



ENERGO-PRO Green Finance s.r.o.

Prospectus of 6.50 per cent. p.a. fixed rate bonds in the anticipated total nominal amount of CZK 530,000,000 with the possibility of increase of up to CZK 1,060,000,000 due 2023

This document constitutes the prospectus (the "**Prospectus**") in respect of fixed rate bonds issued under Czech law in the anticipated total nominal amount of CZK 530,000,000 (in words: five hundred thirty million Czech Koruna) with the possibility of increase of up to CZK 1,060,000,000 (in words: one billion sixty million Czech Koruna) due in 2023 (the "**Bonds**" or the "**Issue**"), issued by ENERGO-PRO Green Finance s.r.o., with its registered office at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, identification number: 09385801, LEI: 315700V95FJQL6ANM434, registered with the Commercial Register maintained by the Municipal Court in Prague, file no. C 335515 (the "**Issuer**").

The Bonds bear a fixed interest rate 6.50 per cent. p.a. described in the Chapter VII (*Terms and Conditions*). The issue date of the bonds is 30 October 2020 (the "**Issue Date**").

The issue price of all the Bonds issued on the Issue Date is 100 per cent. of their nominal amount. The issue price of any Bonds issued after the Issue Date will be determined by the Lead Manager (as such term is defined below) upon agreement with the Issuer on the basis of current market conditions. If applicable, a corresponding pro-rata interest income will be added to the amount of the issue price of any Bonds issued after the Issue Date. For the avoidance of doubt, the Lead Manager (as such term is defined below) has no obligation to any Bond investor to buy back any Bonds.

Unless redeemed early or purchased by the Issuer and cancelled as described below, the Bonds will be redeemed in accordance with the terms and conditions of the Bonds (the "**Terms and Conditions**") included in the Chapter VII (*Terms and Conditions*) on 30 October 2023 as the redemption date of the Bonds. The Bondholders (as such term is defined in the Terms and Conditions) may request early redemption of the Bonds in accordance with the conditions contained in the Chapter VII (*Terms and Conditions*) provided that the Issuer breaches its obligations included therein or in cases where the law allows such early redemption. The Issuer may, at its discretion, redeem the Bonds early in accordance with the conditions contained in the Chapter VII (*Terms and Conditions*).

The Bonds constitute direct, general, unconditional and unsubordinated debts of the Issuer secured by the Financial Guarantee (as defined below) issued by DK Holding Investments, s.r.o., with its registered office at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, identification number: 04645740, LEI: 3157000SLFS3ZOO7HV02, incorporated in the Commercial Register maintained by the Municipal Court in Prague, file no. C 251383 ("**DKHI**" or the "**Guarantor**") and Security (as defined below) which rank and will rank *pari passu* among themselves and at least *pari passu* with any present and future unsubordinated and in the same or similar manner secured debts of the Issuer, with the exception of debts treated preferentially under applicable mandatory laws.

In all cases, payments under the Bonds will be made in accordance with the laws applicable in the Czech Republic as at the moment such payment is made. Where it is required by the laws of the Czech Republic applicable as at the moment a payment of nominal or interest is made, applicable tax and other fees will be withheld or deducted. If any deduction or withholding is required at the time of such payment, the Issuer shall not be obligated to pay to the Bondholders any additional amounts. Subject to certain conditions, the Issuer is a taxpayer of a tax withheld or deducted from the interest on the Bonds. For further information, please see the Chapter XIV (*Taxation*).

The investors should consider the risk factors in relation to the investment to the Bonds. The risk factors which the Issuer deems to be important are included in the Chapter III (*Risk Factors*).

This Prospectus has been prepared and published for the purposes of an offer of the Bonds to the public pursuant to Article 2(d) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**").

The offer of the Bonds to the public will be made by the Issuer through J&T BANKA, a.s., with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, identification number: 471 15 378, LEI:

3157001000000043842, registered with the Commercial Register maintained by the Municipal Court in Prague, file no. B 1731 (the "**Lead Manager**" or "**J&T BANKA**") under a public offering investors in the Czech Republic and Slovakia.

The Issuer will apply for admission of the Bonds to trading on the regulated market (in Czech *Regulovaný trh*) of Burza cenných papírů Praha, a.s., with its registered office at Rybná 14/682, 110 05 Prague 1, identification number: 471 15 629, registered with the Commercial Register maintained by the Municipal Court in Prague, file no. B 1773 ("**PSE**" and the "**Regulated Market of the PSE**").

The distribution of this Prospectus and the offer, sale or purchase of the Bonds may be restricted by law in certain jurisdictions. Neither the Prospectus nor the Bonds have been allowed or approved by any public authority of any jurisdiction, with the exception of the Czech National Bank ("**CNB**"). This does not preclude the right of the Issuer to subsequently ask the CNB to notify the approval of the Prospectus to the National Bank of Slovakia ("**NBS**") for the purposes of an offer of the Bonds to the public in Slovakia.

The Prospectus, which includes the text of the Terms and Conditions, was approved by the CNB in its decision ref. no. 2020/121543/CNB/570, file no. S-Sp-2020/00063/CNB/572 dated 30 September 2020, which became final and effective on 1 October 2020. The CNB has approved the Prospectus in its capacity as the competent authority under the Prospectus Regulation and only to the extent that the Prospectus meets the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer, Guarantor nor the quality of the Bonds. The CNB assesses neither the financial results nor the financial situation of the Issuer or the Guarantor and by approving the Prospectus it does not guarantee the quality of the Bonds or the Issuer's or the Guarantor's future profitability or its ability to pay the interest on, and the principal of, the Bonds. Potential investors should make their own assessment as to the suitability of investing in the Bonds. The ISIN of the Bonds allocated by Centrální depozitář cenných papírů, a.s., with its registered office at Rybná 682/14, Old Town, 110 00 Prague 1, identification number: 250 81 489 (the "**Central Depository**") is CZ0003527749.

This Prospectus was made on 28 September 2020. Every significant new factor, material mistake or material inaccuracy relating to the information included in the Prospectus which may affect the assessment of the Bonds and which arises or is noted between the time when the Prospectus is approved by the CNB and the closing of the offer period or the time when trading on a regulated market begins, whichever occurs later, shall be mentioned in a supplement to the Prospectus without undue delay. Each such supplement will be approved by the CNB. **For the purposes of the offer of the Bonds to the public and the admission of the Bonds to the regulated market, the Prospectus will be valid for twelve months from the date on which its approval by the CNB became final and effective. The validity of the Prospectus will expire on 1 October 2021. The obligation to supplement the Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when the Prospectus is no longer valid.**

After the end of the offer of the Bonds to the public or after the admission of the Bonds to trading on the Regulated Market of the PSE, potential investors must base their investment decisions not only on the Prospectus as amended by any supplements, but also on other information published by the Issuer after the date of the Prospectus or other publicly available information.

The Prospectus, any supplements to the Prospectus, other published documents, historic financial information and audit reports are available electronically on the website of the Issuer <http://www.energo-pro.com/pro-dkhi-investory> and also for inspection during regular business hours from 9 a.m. to 4 p.m. CET at the registered office of the Issuer at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1 (for more information please see the IMPORTANT NOTICE).

Arranger

J&T IB and Capital Markets, a.s.

Lead Manager

J&T BANKA, a.s.

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IMPORTANT NOTICE

This document is a prospectus of bonds pursuant to Article 6 of the Prospectus Regulation and Article 24 of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004.

The distribution of the Prospectus and the offer, sale or purchase of the Bonds may be restricted by law in certain jurisdictions. Neither the Prospectus nor the Bonds will be allowed, approved or registered by any administrative authority or other authority of any jurisdiction, with the exception of the CNB. In particular, the Bonds will not be registered under the United States Securities Act of 1933 (the "U.S. Securities Act") and therefore cannot be offered, sold or transferred within the United States or to U.S. residents (as defined in Regulation S implementing the U.S. Securities Act) except pursuant to an exemption from the registration duty under the U.S. Securities Act or in transactions not subject to registration under the U.S. Securities Act. The persons who get hold of the Prospectus are responsible for compliance with the restrictions applicable in individual states to the offer, purchase or sale of the Bonds or the holding and distribution of the Prospectus and any other materials relating to the Bonds.

The potential Bonds investors should make their own assessment as to the suitability of investing in the Bonds. The potential Bonds investors must base their investment decision on the information contained in the Prospects as amended by any supplements. In the event of any discrepancies between the information contained in the Prospects and in any supplements, the latest published information shall prevail. Any investment decision regarding the subscription of the Bonds must be based only on the information contained in these documents as a whole and the conditions of the offer, including individual assessment of the investment risk connected with the Bonds by each potential investor.

Neither the Issuer nor the Lead Manager has authorised any representation or information regarding the Issuer or the Bonds other than those contained in the Prospectus and any supplements. No such other representation or information may be relied on as having been authorised by the Issuer or the Lead Manager. Unless stated otherwise, all information contained in the Prospectus is valid as of the date of the Prospectus. The delivery of the Prospectus after the date of the Prospectus does not mean that the information contained in the Prospectus is correct after the date of the Prospectus.

The Issuer, the Lead Manager or any of their successors do not make any representation to any addressee of the offer or purchaser of the Bonds regarding the lawfulness of the investment of such addressee or purchaser in accordance with the relevant investment or other laws. Each investor should consult with its advisors the legal, tax, commercial, financial and other relevant aspects of the purchase of the Bonds. The Lead Manager has not independently verified the information contained in the Prospectus. Therefore, the Lead Manager does not make any explicit or implicit representation or warranty and does not accept any responsibility or liability as to the accuracy or completeness of the information contained or incorporated in the Prospectus or any other information provided by the Issuer in connection with the Issue. The Lead Manager does not assume any liability in relation to the information contained or incorporated in the Prospectus or any other information provided by the Issuer in connection with the offer or distribution of the Bonds. The Lead Manager expressly represents that it does not undertake to review the financial condition or affairs of the Issuer during the validity of the Bonds or to provide any investor in the Bonds with any information coming to their attention.

Information contained in the Chapters XIV (Taxation) and XV (Enforcement of Civil Liabilities Against the Issuer) are of a general nature and they do not represent an exhaustive overview. The information in these chapters is based on the facts as of the date of the Prospects and they have been obtained from publicly available sources that have not been processed or independently verified by the Issuer. The potential Bonds investors should rely only on their own analysis of factors mentioned in these chapters and on their own tax, legal and other advisors. Potential foreign purchasers of the Bonds are advised to consult their legal and other advisors on the provisions of the relevant laws, in particular the foreign exchange and tax regulations of the Czech Republic, the countries of their residence and other potentially relevant countries, and any relevant international agreements and the impact of such regulations and agreements on specific investment decisions.

The Bondholders, including any foreign investors, are hereby encouraged to keep up to date with all laws and regulations governing the possession of the Bonds, as well as the sale of the Bonds abroad or the purchase of the

Bonds from abroad, as well as any other transactions concerning the Bonds, and to comply with these laws and regulations.

The Prospectus, any supplements to the Prospectus and other published documents are available electronically on the website of the Issuer <http://www.energo-pro.com/pro-dkhi-investory> and also for inspection during regular business hours from 9 a.m. to 4 p.m. CET at the registered office of the Issuer at Na pořící 1079/3a, Nové Město, 110 00 Prague 1.

As long as any part of the Bonds remains unpaid, a copy of the Agency Agreement (as such term is defined in the Terms and Conditions) will be available for inspection at the Specified Office (as such term is defined in the Terms and Conditions) upon request during normal business hours from 9 a.m. to 4 p.m. CET. For further information please see the Chapter VII (Terms and Conditions).

Any assumptions and outlooks regarding the Issuer's future development, financial position, business or market position cannot be construed as a representation or binding promise of the Issuer regarding future events or results, as such future events or results depend in whole or in part on circumstances and events that the Issuer cannot directly or fully control. Potential Bonds investors should undertake their own analysis of any development trends or outlooks contained in the Prospectus, and make other separate investigations, and base their investment decisions on the results of such separate analyses and investigations.

*Unless otherwise stated below, (i) the Issuer's financial information is based on the International Financial Reporting Standards ("**IFRS**") and (ii) the Guarantor's financial information is based on the IFRS that are consistently applied. Copies of the financial statements and audit reports of the Issuer, the Guarantor and EPAS incorporated in the Prospectus by reference are available free of charge for inspection during normal business hours from 9 a.m. to 4 p.m. CET at the Issuer's registered office. Some of the figures in the Prospectus have been adjusted by rounding. Therefore, the values reported for the same information item may vary slightly from one table to another and the values presented as sums in some tables may not be the arithmetic sum of the values on which they are based.*

If this Prospectus is translated into another language, the English version of the Prospectus shall prevail in case of any discrepancies between the wording of the Prospectus in English and the wording of the translated Prospectus.

The information contained on the websites' hyperlinks included in the Prospectus, with the exception of the information in the Chapter IV (Information Incorporated by Reference), is not part of the Prospectus and therefore has not been verified or approved by the CNB.

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I. SHRNU TÍ

Níže uvedené shrnutí uvádí klíčové informace, jež investoři potřebují, aby porozuměli povaze a rizikovým faktorům týkajících se Emitenta, Ručitele a Dluhopisů. Pojmy definované v Emisních podmínkách nebo jakékoli jiné části Prospektu mají stejný význam v tomto shrnutí.

1. ÚVOD A UPOZORNĚNÍ

Upozornění	<p>Toto shrnutí je třeba číst jako úvod k Prospektu.</p> <p>Jakékoli rozhodnutí investovat do Dluhopisů by mělo být založeno na tom, že investor zváží prospekt jako celek, včetně jeho dodatků, byly-li vydány.</p> <p>Vlastník Dluhopisu může přijít o veškerý investovaný kapitál nebo jeho část v případě, že Emitent nebude mít dostatek prostředků na splacení jmenovité hodnoty Dluhopisů a/nebo vyplacení výnosu z Dluhopisů odpovídající výši Emisního kurzu Dluhopisů.</p> <p>V případě, že je u soudu vznesen nárok na základě informací uvedených v prospektu, může být žalujícímu Vlastníkovi dluhopisů podle vnitrostátního práva uložena povinnost uhradit náklady na překlad Prospektu před zahájením soudního řízení.</p> <p>Občanskoprávní odpovědnost nesou pouze ty osoby, které shrnutí včetně jeho překladu předložily, avšak pouze pokud je shrnutí zavádějící, nepřesné nebo v rozporu s ostatními částmi prospektu nebo pokud shrnutí ve spojení s ostatními částmi prospektu neposkytuje klíčové informace, které investorům pomáhají při rozhodování, zda do Dluhopisů investovat.</p>
Název Dluhopisů a ISIN	Název Dluhopisů je "EN.-PRO GF 6,50/23". Dluhopisům byl Centrálním depozitářem přidělen ISIN CZ0003527749.
Identifikační a kontaktní údaje Emitenta	<p>Emitentem Dluhopisů je společnost ENERGO-PRO Green Finance s.r.o., identifikační číslo: 093 85 801, LEI: 315700V95FJQL6ANM434, se sídlem Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Česká republika.</p> <p>Emitenta je možné kontaktovat na telefonním čísle +420 222 310 245 nebo prostřednictvím e-mailové adresy ir@energo-pro.com.</p>
Identifikační a kontaktní údaje osob nabízejících Dluhopisy a osoby, která žádá o přijetí k obchodování na regulovaném trhu	<p>Dluhopisy budou nabízeny Emitentem prostřednictvím J&T BANKA, a.s., se sídlem Sokolovská 700/113a, Karlín, 186 00 Praha 8, Česká republika, identifikační číslo: 471 15 378, LEI: 31570010000000043842, zapsanou v obchodním rejstříku vedeném Městským soudem v Praze pod spisovou značkou B 1731 ("Vedoucí Manažer" nebo "J&T BANKA"). Společnost J&T BANKA je možné kontaktovat na telefonním čísle +420 221 710 300 nebo prostřednictvím e-mailové adresy DealingCZ@jtbank.cz.</p> <p>Emitent prostřednictvím kотаčního agenta požádá o přijetí Dluhopisů k obchodování na Regulovaném trhu BCPP a předpokládá, že Dluhopisy budou přijaty k obchodování k Datu emise, tj. dne 30. října 2020.</p> <p>Kotačním agentem je J&T BANKA, a.s. (dále jen "Kotační agent"), která může být kontaktována způsobem uvedeným výše.</p>
Identifikační a kontaktní údaje orgánu, který schvaluje Prospekt	<p>Prospekt byl schválen Českou národní bankou jako orgánem vykonávající dohled nad finančním trhem podle zákona č. 6/1993 Sb., o České národní bance, ve znění pozdějších předpisů, a článku 31 Nařízení o prospektu.</p> <p>Českou národní banku lze kontaktovat na telefonním čísle +420 224 411 111 nebo +420 800 160 170 nebo prostřednictvím e-mailové adresy podatelna@cnb.cz. Internetové stránky České národní banky www.cnb.cz obsahují kontaktní informace České národní banky.</p>
Datum schválení Prospektu	Prospekt byl schválen rozhodnutím České národní banky č.j. 2020/121543/CNB/570 ke sp. zn. S-Sp-2020/00063/CNB/572 ze dne 30. září 2020, které nabylo právní moci dne 1. října 2020.

2. KLÍČOVÉ INFORMACE O EMITENTOVÍ

2.1 Kdo je Emitentem Dluhopisů?

Sídlo a právní forma Emitenta, země registrace a právní předpisy, podle nichž Emitent provozuje činnost	<p>Emitent je společností s ručením omezeným založenou a existující podle českého práva, se sídlem Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Česká republika, identifikační číslo: 093 85 801, LEI 315700V95FJQL6ANM434, zapsanou v obchodním rejstříku vedeném Městským soudem v Praze pod spisovou značkou C 335515.</p> <p>Emitent se při své činnosti řídí právními předpisy České republiky, zejména zákonem č. 89/2012 Sb., občanský zákoník, ve znění pozdějších předpisů ("Občanský zákoník"), zákonem č. 90/2012 Sb., o obchodních společnostech a družstvech, ve</p>
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	znění pozdějších předpisů (" Zákon o obchodních korporacích "), zákonem č. 455/1991 Sb., o živnostenském podnikání, ve znění pozdějších předpisů (" Živnostenský zákon ") a zákonem č. 182/2006 Sb., o úpadku a způsobech jeho řešení, ve znění pozdějších předpisů (" Insolvenční zákon ").
Hlavní činnosti Emitenta	Hlavní činností Emitenta bude vydání Dluhopisů a poskytnutí výtěžku z Dluhopisů formou úvěru, zápůjčky nebo jiného financování ostatním společnostem ve Skupině DKHI. Kromě toho Emitent od data svého vzniku nevykonával žádné další činnosti a neplánuje žádnou další činnost vykonávat ani po datu Prospektu.
Společníci Emitenta	Jediným společníkem Emitenta a zároveň jeho ovládací osobou podle Zákona o obchodních korporacích je DKHI, která vlastní podíl odpovídající 100 procentům základního kapitálu Emitenta a hlasovacích práv v Emitentovi. Emitent je součástí skupiny DKHI, kterou tvoří DKHI a její dceřiné společnosti. DKHI je plně vlastněna panem Jaromírem Tesařem.
Klíčové řídicí osoby Emitenta	Klíčovými řídicími osobami Emitenta jsou jeho jednatelé, kterými jsou: (i) pan Jaromír Tesař, dat. nar. 9. ledna 1973, který vykonává funkci jednatele; (ii) pan Petr Tesař, dat. nar. 16. července 1977, který vykonává funkci jednatele; a (iii) pan Pavel Váňa, dat. nar. 13. dubna 1970, který vykonává funkci jednatele.
Auditor Emitenta	Nezávislým auditorem Emitenta je společnost Ernst & Young Audit, s.r.o., identifikační číslo: 267 04 153, se sídlem Na Florenci 2116/15, Nové Město, 110 00 Praha 1, Česká republika.

2.2 Které finanční informace o Emitentovi jsou klíčové?

Klíčové finanční informace o Emitentovi	Následující tabulka uvádí přehled klíčových finančních údajů Emitenta.	
	Výkaz o úplném výsledku (v tis. CZK):	
		Období od 3. srpna 2020 do 31. srpna 2020
	Zisk před úroky a daněmi (EBIT)	-61
	Výkaz o finanční pozici (v tis. CZK):	
		31. srpna 2020
	Čistý finanční dluh (dlouhodobý dluh plus krátkodobý dluh minus peněžní prostředky a peněžní ekvivalenty)	-99
	Výkaz peněžních toků (v tis. CZK):	
		Období od 3. srpna 2020 do 31. srpna 2020
	Čisté peněžní toky z provozní činnosti	0
Čisté peněžní toky z finanční činnosti	-1	
Čisté peněžní toky z investiční činnosti	0	
Uvedené údaje vychází z mezitímní účetní závěrky Emitenta za období od 3. srpna 2020 do 31. srpna 2020, která byla ověřena auditorem.		

2.3 Jaká jsou hlavní rizika, která jsou specifická pro Emitenta?

Hlavní rizikové faktory specifické pro Emitenta	<p>Hlavní rizikové faktory specifické pro Emitenta jsou:</p> <ol style="list-style-type: none"> Riziko účelově založené společnosti – Emitent je společnost založená za účelem vydání Dluhopisů a následného poskytování vnitroskupinového financování, která nevykonává jinou podnikatelskou činnost, a nemůže proto z jiných podnikatelských aktivit vytvořit zdroje na splacení dluhů z Dluhopisů. Riziko kreditní závislosti Emitenta na Skupině DKHI proto může negativně ovlivnit schopnost Emitenta plnit dluhy z Dluhopisů. Riziko sekundární závislosti – Emitent je vystaven sekundárnímu riziku závislosti na rizicích týkajících se Skupiny DKHI. Vzhledem k závislosti Emitenta na Skupině DKHI se na schopnosti Emitenta splácet své dluhy z Emise dluhopisů mohou nepříznivě projevit veškeré rizikové faktory vztahující se ke Skupině DKHI. Riziko sekundární závislosti může negativně ovlivnit schopnost Emitenta plnit dluhy z Dluhopisů. <p>Výše uvedená rizika mohou mít zásadní negativní vliv na finanční a ekonomickou</p>
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	situaci Emitenta, respektive na jeho podnikatelskou činnost. To ve svém důsledku může podstatně zhoršit schopnost Emitenta plnit dluhy z Dluhopisů.
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3. KLÍČOVÉ INFORMACE O DLUHOPISECH

3.1 Jaké jsou hlavní rysy Dluhopisů?

Dluhopisy (druh, třída, ISIN)	Zaknihované dluhopisy s pevným úrokovým výnosem ve výši 6,50 procent, v předpokládané celkové jmenovité hodnotě Emise až do výše 530.000.000 CZK s možným navýšením jmenovité hodnoty až do výše 1.060.000.000 CZK, splatné v roce 2023, ISIN CZ0003527749. Každý Dluhopis je vydáván ve jmenovité hodnotě 10.000 CZK. Maximální počet Dluhopisů, které mohou být vydány, je 53.000 kusů v případě, že celková jmenovitá hodnota Emise nepřesáhne 530.000.000 CZK, nebo 106.000 kusů v případě, že celková jmenovitá hodnota bude navýšena na 1.060.000.000 CZK. Datum emise je 30. října 2020. Datem konečné splatnosti dluhopisů je 30. října 2023.
Měna Dluhopisů	Koruna česká (CZK).
Práva spojená s Dluhopisy	<p>S Dluhopisy je spojeno zejména právo na výplatu jmenovité hodnoty Dluhopisů k Datu konečné splatnosti dluhopisů a právo na úrokový výnos z Dluhopisů. Úrokový výnos bude vyplacen za každé Úrokové období pololetně zpětně.</p> <p>Vlastníci dluhopisů mají právo účastnit se a hlasovat na Schůzi Vlastníků dluhopisů, za předpokladu, že je taková Schůze svolána v souladu s Emisními podmínkami a Českým zákonem o dluhopisech. Schůze může usnesením zvolit fyzickou nebo právnickou osobu za společného zástupce.</p> <p>S Dluhopisy je dále spojeno právo žádat předčasné splacení Dluhopisů v případě, že dojde ke Změně ovládnání nebo nastane a trvá Případ porušení. Osoba oprávněná k účasti na Schůzi Vlastníků dluhopisů, v případě neúčasti na Schůzi nebo hlasování proti Změně zásadní povahy přijaté Schůzí, dále může žádat vrácení nesplacené nominální částky držených Dluhopisů, spolu s poměrným úrokem z těchto Dluhopisů. Počínaje jedním rokem od Data emise (včetně) má Emitent právo předčasně splatit všechny dosud nesplacené Dluhopisy (částečně nebo úplně), přičemž toto právo může uplatnit pouze, pokud to oznámí Vlastníkům dluhopisů nejpozději 60 dní před příslušným dnem předčasné splatnosti. Částečné splacení Dluhopisů může Emitent provést pouze k Datu předčasné splatnosti Emitenta, které bude připadat na Datum výplaty úroků. Předčasné splacení všech Dluhopisů v plné výši může být provedeno k jakémukoli Datu předčasné splatnosti Emitenta.</p> <p>Emitent může splatit celou nesplacenou jmenovitou hodnotu Dluhopisů, nebo její část, příslušný úrokový výnos připadající na výši předčasně splácené jmenovité hodnoty Dluhopisů k Datu předčasné splatnosti Emitenta a mimořádný úrokový výnos stanovený jako 1/48 roční Úrokové sazby z celkové částky předčasně splácené jmenovité hodnoty Dluhopisů vynásobené počtem celých měsíců zbývajících od příslušného Data předčasné splatnosti Emitenta do Data konečné splatnosti Dluhopisů. V případě splacení všech Dluhopisů v plné výši nebude vyplácen žádný Mimořádný úrok z předčasného splacení Emitenta, pokud od příslušného Data předčasné splatnosti Emitenta do Data konečné splatnosti Dluhopisů bude zbývat méně než šest měsíců.</p> <p>Akcionáři Emitenta ani jiná osoba nemají právo prvního odmítnutí, předkupní nebo převodní práva ve vztahu k Dluhopisům ani jiná přednostní úpisovací práva ve vztahu k Dluhopisům.</p>
Pořadí přednosti Dluhopisů v případě platební neschopnosti Emitenta	Dluhopisy zakládají přímé, obecné, nepodmíněné a nepodřízené dluhy Emitenta zajištěné Finanční zárukou a Zajištěním, které jsou a budou co do pořadí svého uspokojení rovnocenné (<i>pari passu</i>) jak mezi sebou navzájem, tak i alespoň rovnocenné vůči všem dalším současným i budoucím nepodřízeným a stejným nebo obdobným způsobem zajištěným dluhům Emitenta, s výjimkou těch dluhů Emitenta, u nichž stanoví jinak kogentní ustanovení právních předpisů.
Převoditelnost	Převoditelnost Dluhopisů není omezena.
Pravidla pro úrokový výnos	Dluhopisy jsou úročeny pevnou úrokovou sazbou ve výši 6,50 procent p.a. Úrokový výnos bude přirůstat rovnoměrně od prvního dne každého Výnosového období do posledního dne takového Výnosového období. Úrokový výnos bude za každé Výnosové období vyplácen pololetně zpětně, vždy k 30. dubnu a 30. říjnu každého roku. Prvním dnem výplaty úrokového výnosu je 30. duben 2021.

3.2 Kde budou dluhopisy obchodovány?

Přijetí Dluhopisů k obchodování na regulovaném trhu	Emitent prostřednictvím Kotačního agenta požádá o přijetí Dluhopisů k obchodování na Regulovaném trhu BCPP a předpokládá, že Dluhopisy budou přijaty k obchodování k Datu Emise.
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3.3 Je za Dluhopisy poskytnuta záruka?

Popis povahy a rozsahu záruky a zajištění	<p>Dluhy Emitenta vyplývající z Dluhopisů jsou zajištěny Finanční zárukou vystavenou Ručitelem (jak je definován níže). Ručitel se neodvolatelně a bezpodmínečně zaručí každému Vlastníkovi dluhopisů, že v případě, kdy Emitent z jakéhokoliv důvodu nesplní jakoukoliv svou platební povinnost nebo jakoukoliv jinou povinnost v souvislosti s jakýmkoliv Dluhopisem řádně a včas, zaplatí příslušnou částku Ručitel na základě výzvy Vlastníka dluhopisů. Výše zaručená Ručitelem na základě Finanční záruky je omezena do celkové maximální výše 1.590.000.000 CZK.</p> <p>Dluhy Emitenta vyplývající z Dluhopisů a dluhy Ručitele vyplývající z Finanční záruky budou dále zajištěny zajištěním zřízeným ve prospěch Vlastníků dluhopisů a Agentu pro zajištění, a to zástavním právem prvního pořadí k:</p> <p>(i) Akciím EPAS; odpovídající 49 procentům základního kapitálu EPAS k Datu Emise. Budou-li splněny podmínky stanovené v Emisních podmínkách, může se podíl zastavených akcií na základním kapitálu snížit až na 25,1 procent základního kapitálu EPAS; a</p> <p>(ii) Pohledávkám z bankovních účtů; tj. pohledávky ze smluv o vedení účtu Umořovacího fondu a Vázaného účtu.</p> <p>Při výkonu práv podle Zajišťovacích dokumentů, Smlouvy s Agentem pro zajištění a Emisních podmínek a jiných práv podle Českého zákona o dluhopisech vztahujících se k Zajištění, se na Agentu pro zajištění hledí jako by byl věřitelem každé zajištěné pohledávky v souladu s § 20a odst. 6 Českého zákona o dluhopisech. V rozsahu, v jakém taková práva (včetně práv uvedených v § 20a odst. 5 Českého zákona o dluhopisech, tj. (i) uplatňovat ve prospěch Vlastníků dluhopisů všechna práva spojená se Zajištěním, (ii) kontrolovat v souvislosti se Zajištěním plnění Emisních podmínek ze strany Emitenta, a (iii) činit ve prospěch Vlastníků dluhopisů další úkony nebo jinak chránit jejich zájmy v souvislosti se Zajištěním) uplatňuje Agent pro zajištění, nemohou Vlastníci dluhopisů uplatňovat taková práva samostatně.</p>												
Popis Ručitele a DKHI Group	<p>DK Holding Investments, s.r.o. je společností s ručením omezeným založenou podle českého práva, se sídlem Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Česká republika, identifikační číslo: 046 45 740, LEI: 3157000SLFS3ZOO7HV02, zapsanou v obchodním rejstříku vedeném Městským soudem v Praze pod spisovou značkou C 251383 ("Ručitel"). Ručitel je mateřskou společností Skupiny DKHI. Jeho hlavní činnosti spočívají v držení podílů v dceřiných společnostech a v činnostech týkajících se financování společností tvořících Skupinu DKHI.</p> <p>Hlavní činnosti Skupiny DKHI spočívají v distribuci, dodávkách a výrobě elektriny prostřednictvím vodních elektráren zejména v Bulharsku, České republice, Gruzii a Turecku.</p> <p>Nezávislým auditorem Ručitele je společnost Ernst & Young Audit, s.r.o., identifikační číslo: 267 04 153, se sídlem Na Florenci 2116/15, Nové Město, 110 00 Praha 1.</p>												
Klíčové finanční informace o Ručiteli	<p>Následující tabulky uvádí přehled klíčových finančních údajů Ručitele.</p> <p>Výkaz o úplném výsledku (v tis. EUR):</p> <table border="1"> <thead> <tr> <th></th> <th>Období od 1. ledna 2019 do 31. prosince 2019</th> <th>Období od 1. ledna 2018 do 31. prosince 2018</th> </tr> </thead> <tbody> <tr> <td>Zisk před úroky a daněmi (EBIT)</td> <td>79.471</td> <td>80.039</td> </tr> </tbody> </table> <p>Výkaz o finanční pozici (v tis. EUR):</p> <table border="1"> <thead> <tr> <th></th> <th>31. prosince 2019</th> <th>31. prosince 2018</th> </tr> </thead> <tbody> <tr> <td>Čistý finanční dluh (dlouhodobý dluh plus krátkodobý dluh minus peněžní prostředky a peněžní ekvivalenty)</td> <td>868.304</td> <td>693.784</td> </tr> </tbody> </table>		Období od 1. ledna 2019 do 31. prosince 2019	Období od 1. ledna 2018 do 31. prosince 2018	Zisk před úroky a daněmi (EBIT)	79.471	80.039		31. prosince 2019	31. prosince 2018	Čistý finanční dluh (dlouhodobý dluh plus krátkodobý dluh minus peněžní prostředky a peněžní ekvivalenty)	868.304	693.784
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Zisk před úroky a daněmi (EBIT)	79.471	80.039											
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Čistý finanční dluh (dlouhodobý dluh plus krátkodobý dluh minus peněžní prostředky a peněžní ekvivalenty)	868.304	693.784											

		Výkaz peněžních toků (v tis EUR):			
		za období od 1. ledna 2019 do 31. prosince 2019		za období od 1. ledna 2018 do 31. prosince 2018	
	Čisté peněžní toky z provozní činnosti	126.032		150.188	
	Čisté peněžní toky z finanční činnosti	220.893		11.427	
	Čisté peněžní toky z investiční činnosti	270.856		170.351	
<p>Uvedené údaje vychází z konsolidované účetní závěrky Ručitele za roky 2019 a 2018, které byly ověřeny auditorem.</p> <p>Pokud jde o finanční informace za období od 1. ledna 2018 do 31. prosince 2018, byly EBIT, čistý finanční dluh (dlouhodobý dluh plus krátkodobý dluh minus hotovostní prostředky), čisté peněžní toky z provozní činnosti a čisté peněžní toky z investiční činnosti v konsolidované účetní závěrce Ručitele za rok 2019 upraveny. Úpravy lze stručně shrnout následovně:</p> <p>(i) EP Georgia uznala závazek z grantu ve vztahu k aktivům, na které byl poskytnut grant gruzínskou vládou. Příjmy související s aktivy, na které byl poskytnut grant, byly rozloženy na dobu životnosti těchto aktiv namísto toho, aby byl vykázán jednorázový příjem, což byl v minulosti užívaný způsob. Tato úprava se týká změny výkladu příslušných účetních standardů.</p> <p>(ii) V roce 2018 RH Turkey zvýšila svůj daňový základ v souladu s příslušnými právními předpisy, v důsledku čehož nelze část ztrát z předchozího roku použít k vyrovnání daňové povinnosti v budoucnosti. Tato úprava se týká změny odložených daňových aktiv v této souvislosti.</p> <p>(iii) Skupina DKHI dále upravila své finanční výkazy tak, aby reflektovaly přehodnocení jejího vnímání počátečního výchozího bodu kapitalizace technického zhodnocení elektráren. Tato úprava se týká nedokončené výstavby, nedokončených prací a konsolidovaného výkazu zisku a ztráty.</p> <p>(iv) V souvislosti s IFRS 15 EP Varna přezkoumala jednotlivé smlouvy uzavřené pro komponenty sítě – poplatek za přenos, poplatek za přístup a povinnost pro veřejnost a zjistila, že ve vztahu k těmto položkám jedná spíše jako agent. Tato úprava se týká změny klasifikace výnosů a nákladů v konsolidovaném výkazu zisku a ztráty.</p> <p>(v) V souvislosti s uplatňováním IFRS 15 Skupina EPI podrobně revidovala smlouvy na projekty týkající se IFRS 15 – převod kontroly nad výrobkem nebo službou a přehodnotila metodu uznávání z "k okamžiku" na "průběžně" vzhledem ke specifické povaze vyráběného produktu a dalším specifikům uvedeným ve smlouvách.</p>					
Rizikové faktory specifické pro Ručitele a DKHI Group	<p>Hlavní rizikové faktory specifické pro Ručitele a Skupinu DKHI jsou:</p> <ol style="list-style-type: none"> Licenční požadavky – Činnosti Skupiny DKHI vyžadují množství licencí, povolení a oprávnění. Nezískání, neudržení, neobnovení nebo nerozšíření kterékoliv z nich by mohlo mít pro Skupinu DKHI zásadní nepříznivý dopad. Včasné uvedení nových tureckých vodních elektráren do provozu – Pokud nedojde k získání režimu podpory výkupní ceny pro dvě nově postavené vodní elektrárny v Turecku, vodní elektrárna Alpaslan 2 a vodní elektrárna Karakurt, může to mít významný nepříznivý dopad na podnikání Skupiny DKHI, provozní výsledky a finanční situaci. Zadluženost – Skupina DKHI má značné dluhy a další finanční závazky. Peněžní toky z jejich činností nemusí být dostatečný k uspokojení jejich dluhů a k plnění dalších platebních povinností nebo k financování jejich plánovaných kapitálových výdajů bez potřeby dalšího externího financování. Značné zadlužení a další finanční závazky Skupiny DKHI by mohly omezit její flexibilitu při plánování změn nebo v možnostech reakce na změny v jejím podnikání nebo odvětví. Změny regulovaných tarifů – V roce končícím 31. prosince 2019 Skupina DKHI vygenerovala 73 procent konsolidované EBITDA z regulovaných činností, které podléhají regulaci tarifů. Nepříznivá změna v regulaci tarifů a jejich metodice by mohla mít nepříznivý dopad na Skupinu DKHI. 				

	<p>5. Riziko méně vyspělého trhu – Skupina DKHI působí na méně vyspělých trzích, které mají vyšší volatilitu, omezenější likviditu a užší exportní základnu než vyspělejší trhy a podléhají častějším změnám politického, ekonomického, sociálního, právního a regulatorního prostředí.</p> <p>6. Povětrnostní podmínky a sezónní výkyvy – Výroba elektřiny z vodních elektráren Skupiny DKHI je ovlivněna hydrologickými podmínkami, které se významně liší během roku a mohou se měnit také meziročně.</p> <p>Výše uvedené rizikové faktory mohou mít zásadní negativní vliv na finanční a ekonomickou situaci Ručitele, respektive na jeho podnikatelskou činnost. To ve svém důsledku může podstatně zhoršit schopnost Ručitele plnit dluhy z Finanční záruky.</p>
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3.4 Jaká jsou hlavní rizika, která jsou specifická pro Dluhopisy?

Rizikové faktory specifické pro Dluhopisy	<p>Rizikové faktory specifické pro Dluhopisy jsou především:</p> <ol style="list-style-type: none"> Riziko nesplacení a riziko spojené s případným odkupem Dluhopisů Emitentem – Emitent nemusí být za určitých okolností schopen platit úroky nebo jmenovitou hodnotu Dluhopisů. Při případném odkupu Dluhopisů Emitentem na trhu může být cena uhrazená Vlastníkům dluhopisů za odkoupené Dluhopisy nižší než výše jejich původní investice, přičemž za určitých okolností může být taková hodnota i nulová. Riziko úrokové sazby z Dluhopisů – Vlastník dluhopisu s pevnou úrokovou sazbou je vystaven riziku poklesu ceny takového Dluhopisu v důsledku změny tržních úrokových sazeb. Zatímco nominální úroková sazba je po dobu existence Dluhopisů fixována, aktuální úroková sazba na kapitálovém trhu se obvykle mění na denní bázi. Riziko předčasného splacení – Pokud dojde k úplnému nebo částečnému předčasnému splacení Dluhopisů včetně případů, kdy k tomu dojde bez souhlasu konkrétního Vlastníka dluhopisů, v souladu s Emisními podmínkami před datem jejich splatnosti, je vlastník Dluhopisů vystaven riziku nižšího než předpokládaného výnosu z důvodu takového předčasného splacení. Riziko likvidity na Regulovaném trhu BCPP – Emitent požádá o přijetí Dluhopisů k obchodování na Regulovaném trhu BCPP. Bez ohledu na přijetí Dluhopisů k obchodování na regulovaném trhu neexistuje jistota, že se vytvoří dostatečně likvidní sekundární trh s Dluhopisy, nebo pokud se vytvoří, že takový sekundární trh bude trvat. Skutečnost, že Dluhopisy mohou být přijaty k obchodování na regulovaném trhu, nemusí nutně vést k vyšší likviditě takových Dluhopisů oproti Dluhopisům nepřijatým k obchodování na regulovaném trhu. Na případném nelikvidním trhu nemusí být investor schopen kdykoli prodat Dluhopisy za adekvátní tržní cenu. Riziko Zajištění vzniklého po Datu emise – Podle Emisních podmínek je Emitent za určitých okolností povinen zřídit dodatečné Zajištění k akciím v EPAS. Nebude-li takové Zajištění vytvořeno a Vlastníci dluhopisů proto požádají o předčasné splacení svých Dluhopisů, budou v horším postavení, než kdyby Dluhopisy byly zajištěny dalšími akciemi v EPAS. <p>Výše uvedené rizikové faktory mohou mít zásadní negativní vliv na hodnotu investice do Dluhopisů. V případě, že se tato rizika naplní, může Vlastník dluhopisu přijít o veškerý investovaný kapitál nebo jeho část.</p>
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4. KLÍČOVÉ INFORMACE O VEŘEJNÉ NABÍDCE DLUHOPISŮ A JEJICH PŘIJETÍ K OBCHODOVÁNÍ NA REGULOVANÉM TRHU

4.1 Za jakých podmínek a podle jakého časového rozvrhu mohou investovat do Dluhopisu?

Obecné podmínky veřejné nabídky	<p>Dluhopisy budou nabízeny Emitentem prostřednictvím Vedoucího manažera v rámci veřejné nabídky v souladu s článkem 2 písm. d) Nařízení o prospektu v České republice, a to v období od 30. září 2020 do 30. září 2021. Pokud se Emitent rozhodne nabízet Dluhopisy na Slovensku, požádá ČNB o notifikaci schválení Prospektu NBS. Dluhopisy mohou být vydávány jednorázově nebo v tranších, přičemž žádná tranše nebude určena výlučně pro účely nabídky na Slovensku.</p> <p>Podmínkou účasti na veřejné nabídce je prokázání totožnosti investora platným dokladem totožnosti.</p> <p>V souvislosti s podáním Objednávky mají investoři povinnost uzavřít či mít uzavřenou smlouvu s Vedoucím manažerem, mj. za účelem otevření majetkového účtu v evidenci investičních nástrojů vedené Centrálním depozitářem, nebo vedení podobné evidence</p>
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	<p>cenných papírů u Vedoucího manažera, a podání pokynu na obstarání nákupu Dluhopisů, případně mohou být Vedoucím manažerem vyzváni k předložení dalších potřebných dokumentů a identifikačních údajů.</p> <p>V rámci veřejné nabídky v České republice, bude Vedoucí manažer přijímat pokyny prostřednictvím své centrály v Praze, a v případě veřejné nabídky na Slovensku, prostřednictvím své pobočky, tj. J & T Banka, a.s., pobočka zahraniční banky, Dvořákovo nábřeží 10, 811 02 Bratislava, Slovenská republika.</p>
Očekávané období veřejné nabídky	Očekávaná doba nabídky je od 30. září 2020 do 30. září 2021.
Informace o přijetí k obchodování na regulovaném trhu	<p>Emitent prostřednictvím Kodačnického agenta požádá o přijetí Dluhopisů k obchodování na Regulovaném trhu BCPP a předpokládá, že Dluhopisy budou přijaty k obchodování k Datu emise a budou obchodovány v souladu s příslušnými pravidly Regulovaného trhu BCPP.</p> <p>Po přijetí Dluhopisů k obchodování na BCPP budou Dluhopisy na BCPP obchodovány a obchody s nimi vypořádávány v CZK. Vypořádání úpisu Dluhopisů bude probíhat formou DVP (<i>delivery versus payment</i>) prostřednictvím Centrálního depozitáře, respektive osob vedoucích evidenci navazující na centrální evidenci, obvyklým způsobem v souladu s pravidly a provozními postupy Centrálního depozitáře a ve lhůtách stanovených těmito pravidly a provozními postupy. Úpis Dluhopisů lze vypořádat v Centrálním depozitáři pouze prostřednictvím účastníka Centrálního depozitáře.</p>
Plán distribuce	<p>Dluhopisy budou nabízeny Emitentem prostřednictvím Vedoucího manažera v rámci veřejné nabídky tuzemským a zahraničním kvalifikovaným a jiným než kvalifikovaným (zejména retailovým) investorům v České republice a na Slovensku, a vybraným kvalifikovaným a jiným potenciálním investorům v zahraničí, za podmínky, že v dané jurisdikci není povinnost osoby nabízející Dluhopisy připravit a vydat prospekt podle příslušných právních předpisů dané jurisdikce.</p> <p>V rámci veřejné nabídky budou investoři osloveni Vedoucím manažerem zejména s využitím prostředků dálkové komunikace a vyzváni k podání objednávky ke koupi Dluhopisů.</p> <p>Minimální částka, za kterou bude investor oprávněn koupit Dluhopisy, není stanovena. Maximální objem jmenovité hodnoty Dluhopisů požadovaný jednotlivým investorem v Objednávce je omezen předpokládanou celkovou jmenovitou hodnotou Dluhopisů nabízených Vedoucím manažerem. Jestliže objem Objednávek překročí objem Emise, je Vedoucí manažer oprávněn jím přijaté Objednávky investorů dle své úvahy krátiť (za podmínky, že případný přeplatek bude okamžitě vrácen na účet příslušného investora za tímto účelem sdělený Vedoucím manažerovi).</p> <p>Konečná jmenovitá hodnota Dluhopisů přidělená jednotlivému investorovi bude uvedena v potvrzení o vypořádání daného obchodu, které Vedoucí manažer doručí investorovi bez zbytečného odkladu po provedení pokynu. Před doručení tohoto potvrzení nemůže investor s upisovanými Dluhopisy obchodovat.</p> <p>K příslušnému datu vypořádání podle smlouvy o upisování Dluhopisů uzavřené Emitentem a Vedoucím manažerem budou Dluhopisy upsány Vedoucím manažerem. Ke stejnému datu Vedoucí manažer prodá Dluhopisy investorům.</p> <p>V rámci veřejné nabídky provedené Vedoucím manažerem bude cena za nabízené Dluhopisy s obchody realizovanými k Datu emise odpovídat jejich emisní ceně k Datu emise (tj. 100 % jejich nominální hodnoty) a následně stanovené Vedoucím manažerem po dohodě s Emitentem na základě aktuálních tržních podmínek a případného poměrného výnosu a bude zveřejněn na webových stránkách Vedoucího manažera na www.jtbank.cz v sekci Informační povinnost, emise cenných papírů.</p>
Odhad celkových nákladů Emise	<p>Emitent očekává, že se celkové náklady přípravy emise Dluhopisů, tj. náklady na odměnu Vedoucího manažerů, náklady na auditora Emitenta, poplatky Centrálního depozitáře a ČNB a některé další náklady související s emisí Dluhopisů či jejím umístěním na trh, nepřevýší (i) 2,2 procent z celkové předpokládané jmenovité hodnoty Emise, tedy bez případného navýšení (tj. částku 11.660.000 CZK), resp. (ii) 2,1 procent z celkové jmenovité hodnoty Emise v případě vydání maximální celkové jmenovité hodnoty emise Dluhopisů, včetně případného navýšení (tj. částku 22.260.000 CZK).</p> <p>V souvislosti s nabytím Dluhopisů prostřednictvím:</p>

	<p>(i) J&T BANKA v České republice, investoři hradí poplatky v souladu s aktuálním ceníkem, přičemž ke dni tohoto Prospektu poplatek činí 0,15 procent jmenovité hodnoty nabývaných Dluhopisů, minimálně 2.000 CZK;</p> <p>(ii) J&T BANKA na Slovensku, investoři hradí poplatky v souladu s aktuálním ceníkem Slovenské pobočky, přičemž ke dni tohoto Prospektu poplatek činí 0,60 procent z objemu obchodu. Pokud je obchod vypořádán na jiný majetkový účet, než je účet držitele, tento poplatek je 1 procento z objemu transakce, minimálně 480 EUR.</p> <p>Investor může být povinen platit další poplatky účtované zprostředkovatelem koupě nebo prodeje Dluhopisů, osobou vedoucí evidenci Dluhopisů, osobou provádějící vypořádání obchodu s Dluhopisy nebo jinou osobou, tj. např. poplatky za zřízení a vedení investičního účtu, za obstarání převodu Dluhopisů, služby spojené s úschovou Dluhopisů, resp. jejich evidencí apod.</p>
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4.2 Kdo je osobou nabízející Dluhopisy a osobou, která žádá o přijetí k obchodování na regulovaném trhu?

Popis osoby nabízející Dluhopisy a osoby, která bude žádat o přijetí k obchodování na regulovaném trhu	<p>Dluhopisy budou nabízeny Emitentem prostřednictvím Vedoucího manažera. Emitent prostřednictvím Kotačního agenta požádá o přijetí Dluhopisů k obchodování na Regulovaném trhu BCPP. Vedoucím manažerem a Kotačním agentem je J&T BANKA, a.s., se sídlem Sokolovská 700/113a, Karlín, 186 00 Praha 8, Česká republika, identifikační číslo: 471 15 378, LEI: 3157001000000043842, zapsaná v obchodním rejstříku vedeném Městským soudem v Praze pod spisovou značkou B 1731.</p> <p>J&T BANKA je bankou, která se při své činnosti řídí českými právními předpisy, zejména Občanským zákoníkem, Zákonem o obchodních korporacích, zákonem č. 21/1992 Sb., o bankách, ve znění pozdějších předpisů, a zákonem č. 256/2004 Sb., o podnikání na kapitálových trzích, ve znění pozdějších předpisů.</p>
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4.3 Proč je tento Prospekt sestavován?

Využití a odhad čisté částky výnosů	<p>Čistý výtěžek z Dluhopisů bude Emitentem použit na financování Vázaného účtu. Zbylá část čistého výtěžku bude Emitentem distribuována Skupině DKHI formou úvěru, zápůjčky nebo jiného financování. Emitent očekává, že výtěžek bude následně použit pro účely investic do obnovitelných zdrojů a pro obecné korporátní účely společnosti Skupiny DKHI. Ke dni vyhotovení Prospektu nebylo rozhodnuto o rozdělení tohoto výtěžku vůči konkrétním projektům nebo konkrétnímu užití.</p> <p>Čistý výtěžek z Dluhopisů bude odpovídat celkové upsané jmenovité hodnotě snížené přibližně o částku 11.660.000 CZK. V případě navýšení objemu Emise na 1.060.000.000 CZK bude čistý výtěžek z Dluhopisů odpovídat celkové upsané jmenovité hodnotě snížené přibližně o částku 22.260.000 CZK.</p>
Způsob nabídky	<p>Vedoucí manažer se zavázal vynaložit veškeré úsilí, které po něm lze rozumně požadovat, k vyhledání potenciálních investorů do Dluhopisů a umístění a prodeji Dluhopisů těmto investorům. Nabídka Dluhopisů tak bude činěna tzv. na "best efforts" bázi. Vedoucí manažer ani žádné jiné osoby v souvislosti s Emisí nepřevzalí vůči Emitentovi pevný závazek Dluhopisy upsat či koupit.</p>
Střet zájmů	<p>Dle vědomí Emitenta není žádná z fyzických ani právnických osob zúčastněných na Emisi či nabídce Dluhopisů, vyjma Vedoucího manažera, v souvislosti s Emisí či nabídkou Dluhopisů ve střetu zájmů.</p> <p>Vedoucí manažer působí též jako Administrátor, Kotační agent a Agent pro zajištění.</p>

II. SUMMARY

The below stated summary provides key information which investors need to understand the character and risk factors related to the Issuer, Guarantor and the Bonds. Terms defined in the Terms and Conditions or any other part of the Prospectus have the same meanings in this summary.

5. INTRODUCTION AND WARNING

Warning	<p>This summary should be read as an introduction to the Prospectus.</p> <p>Any decision to invest in the Bonds should be based on a consideration of the Prospectus as a whole by the Bondholder, including the supplements to the Prospectus, if any.</p> <p>The Bondholder may lose all or part of the capital invested in, in case that the Issuer does not have sufficient funds to redeem the Bonds and/or to pay out the interest from the Bonds corresponding to the issue price of the Bonds.</p> <p>Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff Bondholder might, under national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Bonds.</p>
Name of the Bonds and ISIN	The name of the Bonds is " EN.-PRO GF 6,50/23". The ISIN of the Bonds allocated by the Central Depository is CZ0003527749.
Information and contact details of the Issuer	<p>The Issuer of the Bonds is company ENERGO-PRO Green Finance s.r.o., identification number: 093 85 801, LEI: 315700V95FJQL6ANM434, with registered office at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic.</p> <p>The Issuer can be reached on the phone number +420 222 310 245 or by e-mail address ir@energo-pro.com.</p>
Identification and contact details of the offeror and the person asking for admission to trading on regulated market	<p>The offer of the Bonds to the public will be made by the Issuer through J&T BANKA, a.s., with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic, identification number: 471 15 378, LEI: 31570010000000043842, registered with the Commercial Register maintained by the Municipal Court in Prague, file no. B 1731 (the "Lead Manager" or "J&T BANKA"). J&T BANKA can be reached on the phone number +420 221 710 300 or by e-mail address DealingCZ@jtbank.cz.</p> <p>The Issuer will apply for admission of the Bonds for trading on the Regulated Market of the PSE through the listing agent and expects the Bonds to be listed on the Issue Date, i.e. on 30 October 2020.</p> <p>The Listing Agent is J&T BANKA, a.s. (the "Listing Agent") which can be reached as specified above.</p>
Identification and contact details of authority approving the Prospectus	<p>The Prospectus was approved by the Czech National Bank (in Czech: <i>Česká národní banka</i>) as the authority carrying out supervision of the financial market pursuant to Act No. 6/1993 Coll., on Czech National Bank, as amended, and Article 31 of the Prospectus Regulation.</p> <p>The Czech National Bank can be reached on the phone number +420 224 411 111 or +420 800 160 170 or by e-mail at podatelna@cnb.cz. Czech National Bank's website www.cnb.cz contains contact information of the Czech National Bank.</p>
Date of approval of the Prospectus	The Prospectus was approved by the decision of Czech National Bank ref no. 2020/121543/CNB/570 in relation to file no. S-Sp-2020/00063/CNB/572 dated 30 September 2020, which came into force on 1 October 2020.

6. KEY INFORMATION ON THE ISSUER

2.1 Who is the Issuer of the Bonds?

Registered office and legal form of the Issuer, country of registration and the laws, under which	<p>The Issuer is a company with limited liability incorporated and existing under Czech law, with its registered office at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic, identification number: 093 85 801, LEI 315700V95FJQL6ANM434, registered with the Commercial Register maintained by the Municipal Court in Prague, file no. C 335515.</p> <p>The Issuer operates under the laws of the Czech Republic, in particular under Act No. 89/2012 Coll., the Civil Code, as amended (the "Civil Code"), Act No. 90/2012 Coll., on Business Companies and Cooperatives, as amended (the "Business Corporations Act"),</p>
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the Issuer operates	Act No. 455/1991 Coll., on licensed trades, as amended (the " Trade Licensing Act "), and Act No. 182/2006 Coll., on insolvency and methods of its resolution, as amended (the " Insolvency Act ").
The Issuer's main activities	The Issuer's main activities consist of issuing of the Bonds and distribution of the proceeds from the Bonds to the companies forming the DKHI Group in the form of loans, borrowings or other forms of financing. Besides that, the Issuer has not performed any activities since the date of its incorporation and does not plan to perform any other activities after the date of the Prospectus.
The Issuer's shareholders	The sole shareholder of the Issuer and also his controlling person pursuant to the Business Corporations Act is DKHI which holds shareholding interest representing 100per cent. of the Issuer's registered capital and voting rights. The Issuer is a member of the DKHI Group which consists of DKHI and its subsidiaries. DKHI is wholly owned by Mr. Jaromír Tesař.
The Issuer's key managing directors	The Issuer's key managing directors are its executive directors which are: (i) Mr. Jaromír Tesař, born on 9 January 1973, who performs the function of executive director; (ii) Mr. Petr Tesař, born on 16 July 1977, who performs the function of executive director; and (iii) Mr. Pavel Váňa, born on 13 April 1970, who performs the function of executive director.
The Issuer's Auditor	The Issuer's independent auditor is Ernst & Young Audit, s.r.o., identification number: 267 04 153, with its registered office at Na Florenci 2116/15, Nové Město, 110 00 Prague 1, Czech Republic.

2.2 What is the key financial information regarding the Issuer?

Key financial Information about the Issuer	<p>The table below provides an overview of key financial information related to the Issuer.</p> <p>Statement of Comprehensive Income (in CZK thousands):</p> <table border="1"> <tr> <td></td> <td>period from 3 August 2020 to 31 August 2020</td> </tr> <tr> <td>Earnings before financial expenses and taxes (EBIT)</td> <td>(61)</td> </tr> </table> <p>Statement of Financial Position (in CZK thousands):</p> <table border="1"> <tr> <td></td> <td>31 August 2020</td> </tr> <tr> <td>Net financial debt (long-term debt plus short-term debt minus cash and cash equivalents)</td> <td>(99)</td> </tr> </table> <p>Statement of Cash Flows (in CZK thousands):</p> <table border="1"> <tr> <td></td> <td>period from 3 August 2020 to 31 August 2020</td> </tr> <tr> <td>Net cash flow from operating activities</td> <td>0</td> </tr> <tr> <td>Net cash flow from financing activities</td> <td>(1)</td> </tr> <tr> <td>Net cash flow from investing activities</td> <td>0</td> </tr> </table> <p>The stated figures are based on the Issuer's interim financial statements covering the period from 3 August 2020 to 31 August 2020 which have been audited.</p>		period from 3 August 2020 to 31 August 2020	Earnings before financial expenses and taxes (EBIT)	(61)		31 August 2020	Net financial debt (long-term debt plus short-term debt minus cash and cash equivalents)	(99)		period from 3 August 2020 to 31 August 2020	Net cash flow from operating activities	0	Net cash flow from financing activities	(1)	Net cash flow from investing activities	0
	period from 3 August 2020 to 31 August 2020																
Earnings before financial expenses and taxes (EBIT)	(61)																
	31 August 2020																
Net financial debt (long-term debt plus short-term debt minus cash and cash equivalents)	(99)																
	period from 3 August 2020 to 31 August 2020																
Net cash flow from operating activities	0																
Net cash flow from financing activities	(1)																
Net cash flow from investing activities	0																

2.3 What are the key risks that are specific to the Issuer?

Key risk factors related to the Issuer	<p>The key risk factors that are specific to the Issuer are:</p> <p>3. Special purpose vehicle risk – The Issuer is a special purpose vehicle that was established for the purposes of the issuance of the Bonds and subsequent provision of intragroup financing, which does not carry out any other business activities and therefore cannot generate resources for the repayment of the debts under the Bonds. Therefore, the risk of the Issuer's credit dependence on the DKHI Group can adversely affect the Issuer's ability to pay the debts under the Bonds.</p> <p>4. Risk of secondary dependence – The Issuer is exposed to the secondary risk of dependence on the risks relating to the DKHI Group. In view of the Issuer's dependence on the DKHI Group, all risk factors relating to the DKHI Group can have an adverse impact on the Issuer's ability to repay its debts under the Bonds.</p> <p>The above stated risk factors can have significant negative impact on financial and economic situation of the Issuer and his business activity respectively. The Issuer's ability to pay the debts under the Bonds can thus be adversely affected.</p>
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7. KEY INFORMATION ON THE BONDS

3.1 What are the main features of the Bonds?

Bonds (type, class, ISIN)	<p>Book-entered 6.50 per. cent. p.a. fixed rate bonds in the anticipated total nominal amount of CZK 530,000,000 with the possibility of increase of up to CZK 1,060,000,000 due 2023, ISIN CZ0003527749. Each Bond is issued at nominal value of CZK 10,000. The maximum amount of the Bonds that may be issued is 53,000 in case that the total nominal amount is no more than CZK 530,000,000 or 106,000 in case that the total nominal amount is increased to CZK 1,060,000,000.</p> <p>The Issue Date is 30 October 2020. The Final Maturity Date of the Bonds is 30 October 2023.</p>
Currency of the Bonds	Czech crown (CZK).
The rights attached to the Bonds	<p>The primary right attached to the Bonds is the right to the nominal value of the Bonds as of the Final Maturity Date and right to the interest on the Bonds. The interest will be paid for each Interest Period half-yearly in arrears.</p> <p>The Bondholders have the right to vote at and attend the Meeting of Bondholders, provided that the Meeting is convened in accordance with the Terms and Conditions and the Czech Bonds Act. The Meeting may elect an individual or a legal entity to act as a common representative.</p> <p>The Bonds are also associated with the right to request early redemption of the Bonds held by the Bondholder in case a Change of Control occurs, or Event of Default occurs and is continuing. Further, a person authorised to attend the Meeting of Bondholders who failed to attend the Meeting or voted against a resolution regarding a Material Change adopted by the Meeting, may request the repayment of at the time outstanding nominal amount of the Bonds held by it together with the <i>pro rata</i> interest accrued on such Bonds.</p> <p>Beginning one year after the Issue Date (inclusive), the Issuer has the right to redeem early all outstanding Bonds (in part or in full) and may exercise this right only if it notifies the Bondholders no later than 60 days before the relevant early redemption date. The Issuer may partially redeem the Bonds only as of an Issuer's Early Redemption Date that is an Interest Payment Date. The redemption of all Bonds in full may be performed as of any Issuer's Early Redemption Date.</p> <p>The Issuer may repay all or part of the outstanding nominal amount of the Bonds, the relevant interest income accruing on the amount of the early repaid nominal amount of the Bonds as of the Issuer's Early Redemption Date and the extraordinary interest income determined as 1/48 of the annual Interest Rate on the total amount of the early repaid nominal amount of the Bonds multiplied by the number of full months remaining from the relevant Issuer's Early Redemption Date until the Final Maturity Date of the Bonds. No Issuer's Early Redemption Extraordinary Interest will be paid with respect to the redemption of all Bonds in full if less than six months are remaining from the relevant Issuer's Early Redemption Date until the Final Maturity Date of the Bonds.</p> <p>Neither the shareholders of the Issuer nor any other person has any right of first refusal, preemptive or conversion rights in relation to the Bonds or any other priority subscription rights in relation to the Bonds.</p>
The relative seniority of the Bonds in case of insolvency	The Bonds constitute direct, general, unconditional and unsubordinated liabilities of the Issuer secured by the Financial Guarantee and the Security which rank and will rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with any present and future unsubordinated and in the same or similar manner secured liabilities of the Issuer, with the exception of liabilities treated preferentially under applicable mandatory laws.
Transferability	The transferability of the Bonds is not limited.
Interest rate policy	<p>The Bonds bear a fixed interest rate 6.50 per cent. p.a.</p> <p>The interest will accrue evenly from the first day of each Interest Period to the last day included in such Interest Period. The interest will be paid for each Interest Period half-yearly in arrears, always as of 30 April and 30 October of each year. The first payment of interest will be made as of 30 April 2021.</p>

3.2 Where will the Bonds be traded?

Admission of the Bonds to trading on	The Issuer will apply for admission of the Bonds for trading on the Regulated Market of the PSE through the Listing Agent and expects the Bonds to be listed on the Issue Date.
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regulated market	
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3.3 Is there a guarantee attached to the Bonds?

Description of the nature and scope of financial guarantee and security	<p>The Issuer's liabilities arising from the Bonds are secured by a Financial Guarantee issued by the Guarantor (as defined below). The Guarantor will irrevocably and unconditionally undertake to each Bondholder that, in the event the Issuer for any reason breaches or fails to meet any of its payment obligations or any other obligation in connection with any of the Bonds in a due and timely manner, the Guarantor will, pay to the relevant Bondholder the relevant amount upon Bondholder's request. The amount guaranteed by the Guarantor under the Financial Guarantee shall in no event exceed the total amount of CZK 1,590,000,000.</p> <p>The Issuer's liabilities arising from the Bonds and the Guarantor's liabilities arising from the Financial Guarantee will be further secured by security established in favour of the Bondholders and Security Agent, in form of first-ranking pledge over:</p> <p>(i) EPAS Shares; corresponding to 49 per cent. of the registered capital of EPAS as at the Issue Date. If the requirements specified in the Terms and Conditions are met, the corresponding amount of the pledged share capital can decrease to as low as 25.1 per cent. of EPAS registered capital; and</p> <p>(ii) Bank Account Receivables; i.e. the receivables under the agreements on maintenance of the Sinking Fund Account and the Interest Escrow Account.</p> <p>In exercising the rights under the Security Documents, the Security Agent Agreement and the Terms and Conditions and other rights under the Czech Bonds Act relating to the Security, the Security Agent is considered to be the creditor of each secured receivable in accordance with Section 20a(6) of the Czech Bonds Act. To the extent that such rights (including those referred to in Section 20a(5) of the Czech Bonds Act, i.e. (i) exercising, on behalf of all of the Bondholders, all rights associated with the Security; (ii) supervising the compliance with the Terms and Conditions by the Issuer in connection with the Security; and (iii) executing, on behalf of all of the Bondholders, any other acts or protect the Bondholders' interests in connection with the Security) are exercised by the Security Agent, no Bondholder is entitled to exercise such rights separately.</p>																		
Description of the Guarantor and DKHI Group	<p>DK Holding Investments, s.r.o. is a limited liability company incorporated and existing under the Czech law, with its registered office at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic, identification number: 046 45 740, LEI: 3157000SLFS3ZOO7HV02, maintained by the Municipal Court in Prague, file no. C 251383 (the "Guarantor"). The Guarantor is the parent company of the DKHI Group. Its main activities consist of holding shares in its subsidiary companies and activities relating to financing of the companies forming the DKHI Group.</p> <p>DKHI Group's main activities consist of distribution, supply and generation of electricity via hydropower plants mainly in Bulgaria, the Czech Republic, Georgia and Turkey.</p> <p>The Guarantor's independent auditor is Ernst & Young Audit, s.r.o., identification number: 267 04 153, with its registered office at Na Florenci 2116/15, Nové Město, 110 00 Prague 1.</p>																		
Key financial information related to the Guarantor	<p>The table below provides an overview of key financial information related to the Guarantor.</p> <p>Statement of Comprehensive Income (in EUR thousands):</p> <table border="1" style="width: 100%;"> <thead> <tr> <th></th> <th style="text-align: center;">Period from 1 January 2019 to 31 December 2019</th> <th style="text-align: center;">Period from 1 January 2018 to 31 December 2018</th> </tr> </thead> <tbody> <tr> <td>Earnings before financial expenses and taxes (EBIT)</td> <td style="text-align: center;">79,471</td> <td style="text-align: center;">80,039</td> </tr> </tbody> </table> <p>Statement of Financial Position (in EUR thousands):</p> <table border="1" style="width: 100%;"> <thead> <tr> <th></th> <th style="text-align: center;">31 December 2019</th> <th style="text-align: center;">31 December 2018</th> </tr> </thead> <tbody> <tr> <td>Net financial debt (long-term debt plus short-term debt minus cash and cash equivalents)</td> <td style="text-align: center;">868,304</td> <td style="text-align: center;">693,784</td> </tr> </tbody> </table> <p>Statement of Cash Flows (in EUR thousands):</p> <table border="1" style="width: 100%;"> <thead> <tr> <th></th> <th style="text-align: center;">Period from 1 January 2019 to 31 December 2019</th> <th style="text-align: center;">Period from 1 January 2018 to 31 December 2018</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Period from 1 January 2019 to 31 December 2019	Period from 1 January 2018 to 31 December 2018	Earnings before financial expenses and taxes (EBIT)	79,471	80,039		31 December 2019	31 December 2018	Net financial debt (long-term debt plus short-term debt minus cash and cash equivalents)	868,304	693,784		Period from 1 January 2019 to 31 December 2019	Period from 1 January 2018 to 31 December 2018			
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	<p>The stated figures are based on the Guarantor's consolidated financial statements for year 2019 and 2018 which have been audited.</p> <p>In respect of the financial information for period from 1 January 2018 to 31 December 2018, EBIT, Net financial debt (long-term debt plus short-term debt minus cash), Net cash flow from operating activities and Net cash flow from investing activities were restated in the annual consolidated financial statements of the Guarantor for the year 2019. A brief summary of the restatements is as follows:</p> <p>(i) EP Georgia recognized a grant liability related to assets granted to it by the Government of Georgia. Income related to the granted assets was deferred over the useful life of the granted assets instead of recording a one-time income accrual which was the treatment used in the past. The restatement relates to a change of the interpretation of the relevant accounting standards.</p> <p>(ii) In 2018, RH Turkey increased its tax base in line with applicable law and, as a result, a portion of previous year's losses cannot be used to offset a tax liability position in the future. The restatement relates to deferred tax assets changed with this respect.</p> <p>(iii) Further DKHI Group restated its financial statements to reflect a reassessment of its understanding of the initial starting point of capitalization of the powerplants technical appreciation. The restatement relates to construction in progress, work in progress and consolidated income statement.</p> <p>(iv) In relation to the IFRS 15, EP Varna reviewed the individual contracts concluded for grid components – transmission fee, access fee and the obligation for the public, and determined that it is rather acting as an agent with respect to these items. This restatement relates to reclassification of revenues and costs on the consolidated income statement.</p> <p>(v) In relation to the application of IFRS 15, EPI Group reviewed in detail the contracts for projects regard of IFRS 15 – transfer of control of a good or service and re-assessed the recognition method from "point in time" to "over time" due to specific nature of product manufactured and other specifics stated in the contracts.</p>									
Risk factors related to the Guarantor and DKHI Group	<p>The key risk factors that are specific to the Guarantor and DKHI Group are:</p> <ol style="list-style-type: none"> Licencing requirements – The DKHI Group's activities require number of licences, permits and authorisations. Any failure to obtain, maintain, renew or extend them could have a material adverse on DKHI Group. Timely commissioning of new Turkish hydro power plants ("HPPs") – Failing to obtain feed in tariff ("FiT") support scheme for two newly constructed HPPs in Turkey, HPP Alpaslan 2 and HPP Karakurt, may have a material adverse effect on the DKHI Group's business, results of operations and financial condition. Indebtedness – The DKHI Group has substantial debt and other financial obligations. Its cash flow from operations may not be sufficient to service its debt and to meet other payment obligations or to fund its planned capital expenditures without the need for additional external financing. The DKHI Group's substantial debt and other financial obligations could limit its flexibility in planning for, or reacting to, changes in its business or its industry. Changes in regulated tariffs – In the year ended 31 December 2019 the DKHI Group derived 73 per cent. of consolidated EBITDA from regulated activities which are subject to tariff regulation. Adverse change in tariff regulation and methodology could negatively affect DKHI Group. Less mature market risk – The DKHI Group operates in less mature markets, which have higher volatility, more limited liquidity and a narrower export base than more mature markets and are subject to more frequent changes in the political, economic, social, legal and regulatory environment. Weather conditions and seasonal variations – The DKHI Group's hydropower electricity generation is affected by hydrological conditions, which vary significantly throughout the year and can also vary on a year to year basis. <p>The above stated risk factors can have significant negative impact on financial and economic situation of the Guarantor and his business activity respectively. Guarantor's ability to pay the debts under the Financial Guarantee can thus be adversely affected.</p>									

3.4 What are the risk factors that are specific to the Bonds?

Risk factors related to the Bonds	<p>Risk factors related to the Bonds include mainly the following:</p> <ol style="list-style-type: none"> 1. Risk of default and risk related to the redemption of the Bonds by the Issuer – Under certain circumstances, the Issuer may be unable to pay interest on, or the nominal value of, the Bonds. In case of the redemption of the Bonds by the Issuer on the market, the price paid to the Bondholders for the Bonds may be lower than their original investment and, under certain circumstances, the price may even be zero. 2. Risk of the interest rate on the Bonds – The holder of a bond with a fixed interest rate is exposed to the risk of a decrease in the price of such Bond as a result of changes in the market interest rates. While the nominal interest rate is fixed for the term of the existence of the Bonds, the current interest rate on the capital market usually changes daily. 3. Risk of Early Redemption – In case of a full or partial early redemption of the Bonds, including where this takes place without the consent of the particular Bondholder, in accordance with the Terms and Conditions prior to their redemption date, the Bondholder is exposed to the risk of the yield being lower than expected due to such early redemption. 4. Liquidity risk on the Regulated Market of the PSE – The Issuer will apply for the Bonds to be listed for trading on the Regulated Market of the PSE. Regardless of the listing of the Bonds on a regulated market, there can be no assurance that a sufficiently liquid secondary market in the Bonds will be created and exist. The fact that the Bonds may be listed on a regulated market may not necessarily lead to the higher liquidity of the Bonds in comparison with bonds not listed on a regulated market. On a potentially non-liquid market, the investor may not be able to sell the Bonds at an adequate market price at any time. 5. Risk of Security created after the Issue Date – Under the Terms and Conditions, the Issuer is under certain circumstances obliged to create additional security over shares in EPAS. If no such Security was created and if the Bondholders therefore requested early redemption of their Bonds, they will be in a worse position than if the Bonds were secured by additional shares in EPAS. <p>The above stated risk factors can have significant negative impact on the value of the investment into the Bonds. If any of these risks materialise, the Bondholder may lose all or part of the capital invested in.</p>
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8. KEY INFORMATION ON THE OFFER OF BONDS TO THE PUBLIC AND THE ADMISSION TO TRADING ON REGULATED MARKET

4.1 Under which conditions and timetable can I invest into the Bonds?

General conditions of public offer	<p>In accordance with Article 2 (d) of the Prospectus Regulation, the Bonds will be offered by the Issuer through the Lead Manager under a public offering in the Czech Republic where the public offering lasts from 1 October 2020 to 30 September 2021. If the Issuer decides to offer the Bonds in Slovakia, he will ask the CNB to notify the approval of the Prospectus to NBS. The Bonds may be issued individually or in tranches, whereas no tranche shall be excluded exclusively for the purposes of offering in Slovakia.</p> <p>In order to participate in the public offering, the investor must present a valid identity document.</p> <p>In connection with the placement of the Order, the investors must conclude, or have concluded, an agreement with the Lead Manager for purposes such as opening the asset account in the investment instrument register kept by the Central Depository or similar securities records by the Lead Manager and giving the instruction to arrange the purchase of the Bonds under such an agreement, or they may be invited to present the required documents and identification details by the Lead Manager.</p> <p>As part of the public offering in the Czech Republic, the Lead Manager will receive the instructions through its headquarters in Prague and, in case of the public offering in Slovakia, through its branch, i.e. J & T Banka, a.s., pobočka zahraničnej banky, Dvořákovo nábřeží 10, 811 02 Bratislava, Slovak Republic.</p>
Expected offering period	The expected offering period is from 1 October 2020 to 30 September 2021.
Information about admission to trading on	<p>The Issuer will apply for admission of the Bonds for trading on the Regulated Market of the PSE through the Listing Agent and expects the Bonds to be listed on the Issue Date and will be traded in accordance with the rule of the Regulated Market of the PSE.</p> <p>When listed by the PSE, the Bonds will be traded at the PSE and the transactions will be settled in CZK. The settlement will be performed as DVP (<i>delivery versus payment</i>) through</p>

regulated market	the Central Depository or through persons keeping the related records following the standard practices in accordance with the rules and operating procedures of the PSE and the Central Depository and within the deadlines set by the applicable rules. The subscription of the Bonds in the Central Depository can only be settled through a member of the Central Depository.
Plan for distribution	<p>The Bonds will be offered by the Issuer through the Lead Manager under a public offering to the domestic and foreign qualified and other than qualified (in particular, retail) investors in the Czech Republic and Slovakia, and to selected qualified investors and other potential investors abroad subject to the conditions which do not impose the obligation of the offeror to prepare and publish a prospectus in accordance with the laws applicable in that jurisdiction. As part of the public offering, the investors will be approached by the Lead Manager, mainly by means of remote communication, and invited to place an order for the purchase of the Bonds.</p> <p>There is no minimum amount for which the investor may subscribe and purchase the Bonds. The maximum volume of the nominal value of the Bonds demanded by the individual investor in the Order is limited by the foreseen aggregate nominal amount of the Bonds offered by the Lead Manager. If the volume of Orders exceeds the volume of the Issue, the Lead Manager may reduce the investor's Orders at its discretion (provided that any surplus will be immediately returned in the investor's account stated to the Lead Manager).</p> <p>The final nominal value of the Bonds assigned to the individual investor will be stated in the transaction clearing confirmation by e-mail, which will be delivered to the investor by the Lead Manager without undue delay after the execution of the instruction. The investor may not trade in the subscribed Bonds before this confirmation is delivered.</p> <p>On the relevant settlement date according to the agreement on the subscription of Bonds concluded by the Issuer and the Lead Manager, the Bonds will be subscribed by the Lead Manager. On the same date the Bonds will be sold to the investors by the Lead Manager.</p> <p>Within the public offer made by the Lead Manager, the price for the offered Bonds with trades realized on the Issue Date will correspond to their issue price in the Issue Date (i.e. 100 per cent. of their nominal amount) and subsequently set by the Lead Manager in agreement with the Issuer on the basis of the current market conditions and the proportionate yield, if any, and it will be published on the Lead Manager's website at www.jtbank.cz in the section Information duty, Securities issuance (in Czech <i>Informační povinnost, emise cenných papírů</i>).</p>
Estimate of total expenses of the Issue	<p>The Issuer expects that the total costs of preparing the issue of the Bonds, i.e. the costs of the Lead Manager's fee, costs of the Issuer's auditor, fees of the Central Depository and CNB and certain additional costs associated with the issue of the Bonds or its placement on the market, will not exceed (i) 2.2 per cent. of the total expected nominal value of the Issue, i.e. excluding an increase, if any (i.e. CZK 11,660,000), or (ii) 2.1 per cent. of the total nominal value of the Issue if the maximum total nominal value of the Bonds are issued, including an increase, if any (i.e. CZK 22,260,000).</p> <p>In connection with the acquisition of the Bonds through:</p> <ul style="list-style-type: none"> (i) J&T BANKA in the Czech Republic, the investors will pay the fees in accordance with the current standard pricelist, as of the date of this Prospectus fee amounts to 0.15 per cent. of the nominal value of the Bonds being acquired under the subscription instruction and at least CZK 2,000; and (ii) J&T BANKA in Slovakia, the investors will pay the fees in accordance with the current pricelist of the Slovak branch, as of the date of this Prospectus fees amount to 0.60 per cent. of the volume of the transaction volume; if the transaction is settled using an account other than the holder's account, this fee is 1 per cent. of the transaction amount and at least EUR 480. <p>The investor may be required to pay additional fees charged by the intermediary of the purchase or sale of the Bonds, the person keeping the records of the Bonds, the person who performs the clearing of the Bonds transaction, or by another person, e.g. fees for opening and maintaining an investment account, for arranging the transfer of the Bonds, services related to custody of the Bonds, their registration, etc.</p>

4.2 Who is the offeror and the person asking for admission to trading on regulated market?

Description of person offering the Bonds and person asking for admission to trading on regulated market	<p>The Issuer will offer the Bonds to public through the Lead Manager. The Issuer will apply for admission of the Bonds for trading on the Regulated Market of the PSE through the Listing Agent. Lead Manager and Listing Agent is J&T BANKA, a.s., with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, identification number: 471 15 378, LEI: 3157001000000043842, registered with the Commercial Register maintained by the Municipal Court in Prague, file no. B 1731.</p> <p>J&T BANKA is a bank which operates under Czech Law, in particular under the Civil Code, the Business Corporations Act, Act No. 21/1992 Coll. on Banks, as amended, and Act No. 256/2004 Sb., on Capital Market Business, as amended.</p>
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4.3 Why is this Prospectus being produced?

Use and estimated net amount of the proceeds	<p>The net proceeds from the Bonds will be used by the Issuer to fund the Interest Escrow Account. The remaining net proceeds will be used by the Issuer for distribution to the DKHI Group in the form of loans, borrowings and other forms of financing. The Issuer expects that the proceeds will be subsequently used for the purposes of investments into renewables resources and for general corporate purposes of the DKHI Group companies. As at the date of the Prospectus, it has not been decided on the allocation of those proceeds towards specific projects or other specific uses.</p> <p>The net proceeds from the Bonds will amount to total subscribed nominal value decreased by approximately CZK 11,660,000. In case of an increase of the Issue to CZK 1,060,000,000, the net proceeds from the Bonds will amount to total subscribed nominal value decreased by approximately CZK 22,260,000.</p>
Method of the offering	<p>The Lead Manager is committed to making its best effort that can be reasonably expected of it to search for the prospective investors in the Bonds and place the Bonds with and sell them to such investors. The offering of the Bonds will thus be on the "<i>best efforts</i>" basis. Neither the Lead Manager nor any other persons have assumed a firm obligation to the Issuer to subscribe or buy the Bonds.</p>
Conflict of interests	<p>To the Issuer's knowledge, no natural or legal person participating on the Issue or the offering of the Bonds, save for the Lead Manager, have material conflict of interests regarding the Issue or the offer of the Bonds.</p> <p>The Lead Manager also acts as the Fiscal and Paying Agent, the Listing Agent and the Security Agent.</p>

III. RISK FACTORS

Investors considering the subscription or purchase of the Bonds should read this Prospectus in its entirety carefully. The information presented by the Issuer to the potential subscribers or purchasers of the Bonds as well as any other information provided in this Prospectus should be carefully examined and considered by each party interested in the subscription or purchase of the Bonds.

The subscription, purchase, holding and potential resale of the Bonds are associated with a number of risks (including the risk of losing the entire investment), and the risks considered material by the Issuer are specified below in this Chapter. The text below does not substitute any professional analysis or any provision of the Terms and Conditions or data provided in this Prospectus, does not limit any rights or obligations arising from the Terms and Conditions and in no case is it an investment recommendation of any nature. Any decision to subscribe and/or purchase the Bonds should be based on the information contained in this Prospectus, on the terms and conditions of the offering of the Bonds and, in particular, on the analysis of the risks and benefits of the investment in the Bonds by the prospective investor and/or the investor's legal, tax and other professional advisors.

Risk factors are ranked in the individual categories and sub-categories from the most to the least significant.

Capitalised terms used below shall have the meanings assigned to them in the Terms and Conditions or any other part of the Prospectus.

1 Risk Factors Related to the Issuer

From the Issuer's perspective, there are the following main risk factors that may adversely impact its financial and economic standing, business and ability to meet its debts arising from the Bonds:

Special purpose vehicle risk

The Issuer is a special purpose vehicle that was established for the purposes of the issuance of the Bonds and subsequent provision of intragroup financing, which does not carry out any other business activities and therefore cannot generate resources for the repayment of the debts under the Bonds. Therefore, the risk of the Issuer's credit dependence on the DKHI Group can adversely affect the Issuer's ability to pay the debts under the Bonds.

Risk of secondary dependence

The Issuer is exposed to the secondary risk of dependence on the risks relating to the DKHI Group. In view of the Issuer's dependence on the DKHI Group, all risk factors relating to the DKHI Group described below can have an adverse impact on the Issuer's ability to repay its debts under the Issue. The secondary dependence risk can adversely affect the Issuer's ability to pay the debts under the Bonds.

2 Risk Factors Related to the Guarantor and DKHI Group

2.1 Regulatory, economic and political / legal risks

(a) Regulatory risks

Licencing requirements

The DKHI Group's activities of generation, distribution, supply and trading of electricity require a range of administrative permits, authorisations and licences, at both local and national levels, in the countries in which the DKHI Group operates. The procedures for obtaining and renewing these permits, authorisations and licences can be protracted and complex and the conditions attached to such licences may be subject to change and are not predictable. As a result, the DKHI Group may incur significant expenses in obtaining or renewing its permits, authorisations and licences. Delays, high costs or the suspension of the DKHI Group's operating activities due to its inability to obtain, maintain, or renew permits, authorisations and licences, may also have a negative impact on its business activities and profitability.

Licences for the generation and distribution of electricity are granted for a maximum of 35 years in Bulgaria, indefinitely in Georgia and are due to expire in Turkey between 2054 and 2060. Any failure to obtain, maintain, renew or extend all the necessary administrative permits, authorisations and licences necessary for the operation of the DKHI Group's business and the execution of its strategy could have a material adverse effect on its business, results of operations and financial condition. In addition, it is possible that future changes in licencing requirements could have an adverse effect on the DKHI Group.

Changes in regulated tariffs

The DKHI Group is subject to a substantial degree of regulation, particularly with respect to the tariffs it may charge for its distribution activities, for the regulated portion of its supply business, as well as for a portion of its generation volumes. Revenues from distribution activities in Bulgaria and distribution and generation activities in Georgia are dependent on regulated tariffs that are calculated using regulatory asset base ("**RAB**") determined based on the book value of assets, approved average investments and necessary working capital. The DKHI Group also benefits from contracts for premium in respect of its generation activities in Bulgaria, FiT regimes in respect of its generation activities in Turkey and from subsidies in form of green bonuses in respect of its generation activities in the Czech Republic.

The DKHI Group derived approximately 73 per cent. of consolidated EBITDA in the year ended 31 December 2019 from activities subject to such tariff regulation (and 83 per cent. in the year ended 31 December 2018).¹

Tariff setting methodology, including pricing is subject to review, decision and announcement by national regulatory bureaus, specifically the Energy and Water Regulatory Commission ("**EWRC**") in Bulgaria, the Energy Regulatory Office ("**ERO**") in the Czech Republic, the Georgian National Energy and Water Supply Regulatory Commission ("**GNEWRC**") in Georgia, and the Council of Ministers, the Energy Market Regulatory Authority ("**EMRA**") and TEİAŞ (Türkiye Elektrik İletim A.Ş.) in Turkey, and in certain aspect even an EU regulatory body – the Agency for the Cooperation of Energy Regulators ("**ACER**"). Regulatory policies of Bulgaria, the Czech Republic, Georgia and Turkey are less developed and are more susceptible to political intervention and adverse regulatory action than in Western Europe. Public authorities and regulatory authorities in the countries in which the DKHI Group operates may decide to limit or block tariff increases, or even order tariff decreases, with no change to the quality of service, or may change the conditions of access to such regulated tariffs, including changes to the price setting mechanisms as a result of political interference. Any changes in regulated tariffs, particularly those that may affect the DKHI Group's revenues from electricity generation and distribution, could have a material adverse effect on its business, results of operations and financial condition.

Less mature market risk

DKHI Group generates almost 100 per cent. of its revenues and EBITDA in less mature markets. Less mature markets have higher volatility, more limited liquidity and a narrower export base than more mature markets and are subject to more frequent changes in the political, economic, social, legal and regulatory environment. They are subject to rapid change and are particularly vulnerable to market conditions and economic downturns elsewhere in the world.

In addition, international investors may react to events, disfavoring an entire region or class of investment, a phenomenon known as the "contagion effect". If such a contagion effect occurs, Bulgaria, the Czech Republic, Georgia or Turkey could be adversely affected by negative economic or financial developments in other less mature market countries. Financial or political instability in less mature markets also tends to have a material adverse effect on capital markets and the wider economy as investors generally move their money to more developed markets, which they may consider to be more stable.

Regulatory environment

The DKHI Group is subject to the laws of the Czech Republic, Bulgaria, Georgia and Turkey and the European Union ("**EU**"), as well as the regulations of the EWRC in Bulgaria, the ERO in the Czech Republic, the Georgian Ministry of Economy and Sustainable Development of Georgia ("**MoEaSD**") and the GNEWRC in Georgia and the Ministry of Energy and National Resources ("**MENR**") and the EMRA in Turkey. From the EU perspective, the DKHI Group is subject to the regulations of the ACER. These laws and regulations affect many aspects of the DKHI Group's business and, in many respects, determine the manner in which the DKHI Group conducts its business and its profitability. As an owner and operator of renewable energy generation facilities and electricity distribution networks, the DKHI Group is subject to extensive governmental and other regulations in the markets

¹ In the calculation of the percentage, the numerator is regulated EBITDA and represents the sum of regulated standalone EBITDAs of the respective operating companies (based on management accounting) while the denominator is total consolidated EBITDA of DKHI Group (based on the consolidated financial statements of DKHI prepared in accordance with IFRS).

in which it operates. Any new regulation, changes in the existing regulations or delays in implementation of new regulation, such as Georgia's decision to align its regulatory framework more closely with the EU, or requirements of the governments or regulatory authorities of the countries in which the DKHI Group operates may require significant changes in the DKHI Group's business in ways that cannot be predicted. Any new regulations or requirements, that require the DKHI Group to restructure or otherwise change its business in any way, or that affect electricity generation, transmission, distribution or supply prices or related financial conditions, could have a material adverse effect on the DKHI Group's business, results of operations and financial condition.

Similarly, any non-compliance or breach of licence conditions or other regulatory requirements could lead to financial sanctions and potentially revocation of licences which could have a material adverse effect on the DKHI Group's business, results of operations and financial condition. In addition, the DKHI Group may fail to respond swiftly and appropriately to changes in applicable laws and regulations or to changes in the energy industry generally, which could have a material adverse effect on the DKHI Group's business, results of operations and financial condition.

The DKHI Group is in compliance with each regulatory regime to which it is subject in each of the jurisdictions in which it operates and it continues to allocate adequate resources to achieve and maintain compliance with such regulations applicable to it. However, the relevant authorities in Bulgaria, the Czech Republic, Georgia, Turkey and the EU may enforce existing regulations more strictly than they have done in the past and may in the future impose stricter standards, or higher levels of fines and penalties for violations, than those which are in effect at present.

Environmental and health and safety laws

The DKHI Group is subject to various environmental and health and safety laws and regulations governing, among other things, the health and safety of the DKHI Group's employees.

The DKHI Group is also required to obtain environmental and safety permits from various governmental authorities for its operations. Certain permits require periodic renewal or review of their conditions as well as continuous monitoring and compliance reporting. The DKHI Group may not always be able to renew such permits or there may be material changes to its permits requiring significant expenditure. Violations of these laws, regulations or permits could result in fines or legal proceedings being commenced against the DKHI Group or other sanctions, in addition to negative publicity and significant damage to the DKHI Group's reputation.

The DKHI Group has adopted environmental standards applicable to its operations. While as at the Issue date of this Issue the DKHI Group is in compliance with all applicable environmental and health and safety regulations in force in the countries in which it operates, there can be no guarantee that it will continue to be in compliance in the future. Should any DKHI Group company fail to comply with any such regulations, it may be liable for penalties and/or the consequences of default under any contractual obligations requiring it to comply with applicable regulations.

Any occurrence of environmental damage or loss of life or serious injury to its employees as a result of any breach of applicable health and safety legislation may result in a disruption of the DKHI Group's services or cause reputational harm, and significant liability could be imposed on the DKHI Group for damages, clean-up costs and penalties and/or compensation as a result.

The occurrence of any of these events may also cause disruption to the DKHI Group's projects and operations and result in additional costs to the DKHI Group, which may have a material adverse effect on the DKHI Group's business, financial condition, results of operations and cash flows.

Although environmental laws and regulations have an increasing impact on the DKHI Group's activities, it is impossible to predict accurately the effect of future developments in such laws and regulations on the DKHI Group's future earnings and operations. Some risk of environmental costs and liabilities is inherent in the DKHI Group's particular operations, as it is with other companies engaged in similar businesses.

(b) Economy risks

Demand for electricity and increases in the levels of its doubtful receivables as a result of poor economic conditions

In the ordinary course of its business, the DKHI Group is exposed to the risk of a reduction in demand for its electricity. The demand for the DKHI Group's electricity is principally driven by the level of economic activity in the countries in which the DKHI Group operates. The DKHI Group's results of operations are affected by economic conditions in Bulgaria, the Czech Republic, Georgia and Turkey.

Part of the DKHI Group's revenues and EBITDA from electricity distribution (approx. 15 per cent. of DKHI Group's total revenues and 40 per cent. of DKHI Group's EBITDA) are fixed and do not depend on the overall volume of electricity consumed, but the DKHI Group's revenues are still affected by economic cycles and general economic conditions. Any economic slowdown typically leads to a reduction in electricity consumption and this has an adverse effect on the DKHI Group's financial condition and results of operation. Distribution tariff calculation methodology includes assumptions of the electricity distribution volume. If the actual distribution volume falls below the assumption, the DKHI Group's cash flows from electricity distribution will be negatively impacted through a delay in the allocation of compensation.

The total amount of receivables from DKHI Group's business relations was EUR 114 million as of 31 December 2019 (and EUR 133 million as of 31 December 2018). On the same date, the provisions for impairment of trade and other receivables amounted to EUR 19 million (and EUR 16 million as of 31 December 2018).

The DKHI Group is able to take legal action against its defaulting customers to seek to recover amounts outstanding, although the timing and amount of such recovery is uncertain. Although the DKHI Group has been successful in monitoring and reducing the level of its impaired receivables, any material increase in doubtful receivables, increased delays in payment times or write-offs could have a significant adverse effect on the DKHI Group's business, results of operations and financial condition and ultimately the Guarantor's ability to meet its liabilities from the Financial Guarantee.

Economic conditions in the countries of DKHI Group's operations

The DKHI Group's principal business activities consist of electricity generation in Bulgaria, the Czech Republic, Georgia and Turkey and electricity distribution and supply in Bulgaria and Georgia. As a result, the DKHI Group's results of operations are affected by economic and political conditions in those countries, which in turn can be affected by developments including, but not limited to:

- macroeconomic events, including external economic shocks;
- economic difficulties among Bulgaria's, the Czech Republic's, Georgia's or Turkey's trading partners;
- a decline in the gross domestic product of any of the countries in which the DKHI Group operates;
- the imposition of new or additional international sanctions against Russia or other trading partners;
- a decrease in foreign direct investment in Bulgaria, the Czech Republic, Georgia or Turkey, due to a perception of a poor economic, legal or business climate, or for any other reason;
- increasing levels of unemployment;
- a governmental budget deficit or other fiscal difficulties;
- an inability or difficulty in obtaining energy imports;
- declines in commodity prices;
- increasing levels of corruption and/or economic crime;
- instability in the national banking systems; and
- social or political instability and other risks associated with developing countries such as Bulgaria, Georgia and Turkey.

In addition, political developments in the EU, including any future integration or withdrawal of European countries into or from the EU or changes in the economic policy, executive authority or composition of the EU and its institutions, may have an adverse effect on the overall economic stability of the EU, including Bulgaria, which accounted for 59 per cent. of the DKHI Group's EBITDA in the year ended 31 December 2019 (and 55 per cent. in the year ended 31 December 2018). Any changes in the political or economic stability of any of the countries in which the DKHI Group operates, as well as any political, economic, regulatory or administrative developments in these countries, over which the DKHI Group has no control, could have a material adverse effect on the DKHI Group's business, results of operations and financial condition.

If any of these risks materialise in any of the countries in which the DKHI Group operates, they could have a material adverse effect on the DKHI Group's business, results of operations and financial condition.

(c) Political / legal risks

Regional tensions

Georgia shares borders with Russia, Azerbaijan, Armenia and Turkey and could be adversely affected by political unrest within its borders and in surrounding countries. In particular, Georgia has had ongoing disputes in the breakaway regions of Abkhazia and the Tskhinvali Region/South Ossetia, and with Russia, since Georgian independence in 1991. These disputes have led to sporadic violence and breaches of peace-keeping operations. In August 2008, the conflict in the Tskhinvali Region/South Ossetia escalated as Georgian troops engaged with local militias and Russian forces that crossed the international border, and Georgia declared a state of war. Although Georgia and Russia signed a French-brokered ceasefire that called for the withdrawal of Russian forces later that month, Russia recognised the independence of the breakaway regions and tensions persist as Russian troops continue to occupy Abkhazia and the Tskhinvali Region/South Ossetia.

Russia-Georgia relations may deteriorate in the context of the EU Association Agreement, which introduced a preferential trade regime, the Deep and Comprehensive Free Trade Area, in July 2016. In February 2017, the European Parliament also approved a proposal on visa liberalisation for Georgia which came into effect in March 2017. Further, geopolitical tensions between Ukraine and Russia may also have an adverse impact on the Georgian economy. The crisis in Ukraine began in late 2013 and is ongoing. In addition, the political and economic stability of Georgia may be affected by a significant deterioration in relations between Azerbaijan and Armenia.

In Turkey, the geopolitical risks arise namely from regional conflicts in Syria and long lasting hostilities between Turkey and the Kurdistan Worker's Party (PKK) which is considered by Turkey a terrorist organisation. The conflicts with Kurdish forces increased in intensity namely during the fighting in Syria. Regional tensions are also rising with continuing civil war in Libya where Turkey is a key supporter of one of the fighting fractions. Turkey's further involvement in regional conflicts may deteriorate Turkey's stability - both political and economic.

If any of these risks materialise, they could have a material adverse effect on the DKHI Group's business, results of operations and financial condition.

The legal infrastructure and the law enforcement systems in Bulgaria, the Czech Republic, Georgia and Turkey are less developed compared to Western Europe

The legal infrastructure and the law enforcement systems in Bulgaria, the Czech Republic, Georgia and Turkey are less developed when compared to some western European countries. In some circumstances, it may not be possible to obtain legal remedies to enforce contractual or other rights in a timely manner or at all. Although institutions and legal and regulatory systems characteristic of parliamentary democracies have begun to develop in Bulgaria, the Czech Republic, Georgia and Turkey, the lack of an institutional history remains a problem. Additionally, certain articles of the Turkish Constitution were amended in a referendum held in 2017 and the existing parliamentary system of government was replaced with an executive presidency from 2019. As a result, shifts in government policies and regulations in these countries tend to be less predictable than in countries with more developed democracies. A lack of legal certainty or the inability to obtain effective legal remedies in a timely manner or at all may have a material adverse effect on the DKHI Group's business, results of operations and financial condition.

In addition, in such countries, there may be fewer judges specialised and experienced in complex matters involving investments in securities when compared to judges in western European countries. Investors should therefore be aware that matters that must be brought before the relevant courts (for example, insolvency matters) may be subject to delays and may not be conducted in a manner similar to more developed legal systems and may, as a result, lead to delays in proceedings or losses on the Bonds.

Unlawful or arbitrary governmental action

In the jurisdictions in which the DKHI Group operates, government authorities may have more onerous requirements or a high degree of discretion and, at times, act selectively or arbitrarily, without hearing or prior notice, and sometimes in a manner that is contrary to law or is influenced by political or commercial considerations. Such governmental action could include, amongst other things, the withdrawal of licences, the expropriation of property without adequate compensation or the forced recapitalisation, merger or sale of DKHI Group companies. Any such action taken in respect of the DKHI Group could have a material adverse effect on the DKHI Group's business, financial condition, results of operations, cash flows and prospects.

Unforeseen taxes, tax penalties and sanctions

Some provisions of the tax laws in some countries in which the DKHI Group operates are ambiguous and there is often no unanimous or uniform interpretation or practice of the law by the applicable tax authorities and the courts. In certain cases tax authorities could have a high degree of discretion, for instance in relation to transfer pricing tax legislation, and at times may exercise their powers arbitrarily and selectively enforce tax laws and regulations, which could be in a manner that is contrary to the law. The imposition of any new taxes in the countries in which the DKHI Group operates, or changing interpretations, possibly with retrospective effect, or application of tax regulations by the tax authorities, extensive time periods relating to overdue liabilities and the possible imposition of penalties and other sanctions due to unpaid tax liabilities may result in additional amounts being payable by the DKHI Group, which could have a material adverse effect on our business, results of operations and financial condition.

2.2 Operational risks

Timely commissioning of new Turkish HPPs

As at the time of preparation of this Prospectus the DKHI Group is finishing its two major HPPs projects in Turkey – HPP Alpaslan 2 and HPP Karakurt. The DKHI Group intends to apply to the EMRA in order to benefit from the FiT support scheme (YEKDEM tariff, see Section 7.5 (*Regulation*) of Chapter XI. (*Information about the Guarantor and DKHI Group*)). YEKDEM tariff entitles generation licence-holders of renewable energy power plants to benefit from a USD denominated FiT for a period of up to 10 years following the entry into operation of the relevant facility. In case of partial commissioning, the period during which the licence holder may benefit from YEKDEM will be shorter for the remaining parts as it starts to run for the entire facility when the first part is commissioned and the application is accepted.

In order to benefit from YEKDEM tariff starting as from 2021 the HPPs have to be at least partially commissioned and accepted by the MENR and the application for YEKDEM tariff is submitted to the EMRA by 31 October 2020.

In case the HPPs are (at least partially) commissioned and accepted by the MENR in the period between 31 October 2020 and 30 June 2021 the HPPs may benefit from YEKDEM tariff starting as soon as from 2022 if the application for YEKDEM tariff submitted to the EMRA by 31 October 2021.

In case the HPPs are not (at least partially) commissioned and accepted by the MENR by 30 June 2021 the HPPs will not be eligible to benefit from YEKDEM tariff at all.

As at the time of preparation of this Prospectus YEKDEM tariff is higher than the market price of electricity in Turkey. In case of the HPPs, the tariff is set at USD 73 per MWh produced. The average annual day ahead market price ("**DAMP**") in USD/MWh was 78.51 in 2013, 74.81 in 2014, 50.82 in 2015, 46.08 in 2016, 45.00 in 2017, 47.42 in 2018, 46.03 in 2019 and 40.47 between January and July 2020.

Failing to obtain YEKDEM tariffs for the newly constructed HPPs may have a material adverse effect on the DKHI Group's business, results of operations and financial condition.

Weather conditions and seasonal variations

The DKHI Group's hydropower electricity generation is affected by hydrological conditions, which vary significantly throughout the year and can also vary on a year to year basis. Within a year, the strongest water flow is in the months of March, April and May due to snow melting and this is when the DKHI Group's HPPs generate the most electricity. This is also when electricity is more abundant on the market relative to demand. From year to year, the volume of electricity generated in the DKHI Group's HPPs also depends on the amount of precipitation, and conditions such as droughts or heat waves can have adverse effect on the DKHI Group's electricity generation volumes in the respective countries. For example, due to the unfavourable hydrological conditions in the region during 2019, the production volumes in all hydro generation facilities stood at 2,467 GWh (2018: 2,779 GWh) which represents 11 % decrease.

In addition, electricity consumption is seasonal and is mainly affected by weather conditions. In the markets in which the DKHI Group operates, electricity consumption is generally higher during the autumn and winter months, and the DKHI Group generally experiences higher demand during the colder months of October through March and lower demand during the warmer months of April through September. As a result of these seasonal patterns, the DKHI Group's sales and results of operations are higher in the first and fourth quarters and lower in the second and third quarters. Sales and results of operations for all of the DKHI Group's energy operations can be negatively

affected by periods of unseasonably warm weather during the autumn and winter months. The DKHI Group expects seasonal and weather-related fluctuations in its sales and results of operations to continue in the future.

The DKHI Group faces various risks related to the ongoing COVID-19 health crisis, which could have material adverse effects on the DKHI Group's revenues from distribution, supply and generation

The DKHI Group faces various risks related to the ongoing coronavirus COVID-19 health crisis. The rapid spread of COVID-19 has resulted in governments and authorities across the world implementing numerous measures to try to contain COVID-19, such as travel bans and restrictions, quarantines, shelter in place orders, curfews and shutdowns and these measures have impacted, and may further impact, portions or all of the DKHI Group's workforce and operations, the operations of its customers and suppliers. As at the date of this Prospectus, the COVID-19 pandemic has caused significant financial market volatility, uncertainty, and international supply changes, which have already significantly depressed global business activities and could restrict access to capital and result in a long-term economic slowdown or recession that could negatively affect the DKHI Group's operating results.

Although the impact of COVID-19 on the DKHI Group has been relatively limited so far, there is uncertainty regarding the duration and extent of governmental regulation and other measures, which try to contain the impact of the global pandemic, especially social distancing rules and quarantine rules and potential future measures as well as the consequences which such measures may have, including labour shortages and real time changes in operating procedures to accommodate social distancing guidelines. Restrictions on access to the DKHI Group's facilities or on its support operations or workforce, or similar limitations for its suppliers, and restrictions or disruptions of transportation, could limit the DKHI Group's ability to meet customer demand for electricity and have a material adverse effect on its financial condition, cash flows and results of operations. There is no certainty that measures taken by the authorities will be sufficient to mitigate the risks posed by COVID-19, and whether the DKHI Group's ability to perform critical functions could be harmed.

The COVID-19 pandemic may impact the customers, whose financial situation may be deteriorated by the COVID-19 pandemic and result in increase of doubtful receivables. The COVID-19 pandemic may result in the decreased production and hence lower demand for electricity (in particular of industrial customers) and also decrease of market prices of electricity.

The extent to which the COVID-19 outbreak impacts the DKHI Group's results is highly uncertain and depends on, among others, future developments, including possible second wave of the pandemic in the jurisdictions in which the DKHI Group, new information that emerges concerning the severity of the COVID-19 pandemic and the actions to contain the outbreak or treat its impact. The economies where the DKHI Group operates have been affected by the COVID-19 outbreak and the measures adopted to prevent and limit the spread of the disease, causing uncertainty regarding the outlook.

Uncertain or negative outlook on general economic conditions can cause significant changes in market liquidity conditions, which could affect the DKHI Group's access to funding and associated funding costs, which could reduce the DKHI Group's earnings and cash flows. The DKHI Group cannot predict the time period over which, the DKHI Group's sales and operations will be impacted by the COVID-19 pandemic, and the effects could be material. The COVID-19 pandemic has caused an economic slowdown, and it is possible that it could cause a global recession.

The DKHI Group continues to monitor the COVID-19 situation and guidance from relevant authorities and may take additional actions based on their recommendations. In these circumstances, there may be developments outside the DKHI Group's control that require the DKHI Group to adjust its operating plan. The ultimate magnitude of the COVID-19 pandemic, including the extent of its impact on the DKHI Group's financial and operational results, which could be material, will be determined by the length of time and intensity that the pandemic continues, its effect on the demand for the DKHI Group's products and services and the supply chain, as well as the effect of governmental regulations in response to the pandemic. The COVID-19 pandemic could have a material adverse effect on the DKHI Group's business, financial condition, results of operations and/or cash flows.

Failures, breakdowns, planned or unplanned outages as well as natural disasters, sabotage or acts of terrorism at the DKHI Group's HPPs or damage to the distribution infrastructure

The DKHI Group's HPPs, distribution infrastructure and information systems controlling these facilities could be subject to failure, breakdowns, unplanned outages, capacity limitations, system loss, breaches of security or physical damage due to natural disasters (such as storms, floods or earthquakes), sabotage, terrorism, computer viruses and other causes. The main risk associated with the DKHI Group's hydropower facilities is the risk of damage during floods. The DKHI Group cannot give any assurance that accidents will not occur or that the preventative measures taken will be fully effective in all cases, particularly in relation to external events that are not within the DKHI Group's control, such as floods and other natural disasters. In addition, in the event any of

the DKHI Group's dams are damaged through acts of terrorism, any resulting floods may cause damage to the local environment and populations.

Due to the complexity of operating HPPs, the DKHI Group is not able to eliminate the risk of unplanned outages and it cannot predict the timing or impact of these outages with certainty. The DKHI Group's emergency response, disaster recovery and crisis management measures may not effectively protect the DKHI Group from these events. Any service disruption may cause loss in electricity generation, customer dissatisfaction and may also lead to liability for damages, higher operating costs, limited sale of the DKHI Group's products, the imposition of penalties and other unforeseen costs and expenses which could have a material adverse effect on the DKHI Group's reputation, business, results of operations and financial condition.

The condition of some of the DKHI Group's equipment and the components of its HPPs may also be affected by their continuous operation, as well as processes such as erosion and corrosion. The impact of such operation and processes tends to increase as the plant, equipment and components grow older. The DKHI Group may need to temporarily shut down some of the HPPs and may incur expenses in connection with inspections, maintenance or repair activities in addition to the periodic planned inspections, maintenance and repair that the DKHI Group currently conducts, including such additional activities that governmental authorities may require it to conduct.

The DKHI Group's business and its ability to generate revenue depend on the availability and operating performance of the equipment necessary to operate its HPPs and distribution networks. Mechanical failures or other defects in equipment, or accidents that result in non-performance or underperformance of a power plant or distribution network may have a direct impact on the profitability of the DKHI Group's operations. The DKHI Group generates its electricity from its HPPs. A failure of these plants would have a significant adverse effect on the DKHI Group's financial position. In addition, if the DKHI Group suffers a reduction in electricity generation, it may be required to purchase greater amounts of electricity in the open market, which may be at unfavourable prices. Further, any insurance coverage, warranties or guarantees provided by equipment suppliers in favour of the DKHI Group that purport to cover additional expenses incurred by the DKHI Group as a result of any failures, may not fully compensate the DKHI Group for any increased costs and any resulting decrease in revenue. This could mean that any significant expenses incurred as a result of failures, defects or accidents involving the DKHI Group's operating equipment and infrastructure could have a material adverse effect on the DKHI Group's business, financial condition, prospects or results of operations.

Technical and Non-technical electricity losses

The DKHI Group is exposed to the risk of both technical and non-technical electricity losses from its distribution and supply networks. Technical losses occur when electricity is lost during its transmission through power wires and transformers while non-technical losses occur when electricity is stolen e.g. via illegal connection. Total losses for Bulgaria amounted to 7.2 % in 2019 (2018: 8.0 %) and 10.3 % in 2019 (2018: 7.8 %) for Georgia. Whilst the DKHI Group has invested in improving its ability to monitor its networks and aims to limit technical and non-technical losses, there can be no assurance that such investments will prevent electricity losses in the future. Continued losses of electricity from the DKHI Group's network may have a material adverse effect on the DKHI Group's business, results of operations and financial condition.

Dependency on transmission systems

The distribution of electricity to the DKHI Group's distribution networks, as well as the distribution of the DKHI Group's generated electricity to its customers, is dependent upon the infrastructure of the transmission systems in the countries in which the DKHI Group operates. The DKHI Group has no control over the operation of these transmission systems and it is entirely reliant on the relevant transmission system operators, which are state-owned entities. Any failure of a transmission system in Bulgaria, the Czech Republic, Georgia or Turkey, including as a result of natural disasters, insufficient maintenance or inadequate development, could prevent the DKHI Group from distributing electricity to its end customers, which in turn could have a material adverse effect on its business, results of operations and financial condition.

Counterparty default (including DKHI Group's partners, contractors, subcontractors, off-takers and suppliers)

DKHI Group companies enter into contracts with a range of counterparties, including contractors, subcontractors, engineers, operators, other service providers, off-takers, suppliers and customers and, accordingly, the DKHI Group is subject to the risk that a counterparty will default or be delayed in performing its contractual obligations and that any guarantee or performance bond in respect of such obligations will not be honoured. The DKHI Group's counterparties may default or delay the performance of their obligations for a number of reasons, including as a result of their bankruptcy, a lack of liquidity or operational failure. Any default or delay in the performance of contractual obligations by the DKHI Group's counterparties may affect the cost and completion of its projects, the quality of its work and the supply of electricity to its customers. It may also expose the DKHI Group to reputational risk, business continuity risk and the loss of important contracts. In addition, the DKHI Group may be required to

pay contractual penalties or find alternative counterparties, however in respect of off-take agreements, the risk of default is mitigated by the DKHI Group having distribution operations in two of the jurisdictions in which it generated electricity. Any such setbacks may result in delays in the completion of the DKHI Group's projects and other unforeseen costs, which could have a material adverse effect on its business, results of operations and financial condition.

Competition

The DKHI Group competes with other suppliers of electricity in Bulgaria and Georgia as well as wholesale traders of electricity in Turkey and Georgia, however within the regulated supply market, the DKHI Group faces limited competition. Some of the DKHI Group's competitors may have greater financial or technical resources than the DKHI Group or other competitive advantages. As the DKHI Group's distribution businesses benefit from natural monopolies, the DKHI Group does not face competition in this area. Across the markets in which the DKHI Group operates, legislation has brought about the liberalisation of the energy sectors, which has resulted in increased competition for the DKHI Group in the supply sector. If a significant number of the DKHI Group's electricity customers choose to switch their supplier, the DKHI Group's supply business and therefore its results of operations could be significantly adversely affected. Market liberalisation in Bulgaria, Georgia and Turkey has resulted in increased competition in the sale of electricity to customers, which may apply downward pressure on pricing. In addition, as the EPAS's Turkish HPPs lose the benefit of their FiTs the DKHI Group will face market prices.

In respect of electricity generation, an increase in generation capacity amongst the DKHI Group's competitors, including as a result of an increase in merchant generation, may result in over-supply, which could bring down the wholesale price of electricity on the non-regulated market. Any long-term decrease in the wholesale price of electricity generated by the DKHI Group's HPPs that do not benefit from regulated tariffs may adversely affect the DKHI Group's results of operations.

A strike or other labour disruption at the DKHI Group's facilities

Most of the DKHI Group's employees in Bulgaria and Georgia are covered by collective bargaining agreements which are renegotiated on an annual basis. These collective bargaining agreements determine the framework for the DKHI Group's dealings with its employers and limit its ability to rationalise its workforce. Management believes that partly as a result of these and similar agreements that the DKHI Group has executed in the past, it has experienced no strikes, threats of strikes, or other resistance or work stoppages. Any significant industrial action by the DKHI Group's employees in the future could have a material adverse effect on its business, results of operations and financial condition.

A malfunction, security breach or disruption of the DKHI Group's IT systems, cyber security issues

Information and communication technology plays an important role in the DKHI Group's business operations, particularly its billing systems. The DKHI Group operates highly complex and sophisticated information systems (such as servers, networks, applications and databases) which are essential for the everyday operations of its business and are a key success factor for the DKHI Group. The DKHI Group is routinely exposed to IT risks in connection with the development, implementation and application of its IT systems. In addition, there is a risk that there might be unauthorised access to the DKHI Group's sensitive data by third parties and improper use of such data, which may lead to the loss of company sensitive and confidential information and may result in a breach of applicable data protection regulations. As a result, any malfunction, breach or unauthorised use of the DKHI Group's IT systems may have a material adverse effect on the DKHI Group's business, financial condition, prospects and results of operations.

2.3 Financial risks

Indebtedness

The DKHI Group has substantial debt and other financial obligations. As at the date of this Prospectus, the major part of indebtedness is represented by two Eurobond issues with total nominal value of EUR 620 million (EPAS 4 per cent. Bonds due 2022 EUR 370 million, EPAS 4.5 per cent. Bonds due 2024 EUR 250 million). The DKHI Group cannot give any assurances that its cash flow from operations will be sufficient to service its debt and to meet other payment obligations or to fund its planned capital expenditures without the need for additional external financing. The DKHI Group's substantial debt and other financial obligations could limit its flexibility in planning for, or reacting to, changes in its business or its industry, which could have a material adverse effect on the DKHI Group's business, results of operations and financial condition.

In addition, DKHI Group's ability to access the capital markets and other forms of financing (or refinancing), and the costs connected with such activities, depend in part on the credit rating of the DKHI Group or EPAS, as the most important part of the DKHI Group. As at the date of this Prospectus, EPAS and DKHI Group have been assigned a long-term corporate credit rating of B+ (outlook negative) by S&P and EPAS has an issuer default rating of BB- (outlook stable) by Fitch. The ability of EPAS to maintain its current rating is dependent on a number

of factors, some of which may be beyond its control. These factors are more fully described in the various press releases and rating reports published by S&P and Fitch from time to time (latest reports dated 25 February 2020 and 20 January 2020 respectively) and available on the website of EPAS. In the event that the credit rating of EPAS is lowered, the DKHI Group's ability to access credit and bond markets and other forms of financing (or refinancing) could be limited. This could have an adverse effect on its business, results of operations and financial condition of DKHI Group.

Foreign currency risk

The majority of the DKHI Group's indebtedness is and will continue to be denominated in EUR and USD, while much of the DKHI Group's income is denominated in other currencies. For the DKHI Group's activities in Bulgaria, the revenues and operating expenses are denominated in BGN. Given the fact that the lev has been pegged to the euro since 1 January 1999 at a rate of BGN1.95583 to EUR1.00, the DKHI Group's exposure to movements in the lev/euro exchange rate (in the absence of an adjustment or abolition of the peg) is limited. If the peg were to be removed, the debt servicing costs for the DKHI Group could increase.

In Georgia, the DKHI Group's revenues and operating expenses are denominated in GEL, which is a free-floating currency. Any depreciation in the GEL against the EUR would expose the DKHI Group to increased debt servicing costs.

In Turkey, one of the five HPPs in operation sells its electricity in the merchant market for prices denominated in TRY. The remaining four HPPs sell their electricity under FiT, which is denominated in USD but paid in TRY. Between the time amounts under the FiT are converted from USD into TRY and the time that they are paid to Turkey, which is approximately 20 days, the DKHI Group is exposed to TRY currency risk. Furthermore, when the remaining four Turkish HPPs in operation leave the FiT regime between 2020-2021 they expect to sell their electricity in the merchant market for prices denominated in TRY. Prices in the merchant market are currently materially lower than the FiT and there is a risk that it may remain so in the future. On 23 September 2020, the TRY closed at TRY 7.7008 to USD 1, which represents a historically lowest daily closing value of TRY against USD.

The table below summarises the DKHI Group's exposure to foreign currency exchange rate risk at the end of the reporting period. The table includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

As of 31 December 2019

EUR thousands	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
USD*	22,758	131,332	-108,574
EUR	331,233	811,507	-480,274
TRY*	22,304	1,919	20,385
Total	376,295	944,758	-568,463

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective DKHI Group entities, with all other variables held constant. The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the DKHI Group.

EUR thousands	Impact on profit and loss as of 31 December 2019
USD strengthening by 10%	-10,857
USD weakening by 10%	10,857
EUR strengthening by 10%	-48,027
EUR weakening by 10%	48,027
TRY strengthening by 10%	2,039
TRY weakening by 10%	-2,039

There are no effective and economical hedging instruments available to mitigate these foreign currency risks. DKHI Group does not use any derivatives to manage foreign currency risk exposure, at the same time the management of the DKHI Group is seeking to mitigate such risk by managing monetary assets and liabilities in foreign currencies at the DKHI Group level. As of 31 December 2019 EUR strengthening/weakening by 10 per cent. (all other variables held constant) would have negative/positive impact of EUR 48 million on profit and loss (31 December 2018: EUR 43 million).

Insurance risk

The DKHI Group's operations may be affected by a number of risks, including terrorist acts and war-related events, for which full insurance cover is either not available or not available on commercially reasonable terms. For example, the DKHI Group has not purchased business interruption, war, terrorist or expropriation insurance cover in some of the jurisdictions in which the DKHI Group operates. In addition, the severity and frequency of various insurance events, such as accidents and other mishaps, business interruptions or potential damage to its facilities, property and equipment caused by inclement weather, human error, pollution, labour disputes and natural catastrophes, may result in losses or expose the DKHI Group to liabilities in excess of its insurance coverage. The DKHI Group cannot assure investors that its insurance coverage will be sufficient to cover losses arising from any, or all, of such events, or that it will be able to renew existing insurance cover on commercially reasonable terms, if at all.

In addition, the DKHI Group's insurance policies are subject to commercially negotiated deductibles, exclusions and limitations, and the DKHI Group will only receive insurance proceeds in respect of a claim made to the extent that its insurers have the funds to make payment. Therefore, insurance may not cover all losses incurred by the DKHI Group and no assurance is given that the DKHI Group will not suffer losses beyond the limits of, or outside the cover provided by, its insurance policies.

Should an incident occur in relation to which the DKHI Group has no insurance coverage or inadequate insurance coverage, the DKHI Group could lose the capital invested in, and anticipated future revenue relating to, any property that is damaged or destroyed and, in certain cases, the DKHI Group may remain liable for financial obligations related to the affected property. Similarly, in the event that any assessments are made against the DKHI Group in excess of any related insurance coverage that it may maintain, its assets could be subject to attachment, confiscation or restraint under various judicial procedures. Any of these occurrences could have a material adverse effect on the DKHI Group's business, financial condition and results of operations.

Covenants and other provisions in DKHI Group's finance documents

Restrictive covenants and selected provisions of the finance documents governing the relevant debt liabilities of the members of DKHI Group (especially EPAS Bonds and loan facilities used for financing of HPP Karakurt and HPP Alpaslan 2) may restrict the relevant DKHI Group member's ability to operate its business. The failure to comply with these covenants, including events beyond its control, could result in an event of default that could materially and adversely affect its financial condition and results of operations.

The finance documents contain negative covenants restricting, among other things, the ability of members of DKHI Group to:

- incur or guarantee additional debt;
- pay dividends and make other restricted payments;
- create or incur liens;
- make certain investments;
- agree to limitations on the ability of its subsidiaries to make distributions;
- engage in sales of assets and subsidiary stock; and
- transfer all or substantially all of its assets or enter into merger or consolidation transactions.

As a result, members of the DKHI Group may be limited in the manner in which it can conduct its business. A failure to comply with the restrictions contained in the finance documents could lead to an event of default, which could result in an acceleration of indebtedness.

There can be no assurance that the DKHI Group's future operating results will be sufficient to ensure compliance with the covenants in the finance documents or to remedy any such default. In addition, in the event of acceleration,

the members of the DKHI Group may not have or be able to obtain sufficient funds to make any accelerated payments.

Liquidity risk

Liquidity risk is the risk that the DKHI Group will face difficulties in meeting its obligations associated with liabilities that are settled by the provision of cash or other financial assets. The management of the DKHI Group minimizes liquidity risk through ongoing management and planning of its future cash flows and by seeking stable funding base.

One part of the liquidity risk management strategy is also the fact that the DKHI Group holds part of its assets as liquid funds. As of 31 December 2019, total current assets adjusted for restricted cash exceeded EUR 254 million (31 December 2018: EUR 281 million), while total current liabilities adjusted for liabilities of the Guarantor to the shareholder reached EUR 242 million (31 December 2018: EUR 190 million). The bulk of the restricted cash at 31 December 2019 relates to the fully drawn financing for Alpaslan 2 project. The drawn and unspent cash is held in an escrow account, its release is subject to a number of conditions and its use is restricted to funding expenses relating to the construction of Alpaslan 2 project. Although the liabilities to the shareholder were classified as current on the balance sheet as at 31 December 2019 the Guarantor and its shareholder subsequently signed amendments to the underlying documentation extending their maturity to 31 December 2024.

In spite of the measures to minimize liquidity risk, it cannot be ruled out that the DKHI Group could for these reasons face a lack of liquidity that could negatively affect DKHI Group's business, its economic results, its financial situation and, ultimately, the Guarantor's ability to meet its obligations under the Financial Guarantee.

Guarantor's dependence on incomes from subsidiaries

The Guarantor is a holding company with limited scope of business it carries out. The major part of its activities is focused on management of its ownership interests in DKHI Group members, activities relating to financing of DKHI Group members. The ability of the Guarantor to fulfil its obligations and repay debts under the Financial Guarantee is considerably dependent on received payments from DKHI Group members and external parties. If the ability of DKHI Group members or external parties to make payments (e.g. in a form of dividends, interests or other) in favour of the Guarantor is limited, e.g. as a result of their current financial or commercial situation, availability of resources eligible for such payment, relevant legal or tax regulation and/or contracts entered into by DKHI Group member, it can adversely affect the Guarantor's financial and economic situation, its position on the market and ability to fulfil its obligations under the Financial Guarantee.

Considerable part of the indebtedness of the DKHI Group is structurally senior to indebtedness of the Guarantor under the Financial Guarantee

Considerable part of the indebtedness of DKHI Group consist in debts of Guarantor's subsidiaries which are structurally senior to indebtedness of the Guarantor under the Financial Guarantee. In case of enforcement event, liquidation, insolvency or similar proceedings against a subsidiary of the Guarantor, the Bondholders would have, based on the Financial Guarantee, access to the assets of such Guarantor's subsidiary only after satisfaction of all creditors' of such subsidiary and after the remaining assets are distributed to the Guarantor as direct or indirect shareholder of such subsidiary.

The Guarantor's shareholder's interests may, in certain circumstances, be different from the interests of the Bondholders

The DKHI Group's controlling shareholder is Mr. Jaromír Tesař who beneficially owns 100 per cent. of the shares in the Guarantor. As a result, Mr. Tesař is in a position to control the outcome of actions requiring shareholders' approval and also has the ability to approve the election of all the members of the board of directors of the Guarantor (the "**Board**") and thus influence Board decisions, as well as decisions in his capacity as the Chairman of the Supervisory Boards of EPG Generation and EP Georgia and presence on the boards of other companies in the DKHI Group. The interests of Mr. Jaromír Tesař may be different from those of the DKHI Group's creditors (including the Bondholders).

3 Risk Factors related to the Financial Guarantee and Security

Risk of Security created after the Issue Date

Under the Terms and Conditions, the Issuer is under certain circumstances obliged to create additional security over shares in EPAS. If no such Security was created and if the Bondholders therefore requested early redemption

of their Bonds, they will be in a worse position than if the Bonds were secured by additional shares in EPAS as there might be a risk that the Issuer is unable to pay the obligations under the Bonds in due time, resulting in the investor losing the entire investment or a part of the investment in the Bonds.

Risk relating to the value of the Security and to the deduction of certain amounts from proceeds of enforcement of the Security

The value of the Security Assets will depend on the market and economic conditions, including the availability of suitable buyers. A Secured Asset may be illiquid or have a market value difficult to determine and its value for third persons may be lower than its value for the Security Provider as the pledgor. The value of the Secured Asset may decrease in time and any adverse development in the DKHI Group's financial performance will also impact on the value of certain Security Assets. In addition, under the Terms and Conditions, the proceeds of the enforcement of the Security will be applied first towards costs, expenses, fees and indemnification payable to the Security Agent and only the remaining amount towards satisfaction of the claims of the Bondholders. As a result of these facts, the Bondholders may not be fully satisfied in the event of the enforcement of the Security.

No application practice

The prospective buyers or sellers of the Bonds should be aware of the fact that the security over the claims arising from the bonds provided in the form of the Financial Guarantee has not yet been tested before the Czech courts. It cannot be guaranteed that the court ruling on the Bondholders' petition against the Guarantor under the Financial Guarantee will recognise the Financial Guarantee and if so, to what extent.

Cross-border enforcement of rights

The prospective buyers or sellers of the Bonds should be aware of the fact that proceedings regarding the claims under the Financial Guarantee will be conducted before the courts of the Czech Republic but the Guarantor's assets are located also outside of the Czech Republic. Any recognition of a judgment issued by a Czech court and its subsequent enforcement in a third country would be therefore made pursuant to the local laws and regulations of that country, which could affect the success of the particular claim's enforcement.

Limitation of the amount of secured debts

The Guarantor's liability under the Financial Guarantee is limited by the amount of CZK 1,590,000,000. The prospective buyers or sellers of the Bonds should be therefore aware of the fact that this limitation could adversely affect the Bondholder's satisfaction under the Financial Guarantee in case the Issuer is unable to fulfil its obligations under the Bonds.

Security provided in the form of the Financial Guarantee may not be sufficient to cover all the debts under the Bonds

The value of the Guarantor's assets largely depends on the income from the subsidiaries of the Guarantor. The value of the Guarantor's assets may further fluctuate in time as a result of different factors and, at the time of the enforcement of the Financial Guarantee, it may be lower than the volume of the due receivables under the Bonds (i.e., primarily their nominal value and accrued and outstanding interests). Payment under the Financial Guarantee is limited to the Guarantor's assets that will be available at the time of payment under the Financial Guarantee. Additionally, payment under the Financial Guarantee may also be limited if the Guarantor becomes insolvent in accordance with the applicable insolvency laws and regulations. The lack of available assets or the Guarantor's insolvency may significantly limit the Bondholders' ability to satisfy their claims under the Financial Guarantee. Therefore, there is a risk that in the event of enforcement of the Financial Guarantee, the funds intended for distribution to the Bondholders may not be sufficient to cover their due receivables against the Issuer.

Commencement of time limits for claiming ineffectiveness of legal acts

The provision of the Security in connection with the Issue may result in the commencement of time limits for claiming ineffectiveness of the Security. These time limits start upon the provision or creation of the relevant Security; pursuant to the Insolvency Act, the insolvency trustee may challenge the debtor's legal acts within one year from the date on which the insolvency decision became effective, provided that these legal acts were made within one to five years before the commencement of the insolvency proceedings (depending on the nature of the legal act challenged). If the Security is enforced before the end of the relevant time limit, it could be declared invalid or ineffective and such Security could not be enforced.

Risk of Security decrease after the Issue Date

Under the Terms and Conditions, the portion of pledged shares in EPAS can be decreased from at least 49 per cent. to at least 34 per cent. to at least 25.1 per cent., subject to fulfilment of certain conditions. No such decrease will represent an Event of Default or give the Bondholders a right to early repayment. As a result of such decrease, a smaller amount of Security will be available for an unchanged amount of the Bonds, which might result in a deterioration of the position of Bondholders.

4 Risk Factors related to the existence of the Security Agent

Security is provided for the benefit of the Bondholders, but their rights to the Security will be exercised by the Security Agent in its own name

The Security will be provided to the benefit of the Bondholders and the Security Agent, but the Security Agent will exercise, in its own name, the rights of the Bondholders under the Security on the basis of a legal fiction in the Czech Bonds Act. The Security Agent will thus be the only party to the Security Documents in addition to the relevant Security Provider. In the extent the Security Agent claims and exercises any rights under the Security, no Bondholder may independently claim and exercises any such rights. Should the Security Agent not claim and exercise the rights under the Security in a timely manner, Bondholders may suffer harm as a result of the delay without being able to claim and exercise such rights having as a result of which only the Security Agent may independently claim and exercise any rights under Security. This may result in the Bondholders receiving lower proceeds of the enforcement of Security.

The legal concept of a security agent was included in the Czech Bonds Act by its amendment, No. 307/2018 Coll., effective from 4 January 2019. As this is the first enactment of this concept in Czech law, there is currently no decision-making practice of the courts or a generally accepted legal interpretation available. The absence of relevant jurisprudence and of a generally accepted legal interpretation and the resulting legal uncertainty may have a negative impact on the performance of debts from the Bonds, in particular should the relevant court decide on interpretation of the relevant provisions of the Czech Bonds Act different from the interpretation on which the relevant provisions of the Terms and Conditions of the Bonds are based.

Risks related to the Security Agent and its conduct

The Issuer cannot guarantee that, at the time of appointing or replacing the Security Agent, a Security Agent will be available who will have sufficient experience with a similar role and will have available sufficient equipment to handle its obligations as a security agent even though the Issuer will proceed in good faith and with proper diligence in the selection of the Security Agent. This problem is due to the fact that this institute was introduced in the Czech Republic by an amendment to the Czech Bonds Act, for which there is no judicial review or market practice. This may result in institutions that normally perform this role on the international capital market not being willing to accept this role. As at the date of the Prospectus, the Issuer appointed J&T BANKA, a.s., with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, identification number: 471 15 378, as the Security Agent.

If a Security Agent with sufficient experience is not selected, there is a risk that its eventual inability to exercise the Security in timely manner or other delays in its activities caused by its insufficient professionalism or may have negative impact on satisfaction of the Bondholders from the Security leading to lower proceeds of enforcement of Security.

5 Risk Factors Related to the Bonds

Risk of default and risk related to the redemption of the Bonds by the Issuer

Much like any other monetary debt, the Bonds are exposed to the risk of default. Under certain circumstances, the Issuer may be unable to pay interest on, or the nominal value of, the Bonds. In case of the redemption of the Bonds by the Issuer on the market, the price paid to the Bondholders for the Bonds may be lower than their original investment and, under certain circumstances; the price may even be zero.

Risk of the interest rate on the Bonds

The holder of a bond with a fixed interest rate is exposed to the risk of a decrease in the price of such a Bond as a result of changes in the market interest rates. While the nominal interest rate is fixed for the term of the existence of the Bonds, the current interest rate on the capital market usually changes daily. As the market interest rate changes, the price of the fixed-rate Bond changes too, but it does so inversely. If the market interest rate increases, the price of the fixed-rate Bond usually drops to a level where the yield of such a Bond roughly equals the market interest rate. On the contrary, if the market interest rate decreases, the price of the fixed-rate Bond usually rises to

a level where the yield of such a Bond roughly equals the market interest rate. This fact may have an adverse impact on the value and development of the investment in the Bonds.

Risk of Early Redemption

In case of a full or partial early redemption of the Bonds, including where this takes place without the consent of the particular Bondholder, in accordance with the Terms and Conditions prior to their redemption date, the Bondholder is exposed to the risk of the yield being lower than expected due to such early redemption.

Liquidity risk on the Regulated Market of the PSE

The Issuer will apply for the Bonds to be listed for trading on the Regulated Market of the PSE. Regardless of the listing of the Bonds on a regulated market, there can be no assurance that a sufficiently liquid secondary market in the Bonds will be created or, if it is, that such a secondary market will continue to exist. The fact that the Bonds may be listed on a regulated market may not necessarily lead to the higher liquidity of the Bonds in comparison with bonds not listed on a regulated market. On a potentially non-liquid market, the investor may not be able to sell the Bonds at an adequate market price at any time. This fact may have an adverse impact on the value of the investment in the Bonds.

Fees

The overall return on the investment in the Bonds may be affected by the level of fees which are charged by the securities trader or another intermediary of the purchase or sale of the Bonds or by the relevant clearing system used by the investor. Such a person or institution may charge fees for opening and maintaining the investment account, transfers of securities, services associated with the custody of securities, etc. The Issuer therefore recommends the future investors in the Bonds to become familiar with the documents on the basis of which fees will be charged in connection with the Bonds. This fact may have an adverse impact on the value of the Bonds.

Bond purchase lawfulness risk

The prospective buyers of the Bonds (especially foreign persons) should be aware of the fact that the purchase of the Bonds may be subject to legal restrictions affecting the validity of the acquisition. The Issuer has and assumes no liability for the lawfulness of the acquisition of the Bonds by a prospective buyer of the Bonds whether under the laws of the state (jurisdiction) of its establishment or those of the state (jurisdiction) where it operates (if different). The prospective buyer must not rely on the Issuer or any member of the DKHI Group in connection with his/her decision-making regarding the lawfulness of the acquisition of the Bonds. If a potential acquirer of the Bonds were to purchase the Bonds in violation of the statutory restrictions applicable to it, it could ultimately invalidate such acquisition and the Issuer would be obliged to return to that acquirer the amount for which that person intended to purchase the Bonds as unjust enrichment. Depending on the laws (jurisdiction) applicable to the person, other legal consequences may be associated with such acquisition of the Bonds in violation of statutory restrictions.

Risk of different terms and prices for the Bonds in public offering

The terms and conditions of the public offering carried out by the Lead Manager and eventually other selected financial intermediaries, if made concurrently, may differ (including the price and fees charged to the investor). If the investor subscribes/buys Bonds at a higher price (with price meaning the issue price in the initial offering, or the purchase price in a secondary offering), the investor bears the risk that the overall return on the investment will be lower than if the Bonds were subscribed/purchased at a lower price. The price and its total amount may also reflect any fees charged to the investor by the Lead Manager or third parties in connection with the public offering (initial or secondary) and the registration of the Bonds, potentially resulting in different costs the investor may have to incur in order to purchase one Bond.

Inflation risk

Prospective investors in the Bonds should be aware that the fair value of the investment in the Bonds may decline as inflation decreases the value of the currency. As the Bonds do not contain an anti-inflation clause, inflation causes a decline in real Bond yields. According to the latest CNB forecast published on 6 August 2020, the year-on-year overall inflation at 2.2 per cent. is expected on the monetary policy horizon of 3rd and 4th quarter of 2020. If, however, a situation occurs where this forecast is not fulfilled and inflation exceeds the level of the nominal yield on the Bonds, the value of the real yield on the Bonds will be negative.

Risk of Order reduction

The prospective buyers of the Bonds should be aware that the Lead Manager is entitled to, at its own discretion, reduce the Order, and the overpayment, if any, will be without delay disbursed to the investor's account. If the order is reduced, the prospective investor will not be able to invest in the originally contemplated volume or not at all. Thus, reducing the Order can adversely affect the value of the investment into the Bonds.

IV. INFORMATION INCORPORATED BY REFERENCE

Information about the Issuer	Pages	Hyperlink
Interim financial statements of the Issuer according to IFRS for period from 3 August 2020 to 31 August 2020 including independent auditor's report relating to the interim financial statements	2-18	http://www.energo-pro.com/files/2020-09-24_09-20-10_epgf_interim_fs_(310820).pdf

Information about the Guarantor	Pages	Hyperlink
Consolidated financial statements of the Guarantor according to IFRS for the year 2019 including independent auditor's report relating to the consolidated financial statements for the year 2019	4-91	http://www.energo-pro.com/files/2020-09-14_15-32-34_dkhi_ar_2019_final.pdf
Consolidated financial statements of the Guarantor according to IFRS for the year 2018 including independent auditor's report relating to the consolidated financial statements for the year 2018	9-79	http://www.energo-pro.com/files/2020-09-14_15-32-34_dkhi_ar_2018_final.pdf

Information about EPAS	Pages	Hyperlink
Condensed consolidated interim financial statements of EPAS according to IFRS for 6 months ended 30 June 2020 including independent auditor's report on the review of the interim financial information	2-56	http://www.energo-pro.com/files/2020-09-14_15-39-04_epas_fs_1h20_final.pdf
Consolidated financial statements of EPAS according to IFRS for the year 2019 including independent auditor's report relating to the consolidated financial statements for the year 2019	6-8, 63-133	http://www.energo-pro.com/files/2020-09-14_15-32-47_epas_ar_2019_final.pdf
Consolidated financial statements of EPAS according to IFRS for the year 2018 including independent auditor's report relating to the consolidated financial statements for the year 2018	7-10, 74-141	http://www.energo-pro.com/files/2020-09-14_15-32-50_epas_ar_2018_final.pdf

Parts of the above documents that have not been incorporated into the Prospectus by reference are not material to the investor, or the information collected from these parts is directly mentioned in the Chapter X (*Information about the Issuer*) and XI (*Information about the Guarantor and DKHI Group*).

Copies of the financial statements and audit and review reports incorporated in the Prospectus by reference are available free of charge for inspection during normal business hours from 9 a.m. to 4 p.m. CET at the Issuer's registered office.

V. RESPONSIBLE PERSON

The person responsible for the accuracy and completeness of the information contained in this Prospectus is the Issuer, i.e. ENERGO-PRO Green Finance s.r.o., with its registered office at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, identification number: 09385801, LEI: 315700V95FJQL6ANM434, registered with the Commercial Register maintained by the Municipal Court in Prague, file no. C 335515. The Issuer hereby represents that the information contained in the Prospectus is, to the best of its knowledge, in accordance with facts and that it has not concealed in the Prospectus any facts that may change the meaning of the Prospectus.

In Prague on the date of this Prospectus

ENERGO-PRO Green Finance s.r.o.



Name: Jaromír Tesař

Position: Executive Director

VI. SUBSCRIPTION AND SALE

1 General Information about the Offering, the Authorised Person and the Method of Subscription

On the basis of the mandate contract for the arrangement of the issue of the Bonds, dated 14 September 2020 (the "**Mandate Contract**"), the Issuer has mandated the company J&T IB and Capital Markets, a.s., with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic, identification number: 247 66 259, registered in the Commercial Register maintained by the Municipal Court in Prague under file no. B 16661 (the "**Arranger**") with arrangements for the Issue and preparation of the documents related to the Issue. Further the Issuer will enter into mandate contract, based on which it will mandate J&T BANKA as the Lead Manager with the public offering and placing the Bonds with the end investors and with the admission of the Bonds for trading on the Regulated Market of the PSE. The Bonds may be offered exclusively through the Lead Manager. The Lead Manager will subscribe the Bonds from the Issuer and then sell them to the investors as described below.

The Issuer intends to issue the Bonds in the expected aggregate nominal amount of the Issue of CZK 530,000,000 (in words: five hundred thirty million Czech Koruna) with the possibility of increase of up to CZK 1,060,000,000 (in words: one billion sixty million Czech Koruna) due in 2023. The Bonds may be issued in a single issue or in tranches, whereas no tranche shall be excluded exclusively for the purposes of offering in Slovakia. All the Bonds issued as a part of the Issue will be subject to the public offering.

The Lead Manager is committed to making its best effort that can be reasonably expected of it to search for the prospective investors in the Bonds and place the Bonds with and sell them to such investors. The offering of the Bonds will thus be on the "*best efforts*" basis. Neither the Lead Manager nor any other persons have assumed a firm obligation to the Issuer to subscribe or buy the Bonds.

This Prospectus has been prepared and published for the purpose of the public offering of the Bonds and for the purpose of admission of the Bonds for trading on the Regulated Market of the PSE.

2 Placement and Offering of the Bonds

In accordance with Article 2 (d) of the Prospectus Regulation, the Bonds will be offered by the Issuer through the Lead Manager under a public offering to the domestic and foreign qualified and other than qualified (in particular, retail) investors in the Czech Republic and Slovakia, and to selected qualified investors and other potential investors abroad subject to the conditions which do not impose the obligation of the offeror to prepare and publish a prospectus in accordance with the laws applicable in that jurisdiction. The public offering of the Bonds by the Lead Manager is expected to last from 1 October 2020 to 30 September 2021.

As part of the public offering, the investors will be approached by the Lead Manager, mainly by means of remote communication, and invited to place an order for the purchase of the Bonds (the "**Order**"), provided that the investor must present a valid identity document in order to participate in the public offering.

In connection with the placement of the Order, the investors must conclude, or have concluded, an agreement with the Lead Manager for purposes such as giving the instruction to arrange the purchase of the Bonds under such an agreement and (unless the investor has an account with the Central Depository or a broker) opening the asset account in the investment instrument register kept by Central Depository or similar securities records by the Lead Manager and, or they may be invited to present the required documents and identification details by the Lead Manager.

The purchase of the Bonds from the Lead Manager is conditional on the conclusion of an investment service provision agreement between the investor and the Lead Manager and on giving the instruction to arrange the purchase of the Bonds under that agreement. As part of the public offering in the Czech Republic, the Lead Manager will receive the instructions through its headquarters in Prague and, in case of the public offering in Slovakia, through its branch, i.e. J & T Banka, a.s., pobočka zahraničnej banky, Dvořákovo nábřeží 10, 811 02 Bratislava, Slovak Republic.

There is no minimum amount for which the investor may subscribe and purchase the Bonds. The maximum volume of the nominal value of the Bonds demanded by the individual investor in the Order is limited by the foreseen aggregate nominal amount of the Bonds offered by the Lead Manager. If the volume of Orders exceeds the volume of the Issue, the Lead Manager may reduce the investor's Orders at its discretion (provided that any surplus will be immediately returned in the investor's account stated to the Lead Manager). The final nominal value of the Bonds assigned to the individual investor will be stated in the transaction clearing confirmation by e-mail, which

will be delivered to the investor by the Lead Manager without undue delay after the execution of the instruction. The investor may not trade in the subscribed Bonds before this confirmation is delivered.

Investors in the Bonds may be charged a fee at the rate of 0.15 per cent. of the nominal value of the Bonds being acquired under the subscription instruction and at least CZK 2,000. Each investor who buys the Bonds from the Lead Manager will pay the fees in accordance with the current standard pricelist of the Lead Manager published on the Lead Manager's website at <https://www.jtbank.cz> in the *Important information* (in Czech *Důležité informace*) section under the *Price list* (in Czech *Sazebník poplatků*) link, version Price List for Investment Services – from 1 December 2019, published on 20 November 2019 (in Czech *verze Ceník investičních služeb – od 1.12.2019, datum zveřejnění 20.11.2019*). The investor may be required to pay additional fees charged by the intermediary of the purchase or sale of the Bonds, the person keeping the records of the Bonds, the person who performs the clearing of the Bonds transaction, or by another person, e.g. fees for opening and maintaining an investment account, for arranging the transfer of the Bonds, services related to custody of the Bonds, their registration, etc.

An investor who will acquire the Bonds through the Lead Manager in Slovakia will pay the fees in accordance with the current pricelist of the Slovak branch of the Lead Manager applicable on the transaction date. On the date of this Prospectus, the fees amount to 0.60 per cent. of the volume of the transaction volume. If the transaction is settled using an account other than the holder's account, this fee is 1 per cent. of the transaction amount and at least 480 euros. The current standard pricelist of the Lead Manager's Slovak branch is published on its website at www.jtbanka.sk in the *Useful information* (in Slovak *Užitočné informácie*) section under the *Price list* (in Slovak *Sazobník poplatkov*) link, version Price List Part I – natural persons – non-entrepreneurs, effective from 15 August 2020, and Price List Part II – legal persons and natural persons – entrepreneurs, effective from 15 August 2020 (in Slovak *verze Sazobník poplatkov časť I - fyzické osoby nepodnikatelia, účinný od 15.8.2020 a Sazobník poplatkov časť II - právnické osoby a fyzické osoby podnikatelia, účinný od 15.8.2020*).

An agreement on the placement of the Issue and subscription of the Bonds (the "**Subscription Agreement**") is to be entered between the Lead Manager and the Issuer. Under the Subscription Agreement, the Lead Manager undertakes to making its best effort that can be reasonably expected of it to search for the prospective investors in the Bonds and place the Bonds with and sell them to such investors. The offering of the Bonds will thus be on the "*best efforts*" basis. On the relevant settlement date according to the Subscription Agreement, the Bonds will be subscribed by the Lead Manager. On the same date the Bonds, except those which will continue to be held and offered by the Lead Manager (in accordance with the conditions of the Czech Capital Market Act), will be sold to the Investors by the Lead Manager. The total amount of the commission for the placement and subscription of the Bonds will correspond to 1.5 per cent. of the total subscribed nominal amount of the Bonds.

The Lead Manager will satisfy the orders placed by the end investors and it will transfer the relevant Bonds in the asset accounts of the individual investors maintained in the relevant records regarding investment instruments. Trading may not start before the notification of the amount allocated to investors. At the same time, the Lead Manager will collect the amount corresponding to the purchase price of the Bonds from the cash accounts of the end investors.

The purchase price of the Bonds issued and sold on the Issue Date will be the same as the Issue Price.

The purchase price of the Bonds sold after the Issue Date will be set by the Lead Manager in agreement with the Issuer on the basis of the current market conditions and the proportionate yield, if any, and it will be published on the Lead Manager's website at www.jtbank.cz in the section *Information duty, Securities issuance* (in Czech *Informační povinnost, emise cenných papírů*).

The final results of the public offering, containing also the aggregate nominal amount of all the Bonds that the Issue consists of, will be published on the Issuer's website <http://www.energo-pro.com/pro-dkhi-investory> and on the website of the Lead Manager; i.e. at https://www.jtbank.cz/informacni-povinnost/#emise_cennych_papiru, immediately after its closure.

3 Listing

The Issuer will apply for admission of the Bonds for trading on the Regulated Market of the PSE through the Listing Agent and expects the Bonds to be listed on the Issue Date, i.e. 30 October 2020. The estimated amount of fees associated with the listing of the Bonds on the regulated market is CZK 50,000 as the listing fee and CZK 10,000 as the annual trading fee. If the Issuer decides to issue the Bonds in tranches, the Issuer will apply for admission of each tranche of the Issue.

When listed by the PSE, the Bonds will be traded at the PSE and the transactions will be settled in CZK. The settlement will be performed as DVP (*delivery versus payment*) through the Central Depository or through persons

keeping the related records following the standard practices in accordance with the rules and operating procedures of the PSE and the Central Depository and within the deadlines set by the applicable rules. The subscription of the Bonds in the Central Depository can only be settled through a member of the Central Depository.

No person has accepted the obligation to act as a market maker. Neither the Issuer or the Lead Manager can rule out that the Bonds may become non-tradable on any market(s) and that the Bondholders will thus be unable to sell the Bonds on such a market or on such markets before maturity.

As of the date of this Prospectus neither the Issuer or the Guarantor has financial instruments admitted to trading on an EU regulated market.

4 MiFID II monitoring of the creation and distribution of a financial instrument

Target market of the eligible counterparty, professional clients and retail clients

Exclusively for the purposes of its own approval process upon a review of the target market in relation to the Bonds, the Lead Manager has evaluated that (i) the target market for the Bonds consists in eligible counterparties, professional clients within the meaning of Directive 2014/65 / EU in force ("**MiFID II**") and also retail clients that are Lead Manager's clients, and (ii) all distribution channels are selected for the distribution of the Bonds on this target market, by means of the non-advised sales service or the portfolio management service.

Any person subsequently offering, selling or recommending the Bonds that are subject to the MiFID II rules is responsible for making its own target market analysis in connection with the Bonds (by either accepting or refining the target market assessment) and determining its own suitable distribution channels. The Lead Manager and the Issuer are responsible for determining the target markets and distribution channels only in relation to the initial offering of the Bonds or, more precisely, to the offering made by the Lead Manager itself.

5 Restrictions on the Distribution of the Prospectus and the Offer and Sale of the Bonds

The distribution of this Prospectus and the offer, sale or purchase of the Bonds is restricted by the law in certain countries. The Issuer has not applied for approval or recognition of this Prospectus in another state and the Bonds are not authorised or approved by any administrative or other authority in any jurisdiction except for the approval of this Prospectus by the CNB and the subsequent application of the Issuer to the CNB for the notifying the NBS of the approval of the Prospectus, and, without further steps, these Bonds may only be offered in the Czech Republic and Slovak Republic as described herein (except where the offering of the Bonds meets all the requirements of the applicable laws and regulations of the state where the offer is made).

The persons in possession of his Prospectus are responsible for observing the restrictions related to the offer, purchase or sale of the Bonds or to holding and distributing any materials related to the Bonds, including this Prospectus, in the individual countries.

In addition to the above, the Issuer and the Lead Manager request that all the acquirers of the Bonds comply with all the applicable laws and regulations in each country (including the Czech Republic) where they purchase, offer, sell or transfer the Bonds issued by the Issuer or where they distribute, make available or otherwise put into circulation this Prospectus, including any amendments hereto, or any other offering or promotional material or information related to the Bonds, and that they always do so at their own costs and regardless of the printed, electronic or other intangible nature of this Prospectus and the amendments hereto or any offering or promotional material or information related to the Bonds.

Each person who acquires any Bond will be considered to have declared and agreed that (i) this person acknowledges all the applicable limitations regarding the offer and sale of the Bonds that relate to this person and the relevant method of offer or sale, in particular in the Czech Republic; that (ii) this person will not sell or offer to sell the Bonds without complying with all the applicable restrictions concerning the person and the relevant method of offer or sale; and that (iii) before reselling or offering to resell the Bonds, this person should inform the prospective buyers that the further offer or sale of the Bonds may be subject to statutory limitations that must be observed in different countries.

The Issuer informs the prospective Bondholders that the Bonds are not and will not be registered in accordance with the U.S. Securities Act or by any securities commission or another regulatory body of any state of the United States of America and therefore cannot be offered, sold or transferred in the territory of the United States of America or to U.S. residents (as these terms are defined in Regulation S issued to implement the U.S. Securities

Act) other than on the basis of an exemption from the registration obligation according to the U.S. Securities Act or as a part of a transaction that is not subject to mandatory registration according to the U.S. Securities Act.

The Issuer also notes that the Bonds may not be offered or sold in the United Kingdom of Great Britain and Northern Ireland ("UK") by disseminating any material or notice, except for sale to persons authorised to deal in securities in the UK on own account or on behalf of others or under circumstances which do not constitute a public offering of securities within the meaning of the Companies Act 1985, as amended. Any legal acts regarding bonds performed in, from, or otherwise in connection with the UK must also be performed in accordance with the Financial Services and Markets Act 2000, as amended, the Financial Services and Markets Act 2000 (the "Financial Promotion Order 2005"), as amended, and the Prospectus Regulations 2005, as amended.

6 Granting of Consent to the Use of the Prospectus

The Issuer consents to the use of the Prospectus for the resale or final placement of the Bonds by selected financial intermediaries exclusively in the Czech Republic and the Slovak Republic for the period started on 1 October 2020 and ended on 30 September 2021.

The above consent is subject to the conclusion of a written agreement between the Issuer and the relevant financial intermediary regarding the resale or final placement of the Bonds.

The Issuer uses and will use the Issuer's website <http://www.energo-pro.com/pro-dkhi-investory> to publish the list and identity of all the financial intermediaries who have been granting consent to the use of the Prospectus for resale or final placement of the Bonds.

Offering period: 1 October 2020 – 30 September 2021.

The Issuer also assumes responsibility for the contents of the Prospectus with regard to the resale or final placement of the Bonds by any financial intermediary who has been granted consent to the use of the Prospectus.

INVESTOR NOTICE:

If an offer is presented by a financial intermediary, the financial intermediary will also provide the investors information about the terms of the offering of the Bonds applicable at the time when the offer is presented.

A financial intermediary who uses the Prospectus must specify on his website that the Prospectus is being used with the Issuer's consent.

VII. TERMS AND CONDITIONS OF THE BONDS

Bonds issued by ENERGO-PRO Green Finance s.r.o., with its registered office at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, identification number: 093 85 801, incorporated in the Commercial Register maintained by the Municipal Court in Prague, file no. C 335515 (the "**Issuer**"), pursuant to Czech law, in the assumed aggregate nominal amount of the issue of up to CZK 530,000,000 (in words: five hundred and thirty million Czech Koruna), with the possibility of an increase to the aggregate nominal amount of up to CZK 1,060,000,000 (in words: one billion and sixty million Czech Koruna), bearing a fixed interest income of 6.50 % p.a., due in 2023 (the "**Issue**" and the individual bonds issued under the Issue hereinafter as the "**Bonds**"), shall be governed by these terms and conditions of issue (the "**Terms and Conditions**") and Act No. 190/2004 Coll., on Bonds, as amended (the "**Czech Bonds Act**").

The Issue was approved by decision of the Issuer's Executive Directors dated 10 September 2020 and by decision of the Issuer's sole shareholder dated 10 September 2020. The ISIN of the Bonds allocated by the Central Depository is CZ0003527749. The title of the Bonds is "EN.-PRO GF 6,50/23".

In connection with the Bonds, the Issuer prepared, in accordance with Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, and Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 (the "**Prospectus Regulation**"), a prospectus for the Bonds (the "**Prospectus**") that will include these Terms and Conditions. The Prospectus was approved by the decision of the Czech National Bank ref. no. 2020/121543/CNB/570 in relation to file no. S-Sp-2020/00063/CNB/572 of 30 September 2020, which became effective on 1 October 2020, and it was published in accordance with the relevant legal regulations. These Terms and Conditions were published as part of the Prospectus and are available on the Issuer's website <http://www.energo-pro.com/pro-dkhi-investory>. If the Bonds are offered to the public in the Slovak Republic, the Issuer will request the Czech National Bank to notify the approval of the prospectus to the National Bank of Slovakia, and will translate the Prospectus into the appropriate language in accordance with the applicable regulations governing the public offering of investment securities in Slovakia.

The Issuer will apply through J&T BANKA (the "**Listing Agent**") for acceptance of the Bonds for trading on the Regulated Market of the PSE and expects that the Bonds will be accepted for trading as of the issue date, i.e. 30 October 2020 (the "**Issue Date**"). The activities of the listing agent consisting in listing the Issue on the Regulated Market of the PSE will be performed by the Listing Agent.

The final maturity date of the Bonds is 30 October 2023 (the "**Final Maturity Date of the Bonds**").

The Issuer's liabilities arising from the Bonds will be unconditionally and irrevocably secured by the Financial Guarantee (as defined in Condition 3.3) issued by DK Holding Investments, s.r.o., with its registered office at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, identification number: 046 45 740, incorporated in the Commercial Register maintained by the Municipal Court in Prague, file no. C 251383 ("**DKHI**" or the "**Guarantor**"). A copy of the Financial Guarantee is included in Chapter XII (*Financial Guarantee*) of the Prospectus and is available for inspection to the Bondholders (as defined in Condition 1.3) during regular business hours at the Specified Office as set out in Condition 11.1.1. The Issuer's liabilities arising from the Bonds and the Guarantor's liabilities arising from the Financial Guarantee will be further secured in accordance with Conditions 3.5 and 4.9 by the Security (as defined in Condition 3.5).

The activities of a fiscal and paying agent associated with the payment of interest on, and repayment of, the Bonds will be ensured by J&T BANKA (the "**Fiscal and Paying Agent**"). The relationship between the Issuer and the Fiscal and Paying Agent in relation to the making of payments to the Authorised Persons (as defined in Condition 7.4) and in connection with certain other administrative acts in connection with the Issue is governed by an agreement between the Issuer and the Fiscal and Paying Agent (the "**Agency Agreement**"). A copy of the Agency

Agreement is available for inspection to the Bondholders during regular business hours at the Specified Office as set out in Condition 11.1.1.

The Issuer will appoint J&T BANKA a security agent within the meaning of Section 20(1) *et seq.* of the Czech Bonds Act and Condition 3 (the "**Security Agent**"). The relationship between the Issuer, the Security Providers (as defined in Condition 3.5) and the Security Agent is governed by an agreement between the Issuer, the Security Providers and the Security Agent (the "**Security Agent Agreement**"). A copy of the Security Agent Agreement will be available on the Issuer's website <http://www.energo-pro.com/pro-dkhi-investory> and will be further available for inspection to the Bondholders during regular business hours at the Specified Office as set out in Condition 11.1.1.

The Czech National Bank carries out supervision of the Issue and the Issuer to the extent resulting from the Czech Capital Market Act, the Czech Bonds Act, Act No. 6/1993 Coll., on the Czech National Bank, as amended, Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, and the Prospectus Regulation, including its implementing legislation.

The Czech National Bank assesses the Prospectus merely from the perspective of completeness of the information contained therein. The Czech National Bank assesses neither the financial results nor the financial situation of the Issuer or the Guarantor and by approving the Prospectus it does not guarantee the quality of the Bonds or the Issuer's or the Guarantor's future profitability or their ability to pay the interest on, and the principal of, the Bonds.

Unless otherwise stated in these Terms and Conditions, capitalised terms have the meanings assigned to them in Condition 16. In these Terms and Conditions, the reference to any provision of law or regulation is a reference to that provision as extended, amended or re-enacted.

1 General Characteristics of the Bonds

1.1 Nominal Amount, Form, Anticipated Aggregate Nominal Amount of the Issue

The Bonds are being issued as book-entered securities in accordance with the Czech Bonds Act. The nominal amount of each Bond is CZK 10,000 (in words: ten thousand Czech Koruna). The estimated aggregate nominal amount of the Issue is CZK 530,000,000 (in words: five hundred and thirty million Czech Koruna), with the possibility of an increase to the aggregate nominal amount of up to CZK 1,060,000,000 (in words: one billion and sixty million Czech Koruna) (the "**Maximum Nominal Amount of the Issue**").

1.2 Separation of the Right to Interest

There will be no separation of the right to receive interest payable under the Bonds through an issue of coupons as separate securities or otherwise.

1.3 Bondholders

A Bondholder is any person on whose owner's securities account (within the meaning of the Czech Capital Market Act) with the Central Depository or in follow-up records linked to the Central Depository a Bond is recorded (the "**Bondholder**"). Until it has been convincingly proven to the Issuer and the Fiscal and Paying Agent that the crediting to the owner's securities account in the Central Depository or the entry in the follow-up records linked to the Central Depository does not correspond to reality, and that there is another person on whose owner's securities account in the Central Depository or in the follow-up records linked to the Central Depository the Bond should be registered, the Issuer and the Fiscal and Paying Agent will consider each Bondholder as the authorised bondholder in all respects and make payments to that Bondholder in accordance with these Terms and Conditions. Persons on whose owner's securities accounts in the Central Depository or in the follow-up records linked to the Central Depository their Bonds are not registered for any reason, even though such persons should be the Bondholders, are obliged to immediately inform the Issuer and the Fiscal and Paying Agent of this fact and the title of ownership of the Bonds and prove these facts to them in a convincing manner.

1.4 Transfer of the Bonds

The transferability of the Bonds is not limited.

The transfer of the Bonds will be effective upon the crediting thereof to the owner's securities account with the Central Depository in accordance with the rules and regulations of the Central Depository and applicable law. In the event that the Bonds are recorded in the client's securities account in the Central Depository, the transfer of the Bonds will be effective (i) upon crediting of the transferred Bond to the client's securities account in accordance with the rules and regulations of the Central Depository and applicable law, and the owner of the client's securities account is obliged to promptly register such transfer in the owner's securities account as of the moment of registration thereof in the client's securities account, or (ii) in the event of any transfer between the Bondholders within one client's securities account, upon the registration of such transfer in the owner's securities account in the follow-up records linked to the Central Depository.

1.5 Rating

The Issuer was not assigned any rating by a company registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council or any other company. No individual rating of the Issue has been conducted and thus the Issue is not assigned any individual rating.

2 Issue Date, Subscription Period, Issue Price, Method and Place of Bonds Subscription

2.1 Issue Date, Subscription Period

The Bonds may be issued (i) in a single series on the Issue Date or (ii) in tranches at any time after the Issue Date until 30 September 2021 (the "**Bond Subscription Period**"). If, upon agreement with the Lead Manager, the Issuer decides to issue Bonds in a higher nominal amount than the anticipated aggregate nominal amount of the Issue, the aggregate nominal amount of all the issued Bonds must not exceed the Maximum Nominal Amount of the Issue. The Bond Subscription Period will start on 1 October 2020 and end on 30 September 2021.

The Issuer will notify the Bondholders of the aggregate nominal amount of all Bonds issued after their issue and at the latest immediately after the expiry of the Bond Subscription Period. Such notifications will be made in the manner as specified in Condition 14 without undue delay.

2.2 Issue Price

The issue price of all Bonds issued as of the Issue Date is 100 % of their nominal value (the "**Issue Price**").

The Issue Price of any Bonds issued after the Issue Date will be determined by the Lead Manager upon agreement with the Issuer on the basis of current market conditions.

Where relevant, a corresponding accrued interest will be added to the amount of the Issue Price of any Bonds issued after the Issue Date.

For the avoidance of doubt, the Lead Manager does not have any obligation to any Bondholder to buy back any Bonds.

2.3 Method and Place of Bond Subscription

Further information on the method and place of subscription for Bonds is stated in the Prospectus (see Chapter VI (*Subscription and Sale*)).

3 Status of the Bonds

3.1 Ranking of Satisfaction

The Bonds constitute direct, general, unconditional and unsubordinated liabilities of the Issuer secured by the Financial Guarantee (as defined in Condition 3.3) and the Security (as defined in Condition 3.5) which rank and will rank *pari passu* among themselves and at least *pari passu* with any present and future unsubordinated and in the same or similar manner secured liabilities of the Issuer, with the exception of liabilities treated preferentially under applicable mandatory laws. Under the same conditions, the Issuer must treat all Bondholders equally.

3.2 No Pre-emptive or Priority Rights

Neither the shareholders of the Issuer nor any other person has any right of first refusal, pre-emptive or conversion rights in relation to the Bonds or any other priority subscription rights in relation to the Bonds.

3.3 Guarantee

The Issuer's liabilities arising from the Bonds are secured by a financial guarantee within the meaning of Section 2029 *et seq.* of Act No. 89/2012 Coll., the Civil Code, as amended (the "**Czech Civil Code**"), issued by the Guarantor (the "**Financial Guarantee**"). In the Financial Guarantee, the Guarantor irrevocably and unconditionally undertakes to each Bondholder that, in the event the Issuer for any reason breaches or fails to meet any of its payment obligations or any other obligation in connection with any of the Bonds in a due and timely manner, including the payment of any amount resulting from termination, cancellation, invalidity, ineffectiveness or unenforceability of the Bonds, the Guarantor will, in accordance with these Terms and Conditions, at the request of the relevant Bondholder pay to that Bondholder the relevant amount in the relevant currency within ten Business Days after such Bondholder's request is delivered to the Guarantor.

By subscribing for or purchasing the Bonds, each Bondholder accepts the Financial Guarantee and agrees to the terms and conditions set out in the Financial Guarantee.

A copy of the Financial Guarantee is included in Chapter XII (*Financial Guarantee*) of the Prospectus and is available for inspection to the Bondholders during regular business hours at the Specified Office as set out in Condition 11.1.1.

The Bondholder's right to request payment of the Issuer's liabilities arising from the Bonds from the Guarantor is independent of enforcement of the Security (as defined in Condition 3.5) by the Security Agent.

3.4 Security Agent

The Security Agent exercises the rights of the creditor and the pledgee or the recipient of other security, including the rights arising from or related to the Security Documents (as defined in Condition 3.5), in its own name for the benefit of the Bondholders, also in the event of insolvency proceedings, enforcement of a decision or distraintment concerning the relevant Security Provider. The relationship between the Issuer, the Security Providers (as defined in Condition 3.5) and the Security Agent is governed by the Security Agent Agreement.

The funds obtained under the Security that the Security Agent receives belong to the Bondholders (proportionately to the number of the Bonds held by them) and the Security Agent as provided for in Condition 3.9; in accordance with Section 20(2) of the Czech Bonds Act, such funds are considered to be the customer's property under the Czech Capital Market Act. In exercising the rights under the Security, the Security Documents, the Security Agent Agreement and these Terms and Conditions and other rights under the Czech Bonds Act relating to the Security, the Security Agent is considered to be the creditor of each secured receivable in accordance with Section 20a(6) of the Czech Bonds Act. To the extent that such rights (including those referred to in Section 20a(5) of the Czech Bonds Act, i.e. (i) exercising, on behalf of all of the Bondholders, all rights associated with the Security; (ii) supervising the compliance with these Terms and Conditions by the Issuer in connection with the Security; and (iii) executing, on behalf of all of the Bondholders, any other acts or protect the Bondholders' interests in connection with the Security) are exercised by the Security Agent, no Bondholder is entitled to exercise such rights

separately. In cases where the Security Agent is in delay with the exercise of the applicable rights or the performance of its duties for more than 30 days, this constitutes a reason for which the Security Agent may be dismissed under the Security Agent Agreement and the Issuer is obliged to convene a Meeting under Condition 12.1.2.

Essential documents relating to the Security, including the Security Documents, on the basis of which the Security will be established will be available for inspection by Bondholders during normal business hours at the Specified Office (as this term is defined in Condition 11.1.1).

By subscribing for or purchasing the Bonds, each Bondholder agrees to the appointment of the Security Agent as a security agent under Section 20 *et seq.* of the Czech Bonds Act. Each Bondholder further agrees that the Security Agent may, in its name and on behalf of the Bondholders, exercise all rights of a creditor, pledgee or recipient of any other security arising from the Security, the Security Documents, these Terms and Conditions, the Security Agent Agreement and the Czech Bonds Act or other applicable legislation under the terms and conditions set forth therein.

The Security Agent, in the Security Agent Agreement, agrees to its appointment as a security agent and other authorisations under these Terms and Conditions and Section 20 *et seq.* of the Czech Bonds Act in connection with the Bonds and the Security contained in the Security Agent Agreement and the Security Documents. The Security Agent Agreement and the Security Documents may include additional details regarding the rights and obligations of the Security Agent, including, where applicable, the enforcement of the Security for the benefit of the Bondholders and the Security Agent.

3.5 Establishment and Maintenance of the Security and Procedure in the Event of the Issuer's Default in Connection with the Establishment of the Security

The Issuer is obliged, under the terms set out in Conditions 4.9 and 4.10, to ensure that the Issuer's liabilities arising from the Bonds and the Guarantor's liabilities arising from the Financial Guarantee are secured by a first-ranking pledge over:

- (a) certain shares in EPAS (the "**Shares**") on the basis of an agreement on creation of a pledge concluded between the Security Agent as the pledgee and DKHI as the pledgor (the pledge agreement the "**Share Pledge Agreement**" and the Shares pledged at any time under the Share Pledge Agreement collectively the "**Pledged Shares**") in accordance with the terms and conditions further specified in Condition 4.10;
- (b) the receivables arising under the agreement on opening and maintenance of the Sinking Fund Account on the basis of an agreement on creation of a pledge concluded between the Security Agent as the pledgee and the Issuer as the pledgor (the "**Sinking Fund Account Pledge Agreement**"); and
- (c) the receivables arising under the agreement on opening and maintenance of the Interest Escrow Account on the basis of an agreement on creation of a pledge concluded between the Security Agent as the pledgee and the Issuer as the pledgor (the "**Interest Escrow Account Pledge Agreement**")

(the pledge agreements listed under paragraphs (a) to (c) above collectively the "**Security Documents**", the pledges created under the Security Documents collectively the "**Security**", the assets which are subject to the Security collectively the "**Security Assets**" and the persons owning the relevant Security Assets and establishing the relevant Security the "**Security Providers**").

The terms and conditions of the Sinking Fund Account Pledge Agreement and the Interest Escrow Account Pledge Agreement will be included in a single pledge agreement concluded between the Security Agent as the pledgee and the Issuer as the pledgor (the "**Accounts Pledge Agreement**").

The Security will be established for the benefit of the Bondholders and the Security Agent and at the Issuer's expense.

The Issuer is obliged to conclude the Security Documents or ensure the conclusion of the Security Documents by the relevant Security Provider so that the Security is established within the periods specified in Conditions 4.9 and 4.10.

The Issuer will, and will ensure that the relevant Security Provider will, properly maintain the Security in full in accordance with the relevant Security Documents, the Security Agent Agreement and these Terms and Conditions until all of the Issuer's liabilities arising from the Bonds have been paid.

If the Security is not established within the periods specified in Conditions 4.9 or 4.10, or if any Security ceases to exist in whole or in part in violation of these Terms and Conditions, the Issuer will be obliged to immediately notify the Security Agent thereof and, without delay convene a Meeting (as this term is defined in Condition 12.1.1), at which the Issuer will justify that. The Meeting will subsequently decide by a simple majority of votes of the Bondholders present on further actions, including the possible extension of the time limit for the establishment of the Security, the setting of a time limit for the establishment of another security in favour of the Bondholders or the Security Agent as a pledgee or beneficiary of another security or the setting of an early maturity of the Bonds, unless the Security is established before the date of the Meeting in accordance with Conditions 4.9 or 4.10.

In the event the Meeting, under its decision taken in accordance with the preceding paragraph, has not decided on an early maturity of the Bonds, the procedure set out in Condition 12.4.1 will apply unless the Meeting also decides to extend the time limit for establishing the Security.

3.6 Position of the Security Agent

The Security Agent is obliged to act with due care, in particular, to act in a qualified, honest and fair manner and in the best interests of the Bondholders, and is bound by the instructions validly given by the Meeting. The Security Agent exercises the rights and obligations contained in these Terms and Conditions, the Security Documents, the Security Agent Agreement and Section 20 *et seq.* of the Czech Bonds Act. In accordance with Section 20a(8) of the Czech Bonds Act, the provisions of the Czech Civil Code on the management of someone else's assets will not apply to the activities of the Security Agent. The Security Agent is not obliged to review the accuracy of any documents or any calculations made by the Issuer under these Terms and Conditions.

In the event there are any reasons for the termination of the activities of the Security Agent under the Security Agent Agreement or any other reasons under the Czech Bonds Act, including Section 21(1)(c) of the Czech Bonds Act, the Issuer is obliged to convene a Meeting without undue delay in accordance with Condition 12.1.2 to decide on the appointment of a new security agent (the "**New Security Agent**"). In the event the Issuer does not convene a Meeting, the Security Agent is obliged to convene the Meeting without undue delay and at the Issuer's expense in accordance with Condition 12.1.1. If the Meeting is not convened by either the Issuer or the Security Agent, any Bondholder is authorised to convene the Meeting in accordance with Condition 12.1.1.

The rights and obligations arising from the Security, the Security Documents, these Terms and Conditions and the Security Agent Agreement pursuant to Section 20(6) of the Czech Bonds Act will automatically be transferred to the New Security Agent, with effect as of the date on which the Meeting adopted the decision to appoint the New Security Agent, unless a later date is specified in the Meeting's decision. The transfer of rights and obligations to the New Security Agent will not take place before the New Security Agent has consented to its appointment as a security agent in respect of the Bonds. The Security Agent will provide the New Security Agent with all documents and records related to the performance of its office of the Security Agent and all necessary cooperation that the New Security Agent may reasonably require for the purposes of taking over the office of the Security Agent. The document evidencing the change of the Security Agent for the purposes of the public registers will be the minutes of the relevant Meeting where the decision to appoint the New Security Agent was adopted. No obligations of the Security Agent arising from a breach of its obligations as a security agent or any liabilities related to the office of the Security Agent that originated before the effective date of appointment of the New Security Agent will be transferred to the New Security Agent. The Issuer will notify the Bondholders of the appointment of the New Security Agent in the manner specified in Condition 14.

The Security Agent may also resign from its office. The Security Agent is obliged to notify its intention of resignation to the Issuer and the Security Providers together with the reasons for the resignation and identification of the proposed New Security Agent, including reasons for its selection. The Issuer is obliged to convene, without undue delay, the Meeting which shall decide on the appointment of the New Security Agent. The Meeting may decide on appointment of the New Security Agent proposed by the Security Agent or any other person as the New Security Agent. If the Meeting does not make the decision or if the Meeting does not have a quorum and the decision is not made even by the substitute Meeting, the New Security Agent shall be appointed by the Security Agent, thereby transferring the rights and obligations of the Security Agent in the full extent to the New Security Agent. The provisions of the preceding paragraph on the transfer of the rights and obligations arising from the Security, the Security Documents, these Terms and Conditions and the Security Agent Agreement will apply accordingly to the change of the Security Agent as a result of its resignation.

3.7 Actions of the Security Agent

(a) Meeting instructions

The Security Agent:

- (i) is obliged to exercise any right or refrain from exercising any right which it has as the Security Agent, in accordance with any instruction approved by the Meeting by a simple majority of the Bondholders present (the "**Meeting Instruction**"); and
- (ii) is not responsible for any action (or omission) if it acts (or refrains from acting) in accordance with the Meeting Instruction.

(b) Instruction clarification

The Security Agent is entitled to request:

- (i) convening a Meeting to issue a Meeting Instruction or to specify the decisions under previous Meeting Instructions; or
- (ii) if the statutory conditions for making a decision on matters that were not included in the proposed agenda of the Meeting are fulfilled, a Meeting Instruction or specifying the Meeting Instruction directly within the Meeting,

as to whether and how it should exercise any right or refrain from exercising any right or authority, and the Security Agent may refrain from acting until it receives such a Meeting Instruction or specification. This is without prejudice to the right, and not the obligation, of the Security Agent to exercise any right or refrain from exercising any right or authority if the delay in the opinion of the Security Agent could cause serious damage to the Bondholders.

(c) Binding nature of instructions

Any Meeting Instructions will be binding on all Bondholders.

(d) The Security Agent may request to be provided with sufficient security or promised indemnification by the Meeting or the Issuer (in the opinion of the Security Agent to a sufficient extent) in the event of any damage (in Czech *škoda*) or non-pecuniary harm (in Czech *nemajetková újma*).

Without prejudice to the provisions of Condition 3.8 or other provisions of this Condition 3.7, in the absence of any Meeting Instructions the Security Agent may act (or refrain from acting) as it deems appropriate, but always in the best interest of the Bondholders.

3.8 Enforcement of the Security and Other Decisions

Pursuant to Section 20a(7) of the Czech Bonds Act, the Bondholders will not have any direct rights under the Security Documents and will not be able to exercise any separate authorisation, right or remedy regarding any Security or grant consent or waive the right to the Security or make any direct use of any Security if such rights are exercised by the Security Agent. None of the Bondholders will be entitled to ask the Security Agent independently to act in any way in relation to the Security.

Before the Security Agent commences the enforcement of the Security, the Security Agent must convene a Meeting at the Issuer's expense in accordance with Condition 12.1.1. The Meeting will decide whether the Security Agent is to commence the enforcement of the Security or take other steps in relation to the Security (the "**Enforcement Decision**"). The Enforcement Decision must be approved by a simple majority of votes of the Bondholders present and must contain the manner of enforcement of the Security in accordance with the Security Documents and the applicable regulations. The Enforcement Decision is binding on the Security Agent and all Bondholders.

The Security Agent will start to proceed in accordance with the Enforcement Decision without undue delay after the Enforcement Decision has been delivered to it. The Security Agent will inform the Bondholders about the status of the enforcement of the Security by publishing on its website at the address or section published on the Issuer's website in the manner set forth in Condition 14 and documents related to the enforcement of the Security will be available for inspection by the Bondholders and for obtaining copies of such documents for the purposes of exercising their rights during normal business hours at the Specified Office as set out in Condition 11.1.1.

3.9 Use of Proceeds

The Security Agent will use (and is obliged to proceed thus under the Security Agent Agreement) any proceeds from the Security that it receives as follows:

- (a) **first**, to cover all payments due to the Security Agent in connection with the performance of its office (excluding the Security Agent's remuneration), including any costs and expenses related to the enforcement of the Security, unless such payments have been made otherwise;
- (b) **second**, to pay the Security Agent's remuneration up to a maximum of 2 % of the proceeds from the enforcement of the Security;
- (c) **third**, to pay the proportionate amount of any indemnification paid to the Security Agent by the Bondholders;
- (d) **fourth**, to pay the proportionate amount of any due and outstanding principal of, and due and outstanding interest on, the Bonds to the Bondholders (in the proportion which the due and outstanding principal of, and due and outstanding interest on, the Bonds held by each individual Bondholder bears to the aggregate due and outstanding principal of, and aggregate due and outstanding interest on, all Bonds); and
- (e) **fifth**, to refund any surplus to the relevant Security Provider.

The principal and interest accrued on the Bonds under paragraph (d) above will be paid by the Security Agent through the Fiscal and Paying Agent. The Security Agent will inform the Bondholders of the distribution of these proceeds among the Bondholders by publishing it on its website at the address or in the section published on the Issuer's website in the manner set out in Condition 14. In the case of enforcement of the Security as part of the Issuer's insolvency proceedings, the rules for the distribution of the proceeds from the realisation of the Security will be adjusted in accordance with the statutory conditions.

4 Obligations of the Issuer

4.1 Obligation not to Create Other Security

So long as any of its liabilities from the Bonds remain outstanding, the Issuer must not, and will ensure that the Guarantor will not, create, or enable the creation of:

- (a) any Other Security in respect of any of the Pledged Shares or any of the Security Assets; or
- (b) any Other Security that would fully or partially restrict the Issuer's rights to its current or future assets or income, unless the creation of the Other Security is approved by the Meeting by a Qualified Majority in accordance with Condition 12.

The restriction in paragraph (b) of this Condition 4.1 shall not apply to any (existing or future) Other Security if, at the time of, or immediately before, the creation of the Other Security there is no Event of Default and no Event of Default occurs or is imminent as a result of the creation of the Other Security, and if the Other Security:

- (a) exists on the Issue Date;
- (b) is attached to, or has been created over, the Issuer's assets in connection with the entering into contractual or other similar arrangements by the Issuer or any of its Affiliates in order to refinance, prepay or duly pay the liabilities from the Bonds (this is without prejudice to the Issuer's obligation to ensure that the Shares corresponding to at least 49 % of the registered capital of, and voting rights in, EPAS are free and clear of any Other Security and other encumbrances set out in the following paragraph); or
- (c) is created by operation of law or under a judicial or administrative decision or arbitration award, if in the judicial or administrative proceedings leading to the issuance of the judicial or administrative decision the Issuer acted actively and protected its interests in good faith.

So long as any of its liabilities from the Bonds remain outstanding, the Issuer must ensure that, at any time, the Shares corresponding to at least 49 % of the registered capital of, and voting rights in, EPAS are free and clear of any Other Security (except, for the avoidance of doubt, the Security) and other encumbrances (including negative pledge) and third-party rights (whether absolute or relative), including options, pre-emption rights, rights of repurchase, restrictions of transferability and reservations of ranking for other rights, and are available to be pledged under the Share Pledge Agreement for the benefit of the Bondholders and the Security Agent as a first-ranking pledge if required by these Terms and Conditions.

4.2 Obligation to Maintain the LTV Ratio

So long as any of its liabilities from the Bonds remain outstanding, the Issuer undertakes to ensure that the indicator of the LTV Ratio will not exceed the Permitted Level.

Annually no later than on each anniversary of the Issue Date, the Issuer must publish and make available to the Bondholders in the manner stipulated in Condition 14 a confirmation issued by the persons authorised to act on behalf of the Issuer that the LTV Ratio as at the date of the confirmation (the "**Testing Date**") does not exceed the Permitted Level, together with the relevant Valuation and calculations demonstrating compliance with the Permitted Level as at the Testing Date (the "**Compliance Confirmation**").

If the positive balance standing to the credit of the Sinking Fund Account corresponds to at least 66 % of the aggregate outstanding nominal amount of all Bonds, the Issuer is not obliged to procure the Valuation and demonstrate the compliance of the LTV Ratio with the Permitted Level.

Promptly after the Issuer has learned that the LTV Ratio has reached or exceeded the Permitted Level, the Issuer must notify it to the Fiscal and Paying Agent and the Security Agent and to the Bondholders. Within ten Business Days after the Issuer has duly notified the fact pursuant to the preceding sentence, the Issuer may carry out or ensure cure of the LTV Ratio by increasing the Value by:

- (a) increasing the number of the Pledged Shares and proportion of the Pledged Shares in the registered capital of, and voting rights in, EPAS; or
- (b) depositing additional cash to the Sinking Fund Account

(each an "**Equity Cure**").

After each Equity Cure, the Issuer is obliged, without undue delay and no later than 25 days from the day on which it became aware of the breach and notified it to the Fiscal and Paying Agent and the Security Agent to prove the reduction of the LTV Ratio below the Permitted Level to the Fiscal and Paying Agent and the Security Agent and publish it in the manner set out in Condition 14, together with a new Compliance Confirmation issued by the persons authorised to act on behalf of the Issuer that the LTV Ratio, after the Equity Cure, as at the Testing Date does not exceed the Permitted Level, a new Valuation and new calculations demonstrating compliance with the Permitted Level as at the Testing Date.

The volume and frequency of the Equity Cures is not limited.

4.3 Indebtedness

The Issuer undertakes and will ensure that, so long as any of its liabilities from the Bonds remain outstanding, its Indebtedness will not increase and no new Indebtedness of the Issuer will be created.

The restriction in this Condition 4.3 shall not apply to any (i) Indebtedness that is created by operation of law or under a judicial or administrative decision against the Issuer, if in the judicial or administrative proceedings leading to the issuance of the judicial or administrative decision the Issuer acted actively and protected its interests in good faith, (ii) Indebtedness during the creation of which there are refinanced, prepaid or duly paid the liabilities from the Bonds by the Issuer; and (iii) Indebtedness of the Issuer in the form of a loan or borrowing accepted from the Guarantor or any of the Issuer's Affiliates which is contractually subordinated to the Issuer's liabilities under the Bonds.

4.4 Transactions with Affiliated Persons

So long as any of its liabilities from the Bonds remain outstanding, the Issuer must not, and will ensure that no member of DKHI Group will, enter into any agreements or carry out any transactions with any of its Affiliates otherwise than on an arm's length basis.

The restriction in this Condition 4.4 shall not apply to the agreements entered into and transactions carried out by the members of EPAS Group solely between themselves if neither (i) the aggregate value of all such agreements and transactions; nor (ii) the aggregate amount of liabilities incurred by any member of EPAS Group in relation to all such agreements and transactions, in aggregate in any calendar year exceeds EUR 15,000,000 or its equivalent in any other currency.

4.5 Disposal of Assets

So long as any of its liabilities from the Bonds remain outstanding:

- (a) the Issuer must not, and will ensure that no Security Provider will, sell, lease, transfer or otherwise dispose of any of the Pledged Shares or any of the Security Assets;
- (b) except as provided in this Condition 4.5 below, the Issuer must not, and will ensure that no member of DKHI Group will, sell, contribute into the registered or other capital of another company, lease, transfer or otherwise dispose of its assets within one or more transactions (the "**Disposal**").

The Issuer or any member of DKHI Group may make a Disposal (other than Disposal of the Pledged Shares or the Security Assets) if (i) the aggregate value of all Disposals carried out after the Issue Date until all of the Issuer's liabilities arising from the Bonds have been paid does not exceed 10 % of the consolidated total assets of DKHI Group as set out in the most recent audited financial statements of DKHI; (ii) the Disposal is made for fair market value; (iii) the Disposal is for cash consideration which reaches at least 75 % of the value of the relevant asset which is subject of the relevant Disposal; and (iv) there is no Event of Default and no Event of Default is threatened or ongoing as a result of the relevant Disposal.

The restriction in paragraph (b) of this Condition 4.5 shall not apply to the Disposals carried out by the members of DKHI Group solely between themselves, provided that members of DKHI Group remain the owners of all assets which are subject to the relevant Disposal.

4.6 Protection of the Security Assets

So long as any of its liabilities from the Bonds remain outstanding, the Issuer:

- (a) must, and will ensure that the Relevant Security Provider will, protect its title to the Pledged Shares and the Security Assets against any claims that could be potentially raised by any third parties;
- (b) must not, and will ensure that the relevant Security Provider does not, do anything that could negatively affect the rights or claims of the Security Agent under the Security Agent Agreement or any Security Document; and
- (c) will ensure that DKHI will not exercise its voting rights and other shareholder rights related to the Shares in any manner, or otherwise permit or agree to, or concur with or participate in any:
 - (i) alterations to the type (in Czech *forma*) or class (in Czech *druh*) of the Shares;
 - (ii) alteration of voting rights and other shareholder rights related to the Shares;
 - (iii) split (in Czech *štěpení*) or consolidation (in Czech *spojení*) of the Shares;
 - (iv) increase or reduction in the registered capital of EPAS; or
 - (v) alteration of quorums or majorities necessary for adoption of any shareholder's resolution of EPAS.

4.7 Restrictions on Distributions

Until the repayment of all its debts under the Bonds in full, the Issuer will not, and will ensure that no member of DKHI Group will:

- (a) in the calendar year ending on 31 December 2020, make any Distribution in favour of any Restricted Person, except for making a Distribution from DKHI to the Ultimate Controlling Person up to the total aggregate amount EUR 2,000,000 or its equivalent in any other currency, provided that at the time of, or immediately before, the Distribution there is no Event of Default and no Event of Default would occur or would be imminent as a result of the Distribution; and
- (b) in the calendar year ending on 31 December 2021 and in any subsequent calendar year, make any Distribution in favour of any Restricted Person if:
 - (i) as a result of that Distribution, the Net Indebtedness Ratio would exceed 4.0 (four point zero); or
 - (ii) at the time of, or immediately before, the Distribution there is an Event of Default or an Event of Default would occur or would be imminent as a result of the Distribution.

For the purpose of determining whether the Distribution has not breached the obligation referred to in paragraph (b)(i) of this Condition 4.7, the Issuer is obliged to calculate the Net Indebtedness Ratio on the basis of its most recent audited financial statements or the latest unaudited financial statements available as of the intended payment date of the relevant Distribution (the "**Distribution Date**") taking into account any Distributions made from the date of such financial statements (the "**Financial Statements Date**") on a *pro forma* basis, and the relevant Distribution can be made only if the Issuer, no later than on the relevant Distribution Date, publishes and makes available to the Fiscal and Paying Agent the relevant financial statements together with a confirmation showing that the Distribution does not violate the Net Indebtedness Ratio (the "**Ad Hoc Confirmation**"). The period between the relevant Financial Statements Date and the relevant Distribution Date must not exceed 18 months.

The Issuer is obliged to provide an Ad Hoc Confirmation to the Fiscal and Paying Agent and the Security Agent within ten Business Days after the date the Issuer decided to make the intended Distribution, but always prior to its execution; the Issuer is obliged to publish it at the same time in the manner specified in Condition 14.

The restriction in paragraph (b) of this Condition 4.7 shall not apply to the Distributions made by all members of DKHI Group up to the total aggregate amount EUR 5,000,000 or its equivalent in any other currency in the relevant calendar year, provided that (i) the Issuer's obligation to fund the Sinking Fund Account set out in Condition 4.12 is complied with; and (ii) at the time of, or immediately before, the Distribution there is no Event of Default and no Event of Default would occur or would be imminent as a result of the Distribution.

4.8 Subordination

The Issuer shall ensure that any of its Indebtedness in the form of a loan or borrowing accepted from the Guarantor or any of the Issuer's Affiliates is contractually subordinated to the Issuer's liabilities under the Bonds.

4.9 Obligation to Establish Security

The Issuer undertakes and will ensure that:

- (a) the Share Pledge Agreement is concluded and the Security thereunder is created at least three Business Days prior to the Issue Date; and
- (b) the Accounts Pledge Agreement is concluded and the Security thereunder is created at least three Business Days prior to the Issue Date.

The Issuer shall ensure that a negative pledge undertaking in relation to the Security Assets which are subject to the Accounts Pledge Agreement is, in accordance with Section 1309(2) of the Czech Civil Code, registered in the Register of Charges (in Czech *rejstřík zástav*) maintained by the Notarial Chamber of the Czech Republic in accordance with Section 35a of Act No. 358/1992 Coll., the Notarial Code, as amended, no later than within ten Business Days after the date of the Accounts Pledge Agreement.

4.10 Share Pledge Agreement

- (a) The Issuer shall ensure that the Shares corresponding to at least 49 % of the registered capital of, and voting rights in, EPAS are pledged under the Share Pledge Agreement as a first-ranking pledge at least three Business Days prior to the Issue Date and, unless otherwise specified in this Condition 4.10, remain pledged under the Share Pledge Agreement until all of the Issuer's liabilities arising from the Bonds have been paid.
- (b) If, after the Issue Date, the Project is listed by the Turkish Energy Regulator on the final list of participants eligible to participate in YEKDEM (the "**YEKDEM Listing**"), the Issuer shall have the right and obligation to ensure that the Shares corresponding not to 49 % of the registered capital of, and voting rights in, EPAS but to at least 34 % of the registered capital of, and voting rights in, EPAS are pledged under the Share Pledge Agreement and, subject to paragraphs (c) and (d) of this Condition 4.10, remain pledged under the Share Pledge Agreement until all of the Issuer's liabilities arising from the Bonds have been paid.
- (c) If, after the YEKDEM Listing, the Project is for any reason removed from the final list of participants eligible to participate in YEKDEM or otherwise ceases to be eligible to participate in YEKDEM, the Issuer shall within ten Business Days after the day when it learned about the fact or should and could have learned about it acting with due care, ensure that the Shares corresponding to at least 49 % of the registered capital of, and voting rights in, EPAS are pledged under the Share Pledge Agreement as a first-ranking pledge and remain, notwithstanding any other provision of this Condition 4.10 to the contrary, pledged under the Share Pledge Agreement until all of the Issuer's liabilities arising from the Bonds have been paid.

- (d) If, at any time after the occurrence of YEKDEM Listing:
- (i) the Alpaslan 2 Project Company Transfer occurs; and
 - (ii) the balance standing to the credit of the Sinking Fund Account is equal to, or higher than, the amount corresponding to at least 33 % of the aggregate outstanding principal amount of all Bonds or any higher amount of the Required Sinking Fund Balance set out in Conditions 4.12,
- the Issuer shall have the right and obligation to ensure that the Shares corresponding not to 34 % of the registered capital of, and voting rights in, EPAS but to at least 25.1 % of the registered capital of, and voting rights in, EPAS are pledged under the Share Pledge Agreement and, subject to paragraph (c) of this Condition 4.10, remain pledged under the Share Pledge Agreement until all of the Issuer's liabilities arising from the Bonds have been paid. If, after the Alpaslan 2 Project Company Transfer (i) EPAS ceases to hold, directly or indirectly, at least 51 % participation in the registered capital of, or voting rights in, the Alpaslan 2 Project Company; (ii) EPAS loses the right to appoint the majority of members of the board of directors or similar body of the Alpaslan 2 Project Company; or (iii) Alpaslan 2 Project Company ceases to be the owner and operator of the Project, the Issuer shall, within ten Business Days after the day when it learned about the fact or should and could have learned about it acting with due care, ensure that the Shares corresponding to at least 34 % of the registered capital of, and voting rights in, EPAS are pledged under the Share Pledge Agreement as a first-ranking pledge and, subject to paragraph (c) of this Condition 4.10, remain pledged under the Share Pledge Agreement until all of the Issuer's liabilities arising from the Bonds have been paid.
- (e) No decrease of the number of the Pledged Shares pursuant to paragraphs (b) and (d) of this Condition 4.10 shall occur if there is an Event of Default or an Event of Default is threatened or ongoing.

4.11 Obligation to Maintain the Interest Escrow Account

The Issuer shall open and maintain the Interest Escrow Account and shall ensure that no later than on the Business Day immediately following the Issue Date and at any time thereafter the positive balance on the Interest Escrow Account is equal to, or higher than, the amount corresponding to the interest accrued or to be accrued on the Bonds in the first Interest Period and the second Interest Period calculated from the aggregate outstanding principal amount of all Bonds.

The balance standing to the credit of the Interest Escrow Account may be applied only to payment of the interest accrued on the Bonds in the first Interest Period and the second Interest Period, i.e. on the Interest Payment Date (as defined in Condition 5.1) falling on 30 April 2021 and on the Interest Payment Date falling on 30 October 2021.

The Fiscal and Paying Agent shall, and is irrevocably authorised by the Issuer to, instruct the Account Bank to withdraw from the Interest Escrow Account such amounts as may be necessary for application on such date in or towards payments of the interest accrued on the Bonds in accordance with these Terms and Conditions. The Issuer shall not make any payments or withdrawals from the Interest Escrow Account (and the Account Bank shall not execute any payment orders).

The rules for distribution of the balance standing to the credit of the Interest Escrow Account set out in this Condition 4.11 will apply only until the Security Agent commences the enforcement of the Security in relation to the Interest Escrow Account under the Accounts Pledge Agreement (the "**Interest Escrow Account Enforcement Event**"). Upon the Interest Escrow Account Enforcement Event, the proceeds from the enforcement of the Security in relation to the Interest Escrow Account under the Accounts Pledge Agreement will be distributed in accordance with Condition 3.9.

If the interest accrued on all Bonds in the first Interest Period and the second Interest Period is paid in full, the obligation of the Issuer to maintain the Interest Escrow Account ceases to apply and the Interest Escrow Account may be terminated. The Security Agent shall, at the request and cost of the Issuer, issue a written confirmation to the Issuer confirming that the Interest Escrow Account may be terminated.

4.12 Obligation to Maintain the Sinking Fund Account

The Issuer shall open and maintain the Sinking Fund Account and shall ensure that the positive balance on the Sinking Fund Account is at all times equal to, or higher than, the amount corresponding to the following amounts:

- (a) in respect of the period commencing on the date falling 18 months after the Issue Date and ending on the date on which commences the period specified in paragraph (b) below, the amount corresponding to at least 33 % of the aggregate outstanding principal amount of all Bonds;
- (b) in respect of the period commencing on the date falling 27 months after the Issue Date and ending on the date on which commences the period specified in paragraph (c) below, the amount corresponding to at least 66 % of the aggregate outstanding principal amount of all Bonds; and
- (c) in respect of the period commencing on the Final Maturity Date of the Bonds and at any time thereafter until all of the Issuer's liabilities arising from the Bonds have been paid, the amount corresponding to at least 100 % of the aggregate outstanding principal amount of all Bonds

(the "**Required Sinking Fund Balance**").

The outstanding principal amount of the Bonds held by the Issuer will not be taken into account for the purposes of determination of the amount of the Required Sinking Fund Balance nor for the purposes of determination of the proportion of the distributions of the balance standing to the credit of the Sinking Fund Account set out in this Condition 4.12.

The balance standing to the credit of the Sinking Fund Account may be applied only to payment of the principal of the Bonds being redeemed (including, for the avoidance of doubt, the principal of the Bonds being redeemed on the Final Maturity Date of the Bonds).

If the Sinking Fund Account is funded with the amount corresponding to:

- (a) 33 % of the aggregate outstanding principal amount of all Bonds, then the amount corresponding to 33 % of the outstanding principal amount of each individual Bond being redeemed will be transferred to the Fiscal and Paying Agent's Account to be applied to payment of the principal of that Bond;
- (b) 66 % of the aggregate outstanding principal amount of all Bonds, then the amount corresponding to 66 % of the outstanding principal amount of each individual Bond being redeemed will be transferred to the Fiscal and Paying Agent's Account to be applied to payment of the principal of that Bond;
- (c) 100 % of the aggregate outstanding principal amount of all Bonds, then the amount corresponding to 100 % of the outstanding principal amount of each individual Bond being redeemed will be transferred to the Fiscal and Paying Agent's Account to be applied to payment of the principal of that Bond; or
- (d) any other proportion of the aggregate outstanding principal amount of all Bonds (e.g. as a result of depositing additional cash to the Sinking Fund Account as an Equity Cure), then the amount corresponding to that proportion of the outstanding principal amount of each individual Bond being redeemed will be transferred to the Fiscal and Paying Agent's Account to be applied to payment of the principal of that Bond.

The Issuer will be in each case obliged to transfer to the Fiscal and Paying Agent's Account the remaining amount of the outstanding principal amount of each individual Bond being redeemed, the full amount of the interest accrued on that Bond and, if applicable, the full amount of the Issuer's Early Redemption Extraordinary Interest (as defined in Condition 6.4) and the Bondholder's Early Redemption Extraordinary Interest (as defined in Condition 6.5) accrued on the Bonds. For the avoidance of doubt, no balance standing to the credit of the Sinking Fund Account may be applied to payment of any interest accrued on the Bonds, any Issuer's Early Redemption Extraordinary Interest or Bondholder's Early Redemption Extraordinary Interest accrued on the Bonds or any outstanding principal amount of the Bonds in excess of the proportion set out in the preceding paragraph.

After all of the Issuer's liabilities arising from the Bonds have been paid, any surplus standing to the credit of the Sinking Fund Account shall be returned to the Issuer.

The Fiscal and Paying Agent shall, and is irrevocably authorised by the Issuer to, instruct the Account Bank to withdraw from the Sinking Fund Account such amounts as may be necessary for application on such date in or towards redemptions of the Bonds in accordance with these Terms and Conditions. The Issuer shall not make any payments or withdrawals from the Sinking Fund Account (and the Account Bank shall not execute any payment orders).

The rules for distribution of the balance standing to the credit of the Sinking Fund Account set out in this Condition 4.12 will apply only until the Security Agent commences the enforcement of the Security in relation to the Sinking Fund Account under the Accounts Pledge Agreement (the "**Sinking Fund Account Enforcement Event**"). Upon the Sinking Fund Account Enforcement Event, the proceeds from the enforcement of the Security in relation to the Sinking Fund Account under the Accounts Pledge Agreement will be distributed in accordance with Condition 3.9.

4.13 Information Duties

In writing, the Issuer must inform the Fiscal and Paying Agent and the Bondholders of (i) any Event of Default and (ii) any Change of Control (as the term is defined in Condition 6.5) within five Business Days after the day when it learned about the fact or should and could have learned about it acting with due care.

The Issuer must publish and make available to the Bondholders in the manner stipulated in Condition 14 and within the below deadlines the below documents and information in English or Czech language:

- (a) the Issuer's annual reports and annual unconsolidated financial statements prepared in accordance with CAS or, if required by applicable laws, IFRS and audited by the Chosen Auditor as soon as reasonably practicable but in any case no later than by 30 April of each year, starting with the annual report and financial statements prepared as at the last day of the accounting period ending on 31 December 2020;
- (b) the Issuer's half-year reports and half-year unconsolidated and unaudited financial statements prepared in accordance with CAS or, if required by applicable laws, IFRS as soon as reasonably practicable but in any case no later than by 30 September of each year, starting with the half-year report and half-year financial statements for the half-year ending on 30 June 2021;
- (c) EPAS's annual reports and annual consolidated financial statements prepared in accordance with CAS or, if required by applicable laws, IFRS and audited by the Chosen Auditor as soon as reasonably practicable but in any case no later than by 30 June of each year, starting with the annual report and financial statements prepared as at the last day of the accounting period ending on 31 December 2020;
- (d) EPAS's half-year reports and half-year consolidated and unaudited financial statements prepared in accordance with CAS or, if required by applicable laws, IFRS as soon as reasonably practicable but in any case no later than by 30 September of each year, starting with the half-year report and half-year financial statements for the half-year ending on 30 June 2021;
- (e) DKHI's annual reports and annual consolidated financial statements prepared in accordance with CAS or, if required by applicable laws, IFRS and audited by the Chosen Auditor as soon as reasonably practicable but in any case no later than by 30 June of each year, starting with the annual report and financial statements prepared as at the last day of the accounting period ending on 31 December 2020; and
- (f) information on the LTV Ratio values in the manner and within the periods specified in Condition 4.2.

5 Interest

5.1 Interest Rate, Interest Period

The Bonds will bear a fixed interest rate of 6.50 % p.a. (the "**Interest Rate**"). The interest will accrue evenly from the first day of each Interest Period to the last day included in such Interest Period. The interest will be paid for

each Interest Period half-yearly in arrears, always as of 30 April and 30 October of each year (the "**Interest Payment Date**"), in accordance with Condition 7 and with the Agency Agreement. The first payment of interest will be made as of 30 April 2021.

5.2 End of Interest Accrual

The Bonds will cease to bear interest on the Final Maturity Date of the Bonds or the Early Redemption Date of the Bonds, unless the payment of any due amount is unlawfully retained or refused by the Issuer although all relevant conditions and requirements for payment of the due amount have been complied with. In such an event, interest will continue to accrue at the interest rate set out in Condition 5.1 until the earlier of (i) the date on which all amounts due and payable as of that date in accordance with these Terms and Conditions are paid to the Bondholders or (ii) the date on which the Fiscal and Paying Agent notifies the Bondholders that it has received all amounts payable in connection with the Bonds, unless any additional unlawful retention or refusal of payments occurs after such a notification.

5.3 Day Count Convention for Interest Calculation

The interest payable on the Bonds for a period of less than one year will be calculated on the basis of the "BCK standard 30E/360" day count convention, (i.e. a year will be deemed to consist of 360 days divided into 12 months of 30 calendar days each, whereas in the event of an incomplete month the number of days actually lapsed will apply).

5.4 Calculation of Interest

The amount of interest accrued on a Bond over any period of less than one standard year will be calculated as the multiple of the outstanding nominal amount of the Bond, the relevant interest rate (expressed in decimal form) and the relevant day-count fraction determined according to the day count convention under Condition 5.3. The total interest amount and any other amount payable under these Terms and Conditions pertaining to one Bond and calculated according to this Condition 5.4 will be rounded by the Fiscal and Paying Agent to two decimal places using mathematical rules and, without undue delay, will be notified to the Bondholders in accordance with Condition 14.

6 Redemption and Purchase of the Bonds

6.1 Final Maturity

Unless previously redeemed or purchased by the Issuer and cancelled as specified below, each Bond will be redeemed by the Issuer at its outstanding nominal amount in a single payment as of the Final Maturity Date of the Bonds.

6.2 Purchase of the Bonds

The Issuer may purchase the Bonds at any time on the market or otherwise for any price.

6.3 Cancellation of the Bonds

Bonds purchased by the Issuer will not be cancelled, unless otherwise decided by the Issuer. Unless the Issuer decides to cancel the Bonds purchased by it, it may transfer the Bonds at its own discretion.

6.4 Early Redemption at the Option of the Issuer

Beginning one year after the Issue Date (inclusive), the Issuer has the right to redeem early all outstanding Bonds (in part or in full), and may exercise this right only if it notifies the Bondholders in accordance with Condition 14 (the "**Issuer's Early Redemption Notice**") no later than 60 days before the relevant early redemption date (the "**Issuer's Early Redemption Date**"). The Issuer may partially redeem the Bonds only as of an Issuer's Early Redemption Date that is an Interest Payment Date. The redemption of all Bonds in full may be performed as of

any Issuer's Early Redemption Date. The Issuer may repay all or part of the outstanding nominal amount of the Bonds, the relevant interest income accruing on the amount of the early repaid nominal amount of the Bonds as of the Issuer's Early Redemption Date and extraordinary interest income determined as 1/48 of the annual Interest Rate on the total amount of the early repaid nominal amount of the Bonds multiplied by the number of full months remaining from the relevant Issuer's Early Redemption Date until the Final Maturity Date of the Bonds (the "**Issuer's Early Redemption Extraordinary Interest**"). No Issuer's Early Redemption Extraordinary Interest will be paid with respect to the redemption of all Bonds in full if less than six months are remaining from the relevant Issuer's Early Redemption Date until the Final Maturity Date of the Bonds.

The Issuer's Early Redemption Notice under this Condition 6.4 is irrevocable and obliges the Issuer to redeem the Bonds early in accordance with the provisions of this Condition 6.4.

The Issuer may pay the income from the Issuer's Early Redemption Extraordinary Interest only as of the Issuer's Early Redemption Date, being (i) in the event of any partial redemption of the Bonds, an Interest Payment Date; or (ii) in the event of the redemption of all Bonds in full, any date. Otherwise the provisions of these Terms and Conditions on the payment of the nominal amount of the Bonds will apply accordingly to the payment of the income from the Issuer's Early Redemption Extraordinary Interest. The early partial redemption of the Bonds does not restrict the Issuer from making any further early redemption of the Bonds in accordance with this Condition 6.4.

To the early redemption of the Bonds under this Condition 6.4 there will otherwise apply the provisions of Condition 7 with the necessary modifications.

6.5 Early Redemption at the Option of the Bondholders

For the purposes of this Condition 6.5, a "**Change of Control**" means a situation where:

(a) DKHI:

- (i) ceases to hold, directly or indirectly, more than 50.1 % participation in the registered capital of, or voting rights in, EPAS; or
- (ii) loses the right to appoint a majority of members of the governing body of EPAS;

(b) DKHI:

- (i) ceases to hold directly a 100 % participation in the registered capital of, or voting rights in, the Issuer; or
- (ii) loses the right to appoint all the members of the governing body of the Issuer; or

(c) the Ultimate Controlling Person or a person controlled by the Ultimate Controlling Person:

- (i) ceases to hold, directly or indirectly, more than a 50.1 % participation in the registered capital of, or voting rights in, (A) DKHI, or (B) EPAS; or
- (ii) loses the right to appoint a majority of members of the governing body of (A) DKHI, or (B) EPAS.

If a Change of Control occurs, a Bondholder may, at its own discretion, request early redemption of its Bonds before the Final Maturity Date of the Bonds, by a written notice addressed to the Issuer and delivered to the Fiscal and Paying Agent to the address of the Specified Office (the "**Bondholder's Early Redemption Notice**") always for 100 % of the outstanding nominal amount of its Bonds on the Bondholder's Early Redemption Date (as it is defined below) increased by extraordinary interest of 1 % of the outstanding nominal amount of its Bonds (the "**Bondholder's Early Redemption Extraordinary Interest**") and interest accrued and due as of the Bondholder's Early Redemption Date (as it is defined below), and redemption must be carried out within (and including) 30 days

after the Bondholder delivered the Bondholder's Early Redemption Notice to the Fiscal and Paying Agent (the "**Bondholder's Early Redemption Date**").

The Bondholder's Early Redemption Notice must be delivered to the Fiscal and Paying Agent no later than 30 days after the day when the Bondholder learned, or could have learned, about the Change of Control.

This is without prejudice to the right of the Bondholder to request early redemption of 100 % of the nominal amount of the Bonds and the payment of the related accrued and unpaid interest on the Bonds in accordance with Conditions 9 and 12.4.1.

To the early redemption of the Bonds under this Condition 6.5 there will otherwise apply the provisions of Condition 7 with the necessary modifications.

6.6 Presumption of Redemption

All the Issuer's liabilities from the Bonds will be considered fully satisfied on the day when the Issuer pays to the Fiscal and Paying Agent all the amounts of the nominal amount of the Bonds and accrued interest (where relevant) payable under Conditions 6, 9 and 12.4.1.

7 Payment Terms

7.1 Currency of Payments

The Issuer undertakes to pay interest on, and repay the nominal amount of, the Bonds solely in the Czech Koruna, or in any other lawful currency of the Czech Republic that may replace the Czech Koruna. Interest will be paid and the nominal amount of the Bonds will be repaid to the Bondholders subject to and in accordance with these Terms and Conditions and the tax, foreign exchange and other applicable laws of the Czech Republic in effect at the time of the relevant payment.

In the event that the Czech Koruna in which the Bonds are denominated and in which the payments relating to the Bonds should be made in compliance with these Terms and Conditions ceases to exist and is replaced by the euro, (i) the denomination of the Bonds will be changed to the EUR in conformity with the applicable laws, and (ii) all monetary liabilities arising from the Bonds will automatically and without any further notice to the Bondholders be payable in the euro, with the official rate (i.e. the fixed conversion ratio) being in accordance with the applicable law being used as the exchange rate between the Czech Koruna and the euro. Such replacement of the Czech Koruna (i) will not, in any respect, affect the existence or enforceability of the Issuer's liabilities under the Bonds, and (ii) for the avoidance of doubt, will not be deemed to constitute any change of these Terms and Conditions or any Event of Default under these Terms and Conditions.

7.2 Payment Date

The payment of interest on, and the repayment of the nominal amount of, the Bonds will be made by the Issuer through the Fiscal and Paying Agent on the dates specified in these Terms and Conditions, i.e. according to its meaning, as of the Interest Payment Date or the Final Maturity Date of the Bonds or the Issuer's Early Redemption Date or the Bondholder's Early Redemption Date or the Event of Default Early Redemption Date (as defined in Condition 9.2) or the Applicant's Early Redemption Date (as defined in Condition 12.4.1) (each of these dates also as the "**Payment Date**").

7.3 Business Day Convention

If any Payment Date falls on a day that is not a Business Day, such Payment Date will instead fall on the next following Business Day, and the Issuer will not be obliged to pay any interest or any other additional charges by reason of such delay in payment resulting from the application of any Business Day convention.

7.4 Determination of the Right to Receive Payments Related to the Bonds

Authorised persons to whom the Issuer will pay interest on the Bonds or the nominal amount of the Bonds are the persons in whose owner's securities accounts in the Central Depository or records of the person keeping the follow-up records linked to the Central Depository the Bonds are registered at the end of the relevant Record Date for Payment, unless it is convincingly proven to the Issuer and the Fiscal and Paying Agent, no later than five Business Days after the relevant Record Date for Payment, that the entry in the owner's securities account in the Central Depository or the follow-up records linked to the Central Depository does not correspond to reality and that there is another person or persons in whose owner's securities accounts in the Central Depository or the follow-up records linked to the Central Depository the Bonds should have been registered at the end of the relevant Record Date for Payment. In such a case, the Issuer will pay interest on the Bonds or the nominal amount of the Bonds to such person or persons (the "**Authorised Persons**").

For the purposes of determining the recipient of the interest on the Bonds or the nominal amount of the Bonds, neither the Issuer nor the Fiscal and Paying Agent will take into account any transfer of any Bonds registered in the Central Depository or in the follow-up records linked to the Central Depository after the Record Date for Payment.

Unless it is contrary to the valid legal regulations, transfers of the Bonds may be suspended for the purposes of payment of the nominal amount of the Bonds beginning on the day immediately following the Record Date for Payment until the relevant Payment Date.

If, according to the entry in the owner's securities account kept with the Central Depository, the Bonds are pledged, then the pledgee, recorded in the extract from the register of the Issue prepared by the Central Depository at the end of the Record Date for Payment, will be considered an authorised person in respect of the distribution of interest or other income and the nominal amount of the Bonds, unless (i) it is evident from the extract that the person authorised to receive the payments of interest attached to the pledged Bonds or other income or the nominal amount of the pledged Bonds is the respective Bondholder and/or (ii) it is proven to the Fiscal and Paying Agent in other satisfactory manner that the respective Bondholder has the right to receive the payments of interest attached to the pledged Bonds or other income or the nominal amount of the pledged Bonds by virtue of an agreement between that Bondholder and the pledgee.

If an Authorised Person request the making of a payment through a proxy, the Fiscal and Paying Agent will make the payment only after the producing of the original or an officially authenticated copy of a power of attorney; the signature of the Authorised Person on the power of attorney must be officially authenticated, unless otherwise stipulated by generally binding legal regulations. Documents issued abroad must be superlegalised or must be equipped with an apostille, unless otherwise stipulated by the relevant international treaty binding on the Czech Republic.

Any documents produced by Authorised Persons or the Issuer to the Fiscal and Paying Agent in connection with payments to Authorised Persons must be in the Czech or English language or translated into Czech by a sworn translator, unless otherwise stipulated in these Terms and Conditions or unless otherwise agreed with the consent of the Fiscal and Paying Agent.

7.5 Payments

The Fiscal and Paying Agent will make payments in connection with the Bonds to the Authorised Persons by means of wire transfer from the Fiscal and Paying Agent's Account to the accounts of the Authorised Persons kept with a bank in a Member State of the European Union or other state that is a member of the European Economic Area, according to an instruction communicated by the Authorised Person to the Fiscal and Paying Agent to the address of the Specified Office in a verifiable manner no less than five Business Days prior to the Payment Date.

Such an instruction will be in the form of a written statement with an officially authenticated signature or signatures or a signature verified by an authorised employee of the Fiscal and Paying Agent, and will contain sufficient details of such bank account to allow the Fiscal and Paying Agent to make the payment, and, if the Authorised Person is a legal entity, it will be accompanied by an original or an officially authenticated copy of an extract from the

Commercial Register or other similar register in respect of the Authorised Person not older than six months; the compliance with the data in the extract with the instruction will be verified by the Fiscal and Paying Agent (such instruction, extract from the Commercial Register or other similar register and other required appendices, if any (the "**Instruction**")).

The Instruction must be in accordance with the specific requirements of the Fiscal and Paying Agent in terms of content, form and confirmation of the authorisation to sign the Instruction on behalf of the Authorised Person, e.g. the Fiscal and Paying Agent is entitled to request (i) submission of a power of attorney including an officially certified translation into Czech or (ii) additional confirmation of the Instruction from the Authorised Person. Notwithstanding the foregoing, neither the Fiscal and Paying Agent nor the Issuer will be obliged to examine the correctness, completeness or authenticity of any such Instruction in any manner whatsoever and neither of them will be liable for any damage incurred in connection with any delay in the delivery of such Instruction by the Authorised Person or with the delivery of an incorrect or otherwise defective Instruction. The Instruction will be deemed properly made if it contains all the items required by this Condition and is delivered to the Fiscal and Paying Agent in accordance with this Condition.

The Instruction will be considered duly delivered if it has been delivered to the Fiscal and Paying Agent at least five Business Days before the Payment Date.

Any Authorised Person claiming a tax benefit in accordance with any applicable international double taxation treaty (by which the Czech Republic is bound) is obliged to deliver to the Fiscal and Paying Agent, together with the Instruction as an integral part thereof, a current proof of its tax domicile as well as other documents that the Fiscal and Paying Agent and the relevant tax authorities may request. Notwithstanding this authorisation, neither the Issuer nor the Fiscal and Paying Agent will verify the accuracy and completeness of such Instructions and will not be liable for any damage or other harm caused by a delay of the Authorised Person in delivering the Instruction, its inaccuracy or other defect in such an Instruction.

If the above documents (especially the proof of tax domicile) are not delivered to the Fiscal and Paying Agent in the stipulated time period, the Fiscal and Paying Agent will act as if it has not been delivered the documents. The Authorised Person may subsequently deliver such documents proving entitlement to a tax benefit and request the Issuer through the Fiscal and Paying Agent to refund the withholding tax. In such a case, the Issuer is entitled to claim a contractual penalty of CZK 1,500 from the Authorised Person for each request for a refund due to a failure to comply with the deadline for submission of the documents supplementing the Instruction, evidencing the entitlement to lower or zero withholding tax. This contractual penalty, as a lump-sum amount, covers any additional costs incurred by the Issuer in relation to the request for a refund, the related administration and correspondence and communication with the relevant authorities.

The Issuer's obligation to pay any amount due in connection with the Bonds will be deemed discharged in a due and timely manner if the relevant amount has been remitted to the Authorised Person in compliance with a proper Instruction pursuant to this Condition 7.5 and if such amount is debited from the Fiscal and Paying Agent's Account no later than on the relevant due date.

Neither the Issuer nor the Fiscal and Paying Agent will be liable for any delay in the payment of any amount due caused by any Authorised Person, e.g. by its failure to deliver a proper Instruction in a timely manner. If any Authorised Person fails to deliver to the Fiscal and Paying Agent in time a proper Instruction, the Issuer's obligation to pay any due amount will be considered met duly and in time if such amount has been remitted to the Authorised Person in accordance with a subsequently delivered due Instruction pursuant to this Condition 7.5 and if such amount has been debited from the Fiscal and Paying Agent's Account no later than ten Business Days following the day on which the Fiscal and Paying Agent received the proper Instruction. In such an event, the Authorised Person will not have the right to any interest or any yield or additional payment for the time of delay caused by the late sending of the Instruction.

Neither the Issuer nor the Fiscal and Paying Agent will be liable for any damage incurred by (i) the failure to deliver in time the proper Instruction or any other documents or information required to be delivered under this Condition 7.5; or (ii) such Instruction or any related document or information being incorrect, incomplete or untrue;

or (iii) circumstances beyond the control of the Issuer or the Fiscal and Paying Agent. In such an event, the Authorised Person will not have the right to any additional payment, compensation or interest for the time of delay caused by the late sending of the Instruction.

7.6 Change in the Payment Method

The Issuer and the Fiscal and Paying Agent are jointly entitled to elect to change the payment procedure, unless such change may affect the position or interests of the Bondholders. The Bondholders will be notified of such change in the manner set out in Condition 14. In other cases, such change will be subject to decision by the Meeting in accordance with Condition 12.

8 Taxation

Unless otherwise provided by a law or an international treaty binding on the Czech Republic, the Issuer will not be liable for the payment of any taxes or incur any obligation to pay any taxes in connection with the Bonds, in particular as a result of ownership, transfer or exercise of rights under the Bonds.

The Bond income paid to individuals or legal entities that are Czech tax non-residents or individuals that are Czech tax residents is generally subject to withholding tax levied at source (i.e. by the Issuer when paying the interest on the Bonds). If income is subject to withholding tax, the Issuer is responsible for the withholding of taxes at source.

If the ownership or transfer of, or exercise of rights under, the Bonds is subject to any tax, the Issuer will not be obliged to pay to the Bondholders any amounts as compensation of any such tax.

Tax laws of the Czech Republic and tax laws of the investor's member state may have an impact on the income resulting from the Bonds.

9 Early Redemption of the Bonds upon the Occurrence of Events of Default

9.1 Events of Default

If an Event of Default occurs and is continuing, where for the purposes of this Condition 9.1 an Event of Default is deemed to "be continuing" until it is remedied, the Meeting convened in accordance with Condition 12.1.1 may decide that any Bondholder may, at its own discretion, by a written notice addressed to the Issuer and delivered to the Fiscal and Paying Agent to the address of the Specified Office (the "**Event of Default Early Redemption Notice**"), request an early redemption of the at the time outstanding nominal amount of all the Bonds held by it which the Bondholder has not disposed of until that time, together with the accrued and unpaid interest on the Bonds pursuant to Condition 5.1, as of the Event of Default Early Redemption Date, and the Issuer must redeem the Bonds (together with the accrued and unpaid interest) in accordance with Condition 9.2.

Unless the Meeting convened pursuant to the preceding paragraph decides that the Bondholders may request an early redemption of the Bonds, each Bondholder who voted according to the minutes of that Meeting for an early redemption or against granting a waiver of the relevant Event of Default or who did not attend the Meeting may, at its discretion, submit an Event of Default Early Redemption Notice and request an early redemption of the Bonds held by it as of the Meeting Attendance Record Date (as defined in Condition 12.2.1) and not disposed of thereafter and the accrued and unpaid interest on those Bonds in accordance with Condition 5.1, as of the Event of Default Early Redemption Date, and the Issuer is obliged to redeem such Bonds (together with accrued and unpaid interest) in accordance with Condition 9.2.

"**Event of Default**" means any of the following situations:

(a) Payment Default

Any payment payable to the Bondholders with respect to the Bonds is not paid on the due date and the default remains unremedied for more than ten Business Days after the date on which the Issuer was informed of this fact

in writing by any Bondholder by a letter addressed to the Issuer and delivered to the Fiscal and Paying Agent to the address of the Specified Office.

(b) Breach of the LTV Ratio

The Issuer breaches or fails to meet its obligation to maintain the LTV Ratio set out in Condition 4.2, whereas the breach of this obligation is counted from the beginning regardless of the time limit for the Equity Cure.

(c) Breach of Other Obligations

The Issuer, the Guarantor or any Security Provider breaches or fails to meet any of its obligations (other than those set out in paragraphs (a) and (b) above) in connection with the Bonds, including the obligations arising under these Terms and Conditions, the Financial Guarantee, the Security Documents and the Security Agent Agreement (for the avoidance of doubt, as such obligation is not considered any fact creating the right of a Bondholder to require early redemption pursuant to Condition 6.5), and the breach of, or failure to meet, the obligation is not remedied within (and including) 15 Business Days after the date on which the Issuer was informed of this fact in writing by any Bondholder by a letter addressed to the Issuer and delivered to the Fiscal and Paying Agent to the address of the Specified Office.

(d) Cross Default

Any debt (including any debt in respect of any provided guarantee, financial guarantee or indemnity) of the Issuer or any member of DKHI Group, which in aggregate reaches at least EUR 15,000,000 or its equivalent in any other currency, (i) becomes prematurely due before the original maturity date other than at the option of the Issuer or the relevant member of DKHI Group or (provided that there has been no event of default, however indicated) at the option of the creditor and is not paid within ten Business Days, unless in the meantime the debt ceases to exist, or (ii) is not paid when it becomes due after expiry of any relevant grace period (originally agreed), unless this debt ceases to exist in the meantime.

(e) Termination of Business Activities

The Issuer, the Guarantor, EPAS or any Material Member of DKHI Group ceases to carry on its principal business or ceases to hold a valid licence or permit to pursue its principal business.

(f) Insolvency or Insolvency Petition

(A) The Issuer, the Guarantor, EPAS or any Material Member of DKHI Group proposes to the relevant court to initiate insolvency proceedings, declare bankruptcy of its assets, permit reorganisation or debt relief or similar proceedings (the "**Insolvency Petition**"), the purpose of which is to collectively or gradually satisfy creditors under applicable law; (B) the Insolvency Petition with respect to the Issuer, the Guarantor, EPAS or any Material Member of DKHI Group is filed with the relevant court by any of its creditors or any other person (except for the Insolvency Petitions in respect of which it is proven to the Fiscal and Paying Agent by the Issuer that with regard to statutory conditions they are manifestly unsubstantiated or filed arbitrarily or purposively, provided that the Issuer, the Guarantor, EPAS or the relevant Material Member of DKHI Group duly takes all steps in order for the relevant Insolvency Petition to be promptly dismissed or rejected); (C) the Issuer, the Guarantor, EPAS or any Material Member of DKHI Group (or any of their assets) is declared insolvent or bankrupt by the relevant court or other competent authority, a reorganisation or debt relief is allowed or any other similar proceedings are initiated; (D) the Insolvency Petition filed by or against the Issuer, the Guarantor, EPAS or any Material Member of DKHI Group is rejected or the insolvency proceedings is discontinued by the competent authority on the grounds that the Issuer's assets, the Guarantor's assets, EPAS's assets or assets of any Material Member of DKHI Group would not cover the costs and expenses of the proceedings; (E) the Issuer, the Guarantor, EPAS or any Material Member of DKHI Group proposes, enters into an agreement or takes any step with the aim to declare any moratorium in relation to it or any of its debts or any such moratorium is declared by operation of law or under a judicial or administrative decision; or (F) the Issuer, the Guarantor, EPAS or any Material Member of DKHI Group proposes, enters into an agreement or takes any step with the aim to postpone, set a schedule or otherwise adjust all of its

debts on the grounds that it is unable to settle them at maturity or any such postponement, rescheduling or adjustment takes effect by operation of law or under a judicial or administrative decision.

(g) Liquidation

A final decision of an authority of the relevant jurisdiction or a decision of the relevant body of the Issuer, the Guarantor, EPAS or any Material Member of DKHI Group is adopted on dissolution with liquidation.

(h) Judicial and Other Decisions

(A) The Issuer or any member of DKHI Group fails to comply with a payment obligation finally imposed by the competent authority which, individually or in aggregate, exceeds EUR 15,000,000 or its equivalent in any other currency within the period specified in the relevant decision or within 30 days of receipt of that decision, whichever comes later; or (B) any judicial or administrative proceedings on the execution of a decision or distraint are brought against the Issuer or any member of DKHI Group (except for the proceedings in respect of which it is proven to the Fiscal and Paying Agent by the Issuer that with regard to statutory conditions they are manifestly unsubstantiated or brought arbitrarily or purposively, provided that the Issuer or the relevant member of DKHI Group duly takes all steps in order for the relevant proceedings to be promptly discontinued).

(i) Illegality

The Issuer's liabilities under the Bonds or the Guarantor's liabilities arising from the Financial Guarantee cease to be fully or partially legally enforceable or become in breach of applicable laws, or for the Issuer or the Guarantor it becomes illegal to meet any of its obligations under these Terms and Conditions or in connection with the Bonds or the Financial Guarantee, and such state is not remedied within (and including) five Business Days.

(j) Restrictions on Transformations

(A) The Issuer, the Guarantor or EPAS participates in a merger, division, transfer of assets to a shareholder or other transformation, or changes its legal form, or sells or contribute into the registered capital of another company or in any way transfers, pledges or leases its enterprise or any part thereof (a "**Transformation**"); or (B) any other member of DKHI Group participates in any Transformation which has a material adverse effect on the Issuer's ability to pay its liabilities under the Bonds or Guarantor's ability to pay its liabilities under the Financial Guarantee or value of the Security Assets.

No Event of Default under sub-paragraphs (A) or (B) of this paragraph (j) of this Condition 9.1 will occur as a result of any Turkish Project Companies Transfer. No Event of Default under sub-paragraph (B) of this paragraph (j) of this Condition 9.1 will occur as a result of any Transformation in which solely members of DKHI Group participate and as a result of which only members of DKHI Group remain the owners of all assets of all the companies that participated in the relevant Transformation.

(k) Listing of the Bonds

The Bonds are not admitted to trading on the Regulated Market of the PSE or any other regulated market that replaces the Regulated Market of the PSE (or a similar market of any PSE successor) as of the Issue Date at the latest or, at any time after that date, cease to be securities admitted to trading on the Regulated Market of the PSE.

(l) Invalidity or Termination of Financial Guarantee

The Financial Guarantee or any of its provisions become for any reason invalid, ineffective or unenforceable or the validity, effectiveness or enforceability of the Financial Guarantee or any of its provisions is for any reason contested by the Issuer or the Guarantor (by filing an action for the annulment of the Financial Guarantee or of any of its provisions, or otherwise).

(m) Non-establishing of Security or Invalidity or Termination of Security

(A) Any of the Security is not established in accordance with the terms and conditions specified in Conditions 4.9 or 4.10 or within the periods specified in Conditions 4.9 or 4.10; or (B) the Security Agent Agreement or any of the Security Documents or any of its provisions become for any reason invalid, ineffective or unenforceable or the validity, effectiveness or enforceability of the Security Agent Agreement or any of the Security Documents or any of its provisions is for any reason contested by the Issuer or the relevant Security Provider (by filing an action for the annulment of the Security Agent Agreement or any of the Security Documents or of any of its provisions, or otherwise).

(n) Non-funding of the Interest Escrow Account

The Issuer breaches or fails to meet its obligation to fund the Interest Escrow Account set out in Condition 4.11 and the breach of, or failure to meet, the obligation is not remedied within (and including) ten Business Days after the date on which the Issuer was informed of this fact in writing by the Fiscal and Paying Agent by a letter addressed to the Issuer and delivered to the Fiscal and Paying Agent to the address of the Specified Office.

(o) Non-funding of the Sinking Fund Account

The Issuer breaches or fails to meet its obligation to fund the Sinking Fund Account set out in Condition 4.12 and the breach of, or failure to meet, the obligation is not remedied within (and including) ten Business Days after the date on which the Issuer was informed of this fact in writing by the Fiscal and Paying Agent by a letter addressed to the Issuer and delivered to the Fiscal and Paying Agent to the address of the Specified Office.

9.2 Maturity of Bonds Redeemed Early

Any and all amounts payable by the Issuer to any Bondholder will become due and payable as of the last Business Day of the month following the month in which the Bondholder delivered the relevant Event of Default Early Redemption Notice to the Issuer to the address of the Specified Office (the "**Event of Default Early Redemption Date**"), unless the relevant Event of Default is remedied before the delivery or unless the Event of Default Early Redemption Notice is withdrawn in accordance with Condition 9.3.

9.3 Withdrawal of Event of Default Early Redemption Notice

A Bondholder may withdraw, in writing, the Event of Default Early Redemption Notice but only with respect to the Bonds held by such Bondholder and only if such withdrawal is addressed to the Issuer and delivered to the Fiscal and Paying Agent to the address of the Specified Office no later than three Business Days before the relevant amounts become due and payable according to the preceding Condition 9.2. However, any such withdrawal of the Event of Default Early Redemption Notice will not affect any Event of Default Early Redemption Notices given by any other Bondholders.

9.4 Other Conditions for Event of Default Early Redemption of the Bonds

Unless otherwise stipulated in this Condition 9, Condition 7 will apply *mutatis mutandis* to the early redemption of the Bonds pursuant to this Condition 9.

10 Statute of Limitations

All rights attached to the Bonds will become statute-barred upon the expiration of ten years after the day when such rights could have been exercised for the first time.

11 Fiscal and Paying Agent and Listing Agent

11.1 Fiscal and Paying Agent

11.1.1 Specified Office

The specified office of the Fiscal and Paying Agent (the "**Specified Office**") is at the following address:

J&T BANKA, a.s.
Sokolovská 700/113a, Karlín
186 00 Prague 8

11.1.2 Additional and Other Fiscal and Paying Agent and Other Specified Office

At any time, the Issuer may appoint an additional or other Fiscal and Paying Agent and designate an additional or other Specified Office, or appoint additional payment providers, if such change does not affect the position or interests of the Bondholders. The Issuer will give a notice of such change in the Fiscal and Paying Agent or Specified Office and/or of the appointment of additional payment providers to the Bondholders in the manner set out in Condition 14. Any such change will become effective upon the expiration of 15 days following the date of such notice unless a later effective date is specified in the notice. In any event, any such change that would otherwise become effective less than 30 days before or after the Payment Date for any amount payable under the Bonds will become effective on the 30th day following such Payment Date. If such change in the Fiscal and Paying Agent or Specified Office affects the position or interests of the Bondholders, it will be decided upon by the Meeting in accordance with Condition 12.

11.1.3 Relationship between the Fiscal and Paying Agent and the Bondholders

Unless otherwise provided by the Agency Agreement or by law, the Fiscal and Paying Agent will act as an agent of the Issuer when performing its duties under the Agency Agreement, provides no guarantee or security for the Issuer's liabilities under the Bonds, and will be in no legal relationship with the Bondholders.

11.2 Listing Agent

11.2.1 Additional and Other Listing Agent

The Issuer reserves the right to appoint an additional or other Listing Agent.

11.2.2 Relationship between the Listing Agent and the Bondholders

In relation to the performance of obligations under the agreement with the Listing Agent concluded between the Issuer and the Listing Agent (other than the Issuer), the Listing Agent acts as a representative of the Issuer and is not in any legal relationship with the Bondholders.

12 Meeting and Changes of these Terms and Conditions

12.1 Authority and Convocation of the Meeting

12.1.1 Right to Convene the Meeting

The Issuer, a Bondholder or Bondholders may convene a meeting of the Bondholders (the "**Meeting**") only in cases:

- (a) stipulated in these Terms and Conditions, applicable legal regulations and in accordance with them;
- (b) where the Issuer did not convene the Meeting although it was obliged to do so; and
- (c) where the Meeting is envisaged in Conditions 3, 4 or 9.

The costs of organising, convening and holding the Meeting are borne by the convener, unless the Issuer has breached its obligation to convene the Meeting, in which case the Issuer bears the costs of organising, convening and holding the Meeting. The Issuer bears the costs of organising, convening and holding the Meeting in the event that a Meeting envisaged in Condition 4.1, Condition 9.1 or Condition 12.1.2 is convened. The costs related to the attendance at the Meeting will be borne by each participant itself.

The Security Agent is obliged to convene the Meeting without undue delay at the Issuer's expense in any of the following cases:

- (a) the Issuer did not convene the Meeting although it was obliged to do so under Condition 12.1.2; and
- (b) the Meeting is envisaged in Condition 3.8.

In cases where the Meeting is convened by the Security Agent, the Issuer is obliged to provide the Security Agent with any necessary assistance.

If the convener is the Security Agent, a Bondholder or Bondholders, the convener will be required, no later than on the date on which a notice of the Meeting is published under Condition 12.1.3, (i) to deliver to the Fiscal and Paying Agent a request for procuring an extract from the register of the Issue (i.e. evidence of the number of all Bonds entitling the holder(s) to attend the Meeting), and (ii) to pay to the Fiscal and Paying Agent an advance to cover its costs associated with the preparation and convocation of the Meeting (conditions (i) and (ii) are preconditions for an effective convocation of the Meeting).

12.1.2 Meeting Convened by the Issuer

The Issuer is obliged to convene the Meeting without delay and to request the opinion of the Bondholders only if:

- (a) there is a proposal to amend these Terms and Conditions if the consent of the Meeting to amend these Terms and Conditions is required under the Czech Bonds Act (a "**Change of these Terms and Conditions**");
- (b) there are reasons for which the Security Agent's office may be terminated under the Security Agent Agreement (a "**Termination of the Security Agent's Activities**");
- (c) there is a request to change the Security Agent by the Bondholders holding the Bonds whose total nominal value represents at least 5 per cent. of the total nominal value of the Issue (together with the Change of these Terms and Conditions and the Termination of the Security Agent's Activities hereinafter as a "**Material Change**");
- (d) the convocation and holding of the Meeting is envisaged in Condition 3.5;
- (e) the convocation and holding of the Meeting is envisaged in Condition 4.1; and
- (f) the convocation and holding of the Meeting is envisaged in Condition 9.1.

The Issuer is obliged to convene the Meeting to propose a joint procedure if an Event of Default has occurred.

The Issuer may convene the Meeting to propose joint steps if, in its opinion, there may occur an Event of Default.

The Issuer is not obliged to convene the Meeting in cases other than those set out above.

12.1.3 Notice of the Meeting

The convener is obliged to publish a notice of the Meeting in the manner set out in Condition 14 no later than 15 days prior to the date of the Meeting. If the Meeting is convened by the Security Agent or any Bondholder (or Bondholders), the Security Agent or such Bondholder(s) must, within the same time limit, deliver a notice of the Meeting (containing all statutory elements) intended for the Issuer and delivered to the Fiscal and Paying Agent

to the Specified Office. The Issuer must ensure that such notice of the Meeting is published on its website <http://www.energo-pro.com/pro-dkhi-investory>. The notice of the Meeting must contain at least (i) the business name, identification number and registered office of the Issuer, (ii) the identification of the Bonds, namely at least the Bond title, the Issue Date and the ISIN, (iii) the venue, date and time of the Meeting, provided that the date of the Meeting must fall on a date which is a Business Day and the Meeting must not start earlier than at 11:00 a.m., (iv) the agenda of the Meeting and, if any amendment to these Terms and Conditions within the meaning of paragraph (a) of Condition 12.1.2 is proposed, the specification of the proposed amendment and justification thereof, and (v) the Meeting Attendance Record Date (as defined in Condition 12.2.1). The Meeting may decide only on draft resolutions set out in the notice convening it. The Meeting is authorised to decide on any draft resolutions that have not been contained in the notice of the Meeting only in the presence and with the consent of all the Bondholders.

If the reason for convocation of the Meeting ceases to exist, the person who convened the Meeting will revoke the convocation of the Meeting in the same manner in which the Meeting was convened.

12.2 Persons Authorised to Attend and Vote at the Meeting

12.2.1 Persons Authorised to Attend the Meeting

A person entitled to attend and vote at the Meeting can only be (i) a Bondholder recorded as a Bondholder in the register of the Issue maintained by the Central Depository and in an extract from such Issue register at the close of the seventh day prior to the date of the Meeting (the "**Meeting Attendance Record Date**") or (ii) a person who provides to the Fiscal and Paying Agent a certificate of the custodian in whose client's securities account with the Central Depository the relevant number of the Bonds was recorded as of the Meeting Attendance Record Date certifying that such person was a Bondholder as at the Meeting Attendance Record Date and that the Bonds held by such person are registered in the securities account of the custodian by reason of their custodianship (a "**Person Authorised to Attend the Meeting**"). The certificate according to the preceding sentence must be in writing (with officially authenticated signatures) and satisfactory in form and substance to the Fiscal and Paying Agent. If the custodian is a legal entity, the Fiscal and Paying Agent may require such certificate to be accompanied by an original or an officially authenticated copy of an extract from the Commercial Register or other respective register in respect of the custodian not older than three months prior to the date of the relevant Meeting. No transfers of the Bonds made after the Meeting Attendance Record Date will be taken into account.

12.2.2 Voting Rights

Each Person Authorised to Attend the Meeting will have such number of votes out of the total number of votes that corresponds to the ratio of the unpaid nominal amount of the Bonds held by such person on the Meeting Attendance Record Date to the total outstanding nominal amount of the Issue on the Meeting Attendance Record Date. No voting right will be attached to any Bonds held by the Issuer as of the Meeting Attendance Record Date that have not been cancelled by the Issuer within the meaning of Condition 6.3. If the Meeting decides on recalling a common representative, the common representative (if he/she is a Person Authorised to Attend the Meeting) may not exercise his/her voting rights at such Meeting.

A power of attorney granted by a Bondholder to any proxy must be in writing with an officially authenticated signature of the Bondholder. If a Bondholder is a legal entity, the Fiscal and Paying Agent may require from an individual authorised to represent such Bondholder at the Meeting on the basis of a power of attorney or otherwise an original or an officially authenticated copy of an extract from the Commercial Register or other respective register in respect of such Bondholder not older than three months prior to the date of the relevant Meeting.

12.2.3 Attendance of the Meeting by Other Persons

The Issuer is obliged to attend the Meeting, either in person or by proxy. Other persons entitled to attend the Meeting are representatives of the Fiscal and Paying Agent, common representatives of the Bondholders under Condition 12.3.3 (unless he/she is a Person Authorised to Attend the Meeting), any guests invited by the Issuer or the Fiscal and Paying Agent and the Security Agent.

If the Meeting is convened by the Security Agent, held for a reason relating to the Security Agent or in any other case where its presence is required by law or these Terms and Conditions (including Condition 3), the Security Agent is required to attend the Meeting.

12.3 Course of the Meeting; Decision-Making

12.3.1 Quorum

The Meeting will have a quorum if it is attended by the Persons Authorised to Attend the Meeting who were, as of the Meeting Attendance Record Date, Bondholders, i.e. holders of Bonds the unpaid nominal amount of which represents more than 30 % of the aggregate nominal amount of the issued and outstanding part of the Issue. Any Bonds held by the Issuer as of the Meeting Attendance Record Date that have not been cancelled by the Issuer within the meaning of Condition 6.3 will not be taken into account for the purposes of determination of the quorum of the Meeting. If the Meeting decides to recall a common representative, any votes belonging to the common representative (if he/she is a Person Authorised to Attend the Meeting) will not be included in the total number of votes. Before opening the Meeting, the convener will inform the Meeting about the number of all the Bonds and the Persons Authorised to Attend the Meeting in accordance with these Terms and Conditions.

12.3.2 Chairman of the Meeting

A Meeting convened by the Issuer will be chaired by a chairman appointed by the Issuer. A Meeting convened by the Security Agent, a Bondholder or Bondholders will be chaired by a chairman elected by a simple majority of votes of the attending Persons Authorised to Attend the Meeting. Until the chairman is elected, the Meeting will be chaired by a person appointed by the convening Security Agent or Bondholder(s), and the election of the chairman must be the first item on the agenda of any Meeting not convened by the Issuer.

12.3.3 Common Representative

The Meeting may elect, by resolution, an individual or a legal entity to act as a common representative. In accordance with the Czech Bonds Act, the common representative is authorised (i) to exercise, on behalf of all of the Bondholders, any rights associated with the Bonds to the extent specified in a resolution adopted by the Meeting, (ii) to supervise the compliance with these Terms and Conditions by the Issuer, and (iii) to execute, on behalf of all of the Bondholders, any other acts or protect the Bondholders' interests in the manner and to the extent specified in a resolution adopted by the Meeting. The Meeting may recall the common representative in the same way in which the common representative was elected or replace him/her with a new common representative. An agreement on appointment of the common representative shall be publicly available on the Issuer's website under Condition 14.

12.3.4 Decision-Making at the Meeting

The Meeting will decide on any issues on its agenda in the form of resolutions. Any resolution that (i) approves a proposal under Conditions 3.5, 4.1 or 12.1.2; or (ii) appoints or recalls a common representative, will require the affirmative vote of a Qualified Majority. Unless otherwise provided by law, any other resolutions will require a simple majority of the votes of the attending Persons Authorised to Attend the Meeting in order to pass.

12.3.5 Adjournment of a Meeting

If within one hour after the scheduled opening the Meeting does not have a quorum, then such Meeting will be automatically dissolved without further notice. The Issuer or another convener of the Meeting will convene, if it is still necessary, a substitute Meeting to be held no later than six weeks after the scheduled date of the original Meeting. The holding of a substitute Meeting with an unchanged agenda will be notified to the Bondholders no later than 15 days after the scheduled date of the original Meeting.

If a Meeting that is to decide on changes of these Terms and Conditions pursuant to paragraph (a) of Condition 12.1.2 does not have a quorum within one hour after the scheduled opening of the Meeting, the Issuer or another convener of the Meeting will convene, if it is still necessary, a substitute Meeting to be held no later than six weeks

after the scheduled date of the original Meeting. The holding of a substitute Meeting with an unchanged agenda will be notified to the Bondholders no later than 15 days after the scheduled date of the original Meeting. The substitute Meeting deciding on changes of these Terms and Conditions pursuant to paragraph (a) of Condition 12.1.2 will have a quorum irrespective of the conditions for quorum set out in Condition 12.3.1.

12.4 Certain Additional Rights of the Bondholders

12.4.1 Consequence of Voting against Certain Resolutions of the Meeting

If the Meeting (i) approved a Material Change in accordance with Condition 12.1.2, (ii) or as part of its decision-making under Condition 3.5 did not decide on an early redemption of the Bonds and did not decide to extend the time limit for the establishment of the Security and no Security is created until the date of the Meeting, the Person Authorised to Attend the Meeting who, according to the minutes of such Meeting, voted against a resolution adopted by the Meeting or failed to attend the Meeting (the "**Applicant**") may request the repayment of the at the time outstanding nominal amount of the Bonds which such Bondholder held as of the Meeting Attendance Record Date, together with the *pro rata* interest accrued on such Bonds, if the Bonds are not subsequently transferred after the Meeting. This right must be exercised by the Applicant within 30 days of the publication date of such Meeting resolution according to Condition 12.5 by a written application (the "**Application**") addressed to the Issuer and delivered to the Fiscal and Paying Agent to the address of the Specified Office, failing which the right will cease to exist. The amounts referred to above will become due and payable within 30 days from the date the Application was delivered to the Fiscal and Paying Agent (the "**Applicant's Early Redemption Date**").

If the Meeting disagrees with a Material Change with the exception of a change of these Terms and Conditions within the meaning of Section 21(1)(a) of the Czech Bonds Act, i.e. where the consent of the Meeting to change them is required by law, the Meeting may at the same time decide that if the Issuer proceeds in violation of the Meeting's decision, the Bondholder may require the payment of the at the time outstanding nominal amount of the Bonds which the Bondholder held as of the Meeting Attendance Record Date and the Bondholder may further require the payment of the *pro rata* interest on such Bonds accrued in accordance with these Terms and Conditions. This right must be exercised by the Applicant within 30 days of the publication date of such Meeting resolution according to Condition 12.5 by an Application addressed to the Issuer and delivered to the Fiscal and Paying Agent to the address of the Specified Office, failing which the right will cease to exist. The amounts referred to above will become due and payable on the Applicant's Early Redemption Date, i.e. 30 days from the date the Application was delivered to the Fiscal and Paying Agent.

12.4.2 Requirements as to the Application

The Application must specify the number of Bonds the early redemption of which is required and the owner's securities account. The Application must be in writing and signed by persons authorised to act on behalf of the Applicant; the authenticity of such signatures must be officially authenticated. Within the same time limit, the Applicant is obliged to deliver to the Specified Office of the Fiscal and Paying Agent also all the documents required for making the payment under Condition 7.

12.5 Minutes of the Meeting

Minutes of the Meeting will be taken by the person who convened the Meeting or by a person authorised by such person within 30 days after the date of the Meeting. The minutes will contain the conclusions of the Meeting, including, without limitation, any resolutions adopted by the Meeting. If the Meeting is convened by a Bondholder or Bondholders, the minutes of such Meeting must also be delivered to the Issuer and the Fiscal and Paying Agent to the address of the Specified Office no later than 30 days after the date of the Meeting. The Issuer is obliged to keep the minutes of the Meeting until the rights under the Bonds expire under the statute of limitations. The minutes of the Meeting will be available for inspection by the Bondholders at the Specified Office during regular business hours. The Issuer is obliged, in person or through its authorised person (especially the Fiscal and Paying Agent), to publish information on all resolutions adopted at the Meeting in the manner set out in Condition 14 no later than 30 days after the date of the Meeting. If the Meeting discussed a resolution on a Material Change under Condition 12.1.2, a notarial deed must be made about the attendance at the Meeting and about the resolutions of the Meeting,

stating the names of the Persons Authorised to Attend the Meeting that voted for a resolution and the number of the Bonds these persons held as at the Meeting Attendance Record Date.

13 Changes of these Terms and Conditions

In cases stipulated by law, these Terms and Conditions may be amended only with the consent of the Meeting. However, any change of these Terms and Conditions always requires the consent of the Issuer.

14 Notices

Any notice to the Bondholders will be valid and effective if it is published in the Czech or English language on the Issuer's website <http://www.energo-pro.com/pro-dkhi-investory>. If mandatory provisions of applicable laws or these Terms and Conditions determine any other method for publishing any of the notices given hereunder, such notice will be deemed to be validly published upon its publication in the manner prescribed by the relevant legislation or these Terms and Conditions. If a notice is published by more than one manner, as the date of the notice will be considered the date of the first publication.

15 Governing Law, Language and Settlement of Disputes

Any rights and obligations under the Bonds will be governed by, and interpreted and construed in accordance with, the laws of the Czech Republic. These Terms and Conditions may be translated into other languages. In the event of any inconsistencies between the various language versions of these Terms and Conditions, the Czech language version shall prevail.

The court competent to resolve any disputes between the Issuer and the Bondholders in relation to the Bonds (including disputes relating to non-contractual obligations arising therefrom and disputes concerning their existence and validity) is solely the Municipal Court in Prague, unless the agreement on the choice of territorial jurisdiction is not possible in a particular case and the law provides for another locally competent court.

16 Definitions

The terms defined in the singular or the plural shall have the same meanings in these Terms and Conditions even if they are used in the plural or the singular respectively.

In addition to the terms already defined in the text of these Terms and Conditions, for the purpose of these Terms and Conditions the following terms shall have the meanings given below:

"**Account Bank**" means J&T BANKA.

"**Affiliate**" means, in relation to a person (the "**Relevant Person**"), (i) a person controlled or influenced by the Relevant Person, or (ii) a person controlling the Relevant Person or having an influence on the Relevant Person, or (iii) a person controlled or influenced by the same person that controls the Relevant Person (or which is a person having an influence on the Relevant Person).

"**Alpaslan 2 Project Company**" means Murat Nehri Enerji Üretim Anonim Şirketi, with its registered office at Çukurambar Mahallesi 1480. Sokak No: 2A/43 Çankaya, Ankara, Turkey, registered before the Ankara Trade Registry under registration number 411762.

"**Alpaslan 2 Project Company Transfer**" means a transfer of the shares in the Alpaslan 2 Project Company, as the owner and operator of the Project, from ENERGO-PRO Hydro Development, s.r.o., with its registered office at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, identification number: 058 31 407, incorporated in the Commercial Register maintained by the Municipal Court in Prague, file no. C 271619 ("**EPHD**"), or of the shareholding interest in EPHD, in each case to EPAS, as a result of which EPAS (i) holds, directly or indirectly, a 100 % participation in the registered capital of, and voting rights in, the Alpaslan 2 Project Company; and (ii) holds the right to appoint all the members of the board of directors or similar body of the Alpaslan 2 Project Company.

"Bonds Outstanding" means the aggregate outstanding nominal amount of all Bonds, except the Bonds held by the Issuer.

"Business Day" means any day (other than a Saturday or Sunday) on which banks in the Czech Republic are open for business, and on which foreign exchange transactions and interbank payments in the Czech Koruna, or in any other lawful currency of the Czech Republic that may replace the Czech Koruna, are settled.

"CAS" means generally accepted accounting principles in the Czech Republic.

"Cash Equivalents and Short-term Financial Assets" mean:

- (a) direct bonds (or certificates representing a share of such bonds) issued or unconditionally guaranteed by the government of a Member State of the European Union prior to the 2004 expansion, the United States of America, the Czech Republic, the Slovak Republic or Switzerland (including each agency or subordinated government organisation) whose redemption is supported in full faith and confidence in the state concerned and which are not redeemable early at the option of the person concerned;
- (b) overnight bank deposits, term deposit accounts, certificates of deposit, bank acceptances and money market deposits with agreed maturity (and similar instruments) within 12 months of their acquisition;
- (c) repurchase bonds of a maximum of 30 days for specific types of underlying securities specified in paragraph (a) and (b) above that have been agreed with any financial institution subject to the conditions set out in paragraph (b) above;
- (d) commercial security awarded one of the two highest Moody's or S&P ratings with a maturity of one year from the date of acquisition; and
- (e) money market funds representing at least 95 % of the assets included in the relevant types of the aforesaid Cash Equivalents and Short-term Financial Assets.

"Central Depository" means Centrální depozitář cenných papírů, a.s., with its registered office at Rybná 14, 110 05 Prague 1, identification number: 250 81 489, incorporated in the Commercial Register kept by the Municipal Court in Prague, file no. B 4308.

"Chosen Auditor" means any reputable auditor company providing auditor services in accordance with the law of the relevant jurisdiction.

"Condition" means an individual condition of these Terms and Conditions.

"Czech Capital Market Act" means Act No. 256/2004 Coll., on Capital Market Business, as amended.

"Czech National Bank" means the Czech National Bank within the meaning of Act No. 6/1993 Coll., on the Czech National Bank, as amended.

"CZK" or "Czech Koruna" means the Czech Koruna, the lawful currency of the Czech Republic.

"Distribution" means:

- (a) making of any direct or indirect payment of any subordinated or other Indebtedness (including interest payments);
- (b) proposing any resolution on distribution, or distributing or paying any dividend, other share of profit, share in the registered capital or equity, other payment related to the capital of a relevant person, interest on unpaid dividends, other payment or similar amount (e.g. dividend advance or interest on unpaid dividends);
- (c) providing any credit, loan, (obligation or *in rem*) security or affirmation; or
- (d) without prejudice to the generality of any of the items referred to in paragraphs (a) to (c) above, repaying or paying any Ultimate Controlling Person Indebtedness.

"**DKHI Group**" means DKHI and its Subsidiaries.

"**Early Redemption Date of the Bonds**" means the Issuer's Early Redemption Date (as defined in Condition 6.4) or the Bondholder's Early Redemption Date (as defined in Condition 6.5) or the Event of Default Early Redemption Date (as defined in Condition 9.2) or the Applicant's Early Redemption Date (as defined in Condition 12.4.1).

"**EBITDA**" means, with respect to DKHI for any period, earnings before interest, taxes, depreciation and amortization (EBITDA), as stated in the most recent annual consolidated statement of comprehensive income forming part of the financial statements most recently drawn, or where DKHI for any period does not report EBITDA, EBITDA will be calculated as earnings before financial expenses and taxes (EBIT) plus depreciation and amortization expense, each as stated in the most recent annual consolidated statement of comprehensive income forming part of the financial statements most recently drawn.

"**EPAS**" means ENERGO - PRO a.s., with its registered office at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, identification number: 632 17 783, incorporated in the Commercial Register maintained by the Municipal Court in Prague, file no. C 20745.

"**EPAS Group**" means EPAS and its Subsidiaries.

"**EUR**" means the single currency of the European Union.

"**Event of Default**" means any of the events referred to in Condition 9.1

"**Fiscal and Paying Agent's Account**" means the Fiscal and Paying Agent's internal account intended for payments of the principal amount of the Bonds and the accrued interest attached, whereas the Issuer shall not be authorized to dispose of this account in any way and credit balances on this account shall bear no interest.

"**Free Cash**" means, at any time, cash in hand or at bank and (in the latter case) credited to an account in the name of a relevant person (the "**Account Holder**") with any bank licenced in any Member State of the European Union, state that is a member of the OECD, Georgia or any other country approved in advance by the Fiscal and Paying Agent and to which the Account Holder is alone beneficially entitled and for so long as:

- (a) that cash is repayable on demand;
- (b) repayment of that cash is not contingent on the prior discharge of any other indebtedness of the Account Holder or of any other person whatsoever or on the satisfaction of any other condition; and
- (c) there is no Other Security over that cash constituted by a netting or set-off arrangement entered into by the Account Holder in the ordinary course of its banking arrangements.

The condition set out in paragraph (a) above shall not apply to any cash blocked at an account designated as a reserve or blocked account for discharge of indebtedness of the Account Holder owed to a creditor of that indebtedness.

"**IFRS**" means International Financial Reporting Standards (IFRS and IFRIC Interpretation), as amended and adopted by European Union legislation, which are consistently applied.

"**Indebtedness**" means any below indebtedness of a relevant person that will, except for indebtedness described in paragraphs (g) and (h) below, be considered as a liability recognised in the balance sheet according to IFRS of the relevant person (if certain indebtedness has elements of more than one category of Indebtedness, it will be counted only once):

- (a) borrowed funds;
- (b) note purchase facility or bond issue (including the Bonds), debentures, loan stock or any other similar instrument;
- (c) redeemable preference shares;

- (d) factoring or any other assignment of claims for consideration in which there may occur a reassignment of the claims to the assignor in the extent of potential consideration or monetary compensation for the reassignment or recourse (except for claims sold without recourse if there are met the requirements on elimination from the balance sheet (derecognising) according to IFRS);
- (e) any debt arising from any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;
- (f) acquisition price of assets in the extent in which it is paid after delivery of the assets within a period exceeding 90 days if the deferral of maturity is agreed primarily as a method of obtaining financing, or financing of acquisition of the relevant assets, excluding lease financing as defined under IFRS;
- (g) any derivative transaction entered into in connection with the protection against fluctuations of rates of prices (for the purposes of calculation of Indebtedness will be used the prevailing marked-to-market value of the derivative transaction);
- (h) any counter-indemnity obligation to a third party that satisfied the debtor's or obligor's debt (including a recourse claim) from a guarantee, indemnity, bond, stand-by letter of credit, documentary letter of credit or any other instrument issued by a bank or a financial institution (except for a supplier credit in connection with ordinary business activities of the relevant person), whereas in the calculation of Indebtedness solely for the purposes of the definition "Net Indebtedness" only those counter-indemnity obligations that are duly called in accordance with the relevant instrument shall be counted;
- (i) any other transaction (including forward purchase or sale contracts) that has the business effect of a simple loan or a loan; or
- (j) (without double counting) the amount of any debt in respect of any provided guarantee, financial guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above.

"Interest Escrow Account" means the Issuer's account maintained by the Account Bank and pledged in favour of the Bondholders or the Security Agent as a pledgee which shall be used to maintain reserves for payment of the interest accrued on the Bonds.

"Interest Period" means the six-month period from (and including) the Issue Date to (but excluding) the first Interest Payment Date, and each immediately following six-month period from (and including) the Interest Payment Date to (but excluding) the next Interest Payment Date until (but excluding) the Final Maturity Date of the Bonds. For the purposes of determining the Interest Periods, the Interest Payment Date will not be adjusted according to the Business Day convention pursuant to Condition 7.3.

"J&T BANKA" means J&T BANKA, a.s., with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, identification number: 471 15 378, incorporated in the Commercial Register kept by the Municipal Court in Prague, file no. B 1731.

"Karakurt Project Company" means Bilsev Enerji Üretim ve Ticaret Anonim Şirketi, with its registered office at Çukurambar Mahallesi 1480. Sokak No: 2 Besa Kule A Blok Kat: 12 No: 43-44-45-46 Çankaya, Ankara, Turkey, registered before the Ankara Trade Registry under registration number 218866.

"Karakurt Project Company Transfer" means a transfer of the shares in the Karakurt Project Company from ENERGO-PRO Turkish Development s.r.o., with its registered office at Na pořící 1079/3a, Nové Město, 110 00 Prague 1, identification number: 054 57 696, incorporated in the Commercial Register maintained by the Municipal Court in Prague, file no. C 263943 ("EPTD"), or of the shareholding interest in EPTD, in each case to EPAS, as a result of which EPAS (i) holds, directly or indirectly, a 100 % participation in the registered capital of, and voting rights in, the Karakurt Project Company; and (ii) holds the right to appoint all the members of the board of directors or similar body of the Karakurt Project Company.

"Lead Manager" means J&T BANKA.

"LTV Ratio" means a value calculated using the following formula:

- (a) the Bonds Outstanding as at the date preceding the Testing Date by no more than ten days / (divided by)

- (b) the aggregate Value (i) as set out in the Valuation as at the date preceding the Testing Date by no more than three months with respect to paragraph (a) of the definition "Value"; and (ii) as at the Testing Date with respect to paragraph (b) of the definition "Value".

"Material Member of DKHI Group" means, at any time, a member of DKHI Group which has earnings before interest, tax, depreciation and amortisation calculated on the same basis as EBITDA representing 10 % or more of EBITDA of DKHI Group, calculated on a consolidated basis.

"Meeting Attendance Record Date" has the meaning set out in Condition 12.2.1.

"Net Indebtedness" means the Indebtedness, including (without double counting) any Ultimate Controlling Person Indebtedness, of DKHI on a consolidated basis after deducting the total amount of Free Cash and Cash Equivalents and Short-term Financial Assets of DKHI on a consolidated basis. Any Indebtedness or any Ultimate Controlling Person Indebtedness which is contractually subordinated to the liabilities under the Bonds is not included in the calculation of the Net Indebtedness.

"Net Indebtedness Ratio" means, as of the relevant determination date, the ratio of Net Indebtedness to EBITDA for the last completed Relevant Period for which financial statements are available, and where: (a) Net Indebtedness is determined as of a date which may not precede the determination date by more than 30 days; and (b) EBITDA is determined for the last completed Relevant Period immediately preceding the determination date and for which financial statements are available.

"Other Security" means any pledge, security assignment of a right, lien or any other form of *in rem* security, including (among others) any similar institute under the law of any jurisdiction, other than the Security under the Security Documents.

"Permitted Level" means 0.5 (zero point five).

"Project" means Alpaslan 2 dam and 288.66 MWm/280 MWe hydroelectric power plant located in Muş, the Republic of Turkey, owned and operated by Alpaslan 2 Project Company.

"PSE" means Burza cenných papírů Praha, a.s. (in English: Prague Stock Exchange), with its registered office at Rybná 14, 110 05 Prague 1, identification number: 471 15 629, incorporated in the Commercial Register kept by the Municipal Court in Prague, file no. B 1773.

"Qualified Majority" means a two-third majority of the votes of the present Persons Authorised to Attend the Meeting.

"Record Date for Payment" is a day falling 30 days prior to the relevant Payment Date; however, for the purposes of determining the Record Date for Payment, the relevant Payment Date will not be adjusted according to the Business Day convention.

"Regulated Market of the PSE" means the European regulated market operated by the PSE in accordance with Section 55 *et seq.* of the Czech Capital Market Act.

"Relevant Period" means each 12-month period ending on 31 December.

"Restricted Person" means:

- (a) in relation to the Issuer and the Guarantor, any of its Affiliates which is not a member of DKHI Group or any of its shareholders (direct or indirect); and
- (b) in relation to any member of DKHI Group other than the Issuer or the Guarantor, any of its Affiliates which is not a member of DKHI Group.

"Sinking Fund Account" means the Issuer's account maintained by the Account Bank and pledged in favour of the Bondholders or the Security Agent as a pledgee which shall be used to maintain reserves for redemption of the Bonds.

"Specified Office" has the meaning set out in Condition 11.1.1.

"**Subsidiary**" means any person in which another person has a direct or indirect participation of at least 50 % in the registered capital or voting rights or has the right to appoint or recall a majority of the persons that are members of the governing body or supervisory body of the person, or persons in a similar position, or may push through such appointment or recalling, or whose financial statements are included in the consolidation level of the controlling person, or whose financial statements are consolidated with the financial statements of the controlling person in accordance with IFRS.

"**Turkish Energy Regulator**" means the Energy Market Regulatory Authority of the Republic of Turkey.

"**Turkish Project Companies Transfers**" means the Alpaslan 2 Project Company Transfer and the Karakurt Project Company Transfer.

"**Ultimate Controlling Person**" means Mr. Jaromír Tesař, born on 9 January 1973.

"**Ultimate Controlling Person Indebtedness**" means any subordinated or other Indebtedness (including interest payments) towards the Ultimate Controlling Person or any deferred purchase price or any other debt arising from any share purchase, acquisition or any other contract owed towards the Ultimate Controlling Person.

"**Valuation**" means a valuation of the Pledged Shares prepared by the Valuation Expert.

"**Valuation Expert**" means any financial advisory entity of KPMG, Deloitte, PricewaterhouseCoopers, Ernst & Young, BDO or Grant Thornton (whereas no such entity may serve as the Valuation Expert if, and for so long as, it or any of its Affiliates serves as an auditor of DKHI), or any other person approved in advance by the Fiscal and Paying Agent.

"**Value**" means the aggregate of:

- (a) the market value of the Pledged Shares based on the most recent Valuation; and
- (b) the positive balance standing to the credit of the Sinking Fund Account (if any).

"**YEKDEM**" means renewable energy resources support mechanism (in Turkish: *Yenilenebilir Enerji Kaynakları Destekleme Mekanizması*) applicable to hydroelectric power plants in the Republic of Turkey pursuant to the provisions of the Law on Use of Renewable Energy Resources for the purpose of Generating Electricity Energy (Law No. 5346) (published in the Official Gazette dated 10 May 2005 and numbered 25819) and the Regulation on Renewable Energy Support Mechanism (published in the Official Gazette dated 29 April 2016 and numbered 29698).

If the Issuer undertakes in these Terms and Conditions to ensure that a third party meets any obligation, the Issuer undertakes this within the meaning of Section 1769, second sentence, of the Czech Civil Code, i.e. that the Issuer will compensate for any damage incurred by the Bondholders if the third party fails to meet that obligation. For the avoidance of doubt, the first sentence of Section 1769 of the Czech Civil Code will not apply in such an event.

Unless a contrary indication appears, any reference in these Terms and Conditions to "**including**" means "including without limitation".

In relation to the calculation of all financial indicators set out in the definitions included in this Condition 16, if any value has elements of more than one category of values for the calculation of the relevant indicator coefficient, it will be counted only once.

If a term used in the definitions included in this Condition 16 is not defined, it has the meaning assigned to it in IFRS.

VIII. INTEREST OF PERSONS INVOLVED IN THE ISSUE

The Issuer is not aware of any interest of persons involved in the Issue or offer of the Bonds which would be material to the Issue or offer of the Bonds, except for the interests of the Lead Manager, which places the Bonds on the market, the Arranger and the Fiscal and Paying Agent.

The Lead Manager also acts as the Fiscal and Paying Agent, the Listing Agent and the Security Agent.

IX. REASONS FOR THE OFFER AND USE OF PROCEEDS

The Issuer expects that the total costs of preparing the issue of the Bonds, i.e. the costs of the Lead Manager's fee, costs of the Issuer's auditor, fees of the Central Depository and CNB and certain additional costs associated with the issue of the Bonds or its placement on the market, will not exceed (i) 2.2 per cent. of the total expected nominal value of the Issue, i.e. excluding an increase, if any (i.e. CZK 11,660,000), or (ii) 2.1 per cent. of the total nominal value of the Issue if the maximum total nominal value of the Bonds are issued, including an increase, if any (i.e. CZK 22,260,000). The net proceeds of the Issue for the Issuer (if the total expected nominal value of the Bonds are issued, i.e. excluding any increase) is approx. CZK 518,340,000 or approx. CZK 1,037,740,000 in case of the maximum increase of the nominal value of the Issue.

The Bonds are offered, and the net proceeds from the Bonds will be used for, deposit into the Interest Escrow Account, for financing of investments into renewables resources and for general corporate purposes. Out of the net proceeds of the Issue, the Issuer will use the amount of CZK 34.450.000 to fund the Interest Escrow Account. The remaining net proceeds will be used by the Issuer for distribution to the DKHI Group in the form of loans, borrowings and other forms of financing. The Issuer expects that the proceeds will be subsequently used for the purposes of investments into renewables resources and for general corporate purposes of the DKHI Group companies. As at the date of the Prospectus, it has not been decided on the allocation of those proceeds towards specific projects or other specific uses.

X. INFORMATION ABOUT THE ISSUER

1 Auditors

As the Issuer was registered in the Commercial Register on 3 August 2020 and has not performed any commercial activities since its incorporation, no audited annual financial statements have been prepared. The interim financial statements of the Issuer for the period 3 August 2020 to 31 August 2020, which consist of the interim statement of financial position as at 31 August 2020, and the interim statement of comprehensive income, the interim statement of changes in equity and interim statement of cash flows for the period from 3 August 2020 to 31 August 2020, and notes to the interim financial statements, including a summary of significant accounting policies, and explanatory notes, have been audited by the independent Auditor of the Issuer:

Trade name:	<i>Ernst & Young Audit, s.r.o.</i>
Certificate No.:	401
Registered office:	Na Florenci 2116/15, Nové Město, 110 00 Prague 1
Professional organisation membership:	The Chamber of Auditors of the Czech Republic
Responsible person:	Jiří Křepelka
Certificate No.:	2163

To the best of the Issuer's knowledge, the Auditor has no material interest in the Issuer. For the purposes of this declaration, the Issuer has considered, without limitation, the following material facts with regard to its relationship with the Auditor: any (i) ownership of shares issued by the Issuer or of shares of ownership interests in companies which form a group with the Issuer, or of any options to acquire or subscribe such shares or ownership interests; (ii) employment with, or compensation from, the Issuer; (iii) membership in the bodies of the Issuer; and (iv) relationship with the Lead Manager or listing of the Bonds on the Regulated Market of the PSE.

2 Risk Factors Related to the Issuer

The risk factors related to the Issuer are provided in Section 1 of Chapter III of the Prospectus titled *Risk factors related to the Issuer*.

3 Information about the Issuer

3.1 Basic Information about the Issuer

Legal and commercial name:	ENERGO-PRO Green Finance s.r.o.
Place of registration:	The Issuer is incorporated in the Commercial Register maintained by the Municipal Court in Prague, file no. C 335515
Identification number:	093 85 801
Legal entity identifier (LEI):	315700V95FJQL6ANM434
Date of incorporation:	The Issuer was incorporated in the Commercial Register on 3 August 2020. The issuer was established for the indefinite period of time.
Domicile and country of incorporation:	Czech Republic
Legal form:	Limited liability company
Governing law:	Czech Republic
Legislation under which the Issuer operates:	The Civil Code, The Act on Business Corporations The Trade Licensing Act The Insolvency Act

Registered office: Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic

Telephone number: +420 222 310 245

E-mail: ir@energo-pro.com

Website: <http://www.energo-pro.com/pro-dkhi-investory>
The information available on the website is not part of the Prospectus unless such information is incorporated in the Prospectus by reference.

3.2 History and Development of the Issuer

The Issuer was established on 21 July 2020 pursuant to the memorandum of association (NZ 782/2020 N 589/2020) under Czech law as a limited liability company with a business name ENERGO-PRO Green Finance s.r.o. The Issuer was incorporated in the Commercial Register administered by the Municipal Court in Prague under file no. C 335515 on 3 August 2020.

The Issuer is a company incorporated for the purpose of issuing the Bonds and has not carried out any significant business activity in the past.

3.3 Recent Events Particular to the Issuer

The Issuer is not aware of any event particular to it which would have a material impact on the assessment of the Issuer's solvency.

3.4 Credit Rating

The Issuer was not assigned any credit rating by a company registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council (the "CRA Regulation") or any other company.

3.5 Material Changes in the Issuer's Financing Structure

The Issuer is a newly incorporated company. No material change has occurred in the Issuer's financing structure since its incorporation.

3.6 Description of the Issuer's Financing Activities

The Issuer was established for the purpose of issuing of the Bonds and distribution of the proceeds from the Bonds to the DKHI Group companies in the form of loans, borrowings or other forms financing. Its anticipated future activity does not require significant funding. The source of its future funding is thus in particular the proceeds from the Bonds and income generated from financing provided to companies in the DKHI Group companies. Source of the funds for the Sinking Fund Account (as defined in the Terms and Conditions) will be repayment of the loan to be provided by the Issuer to the Guarantor from the proceeds from the Bonds.

3.7 Registered Capital of the Issuer

The registered capital of the Issuer is CZK 100,000 and has been paid up in full.

3.8 Goal and Purpose of the Issuer

The Issuer was established for the purpose of issuing of the Bonds and distribution of the proceeds from the Bonds to the DKHI Group companies in the form of loans, borrowings or other forms financing.

3.9 Outstanding Loans and Investment Instruments Issued by the Issuer

As at the date of this Prospectus, the Issuer has no outstanding loans and issued no investment instruments that would give rise to credit exposure to third parties.

3.10 Information about the Number of Employees

As at the date of this Prospectus, the DKHI Group companies employ over 9,700 employees. The Issuer does not employ any employees.

4 Business, Objectives and Activities of the Issuer

The Issuer was established for the purpose of issuing of the Bonds and is not engaged in any other material commercial activity.

5 Organisational Structure of the Issuer

5.1 Issuer's shareholder structure and its position in the DKHI Group

The Issuer is owned by the Guarantor, which holds shareholding interest representing 100 per cent. of the Issuer's registered capital and voting rights. The Guarantor is wholly owned by Mr. Jaromír Tesař.

The Issuer is not aware of any agreements that may lead to a change in control of the Issuer. As at the date of the Prospectus, no measures against abuse of control of the Issuer have been adopted.

The Issuer has no subsidiaries.

5.2 Issuer's Dependence on the DKHI Group companies

The Issuer is entirely dependent on the Guarantor, which results from its ownership of a 100 per cent. shareholding interest and voting rights in the Issuer. The Issuer was established for the purpose of issuing the Bonds and other securities and providing loans and credits or other financing to other DKHI Group entities.

The Issuer's ability to meet its obligations will thus be significantly affected by ability of the given member of the DKHI Group to meet its obligations towards the Issuer, which creates a dependence of the Issuer's sources of income on the given member of the DKHI Group and its economic results as well as economic results of the DKHI Group.

As of the date of preparation of this Prospectus, the Issuer has not provided any loans / credits to the DKHI Group entities, nor has it issued any investment instruments that would establish the Issuer's credit exposure to a third party.

6 Information about Trends

6.1 No Material Adverse Change

The Issuer declares that there has been no significant negative change in the Issuer's prospects since its incorporation.

6.2 Information about Known Trends

The Issuer declares that since the date of the last published opening financial statements, there has been no significant negative change in its prospects or any significant changes in the financial performance of the Issuer or the DKHI Group.

The Issuer is not aware of any trends, uncertainties, demands, liabilities or events that could reasonably have a significant effect on the Issuer's prospects for at least the current financial year.

More detailed information on trends that affect the DKHI Group and, indirectly, the Issuer and the Guarantor is provided in Section 8.2 of Chapter XI (*Information about the Guarantor and DKHI Group*) of this Prospectus.

7 Profit Forecasts or Estimates

The Issuer has not forecasted or estimated any profit in the format complying with the requirements of the Prospectus Regulation, therefore no such forecast or estimate has been included in this Prospectus.

8 Administrative, Management and Supervisory Bodies of the Issuer

8.1 Directors

The Directors are the statutory body of the Issuer. The Directors are responsible for the business management of the Issuer and for any other powers that are not entrusted to another body of the Issuer by the constitutional documents,

the law or a decision of a competent public authority. The Directors ensure proper accounting, present to the General Meeting for approval the ordinary, extraordinary, consolidated and, if any, interim financial statements and the proposal for the distribution of profit or settlement of a loss in accordance with the constitutional documents. The Directors are appointed and removed by the General Meeting.

Each Director represents the company independently to the full extent.

As at the date of this Prospectus, the Directors of the Issuer are:

Mr. Jaromír Tesař	Executive Director
Mr. Petr Tesař	Executive Director
Mr. Pavel Váňa	Executive Director

Term commencement date:

21 July 2020

Business address of each member of the Directors is at Na pořiči 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic.

Jaromír Tesař – Executive Director

His principal activities outside of the Issuer where these are significant with respect to the Issuer are:

- executive director and sole shareholder of DKHI;
- chairman of the board of directors of EPAS;
- member of the board of directors of Dolnolabské elektrárny;
- executive director of EP Assets Turkey;
- executive director of EP Hydro Development;
- executive director of EPMVE;
- executive director of EP Turkish Development;
- chairman of the supervisory board of EP Georgia;
- chairman of the supervisory board of EPG Generation;
- chairman of the board of directors of RH Turkey.

Petr Tesař – Executive Director

His principal activities outside of the Issuer where these are significant with respect to the Issuer are:

- member of board of directors of EPAS;
- chairman of the board of directors of Litostrój Engineering;
- executive director of EP Assets Turkey;
- executive director of EP Hydro Development;
- executive director of EP Turkish Development;
- executive director of MEGAWATT SERVIS s.r.o.
- member of the supervisory board of EPG Generation;
- member of the supervisory board of EP Georgia;
- member of the board of directors of RH Turkey.

Pavel Váňa – Executive Director

His principal activities outside of the Issuer where these are significant with respect to the Issuer are:

- member of board of directors of EPAS;
- chairman of the board of directors of Litostrój Engineering;
- executive director of EP Assets Turkey;
- executive director of EP Hydro Development;
- executive director of EP Turkish Development;
- executive director of EPI;
- executive director of EPMVE;
- member of the board of directors of RH Turkey.

8.2 Audit Committee

The Issuer has established an Audit Committee. The Audit Committee mainly supervises the procedure of preparing financial statements, evaluates effectiveness of internal control, internal audit and the risk management system, approves acceptance of nonaudit services of the Issuer from an auditor and undertakes other activities that set out in the constitutional documents of the Issuer and in accordance with applicable law.

As at the date of this Prospectus, the Members of the Audit Committee of the Issuer are:

Mr. Petr Milev	Chairman of the Audit Committee
Mr. Martin Rejna	Member of the Audit Committee
Mr. Jakub Skavroň	Member of the Audit Committee

8.3 Declaration on Conflict of Interest and Compliance with the Sound Corporate Management and Governance Regime

The Issuer is not aware of any potential conflict of interest between the Issuer-related obligations of the Issuer's Directors and their private interest or other obligations, but the discharge of their office as Directors or Supervisory Board members of the companies specified in Article 9.1 may involve a conflict of interest due to the fact that they are also members of the bodies of the other companies and also follow the interests of such companies or those of the persons controlled by such companies. The Issuer complies with all the sound governance and management requirements set by the applicable laws and regulations of the Czech Republic, in particular the Civil Code and the Act on Business Corporations, if applicable. In its governance and management, the Issuer does not follow any rules specified in any corporate governance and management code because it follows the corporate governance and management requirements arising from the applicable laws and regulations, which it considers sufficient.

9 Financial Information Concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses

The Issuer's accounting period is always from 1 January of the relevant year to 31 December of the same year. The Issuer's current accounting period is therefore from 3 August 2020 to 31 December 2020, while the next accounting period of the Issuer will be from 1 January 2021 to 31 December 2021.

From the date of incorporation of the Issuer, i.e. from 3 August 2020, until the date of this Prospectus, there was, to the best of the Issuer's knowledge, no significant negative change in the Issuer's prospects or significant changes in the Issuer's financial or business situation.

XI. INFORMATION ABOUT THE GUARANTOR AND DKHI GROUP

1 Auditors

The consolidated financial statements of the Guarantor according to IFRS, which consist of the consolidated statement of financial position as at 31 December 2019, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ending on 31 December 2019, as well as the notes on these financial statements, have been audited by the independent Auditor of the Guarantor:

Trade name:	Ernst & Young Audit, s.r.o.
Certificate No.:	401
Registered office:	Na Florenci 2116/15, Nové Město, 110 00 Prague 1
Professional organisation membership:	The Chamber of Auditors of the Czech Republic
Responsible person:	Jiří Křepelka
Certificate No.:	2163

The consolidated financial statements of the Guarantor according to IFRS, which consist of the consolidated statement of financial position as at 31 December 2018, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ending on 31 December 2018, as well as the notes on these financial statements, have been audited by independent auditor Deloitte Audit, s.r.o.

Trade name:	Deloitte Audit, s.r.o.
Certificate No.:	079
Registered office:	Italská 2581/67, Vinohrady, 120 00 Prague 2
Professional organisation membership:	The Chamber of Auditors of the Czech Republic
Responsible person:	Pavel Raštica
Certificate No.:	2180

The following Emphasis of Matter is made by Deloitte Audit, s.r.o. in the Independent Auditor's Report to the consolidated statement of Financial position of the Guarantor as at 31 December 2018:

"We draw attention to Chapter 5, Paragraph "Prior period restatements and reclassification" to the financial statements which describes the fact that comparative accounting period ending on 31 December 2017 was restated and therefore does not correspond to the information contained in the financial statement prepared as of 31 December 2017. Our opinion is not modified in respect of this matter."

To the best of the Issuer's knowledge, neither the Auditor of the Guarantor nor Deloitte Audit, s.r.o., has any material interest in the Guarantor. For the purposes of this declaration, the Issuer has considered, without limitation, the following material facts with regard to its relationship with the Auditor and Deloitte Audit, s.r.o.: any (i) ownership of shares issued by the Guarantor or of shares of ownership interests in companies which form a group with the Guarantor, or of any options to acquire or subscribe such shares or ownership interests; (ii) employment with, or compensation from, the Guarantor; (iii) membership in the bodies of the Guarantor; and (iv) relationship with the Lead Manager or listing of the Bonds on the Regulated Market of the PSE.

2 Risk Factors Related to the Guarantor

The risk factors related to the Guarantor are provided in Section 2 of Chapter III of the Prospectus titled *Risk factors related to the Guarantor and DKHI Group*.

3 Information about the Guarantor

3.1 Basic Information about the Guarantor

Legal and commercial name:	DK Holding Investments, s.r.o.
Place of registration:	The Guarantor is incorporated in the Commercial Register maintained by the Municipal Court in Prague, file no. C 251383
Identification number:	046 45 740
Legal entity identifier (LEI):	3157000SLFS3ZOO7HV02
Date of incorporation:	The Guarantor was incorporated in the Commercial Register on 16 December 2015. The Guarantor was established for the indefinite period of time.
Domicile and country of incorporation:	Czech Republic
Legal form:	Limited liability company
Governing law:	Czech Republic
Legislation under which the Guarantor operates:	The Civil Code The Act on Business Corporations The Trade Licensing Act The Insolvency Act
Registered office:	Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic
Telephone number:	+420 222 310 245
E-mail:	ir@energo-pro.com
Website:	http://www.energo-pro.com/ . The information available on the website is not part of the Prospectus unless such information is incorporated in the Prospectus by reference.

3.2 History and Development of the Guarantor and the DKHI Group

The Guarantor, together with all its subsidiaries (the "**DKHI Group**") is the parent company of the DKHI Group. The Guarantor was incorporated on 16 December 2015 as a limited liability company incorporated under Czech law, with its registered seat at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic, identification number: 046 45 740, registered in the Commercial Register maintained by the Municipal Court in Prague, file no. C 251383. The Guarantor became the parent company of the DKHI Group following the group's reorganization in 2015/2016. As part of the reorganization, Mr. Jaromír Tesař sold 100 per cent. of his stake in EPAS to DKHI in consideration of a deferred purchase price. The DKHI Group is ultimately owned by Mr. Jaromír Tesař.

The DKHI Group consists of four parts: (A) EPAS Group, which focuses on electricity generation, distribution and supply; (B) other subsidiaries of DKHI Group, whose main activities are connected with the development of projects, including two HPP projects in Turkey (HPP Karakurt and HPP Alpaslan 2); (C) other Czech subsidiaries of DKHI Group owning two HPP and operations of two HPPs in the Czech Republic; and (D) EPI Group, which focuses on the power equipment supplies.

In the past 20 years, the DKHI Group has become a leading hydro power operator, developer and supplier of electricity in the Black Sea Region. The key milestones in the DKHI Group's history are set out below:

- 1994 – in September, ENERGO-PRO s.r.o is incorporated in Svitavy, Czech Republic as a limited liability company by Mr. Jaromír Tesař and Mr. Josef Mojžíš.
- 1995 – in March, EPAS is incorporated as a joint stock company and, effective 1 April 1995, ENERGO-PRO s.r.o. is merged into the EPAS. The shares of the EPAS are split equally between Mr. Jaromír Tesař and Mr. Mojžíš. Mr. Mojžíš later sells his shares to Mr. Jaromír Tesař and Mr. Jiří Krušina.
- 2002-2004 – as part of the privatisation of the Bulgarian energy sector, the EPAS Group acquires eight HPPs in Bulgaria.
- 2006 – EPAS Group commences operations in Turkey and Georgia.

- 2007 – as part of the privatisation of the Georgian energy sector, DKHI Group acquires two electricity distribution businesses and seven HPPs in Georgia.
- 2007-2009 – EPAS Group acquires a further eight HPPs in Georgia.
- 2010 – EPAS Group acquires the Gardabani thermal power plant in Georgia and five HPPs in Turkey.
- 2012 – EPAS Group acquires E.ON's electricity distribution and supply business in Bulgaria.
- 2012 – Dolnolabské elektrárny commissions HPP Litoměřice which is granted 30 years FiT
- 2013 – EPAS Group acquires an additional six HPPs in Bulgaria.
- 2014 – EPI acquires a Slovenian Litostroj Power Group.
- 2016 – Mr. Jaromír Tesař acquires Mr. Jiří Krušina's beneficial shareholding in EPAS and assumes sole control of the EPAS Group through DKHI (following an internal reorganization of the group).
- In response to regulatory changes in Georgia, DKHI Group 'unbundles' its Georgian generation and distribution and supply businesses, resulting in the incorporation of EPG Generation to control DKHI Group's Georgian HPP assets.
- 2017 – EPAS Group acquires the assets of the Kakheti electricity distribution business in Georgia.
- 2017 – DKHI Group acquires HPP Alpaslan 2.
- 2017 – EPAS places EUR 370 million Eurobond.
- 2017 – EPMVE finishes complete rehabilitation of HPP Brandýs nad Labem which is granted 30 years FiT.
- 2018 – EPAS places EUR 250 million Eurobond.
- 2019 – DKHI Group raises financing for the completion of the construction of Alpaslan 2 HPP and dam in total amount of EUR 175 million.

3.3 Recent Events Particular to the Guarantor

Issuer is not aware, except for the events described in this Chapter, of any recent events specific to the Guarantor that would be material in assessing the Guarantor's ability to discharge its debts.

3.4 Credit Rating

The Guarantor itself was not assigned any credit rating by any rating by a company registered under the CRA Regulation or any other company.

3.5 Material Changes in the Guarantor's Financing Structure

The Issuer is not aware that from the last financial year, i.e. for the period from 1 January 2020 to the date of this Prospectus, there would be any significant change in the structure of the Guarantor's financing.

3.6 Description of the Guarantor's Financing Activities

The Guarantor finances its activities in various manners, in particular through intra-group financing provided to it by the Issuer from the proceeds of the Issue, receiving loans and borrowings from its subsidiaries, banks, other financial institutions and other entities, issuing bonds or by other means of financing.

3.7 Registered Capital of the Guarantor

The registered capital of the Guarantor is CZK 200,000 and has been paid up in full.

3.8 Goal and Purpose of the Guarantor

The Guarantor is the financial holding company of the DKHI Group. The Guarantor was established with goal to generate profit. Its main purpose is holding shares in DKHI Group companies and activities relating to financing of DKHI Group companies.

3.9 Outstanding Loans and Investment Instruments Issued by the Guarantor

On 21 June 2018, DKHI and Banka CREDITAS, a.s. signed a facility agreement with respect to a CZK 300,000,000 loan with maturity in June 2022. The facility was provided for general corporate purposes. The facility is being repaid in 12 equal quarterly instalments of CZK 25,000 thousand each starting from September 2019. Outstanding balance as at 31 December 2019 was EUR 9,838,000.

DKHI has as of the date of this Prospectus the following financial liabilities towards Mr. Jaromír Tesař, its sole shareholder:

- an unsecured liability for payment of deferred purchase price in the amount of EUR 128 million due on 31 December 2024 that arose in January 2016 (in connection with the group reorganization) as a result of a transfer of shares in EPAS from Mr. Jaromír Tesař to DKHI (as described above), this liability is non-interest bearing;
- an unsecured liability for payment of deferred remuneration in the amount of EUR 52 million due on 31 December 2024 that arose in January 2016 (in connection with the group reorganization) as a result of assignment of receivable of Mr. Jaromír Tesař towards JK Holding CZ s.r.o. (now Czech Hydro s.r.o., identification number: 045 35 740) for payment of a purchase price for a transfer of 50 % of the shareholding interest in the company ENERGO-PRO Czech s.r.o. (later Czech Hydro s.r.o., identification number: 264 450 85, now already dissolved) which ceased to exist due to set-offs made in January 2016, to the Guarantor, this liability is non-interest bearing; and
- an unsecured liability for repayment of loan provided by Mr. Jaromír Tesař to DKHI in the amount of EUR 15 million due on 31 December 2024 with interest rate 6 per cent. p.a.; and
- an unsecured liability for repayment of loans provided by Mr. Jaromír Tesař to DKHI in the amount of CZK 245 million and USD 1.9 million due on 31 December 2024 with interest rate 6 per cent. p.a., interest is due at maturity.

Part of the receivables of Mr. Jaromír Tesař towards DKHI corresponding to the above described liabilities are subordinated to the financing provided to the Guarantor by Banka CREDITAS a.s.

In connection with the USD 141 million Karakurt Facility Agreement, DKHI guaranteed the due performance by Bilsev of its obligations to the finance parties, including the achievement of timely project completion, the financing of cost overruns (also pursuant to a separate equity support deed) and the payment of amounts due under the finance documents. The liability of DKHI under the guarantee is contractually uncapped and includes all liabilities under or in connection with the finance documents, including, among other things, payment of principal, interest, default interest and costs and expenses. This guarantee expires, in respect of a EUR 20 million facility, upon final maturity and, in respect of the remaining facilities, 24 months after full project completion (unless reactivated for DKHI following the occurrence of defined trigger events). DKHI also guaranteed due and punctual performance under the construction contracts.

In connection with the EUR 195 million Alpaslan 2 Credit Agreement, DKHI guaranteed the due performance by Murat of its obligations under the finance documents, including the payment of amounts due thereunder. The liability of DKHI under the guarantee is contractually uncapped and includes all liabilities under or in connection with the finance documents, including, among other things, payment of principal, interest, default interest and costs and expenses.

Loans under facilities pursuant to the Alpaslan 2 Credit Agreement in the principal amount of up to EUR 125 million were financed by the issuance of fiduciary bonds by MIBL. In addition to granting the guarantee for the due performance under the finance documents, DKHI granted a put option to MUFG in respect of such fiduciary bonds. The put option is exercisable following the early redemption of the fiduciary bonds or the occurrence of an event of default under the Alpaslan 2 Credit Agreement (or a similarly material event in connection with it). The exercise price equals 100 per cent. of the nominal amount of the bonds. There can be no double recovery by Mitsubishi group in respect of the same loss, i.e. both pursuant to DKHI's guarantee forming part of the credit agreement and also the put option.

3.10 Information about the Number of Employees

As at the date of this Prospectus, the DKHI Group companies employ over 9,700 employees; whereas the Guarantor does not employ any employees.

4 **Business and Objectives of the Guarantor and the DKHI Group**

4.1 **Activities Pursued by the Guarantor**

The Guarantor is the financial holding company of the DKHI Group. Its main activities consist of holding shares in its subsidiary companies and activities relating to financing of DKHI Group companies.

4.2 **Activities Pursued by the DKHI Group**

The DKHI Group consists of four parts: (A) EPAS Group, which focuses on electricity generation, distribution and supply; (B) other subsidiaries of DKHI Group, whose main activities are connected with the development of projects, including two HPP projects in Turkey (HPP Karakurt and HPP Alpaslan 2); (C) other Czech subsidiaries of DKHI Group owning two HPP and operations of two HPPs in the Czech Republic; and (D) EPI Group, which focuses on the power equipment supplies.

In the year ended 31 December 2019, the DKHI Group generated consolidated EBITDA² of EUR 135.350 million, as compared to consolidated EBITDA of EUR 130.805 million in the year ended 31 December 2018.³ In the year ended 31 December 2019, approximately 73 per cent. of consolidated EBITDA was generated from regulated activities.⁴ Regulated activities include the distribution, supply and generation of electricity where tariffs are set using a RAB based methodology and the generation of electricity that is sold pursuant to FiT regimes. In the Czech Republic, the DKHI Group uses subsidies in form of green bonuses.

Unless stated otherwise, financial information for individual DKHI Group companies and aggregated country data as of 31 December 2019 and 31 December 2018 have been derived from unaudited internal accounting records of DKHI Group and prepared in accordance with IFRS. Data regarding regulated and non-regulated activities is based on unaudited management information and estimates.

A. EPAS Group

ENERGO-PRO a.s. is a joint-stock company incorporated under Czech law, with its registered seat at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic, identification number: 632 17 783, registered in the Commercial Register maintained by the Municipal Court in Prague, file no. C 20745 ("**EPAS**"). EPAS and its subsidiaries (the "**EPAS Group**"), is a leading electricity distribution and renewable hydropower generation provider in the Black Sea region. The EPAS Group's principal countries of operation are Bulgaria, Georgia and Turkey. The EPAS Group operates a generation portfolio of:

- 34 HPPs in Bulgaria, Georgia and Turkey, with a total installed capacity of 743 MW and generating up to approximately 3 TWh of electricity every year; and
- one gas-fired thermal power plant ("**TTP**") in Georgia with a total installed capacity of 110 MW, which provides grid support services.

In addition to the EPAS Group's generation portfolio, the EPAS Group owns and operates electricity distribution networks in Bulgaria and Georgia which:

- cover a geographical area of approximately 89,000 km²;
- extend to over 99,000 km of network cable; and
- have almost 2.5 million connection points.

² For the manner how EBITDA is determined refer to page 10 of the consolidated financial statements of the Guarantor according to IFRS for the year 2019 which is incorporated into the Prospectus by reference (see Chapter IV - *Information Incorporated by reference*).

³ Consolidated EBITDA as shown in consolidated financial statements of DKHI and EPAS for the year 2019.

⁴ In the calculation of the percentage, the numerator is regulated EBITDA and represents the sum of regulated standalone EBITDAs of the respective operating companies (based on management accounting) while the denominator is total consolidated EBITDA of DKHI Group (based on the consolidated financial statements of DKHI prepared in accordance with IFRS).

Within its licence areas, the EPAS Group is the sole distributor of electricity, distributing 10.5 TWh in the year ended 31 December 2019. In addition, the EPAS Group supplied almost 11 TWh to customers in Bulgaria and Georgia in the year ended 31 December 2019, as well as being the supplier of last resort on the regulated market in Bulgaria.

Other activities of the EPAS Group's include:

- electricity supply on the free market for the whole of Bulgaria, supplying 2.6 TWh to almost 17,000 customers in the year ended 31 December 2019 and 2.8 TWh to approximately 18,000 customers in the year ended 31 December 2018;
- electricity trading in Bulgaria, with 1 TWh and 1.1 TWh of electricity traded in the years ended 31 December 2019 and 2018, respectively; and
- the operation of a payment terminals business in Georgia, facilitating the collection of customer payments in respect of the DKHI Group's Georgian electricity sales.

STRATEGY of EPAS Group

EPAS Group's strategy is focused on maintaining and enhancing long-term, predictable cashflows from EPAS Group's hydropower generation and electricity distribution assets, and on selectively expanding the EPAS Group's business through the acquisition of generation and distribution assets within the three countries in which it has operations. EPAS Group aims to achieve these strategic objectives by:

Enhancing generation and distribution assets

EPAS Group's objective in the generation segment is to further increase the efficiency of its HPPs, improve their reliability and safety, as well as to prolong their service lifetime, through the implementation of a cost-effective rehabilitation and modernisation programme. This programme is aimed at achieving excellence in technical operations, maximising efficiency and minimising the levels of unprocessed water losses.

In respect of the EPAS Group's distribution assets, EPAS Group continues to target the reduction of commercial grid losses through effective grid management and monitoring. In addition, EPAS Group continuously invests in improvements to its distribution network, seeking to enhance the grids' reliability and the quality of electricity supply. Such improvements continue to be achieved by implementing various rehabilitation and re-metering projects throughout EPAS Group's licence areas.

Increasing financial stability and flexibility

The Issuer sees the geographic and sectoral diversification of EPAS Group operations as one of the key pillars supporting the financial stability and further growth of its business. EPAS Group intends to transition its capital structure from being predominantly funded on an operating company level to one which is funded at the EPAS level. In addition, Issuer believes that a simplified, streamlined capital structure will provide EPAS Group with more flexibility to raise and deploy capital efficiently, ultimately resulting in increased financial stability and creating a robust platform for further growth.

Growth through selective acquisitions and development

The Issuer believes that operational expertise of EPAS Group, as well as the knowledge of the markets in which EPAS Group currently operates, positions it favourably to pursue selective acquisitions or other projects involving attractively priced, quality assets in the hydroelectric power generation and electricity distribution sectors. EPAS Group is diligent and disciplined in its approach as regards to the strategic fit, purchase price, as well as the synergistic nature of such opportunities. When making acquisitions, EPAS Group aims to take advantage of distressed sales or disposals being made as part of a strategic refocus of the seller.

KEY STRENGTHS of EPAS Group

The Issuer believes that it benefits from the following strengths:

Leading electricity distribution and renewable generation company in the Black Sea region

With more than 2.5 million grid customers and 10.5 TWh of distributed electricity, and 34 operating HPPs with an installed capacity of 743 MW as at and for the year ended 31 December 2019, the EPAS Group is a leading electricity company in the two main markets in which it operates. Based on analysis of information available to the Issuer, the Issuer believes that the EPAS Group was the largest private renewable electricity generation company by installed capacity and electricity produced, and the third largest electricity distribution company by geographic area covered, number of connection points and electricity distributed. Furthermore, Based on analysis of information available to the Issuer, the Issuer believes that over the same period, EPAS Group was the largest privately owned electricity

generation company by installed capacity and volume of electricity produced as well as the largest electricity distribution company by geographic area covered, number of customers and electricity distributed. The size of EPAS Group's business provides it with a deep knowledge of the markets in which it operates, helps ensure good access to the relevant regulators and allows EPAS Group to realise economies of scale.

Diversified operations

EPAS Group's business benefits from geographical diversification across Bulgaria, Georgia and Turkey, as well as from exposure to generation, distribution and supply activities. In the year ended 31 December 2019, the highest EBITDA⁵ contribution was from Bulgaria (54 per cent.), followed by Turkey (23 per cent.) and Georgia (23 per cent.). Approximately 57 per cent. of EPAS Group's EBITDA stems from electricity distribution business and 40 per cent. from electricity generation.

Majority of cashflows from regulated activities

EPAS Group's distribution activities are subject to 'revenue cap' regulations while the majority of its hydropower generation assets benefits from regulated tariffs and FiT regimes which eliminate or substantially reduce the price and volume risk with respect to EPAS Group's generated electricity. In the year ended 31 December 2019, 68 per cent. of consolidated EBITDA was derived from these regulated activities.⁶ The stability provided by the regulated nature of the majority of its cashflows further de-risks EPAS Group's business model by allowing it to plan capital investments in an environment that benefits from predictable returns and by reducing its dependence on free market electricity prices.

Efficient asset portfolio with proven track record and high cash conversion

EPAS Group's HPPs have strong operating track records, with high availability and efficiency factors and limited periods of down time. The Issuer believes that the nature of these assets ensures that EPAS Group has one of the lowest levels of generation costs in the markets in which it operates. EPAS Group's distribution assets provide a highly reliable service platform with limited loss ratios, having benefitted from various investments to improve the system average interruption duration index ("SAIDI") and the system average interruption frequency index ("SAIFI") indicators, as well as an investment programme to reduce both technical and commercial losses.

Highly experienced management team led by a long-term, committed shareholder

DKHI Group's founder and sole shareholder, Mr. Jaromír Tesař, has been committed to the business of EPAS Group since its establishment in 1994. He used his long-term vision and experience to build EPAS Group over the years into its current form, and EPAS Group remains his key asset. Mr. Tesař leads a team of highly experienced and motivated executives in the head-office in Prague, and across each of the countries in which EPAS Group operates. Many senior managers have held positions across a number of EPAS Group's operating companies, thereby helping to share best practices across EPAS Group. In addition to senior management, EPAS Group has experienced core teams at the asset level with operations, management, and financial expertise in power projects across the region.

EPAS

EPAS is the parent company of the EPAS Group. The sole shareholder of EPAS is the Guarantor. EPAS (business name ENERGO - PRO a.s.) is a joint-stock company incorporated under Czech law, with its registered seat at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic, identification number: 632 17 783, registered in the Commercial Register maintained by the Municipal Court in Prague, file no. C 20745.

EPAS has a two-tier management system consisting of a Board of Directors and a Supervisory Board. The Board of Directors is responsible for management of the EPAS's business and operations and its members represent the EPAS in all matters, while the Supervisory Board is an independent body that oversees the activities of the Board of

⁵ For the manner how EBITDA is determined refer to page 66 of the consolidated financial statements of the EPAS according to IFRS for the year 2019 which is incorporated into the Prospectus by reference (see Chapter IV - *Information Incorporated by reference*).

⁶ In the calculation of the percentage, the numerator is regulated EBITDA and represents the sum of regulated standalone EBITDAs of the respective operating companies (based on management accounting) while the denominator is total consolidated EBITDA of EPAS Group (based on the consolidated financial statements of EPAS prepared in accordance with IFRS).

Directors. Under the Act on Business Corporations and the EPAS's Articles of Association, the Supervisory Board may not make management decisions, as these being reserved for the Board of Directors.

The powers and responsibilities of members of the Board of Directors and the Supervisory Board are set forth in detail in the Act on Business Corporations and the EPAS's Articles of Association.

Historical Financial Information

EPAS prepared consolidated financial statements for the accounting periods ending on 31 December 2019 and 31 December 2018. These financial statements have been audited.

The condensed unaudited consolidated interim financial statements of EPAS as at 30 June 2020 and for the 6 months then ended have been reviewed by independent auditor Ernst & Young Audit, s.r.o. as stated in their review report incorporated by reference herein. The interim financial statements of EPAS are incorporated in this document by reference (see Chapter IV - *Information Incorporated by reference*).

The consolidated financial statements of EPAS as at 31 December 2019 and for the year then ended have been audited by independent auditor Ernst & Young Audit, s.r.o. as stated in their audit report incorporated by reference herein. The restated comparative amounts for 2018 appearing in the consolidated financial statements of EPAS as at and for the year ended 31 December 2019 as a comparative period have not been audited. For explanation of restatements and reclassifications see Section 11.1 (*Historical Financial Information*) of Chapter XI (*Information about the Guarantor and DKHI Group*).

The consolidated financial statements of EPAS as at 31 December 2018 and for the year then ended have been audited by independent auditor Deloitte Audit s.r.o. The restated comparative amounts for 2017 appearing in the consolidated financial statements of EPAS as at and for the year ended 31 December 2018 as a comparative period have not been audited. For explanation of restatements and reclassifications see Section 11.1 (*Historical Financial Information*) of Chapter XI (*Information about the Guarantor and DKHI Group*).

The consolidated financial statements of EPAS are incorporated in this document by reference (see Chapter IV - *Information Incorporated by reference*).

Management of EPAS

Board of Directors

Set out below are details regarding the members of the Board of Directors:

Mr. Jaromír Tesař	Chairman of the Board of Directors
Mr. Petr Tesař	Member of the Board of Directors
Mr. Pavel Váňa	Member of the Board of Directors

Business address of each member of the Board of Directors is at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic.

Jaromír Tesař - Chairman of the Board of Directors

Jaromír Tesař is the Chairman of the Board of Directors of EPAS. Jaromír Tesař joined the EPAS Group upon its incorporation.

His principal activities outside of EPAS where these are significant with respect to the Issuer are:

- executive director and sole shareholder of DKHI;
- member of the board of directors of Dolnolabské elektrárny;
- executive director of EP Assets Turkey;
- executive director of EP Hydro Development;
- executive director of EPMVE;
- executive director of EP Turkish Development;
- executive director of the Issuer;
- chairman of the supervisory board of EP Georgia;
- chairman of the supervisory board of EPG Generation; and
- chairman of the board of directors of RH Turkey.

Petr Tesař - Member of the Board of Directors

Petr Tesař is a member of the Board of Directors of EPAS. Petr Tesař joined the EPAS Group in 2002.

His principal activities outside of EPAS where these are significant with respect to the Issuer are:

- chairman of the board of directors of Litostroj Engineering;
- executive director of EP Assets Turkey;
- executive director of EP Hydro Development;
- executive director of EP Turkish Development;
- executive director of MEGAWATT SERVIS s.r.o.;
- executive director of the Issuer;
- member of the supervisory board of EPG Generation;
- member of the supervisory board of EP Georgia; and
- member of the board of directors of RH Turkey.

Pavel Váňa - Member of the Board of Directors

Pavel Váňa is a member of the Board of Directors of EPAS. Pavel Váňa joined the EPAS Group in 2007.

His principal activities outside of EPAS where these are significant with respect to the Issuer are:

- chairman of the board of directors of Litostroj Engineering;
- executive director of EP Assets Turkey;
- executive director of EP Hydro Development;
- executive director of EP Turkish Development;
- executive director of EPI;
- executive director of EPMVE;
- executive director of the Issuer; and
- member of the board of directors of RH Turkey.

Supervisory Board

The Articles of Association provide that the Supervisory Board comprises two members. Pursuant to the Act on Business Corporations and the Articles of Association, all members of the Supervisory Board are elected by the General Meeting (sole shareholder).

There are no committees of the Supervisory Board.

Set out below are details regarding the members of the Supervisory Board:

Mr. Vlastimil Ouřada	Chairman of the Supervisory Board
Mr. Petr Zafirov Milev	Member of the Supervisory Board

Business address of each member of the Board of Directors is at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic.

Vlastimil Ouřada – Chairman of the Supervisory Board

Vlastimil Ouřada is the Chairman of the Supervisory Board. Mr. Ouřada joined EPAS Group in 2013.

His principal activities outside of EPAS where these are significant with respect to the Issuer are:

- member of the supervisory board of Dolnolabské elektrárny;
- and executive director of EPI;
- member of the supervisory board of EP Georgia;
- member of the supervisory board of EPG Generation; and
- member of the supervisory board EP Varna.

Petr Zafirov Milev - Member of the Supervisory Board

Petr Zafirov Milev is a member of the Supervisory Board. Mr. Milev joined EPAS Group in 2013.

His principal activities outside of EPAS where these are significant with respect to the Issuer are:

- member of the supervisory board of Litostroj Engineering;
- executive director of InkWater Capital Management s.r.o.;
- and executive of Prime Media Investments s.r.o.

Credit Rating of EPAS

EPAS was assigned a rating by Fitch Ratings Limited ("**Fitch**"), registered under the CRA Regulation, at the level of BB- with a stable outlook. The last rating revision occurred on 12 December 2019. EPAS was assigned a rating also by S&P Global Ratings Europe Limited ("**S&P**"), registered under the CRA Regulation, at the level B+ with a negative outlook. The last rating revision occurred on 25 February 2020. The reports of both Fitch and S&P are available on website of EPAS (<http://www.energo-pro.com/>) and are not incorporated in Prospectus by reference.

Under the rating scale of Fitch, BB rating indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments. Rating modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating category. The modifiers (+) or (-) are appended to a rating to denote relative status within major rating categories. Stable outlooks can be raised or lowered without a prior revision to the outlook.

Under the rating scale of S&P, an obligor rated 'B' is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments. Rating modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating category. Negative outlook means that the rating may be lowered in an intermediate term.

B. Other subsidiaries of DKHI Group

Activities of other subsidiaries of DKHI Group can be divided into:

- construction of two HPP Projects in Turkey: (i) HPP Karakurt owned by Bilsev and (ii) HPP Alpaslan 2 owned by Murat;
- development of Berta HPP in Turkey owned by Berta Enerji Üretim Sanayi ve Tic. A.S. ("**Berta**"); and
- additional activities performed by various entities that do not form part of EPAS Group or EPI Group.

C. Other Czech subsidiaries of DKHI Group

Activities of other Czech subsidiaries of DKHI Group consist in operation of (i) HPP Litoměřice on the river Labe in the Czech Republic by Dolnolabské elektrárny a.s. ("**Dolnolabské elektrárny**") and (ii) Brandýs nad Labem HPP on the river Labe in the Czech Republic by ENERGO - PRO MVE, s.r.o. ("**EPMVE**").

D. EPI Group

ENERGO-PRO Industries, s.r.o., is a limited liability company incorporated under Czech law, with its registered seat at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic, identification number: 025 88 897, registered in the Commercial Register maintained by the Municipal Court in Prague, file no. C 221137 ("**EPI**"). The DKHI Group is also active in the industrial business, which is being covered by its industrial branch – EPI and its subsidiaries (the "**EPI Group**"). EPI Group is organised and managed based on territory markets in which it operates (Czech Republic, Slovenia, Canada, Turkey and other territories) and is focused on two major segments – design and production of energy and industrial equipment.

EPI Group's subsidiaries are involved in design and production of energy and industrial equipment and as HPP engineering (Litostroj Power) supply of technology for the HPPs and pumping stations and development of hydraulic machines (Litostroj Engineering), and turbine and generator production (Litostroj Türkiye).

Main Categories of Activities

DKHI Group

The DKHI Group consolidated EBITDA in 2019 reached EUR 135.4 million, EPAS Group consolidated EBITDA for the same period amounted to EUR 138.5 million and the Bonds are secured by the shares of EPAS, hence the EPAS Group is key part of DKHI Group. The main categories of activities the DKHI Group are hydropower generation and the distribution and supply of electricity. The DKHI Group owns and operates HPPs located in

Bulgaria, the Czech Republic, Georgia and Turkey, as well as electricity distribution networks in Bulgaria and Georgia.

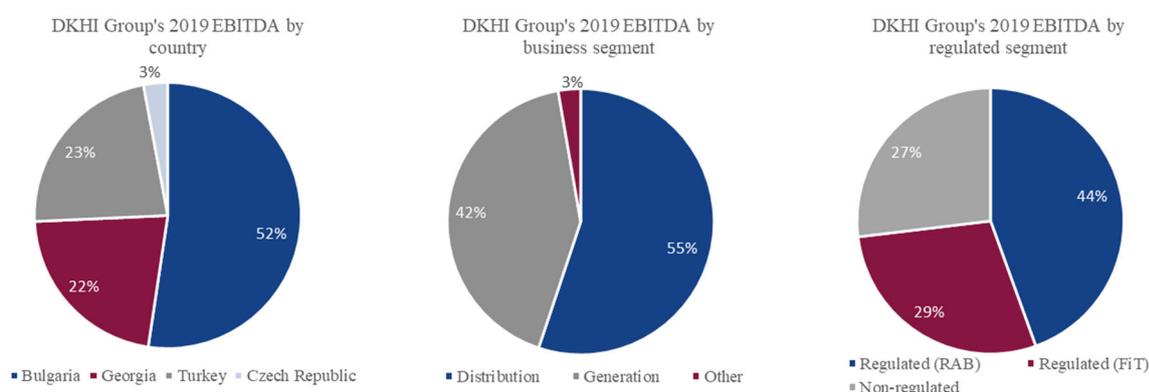
The table below provides an overview of the DKHI Group's revenues and DKHI Group's EBITDA for the years ended 31 December 2019 and 2018:

(EURmm)	Year ended 31 December 2019		Year ended 31 December 2018	
	Revenue	EBITDA	Revenue	EBITDA
Bulgaria	488	80	515	71
Georgia	262	33	320	54
Turkey	121	35	41	21
Czech Republic	5	4	4	3
Consolidation adjustments and other*	-83	-17	-25	-19
Consolidated DKHI Group Total	794	135	856	131

* EBITDA for individual countries is the sum of standalone EBITDA of the respective operational companies in each country. Line consolidation adjustments and other includes consolidation adjustments to eliminate intercompany transactions as well as results for other companies of DKHI Group (EPAS Holdco costs, EPI, MEGAWATT SERVIS s.r.o., Murat, Bilsev and other subsidiaries).

The main factors that affected the consolidated EBITDA was attributable to (i) higher gross margin mainly attributable to distribution business, partly compensated by higher personnel costs and maintenance and repair expenses for EP Varna (ii) lower volume of distributed electricity, delayed liberalization and adverse movement in GEL/EUR by EP Georgia, (iii) lower generation volume and adverse movement in GEL/EUR for EPG Generation and (iv) higher generation volume, positive movement in USD/EUR by RH Turkey.

The charts below provide a breakdown of the DKHI Group's EBITDA for the year ended 31 December 2019 across its operating geographies, business segments and business types:



In the year ended 31 December 2019, the highest EBITDA contribution was from Bulgaria (52 per cent.), followed by Turkey (23 per cent.), Georgia (22 per cent.), and the Czech Republic (3 per cent.). Approximately 55 per cent.

of EPAS Group's EBITDA stems from electricity distribution business and 42 per cent. from electricity generation. 73 per cent. of EBITDA originates from regulated activities.⁷

Generation

HPP Generation

Hydropower is a versatile, flexible, clean and proven technology that at its smallest can power a single home, and at its largest can supply industry and the public with renewable electricity on a national and even international scale. Compared to other methods of electricity generation, hydropower assets have generally very long lifecycles, which can approach 100 years. Due to the exceptionally long lifecycle of its hydropower generation assets, DKHI Group's HPPs benefit from low capex requirements, which can be flexibly adjusted in time. The mature technology used in HPPs means that DKHI Group's HPPs are efficient and display high cash conversion rates.

The table below provides an overview of DKHI Group's HPP generation activities as at and for the years ended 31 December 2019 and 2018 and DKHI Group's EBITDA for the years ended 31 December 2019 and 2018:

(EURmm)	Installed capacity (MW)	% of DKHI Group capacity	Electricity Generated (GWh)		% DKHI Group HPP generation		EBITDA (EUR million)		% of DKHI Group's EBITDA	
			2019	2018	2019	2018	2019	2018	2019	2018
Bulgaria	166	22%	322	505	13%	18%	10.0	10.6	7%	8%
Georgia	482	64%	1,554	1,819	63%	65%	17.0	23.0	13%	18%
Turkey	95	13%	553	423	22%	15%	32.7	22.7	24%	17%
Czechia	10	1%	38	32	2%	1%	4.5	3.5	3%	3%
Total HPP	753	100%	2,467	2,779	100%	100%	64.2	59.8	47%	46%

Hydropower technology

The two principal types of HPPs are set out below:

- *With reservoir or storage hydropower*: typically, a large system that uses a dam to store water in a reservoir. Electricity is produced by releasing water from the reservoir through a turbine, which activates a generator. Storage hydropower provides base load as well as the flexibility to be shut down and started up at short notice according to the demands of the system (peak load). It can offer enough storage capacity to operate independently of the hydrological inflow for many weeks or even months.
- *Run-of-the river hydropower*: a facility that channels flowing water from a river through a canal or penstock to spin a turbine. Typically, a run-of-the river project will have little or no storage facility and can operate in a series of cascades. Run-of-the river provides a continuous supply of electricity (base load), with some flexibility of operation for daily fluctuations in demand by regulating water flow at the facility.

Twenty of EPAS Group's HPPs use the 'with reservoir' typology, with the remaining 14 HPPs using 'run-of-the river' typology. In addition, four of EPAS Group's run-of-the-river HPPs in Turkey are located downstream from large reservoirs. EPAS Group believes that the two main benefits of HPPs with reservoir (their ability to supply peak load and to reduce the impact of hydrology on generation volumes) will become particularly important once EPAS Group's HPPs cease to benefit from a regulated tariff or FiT.

TPP generation

In addition to DKHI Group's 36 HPP assets, DKHI Group also owns and operates a 110 MW gas fired TPP in Georgia. This TPP is currently used for grid support services.

Distribution and supply

DKHI Group's distribution business in Bulgaria and Georgia is a natural monopoly. DKHI Group is the sole distributor of electricity in the relevant licence area. In respect of the electricity supply business, DKHI Group can supply electricity to customers across the entire territory of Bulgaria and Georgia. DKHI Group continues to strengthen its position in the distribution business through capital investment into the network as well as via strategic expansion, such as the recent acquisition of the assets of the Kakheti distribution business in Georgia.

⁷ In the calculation of the percentage, the numerator is regulated EBITDA and represents the sum of regulated standalone EBITDAs of the respective operating companies (based on management accounting) while the denominator is total consolidated EBITDA of DKHI Group (based on the consolidated financial statements of DKHI prepared in accordance with IFRS).

The table below provides an overview of DKHI Group's distribution and supply activities as at and for the years ended 31 December 2019 and 2018:

	Area covered (km ²)*	Network length (km)	Total Electricity Distributed (GWh)		Grid losses (per cent.)		Total Number of Customers ('000)		EBITDA (million Euro)		Percentage of DKHI Group's EBITDA (%)	
			2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Bulgaria	30,000	43,026	5,645	5,817	7.2	8.0	1,057	1,073	69.7	61.4	51	47
Georgia	58,847	56,291	4,828	5,590	9.9	7.9	1,237	1,214	14.2	28.4	10	22
Total	88,847	99,317	10,473	11,407	n/a	n/a	2,294	2,287	83.9	89.9	62	69

*Approximate coverage area for Bulgaria

Grid losses occur when electricity is transmitted across extensive distribution networks, with electricity being lost in both power lines and transformers (technical losses). In addition to technical losses, DKHI Group is also exposed to electricity theft from its networks (commercial losses). As part of DKHI Group's strategy to enhance the effectiveness of its assets, DKHI Group operates a continuous programme to reduce its grid losses.

EPI Group

The main categories of activities the EPI Group are design and production of energy and industrial equipment in the Czech Republic, Slovenia and Turkey.

EPI Group's consolidated revenues for the year ended 31 December 2019 reached EUR 58 million (2018: EUR 48 million) and consolidated EBITDA amounted to EUR -883 thousand (2018: EUR -10 million). Improvement in EBITDA was mainly caused by restructuring of EPI Group.

5 Description of the Guarantor's Activities

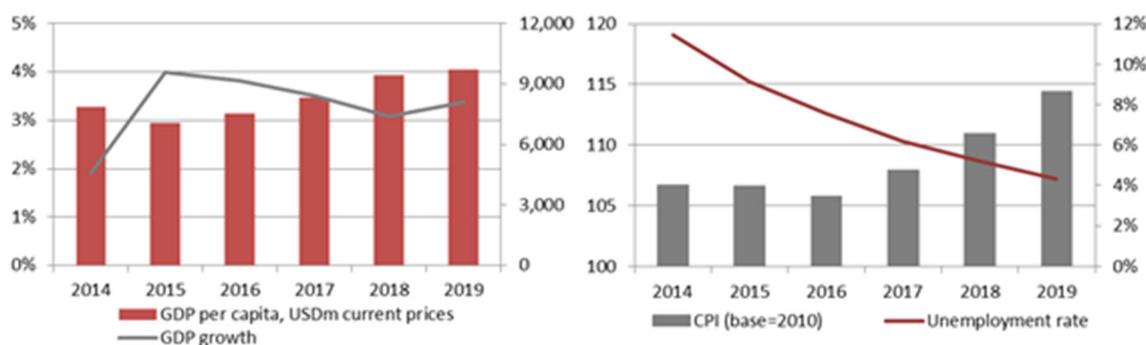
Being the parent company of the DKHI Group, the Guarantor is the financial holding company within the DKHI Group. The Guarantor itself does not undertake any material commercial activity.

6 Core Markets of the DKHI Group

The DKHI Group operates through its key subsidiaries in Turkey, Bulgaria, Georgia and the Czech Republic. Snapshot of energy market in each of the countries is provided below:

Bulgaria

Bulgaria has a population of approximately 6.98 million with a gross domestic product (the "GDP") of USD 67,927 million. GDP per capita in US Dollar terms has been steadily rising from 2015 to the current level of USD 9,738 while the GDP grew annually between 2 per cent. and 4 per cent. The economic expansion was accompanied by the rise of costs as measured by the consumer price index, wages and declining unemployment hitting a historical low in 2019.



Source: World Bank

Bulgaria has 12.8⁸ GW of installed capacity enabling the country to produce sufficient amount of electricity to meet and even exceed domestic demand and is therefore currently a net exporter of electricity. The country's gross electricity generation for 2019 reached 44.3 TWh a 5.6 per cent. decrease from 2018 production of 46.9 TWh⁹. In terms of fuel imports (such as natural gas or oil), Bulgaria is highly dependent on imports from Russia. Development of production and consumption of electricity in the last 3 years is presented below:

GWh	2019	2018	2017
Gross production	44 161	45 895	45 040
Net production	40 296	41 705	40 723
Import	3 043	2 223	3 706
Export	8 854	10 030	9 187
Total net consumption*	34 485	33 897	35 242

*Total net consumption = net production + import – export

Source: <http://eso.bg/?did=380>

Bulgaria remains one of the last countries in the EU without a fully liberalized market. In theory, all Bulgarian companies and households have the right to purchase electricity from the liberalized market, but in reality, it is very difficult for consumers to buy electricity on the free market. The incentives to do so are also quite limited, as the prices on the regulated market are lower. Full market liberalization remains a hot social and political issue, as the retail market and end-user price deregulation would not only increase suppliers' competition and give consumers greater choice but could also lead to greater price volatility. The next step in the liberalisation process will take place on 1 October 2020, when all non-household customers will be required to purchase their electricity from a free market supplier. Full liberalization of the wholesale market shall be implemented by 1 July 2021. These developments are not expected to significantly impact the business plan of DKHI group due to already advanced stage of liberalization in the business and EP Sales role as a last resort supplier for consumers who do not select another supplier.

As a member of the European Union (EU), Bulgaria is obliged to comply with the EU energy acquis, which includes the improvement of sector competitiveness, security of energy supplies and the protection of the environment. Both EU and national legislation is dealing with ongoing liberalisation of the electricity market. For more detailed information regarding Regulation in Bulgaria please see Section "Regulation".

Further, despite the fact that some of the key market players were privatised (the distribution companies, some of the bigger TPPs), the Republic of Bulgaria still owns the transmission network, the transmission system operator and the biggest generators of electricity in Bulgaria. Bulgarian Energy Holding EAD ("BEH") is a 100 per cent. state-owned joint-stock company in charge of some of the key activities in the Bulgarian electricity and gas sectors, such as generation and transmission.

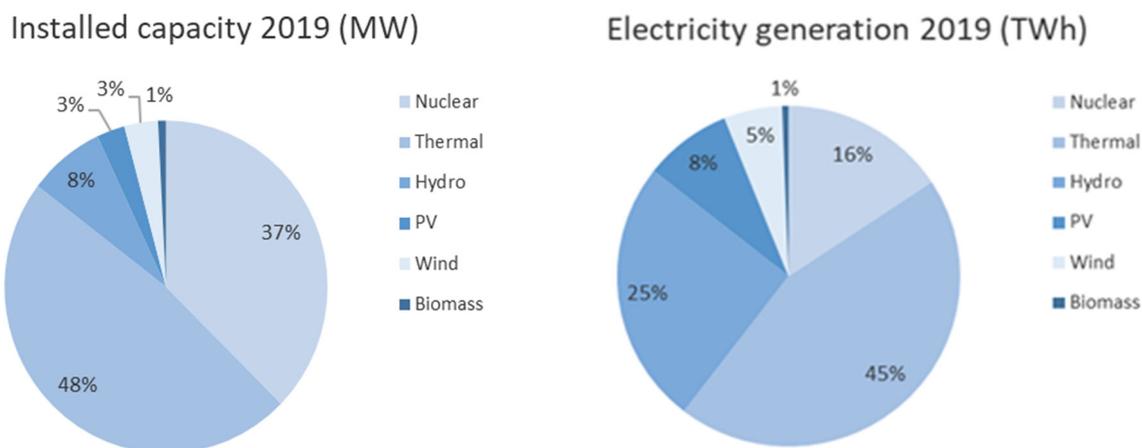
The market is divided into the following sectors:

⁸ Source: <http://eso.bg/?did=380>

⁹ Source: <http://eso.bg/?did=380>

- **Generation** - BEH accounted for circa 60 per cent. of gross generated electricity in the country in 2018. Electricity is primarily generated by Kozloduy (2,000MW nuclear power plant, fully controlled by BEH), Maritza East II (1,620MW TPP, fully controlled by BEH), Maritza East III (908MW TPP) and Maritza East I (700MW TPP).
- **Transmission** - operated by Natsionalna Elektricheska Kompania EAD ("**NEK**"), a wholly owned subsidiary of BEH. NEK is responsible for the generation and transmission of electricity, and the construction and maintenance of power generation and transmission facilities. NEK currently owns the entire transmission network in Bulgaria.
- **Distribution** - distribution, operation of the distribution network and public supply to end consumers are carried out by companies controlled by ČEZ, a.s. ("**CEZ**"), and its subsidiaries (the "**CEZ Group**"), EVN and EPAS. The public supply is legally separate and is undertaken by entities different to those operating the networks; the supply and network operating entities are however controlled by the same companies.
- **Electricity system operator** - The electricity system operator Elektroenergien Sistemien Operator EAD (the "**ESO**") a wholly owned subsidiary of BEH, is the current electricity system operator and balancing market administrator. It also oversees activities related to upgrading and maintaining the transmission network.

Fuel energy balance implementation is of particular importance to the economy of the country as well as the production of electric power and heat. As a country with limited energy resources, the basis of energy sources of Bulgarian energy sector is well balanced – fossil fuels, nuclear power, natural gas, hydro resources as well as other renewable sources. The Bulgarian energy mix by generated power is depicted below:



Source: eso.bg/?did=380

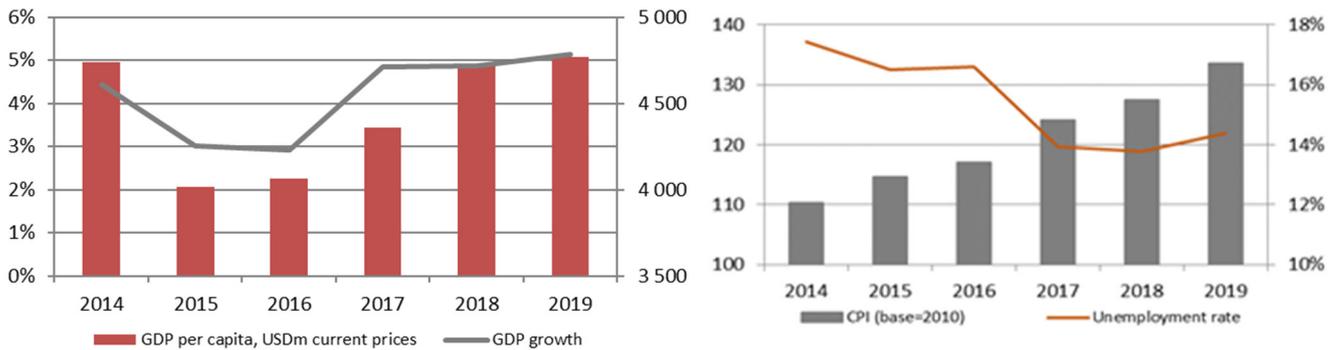
At the end of 2019 Bulgaria pledged to update its national target for renewable energy and raised the share of wind, solar and other renewables to 27 per cent. of their energy consumption respectively by 2030. Hydropower plays an important role in the energy production of Bulgaria with a share of approximately 14 per cent. of the total installed capacity.

EPAS Group is operating on the Bulgarian power market through EP Bulgaria, EP Varna and their subsidiaries. According to 2019 annual report of the EWRC¹⁰, DKHI Group in electricity distribution serviced 24 per cent. of all connection points in Bulgaria and distributed 18 per cent. of total electricity GWh distributed. For electricity supply it serviced 21 per cent. of all connection points and supplied 21 per cent. of total supplied volumes.

¹⁰ Source: https://www.dker.bg/uploads/2020/god_doklad_2019.pdf

Georgia

The economy of Georgia is an emerging free market economy. Following the Rose revolution in 2003 the country developed from near-failed state to a relatively well-functioning market economy thanks to the economic and democratic reforms. In 2007, the World Bank named Georgia the World's number one economic reformer and has consistently ranked the country at the top of its ease of doing business index. According to Transparency International's 2018 report, Georgia is the least corrupt nation in the Black Sea region, outperforming all of its immediate neighbors, as well as some European Union states. Since 2014, Georgia is part of the European Union's Free Trade Area, with the EU continuing to be the country's largest trading partner, accounting for over a quarter of Georgia's total trade turnover. Between 2010 and 2019, Georgia's GDP per capita grew at an average annual rate of 4.8 per cent. accompanied by relatively high inflation as well as still high unemployment rates.

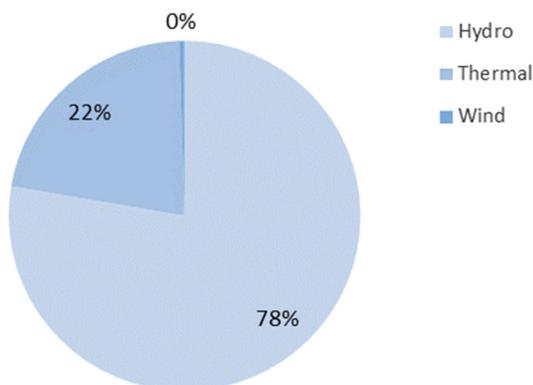


Source: World Bank

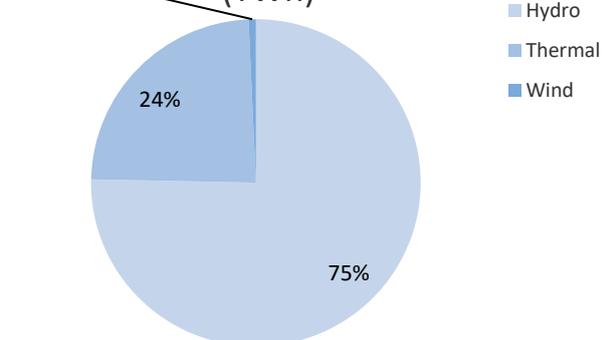
In recent years Georgia has been gradually deregulating its energy sector. For more detailed information regarding Regulation in Georgia please see Section "Regulation".

Georgia has a sizable hydroelectric capacity, a factor that has become an increasingly important component of its energy supplies and policies. The country's topography and abundance of hydro resources give it serious potential to dominate hydroelectric markets in the Caucasus region. The electricity generation market is moderately concentrated with 94 per cent. of installed capacity is distributed between eight players: Republic of Georgia, Georgian Industrial Group, EPG Generation, Georgian Oil and Gas Corporation, Georgian Global Utilities, JSC Inter Rao UES, Georgian American Alloys and Perl. Hydropower stations of Georgia produce 75 to 80 per cent. of the electricity utilized within the country, the remaining 20 to 25 per cent. is produced by thermal power stations.

Installed capacity 2019 (MW)



Electricity generation 2019 (TWh)



Source:

www.esco.ge/files/data/Balance/energobalans_2019_eng.pdf; www.gse.com.ge/sw/static/file/TYNDP_GE-2020-2030_ENG.pdf

Georgia's reliance on hydropower leaves the country vulnerable to climatic fluctuations, which requires imports to meet seasonal shortages, but also opens the possibility of exports during wetter conditions. Georgia still has the potential to increase hydro-generated power, through refurbishing existing facilities, as well as constructing new hydropower plants. As illustrated by the table below, the country's electricity consumption has been steadily increasing during last three years. Electricity generation, however, fluctuated depending on hydrological conditions.

GWh	2019	2018	2017
Total Consumption	13,147	13,187	12,815
Import	1,627	1,509	1,497
Export	243	589	686
Total Generation	11,857	12,135	11,530

Source: www.esco.ge/files/data/Balance/energobalans_2019_eng.pdf;
https://esco.ge/files/data/Balance/energobalans_2018_eng.pdf

The Georgian electricity market is divided into the retail and wholesale markets. Participants in the wholesale market are producers of electricity, direct consumers, importers, exporters, service providers, the transmission system operator, the market operators, and transmission and distribution licensees. As the Georgian market has not yet been unbundled, the main service providers on the retail market are distribution licensees. Electricity prices for the power producers in Georgia are determined through the deregulated and regulated markets. Deregulated power plants can benefit free market and higher export prices, while regulated plants are controlled by the GNEWRC.

The market is divided into the following sectors:

- **Generation** - Plants generating power in Georgia can be divided into i) regulated power plants, which are subject to GNEWRC-regulated tariff rates; ii) partly deregulated power plants, which sell electricity at or below the GNEWRC-regulated tariff rates; iii) deregulated power plants, which are built after 1 August 2008 and are not guaranteed capacity sources which are subject to free market prices, iv) power plants with installed capacity below 40 MW which are subject to free market prices; v) and guaranteed capacity sources, which are TPPs, that are subject to GNEWRC-regulated two-step tariffs.
- **Transmission and dispatch** - There are currently three transmission system operators. All operators are subject to GNEWRC regulated tariffs. GSE, one of the transmission operators, also provides dispatch services across the entire territory of Georgia.
- **Distribution** - Electricity distribution activities are subject to regulation and licensing by GNEWRC. In 2014, GNEWRC developed new tariff methodologies in line with the European practices, which are based on incentive-based and cost-plus pricing principles. The regulatory period for distribution tariffs is three years, current regulation period will end on 31 December 2020. During the regulation period key parameters of the formula for calculation of distribution tariff are set which only minor changes possible during the period. Two licensed companies are active in the distribution business: EP Georgia and Telasi.
- **Electricity system operator** - ESCO is currently owned by the Republic of Georgia in its entirety. Its functions include, *inter alia* purchasing and selling the balancing electricity; providing the system with reserve capacity or providing the dispatching licensee with the information needed in order for it to plan the power and capacity needs in the national united power system.

In Georgia, EPAS Group operates in the power generation and distribution segment through EPG Generation and EP Georgia and its subsidiaries. As of 31 December 2019, EP Georgia serviced 1.2 million customers or approx. 66 per cent. of all electricity customers in Georgia. Out of total electricity consumption of Georgia of 13 TWh¹¹ the distribution of DKHI Group amounted to 5 TWh and hence its share amounted to 39 per cent. As for the electricity generation business, EPG Generation generated 1,653 GWh in 2019 which translates into a 14 per cent. share on total amount of electricity generated in the country in 2019 (11.857 GWh¹²).

¹¹ Source: https://esco.ge/files/data/Balance/energobalans_2019_eng.pdf

¹² Source: https://esco.ge/files/data/Balance/energobalans_2019_eng.pdf

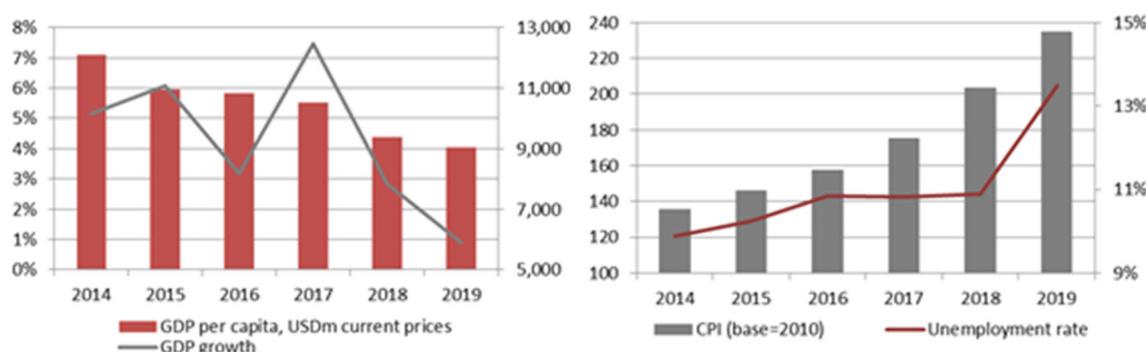
Turkey

With an estimated nominal gross domestic product of USD 754 billion (USD 9,042 per capita) and USD 2.4 trillion (USD 28,264 per capita) in purchasing power parity, Turkey is the world's 19th largest economy and 13th largest by purchasing power parity. The country is among the founding members of the OECD and the G20. Key sectors of Turkish economy are automotive industry, shipbuilding, consumer goods manufacturing, oil & gas industry, construction industry, mining industry or production of steel.

For most of the period since 2000, Turkey has maintained a long-term focus on implementing ambitious reforms in many areas, and government programs have targeted vulnerable groups and disadvantaged regions. Poverty incidence more than halved over 2002–15, and extreme poverty fell even faster. After the failed coup d'état in 2016, the country plunged into period of instability and political changes leading to the currency shock of August 2018, which in turn led to high inflation and foreign currency pressures on banks and corporates.

The overall macroeconomic picture is more vulnerable and uncertain, given rising inflation and unemployment, contracting investment, elevated corporate and financial sector vulnerabilities, and implementation of corrective policy actions and reforms. There are also significant external headwinds due to ongoing geopolitical tensions in the subregion. The impact of the COVID-19 crisis is expected to have a severely negative effect in Turkey, further weakening economic and social gains.

The charts below illustrate the development of Turkey's GDP per capita in USD (right hand side), GDP growth (left hand side) and Turkey's inflation and unemployment rate

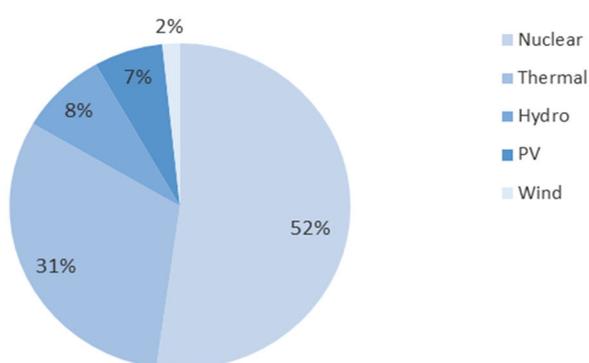


Source: World Bank

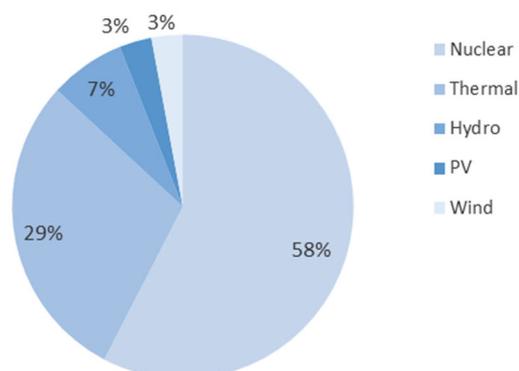
Turkey's total primary energy supply has reached 146 million tons of oil equivalent (Mtoe) at the end of 2018.

Turkey is one of the fastest growing energy users in the world with energy consumption increasing by almost 4.4x from 1990. In 2019, electricity generated from fossil fuels accounted for 69 per cent. of Turkey's primary energy supply, with natural gas having a 36 per cent. share and coal having 33 per cent. share. Hydro resources are the third most important source with generation share of approximately 20 per cent. (2017). The composition of 2019 Turkey's energy mix in terms of installed capacity (MW) and generated electricity (TWh) is presented in the charts below:

Installed capacity 2019 (TWh)



Electricity generation 2019 (TWh)



Source: <https://www.teias.gov.tr/tr-TR/sektor-raporlari>

Due to high share of fossil fuels in the country's energy mix, the focus of government policy in the energy sector in the past 20 years or so was supporting exploration and use of domestic resources such as renewable energy and energy efficiency. The feed-in tariff (YEKDEM) introduction in 2005 was a major boost to renewable energy capacity additions. The feed-in-tariff vary according to renewable energy source from USD 0.073 for wind and hydro plants to USD 0.133 for solar and biomass and is valid for 10 years.

As indicated in the table below Turkey's generation capacities meet the country's consumption by a very narrow margin:

TWh	2019	2018	2017
Gross generation	303,9	304,8	297,3
Consumption	303,3	304,2	296,7
Net export	0,7	0,6	0,6

Source: <https://www.teias.gov.tr/tr-TR/sektor-raporlari>

The Turkish electricity market is regulated and supervised by the regulatory body EMRA, which was established in 2001. Creation of EMRA was part of significant liberalisation process in with the aim to make the Turkish energy sector more competitive, attractive to foreign investors and to reduce foreign dependency on energy imports (for more detailed information regarding Regulation in Turkey see Section "Regulation"). With this main focus, Turkey's strategy and targets for 2023 in the energy area are (among other):

- increasing total installed capacity to 120 GW (currently 90GW);
- increasing the share of renewable energy sources ("**RES**") to 30 per cent. with focus on the use of hydropower;
- increasing wind-power installed capacity to 20 GW, install 1 GW new geothermal capacity and 5 GW of new solar capacity;
- raising the natural gas storage capacity to 11 billion cubic metres;
- establishing an energy stock exchange with a diversified product range (which has been achieved);
- commissioning nuclear power plants; and
- increasing coal-fired installed capacity to 30 GW.

The market is divided into the following sectors:

- **Generation** – consisting of EÜAŞ, a state-owned generation company, and its subsidiaries with approx. 15 per cent. share on electricity generation, Build Operate ("**BO**") companies, which build and operate a project for state needs; Build Operate Transfer ("**BOT**") companies, which build and operate a project for state needs and

privately owned generation companies such as Enka, Enerjisa, Akenerji Elektrik Uretim AS, Ayen Enerji AS or Eren Enerji.

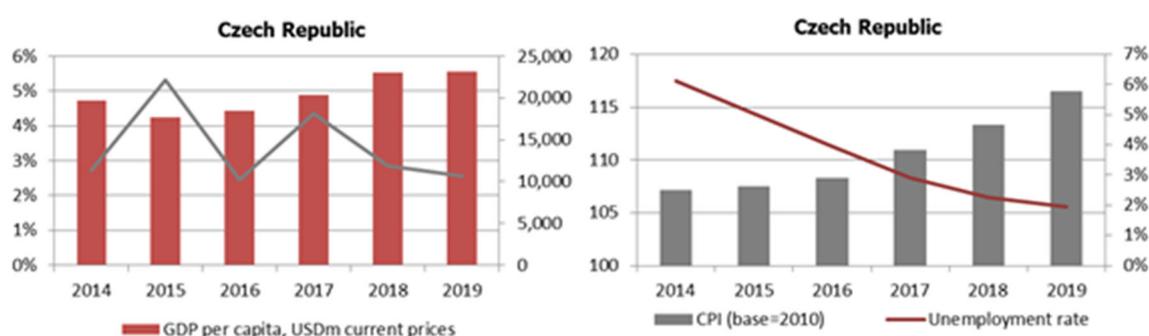
- **Transmission** – operated by TEİAŞ, the state-owned transmission system.
- **Distribution** – consisting of 21 privatised distribution companies.
- **Wholesale** – consisting of 216 private wholesale companies including EP Toptan - which sell in the wholesale market to eligible customers (end-customer who consumes more than 1,400 kWh/year of electricity) and EÜAŞ, a public wholesale company.
- **Retail supply to smaller customers** – consisting of 21 private retail companies authorised to sell to "non-eligible customers".

With the exception of small power producers (up to 5MW of installed capacity) or rooftop solar installations, the electricity generation activities are limited to holders of generation licences granted by the EMRA. Generation licence holders are required to register themselves as market participants with the EPIAŞ, which operates the wholesale electricity markets, including financial conciliation activities for these markets. There are presently 1,685 generation license holders in Turkey. Export activities can be conducted by generation and supply licensees, while import activity can be conducted by supply licensees, in each case subject to the terms of their licences and certain conditions. Additionally, EÜAŞ is entitled to sign import and export agreements that are within the scope of intergovernmental agreements and conduct import and export activities in accordance with such agreements.

DKHI Group's activities in Turkey represents primarily hydropower electricity generation. With 95 MW of installed capacity and generation of 553 GWh (before commissioning of Karakurt and Alpaslan 2 HPPs), DKHI Group's market share in hydropower generation is not significant (below 1 per cent. of total hydropower generation).

Czech Republic

The Czech Republic is a developed, export-oriented market economy based on services, manufacturing and higher added value products. It has a per capita GDP rate that is 91 per cent. of the EU average and is a member of the OECD. As of 2018, the country's GDP per capita at purchasing power parity is USD 37,370 (similar to Israel, Italy or Slovenia) and USD 23,102 at nominal value. The Czech economy continued until 2019 to grow on the back of strong fundamentals: strong domestic demand, sustained job creation and growing tax revenues and exports. GDP grew by CAGR of 3.2 per cent. in the period from 2014 to 2019. Unemployment statistics were also one of the lowest in Europe with unemployment around 2.1 per cent. in the 1Q 2020. The industrial sector accounts for 37.5 per cent of the economy, while services account for 60 per cent. and agriculture for 2.5 per cent. The largest trading partner for both export and import is Germany and the EU in general.



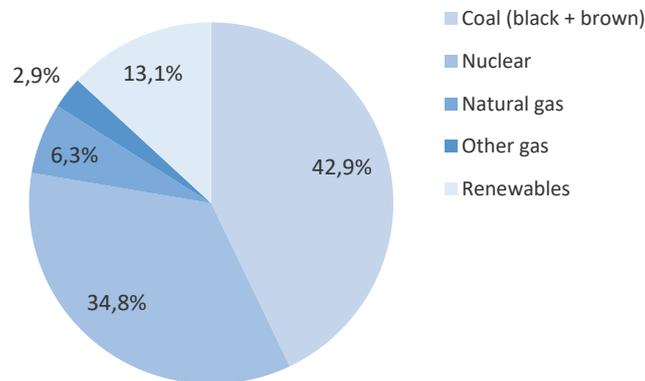
Source: World Bank

In terms of electricity generation, Czechia is self-sufficient. The total production of all electric energy producing facilities in 2019 was 87 TWh, which is some 13 TWh more than country's own consumption. The Czech Republic is the fifth-largest net electricity exporter in the EU in 2017, after Germany, France, Sweden and Norway. Most of its exports flow into Austria, the Slovak Republic and Germany.

The country's energy mix relies mainly on coal (43 per cent.), followed by nuclear power (35 per cent.) and renewable sources (13 per cent.). The share of nuclear power is expected to increase as the expansion of nuclear

power is one of the main pillars of the New National Energy Policy. As for renewable sources of energy, there are divided relatively evenly between biogas, biomass, photovoltaic and hydro power sources, each having approximately 3 per cent.

Electricity generation 2019 (TWh)



Source: ERO

The Czech electricity market has been fully liberalised since 2006, when the electricity transmission system operator and the distribution system operators ("DSOs") completed the process of unbundling and restructuring. The full ownership unbundling model is applied for electricity generation. Electricity distribution is provided by different companies and many new entrants join the electricity market recent years.

Responsibility for public administration in the energy sector is shared by the Czech Government, the Ministry of Industry and Trade and the ERO together with State Energy Inspection Board. The administrative authority responsible for regulation in the energy sector is ERO. The ERO is responsible for: tariffs and prices control; support for the producers of energy from renewable sources, protection of customers and customers' interests; enquiries into conditions for competition; competition issues in the energy industry or oversight of energy market participants.

The key market players in the electricity sector are the following:

- **Generation** – dominant player in the electricity generation segment is CEZ Group – ČEZ a.s., a listed utility company with 70 per cent. group. CEZ Group provided approximately 67.5 per cent of the electricity used in the Czech Republic in 2017. The Czech Republic is the majority shareholder of CEZ and owns approximately 70 per cent. (through the Ministry of Finance). CEZ operates two nuclear power plants, 35 hydropower plants including three pumped storage plants, 11 coal-fired plants and numerous renewable sources. Other major electricity producers are: Sev.en Energy AG, Sokolovská Uhelná, právní nástupce, a.s. or United Energy, a.s.
- **Transmission** - The state-owned transmission system operator, ČEPS, a.s. ("CEPS"), is the only holder of an electricity transmission licence in the Czech Republic. The role of CEPS involves ensuring electricity transmission, procuring ancillary services, ensuring the provision of system services, balance of electricity generation and consumption, and maintaining and developing the transmission system equipment. CEPS is also responsible for the interconnected operation of the Czech power system with those of neighbouring countries and organises auctions for the allocation of available transfer capacity on interconnectors through the intraday electricity market under the Union for the Co-ordination of Transmission of Electricity rules.
- **Distribution** - ČEZ Distribuce a.s., E.ON Distribuce a.s., and PRE Distribuce, a.s. are the most significant DSOs in the Czech Republic. ČEZ Distribuce, a.s. (unbundled from the CEZ electricity generating companies) is the biggest DSO in the Czech Republic and is responsible for electricity distribution in North Bohemia, North Moravia and Silesia. E.ON Distribuce, a.s. is the main regional DSO in South Bohemia and South Moravia. PRE Distribuce, a.s. is a separate regional DSO that supplies electricity to the Prague metropolitan area.

- **Electricity market operator** - The only licenced market operator is OTE, a.s. ("**OTE**").
- **Electricity traders** – There are more than 75 electricity traders active on the Czech electricity supply market. As the market is very competitive, many of the traders bundle their offers together with other services such as gas supply, internet or home insurance. The segment of electricity traders is also regulated by ERO.

In the Czech Republic, DKHI Group operates in hydropower generation through two companies – EPMVE which operates a 2.4 MW HPP in Brandýs nad Labem and Dolnolabské elektrárny operating a 7.2 MW HPP in Litoměřice, both located on Labe river. Hydropower generation installed capacity is approx. 5 per cent. of total installed capacity 22 GW. Hydropower share in electricity generation covers approx. 2 per cent. of country's electricity production. With 10 MW and generation of 38 GWh, DKHI Group's market share in hydropower generation is not significant (approx. 2 per cent. of total hydropower generation).

7 Organisational Structure of the Guarantor

7.1 Guarantor's Shareholder Structure

The Guarantor is solely owned by Mr. Jaromír Tesař, who holds shareholding interest representing 100 per cent. of the Guarantor's registered capital and voting rights.

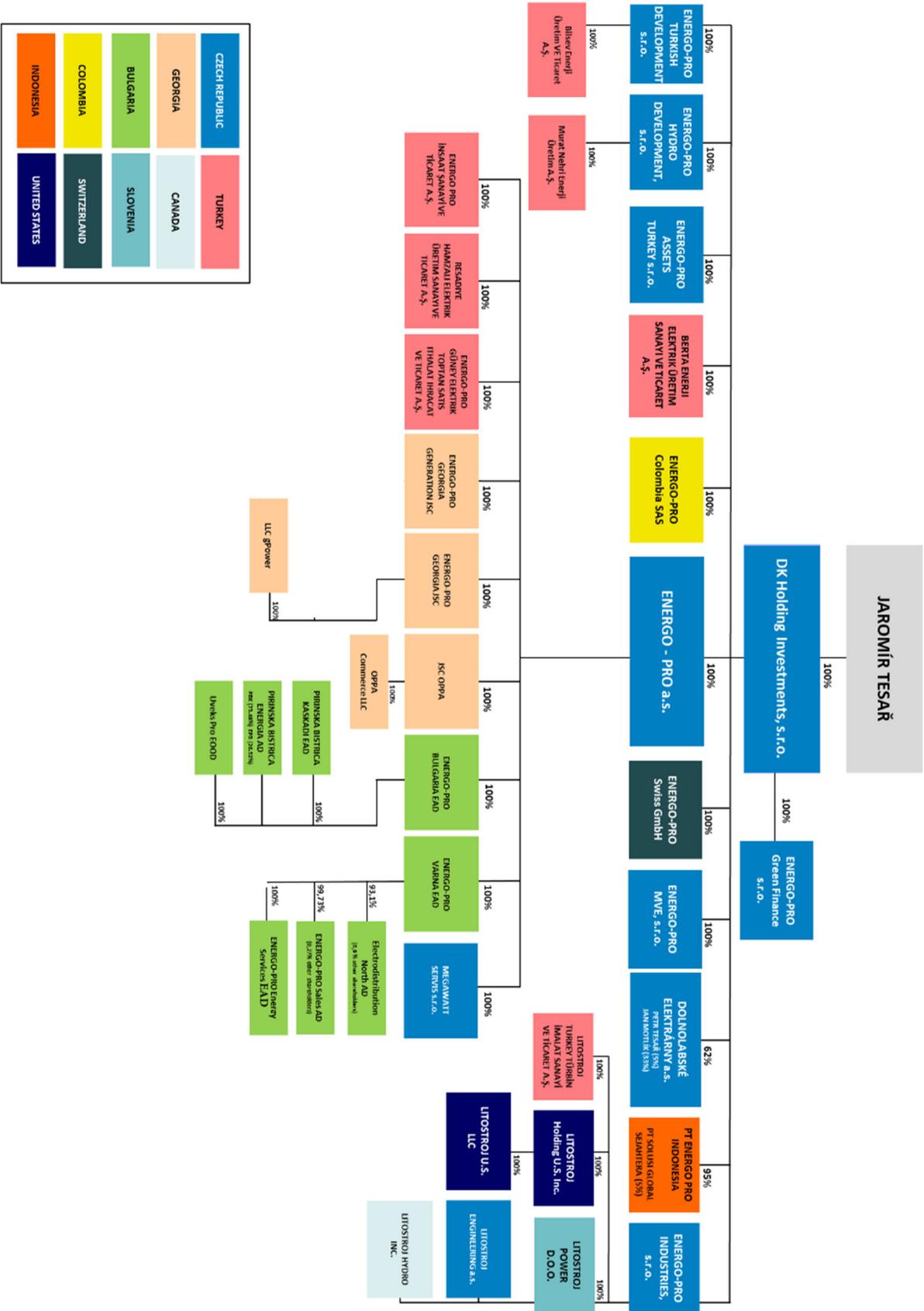
The Guarantor is not aware of any agreements that may lead to a change in control of the Guarantor. As at the date of the Prospectus, no measures against abuse of control of the Issuer have been adopted. The Guarantor prepares and publishes the report on relations between controlling and controlled person.

7.2 Position of the Guarantor in the DKHI Group

The Guarantor is the parent company of the DKHI Group. The Guarantor is solely owned by Mr. Jaromír Tesař, who holds shareholding interest representing 100 per cent. of the Guarantor's registered capital and voting rights.

7.3 DKHI Group

Below is a simplified diagram of selected the DKHI Group companies as at the date of the Prospectus. The companies specified in the diagram under the Guarantor form a consolidated group and affiliated companies.



The following table shows the companies which consolidates Guarantor either fully or using the equity method, by geographical subgroup:

Effective share of ownership at the level of the Guarantor					
Company	Registered office	Method of consolidation as at the Prospectus date	As at the Prospectus date	2019	2018
Parent company: Guarantor	CZ	full	-	-	-
EPAS Group					
ENERGO-PRO a.s.	CZ	full	100 %	100 %	100 %
ENERGO-PRO BULGARIA EAD	BGR	full	100 %	100 %	100 %
PIRINSKA BISTRICA KASKADI EAD	BGR	full	100 %	100 %	100 %
PIRINSKA BISTRICA ENERGIA AD	BGR	full	0 %	100 %	100 %
Uveks Pro EOOD	BGR	full	100 %	100 %	100 %
ENERGO-PRO VARNA EAD	BGR	full	100 %	100%	100 %
Electrodistribution North AD	BGR	full	93.1 %	93.1 %	93.1 %
ENERGO-PRO Sales AD	BGR	full	99.73 %	99.73 %	99.73 %
ENERGO-PRO Energy Services EAD*	BGR	full	100 %	100 %	100 %
ENERGO-PRO GEORGIA GENERATION JSC	GEO	full	100 %	100 %	100 %
ENERGO-PRO GEORGIA JSC	GEO	full	100 %	100 %	100 %
LLC gPower	GEO	full	100 %	95 %	95%
JSC OPPA	GEO	full	100 %	100 %	100 %
OPPA Commerce LLC	GEO	full	100 %	100 %	100 %
ENERGO PRO İNSAAT ŞANAYİ VE TİCARET A.Ş.	TUR	full	100 %	100 %	100 %
RESADIYE HAMZALI ELEKTRİK ÜRETİM SANAYI VE TICARET A.Ş.	TUR	full	100 %	100 %	100 %
ENERGO-PRO GÜNEY ELEKTRİK TOPTAN SATIS İTHALAT İHRACAT VE TİCARET A.Ş.	TUR	full	100 %	100 %	100 %
MEGAWATT SERVIS s.r.o.	CZ	full	100 %	100 %	100 %
EPI Group					
ENERGO-PRO INDUSTRIES, s.r.o.	CZ	full	100 %	100 %	100 %
LITOSTROJ POWER D.O.O.	SVN	full	100 %	100 %	100 %
LITOSTROJ ENGINEERING a.s.	CZ	full	100 %	100 %	100 %
LITOSTROJ HYDRO INC.	CAN	full	100 %	100 %	100 %
LITOSTROJ Holding U.S. Inc.	USA	full	100 %	100 %	n/a
LITOSTROJ U.S. LLC	USA	full	100 %	100 %	n/a
LITOSTROJ TURKEY TÜRBİN İMALAT SANAYİ VE TİCARET A.Ş.	TUR	full	100 %	100 %	100 %
Other activities of DKHI Group					
ENERGO-PRO TURKISH DEVELOPMENT s.r.o.	CZ	full	100 %	100 %	100 %
Bilsev Enerji Üretim VE Ticaret A.Ş.	TUR	full	100 %	100 %	100 %
ENERGO-PRO HYDRO DEVELOPMENT, s.r.o.	CZ	full	100 %	100 %	100 %
Murat Nehri Enerji Üretim A.Ş.	TUR	full	100 %	100 %	100 %
ENERGO-PRO ASSETS TURKEY s.r.o.	CZ	full	100 %	100 %	100 %
BERTA ENERJİ ELEKTRİK ÜRETİM SANAYI VE TİCARET A.Ş.	TUR	full	100 %	100 %	100 %
ENERGO-PRO MVE, s.r.o.	CZ	full	100 %	100 %	100 %

DOLNOLABSKÉ ELEKTRÁRNY a.s.	CZ	full	62 %	62 %	62 %
ENERGO-PRO Colombia SAS	COL	full	100 %	100 %	n/a
ENERGO-PRO Swiss GmbH	CH	full	100 %	100 %	n/a
PT ENERGO PRO INDONESIA	IDN	full	95 %	95 %	95 %
ENERGO-PRO Green Finance s.r.o.	CZ	full	100 %	n/a	n/a

* On February 17, 2020, a transformation was registered in the Bulgarian Commercial Register through the merger of EP Services into EP Trading. Both companies were 100 per cent. owned by EP Varna. On February 21, 2020, a change in the name of ENERGO-PRO Trading EAD to ENERGO-PRO Energy Services EAD was entered in the Commercial Register.

7.4 Description of major companies in the DKHI Group

Unless stated otherwise, financial information for individual DKHI Group companies and aggregated country data as of 31 December 2019 and 31 December 2018 have been derived from unaudited internal accounting records of DKHI Group and prepared in accordance with IFRS. Data regarding regulated and non-regulated activities is based on unaudited management information and estimates.

A. EPAS Group

(i) Bulgaria

EPAS Group operates the following businesses in Bulgaria:

- Electricity generation through ENERGO-PRO Bulgaria EAD ("**EP Bulgaria**"); and
- Electricity distribution, wholesale trading and supply to end customers through subsidiaries of ENERGO-PRO Varna EAD ("**EP Varna**"), namely:
 - Electricity distribution through Electrodistribution North AD ("**EDC North**");
 - Electricity supply on the regulated market, electricity supply of last resort, and electricity supply on the free market through ENERGO-PRO Sales AD ("**EP Sales**"); and
 - Electricity supply on the free market and wholesale/cross-border trading through ENERGO-PRO Energy Services EAD ("**EP Energy Services**").

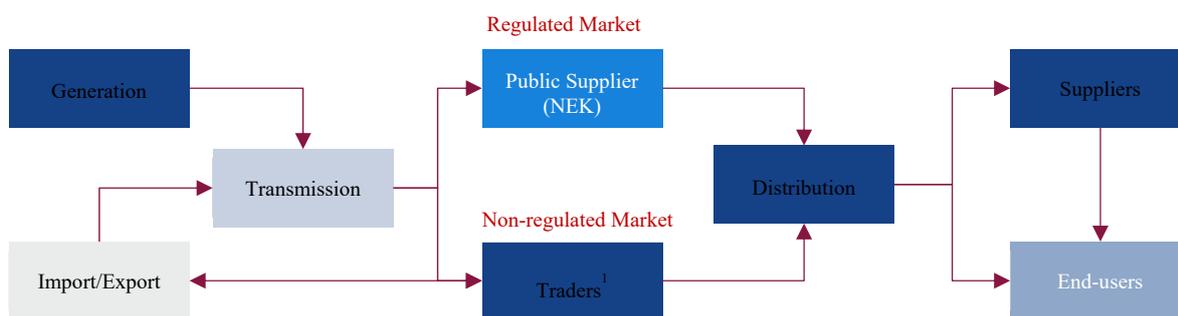
The table below provides an overview of EPAS Group's Bulgarian operations' revenue and EBITDA for the years ended 31 December 2019 and 2018:

(EURmm)	Year ended 31 December 2019		Year ended 31 December 2018	
	Revenue	EBITDA	Revenue	EBITDA
EP Bulgaria	18.8	10.0	21.0	10.6
EP Varna	469.6	69.7	443.0	61.4
EP Trading *	-	-	51.0	(0.8)
Consolidation adjustments	(21.1)	(1.8)	(29.9)	(0.1)
Bulgaria Total	467.3	77.8	485.1	71.1

* Prior to 17 February 2020, EPAS Group operated wholesale/cross-border electricity trading through ENERGO-PRO Trading EAD ("**EP Trading**"). Since 1 January 2019 EP Trading has been owned by EP Varna and its revenue and EBITDA have been consolidated under EP Varna.

The following diagram provides an overview of Bulgaria's energy supply chain. In Bulgaria, low-voltage customers purchase electricity at regulated prices approved by the national regulator – the EWRC, whereas medium-voltage, high-voltage and industrial customers purchase electricity at free market prices. From

1 October 2020, only household low-voltage customers will be able to purchase electricity at regulated prices. See Clause 7.5 (Regulation).



¹ Participants in liberalized market: Generators, traders, suppliers of last resort, end customers, power exchange operator.

Group's operation areas

EP Bulgaria (business name: ENERGO-PRO Bulgaria EAD)

EP Bulgaria is the largest private producer of electricity generated from renewable sources in Bulgaria. Presently, EP Bulgaria owns and operates 14 HPPs. 10 of the plants are united in four cascades - Sandanska Bistritsa Cascade, Pirinska Bistritsa Cascade, Koprinka Cascade and Petrohan Cascade.

As at 31 December 2019, the total installed capacity of EP Bulgaria's HPPs was 166 MW. During the year ended 31 December 2019, EP Bulgaria generated 322 GWh of hydropower, compared to 502 GWh in the previous year. EPAS Group estimates the long-term average annual electricity generation of its Bulgarian HPPs to amount to approximately 457 GWh.

The table below sets out certain information relating to EP Bulgaria's owned generation assets as at 31 December 2019 and its generation data for the years ended 31 December 2019, 2018 and 2017:

Facility name	Type	Commissioning date	Installed capacity (MW)	Tariff	Tariff expiry	Electricity generated (GWh)		
						2019	2018	2017
Spanchevo	With reservoir	1981	28.0	Free market	n/a	49	80	50
Stara Zagora	With reservoir	1955	22.4	Free market	n/a	37	59	34
Popina Laka	With reservoir	1969	22.0	Free market	n/a	46	66	49
Pirin	With reservoir	1992	22.0	Free market	n/a	39	61	38
Lilyanovo	With reservoir	1968	20.0	Free market	n/a	44	61	43
Sandanski	With reservoir	1971	14.4	Free market	n/a	24	38	24
Petrohan	With reservoir	1957	7.7	Regulated	2024	17	22	21
Koprinka	With reservoir	1954	7.0	Regulated	2024	8	13	7

Barziya	With reservoir	1955	5.6	Regulated	2024	18	28	25
Ogosta	With reservoir	2002	5.0	Regulated	2024	8	26	9
Klisura	With reservoir	1953	3.5	Regulated	2024	9	15	12
position	With reservoir	2005	3.5	Regulated	2024	8	13	8
Samoranovo	With reservoir	1965	2.9	Regulated	2024	7	10	6
Karlukovo	Run-of-the-river	2010	2.3	Regulated	2025	6	11	10
Total	n/a	n/a	166.3	n/a	n/a	322	502	338

In Bulgaria, generation of electricity from renewable sources is promoted through the implementation of various preferential tariff schemes. In the hydropower sector, a FiT scheme which provided guaranteed tariffs for 15 years for HPPs with installed capacity of less than 10 MW was replaced by 'contracts for premium' in two steps. Contracts for premium were applicable from 1 July 2018 to HPPs with installed capacity of 4 MW and greater and from 1 July 2019 to HPPs with installed capacity of 1 MW and greater. Eight out of the 14 HPPs owned and operated by EP Bulgaria benefit from this support scheme.

Under the contracts for premium mechanism all energy produced by EP Bulgaria's HPPs eligible to participate in this scheme is sold on the energy exchange (IBEX) at market prices. Each HPP enters into a contract for premium with the Electricity System Security Fund ("ESSF") for a term corresponding to the original FiT contract. The contract provides that the ESSF shall pay a premium for all energy produced by the HPP up to the net specific production volume set by the EWRC for the relevant HPP. The premium is set by the EWRC annually, by 30 June, and is calculated as the difference between the FiT set in the original EWRC price decision and the forecast average market price for the relevant regulatory period. See Clause 7.5 (Regulation).

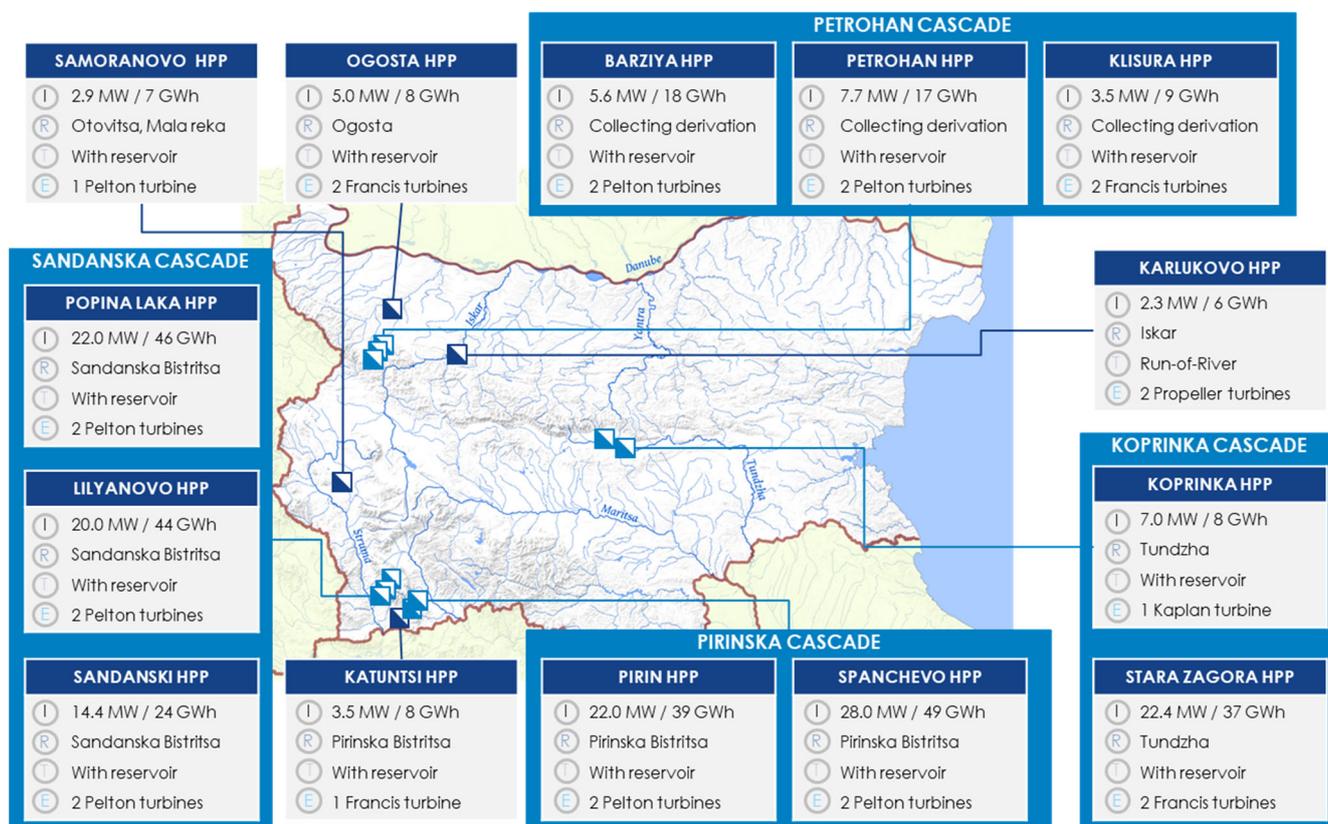
The electricity generated by the six remaining HPPs is subject to free market prices, with EP Bulgaria selling this electricity to EP Varna Group pursuant to bilateral contracts. Upon the expiry of the contracts for premium, the Group's regulated HPPs are expected to transition to free market prices and sell their electricity to EP Varna Group as well.

The table below sets out the average selling prices for electricity generated and sold at free market prices (i.e. not subject to FiT scheme) in the years ended 31 December 2019, 2018 and 2017, fixed FiTs, reference prices as well as premia applicable for those periods:

In euros per MWh	2019	2018	2017
<i>HPPs with installed capacity > 10MW</i>	-	-	-
Average free market price	44.77	35.39	34.82
<i>HPPs with installed capacity of 1-10MW</i>	-	-	-
Average FiT price*	n/a / n/a	57.51 / 108.95	57.51 / 108.95
Reference price (07/18-06/19)*	35.27	n/a	n/a
Premium (07/18-06/19)*	22.24 / 73.68	n/a	n/a
Reference price (07/19-06/20)*	42.62	n/a	n/a
Premium (07/19-06/20)*	14.89 / 66.33	n/a	n/a

* The FiT/premium is subject to a load cap of 2,500/3,724 hours. Any production in excess of this load cap must be sold at free market prices. Higher FiT/premium and load cap apply to Karlukovo HPP only.

The following map shows the location of EP Bulgaria's HPPs:



Legend: I – installed capacity and 2019 annual generation; R – river; T – type of the HPP (with reservoir or run-of-river); E – # of turbines + type

EP Varna (business name: ENERGO-PRO Varna EAD)

As at 31 December 2019 and 31 December 2018 EP Varna directly owned shares in the following subsidiaries:

Name	Location	EP Varna ownership interest	
		2019	2018
EDC North	Bulgaria	93.10 %	93.10 %
EP Sales	Bulgaria	99.73 %	99.73 %
EP Services*	Bulgaria	100 %	100 %
EP Trading*	Bulgaria	100 %	100 %

* On February 17, 2020, a transformation was registered in the Bulgarian Commercial Register through the merger of EP Services into EP Trading. Both companies were 100 per cent. owned by EP Varna. On February 21, 2020, a change in the name of ENERGO-PRO Trading EAD to ENERGO-PRO Energy Services EAD was entered in the Commercial Register, as well as the subject of activity that unites the subject of activity of the two companies.

In the year ended 31 December 2019, the EP Varna and its subsidiaries (the "EP Varna Group") generated EBITDA of EUR 69.7 million, of which EUR 62 million was derived from the regulated activities of EDC North and EP Sales, as compared to EUR 56 million in the year ended 31 December 2018. Given the significance of the regulated market to the EP Varna Group's operations in Bulgaria, its activities and development are dependent on the decisions of EWRC with respect to prices in the energy sector.

The table below provides an overview of the EP Varna Group's financial performance in the years ended 31 December 2019 and 2018:

(EURmm)	Year ended 31 December 2019			Year ended 31 December 2018		
	Revenue	EBITDA	Regulated EBITDA	Revenue	EBITDA	Regulated EBITDA
EDC North	120.5	54.0	54.0	112.9	45.0	45.0
EP Sales	161.4	7.7	7.7	172.8	10.6	10.6
EP Energy Services	161.2	6.2	-	160.7	4.2	-
EP Trading	59.5	1.0	-	-	-	-
EP Varna (stand-alone)	14.8	2.8	-	14.9	1.8	-
Consolidated adjustments	(47.9)	(2.0)	-	(18.4)	(0.2)	-
Total EP Varna Consolidated	469.6	69.7	61.8	443.0	61.4	55.6

During the years ended 31 December 2018 and 2019, EP Varna focused on reducing its commercial grid losses, improving its distribution network as well as the reliability of the electricity supply and ensuring it was in compliance with its legal obligations. DKHI Group has invested in meter replacements to reduce the amount of non-technical related losses, new customer connections (mostly connections of residential buildings), and improvements of the grid.

In 2020, the liberalisation of the Bulgarian energy supply market continued. Changes to the Energy Act (see Section 7.5 (*Regulation*) of Chapter XI. (*Information about the Guarantor and DKHI Group*)) require all non-household customers connected to the distribution network at low voltage to switch from their regulated market supplier to a free market supplier by 30 September 2020. Therefore, as of 1 October 2020, only household customers will be entitled to purchase electricity at regulated prices. Those non-household customers who have not managed to switch to a free market supplier by 30 September 2020 will continue to be supplied by their existing regulated market supplier but will have to purchase electricity at free market prices. After 30 June 2021 those non-household customers who will not have switched to a free market supplier will be supplied by the supplier of last resort.

EDC North (business name: Electrodistribution North AD)

EDC North operates and maintains an electricity distribution network in north-eastern Bulgaria that extended to 43,026 km as at 31 December 2019. EDC North holds a licence for the distribution of electricity issued by EWRC and valid until 2039. The licence area covers approximately 26 per cent. of Bulgaria. The licence also gives EDC North certain rights and imposes on it certain obligations related to the balancing of distribution losses.

In the year ended 31 December 2019, EDC North generated EBITDA of EUR 54 million, as compared to EUR 45 million in the year ended 31 December 2018.

EDC North is one of three main electricity distributors in Bulgaria, each benefitting from a natural monopoly in its respective licence area. EDC North operates within the boundaries of its licenced territory, which includes nine districts in North Eastern Bulgaria: Varna, Veliko Turnovo, Gabrovo, Dobrich, Razgrad, Ruse, Silistra, Targovishte and Shumen.

The map below indicates the licenced territories of the three main electricity distribution companies in Bulgaria:



The table below sets out details of EDC North's operational activities for the years ended 31 December 2019, 2018 and 2017:

	Unit	Year ended 31 st of December		
		2019	2018	2017
Wheeling volume ¹	GWh	6,083	6,323	6,308
Grid loss volume ²	GWh	438	506	632
Grid losses	%	7.2	8.0	10.0
Distributed volume ³	GWh	5,645	5,817	5,676
Of which Free market	GWh	2,342	2,533	2,399
Of which Regulated market	GWh	3,303	3,283	3,277
Number of connection points	('000)	1,228	1,224	1,222
SAIDI unplanned ⁴	(minutes)	61.6	61.8	65.2
SAIFI unplanned ⁵	(frequency)	1.3	1.2	1.1
Network length	(km)	43,026	42,535	42,535
RAB ⁶	(EURm)	134	134	175
WACC (nominal, pre-tax)	%	6.67	1H 7.04 2H 6.67	7.04

¹ Total volume of electricity transmitted over the grid

² The volume difference between purchased electricity and sold electricity, as well as own consumption

³ Total volume of supplied electricity

⁴ System Average Interruption Duration Index, gives information about the average time in minutes of customer supply being interrupted per reported period

⁵ System Average Interruption Frequency Index, gives information about the average frequency of sustained interruptions greater than 3 minutes per customer per reported period over a predefined service area

⁶ Value of net invested capital for regulatory purposes. Converted from BGN at BGN 1.9558 per EUR 1

In Bulgaria, electricity distribution is regulated by EWRC, with EDC North being subject to a revenue cap regulation that is applicable for a regulatory period that lasts three years. The current regulatory period started on 1 August 2018 and will continue until 30 June 2021. Within a regulatory period prices are adjusted each price period, which is one year long, by only a limited number of parameters.

The distribution tariff consists of a number of components, including costs approved by EWRC, EDC North's RAB and the weighted average cost of capital ("WACC").

EP Sales (business name: ENERGO-PRO Sales AD)

EP Sales holds the following three licences issued by EWRC:

- Licence for the supply of electricity as an end supplier for the territory of north-eastern Bulgaria. The licence is valid until 2039. The licence also gives EP Sales certain rights and imposes on it certain obligations related to its role as "special balancing group coordinator". The licence entitles the company to sell electricity at regulated prices to household and non-household customers connected to the distribution network at low voltage across its licence territory.
- Licence for the supply of electricity as a supplier of last resort for the territory of north-eastern Bulgaria. The licence is valid until 2039. This licence includes also the role of "special balancing group coordinator". Under this licence the company ensures the supply of electricity to (1) customers connected to the distribution network at medium voltage who have not chosen a free market supplier; (2) customers who do not have a free market supplier for any other reason (e.g. bankruptcy of the supplier). Electricity sold pursuant to EP Sales' role as supplier of last resort benefits from a three per cent mark-up on the procurement cost.
- Licence to trade in electricity. The licence is valid until 2030 and is not restricted to a certain territory in Bulgaria. The licence also gives EP Sales certain rights and imposes on it certain obligations related to its role as "standard balancing group coordinator" and "combined balancing group coordinator". Non-household customers connected to the distribution network at low voltage who have not chosen a free market supplier by 30 September 2020 will be supplied by EP Sales under this licence at free market prices until 30 June 2021.

In the year ended 31 December 2019, EP Sales generated EBITDA of EUR 7.8 million, as compared to EUR 10.6 million in the year ended 31 December 2018. 100 per cent. of EP Sales' revenues are derived from the regulated market.

The table below sets out details of EP Sales' operational activities for the years ended 31 December 2019, 2018 and 2017:

		Year ended 31 December		
	Unit	2019	2018	2017
Supplied volume	GWh	3,303	3,283	3,277
Number of customers	('000)	1,040	1,055	1,059
Supply margin (regulated)*	%	6.51	6.51	2.29

* Supply margin excluding balancing costs in 2017 and including balancing costs in 2018 and 2019.

EP Sales' cash collection rate has remained at approximately 96.5 per cent in each of the years ended 31 December 2018 and 2019.

EP Energy Services (business name: ENERGO-PRO Energy Services EAD)

EP Energy Services is the result of a business combination of EP Energy Services, a company focussed on free market electricity supply, and EP Trading, a company focussed on wholesale/cross-border electricity trading, which became effective on 17 February 2020. EP Energy Services holds a licence to trade in electricity issued by EWRC and valid until 2021. The licence also gives EP Energy Services certain rights and imposes on it certain obligations related to its role as "standard balancing group coordinator" and "combined balancing group coordinator". The licence is not restricted to a certain territory in Bulgaria. EP Energy Services has filed an application with EWRC to extend the licence by another 10 years which is pending.

The licence enables EP Energy Services to buy and sell electricity at freely negotiated prices and to supply electricity to end customers across Bulgaria. EP Energy Services is a licenced participant and active electricity trader on the Independent Bulgarian Energy Exchange ("IBEX") and is one of the leading traders on the Bulgarian free market. Based on data from the Electricity System Operator for 2018 and 2019, EP Energy Services had a 16.4 per cent. and 15.5 per cent. market share, respectively, and was the second largest supplier on the free market in terms of supplied volumes to end customers and the largest free market supplier by number of customers.

EP Energy Services sources electricity on the wholesale market from generators, traders and IBEX.

In the year ended 31 December 2019, EP Energy Services generated EBITDA of EUR 6 million, as compared to EUR 4 million in the year ended 31 December 2018. EP Energy Services' revenues are derived from the free market.

The table below sets out details of EP Energy Services' operational activities for the years ended 31 December 2019, 2018 and 2017:

		Year ended 31 December		
		2017	2018	2019
Supplied volume	GWh	2,518	2,753	2,546
Number of customers	#	16,798	18,207	15,818
Average selling price	BGN/MWh	101.4	83.3	72.6
Total electricity sold on free market	GWh	15,611	16,839	17,155

EP Energy Services is a coordinator of two balancing groups and receives a fee for this service. The service consists of aggregating and managing hourly deviations from forecasted schedules, thus minimising the balancing cost for its own portfolio and its members.

EP Energy Services also trades with electricity on local and regional wholesale markets and trades with Guarantees of Origin. These were the primary business activities of EP Trading before the businesses combined.

(ii) Georgia

Through the Guarantor's subsidiaries in Georgia, EPAS Group operates the following businesses:

- Electricity generation through JSC ENERGO-PRO Georgia Generation ("**EPG Generation**") and LLC gPower ("**gPower**");
- Electricity distribution and supply through JSC ENERGO-PRO Georgia ("**EP Georgia**"); and
- Payment collection through JSC OPPA ("**OPPA**").

On 23 December 2016, EP Georgia completed a reorganisation resulting in EPG Generation being created by way of spin-off from EP Georgia. EPG Generation holds EPAS Group's Georgian HPP assets whereas EP Georgia operates EPAS Group's Georgian electricity distribution business and EPAS Group's TPP. Based on the Electricity Market Model Concept adopted by the Government of Georgia on 16 April 2020 the distribution and supply businesses of EP Georgia will have to be legally separated by the end of 2020. Although the relevant secondary legislation has been adopted, it is subject to further changes and clarifications.

In 2019, the performance of EP Georgia and EPG Generation was adversely impacted by several factors. The results of EP Georgia were negatively affected as a result of delayed liberalisation of high voltage customers, lower consumption of electricity during summer months due to colder weather, and limited availability of cheaper electricity in the market which increased purchase power costs. EPG Generation experienced a hydrologically dry year resulting in lower generation volumes.

The table below provides an overview of EPAS Group's Georgian operations' financial performance in the years ended 31 December 2019 and 2018:

(EURmm)	Year ended 31 December 2019		Year ended 31 December 2018	
	Revenue	EBITDA	Revenue	EBITDA
EP Georgia	224.3	14.2	277.5	28.4
EP Georgia Generation	25.4	17.0	30.9	23.0
OPPA	12.6	2.2	11.7	2.2

Consolidation adjustments	(21.3)	(5.2)	(30.6)	(4.7)
Georgia Total	240.9	28.1	289.6	48.8

The table below provides a breakdown of the EBITDA generated by EP Georgia's operations in the years ended 31 December 2019 and 2018.

(EURmm)	Year ended 31 December 2019	Year ended 31 December 2018
	EBITDA	EBITDA
Distribution and Sales (currently EP Georgia)	10.2	24.5
Grid Support Services (currently gPower)	4.0	3.8
HPP Generation (currently EPG Generation)	17.0	23.0
EP Georgia Total	31.2	51.3

In the year ended 31 December 2019, approximately 19 per cent. of EPAS Group's EBITDA in Georgia was derived from regulated activities, as compared to approximately 50 per cent. in the year ended 31 December 2018.

EPG Generation (business name: JSC ENERGO-PRO Georgia Generation)

EPG Generation owns and operates 15 medium sized HPPs with a total capacity of 487 MW, representing 17 per cent. of Georgia's hydropower generation capacity. In the year ended 31 December 2019, the EPG Generation's annual production was 1,554 GWh, as compared to an annual production of 1,819 GWh in the year ended 31 December 2018. EPAS Group estimates the long-term average annual electricity generation of its Georgian HPPs to amount to approximately 1.79 TWh.

gPower (business name: LLC gPower)

gPower owns and operates the Gardabani gas turbine with installed capacity of 110 MW, which provides mainly ancillary services.

The table below sets forth certain information relating to EPAS Group's Georgian owned generation assets as at 31 December 2019 and its generation data for the years ended 31 December 2019, 2018 and 2017:

Facility name	Type	Commissioning date	Installed capacity (MW)	Tariff	Tariff expiry	Electricity generated (GWh)		
						2019	2018	2017
Lajanuri	With reservoir	1960	113.7	Regulated	December 2020	365	414	390
gPower	TPP	2006	110.0	Grid support	December 2020	99	64	50
Dzevrula	With reservoir	1956	80.0	Regulated	December 2020	110	131	150
Gumati I	With reservoir	1958	46.7	Regulated	December 2020	278	316	321

Facility name	Type	Commissioning date	Installed capacity (MW)	Tariff	Tariff expiry	Electricity generated (GWh)		
						2019	2018	2017
Gumati II	Run-of-the-river	1956	22.8	Regulated				
Rioni	Run-of-the-river	1933-34	51.0	Regulated	December 2020	282	314	299
Shaori	With reservoir	1955	40.3	Regulated	December 2020	84	128	147
Zahesi	With reservoir	1927-38	36.8	Free market	n/a	146	202	180
Chitakhevi	Run-of-the-river	1949-51	21.0	Free market	n/a	101	102	89
Atsi	Run-of-the-river	1937	18.4	Free market	n/a	77	89	94
Ortachala	Run-of-the-river	1954	18.0	Free market	n/a	76	85	66
Satskhenisi	Run-of-the-river	1952	14.0	Free market	n/a	11	11	26
Sioni	With reservoir	1964	9.0	Free market	n/a	16	12	20
Chkhorotsku	Run-of-the-river	1967	6.0	Free market	n/a	16	13	16
Martkhopi	Run-of-the-river	1952	3.9	Free market	n/a	1	1	4
Kinkisha	Run-of-the-river	1954	0.9	Free market	n/a	2	2	3
Total	n/a		592.5	n/a	n/a	1,653	1,882	1,854

Regulated generation tariff is calculated using RAB based methodology for each HPP. Gumati II generation figures are combined with Gumati I.

The table below sets out the investments in network and generation assets in the years ended 31 December 2019, 2018 and 2017:

	Years ended 31 December		
(EURmm)	2019	2018	2017
Distribution	32	27	24
Generation (HPPs and TPP)	8	6	1
Total	40	34	25

EP Georgia has invested heavily in the modernisation and maintenance of its assets, some of which entered into service prior to 1950. EP Georgia has developed and implemented a rehabilitation programme for its HPPs aiming to establish an efficient electricity generation process through technological improvements.

In respect of the distribution network, the low voltage grid has been rehabilitated through the replacement of infrastructure and by repairing old transformers. EP Georgia has also introduced individual meters across its low voltage network, such that each individual customer now has its own meter. These investments have improved EPAS Group's operating efficiency and the quality of its service and contributed to a more stable supply of electricity in Georgia. The company carries out continuous electricity grid rehabilitation projects throughout its coverage area in order to improve the electricity grid condition and provide high-quality electricity supply to its customers.

The table below sets out the average JSC Electricity System Commercial Operator ("**ESCO**") balancing market price (set by the Georgian market operator), which can be used as a proxy for evaluating wholesale prices in the years ended 31 December 2019 and 2018 and the fixed regulated tariffs applicable for those periods for regulated HPPs operated by the EPG Generation and its subsidiaries (the "**EPG Generation Group**"):

in GEL	2019	2018
Average balancing market price*	116.9	115.9
Average regulated price for HPPs operated by EPGG Group	25.3	25.2

* There is no free market electricity price in Georgia. The market price above is based on the balancing price for electricity used by ESCO (a wholesale proxy).

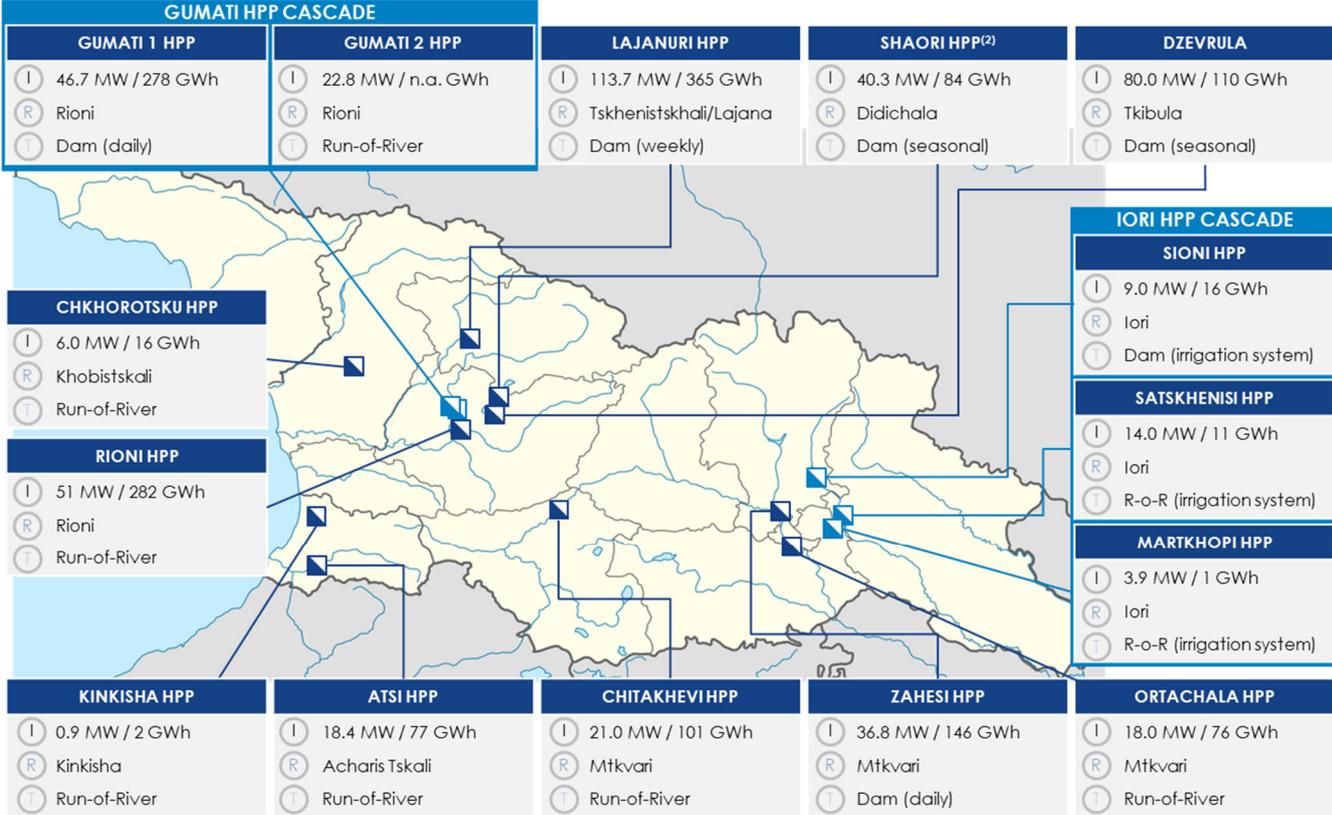
In Georgia, all HPPs with an installed capacity above 40 MW and built prior to August 2008 are subject to price regulation. As such, 6 out of the EPG Generation Group's 15 HPPs currently sell electricity at regulated prices to EP Georgia a the power purchase agreement. The remaining nine Georgian HPPs sell their electricity to EP Georgia pursuant to an annual contract at "market" negotiated prices. According to the bilateral contracts, EP Georgia is obliged to purchase all generated electricity and in case of surplus, EPG Generation Group may enter into monthly contracts with third party customers to sell excess electricity which is not utilised by EP Georgia.

According to the Electricity Market Model Concept adopted by the Government of Georgia on 16 April 2020 as part of the on-going process of reform of the country's electricity sector, a temporary Public Service Obligation may be imposed on certain electricity producers. All electricity producers with installed capacity up to 120MW shall be gradually relieved of the public service obligation starting from 1 January 2021 for producers with installed capacity up to 50MW until 1 January 2027 for producers with installed capacity up to 120MW. As a result, Shaori HPP is to be released from the public service obligation from 1 January 2021.

New secondary legislation regulating pricing in the electricity sector with respect to transmission, distribution and public service obligations shall be adopted by the GNEWRC. The current regulation of electricity pricing is based on an HPP's commissioning date, installed capacity and costs (regulated asset base). GNEWRC approves the regulatory cost base for each regulated HPP, which sets the level of permitted revenue that can be generated. A number of components are used by GNEWRC to calculate the tariffs applicable to each HPP, with the key variable factors being the RAB and the WACC. By increasing the RAB through capital expenditure and modernisation, EPAS Group is able to benefit from higher regulated tariffs. The WACC applicable to the current regulatory period is 16.40 per cent. See "*Regulation – Regulation in Georgia*".

EPG Generation's HPP maintenance programme aims to secure stable electricity generation as well as technological modernisation.

The following map shows the location of EPG Generation's HPPs:



Legend: I – installed capacity and 2019 annual generation; R – river; T – type of the HPP (with reservoir or run-of-the-river)

EP Georgia (business name: ENERGO-PRO Georgia JSC)

EPAS Group's distribution business in Georgia is operated through EP Georgia (EP Georgia together with its subsidiaries, the "EP Georgia Group").

EP Georgia is the largest energy distribution company in Georgia in terms of the number of customers served and its sales and services territory, according to management estimates. EP Georgia provides power to more than 1.2 million customers, distributing over 4 TWh of electricity and covering 85 per cent. of Georgia's territory, benefiting from a natural monopoly within the territories in which it operates. EP Georgia supplied 4,380 GWh of electricity to 1,237,013 points of delivery during the year ended 31 December 2019 and 5,416 GWh to 1,213,670 points of delivery during the year ended 31 December 2018. The results of EP Georgia in 2019 were negatively affected as a result of delayed liberalisation of high voltage customers, lower consumption of electricity during summer months due to colder weather, and limited availability of cheaper electricity in the market which increased purchase power costs.

Since May 2018, as part of market deregulation, 12 high voltage end-user customers have left EP Georgia's network and were registered as direct customers. Direct customers may not purchase electricity from distribution companies at regulated prices but are required to purchase electricity for freely negotiated prices. As a result of the transition, the quantity of electricity traded in the free market increased. This also had the effect of reducing the quantity of expensive electricity that EP Georgia was previously required to purchase in order to supply these high voltage end-user customers.

While Georgia has made significant progress in reforming the electricity generation, transmission and distribution sectors, the Georgian energy sector continues to undergo fundamental changes. During 2019 and 2020, several key energy-related laws were adopted by the Government of Georgia, including the Electricity Market Model Concept. These laws define the general framework for the future market as well as guidelines for the transition

period. Related secondary legislation, which is expected to set out detailed organization of the market as well as details of the implementation plan, is expected to be finalized by the end of 2020. For further information on the Georgian electricity regulatory framework, see "*Regulation—Regulation in Georgia*".

The table below sets out details of EP Georgia's operational activities for the years ended 31 December 2019, 2018 and 2017:

	Unit	Year ended 31 December		
		2019	2018	2017 ⁷
Wheeling volume ¹	GWh	4,933	5,891	5,254
Grid loss volume ²	GWh	534	477	359
Grid losses	%	9.92	7.86	8.1
Supplied volume ³	GWh	4,380	5,416	4,895
Transmitted Volume ⁴	GWh	448	174	174
Number of connection points	('000)	1,237	1,214	1,190
Number of meters	('000)	1,295	1,268	1,179
SAIDI unplanned ⁵	(minutes)	1.378	1.554	1.780
SAIFI unplanned ⁶	(frequency)	17.4	19.5	22.7
Network length	(km)	56,291	55,455	54,445
RAB	(GELm)	467	415	369
WACC (nominal, pre-tax)	%	16.4	16.4	13.54

¹ Total volume of electricity transmitted over the grid

² The volume difference between purchased electricity and sold electricity, as well as own consumption

³ Total volume of supplied electricity

⁴ Volume distributed to non-EP Georgia customers (supplied volume)

⁵ System Average Interruption Duration Index, gives information about the average time in minutes of customer supply being interrupted per reported period

⁶ System Average Interruption Frequency Index, gives information about the average frequency of sustained interruptions greater than 3 minutes per customer per reported period over a predefined service area

⁷ Including the Kakheti distribution network data for September to December 2017.

The table below sets out the sources of the electricity supplied by EP Georgia for the years 2019 and 2018:

	2019	2018
	<i>(GWh)</i>	
Purchased	3,428	4,074
Internally generated	1,505	1,853
Transmitted volume	448	174
Total	5,381	6,102

Efficiency Measures

The EP Georgia Group invests heavily in the modernisation and maintenance of its assets. It carries out continuous electricity grid maintenance and individual re-metering projects throughout its coverage area, installing an additional 116,000 meters across its network between 2015 and 2019. EPAS Group's investment in re-metering its network has helped to decrease grid losses and increase cash collections. Between 2007 (being the year that EPAS Group began operating the grid) and the year ended 31 December 2019, the EP Georgia Group decreased grid losses from 14.8 per cent. to 9.92 per cent.

In respect of cash collections, the EP Georgia Group has improved collection rates from 89.7 per cent. in the year ended 31 December 2007 to 99.0 per cent. in the year ended 31 December 2019. The material increase in collection efficiency can be partly attributed to the acquisition of OPPA in 2014, which has provided customers with an efficient method of paying for EPAS Group's electricity. In addition, the EP Georgia Group has introduced and enforced a strict disconnection policy that results in customers being disconnected if they are more than 15 days in arrears on their bill payments. Combined with high re-connection costs, these policies have had a significant impact on the EP Georgia Group's collection efficiencies.

gPower (business name: LLC gPower)

EP Georgia's subsidiary, gPower provides Georgian grid support services through the provision of reserve capacity. gPower owns and operates the gas turbine power plant with a capacity of 110 MW located in Gardabani. This power plant is used to generate electricity during seasonal peaks when there is a shortfall in capacity on the Georgian grid. As the gPower plant is only run periodically, it derives its revenue from two sources: (i) a system reserve tariff which represents the guaranteed capacity that is available to the national grid; and (ii) electricity revenue which covers the variable costs of operating the plant.

	Year ended 31 December		
	2019	2018	2017
Daily fee (GEL)*	47,720	44,874	42,256
Generation tariff (GEL/MWh)**	110.97	94.31	141.20

* For 2020, the daily fee was increased to GEL 47,898 per day.

** Starting from 1 January 2020 generation tariffs are not fixed but are set on a monthly basis.

From 1 January 2018, the WACC on RAB increased from 13.54 per cent. to 16.4 per cent., thereby increasing the regulated tariff for gPower. See "*Regulation – Regulation in Georgia*".

OPPA (business name: OPPA JSC)

EPAS Group acquired OPPA in 2014 in order to reduce its reliance on third parties with respect to the collection of payments from its customers in Georgia, and to help improve the collection rate. As Georgia is a largely cash based economy, EPAS Group found that it was reliant upon third party cash terminals to receive payments from its customers and thus faced counterparty credit risk. OPPA offers an exclusive payment service to EPAS Group's Georgian electricity supply customers through its network of over 7,100 payment terminals.

(iii) Turkey

Through its subsidiaries in Turkey, the EPAS Group operates the following businesses:

- electricity generation through Reşadiye Hamzalı Elektrik Üretim San.ve Tic. A.Ş. ("**RH Turkey**");
- electricity trading and supply of electricity to wholesale customers through ENERGO-PRO Güney Elektrik Toptan Satış İthalat İhracat ve Ticaret A.Ş. ("**EP Toptan**");
- project management and civil construction works in the hydropower segment through ENERGO PRO İnşaat Sanayi ve Ticaret A.Ş. ("**EP Insaat**").

DKHI Group is also in the final stages of constructing the following two major HPP projects in Turkey – HPP Karakurt owned by Bilsev and HPP Alpaslan 2 owned by Murat.

Turkey provides DKHI Group with an attractive hydropower market in which to operate. Hydropower is a primary domestic source of electricity within Turkey, accounting for approximately 34 per cent. of the country's installed generation capacity. Hydropower benefits from a renewable energy resources support mechanism ("**YEKDEM**") that provides a guaranteed price, denominated in the U.S. dollar, for the electricity generated by the majority of DKHI Group's Turkish HPP assets.

In the year ended 31 December 2019, the volume of electricity generated by RH Turkey increased to 553 GWh from 422 GWh in the year ended 31 December 2018, as a result of improved hydrological conditions.

The table below provides an overview of EPAS Group's Turkish operations' financial performance in the years ended 31 December 2019 and 2018:

(EURmm)	Year ended 31 December 2019		Year ended 31 December 2018	
	Revenue	EBITDA	Revenue	EBITDA
RH Turkey	39.1	32.7	29.1	22.7
EP Toptan	3.7	(0.1)	3.4	0.1
EP Insaat	78.2	2.1	8.9	(1.6)
Consolidated adjustments	(84.4)	2.5	(3.4)	(0.5)
Turkey Total	36.8	37.2	38.0	20.6

Turkey's Electricity Market Supply Chain consists of five segments, as shown below:

Generation*	Transmission	Wholesale*	Distribution	Supply
<ul style="list-style-type: none"> •EÜAŞ (Public generation and wholesale company) •BO-BOT-TOR Generation companies •Private Generation Companies 	<ul style="list-style-type: none"> •TEİAŞ (Public Transmission Company) as transmission system operator 	<ul style="list-style-type: none"> •Private wholesale companies (wholesale / retail supplier) •EÜAŞ (Public generation and wholesale company) 	<ul style="list-style-type: none"> •21 private distribution companies 	<ul style="list-style-type: none"> •21 private retail companies (supply company in charge - last resort supply)

* Segments in which EPAS Group companies are active

For a description of these market segments and an overview of the Turkish electricity market, see "*Regulation—Regulation in Turkey*".

RH Turkey (business name: Reşadiye Hamzalı Elektrik Üretim San.ve Tic. A.Ş.)

The main activities of RH Turkey involve operating five HPPs and selling the electricity produced by those plants on the market. RH Turkey has a total installed capacity of 95 MW, representing 0.3 per cent. of Turkey's total installed HPP generation capacity.

The table below sets forth certain information relating to the RH Turkey's generation assets as at 31 December 2017 and its generation data for the years ended 31 December 2019, 2018 and 2017:

Facility name	Type	Commissioning date	Installed capacity (MW)	Tariff	Tariff expiry	Electricity generated (GWh)		
						2019	2018	2017
Resadiye I	Run-of-the-river	2010	16.0	FiT	2021	116	77	75
Resadiye II	Run-of-the-river	2010	26.7	FiT	2021	190	127	121
Resadiye III	Run-of-the-river	2009	22.9	FiT	2021	154	103	99
Hamzali	Run-of-the-river	2008	17.0	Free market	n/a	53	69	86

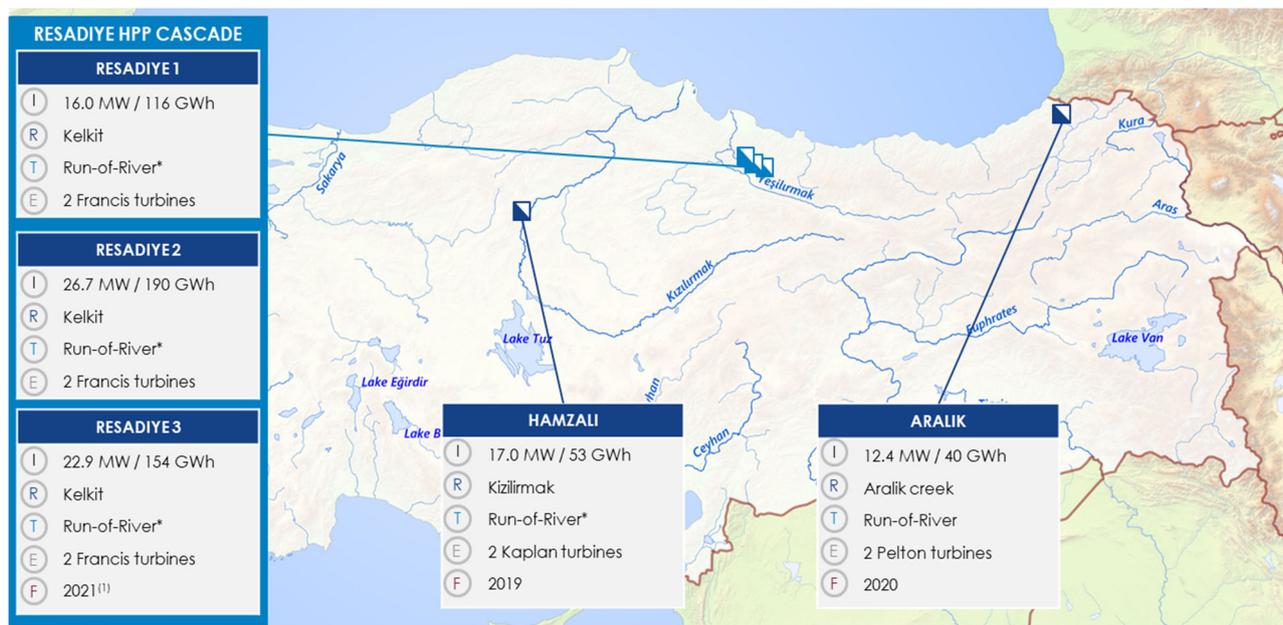
Facility name	Type	Commissioning date	Installed capacity (MW)	Tariff	Tariff expiry	Electricity generated (GWh)		
						2019	2018	2017
Aralik	Run-of-the river	2010	12.4	FiT	2020	40	45	53
Total	n/a	n/a	95.0	n/a	n/a	553	422	433

RH Turkey's generation assets are owned and operated by EPAS Group. As a private generation company, RH Turkey's licence is valid for 49 years. After such term, RH Turkey may apply to EMRA to renew the licence, and the decision on renewal will be made by EMRA. In practice, it is likely that RH Turkey's generation assets will be transferred to the state in 2055.

In Turkey, generation of electricity from renewable sources is supported via a FiT, which applies to newly built HPPs that are run-of-the-river and have a reservoir area below 15km². All five of RH Turkey's HPPs were eligible for the guaranteed tariff, which is applicable for the first 10 years of operation for sources commissioned prior to 30 June 2021. The FiT is fixed at USD 73 per MWh. Hamzali left the FiT regime at the end of 2019 while Aralik and HPPs of the Resadiye cascade are expected to leave the FiT regime at the end of 2020 and 2021, respectively. Once an HPP leaves the FiT regime the electricity it generates is sold at free market prices to eligible customers, through bilateral contracts or in the balancing market. Since January 2015, free market electricity prices in Turkey have been lower than FiT prices and as such, EPAS Group has elected for each of its eligible HPPs to be part of YEKDEM.

In addition, RH Turkey is able to participate in the balancing market in some periods, particularly during the summer and winter, when balancing activities provide a good source of incremental revenue. Through balancing activities, RH Turkey has the opportunity to sell electricity in the balancing power market, which is used to balance demand and supply at real-time. The balancing power market is operated by the system operator, EPIAŞ. Based on the merit order list, EPIAŞ issues up/down regulations to balancing group coordinators such as RH Turkey, either ordering an increase or a decrease in production. If an up regulation is issued to RH Turkey, it is able to sell the increase in production at a rate higher than the DAMP.

The following map shows the location of RH Turkey's HPPs:



Legend: I – installed capacity and 2019 annual generation; R – river; T – type of the HPP (with reservoir or run-of-the-river); E – # of turbines + type; F – end of FiT period (for Resadiye it applies to all HPPs in Resadiye cascade)

EPAS Group estimates the long-term average electricity generation of its Turkish HPPs to amount to approximately 558 GWh.

EP Toptan (business name: ENERGO-PRO Güney Elektrik Toptan Satış İth. İhr. ve Tic. A.Ş.)

EP Toptan activities are focused on wholesale electricity trading and the import and export of electricity. In 2019, EP Toptan exported 55 GWh of electricity to Bulgaria and sold 25 GWh to RH Turkey. EP Toptan sourced electricity from bilateral agreements with RH Turkey (55 GWh) and from imports from Bulgaria (25 GWh).

EP Insaat (business name: ENERGO PRO İnşaat Şanyı ve Ticaret A.Ş.)

EP Insaat provides project management and civil construction works in the hydropower segment. Its most significant contract is the Main Construction Contract for the civil works related to the HPP Alpaslan 2 project.

B. Description of other subsidiaries of DKHI Group

Murat (business name: Murat Nehri Enerji Üretim A.S.)

Murat Nehri Enerji Üretim A.S. ("Murat") is a project SPV wholly owned by EP Hydro Development, a 100 per cent. subsidiary of DKHI. Murat is the owner of HPP Alpaslan 2 project, a dam type HPP scheme situated on the Murat River, a main tributary of the Fırat River in Eastern Anatolia, Turkey (the "HPP Alpaslan 2"). HPP Alpaslan 2 project with installed capacity of 280 MW is being developed by the EPAS Group on a build, own and operate model and is located 36 km north of Mus province in the Easter Anatolian region. The project involves construction of a 104m high asphalt core rock fill dam and two 8m diameter diversion tunnels. The powerhouse building and switchyard will consist of four units with Francis turbines. The expected mean annual generation from HPP Alpaslan 2 is 863.27 GWh (reducing to 733.8 GWh per annum in future years as a result of future demands on water resources from other projects). Body of the dam was finished in August 2020 and the commissioning of the project is expected during the period from September to December 2020 and full operation of all four units in December 2020.

Murat holds the generation licence numbered EÜ/6841-5/03642 and dated 5 January 2017 in relation to the HPP Alpaslan 2. The generation licence is valid until 2059.

It is intended that an application will be filed to EMRA for HPP Alpaslan 2 to participate in YEKDEM.

Pursuant to the YEKDEM Regulation (as defined below), eligibility for YEKDEM is conditional upon, among other things, finalisation of acceptance (either partially or in full) of the relevant renewable energy power plant as of the YEKDEM application date. Acceptance refers to a process of testing undertaken before representatives of the MENR pursuant to the Regulation on Acceptance of Electricity Generation and Storage Facilities, upon which the relevant generation unit(s) ready for commencing operations are certified and accepted by the MENR. The YEKDEM Regulation provides that the acceptance (either partially or in full) of a facility must occur prior to the application to the EMRA in order to be eligible to participate in YEKDEM (being no later than 31 October of each calendar year and in any case, no later than 31 December 2020). On 18 September 2020, the Presidency of the Republic of Turkey has published the President Decree No. 2949, extending the eligibility period for YEKDEM from 31 December 2020 to 30 June 2021. Accordingly, facilities commissioned and accepted before 30 June 2021 will be eligible for YEKDEM until 31 December 2030. It is expected that the first unit will be ready for commencing operations during October 2020 and the process for acceptance will begin shortly after the successful turbine tests.

Bilsev (business name: Bilsev Enerji Üretim ve Ticaret A.Ş.)

Bilsev Enerji Üretim ve Ticaret A.Ş. ("Bilsev") is a project SPV wholly owned by EP Turkish Development, a 100 per cent. subsidiary of DKHI. Bilsev is the owner of HPP Karakurt Project located on Aras River, within the borders of Kars province, Sarıkamış district in Eastern Anatolian Region, Turkey (the "HPP Karakurt").

The project with installed capacity of 99.5 MW involves construction of a dam with a height of 137 m. There will be 3 vertical axis Francis turbines units. The expected mean annual generation from HPP Karakurt is 346 GWh per annum. Body of the dam is finished and the commissioning of the project is expected during the period from September to November 2020 and full operation of all three units by the end of 2020.

Bilsev holds an electricity generation license EÜ/3094- 7/1841 with the installed capacity of 99.50 MWm / 95.52 MWe. License date is 24 February 2011 and is valid up to date of 24 February 2060.

It is intended that an application will be filed to EMRA for HPP Karakurt to participate in YEKDEM. The first unit with turbine is ready for commencing operations and it is expected the unit acceptance will occur in October.

ENERGO-PRO Turkish Development s.r.o. ("EP Turkish Development")

EP Turkish Development is a limited liability company established on 6 October 2016 with registered address of Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic. EP Turkish Development is a parent company of Turkish entity Bilsev which owns the project of HPP Karakurt construction.

ENERGO-PRO Hydro Development, s.r.o. ("EP Hydro Development")

EP Hydro Development is a limited liability company established on 20 February 2017 with registered address of Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic. EP Hydro Development is a parent company of Turkish entity Murat which owns the project of HPP Alpaslan 2.

ENERGO-PRO Assets Turkey s.r.o. ("EP Assets Turkey")

EP Assets Turkey is a limited liability company established on 28 March 2017 with registered address of Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic. As of the end of 2019, EP Assets Turkey was a dormant entity.

PT ENERGO PRO Indonesia ("EP Indonesia")

EP Indonesia is a joint stock company established on 15 August 2018 with registered address of Jl. Raya Karang Congok No. 8 Kel. Karang Satria, Indonesia. The company's main activity is investigation of the new hydropower project possibilities in the territory.

ENERGO-PRO Colombia SAS ("EP Colombia")

EP Colombia is a joint stock company established on 5 June 2019 with registered address of Carrera 13, No. 90-55, off. 202, Bogota, Colombia. The company's main activity is investigation of the new hydropower project possibilities in the territory.

ENERGO-PRO Swiss GmbH ("EP Swiss")

EP Swiss is a limited liability company established on 27 May 2019 with registered address of Zürcherstrasse 15, 5400 Baden, Switzerland. The company's main activity is providing hydro engineering consulting services.

C. Description of other Czech subsidiaries of DKHI Group

Dolnolabské elektrárny (business name: Dolnolabské elektrárny a.s.)

Dolnolabské elektrárny is a joint stock company established on 15 May 2000. Dolnolabské elektrárny is owned by DKHI (which owns 62 per cent. of its shares), Mr. Petr Tesař (who owns 5 per cent. of its shares) and Mr. Jan Motlík (who owns 33 per cent. of its shares). The registered address of the company is at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic. The main activity of Dolnolabské elektrárny is the operation of the run-of-the-river HPP in Litoměřice on the Labe river in the Czech Republic.

The run-of-the-river HPP with installed capacity of 7.2 MW was built as a greenfield project and was commissioned in 2012. It benefits from a 30 years FiT with the FiT being annually announced by the ERO. FiT is subject to annual indexation.

The HPP's key financial and operational statistics are shown in the table below:

	2019	2018
Production (GWh)	27.0	24.0
Sales (EURm)	4.2	3.5
EBITDA (EURm)	3.7	3.0

EPMVE (business name: ENERGO - PRO MVE, s.r.o.)

EPMVE is a limited liability company established on 11 January 2016. The Company is fully owned by DKHI. The registered address of the company is at Na pořiči 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic. The main activity of EPMVE is the operation of the run-of-the-river HPP in Brandýs nad Labem on the river Labe in the Czech Republic with installed capacity of 9.6 MW. The HPP was fully rehabilitated in 2017 and was granted new FiT for 30 years in 2017 with annual indexation.

The HPP's key financial and operational statistics are shown in the table below:

	2019	2018
Production (GWh)	10.6	7.8
Sales (EURm)	1.0	0.7
EBITDA (EURm)	0.8	0.5

D. EPI Group

Litostroj Power (business name: LITOSTROJ POWER, D.O.O.)

Litostroj Power is involved in design and production of energy and industrial equipment, as well as hydropower plant engineering. Its product range consists of water turbines, hydro mechanical equipment and pumps for new or refurbished hydropower plants and pump stations. Litostroj Power offers integrated solutions to its customers from design to implementation on a turnkey basis. Litostroj Power operates machining, welding and assembly facilities in Ljubljana, Slovenia.

Litostroj Engineering (business name: Litostroj Engineering, a.s.)

Litostroj Engineering is a leading supplier of technology for hydropower plants and pumping stations. Its core activities are design and engineering. Litostroj Engineering builds on the tradition of research and development in the city of Blansko (Czech Republic). Litostroj Engineering is also involved in R&D through its hydraulic laboratory in Blansko.

Litostroj Turkey (business name: LITOSTROJ TURKEY TÜRBİNİ MALAT SANAYİ VE TİCARET A.Ş.)

In 2019, EPAS Group launched Litostroj Turkey, a turbine and generator production facility located in Temelli near Ankara. Litostroj Turkey has three facilities for turbine production and two facilities for generator production on a total of 18,000 sq.m. The facility is capable of manufacturing Pelton, Francis and Kaplan turbines and generators with rated power up to 50 MW.

7.5 Regulation

Activities of the DKHI Group in Bulgaria

The business operations of the Guarantor's operating subsidiaries in Bulgaria are subject to supervision by a regulatory body – the EWRC. Other than the DKHI Group's HPPs with an installed capacity of less than 5MW, all of the DKHI Group's Bulgarian activities are subject to licensing. In Bulgaria, the DKHI Group operates in both the regulated and the free market.

European legislative framework in relation to the energy sector

By virtue of its membership in the EU, Bulgaria is required to adhere to the EU energy legislation. Considering the activities of the DKHI Group in Bulgaria, the relevant EU legislation includes the Third Energy Liberalisation Package ("**TELP**") adopted in 2009 by the European Commission (including the Electricity Directive – Directive 2009/72/EC) and the EU Renewable Energy Directive – Directive 2009/28/EC.

The TELP was designed to complete the liberalisation of the electricity market within the EU. Its aim is the creation of a market with high standards of public service and consumer protection that allows customers to freely choose their suppliers, a structural separation of generation, transmission and supply activities ("unbundling") and the establishment of independent national energy regulators. The TELP was also designed to encourage the cross-border trading of electricity.

The EU Renewable Energy Directive aims to promote energy generation from renewable energy sources. The Directive regulates support schemes, which EU Member States shall implement into their national legislation. The

schemes include preferential prices, priority or guaranteed access to grids, and priority dispatching of renewable energy.

Implementation of the European legislative framework in Bulgaria

The TELP has been implemented in Bulgaria via a number of amendments to the Energy Act, published in State Gazette, issue 107, dated 9 December 2003, as amended and supplemented (the "**Energy Act**") and the secondary national legislation, which have resulted into many changes to the electricity market, the main ones including:

- The completion of the unbundling process in 2006, as evidenced by the separation of the DKHI Group's generation, supply and distribution businesses into separate legal entities;
- The creation of an open market approach in the management of grids, including the provision of equal access to the grid;
- The independence of the energy regulator – the EWRC, was enhanced through changes in the legislative framework;
- New measures regarding consumers of electricity have been introduced to allow them to benefit from the advantages of the liberalised market by enabling them to easily change their suppliers;
- Full market liberalization for all non-household customers from 1 October 2020.

The EU Renewable Energy Directive has been implemented in Bulgaria through changes to the Energy Act, the adoption of a separate renewable energy law (currently, the Energy from Renewable Sources Act, published in State Gazette, issue 35, dated 3 May 2011, as amended and supplemented ("**ERSA**")) and the adoption of specific secondary national legislation. In 2013, Bulgaria reported to the European Commission the achievement of its 2020 target share of renewable energy in the end consumption – 16 per cent. As at the date of this Prospectus, no new target has been set. As a result, in 2015 ERSA was amended to discontinue the application of renewable energy incentives with respect to new energy generation facilities (with some exceptions such as small rooftop PV installations, certain biomass installations, etc.). The incentives for already operational installations remained in force and still apply.

Bulgarian legislative framework in relation to the energy sector

The Bulgarian energy sector is governed by a wide range of regulations. The key law governing the energy sector is the Energy Act which regulates, among other things, electricity generation; electricity import, export and transmission; the distribution of electricity; trade in electricity; and the powers of state bodies in formulating energy policy, regulation and control. It lays down regulations upon which energy policies and strategies are undertaken and allows energy activities to be undertaken both on the open market and as a public service.

ERSA is the other primary legislation, which is important for the DKHI Group's Bulgarian activities, in particular electricity generation where installed capacities of HPPs are up to 10 MW, as these HPPs benefit from a FiT or a contract for premium. ERSA is also compliant with the requirements of the European legislation. Further, the European Commission has granted a state aid clearance to the Bulgarian scheme for support for renewable energy generation. On 4 August 2016, the European Commission took a decision¹³ not to raise objections against the scheme.

In addition, a significant part of secondary energy legislation in Bulgaria is also compliant with European requirements. This legislation relates to licensing, price regulation, electricity metering, electricity trading and transmission. The main acts of secondary legislation that are relevant to the DKHI Group's activities are:

- Ordinance No 1, dated 14 March 2017, on the regulation of electricity prices, adopted by EWRC, published in State Gazette, issue 25, dated 24 March 2017 (the "**Pricing Ordinance**");
- Ordinance No 3, dated 21 March 2013, on the licencing of energy activities, adopted by EWRC, published in State Gazette, issue 33, dated 5 April 2013;

Electricity Trading Rules, adopted by EWRC, published in State Gazette, issue 66, dated 26 July 2013, as amended and supplemented.

¹³ Source: http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_SA_44840

Regulation of activities in the energy sector

The EWRC is the Bulgarian national independent regulatory authority for energy. It is a specialised State body that regulates activities in the energy, water supply and sewage sectors. EWRC's main responsibilities in the energy regulation are:

- the issue, revision, amendment, termination and withdrawal of licences;
- adoption of secondary legislation;
- approval of general terms of contracts in the energy sector;
- control of licensees' activities in the energy sector;
- regulation of prices;
- adoption and supervision of rules for trade and technical rules for networks in the energy sector; and
- adoption and control over the implementation of price setting methodology.

The other State authorities, which have powers in the energy sector are:

- The Parliament: the Parliament is the Bulgarian legislator. It adopts, amends and abolishes laws. The Parliament approves the national Energy Strategy. Additionally, since 2015 the Parliament elects the members of the EWRC;
- The Minister of Energy: the Minister of Energy implements the State policy in the energy sector;
- The Independent Bulgarian Energy Exchange ("**IBEX**"): in 2016, the IBEX was appointed by the EWRC as the Bulgarian nominated electricity market operator under the meaning of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management. IBEX is the Bulgarian licensed energy exchange. In February 2018, IBEX was acquired by the Bulgarian Stock Exchange.

Regulatory framework for electricity distribution activities

The electricity distribution activities in Bulgaria are part of the market at regulated prices. The EWRC regulates:

- the prices for access to, and transmission of electricity through, the electricity distribution grid, paid to the electricity distribution companies;
- the prices paid to the electricity distribution companies for connection to their electricity distribution grids;
- the prices or price components paid by the electricity distribution companies for compensation of irrecoverable expenses and of public service obligations (including renewable energy), – or the "obligation to society" price.

The EWRC applies the "Revenue cap" method when determining the prices for electricity distribution companies (i.e. the prices for: access to the grid; transmission through the grid; and connection to the grid)¹⁴. This method is a type of incentive-based regulation with regulatory periods lasting between two and five years (the exact length of each period is determined by the EWRC). A regulatory period is in turn divided into price periods of one year each, commencing on 1 July and ending on 30 June of the following year.

Under the "Revenue cap" method, the electricity distribution companies submit price applications to the EWRC for the first year of the regulatory period based on a pre-determined formula. The EWRC conducts a regulatory audit and determines the prices to be applied by distribution companies and their necessary annual revenues for the first year of the regulatory period. The EWRC adjusts the prices and necessary revenues of distribution companies at the end of each price year within the regulatory period. Only limited pricing factors are considered for such adjustment, which is implemented based on applications from electricity distribution companies.

Currently, EDC North is in the third (last) year¹⁵ of the fifth regulatory period (1 July 2018 – 30 June 2021).

The above described regime has been in place for over a decade with certain adjustments over time. During the past six years though the regime has been relatively stable and electricity price deviations have been moderate and agreed upon with input from distribution companies. Additionally, based on the Pricing Ordinance and on the lack of any signals to the contrary, EWRC is expected to keep the current principles of regulation and the "Revenue cap" method for the next regulatory period.

¹⁴ According to the Pricing Ordinance, the EWRC can apply the following main RAB based methods for these activities: "rate of return on capital" and "price cap/revenue cap".

¹⁵ 1 July 2020 – 30 June 2021; in its decision No C-11, dated 1 July 2018, the EWRC determined the "revenue cap" method of price calculation to apply for electricity distribution companies during a three-year long regulatory period.

For electricity distribution companies such as EDC North, the necessary annual revenues for the first year of the regulatory period are determined under the following formula:

$NR = C + (RAB * RoR)$ where:

NR – Annual necessary revenues

C – Annual costs for the licensed activity, including administrative costs, grid losses, depreciation, and balancing costs

RAB – Regulatory asset base, acknowledged by EWRC

RoR – Rate of return on capital, determined by the EWRC for the regulatory period and calculated as a WACC

The rate of return for the 5th regulatory period is 6.67 per cent. (prior to taxation) as opposed to 7.04 per cent. in the previous regulatory period. Approved grid losses are currently set at 9 per cent., which is the same rate as in the previous regulatory period. Distribution companies are required to purchase grid losses from the energy exchange (IBEX).

RAB levels for the regulatory period are determined based on the book value of assets, approved average investments and necessary working capital. As such, approved capex for improvement and maintenance of EDC North's assets increases its RAB and thus the necessary revenue.

Annual price adjustments within a regulatory period are based on:

- inflation;
- performance based indicators (electricity quality, service quality);
- implemented and reported investments;
- annual adjustments through the Z factor. The Z factor compensates distribution companies for differences between forecasted and actual distribution volumes, as well as for differences between (i) the forecasted price of grid losses determined by the Regulator and included in the necessary revenues and (ii) the actual achieved purchase price for grid losses. The Z factor, therefore, eliminates the volume risk associated with distribution activities. In addition, in case the achieved purchase price for grid losses deviates by 5 per cent. or more from the forecasted price of grid losses determined by the Regulator and included in the necessary revenues, then the Z factor compensates the company for the difference exceeding the 5 per cent. A correction via the Z factor can be done even for the first year of a regulatory period.

Regulatory framework for supply of electricity activities

EP Sales conducts its electricity supply activities based on three different licenses, each with a different price setting methodology:

- the license for the supply of electricity as end supplier, under which EP Sales supplies low-voltage households and, until 30 September 2020, business consumers at regulated prices;
- the license as supplier of last resort, under which EP Sales supplies consumers who either do not have an electricity supplier or were purchasing electricity on the free market but their electricity provider subsequently left the free market. The prices of the supplier of last resort are neither regulated nor freely negotiated ones. They are determined by EP Sales based on a methodology approved by the EWRC; and
- the licence to trade in electricity, under which those non-household customers connected to the distribution network at low voltage who have not chosen a free market supplier by 30 September 2020 will be supplied by EP Sales at free market prices until 30 June 2021.

The electricity volumes which are necessary to cover end consumers' demand, i.e. the households and, until 30 September 2020, business consumers connected to the low-voltage grid, are in turn guaranteed by NEK, the public provider, at prices regulated by EWRC. End suppliers are also obliged to purchase electricity generated from renewable energy sources ("RES") and from high-efficiency cogeneration with installed capacity less than 1 MW where these generation units are connected to the distribution network on the licensed territory of the end supplier. The procurement price of the latter, the so-called FiT, is also regulated by the EWRC. Electricity procured from RES producers is 100 per cent. invoiced to NEK, i.e. EP Sales is the contract party for RES producers, but the procurement costs are 100 per cent. covered by NEK.

The EWRC approves regulated prices for the end suppliers based on applications from end supply companies.

Within the pricing year the EWRC can, upon its own motion, adjust regulated prices. Such changes shall not be more frequent than once during a calendar quarter. This possibility was introduced in the Energy Act in February 2013 and since then there have been five such decisions¹⁶.

The above described regime (with certain adjustments throughout the years) has been in place for over a decade. During the past four to six years, the regime is relatively stable and electricity price deviations have been moderate. Additionally, EWRC has followed through with announced plans, such as the elimination of the cross-subsidy between business (mostly industrials) and household consumers, which was a positive development for end suppliers such as EP Sales.

For end suppliers such as EP Sales the necessary annual revenues for each year of the regulatory period are determined under the formula:

$$NR = E * (P_{av} + C_{os} + C_a) \quad \text{where:}$$

NR – Annual necessary revenues

E – quantity of electricity to be realised on the regulated market by the end supplier, MWh

P_{av} – the average purchase price of electricity, BGN/MWh

C_{os} – the price for obligation to society, BGN/MWh

C_a – the mark-up component for the activity "supply of electricity from end supplier", BGN/MWh

According to the Pricing Ordinance, the maximum allowed mark-up component for the activity of "supply of electricity from end suppliers" is 7 per cent. of the established average purchase price for the company. The mark-up includes economically justified costs, imbalance costs and profit. For the period 1 July 2020 – 30 June 2021, the EWRC has approved a mark-up of 7 per cent.

Based on the necessary revenues EWRC sets the prices at which EP Sales, in its capacity as end supplier, sells electricity to its consumers (according to their type and tariff structure).

In its capacity as a supplier of last resort, EP Sales sells electricity to its consumers at prices calculated based on a methodology approved by the EWRC. However, in this capacity, EP Sales is not obliged to purchase electricity from NEK at regulated prices. The purchase is done at freely negotiated prices and sellers can be electricity generators, traders and the public provider – NEK.

EP Energy Services is the other Group company that supplies electricity. It operates in the free liberalised market and thus buys and sells electricity at freely negotiated prices. Nevertheless, the prices under which EP Energy Services sells electricity to its clients shall cover the "obligation to society" price. The revenues from the "obligation to society" price are collected by the ESSF. ESSF was established in 2015 by the Energy Act in order to help manage the funding of the costs incurred by the public provider NEK resulting from its obligation to purchase electricity from long-term PPAs, renewable energy and CHP sources and the annual quotas for production from local fuel sources from power plants interconnected to the transmission grid. ESSF also manages the financial resources from which the premium is paid to CHP producers and producers from renewable energy sources with installed capacity of 1 MW or greater.

The other entity within the DKHI Group which holds license for electricity trading is EP Bulgaria.

Regulatory framework for electricity generation activities

Price regulation of electricity generation activities differs depending on installed capacity. Any HPP with installed capacity above 10 MW sells its generation on the liberalised market at freely negotiated prices. Since 1 July 2019, each producer with installed capacity of 1 MW or greater is required to sell its electricity on the IBEX.

HPPs with installed capacities of up to 10 MW benefit from renewable energy incentives under the ERSA, i.e. a long-term obligatory power purchase (at the cost of the public provider – NEK) and a FiT, which is approved by EWRC and does not change during the whole term of obligatory power purchase. The FiT shall cease to apply upon expiry of the term for obligatory power purchase. According to the ERSA, the FiT only applies to a Net Specific Production, set at up to 3,960 hours per year, and not to the full output produced by plants subject to the

¹⁶ As follows: (1) decision, dated 5 March 2013, during price year 2012-2013; (2) decision, dated 30 December 2013, during price year 2013-2014; (3) decision, dated 1 October 2014, during price year 2014-2015; (4) decision, dated 1 November 2015, during price year 2015-2016; (5) decision, dated 7 April 2017, during price year 2016-2017.

regime¹⁷. The annual excess of generated electricity (i.e. above the Net Specific Production) can be used by the generator for its own needs or sold:

- at freely negotiated prices on the liberalised market;
- at the price for excess on the balancing market;
- each electricity generator is obliged to pay 5 per cent. of its revenues (excluding value added tax) each month to the ESSF.

Following legislation changes in 2019¹⁸, for generators with installed capacity of 1 MW or greater the FiT contracts were terminated and replaced by contracts for premium for the volume of electricity they generate up to the amount of their allocated net specific generation on the basis of which their FiT was determined. Each producer enters into a contract for premium with the ESSF for a term corresponding to the original FiT contract. The premium is paid by the ESSF and is determined on an annual basis, by 30 June, by the EWRC as the difference between the original FiT and the forecast market price of electricity generated from renewable sources determined by EWRC for the relevant period depending on the primary energy source. Producers are required to sell their electricity on the energy exchange (IBEX).

Electricity market and legislation development

Market liberalisation

The liberalisation of the electricity market in Bulgaria started in 2007 and now all customers are eligible to participate in the open market. Nevertheless, the shift of consumers from the protected side of the market to the liberalised has been taking place gradually over an extended period.

The process of liberalisation was intensified first in 2012 when, by changes in the Energy Act, consumers connected to the medium-voltage grid were forced out to the liberalised market. In the period 2012-2013 almost all medium-voltage consumers moved to the open market.

Another step in the development of the open market was the introduction of standard load profiles as of 1 April 2016. Such standard load profiles allow smaller business and household consumers to participate on the open market too.

The next step in the liberalisation process will take place on 1 October 2020, when all non-household customers will be required to purchase their electricity from a free market supplier. Full liberalization of the wholesale market shall be implemented by 1 July 2021.

These developments are not expected to significantly impact the business plan of the group due to:

- The liberalisation in the business segment is already in an advanced stage (volumes supplied by EP Sales to business customers who will be required to move to a free market supplier as of 1 October 2020 were 19 per cent. of the total);
- EP Sales will keep its role as a last resort supplier for consumers who do not select another supplier;
- Market liberalisation provides opportunities for further growth of EP Energy Services business.

Regulation in Georgia

Activities of the DKHI Group in Georgia

The business operations of the Guarantor's subsidiaries in Georgia engaged in generation and distribution of electricity are subject to supervision by GNEWRC. All activities are subject to licensing, except for electricity generation by HPPs with an installed capacity of 15 MW or less. Some of the DKHI Group's activities are subject to prices set by GNEWRC, while others are subject to freely negotiated prices in the free market, as detailed below.

General Legal Framework

The legal framework governing Georgia's energy sector is currently undergoing significant changes as part of the on-going reform process. New primary legislative acts governing the Georgian energy market have already been adopted. These are the Law on Energy and Water Supply (the "LEWS") and the Electricity Market Model Concept

¹⁷ "Net Specific Production" means the average annual electric power generation by 1 kW of installed capacity in accordance with the EWRC decision fixing preferential prices after deduction of the producer's own needs. The value of the net specific electricity production is determined by the EWRC.

¹⁸ The amendments were adopted as of 1 January 2019 for generators with installed capacity 4 MW or greater and as of 1 October 2019 for generators with installed capacity 1 MW and greater than 1 MW.

(the "EMMC"). These acts define the general framework for the future market as well as guidelines for the transition period. Detailed rules for the organization of the market as well as the implementation plan are to be set out in secondary legislation to be adopted by GNEWRC or the government. According to the LEWS the electricity market shall be divided into a retail and a wholesale market. The EMMC defines the following segments of the wholesale market: day ahead market; intraday market; market for bilateral agreements and balancing and ancillary services market. Retail market is defined as a market where suppliers sell electricity to end-user customers. The participants of the wholesale market shall be: market operators, transmission system operator, distribution system operator (note: EP Georgia owns the distribution system), electricity generation companies (note: EPG Generation owns HPPs and gPower owns a TPP), traders, suppliers (including universal supplier and last resort supplier, which carry out public service obligations), large customers, and wholesale public service organization. The LEWS (as well as the past Law of Georgia on Electricity and Natural Gas, the "LGENG", which was superseded by the LEWS) designates GNEWRC as the regulatory body with the authority to issue certain licences and authorisations in the energy sector and the power to regulate the activities of the various providers in the sector.

EMMC was adopted on 16 April 2020. On 11 August 2020, GNEWRC adopted Market Rules (Resolution #46) regulating the day-ahead, intraday and balancing and ancillary services markets, with the majority of the provisions of this regulation becoming effective on 1 July 2021. On 13 August 2020, GNEWRC adopted Retail Market Rules (Resolution #47). The Retail Market Rules is the main document regulating/separating the activities of suppliers and distribution system operators. However, the document as adopted is very general, lacks even the necessary details for final planning of the separation, and GNEWRC has already started the procedures for amendment of this Resolution.

The distribution system operator is required to ensure legal unbundling (i.e. legal separation of distribution activities from other business activities) by 31 December 2020.

Until the new secondary legislation is finalized and takes effect the old secondary legislation based on the LGENG (which was superseded by the LEWS) is still effective, as are the Electricity Distribution Licenses issued before the LEWS was adopted.

Electricity in Georgia is generated by:

- regulated power plants, which are subject to GNEWRC-regulated tariff rates;
- partly deregulated power plants, which sell electricity at or below the GNEWRC-regulated tariff rates;
- deregulated power plants, which are built after 1 August 2008 and are not guaranteed capacity sources, are subject to free market prices;
- power plants, which have installed capacity of less than 40 MW and which are subject to free market prices; and
- guaranteed capacity sources, which are TPPs, that are subject to GNEWRC-regulated two-step tariffs.

The EMMC stipulates that the public service obligation can be only temporary and all electricity producers with projected capacity of less than 120 MW shall be gradually relieved of this obligation according to the following timetable:

- from 1 January 2021 – producers with projected capacity below 50 MW;
- from 1 May 2022 – producers with projected capacity below 65 MW;
- from 1 May 2024 – producers with projected capacity below 75 MW;
- from 1 May 2026 – producers with projected capacity below 90 MW; and
- from 1 January 2027 – producers with projected capacity below 120 MW.

Other than small power plants (with an installed capacity of 15 MW or less), all of the electricity generation sources above require licences to operate.

The transmission system operator role is currently performed by the dispatch licensee and is subject to GNEWRC-regulated tariffs. Electricity is distributed by utilities that are licensed by the GNEWRC and under tariffs set for the distribution network. The electricity market operator is ESCO, which ensures the sale and purchase of balancing electricity and guaranteed capacity. GNEWRC regulates ESCO's service fee, while the price of balancing electricity is calculated in accordance with the Electricity (Capacity) Market Rules (the "**Market Rules**").

Any entity registered as a qualified enterprise may engage in the importing and exporting of electricity in Georgia. For imports, the price calculation formula is set by the GNEWRC, whereas export prices are unrestricted. Neither export nor import activities require a licence.

Regulatory participants in the Georgian electricity market

The principal participants in the Georgian electricity market are the entities involved in the generation, transmission, distribution and the supply of electricity. The sector is partially regulated but is mostly privately owned. The significant entities run by the Georgian State are the transmission, dispatching units and two of Georgia's largest HPPs. The remaining significant generation and distribution entities are under private ownership.

Ministry of Economy and Sustainable Development of Georgia

The Georgian Ministry of Energy has been responsible for energy sector reforms for the last decade, which have entailed widespread deregulation and privatisation of the sector. On 7 December 2017, the Georgian Ministry of Energy was officially merged with the MoEaSD.

The MoEaSD played a pivotal role in the current energy sector reforms by drafting the LEWS and the EMMC. The new legislation transfers certain responsibilities formerly resting with MoEaSD, such as approving the Market Rules, to GNEWRC. The main responsibility of the MoEaSD remains the development and implementation of the state energy policy.

GNEWRC

GNEWRC is an independent regulatory body that consists of five members. The members of GNEWRC are nominated by the Georgian government. The Georgian Parliament then elects them.

The responsibilities of GNEWRC include, *inter alia*:

- adopting the main secondary legislation in the energy sector, such as market rules, network rules, and rules of electricity supply;
- establishing rules and conditions for granting licences in regulated fields;
- granting, modifying and revoking licences in accordance with Georgian legislation;
- setting tariffs and prices for public services according to the state energy policy and legislation;
- resolving disputes between energy companies and final consumers that are within its competence;
- monitoring compliance with the licence terms and setting administrative sanctions that are determined by Georgian legislation; and
- organising and coordinating the mandatory certification activities in the energy sector.

Before making a decree or a decision, the GNEWRC is obliged to inform interested parties and invite them to be involved in administrative procedures and to attend its hearings. The GNEWRC's hearings are generally open to the public, however where there are confidentiality concerns it is authorised to hold private hearings. Disputes are generally dealt with without an oral hearing. The GNEWRC publishes all of its decrees publicly.

Important private legal entities and state companies

ESCO

- ESCO is fully owned by the Georgian State. Its functions include, *inter alia*:
- purchasing and selling the balancing electricity;
- providing the system with reserve capacity under the law and the Market Rules;
- providing the dispatching licensee with the information needed in order for it to plan the power and capacity needs in the national united power system; and
- creating a unified database for wholesale power trade, including creation of a united accounting registry amongst other projects.

The future role of ESCO shall be defined in the new Market Rules to be adopted by GNEWRC.

Georgian Energy Exchange JSC

Georgian Energy Exchange JSC (the "**GENEX**") was established in 2019 and is currently owned by GSE (50%) and ESCO (50%). On 28 May 2020, GNEWRC issued GENEX a license for operating the electricity market. According to the license, GENEX will ensure the organization of intraday and day-ahead electricity market, electricity trading on internal market, as well as connection and integration to neighbouring organized markets. GENEX shall also establish a transparent, affordable and reliable unified financial reporting system for day-ahead, intraday, balancing and ancillary services markets, and for the settlement of imbalances:

- day-ahead market (DAM) – electricity will be traded a day before the actual delivery. A single market price will be formed for each hour of delivery date; and
- intraday market (IDM) – an additional trading platform where applications are matched based on the best price and delivery period.

In order to reduce counterparty risk settlement and payment will be made through GENEX. Invoices will be issued on the trade date for DAM and on the following day for IDM, payable within 1-2 days. Financial guarantee requirements will apply for all participants. The platform for both organized markets was purchased from Nord Pool and is undergoing testing. Training for participants is planned to start from September 2020 and the market will be launched on 1 July 2021.

Transmission licensees

The electricity transmission network in Georgia consists of 500, 400, 220, 110 and 35 kV lines (lines of 110 kV and less may be designated as part of the electricity transmission network by a special decision of the Government of Georgia mentioned in the transmission license). High voltage transmission lines connect Georgia with Turkey, Russia, Azerbaijan and Armenia. The dispatch licensee sets the monthly export capacity, which is determined by reference to seasonality, on an annual basis.

The transmission network licensees in Georgia currently are:

- LLC "Georgian State Electrosystem" ("**GSE**"), which operates the 330, 220 and 110 kV lines;
- JSC "Sakrusenergo", which operates the 500 kV line running across Georgia; and
- LLC "Energotrans", which operates the Akhaltsikhe-Borchkha 400 kV transmission line.

Dispatch licensee

According to the old legislation, which is currently still in force, the main responsibilities of the dispatch licensee include, *inter alia*:

- ensuring that the energy system is sustainable and safe;
- ensuring the fulfilment of those obligations imposed by the direct agreements concerning the transmission, the import and the export of electricity;
- ensuring that the energy system functions effectively and within its capacity;
- utilising the transmission line's free capacity at the request of a qualified entity without affecting the capacity promised under the direct agreements; and
- providing ESCO with certain information such as the records of any instructions provided throughout the day or any amendments to the agreed transmission plan.

The dispatch licensee is currently GSE, which is fully owned by the Georgian State.

The LEWS introduces the "self-dispatching" principle. On 28 May 2020, GNEWRC issued GSE a license to operate electricity balancing and ancillary services market. According to the license, GSE shall ensure the operation of balancing and ancillary services market, electricity balancing mechanisms, definition of relevant products and calculation of imbalance fee. According to the Market Rules approved in August 2020:

- the market will be launched on 1 July 2021;
- market participants will be responsible for the imbalances they cause and will pay the relevant fee;
- 5 ancillary services, in the form of capacity or energy, will be introduced, which will help create reserve capacity for emergency situations and the settlement of imbalances. Balancing service providers will be reimbursed for their services based on bid price;

- in order to reduce counterparty risk settlement and payment will be made through GSE. Imbalance invoices will be issued on monthly basis and payable within 5 days. Financial guarantee requirements will apply for all participants.
- Training for participants is planned to start from September 2020.

Regulatory framework for electricity distribution activities

According to the new legislation, electricity distribution activities shall include only the operation of the distribution system. Supply of electricity to end customers shall become an independent activity. Operation of the distribution network is subject to regulation and licensing by GNEWRC. Supply of electricity shall be carried out by independent suppliers and also within the framework of public service obligations (universal supplier and last resort suppliers). All residential customers and small enterprises shall be initially supplied by the universal supplier while large customers may participate on the wholesale market. All customers, with the exception of large customers, shall gradually become qualified customers and participate independently on the retail market.

In 2014, GNEWRC developed new tariff methodologies in line with the European practices, which are based on incentive-based and cost-plus pricing principles. The GNEWRC applies the "Revenue cap" method when determining the prices for electricity distribution companies. Under the "Revenue cap" method, the electricity distribution companies submit tariff applications to the GNEWRC in line with the base year (i.e. the year which precedes the tariff setting year) for the regulatory period. The application contains financial and commercial data such as profit and loss statements for each activity and RAB. GNEWRC then conducts a regulatory audit and determines the tariffs to be applied to distribution companies and the annual revenues necessary for the regulatory period. The GNEWRC has a right to adjust the tariffs and necessary revenues if there is a 10 per cent. deviation from the regulated cost base ("**RCB**") at the end of each tariff year within the regulatory period. Only the limited factors cited below are taken into account for tariff adjustments, which themselves require applications from the electricity distribution companies.

Summary of the methodology used as the basis for calculating the existing distribution tariffs

The regulatory period for distribution tariffs is three years. The first regulatory period for distribution tariffs started on 1 September 2014 and ended on 31 December 2017. The DKHI Group is currently undergoing the second regulatory period for distribution tariffs that started on 1 January 2018 and will end on 31 December 2020. In August 2017, GNEWRC made amendments to the existing methodologies for calculating the electricity distribution and generation tariffs. These rules are applied by the regulator for calculating of tariffs starting from 1 January 2018 and for the period of 3 years.

According to the current methodology still in force, the electricity distribution tariff is calculated according to the following formula:

$$\text{Distribution Tariff} = \text{RCB} / \text{Volume of Electricity}$$

RCB is calculated as per the below formula:

$$\text{RCB} = \text{RAB} \times \text{WACC} + \text{Depreciation} + \text{cOPEX} + \text{ncOPEX} + \text{Normative losses} + \text{Corrections} + \text{WCC} + \text{Q}$$

Where:

- RAB is the sum of annual RAB for the whole regulatory period;
- WACC is fixed during the regulatory period and amounts to 16.40 per cent.;
- Depreciation is a variable figure and is the sum of annual depreciation costs for the whole regulatory period;
- cOPEX includes controllable expenses (fixed but subject to adjustment by inflation and X-factor);
- ncOPEX includes non-controllable expenses;
- Normative loss fixed by GNEWRC for the regulatory period was set at 9.0 per cent. until 1 May 2018, at 9.33 per cent. between 1 May 2018 and 1 May 2019, and at 10.37 per cent. from 1 May 2019 for the remainder of the regulatory period;
- Corrections includes the correction of planned inputs as compared to actual results of capital expenditure, the volume of electricity, controllable and non-controllable OPEX, inflation, normative losses as well as service quality and non-operating revenue;
- WCC is the percentage of expenses of the working capital of a relevant regulatory period; and
- Q is a component of commercial quality of service.

RAB levels for the regulatory period are determined based on the approved net book value of assets, approved average investments (actual and three-year capital expenditure plan). As such, approved capex for improvement and maintenance of EP Georgia Distribution's assets increases its RAB and, thus, the necessary revenue. In the current regulatory period, RAB is GEL 1,252 million and to date GNEWRC has consistently approved electricity distribution companies' capex programs.

According to the new methodology tariffs are fixed during the regulatory period. However, adjustments may be claimed at any point during the regulatory period when the variance is more than 10 per cent. of the RCB. RCB for the 2017 tariff year was set at GEL 168.4 million and average distribution tariff was GEL 35.66/MWh. RCB for the 2018-2020 regulatory period is set at GEL 763.5 million and the average distribution tariff is GEL 45.31/MWh.

GNEWRC sets three electricity consumption tariff steps, which are applicable to household customers. The lowest price is reserved for customers who consume 101 kWh or less within a 30-day period. The second and the third blocks set increasingly higher tariffs and apply to household customers with a monthly consumption in the range of 101-301 kWh and over 301 kWh, respectively.

Due to the current transition period between the old and new legislation, EPG had to present tariff application according to the old secondary legislation in force. It is expected that GNEWRC will set the prices and tariffs according to the new methodologies, which are yet to be adopted.

Regulatory framework for electricity generation activities

Electricity generation in Georgia is partially subject to regulation and licensing requirements. GNEWRC is authorised to issue electricity generation licenses, to establish the methodology for calculating generation tariffs and to set generation tariffs for the electricity generation companies which will bear the public service obligation. The regulatory period for generation tariffs is three years.

Currently there are various tariff regimes applicable to the different market participants. GNEWRC is authorised to set tariffs for so-called "regulated entities", which are HPPs commissioned before 1 August 2008 and those with an installed capacity of more than 40 MW, including a source of guaranteed capacity (prior to 1 January 2018, regulated entities were those with an installed capacity of more than 13 MW). Currently, 6 out of the 15 HPPs of the DKHI Group are regulated entities. Regulated entities operate under price caps set by GNEWRC, using a mix of cost-based and incentive-based methodologies. Conversely, deregulated plants are not subject to price regulation and sell electricity based on freely negotiated prices, with the exception that special conditions, which are determined by the Market Rules, apply when selling the electricity to ESCO.

According to the deregulation schedule of electricity producing companies set out above, DKHI Group's HPPs shall be released from the public service obligation in the following steps:

- from 1 January 2021 – Shaori HPP;
- from 1 May 2022 – Rioni HPP;
- from 1 May 2024 – Gumati HPP;
- from 1 May 2026 – Dzevrula HPP; and
- from 1 January 2027 – Lajanuri HPP.

Newly built HPPs with installed capacity of up to 5 MW will benefit from renewable energy support scheme during the first 10 years of operation. The support scheme shall only apply from September through to April of each year, such that should the market price be below 55 USD/MWh the generator shall receive a contract for difference in the amount of up to 15 USD/MWh.

Summary of the methodology used as the basis for calculating the existing generation tariffs

Generation tariffs are set individually for separate HPPs. Prior to 1 January 2018, tariffs were set on an annual basis. Starting from 1 January 2018, a three-year period applies for calculating the generation tariffs. According to the current methodology still in force, tariffs set by the GNEWRC are calculated based on the following formula: *Generation Tariff* = *Regulated Cost Base (RCB) / Volume of Generated Electricity (average generation of previous 5 years)*

RCB is calculated as per the below formula:

$$RCB = RAB \times WACC + Depreciation + cOPEX + ncOPEX + Corrections + WCC$$

Where:

- RAB is the sum of annual RAB for the whole regulatory period;
- WACC is fixed during the regulatory period and amounts to 16.40 per cent.;
- Depreciation is a variable figure and is the sum of annual depreciation costs for the whole regulatory period;
- cOPEX includes controllable operating and other costs related to the production of electricity;
- ncOPEX includes non-controllable operating and other costs related to the production of electricity;
- Corrections includes the correction of planned inputs compared to actual results of capital expenditure, the volume of electricity, planned portion of controllable OPEX and non-controllable OPEX, non-operating revenue; and
- WCC is the percentage expenses of the working capital of a relevant tariff year.

RAB levels for the regulatory period are determined based on the net book value of assets. As such, approved capex for improvement and maintenance of EP Georgia Generation's assets increases its RAB and thus the necessary revenue. In the previous regulatory period, total RAB for 11 regulated HPPs was GEL 173 million (EUR62 million) and in the past GNEWRC has consistently approved electricity generation companies' capex programs. RCB for 11 regulated HPPs for the 2017 tariff year was set at GEL 48 million. RCB for the 2018-2020 regulatory period for 6 regulated HPPs is set at GEL 88 million.

According to the new methodology tariffs are fixed during the regulatory period. However, adjustments may be claimed at any point during the regulatory period when the variance is more than 10 per cent. of the RCB.

Due to the current transition period between the old and new legislation, EPG Generation had to present tariff applications according to the old secondary legislation in force. It is expected that GNEWRC will set the prices and tariffs according to the new methodologies which are yet to be adopted. No material changes are expected in the methodology for the calculation of generation tariffs.

Regulatory framework for the sources of guaranteed capacity

The LEWS also regulates trade in the so-called guaranteed power. According to the statutory definition, guaranteed power is the electricity provided by those sources of guaranteed capacity that support the sustainability, security and reliability of the Georgian power system. The Georgian government determines the level of guaranteed capacity to be kept in reserve and the power sources, which are defined as guaranteed power, while the dispatching licensee regulates the level of actually existing capacity above that guaranteed level. The dispatch licensee makes independent decisions concerning the source of guaranteed capacity, the amount of generation to be guaranteed and the reasonableness of its use. Sources of guaranteed capacity are thus obliged to ensure the supply of electricity into Georgia's united power system. gPower currently provides 110 MW of capacity through one gas-fired TPP, out of which 60MW is for guaranteed capacity.

Trading of guaranteed capacity is currently possible only through ESCO, which purchases and pays the respective purchase price only once the source of guaranteed capacity is recognised as such by the Georgian government and its readiness has been inspected and verified by the dispatch licence holder.

The future role of, and rules of trading in, guaranteed power will be defined in the Market Rules once they have been adopted.

Summary of the methodology used as the basis for calculating the existing tariffs for guaranteed capacity

Tariffs for guaranteed capacity are currently established annually. The revenues of the TPP currently operated by EP Georgia through its subsidiary – gPower are composed of two components: (a) a tariff for system reserve (daily capacity fee for guaranteed capacity) and (b) electricity generation tariff for actually generated electricity.

The system reserve tariff (guaranteed capacity) is calculated according to the following formula:

Capacity Fee = Fixed OPEX + RAB x WACC + Depreciation + Corrections / No. of Operationally Available Days

Where:

- Fixed OPEX includes salaries, repair costs, consulting, security, rent, insurance, taxes, ESCO fee, fixed regulation fee, purchased electricity, utility and representative costs and other OPEX;
- RAB levels for the regulatory period are determined based on the net book value of assets, approved average investments and necessary working capital. In the previous regulatory period, total RAB was GEL 54.98 million; RAB for 2020 is GEL 57.5 million.

- WACC is fixed during the regulatory period and amounts to 16.4 per cent. and the Capacity fee in 2020 is set at GEL 47,898 per day.

The methodology for the calculation of the eElectricity generation tariff changed from fixed annual to monthly and is calculated according to the following formula:

$$\text{Generation Tariff} = (\text{Purchased gas tariff} + \text{Gas transportation fee}) \times \text{Volume of purchased gas for generated electricity} / \text{Volume of electricity generated} \times (1 - \text{regulation fee rate})$$

Where:

- Purchased gas tariff is agreed with the Regulator;
- Gas transportation fee is determined by the Regulator according to the decree;
- Volume in KWh for each regulatory month is set based on the country's annual electricity balance; and
- Regulation fee rate is determined by the Regulator as 0.02%.

In principle, the methodology applicable to the sources of guaranteed capacity remains the same as in previous regulatory periods, only a slight increase was observed in light of currency fluctuations. WACC was also increased from 13.54 per cent. to 16.40 per cent., as in the case of generation and distribution tariffs.

In the future, a new methodology shall be adopted in accordance with new legislation. According to the LEWS, the guaranteed capacity fee and/or the tariff for generated guaranteed power shall be determined by the GNEWRC in accordance with the methodology approved by it.

Implementation of the European legislative framework in Georgia

Although Georgia is not a member of the EU and has not yet applied to join, the EU and Georgia enjoy a close relationship. The EU-Georgia Association Agreement entered into force in July 2016 and strives for political association and economic integration between the EU and Georgia. The EU and Georgia have also entered into the DCFTA, while Georgian citizens have benefitted from visa free travel to the Schengen area since 28 March 2017.

More importantly, signing the Energy Community Charter in October 2016 marked a new level of commitment from the Georgian government to synchronise Georgian legislation with the EU standards in the energy sector. To achieve this, Georgia is in the process of introducing a number of regulatory changes on the market, which are expected to transition the Georgian energy market into a more competitive and transparent environment.

The reform process is currently in a very active phase. New primary legislative acts have already been adopted and secondary legislation is being drafted. MoEaSD prepared the draft LEWS which the Georgian government introduced in the Parliament and which was adopted on 20 December 2019. On 16 April 2020, Georgian government approved the EMMC. These acts define the general framework for the future market as well as guidelines for the transition period. Detailed rules for the organization of the market as well as the implementation plan are to be set out in secondary legislation to be adopted by GNEWRC or the Government. The future electricity market shall be divided into a retail and a wholesale market (comprised of day ahead market, intraday market, market for bilateral agreements and balancing and ancillary services market). The participants of the wholesale market shall be: market operators, transmission system operator, distribution system operator (note: EP Georgia owns the distribution system), electricity generation companies (note: EPG Generation owns HPPs and gPower owns a TPP), traders, suppliers (including universal supplier and last resort supplier, which carry out public service obligations), large customers, and wholesale public service organization. GNEWRC has the obligation under the LEWS to adopt Market Rules, Rules of Electricity Supply and relevant amendments to the existing regulations (including network rules) by 16 August 2020. Upon the adoption of Market Rules, distribution system operator will be required to ensure legal unbundling (i.e. legal separation of distribution activities from other business activities) by 31 December 2020. Thus, the process of reforms in the Georgian electricity market and indirect connection to the unified European grid is expected to be largely completed by the end of 2020.

Regulation in Turkey

Market structure

The Turkish Electricity Market is regulated and supervised by the EMRA, which was established in 2001. The market is divided into the following sectors:

- *Generation* – consisting of:
 - EÜAŞ, a state-owned generation company, and its subsidiaries;

- BO companies, which build and operate a project for state needs; BOT companies, which build and operate a project for state needs (possibly in combination with a concession from the state of existing publicly-owned infrastructure) and subsequently transfer it back to the state; Transfer of Operational Rights companies to which the state transfers operation of assets for a designated period (sometimes with an obligation to rehabilitate the assets), during which ownership remains with the state; and other public private partnership models; and
- privately owned generation companies, such as RH Turkey;
- *Transmission* – through TEİAŞ, the state-owned transmission system;
- *Distribution* – consisting of 21 privatised distribution companies.
- *Wholesale* – consisting of 216 private wholesale companies including EP Toptan - which sell in the wholesale market and to "eligible customers" (see below) – and EÜAŞ, a public wholesale company;
- *Retail supply to smaller customers* – consisting of 21 private retail companies authorised to sell to "non-eligible customers" (see below) (the "**Retail Companies**"). Retail Companies can also sell to eligible customers and are required to sell to "customers of last resort", eligible customers whose power demands cannot be met by other suppliers or who have not selected their suppliers despite being able to do so; and
- *Customers* – consumers of electricity, divided into "non-eligible customers", who consume less electricity and purchase their electricity from Retail Companies according to a tariff set by the EMRA, and "eligible customers", who consume more electricity and pay prices negotiated with their supplier.

Generation

Subject to certain exemptions, electricity generation activities are limited to holders of generation licences granted by the EMRA. Generation licence holders are required to register themselves as market participants with the Energy Stock Market ("**EPIAŞ**"), which operates the wholesale electricity markets, including financial conciliation activities for these markets. There are presently 1,685 generation license holders in Turkey. Out of these, four generators are state-owned companies which cover 15 per cent. of the Turkish market by installed capacity while no private company has a market share greater than 5 per cent. RH Turkey's HPPs' current generation licences are in place until 16 May 2055 (Aralık HPP), 17 November 2054 (Hamzalı HPP) and 5 October 2055 (Reşadiye HPPs).¹⁹

The nature of the generation company determines to whom it is able to sell its electricity. EÜAŞ can sell its generated electricity to the day-ahead and intra-day markets and privately-owned wholesale companies. BOT and BO companies sell their generated electricity to EÜAŞ (a publicly owned wholesale company) under long-term power purchase agreements. Private generation companies, such as RH Turkey, sell electricity through the wholesale market, electricity trading (under bilateral agreements), on the organised markets (the spot market, the over the counter market, suppliers and the export/import markets (the "**Organised Markets**")) and directly to eligible customers (see Retail Supply and the Wholesale Market) below. RH Turkey and EP Toptan have access to, and active contracts and operations in, each of the Organised Markets.

The Feed-in Tariff (YEKDEM)

YEKDEM is a support mechanism for generation companies of electricity from renewable sources. This mechanism was introduced in the Regulation on Documentation and Support of Electricity Manufacturing from Renewable Energy Resources (the "**YEKDEM Regulation**") and entered into force in 2013. Pursuant to article (4) of the YEKDEM Regulation, the support mechanism consists of FiTs for electricity generation license holders and unlicensed electricity generators producing electricity from renewables as well as for other opportunities in the renewable energy sphere. Generation companies willing to benefit from the support mechanism have to apply to the EMRA by October 31 in order to register for the following calendar year. After a review and evaluation of the applications, the approved applicants are notified within the first ten days of November; the final list for the upcoming calendar year is announced by EMRA no later than November 30 on any given year. Those plants are then committed to the YEKDEM scheme for the full calendar year.

The difference between the price which generation companies are able to realise on the market for their electricity and the FiT price is an important factor in generation companies' decisions whether or not to participate in the

¹⁹Source: https://www.epias.com.tr/wp-content/uploads/2020/08/33.-Hafta-10.08.20-16.08.20-Haftalik_Rapor.pdf

support mechanism. The average annual DAMP in USD/MWh was 78.51 in 2013, 74.81 in 2014, 50.82 in 2015, 46.08 in 2016, 45.00 in 2017, 47.42 in 2018, 46.03 in 2019 and 40.47 between January and July 2020. The FiT under YEKDEM provides different levels of incentives according to the type of renewable energy resource. Currently, the FiT price for run-of-the-river hydroelectric power is USD 73 per MWh.

All five of the RH Turkey HPPs are eligible for the FiT, which is applicable for the first 10 years of operation for plants commissioned after 18 May 2005 and prior to 30 June 2021. As such, RH Turkey's HPPs have between two to four years until the expiration of applicable FiTs. Following expiry of the applicable FiT periods, RH Turkey's HPPs' revenue will be determined by the prices they are able to realise through sales on the free market as outlined in Generation above.

When YEKDEM was first established, participating power plants sold their capacity to YEKDEM and were not allowed to sell on platforms other than YEKDEM while participating in the scheme. In return, the entire generation counted by the electricity meters of the companies participating in YEKDEM was purchased by EPIAŞ at YEKDEM prices, leaving the plants without price, volume or currency risks. These plants were also exempt from balancing their electricity sales and electricity generation so were not obliged to forecast their future generation.

Following changes in 2016, renewable power plants subject to YEKDEM now sell their electricity generation on the free market (see Generation above). Each month, a balancing payment is made between the plant and EPIAŞ in the amount of (i) the hourly DAMP of the electricity sold by the plant during that month (whether or not the electricity was in fact sold on the day-ahead market at DAMP), multiplied by a "tolerance coefficient" set by the EMRA which is currently 0.98 for river type HPPs; minus (ii) the FiT price of that electricity. If the amount is positive, the plant must pay such amount to EPIAŞ; if it is negative, EPIAŞ must pay the absolute value of such amount to the plant. Plants can improve their revenues by selling their electricity at a price which is higher than DAMP (this does not affect the amount of the monthly settlement payment). The electricity generated by RH Turkey's HPPs is sold at a higher price on the balancing market, resulting in, on average, approximately one U.S. dollar of additional revenue per MWh.

Following the changes in 2016, the revenue of a renewable power plant is also influenced by its ability to accurately forecast its electricity production during the day ahead. If a plant's actual electricity production deviates from the quantity it has sold, the plant will be penalised by EPIAŞ for that imbalance. Settlement of such imbalances is regulated by the Electricity Market Balancing and Settlement Regulation ("**BSR**"). The BSR sets out a formula for the penalties which apply in respect of imbalances. Under the formula, depending on certain variables which are set by the EMRA, plants will tend to receive less than DAMP for a surplus of electricity generation over their sales and will tend to have to pay more than DAMP for a deficit. However, RH Turkey's HPP's imbalances are sold to electricity distribution companies, which results in an overall profit from the balancing process.

In addition to the tariff structure described above, there is a bonus tariff for renewable power plants using domestically manufactured products including turbines and generator and power electronics of up to USD 23 per MWh for HPPs. This is limited to the first five years of operation. The DKHI Group's HPPs do not benefit from this bonus tariff.

FiTs are denominated in USD. However, they are paid in TRY according to the prevalent TRY / USD rate. The associated foreign exchange risk is very limited as it consists of the change in the foreign exchange rate between the invoice issue date and payment, which happens within a month.

Retail Supply and the Wholesale Market

All public and private supply companies in Turkey must obtain a licence from the EMRA for the right to supply electricity. Electricity supply licences are generally issued for a 49-year period and licence holders are entitled to undertake wholesale and/or retail sales within Turkey.

The retail supply regime depends on whether the relevant customer is an "eligible customer", which, in 2020, is any end-customer who consumes more than 1,400 kWh/year of electricity. Customers below this threshold are "non-eligible customers". Non-eligible customers can only purchase electricity from the Retail Company in their region (rather than from an ordinary supply licence holder). Retail tariffs for non-eligible customers are regulated by the EMRA, taking into account submissions from the relevant supply company, and are updated on a quarterly basis. These tariffs are set according to the type of customer, i.e. residential, commercial, industrial, irrigation and street lighting. Eligible customers can select their retail electricity suppliers (including both supply and generation companies), and contract with these suppliers on whatever terms and at whatever prices they see fit, under bilateral agreements which are not subject to control by the EMRA (EP Toptan contracts under bilateral agreements, but RH Turkey does not).

The energy-consumption threshold separating eligible and non-eligible customers is set by the EMRA each year and is to be reduced gradually (the threshold was as high as 9,000,000 kWh/year in 2002, and was reduced by the EMRA to 4,000 kWh/year at the beginning of 2015 and to 3,600 kWh/year in 2016). As such, it is expected that by 2019 the threshold will have been eliminated and that all customers will be eligible (although this is not an official deadline). The DKHI Group expects that the elimination of eligibility limits will increase its market share in the wholesale market. By October 2016 the number of eligible customers reached 2.6 million, a significant increase from the 0.2 million that Turkey recorded at the beginning of 2013.

Wholesale supply activities are conducted by (i) private wholesale supply companies on the day-ahead and intraday markets (such as EP Toptan) and (ii) EÜAŞ, the state-owned wholesale company, which sells electricity to distribution and retail companies based on the EÜAŞ wholesale tariff which is regulated by the EMRA and is updated on a quarterly basis. Wholesale electricity prices are set by supply companies and are not subject to the EMRA's approval, provided they comply with the EMRA's rules and principles. However, in practice, due to EÜAŞ' significant share of the wholesale market, the EÜAŞ wholesale tariff set by the EMRA affects and influences the tariffs adopted by private wholesale companies. Private wholesale companies can also buy electricity from OTC and Spot markets themselves.

Bilateral agreements can be signed between any market participants (except for non-eligible customers). These agreements can be negotiated privately between the parties as they are not regulated. In 2016, the total traded volume in bilateral agreements reached 276 GWh.

Import/export

Export activities can be conducted by generation and supply licensees, while import activity can be conducted by supply licensees, in each case subject to the terms of their licences and certain conditions. Additionally, EÜAŞ is entitled to sign import and export agreements that are within the scope of intergovernmental agreements and conduct import and export activities in accordance with such agreements.

7.6 Guarantor's Dependence on the DKHI Group companies

The Guarantor is the parent company of the DKHI Group. Its main activities consist of holding shares in its subsidiary companies and activities relating to financing of DKHI Group companies. Therefore, the Guarantor is primarily dependent on dividend and other distribution from DKHI Group companies. The ability of the Guarantor to perform its obligations will be significantly influenced by value of its holdings as well as financial and economic situations of members of DKHI Group. This dependency may be further increased if the Guarantor provides financing to other members of DKHI Group since inability of such member to repay the loan may damage the Guarantor. The Guarantor's dependency on its shareholder is based on the shareholder's voting rights and the fact that DKHI has a financial liability towards its shareholder amounting to approximately EUR 242 million as described in Section 13.6. (*Financial Liability of DKHI to Shareholder*) of Chapter XI (*Information about the Guarantor and DKHI Group*).

8 Information about Trends

8.1 No Material Adverse Change

The Guarantor declares that no material adverse changes in his outlooks have occurred since the date of the most recent audited consolidated financial statements of the Guarantor. The Guarantor declares that no material adverse changes have occurred in the financial situation of the DKHI Group since the end of the most recent accounting period for which financial data were published. The Guarantor declares that no significant changes have occurred in the financial performance of the DKHI Group since the end of the last financial period for which financial information has been published to the date of the Prospectus.

8.2 Information about Known Trends

The Guarantor is not aware, at the time of issuing this Prospectus, of any trends, uncertainties, duties, claims and / or events which would have material impact on the business and financial conditions of the Guarantor and would occur in very high probability within foreseeable future.

Nevertheless, DKHI Group is active on the energy sector, which is being exposed to many externalities. Thus, the Guarantor and the Issuer might be indirectly affected.

Distribution

The Guarantor, through its subsidiary EPAS, has long term and stable position on both key electricity distribution markets. Given the fact that Bulgaria is member of the European Union since 2007, the Bulgarian energy market

is considered transparent and very standardized, especially is being under control and guidance of the ACER. As for Georgian operations, the Guarantor is expecting stable and predictable trends to persist for upcoming regulatory periods. The discussion with the regulator regarding parameters of regulatory principles that should be applied in the upcoming regulatory period are ongoing as of date of preparation of this Prospectus.

DKHI Group expects continuing balanced and trusted relationship with regulatory authorities.

Generation

Hydro power generation will be still for upcoming decades preferred source of electricity given its position within Merit Order in each of the countries DKHI Group operates in. Additionally, DKHI Group should be eligible for the long term USD denominated tariff (YEKDEM) for the newly constructed Turkish HPPs (HPP Karakurt and HPP Alpaslan 2) which are expected to make DKHI Group's cash flow more stable and predictable. What remains beyond control of the Guarantor are the weather conditions (hydrology) which can have both positive and negative impact on the volume of generated electricity. DKHI Group further expects positive impact from liberalization of Georgian power generation market which could increase revenue from power generation activities in Georgia.

Supply

Both DKHI Group's Bulgarian and Georgian supply markets are facing different waves of liberalizations and potential digitalization as well. DKHI Group observes these trends in other European countries and takes steps in advance to be prepared for the anticipated changes.

Taking in consideration electricity consumption trends in other less mature markets, DKHI Group sees the electricity demand to grow as usage and penetration will outgrow economies made from more efficient use of electricity.

Impacts of COVID-19 and hydrology conditions in Georgia on the DKHI Group

Due to the nature of DKHI Group's business, the impact of COVID-19 on DKHI Group's operations has been relatively limited so far. The distribution and supply segment was impacted by lower consumption, lower market prices of electricity, and decrease in demand for new connections. DKHI Group has so far experienced only limited deterioration in cash collection. Results of the generation segment in Georgia and Bulgaria were not materially affected by COVID-19 as the entire 2020 production in Georgia and the 1st half of 2020 production in Bulgaria were sold in advance. In Turkey, most of the production is sold under YEKDEM.

The construction of HPP Karakurt and HPP Alpaslan 2 has not been materially affected by COVID-19.

DKHI Group continues to monitor the situation very closely and will take any measures required in order to mitigate the impact of COVID-19 on the DKHI Group's liquidity. In light of the above, and to conserve cash, the operating subsidiaries of DKHI Group have already reviewed their capex budgets for 2020 and implemented meaningful reductions.

The electricity generation in HPPs in Georgia has been affected by negative hydrological conditions in 2020, as Georgia is experiencing a dryer year.

DKHI Group expects 2020 results to be negatively affected mainly as a result of unfavourable hydrological conditions in Georgia which are expected to adversely affect the results of operations of EP Georgia and EP Georgia Generation, as well as due to COVID-19.

9 Profit Forecasts or Estimates

The Guarantor has not forecasted or estimated any profit in the format complying with the requirements of the Prospectus Regulation, therefore no such forecast or estimate has been included in this Prospectus.

10 Administrative, Management and Supervisory Bodies of the Guarantor

10.1 Director

The Director is the statutory body of the Guarantor. The Director is responsible for the business management of the Guarantor and for any other powers that are not entrusted to another body of the Guarantor by the constitutional documents, the law or a decision of a competent public authority. The Director ensures the proper accounting,

presents to the General Meeting for approval the ordinary, extraordinary, consolidated and, if any, interim financial statements and the proposal for the distribution of profit or settlement of a loss in accordance with the constitutional documents. The Director is appointed and removed by the General Meeting.

The Director is authorized to act on behalf of the company independently.

As at the date of this Prospectus, the Director of the Guarantor is:

Mr. Jaromír Tesař

Term commencement date:

16 December 2015

Business address of the Director is at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic.

His principal activities of Mr. Jaromír Tesař outside of the Guarantor which are material to DKHI Group are:

- chairman of the board of directors of EPAS;
- member of the board of directors of Dolnolabské elektrárny;
- executive director of EP Assets Turkey;
- executive director of EP Hydro Development;
- executive director of EPMVE;
- executive director of EP Turkish Development;
- chairman of the supervisory board of EP Georgia;
- chairman of the supervisory board of EPG Generation;
- chairman of the board of directors of RH Turkey.

10.2 Declaration on Conflict of Interest and Compliance with the Sound Corporate Management and Governance Regime

The Guarantor is not aware of any potential conflict of interest between the Guarantor-related obligations of the Director and their private interest or other obligations, but the discharge of their office as Directors or members of the Supervisory Boards of the companies specified in Article 10.1 may involve a conflict of interest due to the fact that they are also members of the bodies of the other companies and also follow the interests of such companies or those of the persons controlled by such companies. The Guarantor complies with all the sound governance and management requirements set by the applicable laws and regulations of the Czech Republic, in particular the Civil Code and the Act on Business Corporations, if applicable. In its governance and management, the Guarantor does not follow any rules specified in any corporate governance and management code because it follows the corporate governance and management requirements arising from the applicable laws and regulations, which it considers sufficient.

11 Financial Information Concerning the Guarantor's Assets and Liabilities, Financial Position and Profits and Losses

11.1 Historical Financial Information

The Guarantor prepared consolidated financial statements for the accounting periods ending on 31 December 2019 and 31 December 2018. These financial statements have been audited.

The consolidated financial statements of the Guarantor as at 31 December 2019 and for the year then ended have been audited by independent auditor Ernst & Young Audit, s.r.o. as stated in their audit report incorporated by reference herein. The consolidated financial statements of the Guarantor are incorporated in this document by reference (see Chapter IV - *Information Incorporated by reference*). The restated comparative amounts for 2018 appearing in the consolidated financial statements of the Guarantor as at and for the year ended 31 December 2019 as a comparative period have not been audited. For explanation of restatements and reclassifications in the consolidated financial statements of the Guarantor for the year 2019 see below.

DKHI Group performed a detailed review of its application of the current IFRS standards as adopted by the European Union (mainly the new standard IFRS 15) as well as the most recent developments in their application in line with current accounting best practice. As a result, DKHI Group recognized several minor restatements and reclassifications in the consolidated financial statements of the Guarantor and EPAS as at 31 December 2019 relating to the comparative period of 2018. For a full description and quantification of the impact of these

restatements please see Note 5 of the annual consolidated financial statements of the Guarantor and EPAS for the year 2019. A brief summary is as follows:

- EP Georgia recognized a grant liability related to assets granted to it by the Government of Georgia. Income related to the granted assets was deferred over the useful life of the granted assets instead of recording a one-time income accrual which was the treatment used in the past. The restatement relates to a change of the interpretation of the relevant accounting standards.
- In 2018, RH Turkey increased its tax base in line with applicable law and, as a result, a portion of previous year's losses cannot be used to offset a tax liability position in the future. The restatement relates to deferred tax assets changed with this respect.
- Further DKHI Group restated its financial statements to reflect a reassessment of its understanding of the initial starting point of capitalization of the powerplants technical appreciation. The restatement relates to construction in progress, work in progress and consolidated income statement.
- In relation to the IFRS 15, EP Varna reviewed the individual contracts concluded for grid components – transmission fee, access fee and the obligation for the public, and determined that it is rather acting as an agent with respect to these items. This restatement relates to reclassification of revenues and costs on the consolidated income statement.
- In relation to the application of IFRS 15, EPI Group reviewed in detail the contracts for projects regard of IFRS 15 – transfer of control of a good or service and re-assessed the recognition method from "point in time" to "over time" due to specific nature of product manufactured and other specifics stated in the contracts.

The consolidated financial statements of the Guarantor as at 31 December 2018 and for the year then ended have been audited by independent auditor Deloitte Audit s.r.o. as stated in their audit report incorporated by reference herein. The consolidated financial statements of the Guarantor are incorporated in this document by reference (see Chapter IV - *Information Incorporated by reference*).

The following Emphasis of Matter is made by Deloitte Audit, s.r.o. in the Independent Auditor's Report to the consolidated statement of financial statements of the Guarantor as at 31 December 2018: *"We draw attention to Chapter 5, Paragraph "Prior period restatements and reclassifications" to the financial statements which describes the fact that comparative accounting period ending on 31 December 2017 was restated and therefore not correspond to the information contained in the financial statement prepared as of 31 December 2017. Our opinion is not modified in respect of this matter."*

The restated comparative amounts for 2017 appearing in the consolidated financial statements of the Guarantor as at and for the year ended 31 December 2018 as a comparative period have not been audited. For explanation of restatements and reclassifications in the consolidated financial statements of the Guarantor for the year 2018 see below.

DKHI Group performed a detailed review of its application of the current IFRS standards as adopted by the European Union as well as the most recent developments in their application in line with current accounting best practice and its accounting policies. As a result, DKHI Group recognized several restatements and reclassifications in the consolidated financial statements of the Guarantor and EPAS for the year 2018 that related to the 2017 comparative period. For a full description and quantification of the impact of these restatements please see Note 5 of the annual consolidated financial statements of the Guarantor and EPAS for the year 2018. A brief summary is as follows:

- EP Georgia has identified errors in respect of the revenue recognition under the electricity sale and purchase agreement with JSC Georgian Railway dated 27 September 2011. Based on the terms of the contract, it was agreed that tariff for JSC Georgian Railway should not be increased until 1 September 2016, despite the tariff growth by corresponding resolution of GNEWRC. In July 2015 GNEWRC increased tariffs for EP Georgia. Respectively, starting from 1 September 2015 EP Georgia presented invoices to JSC Georgian Railway considering increased tariffs.
- OPPA (i) corrected the items cash and cash equivalent and short-term borrowings in respect of correct recognition of technical overdraft, (ii) made a restatement in respect of valuation entries and calculations of the property, plant and equipment and intangible assets based on the historical cost basis, (iii) restated its financial statements to reflect the identification of cut-off errors, and (iv) reclassified minor identified errors in respect of proper recognition of revenue and costs.
- DKHI (i) corrected an error related to the discount factor of the liabilities arising from the acquisition of EPAS, (ii) corrected an error related to the foreign exchange rate differences arising from the unpaid

additional capital obligation, at the company Berta and (iii) corrected the item income tax where the material difference between the preliminary and final calculation of income tax for the year 2017 was identified.

- EPI Group (i) corrected an error retroactively from contractual penalties on a construction project, and (ii) had several restatements in respect to accounting policy change.

12 Legal and Arbitration Proceedings

Except for the proceedings described below, none of the Issuer, the Guarantor or any member of DKHI Group is a party to any governmental, legal or arbitration proceedings which may have, or have had in the recent past, significant effects on the Issuer, the Guarantor or DKHI Group or DKHI group's financial position or profitability, nor is, to the Issuer's best knowledge, any such proceedings threatened against any of the Issuer or the Guarantor.

12.1 Dispute with Turkish Construction Company AGE

A request for arbitration has been submitted by the construction company Age İnşaat ve Ticaret A.Ş. ("**AGE**") against Bilsev in relation to Bilsev's termination of the HPP Main Construction Contract for HPP Karakurt. The main claims asserted by AGE are based upon allegations of unpaid progress payments (approximately USD 5.5 million), unjust termination of the contract (approximately USD 1 million), unjust liquidation of certain performance bonds (approximately USD 9.8 million) and loss of reputation (approximately USD 1 million). Bilsev denies liability in respect of the foregoing and has instructed counsel to defend the claim, and bring substantial counterclaims, in arbitration proceedings. Following contract termination, Bilsev appointed EP Insaat to complete the remaining civil works and neither provisional acceptance nor eligibility for YEKDEM should be affected.

12.2 Administrative Dispute with Turkish General Directorate of State Hydraulic Affairs

Berta is a special purpose company which holds a generation license for an as yet unbuilt hydro power plant in Turkey. Berta is a defendant in an enforcement claim brought by the Turkish General Directorate of State Hydraulic Affairs relating to non-payment of a service fee under a certain undertaking dated 20 June 2016. The amount of Berta's liability in respect of the claim is approximately EUR 2 million. The validity of the claim is not being disputed by Berta and payment of the relevant amount due is planned to be made in instalments.

12.3 Dispute with Turkish Construction Company ÖZİŞİK

A claim has been brought by the construction company ÖZİŞİK İNŞAAT VE ENERJİ A.Ş. ("**ÖZİŞİK**") against ENERJİSA ENERJİ ÜRETİM A.Ş. ("**ENERJİSA**"), being the former sponsor of the construction of the 280 MWh HPP Alpaslan 2, and Murat in relation to a penalty corresponding to approximately EUR 7 million that is allegedly payable by the defendants to the claimant. Murat rejects its liability for the claim; however, its parent company, EP Hydro Development, has, for the sake of carefulness, brought a warranty claim against ENERJİSA in the amount claimed by ÖZİŞİK, pursuant to the share purchase agreement under which EP Hydro Development purchased 100 per cent. of the shares in Murat.

12.4 Dispute relating to Power Machinery Supplied to Canada

A lawsuit was filed against Litostroj Hydro Inc ("**Litostroj CA**") and Litostroj Power in April 2018 regarding damages allegedly resulting from the breakage of equipment supplied to the HPP Franquelin in Quebec in the amount of approximately EUR 2.5 million. Litostroj CA as seller and Litostroj Power as producer of the relevant equipment deny any responsibility for the breakage as they assert that it was caused as a result of incorrect usage by the customer.

13 Material Contracts

The Issuer is a special purpose vehicle which will only enter into contractual documentation giving effect to the financing by means of the Bonds. It is assumed that after the Issue Date the Issuer will conclude a loan agreement with the Guarantor, in which it undertakes to provide the net proceeds of the issue of the Bonds (except for the funds required to fund the Interest Escrow Account) in the form of an interest-bearing loan. The Guarantor will then on-lend and/or contribute the proceeds to the members of DKHI Group. It is not expected that the Issuer will

conclude any other contracts which could result in any member of DKHI Group being under an obligation or an entitlement that is material to the Issuer's ability to meet its obligations to the Bondholders or the Guarantor's ability to meet its obligations under the Financial Guarantee.

The Guarantor is a financial holding company which does not enter into any material contracts outside of its activities as a financial holding company. Except for the contracts giving effect to the financing by means of the Bonds (as described above) and the contracts described below, except as permitted in the Terms and Conditions, it is not expected that the Guarantor will conclude any other contracts which could result in any member of DKHI Group being under an obligation or an entitlement that is material to the Issuer's ability to meet its obligations to the Bondholders or the Guarantor's ability to meet its obligations under the Financial Guarantee.

EPAS is an operating holding company which does not enter into any material contracts outside of its activities as an operating holding company. The direct or indirect subsidiaries of EPAS are operating companies with a large number of contractual relationships, the subject matter of which includes electricity generation, distribution, supply, trading and ancillary matters such as financing and capital investment. The direct or indirect subsidiaries of DKHI other than EPAS and its direct or indirect subsidiaries include special purpose vehicles (either for developing greenfield Turkish energy projects or effecting potential acquisitions in new jurisdictions), companies owning small HPPs in the Czech Republic and companies involved in power machinery manufacturing.

The contracts which the Issuer considers material in the context of DKHI Group, including in particular the contracts providing for external financing of DKHI Group, are described below.

13.1 EPAS Bond Issues

On 7 December 2017, EPAS issued its first offering Eurobonds (ISIN: XS1731657141) with a total nominal value of EUR 370 million, maturity of 5 years and a fixed coupon of 4 per cent. p.a. The bonds have been admitted to trading on the unregulated market of the Irish Stock Exchange (Euronext Dublin). The issue price of the bonds was 100 per cent. of the nominal value. The effective interest rate was calculated at 4.38 per cent. The carrying value of these bonds as at 31 December 2019 was EUR 367,143,000. The bonds carry no pre-emption or exchange rights. The bonds are freely tradeable, and their transferability is not limited. EPAS has the right to repay the bonds before their scheduled maturity date. The guarantors of the bonds are EP Varna, EP Georgia, EP Generation and RH Turkey.

On 4 May 2018, EPAS issued its second offering Eurobonds (ISIN: XS1816296062) with a total nominal value of EUR 250 million, maturity of 6 years and a fixed coupon of 4.5 per cent. p.a. The bonds have been admitted to trading on the unregulated market of the Irish Stock Exchange (Euronext Dublin). The issue price of the bonds 100 per cent. of nominal value. The effective interest rate was calculated at 4.74 per cent. The carrying value of these bonds as at 31 December 2019 was EUR 255,463,000. The bonds carry no pre-emption or exchange rights. The bonds are freely tradeable, and their transferability is not limited. EPAS has the right to repay the bonds before their scheduled maturity date. The guarantors of the bonds are EP Varna, EP Georgia, EP Generation and RH Turkey.

The terms and conditions of the bonds (including a detailed description of all covenants) are available at the registered office of EPAS and on its website (<http://www.energo-pro.com/>).

13.2 EPAS Credit Line

EPAS as borrower and Sberbank CZ, a.s. as lender entered into a Master Facility Agreement dated 11 December 2018, as later amended, for the provision of a short-term loan facility to finance EPAS's short-term liquidity needs, Bank Guarantees Facility and L/C Facility in aggregate up to EUR 12,000,000.

In connection with the Master Facility Agreement, EP Georgia, EP Generation, EP Varna and RH Turkey guaranteed the due performance of EPAS of its obligations under the finance documents, including the payment of amounts due thereunder.

13.3 DKHI Credit Line

DKHI as borrower and Banka CREDITAS a.s. as lender entered into a Facility Agreement dated 21 June 2018, as later amended, for the provision of a loan facility in the principal amount up to CZK 300,000,000 (approximately EUR 11,200,000) to finance projects within the DKHI Group.

In connection with the Facility Agreement, Mr. Jaromír Tesař guaranteed the due performance of DKHI of its obligations under the finance documents, including the payment of amounts due thereunder.

13.4 Dolnolabské elektrárny Credit Line

Dolnolabské Elektrárny a.s. as borrower and UniCredit Bank Czech Republic and Slovakia, a.s. as lender entered into a Facility Agreement dated 27 March 2019 for the provision of a loan facility in the principal amount of up to CZK 1,050,000,000 (approximately EUR 39,300,000) to refinance the existing indebtedness of the borrower and to finance the borrower's general corporate needs including provision of a loan to DKHI.

13.5 EPMVE Credit Line

EPMVE as borrower and Komerční banka, a.s. as lender entered into a Facility Agreement dated 26 February 2019 for the provision of a loan facility in the principal amount of up to CZK 280,000,000 (approximately EUR 10,500,000) to refinance capital expenditures of EPMVE.

In connection with the Facility Agreement, DKHI entered into a Support Agreement dated 26 February 2019 pursuant to which DKHI is obliged (i) not to make or accept any financial distribution from EPMVE other than the permitted distributions under the Facility Agreement; (ii) not to transfer its shares in EPMVE without the prior written consent of the lender and (iii) to act as the sole shareholder of EPMVE in a way not jeopardizing the due performance of EPMVE's obligations under the finance documents.

13.6 Financial Liability of DKHI to Shareholder

DKHI has financial liabilities towards its sole direct shareholder, Mr. Jaromír Tesař, amounting to approximately EUR 242 million as at 31 December 2019. Approximately EUR 180 million of those liabilities arose in January 2016 when Mr. Tesař and his business partner Mr. Jiří Krušina agreed to split their assets; as part of this complex transaction Mr. Tesař sold 100 per cent. of his stake in EPAS to DKHI in consideration of a largely deferred purchase price.

DKHI has as of the date of this Prospectus the following financial liabilities towards Mr. Jaromír Tesař, its sole shareholder:

- an unsecured liability for payment of deferred purchase price in the amount of EUR 128 million due on 31 December 2024 that arose in January 2016 (in connection with the group reorganization) as a result of a transfer of shares in EPAS from Mr. Jaromír Tesař to DKHI (as described above), this liability is non-interest bearing;
- an unsecured liability for payment of deferred remuneration in the amount of EUR 52 million due on 31 December 2024 that arose in January 2016 (in connection with the group reorganization) as a result of assignment of receivable of Mr. Jaromír Tesař towards JK Holding CZ s.r.o. (now Czech Hydro s.r.o., identification number: 045 35 740) for payment of a purchase price for a transfer of 50 % of the shareholding interest in the company ENERGO-PRO Czech s.r.o. (later Czech Hydro s.r.o., identification number: 264 450 85, now already dissolved) which ceased to exist due to set-offs made in January 2016, to the Guarantor, this liability is non-interest bearing;
- an unsecured liability for repayment of loan provided by Mr. Jaromír Tesař to DKHI in the amount of EUR 15 million due on 31 December 2024 with interest rate 6 per cent. p.a.; and
- an unsecured liability for repayment of loans provided by Mr. Jaromír Tesař to DKHI in the amount of CZK 245 million and USD 1.9 million due on 31 December 2024 with interest rate 6 per cent. p.a., interest is due at maturity.

Part of the receivables of Mr. Jaromír Tesař towards DKHI corresponding to the above described liabilities are subordinated to the financing provided to the Guarantor by Banka CREDITAS a.s.

13.7 Banka CREDITAS Credit Line

On 21 June 2018, DKHI and Banka CREDITAS, a.s. signed a facility agreement with respect to a CZK 300,000,000 loan with maturity in June 2022. The facility was provided for general corporate purposes. The facility

is being repaid in 12 equal quarterly instalments of CZK 25,000 thousand each starting from September 2019. Outstanding balance as at 31 December 2019 was EUR 9,838,000.

13.8 HPP Karakurt Finance Documents

Bilsev as borrower, EP Turkish Development as shareholder, DKHI as guarantor, EPAS as guarantor and AKBANK T.A.Ş as arranger, original lender, account bank, agent and security agent entered into a Facility Agreement dated 29 June 2016, as later amended, for the provision of a loan facility in the principal amount of up to USD 141 million due in December 2026 (the "**Karakurt Facility Agreement**") to finance the construction of the 99.5 MWh HPP Karakurt.

In connection with the Karakurt Facility Agreement, DKHI, EPAS and EP Turkish Development guaranteed the due performance by Bilsev of its obligations to the finance parties, including the achievement of timely project completion, the financing of cost overruns (also pursuant to a separate equity support deed) and the payment of amounts due under the finance documents. DKHI, EPAS and EP Turkish Development also guaranteed due and punctual performance under the construction contracts. The maximum liability of EPAS pursuant to all of the foregoing instruments is USD 50 million.

13.9 HPP Alpaslan 2 Finance Documents

Murat as company, EP Hydro Development as direct shareholder, DKHI as indirect shareholder, MITSUBISHI UFJ INVESTOR SERVICES & BANKING (LUXEMBOURG) S.A. ("**MIBL**") as original lender, Česká exportní banka, a.s. as original lender, MUFG SECURITIES EMEA PLC ("**MUFG**") as agent and HSBC BANK PLC as security agent entered into a Credit Agreement dated 8 November 2019, as later amended, for the provision of loan facilities in the principal amount of up to EUR 175 million due in October 2030 (the "**Alpaslan 2 Credit Agreement**") to finance the construction of the HPP Alpaslan 2.

In connection with the Alpaslan 2 Credit Agreement, DKHI and EP Hydro Development guaranteed the due performance by Murat of its obligations under the finance documents, including the payment of amounts due thereunder. This guarantee expires, in respect of a EUR 20 million facility, upon final maturity and, in respect of the remaining facilities, 24 months after full project completion (unless reactivated for DKHI following the occurrence of defined trigger events). DKHI and EP Hydro Development also undertook to fund cost overruns and guaranteed the punctual performance by EP Insaat under the Main Construction Contract dated 8 November 2019 and made between Murat and EP Insaat for the principal civil works to be constructed and the payment of any amounts due from EP Insaat thereunder.

Loans under facilities pursuant to the Alpaslan 2 Credit Agreement in the principal amount of up to EUR 125 million were financed by the issuance of fiduciary bonds by MIBL. In addition to granting the guarantee for the due performance under the finance documents, DKHI granted a put option to MUFG in respect of such fiduciary bonds. The put option is exercisable following the early redemption of the fiduciary bonds or the occurrence of an event of default under the Alpaslan 2 Credit Agreement (or a similarly material event in connection with it). The exercise price equals 100 per cent. of the nominal amount of the bonds. There can be no double recovery by Mitsubishi group in respect of the same loss, i.e. both pursuant to DKHI's guarantee forming part of the credit agreement and also the put option.

13.10 HPP Alpaslan 2 Project Documents

In connection with the Alpaslan 2 Credit Agreement, Murat, EP Toptan and EPAS entered into a Power Purchase Agreement dated 8 November 2019 pursuant to which EP Toptan is obliged to off-take electricity generated by Murat for a fixed purchase price (USD/MWh) specified for each year during the term. EPAS guarantees the due payment of such purchase price. The Power Purchase Agreement will become effective only if HPP Alpaslan 2 fails to be eligible (or loses eligibility) for YEKDEM or an acceptable alternative FiT.

13.11 Bulgarian DSO Credit Lines

EP Energy Services is the borrower under the credit lines described below (approved credit limits are stated in rounded EUR amounts irrespective of the currency of the relevant facility):

- lender: DSK Bank AD; credit limit: EUR 10 million; type of facility: cash utilization and guarantee;

- lender: UniCredit Bulbank EAD; credit limit: EUR 16 million; type of facility: cash utilization and guarantee; and
- lender: Raiffeisenbank Bulgaria EAD; credit limit: EUR 15 million; type of facility: cash utilization overdraft.

13.12 Litostroj Credit Lines

Litostroj Power, Litostroj Engineering and Litostroj CA are borrowers under the following credit line for the issuing of bank guarantees (approved credit limits are stated in rounded EUR amounts irrespective of the currency of the relevant facility):

- lender: bank club consisting of the following banks: Nova Ljubljanska banka d.d., Abanka d.d., UniCredit Banka Slovenija d.d., Sberbank banka d.d., Sberbank banka d.d., UniCredit Bank Czech Republic and Slovakia, a.s., Sberbank CZ, a.s., Všeobecná úverová banka, a.s., Komerční banka a.s.; bank guarantee limit: EUR 64 million; credit line EUR 3 million.

EPAS has issued a guarantee in favour of:

- a club of banks in connection with a EUR 3 million revolving facility; the guarantee is for 100 per cent. of the drawn amount; and
- Komerční banka, a.s. in connection with a EUR 787,000 (CZK 20 million) revolving facility for Litostroj Engineering; the guarantee is for 100 per cent. of the drawn amount.

13.13 Other guarantees provided

The following guarantees were also issued by certain members of DKHI Group:

- Unicredit Bulbank AD has issued in the name of EP Varna a bank guarantee to various subjects (IBEX EAD, ESO EAD) in the amount EUR 2,262,000;
- RH Turkey issued guarantee letters amounting to EUR 1,669,000; guarantee letters issued are mainly given to the EMRA, TEİAŞ and various electricity distribution institutions;
- EP Toptan issued guarantee letters amounting to EUR 3,290,000; guarantee letters issued are mainly given to State Hydraulic Works, Tax Authority and TEİAŞ;
- on 5 February 2019, EP Georgia has issued a non-cash cover guarantee, which amounts to USD 100,000; non-cash cover guarantee is for the purposes of securing payment for the supply of natural gas provided by LLC "SOCAR Gas Export - Import";
- guarantees given (bid bonds, advance guarantees, performance bonds, warranty guarantees, customs guarantees and guarantees for timely payments) were recognized by (i) Litostroj Power in the amount of EUR 20,835,000; (ii) Litostroj CA in the amount of EUR 5,319,000; and (iii) Litostroj Engineering in the amount of EUR 1,833,000.

14 Disclosed Documents

The Issuer's and Guarantor's constitutional documents and the Security Agent Agreement are available on the Issuer's website <http://www.energo-pro.com/pro-dkhi-investory> and during normal business hours from 9 a.m. to 4 p.m. CET at the Issuer's registered office. This is also where the copy of the Financial Guarantee Deed will be available.

All the documents specified in this Clause 14 (*Disclosed documents*) will be available at the specified locations until the Final Maturity Date of the Bonds.

XII. FINANCIAL GUARANTEE

Issuer's liabilities arising from the Bonds will be in accordance with the Terms and Conditions secured by the Financial Guarantee created under a financial guarantee deed (the "**Financial Guarantee Deed**") within the meaning of Section 2029 et seq. of the Civil Code issued by the Guarantor. Below follows the wording of the Financial Guarantee Deed.

FINANCIAL GUARANTEE DEED

by **DK Holding Investments, s.r.o.** in relation to bonds issued by
ENERGO-PRO Green Finance s.r.o.

in the anticipated total nominal amount of up to CZK 530,000,000 (subject to a potential increase up to CZK 1,060,000,000 with the nominal amount of CZK 10,000 each, due in 2023, ISIN: CZ0003527749

(the "**Financial Guarantee Deed**")

WHEREAS:

- (1) ENERGO PRO Green Finance s.r.o., a limited liability company, with its registered office at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, identification number: 093 85 801, registered with the Commercial Register maintained by the Municipal Court in Prague, file no. C 335515 (the "**Issuer**") has decided to issue 6.50 % p.a. fixed rate bonds in the anticipated total nominal amount of CZK 530,000,000 subject to a potential increase of up to CZK 1,060,000,000 with the nominal amount of CZK 10,000 each, due in 2023, ISIN CZ0003527749 (the "**Bonds**");
- (2) Under the terms and conditions of the Bonds (the "**Terms and Conditions**"), the Bonds are to be secured, *inter alia*, by the financial guarantee declaration issued by DK Holding Investments, s.r.o., with its registered office at Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic, identification number: 04645740, LEI: 3157000SLFS3ZOO7HV02, incorporated in the Commercial Register maintained by the Municipal Court in Prague, file no. C 251383 (the "**Guarantor**"), as well as any other security under the terms anticipated and set forth in the Terms and Conditions;
- (3) The Guarantor hereby acknowledges that (i) it has received, read and fully understood the Terms and Conditions and (ii) it will adhere to those provisions of the Terms and Conditions (including any limitations or duties) relating to the Guarantor; and
- (4) The Guarantor is prepared and agree to guarantee the Guaranteed Debts (as they are defined below) of the Issuer arising from or relating to the Bonds by this financial guarantee declaration (the "**Financial Guarantee Declaration**") and in accordance with its terms.

The Guarantor makes the following:

1. FINANCIAL GUARANTEE DECLARATION

- 1.1 Subject to terms stated in this Financial Guarantee Declaration, the Guarantor hereby irrevocably, absolutely and unconditionally undertakes with each holder of the Bonds (each a "**Bondholder**", and collectively the "**Bondholders**") that, whenever the Issuer does not pay any amount of the Guaranteed Debts owed to the respective Bondholder when due or, if available, in the course of any grace period provided in respect of the Guaranteed Debts, the Guarantor will upon written demand by a Bondholder and within the period stated in Clause 1.4 below, pay that amount to that Bondholder, in the currency prescribed in the Terms and Conditions, and otherwise in the same manner in

all respects as the Guaranteed Debts are required to be paid by the Issuer under the Terms and Conditions.

1.2 The demand by a Bondholder pursuant to Clause 1.1 above must be made in Czech or English and delivered by registered mail to the Guarantor at its registered office (which, at the moment of making of this Financial Guarantee Declaration, is, Na poříčí 1079/3a, Nové Město, 110 00 Prague 1, Czech Republic) and, for information purposes only, also to **J&T BANKA, a.s.**, acting in its capacity as the fiscal and paying agent in relation to the Bonds (the "**Fiscal and Paying Agent**"), at its registered office (which, at the moment of making of this Financial Guarantee Declaration, is at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic (the "**Specified Office**")). The demand must be signed by (i) a Bondholder or (ii) an authorized representative of the relevant Bondholder, whereas the signature on the demand must be officially authenticated and, if relevant, it must be delivered together with documents sufficiently proving the authority of the signatory to act on behalf of the relevant Bondholder. The demand can be made repeatedly.

1.3 In this Financial Guarantee Declaration the "**Guaranteed Debts**" means:

- (i) a debt of the Issuer to repay the nominal amount of the Bonds held by the relevant Bondholder and any accrued and unpaid interest thereon;
- (ii) a debt of the Issuer from unjust enrichment, compensation of damage or other harm owed to the relevant Bondholder which has arisen as a result of any of the Bonds being cancelled or ceasing to exist or being or becoming void, ineffective, unenforceable, voidable or invalid; and
- (iii) a debt of the Issuer consisting in any default interest and any other pecuniary sanction arising from the failure to repay the Bonds duly and timely,

whether existing as at the date hereof or arising in the future at any time up to and including 31 December 2030. The subscription or purchase (at any time and from any person) of the Bonds by a Bondholder shall be construed as acceptance of the financial guarantee under this Financial Guarantee Declaration by that Bondholder.

1.4 The Guarantor's debt under this Clause will become due on the tenth (10th) Business Day following the delivery of the relevant demand by the relevant Bondholder to the Guarantor.

1.5 The Guaranteed Debts will be repaid in the order according to the dates of delivery of the relevant demands by the relevant Bondholders.

2. **TERMS AND LIMITATIONS OF THE FINANCIAL GUARANTEE DECLARATION**

2.1 This Financial Guarantee Declaration is an irrevocable declaration of financial guarantee within the meaning of Section 2029 *et seq.* of the Act No. 89/2012 Coll., Civil Code, as amended (the "**Civil Code**").

- 2.2 The Guarantor grants this financial guarantee as its continuing obligation, notwithstanding any settlement of account or the occurrence of any other event, and the financial guarantee shall remain in full force and effect until the full discharge and satisfaction of the Guaranteed Debts, regardless of any intermediate payment or discharge in whole or in part. By the full discharge and satisfaction of the Guaranteed Debts this financial guarantee shall cease to exist.
- 2.3 The aggregate amount of the Guaranteed Debts, which the Guarantor guarantees and shall discharge pursuant to Clause 1.1 above, shall be limited to an amount equal to the aggregate total amount of CZK 1,590,000,000 (the "**Total Maximum Amount**").
- 2.4 If, by repayment of the Guaranteed Debts based on demands delivered on the same date, the Total Maximum Amount would have been exceeded, any rights in respect of repayment of the Guaranteed Debts exercised on that same date will be satisfied on *pro rata* basis according to the amount of the Guaranteed Debts in respect of which the relevant demands under this Financial Guarantee Declaration have been made, so that the total amount of the repaid Guaranteed Debts does not exceed the Total Maximum Amount. The Guaranteed Debts which will remain unsatisfied after the Total Maximum Amount has been reached will not be repaid or reimbursed by the Guarantor.
- 2.5 Notwithstanding Clauses 2.1 and 2.2 above, a demand may only be made by a Bondholder and the Guarantor is only obliged to make any payment in discharge of the Guaranteed Debts under this Financial Guarantee Declaration if, and during the period (if any) that any payment payable to the Bondholders in connection with the Bonds is not paid on the due date and the default remains unremedied for more than ten Business Days after the date on which the Issuer was informed of this fact in writing by any Bondholder by a letter addressed to the Issuer and delivered to the Fiscal and Paying Agent to the address of the Specified Office.
- 2.6 The Guarantor's debts under this Financial Guarantee Declaration are direct, unsubordinated and unsecured obligations of the Guarantor and rank and will rank *pari passu*, without any preference among themselves and with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws and regulations relating to creditors' rights.
- 2.7 The Bondholder may assign to a third party any or all its rights under this Financial Guarantee Declaration relating to the respective Bond including, among other things, its right to exercise any rights and to receive payments under this Financial Guarantee Declaration, if the third party is also entitled to the payment of interest income or any other income and nominal value of such Bond.
- 2.8 The Guarantor further confirms and acknowledges that:
- (i) the Guarantor will not be relieved of its obligations in the event that the Issuer's obligations become invalid due to a lack or limitation of eligibility or authority (including a lack of capacity to act of persons who enter into any agreement on behalf of the Issuer);
 - (ii) Guarantor's obligations under this Financial Guarantee will continue to be valid and fully effective regardless of cancellation, merger, demerger,

takeover, other transformation or reorganization of the Issuer or the commencement of insolvency proceedings or other proceedings similar to the compulsory administration or liquidation of the Issuer;

- (iii) Guarantor's obligations under this Financial Guarantee will not be conditional on validity or enforcement of any security provided by the Issuer, Guarantor or any other third party nor on existence or creation of any security in favour of the Bondholders; and
- (iv) no notice or formal demand addressed to the Issuer or any other person is condition for payment or fulfilment of obligations of the Guarantor under this Financial Guarantee.

3. PAYMENTS

- 3.1 All payments which the Guarantor is required to make under this Financial Guarantee Deed will be made without any set-off or counterclaim.
- 3.2 All payments by the Guarantor under this Financial Guarantee Declaration will be made in the same manner and using the same method as the payments made by the Issuer to the Bondholders through the Fiscal and Paying Agent under the Terms and Conditions.
- 3.3 All payments made by the Guarantor will be made free of any withholdings or any deductions on account of any taxes or other charges of any kind, unless such withholding or deduction of taxes or other charges is required by applicable law (including in respect of the Guaranteed Debts). If any such withholdings or deductions are required (including in respect of the Guaranteed Debts), the Guarantor will not be obliged to pay to the Bondholders any further amounts as a reimbursement for those withholdings or deductions.

4. REPRESENTATIONS OF THE GUARANTOR

- 4.1 The Guarantor represents that it is a limited liability company duly formed or organized and existing under the laws of the Czech Republic, and has kept its corporate governance in good order, it is in good standing and it is not insolvent within the meaning of Section 3 of the Act No. 182/2006 Coll., on insolvency and methods of its resolution (the "**Insolvency Act**"), as amended, and will not become insolvent as a result of issuing the Financial Guarantee Declaration.
- 4.2 The Guarantor represents that this Financial Guarantee Declaration constitutes its valid, effective and enforceable obligations in accordance with its terms.
- 4.3 The Guarantor represents that it has all necessary authorisations, power and capacity to make this Financial Guarantee Declaration and issue this Financial Guarantee Deed.
- 4.4 The Guarantor represents that it has obtained all corporate and other authorisations (if required) for making of this Financial Guarantee Declaration and issuing this Financial Guarantee Deed.
- 4.5 The Guarantor represents that it has full and unlimited power and right to own its assets and all relevant authorisations or licences required to do its business and it carries out such business in accordance with applicable law and regulations in all material respects.

5. SUBORDINATION OF SUBROGATION RIGHTS

- 5.1 Until the Guaranteed Debts have been irrevocably discharged, all the rights that the Guarantor acquired under Section 1937(2) of the Civil Code or any other provision or agreement of a similar nature (the "**Subrogation Rights**") shall be subordinated to the Bondholders' claims for the payment of the Guaranteed Debts, i.e. the Guarantor shall not be entitled to receive any performance in satisfaction of its Subrogation Rights until and unless the Guaranteed Debts have been irrevocably discharged in full. In addition, Subordinated Rights shall be subordinated to the Bondholders' claims for the payment of the Guaranteed Debts in the event of insolvency of the Issuer in accordance with Section 172 of the Insolvency Act.
- 5.2 The Guarantor shall not take any steps to enforce any rights or obligations against the Issuer until and unless the Guaranteed Debts have been irrevocably discharged in full.

6. REPAYMENT BY THE ISSUER

If a payment received from the Issuer by a Bondholder, or other obligation performed for the benefit of or on the instruction of a Bondholder, is declared invalid or ineffective by a final decision of the competent court under any rule applicable to insolvency or similar proceedings held against the Issuer or the Guarantor, such payment or obligation will not decrease the extent of obligations of the relevant Guarantor, and this Financial Guarantee Declaration will continue to be valid and effective and will continue to guarantee any such payments or obligations, in any event only to the extent permitted by applicable laws and regulations and this Financial Guarantee Deed.

7. INDEMNITIES

- 7.1 As a special and alternative arrangement, the Guarantor unconditionally and irrevocably undertakes, in respect of any Guaranteed Debt (or amount corresponding to the same) that cannot be paid by the Guarantor on the basis of this Financial Guarantee Declaration, that the Guarantor will nevertheless reimburse the amount of the same to a Bondholder within fourteen (14) days of receipt of its written demand for the same, as if the Guarantor were the sole principal debtor.
- 7.2 The foregoing obligation to indemnify is a separate and independent obligation from the other provisions of this Financial Guarantee Declaration, consists of a separate and independent claim, shall be valid until 31 December 2030 regardless of any suspension provided by any Bondholder and (for the avoidance of doubt) is limited by the Total Maximum Amount.

8. FINAL PROVISIONS

- 8.1 This Financial Guarantee Deed and the Financial Guarantee Declaration and any non-contractual obligations arising out of or in connection with this Financial Guarantee Deed and the Financial Guarantee Declaration will be governed by and construed in accordance with Czech law, in particular the Civil Code.

- 8.2 Should any dispute in connection with this Financial Guarantee Declaration arise, including a dispute relating to its existence, validity or termination, such dispute will be submitted to and finally resolved by a competent court in Prague.
- 8.3 If for any reason whatsoever any provision of this Financial Guarantee Declaration is or becomes illegal, invalid or unenforceable, in whole or in part, that shall not in any way affect the validity or enforceability of any of the other provisions of this Financial Guarantee Declaration or the Financial Guarantee Deed, which provisions shall remain valid and enforceable in all respects.
- 8.4 Capitalised terms defined in the Terms and Conditions have, unless expressly defined in this Financial Guarantee Deed, the same meaning in this Financial Guarantee Deed.
- 8.5 Save for (i) the declarations of the Guarantor set out in recitals (1) to (4) above; (ii) the confirmations and acknowledgements of the Guarantor set out in Clause 2.8 above; (iii) the representations of the Guarantor set out in Clause 4 (*Representations of the Guarantor*); and (vi) the provisions of this Clause 8 (*Final Provisions*), which shall become effective upon the execution of this Financial Guarantee Declaration by the Guarantor, the rights and obligations under this Financial Guarantee Declaration shall become effective on 30 October 2020.

On 28.04.2020

For **DK Holding Investments, s.r.o.**

Signature:

Name: Jaromír Tesař

Title: Executive Director

XIII. SECURITY

Debts of the Issuer will be secured in accordance with the Terms and Conditions by security established in favour of Bondholders and Security Agent (the "**Security**"), in form of the first-ranking pledge over the secured assets as described in more detail in this Chapter.

1 EPAS Shares

Secured Assets

The secured assets consist in the EPAS shares (the "**EPAS Shares**") corresponding to at least 49 per cent. of the registered capital of EPAS as at the Issue Date. If the requirements specified in the Terms and Conditions are met, the corresponding amount of the pledged share capital can decrease to at least 251 per cent. of the registered capital of EPAS.

Security Provider

The Security Provider is DKHI as the sole shareholder of EPAS, as described in more detail in Chapter XI. (*Information about the Guarantor and DKHI Group*) of this Prospectus.

Regulated markets on which the Issuer's shares are traded

The EPAS Shares were not accepted for trading on a regulated market.

Information relating to published information

EPAS is a joint-stock company (in Czech *akciová společnost*) established under Czech law. Pursuant to the applicable laws and regulations, in particular Act No. 304/2013 Coll., on Public Registers of Legal Entities and Natural Persons, as amended, the Issuer is obliged to deposit selected documents, in particular constitutional documents, annual reports, decisions on the election, appointment or removal or documents on other termination of the office of the persons who are members of the governing body or the transformation project, in the collection of documents which is administered by the competent court that maintains the Commercial Register and which is available on the following website: <https://or.justice.cz/ias/ui/rejstrik-firma.vysledky?subjektId=95216&typ=PLATNY>.

Historical financial data

The EPAS's historical financial data of EPAS is available on the Issuer's website specified in the Chapter IV (*Information incorporated by reference*) of this Prospectus.

Creation of the Security

No later than on the Issue Date, the EPAS Shares will be pledged under a pledge agreement regarding the EPAS Shares, which will be entered into between DKHI as the pledgor and the Security Agent as the pledgee (the "**EPAS Shares Pledge Agreement**").

Nature and Scope of the Security

The EPAS Shares Pledge Agreement will be entered into between the Security Agent as the pledgee and the DKHI as the pledgor and the pledge over the EPAS Shares will be created as the first-ranking pledge no later than on the Issue Date.

The Security will be provided to the benefit of the Bondholders and the Security Agent, but the Security Agent will exercise, in its own name, the rights of the Bondholders under the Security pursuant to the Czech Bonds Act. The pledge over the EPAS Shares will secure all of the Issuer's monetary debts owed to the Security Agent, (a) existing on the date of the EPAS Shares Pledge Agreement, and (b) up to the total amount of CZK 1,590,000,000 at any time, which will arise at any time in future for the period of 10 years after the date of the EPAS Shares Pledge Agreement, in each case arising under condition 3.4(*Security Agent*) of the Terms and Conditions as a result of the debts arising under the Bonds (for the purposes of this clause, the "**Secured Debts**").

Under the EPAS Shares Pledge Agreement, DKHI will be obliged to endorse each EPAS Share in favour of the Security Agent upon the execution of the EPAS Shares Pledge Agreement and deliver the shares so endorsed to

the Security Agent. The Security in the form of the pledge over the EPAS Shares will be created on the Issue Date by the handover of the EPAS Shares to the Security Agent and their endorsement. If the Security provided in the form of the pledge over the EPAS Shares becomes enforceable, the Security Agent may (after the additional conditions stipulated in the EPAS Shares Pledge Agreement have been fulfilled) have its claims satisfied from the proceeds of the realisation of the EPAS Shares in a public auction or by judicial sale or direct sale.

The Security in the form of the pledge over the EPAS Shares will cease to exist on the date on which all of the Secured Debts were unconditionally and irrevocably repaid and fully satisfied and the Issuer is under no obligation to provide any additional funds to the Security Agent or the Bondholders.

The EPAS Shares Pledge Agreement, including the pledge over the EPAS Shares, and the obligations arising from it as well as any non-contractual obligations arising in connection with the EPAS Shares Pledge Agreement will be governed by Czech law. Any dispute, contentious claim or controversy arising in connection with the EPAS Shares Pledge Agreement (including any controversies relating to its validity, effect and interpretation) or the pledge over the EPAS Shares will be referred for decision exclusively to the courts having jurisdiction for Prague 1, unless the mandatory statutory provisions stipulate otherwise.

2 Bank Account Receivables

Secured Assets

The secured assets consist in the receivables under the agreements on maintenance of the Sinking Fund Account and the Interest Escrow Account as defined in the Terms and Conditions (the "**Bank Account Receivables**").

Security Provider

The Security Provider is the Issuer, as described in more detail in Chapter X. (*Information on the Issuer*) of this Prospectus.

Creation of the Security

No later than on the Issue Date, the Bank Account Receivables will be pledged under a pledge agreement regarding bank account receivables, which will be entered into between the Issuer as the pledgor and the Security Agent as the pledgee (the "**Bank Account Receivables Pledge Agreement**").

The pledge over the Bank Account Receivables will be created upon the Bank Account Receivables Pledge Agreement becoming effective.

Nature and Scope of the Security

The Bank Account Receivables Pledge Agreement will be entered into between the Security Agent as the pledgee and the Issuer as the pledgor; the pledge over the Bank Account Receivables will be created as the first-ranking pledge no later than on the Issue Date.

The Security will be provided to the benefit of the Bondholders and the Security Agent, but the Security Agent will exercise, in its own name, the rights of the Bondholders under the Security pursuant to the Czech Bonds Act. The pledge over the Bank Account Receivables will secure the Secured Debts.

The Issuer undertook in the Bank Account Receivables Pledge Agreement that, without the Security Agent's prior written consent, from the date of the Bank Account Receivables Pledge Agreement until the discharge of Secured Debts, it shall not:

- (a) create or permit the creation of any additional pledge or other security over any of the Bank Account Receivables;
- (b) set off or agree to set off any of the Bank Account Receivables or any part thereof against a third-party receivable; or
- (c) alienate any bank account maintenance agreement, Bank Account Receivable or any part thereof in favour of a third party, in particular, it shall not transfer, exchange, entrust to an administrator for the purposes of establishing a trust or otherwise alienate or provide an option or a pre-emptive right in relation to the transfer, exchange or other alienation of any of the Bank Account Receivables or any part thereof.

Under the Bank Account Receivables Pledge Agreement, the Issuer will be obliged to procure and prove to the Security Agent the registration of the Negative Pledge in the Pledge Register at its own cost and without delay, though no later than within ten (10) Business Days from the date of the Bank Account Receivables Pledge Agreement.

The Issuer will be obliged to establish a pledge and negative pledge over the receivables under any new bank account of the Issuer that is not secured under the pledge securing the Secured Debts in favour of the Security Agent no later than within ten (10) Business Days from the date on which such new bank account is opened.

If the Security provided in the form of the pledge over the Bank Account Receivables becomes enforceable, the Security Agent may have its claims satisfied by setting off the Bank Account Receivables against the receivables corresponding to the Secured Debts, by giving an instruction to any bank maintaining an account to pay the balance on that account to the Security Agent up to the amount of the Secured Debts, by assigning any of the Bank Account Receivables to the Security Agent or in any other manner in which pledges can be enforced that is permitted by the applicable laws and regulations at the time of the enforcement of such right.

The Security in the form of the pledge over the Bank Account Receivables will cease to exist at the first moment when all of the Secured Debts were fully satisfied and the Issuer is under no further obligation to provide any payment to the Security Agent or the Bondholders. Before that the Security will also cease to exist at the moment when the obligation of the Issuer to maintain the Interest Escrow Account ceases to apply pursuant to Clause 4.11 of the Terms and Conditions and the Interest Escrow Account is closed.

The Bank Account Receivables Pledge Agreement, including the pledge over the Bank Account Receivables, as well as any non-contractual obligations arising from the Bank Account Receivables Pledge Agreement are governed by Czech law. Any dispute, contentious claim or controversy arising in connection with the Bank Account Receivables Pledge Agreement (including any controversies relating to its validity, effect and interpretation) or the pledge over the Bank Account Receivables will be referred for decision exclusively to the courts having jurisdiction for Prague 1, unless the mandatory statutory provisions stipulate otherwise.

XIV. TAXATION

It is recommended that parties interested in acquiring any Bonds consult their legal and tax advisors (taking into account all the relevant factual and legal circumstances relevant to their particular situation) with regard to the tax, foreign exchange and legal consequences of purchasing, holding and selling the Bonds and receiving payments under the tax and foreign exchange legislation in effect in the Czech Republic and the countries where such parties reside, as well as countries in which proceeds from holding or selling the Bonds could be taxed.

The tax regulations of the Czech Republic and the tax regulations of the investor's Member State may have an impact on the income from the Bonds.

Because the income tax law may change during the life of the Bonds, the interest income from the Bonds will be taxed pursuant to the law applicable at the time of its payment.

The Issuer will not provide the Bondholders with any compensation or gross-up in connection with any tax withholding.

The following brief summary of selected tax impacts regarding the purchasing, holding and selling of the Bonds and foreign exchange regulation in the Czech Republic and the Slovak Republic is mainly based on Czech Act No. 586/1992 Coll., on Income Taxes, as amended, and Slovak Act No. 595/2003 Coll., on Income Tax, as amended, and related legislation effective as of the date of this Prospectus, as well as the prevailing interpretation of these laws and other regulations applied by the Czech and Slovak tax and other state authorities that are known to the Issuer as of the date of this Prospectus. However, the information contained herein is not intended and should not be construed as legal or tax advice. All the information below is of a general nature (it does not take into account, for example, the possible specific tax regime of selected potential acquirers such as investment funds, mutual funds, pension funds, etc.) and may change depending on changes in applicable legislation that may occur after that date, or in the interpretation of such legislation that may be applied after that date.

The description below assumes that the person receiving any payments arising from the Bonds is the beneficial owner of such income, i.e. that person is not an agent or depositary who receives such payments on behalf of another person.

1 Taxes in the Czech Republic

Interest Income

Interest income (as well as income in the form of the difference between the nominal value of the Bond paid and its issue price, or between the redemption price of the Bond at its early redemption and its issue price (the "**Interest Income**")) paid to a natural person is subject to a special rate of withholding tax withheld at source (i.e. by the Issuer as the tax payer when Interest Income is paid). The rate of the withholding tax is 15 per cent. However, if the recipient of the Interest Income is a natural person who is not a Czech tax resident, does not hold the Bonds through a permanent establishment in the Czech Republic and is not a tax resident of another EU Member State or other states forming the European Economic Area ("**EEA**") or a third country with which the Czech Republic concluded a valid and effective international double taxation treaty or an international agreement on the exchange of information in tax matters in the field of income taxes, including a multilateral international treaty, the withholding tax rate is 35 per cent. In the case of natural persons who are Czech tax residents, the above mentioned withholding tax represents the final tax liability of interest income on the Bonds in the Czech Republic. In the case of natural persons who are tax residents in an EU/EEA-Member State and decide to include the interest income in a Czech tax return, the above mentioned withholding tax represents a tax advance. A natural person having a permanent establishment in the Czech Republic is generally obliged to file a tax return in the Czech Republic.

Interest Income (as opposed to natural persons, for corporate income taxpayers, the difference between the price of the Bond on its early redemption and its lower issue rate is not considered as interest) paid to a corporate income taxpayer that is a Czech tax resident or not a Czech tax resident but holds the Bonds through a permanent establishment in the Czech Republic is not subject to withholding tax and forms part of the general corporate income tax at the rate of 19 per cent. (in the case of non-resident taxpayers, the Issuer may be obliged to secure this tax - see below). Interest Income paid to a corporate income taxpayer that is not a Czech tax resident and does not hold the Bonds through a permanent establishment in the Czech Republic is subject to a special rate of withholding tax withheld at source (i.e. by the Issuer as the tax payer when Interest Income is paid). The rate of the withholding tax is 15 per cent. However, if the Interest Income recipient is a corporate income taxpayer that is not a Czech tax resident, does not hold the Bonds through a permanent establishment in the Czech Republic and is not a tax resident of another EU/EEA- Member State or a third country with which the Czech Republic has a valid and effective

international double tax treaty or international tax information exchange agreement for income tax matters, including a multilateral international treaty, the withholding tax rate is 35 per cent. In the case of corporate income taxpayers that are residents of another EU/EEA-Member State, do not hold the Bonds in the Czech Republic through a permanent establishment and decide to include the Interest Income in the tax return in the Czech Republic, the above mentioned withholding tax represents a tax advance. If the Interest Income accrues to the Czech permanent establishment of a corporate income taxpayer that is not a Czech tax resident and is not a tax resident of an EU/EEA-Member State, the Issuer is obliged, when paying the Interest Income, to withhold a tax security of 10 per cent. on this income (unless the tax administrator decides to reduce or waive this obligation). In general, a corporate income taxpayer doing business in the Czech Republic through a permanent establishment is obliged to file a tax return in the Czech Republic and any deducted tax security is included in the total tax liability reported in the tax return.

A double taxation treaty between the Czech Republic and the country where the recipient of the Interest Income is resident for tax purposes may exclude or reduce the tax rate in the Czech Republic (in the case of a natural person including the redemption of the Bond before its maturity), generally provided that the income it is not attributable to a permanent establishment which the recipient has in the Czech Republic. To benefit from the double taxation treaty, the taxpayer is subject to the condition that the recipient is a resident of the relevant state and is the beneficial owner of the income paid. For this purpose, the recipient of the Interest Income will need to provide the Issuer with its tax residency certificate issued by the relevant tax authority of the recipient's tax residency country and its declaration of the beneficial ownership of the Interest Income.

Capital Gains/Losses

Income realised from the sale of the Bonds by a natural person who is a Czech tax resident or who is not a Czech tax resident but either holds (sells) the Bonds through a permanent establishment in the Czech Republic or the income from the sale of the Bonds comes from a Czech tax resident buyer or from a Czech permanent establishment of a non-Czech tax resident buyer is included in the general tax base, within which it is subject to personal income tax at the rate of 15 per cent. If this income is realized as a part of separate (business) activities of a natural person, such income may also be subject to a solidarity surcharge tax of 7 per cent. of the positive excess of the total sum of income included in the partial tax base from employment activities and the partial tax base from business activities in the relevant taxable period, and the amount of 48-times the average wage (CZK 1,672,080 for 2020). Losses from the sale of the Bonds are generally non-tax-deductible for non-business individuals unless taxable income from the sale of other securities is reported in the same tax period; in such a case, losses from the sale of the Bonds up to the amount of income from the sale of other securities may be offset against each other.

Income from the sale of the Bonds that have not been held in connection with the business activities of a natural person is generally exempt from personal income tax, unless the worldwide income from the sale of all securities and unit income per unit upon cancellation of the mutual fund in the relevant tax period exceeds CZK 100,000. In addition, the income from the sale of the Bonds that have not been held in connection with the business activities of a natural person is generally exempt from personal income tax if at least 3 years elapse between the acquisition and the sale of the Bonds (this exemption does not apply to income from future consideration transferred within 3 years of acquisition).

Income from the sale of the Bonds realized by a corporate income taxpayer that is a Czech tax resident or is not a Czech tax resident but either holds the Bonds through a permanent establishment in the Czech Republic or receives the income from the sale of the Bonds from a Czech tax resident, or from a Czech permanent establishment of a buyer that is not a Czech tax resident is included in the general corporate income tax base and is subject to a corporate income tax of 19 per cent. Losses from the sale of the Bonds are generally tax-deductible for these persons. According to some interpretations, these losses are not deductible for corporate income taxpayers that are Czech non-resident taxpayers and do not keep accounting books according to Czech accounting regulations. The income for the sale of the Bonds realized by a natural person or a corporate income taxpayer that is not a Czech tax resident, does not hold the Bonds through a permanent establishment in the Czech Republic and the income from the sale of the Bonds does not come from a Czech tax resident buyer or from a Czech permanent establishment of a non-Czech tax resident buyer is not subject to tax in the Czech Republic.

In the case of the sale of the Bonds by a natural person or corporate income taxpayer that is not a Czech tax resident or a tax resident of an EU/EEA-Member State to a Czech tax resident buyer or a non-Czech tax resident buyer doing business in the Czech Republic through a permanent establishment to which the remuneration is attributable, the buyer is generally obliged to withhold the tax security of 1 per cent. of the purchase price of the Bonds when paying the purchase price of the Bonds.

A seller who receives income from the sale of the Bonds taxable in the Czech Republic is generally obliged to file a tax return in the Czech Republic, with the tax security being credited against its final tax liability.

A double tax treaty between the Czech Republic and the country in which the seller of the Bonds is resident for tax purposes may exclude taxation of profits from the sale of the Bonds in the Czech Republic, including tax security, provided that the seller does not hold the Bonds through a permanent establishment in the Czech Republic. To benefit from the double taxation treaty, the taxpayer is subject to the condition that the recipient is a resident of the relevant state and is the beneficial owner of the income paid.

2 Taxes on the Bonds in the Slovak Republic

In case that the recipient of the Interest Income provides the Issuer with the documents proving its tax residency in Slovakia and its beneficial ownership of the Interest Income, this Interest Income will not be subject to withholding tax in the Czech Republic and will be taxable only in Slovakia under the double taxation treaty concluded between the Czech Republic and Slovakia (except the case where the Interest Income is attributable to a Czech permanent establishment of the Slovak tax resident – see section *Taxes in the Czech Republic*). If the above is not documented to the Issuer, the Issuer would withhold the withholding tax at the rate of 35 per cent. (see section *Taxes in the Czech Republic*).

Under the Slovak Income Tax Act, income of legal persons is generally subject to a 21 per cent rate of tax (15 per cent in case of a company with income (revenues) not exceeding EUR 100,000 in the tax period). Income of natural persons is generally subject to a 19 per cent rate of tax, except for income exceeding 176.8 times the subsistence minimum, which is subject to a 25 per cent rate of tax. In case of income of natural persons from capital (e.g. interests from bonds) a flat tax rate of 19 per cent applies regardless of the amount of such income. Income from entrepreneurial activities of natural persons which annual income (revenues) does not exceed EUR 100,000 is subject to a flat tax rate of 15 per cent.

Income Tax on Interest Income

According to the applicable provisions of the Slovak Income Tax Act:

- the interest income from the Bonds received by a Slovak tax resident is subject to the income tax in the Slovak Republic;
- the interest income from the Bonds received by a Slovak tax resident who is a natural person will be included in the tax return and will be taxed at a 19 per cent. tax rate; and
- the interest income from the Bonds received by a Slovak tax resident that is a legal person will be included in its general tax base and will be taxed at a 21 per cent. tax rate.

Because the income tax law may change during the life of the Bonds, the interest income from the Bonds will be taxed pursuant to the law applicable at the time of its payment.

The Issuer will not provide the Bondholders with any compensation or gross-up in connection with any tax withholding.

Income Tax on Sale

The profit from the sale of the Bonds generated by a legal person or an entrepreneur natural person that is a Slovak tax resident or by a Slovak permanent establishment of a tax non-resident that is a legal person or an entrepreneur natural person and has its registered office or home outside the territory of the Slovak Republic is included in the general tax base taxed at the applicable corporate / personal income tax rate. Losses from the sale of the Bonds calculated on a cumulative basis for all Bonds sold during a single taxable period are generally non-tax-deductible, except for specific cases provided by law.

The profit from the sale of the Bonds generated by a Slovak tax resident natural person is exempt from the Slovak personal income tax and not subject to health insurance or social security contributions provided that the Bonds are accepted for trading in the regulated market and the period between their acquisition and sale exceeds one year and the Bonds were not included in the business assets of the taxpayer.

The profit from the sale of the Bonds generated by a Slovak tax resident natural person from the sale of the Bonds not accepted for trading in the regulated market or Bonds accepted for trading in the regulated market but sold when the period between the acquisition and the sale does not exceed one year is included in the general tax base taxed at the applicable personal income tax rate. The natural person can benefit from a tax exemption up to the amount of EUR 500. Should the natural person also receive rental income or income from occasional activities or agricultural production, the tax exempt amount should be proportionally decreased. Such taxable profit from the sale of the Bonds is also subject to health insurance contributions (if the natural person is subject to health insurance in the Slovak Republic) at the rate of 14 per cent without any cap for annual assessment base.

XV. ENFORCEMENT OF CIVIL LIABILITIES AGAINST THE ISSUER

The information contained in this Chapter is provided only as general information to characterize the legal situation and has been obtained from publicly available sources. Neither the Issuer nor its advisers make any representation as to the accuracy or completeness of the information included herein. Any prospective purchasers of the Bonds should therefore not rely solely upon the information included herein and should contact their legal advisers for consultation about the enforcement of claims in respect of the Issuer's private law liabilities within any relevant jurisdiction.

1 Enforcement of Civil Liabilities in the Czech Republic

Pursuant to the Terms and Conditions, the court competent for resolving any disputes between the Issuer and the Bondholders in relation to the Bonds arising from the Terms and Conditions is the Municipal Court in Prague.

The Issuer has not granted its consent to the jurisdiction of a foreign court in connection with any lawsuit commenced on the basis of the acquisition or in connection with the holding of the Bonds, nor did it appoint a representative for proceedings in any country. As a result, it may be impossible for the acquirer of the Bonds to commence any proceedings against the Issuer or require foreign courts to issue court decisions against the Issuer or require the observance of the decisions issued by such courts that are based on the provisions of foreign legal regulations.

The recognition and enforcement of foreign judgments in civil and commercial matters in the Czech Republic is governed by EU law, public international treaties and Czech law. In relation to the Member States of the European Union, EU Regulation 1215/2012 of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters ("**Regulation 1215/2012**") is directly applicable in the Czech Republic. Under this regulation, court rulings issued by any court authority in the EU Member States with regard to civil and commercial matters are enforceable in the Czech Republic, subject to the rules set forth therein and, conversely, court rulings issued by court authorities in the Czech Republic with regard to civil and commercial matters are reciprocally enforceable in the EU Member States.

Unless the parties to the dispute agreed otherwise, or unless courts of a different Member State have an exclusive jurisdiction, foreign entities are able to bring civil proceedings before Czech courts against individuals and legal entities domiciled therein. In court proceedings, Czech courts apply their respective national procedural rules and their judgments are enforceable in the Czech Republic, subject to certain statutory limitations on the ability of creditors to enforce judgments against certain assets.

Any person bringing an action in the Czech Republic may be required to: (i) submit to the court in the Czech Republic a translation to the Czech language of any relevant document prepared by a sworn translator authorised by such court; and (ii) pay a court filing fee.

In the event that court judgments against the Issuer are issued by court bodies of non-EU Member States, the following rules shall apply:

In cases where the Czech Republic or the European Union has concluded an international treaty with a specific country on the recognition and enforcement of court rulings, the recognition and enforcement of court rulings issued in such country is processed in accordance with the provisions of the applicable international treaty. If no international treaty on the recognition and enforcement of court rulings exists, then the rulings of foreign courts shall be recognised and enforced in the Czech Republic in accordance with Czech Act No. 91/2012 Coll., on private international law, as amended (the "**Czech Private International Law Act**") and other relevant legislation. In the event of a foreign ruling against a Czech individual or legal entity, such a foreign ruling shall be recognised and enforced if, among other things, actual reciprocity has been established regarding the recognition and enforcement of judgments rendered by Czech courts in the relevant country.

The Ministry of Justice of the Czech Republic shall provide the court, upon request, with a declaration on reciprocity by a foreign country. If such declaration of reciprocity has not been issued with regard to a particular country, however, this does not automatically mean that reciprocity does not exist in a given case. The court will take into account the declaration of the Ministry of Justice of the Czech Republic on reciprocity by a foreign state as a piece of evidence.

Even if reciprocity has been established, under the Czech Private International Law Act, the decisions of foreign states' justice bodies and decisions of foreign state authorities on rights and obligations which, according to their private law nature, would be decided by courts in the Czech Republic as well as foreign court conciliations and

foreign notarial deeds and other public instruments in these matters (jointly also referred to as the cannot be recognized and enforced if (i) the matter falls within the exclusive jurisdiction of the courts of the Czech Republic, or in the event that the proceedings could not be conducted by any authority of a foreign state should the provisions on the jurisdiction of Czech courts be applied to considering the jurisdiction of the foreign authority, unless the party against whom the decision was issued voluntarily submitted to the authority of the foreign body; (ii) proceedings are underway before a Czech court with regard to the same legal matters and if the said proceedings commenced prior to the proceedings abroad in which the judgement whose recognition has been proposed was issued; (iii) a Czech court has issued a final judgment in the same matter, or a final judgment of a third-country authority has already been recognized in the Czech Republic; (iv) the foreign authority deprived the party to the proceedings against whom the judgment was made of the opportunity to properly participate in the proceedings, in particular, if such party had not been duly served for the purposes of the initiation of the proceedings; or (v) the recognition of a foreign judgment would be contrary to the public order. The obstacles referred to in points (ii) to (iv) above shall be taken into account only if they are invoked by the party against whom the foreign decision is to be recognized, unless the existence of the obstacle (ii) or (iii) is otherwise known to the authority deciding on recognition.

The courts of the Czech Republic would not consider the merits of an action brought in the Czech Republic on the basis of any breach by the Issuer of public law of any country other than the Czech Republic, in particular any action for breach of any foreign securities law.

Foreign exchange regulation

The issue and acquisition of the Bonds is not subject to any foreign exchange regulation in the Czech Republic.

Under Czech Constitutional Act No. 110/1998 Coll., on security of the Czech Republic, the Czech Government or its Prime Minister may declare an emergency (in Czech *nouzový stav*). If the Czech Government declares an emergency, payments in foreign currency or abroad generally, interbank transfers of monies from abroad to the Czech Republic and/or sale of securities (including the Bonds) abroad may be suspended in accordance with Czech Act No. 240/2000 Coll., on crisis management and amendment to certain acts, as amended, for the duration of such emergency. Such an emergency may be declared for a maximum period of 30 days unless prolonged by the approval of the Chamber of Deputies of the Parliament of the Czech Republic.

XVI. GENERAL INFORMATION

1 Internal Approval

The Bonds Issue has been approved by the decision of the Issuer's Executive Directors dated 10 September 2020 and by decision of the Issuer's sole shareholder dated 10 September 2020.

2 Applicable Legal Regulation

The Bonds are to be issued in accordance with the Czech Bonds Act, the Czech Capital Market Act and the Prospectus Regulation.

3 Approval of the Prospectus by the Czech National Bank

The Prospectus has been approved by the resolution of the Czech National Bank dated 30 September 2020, ref. no. 2020/121543/CNB/570, file no. S-Sp-2020/00063/CNB/572, which came into force on 1 October 2020. The Czech National Bank, as the competent authority under the Prospectus Regulation, has approved this Prospectus only with regard to the Prospectus meeting the standards of completeness, clarity and coherence imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer, Guarantor nor the quality of the Bonds. The CNB assesses neither the financial results nor the financial situation of the Issuer or the Guarantor and by approving the Prospectus it does not guarantee the quality of the Bonds or the Issuer's or the Guarantor's future profitability or its ability to pay the interest on, and the principal of, the Bonds. A potential investor in the Bonds should make its own assessment of the suitability of investing in the Bonds.

4 Date of the Prospectus

The Prospectus was produced on 28 September 2020.

5 Data from Third Parties

The Issuer confirms that if the information in this Prospectus or incorporated into this Prospectus by reference originated from a third party, the information has been accurately reproduced and, to the extent that the Issuer has been able to ascertain it from the information published by that third party, no facts that would make the reproduced information inaccurate or misleading were omitted.

The Issuer used in this Prospectus data from the "Doklad" report for year 2019 by EWRC, Database of EU Commission on state aid cases, Electricity Balance of Georgia 2019 by ESCO, Electricity Markets Weekly Report 2020 (Week 33) by TEİAŞ, Sector Reports for years 2019, 2018 and 2017 by TEİAŞ, Statistical Pocketbook 2019 by ESO, Statistics of the World Bank and Ten Year Network Development Plan of Georgia for 2020-2030 by GSE.

6 PRIIPs

No investment products in the meaning of Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) are to be issued under this Prospectus, thus the investors will not be provided with a summary of key information of such products, the "key information documents".

7 Definitions

Capitalized terms used in a particular section of the Prospectus shall have the meaning assigned to them in the Chapter VII (*Terms and Conditions*) or any other section of the Prospectus. All definitions used in this Prospectus can be found using the definition index contained in Chapter XVII (*Index*) of the definitions on page 167 *et seq.* of the Prospectus, which refers to the placement of the definition in the Prospectus.

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