

**TO**  
**the Extraordinary General Meeting of CEZ Electro Bulgaria AD**  
**scheduled for 18<sup>th</sup> April 2022**

**material under item 7 of the agenda**

**SUBSTANTIATION REPORT**  
**OF THE MANAGEMENT BOARD OF CEZ ELECTRO BULGARIA AD**  
**pursuant to Art. 114a, Par. 1 of Law on Public Offering of Securities**

Regarding: *Expediency and Terms and Conditions for Realisation of Deal in Accordance with the Provisions of Art. 114, Par. 1, item 2, last proposal in relation to item 1, letter "b" and Deal in Accordance with the Provisions of Art. 114, Par. 1, item 3, last proposal in relation to item 1, letter "b" of the Law on Public Offering of Securities*

**1 GENERAL INFORMATION REGARDING THE DEAL**

**1.1 General Description of the Deal**

The deal represents a Framework contract for purchase and sale of electricity between CEZ Trade Bulgaria EAD, as a trader of electricity, a company established and operating pursuant to the laws of the Republic of Bulgaria, with seat and management address at: Sofia, zip code 1000, Triaditsa region, 2 Pozitano square, 7<sup>th</sup> floor, office 7 and CEZ Electro Bulgaria AD, as a trader of electricity and a Last Resort Supplier (hereinafter referred to, respectively, as the "Framework contract", "CEZ Trade" and "CEZ Electro/the Company").

The Company and CEZ Trade qualify as *related parties* pursuant to §1, item 13, letter „b” of the Additional Provisions of the *Law on Public Offering of Securities* (hereinafter referred to as the "LPOS"). The legal entity, which exercises joint control over the Company and CEZ Trade, is Eastern European Electric Company B.V. (the Netherlands), a company established and operating pursuant to the laws of the Kingdom of the Netherlands, registered within the Trade Registry of the Kingdom of the Netherlands under number 75462788, having seat at: the Kingdom of the Netherlands, Amsterdam and a correspondence address at: Basisweg 10, 1043AP, Amsterdam, the Kingdom of the Netherlands (hereinafter referred to as "EEEC"). The control is of the type in the meaning of §1, item 14, letter „a” of the Additional Provisions of the LPOS and is manifested through the direct holding by EEEEC of 69,34% of the share capital of the Company and of 100% of the share capital of CEZ Trade.

Based on the above, and having in consideration the fact that CEZ Trade, except as a related to the Company person, is also a party to the deal, the following persons could qualify as interested parties with regard to the deal:

- EEEEC in the meaning of Art. 114, Par. 7, item 2 of the LPOS;
- CEZ Trade in the meaning of Art. 114, Par. 7, item 1, first proposal of the LPOS; and
- Mr. Karel Král in the meaning of Art. 114, Par. 7, item 3 of the LPOS in view of his capacity of a member of the Management Board of CEZ Electro Bulgaria AD and a member of the Board of Directors of CEZ Trade Bulgaria EAD.

Pursuant to the deal for the Company will arise:

(a). *liabilities* to CEZ Trade, the total value of which could exceed 2% of the lower value of the assets (threshold under Art. 114, Par. 1, item 2, last proposal in relation to Art. 114, Pat. 1, item 1, letter "b" of the LPOS); and/or

(b). *receivables* from CEZ Trade, the total value of which could exceed 1% of the lower value of the assets (threshold under Art. 114, Par. 1, item 3, last proposal in relation to Art. 114, Par. 1, item 1, letter “b” of the LPOS),

pursuant to the last two prepared balance sheets of the Company, at least one of which has been audited and which have been publicly disclosed on the grounds of Art. 100r of the LPOS.

### *1.2. Economic Essence of the Deal*

Pursuant to the requirements of the applicable law and the obligations based on its licenses, the Company is obliged to deliver electricity under freely negotiated prices to a specified market of customers (hereinafter referred to respectively as the “**Free Market**” and the “**Customers on the Free Market**”) in accordance with the License for trade of electricity № JI-229-15/17.05.2017, as well as to deliver electricity to a specified market of customers (hereinafter referred to as “**the LRS Customers**”) in accordance with the License for supply of electricity by the Last Resort Supplier № JI-409-17/01.07.2013.

The materiality of the Framework contract (through which the Company realizes the optimal option for the purchase of electricity) is determined by the fact that through it:

- (a). the Company will be supplied with electricity: (i). in a timely manner; (ii). of quality, corresponding to the obligations based on its licenses; (iii). in an amount, determined by the Company in accordance with the current consumer needs of the Customers on the Free Market and the LRS Customers; and (iv). at a market price, as the latter will be determined periodically by the sustainable producers of electricity and on the organised markets of electricity;
- (b). the Company will manage the commercial risks, related to the realisation of the electricity for the Customers on the Free Market and the LRS Customers; and
- (c). the Company will realize transactions for sale of electricity to CEZ Trade at a market price, as the latter will be determined periodically by the sustainable producers of electricity and on the organised markets of electricity.

The Company expects that the effects under letters (a) and (b) above would place it in a position which is economically more beneficent than the situation as if it would have got supply of the electricity for the Customers on the Free Market and the LRS Customers independently and directly from the sustainable producers of electricity and from the organised markets.

The expected effects under letter (c) above are related to provision of an opportunity for the Company to achieve higher efficiency in the activity under the License for trade of electricity.

### *1.3. Management and Officers of the Company and External Advisors Engaged with the Deal*

The following persons have been professionally engaged with the Framework contract:

*Management Board of the Company consisting of three members, namely:*

Dimcho Stanev Stanev and Christo Borissov Babbev (the member of the Board Karel Král could be qualified as an interested party pursuant to the meaning of Art. 114, Par. 7, item 3 of the LPOS).

*Director of Products and Purchase of Electricity Directorate of the Company:*

Zornitsa Yordanova

*Director of Legal and Regulatory Activities Directorate of the Company:*

Maria Yovcheva-Panayotova

*Investors Relations Director of the Company:*

Radoslav Dimitrov

The Report is approved by the Management Board of the Company (hereinafter referred to as the “MB”) and represents a material under item 7 of the agenda of the Extraordinary General Meeting of the Company scheduled for 18<sup>th</sup> April 2022 (hereinafter referred to as the “GM”).

## 2 TO THE ATTENTION OF THE SHAREHOLDERS AND VOTE-HOLDERS

Dear Shareholders and Vote-Holders,

The Report is elaborated pursuant to Art. 114a, Par. 1 of the LPOS and has the scope of contents, as required by Art. 33, Par. 1 of *Ordinance № 2 dated 09.11.2021 on the initial and subsequent disclosure of information in public offering of securities and admission of securities to trading on a regulated market*, in force and effect as of 01.01.2022, issued by the Financial Supervision Commission, as follows:

- (i). description of the Framework contract, including its subject matter, value, its beneficiaries, as well as of the other essential elements of the Framework contract, which are necessary to provide complete information and to avoid misleading of the shareholders;
- (ii). the trade names of the parties under the deal;
- (iii). the trade names of the parties, which qualify as interested parties in the deal pursuant to Art. 114, Par. 7 of the LPOS, the legal grounds and explanation of the reasons why they are interested parties;
- (iv). the market valuation of the deal under Art. 114a, Par. 6 of the LPOS (inasmuch as such is possible as of the moment of the preparation of the Report given the essence of the Framework contract); and
- (v). description of the economic benefits of the Company from the proposed deal.

The Report aims to present to the attention of the shareholders of the Company the essential terms and conditions and the expediency of the Framework contract.

The Report contains all of the essential terms and conditions of the Framework contract, which are necessary for the taking of informed and justified resolution by the GM with regard to the authorization of the MB for the entering into the Framework contract.

In the absence of an authorizing resolution by the GM, the MB would not have the powers to enter into the Framework contract, and in case the Framework contract would, nevertheless, be concluded in the absence of such approval, then it would have been null and void pursuant to the explicit provision of Art. 114, Par. 12 of the LPOS.

## 3 ESSENTIAL TERMS AND CONDITIONS OF THE DEAL

### 3.1 *Parties and Interested Persons*

The parties to the Contract are CEZ Trade, as a trader of electricity at freely negotiated prices, and the Company. As it was mentioned above, the parties to the Contract qualify as related parties, and as parties interested in the deal qualify EEEEC, on the grounds of Art. 114, Par. 7, item 2 of the LPOS and CEZ Trade, on the grounds of Art. 114, Par. 7, item 1, first proposal of the LPOS, as a related party and a party to the deal, Mr. Karel Král, on the grounds of Art. 114, Par. 7, item 3 of the LPOS as a member of the Management Board of the Company and member of the Board of Directors of CEZ Trade.

The interest of EEEEC in the Contract arises from its capacity of a majority shareholder of the Company and a sole owner of the share capital of CEZ Trade and is manifested in the following:

- (a). supply of electricity in a timely manner at market prices and quantity determined by the Company in accordance with the current customer needs at the respective moment of the Company's customers under the License for trade of electricity and the License for the LRS;
- (b). the Company will realize transactions for sale of electricity to CEZ Trade at a market price, as the latter will be determined periodically by the sustainable producers of electricity and on the organised markets of electricity;
- (c). optimisation of the cash-flows of the Company; and
- (d). maintenance of the stable financial condition of the Company.

The interest of CEZ Trade arises from its capacity of a related party to the Company in the meaning of §1, item 13, letter "b" of the Additional Provisions of the LPOS and a party to the deal and is manifested in occurrence of receivables against and/or due to the Company, as a result of the concluded contract.

In view of the participation of the member of the Management Board of the Company – Mr. Karel Král in the Board of Directors of CEZ Trade, it is possible that he may be considered an interested party within the meaning of Art. 114, Par. 7, item 3 of the LPOS.

### **3.2 Subject-Matter**

The subject-matter of the Contract is:

- (1). Provision of electricity by CEZ Trade for covering the consumption of end customers of the Company in its capacity of a trader of electricity and a Last Resort Supplier;
- (2) Transactions for purchase and sale of electricity at market prices concluded between the parties on the basis of separate contracts under the terms of the Framework contract. Based on the individual contracts, each of the Parties may be a Seller or a Buyer, depending on the specific individual contract.

The implementation of the specified subject-matter also implies the performance of the technical actions, which are customary to the sale and delivery of electricity. That includes the obligations allocated between the parties in the following areas:

- determination of energy schedules;
- transfer of title and risk related to the delivered electricity;
- acceptance and delivery,

which obligations are executed in accordance with the related registrations with the ESO.

The reporting of the sold/purchased electricity positions is done twice a month – on the 15<sup>th</sup> and on the last day of a calendar month. Based on the delivered by the Seller electricity quantity for the respective period, the Buyer shall pay the negotiated price.

### **3.3 Duration**

The contract enters into force on 1<sup>st</sup> July 2022 and is concluded for a period of one year with the possibility of automatic extension of the term, as the maximum term of the contract is up to three years.

### **3.4 Price**

The unit price of energy at that the Seller under the respective separate contract, concluded on the basis of the Framework contract, will deliver, can be formed in two ways:

- 1) Fixed price – this is the market price of the respective product, to which are added the direct costs of Seller for performance of the activity of purchase and sale, as well as the trade margin of the Seller;
- 2) Floating price – this price is determined by the electricity price at the stock exchange (IBEX, “day-ahead” market) and to it are added the direct costs of the Seller for the implementation of the activity of purchase and sale, as well the trade margin.

Market price is the price of electricity based on quotations buy and sell for standard products and concluded transactions, verifiable on the wholesale market (organized markets, brokerage platforms and screens, or market of bilateral contracts) at the time of confirmation of the separate contract, with a period of delivery two or more days.

The direct costs of the Seller are related to fees for participation in organized wholesale electricity markets, fees for wholesale market access through access contracts between the Seller and third parties, fees due by the Seller to the Energy and Water Regulatory Commission on sales revenue, transmission capacity prices, fees of brokers and brokerage platforms, financial costs for financing electricity transactions and maintaining the necessary collateral to stock exchange operators and third parties.

The information about the calculation of the unit prices is a *protected trade secret* of CEZ Trade and CEZ Electro.

The public disclosure of that information could lead to significant damages to the parties of the Contract. In view of this and on the grounds of Art. 33, Par. 2 of *Ordinance № 2 dated 09.11.2021 on the initial and subsequent disclosure of information in public offering of securities and admission of securities to trading on a regulated market*, this information is not contained in the disclosed version of the Report, but may be provided to the FSC.

In accordance with the requirements of the tax legislation annually will be prepared Transfer pricing documentation, that shall certify the compliance with the principle for independent market relations between related parties.

### **3.5 Total Value of the Supplies of Balancing Energy in the Event of Shortage**

The value of the purchases of electricity pursuant to the Contract is determined, to the maximum extent, by the volume of the Company's operations as an electricity trader and a LRS. Due to the fact that this volume is dynamic and is expected to grow during the term of the Contract, the Company cannot precisely forecast the total value of the liabilities under the Contract.

The forecasts of the management of the Company, based on historical data until the year 2021 and the estimates for the year 2022, are that the costs for purchase of electricity for the activities as a Trade and a LRS will amount to cca. BGN 325 million for the second half of the year 2022, and for the following years to not exceed BGN 520 million per calendar year (excluding VAT and costs associated with delivery).

The forecasts of the management of the Company for the value of the transactions on which CEZ Electro will be a Seller will amount to about BGN 30 million for the second half of the year 2022, and for the following years to not exceed BGN 60 million per calendar year.

### **3.6 Assessment of the Value against the Thresholds under the LPOS**

By virtue of the Contract, the Company will:

(a). purchase and pay for electricity , which will constitute an “*occurrence of liabilities*” in the meaning of Art. 114, Par. 1, item 2 of the LPOS; and

(b). sell and receive payments, which will constitute “*receivables*” within the meaning of Art. 114, Par. 1, item 3 of the LPOS.

Therefore, the economic substantiality of the Contract for the Company should be assessed separately for liabilities and receivables against the threshold set in the abovementioned provisions of the law.

Due to the affiliation between the Company and CEZ Trade, on the one hand, and the interest of EEEEC and CEZ Trade in the Contract, on the other hand, the applicable threshold is the one under letter “b” of Art. 114, Par. 1, item 1 and Art. 114, Par. 1, item 2, last proposition and item 3, last proposition of the LPOS, namely:

(a). *for the liabilities – 2 per cent of the lower value of the assets; and*

(b). *for the receivables – 1 per cent of the lower value of the assets,*

*pursuant to the last two prepared balance sheets of the Company, at least one of which has been audited and which have been publicly disclosed on the grounds of Art. 100m of the LPOS.*

As of the moment of preparation of the Report the relevant latest financial statements of the Company are:

<b>Financial Statements</b>	<b>Balance Sheet Date</b>	<b>Total Assets (BGN thousand)</b>	<b>Threshold 2% of Total Assets (BGN thousand)</b>	<b>Threshold 1% of Total Assets (BGN thousand)</b>
last audited	31.12.2020	339,983	6,800	3,400
last prepared	31.12.2021	333,793	6,676	3,338

When comparing the first abovementioned threshold with the estimated total value of the Contract in the part related to delivery of electricity in order to cover the consumption of the end customers of the Company in the capacity of a trader of electricity and a Last Resort Supplier, it is evident that the Contract falls within the scope of Art. 114, Par. 1, item 1, letter “b” and item 2, last proposition of the LPOS, due to which its conclusion is subject to preliminary approval by the GM.

When comparing the second abovementioned threshold with the estimated total value of the Contract in the part related to sale of electricity by the Company, in its capacity of a trader of electricity, it is evident that the Contract falls within the scope of Art. 114, par. 1, item 1, letter “b” and item 3, last proposition of the LPOS, due to which its conclusion is subject to preliminary approval by the GM.

In the present item of the Report the term “*Balance Sheef*” is used as a synonym of a “*Statement of Financial Position*”.

### **3.7 Terms of Payment of Electricity**

Each party has to pay to the other the amounts due under the invoice within 5 (five) days as of the date of issuance of the invoice.

### **3.8 Beneficiaries of the Agreement**

The Contract is concluded as beneficent to both parties.

### **3.9 Other Essential Terms and Conditions**

The MB considers the following as essential terms and conditions of the Framework contract, to which the shareholders and vote-holders of the Company should pay specific attention:

- The Framework contract includes the rights and obligations of the parties, which are inherent in the process of purchase and sale of electricity wholesale at freely negotiated prices;
- The parties are obliged to perform all the necessary actions and to perform all procedures necessary for the registration by ESO of the schedules for supply and exchange of the agreed quantities of electricity, according to the current legislation;
- Electricity purchase and sale transactions refer to physical supply transactions;
- The invoicing of electricity is carried out on the basis of quantities of electricity according to the registered trade schedules between the Parties. Each party that is a Seller under a separate transaction of the Framework contract shall issue a tax invoice to the other party for the supplied electricity, as follows: 1) on the 15<sup>th</sup> day of the current month for the quantities according to trade schedules for the period from 1<sup>st</sup> to 15<sup>th</sup> day of the current month; 2) on the last day of the current month for the quantities according to trade schedules for the period from the 16<sup>th</sup> day until the last day of the current month;
- Each party may terminate the contract by a mutual agreement or by a written notice to the other for a period of 90 days, without specifying the grounds for the termination.

#### 4 MARKET EVALUATION

The indicative market evaluation of the Framework contract is for estimated annually average expenses of the Company for a period of 3 (three) years in the amount of cca. BGN 500 million (excluding VAT).

In accordance with the requirements of the tax legislation annually will be prepared Transfer pricing documentation, that shall certify the compliance with the principle for independent market relations between related parties.

#### 5 FUNCTIONAL ANALYSIS

The description of the risks associated with the sale and purchase of electricity and their allocation between the Company and CEZ Trade is, as follows:

##### 5.1 *Market Risk*

CEZ Trade will bear market risk with regard to the performance of the purchase of electricity for the needs of the Company in its capacity of a Last Resort Supplier.

The Company will bear market risk to the extent that it should adequately forecast its future portfolios of customers and declare the required amounts of electricity for their needs, which should not significantly exceed or be significantly lower than required by the forecast.

##### 5.2 *Exchange Rate Risk*

In connection with the execution of the Framework Contract and considering the abilities of CEZ Trade to ensure access to regional wholesale electricity markets, CEZ Trade will bear the exchange rate risk, because the payments between CEZ Trade and the Company will be made in Bulgarian leva.

### 5.3. *Credit Risk*

In connection with the execution of the Framework contract and given the short maturity of the liabilities under it, neither of the parties to it will undertake significant credit risk.

### 5.4. *Interest Risk*

In connection with the execution of the Framework contract and considering the interest on the overdue liabilities under it being equal to the statutory interest, neither of the parties to it will undertake significant interest risk.

### 5.5. *Inventory Risk*

In connection with the execution of the Framework contract and given the specifics of the electricity as a commodity, neither of the parties to it will undertake a significant inventory risk.

The distribution of the risks is in principle for the respective party of the Contract – supplier/seller and customer/buyer, as a result of which items 5.1 - 5.5 should be considered reciprocally applicable to CEZ Trade and to the Company.

## 6 ECONOMIC BENEFIT TO THE COMPANY

**The position of the MB of the Company is that the Framework contract is economically beneficial for the Company in the sense that it provides the optimal solution for minimizing its costs.**

The MB has carried out an analysis of the alternative solutions – performance of the process of purchase of electricity under its licenses as a trader and a Last Resort Supplier independently in comparison to the purchase from CEZ Trade.

### 6.1. *Independent Purchase*

In this option, the costs of the Company consist not only in purchase of electricity needed to operate as an electricity trader and a Last Resort Supplier, but also in capital costs for maintaining collateral in order to guarantee the purchases - for example before the IBEX in amount of BGN 6.4 million. The financial value of the costs on an annual basis for the provision of collateral is BGN 94 thousand.

### 6.2. *Purchase from CEZ Trade*

Elimination of the cost for financing the collateral before the IBEX in the amount of BGN 94 thousand. In addition, on an annual basis for expected energy purchase for both licenses in the amount of 1 TWh (1 million megawatt hours) the Company will generate savings in the amount of BGN 392 thousand due to the fact that it will transfer to CEZ Trade the burden of financing the wholesale purchase transactions and the Company will pay according to its registered schedules once every 20 (twenty) days, instead of every day, as is the case with the IBEX.

Example:

Amount of energy per year: 1 000 000 MWh

Price with VAT: BGN 480 for MWh

Period of financing: 20 days

Annual interest on borrowed capital: 1,47 % annually

Financial costs: BGN 0,23 for MWh

Total costs for financing of an annual purchase in the amount of 1 000 000 MWh: BGN 231 978.



### 6.3. *Benefits from conclusion of contract with CEZ Trade*

- ✓ reduction of the exposure to third parties and elimination of the risk of energy shortages;
- ✓ transfer of costs for financing of the purchases;
- ✓ access to international platforms for wholesale electricity trading, which should provide the Company with a market advantage in terms of price, as well as actions in relation to future transactions - due to awareness of the market situation in the region and the possibility of timely transactions on the regional markets outside Bulgaria;
- ✓ sustainability and security of the supplies, guarantee of the contracts with the end customers;
- ✓ CEZ Trade is financially secured trader with guarantee made available to ESO in the amount of BGN 22 million and a proven capacity to supply a portfolio of over 4 TWh;
- ✓ CEZ Trade has reliable IT systems for management of the purchase and sale of electricity and exchange of data, calculation, verification, data storage, energy management, settlement and balancing in this relation.

## 7 **DRAFT RESOLUTION**

In view of the above, the MB proposes to the GM to take the following decision, contained in the invitation for the GM: "The General Meeting, on the grounds of Art. 114, Par. 1, item 2, last proposal, in connection with Art. 114, Par. 1, item 1, letter "6" and Art. 114a, Par. 6 of the LPOS, as well as on the grounds of Art. 114, Par. 1, item 3, last proposal, in connection with Art. 114, Par. 1, item 1, letter "6" and Art. 114a, Par. 6 of the LPOS, authorizes the Management Board of the Company to enter, in accordance with the rules for representation of the Company before third parties, into a Framework contract for purchase and sale of electricity between CEZ Trade Bulgaria EAD, as a trader of electricity and CEZ Electro Bulgaria AD, as a trader of electricity and a Last Resort Supplier (**the "Framework contract"**), under the following significant terms and conditions:

#### *(a). parties to the contract:*

The parties to the agreement are: (1). CEZ Trade as a trader of electricity at freely negotiated prices; and (2). the Company as a trader of electricity and a Last Resort Supplier.

#### *(b). subject-matter of the contract:*

The subject-matter of the contract is, as follows:

(1). Provision of electricity by CEZ Trade for covering the consumption of end customers of the Company in its capacity of a trader of electricity and a Last Resort Supplier;

(2) Transactions for purchase and sale of electricity at market prices concluded between the parties on the basis of separate contracts under the terms of the Framework contract. Based on the individual contracts, each of the Parties may be a Seller or a Buyer, depending on the specific individual contract.

#### *(c). price of the electricity:*

The unit price of energy that CEZ Trade will sell under the Framework contract can be formed in two ways: 1) Fixed price - the market price of the respective product, to which are added the direct costs of CEZ Trade for the activity of purchase and sale, as well as the trade margin of CEZ Trade; 2) Floating price – it is determined by the electricity price at the stock exchange (IBEX, day-ahead market) and to it are added the

direct costs of CEZ Trade for the implementation of the activity of purchase and sale, as well the trade margin. CEZ Electro sells electricity under the Framework Contract at the market price at the time of conclusion of a separate contract. Market price is the price of electricity based on quotations buy and sell for standard products and concluded transactions, verifiable on the wholesale market (organized markets, brokerage platforms and screens, or market of bilateral contracts) at the time of confirmation of the separate contract, with a period of delivery two or more days. The direct costs of CEZ Trade are related to fees for participation in organized wholesale electricity markets, fees for wholesale market access through access contracts between CEZ Trade and third parties, fees due by CEZ Trade to the Energy and Water Regulatory Commission on sales revenue, transmission capacity prices, fees of brokers and brokerage platforms, financial costs for financing electricity transactions and maintaining the necessary collateral to stock exchange operators and third parties.

*(d). maximum total value:*

The maximum total value of the activities under item 1 of letter “b” above (“subject-matter of the contract”) according to forecasts of the management of the Company is about BGN 325 million /three hundred and twenty-five million leva/ for the second half of 2022 and for the following years shall not to exceed BGN 520 million /five hundred and twenty million leva/ per calendar year (excluding VAT and associated costs), where the forecasts are based on historical data until the year 2021 and the expectations for the year 2022, for the costs of the Company for purchase of electricity for the activities as a trader of electricity and a Last Resort Supplier.

The maximum total value of the activities under item 2 of letter “b” above (“subject-matter of the contract”), on which transactions CEZ Electro will be a Seller under a separate contract according to the forecasts of the Company's management is not more than BGN 60 million /sixty million leva/ per year or not more than BGN 180 million /one hundred and eighty million leva/ for the term of the contract.

*(e). duration of the contract:*

The contract enters into force on 1<sup>st</sup> July 2022 and is concluded for a period of one year with the possibility of automatic extension of the term, as the maximum term of the contract is up to three years.

*(f). beneficiaries of the contract:*

CEZ Electro Bulgaria AD and CEZ Trade Bulgaria EAD

*(g). other essential terms and conditions of the contract:*

The Framework contract contains the rights and obligations of the parties, which are inherent in the process of purchase and sale of electricity wholesale at freely negotiated prices.

The parties are obliged to perform all the necessary actions and to perform all procedures necessary for the registration by ESO of the schedules for supply and exchange of the agreed quantities of electricity, according to the current legislation.

Electricity purchase and sale transactions refer to physical supply transactions.

The invoicing of electricity is carried out on the basis of quantities of electricity according to the registered trade schedules between the Parties. Each party that is a Seller under a separate transaction of the Framework Contract shall issue a tax invoice to the other party for the supplied electricity, as follows: 1) on the 15<sup>th</sup> day of the current month for the quantities according to trade schedules for the period from 1<sup>st</sup> to 15<sup>th</sup> day of the current month; 2) on the last day of the current month for the quantities according to trade schedules for the period from the 16<sup>th</sup> day until the last day of the current month.

Each party may terminate the contract by a mutual agreement or by a written notice to the other for a period of 90 days, without specifying the grounds for the termination.”

**8 NOTICE OF ABSENCE OF VOTING RIGHTS OF THE INTERESTED PARTIES WITH VOTING RIGHT**

The shareholder EEEC is hereby notified that pursuant to Art. 114a, Par. 5 of the LPOS that shareholder shall not be allowed to vote on the proposed draft-resolution by reason of its capacity of an interested party by virtue of Art. 114, Par. 7, item 2 of the LPOS.

**Members of the Management Board of CEZ Electro Bulgaria AD:**

The signature was placed, but removed on the grounds of Art. 5, Par. 1 of Regulation (EU) 2016/679.

**Dimcho Stanev**

The signature was placed, but removed on the grounds of Art. 5, Par. 1 of Regulation (EU) 2016/679.

**Christo Babhev**