



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 Committee activities in the period between the General Meetings in 2018 and 2019.

Introduction

Pursuant to the Company's Articles of Association, the Audit Committee of ČEZ, a. s. ("Committee") has five members. The Committee worked fully staffed in compliance with applicable law, the Articles of Association of ČEZ, a. s., and the Committee's Rules of Procedure. As at the date on which this report was debated by the Committee, that is, April 24, 2019, the Committee had the following members:

- Jan Vaněček, Committee Chairman
- Otakar Hora, Committee Vice-Chairman
- Andrea Lukášíková, Committee member
- Tomáš Vyhnánek, Committee member
- Jiří Pelák, Committee member

A total of five Committee meetings were held in the period from the June 2018 General Meeting to the date of this General Meeting (two in 2018 and three in 2019).

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

- Continuous monitoring of the procedure of preparing the financial statements of ČEZ, a. s. and the consolidated financial statements of CEZ Group for 2018
- Continuous monitoring of the process of the statutory audit of the financial statements of ČEZ, a. s., and the consolidated financial statements of CEZ Group for 2018
- Approval of the statutory auditor's non-audit contracts and assessment of the statutory auditor's independence
- Monitoring of the effectiveness of internal audit, internal control, and risk management within CEZ Group
- Recommendation on the appointment of a statutory auditor to perform the statutory audit in 2019
- Fulfillment of Internal Audit's plan for 2018 (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
- Approval of Internal Audit's plan of activities for 2019
- Information about the impacts of the external environment on CEZ Group
- Debate on CEZ Group Risk Management Reports
- Informing the Supervisory Board of ČEZ, a. s., on how the statutory audit contributed to ensuring integrity of accounting and financial reporting systems

- Preparation of the Committee's report for the General Meeting of shareholders
- Preparation of an award procedure to select the statutory (external) auditor

In view of the issues debated, Committee meetings are regularly attended by:

- Representatives of the statutory auditor
- Chief Financial Officer
- Heads of Internal Audit, Risk Management, and Accounting

Financial Statements and Statutory Audit Thereof

At its meetings (there had been four meetings by the date of the financial statements), the Committee focused on monitoring the procedure of preparing the financial statements, particularly in areas affected by changes to accounting standards, and on the accounting treatment of major transactions.

Based on the General Meeting decision of June 22, 2018, the statutory (external) audit was conducted by Ernst & Young Audit, s.r.o. At its meetings, the Committee was continually informed by the auditor about the audit schedule, its crucial stages, as well as major findings of the audit. The Committee meetings focused on selected key audit areas in regard to their importance and information entering the financial statements. The March 14, 2019, Committee meeting concerning financial statements was also attended by members of the Company's Supervisory Board. Important discussed areas of the audit and of the financial statements of ČEZ, a. s., and the consolidated financial statements of CEZ Group for 2018 included, in particular:

- Derivative transactions and commodity contracts, including value measurement and hedge accounting
- Testing the value of goodwill and other assets for value reduction (especially the Romanian wind parks and Romanian distribution, ČEZ Teplárenská, a.s., and Turkish companies)
- Assets held for sale (Bulgarian companies)
- Unbilled revenue from delivered electricity and its distribution
- Implementation of the IFRS 9, IFRS 15, and IFRS 16 accounting standards

The focus of the statutory audit and the Committee's activities on these important areas helps ensure the integrity of the financial statements and that the financial statements as a whole truly and fairly present the assets, liabilities, equity, profit or loss, and financial position of ČEZ and CEZ Group.

The Committee also reviewed the statutory auditor's and the audit firm's declaration of their independence from the audited entity and approved, on a running basis, the provision of additional non-audit services. The Committee did not find any flaws in these respects.

Finally, the Audit Committee reviewed the procedure of preparing the financial statements and consolidated financial statements for 2018 as well as the process of conducting the statutory audit. The Committee also took note of the independent auditor's opinion on the financial statements of ČEZ, a. s., and the consolidated financial statements of CEZ Group prepared as at December 31, 2018, stating that the independent auditor had audited the financial statements and that in their opinion they give a true and fair view of the financial position as at December 31, 2018, and the financial performance and cash flows for the year ended on December 31, 2018, in accordance with International Financial Reporting Standards as adopted in European Union legislation.

The Committee informed the Supervisory Board of the above-mentioned facts at the Supervisory Board's meeting held on March 28, 2019.

At its meeting held on December 18, 2018, the Audit Committee, in accordance with its powers pursuant to Section 44a of Act No. 93/2009 Sb., on auditors, as amended, debated and made a recommendation that the Supervisory Board of ČEZ, a. s., propose to the General Meeting the appointment of Ernst & Young Audit, s.r.o., as the auditor to conduct the statutory audit for 2018.

Internal Audit and Internal Control System

The Committee monitors the effectiveness of internal audit at ČEZ, a. s., and reviews its functional independence. As part of this, it approves the annual plan for internal audits and monitors its fulfillment. It debates on a quarterly basis the results of audit activities, in particular, the key findings and recommendations of conducted audits. Likewise, it debates 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 effectiveness of internal controls.

A total of 39 audits were conducted in 2018: 11 audits at ČEZ, a. s.; 20 audits at the Czech subsidiaries of ČEZ; and 8 audits at ČEZ's foreign shareholdings. The results of those audits allow us to say that the internal control system at CEZ Group is effective. Likewise, the external statutory auditor did not identify any serious shortcomings in CEZ Group's system of internal financial control during their review of the financial statements and consolidated financial statements for 2018.

At the end of 2018, the Audit Committee approved the plan of activities of Internal Audit of ČEZ, a. s., for 2019, 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 control mechanisms in individual areas depending on their level of risk and thus performing one of the Committee's main functions, namely to monitor the effectiveness of the internal control system of ČEZ, a. s./CEZ Group.

Risk Management and Impacts of the External Environment

The Committee also regularly debated interim reports on CEZ Group's risk management at its meetings.

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).

Conclusion

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 principal activities that the Committee is entrusted with by the Articles of Association and general legislation (that is, monitoring of the process of preparation of financial statements, including consolidated financial statements; the process of execution of the statutory audit; assessment of the effectiveness of the internal control system, internal audit, and risk management; and assessment of the external auditor's independence) during 2018 or during the part of 2019 elapsed until the date of this General Meeting.

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

Jan Vaněček

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