



AUDIT COMMITTEE REPORT ON THE RESULTS OF ITS ACTIVITIES

Dear shareholders, ladies and gentlemen,

Please allow me to present to you, on behalf of the Audit Committee of ČEZ, a. s., the report on the results of its activities.

Introduction

Since the 2015 General Meeting, the Audit Committee of ČEZ, a. s. ("Committee") has worked at full strength, i.e. with five members, in compliance with applicable law, the Articles of Association of ČEZ, a. s., and the Committee's Rules of Procedure. Mr. Jan Vaněček was elected as Chairman of the Committee at the Committee meeting held on September 25, 2015.

The Committee held a total of 4 meetings in 2015; there have been 2 Committee meetings held in 2016 until the date of this General Meeting.

At its meetings, the Audit Committee dealt with the following in particular:

- Continuous monitoring of the procedure of compiling non-consolidated financial statements and consolidated financial statements (discussion with Company management representatives),
- Continuous monitoring of the process of the statutory audit of non-consolidated financial statements and consolidated financial statements (the external auditor's presentation on the course of the audit of financial statements and discussion with the external auditor),
- Assessment of the external auditor (in particular, assessment of the auditor's independence and audit quality),
- Recommendations on appointing the auditor to perform the statutory audit in 2016,
- Fulfillment of Internal Audit's plan for 2015 (including adopted amendments and a review of the adequacy of Internal Audit's resources),
- Debate on the results of conducted internal audits (key findings and recommendations),
- Monitoring of the implementation of corrective measures from conducted internal audits,
- Debate on Internal Audit's plan of activities for 2016,
- Approval of the Statutes of the Internal Audit Function,
- Information about the impacts of the external environment on CEZ Group,
- Debate on Risk Management Reports at CEZ Group,
- Debate on insurance at CEZ Group,
- Assessment of the impacts of amendments to the Auditors Act on Committee activities,
- Compilation of the Committee's report for the General Meeting of shareholders.

With respect to the issues concerned, the Committee regularly invites to its meetings:

- the external auditor's representatives,
- Chief Financial Officer,
- heads of Internal Audit, Risk Management, and Accounting,

as well as other Company managers responsible for the activities discussed by the Committee, if necessary.

Financial Statements and External Audit

During the external auditor's presentations, the Committee assesses, in particular, the procedure of compiling the financial statements of ČEZ, a. s. and consolidated financial statements of CEZ Group, monitors how the efficiency of the Company's internal control system is verified from the external auditor's point of view, and monitors the effect of major changes in accounting standards on the Company's and/or CEZ Group's results.

Based on the General Meeting's decision of June 12, 2015, external audit in CEZ Group was conducted by Ernst & Young Audit s.r.o. The Audit Committee was continually informed at its meetings by the external auditor about the audit schedule, about its crucial stages, as well as about major facts from the audit. The Committee's agenda focused on selected important audit areas and audit processes from the perspective of the preparation of data and information entering the financial statements. The important areas of CEZ Group audit in 2015 included, in particular:

- Testing of goodwill and assets for devaluation (especially the Romanian wind parks, Bulgarian distribution, and generation assets of ČEZ, a. s.),
- Provisions for nuclear decommissioning,
- A change in the estimate of unbilled electricity,
- Provision for litigation and contingent liabilities.

At its meetings held on February 24, 2016 and on April 26, 2016, the Audit Committee then reviewed the procedure of compiling the financial statements and consolidated financial statements for 2015 as well as the process of conduct of the statutory audit. It also reviewed the statutory auditor's and the audit firm's declaration of their independence from the audited entity (including the provision of additional non-audit services) and did not find any flaws in this respect.

The Audit Committee also acknowledged the independent auditor's opinion on the financial statements of ČEZ, a. s. and the consolidated financial statements of CEZ Group as at December 31, 2015 saying that they audited the financial statements and in their opinion the financial statements present fairly, in all material respects, the Company's and CEZ Group's financial position. Its financial performance and its cash flows for the year then ended are in accordance with International Financial Reporting Standards, as adopted by the EU.

Committee members are respondents of regular assessment of the external auditor's activities (together with a team of Company and CEZ Group managers) and the Committee then debates the results of the assessment, including its outputs for the external auditor. Such assessment includes a look at the external auditor's independence from Company activities in respect of other services provided to ČEZ, a. s. by the external auditor's company.

At its meeting held on December 10, 2015, the Audit Committee, in accordance with its powers pursuant to Section 44a of Act No. 93/2009 Sb., on auditors, as amended, debated and recommended the Supervisory Board of ČEZ, a. s. to propose to the General Meeting that it appoint the external auditor to perform the statutory audit for 2016, namely Ernst & Young Audit, s.r.o.

Internal Audit and Internal Control System

The Committee monitors the efficiency of internal audit at ČEZ, a. s. and ensures its functional independence. As part of this, it discusses the annual plan for internal audits and monitors its fulfillment (with effect from January 1, 2016, the Audit Committee approves the internal audit plan and/or amendments thereto). It debates quarterly the results of audit activities, i.e. particularly the key findings and recommendations of conducted audits. Likewise, it debates detailed reports on the implementation of corrective measures from conducted audits. This ensures that the Committee stays informed of not only identified shortcomings but also the progress of correction, especially in terms of the efficiency of internal controls. The Committee also reviews the adequacy of Internal Audit's resources (including the remuneration of the Director of Internal Audit).

A total of 39 audits were conducted within CEZ Group in 2015: 14 audits at ČEZ, 17 audits at its Czech subsidiaries, and 8 audits at foreign shareholdings of ČEZ, a. s. The results of the audits allow us to state that the internal control system in CEZ Group is effective; possible shortcomings limiting its full effectiveness in some cases are dealt with on an ongoing basis, also following on from the outputs of audit activities. The implementation of corrective measures from conducted audits is also very good. The audits conducted in 2014 and 2015 resulted in a total of 730 corrective measures, of which only 2 measures (i.e. less than 0.5%) were not implemented by

the original deadline (in particular due to dependence on other corporate processes). An alternative deadline has been set for each unimplemented corrective measure and Internal Audit keeps monitoring them. In addition, the efficiency of the internal control system was enhanced in 2015 by developing CEZ Group's Ethical Behavior Policy (implementing a conflict of interest policy).

The Committee also concerned itself with preliminary information concerning the issue of inconclusive welds at the Dukovany Power Plant.

At the end of 2015, the Audit Committee debated the plan of activities of ČEZ, a. s. Internal Audit for 2016, based on the medium-term strategy for internal audit at CEZ Group. The strategy is based on systematic assessment of the level of risk involved in all key activities/processes at CEZ Group. The systematic approach allows periodically reviewing the control mechanisms in individual areas depending on their level of risk and thus performing one of the Committee's main functions, namely to assess the efficiency of the internal control system of ČEZ, a. s. / CEZ Group. The plan of activities of ČEZ, a. s. Internal Audit includes a total of 36 audits (plus a reserve for extraordinary audits), consisting of 13 audits at ČEZ, a. s., 16 audits at the Czech subsidiaries of ČEZ, a. s., and 7 audits at ČEZ's foreign shareholdings.

Risk Management and Impacts of the External Environment

The Committee also regularly debated interim reports on CEZ Group's risk management at its meetings. At its meeting held on April 26, 2015, the Committee also debated the Summary Report on the Risk Management System, Risk Overview, and Risk Provisions.

The Committee is regularly informed about the impacts of the external environment on the Company's financial performance in respect of the prices of relevant commodities (crude oil, gas, electricity) and trends in demand for electricity as well as in respect of impacts on Company financing (especially CEZ Group's debt capacity). Another major topic was developments in the Company's Balkan acquisitions, with the Committee focusing on the Board of Directors' steps to mitigate the impacts of negative developments in Bulgaria and Romania on the results and value of ČEZ, a. s.

Conclusion

The Committee regularly provides information on its meetings and conclusions to the Company's Supervisory Board, making recommendations for debate on items that were debated by the Audit Committee.

In conclusion, the Committee can state that it has not identified any substantial facts that the General Meeting of shareholders should be informed of concerning the Company's principal activities that the Committee is entrusted with by the Company's Articles of Association and general legislation (i.e. the compilation of financial statements, including consolidated financial statements; the process of execution of the statutory audit; assessment of the efficiency of the internal control system, internal audit, and risk management; and assessment of the external auditor's independence) during 2015 or during the part of 2016 elapsed until the date of this General Meeting. In 2016, the Committee will continue to concern itself with the impacts of inconclusive welds at the Dukovany Power Plant, in particular impacts on the internal control system.

Ladies and gentlemen, dear shareholders, thank you for your attention.

Jan Vaněček

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