



SUPERVISORY BOARD REPORT ON THE RESULTS OF CONTROL ACTIVITIES

Dear Shareholders, Ladies and Gentlemen,

Please allow me to report on behalf of the Supervisory Board of ČEZ, a. s. on its activities for the period since the last ordinary annual General Meeting, which took place on June 26th last year.

In compliance with the Articles of Association of ČEZ, a. s., the Supervisory Board should have twelve members, eight of whom are elected and recalled by the General Meeting and four of whom are elected by employees. Due to personnel changes, the Supervisory Board currently has 7 members elected by the General Meeting, 1 member co-opted by the Supervisory Board and 4 employee representatives. During the period since the annual General Meeting, i.e. from June 26th 2012 to April 30th 2013 (when this report was discussed by the Supervisory Board), the following personnel changes were made:

- during the month of December (December 18th 2012), Mr. Lubomír Poul was elected as a member of the Supervisory Board by the extraordinary General Meeting,
- Mr. Ivo Foltýn resigned as a member of the Supervisory Board; the notification was sent to the Company on March 20th 2013.
- in March (as of March 20th 2013), a new member – Mr. Václav Pačes - was co-opted by the Supervisory Board for the period till the subsequent General Meeting,
- a further change occurred in April this year (April 11th 2013) with the expiration of the mandates of Petr Gross and Lubomír Klosík, who were Supervisory Board members representing employees.
- as of the same day (April 11th 2013), two new Supervisory Board members - Radek Mucha and Jiří Novotný - were elected by employees.

In the recent period (since the last annual General Meeting until April 30th 2013, when the Supervisory Board discussed this report), the Supervisory Board has met ten times, including one extraordinary meeting.

The Supervisory Board meetings were regularly attended by the Chairman of the Board of Directors. Depending on the subject and seriousness of the issue under discussion, respective members of the Board of Directors, Company employees, or representatives of consulting firms were also invited to attend the meeting in a professional capacity.

As part of its auditing activities, the Supervisory Board also cooperated with the Internal Audit Department and the Audit Committee of ČEZ, a. s.

The Supervisory Board operates two working committees:

1. The Personnel Committee of the Supervisory Board (in the recent period 8 meetings were held)
2. The Strategic Committee of the Supervisory Board (in the recent period 7 meetings were held)

As part of its competence, the Supervisory Board recently discussed and acknowledged the resignation of a member of the Board of Directors – Vladimír Hlavinka. In compliance with the Articles of Association of ČEZ, a. s., the Board of Directors must have 7 members. This means, therefore, that it currently lacks the required number of members.

The Supervisory Board has constantly been monitoring the activities of ČEZ, a. s. and the key decisions carried out by the Board of Directors and management; it has dealt with suggestions from its members and the suggestions of Company shareholders, as well as customers of the Company.

In the recent period, the Supervisory Board regularly discussed the impacts of the external environment on the Company's acquisition and investment priorities; for example, it granted prior consent for the realization of decisions to consolidate the portfolio of selected domestic renewable resources of ČEZ, a. s. into the fund of qualified investors.

The Supervisory Board also expressed its positive standpoint towards the Business Plan of ČEZ Group for 2013-2017, and the ČEZ, a. s. budget, as well as the budgets of ČEZ Group subsidiaries for 2012.

During the recent period, the Supervisory Board several times granted its prior consent to the Board of Directors for the realization of decisions regarding personnel deployment, as well as regarding the number of members of Supervisory Boards at companies in which ČEZ, a. s. has a stake of over CZK 500 million.

The subject-matter of Supervisory Board discussions also included several conceptual changes in the Company – mainly in the area of rendering services within the ČEZ Group; furthermore, it also discussed revisions of the Code of Practice and the Signature Code of ČEZ, a. s., to which it expressed its positive standpoint. The Supervisory Board discussed the setting and assessment of the specific tasks of those managers who are at the same time members of the Board of Directors and Division Directors, and also discussed starting up a stock option program for selected managers.

At its meetings, the Supervisory Board dealt with the New Vision action plan, which forms part of the strategic priorities and the main Company objectives of ČEZ, with the potential to have a significant impact on the Company's economic results.

Furthermore, the Supervisory Board also discussed the status of ČEZ, a. s. domestic and foreign investments, the status and development of the debt capacity of the ČEZ Group, the management system and method of hedging risks in the ČEZ Group, the implementation of issuing debt securities and the entering into long-term contracts for the sale of electricity. Also on the agenda were trends and developments in the ČEZ Group's market share, and, for example, the status of lawsuits conducted against ČEZ, a. s. in connection with the elimination of minority shareholders – the so-called "squeeze-out". In addition, the Supervisory Board also discussed the plan for advertising and marketing activities, and gave it their due evaluation.

Furthermore, the Supervisory Board regularly dealt with developments in negotiations with the European Commission in connection with the investigation that has been underway since 2009. At the end of February 2013, the Supervisory Board approved the Company's draft commitments to the European Commission in order to settle the matter at the centre of proceedings being conducted by the European Commission with ČEZ, a. s. The Supervisory Board also dealt with the question of the coal-fired power plants of ČEZ, a. s. and coal supplies, and monitored developments in the contractual relations of Czech Coal and Sokolovská uhelná, a.s. In this connection, it gave its consent to entering into a long-term contract to supply coal to Počerady Power Station until all the coal has been extracted from the open-pit mine at Vršany, to which is connected two options of ČEZ to sell this power plant. The Supervisory Board subsequently gave its prior consent to the decision of the Board of Directors to sell Chvaletice Power Station, subject to agreement with the European Commission.

The Supervisory Board dealt continuously with developments in the regulatory environment of foreign acquisitions and the impacts of the external environment on the ČEZ Group – mainly in Albania, Bulgaria, and Romania. The Supervisory Board discussed and acknowledged information on preparation of the mediation process with the Republic of Albania, and on preparation of the international investment arbitration procedure with the Republic of Albania. The Supervisory Board regularly monitored developments in this situation in connection with the ČEZ Group's operation on the Bulgarian energy market, including monitoring the current situation in Bulgaria. This monitoring was aimed at formulating a risk assessment and possible countermeasures, consisting in lodging a complaint to the European Commission.

Last but not least, the Supervisory Board has been dealing with the development and current status of the complete restoration of power plants and the creation of new energy sources. In this context, the Supervisory Board

discussed regular reports on important investment projects of the ČEZ Group, i.e. especially projects for the complete restoration of the Ledvice, Tušimice II, Počerady, and Prunéřov II power plants. Other projects under discussion were the Fantanele and Cogeaalac Wind Farms in Romania, projects for new energy sources for the nuclear power plants at Temelín and Dukovany, the gas-steam power plants at Mělník and Úžín, and Skawina in Poland, as well as projects for the development and renewal of resources as part of joint ventures in Hungary, Turkey, and Slovakia. In these reports, the Supervisory Board was informed as to the status and development of these investment projects, the technologies used, vendors, the construction schedule and budget spending.

At its meetings, the Supervisory Board regularly examined the monthly, quarterly and annual economic results. I am pleased to state that on behalf of the Supervisory Board I consider the economic results achieved by ČEZ, a. s. in 2012 – in light of the impacts of the competitive environment within the Czech energy market and in light of the negative development of events in Albania and Bulgaria – to be good.

The Supervisory Board, in compliance with Article 18(5)(c) of the Articles of Association of ČEZ, a. s. and the provision of § 66a Subsection 10 of the Commercial Code, has **reviewed** the Report on Relationships Amongst Interconnected Entities for 2012 **and has no objections** to its content.

As to other items on today's agenda of the General Meeting, i.e. items 5 and 6, I would like to share the following standpoints of the Supervisory Board:

as to Item 5:

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

The financial statements of ČEZ, a. s. as of December 31st 2012, incl. the auditor's statement (from February 25th 2013),

The consolidated financial statements of the ČEZ Group as of December 31st 2012, incl. the auditor's statement (from February 25th 2013),

and **did not find any deficiencies or irregularities in the content of these financial statements**, or in the method of their preparation, or in the process of their audit, **and**, based on these facts and with respect to auditor's statements, it **recommends** the General Meeting of ČEZ, a. s. to approve both financial statements.

as to Item 6:

The Supervisory Board, in compliance with Article 18(5)(c) of the Articles of Association of ČEZ, a. s., **has reviewed** the proposal presented for the distribution of profits of ČEZ, a. s. for 2012, incl. the decision on the dividend and royalty payout, **and recommends** the General Meeting to **approve** it.

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

Martin Roman
Chairman of the Supervisory Board of ČEZ, a.s.