

By hand and by fax: 00 32 2 296 4301

European Commission COMP B1

DG Competition

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Case COMP/39.727 – ČEZ and others

COMMITMENTS TO THE EUROPEAN

COMMISSION

1. In accordance with Article 9 of Regulation 1/2003¹ (the “Regulation 1/2003”), ČEZ, a.s. hereby offers the following commitments (the “Commitments”) to the European Commission (the “Commission”) with a view to addressing the Commission’s competition concerns as expressed in its Preliminary Assessment (the “Preliminary Assessment”) of 26 June 2012 in the context of its investigation in Case COMP/39.727.
2. ČEZ does not agree with the Commission findings in the Preliminary Assessment and nothing in these Commitments may be construed as implying otherwise. These Commitments are given without any admission by ČEZ that it has engaged in abusive conduct contrary to Article 102 of the TFEU or any other aspect of EU competition law.
3. This text shall be interpreted in the light of the Preliminary Assessment, the Commitment Decision, the general framework of EU law, and in particular Articles 101 and 102 TFEU and Regulation 1/2003.

¹ Council Regulation 1/2003/EC of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty (OJ L 1/1, 4.1.2003), as amended from time to time.

I. Definitions

For the purpose of the Commitments, the following terms shall have the following meaning:

Affiliated Undertakings: undertaking(s) controlled by ČEZ, a.s. between the Effective Date and Closing, the notion of control shall be interpreted in the light of the Commission Consolidated Jurisdictional Notice under Council Regulation (EC) No 139/2004 on the control of concentrations between undertakings.

Closing: the transfer of the legal title of the Divestment Business to the Purchaser.

ČEZ: ČEZ, a.s., company incorporated under the laws of the Czech Republic, with its registered office at Duhová 2/1444, Prague 4, Post Code 140 53, company ID number 452 74 649, registered with the Commercial Register maintained by the Municipal Court in Prague, part B, insert 1581.

Divestment Business: one of the four Power Plants that are defined in Section B and the Schedule, that ČEZ commits to divest in accordance with the Commitments. ČEZ is free to choose which one of the four Power Plants to divest in the First Divestiture Period. In the Trustee Divestiture Period, ČEZ is free to choose which of the four Power Plants to divest only insofar as there are offers for different Power Plants. The Tisová (I and II) and Mělník III power plants collective constitute one Power Plant for the purposes of the Commitments but each power plant may be divested separately.

Divestiture Trustee: one or more natural or legal person(s), independent from ČEZ, who is approved by the Commission and appointed by ČEZ and who has received from ČEZ the exclusive Trustee Mandate to sell the Divestment Business to a Purchaser at no minimum price.

Effective Date: the date of adoption of the Decision.

First Divestiture Period: the period of [...]*

Hold Separate Manager: the person appointed by ČEZ for the Divestment Business to manage the day-to-day business under the supervision of the Monitoring Trustee.

* Business Secrets

Key Personnel: all personnel necessary to maintain the viability and competitiveness of the Divestment Business, as listed in the Schedule.

Monitoring Trustee: one or more natural or legal person(s), independent from ČEZ, who is approved by the Commission and appointed by ČEZ, and who has the duty to monitor ČEZ's compliance with the conditions and obligations attached to the Decision.

Personnel: all personnel currently employed by the Divestment Business, including Key Personnel, staff seconded to the Divestment Business, shared personnel and the additional personnel listed in the Schedule.

Purchaser: the entity approved by the Commission as acquirer of the Divestment Business in accordance with the criteria set out in Section D.

Trustee(s): the Monitoring Trustee and the Divestiture Trustee.

Trustee Divestiture Period: the period of [...] * from the end of the First Divestiture Period.

II. The Divestment Business

A. *Commitment to divest*

4. In order to meet the concerns of the Commission as expressed in the Preliminary Assessment, ČEZ commits to divest, or procure the divestiture of the Divestment Business by the end of the Trustee Divestiture Period as a going concern to a purchaser and on terms of sale approved by the Commission in accordance with the procedure described in paragraph 17. To carry out the divestiture, ČEZ commits to find a purchaser and to enter into a final binding sale and purchase agreement for the sale of the Divestment Business within the First Divestiture Period. If ČEZ has not entered into such an agreement at the end of the First Divestiture Period, ČEZ shall grant the Divestiture Trustee an exclusive mandate to sell the Divestment Business in accordance with the procedure described in paragraph 26 – 28 in the Trustee Divestiture Period
5. ČEZ shall be deemed to have complied with this commitment if, by the end of the Trustee Divestiture Period, ČEZ has entered into a final binding sale and purchase agreement, if the Commission approves the Purchaser and the terms in accordance with the procedure described in paragraph 17 and if the closing of the sale of the Divestment Business takes place within a period not exceeding 3 months after the approval of the purchaser and the terms of sale by the Commission.
6. In order to maintain the structural effect of the Commitments, ČEZ shall, for a period of 10 years after the Effective Date, not acquire direct or indirect influence over the whole or part of the Divestment Business.

B. *Structure and definition of the Divestment Business*

7. The Divestment Business consists of one of the four Power Plants ((i) Počerady or (ii) Chvaletice or (iii) Dětmárovice or (iv) Tisová/Mělník) that ČEZ commits to divest in accordance with the Commitments. The present legal and functional structure of the Divestment Business as operated to date is described in the Schedule. The Divestment Business, described in more detail in the Schedule, includes:
 - a) all tangible and intangible assets (including intellectual property rights), which contribute to the current operation or are necessary to ensure the viability and competitiveness of the Divestment Business;
 - b) all licences, permits and authorisations issued by any governmental organisation for the benefit of the Divestment Business;

- c) all contracts, leases, commitments and customer orders of the Divestment Business; all customer, credit and other records of the Divestment Business (items referred to under (a)-(c) hereinafter collectively referred to as “*Assets*”);
- d) the Personnel.

III. Related commitments

A. Preservation of Viability, Marketability and Competitiveness

- 8. From the Effective Date until Closing, ČEZ shall preserve the economic viability, marketability and competitiveness of the Divestment Business, in accordance with good business practice, and shall minimise as far as possible any risk of loss of competitive potential of the Divestment Business. In particular ČEZ undertakes:
 - a) not to carry out any act upon its own authority that might have a significant adverse impact on the value, management or competitiveness of the Divestment Business or that might alter the nature and scope of activity, or the industrial or commercial strategy or the investment policy of the Divestment Business;
 - b) to make available sufficient resources for the development of the Divestment Business, on the basis and continuation of the existing business plans;
 - c) to take all reasonable steps, including appropriate incentive schemes (based on industry practice), to encourage all Key Personnel to remain with the Divestment Business.

B. Hold-separate obligations of Parties

- 9. ČEZ commits, from the Effective Date until Closing, to keep the Divestment Business separate from the businesses it is retaining and to ensure that Key Personnel of the Divestment Business – including the Hold Separate Manager – have no involvement in any business retained and vice versa. ČEZ shall also ensure that the Personnel does not report to any individual outside the Divestment Business.
- 10. Until Closing, ČEZ shall assist the Monitoring Trustee in ensuring that the Divestment Business is managed as a distinct and saleable entity separate from the businesses retained by ČEZ. ČEZ shall appoint a Hold Separate Manager who shall

be responsible for the management of the Divestment Business, under the supervision of the Monitoring Trustee. The Hold Separate Manager shall manage the Divestment Business independently and in the best interest of the business with a view to ensuring its continued economic viability, marketability and competitiveness and its independence from the businesses retained by ČEZ.

C. Ring-fencing

11. ČEZ shall implement all necessary measures to ensure that it does not after the Effective Date obtain any business secrets, know-how, commercial information, or any other information of a confidential or proprietary nature relating to the Divestment Business. In particular, the participation of the Divestment Business in a central information technology network shall be severed to the extent possible, without compromising the viability of the Divestment Business. ČEZ may obtain information relating to the Divestment Business which is reasonably necessary for the divestiture of the Divestment Business or whose disclosure to ČEZ is required by law.

D. Non-solicitation clause

12. ČEZ undertakes, subject to customary limitations, not to solicit, and to procure that Affiliated Undertakings do not solicit, the Key Personnel transferred with the Divestment Business for a period of 2 years after Closing.

E. Due Diligence

13. In order to enable potential purchasers to carry out a reasonable due diligence of the Divestment Business, ČEZ shall, subject to customary confidentiality assurances and dependent on the stage of the divestiture process:
 - a) provide to potential purchasers sufficient information as regards the Divestment Business;
 - b) provide to potential purchasers sufficient information relating to the Personnel and allow them reasonable access to the Personnel.

F. Reporting

14. ČEZ shall submit written reports in English on potential purchasers of the Divestment Business and developments in the negotiations with such potential purchasers to the Commission and the Monitoring Trustee no later than 10 days

after the end of every month following the Effective Date (or otherwise at the Commission's request).

15. ČEZ shall inform the Commission and the Monitoring Trustee on the preparation of the data room documentation and the due diligence procedure and shall submit a copy of an information memorandum to the Commission and the Monitoring Trustee before sending the memorandum out to potential purchasers.

IV. The Purchaser

16. The Purchaser, in order to be approved by the Commission, must:
 - a) be independent of and unconnected to ČEZ;
 - b) have the financial resources, ability to secure adequate amount of fuel supply, proven expertise and incentive to maintain and develop the Divestment Business as a viable and active competitive force in competition with ČEZ and other competitors;
 - c) neither be likely to create, in the light of the information available to the Commission, *prima facie* competition concerns nor give rise to a risk that the implementation of the Commitments will be delayed, and must, in particular, reasonably be expected to obtain all necessary approvals from the relevant regulatory authorities for the acquisition of the Divestment Business (the before-mentioned criteria for the purchaser hereafter the "**Purchaser Requirements**").
17. The final binding sale and purchase agreement shall be conditional on the Commission's approval. When ČEZ has reached an agreement with a purchaser, it shall submit a fully documented and reasoned proposal, including a copy of the final agreement(s), to the Commission and the Monitoring Trustee. ČEZ must be able to demonstrate to the Commission that the purchaser meets the Purchaser Requirements and that the Divestment Business is being sold in a manner consistent with the Commitments. For the approval, the Commission shall verify that the purchaser fulfils the Purchaser Requirements and that the Divestment Business is being sold in a manner consistent with the Commitments. The Commission may approve the sale of the Divestment Business without one or more Assets or parts of the Personnel, if this does not affect the viability and competitiveness of the Divestment Business after the sale, taking account of the proposed purchaser.

V. Trustee

A. *Appointment Procedure*

18. ČEZ shall appoint a Monitoring Trustee to carry out the functions specified in the Commitments for a Monitoring Trustee. If ČEZ has not entered into a binding sales and purchase agreement one month before the end of the First Divestiture Period or if the Commission has rejected a purchaser proposed by ČEZ at that time or thereafter, ČEZ shall appoint a Divestiture Trustee to carry out the functions specified in the Commitments for a Divestiture Trustee. The appointment of the Divestiture Trustee shall take effect upon the commencement of the Trustee Divestiture Period.
19. The Trustee shall be independent of ČEZ, possess the necessary qualifications to carry out its mandate, for example as an investment bank or consultant or auditor, and shall neither have nor become exposed to a conflict of interest. The Trustee shall be remunerated by ČEZ in a way that does not impede the independent and effective fulfilment of its mandate. In particular, where the remuneration package of a Divestiture Trustee includes a success premium linked to the final sale value of the Divestment Business, the fee shall also be linked to a divestiture within the Trustee Divestiture Period.
 1. *Proposal by ČEZ*
20. No later than one week after the Effective Date, ČEZ shall submit a list of one or more persons whom ČEZ proposes to appoint as the Monitoring Trustee to the Commission for approval. No later than one month before the end of the First Divestiture Period, ČEZ shall submit a list of one or more persons whom ČEZ proposes to appoint as Divestiture Trustee to the Commission for approval. The proposal shall contain sufficient information for the Commission to verify that the proposed Trustee fulfils the requirements set out in paragraph 19 and shall include:
 - a) the full terms of the proposed mandate, which shall include all provisions necessary to enable the Trustee to fulfil its duties under these Commitments;
 - b) the outline of a work plan which describes how the Trustee intends to carry out its assigned tasks;
 - c) an indication whether the proposed Trustee is to act as both Monitoring Trustee and Divestiture Trustee or whether different trustees are proposed for the two functions.

2. *Approval or rejection by the Commission*

21. The Commission shall have the discretion to approve or reject the proposed Trustee(s) and to approve the proposed mandate subject to any modifications it deems necessary for the Trustee to fulfil its obligations. If only one name is approved, ČEZ shall appoint or cause to be appointed, the individual or institution concerned as Trustee, in accordance with the mandate approved by the Commission. If more than one name is approved, ČEZ shall be free to choose the Trustee to be appointed from among the names approved. The Trustee shall be appointed within one week of the Commission's approval, in accordance with the mandate approved by the Commission.

3. *New proposal by ČEZ*

22. If all the proposed Trustees are rejected, ČEZ shall submit the names of at least two more individuals or institutions within one week of being informed of the rejection, in accordance with the requirements and the procedure set out in paragraphs 19 and 21.

4. *Trustee nominated by the Commission*

23. If all further proposed Trustees are rejected by the Commission, the Commission shall nominate a Trustee, whom ČEZ shall appoint, or cause to be appointed, in accordance with a trustee mandate approved by the Commission.

B. *Functions of the Trustee*

24. The Trustee shall assume its specified duties in order to ensure compliance with the Commitments. The Commission may, on its own initiative or at the request of the Trustee or ČEZ, give any orders or instructions to the Trustee in order to ensure compliance with the conditions and obligations attached to the Decision.

1. *Duties and obligations of the Monitoring Trustee*

25. The Monitoring Trustee shall:
- (i) propose in its first report to the Commission a detailed work plan describing how it intends to monitor compliance with the obligations and conditions attached to the Decision.
 - (ii) oversee the on-going management of the Divestment Business with a view to ensuring its continued economic viability, marketability and competitiveness and monitor compliance by ČEZ with the conditions and obligations attached to the Decision. To that end the Monitoring Trustee shall:

- a) monitor the preservation of the economic viability, marketability and competitiveness of the Divestment Business, and the keeping separate of the Divestment Business from the business retained by ČEZ, in accordance with paragraphs 5 and 6 of the Commitments;
 - b) supervise the management of the Divestment Business as a distinct and saleable entity, in accordance with paragraph 7 of the Commitments;
 - c) in consultation with ČEZ, determine all necessary measures to ensure that ČEZ does not after the effective date obtain any business secrets, know-how, commercial information, or any other information of a confidential or proprietary nature relating to the Divestment Business, in particular strive for the severing of the Divestment Business' participation in a central information technology network to the extent possible, without compromising the viability of the Divestment Business, and (ii) decide whether such information may be disclosed to ČEZ as the disclosure is reasonably necessary to allow ČEZ to carry out the divestiture or as the disclosure is required by law;
 - d) monitor the splitting of assets and the allocation of Personnel between the Divestment Business and ČEZ or Affiliated Undertakings;
- (iii) assume the other functions assigned to the Monitoring Trustee under the conditions and obligations attached to the Decision;
 - (iv) propose to ČEZ such measures as the Monitoring Trustee considers necessary to ensure ČEZ's compliance with the conditions and obligations attached to the Decision, in particular the maintenance of the full economic viability, marketability or competitiveness of the Divestment Business, the holding separate of the Divestment Business and the non-disclosure of competitively sensitive information;
 - (v) review and assess potential purchasers as well as the progress of the divestiture process and verify that, dependent on the stage of the divestiture process, (a) potential purchasers receive sufficient information relating to the Divestment Business and the Personnel in particular by reviewing, if available, the data room documentation, the information memorandum and the due diligence process, and (b) potential purchasers are granted reasonable access to the Personnel;

- (vi) provide to the Commission, sending ČEZ a non-confidential copy at the same time, a written report within 15 days after the end of every month. The report shall cover the operation and management of the Divestment Business so that the Commission can assess whether the business is held in a manner consistent with the Commitments and the progress of the divestiture process as well as potential purchasers. In addition to these reports, the Monitoring Trustee shall promptly report in writing to the Commission, sending ČEZ a non-confidential copy at the same time, if it concludes on reasonable grounds that ČEZ is failing to comply with these Commitments;
- (vii) within one week after receipt of the documented proposal referred to in paragraph 17, submit to the Commission a reasoned opinion as to the suitability and independence of the proposed purchaser and the viability of the Divestment Business after the Sale and as to whether the Divestment Business is sold in a manner consistent with the conditions and obligations attached to the Decision, in particular, if relevant, whether the Sale of the Divestment Business without one or more Assets or not all of the Personnel affects the viability of the Divestment Business after the sale, taking account of the proposed purchaser.

2. *Duties and obligations of the Divestiture Trustee*

- 26. Within the Trustee Divestiture Period the Divestiture Trustee shall sell at no minimum price the Divestment Business to a purchaser, provided that the Commission has approved both the purchaser and the final binding sale and purchase agreement in accordance with the procedure laid down in paragraph 17. The Divestiture Trustee shall seek to obtain at least one offer for each of the four Power Plants (whilst the Tisová and Mělník power plants may be divested separately). If there are offers for different Power Plants, ČEZ remains entitled to make a choice as to which Power Plant the Divestiture Trustee shall divest.
- 27. The Divestiture Trustee shall include in the sale and purchase agreement such terms and conditions as it considers appropriate for an expedient sale in the Trustee Divestiture Period. In particular, the Divestiture Trustee may include in the sale and purchase agreement such customary representations and warranties and indemnities as are reasonably required to effect the sale. The Divestiture Trustee shall protect the legitimate financial interests of ČEZ, subject to ČEZ' unconditional obligation to divest at no minimum price in the Trustee Divestiture Period.
- 28. In the Trustee Divestiture Period (or otherwise at the Commission's request), the Divestiture Trustee shall provide the Commission with a comprehensive monthly report written in English on the progress of the divestiture process. Such reports

shall be submitted within 15 days after the end of every month with a simultaneous copy to the Monitoring Trustee and a non-confidential copy to ČEZ.

C. Duties and obligations of ČEZ

29. ČEZ shall provide and shall cause its advisors to provide the Trustee with all such co-operation, assistance and information as the Trustee may reasonably require to perform its tasks. The Trustee shall have full and complete access to any of ČEZ's or the Divestment Business' books, records, documents, management or other personnel, facilities, sites and technical information necessary for fulfilling its duties under the Commitments and ČEZ and the Divestment Business shall provide the Trustee upon request with copies of any document. ČEZ and the Divestment Business shall make available to the Trustee one or more offices on their premises and shall be available for meetings in order to provide the Trustee with all information necessary for the performance of its tasks.
30. ČEZ shall provide the Monitoring Trustee with all managerial and administrative support that it may reasonably request on behalf of the management of the Divestment Business. This shall include all administrative support functions relating to the Divestment Business advisors to provide the Monitoring Trustee, on request, with the information submitted to potential purchasers, in particular give the Monitoring Trustee access to the data room documentation and all other information granted to potential purchasers in the due diligence procedure. ČEZ shall inform the Monitoring Trustee on possible purchasers, submit a list of potential purchasers, and keep the Monitoring Trustee informed of all developments in the divestiture process.
31. ČEZ shall grant or procure Affiliated Undertakings to grant comprehensive powers of attorney, duly executed, to the Divestiture Trustee to effect the sale, the Closing and all actions and declarations which the Divestiture Trustee considers necessary or appropriate to achieve the sale and the Closing, including the appointment of advisors to assist with the sale process. Upon request of the Divestiture Trustee, ČEZ shall cause the documents required for effecting the sale and the Closing to be duly executed.
32. ČEZ shall indemnify the Trustee and its employees and agents (each an "**Indemnified Party**") and hold each Indemnified Party harmless against, and hereby agrees that an Indemnified Party shall have no liability to ČEZ for any liabilities arising out of the performance of the Trustee's duties under the Commitments, except to the extent that such liabilities result from the wilful default, recklessness, gross negligence or bad faith of the Trustee, its employees, agents or advisors.

33. At the expense of ČEZ, the Trustee may appoint advisors (in particular for corporate finance or legal advice), subject to ČEZ's approval (this approval not to be unreasonably withheld or delayed) if the Trustee considers the appointment of such advisors necessary or appropriate for the performance of its duties and obligations under the Mandate, provided that any fees and other expenses incurred by the Trustee are reasonable. Should ČEZ refuse to approve the advisors proposed by the Trustee the Commission may approve the appointment of such advisors instead, after having heard ČEZ. Only the Trustee shall be entitled to issue instructions to the advisors. Paragraph 29 shall apply mutatis mutandis. In the Trustee Divestiture Period, the Divestiture Trustee may use advisors who served ČEZ during the Divestiture Period if the Divestiture Trustee considers this in the best interest of an expedient sale.

D. Replacement, discharge and reappointment of the Trustee

34. If the Trustee ceases to perform its functions under the Commitments or for any other good cause, including the exposure of the Trustee to a conflict of interest:
- a) the Commission may, after hearing the Trustee, require ČEZ to replace the Trustee; or
 - b) ČEZ, with the prior approval of the Commission, may replace the Trustee.
35. If the Trustee is removed according to paragraph 34, the Trustee may be required to continue in its function until a new Trustee is in place to whom the Trustee has effected a full hand over of all relevant information. The new Trustee shall be appointed in accordance with the procedure referred to in paragraphs 18-23.
36. Beside the removal according to paragraph 34, the Trustee shall cease to act as Trustee only after the Commission has discharged it from its duties after all the Commitments with which the Trustee has been entrusted have been implemented. However, the Commission may at any time require the reappointment of the Monitoring Trustee if it subsequently appears that the relevant remedies might not have been fully and properly implemented.

VI. The Review Clause

37. The Commission may, where appropriate, in response to a request from ČEZ showing good cause and accompanied by a report from the Monitoring Trustee:

- a) Grant an extension of the time periods foreseen in the Commitments,
or
- b) Waive, modify or substitute, in exceptional circumstances, one or
more of the undertakings in these Commitments.

Where ČEZ seeks an extension of a time period, it shall submit a request to the Commission no later than one month before the expiry of that period, showing good cause. Only in exceptional circumstances shall ČEZ be entitled to request an extension within the last month of any period.

.....
Member of the Board of Directors

.....
Member of the Board of Directors

duly authorised for and on behalf of ČEZ, a.s.

[...]*

SCHEDULE

I. Počerady

A. *General Information*

1. Name of the power plant: Počerady (EPC)
2. Location: Volevčice - Počerady, Most district, Ústí Region
3. Primary energy source: Lignite (brown coal)
4. Total installed capacity (nominal): 1,000 MW (5 x 200 MW)
5. Net efficiency: 32.7%
6. Plant operator: ČEZ, a.s.
7. Planned lifespan: 2027
8. Applicable emission limits:
 - a) The individual emission ceilings are stipulated in amendment no. 4 to the integrated operational permit issued by the Regional Authority of the Ústí Region under folio number 2016/ŽPZ/2010/IP-45/Z2/Rc on 10. 09. 2010.²

Substance	Emission limit (tonnes/year)
Solid pollutants (TZL)	432
SO ₂	6,393
NO _x	12,734

- b) The Počerady power plant has to comply with regional emission ceilings together with the other ČEZ operated power plants:

Substance	Regional emission limits (tonnes/year)
Solid pollutants (TZL)	2,248
SO ₂	50,947

² The information on the Počerady Integrated Operational Permit is available in the internet registry of the Czech Ministry of Environment at <http://www.mzp.cz/ippc>; ID No. MZPXXF8QA2DI.

Substance	Regional emission limits (tonnes/year)
NOx	53,791

- c) Once the Počerady power plant is transferred into a separate legal entity, the below mentioned emission ceilings shall apply:

Substance	Emission limit (tonnes/year)
Solid pollutants (TZL)	400
SO ₂	6,372
NOx	11,592

- d) From 1.1.2016 Počerady must comply with the emission ceilings and the concentration limits stipulated by national legislation implementing the applicable EU Industrial Emissions Directive.³ ČEZ intends to apply for a transitional national plan⁴ for Počerady as envisaged by the Industrial Emissions Directive. As a result, the new emission ceilings and the concentration limits stipulated by national legislation implementing the applicable EU Industrial Emissions Directive shall apply only from 30.6.2020. Between 1.1.2016 and 30.6.2020 the emissions ceilings and the concentration limits will be set forth in the transitional national plan.

9. Limits on the operation due to environmental or technical constraints: not applicable.
10. Planned investments to remove environmental or technical constraints:
- a) The investment required to meet the new NOx emission ceilings applicable from 2016/2020 estimated at CZK 470 million per unit (i.e., CZK 2.35 billion for the entire power plant). The estimated operational outage should not exceed four months per unit.

³ See Directive 2010/75/EU of 24 November 2010 on industrial emissions (integrated pollution prevention and control Recast), OJ L 334 of 17.12.2010, p. 17

⁴ See Commission Decision of 10 February 2012, laying down rules for the transitional national plans referred to in Industrial Emissions Directive, OJ L 52/12 of 24.2.2012, p. 25.

- b) Subventions already approved/obtained: Project No. 16458533: Reduction of NOx Emissions at the Počerady Power Plant (boilers K3, K4) up to CZK 356 million that is transferable to new owner.⁵
- c) No investment into desulphurization required.

B. *Legal Structure of Plant Operator*

- 1. Elektrárna Počerady, a.s., wholly owned subsidiary of ČEZ (the transfer of the assets into a newly established legal entity will be completed in the second half of 2012).

C. *Main Assets*

- 1. Plot of land on which the existing lignite power plant is located;
- 2. Coal stock yard; coal mills; steam boiler; steam turbine; flue gas cleaning equipment; cooling tower;
- 3. No intangible assets.

D. *Main Contracts*

- 1. Fuel supply contract: no power plant specific supply contract
- 2. Gypsum supply contract:
 - a) Contracting Party: [...]*
 - b) Date of Signing: [...]*
 - c) Duration: [...]* – *until 2032*
 - d) Yearly limits to supply: entire production of the Počerady power plant, no minimal limit to supply, maximal limit 220,000 tonnes/year; [...]* under obligation to buy up to the maximum limit.
- 3. No power plant specific supply contracts
- 4. No key service/maintenance contracts

E. *Coexistence with a CCGT project at the same site*

- 1. ČEZ retains ownership of a gas power plant project currently under construction at the Počerady site including the necessary plots of land and associated infrastructure as well as grid connection for 841 MW. The gas power plant project involves inter alia the following: gas turbines, boilers,

⁵ See information on subsidies under the Environment Operational Program published by the Czech Ministry of Environment (in Czech) available at <http://www.opzp.cz/clanek/254/1802/podpora-na-projekty-prioritni-osy-2/>. The entitlement to subsidies is transferable to a potential buyer.

engines, gas and steam turbines generators, operational and management systems.

2. The facilities retained by ČEZ that will be used by the gas and lignite power plants at the same site shall involve:
 - a) Water supply facilities and water pipe from the Ohře river, and
 - b) Chemical water treatment and processing facilities: water supply shall be provided under a contract with ČEZ that shall stipulate the volume and quality parameters of the supplies.

F. *Limitation of output pending grid reinforcement*

1. The total output of the Počerady lignite power plant may be subject to constraints and/or limitations to be applied by the TSO ČEPS pending the grid reinforcement planned for 2014-2018, in particular in 2014-2015.
2. The combined output of the Počerady and Ledvice lignite power plants as well as ČEZ's new gas-fired power plant at Počerady connected to the Výškov grid node may be limited to a maximum output of 1,500 MW in the period until end 2015 and 2,300 MW between 2016 and 2018.

G. *Key personnel*

[...]*

II. Chvaletice

A. *General Information*

1. Name of the power plant: Elektrárna Chvaletice, a.s. (ECH)
2. Location: K Elektrárně 227, Chvaletice, Pardubice district, Pardubice Region
3. Primary energy source: Lignite (brown coal)⁶
4. Total installed capacity (nominal): 800 MW (4 x 200 MW)
5. Net efficiency: 31.2%
6. Plant operator: Elektrárna Chvaletice, a.s.
7. Planned lifespan: 2029
8. Applicable emission limits:
 - a) The individual emission ceilings are stipulated in amendment no. 4 to the integrated operational permit issued by the Regional Authority of the Pardubice Region under folio number SpKrÚ 50774/2010/OŽPZ/16 on 1 September 2010.⁷

Substance	Emission limit (tonnes/year)
Solid pollutants (TZL)	324
SO ₂	3,750
NO _x	6,200

- b) The Chvaletice power plant is not constrained by emission ceilings at the regional level.
- c) From 1.1.2016 Chvaletice must comply with the emission ceilings and the concentration limits stipulated by national legislation

⁶ The technology deployed at Chvaletice was not tailored to a particular type of fuel. Thus, Chvaletice can burn lignite from several lignite mines in the Czech Republic.

⁷ The information on the Chvaletice Integrated Operational Permit is available in the internet registry of the Czech Ministry of Environment at <http://www.mzp.cz/ippc>; ID No. MZPXXF819B89. The latest amendment was issued still for ČEZ, a.s. however with the pending amendment to the integrated operational permit that reflects the increase of the applicable emission ceiling for SO_x emissions by 350 tonnes the permit will soon be reissued to Chvaletice a.s., to also reflect the change in the legal entity.

implementing the applicable EU Industrial Emissions Directive.⁸ ČEZ intends to apply for a transitional national plan⁹ for Chvaletice as envisaged by the Industrial Emissions Directive. As a result, the new emission ceilings and the concentration limits stipulated by national legislation implementing the applicable EU Industrial Emissions Directive shall apply only from 30.6.2020. Between 1.1.2016 and 30.6.2020 the emissions ceilings and the concentration limits will be set forth in the transitional national plan.

9. Limits on the operation due to environmental or technical constraints:
 - a) The existing capacity of Flue-gas Desulfurization (FGD) facility imposes a constraint on operating Chvaletice at full load. Due to this constraint, it is not possible to operate all units at full load. The corresponding reduction of maximum output is up to 50 MW per each 200 MW unit (depending on the sulphur content of fuel at a given moment in time).
 - b) These constraints can be removed by investments in overall emission reduction. Such investments are a condition for the long-term operation of the plants due to the stricter emissions limits from 2016/2020. Moreover, these constraints would not apply if the power plant burned a different type of lignite. Chvaletice currently relies mostly on coal from the Severočeské doly, a.s. DNT mine which has a relatively high sulphur content.
10. Planned investments to remove environmental or technical constraints:
 - a) The investment in a desulphurization technology required to meet the new emission ceilings applicable from 2016/2020 are in the range of CZK 50 – 75 million per unit (i.e., 200 – 300 million for the entire power plant).¹⁰ The estimated operational outage should not exceed four months.
 - b) The investment required to meet the new NOx emission ceilings applicable from 2016/2020: ČEZ estimates that the costs could be comparable to the level of investment required for the blocks in Počerady (i.e., approximately CZK 400 – 500 million per unit/CZK 1.6 – 2 billion for the entire power plant).
 - c) Subventions already approved/obtained: none.

⁸ See Directive 2010/75/EU of 24 November 2010 on industrial emissions (integrated pollution prevention and control Recast), OJ L 334 of 17.12.2010, p. 17

⁹ See Commission Decision of 10 February 2012, laying down rules for the transitional national plans referred to in Industrial Emissions Directive, OJ L 52/12 of 24.2.2012, p. 25.

¹⁰ This estimate is based on the assumption that Chvaletice would not use lignite with a high sulphur content such as that from the SD DNT mine.

B. *Legal Structure of Plant Operator*

1. Elektrárna Chvaletice, a.s., is a wholly owned subsidiary of ČEZ, a.s.

C. *Main Assets*

1. Plot of land on which the existing lignite power plant is located;
2. Coal stock yard; coal mills; steam boiler; steam turbine; flue gas cleaning equipment; cooling tower;
3. No intangible assets.

D. *Main Contracts*

1. No power plant-specific fuel supply contract
2. No power plant specific supply contracts
3. No key service/maintenance contracts

E. *Ancillary services*

1. Chvaletice currently provides ancillary services to the TSO which leads to lower generation volumes. The magnitude of this effect varies depending on competition on the market for ancillary services and the TSO's needs. At Chvaletice the annual impact is up to 400 GWh/year.

F. *Additional features of the site and infrastructure*

1. The Chvaletice power plant is situated in the Pardubice region about twenty kilometres to the west from the regional centre town of Pardubice and Hradec Králové. These are significant population centres in the Czech Republic. This location is advantageous. It is the only large power plant in the region.
2. The Chvaletice site is not constrained in terms of grid capacity. Significant new capacity thus could be connected to the grid in near future.
3. The site has access to important transport facilities. Fuel can be transported by either rail or ship (making use of the nearby port facilities at the Labe river).
4. The capacity of the storage site for lignite is the largest amongst all plants in the Czech Republic.
5. The site is in the vicinity of a gas transit pipeline (approximately 15 km) which makes it particularly suitable for a gas power plant project.

G. *Key personnel*

[]*

III. Dětmarovice

A. General Information

1. Name of the power plant: Dětmarovice (EDE)
2. Location: Dětmarovice, Karviná district, Moravian-Silesian Region
3. Primary energy source: Hard Coal
4. Total installed capacity (gross): 800 MW (4 x 200 MW)
5. Net efficiency: 33.8%
6. Plant operator: ČEZ, a.s.
7. Planned lifespan: 2026
8. Applicable emission limits:
 - a) The individual emission ceilings are stipulated in amendment no. 7 to the integrated operational permit issued by the Regional Authority of the Moravian-Silesian Region on 27 April 2011.¹¹

Substance	Emission limit for boilers K1-K4 (tonnes/year)
Solid pollutants (TZL)	92
SO ₂	1,163
NO _x	3,397

- b) The Dětmarovice power plant has to comply with regional emission ceilings together with the ČEZ operated Vítkovice heating plant.

Substance	Regional emission limits (tonnes/year)
Solid pollutants (TZL)	212
SO ₂	4,237.4

¹¹ The information on the Dětmarovice Integrated Operational Permit is available in the internet registry of the Czech Ministry of Environment at <http://www.mzp.cz/ippc>; ID No. MZPXXF84RV0M. Compared to ČEZ's lignite-fired generation portfolio the Dětmarovice power plant benefits from considerably lower emissions of sulphur and nitrogen oxides as well as dust.

Substance	Regional emission limits (tonnes/year)
NOx	4,897

- c) If EDE is transferred into a separate legal entity, it would have to comply with emission ceilings according to table (a) above.
- d) From 1.1.2016 Dětmarovice must comply with the emission ceilings and the concentration limits stipulated by national legislation implementing the applicable EU Industrial Emissions Directive.¹² ČEZ intends to apply for a transitional national plan¹³ for Dětmarovice as envisaged by the Industrial Emissions Directive. As a result, the new emission ceilings and the concentration limits stipulated by national legislation implementing the applicable EU Industrial Emissions Directive shall apply only from 30.6.2020. Between 1.1.2016 and 30.6.2020 the emissions ceilings and the concentration limits will be set forth in the transitional national plan.
9. Limits on the operation due to environmental or technical constraints:
- a) The Dětmarovice B1 unit (200 MW) was partly non-operational in both 2009 and 2010 due to malfunction of the electrical filter (i.e., the dust reduction facility) which reduced average plant utilisation by approx. 13%. Utilisation of this unit remains relatively low due to limited performance of the dust reduction facility which requires reconstruction. The estimated investment is in the range of CZK 100 million. The estimated operational outage should not exceed four to five months.
10. Planned investments to remove environmental or technical constraints:
- a) The investment in a desulphurization technology required to meet the new emission ceilings applicable from 2016/2020 are in the range of CZK 80 – 100 million per one absorber serving two units (i.e., CZK 160 – 200 million for the entire power plant).
- b) The investment costs for reductions of NOx emissions to comply with the new emission limits applicable from 2016/2020 is estimated at CZK 210 million per unit (i.e., CZK 840 million for the entire

¹² See Directive 2010/75/EU of 24 November 2010 on industrial emissions (integrated pollution prevention and control Recast), OJ L 334 of 17.12.2010, p. 17

¹³ See Commission Decision of 10 February 2012, laying down rules for the transitional national plans referred to in Industrial Emissions Directive, OJ L 52/12 of 24.2.2012, p. 25.

power plant). The estimated operational outage should not exceed four months.

- c) Subventions already approved/obtained: project No. 16025173: Reduction of NO_x Emissions at the Dětmarovice Power Plant up to CZK 169 million that is transferable to new owner.¹⁴

B. *Legal Structure of Plant Operator*

- 1. Asset owned by ČEZ, a.s.

C. *Main Assets*

- 1. Plot of land on which the existing lignite power plant is located;
- 2. Coal stock yard; coal mills; steam boiler; steam turbine; flue gas cleaning equipment; cooling tower;
- 3. No intangible assets.

D. *Main Contracts*

- 1. No power plant-specific long term fuel supply contract¹⁵
- 2. No power plant specific supply contracts
- 3. No key service/maintenance contracts

E. *Ancillary services*

- 1. Dětmarovice currently provides ancillary services to the TSO which leads to lower generation volumes. The magnitude of this effect varies depending on competition on the market for ancillary services and the TSO's needs. The annual impact is up to 500 GWh/year, which equals a utilisation impact of 10%.

F. *Additional features of the site and infrastructure*

- 1. The Dětmarovice power plant is situated near Ostrava in the immediate vicinity of the Polish border and the major railroad connecting the region with Slovakia and Poland. Proximity of suitable transport infrastructure enables the plant to procure hard coal from different sources, including the adjacent Polish hard coal mines. Coal supplies from Poland have increased over time. The plant does not depend on the local hard coal producer, OKD.

¹⁴ See information on subsidies under the Environment Operational Program published by the Czech Ministry of Environment (in Czech) available at <http://www.opzp.cz/clanek/254/1802/podpora-na-projekty-prioritni-osy-2/>. The entitlement to subsidies is transferable to a potential buyer.

¹⁵ The power plant is not dependent on any particular fuel supplier and procures hard coal on the open market which is quite competitive as there are several coal mining companies operating in the Silesian coal basin. Its average annual coal consumption is around 1.2 million tonnes.

2. Dětmarovice is the only large power plant in the region as well as the largest non-nuclear power plant in Moravia. There are no grid capacity constraints at the site. Significant new capacity thus could be connected to the grid in near future.¹⁶
3. The plant currently provides significant heat supplies to two nearby towns Bohumín and Orlová. The existing heat supply contract runs until 2025 which provides for a secure and stable revenue source.

G. ***Key personnel***

[...]*

¹⁶ See information made available by the TSO on areas suitable for construction of new generation resources from the grid capacity perspective at <http://www.ceps.cz/detail.asp?cepsmenu=3&IDP=33&PDM2=0&PDM3=0&PDM4=0>.

IV. Tisová and Mělník

Tisová I and II

A. General Information

1. Name of the power plant: Tisová (ETI I and ETI II)
2. Location: Tisová, Sokolov district, Karlovy Vary Region
3. Primary energy source: Lignite (brown coal)
4. Total installed capacity (nominal): 296 MW (184 MW for Tisová I and 112 MW for Tisová II)
5. Net efficiency: 26.3% for ETI I and 31.7% for ETI II, respectively
6. Plant operator: ČEZ, a.s.
7. Planned lifespan: 2025
8. Applicable emission limits:
 - a) The individual emission ceilings are stipulated in an amendment to the integrated operational permit issued under folio number 2279/ZZ/09 by the Regional Authority of the Karlovy Vary Region on 30.11.2009.¹⁷

Substance	Emission limit (tonnes/year)
Solid pollutants (TZL)	20
SO ₂	2,900
NO _x	989

- b) The Tisová power plant is not constrained by emission ceilings at the regional level.
- c) From 1.1.2016 Tisová must comply with the emission ceilings and the concentration limits stipulated by national legislation implementing the applicable EU Industrial Emissions Directive.¹⁸

¹⁷ The information on the Tisová (I and II) Integrated Operational Permit is available in the internet registry of the Czech Ministry of Environment at <http://www.mzp.cz/ippc>; ID No. MZPXXFCS0QG8.

¹⁸ See Directive 2010/75/EU of 24 November 2010 on industrial emissions (integrated pollution prevention and control Recast), OJ L 334 of 17.12.2010, p. 17

ČEZ intends to apply for a transitional national plan¹⁹ for Tisová as envisaged by the Industrial Emissions Directive. As a result, the new emission ceilings and the concentration limits stipulated by national legislation implementing the applicable EU Industrial Emissions Directive shall apply only from 30.6.2020. Between 1.1.2016 and 30.6.2020 the emissions ceilings and the concentration limits will be set forth in the transitional national plan.

9. Limits on the operation due to environmental or technical constraints: not applicable.
10. Planned investments to remove environmental or technical constraints:
 - a) The investment required to meet the new NO_x emission ceilings applicable from 2016/2020 is in the range of CZK 94 million for the entire power plant. The estimated operational outage should not exceed four months.
 - b) ČEZ estimates that the investment in a desulphurization technology required to meet the new emission ceilings applicable from 2016/2020 should not exceed CZK 50 million.
 - c) Subventions already approved/obtained: project No. 16021072: Reduction of NO_x Emissions at the Tisová Power Plant (boiler K9) up to CZK 34 million that is transferable to new owner.²⁰

B. *Legal Structure of Plant Operator*

1. Asset owned by ČEZ, a.s.

C. *Main Assets*

1. Plot of land on which the existing lignite power plant is located;
2. Coal stock yard; coal mills; steam boiler; steam turbine; flue gas cleaning equipment; cooling tower;
3. No intangible assets.

D. *Main Contracts*

1. Fuel supply contract (the total amount contracted relates to ETI (I and II) and EME III power plants collective):

¹⁹ See Commission Decision of 10 February 2012, laying down rules for the transitional national plans referred to in Industrial Emissions Directive, OJ L 52/12 of 24.2.2012, p. 25.

²⁰ See information on subsidies under the Environment Operational Program published by the Czech Ministry of Environment (in Czech) available at <http://www.opzp.cz/clanek/254/1802/podpora-na-projekty-prioritni-osy-2/>. The entitlement to subsidies is transferable to a potential buyer.

- a) Contracting Party: Sokolovská uhelná, a.s.
 - b) Date of Signing: [...]*
 - c) Duration: 31.12.2027 or the exhaustion of Sokolovská uhelná's mines, whichever occurs later
 - d) Yearly limits to supply: 2.5 million tonnes/year²¹
2. No power plant specific supply contracts
 3. No key service/maintenance contracts

E. ***Additional features of the site and infrastructure***

1. The Tisová plant is situated at the lignite basin and, consequently, has very low transportation cost. The plant supplies heat to the city of Sokolov and other smaller towns. There are also several industrial customers supplied with steam. The site is equipped with all relevant infrastructure for solid fuels handling and storage.
2. In 2009/2010 ČEZ conducted a major overhaul of the Tisová II turbine enhancing the plant output and efficiency and enabling heat extraction. The ability to provide heat allows for much higher operational flexibility of Tisová I and Tisová II. The modernisation also extended the commercial life of the plant until the end of the commercial life of the Sokolovská uhelná mines that supply the power plant with fuel.

F. ***Key personnel***

[...]*

²¹ The supply contract is very valuable since it covers a total supply of around 40 million tonnes at competitive prices. The contract is currently disputed at court by Sokolovská uhelná, a.s. which is also in default with its obligations under the contract, in particular with the obligation to supply the entire contracted volume of lignite.

Mělník III**A. General Information**

1. Name of the power plant: Mělník III
2. Location: Horní Počaply, Mělník district, Central Bohemia Region
3. Primary energy source: Lignite (brown coal)
4. Total installed capacity (nominal): 500 MW
5. Net efficiency: 34.3 %
6. Plant operator: ČEZ, a.s.
7. Planned lifespan: 2026
8. Applicable emission limits:
 - a) The individual emission ceilings are stipulated in a Plan for the emission reductions approved by the decision of the Regional Authority of the Central Bohemian Region under folio number 11902/04-0D-82356/04/0ZP-Ka2 on 22.10.2004²²:

Substance	Emission limit (tonnes/year)
Solid pollutants (TZL)	194.7
SO ₂	2,325
NO _x	3,653

- b) The Mělník III power plant is not constrained by emission ceilings at the regional level. If EME III is transferred into separate legal entity, it would have to comply with emission ceilings according to table (a) above.
- c) From 1.1.2016 Mělník III must comply with the emission ceilings and the concentration limits stipulated by national legislation implementing the applicable EU Industrial Emissions Directive.²³

²² In Czech: “*Plán snížení emisí*”. By approving such plan, the Regional Authority stipulated emissions ceilings applicable to EME III from 1.1.2008 until present.

²³ See Directive 2010/75/EU of 24 November 2010 on industrial emissions (integrated pollution prevention and control Recast), OJ L 334 of 17.12.2010, p. 17

ČEZ intends to apply for a transitional national plan²⁴ for Mělník III as envisaged by the Industrial Emissions Directive. As a result, the new emission ceilings and the concentration limits stipulated by national legislation implementing the applicable EU Industrial Emissions Directive shall apply only from 30.6.2020. Between 1.1.2016 and 30.6.2020 the emissions ceilings and the concentration limits will be set forth in the transitional national plan.

9. Limits on the operation due to environmental or technical constraints:
 - a) Mělník III currently has a slightly higher average fault ratio (16.35 % in 2010 and 21.26 % in 2011, whereas it was only 12.9 in 2008) than the average fault ratio of the ČEZ portfolio of lignite and hard coal plants. This is caused by technical problems with a boiler that can be easily repaired. Total estimated costs are around CZK 31 million and the estimated operational outage should not exceed 70 days.

10. Planned investments to remove environmental or technical constraints:
 - a) The investment in desulphurization technology required to meet the new emission ceilings applicable from 2016/2020 is in the range of CZK 800 million – 1.2 billion for the entire power plant. The estimated operational outage should not exceed 8 months.
 - b) ČEZ estimates that the investment required to meet the new NO_x emission ceilings applicable from 2016/2020 is in the range of CZK 1 billion. This is however only an indicative estimate as no detailed analysis of the precise scope of such project was conducted yet.
 - c) Subventions already approved/obtained: not applicable.

B. *Legal Structure of Plant Operator*

1. Asset owned by ČEZ, a.s.

C. *Main Assets*

1. Plot of land on which the existing lignite power plant is located;
2. Coal stock yard; coal mills; steam boiler; steam turbine; flue gas cleaning equipment; cooling tower;
3. No intangible assets.

D. *Main Contracts*

²⁴ See Commission Decision of 10 February 2012, laying down rules for the transitional national plans referred to in Industrial Emissions Directive, OJ L 52/12 of 24.2.2012, p. 25.

1. Fuel supply contract (the total amount contracted relates to ETI (I and II) and EME III power plants collective)
 - a) Contracting Party: Sokolovská uhelná, a.s.
 - b) Date of Signing: [...]*
 - c) Duration: 31.12.2027 or the exhaustion of Sokolovská uhelná's mines, whichever occurs later
 - d) Yearly limits to supply: 2.5 million tonnes/year.²⁵
2. No power plant specific supply contracts
3. No key service/maintenance contracts

E. *Ancillary services*

1. Mělník currently provides ancillary services to the TSO which leads to lower generation volumes. The magnitude of this effect varies depending on competition on the market for ancillary services and the TSO's needs. The annual impact is up to 400 GWh/year.

F. *Additional features of the site and infrastructure*

1. The Mělník III power plant is situated in the Central Bohemian region at Labe river. Direct cooling from the Labe river allows for higher efficiency compared to solution based on cooling towers. The site is equipped with all relevant infrastructure for solid fuels handling and storage.
2. The site is close to a gas transit pipeline (approximately 15 km) which makes it suitable for a gas power plant project. ČEZ has considered Mělník to be one of the three best sites for building a CCGT.

G. *Key personnel*

[...]*

²⁵ The supply contract is very valuable since it covers a total supply of around 40 million tonnes at competitive prices. The contract is currently disputed at court by Sokolovská uhelná, a.s. which is also in default with its obligations under the contract, in particular with the obligation to supply the entire contracted volume of lignite.