

As to paragraph 3 of the GM

REPORT OF THE SUPERVISORY BOARD OF ČEZ, a. s., on audit results

Dear Stockholders, Ladies and Gentlemen,

On the authority of the Supervisory Board of ČEZ, a. s., please let me report on its operation in the period since the last Regular General Meeting held May 13th last year.

The Supervisory Board in compliance with the Articles of Association of ČEZ, a. s. has 12 members, eight of whom are elected and removed by General Meeting and four by employees. In the period since the Regular General Meeting held on May 13th 2009 to date, the following personnel changes have taken place:

- in May 2009, Mr. Ivan Fuksa was **elected** a Vice-chairman of the Supervisory Board,
- upon termination of the period in office of the member of the Supervisory Board – Mr. Zdeněk Trojan – he was **co-opted** in January 2010 for the period till today's General Meeting,
- another change is **resignation** of the member of the Supervisory Board – Mr. Vlastimil Jiřík - in April this year.

Within its competence, the Supervisory Board elected a new member of the Board of Directors – Mr. Peter Bodnár (instead of the resigned member of the Board of Directors – Mr. Zdeněk Pasák), and in connection with expiration of the period in office, Mr. Daniel Beneš and Mr. Tomáš Pleskač were re-elected as of members of the Board of Directors.

In the previous period, the Supervisory Board has met *13 times*, of which once at the extraordinary session, and it also voted once using per rollam method.

Meetings of the Supervisory Board were regularly participated by the Chairman of the Board of Directors. According to the content and importance of the problems being discussed, respective members of the Board of Directors were invited to these meetings by their professions as well as employees of the company or representatives of consultancy firms. Within its auditing activities, the Supervisory Board also cooperated with the Department of Internal Audit and with representatives of external auditors.

The Supervisory Board has set up 2 working committees:

1. Personnel committee of the Supervisory Board (10 meetings held in the previous period)
2. Supervisory Board's committee for strategic planning (12 meetings held in the previous period)

The Supervisory Board of ČEZ, a. s.

Supervisory Board continuously monitored activities of ČEZ, the joint stock company, key decisions made by the Board of Directors and management and dealt with suggestions of its members.

In the past period the Supervisory Board made an agreement to decide on implementation of many projects home and abroad.

The Supervisory Board also **provided a positive opinion** on the Business Plan for 2010 – 2013 and Budget of ČEZ, a. s. for 2010 and budget of ČEZ Group subsidiary companies for 2010.

The Supervisory Board of ČEZ, a. s.

Has granted its previous consent to the Board of Directors in the previous period to make a decision on changes in the personnel area and the number of members of supervisory boards of companies, in which ČEZ, a. s. has an ownership interest in the ordinary stock exceeding CZK 500 mil.

The subject of negotiation of the Supervisory Board included organisational changes in the company, revision of the “Organisation Rules” and “Signature Rules” of ČEZ, a. s., which it **expressed its positive standpoint to**.

In addition, the Supervisory Board has **negotiated** the remuneration structure of company’s employees using a base pay, concurrence of the discharge of office as a statutory body and an employee – manager, **approved** draft contracts on the discharge of office and the remuneration method for members of the Board of Directors, and **approved** also draft option contracts with members of the Board of Directors and selected managers, and the termination of the share option programme in connection with a changed work position that does not enable to provide this programme.

The Supervisory Board at its meetings has **dealt with** the Effectiveness programme being part of strategic priorities and principal objectives of the company ČEZ, with significant potential impacts on economic results of the company, and it welcomed its further initiative called FutureMotion, which represents further strategic direction for the company – development of new trends, technologies, and innovated procedures.

The Supervisory Board has **negotiated** the situation of domestic and foreign ownership interests of ČEZ, a. s., the management system, and the method of risk securing within the ČEZ Group, evaluation of promotional campaigns, and ICT sourcing strategy.

The Supervisory Board has also **continuously dealt with** problems and the current state of the Nuclear Power Plant Temelín and Dukovany, completion of the Nuclear Power Plant Temelín, problems of complex renewal and new resources, current topics in the area of power engineering legislation of the EU, information on financial and strategic impacts of implementing the climatic-energy packet on the ČEZ Group, development of contractual relations with Mostecká uhelná, a.s., trends and development of the situation on the market of end customers, and last but not least with financial crisis impacts on the ČEZ Group.

The Supervisory Board has **negotiated** monthly, quarterly and annual economic results at its meetings on a regular basis. I am glad to state on behalf of the Supervisory Board that we consider economic results achieved in 2009 very good.

The Supervisory Board, in compliance with Art. 18 sec. 9 of the Articles of Association of ČEZ, a. s. and the provision of § 66a sec.10 Commercial Code, has reviewed the report on relations between related entities for 2009 without any objections to its content.

As to other items of the programme of the today’s General Meeting, i.e. par. 5 and 6, I state the following standpoint of the Supervisory Board:

as to par. 5.:

The Supervisory Board in compliance with Art.18 sec. 5 letter c) of the Articles of Association of ČEZ, a. s. **has reviewed:**

Final accounts of ČEZ, a. s. as of 31.12.2009, incl. auditor's statement (from 25.02.2010)

Consolidated final accounts of the ČEZ Group as of 31.12.2009, incl. auditor's statement (from 25.02.2010)

and **advises** the General Meeting **to approve** these annual final accounts.

as to par. 6.:

The Supervisory Board under Art. 18 sec. 5.c) of the Articles of Association of ČEZ, a. s. **has reviewed** the presented proposal for distribution of profits of ČEZ, a. s. for 2009, incl. the decision on dividend and royalty payout

and **advises** the General Meeting **to approve** it.