BY CERTIFIED MAIL
AND IN PERSON TO THE MAIL ROOM

ČEZ, a. s.
Duhová 2/1444
14053 Praha 4
Czech Republic

Attention: Daniel Beneš, Chairman of the Board of Directors

In Prague, on May 24, 2019

Re: **Counterproposal concerning an item on the agenda of the General Meeting of the company ČEZ, a. s.**

Dear Sirs,

I am contacting you on behalf of shareholder **Ing. Michal Šnobr,** born May 25, 1970**,** residing at Zvolenská 134, 386 01 Strakonice, Czech Republic (the **"Shareholder"),** in connection with the ordinary General Meeting of ČEZ that will be held on June 26, 2019 at 11.00 a.m., at Cubex Centre Prague, Na Strži 2097/63, Praha 4, 140 00 (the **"General Meeting").** A notice of the General Meeting was published by the company ČEZ on the website www.cez.cz, and included the proposed agenda of the General Meeting (the **"GM Agenda").**

The Shareholder is submitting this counterproposal pursuant to the applicable provisions of the Business Corporations Act and the Articles of Association of the company ČEZ. The fact that the Shareholder is a shareholder of the company ČEZ is indicated by the attached extract from the Central Securities Depository to date as well as by the list of shareholders kept by the company.

Pursuant to Section 361(1) of BCA and Article 13(1) of the valid and effective Articles of Association of the company ČEZ, I hereby submit to you the Shareholder's counterproposal concerning the item included in the GM Agenda as No. 5 *"Decision on the Distribution of Profit of ČEZ, a. s."*

1. COUNTERPROPOSAL CONCERNING GM AGENDA ITEM 5 DECISION ON THE DISTRIBUTION OF PROFIT

1.1 Counterproposal Rationale

The Shareholder believes that this year's proposal of CZK 24 per share made by the Board of Directors, the lowest in the past 12 years and also lower than in 2018 by almost 30%, is excessively conservative and does not reflect the actual financial standing of ČEZ. For the state, this year's income from the dividend alone would unreasonably drop from the past year's CZK 12.5 billion to 9 billion, i.e., by CZK 3.5 billion. Naturally, there would be an identical effect on minority shareholders; hence, I present the Shareholder's expert arguments below:

a) The ČEZ dividend is paid from the company's unconsolidated profit. It reached CZK 44 per share for the past year thanks to a high dividend from the subsidiary ČEZ Distribuce (during 2018). Unlike in previous years, this creates the accounting conditions for paying a dividend of up to this amount without having to pay the dividend from retained earnings, as was the case in 2018 (the payment of a dividend for 2017) as well as in 2017 (for 2016). In those years, the dividend was paid from up to 2/3 from the retained earnings. See the 2017 earnings per share of CZK 9.6/share and the paid dividend for 2017 of CZK 33/share below.

Interest expense on debt		-5,378	-3,646
Interest expense on provisions	16	-1,571	-1,403
Interest income	27	870	691
Impairments of financial assets	28	-3,468	-9,516
Other financial expenses	29	-897	-1,264
Other financial revenues	30	34,002	16,795
Total other income (expenses)		23,558	1,657
Income before tax		22,609	4,548
Income tax	31	1,167	557
Net income		23,776	5,105
Net earnings per share (CZK per share):	34		
Basic		44.5	9.6
Diluted		44.4	9.6

Figure 1: source ČEZ 2018 AR, unconsolidated profit and loss statement

b) While it is true that ČEZ's current dividend policy is to pay out 60% to 100% of adjusted consolidated income as dividends, it is not a sufficient argument especially in respect of this year's ČEZ dividend, possibilities, and standing. The reason is simple. After five years of continued decline in ČEZ's financial performance (2013 to 2018), there is a radical turnaround in 2019 and it is possible to expect (in accordance with ČEZ's prediction) a y/y growth of up to 20% in EBITDA and almost 45% y/y growth in income this year (see Figure 2). Dividends for the previous year are always paid during August of the following year. The company thus has the much better *cash flow* of 2019 available to pay the dividend for the past year, in which ČEZ's financial performance hit a long-time low. However, this also means that the better financial outlook for 2019 (Figure 2) creates better conditions for ČEZ to pay this year's dividend than it had in 2016 to 2018, when it paid a dividend of CZK 33 but also CZK 40 per share.

ČEZ's retained earnings at unconsolidated/consolidated level at December 31, 2018, are CZK 247 and CZK 343 per share, respectively.

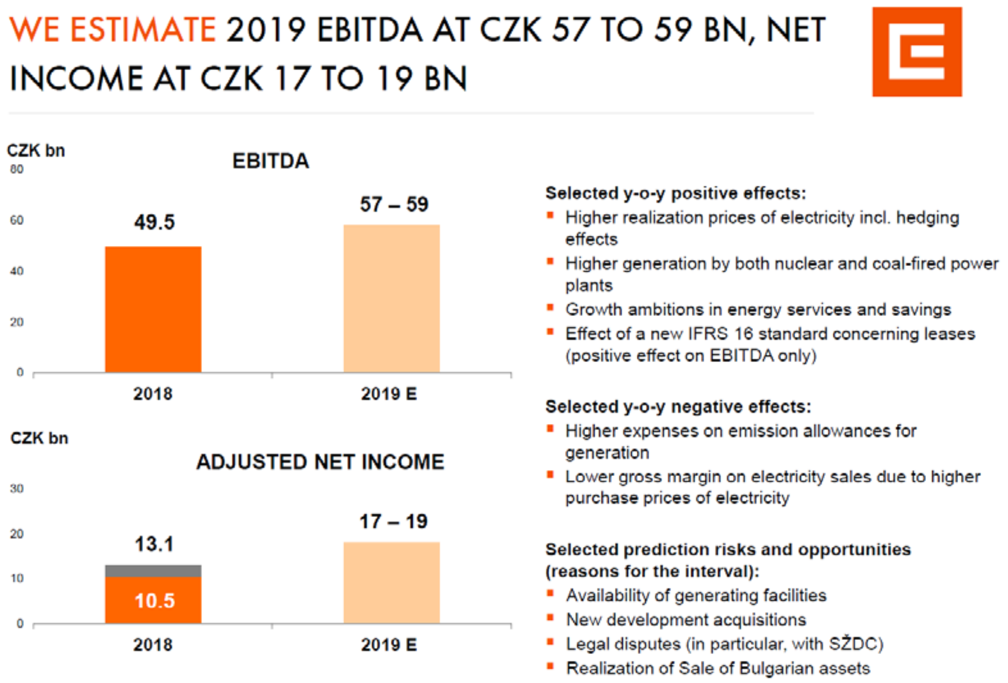

Figure 2: Prediction of 2019 financial performance, ČEZ presentation of 2018 results

The main cause of ČEZ's better financial results in 2019 as well as the next years is growing electricity prices. ČEZ hedges its financial results by preselling expected electricity generation by its power plants up to two years in advance. The hedging of the sales of a portion of electricity generation in 2020 and 2021 is complemented by the current price of electric power on energy exchanges, EEX in Leipzig and PXE in Prague, exceeding 50 EUR/MWh. This indicates further growth potential for ČEZ's financial results in both 2020 and 2021. To date, ČEZ has hedged 67% of its estimated electricity generation of 2020 by presales at 41.2 EUR/MWh and 36% of 2022 at 42.1 EUR/MWh. This compares to approximately 38 EUR/MWh in 2019 and 31.5 EUR/MWh for 2018.

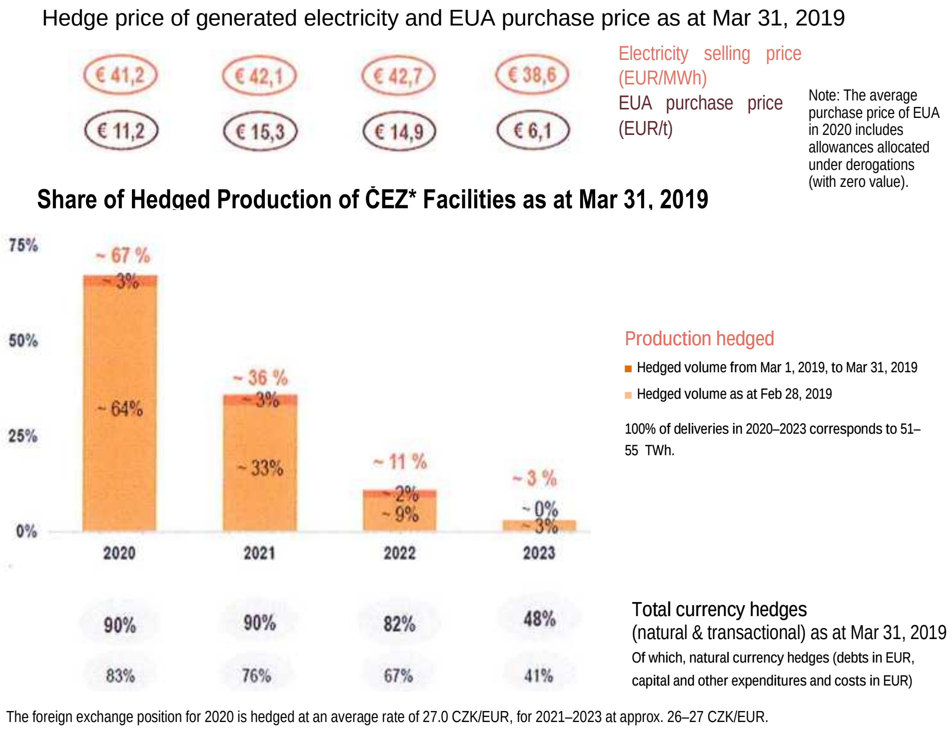

Figure 3: ČEZ presentation, electricity hedges as at March 31, 2019

c) The reasoning behind such a huge dividend decrease (almost -30%) in the financial position that ČEZ is currently in, can be considered not only insufficiently justified but even skewed by the ČEZ Board of Directors! Especially under the conditions in which a change in the dividend policy was previously admitted by ČEZ CFO Novák in front of investors (May 2018). At the same time, it should be noted that company managers, in spite of what they offer to their shareholders (including the government), i.e., a dividend lower by a third, have fully enjoyed the effects of their stock option plan and realized their personal profits at the expense of the company's equity in the past year as well as this year. Figure 4 represents the situation in mid-2018. Nevertheless, ČEZ managers keep profiting from the stock option plan in 2019 (see below). As minority shareholders, we consider this attitude of the ČEZ Board of Directors and management very inappropriate, to put it mildly, bordering on contempt for company shareholders.

> Daniel Beneš exercised his option on company stock on Monday, January 14, getting 150,000 shares of ČEZ stock at less than CZK 418. This amounts to ČEZ stock worth about CZK 62.7 million. Subsequently, he sold a total of 130,000 shares in phases, from Tuesday to Thursday, at prices ranging from CZK 535 to CZK 547. Thus he **quickly earned almost CZK 16 million gross**, just from the ČEZ stock sold. Besides, he kept the unsold 20,000 shares of ČEZ stock, which can currently be appraised at **CZK 10.7 million** at Thursday's closing price of CZK 535.50.

ČEZ profit and managers’ gains from the stock option plan Author: E15

Figure 4: Comparison of ČEZ profits and profits from the stock option plan realized by ČEZ managers

d) As a minority shareholder of ČEZ, I believe that at the purely technical level, a unique opportunity arose in 2019 for ČEZ management to display professional behavior, allowing dividends a “smooth landing” between the long-time low (meaning the financial results of 2018) and the beginning of a trend of growth in financial performance, i.e., the year 2019. Especially when ČEZ can count on more cash generated by a considerable improvement in results already in the current months of 2019 and already hedged by presold electricity prices for the next years, too. Instead, the key argument for the absurdly low dividend we hear from the Board of Directors is concerns that ratings agencies might negatively react to it before the refinancing of a portion of debt in the next years. But financially—the difference from the past year’s dividend amounting to not quite CZK 5 billion—this is a very weak argument, considering the clearly growing trend of ČEZ’s future financial results. I have no doubt that if there were a will there would be a way to explain a dividend paid out in 2019 at approximately the same level as in 2018 to ratings agencies very easily and, ultimately, without any adverse consequences for ČEZ.

   For comparison, a lapse by ČEZ management during the relicensing process for Dukovany nuclear power units recently (2015–2017) did shareholders out of more than CZK 10 billion in total on account of lost electricity generation with the lowest variable costs. But management did not worry about the company’s credit ratings at that time.

e) ČEZ now has, and will continue to have in the next years, better conditions for the payment of this year’s dividend than it had in 2016 to 2018, when it paid a dividend of CZK 33 but also CZK 40 per share; see Table 1 and Figure 5 below:

Year of Dividend Payment	Dividend per Share	Total Dividend	EBITDA	CAPEX
	CZK per share	CZK billions	CZK billions	CZK billions
2015	40	21,5	65,1	31,9
2016	40	21,5	58,1	35,6
2017	33	17,8	53,9	30,7
2018	33	17,8	49,5	26,0
2019	24	12,9	59,0	32,0

Table 1

The situation is also depicted in a simplified manner by the chart below. Indeed, in the period of 2016 through 2019, ČEZ has room for the highest dividend in 2019. Despite that, the Board of Directors proposes the absolutely lowest dividend. The solid red arrow shows the difference between EBITDA and CAPEX in the current year of 2019. It is then reproduced with the same size at CAPEX in 2016 through 2018. The result always considerably exceeds EBITDA in those years.

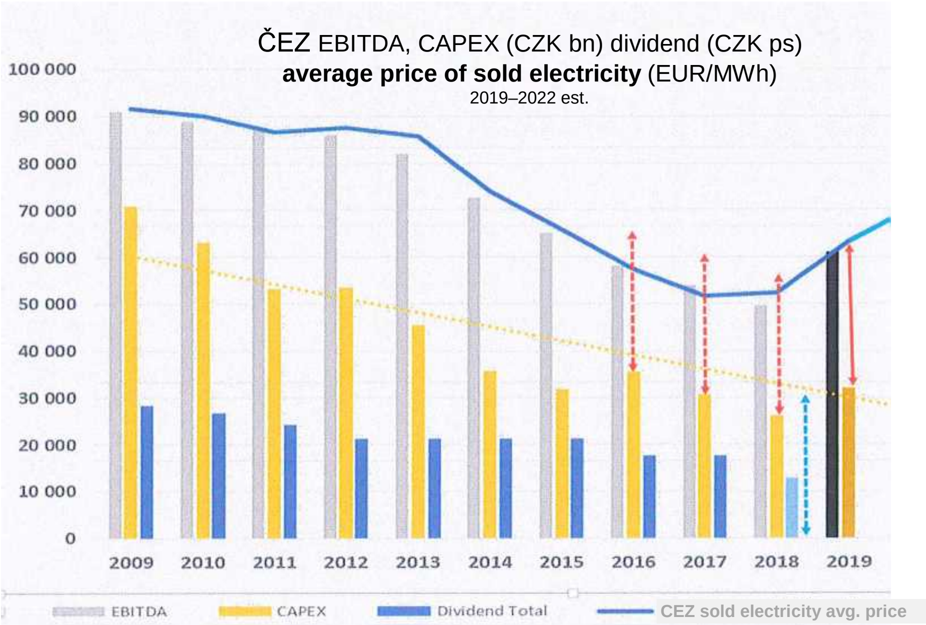

Figure 5: Changes in electricity prices, EBITDA, CAPEX, and ČEZ dividends in 2009 through 2019

f) <u>Dividend vs. the Dukovany nuclear project.</u> A dividend higher than proposed by the Board of Directors, not only for 2018, paid this year, but also in the next years, does not pose any risk to possible progress in the Dukovany nuclear project by any means. According to official and published information presented by the government's nuclear representative as well as the ČEZ CEO, it has been clearly declared that real investments of any significance will not be made earlier than within a timescale of 10 to 11 years, i.e., after 2030. Until then, capital expenditures on the process of project preparation and approval are estimated at CZK 2.5 billion by 2024/25 and approximately CZK 17.5 billion from 2025 through 2029/2030. These expenditures, in view of ČEZ's estimated cash flows in the next 10 years, cannot be considered anything that would pose any risk to ČEZ's ability to pay dividends.

At the same time, none of the figures and plans described above corroborate not only the correctness, appropriateness (a requirement for a reasonable return on investment), but especially the feasibility of any nuclear project within the current shareholder structure of ČEZ.

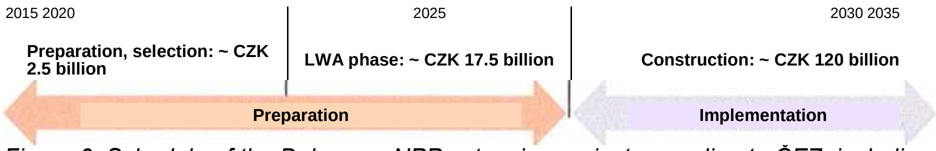

Figure 6: Schedule of the Dukovany NPP extension project according to ČEZ, including estimated expenditures

What is at play for the government and minority shareholders is an opportunity to increase the dividend by four to five billion above the Board of Directors' proposal. Yet, these are not funds that ČEZ could not make do without or that would put it at any risk if they are paid out. Otherwise, ČEZ management is likely to "tie up" these funds for a long time in strategically absurd (investments in RES abroad) and financially unattractive investments in wind parks in France and Germany or similar problematic acquisition attempts. Ultimately, an approach that only keeps making the structure as well as the direction of the whole CEZ Group more complex and complicated. This is one of the reasons why I, as a minority shareholder, decided to give this year's General Meeting an opportunity to vote on a different dividend than proposed by the Board of Directors. I propose paying a dividend of CZK 35 per share as I believe that this request is not only legitimate for ČEZ shareholders but also expertly, at least symbolically, justified.

1.2 Draft Resolution

For the aforementioned reasons, the Shareholder puts forward a counterproposal concerning the item included in the GM Agenda as No. 5 *"Decision on the Distribution of Profit of ČEZ, a. s."* and proposes that the General Meeting adopt the following resolution:

The General Meeting of ČEZ, a. s. approves the distribution of the Company's 2018 profit of CZK 23,776,000,035.70 as follows:

Share in profit to be distributed to shareholders (the "dividend") CZK 18,829,641,565.

Transfer to the retained earnings account CZK 4,946,358,470.70

The dividend is CZK 35 per share before tax.

The record date for entitlement to the dividend is July 2, 2019. Entities that will be shareholders of the Company as at the record date for entitlement to the dividend will be entitled to the dividend.

The above-mentioned amount of the dividend is calculated from the total number of Company shares issued. The dividend allocated to treasury shares held by the Company as at the record date will not be paid. The amount corresponding to the *dividend on treasury shares held by the Company as at the record date for entitlement to the dividend will be transferred to the retained earnings account.*

The dividend is payable on August 1, 2019. The dividend will be paid through Česká spořitelna, a.s., company reg. no. 45244782, having its registered office at Olbrachtova 1929/62, Praha 4, postcode 140 00, in the manner presented to this General Meeting and published on the Company's website at www.cez.cz under the "Investors" link, in the subsection concerning the 2019 General Meeting in the "General Meetings" section. The dividend will be paid until July 31, 2023.

Pursuant to Section 361(1) and (2) of BCA, I am asking you on behalf of the Shareholder to communicate the substance of the Shareholder's counterproposal together with the Board of Directors' position to shareholders and to publish the counterproposal on ČEZ's website, as the text of the counterproposal contains more than 100 words.

Signature:
Name: Mgr. Michal Sylla, attorney at law
under a power of attorney

<u>Enclosures</u>:

1. *Power of attorney*
2. *Extract from the Central Securities Depository*