

Invitation to an Extraordinary General Meeting of the Shareholders of CEZ Distribution Bulgaria AD

Dear Shareholders,

The Management Board of CEZ Distribution Bulgaria AD, a joint-stock company incorporated and existing under the laws of the Republic of Bulgaria, having its seat and registered address at Sofia 1784, Mladost Region, 159, Tsarigradsko Shosse Blvd., BenchMark Business Centre, registered with the Trade Registry at the Registry Agency under Uniform Identification Code 130277958, and having its official web-site on the Internet at www.cez-rp.bg (hereinafter referred to as the “**Management Board**” and the “**Company**”, respectively) took a resolution for convening an extraordinary session of the General Meeting of the Shareholders of the Company (hereinafter referred to as the “**General Meeting**”), on the grounds of Art. 223, Par. 1, first sentence of the Law on Commerce and Art. 44, first sentence of the By-Laws of the Company.

In performance of the resolution, the Management Board does hereby invite you to attend the General Meeting. The General Meeting will be held on 27th October 2016 at 11.00 a.m. in Sofia at the following address: 1784 Sofia, 159, Tsarigradsko Shosse Blvd., BenchMark Business Centre, floor 3, Blue meeting hall, with the following agenda and draft-resolutions:

- 1. Making a resolution for giving of consent to the Management Board of “CEZ Distribution Bulgaria” AD to enter, subject to rules for representation of the Company before third parties, into an agreement for a term loan with the European Bank for Reconstruction and Development.**

Draft Resolution:

“The General Meeting of the Shareholders of CEZ Distribution Bulgaria AD (the “Company”), gives its consent to the Management Board of CEZ Distribution Bulgaria AD for entering into, in compliance with the rules of representation of the Company before third parties, a long-term Loan Agreement (the “Agreement”) with the European Bank for Reconstruction and Development (“EBRD”)

UNDER THE FOLLOWING ESSENTIAL TERMS AND CONDITIONS:

1. EBRD is the lender and the Company is the borrower. One portion of the principal under the Agreement is made available by EBRD at its own expense directly to the Company, while another portion of the principal under the Agreement is made available at the expense of participating banks designated by EBRD which shall provide the financing indirectly (via EBRD) to the Company. Participating banks are not parties to the Agreement.
2. The purpose of the loan is the financing of:
 - (i) the Company’s 2016-2017 investment programme in the distribution network aiming at improving quality and efficiency (hereinafter referred to as the “Investment Programme”);
 - (ii) the acquisition of energy facilities built by third parties during 2006-2014, which are an integrated part of the electricity distribution network and a mandatory regulatory obligation for the Company (“Buy-Outs”), and
 - (iii) the management of the working capital of the Company.
3. The financing is provided in the form of a term loan (designated to items (i) and (ii) above) and a revolver facility (designated to item (iii) above). The maximum total principal of the Loan is

EUR 116,000,000 (one hundred and sixteen million Euro) split in a term loan ("Term Loan") and a revolver facility ("Revolver Facility").

The regular interest on each of the Term Loan and the Revolver Facility is formed as the total of a basis (which is the 6-month EURIBOR floored at zero), and a margin (which is determined in basic points per annum based on the terms offered by approached banks). The maximum annual margin is: Term Loan - 135 Basis Points; Revolver Facility - 160 Basis Points. The interest period is 6 months.

In the event of default, the overdue amount accrues default interest at the regular interest margin increased by 2 (two) percent per annum plus the cost of funding of the amounts overdue.

The Term Loan shall be available up to the maximum amount of principal for drawdowns for a period of 18 months from the date of the Loan Agreement. The tenor of the Term Loan is 7 years. The schedule of repayment of the Term Loan is: (a). 60% of the principal within 5 years from the expiry of the Availability Period in equal semi-annual instalments; and (b). 40% of the principal as final repayment at the end of the tenor.

The tenor of the Revolver Facility is 3 years, where the Company has an option to prolong it by 2 years and subsequently by another 2 years, which is approximately until 30.09.2019. The Revolver Facility is repayable on a current basis.

The Company shall owe EBRD fees and commission as set out in detail in the Agreement including without limitation upfront fee, expenses for technical aid and an environmental assessment report as well as legal consultants for the financing being approximately in an aggregate amount of EUR 2, 020 thousand.

Other essential terms and conditions of the agreement:

4. The Company does not establish any collateral to secure its liabilities under the Agreement.
5. **The Company will not declare or pay any dividend or distribution except on or after 6 months from the first draw down of the Loan Agreement and then only if certain conditions documented in the Agreement are satisfied including without limitation: (i) no default occurred and is continuing, and (ii) the Company meets the total financial debt/EBITDA ratio and the Interest Cover ratio; and (iii) the Company limits the total amount of dividend payable each year up to levels as agreed with the EBRD.**
6. **The Company will not, without the EBRD's prior consent: change its capital (except in accordance with the Financing Plan); respectively change its business in a material way, or amend its By-laws in any manner which is inconsistent with the Agreement; undertake any merger, demerger, consolidation or reorganization, or guarantee the obligations of third parties**
7. The Company provides representations and warranties of its status, financial condition and course of business at the time of the conclusion of the Agreement and afterwards which representations and warranties the MB considers customary to obtaining the financing from the market at the substantially comparable conditions.
8. The Company undertakes to comply with commitments to certain conditions (affirmative covenants) and the absence of other conditions (negative covenants) whenever drawdown and repay any parts of the Term Loan, which commitments the MB considers customary for agreements substantially similar to the Agreement.
9. The Agreement shall be governed by the English law.
10. All disputes related to the Agreement shall be referred for settlement to the London Court of Arbitration acting in accordance with the rules of the United Nations Commission on International Trade Law (UNICITRAL) or, at the discretion of the EBRD, before the English courts.

11. This transaction shall be entered into by the EBRD subject to documentation and final approval by the Operations Committee and the Board of Directors of EBRD.”

2. Miscellaneous

Any and all shareholders of the Company are invited to attend the General Meeting. Please, note the following terms and conditions to the preparation for, participation in, and voting at, the General Meeting:

NOTICE OF VOTING RIGHTS

None of the shareholders are interested parties under the deal pursuant to the Art. 114, Par. 6 of LPOS. Respectively, there are no such the shareholders that are not able to exercise their voting rights on the proposal for resolution for authorizing the MB to conclude the deal.

1. Record Date of Holding Shares for the Purpose of the General Meeting

The right to participate in, and vote at, the General Meeting is vested into the shareholders of the Company, who/which are registered as such at the registry kept by Central Depository AD 14 (fourteen) days before the date of holding of the General Meeting, i.e. on 13th October 2016.

2. Registration

The registration of the shareholders for participation in the General Meeting will commence 1 (one) hour before the announced kick-off time at the announced venue of the General Meeting.

Shareholders – natural persons – will be required to evidence their identity by way of presentation of an identity card or passport.

People, who are statutory representatives of legal entities – shareholders, will be required to evidence: (a). their identity, as shown in the preceding paragraph; and (b). their representative power by way of presentation, in a hard-paper original counterpart, of an excerpt from the registry or other record by a competent authority, which is assigned by applicable law with the keeping of the corporate (or other, as relevant to any specific type of legal entity) files of the respective type of legal entity, such excerpt or other record containing the name and position of the respective statutory representative/s and being updated as of not earlier than 3 (three) months before the date of holding of the General Meeting, i.e. not earlier than 27th July 2016. Where the excerpt or other record is originally prepared in a foreign language, the excerpt or other record will be required to bear an Apostille seal or be otherwise legalized for use in Bulgaria, as required by Bulgarian law, and have translation of the relevant information into Bulgarian, which is done by a sworn translator.

3. Representation by Power of Attorney

Each shareholder has the right to authorize an individual or a legal entity for representation at the General Meeting by receiving the materials for, participation in, and voting at, the General Meeting in the name and at the expense of the shareholder by way of Power of Attorney.

No shareholder may be represented by a member of the Management Board or the Supervisory Board of the Company, unless the shareholder has expressly specified the manner of voting on each of the items on the agenda in the Power of Attorney.

The attorney-in-fact has the same rights as the shareholder represented by him. The attorney-in-fact is obliged to exercise the voting rights in accordance with the instructions of the shareholder contained in the Power of Attorney (if any).

An authorized attorney-in-fact may represent more than one shareholder at the General Meeting. In such event, the authorized attorney-in-fact may vote in a different manner with the shares held by the different shareholders represented by him.

The Power of Attorney for the representation of a shareholder at the General Meeting should be: granted for the specific session of the General Meeting; express; set out in written form; and having the following requisites at the least: details of the shareholder and the attorney-in-fact; number of the shares, to which the Power of Attorney refers; the agenda of the items proposed for discussion; the draft resolutions on each of the items on the agenda; the manner of voting on each of the items on the agenda, if applicable; date and signature. In the event that the Power of Attorney does not contain the manner of voting on any or all of the items on the agenda, the Power of Attorney needs to contain the statement that the attorney-in-fact has full discretion as to whether or not and, if yes, how to vote.

A form of a Power of Attorney for the General Meeting will be prepared by the Company and made available to the shareholders for use from the date of announcement of this present invitation at the Trade Registry until the date of holding of the General Meeting, as follows: (a). in a hard-paper copy amongst the materials for the General Meeting at the address of management of the Company; and (b). in an electronic form at the official web-site of the Company on the Internet.

In the event that a shareholder authorizes an attorney-in-fact for the General Meeting, a copy of the Power of Attorney will be required to be sent to Mr. Radoslav Dimitrov, Investor Relations Director of the Company: (a). by registered post to the address of management of the Company specified hereinabove; or (b). by e-mail to generalmeetings.dist@cez.bg; or (c). by fax to the following fax number of the Company +359 (2) 986 28 05, by 5:00 p.m. Sofia time on the last working day before the date of holding of the General Meeting, i.e. by 26th October, 2016. The notice of the authorization could also be given by use of electronic means – the e-mail of the Company announced at the official web-site of the Company on the Internet. The original hard-paper counterparts of the Powers of Attorney will be required to be presented upon the registration of the shareholders for participation in the General Meeting.

4. No Voting by Correspondence or Electronic Means

To the General Meeting will not apply the rules for voting by correspondence or by electronic means provided for in Art. 115, Par. 2, item 5 of the Law on Public Offering of Securities.

5. Rights of the Shareholders Associated with the General Meeting

5.1. Number of Shares and Voting Rights

The total of all shares of the Company as at the moment of the resolution of the Management Board on the convocation of the General Meeting is 1,928,000 (one million nine hundred and twenty eight thousand). Each of these shares entitles to 1 (one) vote at the General Meeting. The total of all votes at the General Meeting is 1,928,000 (one million nine hundred and twenty eight thousand).

5.2. Statements, Questions and Proposals for Resolution

Each shareholder has the right to make statements, ask questions and, subject to compliance with the statutory procedure for that – propose resolutions on any and all of the items of the agenda of the General Meeting, as announced by this present invitation. Unless otherwise required by law, the deadline for exercising the right to propose resolutions is the end-time of the regime of discussions on the respective item of the agenda and before the start-time of the regime of voting on the item. The questions of the shareholders may also refer to matters, which are not covered by the announced items of the agenda of the General Meeting.

5.3. Addition of Items to the Agenda

Shareholders who/which, individually or collectively, hold shares representing at least 5% of the registered capital of the Company may, after the announcement of this present invitation at the Trade Registry, include other items in the agenda of the General Meeting. For that, they should submit for announcement at the Trade Registry a list of the items for adding to the agenda and the draft resolutions on such items not later than 15 days before the date of holding of the General Meeting. By their announcement in the Trade Registry, the items should be considered included in the proposed agenda. Not later than the next working day after the announcement, the shareholders should present the list of items, the draft resolutions and the written materials at the seat and the address of management of the Company and to the Financial Supervision Commission.

6. Inadmissible Resolutions

The General Meeting cannot take resolution concerning issues, which have not been announced in accordance with Art. 223 and 223a of the Law on Commerce, except where all shareholders of the Company are attending or are represented at the General Meeting and no one objects to the raised issues being discussed.

7. Lack of Quorum

In the event of lack of quorum, pursuant to Art. 227, Par. 3 of the Law on Commerce and Art. 47, Par. 3 of the By-Laws of the Company will be held a new session of the General Meeting on 11th November 2016 at 11.00 a.m., at the same place and with the same agenda.

8. Availability of the Materials for the General Meeting

As from the date of announcement of this present invitation at the Trade Registry until the date of holding of the General Meeting, the materials relating to its agenda will be made available to the shareholders and their representatives at the address of management of the Company: Sofia 1784, Mladost Region, 159 Tsarigradsko Shosse Blvd., BenchMark Business Centre, and will be provided, upon request by a shareholder or a representative of a shareholder, at no cost. Throughout the same period of time, the materials will also be available at the official web-site of the Company on the Internet.


9. Breach of the Requirements for Registration and Representation by Power of Attorney

In the event of breach of any of the requirements for registration and/or representation by Power of Attorney, as set out in items 2 and 3 of this present invitation, in any respect whatsoever, the shareholder or statutory representative of a shareholder or proxy of a shareholder will not be allowed to participate in the discussion and vote on any or all the of items of the agenda of the General Meeting, as the case may be, or where he has participated or voted so, his statement/s and vote/s will be disqualified.

Yours Faithfully:



Tomáš Pecka,
Member of the Management Board



Petr Holakovský,
Member of the Management Board