BOARD OF DIRECTORS' POSITION ON THE COUNTERPROPOSAL MADE BY SHAREHOLDER ING. MICHAL ŠNOBR CONCERNING ITEM 5 ON THE GENERAL MEETING AGENDA

The Company received a counterproposal of shareholder Ing. Michal Šnobr concerning item 5 on the General Meeting agenda—Decision on the Distribution of Profit of ČEZ, a. s. which, differently from the Board of Directors' proposal, proposes:

- the payment of a higher dividend per one share, namely CZK 35 before tax, and
- the relating transfer of a lower amount to the retained earnings account, namely CZK 4,946,358,470.70.

Having reviewed the shareholder's counterproposal, the Board of Directors still holds to its original proposal concerning item 5 on the General Meeting agenda for the reasons given below.

The Board of Directors believes that the Board of Directors' proposal for the distribution of the Company's 2018 profit is a well-balanced proposal taking account of the interests of all Company shareholders and creditors with the aim of maintaining ČEZ Group's medium-term financial stability.

ČEZ Group's consolidated net income was CZK 10.5 billion in 2018. ČEZ Group's consolidated net income adjusted for extraordinary effects amounted to CZK 13.1 billion, of which the Board of Directors proposes to distribute CZK 12.9 billion, i.e., 99%. In contrast, the shareholder's counterproposal amounts to paying out 144% of ČEZ Group's consolidated net income adjusted for extraordinary effects.

The usual payout ratio used by comparable energy companies ranges from 40% to 80% of consolidated net income.

The Company's current dividend policy does not allow paying out more than 100% of ČEZ Group's consolidated net income, which is a principal requirement of creditors and credit rating agencies for the adequacy of a dividend policy in general.

What is particularly relevant to the proposed dividend is ČEZ Group's fulfillment of debt adequacy indicators and changes in its cash flows in 2018:

- Cash generated by operating activities amounted to CZK 35.4 billion, cash used in investing activities amounted to CZK 25.9 billion, and dividends paid to shareholders in 2018 amounted to CZK 17.6 billion, which in total contributed to an increase in total debt of CZK 8.1 billion.
- The monitored debt adequacy indicator of "Net financial debt / EBITDA" reached the level of 3.05 and slightly exceeded the upper limit defined by Company management (at the level of 3.00).
- The relevant debt indicator of "FFOadj / Net Debtadj" monitored by the rating agency S&P reached 19.8%, falling behind the agency's limit corresponding to ČEZ's current credit rating by 14%. The rating agency Moody's relevant indicator of "Retained CFadj / Net Debtadj" fell behind the agency's limit by more than 40%.

The fact that the assessed debt indicators were partially exceeded in 2018 was largely due to nonrecurrent and temporary effects.

When making its proposal, the Board of Directors therefore took into account an improved outlook for the Company's financial performance in 2019 and development assumptions for the next few years and it proposed to distribute virtually all of ČEZ Group's 2018 adjusted net income to shareholders.