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

On June 16, 2023, at 4:32 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 on the General Meeting agenda—Decision on the Profit Distribution of ČEZ, a. s. (hereinafter referred to as the "CR–MF Counterproposal").

In its counterproposal, CR—MF suggests to increase the dividend from CZK 117 proposed by the Board of Directors to CZK 145 per share. The other substantial parameters of the Counterproposal (record date for the entitlement to the dividend, maturity and method of payment of the dividend) are identical to the initial proposal of the Board of Directors, which was published as part of the notice of the General Meeting and is available on the Company's website under the link "For Investors" in the section "General Meetings", in the part relating to the 2023 General Meeting.

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

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

The proposal for the distribution of profit submitted by the Board of Directors to shareholders (in the amount of CZK 117 per share) (hereinafter referred to as the "dividend") is based on the dividend policy in force, defining the dividend payment in the amount derived from CEZ Group's consolidated net profit for the past year. The Company's current dividend policy assumes a dividend of 60–80% of CEZ Group's consolidated net profit adjusted for extraordinary effects. CEZ Group's adjusted consolidated net income for 2022 amounted to CZK 78,372 million. The dividend proposed by the Board of Directors represents 80% of the adjusted consolidated net income for the year 2022.

The Company's Board of Directors notes that the submitted CR–MF Counterproposal of CZK 145 per share represents a payment of 99.5% of the consolidated net profit of CEZ Group for the year 2022, adjusted for extraordinary effects. The CR–MF Counterproposal represents a total dividend payment of CZK 78.0 billion, which is CZK 15.1 billion more than the Board of Directors' initial proposal.

CEZ Group's current liquidity situation and cash flow outlook for the next 12 months indicate that ČEZ is able to cover the proposed increase in dividend payments financially without taking extraordinary measures. At the same time, it is evident that payment of the proposed dividend increase according to the CR–MF Counterproposal will negatively affect CEZ Group's available liquidity and reduce reserves to cover potential risks to CEZ Group's future cash flows. In particular, to cover the risk of commodity price increases, while such increases would lead to an obligation to immediately increase margin deposits on exchanges and with trading counterparties due to the ongoing hedging of electricity generation positions. Last year, this risk led to the need to take specific emergency measures, including drawing on all available funds from financial institutions and accepting a loan from the Czech state of CZK 3 billion as well as the adoption of a number of exceptional commercial and financial measures, including temporary restrictions on the hedging of electricity prices from future generation.

Payment of the dividend increased according to the CR–MF Counterproposal may negatively affect the credit rating of ČEZ, a. s., especially with Moody's rating agency. Both S&P and Moody's specifically identify an inadequate dividend policy, or a dividend payment outside the declared dividend policy, as negative for the Company's credit rating. However, the proposed increase in the dividend payout is not in significant conflict with the expectations of the rating agencies and will not lead to exceeding the limit values of the established ratios (monitoring the adequacy of operating cash flow in relation to the Company's debt level) in the next two years. The rating agencies are independent in their assessment and their assessment of the current situation cannot be predicted. A possible downgrade of the credit rating of ČEZ, a. s., would adversely affect the cost of financing and in the longer term reduce the profitability for shareholders.

The current level of the Company's equity allows for the payment of the dividend proposed by the CR–MF Counterproposal and the distribution of profits according to the CR–MF Counterproposal is thus not in contradiction with the legal requirements of the Czech Republic on the maximum permissible amount of profit distribution by companies.

Overall, it may be concluded that the CR–MF Counterproposal does not pose a threat to the medium- or long-term financial stability of the Company under the current market and regulatory assumptions, and at the same time does not have an immediate negative impact on CEZ Group's ability to implement investments leading to the implementation of the VISION 2030 – Clean Energy for Tomorrow strategic program.

The Board of Directors, having considered the CR–MF Counterproposal concerning Item 3 on the General Meeting agenda, has concluded that this CR–MF 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 on the General Meeting agenda.