

## Internal Information

### CEZ Group Completes Sale of Bulgarian Assets for EUR 335 Million

The sale of Bulgarian assets between CEZ Group and Eurohold was settled today, with the latter paying EUR 335 million to CEZ for seven Bulgarian companies. The sale agreement was signed in June 2019 and had to be approved by the Bulgarian Competition Authority and the Bulgarian Energy and Water Regulatory Commission. The sale is in line with CEZ Group's strategy, which envisages exiting selected markets and segments abroad. The international investment arbitration continues.

CEZ Group is withdrawing from the Bulgarian market after 17 years of operation. The divestment process started in 2017 with the sale of the decommissioned Varna coal-fired power plant and has now been completed with the sale of the distribution and sales companies in the country. CEZ Group's total income from the sale of its Bulgarian assets exceeded CZK 10 billion. Overall, CEZ Group leaves Bulgaria with a positive cash balance of over CZK 1 billion.

The now completed sale includes seven Bulgarian CEZ Group companies: CEZ Bulgaria, CEZ Elektro Bulgaria, CEZ Razpredelenie Bulgaria, CEZ Trade Bulgaria, CEZ ICT Bulgaria, Free Energy Project Oreshets and Bara Group. On 27 7 2021, Eurohold paid EUR 335 million for them. The transaction was approved by the Bulgarian Competition Protection Commission (KZK) last autumn and subsequently by the Bulgarian Energy and Water Regulatory Commission (KEVR) this year in January. Following the settlement of the transaction, CEZ Group remains active in Bulgaria in the energy services business (CEZ ESCO Bulgaria) and in the trading business (through ČEZ, a. s.).

*"The divestment process was challenging but ultimately successful. Compared to the earlier exits of other foreign energy investors from Bulgaria, we managed the divestment with honor. CEZ Group leaves Bulgaria with a positive cash balance. The settlement of the sale has no impact on the international investment arbitration against the Bulgarian state, which is independently pending. Therefore, the arbitration claim represents additional potential proceeds for CEZ and its shareholders",* said Tomáš Pleskač, Member of the Board of Directors and Director of the New Energy Division.

The international investment arbitration, which CEZ has been conducting against the Bulgarian state since 2016, advanced to the next stage in March this year, when the arbitration tribunal deciding the dispute confirmed the legitimacy of the international arbitration within the relevant jurisdiction, i.e., the jurisdiction to deal with the dispute, and the arbitration proceeded to the merits phase. In early July, CEZ subsequently filed a statement of case, which was registered with the International Centre for Settlement of Investment Disputes (ICSID) in Washington.

The arbitration claim is based on the Bulgarian state's failure to comply with its obligations under the privatization agreement and its commitments when it joined the European Union in 2007. The arbitration claim covers all areas of CEZ Group's operations in Bulgaria, i.e., the generation, distribution and sale of electricity.

CEZ entered the Bulgarian market in 2004 with the purchase of two-third stakes in three power distribution companies. In 2007, distribution and electricity supply were separated ("unbundling") and two new companies were created from the original three distribution companies – CEZ Razpredelenie Bulgaria AD for distribution and CEZ Elektro Bulgaria AD for supply to end customers. CEZ owned 67% of the shares in both companies, while the rest of the shares, which are publicly traded on the Sofia Stock Exchange, are held by minority shareholders. Gradually, other companies were established in Bulgaria. The distribution company, CEZ Razpredelenie, supplies electricity to about 2,2 million customers. In 2020, CEZ Elektro Bulgaria and CEZ Trade Bulgaria supplied 10.4 TWh of electricity to end customers.

The buyer, Eurohold Bulgaria AD, is Bulgaria's largest publicly traded company and its shares are traded on the Sofia and Warsaw stock exchanges. Eurohold is headquartered in Sofia and is a major player in the Central and South-Eastern Europe region. Eurohold's subsidiaries are active in insurance, leasing, car sales, asset management and investment services in 12 European countries. Eurohold owns the Euroins Insurance Group (EIG), which operates in European markets and has subsidiaries in Bulgaria, Romania, North Macedonia, Ukraine, Georgia and Belarus.