



REPORT OF THE AUDIT COMMITTEE OF ČEZ, A. S. ON THE RESULTS OF ACTIVITIES

Dear Shareholders, Ladies and Gentlemen,

I would like to take this opportunity to report on behalf of the Audit Committee of ČEZ, a. s. on the results of its activities. Following the General Meeting in 2013, the Audit Committee of ČEZ, a. s. worked with an incomplete number of members – comprising 4 members instead of 5 members as required by the Statutes. At the Committee meeting held on November 28th, 2013, Mrs. Jiřina Vorlová was elected as the Vice-chairman of the Committee and Mrs. Alena Kochová was elected as an independent expert of the Committee. Despite the lower number of members, the Audit Committee fulfilled all its functions.

In 2013, the Committee held a total of 6 meetings, while in 2014, 2 Audit Committee meetings were held prior to holding this General Meeting.

At its meetings, the Audit Committee primarily dealt with the following issues:

- presentation of the external auditor regarding the auditing of financial statements,
- assessment of the external auditor,
- recommendations as to the selection of the external auditor,
- AC report for the General Meeting of shareholders,
- fulfilment of the plan of the Internal Audit Department, including any adopted changes,
- summary information regarding important audit results,
- measures resulting from a quality inspection of the Internal Audit's performance,
- setting a medium-term strategy of the Internal Audit,
- information regarding the impact of the external environment on the ČEZ Group,
- plan of activities of the Internal Audit Department at ČEZ for 2014.

With regard to the issues under discussion, the following persons are regularly invited to take part in Committee meetings:

- external auditor's team,
- Director of the Finance Division,
- Directors of Internal Audit, Risk Management and Accounting Departments,

and, where required, other managerial employees of the Company responsible for activities on the Committee's agenda.

In relation to the presentations provided by the external auditor, the Committee primarily evaluates the method for drawing up ČEZ financial statements and the consolidated ČEZ Group financial statements, verifies the efficiency of the Company's internal control system from the perspective of the external auditor, while also monitors impacts of significant changes to accounting standards on the results of the Company or the ČEZ Group.

Based on a decision adopted by the General Meeting held on June 19th, 2013, the external audit of the ČEZ Group was carried out by Ernst & Young Audit s.r.o. At its meetings, the Audit Committee obtained updated information from the external auditor about the audit schedule and its decisive stages, and about important audit areas. The Committee's agenda focused on the selected key areas and audit processes in terms of preparing data and information to be reflected in the financial statements.

At its meeting held on April 29th, 2014, the Audit Committee reviewed the procedure of drawing up financial statements and the consolidated financial statements for 2013, as well as the mandatory audit process. It also considered the statement of the statutory auditor and the auditing company regarding their independence from the audited entity and did not detect any faults in this area.

The Audit Committee also considered the statement of the independent auditor concerning the financial statements of ČEZ, a. s. and the consolidated financial statements of the ČEZ Group, stating that the independent auditor audited the financial statements and that, in its view, they truly and fairly reflect the assets, liabilities and financial situation of the Company and the ČEZ Group as of December 31st, 2013 in all important contexts. Its economic results and cash flow for the period from January 1st, 2013 to December 31st, 2013 comply with the international financial reporting standards adopted by European Union law.

Committee members are respondents of a regular evaluation of the external auditor's activities (together with the team of managerial employees of the Company and the ČEZ Group), and the Committee subsequently discusses the results of the evaluation, including its outputs in relation to the external auditor. This evaluation includes assessing independence of the external auditor from the Company's activities in terms of other services provided to ČEZ, a. s. by the external auditor's company.

At its meeting held on February 25th, 2013, and in compliance with its competence under Section 44(4) of Act No. 93/2009 Coll., on auditors, and Article 22(1) (e) of the Articles of Association of the Company, the Audit Committee discussed and recommended that the General Meeting appoints Ernst & Young Audit s.r.o. as the external auditor to carry out the mandatory audit for 2014, 2015 and 2016.

For items relating to the activities of the Internal Audit of ČEZ, a. s., the Committee monitors fulfilment of the annual plan of internal audits and reasons for making operative changes to this. It discusses outcomes each quarter, i.e. the most important findings, from the completed audits (in the case of subsidiaries this is based on consent from their statutory bodies) and the results of follow-up audits focusing on the fulfilment of corrective measures. This process ensures awareness of the Committee not only of any deficiencies detected but also of the progress of their correction, particularly in terms of efficiency of internal control mechanisms.

At the end of 2013, the Audit Committee discussed the annual plan of the Internal Audit of ČEZ, which is based on the medium-term strategy of the Internal Audit at the ČEZ Group. This strategy is based on systematic assessment of the degree of risk of all management areas or processes taking place at the ČEZ Group. This allows for cyclical verification of the control mechanisms in individual areas, depending on the degree of their risk, and fulfilment of one of the most significant missions of the Audit Committee, i.e. evaluation of efficiency of the internal control system. The Audit Committee recommended approval of the plan for 2014, which comprises a total of 40 audits consisting of 37 new audits (including 8 end-to-end audits) and 3 follow-up audits covering 15 process areas according to the risk assessment.

The Audit Committee also monitors the quality of performance of the Internal Audit of ČEZ, which was certified by an external assessor at the end of 2011 as complying with IIA Standards. At its meeting held on April 29th, 2014, the Audit Committee was informed regarding the outcomes of the internal assessment carried out at the time between external assessments taking place in 5-year cycles, and regarding the updated Internal Audit Quality Enhancement and Assurance Program of ČEZ.

At its meeting held on April 29th, 2014, the Audit Committee also discussed a risk management system report, and the overview and method of risk hedging. The Committee regularly discusses updated risk management reports on a quarterly basis.

The Audit Committee is regularly informed about the external environment effects on the Company's financial results both in terms of the prices of relevant commodities (oil, gas, electricity) and development of electricity demand, as well as in terms of effects on the Company's financing (particularly ČEZ Group debt capacity). Development in various Balkan acquisitions of the Company was also an important issue; in this matter, the Committee focused on the procedure assumed by the Board of Directors to reduce the impact of negative development in Bulgaria on the results and value of ČEZ, and on the preparation and procedure of arbitration in the Albanian matter.

The Audit Committee regularly informs the Supervisory Board about its meetings and conclusions and offers its recommendations when the Supervisory Board discusses issues raised at the Audit Committee's meetings.

In conclusion, the Audit Committee is able to state that, in terms of its main activities entrusted to the Committee by the Articles of Association and general legislation (i.e. drawing up financial statements including the consolidated financial statements, evaluation of efficiency of the internal control system and evaluation of independence of the external auditor), it did not detect any substantial facts in these Company's activities during the course of 2013 or in the past part of 2014 (prior to this General Meeting), about which the General Meeting of shareholders should be informed. Minor deficiencies in control mechanisms, as follows particularly from the internal auditor's findings, are continuously eliminated by applying corrective measures.

Ladies and Gentlemen, Dear Shareholders, thank you for your attention.

Ján Dzvoník

Chairman of the Audit Committee of ČEZ, a. s.