



INFORMATION ON THE PREPARATION OF A NEW NUCLEAR PLANT AT DUKOVANY

1. Introduction

Today, nuclear power plants in ČEZ's portfolio generate 30.2 TWh, which is 47 % of total generation. Their contribution to the Company's financial performance is disproportionately higher thanks to zero CO₂ emissions. However, ČEZ is facing two challenges. Dukovany power plant units, put into operation between 1985 and 1987, will end their service life in the early 2040s even if their operation is extended as much as possible. Additionally, all coal-fired units within ČEZ's portfolio will have been decommissioned by that time, with the exception of the newest supercritical unit at Ledvice.

Therefore, ČEZ's strategy encompasses the construction of new nuclear units in addition to the construction of renewable energy sources. The first one, a new nuclear unit at Dukovany, should be put into operation in the late 2030s.

2. Current Status of Preparation

Preparation of the new nuclear power plant (NNPP) at Dukovany proceeds in accordance with the approved business plan. ČEZ, or more precisely its wholly owned subsidiary Elektrárna Dukovany II, a. s. (EDU II), obtained the Ministry of the Environment's favorable opinion on the construction project on August 30, 2019; the opinion is valid for 7 years after the date of issue. The opinion includes 47 conditions for the entire duration of the project and the Company is currently working to meet them.

EDU II submitted a nuclear facility siting application to the State Office for Nuclear Safety (SÚJB) on March 25, 2020. In addition, work began in June 2019 on the creation of support documents for obtaining a land-use permit for the siting of a set of structures at the site of the nuclear facilities of the Dukovany new nuclear power plant and selected associated and induced investments. It is planned to start the land use proceeding in June 2021.

Full inquiry documentation is also being completed, while the contractor selection process is planned to start at the end of this year. It is planned to select the contractor in late 2022 or early 2023 and a contract with the contractor should be actually finalized and signed later, in 2024 in our estimation.

3. Status of Preparation of Agreements between the State, ČEZ, and EDU II

ČEZ is working actively to establish such a contractual framework as to ensure return on funds invested in the project for shareholders. Therefore, it has negotiated two agreements with the Czech state so far. One is a framework agreement that covers the entire framework for collaboration in and arrangements for NNPP construction, from the initiation of the tender process to NNPP operation. The agreement declares fundamental objectives and a collaboration schedule but does not include any rights and obligations of the parties. Such rights and obligations are included in the other negotiated agreement, known as the first implementing agreement, which covers the first stage from the start of the tender process to the signing of a contract with the supplier of nuclear technology, during which the investor will obtain, most importantly, a nuclear facility siting permit and a land use permit. Agreements covering further periods are in preparation—see below.

Under the first implementing agreement, ČEZ undertakes to carry out activities aimed to meet first stage objectives while adhering to the schedule and budget. The objectives include, most significantly, having a contract with the power plant contractor ready to be signed, being issued a nuclear facility siting permit by the SÚJB, being issued a land use permit, and having obtained necessary real property rights. Both parties then expect that an agreement for the next stage or all remaining stages will be signed before the end of the first stage. If no agreement for the next stage is signed, the state will purchase the special-purpose vehicle Elektrárna Dukovany II, a. s., for an amount equal to costs incurred.

In turn, the implementing agreement gives the state the right to control the project, especially adherence to its schedule and budget, as well as the right to make comments on and requirements for tender process documents and the tender process itself, with regard to the Czech Republic's fundamental security interests.

We expect both agreements to be signed by the end of June 2020. This date will however depend on developments in the COVID-19 pandemic, which has delayed some steps that are to take place before the agreements are signed, be it a debate in the Standing Committee on the Construction of New Nuclear Power Plants or a debate by the Government of the Czech Republic. Both agreements also have to be notified to the European Commission.

4. Ensuring Return—Purchase Contract

ČEZ has also begun discussion with the state about the type of contract for further stages—that is, designing, construction, and commissioning. This is because electricity market failure in the EU makes it necessary to ensure a stable environment allowing investments in new, low-emission electricity sources with a long payback period such as the new nuclear power plant at Dukovany. Such a contract(s) should be prepared and signed by the end of the first stage, before the first implementing agreement expires.

The state has announced its intent to prepare a new law on measures for transition to a low-carbon energy sector, which should help stabilize the investment environment. The intended law assumes that the state will enter into a long-term contract for purchasing electricity from new nuclear power plants at a predetermined price. Such a contract would provide ČEZ and its shareholders with certainty of return on funds invested in the actual construction and operation of the new nuclear power plant at Dukovany. It should be negotiated, notified, and signed by the end of the first stage, before the first implementing agreement expires.

Board of Directors' comment:

The topic of the preparation of a new nuclear power plant at Dukovany, project rate of return, and project arrangements became widely debated by the expert and investor public and Company shareholders as well as in the media. In this context, the Board of Directors deems it appropriate to provide shareholders with basic information concerning the current status of the project and preparation of arrangements for it having the form of agreements between the state, ČEZ, and Elektrárna Dukovany II and ensuring return on the project. However, the purpose of including this item on the General Meeting's agenda is not to take any General Meeting decision in respect of the project. As such, this item is of a purely informative nature and will not include voting on any draft resolution.