



## Audit Committee Report on the Results of Activities

The Audit Committee of ČEZ, a.s. went through a partial personnel change in 2010. Mr. Martin Kocourek and Mr. Ivan Fuksa left their positions in relation to the assumption of government functions, whereas Mr. Martin Říman and Eduard Janota were co-opted to their positions in September 2010. Due to the withdrawal of appointed members, the Audit Committee also lost its Vice-Chairman (Mr. Kocourek) and its economic expert (Mr. Fuksa), Mr. Eduard Janota was elected its Vice-Chairman at the December meeting of the committee; Mr. Janota has also become responsible for the performance of the position of economic expert.

During 2010, four sessions of the Committee were held in total, whereas in 2011 three sessions were held till April 21<sup>st</sup> 2011 when the Audit Committee negotiated this report.

In these sessions, the Audit Committee dealt with the following topics:

- presentation of the external auditor,
- implementation of the plan of the department of Internal Audit, including adopted changes,
- overall information on significant audit results,
- information on risk management and hedging,
- information on the debt capacity of the ČEZ Group,
- information on the impacts of the financial crisis on the ČEZ Group,
- information on measures to prevent electricity price increases,
- assessment of the external auditor,
- plan of activities of the department of Internal Audit for 2011.

With regard to the discussed issue, the following officials are summoned to participate in the Committee's sessions:

- External auditor team,
- Director of the finance division,
- Directors of the departments of internal audit, risk management and accounting,

and, where appropriate, other senior employees of the company responsible for the activities of the Committee's agenda.

Within the presentation of the external auditor, the Committee especially evaluates the procedure for the preparation of the financial statements of ČEZ and the consolidated financial statements of the ČEZ Group, verifies the effectiveness of the internal control system from the point of view of an external auditor, and monitors the impact of significant changes in accounting standards on the results of the company or the ČEZ Group.



Within the points relating to the internal audit activities of ČEZ, a.s. the Committee monitors the preparation of the annual plan, internal audits, its implementation and reasons for operational changes of the plan. The Committee members also familiarize themselves with the most significant outcomes of the audit activity. Additional information is submitted to some of them at the request of the Audit Committee; the Committee monitors the procedure for the remedy of discovered deficiencies; in 2010 it monitored the progress of remedial measures in the field of ICT system security in this way.

Periodically the Audit Committee is informed on the implications and consequences of the crisis on the company's finances, both in terms of prices of relevant commodities (oil, gas, electricity) and the development of electricity demand, and in terms of impacts on the issue of company financing (especially the debt capacity of the ČEZ Group).

Committee members are respondents of the regular evaluation of the external auditor's activity (along with a team of senior employees and the ČEZ Group), and the Committee consequently discusses the results of this evaluation, including its outputs, with the external auditor. Such an assessment includes a statement regarding the independence of the external auditor from the company's activities, in terms of other services provided by the external auditor's company to ČEZ, a.s.

In the area of the main activities entrusted by the company's Articles of Association and legal regulations of the Audit Committee, i.e. the preparation of the financial statements, including consolidated financial statements, assessing the effectiveness of the internal control system, and the evaluation of the external auditor's independence, no material facts of which the general meeting of stockholders should be informed have been discovered at these company activities - neither during 2010 nor in 2011 until this report was discussed by the Audit Committee. Any minor weaknesses in internal control mechanisms, especially resulting from the findings of the internal auditor, are removed by the application of the adopted remedial measures.

In accordance with its activity under § 44 sec. 4 of Act no. 93/2009 Coll., on auditors, and Art.22 sec. 1 letter e) of the Company Articles of Association, the Audit Committee has recommended to the Board that the General Meeting submits the proposal for the appointment of the auditor to carry out the statutory audit for 2011, namely Ernst & Young Audit, s.r.o.

The audit committee informs the Supervisory Board on its sessions and conclusions on a regular basis and provides it with recommendations upon discussing points, which have been the subject of the Audit Committee's sessions.