



SUPERVISORY BOARD REPORT

Dear Shareholders, Ladies and Gentlemen:

Please allow me to present to you, on behalf of the Supervisory Board of ČEZ, a. s., a report on the board's activities since the last Annual General Meeting, which took place on June 26 and 27 last year.

In accordance with the Company's Articles of Association, the Supervisory Board has 12 members, two-thirds of whom (8 members) are elected and removed from office by the Annual General Meeting and one-third of whom (4 members) are elected and removed from office by company employees. At the Annual General Meeting held on June 26 and 27, 2019, Šárka Vinklerová was removed from office as a member of the Supervisory Board and Jan Vaněček was elected a member of the Supervisory Board. During the period from this General Meeting until May 21, 2020 (when this report was discussed by the Supervisory Board), no personnel changes occurred on the Supervisory Board.

As of May 21, 2020, when this report was discussed by the Supervisory Board, the board had the following members:

- Otakar Hora—Chairman of the Supervisory Board;
- Ondřej Landa and Zdeněk Černý—Vice-Chairmen of the Supervisory Board;
- Jitka Čermáková, Vladimír Hronek, Lubomír Klosík, Vladimír Kohout, Lubomír Lízal, Josef Suchánek, Karel Tyll, František Vágner and Jan Vaněček—members of the Supervisory Board.

In the past period, i.e. from the last Annual General Meeting until May 21, 2020, the Supervisory Board met at 9 regularly scheduled meetings and for 1 extraordinary session in total.

Supervisory Board meetings were regularly attended by the Chairman of the Board of Directors. Depending on the contents and importance of the agenda, Board of Directors members of relevant purview and company employees or external consultants and auditors were invited to the meetings.

As part of its inspection activities, the Supervisory Board also collaborated with the Audit and Compliance department and the Audit Committee of ČEZ, a.s., as well as with the CEZ Group Ombudsman.

Pursuant to the Company's Articles of Association, the Board of Directors of ČEZ, a.s. should have seven members. Members of the Board of Directors are elected and removed by the Supervisory Board.

The following personnel changes occurred on the Board of Directors during the period in question:

- on October 21, 2019, the term of office expired for Board of Directors member Michaela Chaloupková, who was subsequently reelected as a member of the board with effect from January 1, 2020
- Martin Novák was elected for a consecutive term in office as a member of the Board of Directors with effect from the May 24, 2020.

The Supervisory Board:

- continuously monitored the activities of ČEZ, a.s. and key decisions made by its Board of Directors and management
- dealt with suggestions made by its company's members, shareholders, customers, and other entities, as well as dealt with anonymous suggestions, some of which necessitated the need for the board to conduct an internal audit inquiry or to familiarize themselves with the results of compliance inquiries

- in the past period, the board held a series of workshops that were conducted operationally instead of the previously existing Supervisory Board Committees, which have focused on (and in some cases, repeatedly) the following topics: Replacement of the share option program Priorities and bases for determining the annual tasks of the members of the Board of Directors for the year 2020 The current status of the new nuclear power plant project in Dukovany (NJZ Dukovany Project) The opportunity to enter the mining and lithium processing project in Cínovec Information regarding the 2019 consolidated financial statement audit Evaluation of the annual tasks conducted by members of the Board of Directors in 2019. Members of the Supervisory Board participated in this year's regular Technology Conference of the Classical Power Division at Prunéřov II Power Station.

Within the scope of its powers and beyond the scope of its obligations as specified by the company's Articles of Association, the Supervisory Board **requested and debated** the following:

- potential company obligations arising from the suggestions and challenges presented by shareholders that were debated at the last Annual General Meeting as well as a status report on their implementation
- a status report on/overview of public procurement
- the risk management system, risk oversight, and risk hedging methods
- developments in significant legal disputes concerning CEZ Group
- the approach of ČEZ Prodej, a.s. towards the retail market, and CEZ Group's approach towards the B2B sector (ESCO services)
- the development of constant operating costs and select austerity measures
- changing the mandatory risk limit of the fiscal budget under the "Group Trading Margin" risk framework
- the current status on mediation with ŠKODA JS for damages in the event of defective NDT (non-destructive testing) inspections and further steps
- the ČEZ Ombudsman's activities in 2019
- ensuring information and cyber security within CEZ Group
- activities of the Inven Capital SICAV, a.s. (formerly ČEZ Nová energetika, a.s.) investment fund
- CEZ Group's ICT service strategy
- CEZ Group's debt capacity
- about ČEZ Foundation operations
- about the evaluation of communication activities in 2019 and the plan of communication activities for 2020.

Additionally, within the scope of its powers, the Supervisory Board **dealt with the following request for review of the Board of Directors' exercise of powers**, which was filed pursuant to Section 370 of the Business Corporations Act:

- at the Annual General Meeting on June 26, 2019, shareholder Ing. Michal Šnobl, as part of his address, requested on behalf of himself and other shareholders acting in concert with him: J&T SECURITIES MANAGEMENT LIMITED, Tinsel Enterprises Limited and HAMAFIN RESOURCES LIMITED, a review of the Board of Directors' exercise of powers by the Supervisory Board. Requests to review the Board of Directors' exercise of powers by the Supervisory Board concerned the following:
 - reviewing the failure to include "Počerady Power Plant" as an item on the agenda for the Annual General Meeting (as opposed to a request from a qualified shareholder that was delivered to the Company on June 13, 2019)
 - reviewing "the competence of the board of directors to lead the company" and
 - reviewing the existence of a concern between the company and the state and the failure to include such a concern in the report on relations between the parties involved, prepared by the Board of Directors.

After demonstrating that this group of shareholders fulfilled the statutory requirement for holding the position of a qualified shareholder (i.e. holding at least 1% of the registered capital of ČEZ, a.s.) by the filing date of the aforementioned requests (i.e. on June 26, 2019), the Supervisory Board evaluated all documents and information and informed this group of qualified shareholders of the results of the review within the legal timeframe.

At its meetings, the Supervisory Board **regularly dealt with:**

- the current status of and developments in the regulatory environment and legislation in the European Union and the Czech Republic, including their potential impact on CEZ Group's activities
- information regarding significant events on the European and global energy markets
- the current operating status of the Temelín and Dukovany nuclear power plants
- the current operating condition of conventional energy facilities, that is, power plants in and outside mining regions and hydroelectric power plants, including the CCGT plant and the condition of other heating facilities
- information on current developments in the Czech distribution segment—on the operation of the distribution system and any emergencies, on the implementation of major construction projects, and on ongoing projects
- up-to-date information from the distribution sector abroad, including the possible development of the political and regulatory environment in connection with CEZ Group's activities, particularly in Bulgaria (including the progress of the international arbitration conducted against the Bulgarian state), and in Romania, Turkey, and Poland, including the (potential) progress of selling these assets
- information from the trading sector concerning trading and sales of commodities to end-use customers in the Czech Republic and abroad, decentralized energy, and offerings for businesses and the public sector in the Czech Republic or offerings for businesses abroad
- the development of potential opportunities or specific projects in ESCO services or in renewable energy sources, both abroad and in the Czech Republic
- up-to-date information concerning Škoda Praha's power plant supply and ongoing work on other projects
- a management report on the company's financial performance (discussing monthly, quarterly and annual economic results including CEZ Group's consolidated Half-Year Report for 2019 and a draft of CEZ Group's Annual Report for 2019) and the state of domestic and foreign shareholdings of ČEZ, a.s., including select economic results for the period under review
- a report on CEZ Group's major investment projects, that is, matters concerning the status and development of capital projects, technologies used, work schedules, and/or contractor issues and budget utilization, including the drawdown of preparation costs for new nuclear power plant construction projects
- the process of preparing for a new nuclear power plant project ("NJZ") in Dukovany, including the development of contract negotiations with the state for the construction of a new NJZ.

In compliance with the Company's current Articles of Association, the Supervisory Board **granted its prior consent to the Board of Directors to make decisions:**

- on the divestment of Bulgarian assets, i.e. the sale of ČEZ, a. s. shares in CEZ Trade Bulgaria EAD, CEZ Bulgaria EAD, CEZ Elektro Bulgaria AD, CEZ Razpredelenie Bulgaria AD and the sale of CEZ Investments B.V. shares in Free Energy project Oreshets EAD and in Bara Group EOOD, namely EuroHold Bulgaria AD or other companies within the Eurohold Group
- the establishment of a joint venture with ČEZ ESCO, a.s. and Slovenský plynárenský priemysel, a.s. as Slovakian joint-stock companies and the conclusion of a shareholder agreement between Slovenský plynárenský priemysel, a.s., ČEZ ESCO, a.s. and ČEZ, a.s. and also the transfer of ČEZ ESCO, a.s. ownership interests in SPRAVBYTKOMFORT, a.s., Bytkomfort, s.r.o., ČEZ SERVIS, s.r.o., AZ KLIMA SK, s.r.o. and e-Dome, a.s. (and possibly also in KLF-Distribúcia, s.r.o.,

ČEZ Distribuční systavy a.s. and Domat Control Systém s.r.o.) as a non-monetary contribution to the equity or registered capital, of the joint venture

- granting the company's consent to the acquisition of a 76% stake as well as the acquisition of other shares in connection with the options of the buyer, or the seller, for the purchase, or sale, of up to a 100% stake in Euroklimat sp. z.o.o.
and, in this context, the provision of a monetary premium for the creation of equity outside the registered capital beyond the contribution of the shareholder by ČEZ, a.s. to CEZ Holdings B.V., in order to finance the acquisition by CEZ New Energy Investments B.V.
- approving projects to reduce NO_x and SO₂ emissions in flue gases at the Trmice Steam Generation Plant
- reducing the registered capital of the controlled company Tomis Team S.A. in Romania, on the understanding that a part of it will be used to cover unpaid losses from previous periods and to repatriate funds to both shareholders of the company
- reducing the registered capital of the controlled company Ovidiu Development S.R.L. in Romania, on the understanding that a part of it will be used to cover unpaid losses from previous periods and to repatriate funds to both shareholders of the company
- approving the conversion via a spin-off by merger between participating companies of ČEZ Korporátní služby, s.r.o. (as a distributed company) and ČEZ, a.s. (as a successor company), namely in connection with the transfer of select activities and employees
- approving the project "EOR - modernization of TG1 - TG4" and its subsequent implementation, namely in connection with the technology renovation solution at the Orlik hydroelectric power plant
- the issuance of debt securities up to a total maximum volume of €3 billion EUR (or the equivalent in another currency) to cover the company's financial needs
- granting the company's consent to implement the "EGT pulverized coal-fired boiler" investment project at Energotrans, a.s., namely in connection with the provision of heat supplies from the Mělník site until the year 2037
- conclusion of the Share Pledge Agreement Amendment Protocol, i.e. an amendment to the pledge agreement, the purpose of which is to issue and validate the collateral granted for ČEZ, a.s. shares (37.36%) in AKENERJİ ELEKTRİK ÜRETİM A.Ş. („AKENERJI ") in favor of the financing bank YAPI VE KREDİ BANKASI A.Ş. ("YKB") and the renewal of the Letter of Undertaking, i.e. the statement by ČEZ, a.s. to YKB in favor of maintaining ČEZ a.s. shares in AKENERJI
- granting the company's consent to implement the „Krasin 35.2 MW" investment project by Baltic Green I sp. z o.o., which along with this project will participate in the auction in Poland that was announced for December 5, 2019 for the "on-shore" wind and PV > 1 MW technology cart, provided that the investment project is conditional on obtaining guaranteed support from the Polish state at the aforementioned auction
- the possibility of granting a potential monetary premium for the creation of equity outside the registered capital beyond the shareholder's contribution by ČEZ, a.s. to CEZ Holdings B.V., and the additional provision of these funds to Baltic Green I sp. z o.o. and Baltic Green V sp. z o.o. through Baltic Green Construction sp. z o.o. (which is a 100% subsidiary of CEZ Holdings B.V.) for purposes of financing the possible implementation of the Krasin 35.2 MW and Sakowko 4.4 MW investment projects
- granting the company's consent to divest the indirectly controlled Dutch company CEZ New Energy Investments BV, as a result of which this divested company, which will not cease to exist, transfers part of its assets and liabilities to the newly established affiliate company CEZ RES International B.V., whereby 100% of shares in CEZ Res International B.V. is acquired by the sole partner of CEZ New Energy Investments B.V., i.e. CEZ Holdings B.V.
- granting the company's consent to the intra-group transfer of a 100% share in CEZ France SAS from CEZ Erneuerbare Energien Beteiligungs GmbH ownership into the ownership of CEZ Erneuerbare Energien Beteiligungs II GmbH

- the acceptance of a long-term loan(s) from the European Investment Bank for a period of up to 10 years and up to a total principal amount of €330,000,000 EUR for purposes of financing investments into the distribution system in the Czech Republic that will be implemented and financed through ČEZ Distribuce, a.s.
- granting the company's consent to implement an investment project by Elektrárna Dukovany II, a.s. in the extent defined under Revision 3 to the Business Plan for the "New Nuclear Power Plant at the Dukovany Site" project
- granting company consent to implement an investment project by Elektrárna Temelín II, a.s., in the extent defined under Revision 3 to the Business Plan for the "New Nuclear Power Plant at the Temelín Site" project
- granting the company's consent to the acquisition of a 51% shareholding in GEOMET s.r.o. ("Geomet") through Severočeské doly, a.s. („SDAS“) as the acquirer under the Exclusivity Framework Agreement, and also granting consent to the provision of SDAS financing to Geomet in connection with SDAS's equity investment in Geomet, namely in part through an increase in Geomet's registered capital and in part through a surcharge for creating equity outside Geomet's registered capital
- concluding a Framework Agreement on Cooperation in the Construction of a New Nuclear Power Plant in the Czech Republic and the First Implementation Agreement on Cooperation in the Construction of a New Nuclear Power Plant at the Dukovany Site in the Czech Republic
- making an additional cash contribution to the creation of equity outside the registered capital beyond the contribution of the shareholder by ČEZ, a. s., to Elektrárna Dukovany II, a. s., in relation to an implied obligation arising out of the First Implementing Agreement
- granting a convertible loan ("Convertible Loan Agreement") to the holding company IPM InoBat Investment Holding j.s.a. ("IIIH"), which, if certain conditions are met, will be converted into the acquisition of a 22.4% stake in IIIH (in relation to ČEZ, a. s., or another appointed CEZ Group company joining the Inobat Auto project and/or related InoBat Giga and Wildcat projects)
- making an additional cash contribution to the creation of equity outside registered capital by ČEZ, a. s., to AKCEZ, and subsequently converting it into AKCEZ's registered capital (while paying for AKCEZ's cumulative losses of the same amount, that is, without any effect on the final amount of its registered capital), all of that for the purpose of providing a shareholder's financial aid to AKCEZ for the repayment of a loan from the EBRD/IFC in 2020 and on condition that the same amount of additional contribution outside registered capital will be provided by Akkök Holding A.Ş., as the other shareholder of AKCEZ.

Several times in the past period, the Supervisory Board has granted its prior consent to the Board of Directors for making decisions on changes in staff and the number of members of supervisory boards at companies where ČEZ, a.s. has a shareholding in the registered capital that exceeds CZK 500 million.

The Supervisory Board also expressed a favorable opinion to the Board of Directors: the intention to acquire a 45% share in TEDOM a.s. from MOUFLECO HOLDINGS LIMITED through ČEZ ESCO, a.s. or through another designated company under the CEZ Group as the acquirer ("ČEZ Entity") on the intention to acquire an additional 5% share in TEDOM a.s. from Jet 2 Alfa, s.r.o., an entity of ČEZ.

Furthermore, the Supervisory Board **debated and took note of:**

- information on the vision pertaining to the staffing of the administration division, including information on the tasks and objectives of the division
- information on the requirements for the safety eligibility of the members of the ČEZ, a.s. Board of Directors in connection with the election of members of the Board of Directors
- information on the current status of the agreement for the sale of the Počerady Power Plant and the possibilities for further action by ČEZ regarding the potential non-exercise of the second option to sell the Počerady Power Plant
- information on the selection of a financial partner for the growth of ESCO services

- information on the intention to conclude contracts through the ČEZ, a. s. trading department, namely option contracts for the purchase/sale of commodities and contracts for the sale and purchase of emission allowances that are not used to ensure production
- information on the intention to transfer ČEZ, a.s. shares in ŠKODA PRAHA a.s. to ÚJV Řež, a.s. and the intention to transfer ÚJV Řež, a.s. shares in Ústav aplikované mechaniky Brno, s.r.o. to ČEZ, a.s. and in relation to this, an announcement from the members of the Board of Directors of ČEZ, a.s., Mr. Bohdan Zronek, Mr. Ladislav Štěpánek and Mrs. Michaela Chaloupková, that these members of the Board of Directors will not participate as members of the Supervisory Board of ÚJV Řež, a.s. in discussions or decisions on the above transactions within the Supervisory Board of ÚJV Řež, a.s.
- information on the reduction of registered capital of MW Team Invest S.R.L. in Romania, on the understanding that a part of it will be used to cover outstanding losses from previous periods and to repatriate funds to Tomis Team S.A. as the sole shareholder
- information on the reduction of registered capital of the controlled company Distribuție Energie Oltenia S.A. in Romania, on the understanding that a part of it will be used to cover unpaid losses from previous periods and to repatriate funds to both shareholders of the company
- information on the remuneration of members of the Board of Directors, directors of departments and directors of organizational units at ČEZ, a.s. as well as members of statutory bodies and respective persons of subsidiaries within CEZ Group in the Czech Republic
- information on the intention for conversion via a spin-off by merger between ČEZ Korporátní služby, s.r.o. (as a distributed company) and ČEZ Distribuce (as a successor company), namely in connection with the transfer of ownership of select fleet categories
- information on the intention of ČEZ, a.s. to participate in the 2020 bid for tender announced by ZSE Elektrárne, s.r.o. for the supply of gas to the power generating facility at the Malženice CCGT power plant
- information on the intention of ČEZ, a.s. to participate in the auction organized by the Ministry of Economy of the Slovak Republic to select a buyer for electricity from supported sources in Slovakia for the years 2020 and 2021
- information on the approval of a merger by acquisition between participating companies REN Development s.r.o. (as a dissolving company) and ČEZ Renewable Resources, s.r.o. (as a successor company), namely in connection with the strategy aimed at consolidating already purchased projects and further growth of RES in the Czech Republic
- the terms and conditions of the new loan agreement between AKENERJİ ELEKTRİK ÜRETİM A.Ş. (“AKENERJI”) and the financing bank YAPI VE KREDİ BANKASI A.Ş. (“YKB”), replacing the existing loan agreement between these parties
- a Letter of Engagement governing the mandate for the sale of shares and the conditions for the sale of shares, proposed to be concluded between the pledge of shares in AKENERJI, including ČEZ, a.s., and the financing bank YKB as a financial advisor in the eventual sale of AKENERJI shares
- the intention to implement the “Sakowko 4.4 MW” investment project by Baltic Green V sp. z o.o., which along with this project will participate in the auction in Poland that was announced for December 5, 2019 for the “on-shore” wind and PV > 1 MW technology cart, provided that the investment project is conditional on obtaining guaranteed support from the Polish state at the aforementioned auction
- the final bid prices for the “Krasin 35.2 MW” and “Sakowko 4.4 MW” projects for purposes of participating in the auction announced for December 5, 2019 in Poland
- information regarding the sale of shares in Elektrárna Počerady, a.s., pursuant to the Agreement on the purchase of 100% of shares of Elektrárna Počerady, a.s. in 2024:
 - “An assessment of alternatives to Počerady Power Plant ownership” from November 13, 2019 prepared by KPMG Česká republika, s.r.o., according to which the resulting evaluation shows that the non-exercise of the option to withdraw from the concluded contract for the sale of the Počerady Power Plant is the best option from an economic point of view

- “An economic assessment of the options concerning ownership of Elektrárna Počerady, a.s.” from November 13, 2019 prepared by Deloitte Advisory s.r.o., according to which the sale of the Počerady Power Plant is evaluated as the most advantageous option from an economic point of view
- a decision of the Board of Directors not to resign from ČEZ, a.s. as the seller from the Contract on the purchase of 100% of shares of Elektrárna Počerady, a.s. in 2024, concluded on March 18, 2013 with Vršanská uhelná, a.s. as the buyer and INDOVERSE (CZECH) COAL INVESTMENTS LIMITED as the guarantor
- information about making an additional monetary contribution:
 - for the creation of equity outside the registered capital beyond the contribution of the shareholder by ČEZ, a. s., to ČEZ ESCO, a.s., for the purpose of funding the acquisition of a 49% share in ČEZ LDS s.r.o. and for ensuring operational/investment financing and the financing of the company’s developmental activities
 - for the creation of equity outside the registered capital beyond the contribution of the shareholder by ČEZ, a. s., to CEZ Holdings B.V. in order to provide a monetary surcharge to CEZ ESCO II GmbH, which is a wholly-owned subsidiary of CEZ New Energy Investments B.V. for (i) the repayment of the shareholder loan granted by CEZ MH B.V.) (ii) financing the acquisition of a 100% share in SYNECO GROUP Srl, SYNECO ENERGY SERVICE Srl, SYNECO TEC GmbH, and SYNECO PROJECT Srl. (iii) granting a monetary premium for the increase in equity outside the registered capital of Kofler Energies Italia S.r.l. and also in order to provide a monetary surcharge to CEZ ESCO II GmbH to finance the acquisition of a 100% stake in Budrio 312 GFE soc. agr.
- information on the provision of a non-monetary premium in the form of select immovable property within the zoning district and municipality of Kadaň, including parts and accessories at the value determined by an appraisal, for the creation of equity outside the registered capital of ČEZ Energetické produkty, s.r.o.
- information on the issuance of a bond emission on December 2, 2019 at a volume of €750 million EUR with a coupon of 0.875%, payable in 2026
- information on the current status, progress, and results of collective bargaining within the company
- information on the conclusion of the Exclusivity and Framework Agreement between ČEZ, a.s., Severočeské doly, a.s., GEOMET s.r.o., European Metals Holdings Limited and European Metals (UK) Limited, concerning the potential investment of CEZ Group in the upcoming lithium mining project in Cínovec
- information on the Board of Directors’ decision to conclude an amendment to the Exclusivity and Framework Agreement on November 19, 2019 concerning the entry of CEZ Group into the upcoming project of lithium mining in Cínovec by way of a completely new wording for the Amended and Restated Exclusivity and Framework Agreement
- information on the content of the Shareholders Agreement attached to the Exclusivity Framework Agreement regarding the entry of CEZ Group into the upcoming lithium mining project in Cínovec, and the content of the Initial Work Program and Budget
- information on the content, terms and conditions of the draft Framework Agreement on Cooperation in the Construction of a New Nuclear Power Plant in the Czech Republic (“Framework Agreement”) between the Czech Republic - Ministry of Industry and Trade (“State”), ČEZ, a.s. (“ČEZ”), and Elektrárna Dukovany II, a.s. (“EDU II”) (all three contracting parties hereinafter referred to as the “Contracting Parties”), the subject of which is to establish a general framework for the initiation and subsequent enhancement of cooperation between the Contracting Parties on the project for constructing a new nuclear power plant at the Dukovany site in the Czech Republic (“Dukovany Project”)
- information on the content, terms, and conditions of the draft for a First Implementation Agreement on Cooperation in the Construction of a New Nuclear Power Plant at the Dukovany Site in the Czech Republic (“First Implementation Agreement”) between the Contracting Parties, the subject of which is its binding regulation on the mutual rights and obligations of the Contracting Parties for the first phase of cooperation on the Dukovany Project, namely for the entire period of this agreement’s validity until the agreement is completely fulfilled or until it is replaced by another implementation agreement for the next phase of the Dukovany Project

- information on the preparation of several bids for tender to select suppliers for a single unit of the new Dukovany nuclear power plant
- information about the corporate Crisis Management Board's activities—preparation of contingency plans, preparation and ongoing implementation of personnel and organizational measures including measures to protect employees, in relation to the propagation of the coronavirus (known as SARS-CoV-2) and in connection with the Czech government's declaration of a state of emergency.

The Supervisory Board also took note of information on the establishment of the Coal Commission as an advisory body to the government, whose task is to prepare expert opinions on how the Czech Republic can proceed with the gradual decommissioning of coal-fired power plants.

Another subject for debate on the Supervisory Board's agenda was an amendment to the Organizational Rules of ČEZ, a.s., of which the Supervisory Board expressed a favorable opinion and took note of information on the approval of a revision to the Signature Rules.

The Supervisory Board did not identify any facts that would make it express reservations about the draft CEZ Group Business Plan for 2020–2024 and the draft annual capital and operating budgets of ČEZ, a.s. and CEZ Group for 2020.

With regard to the company's objectives and priorities for the next period, the Supervisory Board discussed in detail and/or modified its basis for setting the nominal tasks, including a factual definition of the criteria of individual members of the Board of Directors for 2020. At its March meeting, the Supervisory Board discussed and approved modifications to the fulfillment of the nominal tasks of the members of the Board of Directors for 2019, which is a deciding factor for determining the amount of their annual remuneration.

The Supervisory Board continually discussed potential options for modifying the company's existing share option program and alternatives to its replacement by another incentive program. Out of the various long-term incentive schemes, the Supervisory Board identified and agreed the long-term incentive program based on the principle of virtual shares to be the most appropriate option. As of December 31, 2019, the share option program (concerning members of the Board of Directors of ČEZ, a.s. and select managers of CEZ Group) has been terminated for all beneficiaries and replaced with a long-term incentive program by the Long-Term Performance Reward Agreement effective from January 1, 2020.

The Supervisory Board debated all source documents that had been presented at this General Meeting, taking note of the documents presented to the General Meeting in accordance with the law and giving its concurring opinion to the presentation of the other documents at this General Meeting.

In compliance with Article 18(5)(c) of the Company's Articles of Association, the Supervisory Board **reviewed** the Related Parties Report for 2019 and has **no reservations** about its contents.

As for the other items on the agenda of today's General Meeting, I would like to inform you of the following positions of the Supervisory Board:

On the agenda item of Approval of the Financial Statements of ČEZ, a. s., and Consolidated Financial Statements of CEZ Group for 2019:

In compliance with Article 18(5)(c) of the Company's Articles of Association, the Supervisory Board **reviewed**:

- Financial statements of ČEZ, a. s., for the year ended December 31, 2019
- Consolidated financial statements of CEZ Group for the year ended December 31, 2019

During this review, **it did not identify any shortcomings or inaccuracies** in the contents or the method of compilation or the process of audit of the financial statements and, on the basis of these facts and taking account of the independent auditor's reports and information from the Audit Committee of ČEZ, a. s. (on the result of the audit and findings from the monitoring of the statutory audit process), it **recommends** that the General Meeting of ČEZ, a. s. approve both sets of financial statements.

On the agenda item of Decision on the Distribution of Profit of ČEZ, a. s.:

In compliance with Article 18(5)(c) of the Company's Articles of Association, the Supervisory Board **reviewed** the presented proposal for the distribution of profits of ČEZ, a. s., including the decision on the payment of dividends, **and recommends** that the General Meeting **approve** it.

Ladies and gentlemen, dear shareholders, thank you for your attention.

Otakar Hora,

Chairman of the Supervisory Board of ČEZ, a. s.