ČISTÁ
ENERGIE
ZÍTŘKA

Board of Directors' Position on the Counterproposal of Shareholder, Czech Republic—Ministry of Finance, concerning Item 3 on the General Meeting Agenda

On June 14, 2022, at 4:30 p.m., the Company received a counterproposal of the shareholder, the Czech Republic—Ministry of Finance (hereinafter referred to as "**CR–MF**"), concerning item 3 of the General Meeting agenda—Decision on the Profit Distribution of ČEZ, a. s.

In its counterproposal, the CR–MF proposes the following:

(a) Increase the dividend from CZK 44 proposed by the Board of Directors to CZK 48 per share;

(b) Postponement of the dividend maturity to November 1, 2022; and

(c) Postponement of the effective date of the adjustment of the payment terms of dividends approved by the General Meeting of ČEZ, a. s., for distribution to shareholders in the years 2019 to 2021, also to November 1, 2022.

The Company's Board of Directors has submitted a proposal for the distribution of the profit of ČEZ, a. s., for item 3 of the General Meeting agenda, which at the time of preparation of the proposal reflected all relevant facts related to the distribution of profit.

With regard to the counterproposal of the CR–MF, the Company's Board of Directors states the following:

The Company's Board of Directors notes that the postponement of the dividend payment to November 1, 2022 will significantly support the availability of short-term liquidity for CEZ Group at a time of extremely volatile commodity prices. From CEZ Group's point of view, these are mainly electricity, gas, and emission allowance prices, whose volatility is negatively reflected in the growth of the requirements of exchanges and trading counterparties on wholesale markets to finance so-called margins (hedging of future trades). Volatility in commodity markets is a consequence of the war in Ukraine and speculation about possible restrictions on gas flows from Russia to Europe. In particular, if a sudden stop in gas flows were to occur, a strong reaction on commodity markets could be expected, with gas, electricity, and emission allowance prices reaching short-term extremes, probably multiples of current prices in the case of gas and electricity. Such price fluctuations, however short-term, will result in an immediate increase in margin calls, to which the Company will have to react immediately. It may be expected that, especially during the autumn of this year, i.e. before the start of the heating season in Europe, the market will be extremely sensitive to such events. CEZ Group has been strengthening the availability of short-term liquidity since the beginning of this year, but the ability to maintain increased liquidity in the sensitive period before the heating season will strengthen CEZ Group's financial stability and increase flexibility in securing additional liquidity from other sources in the event of negative developments.

Payment of the increased dividend on the postponed date means that the dividend will be paid out of the increase in operating cash flow. This increase will be the result of selling that part of the electricity generated this year that had not yet been sold as part of the hedging of electricity generation before the start of this year and was only sold during this year at current prices. The increase in the dividend will therefore be financed by this increase in the majority of the operating cash flow already realized. Therefore, in the circumstances proposed, the increase in the dividend does not pose a threat to the Company's medium or long-term financial stability.

The Company's Board of Directors also does not anticipate a negative impact on the Company's credit rating from the increase in the dividend in conjunction with the postponement of its payment. The Company's net debt has been reduced as a result of the divestments, which is reflected positively in the debt ratios monitored by the rating agencies. These are further supported by an increase in operating cash flow ratios due to high electricity prices.

With regard to draft resolution (2) contained in the CR–MF's counterproposal, the Board of Directors states that it is in line with what has already been described in the rationale in the General Meeting notice, i.e. the Board of Directors considers it appropriate to unify the conditions under which dividends are paid to shareholders, in particular in order to eliminate the administrative burden associated with the application of different conditions for dividend payments.

Furthermore, the Board of Directors, having discussed the CR–MF's counterproposal to item 3 of the General Meeting agenda, has concluded that this counterproposal is in compliance with the law, has been delivered to the Company in accordance with the law and the Company's Articles of Association, and will therefore be included for voting under item 3 of the General Meeting agenda.