



# SUMMARY REPORT PURSUANT TO SECTION 118(8) OF THE CAPITAL MARKET UNDERTAKINGS ACT, ON CERTAIN ASPECTS OF THE EQUITY OF ČEZ, A. S.

**Martin Novák, Vice-Chairman of the Board of Directors**

Dear shareholders, ladies and gentlemen,

Please allow me to now present to you the Summary Report on Certain Aspects of the Equity of ČEZ, a. s.

The summary explanatory report on certain equity aspects pursuant to Section 118(8) of the Capital Market Undertakings Act is based on the requirements set forth in Section 118(5)(a) through Section 118(5)(k) of said Act.

As at December 31, 2014, the Company's stated capital recorded in the Commercial Register totaled CZK 53,798,975,900. It consisted of 537,989,759 shares, with a nominal value of CZK 100 each. The issue price of all shares had been paid up in full. All the shares had been issued as dematerialized bearer securities and had been admitted to trading on a European regulated market.

The Company's share capital is divided exclusively into common shares, with no special rights attached. All of the Company's shares have been admitted to trading on the Prague Stock Exchange in the Czech Republic and the Warsaw Stock Exchange in Poland and are transferable without limitations. No other securities issued by ČEZ, a. s. are limited in their transferability, nor are any special rights attached thereto.

Treasury shares were carried in the amount of CZK 4,381,867,000, which is their historical cost.

Retained earnings and additional paid-in capital totaled CZK 156,714,737,000.

As at December 31, 2014, the following entities were recorded as having stakes of at least 1% in the share capital of ČEZ, a. s.:

- The Czech Republic, represented by the Ministry of Finance of the Czech Republic and the Ministry of Labor and Social Affairs of the Czech Republic, with a combined total stake of 69.78% in the stated capital.  
The Czech Republic's shareholding allows it to exercise direct control over ČEZ using conventional means, in particular by voting at General Meetings. Other shareholders are informed of any negative influence the controlling entity may have on the Company through the Related Parties Report, which is a public document under Czech law and is attached to the Annual Report,
- Clearstream Banking, S.A., having a stake of 3.32% in the share capital,
- Chase Nominees Limited, having a stake of 2.40% in the share capital,
- State Street Bank and Trust Co., having a stake of 1.90% in the share capital,
- Brown Brothers Harriman, having a stake of 1.69% in the share capital,
- Nortrust Nominees Limited, having a stake of 1.67% in the share capital.

These entities have rights pursuant to Section 365 et seq. of the Business Corporations Act.

As regards limitations on voting rights associated with some shares, ČEZ, a. s. as a rule does not execute the voting rights attached to treasury shares that it acquired on the basis of a General Meeting resolution. As at December 31, 2014, ČEZ, a. s. held 3,875,021 treasury shares, i.e. 0.72%.

ČEZ is not aware of any agreements among its shareholders that could result in any limitations on the transfer of its shares or voting rights.

Company's by-laws may be amended by the General Meeting by a qualified, two-thirds majority of votes present.

The Board of Directors is a statutory body managing the Company's activities and acting on its behalf. Members of the Board of Directors are elected and removed by the Supervisory Board by a simple majority vote in compliance with the Company's by-laws. The Board of Directors makes decisions on all Company matters unless they are reserved for the General Meeting, the Supervisory Board, or another body by law or the Company's by-laws. The Board of Directors has no special powers other than those listed above.

ČEZ, a. s. has entered into significant contracts that will become effective, change, or expire if the control over ČEZ changes as a result of a takeover bid. They are the 7th, 8th, 11th, 12th, 13th, 14th, 19th, 20th, 21st, 23rd, 24th, and 30th Eurobond issues; the 1st, 2nd and 4th Namensschuldverschreibung issues; the 1st and 2nd US bond issues; the issue of convertible bonds of February 4, 2014; a bill of exchange program; loan agreements with the European Investment Bank for EUR 100m signed in 2010, for EUR 180m signed in 2011, for EUR 100m signed in 2012, for EUR 200m signed in 2014; and a EUR 200m guarantee agreement with the European Investment Bank made for the benefit of a Romanian subsidiary in 2010. In all of these contracts, the counterparty would be entitled, but not required, to demand early repayment should there be a change in the controlling entity of ČEZ.

At the same time, however, the right to early repayment may only be exercised if Standard & Poor's or Moody's publicly declares or notifies ČEZ in writing that it has reduced ČEZ's credit rating due, in full or in part, to the change in controlling entity. A reduction in the existing credit rating is defined as any change from investment grade to non-investment grade, any lowering of original non-investment grade, or non-determination of investment grade if no rating was given at all. The above reduction would have to take place in the period from the public disclosure of the step that could result in the change in controlling entity to 180 days after the announcement of the change in controlling entity. The counterparty could not exercise its right to early repayment if, following the actual change in the controlling entity, the rating agency re-evaluated its position and restored ČEZ's investment grade or original non-investment grade rating within the period defined above. The contractual provisions on change in control over ČEZ should be seen in the context of ČEZ's credit rating, which in 2014 was A– (with a stable outlook) from Standard & Poor's and A2 (with a negative outlook) from Moody's, i.e. four and five levels, respectively, above the agencies' highest non-investment-grade ratings. The change-of-rating condition does not apply to the loan agreements with the European Investment Bank totaling EUR 780m, under which the counterparty's right becomes effective as soon as the control over ČEZ, a. s. changes.

At ČEZ, remuneration of top managers includes an incentive program that allows them to acquire Company shares. Members of the Board of Directors and selected managers were/are entitled to options on the Company's common shares under the conditions set forth in a stock option agreement.

Under the stock options rules, approved by the General Meeting in May 2008, members of the Board of Directors and selected managers receive options on a certain number of Company shares every year as long as they remain in office. The purchase price per share is determined as the weighted average of prices at which Company shares were traded on the regulated market in the Czech Republic during one month before the annual option date. Stock option beneficiaries may call on the Company to transfer shares up to the number corresponding to a given option grant, no earlier than two years and no later than in the middle of the fourth year after every option grant. The stock options are restricted in that the appreciation of the Company's shares may be at most 100% compared to the purchase price and the option beneficiary must keep on their asset account as many shares of Company stock obtained under that call as corresponds to 20% of the profit realized on the call date until the termination of the stock options plan.

In 2014 there were four people among employees and members of the Board of Directors who owned shares of stock obtained through the stock option plan. None of the people exercised their right to attend the General Meeting of ČEZ, a. s. as a company shareholder or any other associated rights. All four people exercised their right to dividend. According to information submitted to the Company for the purposes of preparing this report, no beneficiary of the stock option plan transferred any separately transferable right attached to their shares to any third party.