

Internal Information

CEZ Invited the World Bank to Solve a Situation in Albania

The Albanian power distribution company that is a CEZ Group member has today sent a letter of notification to the World Bank, inviting the organization to take steps to prevent the enforcement of agreed guarantees pertaining to the privatization of the only power distribution company in Albania in 2009.

The primary reason for our step of today is, apart from many other factors, in particular the fact that the regulator has from one year to the next increased by 91% the selling prices of power for the state-owned power producer, which is a monopoly power supplier for our distribution company. However, the regulator failed to reflect this price increase in any manner whatsoever in the consumer prices, thus shifting the full burden of this decision on our company. Since January 2012, CEZ Shpërndarje has therefore been generating a loss that gets greater every day.

After weeks of negotiations, an agreement was reached three weeks ago, in which CEZ Shpërndarje agreed with the Albanian government to mutually set off their receivables – CEZ Shpërndarje's receivables from the government and its agencies, and vice versa. The agreement's implementation was subject to a requirement that the majority owner of CEZ Shpërndarje will invest additional funds in the company in exchange for having the tariff decision remedied. Unfortunately, no acceptable regulatory conditions have been set yet that would ensure a return on the invested funds.

CEZ Shpërndarje has thus had to resort to steps that are supposed to prevent the enforcement of the World Bank's guarantee due to the Albanian government's failure to honor its regulatory obligations, which the Albanian authorities agreed to honor when the only Albanian distributor was privatized to CEZ in 2009.

Therefore, on Monday, CEZ Shpërndarje has sent a letter to the World Bank, notifying them of the situation at hand and inviting the officials to take steps to prevent the guarantee worth EUR 60 million from being enforced. At the same time, the management of CEZ Shpërndarje had to react to its situation caused by the steps taken by the Albanian regulator by informing Albanian authorities and suppliers of the financial difficulties it faces due to the situation.

There are several recovery mechanisms that CEZ may use in the case of the Albanian distribution company. CEZ or its Albanian distribution company may claim from the Government of Albania compensation of all the loss and damage incurred due to the regulator's tariff increase. However, a portion of the potential compensation is secured by a guarantee provided by the World Bank. If the situation is not resolved within the upcoming days, the World Bank's guarantee might be enforced and other recovery mechanisms used.

CEZ is not happy about the steps currently being taken; nevertheless, it has the obligation to protect the company's value for investors and shareholders. In parallel to these steps, CEZ Shpërndarje has continued its negotiations with the Albanian authorities and hopes to find an amicable solution.

CEZ acquired a 76% majority share in the only distribution company in Albania in a privatization tender in June 2009.