting and local distribution systems; the generation, distribution and sale of heat; the sale of natural gas to end-consumers; the provision of ancillary services to transmission system operators; and the provision of telecommunication services to customers.

The table below sets forth certain information relating to our Generation Business, Distribution Business and Sales Business for the year ended December 31, 2020.

**As of and for the year ended December 31, 2020**

	Installed capacity		Electricity generated		Electricity distributed to end-consumers		Electricity sold to end-consumers	
	(MW)	(%)	(GWh)	(%)	(GWh)	(%)	(GWh)	(%)
Czech Republic.....	11,602	89.7	56,777	93.2	34,676	68.6	17,035	51.2
Germany .....	134	1.0	292	0.5	-	-	-	-
Poland.....	570	4.4	2,537	4.2	-	-	332	1.0
Bulgaria .....	5	-	6	-	9,396	18.6	10,423	31.3
Romania <sup>(1)</sup> .....	622	4.8	1,335	2.2	6,487	12.8	3,696	11.1
Other.....	-	-	-	-	-	-	1,779	5.3
<b>Total.....</b>	<b>12,933</b>		<b>60,946</b>		<b>50,559</b>		<b>33,265</b>	

<sup>(1)</sup> The CEZ Group sold the majority of its Romanian assets on 31 March 2021 as part of the Romanian Asset Sale (as defined below).

### History and Development of the CEZ Group

ČEZ was incorporated as a joint stock company under the laws of the Czech Republic on May 6, 1992 with unlimited duration and was registered in the Commercial Register administered by the Municipal Court in Prague, File B, Section 1581, with identification number 45274649. As of December 31, 2020, ČEZ had a registered share capital of CZK 53,798,975,900 and was 69.8 % owned by the Czech Republic represented by the Ministry of Finance. The shares of ČEZ are listed on the Prague Stock Exchange and the Warsaw Stock Exchange. The registered office of ČEZ is Duhová 2/1444, 140 53 Prague 4, Czech Republic, with telephone number +420 211 041 111.

Principal events during our history and development include:

- 1992** ČEZ was established on May 6, 1992 through the aggregation of formerly State-owned power generation and distribution assets in the Czech Republic into one enterprise.
- 2002** The Czech Republic's electricity market began a process of market liberalization in accordance with the Czech Energy Act.
- We acquired the Czech Government's shares in the eight regional distribution utilities (the "REAS"), which were previously held by the Czech National Property Fund and the Czech Consolidation Agency. We subsequently held a majority interest in five of the REAS and a minority interest in three of the REAS.
- 2004** An amendment to the Czech Energy Act required the distribution of electricity to be separate and independent from the sale of electricity to end-consumers (so-called "unbundling") from January 1, 2007.
- 2005** We established ČEZ Distribuce, a.s., for electricity distribution and ČEZ Prodej, a.s., for electricity sales.
- We acquired three Bulgarian distribution companies, Elektrorazpredelenie Pleven AD, Elektrorazpredelenie Sofia Oblast AD and Elektrorazpredelenie Stolichno AD, which together had approximately 1.9 million customers in Bulgaria.
- We acquired a 51% stake in the Romanian distributor Electrica Oltenia S.A., which had approximately 1.4 million customers in Romania.
- 2006** We acquired Severočeské doly a.s., a brown coal mining company located in North Bohemia, which supplies a significant portion of brown coal to our power plants in the Czech Republic.
- We acquired a 75.2% share in the voting rights of Elektrociepłownia Chorzów "ELCHO" S.A. and a 74.82% stake in Elektrownia Skawina S. A. These Polish electricity generation

companies had a combined installed capacity of 830 MW in 2006. We acquired the remaining stakes of each company to become the 100% owner of each company in 2010 and 2009, respectively.

- 2007** We acquired 100% control over the five previously majority-owned REAS: Severočeská energetika, a.s., Severomoravská energetika a.s., Východočeská energetika, a.s., Západočeská energetika, a.s., and Středočeská energetická, a.s. Following the acquisition of the REAS, our distribution network became the largest in the Czech Republic.
- 2008** We acquired the Fantanele and Cogevalac wind farm project in Romania which became one of the largest onshore wind farms in Europe, with a total installed capacity of 600 MW, on completion at the end of 2012.
- 2009** Pursuant to a joint venture arrangement with the Akkok Group, we acquired 100% of Sakarya Elektrik Dagitim A.S., the Turkish electricity distribution company which has the right to operate the distribution grid in the Sakarya region of Turkey for 30 years.
- We became the 100% owner of CEZ Distributie S. A. and CEZ Vanzare S.A. when we purchased a 30% stake in CEZ Distributie S.A. and a 19% stake in CEZ Vanzare S.A.
- We acquired 37.36 % of our Turkish joint venture partner, Akenerji Elektrik Üretim A.S., and became the joint holders of a majority interest amounting to approximately 75%, with the remaining shares being traded on the Istanbul Stock Exchange.
- We acquired a 50% stake in JTSD Braunkohlebergbau, GmbH, the sole shareholder of the German mining company MIBRAG. The stake was sold to the second shareholder EP Energy, a.s., in 2012.
- 2011** We acquired a 100% holding in Energotrans, a.s., a company supplying heat from Mělník to Prague.
- 2013** On March 18, 2013, we concluded a coal supply contract with Vršanská uhelná a.s. (part of the Sev.en Energy Group, formerly known as the Czech Coal Group) under which the supply of coal to the Počerady power plant is secured for a term of up to nearly 50 years. As a part of the transaction, the parties concluded a settlement agreement in respect of their mutual claims. We also concluded two put option agreements with Vršanská uhelná a.s. Under these contracts, ČEZ had a right to transfer 100 % of the shares in its subsidiary Elektrárna Počerady, a.s. (owner of the Počerady coal power plant) to Vršanská uhelná a.s. On October 22, 2020, ČEZ and Vršanská Uhelná a.s. agreed to the sale of the Počerady power plant on December 31, 2020, i.e. three years before originally planned. The original agreed price of CZK 2 billion for the transfer contemplated in 2024 was increased to CZK 2.5 billion. Simultaneously with the transfer of the Počerady power plant, the purchase contract for coal from Vršanská Uhelná a.s. in the amount of 5 million tonnes/year was terminated.
- On September 2, 2013, we completed the sale of the Chvaletice power plant to Severní energetická a.s. (formerly Litvínovská uhelná a.s.). The divestment was realized with the aim to bring to an end the E.U. Commission's investigation launched in 2009 by means of a settlement agreement, in which we agreed to sell one of our coal-fired power plants.
- In September 2013, we incorporated a venture capital fund, Inven Capital, investiční fond, a.s., ("*Inven Capital*") as part of our new energy sector strategic programme. The purpose of the fund is to invest in innovative developing companies active in the new clean energy and smart technology industries in Europe. In 2017, Inven Capital started its cooperation with the European Investment Bank, under which the bank provided EUR 50 million for a co-investment initiative to support growth of clean energy and smart technology. Since its establishment, Inven Capital has invested into ten companies and in February 2019 realized also its first successful exit by selling its share (together with other shareholders) in sonnen Holding GmbH to Shell Overseas Investment B.V.

- 2014** In 2014, we established a new company ČEZ ESCO, a.s., as a wholly owned subsidiary of ČEZ, which consolidated our capacities within the area of energy savings, decentralized energy sources, lighting and other energy services.
- 2015** In June 2015, the CEZ Group announced its plan to reduce its greenhouse gas emissions to zero by 2050.
- In October 2015, the Czech Government approved the extension of brown coal mining limits at the Břilina coal mine owned by the CEZ Group. The newly available brown coal reserves are estimated to be in the range of 100 – 150 million tons.
- 2016** On July 12, 2016, ČEZ commenced international investment arbitration proceedings before the International Centre for Settlement of Investment Disputes against the Republic of Bulgaria on the grounds of the Republic of Bulgaria's failure to adhere to investment protection provisions of the Energy Charter Treaty. Please see "*Description of ČEZ—Legal Proceedings—Bulgaria*".
- In December 2016, we entered the German renewable energy market by acquiring an operational wind farm with a total installed capacity of 98 MW. As of the date of this Base Prospectus we own and operate wind farms in Germany with a total installed capacity of 135 MW and have additional 193.5 MW of target installed capacity in various stages of development within our joint-ventures.
- 2017** On January 27, 2017, we initiated a selling process in relation to our investments in Bulgaria, where we operate a distribution company, CEZ Razpredelenie Bulgaria AD, a retail electricity supplier, CEZ Electro Bulgaria AD, a wholesale trader, CEZ Trade Bulgaria EAD, the Varna coal-fired power plant and two renewable sources plants. On October 31, 2017, we concluded an agreement concerning the sale of our Bulgarian hard coal-fired thermal power plant in Varna, which had been shut down in 2015, to a Bulgarian company SIGDA OOD. On February 23, 2018, we concluded a share purchase agreement for the sale of our remaining Bulgarian assets with Inercom Bulgaria EAD. However, since the transaction was not approved by the Bulgarian Commission for Protection of Competition, the share purchase agreement with Inercom was terminated in April 2019. Please see "*Description of ČEZ—Legal Proceedings—Bulgaria*".
- On May 18, 2017, ČEZ established the new Nuclear Energy Division with effect from June 1, 2017. As from the same date, the existing Generation Division was transformed into the Conventional Energy Division. By establishing the Nuclear Energy Division, ČEZ responded to the needs to comply with the requirements of the amended Czech Nuclear Act 2016 and the relevant implementing regulations to further increase the level of safety of nuclear power plants. All departments performing activities related to the use of nuclear energy were placed in the Nuclear Energy Division.
- On June 6, 2017, we entered the French renewable energy market by acquiring nine wind farms in a late development stage with a target installed capacity of over 100 MW. Since then we have acquired further wind farms in a late development stage, bringing the total potential installed capacity of the projects in France to over 200 MW as of the date of this Base Prospectus.
- On July 7, 2017, we entered the German market in energy services and solutions ("*ESCO*") by acquiring a 100% share in Elevion GmbH, a leading integrated provider of multi-technical building services, from DPE Deutsche Private Equity, an independent German investment company. Elevion GmbH operates in 30 locations across Germany.
- 2018** In March 2018, a technical and economic study of the long-term operation of the Temelín nuclear power plant was completed, confirming the feasibility of the long-term operation of the source by 2060 for Unit 1 and 2062 for Unit 2.

In May 2018, a favourable opinion was received from the Ministry of the Environment of the Czech Republic on the EIA report for the New Fluidized-Bed Boiler and Gas-Fired Boiler Plant projects at Mělník.

During 2018, the CEZ Group continued with its expansion into ESCO business by acquiring a 100% stake in German Kofler Energies Group, Romanian High Tech Clima SRL, Slovakian TMT Energy a.s. and Polish Metrolog sp. z o.o.

## 2019

In May 2019, due to the update of the CEZ Group's strategy, ČEZ updated its dividend policy and increased its dividend pay-out ratio to 80%–100% of consolidated net income adjusted for extraordinary effects.

In May 2019, ČEZ continued its investment in ESCO companies by acquiring, through Elevion GmbH, a 100% stake in HERMOS, a group of German ESCO companies specializing in automation and IT solutions for industry, energy, environment, buildings and healthcare and delivering a wide array of solutions in the ESCO sector, and by purchasing a 51% stake in e-Dome, a provider of energy services and energy management.

On June 20, 2019, ČEZ and CEZ Bulgarian Investments B.V. signed a share purchase agreement with EuroHold Bulgaria AD for the sale of the CEZ Group's assets in Bulgaria. The intended sale concerned seven companies, namely CEZ Bulgaria AD, CEZ Elektro Bulgaria AD (a retail electricity supplier), CEZ Razpredelenie Bulgaria AD (an electricity distribution company), CEZ Trade Bulgaria EAD (a wholesale trader), CEZ ICT Bulgaria EAD, Free Energy Project Oreshets EAD (a photovoltaic power plant), and Bara Group EOOD (a former operator of a biomass combined heat and power plant). The sale of the CEZ Group's assets in Bulgaria to EuroHold Bulgaria AD was not approved by the Bulgarian Commission for Protection of Competition on October 24, 2019. Both parties have filed an administrative action against this decision and CEZ is considering further legal steps to allow it to proceed with the sale and to protect interests of the CEZ Group. Following the annulment of the negative decision of the Commission for Protection of Competition by the Sofia Administrative Court, the Commission for Protection of Competition reversed its earlier decision and on October 29, 2020, authorized the sale of our remaining Bulgarian assets. The sale of assets was subsequently approved by KEVR on January 19, 2021. The settlement of the transaction is expected to take place in 2021 (together, the "*Bulgarian Asset Sale*"). Please see "*Description of ČEZ—Legal Proceedings—Bulgaria*".

In June 2019, our General Meeting approved the updated business policy of the CEZ Group and ČEZ. Please see "*Description of ČEZ—Our Strategy*".

In August 2019, the CEZ Group acquired a 76% shareholding in EUROKLIMAT, with an option to purchase up to a 100% shareholding. EUROKLIMAT is a general supplier of heating, ventilation and air-conditioning systems ("*HVAC*"), sewage and other technological installations and a leader on the Polish HVAC market.

In 2019, we entered into negotiations with European Metals Holdings Limited ("*EMH*"), the owner of a 100% share in Geomet, s.r.o., a company which holds preferential rights to explore and exploit the mining of zinnwaldite containing lithium at Cínovec, Czechia, about our potential future cooperation. In April 2020, we acquired a 51% ownership interest in Geomet, s.r.o., through Severočeské doly a.s., our wholly-owned subsidiary. Further, we approved the entering into a second phase of the project, consisting of an off-site testing and technical verification of the process of lithium extraction and a preparation of a final economic and technological feasibility study of the project. As of the date of this Base Prospectus, the second phase of the project is expected to last until 2023.

In September 2019, CEZ officially launched the process of the divestment of its Romanian assets comprising seven Romanian companies, namely Distribuție Energie Oltenia S.A., CEZ Vanzare S.A., CEZ Romania S.A., Tomis Team S.A., MW Team Invest S.R.L., Ovidiu Development S.R.L. and TMK Hydroenergy Power S.R.L. ČEZ and Macquarie Infrastructure and Real Assets (MIRA) reached an agreement on the sale of ČEZ's Romanian

assets in October 2020. The CEZ Group remains active in Romania, and continues to focus on its trading (CEZ Trade Romania) and energy services business (High-Tech Clima).

## 2020

Due to the unprecedented spread of COVID-19 and the disruption caused by the pandemic, the Group set up a special work team in February 2020 with an aim to ensure that timely measures are taken to minimize the risks and impacts of the pandemic on key activities of the CEZ Group.

In February 2020, ČEZ and GE Hitachi Nuclear Energy entered into a memorandum of understanding. Both companies agreed to collaborate on the exploration of small modular reactors technology in the Czech Republic. Similarly, a memorandum of understanding to explore the potential for compact nuclear power stations, known as small modular reactors, was signed between ČEZ and Rolls-Royce in November 2020.

In June 2020, the 440 MW Pruněřov I coal power plant was shut down after fifty-three years of operation. ČEZ continues on its path towards a gradual transition to low- or zero-emission production of electricity, based on renewable sources and nuclear power, and complemented by steam-gas sources for the requirements of the heating industry.

On July 28, 2020, a framework and implementation agreement for the first stage of the construction of a new nuclear power plant in the Dukovany locality was signed by the Czech Government, ČEZ and Elektrárna Dukovany II, a. s.

In September 2020, ČEZ officially launched the process of the divestment of its Polish assets. ČEZ intends to sell CEZ Skawina, CEZ Chorzów (including the CEZ Chorzów II project), CEZ Produkty Energetyczne Polska and CEZ Polska, keeping only the Polish companies engaged in modern energy services (ESCO).

On December 31, 2020, the Počerady power plant was sold to Vršanská Uhelná a.s. three years before originally planned. Simultaneously with the transfer of the Počerady power plant, the purchase contract for coal from Vršanská Uhelná a.s. in the amount of 5 million tonnes/year was terminated.

## 2021

The sale of Bulgarian assets (CEZ Bulgaria AD, CEZ Elektro Bulgaria AD, CEZ Razpredelenie Bulgaria AD, CEZ Trade Bulgaria EAD, CEZ ICT Bulgaria EAD, Free Energy Project Oreshets EAD and Bara Group EOOD) was approved by the Bulgarian regulator KEVR on January 19, 2021. The settlement of the transaction is expected to take place at the end of June 2021.

In March 2021, the ICSID arbitration tribunal resolved the legitimacy of conducting arbitration within the current jurisdiction and thus moving to the next phase of the ČEZ's international investment arbitration against the Republic of Bulgaria in which the merits of the case will be assessed.

On March 9, 2021 the State Office for Nuclear Safety granted a permit to deploy a new nuclear power plant at Dukovany. It is one of the most important preparatory steps before commencing the construction project and selecting a contractor.

The sale of the Romanian assets (Distributie Energie Oltenia S.A., CEZ Vanzare S.A., CEZ Romania S.A., Tomis Team S.A., MW Team Invest S.R.L., Ovidiu Development S.R.L. and TMK Hydroenergy Power S.R.L.) was settled on 31 March 2021 (the "*Romanian Asset Sale*").

## Organizational Structure of the CEZ Group

As of December 31, 2020, the CEZ Group consisted of ČEZ and its 180 fully consolidated entities. As of December 31, 2020, we also had interests in 22 joint ventures consolidated by the equity method of accounting. For a complete list of our subsidiaries and joint ventures as of December 31, 2020, please see Note 9 to the 2020 Financial Statements.

Pursuant to the Czech Energy Act, since January 1, 2007, the distribution of electricity must be separate and independent from the generation, transmission and sale of electricity ("*unbundling*"). In 2005, we established two new separate companies, ČEZ Distribuce, a. s. (for the distribution of electricity) and ČEZ Prodej, a.s. (for the sales of electricity to end-consumers), and during 2006 we transferred all corresponding assets and activities from the REAS to these companies. Following a resolution of our Board of Directors in June 2007, we consolidated all assets and activities of the REAS into the CEZ Group. We completed this consolidation process by October 2007.

To ensure the independence and separation of distribution activities from all other activities, the senior management responsible for our Distribution Business must be different from the senior management responsible for our Generation Business and our Sales Businesses and we are required to take appropriate steps to prevent professional conflicts of interest between persons responsible for our Distribution Business and our Generation Business and Sales Business. The Czech Energy Act also restricts how much control can be exercised by shareholders over the distribution business.

### ***Principal Subsidiaries of the CEZ Group***

ČEZ Distribuce, a.s., a wholly owned subsidiary of the CEZ Group, was established on October 1, 2010, following the merger of ČEZ Distribuce, a. s. (a company of the same name which was incorporated on March 31, 2005 to comply with the requirement of the Czech Energy Act to separate our Distribution Business from our Sales Business, which ceased to exist with effect from the date of the merger) and ČEZ Distribuční zařízení, a.s. (a company incorporated in July 2009 to consolidate unclassified equipment for electricity distribution within the CEZ Group, which ceased to exist with effect from the date of the merger). ČEZ Distribuce, a. s., is the largest of the four regional distribution companies in the Czech Republic. For more information on our Distribution Business, please see "*Our Business—Distribution Business*".

ČEZ Prodej, a.s., a wholly-owned subsidiary of the CEZ Group, was established on March 31, 2005 to comply with the requirement of the Czech Energy Act to separate our Sales Business from our Distribution Business. Parts of our original regional power companies, including their customers, contracts and liabilities were transferred to ČEZ Prodej, a.s., by the end of 2005. ČEZ Prodej, a.s., has been fully operational since January 1, 2006, when it started selling electricity to end-consumers in the Czech Republic. In recent years, ČEZ Prodej, a.s., has also started to supply gas and other services to end-consumers. As of September 1, 2018, a transfer of contracts with individually served customers from ČEZ Prodej, a.s., to ČEZ ESCO a.s. took place. The change aimed at improving the customer service by offering a broader range of custom-made products to this customer segment. For more information on our sales business, please see "*Our Business—Sale*".

Severočeské doly a.s., a wholly-owned subsidiary of the CEZ Group, was established in 1994. The core activities of Severočeské doly a.s. are the prospecting for, extracting, processing, and selling of brown coal and related raw materials. Severočeské doly a.s. is the largest brown coal mining company in the Czech Republic. We acquired a 93.1% stake in Severočeské doly a.s. from the Government of the Czech Republic during 2005. Upon our request, as the majority shareholder, the general meeting of Severočeské doly a.s. held on March 27, 2006, approved the squeeze-out of minority shareholders and the transfer of their shares to us. For more information on our mining operations, please see "*Our Business—Coal Mining*".

### **Our Strengths**

We benefit from the following key strengths:

#### ***Majority State-Owned Company, Backed by a Stable and Open Economy***

The Czech Republic, through the Ministry of Finance, owns approximately 69.8 % of the share capital of ČEZ, the parent company of the CEZ Group. The Czech Republic is a medium-sized, manufacturing-based and open economy driven by exports, predominantly to Germany. Until 2020, macroeconomic conditions in the Czech Republic had been relatively stable and generally favourable over the last years. From 2014 until 2020, the Czech Republic's gross domestic product grew at a faster rate than the EU average, driven by increases in household consumption, foreign trade and public investments. During the last several years, the Czech Republic had one of the lowest unemployment rates in the EU. According to Reuters, credit default swap levels have also remained consistently below those of other Central Eastern European countries. However, the most significant recession in the history of the Czech Republic was recorded in 2020, as a result of the economic impact of the COVID-19 pandemic. The Czech Republic's gross domestic product fell by 5.6

% compared to 2019. As of the date of this Base Prospectus, the COVID-19 pandemic is still ongoing and continues to have a negative impact on the Czech economy (see "*Risk factors—Risks Related to Our Business and Operations—Risks connected with COVID-19 epidemic*" and "*Risk factors—Risks relating to political, social and economic conditions—Risks associated with poor economic performance in the Czech Republic*"). The Czech National Bank's stress tests indicate that the Czech banking system is prepared to absorb losses from a severe adverse shock because of its low exposure to highly indebted European countries. In August 2011, Standard & Poor's upgraded its rating of the Czech Republic by two notches to AA- and in October 2019, Moody's upgraded its rating of the Czech Republic by one notch to Aa3 and changed the outlook from positive to stable. This was affirmed by Moody's in February 2021. We believe that the fact that we are majority-owned by the state with a stable and open economy provides additional credibility in the electricity and credit markets and allows us to benefit from more favourable credit terms than those available to our competitors without similar backing.

### ***Robust Credit Profile***

ČEZ's credit ratings of A- (stable outlook) by Standard & Poor's and Baa1 (stable outlook) by Moody's are among the highest awarded to a European utility, reflecting our efforts to work proactively to maintain prudent leverage and liquidity positions. We had a relatively low Net Debt/EBITDA ratio of 2.22 as of December 31, 2020, a decrease compared to the Net Debt/EBITDA ratio of 2.68 as of December 31, 2019. In addition, we also monitor our Total Debt/Total Capital Ratio. Our long-term policy is to keep the Total Debt/Total Capital Ratio below 50 %. We have a well-established credit among European utilities, having issued nearly EUR 7.8 billion in 30 series of public and private transactions under this Programme since 2007 (including outstanding and issued and redeemed Notes). We aim to maintain an adequate liquidity position with access to sufficient back-stop credit facilities should cash flows become negative.

### ***Highly Integrated, Large-Scale Domestic Operations***

We benefit from highly integrated operations in the Czech Republic providing approximately 87 % of our total consolidated EBITDA in the year ended December 31, 2020. In the Czech Republic, we operate a low-cost generation fleet which produced a total of 56,777 GWh of electricity, or 70 % of the country's total electricity generated during the year ended December 31, 2020, of which 35.5 % was produced by our coal-fired power plants. For the year 2020, 65 % of our brown coal consumption was provided by our mines just at the cost of extraction only on a consolidated basis. In addition, brown coal is not a traded commodity as its transportation is not economical and we are therefore not exposed to large fluctuations in the global commodities market. After the sale of the Počerady power plant on December 31, 2020, approximately 90 % of our brown coal consumption is expected to be provided by our mines.

Approximately 49.3 % of our total electricity generation output in the Czech Republic was generated by our nuclear power plants where variable costs are relatively low and stable (as opposed to initial construction costs). Furthermore, unlike in neighbouring Austria and Germany, public opinion as well as political representation in the Czech Republic have been relatively favourable towards nuclear power generation. The composition of our generation fleet results in relatively stable and low variable costs which is a chief reason for our EBITDA margin of approximately 30.3 % for the year ended December 31, 2020, being one of the highest among our European peers (EdF, EdP, EnBW, Enel, Engie, E.ON, Fortum, Iberdrola, Innogy, PGE, RWE, Uniper and Verbund) over the last five years, according to publicly available financial data. In addition, through the composition of our generation fleet we are well positioned in light of the growing prices of CO<sub>2</sub> allowances and hence also the growing power prices. According to our data, our emission intensity of 0.33t/MWh is well below the 0.65 - 0.7 t/MWh intensity of a marginal coal plant.

In the year ended December 31, 2020, we distributed 34,676 GWh of electricity to end-consumers in the Czech Republic. According to our data, we had a market share of approximately 62.5 % of the total electricity consumed in the regional distribution areas in the Czech Republic in the year ended December 31, 2020.

We sold approximately 17,035 GWh of electricity to end-consumers in the Czech Republic, or 29 % of the total net electricity consumed in the Czech Republic, in the year ended December 31, 2020, according to the ERO. While our market share as an incumbent electricity provider has declined over the last several years (from approximately 44 % in the year ended December 31, 2009) we have managed to establish ourselves as a gas supplier and this has compensated for a significant part of the foregone decrease.

### ***Stable Domestic Market without Regulatory Excesses Seen in Some Other Parts of Europe***

The Czech Republic's power market is a fairly standardized market by E.U. standards. Power production and power supply are fully liberalized, while distribution is regulated in line with E.U. directives and regulations. In addition, the public opinion and practically all of the political parties in the Czech Republic (except for the Greens, who, as of the date of this Base Prospectus, are not represented in the Czech Parliament) lean towards supporting nuclear operations and a new nuclear build up. The Czech Republic participated in the so-called "derogation scheme" allowing certain countries to opt-out from the mandatory auctioning of CO<sub>2</sub> emission allowances in the period from 2013 to 2020. Since the approval by the E.U. Commission in December 2012, we were eligible to obtain up to approximately 69.6 million tons of CO<sub>2</sub> emission allowances between 2013 and 2019. In addition, the production of heat was also partially supported with CO<sub>2</sub> emission allowances granted for free during the period from 2013 to 2020, amounting to some 6.5 million tons.

### ***Strong Market Position in the Czech Republic***

We operate in the liberalized E.U. power markets which are well integrated with most of their neighbors. Such integration allowed approximately 31 % of the Czech Republic's power production to be exported in 2020 (net export reaching 13 % of the Czech Republic's power production). As a result of both of these factors, Czech power prices are driven by the same fundamentals as those of the neighboring countries, specifically Germany, the most liquid market. This allows us to benefit from the structure of our generation fleet, which is positioned towards the cheaper end of the merit order of the German market.

### ***Strong Presence in Several International Markets***

In addition to cultivating our leading position in the Czech market, we have also applied our expertise in managing a power business to developing solid market positions across power markets in Central and South East Europe, including in Bulgaria, Germany, France, Poland and, until 31 March 2021, when we completed the Romanian Asset Sale, in Romania. We also have operations in Turkey and trading and ESCO activities in other European countries. For example, according to our data, we distributed electricity to approximately 15 % and 40 % of the Romanian and Bulgarian, respectively, market in the year ended December 31, 2020. In Germany, we own and operate on-shore wind farms with a total installed capacity of 134 MW and have further 193.5 MW under development in our joint ventures. Among other things, we own Elevion GmbH, which is one of the leading integrated provider of multi-technical building services in Germany. In France, we own projects for on-shore wind farms in a late development stage with a potential installed capacity of around 226 MW. In addition, we have been acquiring ESCO companies in Poland, Romania and Slovakia. For more information on our ESCO acquisitions, (please see "*Our Business—Sale—Decentralized Energy Solutions*"). We believe that our international portfolio provides us with opportunities to leverage the significant expertise and knowledge gained in our domestic market, and in turn allows us to further grow outside our domestic market, where our growth potential is limited.

### ***Our Strategy***

The energy market continues its transition and we observe certain key trends, which can be split between three main drivers: the stagnation of conventional energy sources, growth of renewable and decentralized energy and new identified needs of end customers.

Firstly, the conventional energy sources stagnate, however their importance within the economy remains. We observe stricter environmental legislation with respect to the operation of coal power plants and coal mines along with increasing demands for the safety of nuclear power plants.

Secondly, renewables and decentralized energy are driven by the decision-making of the E.U., which further fosters growth opportunities. With increased technological advancements, investments into renewable sources have become profitable even while operating under market conditions.

Lastly, as a result of increased focus on corporate social responsibility, the end customers shift their focus towards more complex service offerings, which in turn drives the demand for energy efficiency. The updated strategic priorities outlined by the CEZ Group appropriately address the transition of the energy market.

In recent years, we have further observed the following market changes in the Czech Republic and in the energy market in general:

- E.U. Commission approved new 2030 targets;
- Following the E.U. Commission's targets, the Czech Government prepared a climate and energy plan with a significant increase in the share of generation from renewables (RES) from 13.6 % in 2020 to 22 % in 2030 and updated the State energy plan;
- The Coal Commission of the Czech Republic recommended that coal mining and combustion activities in the Czech Republic are terminated by 2038;
- The Czech Government restarted discussion about a new nuclear power plant;
- In parallel, the Czech Republic prepared the National action plan for Smart Grids and e-mobility, and plans for digitalization of the country have accelerated; and
- Technological development, implementation of auctions, increased competition and inflow of cheap capital in RES created pressure on margins and investment returns.

These market changes are reflected in our strategy from June 2019, which is based on four fundamental strategic priorities:

#### **I. Efficient operation, optimal utilization and development of generation portfolio**

- Maximizing value from mining and conventional generation;
- Ensuring long-term operation of nuclear power plants (Temelín and Dukovany); and
- Preparing conditions for the realization of a new nuclear power plant as part of the strengthening of energy security and decarbonization of the power generation portfolio in the Czech Republic.

The CEZ Group made a commitment to generate carbon neutral electricity before 2050. In 2020, more than 56% of electricity generated by the CEZ Group originated from zero-emission sources. As further steps to achieving the target, the less efficient coal-fired power plants that have not undergone comprehensive renovation will be gradually phased out. Consequently, both the emission intensity and the absolute amount of released CO<sub>2</sub> are declining.

Our partial target on the way to carbon neutrality is a decrease in emission of CO<sub>2</sub> by 30% before 2030 in comparison with 2018 and reduction in emission intensity to at least 0.30t/MWh. In 2020, the emission intensity of CEZ Group reached 0.33t/MWh, which represents nearly 20 % decline compared to 0.40t/MWh recorded three years ago.

#### **II. Modern distribution and a care for customers' energy needs**

- Modernizing and digitalizing distribution (ČEZ Distribuce, a.s.) and sales (ČEZ Prodej, a.s.) in the Czech Republic;
- Increasing operating results by means of improving efficiency while at the same time reducing operating expenses in ČEZ Distribuce, a.s.; and
- Preserving current profitability by maintaining the current customer base along with increasing customer satisfaction and expanding offerings into non-commodity products and services in ČEZ Prodej, a.s.

#### **III. Development of new energy in the Czech Republic**

- Developing energy services (ESCO) and RES in the Czech Republic in fulfilling the Czech climate and energy plan;
- Acquiring significant market position in ESCO in both the Czech Republic and Slovakia; and
- Playing a major role in the growth of RES in the Czech Republic.

#### **IV. Development of energy services in Europe**

- Developing new activities and achieving significant position in markets close to the Czech Republic, primarily Germany, northern Italy and Poland in international ESCO segment;
- Achieving such growth by means of organic expansion and new acquisitions; and
- Maximizing synergies from the consolidation of activities in the target markets.

Beyond these four strategic priorities, we have two additional ambitions:

1. Realize efficient exit strategies from markets and energy segments, which are risky or do not have attractive prospects; and
2. Finalize RES development abroad and secure return of invested funds.

The CEZ Group actively responds to changes on the energy market, which are reflected in our strategy. However, our mission (to provide safe, reliable and positive energy to its customers and society as a whole) and vision (to bring innovations for resolving energy needs and help improve quality of life) remain intact.

## **Our Principal Markets**

### *Overview*

Our core business is the generation, distribution and sale of electricity in the Czech Republic. In the year ended December 31, 2020, 90 % of our total installed electricity generation capacity, 93 % of our total electricity generation, 69 % of our total electricity distributed to end-consumers and 51 % of our total sales of electricity to end-consumers were in the Czech Republic. In the year ended December 31, 2020, approximately 70 % of our revenues originated in the Czech Republic.

According to the ERO for the year ended December 31, 2020, we accounted for approximately 70 % of electricity generated, 54 % of installed electricity generation capacity, we distributed approximately 65 % of the total electricity consumed in the regional distribution areas in the Czech Republic and sold 29 % of the total net electricity consumed in the Czech Republic. According to the Czech Ministry of Industry, we are also the largest producer of brown coal in the Czech Republic accounting for approximately 52 % of the total volume of brown coal produced in the Czech Republic in the year ended December 31, 2020.

To a lesser extent, we also generate electricity in Bulgaria, Germany and Poland, distribute electricity in Bulgaria and sell electricity to end-consumers in Bulgaria, Hungary, Poland, and Slovakia. Until 31 March 2021, when we completed the Romanian Asset Sale, we also generated, distributed and sold electricity to end-consumers in Romania. In the ESCO segment we are active in the Czech Republic, Slovakia, Germany, Poland, Romania, Italy and Austria. In the year ended December 31, 2020, 9 % of our revenues originated in Bulgaria, 8 % in Romania, 6 % in Germany, 4 % in Poland and 3 % in other countries. Since June 2017, we have acquired wind farms in France in a late development stage with a total potential installed capacity of 226 MW.

### *Czech Republic*

The Czech electricity market is an integral part of the wider European electricity market and the Czech Republic has had a positive trade balance with most of its neighbors. The PXE was established in 2007 as a new business platform for trading electricity in the Czech Republic and the Slovak Republic. Due to cross-border integration and fully liberalized power prices, markets in the region are integrated and the primary price-setting market is Germany and its exchange in Leipzig.

The Czech power market and sales to end-consumers are fully liberalized. The gas market is also fully liberalized and the basic rules governing its operation are similar to those governing the electricity market. For an overview of such rules, please see "*Regulation—Czech Republic*." Access to the transmission and distribution grids is regulated. The wholesale market in the Czech Republic is a part of the larger Central European market, primarily due to extensive cross-border transmission capacities between the Czech Republic and the transmission grids of the neighboring countries. The Czech transmission system is operated by ČEPS, a.s., the sole holder of an electricity transmission license for the Czech Republic under the Czech Energy Act. Based on transmission services agreements, ČEPS, a.s., provides electricity transfer in the Czech Republic, controls power flows across the Czech transmission system, taking into account electricity exchange schedules agreed with the neighboring transmission system operators as well as cooperating with the distribution system operators.

According to the ERO, in the year ended December 31, 2020, the net electricity consumption by end-consumers in the Czech Republic was 59.0 TWh compared to 61.1 TWh in the year ended December 31, 2019. This decline was caused primarily by a decrease in corporate demand as a result of restrictions associated with the COVID-19 pandemic. On the other hand, household demand for electricity consumption in the year ended December 31, 2020, has recorded the highest level

of consumption in more than two decades. However, households account for about one-fifth of the total consumption in the Czech Republic, so this could not reverse the general trend affected by the COVID-19 pandemic.

### *Poland*

In Poland, we produce electricity and heat in two coal power plants – Chorzów and Skawina, with a total installed capacity of nearly 570 MW, and in two small hydro power plant. In addition, we sell energy related services and technologies, such as heating, ventilation and air-condition, photovoltaic and co-generation units, and electricity and gas to end customers. As of the date of this Base Prospectus, we also have several wind power projects under development on the Polish market.

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. The Polish Electricity Grid (PSE S.A.) is responsible for transmission in Poland and the Polish Power Exchange (the "POLPX") provides electricity trading.

The Polish Act on Investments in Wind Turbines related to the development of wind power in Poland has been in force since 2016. The law introduced rules on the minimum distance between a wind turbine and dwellings or naturally valuable sites, which must be equal to or greater than ten times the height of the wind turbine. This provision significantly restricted the implementation of wind power projects throughout Poland, including the CEZ Group's projects. In 2020 the Polish Government announced a planned liberalization of the restrictions until the end of the year that would allow for further development of wind projects. Opinions of local communities were considered in the decision-making process. Both the updated draft of the Polish Energy Policy until 2040 and the draft auction regulation for 2021 predict that the installed capacity of wind power will remain at around 9.5 GW over the next two decades.

On February 1, 2021, the Offshore Wind Farms Act became effective after it had been unanimously passed by the Polish Parliament. The adoption of a legislation dedicated to offshore wind farms is crucial for the future development of the energy sector in Poland. Under the Polish Energy Policy until 2040, the Ministry of Energy plans to begin the operation of wind turbines with a planned installed capacity of up to 8 GW in the Baltic Sea from 2025.

During 2019, an amended draft of the Polish Energy Policy for 2040 was introduced by the Ministry of Energy. The goal of this policy is to reduce the share of coal in the Polish energy mix from the currently expected 69 % for 2020 to 28 % in 2040. The total installed capacity is expected to increase, while the share of coal capacity is expected to decrease from 58% in 2020 to 19% in 2040. In addition, the introduction of nuclear power to the Polish energy mix is expected. The technology and a general contractor for the construction of the first nuclear power plant is planned to be selected during 2021.

In January 2018, a new Polish law that introduced capacity auctions entered into force. Capacity market mechanisms are aimed at creating investment incentives, in particular for coal-fired and gas-fired power plants, which can then serve as a backup in case there is a lack of electricity in the grid. They involve paying operators for keeping their power plants on standby to be able to quickly start supplying electricity to the grid. The first capacity auctions took place in November and December 2018. Our Skawina power plant received a contract for the 2021-2026 period. In December 2019, further capacity auctions took place in Poland. Our Chorzów power plant successfully participated in the auctions for deliveries in 2024. Given the European Union regulation under which generating units with emissions exceeding 550 gCO<sub>2</sub>/kWh and annual average emissions greater than 350 kgCO<sub>2</sub>/kW of installed capacity will not be allowed to participate in capacity mechanisms starting from July 1, 2025, all coal-fired power plants are excluded from future capacity auctions.

In January 2019, the Cogeneration Electricity Promotion Act introduced a new form of support in line with the E.U. requirements for payment of bonuses instead of a red certificate system that ended on December 31, 2018. Only the power plants with maximum emissions of 450 kg CO<sub>2</sub> / MWh of energy produced (electricity and heat) are eligible for this support. The method of support will be based on the installed capacity of the respective power plant. For the power plants with installed capacity above 50 MW, the support will be determined individually by the Polish Energy Regulatory Office while for the power plants with installed capacity above 300 MW an approval of the E.U. Commission will be required. The new support mechanism creates great development opportunities for new cogeneration units, as well as for CEZ ESCO and Metrolog.

During 2018, Polish state-owned power companies proposed to raise electricity prices for households by more than 30 % to offset the increase in wholesale electricity and coal prices. To prevent the price increases, an amendment to

the excise tax law was prepared by the Polish Government. This law came into force on January 1, 2019, and imposed a temporary restriction on the setting of electricity prices on traders, froze the transmission and distribution charges of the energy grid operators and reduced the excise duty on electricity. The E.U. Commission initially called for the liberalization of the entire Polish energy market segment. However, it later agreed to a gradual liberalization with the aim to reduce the impact of the Polish energy transformation to a low-emission one. An amendment to the law effective from June 2019 introduced a new compensation scheme. During the first half of 2019, all sales companies were required to offer prices as on June 30, 2018 and were compensated for the price difference by the state. In the second half of 2019, the prices were frozen for households, small and medium enterprises and selected public sector organizations. Again, the sales companies were compensated for the price difference according to the law.

According to the preliminary data of the Polish transmission system operator PSE, the total electricity consumption in Poland decreased in the year ended December 31, 2020, by 2.3 % to 165.5TWh from 169.4 TWh in the year ended December 31, 2019. This decrease was caused mainly due to the restrictions associated with the COVID-19 pandemic.

In the third financial quarter of 2020, the CEZ Group officially launched the divestment process of the majority of its Polish assets, in line with its strategy approved in June 2019. As part of this strategy, the CEZ Group intends to sell CEZ Skawina, CEZ Chorzów (including the CEZ Chorzów II project), CEZ Produkty Energetyczne Polska and CEZ Polska. On the other hand, companies OEM Energy, Metrolog and Euroklimat, which are part of the modern energy services (ESCO), are not included in the divestment process.

### *Germany*

In Germany, we own wind farms with a total installed capacity of 133.5 MW and co-own wind projects under development with a potential installed capacity of up to 193.5 MW. In addition, in 2017, we entered the German ESCO market through the acquisition of Elevion GmbH. Since then, we have acquired a number of additional smaller companies active on the ESCO market. Through Inven Capital, we also hold minority stakes in companies active in the new energy sector.

The German electricity generation market has undergone fundamental overhaul in recent years when the so-called 'Energiewende', the process of transitioning the German energy industry from the traditional sources to emission-free and renewable energy, was implemented. The key pillars of the transition are renewable energy sources and energy savings. The share of renewable energy sources in the generation of electricity in Germany has been steadily growing and according to Agora Energiewende reached approximately 46 % in 2020, as compared to 7 % in 2000. The ambitious aim is to reach a renewable energy share of 65 % by 2030 (as compared to a previous goal of 40 – 45 % by 2025, 55 – 60 % by 2035 and 80 % by 2050). In order to fulfil these goals, renewable power sources are being subsidized by the German Government. In the past, the subsidy system was based on feed-in tariffs (the mechanism whereby the government evens up the market price of generated electricity to a reference level). With effect from January 1, 2017, a new subsidy system has been used. The reference level of subsidy (market premium) granted is based on a competitive auction system under which the lowest price offered wins the auction.

In July 2020 Germany adopted the Act on the Phase-out of Coal-fired Power Plants that stipulates a complete phasing out of coal as an energy source by 2038 at the latest, with an option to bring the deadline forward to 2035. The first step is to reduce the installed capacity of hard coal and lignite power plants to 15 GW each by the end of 2022 and then to 8 GW and 9 GW, respectively, by the end of 2030.

At the same time, Germany has been expanding the use of renewables. In November 2019, Germany adopted the Climate Protection Act, which aims to secure Germany's climate goals by 2030. A goal of achieving carbon neutrality by 2050 has been established with binding targets for each year between 2020 and 2030 for energy, industry, construction, agriculture and waste sectors. The evaluation of the observance of the goals is to be carried out annually for each sector and in case of non-fulfilment, the responsible ministry must within three months submit a proposal for immediate remedial measures to be decided by the federal government thereafter. A carbon tax of EUR 25 per ton of CO<sub>2</sub> is to be introduced in the transportation and heating sectors from 2021. This carbon tax is to gradually increase to EUR 55 per ton of CO<sub>2</sub> in 2025.

### *France*

In June 2017, we entered the French renewable energy market by acquiring nine wind farms in a late development stage. The farms are located in six regions across France, with a target installed capacity of up to 106.6 MW. All of these wind farms have operational support in the form of a feed-in tariff guaranteed for 15 years. As of the date of this Base Prospectus, all the necessary permits for the construction and operation of the first wind farm, Aschères-le-Marché, with a target installed capacity of 13.6 MW, have already been obtained and the wind farm is under construction. The other projects are expected to reach a similar milestone throughout their advanced stage of development. In January 2019, we acquired additional onshore wind power projects under development with a potential overall installed capacity of up to 119 MW.

In November 2019, the Energy and Climate Act, which determines the decarbonization path, was published. Among other things, the Energy and Climate Act covers energy efficiency of buildings, climate policy management and improved environmental reporting requirements for businesses. The Energy and Climate Act sets climate targets, including carbon neutrality, by 2050 and the goal of reducing the nuclear share in electricity generation from the current 75 % to 50 % by 2035. This is expected to translate into the shutdown of 14 nuclear reactors. The Energy and Climate Act also requires the shutdown of the four remaining coal power plants and the decrease of fossil fuel on the energy consumption by 40 % by 2030.

The main tool for the strategic management of energy transformation and detailed specification of development goals for individual energy sectors is the "Multiannual Energy Program" (PPE), which gives a strong incentive for solar and wind sector development. According to the updated version of the PPE published in April 2020, the installed capacity of photovoltaic power plants is to increase to 35.1–44.0 GW by 2028 (from 9.4 GW in 2019) and the installed capacity of onshore wind farms is to increase to 33.2–34.7 GW by 2028 (from 16.5 GW in 2019). The goal for the installed capacity of off-shore wind farms has decreased to 2.4 GW by 2023 and increased up to 5.2 – 6.2 GW by 2028.

Competition-based support for renewable electricity generation has been implemented for solar facilities since 2016 and for large onshore wind farms since 2017. Producers are thus directly exposed to market signals, having revenue from direct sales of electricity in the market while being protected by a compensatory premium paid up to a reference amount. Three auctions for onshore wind power plants took place in 2019.

### *Bulgaria*

In Bulgaria, we are active in the distribution and sale of electricity and, to a lesser extent, also in the production of electricity from renewable sources and in the ESCO sector. In 2017, we launched a divestment process with respect to our Bulgarian assets. On October 29, 2020, the sale of our Bulgarian distribution and sales business was approved by the Commission for Protection of Competition and on January 19, 2021, the transaction was approved by KEVR. The settlement of the transaction is expected to take place in the course of 2021.

The majority of electricity generation in Bulgaria is controlled by the Bulgarian Government through Bulgarian Energy Holding ("*BEH*") (i.e., through (i) generation of electricity in large hydro power plants of National Electricity Company, thermal power plant Maritsa East 2 and nuclear power plant Kozloduy and (ii) purchasing electricity pursuant to long term power-purchase agreements with private thermal power plant AES Galabovo and thermal power plant Contur Global Maritsa East 1). The transmission grid is also owned and controlled by a subsidiary of BEH. On the other hand, the distribution companies in Bulgaria are controlled by foreign companies ENERGO-PRO, EVN and us.

Since 2007, customers on high and medium voltage networks have had the ability to choose their energy supplier in an open market and negotiate supplies at unregulated prices. Households and companies on low voltage networks received the right to choose their supplier in an open market in April 2016; however, both groups tend to remain in a protected customer regime and are usually supplied by electricity for regulated prices set by KEVR. The successful completion of liberalization is seriously jeopardized by the lack of detailed secondary legislation, the limited portfolio of products on the Bulgarian Energy Exchange ("*BNEB*"), the existence of cross-subsidies and the pressure of the government to maintain low energy prices for households.

In 2013, the KEVR imposed various actions against our local Bulgarian subsidiaries CEZ Elektro Bulgaria AD and CEZ Razpredelenie Bulgaria AD, with the threat of revoking our license for the distribution of electricity in Bulgaria. On March 19, 2014, the KEVR initiated license revocation proceedings in respect of the electricity sale license held by CEZ Elektro Bulgaria AD, based on the allegedly delayed payments of CEZ Elektro Bulgaria AD to NEK, a Bulgarian producer of electricity, amounting to BGN 63.7 million (approximately CZK 880 million). These proceedings were initiated as a consequence of the unresolved regulatory regime of the renewable sources' support mechanism in 2012 and

2013. CEZ Elektro Bulgaria AD requested the termination of the revocation proceedings and involvement of the E.U. Commission. On August 6, 2018, the license revocation proceedings were terminated without revocation of the electricity sale license held by CEZ Elektro Bulgaria AD.

On July 12, 2016, ČEZ filed with ICSID a request for arbitration against the Republic of Bulgaria on the grounds of the Republic of Bulgaria's failure to observe the investment protection provisions of the Energy Charter Treaty. The request for arbitration was based on a number of measures taken by the Bulgarian authorities against ČEZ's Bulgarian subsidiaries which had negatively influenced the business operations of ČEZ's subsidiaries in Bulgaria. The award sought in the international investment arbitration against the Republic of Bulgaria amounts to hundreds of millions of euros. The arbitral panel was formed on February 25, 2019, and, as of the date of this Base Prospectus, the parties exchanged two rounds of written submissions and participated in one oral hearing arguing for jurisdiction of the arbitral tribunal. On March 2, 2021, the tribunal confirmed that it has jurisdiction to hear the matter and that the arbitration can move to the next phase, in which the merits of the case will be assessed.

On July 1, 2018, an updated Energy Act came into force bringing a number of changes. In particular, (i) a mandatory purchase of electricity for losses directly through the energy exchange at market prices, (ii) an increase in the principal for electricity traders and (iii) the KEVR's obligation to approve a sale of energy assets in cases where the ownership interest exceeds 20 %.

On May 1, 2019, new electricity metering rules came into force, changing mainly the ability of invoicing compensations for unauthorized electricity consumption by the distributor directly to the customer and introducing the obligation of the distributor to inspect the meters every three months.

As of July 1, 2019, the Energy Act requires electricity producers with an installed capacity of 1 – 4 MW to sell the electricity produced on the IBEX Exchange (until then its purchase was carried out by NEK). The difference between the market price and any guaranteed higher purchase price is paid by the state. This measure is expected to increase the energy exchange liquidity.

As the last country in Europe, Bulgaria abolished the electricity export and import tax and introduced a grid access charge for all power producers in 2019.

Based on the interest shown by several investors in the second half of 2016, the CEZ Group decided to test the market in relation to a potential sale of its assets in Bulgaria. To obtain the widest possible portfolio of bidders, the intention to test the market was also published in the local mass media in January 2017. We received several binding offers in relation to our Bulgarian assets in August 2017. In October 2017, we concluded an agreement concerning the sale of our Bulgarian hard coal-fired thermal power plant in Varna, which had been shut down since 2015, to the Bulgarian company SIGDA OOD. The transaction was approved by the Bulgarian Commission for Protection of Competition in December 2017.

Additionally, in February 2018, we concluded a share purchase agreement for the sale of our remaining Bulgarian assets with the Bulgarian company Inercom Bulgaria EAD. The sale concerned seven companies, namely CEZ Bulgaria AD, CEZ Elektro Bulgaria AD (a retail electricity supplier), CEZ Razpredelenie Bulgaria AD (an electricity distribution company), CEZ Trade Bulgaria EAD (a wholesale trader), CEZ ICT Bulgaria EAD, Free Energy Project Oreshets EAD (a photovoltaic power plant), and Bara Group EOOD (former operator of a biomass combined heat and power plant). On April 15, 2019, the share purchase agreement with Inercom Bulgaria EAD was terminated, because the the Commission for Protection of Competition did not approve the transaction and, therefore, the closing of the transaction never completed. On April 1, 2019, CEZ received two new indicative offers for the purchase of its Bulgarian assets from (i) India Power Corporation Limited and (ii) EuroHold Bulgaria AD. The offer of EuroHold Bulgaria AD has been evaluated as better. On June 20, 2019, a share purchase agreement for our Bulgarian assets was signed with EuroHold Bulgaria AD. The closing of the transaction was again subject to the approval by the Commission for Protection of Competition and KEVR in Bulgaria. In October 2019, the Commission for Protection of Competition did not approve the sale with the justification that the transaction would allegedly allow the merged group to take a significant position in the Bulgarian insurance markets (where the EuroHold Group operates) and in the electricity trading sector (where the CEZ Group operates). In particular, the Commission for Protection of Competition argued that the insurance products necessary for operating on the electricity market could be provided under advantageous conditions, therefore providing an advantage over other market participants. Both EuroHold Bulgaria AD and ČEZ brought an action for judicial review against the decision in November 2019. Following the annulment of the negative decision of the Commission for Protection of Competition by the Sofia Administrative Court, the Commission for Protection of Competition reversed its

earlier decision and on October 29, 2020, authorized the sale of our remaining Bulgarian assets. The sale of assets was subsequently approved by KEVR on January 19, 2021. The settlement of the transaction is expected to take place in 2021.

The claims we asserted against the Republic of Bulgaria in the said international investment arbitration (please see "*Description of ČEZ – Legal Proceedings – Bulgaria*") are independent of the transaction of the sale of the Bulgarian assets.

### *Romania*

In Romania, the CEZ Group is active in the renewable power production, distribution and sale of electricity and in the ESCO sector. On September 9, 2019, the CEZ Group launched a process of divesting its assets in Romania, consisting of the sale of Distribuție Energie Oltenia S.A., CEZ Vanzare S.A., CEZ Romania S.A., Tomis Team S.A., MW Team Invest S.R.L., Ovidiu Development S.R.L. and TMK Hydroenergy Power S.R.L. We intend to keep only those Romanian companies engaged in energy services (ESCO) activities and trading. On October 23, 2020, ČEZ reached an agreement to sell its Romanian assets to funds managed by Macquarie Infrastructure and Real Assets and signed the relevant transaction documentation. The transaction received approval from the European Directorate-General for Competition on December 23, 2020, and from the Romanian Supreme Council of National Defence on January 5, 2021. The transaction was settled on March 31, 2021. The divestment of the Romanian companies is in line with the CEZ Group's new strategy, approved in June 2019. The strategy envisages the gradual sale of assets in Bulgaria, Romania, Turkey and partly also in Poland, with the exception of the companies focused on the field of modern energy services (ESCO), which ČEZ wants to develop further both in the Czech Republic and abroad. For more information, please see "*Description of ČEZ—Our Strategy*".

## **Our Business**

Our core business activities include the Generation Business, which consists of the generation of electricity in the Czech Republic, Bulgaria, Germany and Poland; the Distribution Business and the Sales Business, which consist of the distribution and sale of electricity to end-consumers in the Czech Republic and Bulgaria; and the Trading Business, which consists of the trading of electricity and energy commodities in wholesale markets for sale to our end-consumers as well as for our own account. We also undertake certain other ancillary activities, which are included in our Other Businesses.

### **Generation Business**

#### *Overview*

In the year ended December 31, 2020, we generated 60,946 GWh of electricity, of which 93.2 % was generated in the Czech Republic. In the year ended December 31, 2020, 49.3 % of our total electricity generated was generated by our nuclear power plants, 35.5 % was generated by our coal-fired power plants and the remaining 15.2 % was generated by our hydroelectric, solar, wind, gas, biogas and biomass power plants or through biomass co-firing. In the year ended December 31, 2020, the total installed capacity of our generation facilities was 12,933 MW, of which 89.7 % was located in the Czech Republic, 4.4 % in Poland, 4.8 % in Romania, 1.0 % in Germany and 0.04 % in Bulgaria.

In the Czech Republic, as of December 31, 2020, we owned and operated seven coal-fired power plants with a total installed capacity of 4,254 MW, two nuclear power plants with a total installed capacity of 4,290 MW, 35 hydroelectric power plants with a total installed capacity of 1,961.2 MW, 11 solar (photovoltaic) power plants with a total installed capacity of 125.2 MW, two wind power plants with a total installed capacity of 8.2 MW, one gas-fired power plant with a total installed capacity of 844.9 MW and one bio-gas station with a total installed capacity of 0.5 MW. In addition, we own and operate six heat plants in the Czech Republic with a total installed capacity of 613.9 MW as of December 31, 2020, and 131 gas-fired small co-generation units and boilers with a total installed capacity of 118.1 MW.

The following table sets forth a breakdown of the total installed capacity of our power plants for the years ended December 31, 2019, and 2020.

#### **Year ended December 31,**

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**2019**

**2020**

	(MW)	(%)	(MW)	(%)
<b>Coal-fired power and heat plants<sup>(1)</sup>:</b>				
Czech Republic .....	5,973	40.8	4,254	32.9
Poland .....	568	3.9	568	4.4
Total.....	6,541	44.7	4,822	37.3
<b>Gas-fired power and co-generation plants<sup>(2)</sup>:</b>				
Czech Republic.....	955	6.5	963	7.4
<b>Nuclear power plants:</b>				
Czech Republic .....	4,290	29.3	4,290	33.2
<b>Hydro, solar, wind and biogas power plants:</b>				
Czech Republic .....	2,095	14.3	2,095	16.2
Germany.....	134	0.9	134	1.0
Poland .....	1	0.0	2	0.0
Bulgaria.....	5	0.0	5	0.0
Romania <sup>(3)</sup> .....	622	4.2	622	4.8
Total.....	2,857	19.5	2,858	22.1
<b>Total installed capacity<sup>(1)</sup> .....</b>	<b>14,643</b>	<b>100.0</b>	<b>12,933</b>	<b>100.0</b>

<sup>(1)</sup> Some of our heat plants are partially fueled by co-burning coal and biomass. Some of our power plants are operated under joint venture agreements which are not fully consolidated. The installed capacity of these power plants was therefore not included in our total installed capacity. For the year ended December 31, 2020, these amounts included:

- 904.0 MW of installed capacity of our gas-fired power plant in Turkey;
- 28.2 MW of installed capacity of our wind power plant in Turkey; and
- 288.9 MW of installed capacity of our hydroelectric power plants in Turkey.

<sup>(2)</sup> In 2018, ČEZ Energo, s.r.o. was included in the consolidation of the CEZ Group.

<sup>(3)</sup> The CEZ Group sold the majority of its Romanian assets on 31 March 2021 as part of the Romanian Asset Sale.

As of December 31, 2020, the total installed capacity of our generation facilities was 12,933 MW, representing a decrease of 1,711 MW, or 11.7 %, from 14,643 MW as of December 31, 2019. The year-on-year decrease in capacity by 1,711 MW was due to the planned shutdown of one unit of the Dětmarovice coal-fired power plant as of January 1, 2020 (200 MW), the Vítkovice heating plant as of January 1, 2020 (79 MW) and Prunéřov I as at June 30, 2020 (440 MW) and the sale of the Počerady coal-fired power plant (1,000 MW). In 2020, ČEZ Energo connected new co-generation units in the amount of 7.9 MW. As of December 31, 2020, 11,602 MW, or 89.7 % of our total installed capacity, was in the Czech Republic, of which 36.7 % was coal-fired, 8.3 % was gas-fired, 37.0 % was nuclear and 18.1 % was hydroelectric, solar, wind and biogas power combined. We expect to close the coal-fired power plant Mělník III (500 MW) in 2021 and three units of Dětmarovice coal-fired power plant (600 MW in aggregate) in 2022 or 2023.

The following table sets forth a breakdown of the total electricity generated by our power plants by type of energy for the years ended December 31, 2019 and 2020.

	For the year ended December 31			
	2019		2020	
	(GWh)	(%)	(GWh)	(%)
<b>Coal:</b>				
Czech Republic .....	23,376	36.2	19,672	32.3
Poland .....	2,040	3.2	1,987	3.3
Total.....	25,407	39.3	21,659	35.5
<b>Gas:</b>				
Czech Republic .....	4,005	6.2	3,915	6.4
<b>Nuclear:</b>				
Czech Republic .....	30,245	46.8	30,042	49.3
<b>Hydro, solar, wind, biogas and biomass:</b>				
Czech Republic .....	3,023	4.7	3,146	5.2
Germany.....	285	0.4	292	0.5
Poland .....	402	0.6	550	0.9
Romania <sup>(2)</sup> .....	1,251	1.9	1,334	2.2



As of December 31, 2020, we also owned and operated six coal and biomass-fired heat plants in the Czech Republic with a total installed capacity of 613.9 MW, which is a decrease by 79 MW compared to December 31, 2019. The reason for the year-on-year decrease in installed capacity was the planned shutdown of the Vítkovice heating plant as of 1 January 2020. Heat supplied by our power plants in the Czech Republic is sold to municipalities, district heating companies and industrial consumers. Heat is supplied to customers through steam/hot water pipelines that are owned and operated by us and third parties. In the year ended December 31, 2020, our coal-fired power plants and heat plants in the Czech Republic supplied 18,578 TJ of heat, representing a decrease by 286 TJ, or 1.5 %, from 18,864 TJ in the year ended December 31, 2019.

Our coal-fired power plants have a diversified age profile which is affected by various factors including the availability of coal. We have a schedule of regular repairs and overhauls for our coal-fired power plants. Since January 1, 1999, all of our coal-fired power plants in the Czech Republic have complied with the requirements of the Czech Air Protection Act. Since December 31, 2003, fluidized-bed boiler (a type of boiler that reduces the content of sulphur dioxide emissions in the flue gasses during the combustion process) or flue-gas desulphurization (flue stack technology which reduces sulphur dioxide content in power plant emissions) equipment has been installed on all of our coal-fired power plants and we have also installed or refurbished the precipitators (which reduce emissions of ash) on all of our coal-fired power plants in the Czech Republic.

We also renewed four 200 MW units at our Tušimice II coal-fired power plant between 2010 and 2012. The renewal program extended the service life of the Tušimice II coal-fired power plant until 2035. In addition, in 2016 we completed the renewal of three 250 MW units at the Prunéřov coal-fired power plant (with an expected service life of 25 years). As part of our investment program to replace older power plants in the Czech Republic with new, more efficient and cleaner power plants, we completed the construction of a new 660 MW unit at our Ledvice coal fired power plant (with an expected service life of 40 years). The power plant received a licence on November 29, 2017 when a two-year trial period started. We are gradually investing into our coal-fired power plants to adhere to the emission limits which are to come into force in August 2021.

In March 2013, we concluded two put option agreements with Vršanská uhelná a.s. Under these contracts ČEZ had a right to transfer 100% of the shares in its subsidiary Elektrárna Počeradý, a.s. (owner of the Počeradý coal power plant) to Vršanská uhelná a.s. The first option could have been exercised in 2016 for cash consideration of CZK 8.5 billion, less CZK 0.4 billion per each block of the Počeradý power plant that was not modernized. However, our Board of Directors decided not to exercise this first option. The second option could have been exercised in 2024 for cash consideration of CZK 2 billion. In order for the second option not to be exercised, it would had to be cancelled by December 31, 2019. ČEZ did not exercise its right to withdraw from the sale of the Počeradý power plant before December 31, 2019, as the economic conditions for the operation of coal resources continued to deteriorate. On October 22, 2020, ČEZ and Vršanská Uhelná a.s. agreed that the Počeradý power plant would be sold on December 31, 2020, i.e. three years before originally planned. The original agreed price of CZK 2 billion for the transfer contemplated in 2024 was increased to CZK 2.5 billion. Simultaneously with the transfer of the Počeradý power plant, the purchase contract for coal from Vršanská Uhelná a.s. in the amount of 5 million tonnes/year was terminated. The agreement also grants to ČEZ access to the entire production of the Počeradý power plant in the years 2021-2023. Under the terms of the agreement, the power plant will supply 5 TWh per year for a fixed price, and ČEZ will sell this electricity on the market. Before its sale, Počeradý power plant was the oldest coal-fired power plant owned by the CEZ Group and the power plant had not undergone major modernization in recent years.

In the year ended December 31, 2020, our coal-fired power plants in the Czech Republic consumed 16.8 million tons of brown coal and 0.7 million tons of black coal. For information on our coal mining activities and purchases of coal from third parties, please see "*Our Business—Coal Mining*" and "*Fuel—Coal*". For additional information on CO<sub>2</sub> emission allowances and the allocation of CO<sub>2</sub> emission allowances, please see "*Regulation—Czech Republic—Carbon Compliance (Emission Allowances) — Allocation of emission allowances during phase III*" and "*—Czech Emission Allowances Act*".

Biomass in the form of wood chip, straw and pellets is combusted in our coal-fired heat plants in the Czech Republic. In the Czech Republic, we also own and operate one small heat plant that only burns biomass. Within our portfolio of renewable sources in the Czech Republic, biomass is the second most significant element after water from the perspective of electricity generated. In the year ended December 31, 2020, we burned 751 thousand tons of biomass in our power and heat plants in the Czech Republic.

#### *Poland*

We own and operate two black coal-fired power and heat plants located in the southern region of Poland, the Chorzów (formerly called Elcho) power plant with installed capacity of 238.4 MW and the Skawina power plant with installed capacity of 330 MW as of December 31, 2020. The Chorzów power plant started operating in 2003. The Skawina power plant started operating in 1957 and was desulfurized in 2008. A license is necessary in order to generate electricity in Poland, which is issued by the Polish Energy Regulatory Office. The licenses for the generation of electricity and heat of the Chorzów power plant and the Skawina power plant expire on December 31, 2023 and December 31, 2025, respectively.

In the year ended December 31, 2020, our coal and biomass-fired power plants in Poland generated 2,537 GWh of electricity, representing 4.2 % of our total electricity generated. In the same year, our power plants in Poland sold 5,539 TJ of heat.

In the year ended December 31, 2020, our coal-fired power plants in Poland consumed 1.288 million tons of black coal and 444 thousand tons of biomass.

In September 2020, the CEZ Group officially started the process leading to the sale of its Polish assets. Interested investors have presented their non-binding offers, which are currently being evaluated. The next phase of the sale process will be completed by the submission of binding offers in the second financial quarter of 2021. The CEZ Group intends to sell five companies in Poland related to the production and sale of electricity, in particular the Skawina and Chorzow power plants, keeping only those engaged in modern energy services (ESCO). The sale is in line with the CEZ Group's current business strategy.

#### *Nuclear power generation*

##### *Czech Republic*

We own and operate two nuclear power plants in the Czech Republic, the Dukovany nuclear power plant and the Temelín nuclear power plant. In the year ended December 31, 2020, nuclear power generation accounted for approximately 49.3 % of our total electricity generated, as compared to 46.8 % in the year ended December 31, 2019. In the year ended December 31, 2020, our nuclear power plants accounted for 33.2 % of our total installed capacity.

In May 2017, we decided to establish a new Nuclear Energy Division with effect from June 1, 2017. As from the same date, the existing Generation Division was transformed into the Conventional Energy Division. By establishing the Nuclear Energy Division, we responded to the needs to comply with the requirements of the amended Czech Nuclear Act 2016 to further increase the level of safety of nuclear power plants. All departments performing activities related to the use of nuclear energy were therefore placed in the Nuclear Energy Division.

The following table sets forth certain information regarding our nuclear-powered plants as of December 31, 2020:

<b>Plant</b>	<b>Installed capacity (MW)</b>	<b>Start of operation</b>
Dukovany	4 x 510	1985-1987, reconstruction in 2009, 2010, 2011, and 2012
Temelín	2 x 1,125	2002-2003
<b>Total installed capacity</b>	<b>4,290</b>	

*Dukovany nuclear power plant.* In the year ended December 31, 2020, the Dukovany nuclear power plant generated 14.30 TWh of electricity, representing a decrease of 0.18 TWh, or 1.24 %, from 14.48 TWh generated in the year ended December 31, 2019. The slight decrease in production was caused by the extension of outages caused by inspections and repairs of steam generators and the replacement of seals of the main circulation pumps.

The construction of the Dukovany nuclear power plant commenced in 1979 and its four units became operational between May 1985 and July 1987. The power plant uses four Soviet-designed VVER 440-V213 reactors with a total installed capacity of 2,040 MW. Outside Russia, such reactors are in operation in the Czech Republic, Finland, Hungary, Ukraine, Bulgaria and the Slovak Republic. The VVER 440-V213 reactors have proven to be robust and easy to operate with substantial safety margins, as demonstrated by the strong operational and safety performance of the reactors in such countries. The design of a VVER plant is generally considered to be identical to the design of PWR plants which are based on U.S. technology (in which water also acts as the moderator and the coolant) and which are the most common reactor type used commercially around the world.

The initial projected lifetime of the Dukovany nuclear power plant was 30 years, however, we have managed to prepare the Dukovany nuclear power plant to operate beyond its originally designed lifespan. We have received licenses from SONS for an indefinite period for all four units of the power plant. All licenses are subject to the fulfilment of certain operational conditions. Currently, it is expected that the Dukovany nuclear power plant will reach the end of its operation in 2047.

The following table sets forth the status of our licenses at the Dukovany nuclear power plant as of the date of this Base Prospectus.

<b>Unit</b>	<b>License valid from</b>	<b>License valid until / Extended until</b>
1	March 31, 2016	Indefinite
2	July 11, 2017	Indefinite
3	January 1, 2018	Indefinite
4	January 1, 2018	Indefinite

Over the past years, we have improved the safety features of the Dukovany nuclear power plant in accordance with the requirements of SONS. As part of our modernization program, we have also been progressively implementing recommendations resulting from domestic and foreign technical audits, including recommendations by the IAEA. In 2011, a re-certification audits of the Dukovany nuclear power plant were successfully completed by the State Office of Occupational Health and Safety and Environmental Safety Management Company (ISO 14001 certification).

In 2014, the Dukovany nuclear power plant was visited by several international experts including WANO (World Association of Nuclear Operators) Technical Support mission in May 2014 and six experts from leading Japanese nuclear companies and organizations to share good practices in the storage of highly radioactive waste. In September 2016, the Dukovany nuclear power plant successfully completed SAFEGUARD Dukovany 2016 training which focused on the collaboration between the Czech Army, the Czech Police and ČEZ when ensuring the power plant's external safety.

Like all other industries, the Dukovany nuclear power plant has had to face the consequences of the COVID-19 pandemic. The power plant has taken extensive preventive measures aimed at protecting employees and ensuring safe and reliable operation. As a result, up to the date of this Base Prospectus, the number of employees who tested positive for COVID-19 was low and there has been no material impact on the power plant's production.

During 2020, there were four shutdowns of the units at the power plant due to a regular outage for refueling. As part of the outage, inspections of component as well as a number of other services and modernization projects were carried out. The increase in the number of outages was caused by the implementation of a larger range of extraordinary inspections, such as cleaning and inspecting the top of the third unit reactor and inspecting three of the six first unit steam generators in which faults in several heat exchanger tubes were identified.

*Temelín nuclear power plant.* In the year ended December 31, 2020, the Temelín nuclear power plant generated 15.75 TWh of electricity, representing a slight decrease by 0.01 TWh, or 1.0 %, from 15.76 TWh generated in the year ended December 31, 2019. This slight decrease in generation was caused by a longer period of planned outages. Despite that, the power plant exceeded the annual plan by 0.2 TWh.

The construction of the Temelín nuclear power plant commenced in 1987. Following the fall of the Communist regime in 1989, the completion of the Temelín nuclear power plant became a political issue and the government stopped the construction of Unit 3 and Unit 4. In March 1993, the government approved the completion of two units, out of four units originally planned, and at the same time ordered a fundamental change in the design of the power plant, primarily to enhance operational safety. This change consisted of adapting the Soviet plant technology to function with Western instrumentation and control systems. The adaptation of U.S. technology to the original Soviet plant construction was supplied by The Westinghouse Electricity Company LLC. It was the first such adaptation of its kind and as a result of extensive design and construction changes, the estimated completion date for the Temelín nuclear power plant was delayed several times. In July 2000, the Unit 1 reactor was loaded with nuclear fuel and started up on October 11, 2000, and it generated its first kilowatt-hour of electricity on December 21, 2000. On December 29, 2002, electricity was generated for the first time from Unit 2.

In 2012, our "Safely 15 Tera" project, which focused on improving available capacity and reducing equipment failure rates, was successfully completed and the Temelín nuclear power plant generated an annual total of 15 TWh of electricity for the first time in its history. Since then, the Temelín nuclear power plant has been working to improve its availability further and safely increase its output. Between 2015 and 2017, operation of the Temelín nuclear power plant

was influenced by unscheduled extensions of maintenance outages. These extensions were partially caused by welds controls, which were necessary to undertake since the X-ray images of the welds taken as part of the regular controls were found to be of low-quality. By 2018, all welds were re-tested to restore order in testing documentation and correct deficiencies. At the beginning of 2018, the period of heightened controls had been terminated. In 2020, the modernization of two separators resulted in an increase in the achievable output of the second unit by 4 MWe, i.e. to 1086 MWe. The same modernization on Unit 1 is scheduled for 2021.

Temelín nuclear power plant has been operated in accordance with a valid license granted by SONS. In September 2020, the Unit 1 received a permit for further operation from SONS. The permit was issued by the authority for an indefinite period, stipulating that the operator must prove that he meets the conditions for safe operation every ten years. The license of Unit 2 is valid until May 31, 2022.

The following table sets forth the status of licenses at the Temelín nuclear power plant as of the date of this Base Prospectus.

<b>Unit</b>	<b>License valid from</b>	<b>License valid until</b>
1	September 24, 2010	Indefinite
2	June 1, 2012	May 31, 2022

*Decommissioning of the nuclear power plants.* Pursuant to the Czech Nuclear Act 2016, we will be responsible for the decommissioning of each of our nuclear power plants. We are providing funds for the future costs of decommissioning of our nuclear power plants on a straight-line basis over the operating life of the relevant nuclear power plant. As of December 31, 2020, the total decommissioning costs were estimated to be CZK 26.5 billion for the Dukovany nuclear power plant and CZK 21.0 billion for the Temelín nuclear power plant, based on decommissioning cost studies done in 2020. These decommissioning cost estimations are submitted for verification to the Czech Repository Authority and it is assumed that the end of the nuclear power plants' electricity production will be in 2047 in case of the Dukovany nuclear plant and 2062 in case of the Temelín nuclear power plant. In order to accumulate an adequate amount of funds to cover the ultimate costs of decommissioning of the plants after their useful life, we periodically review the decommissioning cost estimates and update our decommissioning provisions. The last updates of the decommissioning costs for the Dukovany and Temelín nuclear power plants were in 2020.

To cover the costs of decommissioning, we are required by the Czech Nuclear Act 2016 to contribute to special nuclear escrow accounts. In 2020 and 2019, the payments to the nuclear escrow accounts amounted to CZK 804.6 million and CZK 501.8 million, respectively. As of December 31, 2020 restricted funds representing accumulated provision for the decommissioning of all nuclear facilities owned by ČEZ totaled CZK 15,005 million, representing an increase by 0.947 million, or 6.7 %, from CZK 14,058 million as of December 31, 2019. These restricted funds are included on the balance sheet of our Financial Statements, incorporated by reference into this Base Prospectus, under "non-current financial assets". We have established provisions to recognize our estimated liabilities for nuclear decommissioning of all facilities owned by ČEZ in the form of an accounting reserve, which as of December 31, 2020, amounted to CZK 39,016 million, representing an increase by CZK 4,148 million, or 11.9 %, from CZK 34,868 million as of December 31, 2019.

*New Nuclear Sources.* According to the USEP and the NAPNE prepared by the Czech Government, two new nuclear power plant units with a total installed capacity of 2,500 MW should be constructed and commissioned at the Dukovany and/or Temelín site by 2035 and, depending on predictions of the Czech Republic's electricity generation and consumption, one additional nuclear power plant unit could be possibly constructed and commissioned at the Dukovany or Temelín site in connection with expected end of the operation of the existing nuclear power plant units at Dukovany following the year 2035.

As of October 1, 2016, our projects for the construction of new nuclear power plant units were spun off into ČEZ's two project subsidiaries Elektrárna Dukovany II, a.s., and Elektrárna Temelín II, a.s., incorporated by ČEZ under the laws of the Czech Republic. In December 2017, the Standing Committee for Nuclear Energy established by the Czech Government (with the Czech Republic being ČEZ's controlling shareholder) investigated available options for developing new nuclear units in the Czech Republic. The following three main options were considered by that committee: (i) ČEZ itself will develop new nuclear units; (ii) the Czech Government will acquire from ČEZ the two project subsidiaries – Elektrárna Dukovany II, a.s., and Elektrárna Temelín II, a.s., – and will continue with the development of the new nuclear units on its own; or (iii) the Czech Government will acquire from ČEZ part of its existing business activities, including ČEZ's existing nuclear power plants, and will develop new nuclear units within a new entity. Support mechanisms,

including potential state guarantees, needed for each of these options are part of the ongoing analysis, in which ČEZ is participating.

During the first half of 2018, two documents - Procedure for the Preparation and Construction of New Nuclear Power Plant Units at Dukovany and Temelín and Analysis of Selected Investment Models for the Construction of New Nuclear Power Plant Units and the Manner of Their Financing – were prepared by working groups established under the Standing Committee for Nuclear Energy. These documents were debated at a meeting of the Standing Committee for Nuclear Energy in May 2018. Subsequently, in the governmental meeting in June 2018, there were defined additional tasks with the due date at the end of 2018. In the first half of 2019, the Standing Committee for Nuclear Energy concluded that the most adequate construction investment model would be using special purposes vehicles as ČEZ's subsidiaries. At the same time, the Standing Committee for Nuclear Energy agreed that a treaty between the Czech state and ČEZ covering regulatory and market risks should be concluded. At its July 8, 2019, meeting, the Czech Government decided to develop one new unit at the Dukovany site while the development of a new unit at the Temelín site would remain as a back-up option ready for acceleration in the future. The Czech Government also debated a document that would provide the conditions for further progress in preparations of the project and the necessary commercial arrangements. It considered that a meeting with the European Commission would be arranged to confirm that the planned state aid would be compliant with E.U. state aid rules. At the same time, a series of agreements covering regulatory and market risks in various phases of the new project development were deemed necessary. The first two agreements (The Framework Agreement and Implementation Agreement for the first phase of the Project) were already concluded between the Czech Republic, ČEZ and Elektrárna Dukovany II, a.s., in July 2020. They establish the rules for cooperation between the parties, framework of the state support for the project and obligations of the parties in the first phase of the project. The Czech Government has prepared a new law, which, as of the date of this Base Prospectus, is being debated in the Czech Parliament, that defines the conditions for transition to low carbon energy. Such law is essential for the provision of the state aid for the development of new nuclear units in the Czech Republic. In addition, the Czech Republic has also started the pre-notification process of the state aid to the European Commission.

The construction of a new nuclear power plant unit at the Dukovany site is a priority, because the operational life of the existing nuclear units at the site will end sooner than the ones at the Temelín site. Public hearings concerning the environmental impact assessment (EIA) of the new Dukovany nuclear power plant units took place in Budapest, Hungary, and public discussions were held in Vienna, Austria, and Munich, Germany. In the Czech Republic, a public hearing concerning the new Dukovany nuclear power plant unit's EIA took place in Třebíč in June 2018. On August 30, 2019, the Ministry of the Environment of the Czech Republic issued a binding EIA opinion approving the plan to build a new nuclear power plant with an output of up to 2,400 MWe at the Dukovany site. In March 2020, we applied for siting permission under the Czech Nuclear Act 2016 to construct two new units, each with a targeted installed capacity of 1,200 MW, at the Dukovany power plant. On 8 March, 2021, the siting permit was issued by the SONS (SÚJB) to deploy a new nuclear power plant at the Dukovany power plant. Elektrárna Dukovany II, a.s., has also finalized an inquiry documentation for EPC tender procedure and is ready to start the selection process for the EPC contractor subject to the prior consent of the Czech state. As of the date of this Base Prospectus, further preparatory works are being carried out in line with an approved schedule and budget.

For the new Temelín nuclear power plant units, conditions arising out of the EIA opinion and nuclear siting permit are being fulfilled. With respect to end of validity of the EIA statement, Elektrárna Temelín II, a.s., submitted to the Ministry of the Environment of the Czech Republic an application for prolongation of the EIA statement at the end of 2019 and received a positive decision regarding the EIA statement prolongation (until January 2025) on December 16, 2020. Furthermore, based on requirements of the Czech Nuclear Act 2016, the initial safety assessment report has been updated and submitted to SONS (SÚJB) with application for a new resolution. New siting permit was issued by the SONS (SÚJB) on November 4, 2020. As of the date of this Base Prospectus, further preparatory works are being carried out in line with the approved schedule and budget.

As at the date of this Base Prospectus, neither the Czech Government nor the Board of Directors of ČEZ have arrived at any conclusion concerning new nuclear sources.

*Small modular reactors.* In September 2019, we signed a memorandum of understanding with an American company NuScale Power LLC that designs and markets small modular reactors. In February 2020, we signed an agreement with GE Hitachi Nuclear Energy, Ltd on investigating the economic and technical feasibility of the potential construction of a small modular nuclear reactor BWRX-300 in the Czech Republic. Further, in November 2020, a memorandum of understanding was signed with Rolls Royce to explore the potential for small modular reactors

("SMR") in the Czech Republic. ČEZ has also prepared the pre-feasibility study for the development of new SMR in existing nuclear sites of the Czech Republic.

### *Gas-fired power and heat generation*

#### *Czech Republic*

In October 2014, we completed the construction of the Počerady II gas-fired power plant with the installed capacity of 844.9 MW and an expected life of 30 years. The Počerady II gas-fired power plant received its license to produce electricity on December 1, 2014. In the year ended December 31, 2020, Počerady II gas-fired power plant generated 3,576 GWh of electricity, representing a slight decrease by 122 GWh, or 3.3 %, from 3,698 GWh generated in the year ended December 31, 2019.

Since July 1, 2018, ČEZ ENERGO, s.r.o., a company in which we originally held a 50.1% ownership interest pursuant to our joint venture arrangement with TEDOM a.s., has been included among fully consolidated subsidiaries of the CEZ Group. In June 2020, ČEZ ESCO a.s. acquired an additional 49.9% ownership interest in ČEZ ENERGO, s.r.o., thereby becoming the sole owner of the company. ČEZ ENERGO, s.r.o., installs and operates small gas-fired co-generation units with the total installed capacity of 117.8 MW. During 2020, the company connected new co-generation units in the amount of 7.9 MW. In the year ended December 31, 2020, co-generation units of ČEZ ENERGO, s.r.o., generated 337 GWh of electricity and 1,379 TJ of heat.

Additionally, we own two small co-generation units with a total installed capacity of 0.4 MW at the site of our subsidiary ÚJV Řež, a. s. The electricity generated by these units serves the company's own consumption.

We own and operate one biogas station in the Czech Republic with an installed capacity of 0.5MW. In the year ended December 31, 2020 our biogas station generated 3 GWh of electricity.

#### *Turkey*

In 2014, we successfully commissioned all (two gas and one steam) turbines of the new Turkish gas-fired power plant in Erzin with a total installed capacity of 904 MW and an expected service life of 30 years, in which we have an interest pursuant to a joint venture arrangement with the Akkok Group. Our interests in these joint venture arrangements are not fully consolidated and therefore are not included in the calculations of our total electricity generation and our total installed capacity.

### *Hydroelectric power generation*

#### *Czech Republic*

We own and operate 35 hydroelectric power plants in the Czech Republic, comprising seven accumulation power plants, three pumped storage hydro power plants and 25 small-scale hydro power plants. In the year ended December 31, 2020, our hydroelectric power plants in the Czech Republic generated 2,381 GWh of electricity, representing approximately 3.9 % of our total electricity generated, compared to 3.5 % for the year ended December 31, 2019. Our hydroelectric power plants in the Czech Republic accounted for 15.2 % of our total installed capacity as of December 31, 2020.

The following table sets forth certain information regarding our hydroelectric power plants in the Czech Republic as of December 31, 2020:

<b>Plant</b>	<b>Installed capacity (MW)</b>	<b>Type of plant</b>	<b>Start of operation</b>
Kamýk	4 x 10	Accumulation	1961
Lipno I	2 x 60	Accumulation	1959
Orlík	4 x 91	Accumulation	1961 – 1962
Slapy	3 x 48	Accumulation	1954 – 1955
Štěkov	3 x 6.5	Accumulation	1936
Štěchovice I	2 x 11.25	Accumulation	1943 – 1944
Vrané	2 x 6.94	Accumulation	1936
Brno — Kníničky	1 x 3.528	Small Hydro	1941
Brno — Komín	1 x 0.106; 1 x 0.140	Small Hydro	1923, reconstruction 2008

Čeňkova pila	1 x 0.096	Small Hydro	1912
Černé jezero	1 x 1.5; 1x0.04; 1x0.37	Small Hydro	1930, 2004, 2005
Dlouhé Stráně II	1 x 0.163	Small Hydro	2000
Hněvkovice	2 x 4.8	Small Hydro	1992
Hradec Králové	3 x 0.25	Small Hydro	1926
Hracholusky	1 x 3.038	Small Hydro	1964
Kořensko I	2 x 1.9	Small Hydro	1992
Kořensko II	1 x 0.94	Small Hydro	2000
Les Kralovství	2 x 1.105	Small Hydro	1923, reconstruction 2005
Lipno II	1 x 1.5	Small Hydro	1957
Mělník	1 x 0.59	Small Hydro	2010
Mohelno	1 x 1.2; 1 x 0.56	Small Hydro	1977, 1999
Obříství	2 x 1.679	Small Hydro	1995
Pardubice	1 x 1.998	Small Hydro	1978, reconstruction during 2012
Pastviny	1 x 3	Small Hydro	1938, reconstruction 2003
Plzeň — Bukovec	2 x 0.315	Small Hydro	2007
Práčov	1 x 9.75	Small Hydro	1953, reconstruction 2001
Předmeřice nad Labem	1 x 2.6	Small Hydro	1953, reconstruction 2009
Přelouč	2 x 0.68; 2 x 0.49	Small Hydro	1927, reconstruction 2005
Spálov	2 x 1.2	Small Hydro	1926, reconstruction 1999
Spytihněv	2 x 2	Small Hydro	1951, reconstruction 2009
Vydra	2 x 3.2	Small Hydro	1939
Želina	2 x 0.315; 2 x 0.015	Small Hydro	1994, reconstruction 2017
Dalešice	3 x 120; 1 x 115	Pump Storage	1978
Dlouhé Stráně I	2 x 325	Pump Storage	1996
Štěchovice II	1 x 45	Pump Storage	1947 – 1949, reconstruction 1996
<b>Total installed capacity</b>	<b>1,961.2</b>		

Nine of our hydroelectric plants are situated on the dams on the Vltava river in the Czech Republic, creating a cascade operation (the Vltava Cascade) controlled by a central control system. The dams and related waterworks used by our hydroelectric power plants are owned by the relevant river-basin administrators with whom we have an agreement, although we own the Želina, Čeňkova Pila, Plzeň-Bukovec and Vydra dams and related waterworks.

Hydroelectric power plants have a high degree of flexibility in the regulation of their output. The ability to control hydroelectric power plants centrally permits the hydroelectric plants to commence operation rapidly, thereby facilitating the regulation of electricity output. Neither conventional storage nor pump storage hydroelectric power plants release polluting emissions into the atmosphere. These plants also represent an inexpensive source of electricity, particularly in periods of peak demand. In addition, pump storage power plants allow the productive use of excess electricity generated by base load plants by operating storage pumps in periods of low demand. Further development of hydroelectric power generation in the Czech Republic is limited by the topography and, as a result, we do not currently expect to construct any new hydroelectric power plants in the Czech Republic.

Our hydroelectric power plants may sustain damage in floods. In 1997, one of our hydroelectric power plants suffered minor damage caused by flooding and in 2002, seven out of nine of our hydroelectric power plants located on the Vltava river were damaged by floods. This damage was covered by our insurance.

#### *Poland*

We own and operate two small hydroelectric power plants in Poland. In the year ended December 31, 2020, they had a total installed capacity of 1.8 MW, which is an increase by 0.9 MW, or 50 %, compared to the total installed capacity of 0.9 MW in the year ended December 31, 2019. The year-on-year installed capacity increased thanks to the commissioning of a new small hydroelectric power plant Skawinka 2 with an output of 0.920 MW in the second half of 2020.

The construction of the Borek Szlachecki small hydroelectric power plant which is located in the territory of the Skawina coal-fired power plant was completed in 2013. In the year ended December 31, 2020, the Borek Szlachecki hydro power plant generated 7 GWh of electricity and Skawinka 2 generated 2 GWh of electricity.

## *Turkey*

We have a joint venture interest in seven hydroelectric power plants located in Turkey with total installed capacity of 288.9 MW as of December 31, 2020. Our interest is not fully consolidated and therefore is not included in the calculations of our total installed capacity and our total electricity generation.

## *Solar power generation*

### *Czech Republic*

As of December 31, 2020, we owned and operated eleven solar power plants in the Czech Republic, with a total installed capacity of 125.2 MW. In the year ended December 31, 2020, our solar power plants in the Czech Republic generated 129 GWh of electricity.

All of our solar power plants in the Czech Republic are located in regions where the conditions are suitable for solar generation. The Vranovská Ves, Žabčice, Hrušovany nad Jevišovkou and Panov solar power plants are situated in the southernmost part of the region of South Moravia, which is generally the sunniest region in the Czech Republic, with the highest average number of days of sun. The majority of our solar power plants started operating in 2009 and 2010 (please see also "*Description of ČEZ—Legal Proceedings— Czech Republic — Other Proceedings*").

### *Bulgaria*

In Bulgaria we own a photovoltaic power plant Oreshets with an installed capacity of 5 MW, operated by our wholly-owned subsidiary Free Energy Project Oreshets EAD. The plant was commissioned upon its completion in 2012 and in the year ended December 31, 2020, it generated 6.1 GWh of electricity. The plant is subject to the Bulgarian Asset Sale.

## *Wind power generation*

### *Czech Republic*

We own and operate two wind power plants in the Czech Republic with a total installed capacity of 8.2 MW. In the year ended December 31, 2020, these wind power plants generated 8 GWh of electricity.

### *Poland*

Since 2011, we have been developing a number of wind farm projects in the various locations in Poland through our 100% shareholding interest in Eco-Wind Construction S.A., a Polish wind farm developer.

In July 2016, the new Polish wind farm investment law entered into force. Such law has adverse consequences for development of our wind farms in Poland. Pursuant to the new law, *inter alia*, (i) wind turbines must be situated away from residential and non-residential areas including natural reserves at a distance of equal to, or exceeding, ten times their total height, (ii) wind turbines are subject to higher real estate taxes to be paid by the wind farm operators, and (iii) technical and safety conditions of wind turbines are subject to review by Polish Governmental authorities every two years and operators will be required to pay a substantial fee for this regulatory review in the amount of 1 % of the wind turbines construction costs. This provision significantly restricted the implementation of wind power projects across Poland, including the CEZ Group's projects.

In addition, a new Polish law on renewable energy sources introduced a new auction mechanism for granting subsidies. The mechanism is set so that the highest subsidy would be granted to the stable and predictable sources, and thus wind (together with photovoltaic) power electricity generation will be the least subsidized renewable energy source, which may have an adverse effect on development of our wind farms in Poland.

In August 2019, Baltic Green Construction Sp. z o. o. launched a sales process of six projects from its wind portfolio, namely two projects qualified for RES auction, one project with a building permit and three projects in various stages of development. In December 2019, the Polish state organized a second RES auction RES (on-shore wind and PV > 1 MW), in which the Krasin project (35.2 MW) was awarded with a guaranteed support in the form of CfD for 15 years. The Sakowko project (4.4 MW) was not awarded, but is still ready to participate in future RES auctions. The CEZ Group sold the Krasin and Sakówko projects in the second quarter 2020.

On September 13, 2018, the bankruptcy of Eco-Wind Construction S.A. was declared by the court in Warsaw and subsequently the management of the company was taken over by a bankruptcy trustee. All our wind energy projects eligible for auction in Poland are held separately by us, under the company Baltic Green Construction Sp. z o.o. and therefore the bankruptcy of Eco-Wind construction S.A. will not have any negative impact on any of these projects. In November 2019, the Warsaw Supreme Court ruled in favor of Eco-Wind Construction S.A. in the matter of the seizure of its funds by the Polish tax office and in March 2020 the seized funds of the company were returned including the relevant interest. Due to this, bankruptcy proceedings will be closed after the creditors have been settled.

As of the date of this Base Prospectus, the divestment process of Polish wind power projects continues and the negotiations on the sale of the remaining four projects are currently ongoing.

#### *Germany*

We own and operate 10 wind power plants in Germany with a total of 53 wind turbines and a total installed capacity of 133.5 MW. All power plants in the portfolio benefit from a 20-year feed-in tariff. In the year ended December 31, 2020, our wind power plants in Germany generated 292 GWh of electricity. In December 2018, we acquired a 50% stake in a joint-venture co-owned by the German wind farm developer GP Joule, which aims to develop on-shore wind farm projects with a planned installed capacity of up to 130MW. In December 2018 and January 2019, we also acquired a 50% stake in a joint-venture co-owned by the German developer BayWa r.e. Wind GmbH with the aim of developing four wind farms with a planned installed capacity of 63MW. All wind farms to be potentially developed are planned to compete for a feed-in tariff in an auction scheme. Our interests in these joint venture arrangements are not fully consolidated.

The following table sets forth certain information regarding our wind power plants in operation in Germany as of December 31, 2020:

<b>Plant</b>	<b>Installed capacity (MW)</b>	<b>Number of turbines</b>	<b>Start of operation</b>
Fohren-Linden	12.8	4	2016
Mengeringhausen	12.0	5	2016
Naundorf	6.0	2	2015
Baben Erweiterung	9.2	4	2015
Gremersdorf	6.9	3	2016
Cheinitz- Zethlingen	13.8	5	2016
Frauenmark III	2.3	1	2016
Zagelsdorf	7.5	3	2016
Badow	27.6	12	2015
Lettweiler Höhe	17.7	7	2014
Lettweiler Höhe	17.7	7	2014
<b>Total</b>	<b>133.5</b>	<b>53</b>	

#### *France*

In July 2017, the CEZ Group entered the renewable energy market in France through the acquisition of nine onshore wind farms projects in an advanced stage of development with a potential installed capacity of up to 106.6 MW. The construction of the first wind power plant project from the portfolio, the Aschères-le-Marché wind farm with a target installed capacity of 13.6 MW, started in October 2018. Due to the insolvency of the original turbine supplier Senvion, the selection process of new turbine manufacturer has been launched. At the beginning of October 2020, a public procurement tender was launched to determine an alternative turbine technology under the French legislation. As of the date of this Base Prospectus, the negotiated procedure has continued according to the adopted preliminary schedule and the contract is expected to be awarded in the second quarter of 2021. Due to these circumstances, the commissioning of the Aschères-le-Marché wind farm project will be delayed relative to the previously expected time-schedule.

The CEZ Group's activities in France were further expanded in January 2019 by the acquisition of an additional eight onshore wind farm projects in an advanced stage of development with a potential installed capacity of 119 MW.

During 2020, the CEZ Group's French portfolio of a total of 17 projects of onshore wind power plants progressed in their development; as of December 31, 2020, eight projects had obtained permits for construction and operation, however, almost all of these permits are subject to third party claims, which will delay the achievement of the ready-to-build status by several years and also significantly impact the planned date of commissioning of the projects. During

2020, the administrative processes were affected by restrictions announced in response to the COVID-19 pandemic, resulting in delays in the scheduled activities of between several months and up to a year.

### Turkey

Pursuant to a joint-venture arrangement with the Akkok Group (through which we have 37.36 % stake in one of Turkey's largest privately-owned power producers, Akenerji Elektrik Üretim A.S.) we have interest in one wind power plant located in Turkey with total installed capacity of 28.2 MW as of December 31, 2020. Our interest under this joint venture arrangement is not fully consolidated and therefore is not included in the calculations of our total electricity generation and our total installed capacity.

## Distribution Business

### Overview

In the Czech Republic, we distributed electricity to more than 3.7 million connection points covering an area of approximately 52 thousand square kilometers as of December 31, 2020, making us the largest of the four regional distributors of electricity in the country. In addition, we have majority interests in the principal distribution company in Bulgaria and before we sold our Romanian assets in March 2021, we had been one of the largest of the eight regional distribution companies in Romania. In the year ended December 31, 2020, we distributed a total of 50,560 GWh of electricity to end-consumers, of which 68.6 % was distributed to end consumers in the Czech Republic, 18.6 % was distributed to end-consumers in Bulgaria and 12.8 % was distributed to end-consumers in Romania.

The table below sets forth certain information regarding the volume of electricity distributed by us (including grid losses) in each of our principal markets in the year ended December 31, 2020.

	For the year ended December 31, 2020					
	Distributed to end-consumers		Distributed to others <sup>(1)</sup>		Grid losses	
	(GWh)	(%)	(GWh)	(%)	(GWh)	(%) <sup>(2)</sup>
Czech Republic .....	34,676	68.6	6,180	77.0	1,970	4.60
Bulgaria .....	9,396	18.6	-	-	760	7.49
Romania <sup>(3)</sup> .....	6,487	12.8	1,849	23.0	805	8.80
<b>Total</b> .....	<b>50,560</b>		<b>8,029</b>		<b>3,535</b>	<b>5.69</b>

<sup>(1)</sup> Electricity distributed to others mainly includes overflows into other regional distribution grids.

<sup>(2)</sup> Grid losses (as %) is the share of grid losses on the total sum of electricity distributed to end-customers and others and grid losses.

<sup>(3)</sup> The CEZ Group sold the majority of its Romanian assets on 31 March 2021 as part of the Romanian Asset Sale.

As of December 31, 2020, we owned and operated 311,652 kilometers of high-, medium- and low-voltage electricity distribution lines, 53 % of which were in the Czech Republic. Our distribution grid losses were 3,535 GWh of electricity in the year ended December 31, 2020, representing a decrease of 203 GWh, or 5.4 %, from 3,737 GWh in the year ended December 31, 2019.

### Czech Republic

We distribute electricity in nine of the 14 regions of the Czech Republic, namely Plzeň, Karlovy Vary, Ústí nad Labem, Central Bohemia, Liberec, Hradec Králové, Pardubice, Olomouc, and Moravia-Silesia; and distribute electricity in part of two other regions – Zlín and Vysočina. In the year ended December 31, 2020, we distributed 34,676 GWh of electricity to end-consumers, making us the largest of the four distribution companies in the Czech Republic, with a market share of approximately 65 % of the total electricity consumed in the regional distribution areas in the Czech Republic, according to the ERO. Our distribution grid losses were 1,970 GWh of electricity, or 4.60 %, in the year ended December 31, 2020, compared to 2,106 GWh of electricity, or 4.75 %, in the year ended December 31, 2019.

As of December 31, 2020, we owned and operated 166,686 kilometers of distribution lines in the Czech Republic, of which 6 % were high-voltage, 31 % were medium-voltage and 63 % were low-voltage.

Our Distribution Business in the Czech Republic is regulated by the ERO. A license is necessary in order to distribute electricity, which was issued to us by the ERO for an indefinite period of time from January 1, 2016. Prices for distribution services are also regulated by the ERO.

#### *Bulgaria*

We own a majority interest in the principal distribution company in Bulgaria. In the year ended December 31, 2020 we distributed 9,396 GWh of electricity to end-consumers. As of December 31, 2020, we distributed electricity to approximately 2.2 million connection points in Bulgaria and had a market share of approximately 40 % according to our data. Our distribution grid losses in Bulgaria were 760 GWh of electricity, or 7.49 %, in the year ended December 31, 2020, compared to 821 GWh of electricity, or 8.01 % in the year ended December 31, 2019.

Our Distribution Business in Bulgaria is regulated by the Energy and Water Regulatory Commission. A license is necessary in order to distribute electricity, which is issued by the Energy and Water Regulatory Commission for a maximum term of 35 years. Our license for the distribution of electricity in Bulgaria was issued on August 13, 2004 and expires on August 13, 2039. Prices for distribution services are also regulated by the Energy and Water Regulatory Commission.

#### *Turkey*

In the year ended December 31, 2020, we distributed 9,611 GWh of electricity to end-consumers in Turkey, representing an increase of 87 GWh, or 1.0 %, from 9,524 GWh distributed in the year ended December 31, 2019. Our Turkish Distribution Business is operated through Sakarya Elektrik Dagitim A.S., an entity owned under a joint venture arrangement. Sakarya Elektrik Dagitim A.S. is not fully consolidated and therefore is not included in the calculations of our total electricity distributed or our total electricity distributed to end-consumers.

### **Sales Business**

#### *Sale of Electricity*

Our Sales Business sells electricity (procured by our Trading Business from our Generation Business and the wholesale market) to end-consumers in the Czech Republic, and, to a lesser extent, to end-consumers in Poland, Bulgaria, Hungary and Slovakia. Before we sold our Romanian assets on 31 March 2021, we sold electricity to consumers in Romania as well. We are one of the largest suppliers of electricity in the Czech Republic in terms of volume of electricity sold to end-consumers. In the year ended December 31, 2020, we sold 33,265 GWh of electricity to end-consumers, of which 17,035 GWh, or 51.2 %, was sold to end-consumers in the Czech Republic, compared to 35,176 GWh of electricity sold to end-consumers, of which 16,292 GWh, or 46.3 %, was sold to end-consumers in the Czech Republic in the year ended December 31, 2019.

The table below sets forth the volume of electricity sold broken-down by types of end-consumers in each of our principal markets in the year ended December 31, 2020:

	<b>For the year ended December 31, 2020</b>							
	<b>Household</b>		<b>Commercial</b>		<b>Industrial</b>		<b>Total</b>	
	<b>(GWh)</b>	<b>(%)</b>	<b>(GWh)</b>	<b>(%)</b>	<b>(GWh)</b>	<b>(%)</b>	<b>(GWh)</b>	<b>(%)</b>
Czech Republic .....	7,064	52.4	1,928	44.2	8,043	52.2	17,035	51.2
Poland .....	0	-	32	0.7	300	1.9	332	1.0
Bulgaria .....	4,601	34.1	1,437	32.9	4,385	28.5	10,423	31.3
Romania <sup>(1)</sup> .....	1,826	13.5	830	19.0	1,040	6.8	3,696	11.1
Other .....	0	-	140	3.2	1,639	10.6	1,779	5.3
<b>Total .....</b>	<b>13,491</b>		<b>4,367</b>		<b>15,406</b>		<b>33,265</b>	

<sup>(1)</sup> The Group sold the majority of its Romanian assets on 31 March 2021 as part of the Romanian Asset Sale.

#### *Czech Republic*

In the year ended December 31, 2020, we sold 17,035 GWh of electricity to end-consumers in the Czech Republic, or 29 % of the total net electricity consumed in the Czech Republic, representing an increase by 4.6 % compared to approximately 16,292 GWh of electricity sold in the year ended December 31, 2019. Sale of electricity is achieved mainly through our subsidiaries ČEZ Prodej, a.s., and ČEZ ESCO, a.s.

Developments in the Czech market correspond to the developments in European markets in the period following the energy market liberalization. In the years preceding 2010, the liberalization of the electricity market did not have a significant effect on the commercial and household segment. However, starting in 2010, market participants followed in the footsteps of the companies participating in other European markets and began to intensely compete for these customers as well. A key role was played by smaller suppliers who increasingly used door-to-door sales. The number of changes of electricity suppliers during the last year continued in the same level as in 2019. According to OTE, in the year ending December 31, 2020, nearly 450 thousand customers changed their electricity supplier.

The sale of electricity in the Czech Republic is regulated by the Czech Energy Act and the ERO. A license is necessary in order to sell electricity, which is issued by the ERO for a maximum of five years. Our license for the sale (and trading) of electricity in the Czech Republic was issued on September 2, 2010 and extended in the year 2020 by the ERO by five years until September 1, 2025. The price of electricity comprises two amounts: (i) the regulated amount, to cover transmission, distribution, system services and the support of the renewable energy, and (ii) the unregulated amount, which is for the sale of the electricity itself.

### *Bulgaria*

In the year ended December 31, 2020, we sold 10,423 GWh of electricity to end-consumers in Bulgaria, representing a slight decrease by 0.5 % compared to the year ended December 31, 2019. In the year ended December 31, 2020, we sold 4,385 GWh of electricity to industrial customers, 1,437 GWh of electricity to commercial customers and we sold the remaining 4,601 GWh of electricity to household customers. Our market share of sales to end-consumers in Bulgaria in the year ended December 31, 2020, was approximately 30 % according to our data.

The sale of electricity in Bulgaria is regulated by the Energy and Water Regulatory Commission. A license is necessary in order to sell electricity in Bulgaria, which is issued by the Energy and Water Regulatory Commission. Our license for the sale of electricity in Bulgaria was issued on November 29, 2006 and expires on August 13, 2039. The electricity market in Bulgaria is only partly liberalized. The price of electricity in Bulgaria's regulated market is regulated by the Energy and Water Regulatory Commission. The last phase of liberalization in the Bulgarian market is currently taking place and focused on the low voltage customers.

### *Turkey*

In Turkey, we sold 9,764 GWh of electricity to end-consumers in the year ended December 31, 2020 through Sakarya Elektrik Perakende Satis A.S. ("*SEPAS*"), a retail company established in 2012 for the purpose of selling electricity to tariff and non-tariff eligible customers. The distribution of electricity is done by Sakarya Elektrik Dagitim A.S. ("*SEDAS*"). Our Turkish Sales Business is operated under a joint venture arrangement which is not fully consolidated and therefore our sales of electricity to end-consumers in Turkey are not included in the calculations of our total electricity sold to end-consumers or our total electricity sold by type of end-consumer.

### *Gas and Heat Supply to End-Consumers*

We started to supply gas to industrial and commercial customers in the Czech Republic in August 2009 and gas to our household customers in the Czech Republic in June 2010. We started to supply gas to end-consumers in Slovakia in 2011, followed by Poland and Romania. In the year ended December 31, 2020, we supplied 9,318 GWh of gas to the customers outside of the CEZ Group, which represents a decrease of 4.8 % compared to 9,784 GWh supplied in the year ended December 31, 2019. In 2020, 66.0 % of gas was supplied to customers in the Czech Republic, 15.6 % to customers in Slovakia, 14.0 % to customers in Romania and the remaining 4.4 % to customers in Poland.

In the year ended December 31, 2020, we supplied 23,982 TJ of heat to the customers outside of the CEZ Group, which represents a slight decrease of 0.6 % compared to 24,116 TJ supplied in the year ended December 31, 2019. In 2020, 77.5 % of heat was delivered to our customers in the Czech Republic, the rest to customers in Poland.

### *Decentralized Energy Solutions*

#### *Czech Republic and Slovakia*

In 2014, we established a new company ČEZ ESCO, a.s., as a wholly-owned subsidiary of ČEZ, which consolidated our capacities within the area of energy savings, decentralized energy sources, lighting and other energy services. ČEZ ESCO, a.s., focuses on providing products and services to large corporations, SMEs and the public sector

and offers comprehensive energy solutions on a decentralized basis with emphasis on new technologies, energy efficiency and integrated solutions. Individual products and services are supplied through several companies that are continually being integrated into the ČEZ ESCO Group.

ČEZ Energo s.r.o. focuses on installations and subsequent operation of cogeneration units for joint production of electricity and heat with installed capacity ranging from hundreds of kWe to several MWe.

ČEZ Energetické služby, s.r.o. provides comprehensive services in the field of energy management, public lighting, supply of gases, drinking water, sewage services and operations of waste water treatment plants. It is a supplier of energy structures and energy saving projects for municipalities, industrial companies and of larger energy projects in all areas.

ČEZ Slovensko, s.r.o. provides various energy-related services for companies, municipalities and public authorities and sells electricity and gas to corporate customers in Slovakia.

ENESA a.s. is a provider of EPC ("*Energy Performance Contracting*") projects.

During 2016, we acquired ČEZ Solární, s.r.o., Energocentrum Vítkovice, AZ Klima and formed a new joint-venture, ČEZ LDS, in which we acquired majority in 2019. ČEZ Solární is active in the field of photovoltaic rooftop solutions as well as in the field of their optimal maintenance and operation. Energocentrum Vítkovice, is a supplier of energy to large companies in the industrial Vítkovice area, AZ Klima, provides heating, ventilation and air conditioning solutions. ČEZ LDS focuses on operation of local distribution systems ("*LDS*") and related services.

During 2017, we incorporated a new subsidiary, ČEZ Bytové domy, to provide custom-tailored energy savings solutions to housing cooperatives and homeowner associations, which in 2019 merged into ČEZ Solární, s.r.o. We also acquired a 100% interest in KART spol. s r. o., AirPlus, spol. s r.o. and HORMEN CE a.s. KART provides building facility management services and servicing of technical equipment of buildings and also supplies and installs air-conditioning, heating and cooling equipment, measurement and control systems and power distribution systems and performs design and inspection of electrical equipment, pressure containers and boiler rooms. AirPlus, spol. s r.o. specializes in the supply, installation and servicing of air-conditioning units. HORMEN CE a.s. deals with the design, realization and production of lighting and luminaires, it provides services to offices, hotels, business premises, public buildings and industrial buildings.

During 2018, we acquired stakes in Domat Control System s.r.o., SPRAVBYTKOMFORT, a.s. and Bytkomfort, s.r.o. and formed a joint-venture KLF-Distribúcia, s.r.o. Domat Control System s.r.o. is a leading supplier and integrator of energy management systems, control systems and measurement and control technologies. SPRAVBYTKOMFORT, a.s. owns and operates the district heating system in Prešov, Slovakia, and provides related energy services. Bytkomfort, s.r.o. owns and operates the city heating system in Nové Zámky, Slovakia, and provides related energy services, including service and operational activities. KLF-Distribúcia, s.r.o. is a joint venture with the aim of building and operating 110 kV substations for the local distribution system in the industrial area with 60 active companies in Kysucke Nove Mesto, Slovakia.

During 2019, we acquired HA.EM OSTRAVA, s.r.o. providing engineering, realization and service of energy equipment for industrial customers, KART TZB, spol. s r.o. (formerly Caverion Česká republika s.r.o.) and e-Dome a.s., a Slovakian company providing energy solutions and EPC.

#### *Other countries*

During 2017 and 2018, we successfully entered the German, Polish and Romanian ESCO markets by acquiring Elevion GmbH and its subsidiaries and Kofler Energies Group in Germany, OEM Energy sp. z o.o. and Metrolog sp. z o.o. in Poland and High Tech Clima SRL in Romania.

Elevion Group is a leading integrated provider of multi-technical building services to commercial and industrial buildings and facilities and one of the largest ESCO providers in Germany. Kofler Energies Group is a design and engineering company providing solutions for industrial, commercial, residential and public administration customers aiming at increasing their energy efficiency through equipment optimization and/or energy management. In 2019, we acquired on the German market among others En.Plus and Hermos Group, increasing our capabilities in heating, ventilation and air-conditioning and in automations and IT solutions for industry, energy, environment, buildings and health care.

Through Kofler Energies Group we are also active on the ESCO market in Northern Italy.

OEM Energy sp. z o.o. offers modernization and installation of solar thermal and photovoltaic panels as well as boiler or heat pump installation. The majority of its customers are local governments and industry clients. Metrolog sp. z o.o. is an engineering firm that focuses on complex services related to heat management and decentralized heat and electricity generation. In September 2019, we acquired a 76% stake (with the option to increase our share to 100 %) in EUROKLIMAT sp z o.o., a company with 20 years of experience in complex solutions of sanitary and energy equipment active across whole Poland.

High Tech Clima SRL is one of the HVAC leaders in the Romanian market with a number of international clients and orders from abroad, including the Czech Republic.

#### *Other Services in the Czech Republic*

We also provide energy-related and other services and products to our retail customers. Since 2013, we have been providing telecommunication services under the brand "Mobile from ČEZ" through our subsidiary ČEZ Prodej, a.s., as a mobile virtual network operator in the network of O2 Czech Republic, a.s. We are also becoming one of the leading gas boiler services providers in the Czech Republic.

In 2016, ČEZ Prodej, a.s., started to provide financing services in cooperation with the ESSOX financing company. These services provide our customers with financing of new energy solutions for their households. In addition, together with our partners we provide insurance and assistance services to our retail customers, such as repairs of electric and gas appliances and removal of household accidents related to electricity and gas supply.

During 2018, we acquired a company specializing in the supply and installation of heat pumps with autonomous remote access for monitoring with the aim for further development of relevant technologies and their integration with other technologies, such as photovoltaic panels or batteries. During 2019 we installed about 500 small photovoltaic power plants for our retail customers.

## **Trading Business**

### *Overview*

Our trading activities encompass selling electricity generated by us on wholesale markets and to our Sales Business; procuring on wholesale markets electricity sold by our Sales Business to end-consumers; and trading electricity, E.U. emission allowances ("EUAs"), CER credits, natural gas, oil and black coal in wholesale markets on our own account.

The following table sets forth a breakdown of the volume of electricity purchased and sold by us on wholesale markets (including our net electricity generated and total sales to end-consumers) for the years ended December 31, 2019 and 2020:

	For the year ended December 31		Change in 2020
	2019	2020	compared to
	(GWh)	(GWh)	2019
			(%)
<b>Wholesale trading in electricity:</b>			
Electricity purchased on wholesale markets .....	304,648	259,851	(85.3)
Electricity sold on wholesale markets .....	(324,116)	(277,953)	(85.8)
Balance of wholesale trading in electricity .....	(19,468)	(18,102)	93.0
<b>Electricity generated and sold to end-consumers:</b>			
Total electricity generated by us (gross) .....	64,635	60,946	94.3
Own consumption of electricity generated .....	(6,254)	(6,044)	96.6
Total electricity generated by us (net) .....	58,381	54,902	94.0
Distribution losses .....	(3,737)	(3,535)	(94.6)
Electricity sold by us to end-consumers .....	(35,176)	(33,265)	94.6
Balance between electricity generated by us and sold to our end-consumers .....	<b>19,468</b>	<b>18,102</b>	<b>93.0</b>

In the year ended December 31, 2020, we procured a total of 311,218. GWh of electricity (259,851 GWh of electricity purchased on wholesale markets and 51,367 GWh of our electricity generated (net of own consumption and distribution losses)) and we sold a total of 311,218 GWh of electricity (259,851 GWh of electricity on wholesale markets and 33,265 GWh of electricity sold to end-consumers). In the year ended December 31, 2019, we procured a total of 359,292 GWh of electricity (304,648 GWh of electricity purchased on wholesale markets and 54,644 GWh of our electricity generated (net of own consumption and distribution losses)) and we sold a total of 359,292 GWh of electricity (324,116 GWh of electricity on wholesale markets and 35,176 GWh of electricity sold to end-consumers).

We carry out proprietary trading that consists of taking on energy commodity (gas, coal, electricity and emissions and oil) exposures in European markets by means of financial derivative instruments and contracts for physical delivery exchanged on the regulated and over-the-counter markets, seeking to exploit arbitrage opportunities and speculating on price developments. By trading on our own account, we aim to generate additional profits. We carry out these activities within a formal governance framework with strict risk limits set by our Risk Management Committee, and compliance therewith is verified daily by our Risk Management Department which is independent from the groups carrying out our trading operations. We have specific controls in place in terms of quantitative risk limits (value at risk, credit exposure, future credit exposure and other risk limits with inclusion of stop-loss). Credit risk management for trading operations is based on strict evaluation, assignment and monitoring procedures that we believe are in accordance with international best practices.

The risk limit set by the Risk Management Committee for our proprietary trading activities is CZK 2.73 billion. The potential open positions over a longer time period are limited by a daily value at risk limit of CZK 175 million. These relatively low limits and the strict rules set by our Risk Management Committee lead to a high number of transactions with a high aggregated volume on an annual basis but generally with a relatively low margin. The annual volume of electricity traded for own account can vary substantially depending on market conditions in the respective year, namely liquidity, price volatility and market trends.

We also trade natural gas in the form of futures products on the London Intercontinental Exchange ("*ICE*"). Our trading also takes place on the European Energy Exchange ("*EEX*") in Leipzig, Germany, on the New York Mercantile Exchange ("*NYMEX*") in New York, the Hungarian Power Exchange ("*HUPX*"), European Power Exchange (Spot Markets) ("*EPEX SPOT*") in Paris, the Towarowa Gielda Energii ("*TGE*") in Poland, the PXE in Prague, OPCOM in Romania, HENEX in Greece, OTE in Prague and OKTE in Bratislava.

Outside of the Czech Republic, we also trade directly in Austria, Germany, France, the Netherlands, Switzerland, Poland, Hungary, Slovakia, Romania, Greece, Italy, Spain and Montenegro where a license is not required to trade in electricity or where the eligibility for such a license is not limited to entities established under the laws of the same country. In Bulgaria and Serbia, we operate through our subsidiaries that hold the necessary local licenses.

#### *Czech Republic*

On the Czech wholesale market, we sell electricity for contractually agreed upon prices. Since 2002, the wholesale prices have been unregulated. Since the launch of the PXE on July 17, 2007, the majority of our electricity generated for wholesale distribution is sold on the PXE and on the electronic OTC broker platforms. Due to cross-border

integration and fully liberalized power prices, the primary price-setting market in our region is Germany and its exchanges EEX and EPEX SPOT and there has historically been a strong correlation between power prices in the Czech and German markets. Prices in the wholesale market are set on the basis of supply and demand, through trading on the PXE and bilateral contracts. Instruments that can be traded on the Czech Republic's exchange range from one-year contracts down to one-day contracts. Anonymous trading on a daily basis can also be realized through the organized spot markets of OTE. In addition to one-day trades, the organized markets of OTE also enable intra-day trading. Unlike the PXE, the OTE requires physical delivery.

We continued to sell the electricity that we generated almost exclusively in the Czech electricity market, either wholesale through the PXE, or through electronic broker market platforms, or to end-consumers. We continued to sell electricity on a forward basis, specifically, up to six years in advance, with the aim of leveraging market demand for these products to partially hedge sales against possible price volatility. This strategy helped us to maintain our results of operations even at a time of substantial declines in wholesale electricity prices.

As of December 31, 2020, we had our exposure to electricity prices hedged through a number of long-term contracts for physical power supply with various durations (the longest duration until 2023) at a price structure which reflects the generation costs of our brown coal-fired and nuclear power plants. As of December 31, 2020, we had 50 MW of base load power supply hedged by means of such long-term contracts. Due to the current electricity price levels, we have not entered into any new long-term contracts and unless the market conditions change, we do not intend to sell further production of our brown coal-fired and nuclear power plants under long-term contracts.

#### Poland

In addition to trading activity performed in Poland by ČEZ, the CEZ Group in Poland includes also two thermo power plants CEZ Skawina and CEZ Chorzow. Electricity generated in these power plants is sold on Poland's wholesale electricity market (currently under obligo-gielda legislative requirement only on the TGE power exchange). CEZ Chorzow power plant is also subject to a compensation scheme, defined by Polish law, for entities that voluntarily agreed prematurely to terminate long-term electricity sale contracts.

#### Bulgaria

In addition to trading activity performed in Bulgaria by ČEZ, the CEZ Group in Bulgaria includes also two sales companies (CEZ Electro, CEZ Trade Bulgaria) and one distribution company (CEZ Distribution Bulgaria). Electricity sold by the Sales companies to all segment of end-customers (households, SME and large enterprises) is procured in the regulated and liberalized market.

#### Romania

In Romania, the subsidiary CEZ Trade Romania provides support to the trading activity performed directly by ČEZ.

### **Other Businesses**

#### *Coal Mining*

We mine, process and sell brown coal and its by-products in the Czech Republic. In the year ended December 31, 2020, we produced 15.4 million tons of brown coal, making us the largest producer of brown coal in the Czech Republic accounting for approximately 52 % of the total volume of brown coal produced in the Czech Republic in 2019.

The Bílina Mines, operating in the Teplice-Bílina area in the North Bohemian Basin, are characterized by coal with high heat content and a low proportion of hazardous substances. An important part of its production is low-sulphur sorted coal. In the year ended December 31, 2020, the Bílina Mines produced 7.3 million tons of brown coal which was supplied mainly to our power plants Ledvice, Mělník, Poříčí and to the Trmice heating plant. The mining activity permit for the Bílina Mine was issued on the basis of the Opening, Preparation, and Extraction Plan for the Years 2010-2030 by the District Mining Office in Most on November 8, 2010, and entered into force on January 26, 2011. Our mining operations in the Bílina Mines are permitted until 2030. In October 2015, the Czech Government approved the extension of brown coal mining limits at the Bílina coal mine owned by the CEZ Group. The new available brown coal reserves are estimated to be 100 – 150 million tons. In July 2019, the Ministry of the Environment of the Czech Republic issued a favourable environmental impact assessment (EIA) for coal mining extension at the Bílina Mine until 2035.

The Nástup Tušimice Mines operates in the westernmost portion of the Ústí Region of the Czech Republic in the Tušimice mining area in the North Bohemian Basin. In the year ended December 31, 2020, the Nástup Tušimice Mines produced 8.1 million tons of brown coal. In the year ended December 31, 2020, the majority of coal extracted from the Nástup Tušimice Mines went mainly to our power plants Tušimice II and Pruněřov. A new Mining License for Doly Nástup Tušimice came into force in May 2013 and is valid until 2029.

The table below sets forth the amount of coal produced by our mines and the amount of which was delivered to our coal-fired power plants in the years ended December 31, 2019 and 2020:

	<b>For the year ended December 31</b>			
	<b>2019</b>		<b>2020</b>	
	<b>Produced</b>	<b>Delivered for own consumption</b>	<b>Produced</b>	<b>Delivered for own consumption</b>
	<i>(in million tons)</i>			
Bílina Mines.....	8.8	4.3	7.3	3.4
Nástup Tušimice Mines .....	11.7	10.7	8.1	7.5
<b>Total .....</b>	<b>20.4</b>	<b>15.1</b>	<b>15.4</b>	<b>10.9</b>

In the year ended December 31, 2020, our plants consumed 10.9 million tons of our brown coal output, or 70.8 % of our total brown coal output, compared to 15.1 million tons of our brown coal output in the year ended December 31, 2019. In the year ended December 31, 2020, we sold a total of 4.5 million tons of brown coal to third parties, which generated total revenues of CZK 3.9 billion. In the year ended December 31, 2019, we sold a total of 5.4 million tons of brown coal to third parties, which generated total revenues of CZK 4.4 billion.

We carry out exploration works at the mines on an annual basis. Our exploration activities are primarily carried out in order to assess the characteristics of our reserves and the hydrogeological and geotechnical conditions as well as in order to optimize extraction. However, based on our historic exploration of current deposits, we do not expect any material adjustments to the exploitable reserves of these mines (within their current limits).

We operate open pit coal mines and are responsible for the decommissioning and reclamation of the mines (the process of restoring land that has been mined to a natural or economically useable purpose) as well as for damage caused by the operations of the mines. To cover such costs, we are required by Czech law to contribute to a special escrow account. These restricted funds are shown in our balance sheet under restricted financial assets and as of December 31, 2020, the restricted funds related to mining reclamation and damages totaled CZK 5,872 million (compared to CZK 5,646 million in the year ended December 31, 2019). We have also established provisions to recognize our estimated liabilities for decommissioning and reclamation of mines and damage caused by the operations of our mines. As of December 31, 2020, such provisions amounted to CZK 9,751 million compared to CZK 9,372 million as of December 31, 2019. In the year ended December 31, 2020, the reclamation expenses totaled CZK 286 million.

#### *Provision of Ancillary Services*

Ancillary services are generally defined as services provided by natural or legal persons for maintaining the operation of power systems and the quality and security of electricity supply. Ancillary services allow imbalances between electricity consumption and generation to be corrected by means of demand- or supply-side changes. Users of the power system who comply with the relevant technical and commercial terms and conditions set out by the transmission system operator generally have the right, but are not obliged, to offer ancillary services at market prices.

Ancillary services are purchased by transmission grid operators for stabilizing the grid in auctions for a wide range of products to be provided over various lengths of time. The Czech ancillary services market is a competitive one. For the 2020 and 2021 deliveries of the ancillary services no market participant gained a substantial market share through the auctions that took place.

Our revenues from the provision of ancillary services to transmission grid operators reached CZK 2,836 million in the year ended December 31, 2020, compared to CZK 2,847 million in the year ended December 31, 2019. In 2020, we provided ancillary services to transmission grid operators only in the Czech Republic.

#### *Tolling agreements*

In August 2014, we and Vršanská uhelná a.s. (a Czech brown coal mining company) entered into a tolling agreement pursuant to which we will process the brown coal supplied by Vršanská uhelná a.s. into electricity and the

electricity will remain the property of Vršanská uhelná a.s. The installed capacity, which has been made available to Vršanská uhelná a.s. by us, equals 200 MW. The tolling agreement was entered into for the period of 2015 – 2020. The agreement was suspended for the period from 2016 - 2020.

### *Lithium mining*

In March 2020, we decided to join a lithium mining project at Cínovec. The original developer of the project EMH, held a 100% shareholding in Geomet, s.r.o., the holder of an exclusive license for exploration for zinnwaldite containing lithium at Cínovec. Severočeské doly, our wholly owned subsidiary acquired a 51% stake in Geomet through an increase of its registered capital in the first half of 2020. Further, we entered into a second phase of the project, consisting of an off-site testing and technical verification of the process of lithium extraction and a preparation of a final economic and technological feasibility study of the project. As of the date of this Base Prospectus, the second phase of the project is expected to last until 2023. The decision whether to proceed with the mining of lithium will be based, among other things, on the success of the second phase of the project.

### **Fuel**

#### ***Coal***

Approximately 92 % of the coal consumed by our coal-fired power and heat plants for the year ended December 31, 2020, was brown coal. Brown coal is mainly supplied by three companies in the Czech Republic, the main supplier being Severočeské doly a.s., our wholly-owned subsidiary. Black coal is used in the Dětmorvice power plant and in part of the Poříčí power plant in the Czech Republic; in the Chorzów power plant and the Skawina power plant in Poland.

The table below sets forth information relating to the total amount of coal consumed by our coal-fired power plants and the amount of which was purchased from third parties for the years ended December 31, 2019 and 2020:

	<b>For the year ended December 31</b>			
	<b>2019</b>		<b>2020</b>	
	<b>Total consumed</b>	<b>Purchased from others</b>	<b>Total consumed</b>	<b>Purchased from others</b>
	<i>(in million tons)</i>			
<b><i>Brown coal</i></b>				
Czech Republic .....	21.1	6.0	16.8	5.9
<b><i>Black coal</i></b>				
Czech Republic	0.3	0.3	0.1	0.1
Poland	1.3	1.3	1.3	1.3
Total black coal.....	1.7	1.7	1.4	1.4
<b>Total .....</b>	<b>22.8</b>	<b>7.7</b>	<b>18.2</b>	<b>7.3</b>

In the year ended December 31, 2020, we consumed 16.8 million tons of brown coal in our brown coal power plants in the Czech Republic, of which 10.9 million tons, or 64.7 %, were produced by our own mines (see "*Our Business—Coal Mining*"), with the remainder purchased from Vršanská uhelná a.s. (approximately 29.6 %) and Sokolovská uhelná, právní nástupce, a.s. (approximately 5.7 %). We currently purchase brown coal from Sokolovská uhelná, právní nástupce, a.s., under a long-term agreement that expires in 2025. The purchase contract for brown coal with Vršanská uhelná a.s. originally expiring in 2062 was terminated simultaneously with the transfer of the Počerady power plant to Vršanská uhelná a.s. on December 31, 2020. The black coal used in our black coal-fired power plants in the Czech Republic is secured primarily by imports from abroad (78.7 %) and also purchases from OKD, a.s. (21.3 % in 2020). Black coal supplies are secured under one-year contracts. Due to the insolvency of OKD, a.s., declared by an insolvency court in 2016, we have decreased the share of supplies from OKD, a.s., from approximately 77 % in 2016 to the current level.

Most of our coal-fired power plants are located in the vicinity of the North Bohemian brown coal basin in the Czech Republic. Conveyor belts from nearby mines supply brown coal directly to two of our power plants, Ledvice II and III and Tušimice II. For other coal-fired power plants, rail is primarily used to transport coal supplies over relatively short distances. Taking into account geographical restrictions, current mining limits and current estimates of our coal-fired generation needs, as of the date of this Base Prospectus we estimate that there are sufficient brown coal reserves in

the Czech Republic for the operation of our coal-fired power plants until the end of their currently expected operation lifetime.

The Elcho power plant and Skawina power plant in Poland are located in Upper Silesia and Lesser Poland, respectively, and are supplied with black coal from mines in the region. The principal supplier of coal to the Elcho power plant in 2020 was Polska Grupa Górnicza S.A. pursuant to a multi-year contract. The Skawina power plant sourced coal based on a multi-year contract from PG Silesia Sp. z o.o. and Polska Grupa Górnicza S.A. during 2020.

### ***Nuclear Fuel***

We procure nuclear fuel materials (uranium) and services (conversion and enrichment) pursuant to spot, medium-term and long-term contractual arrangements. Our procurement activities are supervised by the EURATOM Supply Agency (ESA), which endorses and co-signs, if required by the Treaty Establishing the European Atomic Energy Community (the "*Euratom Treaty*"), all new supply contracts and amendments thereto, which must be in full compliance with the ESA supply policy.

Historically, majority of our uranium needs have been met by domestic sources in the Czech Republic. However, uranium production in the Czech Republic has ceased and the last delivery under the uranium supply contract with the Czech producer Diamo was delivered in 2016. The last portion of Czech uranium in our stockpiles was delivered to the Russian Federation for processing into the fuel in 2019 and there was no nuclear material procurement activity in 2020. For the following period, until 2025, a new uranium supplier for Dukovany nuclear power plant for similar quantity was selected in a tender process in 2018. In 2019, we also selected uranium suppliers to cover part of needs for Temelín nuclear power plant until 2025. Therefore, our uranium needs are covered mainly by market purchases of uranium made predominantly on the basis of long-term contracts. To the extent authorized under the ESA supply policy, we also purchase uranium as a package (or "bundle") together with conversion and enrichment services under existing long-term fuel fabrication contracts with the Russian company JSC TVEL ("*TVEL*").

In respect of the needs of the Dukovany nuclear power plant, the earlier ESA limitation on the amount of enrichment services that could be purchased together with fabrication as a package from TVEL did not apply as the existing long-term fuel contract was grandfathered upon the accession of the Czech Republic to the European Union. Therefore, conversion and enrichment services needed for the fabrication of fuel for Dukovany nuclear power plant are fully supplied by TVEL under a long-term contract valid until 2028 (including an option in 2024 to extend the contract until 2028). Nuclear fuel design has also been modified in order to accommodate the operation of reactors at an increased power level of 105 % and in the "five-year fuel cycle", such that one fifth of the fuel in the core is replaced by fresh non-irradiated fuel each year. The CEZ Group was granted a license for a new, improved design of fuel and first delivery and loading occurred in 2014. In 2019 we received a license to use this fuel with higher enrichment. Also the development program for a new design PK3+ was started in 2019 and continued in 2020.

For the Temelín nuclear power plant, conversion and enrichment services are supplied under a portfolio of contracts with primary suppliers. Our needs are generally covered for the period of validity of the existing fabrication contract for the Temelín nuclear power plant with TVEL. We also maintain strategic and working inventories of nuclear material in different stages of processing (uranium concentrate, natural and enriched uranium hexafluoride). In 2018, a new advanced fuel type was licensed and loaded into Unit 2, followed by a the second reload of this fuel in 2019 and the third in 2020. The first advanced fuel loading for Unit 1 is scheduled in 2022.

Our long-term nuclear fuel supplier, TVEL, produces nuclear fuel for both our nuclear power plants at its facilities in Elektrostal, Russia. The long-term fuel supply contract for the Temelín nuclear power plant, which expires in 2022, was awarded to TVEL in May 2006 as a result of a tender opened in April 2004, in order to replace a previous fuel contract with Westinghouse Electric Company LLC which expired in 2010. Nuclear fuel fabrication and shipments of nuclear fuel for the Temelín nuclear power plant from TVEL are performed upon our request according to conditions in the fuel supply contract.

We decided to gradually build-up a strategic inventory of fabricated fuel at our nuclear power plants in order to reduce the risk of operation disruption in case of delayed delivery of fuel. To create this strategic inventory, seven refueling charges for 12-month cycles were delivered to the Dukovany nuclear power plant in the period between 2017 and 2020, in each case in addition to the standard refuelling deliveries to cover operation of the units. Once the last refueling charge, scheduled for 2021, is delivered, the planned level of strategic inventory will be reached. Nevertheless, as of the date of this Base Prospectus, a project of transition to 15-month refueling cycles is ongoing at the Dukovany

nuclear power plant. For the Temelín nuclear power plant, two complete refueling charges for 12-month cycles were delivered in 2015 and 2016 to create a strategic inventory. As of the date of this Base Prospectus, the future transition to 18-month cycles is being planned. In 2016, we also concluded an agreement with Westinghouse Electric Sweden AB for the supply of services related to the development and licensing of the fuel design and the manufacturing and delivery of six lead test assemblies ("LTA"). These assemblies were licensed, delivered and loaded into Unit 1 in 2019. In 2020, during outage inspections of the LTA was carried out to evaluate LTA performance. A similar inspection is planned for 2021. With respect to future fuel supplies, the competitive tender for supplies of nuclear fuel and related services was launched and BIS documentation was sent to the bidders in 2020. The BIS documentation has been discussed with the bidders, submission, evaluation and selection of bids is planned in 2021.

### *Spent Nuclear Fuel Storage*

#### *Interim spent nuclear fuel storage facility*

*Dukovany nuclear power plant.* The first stage of an interim spent nuclear fuel storage facility ("ISFSF") at the Dukovany nuclear power plant, which utilizes transport and storage casks (standard dry storage technology), became operational in December 1995. The capacity of this facility (60 Castor casks) was fully used up in the first half of 2006. In 1997, preparation started on the second stage of the Dukovany ISFSF with a storage capacity of 133 Castor casks. The second storage facility was commissioned in October 2006 and became operational in December 2006. Its capacity is expected to cover the Dukovany nuclear power plant's operation for a period of at least 40 years. Alternatives how to secure storage capacity for Dukovany nuclear power plant's 50- or 60-year operation are being investigated. As of December 31, 2020, spent fuel is stored in Castor 440/84M casks and 46 casks are exploited, representing approximately 35 % of the entire storage capacity of the second storage hall.

*Temelín nuclear power plant.* The ISFSF at the Temelín nuclear power plant was put into operation for a one-year trial period in September 2010. In December 2011, we received a license issued by SONS for the common operation, valid until 2021. The storage capacity of the Temelín ISFSF represents spent fuel for the 30-year operation of the Temelín nuclear power plant. In 2019, a Temelín ISFSF extension project was initiated to provide sufficient spent fuel storage capacity for Temelín nuclear power plant's expected 60 years of operation. As of December 31, 2020, there were 48 CASTOR 1000/19 casks and 1 ŠKODA 1000/19 cask with 931 fuel assemblies in total at the Temelín ISFSF, of which approximately 32 % of the entire current storage capacity is exploited.

#### *Central interim spent nuclear fuel storage facility*

As an alternative, ČEZ is also considering the storage of spent fuel from both of its nuclear power plants at an underground central ISFSF at the Skalka site in Southern Moravia. ČEZ obtained a construction permit for the first stage of ISFSF construction in May 2011. The first stage was finished in October 2012. The location is being kept as a potential stand-by alternative to the on-site Dukovany ISFSF and Temelín ISFSF.

### **Biomass**

Biomass in the form of wood chip, straw and pellets is mainly combusted in our coal-fired power plants and heat plants in the Czech Republic and Poland. Within our portfolio of renewable sources, biomass is the third most significant element after water and wind power stations. In the Czech Republic, we use biomass mainly in the Hodonín and Poříčí power plants.

In the Czech Republic, we burned 751,400 tons of biomass in the year ended December 31, 2020, compared to 735,553 tons in the year ended December 31, 2019, generating 625 GWh and 631 GWh of electricity, respectively.

In Poland, we burned approximately 443,980 tons of biomass in the year ended December 31, 2020, compared to more than 350,689 tons in the year ended December 31, 2019, mostly in the form of co-burning with hard coal, generating 541 GWh and 397 GWh of electricity, respectively.

### **Gas**

In the year ending December 31, 2020 we consumed gas as fuel in the total amount of CZK 2.9 billion, as compared to CZK 3.7 billion for the year ending December 31, 2019. Gas is used mainly by our Počerady gas-fired power plant, boiler rooms, in our coal-fired power plants for starting and stabilization and by our gas co-generation units.

## Property, Plant and Equipment

We own all of our significant generation facilities and other properties and we hold the title to, or have the right to use by virtue of leases, all of the land underlying our facilities, including our coal mines. Our plant, property and equipment mainly comprise power plants and distribution networks as well as coal mining facilities, administrative buildings and other assets. As of December 31, 2020, we owned buildings with a total net book value of CZK 155.7 billion, plant and equipment with a net book value of CZK 212.1 billion and land with a net book value of CZK 8.8 billion. As of December 31, 2020, we owned net plant in service pledged as security for liabilities in the amount of CZK 13,510 million, representing approximately 3.6 % of the total net book value of plants in service as of December 31, 2020.

## Capital Expenditures

Capital expenditures are necessary to maintain and improve the operations of our facilities and to meet regulatory and prudential operating standards. Construction and maintenance costs have increased throughout the power industry over the past several years, and we expect future costs to be highly dependent on the cost of components and availability of contractors that can perform the work necessary to maintain and improve respective facilities. For the years ended December 31, 2020 and 2019 we invested CZK 10,705 million and CZK 10,759 million, respectively, into our traditional generation portfolio, mainly towards the renewal, maximizing of operational safety, improving the efficiency and environmental measures for the fulfilment of BAT limits of our current coal-fired power plants and towards improving nuclear safety; CZK 14,869 million and CZK 13,709 million, respectively, into our distribution networks in the Czech Republic, Romania and Bulgaria; CZK 427 million and CZK 682 million, respectively, into our new generation portfolio; and CZK 3,307 million and CZK 2,306 million, respectively, into our mining business.

## Inven Capital

In 2013, we announced the New Energy Sector strategic program responding to the changing energy market. One of the initiatives under this program was the establishment of a fund, Inven Capital, for the purposes of investing in innovative companies active in the new, clean energy and smart technology industry in Europe and Israel. Inven Capital focuses primarily on investment opportunities in later-stage growth companies with a business model proven by sales and with growth potential, among others, in areas of energy efficiency, distributed generation, flexibility and power storage, data services in energy, green mobility and smart city technologies. Its objective is to generate long-term value through active collaboration with portfolio companies and their founders.

Since 2013, Inven Capital has invested into ten companies from Europe: sonnen Holding GmbH, SunFire GmbH, tado° GmbH, Cloud&Heat Technologies GmbH, Vu Log S.A.S., Cosmo Tech S.A.S., NeuronSW SE, Zolar GmbH, Eliq AB, Forto GmbH, Topíte.cz, s.r.o. and in addition to that, into two Israeli companies Driivz Ltd. and CyberX Israel Ltd., as well as into the British fund Environmental Technologies Fund 2 L.P.

In July 2015, Inven Capital acquired shares in the German company sonnen Holding GmbH, a company which produces battery energy storage systems. The investment was made in the form of an increase in the company's registered capital. Inven Capital acquired a minority stake accompanied with the right to participate in the company's strategic decision-making. The company develops, manufactures, and sells smart battery systems for storing energy generated by solar panels and other renewable energy sources for households and commercial customers, including energy management and integration into virtual power plants. The company operates in Europe, the U.S. and Australia.

In November 2015, Inven Capital acquired a minority stake in SunFire GmbH. Its key product is reversible fuel cell technology, which is able to convert a fuel (such as natural gas) into electricity and heat as well as electricity back into hydrogen and other gases (Power-to-Gas) or synthetic fuels (Power-to-Liquids). This technology represents a major step toward greater energy self-supply, improved efficiency in the utilization of energy sources and decarbonization.

In April 2016, Inven Capital acquired a minority stake in tado° GmbH, a company providing solutions for intelligent home climate control. tado° GmbH key products are a Smart Thermostat and a Smart AC Control which connect any heating and air conditioning system to the internet and allow for their control through a geo-aware tado° smartphone app which adapts home temperature to the local weather conditions and adjusts the home's temperature according to the location of its owners. The technology allows for the reduction of energy bills while improving home comfort and helping to protect the environment.

In May 2016, Inven Capital acquired a minority stake in the Environmental Technologies Fund 2 L.P, a London-based fund focused on investments into global, fast-growing companies active in the area of clean energy. We expect this investment to grant us access to unique investment opportunities and know-how.

In May 2017, Inven Capital acquired a minority stake in the Dresden-based company Cloud&Heat Technologies GmbH, which designs, builds and operates green, water-cooled public and private cloud data centers, whilst reusing server heat for hot water and heating. Through this technology, the data centers reach excellent energy efficiency; 60 % lower energy costs and 15% lower total costs compared to traditional air-conditioned solutions.

In August 2017, Inven Capital became a shareholder in the French company Vu Log S.A.S., a provider of shared mobility technology for green cars in cities. Vu Log S.A.S. provides a car-sharing technology, including a comprehensive Software-as-a-Service platform and enabling car-sharing operators to provide services to their end customers in the five continents where they operate.

During 2017, Inven Capital became member of Invest Europe (Europe's private equity, venture capital and infrastructure sectors association) and CVCA (Czech Private Equity and Venture Capital Association) and started cooperation with the European Investment Bank, under which the European Investment Bank provides EUR 50 million to develop a co-investment initiative with Inven Capital to support the growth of clean energy and smart technology in small and medium sized enterprises. In February 2018, Inven Capital changed its legal form to a SICAV (Société d'Investissement À Capital Variable), as required by the co-investment program with the European Investment Bank.

In July 2018, Inven Capital invested into the French company Cosmo Tech S.A.S. The Cosmo Tech platform is the world's most advanced complex systems modelling and simulation platform, capable of modelling any system in any industry and drawing on the expertise of dozens of specialists. It assists managers to take the right decisions regarding critical infrastructure (e.g. electricity, gas or water).

In December 2018, Inven Capital acquired a minority stake in the Israeli company Driivz Ltd, which provides an end-to-end software platform for electric vehicle (EV) charging infrastructure management solutions, which is used by 300,000 drivers worldwide. Driivz Ltd. has developed a modular system for managing charging station networks, providing a wide range of services for both charging infrastructure operators and EV users.

In February 2019, Inven Capital, together with all other shareholders, sold its stake in sonnen Holding GmbH to Shell Overseas Investment B.V., which became a 100% owner of the company.

In March 2019, Inven Capital acquired a minority stake in Israeli company CyberX Israel Ltd., which is a supplier of complex solutions in industrial cyber security. Inven Capital, together with Qualcomm Ventures, became a shareholder in CyberX as part of the USD 18 million (CZK 410 million) fund raising round and joined other international capital funds such as Norwest Venture Partners, Glilot Capital Partners, Flint Capital, ff Venture Capital or OurCrowd.

In June 2019, Inven Capital invested into the Czech company NeuronSW SE, which develops advanced, integrated hardware and software platforms for predictive maintenance based on acoustic analysis, enabling timely detection of failures and optimization of operations using unique acoustic data sets processed in real time by proprietary deep neural network

In July 2019, Inven Capital invested into the German company Zolar GmbH, digital platform which ensures simple online customer journey to purchase clean energy products (e.g. PV, batteries) via the zolar configurator, linked with a unique digital fulfilment process optimizing the installation and supply chain and a partnership model for high-quality craftsmen.

In June 2020, Inven Capital sold its stake in CyberX Israel Ltd. to Microsoft, which became the sole owner of the company.

In August 2020, Inven Capital acquired a minority stake in the Swedish company Eliq AB, which has developed / is developing a platform providing utilities with insights of end-user consumption behavior and energy needs through a white labelled digital app and data analytics backed by artificial intelligence.

In September 2020, Inven Capital invested in the German company Forto GmbH, which has developed / is developing a complex digital platform for end-to-end freight forwarding services that substantially automates logistics processes.

In December 2020, Inven Capital invested in the Czech company Topíte.cz, s.r.o., which has built / is building a digital platform that simplifies installation of heat pumps, gas and electric boilers as well as air conditioning in households. The platform digitalizes the whole process and connects technicians and customers online.

Investments by Inven Capital in tado° GmbH, Cloud&Heat Technologies GmbH, Cosmo Tech S.A.S., NeuronSW SE, Zolar GmbH, Eliq AB, Forto GmbH and Topíte.cz, s.r.o. were made under a joint project with the European Investment Bank.

## **Employees**

We had an average of 31,704 and 31,572 employees in the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, we employed 32,535 employees, out of which approximately 69.4 % were employed in the Czech Republic, compared to 32,365, or 70.6 %, as at December 31, 2019.

As of December 31, 2020, all employees of ČEZ were covered by a collective bargaining agreement in accordance with Czech law. Our collective bargaining agreement is valid until the end of 2022. Our collective bargaining agreement was amended in 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2018 and 2020. In 2007, we also established our European Work Council in accordance with applicable national and European laws, which in 2020 included 28 representatives of the employees from the Czech Republic, Poland, Romania, Slovakia Bulgaria and Germany. We have not experienced any strikes or work stoppages in the Czech Republic.

## **Research and Development**

Research and development ("R&D") activities of the CEZ Group significantly contribute to the improvement of the safe, economical and reliable operation of our assets and to strengthening of our knowledge of innovative technologies in the energy sector. Our R&D projects are mainly performed by external, specialized engineering, research, consultancy organizations, or by the academic sector. R&D activities cover numerous topics in nuclear energy and conventional power generation, life management of key power plants components, reduction of pollutants from fossil fuel burning, innovative renewables, development of waste-to-energy concepts, energy efficiency, digitization, energy storage, including development of concept of hydrogen economy. Generally, our R&D activities are becoming more focused on the decentralized, renewable and unconventional energetics. The centralized coordination of R&D activities in the CEZ Group fosters the inter-sectoral cooperation and brings synergic effects.

Long-term human resources and development as well as relevant R&D knowledge base support in the Czech Republic constitute important co-benefits of our R&D projects. Cooperation with technical universities has been an important part of these activities. We are a founding member of the Czech Sustainable Energy Technology Platform, which represents a forum of utilities, vendors, research, engineering, and academic entities acting for the improvement of energy R&D in the Czech Republic and for the promotion of international cooperation.

We are also a member of VGB PowerTech and hold full membership in the nuclear sector of the Electric Power Research Institute ("EPRI") and in other EPRI's programs, focused on the fossil power plants life management. In addition, we are involved in international energy R&D projects, particularly in the E.U.'s Research, Development and Innovation Framework Programs. We are also a member of European technology platforms and similar entities, for instance the Sustainable Nuclear Energy Technology Platform or European Technology and Innovation Platform Smart Networks for Energy Transition (ETIP SNET).

The SUSEN (SUStainable ENergy) project, constituting a part of Centrum výzkumu Řež (Research Centre Řež), successfully started and concerns facilities for experimental mainly nuclear, but also non-nuclear, research and development. The financing of SUSEN was supported by E.U. Structural Funds and Czech Republic's national budget.

The CEZ Group R&D costs, net of grants and subsidies received, that are not eligible for capitalization have been expensed in the period when incurred and amounted to CZK 507 million in the year ended December 31, 2020, compared to CZK 482 million in the year ended December 31, 2019.

## **Licenses**

As of the date of this Base Prospectus, we hold all material licenses necessary for the operation of our business. For information on licenses and permissions required under the Czech Energy Act and under other applicable regulations, please see "*Regulation—Czech Republic—Electric Energy Sector—Licensing Regime*".

## Emission Rights

CO<sub>2</sub> emissions became an integral part of our management and decision-making, not only at our coal-fired power plants which are directly affected by the trading, but also at non-fossil fuel-fired power plants, which play a major role in optimizing generation in terms of CO<sub>2</sub> emissions. Our decision-making process regarding the trade of CO<sub>2</sub> is based on a comparison of the wholesale electricity price with generation costs, which include the price of CO<sub>2</sub> emission allowances.

The following table summarizes the movements in the quantity and book value of emission rights and credits held by us during 2020 and 2019:

	<b>For the year ended December 31,</b>			
	<b>2020</b>		<b>2019</b>	
	<i>in thousands tons</i>	<i>in CZK millions</i>	<i>in thousands tons</i>	<i>in CZK millions</i>
<b>Emission rights and credits for own use:</b>				
Emission rights and credits for own use at January 1	53,728	21,011	40,597	9,040
Emission rights granted	2,846	-	685	
Settlement with register	(28,364)	(7,401)	(26,818)	(4,996)
Emission rights purchased	12,861	5,520	39,149	16,967
Emission rights sold	(5)	-	(8)	-
Emission credits purchased	3	-	123	1
Disposal of subsidiary Elektrárna Počerady, a.s.	(4,568)	(1,960)	-	-
Reclassification of emission rights <sup>(1)</sup>	(2,977)	(1,657)	-	-
Currency translation differences	-	(59)	-	(1)
<b>Emission rights and credits for own use at December 31</b>	<b>33,524</b>	<b>15,454</b>	<b>53,728</b>	<b>21,011</b>
<b>Emission rights and credits held for trading:</b>				
Emission rights and credits held for trading at January 1	22,485	14,002	14,814	9,401
Emission rights purchased	148,341	95,238	74,429	46,518
Emission rights sold	(144,913)	(99,112)	(66,758)	(41,971)
Emission credits purchased	228	13	-	-
Emission credits sold	(59)	(12)	-	-
Reclassification of emission rights <sup>(1)</sup>	2,977	1,657	-	-
Fair value adjustment	-	13,054	-	54
<b>Emission rights and credits held for trading at December 31</b>	<b>29,059</b>	<b>24,840</b>	<b>22,485</b>	<b>14,002</b>

<sup>(1)</sup> The reclassification is related to the sale of the subsidiary Elektrárna Počerady, a.s.

Our total emissions of greenhouse gases amounted to an equivalent of 25,914 and 23,290 thousand tons of CO<sub>2</sub> for the years ended December 31, 2019 and 2020, respectively. As of December 31, 2020, we recognized a total provision for CO<sub>2</sub> emissions in the amount of CZK 7,176 million.

Since January 1, 2013, no emission allowances are to be allocated without charge in respect of any electricity production, except for emission allowances allocated without charge in accordance with the National Plan of Investments in retrofitting and upgrading the infrastructure and clean technologies in the energy sector approved by the E.U. Commission on July 6, 2012 (the "*National Plan of Investment*") (please see "*Regulation—Czech Republic—Carbon Compliance (Emission Allowances)—Allocation of emission allowances during phase III*" and "*Czech Emission Allowances Act*").

Under the approved National Plan of Investment we were eligible to receive up to 69.6 million of emission allowances between 2013 and 2019 for our installations in the Czech Republic, of which we obtained approximately 69.5 million. As a result of benefiting from the allowances allocated without charge, we are required to invest in retrofitting and upgrading of the infrastructure and clean technologies, and these investments should mirror at least the value of the

free allocation for electricity production. As for the free allocation on electricity production for the year 2019, the CEZ Group timely reported enough eligible investments to obtain 2,389,085 allowances (EUAs) to the Ministry of Environment. However, due to a lack of capacities at the Ministry and delayed submission of the report to the E.U. Commission for approval, the allocation did not take place in mid-2019 as initially expected, but was completed only in the first quarter of 2020.

The following table shows the allocation of emission allowances without charge to our coal-fired power plants and heat plants in the Czech Republic for the period between 2015 and 2020.

	2015	2016	2017	2018	2019	2020
For electricity production ( <i>in tons</i> )	12,540,678	10,032,544	7,194,655	4,796,169	2,398,085	0
For heat production ( <i>starting 2020 expected values only</i> )	948,131	800,010	728,994	569,182	465,559	354,330

## Intellectual Property

We own the rights to numerous trademarks in relation to the name "ČEZ" and its "E" symbol as well as to the name "SKUPINA ČEZ" ("*CEZ GROUP*") and its "E" symbol. The trademark of the word "ČEZ" is protected in 41 states under the Madrid Agreement Concerning the International Registration of Marks and its Protocol (the "*Madrid Agreement*"). The trademark of the word "ČEZ" combined with the symbol "E" is protected in 41 states under the Madrid Agreement, and the trademark of the word "CEZ GROUP" combined with the symbol "E" is protected in 23 states under the Madrid Agreement and the colour symbol "E" is protected in 23 states under the Madrid Agreement. The registration of all essential trademarks is regularly extended.

## Insurance

We maintain several types of insurance to protect us against potential liabilities. These include property insurance for our conventional power plants and nuclear power plants and nuclear liability insurance, in addition to other liability and property insurance. Our general liability insurance also covers particular environmental liabilities that we may incur.

Our insurance coverage complies with the Czech Nuclear Act 1997 and the Vienna Convention requirements in respect of responsibility for damage caused by a nuclear incident. However, our insurance does not fully cover all risks and we cannot guarantee that costs connected with nuclear disasters or other unforeseen events in our nuclear power plants would not have any negative effects on our business, results of operations and financial condition (please see "*Risk Factors—Risks Related to Our Business and Operations—We could incur significant losses in the event of a nuclear accident*"). The Czech Nuclear Act 1997 sets limits on the liability of operators of nuclear facilities for nuclear damage. The Czech Nuclear Act 1997 provides that operators of nuclear facilities are liable for up to CZK 8 billion per incident and limits the liability for damage caused by other activities (such as transportation) to CZK 2 billion. The Czech Nuclear Act 1997 also requires an operator/licensee to insure its liability for the operation of a nuclear power plant up to a minimum of CZK 2 billion and up to a minimum of CZK 300 million for other activities (such as transportation). We have obtained all necessary insurance policies with the minimum limits required by law for the operation of our nuclear power plants. We have concluded such insurance policies with Generali Česká pojišťovna a.s., which represents the Czech Nuclear Insurance Pool (a group of insurance companies) and with the European Liability Insurance for the Nuclear Industry, which is a mutual insurance company insuring nuclear liability risks.

We maintain insurance policies covering the assets of our coal, gas fired nuclear and hydro power plants, as well as insurance policies covering non-technological equipment, general third-party liability insurance in connection with our main operations and car insurance. We also have insurance policies covering directors' and officers' liability.

## Management system

The management system in the CEZ Group is based on the requirements of national legislation and the recommendations of international organizations. The control and management system serves to define and implement the vision, strategy, policies and objectives of the company and to create an environment and processes to achieve them. ČEZ's process model, organizational structure (including organizational roles, responsibilities and authorities) and management system documentation are considered as core elements of the management system by ČEZ. In the context of the group management, the Board of Directors approved the CEZ Group's management policy, which sets out long-term business interests and delegates the power to issue binding guidelines for the CEZ Group members to the relevant management and process's owners according to the ČEZ's management model. ČEZ has implemented, documented, applied, maintained and evaluated its management system, which is being improved on a continual basis to achieve

increased safety, quality and the environmental performance. The management system of ČEZ is based on process approach which is divided to multiple level process model. The risks and opportunities are considered in planning actions to achieve improvement of the management system. The management system in ČEZ is integrated in all management areas affecting safety, quality and the environment. The management system of ČEZ consists of a combination of three main management approaches, namely the organization structure based, applied process and project management. The management system ČEZ and other companies within the CEZ Group are awarded by several management system certifications by independent authorities (safety, environmental protection, information and cyber security, energy management).

Safety and quality approaches are integrated parts of our management system. The management system is implemented, maintained, evaluated and improved in a top-down manner from the senior management level to the employee level. Our senior management is responsible to the stakeholders for assuring and providing the resources necessary for quality, health and safety and environmental management. Top management as well as the management on all levels engages all employees to contribute to operation and improvement of the management system by its leadership. Our Safety and Environmental Protection Policy contains safety and quality commitment and goals which are split into divisional and organizational management systems. Each CEZ Group entity is responsible for implementing management system tools and the principles in all day-to-day activities. Our safety management system is based on the management of safety processes focused to risks in generation and distribution. In line with its health and safety objectives, many CEZ Group entities have implemented a safety management system in accordance with the Safe Enterprise program and gained Safe Enterprise Certificate and many CEZ Group companies have implemented a management system in accordance with the Safe Company program, or in accordance with the nomenclature ČSN ISO 45001.

### ***Nuclear Safety***

Under Czech law, SONS is responsible for supervising safe operation of nuclear power plants. SONS supervises regulatory compliance and the operation of nuclear facilities, the quality of selected activities, maintenance and personnel training. SONS representatives (local inspectors) are permanently on site at both Dukovany and Temelín nuclear power plants to monitor their performance and compliance with safety standards and operating procedures, and to make sure that any modifications are being performed in an appropriate manner. The safe operation of Dukovany and Temelín nuclear power plants is governed by documented requirements, approved by SONS. It is the responsibility of each plant to comply with regulations and requirements set out in the approved documentation.

Since their commissioning, Dukovany and Temelín nuclear power plants have been continuously monitoring the levels of radiation in the immediate vicinity of the plants under the supervision of SONS. To date, the results of the monitoring in the ventilation outlets and in the drains of the plants have indicated that radiation levels remain considerably below regulatory limits.

In 2019, we built a Training and Implementation Centre that provides training for welders and personnel for non-destructive testing for the needs of both nuclear power plants and contractors. These trainings will improve the quality and safety of performance of employees and contractors. The Training and Implementation Centre was certified by the prestigious company TÜV NORD Czech in December 2019.

The airspace above the Dukovany and Temelín nuclear power plants is protected by a new laser system. The laser system has been operating on both sites since November 2020. The purpose of the system is to protect air space around selected buildings from new threats, such as drones.

In November 2020, an accredited laboratory located at the Temelín nuclear power plant received accreditation to perform material testing. As of the date of this Base Prospectus, both the Dukovany and Temelín nuclear power plants are completely independent of suppliers in material testing. The CEZ Group considers this crucial for building up the safety of both nuclear power plants.

### ***WANO***

ČEZ is a member of the World Association of Nuclear Operators ("WANO") and, like other members of this organization, regularly participates in peer reviews of its nuclear power plants. These peer reviews are carried out regularly by international teams of experts from various professional organizations.

In January 2009, a follow-up mission on the 2007 WANO peer review took place at the Dukovany nuclear power plant. The mission confirmed that the power plant was well operated and declared that all of the recommendations

of the WANO peer review were implemented or were in the advanced stages of implementation. The next WANO peer review at the Dukovany nuclear power plant took place in September 2012. International requirements and standards (performance targets and WANO criteria) and the world's best practices in several areas were compared to the actual everyday operations of the power plant. High safety standards were valued in all areas. The mission identified several areas for improvement (e.g. operations and technical support) and highlighted several areas where the power plant can serve as a good practice for others. The plant's senior management has prepared a set of corrective measures covering all areas for improvement, which is being implemented now. In October 2014, a follow-up mission on the 2012 WANO peer review took place at the Dukovany nuclear power plant with five areas evaluated as "satisfactorily solved" and 14 areas with "satisfactory progress" achieved.

In April 2017, another WANO peer review took place at the Dukovany nuclear power plant and, for the first time, evaluated the Dukovany nuclear power plant against a new version of WANO's standard, the Performance Objectives and Criteria. In the course of the WANO mission, the team of international experts identified nine areas for improvement. The Dukovany nuclear power plant had already been working to improve most of the identified areas, including supervision over contractors, human performance quality, human performance tool, inspection activities or exclusion of foreign materials. The WANO mission also pointed out two good practices transferable from the Dukovany nuclear power plant to other nuclear power plants. In February 2019, a follow up mission on the 2017 WANO peer review took place at the Dukovany nuclear power plant. Two out of the nine areas were classified as *Satisfactory/Completed* (level A: Acceptable performance is now demonstrated.). The remaining seven areas were assessed as *On Track* (level B: Evidence shows that substantial, demonstrated performance improvement has been achieved. Additional run time may be needed to demonstrate that the solid performance is sustainable. Indicators and oversight are in place to monitor and promote continued improvement.). No areas were classified as *At Risk* (level C) or *Unsatisfactory* (level D).

In 2006, a follow-up mission of the 2004 WANO peer review took place at the Temelín nuclear power plant. The mission confirmed that the power plant was well operated and declared that all of the recommendations of the WANO peer review were implemented or were in the advanced stages of implementation. Some additional proposals were suggested. The next WANO peer review was held at the end of November 2011. The review team identified several areas for improvement as well as several good practices for sharing among nuclear power plants engaged in WANO. A set of corrective measures, focused mainly on improving the control process, was been prepared and subsequently implemented. A Follow-Up WANO peer review was conducted at the Temelín Nuclear Power Plant in February 2013, examining the implementation of recommendations in the areas for improvement identified during the 2011 WANO peer review. The review stated positive development in the implementation of the defined areas and the need to keep implementing related measures. In November 2015, the first WANO peer review under new Performance and Objective Criteria took place at the Temelín nuclear power plant. The mission concluded that the power plant is properly operated and is in a good condition. The mission identified 15 areas to be improved and mentioned three areas in which the power plant can serve as a good practice example for others. Between July 17 and August 2, 2019, another WANO peer review took place at the Temelín Nuclear Power Plant, which concluded that the power plant is properly operated and is in a good condition.

## **IAEA**

The Czech Republic is a member of the IAEA and, as a result, the IAEA has carried out a number of on-site IAEA assessment missions.

The first OSART review took place at the Dukovany nuclear power plant in 1989 with a follow-up Re-OSART mission in 1991. In November 2001, the Dukovany nuclear power plant underwent its next OSART review. Based on the recommendations from this review, an action plan was prepared and fulfilled. In October 2003, a follow-up OSART mission was carried out to review our implementation of its earlier recommendations and subsequently declared its full satisfaction with our fulfilment of its recommendations. The next OSART review at the Dukovany nuclear power plant was held in June 2011. The review team identified a wide range of good practices as well as several areas for improvement to achieve even better results of operational safety. The plant's senior management has prepared and implemented a set of corrective measures to address these recommendations before the follow-up OSART mission in June 2013. The follow-up mission concluded that 64 % of the original findings were implemented completely and the progress in the implementation of the remaining 36 % was satisfactory.

The first Pre-OSART review at the Temelín nuclear power plant was held in 1990 with a follow-up mission in 1992. A regular OSART mission at the Temelín nuclear power plant took place in 2001 and the follow-up OSART mission held in 2003 was aimed at assessing the power plant's response to the recommendations of the OSART mission

in 2001. Most of the recommendations and proposals were included in the category *completed*, and the team generally noted the progress in operational safety enhancement, recommendation implementation and power plant appearance. The next OSART mission at the Temelín nuclear power plant focusing mainly on organization, management, operation, maintenance, technical support, radiation protection and emergency management systems, took place in November 2012. The final report highlights consistency in operations of the power plant with the criteria of the IAEA and confirms that there are no major safety shortcomings. A set of recommendations for improvement in the operations, operating experience, technical support and severe accident management areas were also provided.

In May 2014, an IAEA OSART follow-up mission reviewed the effectiveness of measures taken in the Temelín nuclear power plant (in organization and management, operations, maintenance, technical support, feedback, chemistry, radiation protection, and emergency management) based on 2012 recommendations and confirmed successful implementation of recommended measures at the Temelín nuclear power plant. Furthermore, foreign experts praised the fact that measures following the recommendations were adopted on the basis of an in-depth analysis, and that measures in many cases went beyond the recommendations of the OSART team. Eleven recommendations were assessed as *fully resolved*; four recommendations were assessed in stage of *satisfactory progress*.

In April 2013, there was an IAEA mission focusing on a seismic review of the site of the Temelín Nuclear Power Plant with the aim of evaluating the situation in five previously unfinished areas from the previous 2003 IAEA expert mission and reviewing compliance with the requirements of IAEA safety standards. Two areas were evaluated as completely solved and three as partially solved. An action plan of measures was prepared for the implementation of the remaining areas.

In September and October 2013, the first OSART Corporate assessment took place in ČEZ, focusing not only on technology, but also on management, human resources, communication, purchasing, corporate independent supervision and maintenance. The review team concluded that ČEZ fully complies with all legislative requirements for nuclear plant operation and identified 10 good practices which will serve as an example for other nuclear plants operators in the world, 6 suggestions for improvement and 3 recommendations.

In May 2015, an IAEA OSART Corporate follow-up mission was conducted to review whether three IAEA expert recommendations and six suggestions of October 2013 relating to improvement of nuclear power plant safety management were implemented. This follow-up mission found six of the nine findings *resolved* and three evincing *satisfactory progress*.

In 1989, IAEA and the Nuclear Energy Agency of the OECD introduced the International Nuclear Events Scale ("*INES*"), an internationally recognized tool used to inform the public in consistent terms of the safety significance of reported nuclear and radiological incidents and accidents, excluding naturally occurring phenomena such as radon. Events are classified at seven levels: Levels 4 to 7 are termed *accidents* with a significant radiation exposure off-site, while Levels 1 to 3 are termed *incidents* with effects on the nuclear facilities only. Events without safety significance are called *deviations* and are classified Below Scale/Level 0. No incident higher than Level 1 was observed at the Dukovany and Temelín NPP as of December 31, 2016.

### ***Post Fukushima Stress Tests***

Stress tests of nuclear power plants required by the European Council are defined as a focused assessment of safety margins and resistance of nuclear plants, in light of the events that occurred at the Fukushima-Daiichi nuclear power plant in Japan following a tsunami on March 11, 2011.

The assessment of both of our nuclear power plants was performed by experts in nuclear safety, design of nuclear facilities, accident management, emergency preparedness and phenomenology research of severe accidents, fully qualified for the assessment. The evaluators complied with a deterministic approach to evaluate the expected successive failure of all preventive actions during extreme scenarios.

During the assessment, no conditions were identified that required immediate remedial action. Both of our nuclear power plants were assessed to be able to safely manage even highly improbable extreme emergency conditions without posing any threat to their vicinity. Despite identifying the robustness of barriers, the evaluators concluded that opportunities still existed for further safety enhancement with respect to highly improbable situations. The proposed measures which are subject to further review are broken down into short- and medium-term measures, categorized according to their importance. Short-term measures include:

- proposing and implementing alternative means of communication and support during interventions at the nuclear power plant and for communicating with public authorities in the event of significant damage to infrastructure and the isolation of the site area;
- finalizing the remaining procedures and guidelines for severe accidents; and
- reviewing the existing qualifications and capacity of personnel to fulfil the vital functions of the nuclear power plant if all units on the site are affected, or in case of loss of the control centers.

Medium-term measures include:

- proposing and implementing alternative independent technical means (for example power sources and pumps) as another barrier to fulfilling the vital functions of the nuclear power plant including guideline implementation; and
- implementing the actions in process to reinforce the design against the effects of severe accidents.

The short- and medium-term measures proposed were implemented with the exception of measures for maintaining long-term containment integrity according to selected severe accident management strategies at the Temelín nuclear power plant. The deadline for this strategy to be implemented is 2022. The safety enhancement program is understood to be open and new activities are supposed to be added based on the use of state-of-the-art methods and new technical solutions.

#### ***EMANI, Czech Nuclear Insurance Pool***

The inspections of the European Mutual Association for Nuclear Insurance ("*EMANI*"), European Liability Insurance for the Nuclear Industry ("*ELINI*") and the Czech Nuclear Insurance Pool are carried out at our nuclear power plants based on insurers' requests (usually once a year). The next inspections are expected to be organized as soon as the COVID-19 pandemic begins to improve and travel restrictions are lifted. These inspections were focused on fire protection, operation, maintenance, nuclear safety and overall condition of the plants. Both plants were evaluated as well controlled, operated and maintained in all assessed areas.

#### **Cybersecurity**

ČEZ has been the administrator of a critical information infrastructure pursuant to Act No. 181/2014 Coll., as amended, (the "*Czech Cybersecurity Act*") since 2016. In the field of the critical information infrastructure and the information systems for the essential services, ČEZ's scope of duties has been extended. In 2020, ČEZ successfully went through a period of implementation and ensuring compliance with the requirements of the Czech Cybersecurity Act. The level of cybersecurity is regularly verified by both internal and external audits.

#### **Risk Management**

We continue to develop our integrated risk management system in order to increase our fundamental value while taking into account the level of risk acceptable for our shareholders. Our supreme risk authority is our Chief Financial and Operations Officer, who decides, based on the recommendation of the Risk Management Committee, on the development of an integrated system of risk management, on an overall allocation of annual risk limit to the individual risks and organizational units, and he approves obligatory rules, responsibilities and limit structure for the management of partial risks.

The Risk Management Committee (advisory committee of the Chief Financial and Operations Officer) comprises of:

- seven permanent members: Chief Financial and Operations Officer, Chief Risk Officer, Chief Nuclear Officer, Chief Conventional Officer, Chief Sales and Strategy Officer, Trading Director and Executive Finance Director;
- three non-permanent members (being the other members of the Board of Directors): Chief Executive Officer, Chief Renewable Energy and Distribution Officer and Chief Administrative Officer; and

- one permanent guest: Internal Audit Director.

The Risk Management Committee continuously monitors an overall impact of risk on the CEZ Group, including the utilization of risk limits of the CEZ Group, status of risks linked to our business plan targets, status of our hedging strategies, assessment of impact of investments and other activities on potential CEZ Group debt capacity and cash flow in order to maintain corporate rating.

Since 2005, we have applied a risk capital concept that allows the setting of particular risk limits as well as an aggregate annual risk limit. The value of our aggregate annual risk limit is approved by our Board of Directors each year (together with the annual budget) based on the proposal of our Risk Management Committee. The proposed limit value, in CZK, is set on the basis of a 95% confidence level and expresses the maximum profit decrease at the given confidence level that we are willing to take in order to achieve our planned profit for the year.

Since 2009, the main Business Plan market risks (electricity price, emission allowances price and currency exchange rate between the Euro and Czech crowns) have been quantified on a monthly basis by the EBITDA @ Risk model based on the Monte Carlo simulation in Y+1 to Y+5 horizon. Through the integration of the EBITDA @ Risk outputs with mandatory and planned investments and financials (within the five-year horizon), the total debt capacity (which is defined as Net Debt/EBITDA) ratio is calculated each month and evaluated in light of our rating targets. We base all decisions about available capital for future investments on these calculations, as well as on key CEZ Group risks, and we continuously adjust our hedging and investment strategy accordingly.

We divide risks into four categories:

- market risks, comprising financial risks, commodity risks, volumetric risks and market liquidity;
- credit risks, comprising counterparty default, supplier default and settlement;
- operational risks, comprising operating risk, internal change, liquidity management and security; and
- business risks, comprising strategic, political, regulatory and reputational risks.

All essential quantifiable risks are quantified on a unified basis at least once each month. Our methodology and data provide for a unified quantification of the following risks:

- market risks, comprising financial risks (such as currency, interest and stock price), commodity price risks (relating to prices of electricity, emission allowances, coal, gas, crude oil), volumetric risks (such as volume of electricity production in wind farms);
- credit risks, comprising financial and business counterparty risk and electricity, gas and heat end-customer risk; and
- operational risks, comprising risks related to the operation of nuclear and coal power plants in the Czech Republic.

We aim to manage business risks by using clear responsibility assessment, key risk identification, systematic sensitivity and scenario analysis. Property, casualty and other operational risks are managed through using insurance, emergency and crisis planning and preventive actions. Our ten most important cash flow risks are centrally monitored and coordinated and are updated and reported to the Risk Management Committee on a quarterly basis.

In addition, our annual budget risks, business plan risks and debt capacity risks are reported on a monthly basis to the Risk Management Committee. For more information relating to material risks that we face, please see "*Risk Factors*" and Note 19 to the 2020 Financial Statements.

## **Environmental Matters**

As of the date of this Base Prospectus, we are in compliance with all material requirements of the Czech Waste Act, the Czech Air Protection Act, the Czech IPPC Act, the Czech Water Act, the Czech Nuclear Act 1997 and the Czech Nuclear Act 2016.

### ***Czech Waste Act***

Pursuant to the Czech Waste Act, and pursuant to related regulations, we use coal ash as a certification material for reclamation and improving the sanitary conditions of landscape and disused shafts of our existing mines. We also sell residue to certain producers of construction materials. In addition, since 1994, we have also sold a portion of the FGD gypsum (a coal combustion product of coal-fueled power plants) remaining after the desulphurization process to certain producers of construction materials. This approach has the environmental advantage of saving natural materials, particularly in the building industry.

We are required by law to set aside funds to cover the costs of reclamation and redevelopment of waste dumps. We are required by law to keep such amounts as restricted funds. Restricted funds representing our accumulated provision for waste storage and reclamation of our operations in the Czech Republic amounted to CZK 104.8 million as of December 31, 2020.

### ***Czech Air Protection Act***

We fully comply with all applicable regulations and requirements under the Czech Air Protection Act. Since we own numerous coal-fired power plants, we have the advantage that under applicable legislation we may exchange and allocate the assigned aggregate emission limits between our coal-fired power plants in such a way as to ensure compliance with the Czech Air Protection Act and we are therefore able to optimize generation.

The new Czech Air Protection Act sets more stringent emission limit values on combustion plants with a total thermal input of more than 50 MW from 2015. This change in law requires a certain amount of capital expenditure into emission reduction measures necessary to comply with these limits. Nearly all of our combustion plants that fall into this category took advantage of a legal possibility within the transitional national plan to comply with these limits in a transitional period, i.e. by July 2020 (please see "*Regulation – Czech Republic – Czech Air Protection Act – Emission limits*" and "*Exceptions to the emission limits*").

For the year ended December 31, 2020, our total emission charges in the Czech Republic amounted to CZK 121 million, representing a decrease by 11 % from CZK 136 million for the year ended December 31, 2019. Furthermore, as from 2016, there has been a room to further reduce the emission charges by an additional amount up to CZK 32 million. The ultimate amount of such additional reduction is subject to consultation with the relevant authorities while the outcome can be expected by mid-2021.

### ***Czech Nuclear Act 1997 and Czech Nuclear Act 2016***

On June 24, 1994, the Czech Republic became a party to the Vienna Convention. In accordance with the Vienna Convention, the Czech Nuclear Act 1997 provides that only the operator of a nuclear facility is liable for any damage caused by a nuclear incident please see "*Regulation – Nuclear Energy Power Plants – Nuclear incident*". As of the date of this Base Prospectus, the Dukovany and Temelín nuclear power plants are fully insured in accordance with the Czech Nuclear Act 1997 and the Vienna Convention. For more information about our insurance coverage, please see "*Insurance*".

The Czech Nuclear Act 2016, which with effect from January 1, 2017, regulates the utilization of nuclear energy in the Czech Republic in addition to the Czech Nuclear Act 1997, contains a provision to the effect that the Czech Republic shall guarantee the safe final disposal of nuclear waste. The Czech Nuclear Act 2016 further provides that a generator of nuclear waste will remain responsible for the storage of nuclear waste and the related costs until the handover of the waste to the Czech Repository Authority – please see "*Regulation – Nuclear Energy Power Plants – Nuclear fuel and nuclear waste*". In 1999, we sold our repository for disposal of nuclear waste from the operation of both the Dukovany and Temelín nuclear power plants to the Czech Repository Authority. The Czech Repository Authority has engaged us to continue operating the repository located at the Dukovany nuclear power plant. The activities of the Czech Repository Authority are financed through the Czech Nuclear Account funded by the generators of nuclear waste. The Czech Nuclear Account is managed by the Czech Ministry of Finance. We are required to contribute to the Czech Nuclear Account in the amount of CZK 55 per MWh of electricity generated by our nuclear power plants. Since October 1, 1997, we have made regular payments to the Czech Nuclear Account. In the years ended December 31, 2020, and December 31, 2019, our payments to the Czech Nuclear Account amounted to CZK 1,652 and CZK 1,663 million, respectively.

The operator of a nuclear power plant, being an originator of radioactive waste, is required by the Czech Nuclear Act 2016 to cover directly all costs associated with the storage of spent fuel and the disposal of radioactive waste. The

operator is also obligated under the Czech Nuclear Act 2016 to finance the decommissioning of its nuclear power plants. For this particular purpose, each operator of a nuclear plant must accumulate funds in a special blocked banking account which may be drawn from only to finance the decommissioning of such nuclear power plant and subject to receiving the Czech Repository Authority's approval. We have recognized provisions for our obligations to decommission our nuclear power plants and other nuclear facilities at the end of their operating lives, to store the related spent nuclear fuel and other radioactive waste initially on an interim basis as well as provisions for our obligation to provide financing for subsequent disposal of spent fuel. Actual costs incurred are charged against such accumulated provisions. As of December 31, 2020, the provision for spent fuel storage amounted to CZK 9,345 million, the provision for the disposal of spent fuel amounted to CZK 43,350 million and the provision for the decommissioning amounted to CZK 39,016 million.

## **Legal Proceedings**

We are currently involved in a number of legal proceedings; however, we believe that liabilities relating to such proceedings would not, individually or in the aggregate, have a material adverse effect on the results of our operations or financial condition. Certain significant legal proceedings in which we have been involved in the 12 months preceding the date of this Base Prospectus are described below.

### ***Czech Republic***

#### ***ČEZ***

Minority shareholders brought a lawsuit against ČEZ and Severočeské doly a.s. based on an action filed in 2006, seeking a declaratory judgment on the adequacy of consideration in the 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 proceedings is impossible to predict.

ČEZ brought a lawsuit against the Appellate Financial Directorate, based on an administrative action brought against the decision of the Specialized Tax Office, which imposed 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 proceedings is impossible to predict.

In insolvency proceedings against PLP a.s., Teplárna Trmice, a.s., the legal predecessor of ČEZ Teplárenská, a. s., submitted claims totaling CZK 220 million. The business of the debtor, PLP a.s., was realized for USD 10 million and the proceeds were rendered to the 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 report of the receiver on the state of the proceedings from the end of 2020, the insolvency proceedings are expected to be concluded during the course of 2021. Satisfaction for ČEZ Teplárenská, a.s., as well as other unsecured creditors, cannot be expected. The outcome of the proceedings is impossible to predict.

ČEZ brought 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 in 2016 was CZK 611 million, plus interest and costs, but after negotiations over an out-of-court settlement of the dispute failed, a motion was filed in February 2020 to extend the action to a total amount of CZK 2,759 million. The amount currently claimed includes full damages for lost profits. The proceedings are in the court of first instance. The outcome of the proceedings is impossible to predict.

#### ***ČEZ Distribuce, a. s.***

SPR a.s. brought a lawsuit against ČEZ Distribuce, a. s., 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, a. s., in relation to the connection of the Dubí PV power plant to the distribution grid. As of the date of this Base Prospectus, the case has been resumed after its previous suspension, based on the court's decision in May 2020, and is being heard at the court of first instance. The outcome of the proceedings is impossible to predict.

Four electricity generators/local distribution system operators brought significant lawsuits against ČEZ Distribuce, a. s., 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 electricity support from renewable sources 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, a.s. 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 ERO. The ERO has decided to reject the proposal for unjust enrichment for the time being in three of the four cases, but all decisions have been appealed. The outcomes of the proceedings are impossible to predict.

ČEZ Distribuce, a. s., brought 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 of the electricity distribution price component to cover costs associated with electricity support from renewable sources being incorrectly billed but duly paid by ČEZ Distribuce, a. s., from January 1, 2013, to December 31, 2013. Following a special panel's decision on conflict of jurisdiction, court proceedings in two of the lawsuits were discontinued in 2019 and the matter was referred to the ERO. The third dispute was referred to the ERO for the same reasons in 2020. The ERO dismissed the claim of ČEZ Distribuce, a. s., in the first dispute concerning the amount of CZK 1.86 billion. A remonstrance against the decision has been filed. The other disputes are still pending. The outcomes of the proceedings are impossible to predict.

ČEZ Distribuce, a. s., brought a lawsuit against ŠKO-ENERGO, s.r.o., based on an action filed in 2016, seeking payment from ŠKO-ENERGO in excess of CZK 113 million plus interest and costs. 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. In the first instance, the ERO rejected ČEZ Distribuce's application. The first-instance decision was revoked by the ERO Council in January 2020 on the basis of a remonstrance filed by ČEZ Distribuce, a.s., and the matter was returned before the first instance. The ERO decided to dismiss the claim of ČEZ Distribuce, a. s., in May 2020. A remonstrance against the decision has been filed. The outcome of the proceedings is impossible to predict.

ČEZ Distribuce, a. s., brought a lawsuit against Liberty Ostrava a.s. (formerly ArcelorMittal Ostrava a.s.), based on an action filed 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 that ČEZ Distribuce, a. s., invoiced ArcelorMittal Ostrava a.s. The case is heard at first instance and has been stayed. The outcome of the lawsuit depends on the decision in another proceeding, which commenced in January 2016 and is still pending. The outcome of the proceedings is impossible to predict.

In insolvency proceedings against Česká energie, a.s., ČEZ Distribuce, a. s., 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 proceedings commenced in December 2016 and are still pending. The outcome of the proceedings is impossible to predict.

ČEZ Distribuce, a. s., 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 proceeding costs. The claim arose from failure to pay for distribution system services under a contract. The insolvency proceedings are pending. The outcome of the proceedings is impossible to predict.

In an insolvency proceeding against One Energy & One Mobile a.s., ČEZ Distribuce, a. s., 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. In October 2020, a resolution was issued approving a partial schedule for the distribution of recovered performance in the amount of approximately CZK 97 million, while the creditor of ČEZ Distribuce, a. s. was satisfied with a proportional amount of over CZK 49 million. This recovered performance has already been paid to ČEZ Distribuce, a. s. at the end of November 2020. The outcome of the proceedings is impossible to predict.

#### ***ČEZ Prodej, a.s.***

ČEZ Prodej, a.s., brought a lawsuit against the Czech state organization Railway Administration (Správa železnic, státní organizace) ("SZSO"), based on an action filed 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 SZSO, consisting of the 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 SZSO, the Czech Supreme Court overturned the rulings of the courts of first and second instance and returned the case to the court of first instance. The court of first instance dismissed the action. The court of appeal upheld the ruling of the court of first instance in May 2019. ČEZ Prodej, a.s., withdrew the action before the judgment of the court of second instance was served. In August 2019, a judgment of the court of appeal was delivered confirming the judgment of the court of first instance and ruling that the withdrawal was ineffective. The judgments of the courts of both instances are final. ČEZ Prodej, a.s., however, filed an appeal and a constitutional complaint, on which the Constitutional Court decided in August 2020. The Constitutional Court stated that the appellate court had erred in making a decision on motion to withdraw the action itself, instead of the court of first instance, once the judgment of the appellate court was pronounced. Therefore, the Constitutional Court reversed the appellate court's decision that the withdrawal was void. In October 2020, the Municipal Court again ruled on the ineffectiveness of the application to withdraw the action. The appeal has not yet been decided. SZSO, which had paid the amount claimed, subsequently brought an action against ČEZ Prodej, a.s., 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 court of appeal upheld the judgment of the court of first instance. Since October 2019, when the judgment of the court of appeal was served, the proceedings have been finalized. ČEZ Prodej, a.s. filed an appeal in the matter of the appeal and paid SZSO the defendant's sum of CZK 1,116 million plus interest and costs. The outcomes of the proceedings are impossible to predict.

ČEZ Prodej, a.s., brought a lawsuit against SZSO based on an action filed 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 SZSO, consisting in failure to take delivery 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 reheard by the court of first instance and is currently suspended pending the decision on the appeal in the proceedings referred to in the previous paragraph. The outcome of the proceedings is impossible to predict.

ČEZ Prodej, a.s., brought a lawsuit against OTE, a.s., seeking substitution of a decision by the ERO and a decision by the Chairwoman of the ERO 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, a.s., as the mandatory purchaser on the basis of an action brought in 2016. The difference was caused by inconsistency with the data on commissioning of the production plant, which were handed over by the distribution system operator to ČEZ Prodej, a.s., and the data transmitted to OTE, a.s. The court of first instance dismissed the action. The court of appeal upheld the ruling of the court of first instance. The case is pending before the Czech Supreme Court. The outcome of the proceedings is impossible to predict.

ČEZ Prodej, a.s., brought 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 filed 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, a.s. The case is heard at first instance; the proceedings have been resumed after a stay. The outcome of the proceedings is impossible to predict.

ČEZ Prodej, a.s., brought 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 of the collection of higher purchase prices than those reimbursed to ČEZ Prodej, a.s., by OTE, a.s. The court of first instance discontinued the proceedings in all three cases and referred these to the ERO for further proceedings. In the case of one manufacturer, the appellate court also annulled the rejection judgment of the court of first instance. In two cases, the ERO issued a decision ordering the producers to pay the amount plus interest and costs. The producers filed an appeal against the decision. The outcomes of the proceedings are impossible to predict.

OTE, a.s., brought a lawsuit against ČEZ Prodej, a.s., 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, a.s., 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 ERO. The decision of the ERO rejected the proposal of OTE, a.s. An appeal was filed by OTE, a.s., against the negative decision. The outcome of the proceedings is impossible to predict.

OTE, a.s., brought two administrative proceedings before the ERO against ČEZ Prodej, a.s., 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, a.s., as a mandatory purchaser in the period from January 1, 2013, to May 31, 2018. By the decisions of the ERO, the proposals of OTE, a.s. were rejected. OTE, a.s. filed appeals against the negative decisions. The outcomes of the proceedings are impossible to predict.

In December 2020, three photovoltaic producers initiated three administrative proceedings against ČEZ Prodej, a.s., in which they demand the payment of a total amount of approximately CZK 475 million plus interest and costs. According to the producers, the applied amount represents outstanding support in the form of purchase prices valid for production put into operation in 2010 (respectively the difference between 2010 and 2011) for electricity produced in the period from May 1, 2018, or June 1, 2018, respectively, to November 30, 2020. For the period from May 1, 2018, to February 28, 2019, producers demand only the difference between the purchase prices valid for production put into operation in 2010 and 2011. For the period from March 1, 2019, to November 30, 2020, the purchase prices valid for production put into operation in 2010 are demanded in full. These proceedings are also related to three separate administrative proceedings, in which the same producers are seeking support in the aggregate amount of approximately CZK 69.5 million plus interest and costs. According to the producers, the amount applied within these proceedings represents the aid owed in the form of purchase prices valid for production put into operation in 2011, for electricity produced in the period from May 1, 2018, and June 1, 2018, respectively, to February 28, 2019. The outcomes of the proceedings are impossible to predict.

### ***Poland***

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. (a member of the CEZ Group), seeking PLN 22.7 million plus interest. AWK claimed that the companies frustrated the installation of wind turbines and transformer substations on land that was allegedly 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. Another hearing was initiated in January 2019, but only with six parties continuing in the proceedings. The outcome of the proceedings is impossible to predict.

### ***Germany***

In June 2017, D-I-E Elektro AG (a member of the 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. The case is pending in first instance. The outcome of the proceedings is impossible to predict.

In December 2018, Minto GmbH subsequently filed a counteraction against D-I-E Elektro AG (a member of the CEZ Group) with the regional court in Mönchengladbach, seeking payment of EUR 2.1 million (approximately CZK 52 million) in compensation for additional expenses from a contract for work. Procedurally, the dispute is related to D-I-E Elektro AG's action from June 2017. The outcome of the proceedings is impossible to predict.

CEZ Erneuerbare Energien Beteiligungs II GmbH together with CEZ MH B.V. and with other interested CEZ Group companies assert claims against a group of accused persons (and related companies) against whom criminal proceedings are being held on reasonable suspicion that they committed fraud, forgery of documents and bribery in connection with the sale of wind farms to the institutional and other investors across Europe (the so-called "*Holt Holding case*"). The total amount applied is EUR 5.68 million (approx. CZK 149 million) excluding interest and costs. In 2020, we managed to recover more than EUR 1 million (over CZK 26 million). In criminal proceedings, all offenders have been apprehended, accused and the two main offenders remain in custody. The outcome of the proceedings is impossible to predict.

In December 2020, GMH Gebäudemanagement Hamburg GmbH (a subsidiary of the Free and Hanseatic City of Hamburg) filed an action against Kofler Energies Ingenieurgesellschaft mbH. The lawsuit seeks an interim judgment ruling only on the merits, i.e. determining the validity of the defendant's liability for damage caused by the delivery of design work on the construction of the University of Hamburg buildings in 2013-2017 (i.e. before the acquisition of the defendant by the CEZ Group). Although no specific amount has been sued so far, it is clear that the dispute is significant. In the event of the plaintiff's success, and to the extent the subsequently awarded amount is not covered by the defendant's liability insurance, the amount will be claimed by the CEZ Group against the seller, as anticipated by the transaction

documentation on the basis of which the defendant became part of the CEZ Group. The outcome of the proceedings is impossible to predict.

### **Turkey**

Between 2011 and 2015, Sakarya Elektrik Dagitim A.S. (SEDAS) 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 costs that were automatically recognized in tariffs. SEDAS appealed against one of the first instance decisions to the Supreme Administrative Court of Turkey. The appeal was dismissed. The remaining lawsuits are in the pleading submission stage. The outcome of the proceedings is impossible to predict.

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

In March and May 2016, SEDAS brought three administrative actions against EPDK's decisions regulating the limits of SEDAS's revenue from electricity distribution in the regulatory period of 2016- 2020, including the method of calculation and application. The case is pending in the appellate court. The outcome of the proceedings is impossible to predict.

### **Bulgaria**

CEZ Razpredelenie Bulgaria AD and CEZ Elektro Bulgaria AD appealed in 2017, 2018, 2019 and 2020 against numerous decisions of the regulatory authority—Energy and Water Regulatory Commission (EWRC)—stipulating prices of electricity. An appeal filed in 2017 was dismissed by court, which was confirmed by the Supreme Administrative Court in June 2020. One of the appeals filed in 2018 was also definitively dismissed by court in October 2020. Judicial proceedings concerning the other appeals are underway. The outcomes of the proceedings are impossible to predict.

CEZ Razpredelenie Bulgaria AD appealed against the proposal for a new regulation on the measurement of the quality of the energy supplied. A hearing is before the Supreme Administrative Court. The outcome of the proceedings is impossible to predict.

In July 2019 Receiver CB EOOD, a creditor in Future Energy's ("*FE*") insolvency proceedings, brought an action against CEZ Elektro Bulgaria AD. By the action, Receiver CB EOOD seeks the ineffectiveness of offsetting claims and the use of a bank guarantee, which was confirmed by a settlement agreement concluded in March 2018 between CEZ Elektro Bulgaria AD, FE and Karpoleon Bulgaria EOOD. The applicant seeks to have part of the settlement agreement made ineffective, in particular, the offsetting of CEZ Elektro Bulgaria AD's liability to FE amounting to BGN 6.7 million (approximately CZK 85.5 million) against the claim for a contractual penalty and use of the bank guarantee amounting to BGN 500,000 (approximately CZK 6.8 million). The applicant further requests that CEZ Elektro pay an amount of BGN 3.3 million (approximately CZK 42.1 million) in favor of the insolvency estate of FE, representing part of the outstanding amount and the amount drawn from the bank guarantee of BGN 500,000. In September 2019, the Receiver, CB EOOD, filed an additional action. CEZ Elektro Bulgaria AD answered to both actions in due time. The court appointed an expert in forensic economics to prepare an expert testimony in November 2019. The last hearing was held in June 2020, when the court partially dismissed the action of Receiver CB EOOD seeking payment of BGN 3.3 million but ruled in favor of the plaintiff as regards the payment of BGN 500,000 from the bank guarantee. CEZ Elektro Bulgaria filed an appeal against this part of the ruling. In October 2020, the court reversed the decision in the part concerning costs. The proceedings are still ongoing. The outcome of the proceedings is impossible to predict.

As a result of a regulatory audit of compliance with distribution license conditions in the period from July 1, 2008, to November 30, 2013, conducted by the EWRC, CEZ Razpredelenie Bulgaria AD was served 981 administrative decisions on breach of obligations, which the company submitted written objections to. Following the submission of these objections, CEZ Razpredelenie Bulgaria AD received 206 penalty decisions issued by the EWRC for BGN 20,000 (approximately CZK 260,000) per breach. The company duly appealed against all of the penalty decisions. As of March 2020, there are 204 final court rulings, 96 of which confirmed the imposed penalties, which were paid by the company, and 108 rulings which definitely dismissed the penalties. Additionally, seven proceedings are awaiting a ruling of the court of first instance. The outcome of the proceedings is impossible to predict.

In 2013, the Commission for Protection of Competition (CPC) initiated proceedings on infringements of the Competition Protection Act and Articles 101 and 102 of the Treaty on the Functioning of the European Union (cartel agreements consisting in concerted practices and abuse of a dominant position) by the CEZ Group companies and other companies in connection with the opening of the electricity market. On December 14, 2017, the CPC made a decision whereby CEZ Elektro Bulgaria AD was fined BGN 1.14 million (approximately CZK 14.3 million) and CEZ Razpredelenie Bulgaria AD was fined BGN 1.06 million (approximately CZK 13.9 million). Both companies appealed against this decision to the Supreme Administrative Court. The Supreme Administrative Court found the fines justified and dismissed both companies' appeals. An appeal was filed against this ruling. In May 2019, the Supreme Administrative Court overturned the previous court ruling confirming the fine for CEZ Elektro Bulgaria AD and CEZ Razpredelenie Bulgaria AD and returned the case to the court of first instance to gather additional evidence. At the hearing in September 2019, the court of first instance appointed an expert witness and formulated questions for processing. In its ruling from April 2020, the court of first instance reversed the CPC decision, including the part imposing a fine on both companies. The CPC appealed against the ruling to the Supreme Administrative Court; both companies made their pleadings in response to the appeal. In January 2021, the Supreme Administrative Court upheld KZK's appeal and ruled against the CEZ Group companies, imposing a fine of BGN 1.14 million (approximately CZK 14.3 million) on CEZ Elektro Bulgaria AD and BGN 1.06 million (approx. CZK 13.9 million) on CEZ Razpredelenie Bulgaria AD. The decision is final, and fines will be paid by the CEZ Group companies.

In December 2019, the CPC published on its website a notice of a new proceeding against CEZ Razpredelenie Bulgaria AD, CEZ Elektro Bulgaria AD, and CEZ Bulgaria EAD, commenced at the initiative of Fast Pay HD AD due to suspected abuse of a dominant market position within the companies' activities. The companies were asked by the CPC to notify their positions, which they did. At a hearing held in June 2020, CEZ Elektro Bulgaria AD was fined BGN 4.2 million (approximately CZK 57.2 million), CEZ Razpredelenie Bulgaria AD was fined BGN 10,000 (approximately CZK 136,000), and CEZ Bulgaria EAD was fined BGN 208,000 (approximately CZK 2.8 million). All companies appealed against the decision imposing the fines. In December 2020, the administrative court, as an appellate body, dismissed the appeals filed. The companies appealed against this decision. In March 2021, the supreme administrative court dismissed the appeals filed. The decision is final.

In April 2017, Piraeus Bank Bulgaria AD (now part of Eurobank Bulgaria AD) filed an action against Bara Group EOOD (a member of the CEZ Group) concerning pledged claims of SANO EPC EOOD against Bara Group EOOD. The action claiming BGN 50,000 (approximately CZK 0.6 million) is just a portion of the total pledged claim amounting to BGN 3 million (approximately CZK 39 million). Bara Group EOOD submitted its objections to the action in writing. After the action was dismissed by the court of first instance, Piraeus Bank Bulgaria appealed against the ruling dismissing the action. The appellate court ruled against Bara Group EOOD in July 2020, ordering it to pay EUR 25,000. In August 2020, Bara Group EOOD complied with its obligation imposed by the court and at the same time filed a cassation complaint with the Supreme Administrative Court. The outcome of the proceedings is impossible to predict.

### ***Other Proceedings***

#### ***Czech Republic***

As part of an investigation into possible criminal activity related to obtaining a license to operate the Vranovská Ves PV power plant, the police authorities have issued a resolution to secure a replacement value of the likely proceeds of this criminal activity pursuant to the Code of Criminal Procedure, specifically:

(a) Securing of receivables of ČEZ Obnovitelné zdroje, s.r.o., against OTE, a.s., in the form of support paid for the green bonus, totaling over CZK 944 million as at January 1, 2021; the amount in question will be deposited in a bank account with the Czech National Bank for the duration of the security, and ČEZ Obnovitelné zdroje, s.r.o., cannot dispose of these funds.

(b) Securing of funds in a ČEZ bank account, amounting to approximately CZK 223 million as of January 1, 2021; ČEZ cannot dispose of these funds for the duration of the security.

In both cases, these are interlocutory security measures taken by law enforcement authorities in a case where the accused are not employees of CEZ Group companies. ČEZ Obnovitelné zdroje, s.r.o., and ČEZ are injured parties in the case. Although an acquittal was delivered in the criminal proceedings in September 2020, the public prosecutor filed an appeal against the judgment. The judgment is therefore not final, and the securing of funds continues. The outcome of the proceedings is impossible to predict.

## ***Bulgaria***

In July 2016, ČEZ formally filed a Request for Arbitration with the International Centre 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 non-protection of investment. The claim amounts to hundreds of millions of EUR. The first matter addressed is an objection to jurisdiction, that is, the competence of the arbitral tribunal to decide the dispute. Following an exchange of written pleadings, a hearing on jurisdiction was held on June 8–9, 2020. Because of, in particular, travel restrictions due to the COVID-19 pandemic, the hearing was held by videoconference. On March 2, 2021, the arbitration tribunal in the international investment arbitration of ČEZ, a. s., against the Republic of Bulgaria confirmed the legitimacy of conducting arbitration within the current jurisdiction and thus moving to the next phase in which the merits of the dispute will be assessed. The place of arbitration is Washington, D.C., USA, in accordance with the rules of the International Centre for Settlement of Investment Disputes (ICSID). The outcome of the proceedings is impossible to predict.

## DESCRIPTION OF OTHER INDEBTEDNESS

The following summary of certain provisions of our material other indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. Please also see Notes 17, 18, 19 and 23 to the 2020 Financial Statements, which are incorporated by reference into this Base Prospectus.

### ***Our Indebtedness***

Our indebtedness mainly consists of borrowings from financial institutions (including the European Investment Bank and European Bank for Reconstruction and Development) as well as of bonds and debentures. We maintain a flexible funding strategy and monitor domestic and foreign financial market conditions as part of our financing activities.

As of December 31, 2020		
	(CZK millions)	(% of total)
Total bonds and debentures .....	127,424	81.4
Borrowings from financial institutions (including those associated with assets classified as held for sale) <sup>(1)</sup> .....	29,123	18.6
<b>Total .....</b>	<b>156,547</b>	<b>100.0</b>

<sup>(1)</sup> Sum of Long-term bank loans and lease liabilities; Short-term loans; Long-term debt associated with assets classified as held for sale and Short-term loans associated with assets classified as held for sale.

### ***Borrowings from Financial Institutions***

We have signed a variety of loan facilities, including with the European Investment Bank and European Bank for Reconstruction and Development. These facilities have been used for general corporate purposes, but have also been used as funding for particular projects, such as investments in reinforcing and developing the distribution grid in the Czech Republic as well as in Bulgaria and Romania, and financing of our Polish combined heat and power plant Chorzów. As of December 31, 2019 and 2020, borrowings from financial institutions amounted to CZK 29,448 million and CZK 29,123 million, respectively.

### ***Bonds and Debentures***

We regularly issue bonds domestically and internationally as part of our strategy to diversify our funding sources and maintain longer liability maturities. As of December 31, 2019, and 2020, the balance of bonds issued by ČEZ was CZK 144,223 million and CZK 127,424 million, respectively. We issue bonds in a variety of currencies including Euro, Czech crowns, Japanese Yen and U.S. dollars. However, we generally enter into cross-currency swaps with respect to the principal and interest payable in order to keep our exposure in Euro. The majority of our bonds are issued on a fixed interest rate basis. As of December 31, 2020, the aggregate nominal amount of outstanding Notes issued under this Programme was equal to EUR 4.1 billion.

We proactively manage our bond maturities via cash tender offers or combined cash tender and exchange offers when such exercises are favorable. We have conducted either cash tender offers or exchange offers in 2012, 2014, 2015 and after the receipt of funds from the Romanian Asset Sale also in 2021. Should we require funding, we plan to continue to issue bonds in a balanced manner to institutional and individual investors both inside and outside of the Czech Republic in line with our strategy of maintaining longer maturities and diversified funding sources.

### ***Short-Term Indebtedness***

We have issued short-term debt as set forth in the table below.

As of December 31, 2020	
	(CZK millions)
Short-term bank loans	961
Bank overdrafts	23
Total short-term loans	984
Current portion of long-term debt	28,741
Short-term debt, total	<b>29,725</b>

Total short-term loans (without current portion of long-term debt) as of December 31, 2020, was CZK 984 million, representing 0.6 % of our Total Debt as of December 31, 2020.

### ***Long-Term Indebtedness***

We have issued long-term debt as set forth in the table below.

	<b>As of December 31, 2020</b>
	<b>(CZK millions)</b>
Long-term bank loans .....	23,419
of which current portion.....	3,402
Bonds .....	127,424
of which current portion.....	25,339
Long-term debt, total .....	150,843
Long-term debt without current portion, total.....	<b>122,102</b>

Total long-term debt without current portion as of December 31, 2020, was CZK 122,102 million, representing 80.9 % of the total amount of our Total Debt as of December 31, 2020. Long-term borrowings from financial institutions and lease liabilities (without current portion) comprised 16.4 % of the long-term debt (without current portion) as of December 31, 2020.

Our long-term debt has both floating and fixed rates of interest which can expose us to interest rate risk and risks of changes in fair value of these financial instruments. As of December 31, 2020, our long-term debt was comprised from 93.7 % of fixed rate debt, with the remainder being floating rate debt based mainly on EURIBOR, LIBOR or PRIBOR. For information regarding the repayment schedule of our long-term debt and interest rates for short and long-term debt, please see Notes 17, 18, 19 and 23 to the 2020 Financial Statements.

We have entered into interest rate swaps and other derivative contracts to manage risk associated with fluctuations in interest rates. For information with respect to derivative financial instruments, hedging and risk management policies of all financial instruments, please see Notes 18 and 19 to the 2020 Financial Statements.

## REGULATION

*Below is a brief summary of the rules and regulations applicable to the CEZ Group in the Czech Republic as our principal market. With the accession of the Czech Republic to the European Union on May 1, 2004, the Czech Republic adopted the customs, rules and regulations of the European Union, and therefore we have also included a description of the European Union Legislation as applicable to the CEZ Group. The following summary does not purport to be complete and is subject to the regulations of jurisdictions referred to below.*

### European Union Legislation

#### *History of Energy Regulation*

By virtue of its membership in the European Union, the Czech Republic is required to adhere to E.U. energy legislation which has continuously developed in order to establish a competitive, secure and environmentally sustainable electricity market.

The E.U. Commission began regulating the E.U. energy market by enacting the "*First Energy Package*" in 1996 and 1998 which comprised of Directive 96/92/EC Concerning Common Rules for the Internal Market in Electricity (the "*E.U. First Electricity Directive*") and Directive 98/30/EC Concerning Common Rules for the Internal Market in Natural Gas (the "*E.U. First Gas Directive*"). The E.U. First Electricity Directive and the E.U. First Gas Directive were designed to open access to the internal electricity and gas markets of Member States and to allow for better competition in these markets. In June 2003, the E.U. Energy Council repealed the E.U. First Electricity Directive and the E.U. First Gas Directive by adopting the "*Second Energy Package*" comprising of Directive 2003/54/EC Concerning Common Rules for the Internal Market in Electricity (the "*E.U. Second Electricity Directive*") and Directive 2003/55/EC Concerning Common Rules for the Internal Market in Natural Gas (the "*E.U. Second Gas Directive*").

The E.U. Second Electricity Directive required each Member State to allow for full competition within its internal commercial and residential electricity markets by July 1, 2004 and July 1, 2007, respectively. The E.U. Second Electricity Directive also set forth general rules for the organization of the E.U. electricity market, such as the option of the Member States to impose certain public service obligations, customer protection measures and provisions for monitoring the security of electricity supply in the European Union; the establishment of a regulatory body, independent from any interests of the electricity and gas industries, which would be in charge of ensuring non-discriminatory network access, monitoring effective competition and ensuring the efficient functioning of the electricity generation, distribution, and trade market; and the implementation of so-called "legal unbundling" meaning that each transmission and distribution system operator had to be separated, at least in terms of legal form, organization and decision-making, from other activities in the energy sector not relating to transmission or distribution.

The E.U. Second Electricity Directive further focused on enhancing customer rights by granting household customers the right to be supplied with electricity of a specified quality at reasonable, easily and clearly comparable and transparent prices. Moreover, it required electricity suppliers to provide their end-users with information on the energy sources and kinds of fuel used in the production of supplied electricity and on the environmental impact of the supplier's activities, including the amount of carbon dioxides and radioactive waste produced.

Similar to the E.U. Second Electricity Directive, the E.U. Second Gas Directive, adopted on June 26, 2003, required each Member State to allow for full competition within its internal commercial and residential gas market by July 1, 2004 and July 1, 2007, respectively. With regard to the independent regulatory authority and legal unbundling, the E.U. Second Gas Directive sets forth similar rules as the E.U. Second Electricity Directive.

The Czech Republic implemented these directives in 2003 and 2004.

#### *E.U. Energy and Climate Change Legislation*

In 2007, the E.U. Commission published a proposal for the establishment of a new energy policy and strategy for a more integrated and competitive energy market within the European Union. Designed to ensure a stable energy supply and combat climate change, such "E.U. Energy and Climate Change Legislation" set certain targets (known as "20-20-20" goal), including:

- further liberalization of electricity markets;

- a reduction of at least 20% in greenhouse gas emissions by 2020;
- 20% share of renewable energies in E.U. energy consumption by 2020; and
- 20% energy savings by 2020 compared to 2020 projections (1853 Mtoe) made in 2007.

Subsequently, in 2009 the European Union adopted the E.U. Energy and Climate Change Legislation "*Third Energy Package*" which includes (besides climate change related legislation described below), but is not limited to, the Directive 2009/72/EC Concerning Common Rules for the Internal Market in Electricity (the "*E.U. Third Electricity Directive*"), Directive 2009/73/EC Concerning Common Rules for the Internal Market in Natural Gas (the "*E.U. Third Gas Directive*") and Regulation (EC) No. 713/2009 Establishing an Agency for the Cooperation of Energy Regulators, (the "*E.U. ACER Regulation*"), Regulation (EC) No. 714/2009 on Conditions for Access to the Network for Cross-border Exchanges in Electricity (the "*E.U. Regulation on Cross-Border Exchanges*") and Regulation (EC) No. 715/2009 on Conditions for Access to the Natural Gas Transmission Networks (the "*E.U. Natural Gas Transmission Regulation*"). These directives and regulations were designed to complete the liberalization of the electricity and gas markets within the European Union. This energy legislation in particular stipulates further separation of supply and production activities from transmission and distribution network operations. To achieve this goal in transmission system operation, Member States were able to choose, subject to the respective conditions set forth in the E.U. Third Electricity Directive and the E.U. Third Gas Directive, between the following three options:

- Full ownership unbundling. This option entails vertically integrated undertakings selling their gas and electricity grids to an independent operator, which will carry out all network operations. This option applies to new undertakings.
- Independent System Operator ("ISO"). Under this option, vertically integrated undertakings maintain the ownership of the gas and electricity grids, but they are obliged to designate an independent operator for the management of all network operations. This option may apply to existing undertakings.
- Independent Transmission Operator ("ITO"). This option is a modification of the ISO option whereby vertically integrated undertakings do not have to designate an ISO, but need to abide by strict rules ensuring separation between supply and transmission. This option may apply to existing undertakings.

As further described below, the Czech Republic has opted for the full ownership unbundling with regard to electricity, and for ITO-unbundling option with regard to gas, although the Czech gas sector is currently, in fact, fully unbundled.

The E.U. energy legislation, as aforesaid, also enhanced consumers' rights by establishing the right to (i) change electricity or gas supplier (the process of switching must be completed within three weeks), and receive the final closure statement at the latest six weeks after the switch; (ii) obtain compensation if quality targets are not met; (iii) receive information on supply terms through bills and company websites; and (iv) see complaints dealt with in an efficient and independent manner.

Finally, the E.U. Energy and Climate Change Legislation provides for the creation of an agency within the European Union for the coordination of national energy regulators, which may issue non-binding framework guidelines for national agencies. The Czech Republic implemented the respective E.U. energy legislation.

In November 2017, the E.U. Commission introduced a proposal for an amendment to the E.U. Third Gas Directive aiming to clarify that the core principles of the E.U. Energy and Climate Change Legislation will apply to all gas pipelines from, and to, third countries up to the borders of the EU. The proposal purports to ensure that all major gas pipelines entering E.U. territory comply with the E.U. rules, are operated with the same level of transparency, are accessible to other operators and are operated in an efficient way. Political agreement reached on February 13, 2019 materialized in adoption of Directive (EU) 2019/692 of 17 April 2019 amending Directive 2009/73/EC concerning common rules for the internal market in natural gas, which came into force on May 23, 2019. The Member States should have transposed the directive by 24 February 2020.

## **Current E.U. Energy Regulation**

*2030 E.U. Framework for Climate and Energy Policy*

In October 2014, the E.U. Council set new targets and the architecture for the E.U. framework for climate and energy in the period from 2020 to 2030. New targets require a reduction of at least 40% in greenhouse gas emissions by 2030 compared to the 1990 levels. Further, renewable energies shall account for at least a 27% share of E.U. energy consumption by 2030. In addition, E.U. wide energy efficiency targets shall be increased to 27%, 10% electricity interconnection shall be reached by 2020 and 15 % by 2030. As a follow up on the E.U. Council's conclusions, the E.U. Commission presented a Communication on a Framework Strategy for a Resilient Energy Union in February 2015 with a Forward-Looking Climate Change Policy.

In July 2015, the E.U. Commission proposed to revise the E.U. Emission Trading Scheme ("*E.U. ETS*") for the period following 2020. An Innovation Fund and Modernization Fund will be established to help the power sector meet the innovation and investment challenges of the transition to a low-carbon economy. Free allowances will continue to be available to modernize the power sector in lower-income Member States, however the Czech Republic decided to abolish that option and take use of those allowances within the Modernization fund. On the other hand, partial free allocation for heat production will continue until the end of 2030. In addition, the legislative proposal on a market stability reserve was approved in October 2015. The placing of allowances in the reserve has taken place since 1 January 2019 onward. For more information, please see "*Regulation – Czech Republic – Carbon Compliance (Emission Allowances)*".

A revision to E.U. Directive 2003/87/EC incorporated into the Directive (EU) 2018/410, a key legislative tool for the E.U.'s efforts to reduce greenhouse gas emissions, was published in March 2018. The revised E.U. ETS should enable reaching the 40% reduction target for 2030 (from 1990 levels) in a cost-effective manner as well as meeting obligations arising out of the Paris Agreement signed in 2016. The key parameters of the revision include streamlining systems, maintaining measures to prevent carbon leakage (reducing CO<sub>2</sub> emissions only in developed countries), and providing support for low-carbon mechanisms. A balance should be achieved in the carbon market by the accelerated withdrawal of surplus allowances in the first five years of operation of the Market Stability Reserve ("*MSR*") and cancellation of surplus allowances within the system starting from 2023. Member States were required to transpose provisions of the revised E.U. Directive 2003/87/EC into their national laws by October 9, 2019.

Also related to efforts to reduce greenhouse gas emissions is Regulation (EU) 2018/841 of the European Parliament and of the Council of May 30, 2018, on the inclusion of greenhouse gas emissions and removals from land use, land use change, and forestry in the 2030 climate and energy framework, and amending Regulation (EU) No. 525/2013 and Decision No. 529/2013/EU (the "*EU Greenhouse Gas Emissions Regulation*"), which became effective on June 19, 2018. Sectors affected by the regulation include agriculture and forestry, transportation (including the building sector), and waste processing. Altogether, these sectors produce about 60% of all EU emissions. Additionally, Commission Implementing Regulation (EU) 2018/2066 of 19 December 2018 on the monitoring and reporting of greenhouse gas emissions came into force on December 20, 2018. This regulation lays down new rules for complete, consistent, transparent and accurate monitoring and reporting of greenhouse gas emissions and activity data in the trading period commencing on January 1, 2021.

In April 2016, the Paris Agreement was signed on behalf of the E.U., and purported to limit the future increase in average global temperature to, at most, 2°C. The agreement requires its signatories to introduce measures limiting their greenhouse gas emissions and preventing deforestation. The agreement will apply from 2020. The E.U. has made a commitment to contribute to the goal by reducing its greenhouse gas emissions by 40% by 2030 compared to 1990 levels. The Paris Agreement was approved by the E.U. in October 2016 by Council Decision (EU) 2016/1841 and entered into force with respect to the E.U. on November 4, 2016.

In November 2016, as a follow-up to the targets set by the E.U. Council in October 2014, the E.U. Commission presented a "Clean Energy for All Europeans" package, containing 8 proposals for directives and regulations.

As a part of this package, the revised E.U. Renewable Energy Directive came into force on December 24, 2018 as Directive (EU) 2018/2001 and purports to reach a significant increase in share of renewables in the E.U. energy production by setting an E.U. wide minimum target of 32% energy from renewable sources for 2030. The E.U. renewables target shall be reached through the contributions of Member States in sectors of power generation, heating and cooling and transport set out in their integrated national energy and climate plans. Besides this holistic renewable energy minimum target the directive encourages Member States to increase the renewables share in their heating and cooling sectors by 1.3% each year (or 1.1% if waste heat is not taken into account) as well as in the transport sector where this share should be at least 14% by 2030. The E.U. Commission is to reassess the minimum target by 2023 and submit a legislative proposal for its upward revision provided it is necessary to meet international commitments related to climate change or in case of further substantial cost reductions in renewable energy production or in case of a significant decrease

in energy consumption. The use of renewables is to be promoted by simplified and streamlined approval procedures with a maximum of two years for regular projects and one year in case of repowering, and by the establishment of a clear and stable framework for household self-consumption. The use of biofuels is to be limited and investment in renewables is to be encouraged by rules securing the stability of financial support to renewable projects and improving predictability of their economic performance, to allow investors greater certainty as to their renewables investments. Member States are required to transpose provisions of the revised E.U. Renewable Energy Directive into their national laws by June 30, 2021 and its implementation in the Czech Republic is pending. Furthermore, an amendment to the E.U. Renewable Energy Directive to implement the new 2030 climate target and increase the target for renewables from the current 32% up to 38% is expected to be published by the E.U. Commission in June 2021.

Additionally, a revised Directive (EU) 2012/27 on Energy Efficiency, which aims to improve the efficiency of energy supply and boost energy savings, came into force on December 24, 2018 as Directive (EU) 2018/2002. This directive sets an EU-wide energy efficiency target of at least 32.5% for 2030 together with an obligation for energy suppliers and distributors to increase their energy savings annually by at least 0.8% from 2021 until 2030 while at the same time preserving the possibility for Member States to introduce alternative policy measures. The 2030 target is subject to the same upward revision as provided for in the revised Renewable Energy Directive. It also aims to promote use of smart metering devices by consumers and to allow for obligations to be imposed on electricity distributors and retail services providers to ensure energy savings. Member States were required to transpose provisions thereof into their national laws partly by June 25, 2020, and partly by October 25, 2020 and its implementation in the Czech Republic is pending. An amendment to the E.U. Directive on Energy Efficiency to implement the new 2030 climate target is expected to be published by the E.U. Commission in June 2021.

Along with the amendments to E.U. Directive on Energy Efficiency and E.U. Renewable Energy Directive, Regulation (EU) 2018/1999 of the European Parliament and of the Council of December 11, 2018 on the Governance of the Energy Union and Climate Action (the "*E.U. Governance Regulation*") was adopted. The regulation defines how Member States will cooperate both with each other and with the E.U. Commission to reach the objectives of the Energy Union, including the renewable energy targets and the energy efficiency targets, as well as the E.U.'s long-term greenhouse gas emissions goals. It also sets out control mechanisms that will help ensure that the targets are met, and that the range of actions proposed constitute a coherent and coordinated approach. The regulation also obliges Member States to draw up integrated national energy and climate plans for 2021 to 2030 outlining how they contemplate to achieve the targets. Member States are required to notify to the E.U. Commission their first integrated national energy and climate plans by December 31, 2019.

In addition to the above, revisions to E.U. Energy Performance of Buildings Directive (the Directive (EU) 2018/844) were introduced and came into force on July 9, 2018. Pursuant to the revised E.U. Energy Performance of Buildings Directive, Member States will have an obligation to develop long-term renovation strategies in order to achieve highly efficient, decarbonized buildings by 2050. Also, since access to charging at home is a key factor in the decision to purchase an electric vehicle, electric vehicle charging readiness requirements will apply for new or significantly renovated buildings. E.U. Member States were required to transpose provisions thereof into their national laws by March 10, 2020 and its implementation in the Czech Republic is pending. The revision of the E.U. Energy Performance of Buildings Directive is expected to be announced in the fourth quarter of 2021.

In accordance with the revised E.U. Energy Performance of Buildings Directive, the draft of the Integrated National Energy and Climate Plan of the Czech Republic was drawn-up and submitted to the E.U. Commission in January 2019. Pursuant to the Czech Integrated National Energy and Climate Plan as approved by the Czech Government on January 13, 2020, the Czech Republic's main objective is to reduce the total greenhouse gas emissions by 30% by 2030 and to achieve 22% share of renewable energy sources of its gross final energy consumption. For more information, please see "*Regulation – Czech Republic – Czech Integrated National Energy and Climate Plan*".

Multiple legislative acts to implement the new market design were also presented as part of the "Clean Energy for All Europeans" package. In particular, on July 2, 2019, a new Directive on Common Rules for the Internal Market in Electricity (2019/944) came into force. The new directive inter alia suggests reinforcing and expanding the rights of consumers, compelling suppliers to provide services better tailored to the needs of consumers and supporting installation of new kinds of infrastructure (such as energy storage facilities). The directive also strives to promote new energy services, such as demand side response, aggregators or citizen energy communities, and sets out the rules for smart metering deployment and data management. Majority of provisions of the new directive should have been transposed by the end of 2020. The Czech Republic did not fulfil its obligation to transpose the directive in time and the corresponding implementation in the Czech Energy law is pending.

.Further, a recast Regulation on the Internal Market for Electricity (2019/943) came into force on July 2, 2019. The regulation aims to further liberalize the electricity market, for example, by removing price caps and floors in wholesale trade with prices to be determined by immediate consumption rate, limiting priority dispatch, or introducing rules on balancing markets. It sets out the rules for capacity mechanisms deployment, introducing a more European approach by linking it to the result of the E.U. resources adequacy assessment. The regulation also seeks to enhance regional cooperation of (i) transmission system operators by setting up Regional Coordination Centres ("ROCs"), and (ii) distribution system operators by setting up E.U. Entity for Distribution System Operators ("E.U. DSO Entity"). The recast Regulation on the Internal Market for Electricity became fully applicable from January 1, 2020.

On July 2, 2019 a revised E.U. ACER Regulation (2019/942) came into force, which adapts the Agency for the Cooperation of Energy Regulators ("ACER") to the changes in the energy markets and addresses the need for enhanced regional cooperation. The revised regulation gives ACER a stronger role in the development of network codes and coordination of regional decision-making. Also, a number of new tasks related to the regional coordination centers (that are to be established), the supervision of nominated electricity market operators and the assessment of generation adequacy and risk preparedness are assigned thereto.

Accordingly, all legislative acts in the Clean Energy for All Europeans package are now in force at the EU level.

In May 2018, the E.U. Commission adopted a package of measures implementing several key actions announced in its action plan on sustainable finance. All three legislations were adopted in 2019:

1) Regulation on the establishment of a framework to facilitate sustainable investment, which will be published in OJ shortly. This regulation establishes the conditions and the framework to gradually create a unified classification system ('taxonomy') on what can be considered an environmentally sustainable economic activity. The main aim is to channel investments into sustainable activities.

2) Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector. This regulation introduces disclosure obligations on how institutional investors and asset managers integrate environmental, social and governance ("ESG") factors in their risk processes.

3) Regulation (EU) 2019/2089 of the European Parliament and of the Council of 27 November 2019 amending Regulation (EU) 2016/1011 as regards EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks. The regulation creates new categories of benchmarks, which will provide investors with better information on the carbon footprint of their investments.

In addition, from May 24 to June 21, 2018, the E.U. Commission had been seeking feedback on amendments to delegated acts under MiFID II and the Insurance Distribution Directive ("IDD") to include ESG considerations into the advice that investment firms and insurance distributors offer to individual clients.

In June 2018, a package comprising four directives concerning waste management, landfilling, electrical and electronic equipment packaging and waste, waste batteries and accumulators, and disposal of retired vehicles, jointly referred to as the Waste Package, was published in the official journal of the E.U and became effective. According to the newly passed legislation, at least 55% of municipal waste (i.e. waste from households and small businesses) should be recycled by 2025, at least 60% by 2030 and at least 65% by 2035. The new legislation also introduces a limit for the maximum amount of municipal waste that can be landfilled which amount must be reduced to 10% or less of the total amount of municipal waste generated by 2035. Member States are required to transpose the Waste Package directives by July 5, 2020. The Czech Republic transposed both waste package directives and the new waste law will apply from January 2021.

### ***Cross-Border Trading of Electricity***

Besides focusing on liberalizing internal energy markets in every Member State, European energy regulation is also designed to improve cross-border trade in electricity. As a part of this focus, Regulation (EC) No. 1228/2003 on Conditions for Access to the Network for Cross-Border Exchanges in Electricity was adopted. It was succeeded by Regulation No. 714/2009 on Conditions for Access to the Network for Cross-Border Exchanges in Electricity which repealed Regulation (EC) No 1228/2003, and which further specified rules designed to alleviate cross-border exchange difficulties, with a view to improving competition and harmonization in the internal electricity market, rules on

cooperation of transmission system operators and rights of the E.U. Commission to issue technical network codes on specific aspects of electricity system operation.

This Regulation accordingly created the European Network of Transmission System Operators (the "*ENTSO for Electricity*"), composed of designated transmission network operators from all Member States which have a duty to put in place information exchange mechanisms in order to ensure the security of networks in the context of congestion management.

The costs related to the activities of the ENTSO for Electricity are borne by the transmission system operators which receive compensation for costs incurred as a result of hosting cross-border flows of electricity on their networks. Compensation is paid by the operators of national transmission systems from which cross-border flows originate. Charges for access to networks are also applied by operators.

To further specify technical aspects related to electricity system operation, the EU adopted a number of network codes and guidelines related to *inter alia* emergency and restoration, capacity allocation process, system operation and demand response. Specifically, in 2015, the EU adopted Commission Regulation (EU) 2015/1222 of 24 July 2015 Establishing a Guideline on Capacity Allocation and Congestion Management, In 2016, Commission Regulation (EU) 2016/1719 of 26 September 2016 Establishing a Guideline on Forward Capacity Allocation, Commission Regulation (EU) 2016/1388 of 17 August 2016 Establishing a Network Code on Demand Connection, Commission Regulation (EU) 2016/1447 on Establishing a Network Code on Requirements for Grid Connection of High Voltage Direct Current Systems and Direct Current-Connected Power Park Modules and Commission Regulation (EU) 2016/631 on Establishing a Network Code on Requirements for Grid Connection of Generators. In 2017, a final set of network codes included Commission Regulation (EU) 2017/1485 of 2 August 2017 Establishing a Guideline on Electricity Transmission System Operation, Commission Regulation (EU) 2017/2195 of 23 November 2017 Establishing a Guideline on Electricity Balancing and Commission Regulation (EU) 2017/2196 of 24 November 2017 Establishing a Network Code on Electricity Emergency and Restoration. Methodologies further detailing requirements of these network codes as currently being adopted at regional and European level.

Due to numerous substantial amendments to the E.U. Regulation on Cross-Border Exchanges, *inter alia* via the above-mentioned network codes and guidelines, the E.U. Commission proposed its recast as part of the new Regulation on the Internal Market for Electricity in November 2016 (see please "*Regulation—European Union Legislation—Current E.U. Energy Regulation—2030 E.U. Framework for Climate and Energy Policy*").

## ***Energy Infrastructure***

### *Gas Infrastructure Legislation*

In November 2005, the E.U. Commission adopted Regulation (EC) No. 1775/2005 on Conditions for Access to Natural Gas Transmission Networks, which covered access to all transmission networks in the European Union and addressed a number of issues such as access charges (which had to reflect the actual costs incurred), third party access services, capacity allocation mechanisms, congestion management, balancing and imbalance charges, secondary markets and information and confidentiality provisions. Regulation (EC) No. 1775/2005 established a committee of national energy experts, which has the authority to revise the rules annexed to the Regulation. In July 2009, it was repealed by Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on Conditions for Access to the Natural Gas Transmission Networks.

The E.U. Natural Gas Transmission Regulation complements the E.U. Third Gas Directive and stipulates rules for natural gas transmission networks, gas storage and liquefied natural gas facilities. It concerns access to infrastructure, particularly by determining the establishment of tariffs (solely for access to networks), services to be offered, allocation of capacity, transparency and balancing of the network. It provides for access to maximum network capacity as well as storage and liquefied natural gas facilities for all market participants. Infrastructure operators have a duty to implement and publish non-discriminatory and transparent congestion-management procedures.

Like the E.U. Regulation on Electricity Cross-Border Exchanges, it creates the European Network of Transmission System Operators for Gas ("*ENTSO for Gas*"), composed of gas transmission network operators from all Member States.

To further encourage and facilitate efficient gas trading and transmission across gas transmission systems within the European Union, and thereby to move towards greater internal market integration, the E.U. adopted a number of

network codes on gas system operation. Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks was adopted in 2014. In 2015, Commission Regulation (EU) 2015/703 Establishing a Network Code on Interoperability and Data Exchange Rules and Commission Decision (EU) 2015/715 of 30 April 2015 amending Annex I to Regulation (EC) No 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks were adopted. Latest network codes include Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and repealing Regulation (EU) No 984/2013, and Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a Network Code on Harmonised Transmission Tariff Structures for Gas.

The revision of the Third Energy Package for gas (Directive 2009/73/EU and Regulation 715/2009/EU) to regulate competitive decarbonised gas markets is expected to be published in the fourth quarter of 2021.

### *Security of Electricity Supply*

In 2006, the European Union adopted Directive 2005/89/EC Concerning Measures to Safeguard Security of Electricity Supply and Infrastructure Investment (the "*EU Electricity Security of Supply Directive*"), which requires Member States to ensure a high level of security of electricity supply by taking necessary measures to facilitate a stable investment climate. The EU Electricity Security of Supply Directive stipulates that transmission system operators set minimum operational rules and obligations for network security, which may then require approval by the relevant authority. Member States must also prepare, in close cooperation with the transmission system operators, a system adequacy report according to EU reporting requirements. Member States were required to transpose the E.U. Electricity Security of Supply Directive into national law by February 24, 2008. The Czech Republic transposed the E.U. Electricity Security of Supply Directive into national law in 2009.

In November 2016, a proposal for a Regulation on Risk-Preparedness in the Electricity Sector was introduced as part of the E.U. "Clean Energy for All Europeans" package, aiming to unify the Member States' approach towards assessing risks and managing energy crises. Among the key objectives is securing electricity supply to customers, especially those providing essential services (e.g. hospitals) and operation of the market mechanisms as long as possible in a time of a crisis. Member State's authorities will be required to establish a risk-preparedness plan and national and regional electricity crisis scenarios. The regulation also purports to introduce new rules for regional cooperation in crisis situations. The Regulation on Risk-Preparedness in the Electricity Sector came into force and became applicable on July 2, 2019.

### *Security of Gas Supply*

Following the Russian-Ukrainian gas crisis of January 2009, Regulation (EU) No. 994/2010 Concerning Measures to Safeguard Security of Gas Supply (the "*E.U. First Gas Supply Regulation*") was adopted in order to strengthen the prevention and crisis response mechanisms.

The E.U. First Gas Supply Regulation imposed a number of new rules designed to prevent and mitigate potential disruptions to gas supplies, such as risk assessment mechanisms, preventive action plans and emergency plans, duty to ensure gas supplies to households for at least 30 days under severe conditions or enhancing flexibility of the gas infrastructure, including enabling bi-directional physical capacity on cross-border interconnections.

In October 2017, Regulation (EU) 2017/1938 of the European Parliament and of the Council Concerning Measures to Safeguard the Security of Gas Supply and Repealing Regulation (EU) No 994/2010 was adopted (the "*E.U. Second Security of Gas Supply Regulation*"). For the first time, a solidarity principle was introduced under the E.U. Second Security of Gas Supply Regulation requiring neighboring Member States to help out each other to ensure that gas is supplied to households and essential social service in the event of a severe gas crisis. Further, the Member States will be required to work together in regional groups to assess the potential for gas supply disruptions and agree on joint actions to prevent or mitigate the consequences. The E.U. Second Security of Gas Supply Regulation also aims to strengthen the transparency by requiring natural gas companies to notify national authorities as to the major long-term contracts that may be relevant for the security of gas supply. In addition, ENTSO for Gas will be required to perform an E.U. wide gas supply and infrastructure disruption simulation in order to provide a high-level overview of major supply risks for the E.U.

### *Proposed Changes for Energy Infrastructure*

In 2013, Regulation (EU) No 347/2013 of the European Parliament and of the Council on Guidelines for Trans-European Energy Infrastructure (the "*E.U. Trans-European Energy Infrastructure Regulation*") was adopted to ensure that strategic energy networks and storage facilities are completed by 2020. Ultimately, it aims to ensure that sufficient and timely development of energy infrastructures across the European Union and neighboring countries in order to facilitate continuous and unrestricted cross-border energy flow.

To this end, the E.U. Commission has identified 12 priority corridors and areas covering electricity, gas, oil and CO<sub>2</sub> transport networks. The territory of the Czech Republic is included in the project of Central/South Eastern Electricity Connections and in the project of North-South Gas Interconnections and Oil Supply which indicates the possibility of significant future investments with E.U. support into the Czech energy infrastructure in the next decade. In October 2013, on the basis of the E.U. Trans-European Energy Infrastructure Regulation, the E.U. Commission approved the list of approximately 250 key projects in the field of energy infrastructure – the "projects of common interest". These key projects will benefit from a more expedient permit-granting process, better regulatory conditions and access to financial assistance from the Connecting Europe Facility ("*CEF*"), with the aim of speeding-up the realization of such projects and increasing their attractiveness to investors. The list was updated in 2015 and in 2017, and the fourth list was published in the Official Journal of the E.U. on March 3, 2020.

Also, in respect of the CEF, in June 2018, the E.U. Commission introduced a proposal for a regulation aiming at establishing the legal basis for the CEF for the period beyond 2020 and repealing the E.U. CEF Regulation. The overarching objective of the proposal is to support the achievement of the E.U. policy objectives in the transport, energy and digital sector in respect of the trans-European networks, by enabling or accelerating investments into projects of common interest, and to support cross-border cooperation on renewable energy generation. The facility will aim at maximizing synergies among the sectors covered and with the other E.U. programmes and focuses on projects of highest European added value.

Reflecting on new priorities in the European climate policy, the European Commission presented a revision of the TEN-E regulation in December 2020. Regulation broadens existing scope of PCI projects to offshore infrastructure, hydrogen networks and put more emphasis on RES integration projects. As of the date of this Base Prospectus, it is negotiated both in the Council of the E.U. and the European Parliament.

Additionally, on November 20, 2018, a new E.U. framework for screening of foreign direct investments in strategic technologies and infrastructure was agreed on by the E.U. Parliament, the Council and the E.U. Commission. The proposed framework establishes a cooperation mechanism where Member States and the E.U. Commission will be able to exchange information and raise specific concerns regarding foreign acquisitions of strategic technologies (e.g. energy networks). Accordingly, within the new framework, the E.U. Commission would be empowered to screen foreign direct investments on grounds of security or public order and to issue opinions in cases where several Member States would be concerned, or when an investment could affect a project or programme of interest to the whole E.U. However, the proposal keeps the last word of Member States whether a specific operation should be allowed or not in their territory. The framework was implemented into E.U. law via Regulation (EU) 2019/452 of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union, which came into force in April 2019 and should be applied from October 11, 2020.

### ***Renewable Energy Sources***

The European Union made commitments to reduce greenhouse gas emissions under the Kyoto protocol for reducing greenhouse gas emissions (the "*Kyoto Protocol*"). Under the Kyoto Protocol, promotion of electricity from renewable energy sources, meaning electricity produced from non-fossil renewable energy sources such as wind, solar, geothermal, wave, tidal, hydroelectric, biomass and biogas energies, became a priority of the European Union. To this end, E.U. institutions adopted Directive 2009/28/EC on the promotion of the use of energy from renewable sources (and amending and subsequently repealing earlier Directives 2001/77/EC and 2003/30/EC) (the "*E.U. Renewable Energy Directive*") in 2009 as a part of the E.U. Energy and Climate Change Legislation.

The E.U. Renewable Energy Directive establishes a target for each Member State reflecting their different starting points and potential for increasing renewables production based on the contribution of renewable energy to gross final consumption for 2020. This target is in line with the overall "20-20-20" goal for the E.U. The Czech Republic must increase the share of renewable sources (composed of renewable energy for heat, renewable energy for electricity and the use of biofuels in transport) in the total gross energy consumption from 6.1% (the share in 2005) to 13% by 2020.

In October 2014, the E.U. Energy Council set new targets and the architecture for the E.U. framework for climate and energy in the period from 2020 to 2030 (see please "*Regulation—European Union Legislation—Current E.U. Energy Regulation—2030 E.U. Framework for Climate and Energy Policy*").

In April 2016, the Paris Agreement was signed on behalf of the E.U. and purported to limit the future increase in average global temperature to, at most, 2°C (see please "*Regulation—European Union Legislation—Current E.U. Energy Regulation—2030 E.U. Framework for Climate and Energy Policy*").

In November 2016, as a follow-up to the enactment of new targets by E.U. Energy Council in October 2014, a proposal for a new E.U. Renewable Energy Directive was presented as part of the "Clean Energy for All Europeans" package (see please "*Regulation—European Union Legislation—Current E.U. Energy Regulation—2030 E.U. Framework for Climate and Energy Policy*").

### ***E.U. Emissions Trading Scheme (E.U. ETS)***

The E.U. ETS is the key tool for cutting industrial greenhouse gas emissions most cost-effectively. For more information, please see "*Regulation—European Union Legislation—Current E.U. Energy Regulation—2030 E.U. Framework for Climate and Energy Policy*" and "*Regulation—Czech Republic—Carbon compliance (Emission Allowances)*".

### ***Energy efficiency Directive***

On October 25, 2012, the E.U. adopted the Directive (EU) 2012/27 on Energy Efficiency (the "*E.U. Energy Efficiency Directive*") building on the previous Energy Efficiency Plan 2011. This Directive establishes a common framework of measures for the promotion of energy efficiency within the E.U. in order to ensure the achievement of the EU 2020 20% target on energy efficiency and to pave the way for further energy efficiency improvements beyond that date. It lays down rules designed to remove barriers in the energy market and overcome market failures that impede efficiency in the supply and use of energy and provides for the establishment of indicative national energy efficiency targets for 2020.

As part of the "Clean Energy for All Europeans" a Directive amending the EU Energy Efficiency Directive and a revised Directive on the Energy Performance of Buildings adopted (see please "*Regulation—European Union Legislation—Current EU Energy Regulation—2030 EU Framework for Climate and Energy Policy*").

### ***Transparency of wholesale electricity, gas and emission allowances trading***

Wholesale gas and electricity prices are highly sensitive to available production and transmission capabilities. Prices may be influenced by (i) disseminating false information on the availability of these capabilities or (ii) reducing production. To prevent and detect these electricity and gas wholesale market manipulations, the European Union enacted Regulation (EC) No. 1227/2011 on Wholesale Energy Market Integrity and Transparency (the "*REMIT*"), which, *inter alia*:

- Prohibit the use of inside information when buying or selling on wholesale energy markets.
- Prohibit manipulative transactions and dissemination of incorrect information that give false or misleading signals about supply, demand, or prices.
- Oblige energy traders to report their transaction data to the ACER. These data include the price, volumes, date and time of the transaction, the name of the seller, the name of the buyer, and any other beneficiaries.
- Make ACER responsible for the independent monitoring of all wholesale energy trades. If market abuse is suspected, ACER will request national regulators investigate. It will also coordinate cross-border investigations.

The European Union enacted Regulation (EC) No. 596/2014 on Market Abuse (the "*MAR*") to prevent and detect the market manipulations and insider dealings also on markets with emission allowances (including, public markets and auctions of emission allowances; for more information please see "*Czech Republic—Electricity Energy Sector—Carbon Compliance (Emission Allowances)*"). The MAR introduced the following tools to prevent the aforesaid practices with respect to the emission allowances:

- Obligation of market participants to publish inside information relating to emission allowances.
- Obligation of market participants to prepare insiders lists.
- Obligation of market participants to disclose managers' transactions.
- Obligation of market operators and investment firms (banks, brokers) to report suspicious transactions with emission allowances.
- Prohibition of the use of inside information when buying or selling emission allowances in auction or on public markets.
- Prohibition of manipulative transactions and dissemination of incorrect information that give false or misleading signals about supply, demand, or prices.

The obligation to publish inside information, prepare insiders lists and disclose managers' transactions applies solely to emission allowances market participants who exceed the thresholds of (i) aggregate year CO<sub>2</sub> emissions or (ii) rated thermal input. These thresholds are set by the E.U. Commission.

Further regulation on market transparency and oversight, impacting mostly financial markets, was adopted in 2014 via MIFID II and MIFIR.

### ***Other applicable E.U. legislation***

In November 2016, Regulation (EU) 2016/1952 of the European Parliament and of the Council on European Statistics on Natural Gas and Electricity Prices and Repealing Directive 2008/92/EC of the E.U. and of the Council Concerning a Community Procedure to Improve the Transparency of Gas and Electricity Prices Charged to Industrial End-Users was adopted, with the aim of harmonizing the statistical methods for gas and electricity price reporting. To that end, the E.U. adopted Commission Regulation (EU) 2017/2010 of 9 November 2017 amending Regulation (EC) No 1099/2008 of the European Parliament and of the Council on Energy Statistics, with regard to updates for the annual and monthly energy statistics; and Commission Implementing Regulation (EU) 2017/2169 of 21 November 2017 concerning the format and arrangements for the transmission of European Statistics on natural gas and electricity prices pursuant to Regulation (EU) 2016/1952 of the European Parliament and of the Council.

To ensure that Member States have relevant information on energy price levels at their disposal, on November 30, 2016, the E.U. Commission presented, as a part of the "Clean Energy for All Europeans" package, the second report on energy prices and costs. The report elaborates on different components of energy prices in respective Member States and on the influence of prices on the competitiveness of European industry and investment in Europe.

With the aim of increasing the transparency of intergovernmental agreements between Member States and third countries, the E.U. adopted the Decision (EU) 2017/684 of the European Parliament and of the Council of 5 April 2017, establishing an information exchange mechanism with regard to intergovernmental agreements and non-binding instruments between Member States and third countries in the field of energy, and repealed Decision No 994/2012/EU.

### ***Climate Law***

The E.U. 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.

If adopted, the climate law shall empower the E.U. Commission to adopt delegated acts to set out an emission reduction trajectory for 2030 to 2050. Every five years, the E.U. Commission shall review whether national and the E.U. measures are consistent with the climate-neutrality objective and the trajectory for 2030 to 2050, with the first review to be carried out by September 2023. In the fall of 2020, the E.U. Commission published an impact assessment of increasing the 2030 emission reduction target up to 55% and in December 2020 the Council reached agreement on a general approach on the proposal for a European climate law, including a new E.U. greenhouse gas emissions reduction target of at least 55% by 2030 compared to 1990. The proposal is subject to further in the European Parliament. In June 2021, the European Commission is expected to publish a 'Fit for 55' package to conform legislation on renewables, energy efficiency, buildings, land use, energy taxation, effort sharing and emissions trading to the new climate objective for 2030.

## *Taxonomy Regulation*

The E.U. Parliament passed the regulation on the establishment of a framework to facilitate sustainable investment in the plenary in June 2020, and the regulation was published in the Official Journal on 22 June 2020 and entered into force on 12 July 2020. The regulation establishes a uniform classification system aiming to harmonize criteria for the purposes of determining whether an economic activity may be considered sustainable under existing market practices. Based on the regulation, the E.U. Commission is preparing a delegated act, which shall specify activities that will be considered as sustainable activities contributing to climate change mitigation while not causing harm to any other areas covered by the taxonomy. The first delegated act is expected to be adopted in April 2021 and the second delegated act is expected to be adopted by the end of 2021. The role of nuclear energy in the delegated acts is expected to be clarified in June 2021 after the assessment of expert groups.

## **Czech Republic**

### ***General Overview***

The Czech energy sector is governed by a wide range of laws and regulations which also implement the E.U. legislation described above. The key law focusing solely on the energy sector is Act No. 458/2000 Coll., on conducting business and governmental oversight in the energy sectors, as amended (the "*Czech Energy Act*") which provides the legal basis for conducting business in the energy sector and obtaining the necessary licenses for the production, distribution, transmission, storage and sale of electricity, gas and heat.

The Czech Energy Act was enacted in 2000 and broadly amended in August 2011 (as a result of the implementation of the E.U. Third Electricity Directive and the E.U. Third Gas Directive) and in January 2016 (as a means of implementing the E.U. Energy Efficiency Directive, REMIT and E.U. Trans-European Energy Infrastructure Regulation), and contains provisions in compliance with applicable E.U. legislation. On November 11, 2018, the Czech Ministry of Industry submitted to the Czech Government a bill amending the Czech Energy Act, but the legislative process is not completed.

Main principles of the Czech Energy Act are: (i) to conduct business in the electric energy sector only with licenses or certificates issued by the Energy Regulatory Office ("*ERO*"); (ii) the unbundling of transmission and distribution system operators; (iii) the liberalization of the market by allowing competition in the energy sector; (iv) the establishment of a strong and independent regulatory authority (*i.e.* the *ERO*); and (v) the protection of end-consumers.

Other laws related to the energy sector include, but are not limited to:

- Act No. 406/2000 Coll., on energy management, as amended (the "*Czech Energy Management Act*");
- Act No. 201/2012 Coll., on protection of the air, as amended (the "*Czech Air Protection Act*");
- Act No. 383/2012 Coll., on conditions for trading with emission allowances, as amended (the "*Czech Emission Allowances Act*");
- Act No. 18/1997 Coll., on peaceful utilization of nuclear energy and ionising radiation, as amended (the "*Czech Nuclear Act 1997*");
- Act No. 263/2016 Coll., the Nuclear Act, as amended (the "*Czech Nuclear Act 2016*")
- Act No. 165/2012 Coll., on promoted energy sources, as amended ("*Czech Promoted Energy Sources Act*");
- Act No. 44/1988 Coll., on protection and exploitation of minerals, as amended (the "*Czech Mining Act*"); and
- Act No. 76/2002 Coll., on integrated pollution prevention and control, as amended, (the "*Czech IPPC Act*").

## ***State Administration and Regulatory Authorities***

The main state authorities supervising the energy sector are:

- The ERO designated as the main supervisory independent authority in the energy sector is currently headed by a five-member board of directors (appointed by the government) and has a power, among other things, to:
  - issue licenses;
  - provide the method of the energy sector regulation and procedures for price regulation;
  - fix selected regulated prices;
  - adopt rules implementing energy legislation;
  - issue or revoke the certificate of transmission system operator ("TSO");
  - approve the grid development plans;
  - decide disputes defined by the Czech Energy Act;
  - execute the supervision over the compliance with the Czech Energy Act, the Czech Promoted Energy Sources Act, Act. No. 634/1992 Coll., on consumer protection, as amended, Act. No. 526/1990 Coll., on prices, as amended, and the E.U. regulation including the E.U. Regulation on Cross-Border Exchanges, the E.U. Natural Gas Transmission Regulation, the REMIT, the E.U. Gas Supply Regulation and directly applicable regulations issued by virtue of these regulations or its implementation and obligations arising out of the E.U. Commission or ACER decisions;
  - communication and cooperation with ACER;
  - impose fines if applicable regulations under the Czech Energy Act are breached (e.g. if unbundling rules are breached, the ERO is entitled to impose fines up to CZK 50 million or 1% of the relevant company's turnover, and in the case of transmission network operators, fines of up to CZK 100 million or 10% of the relevant company's turnover. In respect of vertically integrated companies, a fine of up to CZK 50 million or 1% of company's turnover may be imposed on the controlling company for giving instructions to its subsidiaries in breach of the applicable distribution unbundling legislation. In addition, the ERO may also require entities that breach applicable regulations to perform specific remedial measures).
- The Ministry of Industry and Trade of the Czech Republic (the "*Czech Ministry of Industry*"), responsible for, among other things, preparation of the state energy conception, preparation of the national action plan for renewable sources of energy and the national action plan for smart grids, granting authorization to construct power plants and communication with the E.U. Commission;
- The State Energy Inspection (the "*Czech Energy Inspection*") - administrative agency subordinated to the Czech Ministry of Industry carrying out control activities to ensure compliance of individuals and legal persons with the Czech Energy Management Act (e.g. overseeing energy specialists and introduction of products related to energy consumption on the Czech market); and
- The Ministry of Environment of the Czech Republic (the "*Czech Ministry of Environment*"), which primarily administers matters in connection with emission allowances and air pollution.

## ***Electric Energy Sector***

### *Licensing Regime*

Under conditions set out in the Czech Energy Act, business activities in the energy sectors in the Czech Republic may be pursued by natural or legal persons solely on the basis of a license granted by the ERO. Licenses for electricity or gas trading granted in other Member States are also recognized. An applicant is entitled to request a decision from the ERO on license recognition if such applicant already possesses a similar license issued by the competent authority in

another Member State; however, such a license holder must establish a business entity or a branch office in the Czech Republic. In order to avoid the possibility of the ERO making discriminatory decisions, the ERO is obliged to issue the license if the applicant meets certain statutory requirements.

The ERO may renew or extend a license if the same requirements for the issuance of a new license are met. However, there is no assurance that a license will be issued, renewed or extended. The licenses for electricity generation, gas production and heat generation are issued up to a maximum of 25 years. The licenses for electricity transmission, gas transportation, electricity or gas distribution, gas storage, heat distribution and for the market operator are issued for an indefinite period of time (subject to the right of the ERO to revoke a license in case of a material breach of a license by a license holder). The licenses for electricity or gas trading are issued for a set period of 5 years. License is not required for generation of electricity in power plants installed in customer connection points (for small generators with total capacity less than 10 kW which do not operate the power plants for business purposes). The list of license owners is published in a bulletin issued by the ERO and the information about the license holders is published on the ERO website.

### *Electricity Generation*

#### *Authorization to construct power plants*

If a company wishes to construct a power plant with an installed electrical output of more than 1 MW, it must obtain an authorization from the Czech Ministry of Industry. The issuance of such authorization is discretionary; however, certain factors must be taken into account, including, but not limited to, compliance with the state energy conception (which is a resolution of the Czech Government defining its strategic goals in the energy sector, including, among other things, its 30-year outlook), the national action plan for renewable sources of energy, the state raw materials conception and the zoning documentation.

#### *Coal-fired power plants*

The operation of a coal-fired power plant requires possession of a power generation license, as well as various other licenses and authorizations, including construction-law and environmental-law permits. The statutes enumerated below regarding air pollution and carbon compliance have a material impact on the operation of coal-fired power plants.

### *Czech Air Protection Act*

#### *Emission Charges*

Coal-fired power plants must comply with several regulations under the Czech Air Protection Act. For example, the company operating a coal-fired power plant is subject to the "polluter pays" principle under which it must pay emission charges to the State Environmental Fund for emissions of air pollutants such as solid particle pollutants (dust), sulphur dioxide ("*SO<sub>2</sub>*"), mono-nitrogen oxides ("*NO<sub>x</sub>*") and volatile organic compounds ("*VOC*"). From 2017, the emission charges proceeds are distributed as follows: 65% to the State Environmental Fund, 25% to the regional budget, 10% to the state budget.

- If a polluter produces emissions below the limits stipulated by law or permit, its emission charges are reduced. Where emissions reach the threshold:
  - below the 50% of the maximum limits set for the best available techniques ("*BAT*"), no emission charges are paid,
  - within 50 to 60% of the maximum *BAT* annual emission limit, the emission charge is reduced by 80%,
  - within 60 to 70% of the maximum *BAT* annual emission limit, the emission charge is reduced by 60%,
  - within 70 to 80% of the maximum set up *BAT* annual emission limit, the emission charge is reduced by 40%,
  - within 80 to 90% of the maximum set up *BAT* annual emission limit, the emission charge is reduced by 20%, and
  - above 90%, the emission charge is not reduced.

- If a polluter undertakes to reconstruct or modernize its installations resulting in a lower annual emission of pollutants by at least 30%, sulphur oxides expressed as sulphur dioxide by at least 55%, nitrogen oxides expressed as mono-nitrogen oxides by at least 55% or VOC by at least 30% compared with 2010 levels within the entire emission charges period, no emission charges are paid.

#### *Emission limits*

The Czech Air Protection Act implements the E.U. Directive 2010/75/EC on Industrial Emissions (on Integrated Pollution Prevention and Control), which entered into force on January 6, 2011 (the "*Industrial Emissions Directive*"), which requires Member States to impose more stringent NO<sub>x</sub>, sulphur dioxide, mercury and dust emission limits on combustion plants. The specific value of such emission limits depends on various factors, including total rated thermal input, type of fuel used by the combustion plant or the date on which such plant was put into operation (or has been granted a permit). Combustion plants put into operation after January 7, 2014, are required to comply with more stringent emission limits.

The Industrial Emissions Directive also provides for ongoing tightening of the emission limits on the basis of the BAT development, as well as, for application of these stringent limits to both new and existing combustion plants. In order to determine what are the BAT, the E.U. Commission periodically (at least every 6 to 8 years) organizes a review process. The review process is to be concluded by adoption of E.U. Commission's implementing decision. The requirements stipulated in this decision must be incorporated into the integrated permits within four years after adoption thereof. The recent revision of the BAT was concluded by the adoption of the Commission Implementing Decision (EU) 2017/1442 of 31 July 2017 establishing BAT conclusions, under Directive 2010/75/EU of the European Parliament and of the Council, for large combustion plants. As a result, the relevant Czech authorities shall make sure that all combustion plants concerned comply with the BAT limits by August 2021, at the latest. However, the Commission Implementing Decision was annulled by the General Court's Case T-699/17 dated 27 January 2021, with effect from 27 January 2022. It is unclear for the moment when the EU Commission will adopt a new decision and what would be its content and what would be the position of the relevant Czech administrative authorities in the interim period.

Binding emission limits on the concentration of emitted air pollutants in the Czech Republic are stipulated in (i) the Decree No. 415/2012 Coll., as amended, and (ii) the permit issued to a power plant (specific emission limits). The permit issued to a power plant may also set up specific restrictions for the power plant if overall air pollution limits in the respective area of the Czech Republic (where the power plant is located) are exceeded, even if the given power plant does not exceed the applicable limits.

The Czech Air Protection Act empowers the Czech Environmental Inspection Agency to order that any pollution source repeatedly exceeding emission limits is shut down.

The aggregate emission ceilings for the Czech Republic are set in the "National Emission Reduction Program" approved by the Czech Government, lastly amended in 2019. The revision concentrated on measures enabling the country to stay below emission ceiling for NO<sub>x</sub> in 2030 by replacement of some coal capacity with renewables. The Czech Ministry of Environment may set up emission limits for a territory of the Czech Republic ("zones" and "agglomerations") if certain limits are exceeded (the "Better Quality Air Programs").

The Czech Air Protection Act empowers the regional authorities (i) not to allow any new source of pollution in the region if the level of air pollution would be exceeded, or (ii) to allow a new pollution source and stipulate conditions for its operation to ensure that the relevant level of air pollution is not exceeded (the "Compensatory Measures").

In December 2013, the E.U. Commission introduced the "*Clean Air Policy Package*" to reduce emissions and air pollution within the E.U. The package resulted, *inter alia*, in the adoption of two directives, Directive (EU) 2016/2284 on the Reduction of National Emissions of Certain Atmospheric Pollutants, stipulating stricter national emission ceilings in the period from 2020 to 2030 (for more information, please see "*Regulation—European Union Legislation—Current E.U. Energy Regulation—2030 E.U. Framework for Climate and Energy Policy*"), and Directive (EU) 2015/2193 on the Limitation of Emissions of Certain Pollutants into the Air from Medium Combustion Plants which introduced emission limit values for combustion plants with a rated thermal input equal to or greater than 1 MW and less than 50 MW, to be transposed by 19 December 2017. In the Czech Republic, these emission limit values are set by Decree No 415/2012 Coll., on the permissible level of pollution and its determination, and via the implementation of certain provisions of the Czech Air Protection Act, as amended.

### *Exemptions from the emission limits*

The Czech Air Protection Act allows for three exemptions from the stringent emissions limits described above:

- Operators of combustion plants with an installed capacity equal to or higher than 50 MW, which obtained the operation permit prior to November 27, 2002 and were put into operation prior to November 27, 2003, may have applied for participation in transitional national plan, valid for the period from January 1, 2016 to June 30, 2020, under which the relevant combustion plants will be permitted to emit pollutants (i) up to their emission limits (ceilings) according to their permit valid to December 31, 2015 (except for certain emission limits regarding NO<sub>x</sub>) and (ii) up to additional aggregate emissions ceilings provided for by the transitional national plan, which will be decreased on a linear basis until 2020 (operators of combustion plants are allowed to exchange their emission limits between each other);
- Operators of combustion plants with an installed capacity equal to or higher than 50 MW may have applied for participation in transitional regime, valid for the period from January 1, 2016 to December 31, 2023, provided that such plants will end their operations no later than by December 31, 2023. The relevant combustion plants (i) were permitted to retain their original emission limits according to their permit valid until December 31, 2015 (except for certain emission limits regarding NO<sub>x</sub>) and (ii) shall operate, the maximum of 17,500 operating hours;
- Operators of combustion plants with an installed capacity of 50 MW to 200 MW which (i) received the operation permit prior to November 27, 2002 and were put into operation prior to November 27, 2003, and (ii) deliver at least 50% of the useful heat production of the plant (calculated as a rolling average over a period of 5 years) in the form of steam or hot water to a public network for district heating, may have applied for a transitional regime valid during the period from January 1, 2016 to December 31, 2022. Such combustion plants are permitted to retain their original emission limits according to their permit valid until December 31, 2015.

In addition, an operator of a combustion plant may apply under Czech IPPC Act to the relevant Czech administrative authority for a temporary exemption from the new BAT limits described above with which the operator must otherwise comply as of August 2021. Combustion plants of the CEZ Group, which are not modernized yet, are included in the transitional national plan. This provides for greater flexibility and efficiency in emission reduction in the operation of the CEZ Group's portfolio, thus enabling us to adapt more easily to the future situation on the energy market. The Czech national transitional plan was adopted by the E.U. Commission in April 2015.

### *Carbon Compliance (Emission Allowances)*

Legislation adopted by the European Union as a result of the E.U. commitments made under Kyoto Protocol has been fully transposed into Czech law. The legislation aims to combat climate change and establish a carbon emission allowances market within the European Union. Currently, the E.U. ETS for greenhouse gases emission allowances, including emission allowances for CO<sub>2</sub>, is in Phase III, running from 2013 to 2020. As mentioned above, the revision of the E.U. ETS scheme for Phase IV, running from 2021 up to 2030, was initiated in 2015 and finalized in March 2018. It is expected that, under the revised E.U. ETS scheme, CO<sub>2</sub> emission allowances will convey a more reliable signals as to the price of CO<sub>2</sub> and that more robust measures providing for the compensation of the cost of decarbonisation will be introduced. Early 2020, a so-called Green Deal for Europe was introduced requiring for Europe greenhouse gas-neutrality by 2050. Under that initiative, The European Commission presented a higher emission reduction goal for 2030 in amount of at least 55% reduction in comparison to 1990 levels (for more information, see " - *Other applicable E.U. legislation – Climate Law*" above).

### *Emission Allowances Taxation*

Due to certain economic and political events in 2010, in particular, the increase in the number of solar power plants which caused increase in electricity prices and in order to finance this increase from the state budget, the Czech Government imposed a tax on emission allowances allocated to electricity producers for free in 2011 and 2012. The tax amounted to 32% of the average market value of the emission allowances allocated for free in a given year (where the market value was determined by the Czech Ministry of Environment). Certain emission allowances obtained for the purpose of combined production of heat and electricity were exempt from the tax. In February 2015, the European Court of Justice ruled that imposition of the tax on allocation of emission allowances is incompatible with the E.U. law. In July 2015 the Czech Supreme Administrative Court followed the decision of the European Court of Justice and ruled that

imposition of the tax on allocation of emission allowances is incompatible with E.U. law, if such tax is imposed on more than 10% of emission allowances distributed for free within five years since 2008. According to a decision of the Appellate Tax Directorate, the Czech Government was obliged to return a portion of the gift tax paid by the CEZ Group on emission allowances in 2011 and 2012 in the amount of CZK 3.8 billion. The amount has already been paid to ČEZ in 2015.

Since 2013 the emission allowances allocated for free are not subject to the taxation in the Czech Republic, as described above.

### *Current Carbon compliance - Phase III*

Directive 2009/29/EC dated April 23, 2009, sets out a basis for Phase III of the E.U. ETS, which began on January 1, 2013. Phase III introduced significant changes of the E.U. ETS, including (i) auctioning as a default method for allocation of emission allowances, (ii) a longer trading period (8 years, compared to 5 years under Phase II) and (iii) a greater harmonization of rules relating to emission allowances allocation. The E.U. Commission set a single E.U. wide cap for available emission allowances. The cap for the year 2013 was 2.08 billion per annum; from 2013 until 2020, the cap is decreased each year by 1.74% of the average annual total quantity of emission allowances issued by Member States between 2008 and 2012, which, in absolute numbers, is an annual reduction of approximately 38.3 million emission allowances.

### *Allocation of emission allowances during Phase III*

With effect from January 1, 2013, Phase III rules prohibit the allocation of emission allowances for free to electricity producers. In general, the electricity producers have to buy emission allowances in auctions or on the E.U. ETS market. From 2013, more than 40% of the emission allowances are sold through auctions and this proportion will progressively increase in the following years.

There is an option for ten Member States, including the Czech Republic, to provide electricity producers with transitional allocation of emission allowances for free, if conditions under Article 10c of the E.U. Directive 2003/87/EC, Establishing a Scheme for Greenhouse Gas Emission Allowance Trading within the Community (the "*E.U. Directive 2003/87/EC*") are satisfied (the "*Derogation*"). The E.U. legislation requires electricity producers, which benefit from this exemption, to invest in modernization of their power plants. The value of these investments must mirror at least the value of the allocation of emission allowances allocated for free. The transitional period expires on December 31, 2019.

### *Carbon compliance - Phase IV*

The revision works on Phase IV were initiated in 2015 and finalized in March 2018. The Phase IV itself is scheduled to run from 2021 up to 2030. It shall further foster the position of E.U. ETS, increase the yearly emission allowance reduction to 2.2 % from 2021 onward (compared to 1.74 per cent. currently). The Market Stability Reserve, which shall reduce the surplus or deficiency of emission allowances in the carbon market and improve the E.U. ETS resilience to unpredicted imbalance between demand and supply, is to be further fostered. Amongst others, an Innovation Fund and a Modernization Fund will be established in order to support the low-carbon transition. While the Modernisation Fund will support investments in modernizing the energy sector in general, the Innovation Fund shall support low-carbon innovative technologies and breakthrough innovation in industry.

### *Czech Emission Allowances Act*

The Czech Emission Allowances Act, implementing Directive 2003/87/EC, requires that specified installations producing CO<sub>2</sub> emissions, including coal-fired power plants, obtain a special environmental permit issued by the Czech Ministry of Environment permitting their operation and certifying that they are capable of complying with various requirements.

The emission allowances shall be auctioned, except for:

- Emission allowances allocated without charge to incumbent installations (of CO<sub>2</sub> emission producers other than electricity producers) for the period from January 1, 2013 to December 31, 2020 and approved by the Czech Ministry of Environment (on the basis of ex-ante benchmarks determined by the E.U. Commission Decision (EU) 2011/278);

- Emission allowances allocated without charge to new market participants (of CO<sub>2</sub> emission producers other than electricity producers) and approved by the Czech Ministry of Environment; and
- Emission allowances allocated without charge to CO<sub>2</sub> emission producers other than electricity producers as a consequence of a significant change of installation which may require an update in the emissions allowances allocated to such installation, such as any extension or significant reduction of its capacity and approved by the Czech Ministry of Environment.

The above exemptions do not apply to electricity producers and from January 1, 2013 no emission allowances shall be allocated without charge in respect of any electricity production, except for emission allowances allocated without charge in accordance with the "National plan for investments in retrofitting and upgrading the infrastructure and clean technologies in the energy sector", approved by the E.U. Commission on July 6, 2012, providing that emission allowances will be allocated without charge to the electricity producers who will invest in upgrading of the electricity infrastructure and clean technologies between June 25, 2009 and December 31, 2019 (the above-mentioned Derogation).

Given the foregoing, the CEZ Group is eligible to obtain approximately 69.6 million CO<sub>2</sub> emission allowances in the period from 2013 to 2019. In addition, the production of heat shall be partially supported by allocation of emission allowances for free in the period from 2013 to 2020, amounting in total to 6.5 million.

In November 2018, the Czech Ministry of Environment introduced a bill to transpose provisions of the revised Directive 2003/87/EC, purporting to, among other things, address the structural imbalance between supply and demand in the emission allowances market (MSR is to start operating as early as 2019), accelerate the annual reduction in the total volume of emission allowances in the E.U. and provide for rules determining the proportion of allowances that are subject to auctions and those allocated free of charge. The bill was adopted in late 2019 and among others, for existing electricity producers provides for possible support for their decarbonizing investments via a so called Modernisation fund. This measure replaces the above-mentioned derogations.

#### *Nuclear Energy Utilisation*

The Czech nuclear law is made of two main legal acts and several decrees. The Czech Nuclear Act 1997 contains rules for civil liability and mandatory insurance of a nuclear plant operator. The Czech Nuclear Act 2016 deals with all other rules governing nuclear energy utilization, such as the rules on nuclear power plant licensing regime, disposal of nuclear waste, competence of the Czech State Office for Nuclear Safety ("SONS") and the Czech Repository Authority, decommissioning costs escrow account, fees payable by nuclear power plants operators, security and protection against radiation.

#### *Nuclear Power Plants*

Under Czech legislation, nuclear power plant operators are required to obtain numerous permits from the Ministry of Environment and the Ministry of Industry and Trade, and an authorization issued by SONS. The permits and authorizations are awarded if the requirements for its issuance or renewal are satisfied. However, there is no assurance that such authorization or permit will be issued, renewed or extended.

#### *Civil liability for nuclear damage*

On June 24, 1994, the Czech Republic became a party to the Vienna Convention on Civil Liability for Nuclear Damage (the "*Vienna Convention*"). On the basis of the principles of the Vienna Convention, the Czech Parliament enacted the Czech Nuclear Act 1997 in July 1997 which continues to provide for civil liability for nuclear damage after enactment of the Czech Nuclear Act 2016. Only the operator of a nuclear facility is liable for any damage caused by a nuclear incident and the operator's liability for such damage is limited to CZK 8 billion per incident. Operators of nuclear facilities are obliged to acquire insurance covering potential liabilities for damages resulting from the operation of nuclear facilities for a minimum of CZK 2 billion and for a minimum of CZK 300 million in connection with other activities (such as transportation of nuclear materials).

#### *Nuclear fuel and nuclear waste*

Nuclear fuel materials and services (i.e. uranium, conversion and enrichment) are procured pursuant to medium- and long-term contractual arrangements. These procurement activities are under the supervision of the European Supply

Agency (the "ESA"), which endorses and co-signs all new supply contracts, in full compliance with the ESA supply policy and related limitations.

The Czech Republic guarantees the safe disposal of nuclear waste. Pursuant to requirements of the Czech Nuclear Act 2016, the Czech Repository Authority carries out particular activities associated with disposal of nuclear waste, including responsibility for all final disposal facilities and deposition of nuclear waste transferred to the Czech Repository Authority. In October 2019, the Decree No. 266/2019 Coll., on the Concept of Radioactive Waste and Spent Nuclear Fuel Management, was adopted with effect from November 13, 2019.

The Czech Repository Authority is funded by the Czech Nuclear Account which is held at the Czech National Bank and is administered by the Ministry of Finance. All nuclear waste generators have a duty to contribute on a monthly basis to this account, which contribution amounts to CZK 55 per MWh of electricity generated from nuclear energy.

#### *Maintenance contributions to SONS*

Since January 1, 2012, all operators of nuclear facilities and applicants for permits to operate nuclear facilities must pay contributions to fund the operation and maintenance of SONS. The contribution consists of: (i) a lump sum of between CZK 30 million and CZK 150 million, payable with an application for permission to commence operation of a nuclear facility; and (ii) a maintenance contribution which must not exceed CZK 4 million per month, payable by current holders of a permit to operate a nuclear facility. The amounts of maintenance contributions are determined by the Czech Nuclear Act 2016 and governmental decree and depend on the extent of operational risk of the relevant nuclear facility. The maintenance contribution is determined on a monthly basis and due annually. In October 2019, the Government Regulation No. 273/2019 Coll. on rates of charges on SONS' professional activity was adopted.

#### *Decommissioning of nuclear power plants*

The Czech Nuclear Act 2016 requires a contribution from every nuclear plant operator to special escrow accounts for future decommissioning of its facilities. In November 2016, a decree on the requirements for the safe management of radioactive waste and on the decommissioning of nuclear installations was adopted. In 2020, a decree on method of establishing a reserve for the decommissioning of a nuclear installation and category III and category IV workplace was adopted.

#### *Other international regulation related to nuclear energy*

The Czech Republic is a member of the International Atomic Energy Agency (the "IAEA") and, as a result, our nuclear power plants have been subject to a number of on-site IAEA assessments. For more information, please see "*Description of ČEZ—Safety and Quality Management—IAEA*".

#### *Compliance with the EURATOM framework for nuclear safety*

Pursuant to the Directive 2014/87/EURATOM, which revised the EURATOM framework governing nuclear safety, Member States are required to give the highest priority to nuclear safety at all stages of the life of a nuclear power plant. This includes carrying out safety assessments before the construction of new nuclear power plants and ensuring significant safety enhancements for old reactors. The Directive was partly transposed into Czech law with effect from January 1, 2017, by the Czech Nuclear Act 2016 and partly by SONS' Decrees, including Decree No. 378/2016 Coll. on the location of the nuclear installation; Decree No. 359/2016 Coll. on details on how to manage the radiation emergency; Decree No. 408/2016 Coll. on the requirements of the management system; Decree No. 21/2017 Coll. on the nuclear safety of the nuclear installation; Decree No. 162/2017 Coll. on requirements for safety assessment under the Czech Nuclear Act 2016; and Decree No. 329/2017 Coll. on requirements for a nuclear installation project.

#### *Renewable Energy Sources*

##### *History of Renewable Energy Sources*

In 2005, the Czech Parliament enacted Act No. 180/2005 Coll., on the promotion of production of electricity from renewable energy resources ("*Czech Renewable Energy Act*"), as a means of implementing the first renewable energy directive, 2001/77/EC. Under the provisions of this statute, total energy consumption must comprise of at least 8% renewable energy by 2010. This statute also allowed support for power plant operators, consisting of

- priority access to the distribution grid; and
- financial support by means of either (x) fixed feed-in tariffs (meaning a guaranteed minimum purchase price for generated electricity), or (y) "green bonuses" representing a certain amount in excess of the market price of electricity.
- A high number of new solar power plants have been built on agricultural land in the Czech Republic. The legal obligation to support the owners of these solar power plants caused an increase in total electricity prices for end-consumers. As a result, in 2010 the Czech Parliament approved significant changes to the rules on support of solar power plants, including:
  - significant limits on eligibility of new solar power plants (e.g. support was only provided for small solar power plants on rooftops of buildings);
  - in relation to facilities put into operation on or after January 1, 2011, the authority of the ERO to decrease fixed feed-in tariffs by more than 5%, provided that the investment repayment period is shorter than 11 years;
  - withholding tax imposed on operators of solar facilities put into operation between January 1, 2009 and December 31, 2010, in the amount of (i) 26% of the income corresponding to the feed-in tariff or (ii) 28% of the income corresponding to the "green bonus," as applicable. This tax has been amended and prolonged with effect from January 1, 2014 (see below "*Current Legislation—The Czech Promoted Energy Sources Act*");
  - abolition of the exemption from income tax;
  - increased fee for solar facilities being built on agricultural land; and
  - state subsidies introduced as financial support for renewable energy (as other means of financial support).

*Current Legislation - The Czech Promoted Energy Sources Act*

Under the provisions of the second renewables directive, the E.U. Renewable Energy Directive, the Czech Republic must increase the share of renewable sources (composed of renewable energy for heat, renewable energy for electricity and the use of biofuels in transport) in the total gross energy consumption from 6.1% (the share in 2005) to 13% by 2020.

The Czech Promoted Energy Sources Act, implementing the E.U. Renewable Energy Directive, repealed the Czech Renewable Energy Act. The Czech Promoted Energy Sources Act only applies to new power plant constructions and power plants, which commenced operation prior to January 1, 2013, are subject to the former regime described above.

The Czech Promoted Energy Sources Act regulates:

- support for electricity, heat and bio methane from renewable energy sources, secondary energy sources, high-efficiency co-generation of electricity and heat and decentralized generation (an amendment to the Czech Promoted Energy Sources Act adopted in October 2013 stopped the support for (a) bio methane and electricity from bio liquids with effect from January 1, 2014 and (b) electricity from renewable energy sources set into operation on or after January 1, 2014, with the exception of (i) plants up to 10 MW of installed capacity producing energy from water and (ii) plants using the energy of wind, water, biomass or geothermal energy set into operation until December 31, 2015, for which the operator obtained the relevant permits before said amendment);
- financing of the above-mentioned support;
- the "National Action Plan" (which mirrors the targets set by the E.U. Commission relating to the share of renewable resources in total energy consumption and the reduction of greenhouse gas emissions. The National Action Plan will require different types of renewable energy sources to contribute different shares of total consumption);
- guarantee of origin of electricity generated from renewable energy sources;

- certificates of origin of electricity generated from high-efficiency co-generation of electricity and heat or secondary energy sources; and
- withholding tax imposed on operators of solar facilities.

The Czech Promoted Energy Sources Act differs from previous legislation in that only some renewable energy sources are eligible for support and the support of new power plants depends on compliance with the National Action Plan. The Czech Promoted Energy Sources Act provides, among other things, that the subsidies paid to the power plant operators (including subsidies to the co-generation of electricity and heat) are predominantly in the form of green bonuses. The option to sell the electricity under feed-in tariffs is granted only to an extremely limited group of very small producers of renewable energy sources. The investment repayment period is 15 years.

- With effect from January 1, 2016 Bio Methane and electricity decentralized generation is not further promoted under the Czech Promoted Energy Sources Act and the ERO is empowered to decrease fixed feed-in tariffs for the following year by more than 5%.

On November 11, 2018, the Czech Ministry of Industry submitted to the Czech Government a bill amending the Czech Promoted Energy Sources Act. The reason for this amendment is to (i) in accordance with the above-mentioned European regulations, set up measures and tools which could be applied from the beginning of 2021 to secure new renewable energy sources targets, (ii) ensure the adequacy of the aid granted in accordance with the requirements set out in the below-listed six E.U. Commission decisions declaring support schemes under the Czech Renewable Energy Act to be compatible with the E.U. internal market (so-called notification decision). The bill purports, among other things, to bring about:

- new forms of support to ensure attainment of the sectoral targets for renewable energy sources;
- new rules for subsidization of biomethane; and
- changes to the current system of subsidies provided under the Czech Promoted Energy Sources Act to make it compatible with the E.U. internal market and the notification decisions of the E.U. Commission in respect thereof (*i.e.* rules to avoid overcompensation).

The amendment is contemplated to become effective no later than as in January 1, 2022. The legislative procedure is still pending and the date of its adoption is uncertain.

Producers of electricity from renewable sources are obliged to install new output meters as a result of which the ERO's controlling mechanism will be strengthened.

For the sake of completeness, promotion of new solar power plants was terminated in 2014. As for other renewables, only some of them are now promoted (e.g. small water, wind or geothermal power plants) and only under specific conditions.

Pursuant to E.U. state aid rules, national renewables support schemes are subject to approval by the E.U. Commission. Accordingly, the Czech Republic notified existing support schemes to the E.U. Commission, and received approval in the course of 2014 to 2017:

- State aid SA.35177 (2014/NN) – Czech Republic – Promotion of electricity production from renewable energy sources;
- State Aid SA.43451 (2015/N) – Czech Republic – Operating support for small scale biogas installations with capacity of up to 500 kW;
- State Aid SA.40171 (2015/NN) – Czech Republic – Promotion of electricity production from renewable energy sources;
- State Aid SA.43182 (2015/N) – Czech Republic – Promotion of electricity production from small hydro power plants;
- State Aid SA.45768 (2016/N) – Czech Republic – Promotion of electricity from high-efficiency combined heat and power generation installations commissioned since 1 January 2016;

- State Aid SA.45182 (2016/N) – Czech Republic - State aid scheme for supporting the deployment of publicly accessible recharging and refueling stations for vehicles running on alternative fuels in the Czech Republic.

As part of the approval granted by the E.U. Commission, the Czech Republic was obliged to prevent overcompensation by pursuing a revision procedure of granted support and its proportionality within 10 years following the start of operations at renewable power plants which have been granted state aid. The revision procedure was initiated in second half of 2019, and the corresponding bill amending the Czech Promoted Energy Sources Act is currently pending in the Czech Parliament and the date of its adoption is uncertain.

### ***Transmission and Distribution of Electric Energy***

#### *History*

Until 1990, one single state owned conglomerate operated the whole electricity system. In 1990, regional distribution companies were separated from the state enterprise and, in 1994, they were transformed into joint stock companies (the "REAS") and offered to the public as part of the privatization process in 1995. The Czech Republic, through the National Property Fund, retained a controlling stake of approximately 48% of shares in each of the REAS. The CEZ Group was initially 100% state owned but as part of the privatization process, a 33.2% stake in the Group was offered to the public (with the Czech Republic retaining a 66.8% majority stake). In addition to the privatization of the REAS, local electricity producers have been partially privatized. ČEPS, a.s., a company controlled by the Czech Ministry of Industry, was established in October 1998. By 2003, the CEZ Group had transferred the entire transmission grid to ČEPS, a.s.

#### *Current Structure*

Currently, following the implementation of applicable E.U. legislation, the Czech electricity transmission and distribution system is structured as follows:

- The transmission system is owned by ČEPS, a.s.;
- The distribution system is predominantly owned by three companies being successors of the REAS: ČEZ Distribuce, a.s., EG.D, a.s. and PREdistribuce, a.s.;
- Ownership unbundling has been implemented in relation to the transmission system;
- Management, accounting and legal unbundling has been implemented in relation to the distribution systems;
- As a result of unbundling legislation, any applicant must be provided with full access to the transmission and distribution networks and to transmit or distribute electricity through these networks, to the extent technically practicable; and
- Since January 1, 2006 the electricity market has been fully liberalized and all end-consumers are considered eligible customers who may freely choose their supplier of electricity based on current market conditions (instead of being considered as protected customers with the price of electricity being determined by the ERO).

The market operator ("OTE") is a joint stock company owned by the Czech Republic, which administers and reports upon the regular electricity and gas market and (in cooperation with ČEPS, a.s. and NET4GAS, s. r. o.) administers accounting in respect of the energy balancing market.

#### *Participants*

Based on the above, the following categories of electricity market participants exist in the Czech Republic: (i) generators (producers); (ii) the transmission grid operator (ČEPS, a.s.); (iii) distribution grids operators; (iv) OTE; (v) electricity traders; and (vi) end-consumers.

#### *Price of Electricity*

The final price of electricity on the Czech market for end-consumers consists of two components:

- Non-regulated – the market price of electricity as a commodity that is freely negotiable between contracting parties; and
- Regulated – calculated pursuant to applicable legislation and the ERO pricing regulations and consists of the following items, the prices of which are set by the ERO:
  - transmission and distribution of electricity,
  - system services,
  - additional costs of energy generation from renewable sources and co-generation of heat and electricity, and
  - the costs of operation of OTE and partly the ERO.

The ERO bases regulated prices of electricity transmission and distribution on allowed revenues fixed tariff related to the reserve capacity/fusion and allowed losses (variable distribution tariff related to the distributed volume). The allowed revenues are calculated as the sum of the following main components:

- Allowed operating expenses based on historical data, which are yearly escalated (taking into account the inflation and the price index of market services and sector efficiency factor);
- Depreciation;
- Allowed profit which is a product of weighted average costs of capital (WACC) and regulatory assets base. WACC is set for the entire fourth Regulatory period (2016 – 2020) and is based on weighted average costs of own and loan capital which are based on the risk-free rate, costs of debt, market risk premium related to the Czech Republic and tax rate; and
- Market factor, which represents expenses unforeseen or unavoidable that would otherwise not be recognized as allowed expenses.

Since January 1, 2016, the contribution for decentralized electricity generation is not included in the regulated part of the electricity price since the decentralized electricity generation is not promoted. Further, the expenses for development of more efficient distribution and transmission grids are taken into account for purposes of the calculation of the allowed revenues to be included in the electricity transmission and distribution price.

### *Trading*

As well as trading on the electricity spot market which is organized by OTE, trading on the electricity futures market is offered by the Power Exchange Central Europe ("PXE"). The spot market is also accessible through the PXE. Currently, the PXE offers power trading with standardized products for Czech, Slovak, Polish, Romanian and Hungarian power on an anonymous basis and with secure settlement. The PXE is a subsidiary of the Prague Stock Exchange and the European Energy Exchange

### *Electricity as Alternative Fuel*

In order to transpose Directive 2014/94/EU of the European Parliament and of the Council on the Deployment of Alternative Fuels Infrastructure, the Czech Act no. 311/2006 Coll., on fuels and filling stations, as amended, was further amended in May 2017 so that certain legal duties of operators of charging stations for electric vehicles are set out in Czech law.

## ***Heating Energy Sector***

### *Heat Generation and Prices*

Under the Czech Energy Act, heat generators and distributors must have a license from the ERO. The price of heating supply is calculated pursuant to applicable legislation and the ERO pricing regulations for the relevant calendar year. The ERO sets general rules for price regulation based on economically justifiable expenses, a profit margin and value added tax.

With effect from January 1, 2016, the concept of a "limited price of heat" has been established, preventing the price regulation undertaken by the ERO from driving the heat price under the limited price. The limited price of heat is set by the ERO.

#### *Co-Generation of Heat and Electricity*

Co-generation of heat and electricity is regulated by the Czech Promoted Energy Sources Act (please see "*Renewable Energy Sources—The Czech Promoted Energy Sources Act*").

#### **Gas Sector**

The E.U. First Gas Directive, the E.U. Second Gas Directive and the E.U. Third Gas Directive apply to the gas markets within the European Union, which are designed to liberalize such markets. The development of legislation in the Czech gas sector on the background of E.U. legislation is described above in "*European Union Legislation—History of Energy Regulation*."

#### *Licensing Regime*

Participants in the gas sector must obtain licenses from the ERO for generation, transportation, distribution, trading and storage, as the case may be (please see "*Electric Energy Sector – Licensing Regime*").

#### *Transmission and Distribution of Gas History*

The gas infrastructure in the Czech Republic was privatized between 2001 and 2003 by the sale of the company Transgas, a.s. and the regional gas distribution companies to the German based RWE Gas AG. In the gas sector, the CEZ Group focuses predominantly on trading in gas. Trading is performed by ČEZ and its two subsidiaries ČEZ Prodej, a.s. and ČEZ ESCO, a.s.

#### *Current structure*

Currently, following implementation of applicable E.U. legislation, including the E.U. Third Gas Directive, the Czech gas transmission and distribution system is structured as follows:

- The transmission system is owned predominantly by NET4GAS, s.r.o.;
- Independent Transmission Operator unbundling regarding the transmission network has been implemented in relation to vertically integrated undertakings. Full ownership unbundling has been implemented in relation to transmission network operators which are not part of vertically integrated companies;
- NET4GAS, s.r.o., previously being part of a vertically integrated undertaking in the Czech Republic, has been sold by RWE to Allianz and Borealis Infrastructure and is therefore fully unbundled;
- Any applicant must be provided full access to the transmission and distribution networks and must be able to transmit or distribute gas through the respective networks to the extent technically practicable;
- The distribution system is predominantly owned by: (i) GasNet, s.r.o.; (ii) the E.ON Group through its subsidiary E.ON Distribuce, a.s.; and (iii) Pražská plynárenská Distribuce, a.s.;
- Management, accounting and legal unbundling has been implemented in relation to the distribution systems;
- Since January 1, 2007 the gas market has been fully liberalized and all end-consumers are considered as eligible customers who may freely choose their supplier of gas based on current market conditions (instead of being considered as protected customers with the price of gas being determined by the ERO); and
- Legal ownership unbundling has been implemented in relation to gas storage facilities.

### *Price of gas*

In the Czech liberalized market, the final price of gas for end-consumers consists of two components and its structure is the same as the structure on the electricity market (please see "*Transmission and Distribution of Electric Energy—Price of Electricity*"):

- Non-regulated – the market price of (x) gas as a commodity and (y) storage of gas that is freely negotiable between contracting parties; and
- Regulated – calculated pursuant to applicable legislation and the ERO pricing regulations and consists of the following items, the prices of which are set by the ERO:
  - transportation of gas through the transmission network;
  - transportation of gas through the distribution systems; and
  - the costs of operation of OTE and partly the costs of operation of ERO.

The prices of the services outlined above are regulated by the ERO through revenue limits and, as with electricity, the revenues are calculated as the sum of operating expenses, depreciation, losses, allowed profit and market factor. As of the date of this Base Prospectus, we are in the fourth Regulatory period (2016-2020).

With effect from January 1, 2016, the expenses for development of more efficient distribution and transmission grids are taken into account for purposes of the calculation of the allowed revenues to be included in the gas transmission and distribution price.

### ***Coal Mining***

#### *Regulation of Mining*

Mining is regulated by various statutes, but predominantly by (i) the Czech Mining Act, (ii) Act No. 61/1988 Coll., on Mining Activities, Explosives, as amended; and (iii) Act No. 157/2009 Coll., on Disposing of Mining Waste. The authority overseeing mining activities in the Czech Republic and issuing decisions and permits necessary for commencing mining activities is the Czech Mining Office and local mining authorities. The Czech Ministry of Industry submitted to the Czech Government a bill amending the Czech Mining Act and the amendment was approved by parliament on February 22, 2021 and will become effective on July 1, 2021.

Generally, opening a mine and conducting mining activities requires a number of approvals, decisions and permits, including, but not limited to a decision from the Czech Ministry of Environment on designation of the potential mining area and a permit for exploration and assessment, an environmental impact assessment (the "EIA") and a mining permit and mining authorization from the competent mining authority.

With regard to the future use of coal (lignite) in the Czech Republic, including all related aspects, a Coal commission ("*Uhelná komise*") was established as an advisory body to the Government of the Czech Republic, established by Government Resolution on 30 July 2019. Its role is to provide the government a complex recommendation on the phase-out of the use of coal, comprised of: (i) an assessment of the future needs of lignite; (ii) an analysis of the possibilities of future diversion from coal use in combustion sources; (iii) the diversion schedule; (iv) an outline of ways to achieve this diversion; (v) the expected cost and impacts of diversion from lignite; (vi) and an identification of diversion risks and tools to minimize these risks.

In December 2020, the Coal commission submitted to the government an analysis which advocated the year 2038 as the last year of a gradual process of the coal phase-out. Alternatively, there were also two additional options to the year 2038, which were proposed to the government as potentially viable dates of the coal phase-out – represented by years 2033 and 2043. The analysis also included recommendations on related aspects of the phase-out, for example the substitution of the current coal-fired energy sources by renewables and new nuclear sources in order to secure stability of the transmission and distribution networks and security of supply, cost impacts on the economy and social aspects in the affected regions.

The recommendation of the Coal commission is currently under the revision of the Czech Government, before any further decision is taken. The two most discussed alternatives of the final year of the phase-out from the use of coal

are years 2033 and 2038. After the Czech Government decides on the target year for the coal phase-out, the Coal commission will continue with preparation of the legal implementation of the decision.

### *Coal Prices*

Coal prices are liberalized and are determined on a contractual basis depending on market conditions. Coal "catalogue" price lists are regularly published by all coal-mining companies, but the final purchase prices are subject to negotiation between suppliers and purchasers with regard to the individual business relationship, quantities and duration of the contract.

### *Coal Mining Royalties*

Coal mine operators are required to pay to the Czech Republic an (i) annual royalty calculated as a multiple of the size of the coal mine's area and rate in the amount of CZK 300, or CZK 1,000 in respect of an exclusive mineral deposit, and, (ii) annual royalty calculated as a multiple of the amount of heat contained in the brown coal extracted (or of an amount of the black coal extracted) and a rate prescribed by a governmental decree (as at the date of this Base Prospectus set at, in respect of black coal, CZK 9.9 per ton and, in respect of brown coal, CZK 1.18 per GJ or CZK 3.88 per ton).

### *Coal Mining Limits*

Even though there are substantial coal reserves in the Czech Republic, coal mining has been restricted in order to protect health and property interests of people living in the brown coal regions, primarily in Northern Bohemia. In 1991, the Czech Government set down mining limits that represent an obstacle to the extension of mining in certain areas. Political discussions are currently being held with respect to the extension of the mining limits. In October 2015, the Czech Government approved the lifting of coal mining limits at the Břilina coal mine owned by the CEZ Group. The new available reserves are estimated to be 100 – 150 million tons of coal.

### *Reclamation of Mines and Redevelopment of Waste Dumps*

Coal mine operators are responsible for decommissioning and reclamation of the mine as well as for damages caused by the operations of the mine. To cover the costs of reclamation of mines and mining damages, coal mine operators are required by law to contribute to a special escrow account. Coal mine operators are also required by law to set aside funds to cover the costs of reclamation and redevelopment of waste dumps by keeping certain amounts as restricted funds.

### *Final Disposal of Coal Waste*

Act No. 185/2001 Coll. on waste, as amended, effective from January 1, 2002 (the "*Czech Waste Act*") emphasizes waste prevention, defines the hierarchy of waste handling, and promotes the fundamental principles of environmental and health protection in waste handling. Coal mine operators have a duty to dispose of coal ash which is considered waste under the Czech Waste Act, unless used for other purposes (e.g. construction or recultivation).

### ***Material Environmental and Other Related Regulation***

#### *Integrated Pollution Prevention and Control (including the Integrated Pollutant Register)*

The Czech IPPC Act has fully implemented IPPC Directive 2008/1/ES into the Czech legal system. The Czech IPPC Act is designed to limit industrial and other pollution according to the best available techniques. The users of certain installations must obtain an integrated permit prior to operation and comply with the conditions set out in applicable specific legislation. Unless specific reasons require otherwise, the conditions set in the integrated permit must reflect the best available techniques. In addition, the users of substances registered under the Czech IPPC Act must notify the appropriate administrative authority if the emissions of certain substances exceed regulatory limits, which are then registered in the publicly accessible Integrated Pollutant Register.

In November 2010, the European Union adopted Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control) (the "*Industrial Emissions Directive*"). The Industrial Emissions Directive, among other things, provides that the Member States shall set up a system of environmental inspections of the installations concerned and emphasizes the role of the BAT. An amendment to the Czech IPPC Act which, among other things, implemented certain parts of the Industrial Emissions Directive took effect as of March 19, 2013.

### *Water Act 2001*

Under Act No. 254/2001 Coll., as amended, (the "*Czech Water Act*"), disposal of surface and underground water is subject to a permit with the exception of certain listed activities in the public interest. Off-take of more than 6,000 cubic meters of underground water per year or 500 cubic meters of underground water per month is subject to a fee determined pursuant to the relevant provisions of the Czech Water Act. The release of effluent into water is governed by the BAT principle. The Czech Water Act is based on the "user pays" and "polluter pays" principles. A major amendment to the Czech Water Act has been effective as from January 2021. The main objective of the amendment is to set conditions for combating water scarcity and drought. This amendment is aimed at establishing acting groups on regional, which can adopt precautionary measures to low water in case of drought (e.g. limitation on pumping the water out of water bodies). There is a ranking assigned to activities to be limited in case of drought stated in the proposal determining, which activity should be limited at what time depending on the level of water supply. Critical infrastructure (including energy and heat generation) is in the group of activities that should be limited as the very last.

### *Waste Act 2001*

Under Act No. 254/2001 Coll., as amended, (the "*Czech Water Act*"), disposal of surface and underground water is subject to a permit with the exception of certain listed activities in the public interest. Off-take of more than 6,000 cubic meters of underground water per year or 500 cubic meters of underground water per month is subject to a fee determined pursuant to the relevant provisions of the Czech Water Act. The release of effluent into water is governed by the BAT principle. The Czech Water Act is based on the "user pays" and "polluter pays" principles. A new draft amendment has been submitted to the legislative procedure. The main objective of the proposal is to set conditions for combating water scarcity and drought. This proposal is aimed at establishing acting groups on regional, which can adopt precautionary measures to low water in case of drought (e.g. limitation on pumping the water out of water bodies). There is a ranking assigned to activities to be limited in case of drought stated in the proposal determining, which activity should be limited at what time depending on the level of water supply. Critical infrastructure (including energy and heat generation) is in the group of activities that should be limited as the very last.

### *Environmental Impact Assessment Act 2001 (Act No. 100/2001 Coll., as amended)*

The Czech Environmental Impact Assessment Act requires certain parties to conduct an EIA prior to the approval of a new investment project by the relevant authorities. The Czech Environmental Impact Assessment Act distinguishes projects which always fall within the scope of the EIA, projects which are always excluded and, finally, projects in which the state authorities decide, on an ad hoc basis, whether the EIA is to be performed or not. Members of the public are allowed to participate in the EIA process subject to conditions stipulated in the Czech Environmental Impact Assessment Act. The outcome of the EIA process provides a binding basis for the proceedings listed in the Czech Environmental Impact Assessment Act (for example, proceedings for zoning and building permits, mining permits, or integrated permits). With effect from November 2017, the EIA process has been streamlined so that, for example, public hearings within the EIA process are limited, participation of the general public is limited to certain stages of the EIA process and the Czech Government may, under exceptional circumstances of public interest, grant an exception from the requirement to undergo an EIA process.

### *Czech Energy Management Act*

The Czech Energy Management implements three directives of the European Parliament and the Council, namely Directive 2010/30/EU of 19 May 2010 on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products (the "*EU Labelling Directive*"), E.U Energy Performance of Buildings Directive and EU Energy Efficiency Directive. These directives set out the EU's legislative framework to improve energy savings and efficiency by laying down rules relating to, among other things, issuances of energy certificates, performance of energy audits and improvement of environmental performance of products, such as household appliances, information and communication technologies.

On January 25, 2020, an amendment to the Czech Energy Management Act became effective. The amendment, among other things, provides for:

- refinements of energy efficiency certificates;

- the requirement to carry out energy audits for entities having at least 250 employees or annual turnover of more than CZK 1.3 billion and annual balance sheet of more than CZK 1.1 billion;
- changes in authorization process for energy specialists entitled to carry out energy efficiency inspections and issue energy efficiency certificates.

### *Czech Integrated National Energy and Climate Plan*

In December 2018, the Czech Ministry of Industry drew up a draft of the Czech Integrated National Energy and Climate Plan contemplated by the E.U. Governance Regulation and, after having been approved by the Czech Government, submitted it to the E.U. Commission at the end of January 2019. The draft contains main objectives and policies in all five dimensions of the Energy Union for the period 2021-2030 with the outlook for the period up to the year 2050. In accordance with the draft, the main objectives of Czech Republic are, among other things:

- reduction of the total greenhouse gas emissions by 30% by 2030;
- attainment of a 20.8% share of renewable energy sources in gross final energy consumption (*i.e.* an increase of 7.8% compared to the national target of 13.0% set for the year 2020);
- setting an indicative target for the absolute value of primary energy sources, final consumption and energy intensity, and a binding target for energy savings in the buildings of public sector and annual savings on the level of final energy consumption;
- diversification of the energy mix, maintaining self-sufficiency in electricity consumption, ensuring sufficient development of energy infrastructure and preventing from significant increase in import dependency; and
- reaching 15% for electricity interconnectivity for the year 2030.

A consultation process between the Czech Republic and the E.U. Commission took place in the first half of 2019 and the Czech Republic received recommendations from the E.U. Commission to the draft of the Czech Integrated National Energy and Climate Plan on July 18, 2019. In the recommendation, the E.U. Commission *inter alia* recommended the Czech Republic to (i) increase the level of ambition for 2030 to a renewable energy share of at least 22% as Czechia's contribution to the Union's 2030 target for renewable energy, (ii) increase its ambition towards reducing primary energy consumption, (iii) include projections for the future energy mix, including renewable sources of gas, and planned measures in the area of resilience of the energy system, demand side measures, cybersecurity and critical infrastructure, and (iv) further clarify national objectives and funding targets in research, innovation and competitiveness, specifically related to the Energy Union, to be achieved between now and 2030. The Czech Republic is required to submit the final version of the Czech Integrated National Energy and Climate Plan to the E.U. Commission after due settlement of any comments by the end of 2019 and subsequently every ten years thereafter. The Czech government approved the final plan on January 13, 2020 with the increased target of 22 % share of renewable energy on the gross energy consumption.

### *General Liability*

Potential liability can arise under criminal, administrative, civil law and environmental law. The Czech Republic has the ability to enforce environmental rules and regulations pursuant to administrative and criminal law whereas individuals may enforce environmental rules and regulations under civil law. There has been little development in environmental case law to date in the Czech Republic; it is not directly binding and can only be used as a guide.

### *The "Polluter Pays" Principle*

The "polluter pays" principle applies under administrative, criminal and civil law in the Czech Republic. The person responsible for environmental damage (the "*Polluter*") must pay administrative fines, is subject to criminal sanctions and must compensate any affected third party, irrespective of whether the Polluter operates their own property or whether a third party operates the property. Polluters are liable for their own damages. A current lessee cannot be held liable for damages caused by former lessees or the owner.

### *Criminal Liability towards the State*

The Act No. 418/2011 Coll. on criminal liability of legal entities and proceedings against them (the "*Czech Legal Entity Criminal Act*"), has introduced a concept of corporate criminal liability. Claims for damages under the Civil Code may be made separately.

The Czech Legal Entity Criminal Act does not apply to natural persons. Under Czech criminal law, criminal acts of natural persons can be committed both intentionally and negligently and can result in fines or imprisonment.

#### *Administrative Liability towards the State*

Administrative liability for environmental and other administrative offences is primarily governed by the Czech Water Act, the Czech Waste Act, Act No. 289/1995 Coll., as amended, the Czech IPPC Act, the Czech Nuclear Act 2016, the Czech Air Protection Act and the Czech Emission Allowances Act.

These statutes contain environmental and other offences, which carry strict liability. The Czech Nuclear Act 2016 provides that the relevant administrative body is entitled to penalize the individual or entity with a fine of up to CZK 100 million in the event of utilization of nuclear energy for purposes that are not peaceful. Breach of the various statutes can result in fines ranging from CZK 5 thousand up to CZK 100 million. Generally, the relevant administrative body has the power to impose these penalties within one year from the occurrence of the offence or within three years in case of offences with upper penalty equal to at least CZK 100,000 but no later than three and five years from the occurrence thereof respectively. These penalties do not affect the liability to pay damages under the Civil Code, which may be claimed separately.

#### *Remedial Measures Imposed by Administrative Authorities*

Act No. 17/1992 Coll., the Environment Act, as amended (the "*Czech Environment Act*") has introduced into the Czech legal system a concept of "Environmental Damage (Loss)" in order to ensure that damage caused to the environment is repaired regardless of whether a private claim for damages has been brought against the Polluter. The competent administrative body is authorized to order the polluter to restore the natural functions of the impaired ecosystem.

Special statutes, e.g. the Czech Water Act and the Czech Waste Act, include provisions for remedial measures to be taken by administrative authorities in order to ensure the repair of environmental damage. In certain cases, the respective administrative authority is also entitled to shut down the business operations which are the source of environmental damage and to require the execution of specific remedial measures.

In addition, the Act No. 167/2008 Coll., on Prevention of Ecological Losses, as amended (the "*Czech Ecological Losses Prevention Act*") authorizes the competent authorities to impose on Polluters preventive measures for impending ecological loss as well as all remedial measures necessary to restore an ecosystem. The proceedings for imposing preventive or remedial measures on Polluters may be initiated by a respective competent authority or based upon a petition of an individual or a legal entity. A polluter can be fined up to CZK 5 million for failure to perform preventive or remedial measures. The Czech Ecological Losses Prevention Act further broadens the scope of environmental laws as it focuses on the occurrence of an ecological loss, irrespective of which segment of the environment was damaged. In October 2017, a proposal for an amendment to the Czech Ecological Losses Prevention Act was introduced to provide non-governmental, non-profit organizations with a right to initiate proceedings on imposing preventive or remedial measures on Polluters. The legislative procedure is still pending.

Holders of licenses relating to the electricity, gas or heating energy markets pursuant to the Czech Energy Act are also liable for administrative offences committed thereunder.

#### *Civil Liability towards a Third Party*

As well as general liability for damages, the New Czech Civil Code imposes, in certain circumstances, a "quasi strict liability" for most environmental damage cases. Such quasi strict liability is applied if the individual or legal entity causes damage to a third party in the course of the operation of its business. The individual or legal entity is only exempt from such liability if it can prove that it has exercised all reasonable care to avoid the damage. Compensation under civil law includes compensation for current and future damage, including lost profit.

The court is empowered to reduce damages due to a special cause, provided that the damage was not caused deliberately, e.g. by acting without due professional diligence. The statute of limitations generally applicable under Czech law applies to quasi-strict liability.

## MANAGEMENT OF ČEZ

### General Overview

We have a two-tier board system consisting of a Board of Directors and a Supervisory Board. The Board of Directors represents us in all matters and is responsible for our management, while the Supervisory Board is an independent body that oversees the Board of Directors and our business activities. The Board of Directors and Division Heads manage our day-to-day operations. Under the Czech Companies Act and our Articles of Association, the Supervisory Board may not make management decisions and such decisions are reserved for the Board of Directors. However, the Supervisory Board's approval is needed for certain key management decisions, such as those relating to our entry into specific transactions with a value greater than CZK 500 million, for the disposal of real estate with a value greater than CZK 100 million, or for our entry into long-term loans.

### Board of Directors

The Board of Directors is a statutory body, which manages our operations and acts on our behalf. The powers and responsibilities of the Board of Directors are set forth in detail in our Articles of Association. For information on the availability of our Articles of Association, please see "*General Information—Documents Available*".

The Supervisory Board elects members of the Board of Directors. Members of our Board of Directors serve four-year terms and may be re-elected. The business address of each member of the Board of Directors is Duhová 2/1444, 140 53 Prague 4, Czech Republic.

Responsibilities of the Board of Directors primarily include:

- managing our day-to-day operations, including keeping of proper accounts;
- convening and organizing the General Meeting and submitting to the General Meeting certain information, including: draft company business policy and draft amendments thereto, at least once every four years, draft amendments to our Articles of Association; proposals to increase/decrease our share capital; annual, extraordinary, consolidated, and interim financial statements; income distribution proposals including stipulation of dividend amount, manner of pay-out, and due date, participation in our profit sharing by members of our Board of Directors, and amounts to be allocated to reserves or the manner of settling any losses; report on our business operations; remuneration policy and the report on remuneration
- carrying out General Meeting resolutions; and
- deciding on entering into agreements relating to the formation of business companies or acquisition of our ownership stakes in other legal entities, as well as winding up of business companies or disposing of our ownership stakes in other legal entities.

The Board of Directors makes decisions by a simple majority of the votes of all its members. A quorum is present when a simple majority of members of the Board of Directors is present at a meeting. Each member of the Board of Directors has one vote. When necessary in matters of urgency, a decision may be made by the Board of Directors without holding a meeting. The Board of Directors has discretion to invite to its meetings members of our other governing bodies, our employees, or other persons. In accordance with our Articles of Association, certain decisions of the Board of Directors require prior consent or opinion of the Supervisory Board before they can be implemented, and the Board of Directors is required to submit such decisions to the Supervisory Board for discussion and request its opinion.

Our Articles of Association provide that the Board of Directors shall comprise seven members. The Board of Directors is obliged to meet at least once a month. In practice, however, meetings are held almost weekly and a total of 47 meetings took place in 2020 (comprising 41 regular and six extraordinary meetings).

There are no conflicts of interest between the duties of the members of the Board of Directors to us and to their private interests or other duties.

Set out below are members of the Board of Directors as of the date of this Base Prospectus.

<b>Name</b>	<b>Born</b>	<b>Position</b>
Daniel Beneš	1970	Chairman of the Board of Directors
Pavel Cyrani	1976	Vice-Chairman of the Board of Directors
Martin Novák	1971	Member of the Board of Directors
Michaela Chaloupková	1975	Member of the Board of Directors
Tomáš Pleskač	1966	Member of the Board of Directors
Ladislav Štěpánek	1957	Member of the Board of Directors
Bohdan Zronek	1971	Member of the Board of Directors

*Daniel Beneš*

*Chairman of the Board of Directors since September 15, 2011  
Member of the Board of Directors continuously since December 15, 2005 Last re-elected with effect from December 19, 2021*

A graduate of the Technical University of Ostrava, Faculty of Mechanical Engineering, and the Brno International Business School Nottingham Trent University (MBA). He gained managerial and professional experience in positions such as Procurement Director, Chief Administrative Officer, and Chief Operating Officer of ČEZ.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Technical University of Ostrava—member of the Board of Trustees;
- Confederation of Industry of the Czech Republic—member of the Board of Directors and First Vice-President;
- Nadace ČEZ —Chairman and member of the Board of Trustees; and
- RELT Investment, a.s. – Member of the Supervisory Board and the sole shareholder.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- Czech Association of Energy Sector Employers—member of the Board of Directors.

*Pavel Cyrani*

*Vice-Chairman of the Board of Directors since January 1, 2020  
Member of the Board of Directors since October 20, 2011  
Re-elected with effect from October 22, 2019*

A graduate of the University of Economics, Prague, majoring in international trade, and the Kellogg School of Management in Evanston, Illinois (USA), where he was awarded an MBA in Finance. He gained managerial and professional experience primarily at ČEZ, where he has served since 2006, first as Head of Planning & Controlling and Head of Asset Management and since 2011 as a member of the Board of Directors, Chief Strategy Officer, and then Chief Sales Officer. Prior to joining ČEZ, he worked at McKinsey & Company.

Besides the current membership stated above, Pavel Cyrani is not, and has not in the past five years been, a member of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures.

*Martin Novák*

*Member of the Board of Directors since May 21, 2008  
Last re-elected with effect from May 24, 2020*

A graduate of the Faculty of International Relations, University of Economics, Prague, majoring in international trade and commercial law. In 2007, he completed an Executive Master of Business Administration (MBA) program at the KATZ School of Business, University of Pittsburgh, specializing in the energy sector. He has been a member of the Czech Chamber of Tax Advisers since 1996. He gained managerial and professional experience particularly during his almost ten-year career in the oil refining industry and fuel production and distribution. In recent years he served as manager in ConocoPhillips' global headquarters in Houston, Texas as well as its London regional office. He also worked at ConocoPhillips Czech Republic s.r.o. where he served as Chief Financial Officer with responsibility for Central &

Eastern Europe (in this position he also served as statutory representative for several regional branches of ConocoPhillips), and at ČEZ as Head of Accounting.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Burza cenných papírů Praha, a.s.—member of the Supervisory Board.

Besides the current membership stated above, Martin Novák is not, and has not in the past five years been, a member of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures.

*Tomáš Pleskač*

*Member of the Board of Directors since January 26, 2006*

*Last re-elected with effect from January 29, 2018*

A graduate of the Faculty of Business and Economics, University of Agriculture, Brno; MBA from Prague International Business School. He gained managerial and professional experience in positions such as Chief Financial Officer for Severomoravská energetika, a. s. and Deputy Director for Finance for the Dukovany Nuclear Power Plant.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Akenerji Elektrik Üretim A.S. (Turkey)—Vice-Chairman and member of the Board of Directors; and
- Akcez Enerji A.S. (Turkey)—Vice-Chairman and member of the Board of Directors.

Besides the current membership stated above, Tomáš Pleskač is not, and has not in the past five years been, a member of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures.

*Michaela Chaloupková*

*Member of the Board of Directors from October 20, 2011 to October 20, 2019*

*Re-elected with effect from January 1, 2020*

A graduate of the Faculty of Law, University of West Bohemia, Pilsen, and an Executive Master of Business Administration (MBA) program at the KATZ School of Business, University of Pittsburgh, specialising in the energy sector. She gained managerial and professional experience, in particular at Stratego Invest a.s. (later i-Tech Capital, a.s.), where she served as Head of Controlling and Vice-Chairwoman of the Board of Directors, as well as in managerial positions in Procurement and Human Resources at ČEZ.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Nadace ČEZ – member of the Supervisory Board;
- Nadační fond SENIOŘI SKUPINY ČEZ –chairwoman of the Board of Trustees;
- Nadační fond Revenium – member of the Board of Trustees; and
- Odyssey, z.s. – member of the Board of Trustees.

Besides the current membership stated above, Michaela Chaloupková is not, and has not in the past five years been, a member of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures.

*Ladislav Štěpánek*

*Member of the Board of Directors since June 27, 2013*

*Re-elected with effect from June 28, 2017*

A graduate of the Faculty of Mechanical Engineering, Czech Technical University, Prague. He gained managerial and professional experience in positions such as Head of the Office of the Chief Executive Officer and the Board of Directors, and Head of Fuel Cycle at ČEZ.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Správa úložišť radioaktivních odpadů – member of the Board.

A graduate of electrical engineering at the Czech Technical University in Prague and the development programme InterLeader 2002<sup>®</sup>. He gained managerial and professional experience in various positions at the Temelín Nuclear Power Plant where he started his professional career. Previously he was appointed as Chief Security Officer for all ČEZ power plants and the Director of the Temelín nuclear power plant. He is also a member of the Board of Management in the World Nuclear Association and a president of the Nuclear Safety Advisory Committee of the company MVM (owner of Paks power plant).

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Správa úložišť radioaktivních odpadů – Vice-chairman of the Board.

Besides the current membership stated above, Bohdan Zronek is not, and has not in the past five years been, a member of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures.

On April 22, 2021, ČEZ Supervisory Board elected Jan Kalina, the current CEO of the company ČEZ Obnovitelné zdroje, s.r.o., a member of the Board of Directors of ČEZ with the effect from June 29, 2021. Jan Kalina will be replacing Ladislav Štěpánek whose mandate in the Board of Directors of ČEZ expires on June 28, 2021.

### **Chief Executive Officer and Division Heads**

At the executive employees' level, we are managed by the Chief Executive Officer and the Division Heads. The business address of our Chief Executive Officer and Division Heads is Duhová 2/1444, 140 53 Prague 4, Czech Republic.

There are no conflicts of interest between the duties of our Chief Executive Officer and our Division Heads to us and to their private interests or other duties.

Set out below are our Division Heads as of the date of this Base Prospectus.

<b>Name</b>	<b>Born</b>	<b>Position</b>	<b>Date of the most recent appointment</b>
Daniel Beneš	1970	Chief Executive Officer	December 19, 2021
Martin Novák	1971	Chief Financial Officer	May 24, 2020
Tomáš Pleskač	1966	Chief Renewable Energy and Distribution Officer	January 29, 2018
Ladislav Štěpánek	1957	Chief Conventionals Officer	June 28, 2017
Michaela Chaloupková	1975	Chief Administrative Officer	January 1, 2020
Pavel Cyrani	1976	Chief Sales and Strategy Officer	October 22, 2019
Bohdan Zronek	1971	Chief Nuclear Officer	June 1, 2017

*Daniel Beneš.* Mr. Beneš has been our Chief Executive Officer since September 16, 2011. For more information on Mr. Beneš, please see "*—Board of Directors*" above.

*Michaela Chaloupková.* Ms. Chaloupková has been our Chief Administrative Officer (formerly Chief Purchasing Officer) since January 1, 2012. For more information on Ms. Chaloupková, please see "*—Board of Directors*" above.

*Pavel Cyrani.* Mr. Cyrani has been our Chief Sales and Strategy Officer since January 1, 2016, and appointed Deputy CEO for Strategic Development since 2020. For more information on Mr. Cyrani, please see "*—Board of Directors*" above.

*Ladislav Štěpánek.* Mr. Štěpánek has been our Chief Generation Officer since July 1, 2013, and appointed Chief Conventionals Officer since June 28, 2017. For more information on Mr. Štěpánek, please see "*—Board of Directors*" above.

*Martin Novák.* Mr. Novák has been our Chief Financial Officer since January 1, 2008, and appointed Deputy CEO for Operations since 2020. For more information on Mr. Novák, please see "*—Board of Directors*" above.

*Tomáš Pleskač.* Mr. Pleskač has been our Chief Foreign Assets Officer since May 1, 2014, and appointed Deputy CEO for Renewables since 2020. For more information on Mr. Pleskač, please see "*—Board of Directors*" above.

*Bohdan Zronek.* Mr. Zronek has been our Chief Nuclear Officer since June 1, 2017. For more information on Mr. Zronek, please see "*—Board of Directors*" above.

### ***Committees of the Board of Directors***

The *Corporate Compliance Committee* of ČEZ was established as an advisory body of the Board of Directors in order to contribute to professional and effective decisions in the field of expertise of the Corporate Compliance Committee. The tasks of the Corporate Compliance Committee include, in particular, the assessment of potential compliance risks, their impact and valuation of the level of the compliance risk management.

### ***Committees of Members of the Board of Directors***

Each member of the Board of Directors may set up working commissions, teams, and committees in their appointed area. Other members of the Board of Directors involved in the matters in question and relevant CEZ Group employees may participate in their work.

The following were the key committees in the CEZ Group as at the date of this Base Prospectus:

*ČEZ Task Force*, which coordinates preparation to manage crisis situation, managing crisis situations and applying measures in accordance with the Act No. 240/2000 Coll., the Crisis Act. It is an advisory body to the Chairman of the Board of Directors (Chief Executive Officer). In 2020, an Expert Working Group – Coronavirus was established within the ČEZ Task Force to deal with the pandemic situation and prepare measures to minimize the spread of Covid-19 in the companies of the CEZ Group.

*The Committee for ČEZ Plant Safety*, which, among other things, deals with matters related to nuclear plant safety at ČEZ, mainly in the field of fulfilment of the integrated nuclear safety requirements, radiation protection and technical safety, monitoring of the radiation status, dealing with radiation emergency situations, assessment of legal and regulatory changes and their impact on nuclear safety management, monitoring of safety of nuclear power plants and safe allocation of resources for ensuring appropriate level of nuclear safety. The committee is an advisory body to the Chairman of the Board of Directors (Chief Executive Officer).

*The CEZ Group Security Committee*, which, among other things, deals with the CEZ Group's security policies, strategies, and objectives; threats; risks; analyses of security incidents; and proposed security requirements, corrective measures, and the priorities/conditions for their implementation. The committee is an advisory body to the Chairman of the Board of Directors (Chief Executive Officer).

*The Risk Committee*, which deals with matters concerning the CEZ Group's risk management; in particular, it proposes the risk management system development strategy and adopts recommendations and opinions on venture capital management, the oversight of internal risk management, and the monitoring of the overall impact of risks on the CEZ Group's value. The Risk Committee is an advisory body to the Member of the Board of Directors in charge of the Finance Division (Chief Financial Officer).

*The Committee for Nuclear Safety*, which provides support to the safety management of the operation of the nuclear power plants of ČEZ. The committee is an advisory body to the Member of the Board of Directors being responsible for operation of the CEZ Group's nuclear assets (Chief Nuclear Officer).

*The strategic IT Committee*, which was established due to increasing importance of IT technologies for the future development of the CEZ Group and following requirements for coordination of development of IT within the CEZ Group. The Committee deals with strategy and the overall architecture of the key IT platforms. The strategic IT Committee is an advisory body of Member of the Board of Directors in charge of the Finance Division (Chief Financial Officer).

### **Supervisory Board**

As of the date of this Base Prospectus and in accordance with our Articles of Association, the Supervisory Board comprises 12 members. Pursuant to the Czech Companies Act and our Articles of Association, two thirds of the members of the Supervisory Board are elected by the General Meeting of the shareholders and the remaining one third of the

members are elected by our employees. If the number of the members of the Supervisory Board has not dropped by more than a half, the Supervisory Board may appoint substitute members until the next General Meeting session.

The Supervisory Board's powers include, among other powers, the power to:

- elect and remove members of our Board of Directors;
- approve the management contracts and remuneration of the members of our Board of Directors, and, in case they are not members of our Board of Directors, also those of the Chief Executive Officer and the Division Heads;
- check compliance with generally binding legal regulations, our Articles of Association and shareholders' meeting resolutions;
- inspect all documents and records relating to our business and to inquire into our financial matters and informs the general meeting of the results of its inspection activities;
- supervise the execution of our Board of Directors' ownership rights in legal entities that ČEZ has an ownership interest in;
- review our annual, extraordinary, consolidated, interim financial statements and income distribution proposals, including power to stipulate the amount and manner of payment of bonuses to members of our Board of Directors, dividends and loss settlement proposals;
- discuss our quarterly financial results, half-year and yearly reports; and
- establish an internal procedure enabling the regular assessment of whether the conditions under Section 121v(1) of the Czech Act No. 15/1998 Coll., on Capital Markets Supervision, as amended, are met.

Generally, the Supervisory Board makes decisions by a simple majority of all its members. Under our Articles of Association, the Supervisory Board makes decisions by a majority of two thirds of its members in certain circumstances, such as decisions to adopt procedural rules of the Supervisory of Directors. The quorum for a meeting of the Supervisory Board is a simple majority of its members. Each Supervisory Board member has one vote. When necessary in matters of urgency, a decision may be made by the Supervisory Board without holding a meeting (such decisions are referred to as *per rollam*). At its discretion, the Supervisory Board may invite members of our other governing bodies, our employees, or other persons to its meetings.

In accordance with our Articles of Association, the Supervisory Board meets usually once a month. In 2020, there were 11 regular and 2 extraordinary meetings. The Chairman of the Board of Directors regularly attends the meetings. The business address of each member of the Supervisory Board is Duhová 2/1444, 140 53 Prague 4, Czech Republic.

There are no conflicts of interest between the duties of the members of the Supervisory Board to us and to their private interests or other duties.

Set out below are the members of the Supervisory Board as of the date of this Base Prospectus.

<b>Name</b>	<b>Born</b>	<b>Position</b>
Otakar Hora	1960	Chairman of the Supervisory Board
Zdeněk Černý	1953	Vice Chairman of the Supervisory Board
Ondřej Landa	1980	Vice Chairman of the Supervisory Board
Vladimír Hronek	1964	Member of the Supervisory Board
Jitka Čermáková	1973	Member of the Supervisory Board
Lubomír Klosík	1951	Member of the Supervisory Board
Josef Suchánek	1954	Member of the Supervisory Board
Jan Vaněček	1967	Member of the Supervisory Board
František Vágner	1954	Member of the Supervisory Board
Vladimír Kohout	1954	Member of the Supervisory Board
Vladimír Černý	1961	Member of the Supervisory Board
Karel Tyll	1975	Member of the Supervisory Board

Otakar Hora

*Chairman of the Supervisory Board since August 16, 2018*

*Member of the Supervisory Board since June 23, 2018*

A graduate of an Economic Reporting and Audit program, University of Economics, Prague. He completed his research assistantship at the Department of Accounting of the University of Economics. He gained managerial and professional experience in such positions as lecturer and later deputy head of the Department of Accounting and the Department of Management Accounting and member of the Scientific Board of the Faculty of Finance and Accounting, University of Economics, Prague; Vice-President of the Czech Chamber of Auditors; partner at KPMG Česká republika Audit, s.r.o.; and partner in charge of the management of operations of KPMG group companies in the Czech Republic.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Stálý výbor pro výstavbu nových jaderných zdrojů v ČR – member of the committee;
- DZD, v.o.s. - liquidator;
- ABarent s. r. o. - Managing Director and company member;
- České dráhy, a.s. – vice-chairman of the audit committee;
- Severomoravské vodárny a kanalizace Ostrava a.s. – vice-chairman of the audit committee; and
- SAZKA Group, a.s. – chairman of the audit committee.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- KPMG Česká republika, s.r.o.- proxy with an individual power of procuration;
- KPMG Česká republika Audit, s. r.o. -Managing Director;
- DZD, v.o.s. v likvidaci – company member and statutory representative; and
- VODÁRNA PLZEŇ a.s. – chairman of the audit committee.

Zdeněk Černý

*Vice-Chairman of the Supervisory Board since August 16, 2018*

*Member of the Supervisory Board since June 27, 2014*

*Re-elected with effect from June 28, 2018*

A graduate of the Faculty of Law, Charles University, Prague, and a Commercial Law MBA program, Ústav práva a právní vědy, o.p.s., Prague. He gained managerial and professional experience positions such as member of the Supervisory Board of UNIPETROL, a.s.; member and Chairman of the Supervisory Board of ČESKÁ RAFINÉRSKÁ, a.s.; Chairman of the ECHO Labor Union; and member of the Supervisory Board of ČEZ Energetické služby, s.r.o.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- ECHO labour union – chairman.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- ČESKÁ RAFINÉRSKÁ, a.s. - Chairman and member of the Supervisory Board; and
- UNIPETROL, a.s. (ORLEN Unipetrol a.s.) – Vice-chairman of the Supervisory Board.

Ondřej Landa

*Vice-Chairman of the Supervisory Board since June 23, 2016 till July 1, 2020;  
Re-elected with effect from July 23, 2020;  
Member of the Supervisory Board since June 3, 2016 till July 1, 2020;  
Re-elected with effect from July 2, 2020*

A graduate of the Faculty of Law, Masaryk University, Brno. He gained professional experience in positions such as a lawyer and Director of Litigation and Difficult Cases at Československá obchodní banka, a. s., and Deputy Minister managing the Legal Section of the Ministry of Finance of the Czech Republic.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Letiště Praha, a. s. — Vice-Chairman of the Supervisory Board.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- Český Aeroholding, a.s. — Vice-Chairman of the Supervisory Board.

Jitka Čermáková

*Member of the Supervisory Board since April 12, 2017  
Elected directly by the employees as an employee representative on the Supervisory Board effective from January 23, 2018*

A graduate of the secondary school in Trutnov. She gained professional experience in positions such as administration-technical specialist in Poříčí power plant and Vítkovice power plant; chairwoman of labour union of the Poříčí power plant; and Vice-Chairwoman of the CEZ Group European Labour Committee.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- CEZ Group European Labour Committee – Vice-Chairwoman

Other than that, Jitka Čermáková has not been a member, of any other governing bodies outside the CEZ Group or in CEZ Group's affiliates and/or joint ventures in the past five years.

Vladimír Hronek.

*Member of the Supervisory Board  
elected by employees since September 30, 2010; Re-elected with effect from April 12, 2017;  
Elected directly by the employees as an employee representative on the Supervisory Board effective from January 23, 2018*

A graduate of the Industrial School of Electrical Engineering, Prague. He gained professional experience in positions such as a member and Vice-Chairman of the CEZ Group European Labour Committee.

Vladimír Hronek is not a member of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- CEZ Group European Labour Committee — Vice-Chairman and member.

Lubomír Klosík

*Member of the Supervisory Board since April 12, 2017  
Elected directly by the employees as an employee representative on the Supervisory Board effective from January 23, 2018*

A graduate of Secondary Industrial Chemical School of Chemical Technology in Ostrava and a graduate of three-year program in Social-Economic Management at Mendel University in Brno. He gained managerial and professional experience in positions such as shift foreman in Dětmárovice power plant, a member and vice-chairman of

the Supervisory Board in ČEZ, member and Vice-Chairman of the Audit Committee of ČEZ and as a graduate of the Czech Institute of Directors in Prague.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Base organization of the ECHO labour union in the Dětmarovice power plant – Chairman of the Committee.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- ECHO labour union – member of the management board.

*Vladimír Kohout*

*Member of the Supervisory Board since June 3, 2016 till July 1, 2020;  
Re-elected with effect from July 2, 2020*

A graduate of the Brno University of Technology, Faculty of Electrical Engineering. He gained managerial and professional experience in positions such as Technology and Investment Director and a Chairman of the Board at Teplárny Brno, a.s.; Economic Director and Vice-Chairman of the Board of Directors of Energetické strojírný Brno, a.s.; and Chairman of the Board of Trustees and Statutory Director of Moravská energetická a.s. In the CEZ Group, he has worked as a heating plant technology operations manager; electrical operations manager; and director of the Brno branch of ČEZ – Jihomoravské elektrárny Brno, k.p., Brno.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- ESB Elektro, a.s.—Chairman of the Board of Directors;
- ESB Rozvaděče, a.s.—member of the Board of Directors; and
- Moravská energetická a.s.—Chairman of the Board of Trustees and Statutory Director.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- Energetické strojírný Brno, a.s.—Vice-Chairman and member of the Board of Directors.

*Vladimír Černý*

*Member of the Supervisory Board since July 2, 2020*

A graduate of the Brno Agriculture University and the Faculty of Law of Bratislava college (Slovakia). He gained managerial and professional experience as the mayor of Rouchovany municipality and a member of the Board of Trustees of Nadace ČEZ (ČEZ foundation).

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- ENERGETICKÉ TŘEBÍČSKO (zájmové sdružení právnických osob) – member of the board of the association;
- Nadace ČEZ – member of the Board of Trustees;
- Myslivecký spolek Rouchovany – chairman of the hunters's society.

Other than that, Vladimír Černý has not been a member, of any other governing bodies outside the CEZ Group or in CEZ Group's affiliates and/or joint ventures in the past five years.

*Josef Suchánek*

*Member of the Supervisory Board since April 12, 2017*

*Elected directly by the employees as an employee representative on the Supervisory Board effective from January 23, 2018*

A graduate of the Secondary Industrial School in Třebíč in the field of mechanical engineering, and also graduate of the Institute of Energy of the Czech State Energy Inspectorate in the field of water management. He gained managerial and professional experience in various positions in the CEZ Group's Dalešice hydro power plant.

Josef Suchánek is not a member, and has not in the past five years been a member, of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures currently.

*Karel Tyll*

*Member of the Supervisory Board since June 23, 2018.*

A graduate in finance and information technology at the University of Economics in Prague.

He gained managerial and professional experience as a head of the Department of the State Budget and as a Deputy Minister of Finance responsible for Public Budgets and also as a member of the Supervisory Board of Podpůrný a garanční rolnický a lesnický fond, a.s.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Podpůrný a garanční rolnický a lesnický fond, a.s. — member of the Supervisory Board

Karel Tyll is not a member, and has not in the past five years been a member, of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures.

*František Vágner*

*Member of the Supervisory Board since June 3, 2016 till July 1, 2020;*

*Re-elected with effect from July 2, 2020*

A graduate of the nuclear chemistry program at the Faculty of Nuclear Sciences and Physical Engineering, Czech Technical University, Prague. He gained managerial and professional experience in positions such as Director, Managing Director, Chief Executive Officer, and Vice-Chairman and Chairman of the Board of Directors of ENVINET a.s. and Senior Adviser at NUVIA a.s. In the CEZ Group he has worked as Head of Technical Support at ČEZ.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Perálec 77, s.r.o.— co-owner and Managing Director;
- IFRE a.s.—Chairman of the Board of Trustees and sole shareholder;
- IFRE INDUSTRY a.s.—member of the Board of Trustees;
- P77 s.r.o.—co-owner and Managing Director; and
- TREBITSCH HOLDING SE - member of the Board.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- BD ŘÍČANY s.r.o.—Managing Director;
- Denní centrum Barevný svět, o.p.s.—member of the Board of Trustees;
- AEF ACIMEX ELECTRONICS FULNEK s.r.o.—Managing Director;
- IFRE FJ s.r.o.—Managing Director; and

- IFRE a.s.— Statutory Director.

*Jan Vaněček*

*Member of the Supervisory Board since June 27, 2019*

A graduate of the Faculty of Electrical Engineering, Czech Technical University in Prague; and an ACCA/FCCA—Chartered Certified Accountant obtained on the international professional training program at Charles University, Prague. He gained managerial and professional experience in positions such as Audit Senior at Arthur Andersen and Chief Financial Officer for the Czech Republic at Cinergy, a U.S. energy company.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Pinn partners s.r.o. — co-owner and Managing Director.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- CP Praha s.r.o., in liquidation—Vice-Chairman and member of the Supervisory Board.

In accordance with the section 20 par. 1 and 4 of the Act No. 191/2020 Coll., on certain measures to mitigate the consequences of the coronavirus SARS CoV-2 pandemic, the term of service of Mr. Ondřej Landa, Mr. Vladimír Kohut and Mr. František Vágner was prolonged.

### ***Committees of the Supervisory Board***

The Supervisory Board has the power to establish committees and to elect and remove their members. There were no committees active in 2020 as the Supervisory Board has decided that its working groups shall carry out tasks according to current needs of the Supervisory Board.

### **Audit Committee**

The Audit Committee is a stand-alone corporate body of ČEZ. Its powers and responsibilities and decision-making process of the Audit Committee are stipulated by our Articles of Association and Czech Act No. 93/2009 Coll., on auditors, as amended and include:

- Monitoring the process of compiling financial statements and consolidated financial statements and presenting recommendations to the Board of Directors and/or the Supervisory Board in order to ensure integrity of accounting and financial reporting systems (if necessary);
- Monitoring the efficiency of internal controls and risk management systems;
- Monitoring the efficiency of internal audit and its functional independence;
- Recommending an auditor to conduct a statutory audit to the Supervisory Board, duly justifying such a proposal;
- Monitoring the statutory audit process;
- Reviewing the independence of the statutory auditor and audit firm and the provision of non-audit services to a public-interest entity by the statutory auditor and audit firm;
- Discussing with the auditor risks to the auditor's independence and safeguards applied by the auditor in order to mitigate such risks;
- Giving its opinion on release from an obligation under a statutory audit contract or termination of a statutory audit contract pursuant to the Auditors Act;
- Informing the Supervisory Board of the result of a statutory audit and its findings obtained monitoring the statutory audit process;

- Informing the Supervisory Board how a statutory audit contributed to ensuring the integrity of accounting and financial reporting systems;
- Approving the provision of other non-audit services; and
- Exercising other powers pursuant to the Auditors Act or directly applicable E.U. legislation setting down specific requirements for the statutory audit of public-interest entities.

Pursuant to our Articles of Association, the Audit Committee has five members, which are elected and removed by the General Meeting from among members of the Supervisory Board or third parties. Members of the Board of Directors and our procura holders are not eligible to be members of the Audit Committee. The majority of the Audit Committee members (including the Chairman) must be independent and professionally qualified, and at least one of the professionally qualified members must be an independent individual qualified in the area of audit and/or accounting. Members of the Audit Committee serve a four-year term. Members of the Audit Committee attend the General Meeting and are required to report to the General Meeting on the results of their activities. The Audit Committee held seven meetings in 2020, there were five regular meetings and two extraordinary meetings. The Audit Committee makes decisions by a simple majority of the votes of all its members.

The business address of each member of the Audit Committee is Duhová 2/1444, 140 53 Prague 4, Czech Republic.

There are no conflicts of interest between the duties of the members of the Audit Committee to us and to their private interests or other duties.

Set out below are the members of the Audit Committee as of the date of this Base Prospectus.

<b>Name</b>	<b>Born</b>	<b>Position</b>
Jan Vaněček	1967	Chairman of the Audit Committee
Otakar Hora	1960	Vice Chairman of the Audit Committee
Andrea Lukášková	1980	Member of the Audit Committee
Jiří Pelák	1977	Member of the Audit Committee
Tomáš Vyhnánek	1977	Member of the Audit Committee

*Jan Vaněček*  
*Chairman of the Audit Committee since September 25, 2015 till June 12, 2019*  
*Re-elected as Chairman since June 27, 2019*  
*Member of the Audit Committee since June 12, 2015 till June 12, 2019*  
*Re-elected with effect from June 27, 2019*

A graduate of the Faculty of Electrical Engineering, Czech Technical University, Prague; and an ACCA/FCCA—Chartered Certified Accountant obtained on the international professional training program at Charles University, Prague. He gained managerial and professional experience in positions such as Audit Senior at Arthur Andersen and Chief Financial Officer for the Czech Republic at Cinergy, a U.S. energy company.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Pinn partners s.r.o.— co-owner and Managing Director.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- CP Praha s.r.o., in liquidation—Vice-Chairman and member of the Supervisory Board.

*Otakar Hora*  
*Vice-Chairman of the Audit Committee since September 27, 2016 till July 1, 2020;*  
*Re-elected as Vice-Chairman since July 2, 2020*  
*Member of the Audit Committee since June 3, 2016 till July 1, 2020; Re-elected with effect from July 2, 2020*

A graduate of an Economic Reporting and Audit program, University of Economics, Prague. He completed his research assistantship at the Department of Accounting of the University of Economics. He gained managerial and

professional experience in such positions as lecturer and later deputy head of the Department of Accounting and the Department of Management Accounting and member of the Scientific Board of the Faculty of Finance and Accounting, University of Economics, Prague; Vice-President of the Czech Chamber of Auditors; partner in KPMG Česká republika Audit, s.r.o.; and partner in charge of the management of operations of KPMG group companies in the Czech Republic.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Stálý výbor pro výstavbu nových jaderných zdrojů v ČR – member of the committee;
- DZD, v.o.s. - liquidator;
- ABarent s. r. o. - Managing Director and company member;
- České dráhy, a.s. – vice-chairman of the audit committee;
- Severomoravské vodárny a kanalizace Ostrava a.s. – vice-chairman of the audit committee; and
- SAZKA Group, a.s. – chairman of the audit committee.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- KPMG Česká republika, s.r.o.—proxy with an individual power of procuracy; and
- KPMG Česká republika Audit, s. r.o.—Managing Director;
- DZD, v.o.s. – company member and statutory representative; and
- VODÁRNA PLZEŇ a.s. – chairman of the audit committee.

*Andrea Lukasíková*

*Member of the Audit Committee since June 27, 2014  
Re-elected with effect from June 28, 2018*

A graduate of the Faculty of International Relations, University of Economics, Prague. She gained managerial and professional experience in such positions as Head of Risk Management at Deloitte Audit s.r.o. and in the independent European Affairs department of the Chancellery of the Senate of the Parliament of the Czech Republic; financial management and accounting at Olife Corporation, a.s.; now a head of internal audit at Česká televize.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Letiště Praha a.s. —Vice-chairman of the Audit Committee.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- Český Aeroholding, a.s.—member of the Audit Committee; and
- Česká exportní banka, a.s.—member of the Audit Committee.

*Jiří Pelák*

*Member of the Audit Committee since June 21, 2017*

A graduate of the Faculty of Finance and Accounting, University of Economics in Prague, where he studied the programme of Accounting and Financial Management of Business. He also studied at Copenhagen Business School in Denmark for half a year and St. Marks International College in Australia also for half a year.

He gained managerial and professional experience as an auditor and the first Vice-President of the Chamber of Auditors of the Czech Republic and also has an engagement with the Department of Financial Accounting and Auditing at the Faculty of Finance and Accounting, the University of Economics in Prague. He worked for three years as a

methodology specialist in Global Payments Europe, where he was responsible for managing the financial reporting of the subsidiaries, consolidation and reporting to the parent company. Being an expert in his field, he composed a range of interpretations of the Czech National Accounting Council, application clauses of the Chamber of Auditors of the Czech Republic and was a contributor to translations of the International Financial Reporting Standards. As a member of an advisory committee cooperated on preparation of the Czech Code of Corporate Governance.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Pražské vodovody a kanalizace, a.s. – member of the Supervisory Board;
- AFC CENTER, spol. s r.o. – Managing Director;
- Chamber of Auditors of the Czech Republic – member of the executive committee;
- Nadační fond Hippokrates – Controller;
- ŠAKAL Kbely – školní atletický klub Albrechtická, z.s. (association) – vice-chairman of the executive committee;
- Pražská plynárenská, a.s. – member of the Supervisory Board; and
- PRISKO a.s. - Vice-Chairman of the Audit Committee.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- Pražská vodohospodářská společnost, a.s. – member of the Supervisory Board; and
- ZOOT, a.s. – member of the audit committee.

*Tomáš Vyhnánek*

*Member of the Audit Committee since June 21, 2017*

A graduate of the Faculty of Social Studies, Charles University in Prague. He gained managerial and professional experience in various consultancy companies Deloitte and ČSOB Advisory and in various positions at the Ministry of Finance of the Czech Republic. Before that, he worked at the Ministry of Finance of the Czech Republic (a head of the department of the Central Harmonisation Unit, a deputy of the Minister for the division of the Financial Management and Audit).

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- České dráhy, a.s. – Chairman of the audit committee.

Beside his current membership stated above, Tomáš Vyhnánek is not, and has not in the past five year been, a member of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures.

## **Compensation**

The aggregate remuneration of the members of the Board of Directors, the Supervisory Board, the Audit Committee, the Chief Executive Officer, the Division Heads and selected managers of departments with group field activity decreased to CZK 323 million in 2020, compared with CZK 350 million in 2019.

Remuneration of members of the Supervisory Board and Audit Committee, including all benefits, is approved by the General Meeting of the shareholders. In accordance with resolutions passed by the General Meeting, we enter into a management contract with each member of these bodies. Remuneration of members of the Board of Directors, including all benefits, is approved by the Supervisory Board. In accordance with resolutions passed by the Supervisory Board, we enter into a membership contract with members of the Board of Directors.

All components of remuneration of the Supervisory Board and Board of Directors members are described in Remuneration Policy ČEZ, a. s., that is prepared on the basis of Section 1211 of the Capital Market Act. The Remuneration Policy was approved by the general meeting of ČEZ held on June 29, 2020. Pursuant to the Capital Markets Act, a Remuneration Report shall be prepared and be presented for approval of the general meeting of ČEZ in 2021.

Remuneration and benefits received by members of ČEZ's Audit Committee include:

- fixed remuneration;
- passenger car,
- travel expenses.

### **Share Options of Senior Management**

The Share Option Plan has been discontinued as at December 31, 2019. For members of the Board of Directors, it was replaced by the long-term performance bonus described in Remuneration Policy. After the termination of the Share Option Plan, members of the Board of Directors are not allocated new share options. After January 1, 2020, members of the Board of Directors can only exercise their company's share options, which belong to them from the period before December 31, 2019. The period during which shares acquired through such options cannot be disposed of has not been set out.

As of December 31, 2020, members of the Board of Directors, the Division Heads and certain departmental managers held a total of 1,421 thousand options to acquire shares of ČEZ. For information on the number of share options granted to and exercised and forfeited by the senior management in the year ended December 31, 2020, please see Note 30 to the 2020 Financial Statements.

### **Corporate Governance**

Our corporate governance is based on the rules and provisions of the Czech Companies Act, in particular with respect to its provisions regarding shareholder rights, convening our General Meetings and ensuring equal treatment of our shareholders.

As an issuer of securities admitted to trading on the Warsaw Stock Exchange, we also comply with the requirements of the Warsaw Stock Exchange Code and report regularly any slight deviations in our annual report.

Further, we also comply with all the substantive recommendations of the Czech 2018 Corporate Governance Codex (issued by the Czech Institute of Directors) which is based on the 2015 edition of the G20/OECD Principles of Corporate Governance, while taking into account the Czech legal environment and banking regulations.

For information on our governing bodies, a description of how they are established, their current composition, a description of how their members are remunerated, please see "*—Supervisory Board*", "*—Board of Directors*", "*—Chief Executive Officer and Division Heads*", "*—Audit Committee*" and "*—Compensation*" above.

## PRINCIPAL SHAREHOLDERS

As of December 31, 2020, the registered capital of ČEZ as recorded in the Commercial Register was CZK 53,798,975,900, comprising 537,989,759 shares, each with a nominal value of CZK 100. The issue price of all shares had been fully paid up and all the shares were booked to owner and listed.

The registered capital of ČEZ is comprised exclusively of common shares, with no special rights attached. All of the shares of ČEZ are admitted to trading on the Prague Stock Exchange and the Warsaw Stock Exchange and are freely transferable without any restrictions. No other securities issued by ČEZ are limited in their transferability, nor are there any special rights attached thereto.

In accordance with Section 309 of the Czech Companies Act, the voting rights attached to treasury shares acquired by ČEZ on the basis of a General Meeting resolution are not exercised by ČEZ. As of December 31, 2020, ČEZ held 2,516,240 treasury shares.

The following table sets forth the shareholdings of the Czech Republic as of December 31, 2020.

<b>As of December 31, 2020</b>		
<b>Shareholder</b>	<b>% of share capital</b>	<b>% of voting rights</b>
Ministry of Finance of the Czech Republic .....	69.78	70.11

The Czech Republic, through the Ministry of Finance, owns approximately 69.78 % of the share capital of ČEZ a. s., the parent company of the CEZ Group. As our controlling shareholder, the Ministry of Finance of the Czech Republic exercises shareholder rights provided for in our Articles of Association and applicable laws (including the Czech Companies Act and the Capital Market Act), which include the power to elect two thirds of members of our Supervisory Board, who in turn appoint all members of our Board of Directors. There are no mechanisms in place to prevent abuse of control over the CEZ Group by the Ministry of Finance of the Czech Republic except for provisions contained in our Articles of Association and applicable laws (including the Czech Companies Act and the Capital Market Act). For information on certain Czech statutory mechanisms which are currently in effect and preventing abuse of control by the Ministry of Finance of the Czech Republic, please see "*Related Party Transactions*").

As of December 31, 2020, besides the Ministry of Finance of the Czech Republic, there were three shareholders holding more than 1 % of the share capital or of the voting rights of the shares of ČEZ. The following table sets forth their shareholdings.

<b>As of December 31, 2020</b>		
<b>Shareholder</b>	<b>% of share capital</b>	<b>% of voting rights</b>
Clearstream Banking S.A. ....	2.38	2.39
Chase Nominees Limited .....	1.73	1.74

Data in the table above is based on the information provided by the Czech Central Securities Depository (the "CSD"). The shareholders holding more than 1 % of the share capital or of the voting rights of the shares of ČEZ mentioned in the table above might hold the shares of ČEZ on behalf of other entities or individuals.

On March 14, 2018 a group of ČEZ shareholders consisting of Mr. Michal Šnobl and J&T Securities Management Plc, Tinsel Enterprises Limited and Hamafin Resources Limited announced that they act in concert in respect of ČEZ and, therefore, have a status of a qualified shareholder. According to the records of the CSD as of December 31, 2020, this group of shareholders held a share of 1.16 % on the share capital and 1.17 % on the voting rights of ČEZ.

To the best of our knowledge, as of the date of this Base Prospectus, no other agreements exist that could change the control structure of the Issuer at any date.

## RELATED PARTY TRANSACTIONS

The relationships between us and our related parties, identified according to the principles of International Accounting Standard 24 ("IAS 24"), primarily consist of business transactions relating to the sale and purchase of products, goods and services. They fall within the activities carried out by us in the ordinary course of our business. Please see Note 36 to the 2020 Financial Statements, incorporated by reference into this Base Prospectus, for information on our related party transactions.

Our transactions with the related parties are regulated by the Czech Companies Act, which provides for comprehensive regulation of rules concerning related party transactions and conflicts of interest between a company and members of its board of directors or supervisory board (and persons close to such members). The Czech Companies Act provides the following rules for joint stock companies (such as ČEZ):

- if the value of the assets to be acquired by a joint stock company, within two years of its incorporation, from its shareholder or founder exceeds one tenth of the company's registered capital, the price for the transferred assets shall not exceed the value determined by an independent expert and the transfer shall be approved by a general meeting, unless such transaction is entered into in the ordinary course of company's business or on a regulated market or supervised by a state authority;
- members of a board of directors and a supervisory board and a procurist are obliged to notify the supervisory board or the general meeting that such members (or persons close to them) have or could have a conflict of interest; the notification obligation also exists if the joint stock company is to secure or affirm debts, or to become a co-debtor in relation to a member of the board of directors or the supervisory board or a procurist (or a person close to such member);
- the supervisory board (or the general meeting) is entitled, depending on the circumstances, to either suspend the execution of the post of the relevant member of the board of directors or the supervisory board or procurist or prohibit the legal steps (such as the conclusion of an agreement or the provision of security) in connection with which the conflict of interest occurred or threatens to occur; and
- a failure to notify a potential conflict of interest, or conduct that is in conflict with a supervisory board or general meeting decision on a suspension of the execution of a post or a prohibition of carrying out legal steps, constitutes a breach of due managerial care and the relevant member of the board of directors or the supervisory board or procurist would be liable to the joint stock company for such breach.

### Our Related Party Transactions

We conduct transactions with the following related parties:

- our joint ventures;
- our affiliates;
- the Ministry of Finance and companies controlled by it; and
- certain members of our senior management or with certain companies over which we or our senior management may have a significant influence.

We believe that we conduct our business with these companies and individuals in the normal course and on terms equivalent to those that would exist if they did not have equity holdings in us, if we did not have equity holdings in them, if they were not members of our senior management, or if we or our senior management did not have significant influence over them, as the case may be. With the exception of transactions with our joint ventures and other affiliates, none of these transactions is or was material to us or, to our knowledge, to the other party.

In our opinion, all agreements with related parties are conducted on an arm's length basis and we believe that all of the transactions between us and the related parties take place at market prices.

## Transactions with Joint Ventures and Other Affiliates

We enter into transactions with joint ventures and affiliates. The profits from such transactions are eliminated in proportion to the share that we have in such joint ventures and affiliated companies. We believe that all of these transactions take place on an arm's length basis. For a list of our joint ventures, please see Note 9 to the 2020 Financial Statements.

The following table summarizes the sales to and purchases from the related parties for the years ended December 31, 2020 and 2019.

	Sales to Related Parties for the year ended December 31		Purchases from Related Parties for the year ended December 31	
	2019	2020	2019	2020
<b>Joint-ventures and other affiliates:</b>	<i>(CZK millions)</i>			
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	-	4	102	25
Bytkomfort, s.r.o.	-	74	-	3
in PROJEKT LOUNY ENGINEERING s.r.o.	23	41	18	33
LOMY MORINA spol. s r.o.	10	43	194	219
Teplo Klášterec s.r.o.	57	58	-	-
VLTA VOTÝNSKÁ TEPLÁRENSKÁ a.s.	27	27	3	3
Výzkumný a zkušební ústav Plzeň s.r.o.	5	4	8	20
Výzkumný ústav pro hnědé uhlí a.s.	2	1	18	16
Other	23	44	17	10
<b>Total .....</b>	<b>147</b>	<b>296</b>	<b>360</b>	<b>329</b>

The following table summarizes the receivables from, and payables to, the related parties as of December 31, 2020 and 2019.

	Receivables as of December 31		Payables as of December 31	
	2019	2020	2019	2020
<b>Joint-ventures and other affiliates:</b>	<i>(CZK millions)</i>			
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	-	-	10	29
Elevion Co-Investment GmbH & Co. KG	-	1	80	71
GP JOULE PPI GmbH & Co. KG	6	14	-	-
in PROJEKT LOUNY ENGINEERING s.r.o.	7	15	3	15
LOMY MORINA spol. s r.o.	1	45	27	32
Socrates Windprojekt GmbH & Co. KG I)	111	-	-	-
Výzkumný a zkušební ústav Plzeň s.r.o.	86	10	5	11
Other	25	23	19	15
<b>Total .....</b>	<b>236</b>	<b>108</b>	<b>144</b>	<b>173</b>

<sup>1</sup> Company was related party till August 31, 2020

The following table summarizes the dividend income, interest and other financial income from the related parties as of December 31, 2020 and 2019.

	Interest and other financial income as of December 31		Dividend income as of December 31	
	2019	2020	2019	2020
<b>Joint-ventures and other affiliates:</b>	<i>(CZK millions)</i>			
Akcez Enerji A.S.	24	13	-	-
Bytkomfort, s.r.o.	-	-	2	8
LOMY MORINA spol. s r.o.	-	-	5	4
Sakarya Elektrik Dagitim A.S.	6	5	-	-
Výzkumný ústav pro hnědé uhlí a.s.	-	-	5	4
Other	6	2	4	4
<b>Total .....</b>	<b>36</b>	<b>20</b>	<b>16</b>	<b>20</b>

As of December 31, 2020, and 2019, guarantees provided to joint-ventures and not recognized on the balance sheet amounted to CZK 959 million and CZK 1,317 million, respectively (see Note 19.2 to the 2020 Financial Statements).

#### **Transactions with the Ministry of Finance of the Czech Republic and the companies controlled by it**

The Czech Republic, through the Ministry of Finance, owns approximately 69.8 % of the share capital of ČEZ. For detailed information on the interest held by the Czech Republic in our share capital, please see "*Principal Shareholders*".

In the ordinary course of business, we enter into transactions with the Ministry of Finance of the Czech Republic, its subsidiaries and state-owned companies or enterprises. Due to the large number of such entities and of transactions carried out by them, the limitations of the reporting system adopted by the CEZ Group and the immateriality of such transactions to our results, we believe that the presentation of such transactions is not necessary for an accurate view of the financial situation of the CEZ Group. However, we believe that all of the transactions between us and the Ministry of Finance of the Czech Republic, its subsidiaries state-owned companies or enterprises take place on an arm's length basis. For a more comprehensive description of the transactions with the Ministry of Finance of the Czech Republic and the companies controlled by it, please see our *Report on Relations Between the Controlling Entity and the Controlled Entity and Between the Controlled Entity and Entities Controlled by the Same Controlling Entity for the Accounting Period of January 1, 2019, to December 31, 2019* included in the Annual Report of the CEZ Group for the year ended December 31, 2019, incorporated into this Base Prospectus by reference.

## TAXATION

*Potential investors and sellers of Notes should be aware that they may be required to pay stamp taxes or other documentary taxes or fiscal duties or charges in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In addition, payments of interest on the Notes, or income derived from the Notes, may be subject to taxation, including withholding taxes, in the jurisdiction of the Issuer, in the jurisdiction of the holder of Notes, or in other jurisdictions in which the holder of Notes is required to pay taxes. Any such tax consequences may have an impact on the net income received from the Notes.*

*The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of any Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities and commodities) may be subject to special rules.*

*Prospective investors should carefully consider the tax consequences of investing in the Notes and consult their own tax adviser about their own tax situation. Potential investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time, with or without retroactive effect. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. Finally, Prospective investors are advised to consult their own tax advisors as to the tax consequences, under the tax laws of each country of which they are residents, the Czech Republic and the Netherlands, of a purchase of Notes including, without limitation, the consequences of receipt of interest and sale or redemption of the Notes or any interest therein.*

### **Taxation in the Czech Republic**

The information set out below is a summarized description of certain material Czech tax consequences of the purchase, holding and disposition of Notes and it does not purport to be a complete analysis of all Czech tax considerations relating to the Notes that may be relevant to a decision to purchase the Notes. This summary does not take into account or discuss the tax laws of any country other than the Czech Republic nor does it take into account specific double taxation treaties nor the individual circumstances, financial situation or investment objectives of any investor in the Notes.

This summary is based on the tax laws of the Czech Republic as in effect on the date of this Base Prospectus and their prevailing interpretations available on or before such date. All of the foregoing is subject to change, which could apply retroactively and could affect the continued validity of this summary.

As this is a general summary, holders of the Notes should consult their own tax advisors as to the consequences under the tax laws of the country in which they are resident for tax purposes and the tax laws of the Czech Republic concerning the purchase, holding and disposition of the Notes and receiving payments of interest, principal and/or other payments under the Notes, including, in particular, the application to their own situation of the tax considerations discussed below as well as the application of state, local, foreign or other tax laws.

This description of material Czech tax consequences consists of four sections:

- Part A describes tax considerations for Notes issued by ČEZ prior to 1 January 2022.
- Part B describes tax considerations for Notes issued by ČEZ on 1 January 2022 or later.
- Part C describes tax considerations for Notes issued by CEZ Finance with ČEZ providing the Guarantee to the holders of the Notes.
- Part D describes tax considerations common to both Part A, Part B and Part C.

### **Part A: Tax Regime for Notes issued by ČEZ prior to 1 January 2022**

#### ***Issuance of the Notes outside of the Czech Republic and their tax treatment as bonds***

Interest on bonds issued outside of the Czech Republic by Czech-resident issuers has a special treatment under Czech tax laws. While the matter is not entirely free from doubt, we believe that (i) the Notes should be treated as issued outside of the Czech Republic under Czech tax principles because (among other factors) the Notes will be initially issued in global-certificated form abroad and held through clearing systems based outside of the Czech Republic, each of which will register and maintain records of the interests in the Notes in book-entry form in its foreign-based system, and (ii) the Notes should be considered as bonds for the purposes of application of Czech tax laws because they meet the qualification

criteria of a bond under Section 2(1) of Act No. 191/2004 Coll., on Bonds, as amended, save for the fact that they are not issued under Czech law. However, there is no guarantee that Czech tax authorities will agree with this position.

The remainder of this discussion assumes that the Notes will be treated as bonds issued outside of the Czech Republic.

### ***Withholding Tax on Interest***

All interest payments to be made by the Issuer under the Notes may be made free of withholding or deduction of, for or on the account of any taxes of whatsoever nature imposed, levied, withheld or assessed by the Czech Republic or any political subdivision or taxing authority thereof or therein.

### ***Non-Czech Holders, Holding and Sale***

#### *General*

A Non-Czech Holder will not become or be deemed to become a tax resident in the Czech Republic solely by reason of holding of the Notes or the execution, performance, delivery and/or enforcement of the Notes.

#### *Interest*

Interest income on the Notes held by an individual or a taxpayer other than an individual who is not for tax purposes treated as a resident of the Czech Republic, a "Non-Czech Holder," will be exempt from taxation in the Czech Republic.

#### *Sale*

In the case of a repurchase of the Notes by the Issuer from an individual Non-Czech Holder before maturity, including in case of a redemption at the option of the Issuer, the amount, if any, by which the repurchase price of the Notes exceeds their issue price (defined for these purposes as the monetary consideration for which each Note is acquired in a manner set forth by law into the ownership of its first acquirer) may generally be subject to Czech withholding tax at the rate of 15 %. In certain situations, taxation of the above-mentioned difference can be reduced or eliminated by an applicable double taxation treaty. To the extent that the amount of the above-mentioned difference is constituted by interest accrued up to such repurchase or redemption, it can be argued that the tax exemption mentioned in the preceding paragraph should be extended to such amounts. However, any premium in excess of that should be subject to the general regime as per the first sentence of this paragraph.

Income realized by Non-Czech Holders, not holding the Notes through a permanent establishment in the Czech Republic, from the sale of the Notes to other Non-Czech Holders, not purchasing the Notes through a permanent establishment in the Czech Republic, will not be subject to taxation in the Czech Republic.

Income realized by Non-Czech Holders, whether holding the Notes through a permanent establishment in the Czech Republic or not, from the sale of the Notes to an individual or a taxpayer other than an individual who is for tax purposes treated as a resident of the Czech Republic, a "Czech Holder," or to a Non-Czech Holder acquiring the Notes through a permanent establishment in the Czech Republic, will be subject to taxation in the Czech Republic, unless such income is exempt from tax (as described further below) or the Non-Czech Holder realising that income (a) is resident in a country within the meaning of a double taxation treaty between that country and the Czech Republic, pursuant to the terms of which the right to tax that income is conferred exclusively to the former country, (b) is the beneficial owner of that income, (c) is entitled to enjoy the benefits of that double taxation treaty and (d) does not have a permanent establishment in the Czech Republic to which the income would be attributable.

Income realised by a Non-Czech Holder from the sale of the Notes to (i) a Czech Holder or to (ii) a Non-Czech Holder acquiring the Notes through a permanent establishment in the Czech Republic, will be exempt from taxation in the Czech Republic, if (a) the Non-Czech Holder who is an individual (i) has held the Notes for more than three years prior to their sale and the Notes have never been held in connection with business activities of the Non-Czech Holder and if so, (ii) the Notes will be sold after three years following the termination of such business activities at the earliest; or (b) gross income (i.e. not only the capital gain) from the sale of the Notes realized by an individual combined with all other annual (worldwide) income of that individual from the sale of securities (including the Notes) does not exceed the amount of CZK 100,000, assuming the Notes have never been held in connection with the business activities of that individual.

If the capital gain is subject to Czech taxation under the foregoing paragraphs, the capital gain is included in the general tax base of the Czech tax non-resident seller and taxable in their tax return: for taxpayers other than individuals, at 19 % tax, and for individuals at progressive income tax at 15/23 %, while the threshold for the higher bracket amounts to 48 times the average wage, i.e. CZK 1,701,168 in 2021, and is tested against the sum of this and most other types of income.

Capital gain realised from the sale of the Notes which form a part of the business property of a Czech permanent establishment of a Czech tax non-resident is, regardless of the status of the buyer, subject to tax at the same rates. In the specific case of a seller who is an individual and holds the Notes as part of his/her business property, the respective income may also be subject to social security and health insurance levies. This income should be included in the tax base of the Czech permanent establishment as a result of its business activities performed in the Czech Republic and taxed in its income tax return.

If income realized by a Non-Czech Holder from the sale of the Notes, other than where the first paragraph of this *Sale* section applies, is subject to taxation in the Czech Republic (as discussed in the foregoing paragraphs), the Czech Holder or a permanent establishment in the Czech Republic of a Non-Czech Holder paying the income will be obliged to withhold an amount of 1% on a gross basis representing tax security, unless the Non-Czech Holder selling the Notes is for tax purposes a resident of a Member State of the European Union or the European Economic Area or unless the obligation to withhold is waived based on a tax authority decision. The amount so withheld as tax security is treated as a tax advance and is subject to final settlement (credit against the actual income tax liability) provided that the seller files a regular income tax return in the Czech Republic. Otherwise, the amount of the tax security may be considered as final tax liability by the Czech tax authorities.

On June 7, 2017, 68 countries and jurisdictions, including the Czech Republic, signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the “Multilateral Convention”). The Multilateral Convention sets forth, inter alia, additional requirements for purposes of application of certain benefits under applicable double taxation treaties. Currently, it is not entirely clear how each individual double tax treaty, to which the Czech Republic is a party, will be affected by the Multilateral Convention with respect to the taxation of income on the Notes. However, it is not possible to rule out (i) that additional requirements for the application of double tax treaties might be introduced and (ii) that the Multilateral Convention may impose limitations on application of certain benefits under applicable double taxation treaties.

### ***Czech Holders, Holding and Sale***

Interest income on the Notes held by Czech Holders is subject to Czech corporate and personal income tax, as applicable, respectively, and is payable on a self-assessment basis (in the case of Czech Holders who are individuals, the reporting obligation, in addition to whether the interest income shall be declared on a cash or an accrual basis, will depend on the individual’s circumstances in each case). For Czech Holders subject to corporate income tax, the rate is flat 19%. For Czech Holders subject to individual income tax, the rate is progressive at 15/23 %, while the threshold for the higher bracket amounts to 48 times the average wage, i.e. CZK 1,701,168 in 2021, and is tested against the sum of this and most other types of income. Czech Holders that are subject to Czech accounting standards for entrepreneurs (most companies other than financial or insurance institutions and certain individuals engaged in active business) or to Czech accounting standards for financial institutions (including, in particular, banks) will be required to recognize the interest income on an accrual basis for accounting purposes and, accordingly, include it in their general tax base for Czech income tax purposes in the given period.

Czech Holders who are subject to Czech accounting standards for entrepreneurs or to Czech accounting standards for financial institutions and hold the Notes for the purposes of trading may be, under certain conditions, required to revalue the Notes to fair value for accounting purposes, whereby the unrealized gains or losses would be accounted for as revenues or expenses, respectively. Such revenues are generally taxable and the corresponding expenses are generally tax deductible for Czech tax purposes.

In the case of a repurchase of the Notes from individuals by the Issuer before maturity, including in case of a redemption at the option of the Issuer, a tax at the rate of 15 % withheld at source applies to the amount, if any, by which the repurchase price of the Notes exceeds their issue price (as defined above). To the extent that the amount of the above-mentioned difference is constituted by interest accrued up to such repurchase or redemption, it can be argued that the tax treatment mentioned in the preceding paragraph should be extended to such amounts (in lieu of withholding).

Capital gain (i.e., the difference between the sale price and the acquisition price of the Notes, increased by related fees for trading in the capital market and costs connected with the sale) realised by an individual upon the sale of the Notes, other than where the immediately preceding paragraph applies, is taxable in his/her personal income tax return and is subject to progressive income tax at 15/23 %, while the threshold for the higher bracket amounts to 48 times the average wage, i.e. CZK 1,701,168 in 2021, and is tested against the sum of this and most other types of income. Any gain derived from the sale of the Notes is exempt from Czech personal income tax if the holding period of the Notes exceeds three years where the Notes have never been held in connection with the business activities of the individual Czech tax resident or, if so, the Notes are sold at least three years after the termination of these business activities. Further, any gain derived from the sale of the Notes is exempt from Czech personal income tax if the annual (worldwide) gross income (i.e. not only the capital gains) of that individual from the sale of securities (including the Notes) does not exceed the amount of CZK 100,000, assuming the Notes have never been held in connection with the business activities of that individual.

Any loss realised on the sale of the Notes by individual Czech tax residents is generally tax non-deductible, except for cases where losses are compensated by taxable capital gains derived by an individual from the sale of other securities in the given tax period (provided that these other securities do not constitute the individual Czech tax resident's business property on the date of the sale, and no exemption from personal income tax applies).

In the specific case of a seller who is an individual and holds the Notes as part of his/her business property, the respective income would also be subject to social security and health insurance levies. For an individual holding the Notes as business property, and who is not treated as an accounting unit (as defined below), any capital loss incurred in the sale of the Notes would be tax non-deductible. If an individual is treated as an accounting unit, keeps double-entry accounting and holds the Notes as business property, any loss upon the sale of the Notes is generally treated as tax deductible, as the Notes are considered to qualify as bonds.

#### **Part B: Tax Regime for Notes issued by ČEZ as of or after 1 January 2022**

##### ***Treatment of the Notes as bonds***

While the matter is not entirely free from doubt, we believe that the Notes should be considered as bonds for the purposes of application of Czech tax laws because they meet the qualification criteria of a bond under Section 2(1) of Act No. 191/2004 Coll., on Bonds, as amended, save for the fact that they are not issued under Czech law. However, there is no guarantee that Czech tax authorities will agree with this position.

The remainder of this discussion assumes that the Notes will be treated as bonds for the purposes of Czech tax laws.

##### ***Non-Czech Holders, Holding and Sale***

###### ***General***

A Non-Czech Holder will not become or be deemed to become a tax resident in the Czech Republic solely by reason of holding of the Notes or the execution, performance, delivery and/or enforcement of the Notes.

###### ***Interest***

Interest income on the Notes (with the exception of Discount as described below) paid to a Non-Czech Holder is generally subject to a withholding tax to be withheld (and paid to the tax authorities) by the Issuer.

The tax rate is 15 % or 35 %, unless decreased or eliminated by an applicable double taxation treaty (or, in the specific respect of Taiwan, by the Czech Act on elimination of double taxation with Taiwan; which hereinafter is also included in the term "double taxation treaty").

The 15 % rate is applicable with respect to: recipients (whether individuals or not), who are tax residents in (i) an EU/EEA-member state, or (ii) a country or jurisdiction with which the Czech Republic has an effective double tax treaty or an effective double (or multilateral) treaty on the exchange of information in tax matters in respect of income taxes. The 35 % rate is applicable with respect to other Czech tax non-resident recipients.

The withholding tax represents final Czech tax liability in respect of the interest income on the Note, save for certain exceptions in the case of Non-Czech Holders who are tax residents in an EU/EEA-member state and decide to include

the interest income in a Czech self-assessment tax return where the withheld tax would be credited against the tax liability declared in the tax return with any overpayment being refunded subject to standard rules.

Interest income on the Notes paid to the Non-Czech Holder who is not an individual and holds the Notes through a permanent establishment in the Czech Republic, is generally subject to a securing tax to be withheld (and paid to the tax authorities) by the Issuer, unless the recipient of the interest is a tax resident in an EU/EEA-member state or the obligation to withhold is waived based on a tax authority's decision. The rate of the securing tax is 10 % (applicable on a gross basis). Such interest income recipient is, irrespective whether or not being a tax resident in an EU/EEA-member state and whether the obligation to withhold is waived based on a tax authority's decision, obliged to file a tax return and therein declare the interest income (and claim related expenses, if any). This means that the interest income would be taxed on a net basis (rather than on a gross basis) using standard corporate income tax rate of 19 % (the 10 % securing tax, if applicable, would be credited against the tax liability declared in a tax return with any overpayment being refunded subject to standard rules).

A double tax treaty between the Czech Republic and the country of which the recipient of interest income is resident for tax purposes may reduce or even eliminate the tax imposed on such income in the Czech Republic. The entitlement to such benefit under a double tax treaty is generally conditional upon meeting conditions specified in the relevant double tax treaty the satisfaction of which may need to be proved to the Issuer. For example, evidence of the recipient's tax residence in the other state or of beneficial ownership of the income by the recipient may have to be produced to the Issuer who bears a corresponding burden of proof with respect to the tax authorities. Interest paid to a related foreign legal entity may be, under certain conditions, fully exempt from the Czech corporate income tax (including any withholding tax) under the Council Directive 2003/49/EC of 3 June 2003, on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States (Interest and Royalties Directive), as implemented in the Czech tax law.

#### *Sale*

Income realised by a Non-Czech Holder not holding the Notes through a permanent establishment in the Czech Republic, from the sale of the Notes to another Non-Czech Holder, not purchasing the Notes through a permanent establishment in the Czech Republic, will not be subject to taxation in the Czech Republic.

Income realised by a Non-Czech Holder, whether holding the Notes through a permanent establishment in the Czech Republic or not, from the sale of the Notes to (i) a Czech Holder or to (ii) a Non-Czech Holder acquiring the Notes through a permanent establishment in the Czech Republic, will be subject to taxation in the Czech Republic, unless such income is exempt from tax (as described further below) or the selling Non-Czech Holder is resident for tax purposes in a country within the meaning of a double taxation treaty between that country and the Czech Republic, pursuant to the terms of which the right to tax that income is conferred exclusively to the former country and the Non-Czech Holder is entitled to enjoy the benefits of that double taxation treaty.

Income realised by Non-Czech Holders holding the Notes in connection with the business activities through a permanent establishment in the Czech Republic from the sale of the Notes will be subject to taxation in the Czech Republic regardless of the status of the buyer.

If income realised by a Non-Czech Holder from the sale of the Notes is subject to taxation in the Czech Republic (as discussed in the foregoing paragraphs), a Czech Holder or a permanent establishment in the Czech Republic of a Non-Czech Holder paying that income will be obliged to withhold an amount of 1 % on a gross basis representing the securing tax, unless the Non-Czech Holder selling the Notes is a tax resident in an EU/EEA-member state or the obligation to withhold is waived based on a tax authority's decision. The recipient is, irrespective whether or not being a tax resident in an EU/EEA-member state and whether the obligation to withhold is waived based on a tax authority's decision, obliged to file a tax return and therein declare the income (and claim expenses, in particular the purchase price of the Notes). The tax securing will be credited against the final tax liability of the Non-Czech Holder selling the Notes with any overpayment being refunded subject to standard rules.

Income realised by a Non-Czech Holder from the sale of the Notes to (i) a Czech Holder or to (ii) a Non-Czech Holder acquiring the Notes through a permanent establishment in the Czech Republic, will be exempt from taxation in the Czech Republic, if the selling Non-Czech Holder is an individual who has held the Notes for more than three years prior to their sale or his/her (gross) worldwide income from the sale of securities (including the Notes) in a given calendar year does not exceed the amount of CZK 100,000, provided, in each case, that the Notes have not been held in connection with the

business activities of the Non-Czech Holder, or if so, the Notes are sold more than three years following the termination of such business activities.

Taxable gain realised by a Non-Czech Holder from the sale of the Notes is generally subject to Czech corporate income tax of 19 % or progressive personal income tax of 15/23 %, while the threshold for the higher bracket amounts to 48 times the average wage, i.e. CZK 1,701,168 in 2021, and is tested against the sum of this and most other types of income.

The above rules apply equivalently if the Notes are sold to the Issuer.

Permanent establishments of Non-Czech Holders who are subject to Czech accounting standards for entrepreneurs or to Czech accounting standards for financial institutions may be required to re-measure the Notes to fair value for accounting purposes, whereby the unrealised gains and losses would be accounted for as revenue or expense, respectively. Such revenue is generally taxable and the corresponding expense is generally tax deductible for Czech tax purposes.

### ***Czech Holders, Holding and Sale***

#### ***Interest***

Interest income on the Notes (with the exception of Discount as described below) paid to an individual Czech Holder is generally subject to a withholding tax at 15%.

Interest income on the Notes paid to a Czech Holder other than an individual, is not subject to withholding tax. Such holder of the Notes would include the interest income (on an accrual basis) in its general tax base (subject to corporate income tax at a rate of 19 %).

Selected categories of taxpayers (for example, charitable foundations or the Guarantee Fund of Securities Traders) are exempt from tax on interest income, subject to certain conditions.

#### ***Sale***

Any gains upon the sale of the Notes will generally be taxable, unless exempt from tax, at the standard tax rates (as stated below) and in the case of Czech Holders who keep accounting books and hold the Notes as part of their business property (in principle, all legal entities and certain individuals), any losses will generally be tax deductible. By contrast, a loss realised by a Czech Holder who is an individual other than that mentioned in the preceding sentence is generally non-deductible, except where such loss is compensated by taxable gains on sales of other securities realised in the same calendar year and the income from the sale of the Notes is not exempt from tax.

In the case of Czech Holders who are individuals, any gain derived from the sale of the Notes is exempt from Czech personal income tax if the individual has held the Notes for more than three years prior to their sale or if his/her (gross) worldwide income from the sale of securities (including the Notes) in a given calendar year does not exceed the amount of CZK 100,000, provided, in each case, that the Notes have not been held in connection with the business activities of the Czech Holder or if so, the Notes are sold more than three years following the termination of such business activities.

Taxable gain realised by a Czech Holder from the sale of the Notes is generally subject to Czech corporate income tax of 19 % or progressive personal income tax of 15/23 %, while the threshold for the higher bracket amounts to 48 times the average wage, i.e. CZK 1,701,168 in 2021, and is tested against the sum of this and most other types of income. In the specific case of a Czech Holder who is an individual and holds the Notes as part of his/her business property, the respective income is also subject to social security and health insurance levies. Czech Holders are generally obliged to declare such income in their annual tax returns on a self-assessment basis.

The above rules apply equivalently if the Notes are sold to the Issuer.

Czech Holders who are subject to Czech accounting standards for entrepreneurs or to Czech accounting standards for financial institutions and hold the Notes for the purposes of trading may be, under certain conditions, required to re-measure the Notes to fair value for accounting purposes, whereby the unrealised gains or losses would be accounted for as revenues or expenses, respectively. Such revenues are generally taxable and the corresponding expenses are generally tax deductible for Czech tax purposes.

#### ***Discount***

In this section, "discount" refers to the excess of the amount payable by the Issuer to the holders of the Notes upon the maturity of the Notes (or upon their early redemption) over the acquisition value of the Notes in the hands of the holder. This would include, but not be limited to, an issue of the Notes at less than their nominal value.

Czech and Non-Czech Holders who keep accounting books may be required to recognize the discount on accrual basis.

#### *Non-Czech Holders*

If the Notes were acquired with a discount, income realised by a Non-Czech Holder upon the Note's maturity will be subject to taxation in the Czech Republic, unless the Non-Czech Holder is resident for tax purposes in a country within the meaning of a double taxation treaty between that country and the Czech Republic, pursuant to the terms of which the right to tax that income is conferred exclusively to the former country and the Non-Czech Holder is entitled to enjoy the benefits of that double taxation treaty.

If such income realised by a Non-Czech Holder upon the Note's maturity (or upon its early redemption) is subject to taxation in the Czech Republic (as discussed in the foregoing paragraph), the Issuer will be obliged to withhold an amount of 1 % on a gross basis of the whole amount paid by the Issuer (not only the discount, but also including the principal) representing the securing tax, unless the Non-Czech Holder is a tax resident in an EU/EEA-member state or the obligation to withhold is waived based on a tax authority's decision. Such income recipient is, irrespective whether or not being a tax resident in an EU/EEA-member state and whether the obligation to withhold is waived based on a tax authority's decision, obliged to file a tax return and therein declare the income (and claim expenses, in particular the purchase price of the Notes). The tax securing will be credited against the final tax liability of the Non-Czech Holder with any overpayment being refunded subject to standard rules.

Taxable discount realised by a Non-Czech Holder upon the Note's maturity (or upon its early redemption) is generally subject to Czech corporate income tax of 19 % or progressive personal income tax of 15/23 %, while the threshold for the higher bracket amounts to 48 times the average wage, i.e. CZK 1,701,168 in 2021, and is tested against the sum of this and most other types of income.

#### *Czech Holders*

The discount realised by a Czech Holder upon the Note's maturity (or upon its early redemption) is generally subject to Czech corporate income tax of 19 % or progressive personal income tax of 15/23 %, while the threshold for the higher bracket amounts to 48 times the average wage, i.e. CZK 1,701,168 in 2021, and is tested against the sum of this and most other types of income.

#### **Part C: Czech Tax Considerations for Notes issued by CEZ Finance with ČEZ providing the Guarantee**

This section describes Czech taxation considerations in case CEZ would be required to fulfil its obligations towards the holders of the Notes under the Guarantee ("*Guarantee Payments*").

There are relevant arguments that could be presented to defend the position that Guarantee Payments do not constitute payments of income in principle, and as such are not subject to any Czech taxation.

However, Guarantee Payments are not explicitly assigned a tax regime under Czech tax laws. As a result, the regime would have to be established by interpretation of the law, in line with the law's more general principles. Such interpretation would be connected to a risk that it would not be accepted by the tax authority.

Notably, there is a risk that the nature of the Guarantee Payments would cause them to be considered as payments of the same income, as if the Notes were issued by ČEZ and therefore generally subject to Czech taxation, including withholding taxation as described above. As a result, Guarantee Payments in respect of the underlying (defaulted) payments of interest and repayments of the Notes on their maturity (discount) could be subject to the same Czech tax regime as described in Part B (Interest and Discount sections) of this section.

#### **Part D: Other Tax-related Issues common to Part A, Part B and Part C**

##### ***Reporting Obligation***

A holder of the Notes (Czech and Non-Czech) who is an individual is obliged to report to the Czech tax authority any income earned in connection with the Notes (including interest income or income from sale) if such income is exempt

from taxation in the Czech Republic and exceeds, in each individual case, CZK 5 million (the "*Reporting Obligation*"). Non-compliance with the Reporting Obligation may be penalized by a sanction of up to 15% of the gross amount of the tax exempt income.

The Issuer may be obliged to report to the Czech tax authority an income paid to Non-Czech Holders in connection with Notes (including interest income) even if such income is exempted from taxation in the Czech Republic or is not taxable in the Czech Republic by virtue of a double taxation treaty.

### ***Value Added Tax***

There is no Czech value added tax payable in respect of payments in consideration for the issue of the Notes, or in respect of the payment of interest or principal under the Notes, or in respect of the transfer of the Notes.

### ***Other Taxes or Duties***

No registration tax, capital tax, customs duty, transfer tax, stamp duty or any other similar tax or duty is payable in the Czech Republic by a Non-Czech Holder or a Czech Holder in respect of or in connection with the purchase, holding or disposition of the Notes, save for disposition in certain cases upon donation or inheritance.

### **Luxembourg Taxation**

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisors as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

#### ***Withholding Tax***

##### ***Non-Resident Holders of Notes***

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

##### ***Resident Holders of Notes***

Under Luxembourg general tax laws currently in force and subject to the law of December 23, 2005 as amended (the "*Relibi Law*") mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20%.

### **Taxation in the Netherlands**

#### ***General***

The following is a general summary of certain material Dutch tax consequences of the acquisition, holding and disposal of the Notes. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder or prospective holder of Notes and does not purport to deal with the tax consequences

applicable to all categories of investors, some of which (such as trusts or similar arrangements) may be subject to special rules. In view of its general nature, this general summary should be treated with corresponding caution.

This summary is based on the tax laws of the Netherlands, published regulations thereunder and published authoritative case law, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. Where the summary refers to "the Netherlands" or "Dutch" it refers only to the part of the Kingdom of the Netherlands located in Europe.

This discussion is for general information purposes only and is not Dutch tax advice or a complete description of all Dutch tax consequences relating to the acquisition, holding and disposal of the Notes. Holders or prospective holders of Notes should consult their own tax advisors regarding the Dutch tax consequences relating to the acquisition, holding and disposal of the Notes in light of their particular circumstances.

### ***Withholding tax***

#### *Holders of Notes (other than entities related to CEZ Finance; see below)*

All payments made by CEZ Finance under the Notes to holders of Notes other than holders that are entities *related* to CEZ Finance (within the meaning of the Dutch Withholding Tax Act 2021; *Wet bronbelasting 2021*) (see below) in respect of the Issuer may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

#### *Holders of Notes that are entities related to CEZ Finance*

Payments made by CEZ Finance under the Notes to holders of Notes that are entities *related* (*gelieerd*) to CEZ Finance (within the meaning of the Dutch Withholding Tax Act 2021) (see below) may become subject to Dutch withholding tax at a rate of 25% (rate for 2021), if such related entity:

(i) is considered to be resident (*gevestigd*) in a jurisdiction that is listed in the yearly updated Dutch Regulation on low-taxing states and non-cooperative jurisdictions for tax purposes (*Regeling laagbelastende staten en niet-coöperatieve rechtsgebieden voor belastingdoeleinden*) (a "Listed Jurisdiction"); or

(ii) has a permanent establishment located in a Listed Jurisdiction to which the interest payment is attributable; or

(iii) is entitled to the interest payment for the main purpose or one of the main purposes to avoid taxation for another person; or

(iv) is a hybrid entity (a hybrid mismatch), or

(v) is not resident in any jurisdiction,

all within the meaning of the Dutch Withholding Tax Act 2021.

#### *Listed Jurisdiction*

For the fiscal year 2021, the following 23 jurisdictions are Listed Jurisdictions: American Samoa, Anguilla, Bahamas, Bahrain, Barbados, Bermuda, the British Virgin Islands, the Cayman Islands, Fiji, Guam, Guernsey, Isle of Man, Jersey, Palau, Panama, Samoa, Seychelles, Trinidad and Tobago, Turkmenistan, Turks and Caicos Islands, Vanuatu, the United Arab Emirates and the U.S. Virgin Islands.

#### *Entity related to CEZ Finance*

For purposes of the Dutch Withholding Tax Act 2021, an entity is considered an entity related to CEZ Finance if:

(i) such entity has a Qualifying Interest (as defined below) in CEZ Finance;

(ii) CEZ Finance has a Qualifying Interest in such entity; or

(iii) a third party has a Qualifying Interest in both CEZ Finance and such entity.

The term "*Qualifying Interest*" means a directly or indirectly held interest – either individually or jointly as part of a collaborating group (*samenwerkende groep*) – that confers a definite influence over the entity's decisions and allows the holder of such interest to determine its activities (within the meaning of case law of the European Court of Justice on the right of freedom of establishment (*vrijheid van vestiging*)).

### ***Taxes on income and capital gains***

Please note that the summary in this section does not describe the Dutch tax consequences for:

(i) holders of Notes if such holders, and in the case of individuals, such holder's partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in CEZ Finance under the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with such holder's partner (as defined in the Dutch Income Tax Act 2001), directly or indirectly, holds (i) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) rights to acquire, directly or indirectly, such interest; or (iii) certain profit sharing rights in that company that relate to 5% or more of the company's annual profits or to 5% or more of the company's liquidation proceeds. A deemed substantial interest may arise if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis;

(ii) pension funds, investment institutions (*fiscale beleggingsinstellingen*), exempt investment institutions (*vrijgestelde beleggingsinstellingen*) (as defined in the Dutch Corporate Income Tax Act 1969; *Wet op de vennootschapsbelasting 1969*) and other entities that are, in whole or in part, not subject to or exempt from Dutch corporate income tax; and

(xii) holders of Notes who are individuals for whom the Notes or any benefit derived from the Notes are a remuneration or deemed to be a remuneration for activities performed by such holders or certain individuals related to such holders (as defined in the Dutch Income Tax Act 2001).

#### ***Dutch Resident Entities***

Generally speaking, if the holder of Notes is an entity that is a resident or deemed to be resident of the Netherlands for Dutch corporate income tax purposes (a "*Dutch Resident Entity*"), any payment under the Notes or any gain or loss realized on the disposal or deemed disposal of the Notes is subject to Dutch corporate income tax at a rate of 15% with respect to taxable profits up to €245,000 and 25% with respect to taxable profits in excess of that amount (rates and brackets for 2021).

#### ***Dutch Resident Individuals***

If the holder of Notes is an individual resident or deemed to be resident of the Netherlands for Dutch income tax purposes (a "*Dutch Resident Individual*"), any payment under the Notes or any gain or loss realized on the disposal or deemed disposal of the Notes is taxable at the progressive Dutch income tax rates (with a maximum of 49.5% in 2021), if:

(i) the Notes are attributable to an enterprise from which the holder of Notes derives a share of the profit, whether as an entrepreneur (*ondernemer*) or as a person who has a co-entitlement to the net worth (*medegerechtigd tot het vermogen*) of such enterprise without being a shareholder (as defined in the Dutch Income Tax Act 2001); or

(ii) the holder of Notes is considered to perform activities with respect to the Notes that go beyond ordinary asset management (*normaal, actief vermogensbeheer*) or derives benefits from the Notes that are taxable as benefits from other activities (*resultaat uit overige werkzaamheden*).

If the above-mentioned conditions (i) and (ii) do not apply to the individual holder of Notes, such holder will be taxed annually on a deemed return (with a maximum of 5.69% in 2021) on the individual's net investment assets (*rendementsgrondslag*) for the year, insofar the individual's net investment assets for the year exceed a statutory threshold (*heffingvrij vermogen*). The deemed return on the individual's net investment assets for the year is taxed at a rate of 31%. Actual income, gains or losses in respect of the Notes are as such not subject to Dutch income tax.

The net investment assets for the year are the fair market value of the investment assets less the allowable liabilities on 1 January of the relevant calendar year. The Notes are included as investment assets. For the net investment assets on 1 January 2021, the deemed return ranges from 1.90% up to 5.69% (depending on the aggregate amount of the net investment assets of the individual on 1 January 2021). The deemed return will be adjusted annually on the basis of historic market yields.

#### ***Non-residents of the Netherlands***

A holder of Notes that is neither a Dutch Resident Entity nor a Dutch Resident Individual will not be subject to Dutch taxes on income or capital gains in respect of any payment under the Notes or in respect of any gain or loss realized on the disposal or deemed disposal of the Notes, provided that:

(i) such holder does not have an interest in an enterprise or deemed enterprise (as defined in the Dutch Income Tax Act 2001 and the Dutch Corporate Income Tax Act 1969) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Notes are attributable; and

(ii) in the event the holder is an individual, such holder does not carry out any activities in the Netherlands with respect to the Notes that go beyond ordinary asset management and does not derive benefits from the Notes that are taxable as benefits from other activities in the Netherlands.

### ***Gift and inheritance taxes***

#### ***Residents of the Netherlands***

Gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a holder of Notes who is resident or deemed resident of the Netherlands at the time of the gift or such holder's death.

#### ***Non-residents of the Netherlands***

No gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a holder of Notes who is neither resident nor deemed to be resident of the Netherlands, unless:

(i) in the case of a gift of a Note by an individual who at the date of the gift was neither resident nor deemed to be resident of the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident of the Netherlands; or

(ii) in the case of a gift of a Note is made under a condition precedent, the holder of the Notes is resident or is deemed to be resident of the Netherlands at the time the condition is fulfilled; or

(iii) the transfer is otherwise construed as a gift or inheritance made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident of the Netherlands.

For purposes of Dutch gift and inheritance taxes, amongst others, a person that holds the Dutch nationality will be deemed to be resident of the Netherlands if such person has been a resident of the Netherlands at any time during the ten years preceding the date of the gift or such person's death. Additionally, for purposes of Dutch gift tax, amongst others, a person not holding the Dutch nationality will be deemed to be resident of the Netherlands if such person has been a resident of the Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

### ***Value added tax (VAT)***

No Dutch VAT will be payable by a holder of Notes on (i) any payment in consideration for the issue of the Notes or (ii) the payment of interest or principal by CEZ Finance under the Notes.

### ***Other taxes and duties***

No Dutch registration tax, stamp duty or any other similar documentary tax or duty will be payable by a holder of Notes in respect of (i) the issue of the Notes or (ii) the payment of interest or principal by CEZ Finance under the Notes.

## **FATCA Disclosure**

### ***Foreign Account Tax Compliance Act***

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the Czech Republic and the Netherlands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions

of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions of the Notes — Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## SUBSCRIPTION AND SALE

The Dealers have, in an Amended and Restated Programme Agreement dated May 5, 2021 (as modified and/or supplemented and/or restated from time to time, the "*Amended and Restated Programme Agreement*"), agreed with ČEZ and CEZ Finance on the basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Amended and Restated Programme Agreement, ČEZ and CEZ Finance have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### United States

- a) the Notes have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws;
- b) the Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms (or applicable Pricing Supplement in the case of Exempt Notes) will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable;
- c) each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution of the Notes, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons;
- d) Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the U.S. Securities Act; and
- e) each issuance of Exempt Notes which are also Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

Terms used in the preceding paragraphs have the meanings given to them by Regulation S under the U.S. Securities Act.

### The Czech Republic

The Base Prospectus has not been and will not be approved by the Czech National Bank. No action has been taken in the Czech Republic (including the obtaining of the Base Prospectus approval from the Czech National Bank and the admission to trading on a regulated market (as defined in Section 55(1) of the Capital Market Act)) for the purposes of any Notes to qualify as securities admitted to trading on the European regulated market within the meaning of the Capital Market Act.

Each Dealer will be required not to offer or sell any Notes in the Czech Republic through a public offering (in Czech *veřejná nabídka*), except if in compliance with the Prospectus Regulation.

Each Dealer will be required to represent and agree with the Issuer and each other Dealer that it has complied and will comply with all the requirements of the Prospectus Regulation and other applicable legislation and has not taken,

and will not take, any action which would result in the Notes being deemed to have been issued pursuant to Czech law or in the Czech Republic, the issue of the Notes being classed as "accepting of deposits from the public" by the Issuer in the Czech Republic under Section 2(2) of the Czech Banks Act or requiring an approval or permit by, registration or filing with or notification to the Czech National Bank (including approval or passport of this Base Prospectus or other notifications beyond that described under "*General Information—Notification to the Czech National Bank*") or other authorities in the Czech Republic in respect of the Notes in accordance with the Prospectus Regulation, the Capital Market Act, the Czech Banks Act, the practice of the Czech National Bank or any other applicable legislation.

Each Dealer will be required to represent and agree with the Issuer and each other Dealer that it has complied and will comply with all the laws of the Czech Republic applicable to the conduct of business in the Czech Republic (including the laws applicable to the provision of investment services (within the meaning of the Capital Market Act) in the Czech Republic) in respect of the Notes.

Each Dealer will be required to represent and agree with the Issuer and each other Dealer that no action has been taken by it or will be taken by it which would result in the issue of any Notes being considered an intention to manage assets by acquiring funds from the public in the Czech Republic for the purposes of collective investment pursuant to a defined investment policy in favor of the investors under the MCIFA. Each Dealer will be required to represent and agree with the Issuer and each other Dealer that any issue, offer or sale of any Notes by it has been or will be carried out in strict compliance with the MCIFA.

### **Prohibition of Sales to European Economic Area Retail Investors**

Unless the applicable Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the applicable Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
  - a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
  - (i) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (ii) a qualified investor within the meaning of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"); and
- (b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

### **Public Offer Selling Restriction under the Prospectus Regulation**

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to European Economic Area Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area (each a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may make an offer of such Notes to the public in that Relevant Member State:

- (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or

(iii) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

## **United Kingdom**

### ***Prohibition of sales to United Kingdom Retail Investors***

Unless the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to United Kingdom Retail Investors" as "Not Applicable", in relation to the United Kingdom, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of current domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or
  - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of the current domestic law of the United Kingdom by virtue of the EUWA; or
  - (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of the current domestic law of the United Kingdom by virtue of the EUWA; and
- (b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

### ***Public Offer Selling Restriction under the UK Prospectus Regulation***

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to United Kingdom Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes to the public which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

- (i) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation as it forms part of the current domestic law of the United Kingdom by virtue of the EUWA;
- (ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
- (iii) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

#### ***Other regulatory restrictions***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949 as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

#### **General**

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not directly or indirectly offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

### Authorization

The establishment of the Programme and the issue of Notes have been duly authorized by resolutions of the Board of Directors of ČEZ dated May 28, 2007, February 14, 2011, April 10, 2012, September 16, 2019 and March 8, 2021, and resolutions of the Supervisory Board of ČEZ dated June 28, 2007, February 24, 2011, September 26, 2019 and March 25, 2021 (see also "*Overview of the Programme – Programme Size*"). The giving of the Guarantee has been duly authorized by resolutions of the Board of Directors of ČEZ dated March 8, 2021 and the Supervisory Board of ČEZ on March 25, 2021.

The addition of CEZ Finance as an issuer under the Programme was authorized on March 26, 2021 by resolution of the management board of CEZ Finance. CEZ Finance has obtained or will obtain from time to time all necessary consents, approvals and authorizations in connection with the issue and performance of the Notes and in relation to the periodic update of the Programme.

### Listing, Approval and Admission to Trading of Notes

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange in its capacity as competent authority to approve this Base Prospectus as a base prospectus in respect of Exempt Notes only and for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on its Official List. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU), as amended. Application has also been made to the Luxembourg Stock Exchange for the Exempt Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange and to listing on its Official List.

### Notification to the Czech National Bank

Pursuant to Section 8a of Czech Act No. 15/1998 Coll., on Capital Markets Supervision, as amended, the issuance of each Series and/or Tranche of the Notes must be notified to the Czech National Bank no later than on the date of issue of the relevant Notes setting out the place of issue and amount of relevant Series or Tranche and the form, yield and maturity of the relevant Notes.

### Documents Available

As long as the Notes (Exempt and Non-Exempt) are listed on the Luxembourg Stock Exchange, copies of the following documents will, when published, be available for inspection free of charge at the registered office of ČEZ and on the website of ČEZ at <https://www.cez.cz/en/cez-group/cez.html>:

- (a) the Articles of Association (with an English translation thereof) of ČEZ and the articles of association of CEZ Finance;
- (b) the consolidated audited financial statements of the CEZ Group in respect of the financial years ended December 31, 2019 and December 31, 2020 and the non-consolidated financial statements of ČEZ in respect of the financial year ended December 31, 2020. ČEZ currently prepares audited consolidated and non-consolidated accounts on an annual basis;
- (c) the most recently published audited annual consolidated financial statements of the CEZ Group and audited annual non-consolidated financial statements of ČEZ and the most recently published unaudited consolidated interim financial statements (if any) of the CEZ Group and unaudited non-consolidated interim financial statements (if any) of the Issuer (with an English translation thereof), in each case together with any audit or review reports prepared in connection therewith. ČEZ currently prepares unaudited consolidated and non-consolidated interim accounts on a quarterly basis;
- (d) the Amended and Restated Agency Agreement, the Deed of Guarantee, the Deed of Covenant, including the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (e) a copy of this Base Prospectus;

- (f) the Previous Terms and Conditions; and
- (g) any future offering circular, prospectuses, information memoranda, supplements to this Base Prospectus, Final Terms and Pricing Supplements (in the case of Exempt Notes) and any other documents incorporated herein or therein by reference.

### **Clearing Systems**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code, ISIN, CFI and FISN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes). If the Notes are to be cleared through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms or Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **Conditions for Determining Price**

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer, the Guarantor (if applicable) and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Significant Change or Material Adverse Change**

There has been no significant change in the financial performance and in the financial position of ČEZ's and its subsidiaries (including CEZ Finance) since December 31, 2020 and there has been no material adverse change in the prospects of ČEZ and its subsidiaries (including CEZ Finance) since December 31, 2020.

There has been no significant change in the financial performance and financial position and there has been no material adverse change in the prospects of CEZ Finance since its incorporation on March 17, 2021.

As of the date of this Base Prospectus, there are no recent events particular ČEZ and CEZ Finance which are to a material extent relevant to the evaluation of their solvency.

### **Litigation**

Except as described in "*Legal Proceedings*" neither ČEZ nor CEZ Finance nor any of their respective subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which either of ČEZ and CEZ Finance is aware (as applicable)) in the 12 months preceding the date of this Base Prospectus which may have or have in such period had a significant effect on the financial position or profitability of ČEZ or CEZ Finance or any of their respective subsidiaries.

### **Issuer's Website**

ČEZ's website is <https://www.cez.cz/en/cez-group/cez.html>. Unless specifically incorporated by reference into this Base Prospectus, information contained on the website does not form part of this Base Prospectus.

### **Issuer's / Guarantor's LEI**

ČEZ's LEI is 529900S5R9YHJHYKKG94. CEZ Finance's LEI is 315700K4UNKLPGVH1Y89.

### **Independent Auditors**

The consolidated financial statements of ČEZ, a. s. as at December 31, 2020 and December 31, 2019 and for the years then ended, incorporated by reference in this Base Prospectus, have been audited by Ernst & Young Audit, s.r.o., independent auditors, as stated in their reports incorporated by reference herein.

The financial statements of ČEZ, a. s. as at December 31, 2020 and for the year then ended, incorporated by reference in this Base Prospectus, have been audited by Ernst & Young Audit, s.r.o., independent auditors, as stated in their report incorporated by reference herein.

Ernst & Young Audit, s.r.o., with address at Na Florenci 2116/15, 110 00 Prague 1, Czech Republic, is a member of the Chamber of Auditors of the Czech Republic with Identification No. 26704153. The auditors of the Issuer have no material interest in the Issuer.

**Post-Issuance Information**

ČEZ and CEZ Finance do not intend to provide any post-issuance information, except if required by any applicable laws or regulations.

**Yield**

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

**Dealers Transacting with the Issuer**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

**ČEZ, a. s.**  
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140 53 Prague 4  
Czech Republic

**CEZ Finance B.V.**  
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1101CN Amsterdam  
Netherlands

**AGENT**

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United Kingdom

**OTHER PAYING AGENT  
AND LISTING AGENT**

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