BY CERTIFIED MAIL
AND IN PERSON TO THE MAIL ROOM

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

Attention: Daniel Beneš, Chairman of the Board of Directors

Prague, June 12, 2018

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

Dear Sirs,

We are contacting you as a group of shareholders consisting of **Ing. Michal Šnobr,** born May 25, 1970, domiciled at Zvolenská 134, 386 01 Strakonice, Czech Republic, and companies **J&T SECURITIES MANAGEMENT LIMITED,** having its registered office at Klimentos, 41-43 Klimentos Tower, 2nd floor, Flat/Office 22, 1061 Nicosia, Republic of Cyprus, **Tinsel Enterprises Limited,** having its registered office at Larnakos 60, Flat/Office 301, Aglantzia 2101, Nicosia, Republic of Cyprus, and **HAMAFIN RESOURCES LIMITED,** having its registered office at Akropoleos, 59-61 Savvides Center, 1st floor, Flat/Office 102, 2012 Nicosia, Republic of Cyprus (collectively the **"Qualified Shareholder"),** holding shares whose number exceeds 1% of the registered capital of ČEZ, a. s., having its registered office at Praha 4, Duhová 2/1444, postcode 14053, Czech Republic, reg. No.: 45274649, registered in the Commercial Register kept by the Municipal Court in Prague, section B, file 1581 (**"ČEZ"),** and thus being a qualified shareholder of ČEZ as defined in Section 365(3) of Act No. 90/2012 Sb., on commercial companies and cooperatives (Business Corporations Act, **"BCA"),** in connection with the annual general meeting of ČEZ that is to be held at the Prague Congress Center, 5. května 65, Praha 4 at 11 a.m. on June 22, 2018 (the **"General Meeting").** A notice of the General Meeting was published by ČEZ on the website www.cez.cz and included the proposed agenda of the General Meeting (**"GM Agenda").**

The Qualified Shareholder is submitting this counterproposal pursuant to the applicable provisions of BCA and the Articles of Association of ČEZ, in particular, Section 365(3) of BCA, wherein a shareholder or shareholders holding shares whose aggregate nominal value or number amounts to at least 1% of the registered capital is/are deemed a qualified shareholder. The shareholding can be verified in the list of shareholders kept by ČEZ as well as in the extracts from the Central Securities Depository, which were submitted to ČEZ in relation to the Qualified Shareholder's request for a review of the Board of Directors' activities dated April 20, 2018, as well as from the Czech National Bank's website (available at: https://oam.cnb.cz/xmlpserver/servlet/xdo?_xdo=%2FOAM_CNB_CZ%2FR2_FXX.xdo&from LoadingPage=true&_id=225fe379-4193-4473-812d-ed331 d1 c34e6).

Pursuant to Section 361(1) of BCA and Article 13(1) of the valid and effective Articles of Association of ČEZ, I hereby submit the Qualified 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

In addition to the factual and fundamental rationale, the Qualified Shareholder's counterproposal for the dividend payment for 2017 also reacts to a recent opinion of the Ministry of Finance on the proposal of the Board of Directors of ČEZ to pay CZK 21 million in royalties and a dividend of CZK 33 per share for shareholders out of profit for 2017. A media statement of Minister of Finance Alena Schillerová, whose ministry is the company's majority shareholder on behalf of the state, indicated that she would not support the Board of Directors' proposal for royalty payment unless the dividend increased (meaning an increase over the past year when CZK 33 per share was paid as the dividend, i.e. the same amount as proposed by the Board of Directors this year).

The Qualified Shareholder is of the same opinion as the Ministry of Finance regarding the royalties, but it would like to point out that it is not clear whether the Ministry of Finance representing the majority shareholder adequately realizes that nonpayment of the royalties does not address the issue of ČEZ management remuneration in a fully satisfactory manner. Due to the current nontransparent setup of the Stock Option Plan for members of the company's governance and control bodies and top management, approved in 2001 and later repeatedly modified (e.g., by means of the Stock Option Rules approved by the general meeting in May 2008), the reward of no royalties can be easily circumvented by using the Stock Option Plan, which allows ČEZ management to gain substantial benefits although the proposed decision on the reward of no royalties suggests that ČEZ shareholders do not think additional remuneration of ČEZ management is advisable. On these grounds, the Qualified Shareholder also proposes, on the one hand, to cancel the Stock Option Plan, as it is necessary to adopt a new incentive program for ČEZ management, which will include standard mechanisms and will really motivate the management, and on the other hand it proposes to change ČEZ's Articles of Association so that the general meeting has control over consideration provided to the company's management.

The Qualified Shareholder proposes the payment of a dividend increased by CZK 2 per share, or CZK 1.076 billion in aggregate, over what the Board of Directors of ČEZ proposed in its already published proposal. In the context of the arguments stated below, the Qualified Shareholder considers this request fully justified and for now just conservatively reflecting positive developments in the electricity market together with the principally improving outlook for ČEZ's financial performance in the next years, as confirmed by ČEZ's CEO Daniel Beneš (cf. an article for Hospodářské noviny from May 15, 2018: ČEZ at Breakpoint: "This Year's Going To Be the Worst. Then Our Profits Will Only Grow").

The Qualified Shareholder is stating the following details for its counterproposal.

As at December 31, 2017, ČEZ had (nonconsolidated) retained earnings of CZK 145.2 billion, so it still has sufficient potential to pay a portion of its dividends out of the past years' accumulated profits, as it did in 2017 (for 2016). Naturally, all of this is conditional on it being allowed to do so by its ability to generate sufficient free cash flows and a reasonable amount of company debt. From the Qualified Shareholder's perspective, both of these parameters are met and, at the same time, the Qualified Shareholder emphasizes that ČEZ's management ability to present economically sufficiently attractive development plans and projects (CAPEX acquisitions) to its shareholders has been significantly decreasing in the recent years. This results in a long-term, continuous decrease in the key parameters of return on shareholder investment (see below) and a consequent overall decrease in shareholders' trust in the ability of ČEZ's current management to halt this trend. A logical outcome of such a situation is the justified request for paying a higher share of the company's free cash flow to the shareholders, i.e., allowing a higher dividend yield for shareholders despite the company's decreasing profit at the nonconsolidated level but with a significantly decreasing need to invest in fixed assets and with slightly increasing amounts of depreciation and amortization.

A strong argument for a higher dividend payment is ČEZ's permanently decreasing ability to increase the value of entrusted investments for its shareholders as well as to make sufficiently attractive investments or acquisitions of companies. Return on invested capital (ROIC) has been constantly decreasing for the past eight years, dropping to less than a half of its value of 10.5% in 2012 just during the past five years. It was a mere 4.3% in 2017. In such a situation, we believe that a way to at least partially restore shareholders' trust in ČEZ's ability to efficiently manage entrusted investments in the future is to optimize ČEZ's capital structure by paying a higher portion of its free cash flow to shareholders. A positive motivation to pay out a portion of retained earnings, i.e., to decrease ČEZ's equity, is confirmed by the developments in 2017, when the general meeting decided for the first time to pay a portion of the dividend for 2016 from retained earnings. As a result of this, return on equity (ROE) increased after a long time from the recent years' long-term minimum of 5.4% in 2016 to 7.4% in 2017 (2013 ROE was 14.1%). Due to all circumstances of market development but also due to zero risk to ČEZ's stability, we as shareholders consider the above-mentioned way to be a suitable solution to the existing situation in this year but also in the next year.

ČEZ's "net adjusted income" was CZK 19.640 billion in 2016. It was CZK 20.698 billion in 2017, i.e., CZK 1.058 billion more year-on-year. At the same time, ČEZ's capital investment in 2017 decreased by more than CZK 1 billion year-on-year, as compared to 2016. The final CAPEX value of CZK 29.1 billion in 2017 was even CZK 1.6 billion lower than ČEZ's own plan from 2016 (ČEZ's 2016 AR). Together with a decrease of CZK 12.5 billion in the company's debt, on a net debt basis, a decrease of the net debt/EBITDA indicator to 2.48, i.e., just below the optimal range of 2.5–3.0 for this indicator as defined by the company, and a substantially better outlook for financial performance in the future years (thanks to growing electricity prices), we consider the proposal to pay a dividend slightly higher than what is proposed by the ČEZ's Board of Directors to be justified, both from an accounting perspective and from the perspective of cash flows but also an optimization of ČEZ's capital structure beneficial to all shareholders.

In relation to this development, we as shareholders also appeal to ČEZ management to change or update its dividend policy for 2019 and the following years. Considering the positive development in the electricity market, minimum opportunities for sufficiently attractive investments or acquisitions, and the outlook for the course of ČEZ's financial performance based on the current trend, we regard the current setup of the policy as inadequate.

The proposed dividend reflects ČEZ's dividend policy and corresponds to approximately 91% of the 2017 consolidated net income adjusted for extraordinary effects that were unrelated to ordinary financial performance, i.e., in particular, impairments of tangible assets. The 2017 adjusted consolidated net income is CZK 20,697,685 thousand.

1.2 Draft resolution

For the aforementioned reasons, the Qualified 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 approves the distribution of profit of ČEZ, a. s. for 2017 amounting to amounting to CZK 5,105,174,054.40 and a portion of retained earnings amounting to CZK 13,724,467,510.60 as follows:

Share in profit to be distributed to shareholders (the “dividend”) in total amount of CZK 18,829,641,565

Thus, the dividend is CZK 35 per share before tax.

The record date for entitlement to the dividend is June 28, 2018. Entities that will be shareholders of the Company as at the record date 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 will be transferred to the retained earnings account.

The dividend is payable on Wednesday, August 1, 2018. The dividend will be paid through Česká spořitelna, a.s., ID 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 heading “Investors” in the “General Meetings” section in the subsection concerning the 2018 General Meeting. The dividend will be paid until July 29, 2022.

Pursuant to Section 361(1) and 361(2) of BCA, we are asking you to communicate the substance of the Qualified Shareholder’s counterproposal together with the Board of Directors’ standpoint to shareholders and to publish the counterproposal on ČEZ’s website, as the text of the counterproposal contains more than 100 words.

Signature:
Name: Ing. Michal Šnobr,
under a power of attorney

Enclosures:

1. Powers of attorney
2. Certificates of Registered Office for J&T SECURITIES MANAGEMENT LIMITED, Tinsel Enterprises Limited, and HAMAFIN RESOURCES LIMITED
3. Certificates of Incorporation for J&T SECURITIES MANAGEMENT LIMITED, Tinsel Enterprises Limited, and HAMAFIN RESOURCES LIMITED
4. Certificates of Directors and Secretary for J&T SECURITIES MANAGEMENT LIMITED, Tinsel Enterprises Limited, and HAMAFIN RESOURCES LIMITED