



PRE Group
Annual Report **2019**



Cover photo:

The façade of the Main Point Pankrác office building cleans the surrounding air using a special technology. The air-cleaning technology is as powerful as approximately 100 fully grown trees.

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PRE Group

Pražská energetika, a.s., (PRE) and its subsidiaries are a modern integrated corporate energy group, whose principal activities include electricity and gas sales and trading, electricity distribution, the generation of electricity from renewable sources and the provision of energy services.

PRE has a more than one hundred and twenty year long history of supplying electricity and developing the electricity system in Prague. It dates back to 1897, when the Electricity Works of the Royal Capital City of Prague (Elektrické podniky královského hlavního města Prahy) was founded. Today, with its more than 809 thousand consumption points, the PRE Group is the third largest electricity supplier in the Czech Republic, operating a high quality and reliable distribution network. As part of its activities, it supports state-of-the-art technological solutions and provides consultancy on the implementation of innovative technologies and energy savings. Last year, it distributed almost 6.30 TWh of electricity on all voltage levels to end customers and generated 28.99 GWh of electricity from renewable sources.

In 2019, the PRE Group consisted of the parent company Pražská energetika, a.s., and its subsidiaries: PREdistribuce, a.s., PREměření, a.s., eYello CZ, k.s., KORMAK Praha a.s., PREservisní, s.r.o., PREzákaznická, a.s., VOLTCOM, spol. s r.o. (since 30 April 2019).

The PRE Group also includes the 100% subsidiaries of PREměření, a.s.: PRE FVE Světlík, s.r.o., SOLARINVEST – GREEN ENERGY, s.r.o., FRONTIER TECHNOLOGIES, s.r.o., WINDING WE NORTH a.s., and its 100% subsidiary of PRE VTE Částkov, s.r.o. (since 19 December 2019). The PRE Group also includes PREnetcom, a.s., a 100% subsidiary of PREdistribuce, a.s.

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Licence overview

Pražská energetika, a.s.

- Electricity trading licence from 17 January 2007, renewed until 16 January 2022
- Gas trading licence from 12 January 2011, renewed until 12 January 2021

PREdistribuce, a.s.

- Electricity distribution licence from 1 January 2006 for an indefinite period of time

PREměření, a.s.

- Electricity generation licence from 17 May 2010 to 17 May 2035
- Electricity distribution licence from 31 October 2016 for an indefinite period of time

PRE FVE Světlík, s.r.o.

- Electricity generation licence from 4 December 2009 to 4 December 2034

PRE VTE Částkov, s.r.o.

- Electricity generation licence from 3 July 2009 to 3 July 2034

eYello CZ, k.s.

- Electricity trading licence from 27 September 2012 to 26 September 2022
- Gas trading licence from 27 September 2012 to 26 September 2022

PRE Group companies

The complete scope of the business activities is stated in the company's Articles of Association and in the relevant registers.

Pražská energetika, a.s. (PRE)

Trading in electricity and gas

ID No.: 60193913

Prague 10, Na Hroudě 1492/4

PREdistribuce, a.s. (PREdi)

Electricity distribution in Prague and Roztoky, planning the renovation and development of the distribution system, construction, operation, administration and maintenance of the distribution system equipment

ID No.: 27376516

Prague 5, Svornosti 3199/19a

PREměření, a.s. (PREm)

Repairs, installations and readings of electricity meters in the PRE supply territory, electricity generation, energy services

ID No.: 25677063

Prague 10, Na Hroudě 2149/19

eYello CZ, k.s. (eYello)

Trading in electricity and gas, production, trading and services not listed in Appendices No. 1–3 of the Trade Licensing Act

ID No.: 25054040

Prague 10, Kubánské náměstí 1391/11

KORMAK Praha a.s. (Kormak)

Design and construction of energy networks – LV, MV and HV transformer stations and line constructions

ID No.: 48592307

Prague 10, K Sokolovně 667

PREservisní, s.r.o. (PREs)

Lease of real estate, flats and non-residential premises

ID No.: 02065801

Prague 10, Na Hroudě 1492/4

PREzákaznická, a.s. (PREzak)

Production, trading and services not listed in Appendices No. 1–3 of the Trade Licensing Act, lease of real estate, flats and non-residential premises

ID No.: 06532438

Prague 10, Na Hroudě 1492/4



The building is equipped with charging stations for electric cars and bikes, energy efficient lighting as well as rainwater and greywater collection systems.

The DOCK IN THREE building obtained the LEED Gold environmental certification for sustainable projects.



VOLTCOM, spol. s r.o. (Voltcom) *

Design of constructions, installations, repairs, inspections and testing of electrical equipment, production, installation and repair of electrical machinery and devices and electronic and telecommunication equipment

ID No.: 44794274

Prague 6, Otevřená 1092/2

PREnetcom, a.s. (PREnetcom)

Production, installation and repair of electrical machinery and devices and electronic and telecommunication equipment

ID No.: 06714366

Prague 10, Na Hroudě 1492/4

SOLARINVEST – GREEN ENERGY, s.r.o. (Solarinvest)

Installation, repairs, inspections and testing of electrical equipment, execution of constructions, their alterations and demolitions, installation, repair and renovation of cooling systems and heat pumps, design of constructions

ID No.: 28923405

Prague 10, Na Hroudě 2149/19

FRONTIER TECHNOLOGIES, s.r.o. (Frontier)

Production, installation and repair of electrical and telecommunication devices, installation, repairs, inspections and testing of electrical equipment

ID No.: 27234835

Prague 10, Na Hroudě 2149/19

PRE FVE Světlík, s.r.o. (PRE FVE Světlík)

Electricity generation, production, trading and services not listed in Appendices No. 1–3 of the Trade Licensing Act

ID No.: 28080378

Prague 10, Na Hroudě 2149/19

WINDING WE NORTH a.s. (Winding) **

Production, trading and services not listed in Appendices No. 1–3 of the Trade Licensing Act

ID No.: 27831248

Prague 10, Na Hroudě 2149/19

PRE VTE Částkov, s.r.o. (PRE VTE Částkov) ***

Electricity generation

ID No.: 27966216

Prague 10, Na Hroudě 2149/19

* VOLTCOM, spol. s r.o., became part of the PRE Group on 30 April 2019.

** WINDING WE NORTH a.s., became part of the PRE Group on 19 December 2019.

*** PRE VTE Částkov, s.r.o., became part of the PRE Group on 19 December 2019.



PRE corporate bodies

Board of Directors as of 31.12.2019

Pavel Elis

Chairperson

Alexander Manfred Sloboda

Vice-chairperson

Radim Kříž

Member

Markus Baumgärtner

Member

Jan Chabr

Member since 16.5.2019 to 19.6.2019

Marek Ženíšek

Member since 24.9.2019, vice-chairperson since 29.10.2019

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Supervisory Board as of 31.12.2019

Jan Chabr

Member since 21.6.2019, vice-chairperson since 23.9.2019

Bernhard Beck

Vice-chairperson

Franz Retzer

Member

Fabian Spalthoff

Member

Stefan Theo Webers

Member

Jörg Reichert

Member

Matej Šandor

Member since 21.6.2019

Michael Koch

Member since 21.6.2019

Jaroslav Štěpánek

Chairperson until 20.6.2019

Monika Hášová

Member until 20.6.2019

Jan Sixta

Member until 20.6.2019

Works Council as of 31.12.2019

Jan Pokorný

Chairperson

Alena Šafrová

Vice-chairperson

Miroslava Svobodová

Member

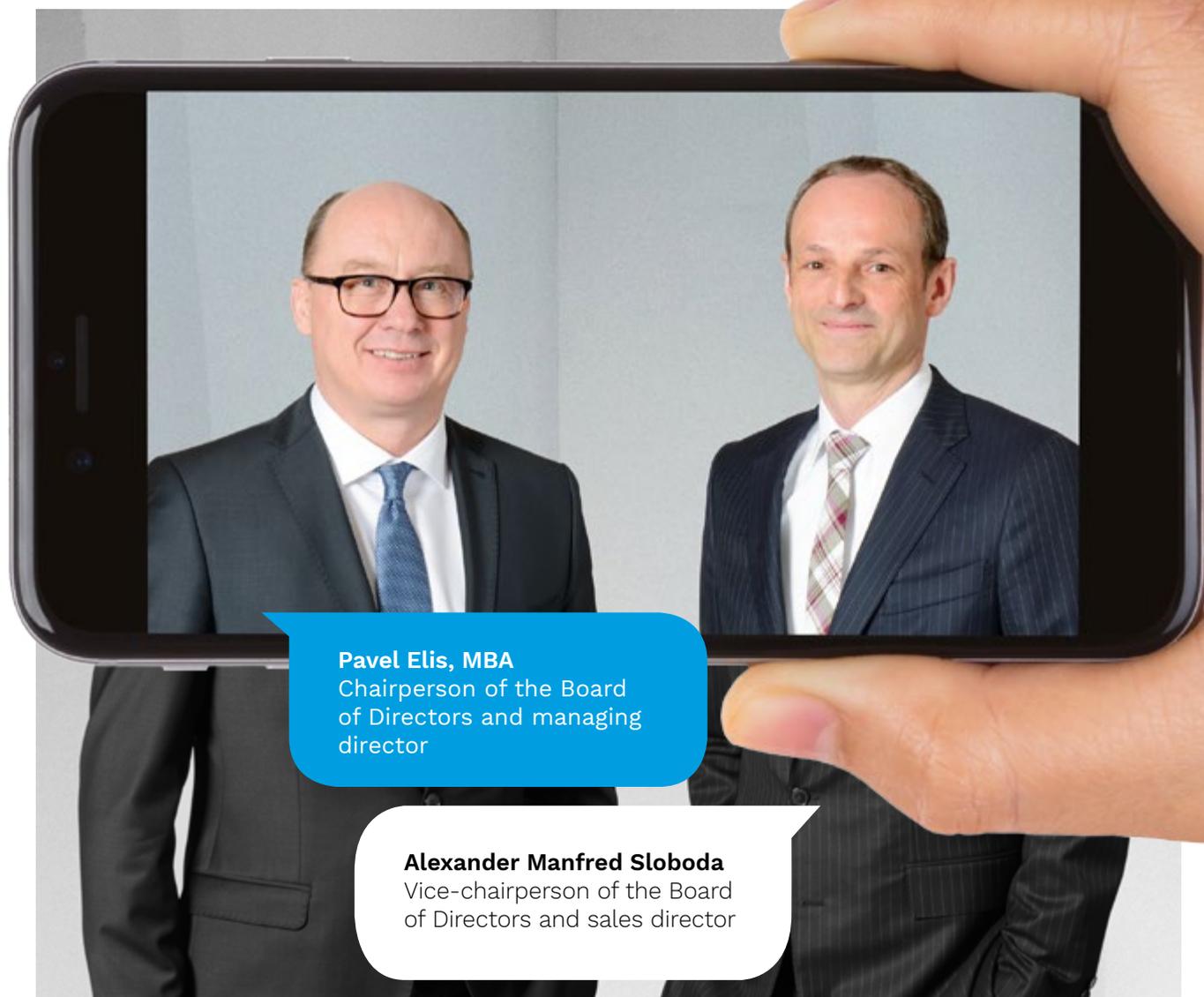
Martin Votava

Member

In 2019, no members of the company bodies were subject to a conflict of interest or infringed prohibition of competition.

Management of the PRE Group companies as of 31.12.2019

Pražská energetika, a.s.



Pavel Elis, MBA
Chairperson of the Board
of Directors and managing
director

Alexander Manfred Sloboda
Vice-chairperson of the Board
of Directors and sales director

PREdistribuce, a.s.

Milan Hampl

Chairperson of the Board of Directors
and managing director

Petr Dražil

Vice-chairperson of the Board of Directors
and director of the Regulated Assets division

PREměření, a.s.

Aleš Staněk

Chairperson of the Board of Directors
and managing director

Rudolf Červenka

Vice-chairperson of the board of directors
and director of the Energy Services division

eYello CZ, k.s.

Michal Kulig

Managing director

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KORMAK Praha a.s.

Radek Matuszny

Chairperson of the Board of Directors
and managing director

Tomáš Kocourek

Vice-chairperson of the Board of Directors
and finance director

PREservisní, s.r.o.

Karel Urban

Authorised representative and managing director

Miloslav Nergl

Authorised representative and director
of the Support Services division

PREzákaznická, a.s.

Roman Kronus

Chairperson of the Board of Directors
and managing director

VOLTCOM, spol. s r.o. (since 30.4.2019)

Milan Válek

Chairperson of the Council of Authorised Representatives

Vladimír Křížek

Member of the Council of Authorised Representatives

Alois Kaláb

Member of the Council of Authorised Representatives

Jan Šrajer

Member of the Council of Authorised Representatives

PRE FVE Světlík, s.r.o.

Aleš Staněk

Authorised representative

PREnetcom, a.s.

Petr Dvořák

Chairperson of the Board of Directors
and managing director

SOLARINVEST – GREEN ENERGY, s.r.o.

Aleš Hradecký

Authorised representative

Jakub Vančura

Authorised representative

FRONTIER TECHNOLOGIES, s.r.o.

Gabriel Lukáč

Authorised representative

Tomáš Kocourek

Authorised representative

WINDING WE NORTH a.s. (since 19.12.2019)

Roman Tupý

Member of the Board of Directors

PRE VTE Částkov, s.r.o. (since 19.12.2019)

Aleš Staněk

Authorised representative



Report of the Board of Directors on Business Activities

Report of the Board of Directors on the Company's Business Activities and Assets for 2019

Pražská energetika, a.s., (PRE) and its subsidiaries are a stable and prosperous energy corporate group with more than a hundred and twenty year long history. Its mission is to be a reliable partner in supplying, generating and selling energy and providing related services in Prague and the Czech Republic. As of the end of 2019, the PRE Group companies had more than 1,500 employees.

The principal shareholders of PRE are Pražská energetika Holding a.s., which is jointly controlled by the Capital City of Prague and EnBW Energie Baden-Württemberg AG (EnBW), and EnBW. The support of its shareholders and mutual cooperation are among the pillars of PRE's success.

As the parent company, PRE leads the expanding PRE Group, which includes the following subsidiaries: PREdistribuce, a.s., (PREdi), PREměření, a.s., (PREm), eYello CZ, k.s., (eYello), KORMAK Praha a.s. (Kormak), PREservisní, s.r.o., (PREs), PREzákaznická, a.s., (PREzak), PREnetcom, a.s., (PREnetcom), PRE FVE Světlík, s.r.o., SOLARINVEST – GREEN ENERGY, s.r.o., (Solarinvest), FRONTIER TECHNOLOGIES, s.r.o., (Frontier) and since 2019 also VOLTCOM, spol. s r.o., (Voltcom), WINDING WE NORTH a.s. (Winding) and PRE VTE Částkov, s.r.o.

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In their activities, all of the companies follow strict ethical standards, which primarily include the responsible attitude towards society, the environment and their own employees. PRE's business activities adhere to the principles of sustainable development and their aim is to contribute to improving the quality of life. To ensure growth of the company's value, the corporate culture accents constant improvement of internal efficiency, innovation, and the support of employee initiative and activities. The company founds its position on mutual trust with customers and partners, a proactive approach to business development and professionalism and attentiveness of all employees.

Economic and political situation

The European energy market is heading towards ever-greater decentralisation, use of renewable sources and energy savings. In these fields PRE actively seeks new opportunities and markets. Technological innovations are bound to shape the future of the energy sector. In view of this, PRE plays an important and pro-active role. It sees the greatest potential in smart grids, decentralised energy sources and energy efficiency technological solutions, which help customers better control their energy consumption and optimise their costs.

The trends in the energy sector will be greatly influenced by the implementation of the 2030 EU energy and climate objectives. Following long and difficult discussions, it was agreed to strengthen the targets on the use of energy from renewable sources and energy efficiency. EU Member States shall specify how these objectives are to be fulfilled in their integrated national energy and climate plans. The binding renewable energy target was increased from a 27% to 32% share of final energy consumption in 2030. In electricity generation, this will result in more than a 50% share of electricity generation from renewable sources. We believe that the growth of photovoltaic electricity generation will push the on-peak energy prices further down. However, the instability of weather-dependant energy supply will exacerbate price volatility, which will necessitate greater flexibility of both energy output and energy consumption. It will also lead to innovations in energy storage. Thanks to technological advances and incentives for

development of renewable energy sources, the development of renewable energy will come at a significantly lower cost. Accordingly, the target of energy efficiency was increased to 32,5% in 2030, up from the previous 27%. In order to decarbonise the transport and heating sectors, their electrification will become inevitable, which will boost the demand for electricity. If Europe wishes to reduce its emissions, significant electrification is its winning strategy. According to Eurelectric's annual report, the share of electricity in total energy consumption should increase from 22% to 48%.

In 2019, Regulation (EU) 2019/943 of the European Parliament and of the Council on the internal market for electricity was adopted. This important piece of legislation aims at providing the basis for achieving the objectives of the energy union and, at the same time, it strives to establish the 2030 climate and energy policy framework. The regulation has direct effect in the sense that its transposition does not necessitate adoption of any other national legal acts. It can be expected, however, that some of its provisions will be further dealt with in the national law of the Czech Republic. The amendment to Act No. 485/2000 Coll., the Energy Act, presented to the Chamber of Deputies in July 2018, as well as the proposed amendment to Act No. 165/2012 Coll., on promoted energy sources, were not adopted by the Parliament in 2019. 2020 will probably see the transposition of obligations arising from the decision of the European Commission to adopt specific steps in order to verify the proportionality of support. Furthermore, more legislative work can be expected to be done in order to meet the national renewable energy resources target.

Economic results in 2019

In 2019, the Czech economy sustained its steady growth of 2.5%. This favourable situation is due to a strong domestic demand. To a limited extent, this was reflected in electricity consumption, whose average yearly result stagnated. The only exception to this trend was the household consumption, which saw a moderate increase.

In 2019, PRE succeeded in fulfilling its growth strategy. Its EBITDA amounted to CZK 5,051 million, exceeding CZK 5 billion for the first time in history. This represents a 3.7% increase year-on-year. The total gross margin amounted to CZK 7,034 million (+0,9%), thanks to acquiring new clients the gas supply to end costumers increased by 21.2%, and the revenue from electricity generation increased by 0.7%. The consolidated net profit after tax totalled CZK 2,851 million.

These very good results were achieved despite a stagnating energy market and exceptionally warm winter weather. The volume of electricity supplies decreased by 82 GWh year-on-year, the amount of distributed energy in the licensed territory decreased by 31 GWh year-on-year, and the volume of electricity generated from renewable sources was maintained at the 2018 levels.

The growth of the total gross margin of the PRE Group was primarily driven by the increase in electricity supplies margins (+ CZK 104 million), while gas supplies margins decreased (- CZK 31 million) due to a warm winter. Distribution margins remained more and less the same (- CZK 12 million).

The year-on-year change in operating expenses and revenue had a positive impact on EBITDA, amounting to CZK 278 million. The most significant savings were made in rentals (CZK 156 million due to the implementation of the new IFRS 16 accounting standard). The second significant item was the restructuring of PRE through the transferral of chosen activities into PREservisní.

The year-on-year increase in personal expenses is due to several factors: inclusion of new acquisitions in the consolidation, updating provisions and the IAS 19 parameters as well as a higher number of employees.





The Garden Towers Residence is the largest residential complex in the Czech Republic. It offers more than 600 apartments to 2,000 residents.

It was constructed on the premises of a former multi-storey car park, warehouses and workshops.

The application of the IFRS 16 accounting standard impacted the reporting of leases. In case of PRE, lease contracts on the installation of cables in tunnels and collectors owned by the Capital City of Prague, lease contracts connected to the installation of distribution transformer stations at privately-owned premises and contracts on the lease of a customer centre were reclassified. As a result, non-current assets and liabilities increased and assets and liabilities relating to lease contracts were reported in the balance sheet. At the same time, depreciation and amortisation in the profit and loss statement increased by CZK 148 million.

Other balance sheet items remained stable year-on-year. In 2019, the PRE Group generated consolidated operating cash flow of CZK 3,912 million.

In 2019, capital expenditures (CAPEX) amounted to CZK 1,943 million, which corresponds to the trend from the previous years. In the segment of development investments, the companies of Voltcom, Winding and PRE VTE Částkov were acquired.

Equity attributable to the parent company's shareholders increased to CZK 18,495 million (+ CZK 700 million) year-on-year. The fact that the share of equity exceeds 58% creates good conditions in the long term for PRE to implement ambitious growth plans and make related investments.

In 2019, the company's return on capital employed (ROCE) was 15.4%, which proves its long-term high performance.

Pražská energetika, a.s. – business activities

PRE's strategic goal is to maintain its electricity supply market share in the long term and gradually increase its share of gas supply in the Czech Republic. PRE trades in electricity and gas under the PRE and Yello brands in its distribution territory as well as outside it.

The separate economic results after tax amounted to CZK 2,635 million, exceeding the 2018 result by almost CZK 300 million.

Price developments in the wholesale electricity market were in 2019 much more constant and stable. The average electricity prices in the Czech market are, to a large extent, influenced by electricity price developments in Germany, where electricity from renewable sources is increasingly developed, supplementing conventional energy sources, especially coal. The share of electricity generated from renewable sources in net electricity production totalled 46%. While in 2018 electricity prices increased due to a higher price of emission allowances and commodities, the price of commodities moderately decreased in 2019. In 2019, the basic area price for energy supply in the Czech Republic for 2020 was between 45-55 EUR/MWh. In the first half of 2019, prices were kept relatively stable around 50 EU/MWh. They hit their highest during summer heat waves at the end of July and beginning of August, soaring temporarily above 55 EUR/MWh. Then, prices started to decrease, amounting to 45 EUR/MWh at the end of 2019. Gas prices remain under pressure due to warm winters in Europe and in Asia as well as the increase in European LNG imports.

In 2019, PRE procured both electricity and gas for its customers on futures and intraday markets in the Czech Republic and in Germany. This procurement strategy aims at ensuring better purchase prices and, as a result, better sale prices for end customers. PRE continues to purchase electricity from renewable sources of energy located in the Czech Republic. It newly buys certificates of Guarantees of Origin (GOs) in the Czech Republic and abroad.

In 2019, PRE supplied 5,936 GWh of electricity and 469 GWh of gas to its customers. In the B2C segment, the number of consumption points for supplied electricity and gas (under the PRE or Yello brand) increased. As a result, the total number of consumption points in the supply segment exceeded for the first time 700 thousand at the end of 2019.

In 2019, a new call centre for our customers was inaugurated in Nymburk and new digital processes streamlining the communication between energy supplier and customers were implemented. These tools optimise other internal processes, such as the ILQpay online payment system. We are actively seeking new and innovative forms of cooperation with our partners, exploring new possibilities, such as a strategic partnership with one well-known bank.

In response to changing external conditions, we were forced to adjust electricity prices. We took this step with the highest possible degree of attentiveness towards our customers and only once, unlike many of our competitors, who adopted this unpopular strategy several times. Moreover, PRE guarantees to its customers that prices of the majority of its products will be maintained at least until mid-2020, which makes PRE the best option in terms of prices among all the suppliers in the Czech market. In recognition of the high quality of our services and excellent economic results, our company was awarded in 2019 the label of excellence Superbrands.

PRE very actively engages in electromobility and smart city infrastructure. In 2019, the company installed its ninth quick-charge station, including an ultra quick-charge station with capacity of 150 kW, which can fully charge an electric car in tens of minutes. A large number of standard PREpoint charging stations were implemented, too. The number of customers using PREpoints increased again two-fold year-on-year. PRE implements two comprehensive projects related to public charging stations. Both were selected by the Czech Transport Ministry for funding under the Transport Operational Programme. The first project, Pátevní síť PRE (PRE Backbone Network), aims at building a nation-wide network of 125 quick-charge stations for electric vehicles in fifty regions of the Czech Republic. As a part of this project, a first charging station in was installed Prague's Čakovice and almost 80 more are prepared. The project will be fully implemented by the end of 2021. The second project, Metropolitní síť PRE (PRE Metropolitan Network), aims at installing over a hundred standard charging stations primarily in Prague. Given the expected increase in the number of electric cars in Prague and the positive feedback from the provider of the funding under the Transport Operational Programme, we decided to launch a third project, Metropolitní síť II (Metropolitan Network II). Its aim is to enhance the network of charging stations in Prague and funding will be sought for this project, too.

We focus on better accessibility of electromobility to Prague residents and the support of new services. We continue to develop a new control system for charging stations, ensuring greater access to these stations to an ever-greater number of users. We continue to develop relations with key players on the electromobility market. We support the project of public charging stations for vehicles of ŠKODA AUTO in the Czech Republic, Austria, Germany and Switzerland.

In cooperation with ŠKODA AUTO, we test unique technologies of flywheels aimed at enhancing the capacity of charging stations without creating additional burdens for the distribution system. The method of dynamic power boosting enables us to offer to the customers a charging capacity of 100 kW with the distribution system's input of 22 kW.

As for smart city infrastructure, PRE's main goal is to become a trusted partner for Prague, its neighbourhoods and municipal companies in all fields of energy management. The company is committed to supporting the development of smart solutions using the best available technologies. In cooperation with public authorities, several projects of energy efficient building were launched.

PREdistribuce, a.s.

The subsidiary PREdi operates the distribution network in Prague and in Roztoky, carrying out one of the key activities of the PRE Group. Its primary mission is to ensure the reliable distribution of electricity from transfer points with the transmission system to end customers' consumption points using a modern distribution system. With the implementation of decentralised sources, PREdi will get more and more involved in electricity transmission between individual points of the distribution network. While the importance of the latter will grow, PREdi's primary goal remains to ensure reliable distribution. Given the specifics of the capital, where short-term larger disruptions can have devastating effects, potentially causing transport collapse, posing a threat to people's lives and impeding the operation of state authorities and companies, high quality electricity supply is vital.

PREdi carries out its business activities as an operator of a distribution system in the public interest in compliance with the Energy Act and under a licence issued by ERÚ. Through its implementing rules, ERÚ determines how the energy industries and prices are to be regulated. The highest load of the distribution network in 2019 amounted to 1,162 MW, which corresponds to the highest loads in the previous years.

Close cooperation with the transmission system operator, ČEPS, a.s., remains an important part of PREdi's strategy, ensuring both adequate input for the development of the supply territory as well as the high reliability of the electricity supply to end customers. The network's reliability will be further enhanced when the new nodal point of the 440/110 kV system is built at the existing Sever transformer station, which is expected to start operating in 2025. Closer cooperation between distribution and transmission systems is also required by new EU network codes.

2019 saw no large-scale technical breakdowns, which would have impacted the electricity supply in our distribution territory in a major way. The performance of the distribution system proves the trend of decreasing distribution failure rate in the capital. Throughout the year, the quality standards of electricity supply and related services were met with regard to the absolute majority of customers connected to the PREdi distribution networks in accordance with ERÚ Decree No. 540/2005 Coll.

PREdi's EBITDA reached CZK 3,201 million. Despite adverse weather conditions, which led to a decrease in the volume of distributed electricity by 31 GWh and a decline in sales of distribution services, this year's result corresponds to the 2018 result.

In 2019, PREdi invested CZK 1,643 million in the distribution system. PREdi's investment plans draw on the analyses of the network's technical condition, the load development in the supply areas, transmission ability and actual operation reliability, the real physical lifetime of individual network components and the possibilities of their effective maintenance. The most significant strategic investments in 2019 included the installation of the 110 kV overhead lines between the Malešice, Zahradní Město and Jih transformer stations, the construction of the cable tunnel between the Karlín transformer station and the Hlávka bridge, the launch of the construction of a new cable tunnel Invalidovna and the continued reconstruction of the Pražáčka transformer station.

New 22 kV, 1 kV cable networks and distribution transformer stations are installed as smart grid ready. Digitalisation of network operations and smart infrastructure are carried out in line with the National Smart Grid Action Plan. Given the expected expansion of decentralised energy generation and electromobility, smart grids constitute

a necessary condition for ensuring reliable operations of electrification systems and responding to new needs. We can expect the network load to increase by tens or hundreds of MW, especially due to the expansion of electromobility.

Other subsidiaries

In 2019, the PRE Group continued to grow. The newly acquired company Voltcom enhanced the group's capacities in the design, engineering and realisations of constructions of LV and MV networks. In order to grow its portfolio of renewable energy sources, the PRE Group acquired a wind power farm in Horní Částkov with capacity of 4 MW. The revenue from electricity generation from renewable sources amounted to CZK 423 million in 2019, contributing to the overall favourable result.

The portfolio of energy services, provided mainly by PREm, Solarinvest and Frontier, expands significantly. PREm provides its sister company PREdi with services related to the purchase, installation and calibration of electricity meters as well as meter reading. The company also carries out meter reading for its long-standing partners, Pražská plynárenská Distribuce, a.s., Pražská teplotárenská, a.s., and Veolia Energie Praha, a.s.

We believe that the development of telecommunication infrastructure displays a strong potential for growth. In this field, PREnetcom offers its know-how in the construction, operation and use of optical data networks. It is a key player in the development of innovative business models, which create value-added to urban infrastructure. 2019 saw the pilot implementation of model solutions for new combined energy and optical networks and the launch of new pilot projects in Chodov, Skalka, Vinohrady, Nusle and other parts of Prague. First projects of AMM in an optical network were carried out and in cooperation with our partners, we developed new sets of data services for end customers.

Through its subsidiary eYello, PRE is also an active player in the retail segment, selling electricity and gas in other distribution territories using mainly online sales channels. The number of eYello customers continues to grow, exceeding 65 thousand consumption points at the end of 2019. Electricity supplies accounted for about 70% and gas supplies for 30%. The number of newly concluded contracts exceeded 20 thousand in 2019, despite the strong competition in the Czech retail market.

Expected economic situation

The energy sector will continue to transform. In power generation, conventional sources of energy will be gradually replaced by renewable and decentralised sources. The trend is for comprehensive decentralised solutions and products tailored to the needs of end customers. In the energy sector, technological advances have a tremendous transformative potential for the future. Over the last 10 years, investment costs for photovoltaic power plants reduced to less than 15% of their original value and they are expected to decrease further. Costs are falling and technology improving with other renewable energy sources, too, and new storage technologies are being developed. Improved technology helps the decentralised energy sector grow. Its development is no longer driven by subsidies, because it is becoming truly cost competitive. Digitisation and technical innovations, which bring new business models in the field of smart grids and electromobility, create new business opportunities for energy companies.

The cornerstone of our strategy is the development of PRE as an infrastructure company with close ties to the capital. PRE focuses on three key strategic development areas: smart customer infrastructure, city infrastructure and sustainable energy generation infrastructure.

The segment of smart customer infrastructure brings together the sale of energy and the sale of energy services, which seem to increasingly converge on the market today. In this area, PRE meets all customer needs related to electricity and gas supply as well as energy services. In the previous years, PRE focused primarily on expanding its

portfolio of energy services. Today, however, the focus shifted to merging our portfolio with commodity trade. We develop product packages combining commodities with energy services tailored to the customer's needs in the field of electromobility or their own electricity generation. This strategy allows us maintain customer's loyalty high.

The segment of city infrastructure combines regulated distribution activities and the development of public infrastructure, which generates synergies with the existing capacities and competences. We continue to support the development of electromobility by constructing a comprehensive network of public charging stations. Another key future area is the development of high-speed internet infrastructure, the efficient maintenance of street lighting and the introduction of smart city infrastructure. The company will newly support the initiative of planning and construction of smart buildings in Prague. PRE strives to make an optimal use of lands and real estates in its ownership while tapping the potential of modern technologies of its portfolio of energy services in order to respond to growing demands by the citizens of Prague for more sustainable offices and residential areas.

In the segment of sustainable energy generation infrastructure, the focus has, expectedly, changed from the acquisition of existing generation plants to organic development. An increase in generation capacity is expected in the near future in relation with the EU Winter Package, which will set a 2030 renewable energy target for the Czech Republic. In order to partake in these developments, PRE has compiled a list of measures, which are being implemented.

The company's strategic plan draws on its defined, long-term measures and initiatives, which are reviewed and updated every year. Thanks to the development activities, the key indicator, EBITDA, is planned to increase to more than CZK 5 billion by 2025.

020

Pražská energetika, a.s., will continue to accomplish its mission and strategic vision to be a modern and stable energy company and a preferred partner for its customers, and to actively contribute to making Prague a nice and pleasant place to live.

On behalf of the Board of Directors, we would like to thank our customers, employees, suppliers, partners and shareholders for their trust and cooperation in 2019. We are very much looking forward to our continued successful cooperation in the future.

In Prague, 24 April 2020

Signed by

Pavel Elis

Chairperson of the Board of Directors

Signed by

Alexander Sloboda

Vice-chairperson of the Board of Directors



Selected financial indicators for the PRE Group

Selected financial indicators for the PRE Group

	Unit	2019	2018	Calculation formula
Total revenues	MCZK	21,890	20,251	Revenue from electricity and gas sold and from electricity produced + Other operation revenue
Sales margin	MCZK	7,034	6,971	Gross profit from the sale of commodities
Profit after tax	MCZK	2,851	2,868	
Equity proportion to total invested capital	%	58.2	58.4	Equity attributable to the parent company's shareholders: Total assets x 100
ROCE - return on capital employed	%	15.4	15.7	ROCE = EBIT / (Equity attributable to the parent company's shareholders + Non-current loans + Deferred tax liability) x 100
Total revenue labour productivity	TCZK/employee	14,133	13,620	(Revenue from electricity and gas sold and from electricity produced + Revenue from provided services + Investment contributions): average adjusted number of employees
EBIT	MCZK	3,636	3,606	Profit before tax + Borrowing costs
EBITDA	MCZK	5,051	4,873	Profit before tax + Borrowing costs + Amortisation and depreciation
Net profit per share	CZK	737	741	Profit after tax / Share capital x 1,000

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Other indicators

	Unit	2019	2018
Gross distributed electricity	GWh	6,296	6,327
Total purchase of electricity	GWh	5,936	6,018
Purchase of gas	GWh	469	387
Generation of electricity	GWh	29	30



IPRE

WAFIEUROPE

The buildings of the AFI Vokovice administrative centre were designed to provide energy efficiency and reduce the environmental impact.

The project received the LEED Platinum environmental certification attesting to the quality of the design.





Trading in electricity and gas

In 2019, PRE procured both electricity and gas for its customers on futures and intraday markets in the Czech Republic and in Germany. The German market is favourable especially due to the greater liquidity in the wholesale market. This procurement strategy aims at ensuring better purchase prices and, as a result, better sale prices for end customers.

To provide for its electricity and gas needs, the PRE Group's main providers included its traditional and trusted business partners from both the Czech Republic and abroad. A considerable portion of electricity was purchased from local Czech producers generating electricity from renewable sources, particularly biogas stations, producers generating electricity from biomass and hydroelectric power plants. PRE continues its long-term cooperation with Povodí Vltavy, s.p., which operates hydroelectric power plants on the Vltava river. It also purchases electricity from photovoltaic power plants located in the Czech Republic. Given the growing number of clients with supplies of electricity from renewable sources, PRE buys certificates of Guarantees of Origin (GOs) to satisfy this demand.

PRE complies with all of the obligations for an electricity and gas market participant imposed by relevant Czech law and EU legislation. In particular, it abides by the REMIT regulation, the EMIR regulation, the MAR regulation, the CSMAD directive, the MiFID II directive and the MiFIR regulation.

Sales – B2B segment

024

In 2019, electricity sales were greatly influenced by relatively large fluctuations of prices that were moderately increasing on the energy exchange. This encouraged some customers to purchase energy at a time when the prices were low, and a smaller percentage of customers preferred to wait until the second half of 2019 when the prices declined. Another reason for customers holding back was the expected strengthening of the Czech crown against the euro. As a result, those customers concluded their contracts in the third quarter of 2019, when prices on the energy exchange actually declined.

Big customers choose to procure electricity for the next period in parts at various moments in time. The volume of electricity procured this way now accounts for about 55% of the total B2B supply.

This development of prices resulted in lower spot prices on the wholesale market. This trend positively affected sales prices for customers whose contracts reflect spot prices or who purchase electricity in tranches depending on yearly, monthly and quarterly stock exchange products.

State authorities and regional governments procure energy exclusively through electronic auctions in accordance with the Public Procurement Act. Therefore, at the moment of the public tender, they demand large quantities of energy.

Customers' inclination to conclude multi-annual contracts decreased moderately year-on-year: the volume of supplies contracted for the period after 2019 fell from 43% to about 35%. Following the activities of alternative suppliers, brokers, consultancies and organisers of electronic auctions, customer pressure on sale prices continued in 2019. So-called "mergers" of public tenders procuring utilities for more than one companies have been increasingly integrating the market.

An increasing number of large companies are interested in purchasing electricity from renewable sources in order to comply with their environmental responsibilities and to fulfil energy and climate change objectives. To evidence the origin of electricity generated from renewable sources, PRE trades Guarantees of Origin, which are certified by the Association of Issuing Bodies (AIB).

B2B sales activities in 2019 focused on making the individual sales channels more efficient and on the completion of the first stage of digitalisation of sales methods through the Moje PRE (My PRE) online electricity purchasing portal.

In May 2019, after a few years of pause, PRE organised its traditional client conference Day of Energy. The event addressed the current challenges facing the electricity and energy market and further focused on price developments and purchase risk reduction. Most importantly, the conference presented to customers all the services procured by PRE and its subsidiaries.

The total volume of electricity sold to the customers decreased by 2.9% year-on-year. This decrease is tied to significantly warmer weather as well as a moderate fall in production of industrial customers.

Sales – B2C segment

As in 2018, throughout 2019, the changes in wholesale prices needed to be reflected in the B2C segment leading to price adjustments for end customers. As the price changes were unilateral, customers were entitled by the applicable legislation to withdraw from their contracts. Consequently, the introduction of new prices went hand in hand with retention measures aimed at minimising its negative economic impacts on the B2C segment and at ensuring the smooth operation of customer contact points, particularly the PRE Customer Centres and the PRE Call Centre.

In June and November 2019, PRE led a campaign to promote its newly launched product of 100% renewable energy PREekoproud (PREecoenergy). The campaign primarily targeted online advertising and it promoted both its new product and the brand of the group.

The volume of natural gas supplied to the B2C segment increased by 32% year-on-year. Thanks to the sales activities of both PRE and its subsidiary, eYello, the balance of the number of B2C customers supplied with electricity was positive year-on-year. The volume of supplied electricity remained the same.

Sales – eYello CZ, k.s.

In line with its strategy, eYello focuses on the supply of electricity and gas to households and small businesses. Under the Yello Energy brand, it offers simple and clearly defined products at attractive prices, flexible and smooth communication and comfortable administration through the Moje Yello (My Yello) online portal.

In 2019, the company supplied electricity and gas to more than 50 thousand customers and, despite the adverse developments in wholesale prices that had been reflected in prices to the end customers, the company managed to sustain growth. Thanks to its stable growth, the company secured its traditional position among the small and medium electricity and gas suppliers in the Czech Republic.



Strategy

The cornerstone of PRE's strategy is its mission to be a reliable partner in supplying, generating and selling energy and providing related services in Prague as well as the entire Czech Republic. As the operator of the local distribution network, the PRE Group has been a guarantee of reliable energy infrastructure in the capital for more than 120 years, playing a major role in the development of the entire region. Infrastructure is the focal point of PRE's strategy and a common denominator for all its development areas and newly launched activities.

The strategy continues to recognise three key areas, the development of which should contribute to the planned increase of EBITDA to more than CZK 5 billion by 2025; they include: smart customer infrastructure, city infrastructure, and sustainable energy generation infrastructure.

Smart customer infrastructure brings together the sale of energy and the sale of energy services, which seem to increasingly converge on the market. PRE plans to meet customers' needs by developing its portfolio of combined products, enabling the joint supply of electricity and gas and provision of related value-added services, such as rooftop solar systems, heating, lighting or electromobility solutions. The company will also continue to digitise its processes, increase the quality of customer services and introduce new sales channels.

The second strategic development area, city infrastructure, mainly concerns the distribution of electricity in the capital. The PRE Group will continue to focus on the optimisation of its operating processes and "smartening" of the distribution network. To this end, it will carry out pilot projects and in the long-term introduce state-of-the-art smart grid technologies throughout the entire distribution network. The acquisition of Voltcom will enhance these activities, since the company contributes with its know-how and capacities on the modernisation of distribution transformer stations. In the long-term, the PRE Group plans to cooperate with the operator of the transmission system, ČEPS, taking specific measures to increase the reliability of the electricity supply in Prague.

The strategic development of city infrastructure focuses on three main elements: charging stations for electric vehicles, optical networks and street lighting. The company considers electromobility an important field of the future energy sector, where it plans to use subsidies on building city and countrywide networks of charging stations. As for optical networks, PRE aims to develop infrastructure for high-speed internet connection. To achieve synergies when laying fibre optical cables for smart grids, it will also create spare capacity that could be made available for the use by other entities. The company also wants to become a bigger player in the field of street lighting. These ambitions are realised in the pilot project "Smart neighbourhood". The aim of this initiative is to introduce to Prague, together with modernising the entire distribution network, an interconnected network of LED street lighting, charging stations and an optical network. This will provide Prague and its citizens with an efficient and smart city infrastructure. Activities in this new strategic segment also include the design and construction of new smart buildings in Prague. The group strives to make an optimal use of lands and real estates in its ownership while tapping the potential of modern technologies that its portfolio of energy services has to offer.

PRE's third key strategic development area is sustainable infrastructure for the generation of electricity from renewable sources. Here, PRE will prudently grow its portfolio of renewable energy sources by mainly organic means, taking account of market developments and any changes to the support schemes for building new sites for generating energy from renewable sources. The PRE Group fulfils its acquisition strategy by making opportunistic real estate investments in its production plants. To this end, in 2019, it acquired a wind power farm in Horní Částkov in the Karlovy Vary region.

In pursuing its development goals in all of the areas, PRE can depend on its great know-how and in-house implementation capacities as well as the availability of sufficient additional investment capital to promote the desired development. In all its development activities, the company will draw upon its stable position on the market and its strong and trustworthy brand, which is synonymous with clear and lasting values among customers and partners.

Human resources

Human resources management

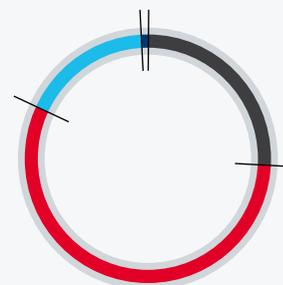
All of the personnel administration and wage calculations for the parent company and its subsidiaries are carried out by the Human Resources department and its specialised divisions, using the SAP HR module. Both tariff and negotiated wages are used in the PRE Group; their specific applications are governed by the respective company standards. Legally-binding provisions, remuneration, healthcare and social care programmes are enshrined in a valid collective agreement and detailed in the employer's company rules.

Services related to occupational safety and environmental protection are also provided centrally by the parent company to the entire PRE Group. Particular attention is paid to monitoring all important indicators of work-related accidents. When shortcomings and risk factors are identified in one of these areas, PRE proposes specific measures in order to ensure the best possible effectiveness of the OHS system. PRE traditionally succeeds in obtaining the Safe Enterprise (Bezpečný podnik) occupational safety certificate as well as the Health Supporting Enterprise (Podnik podporující zdraví) certificate.

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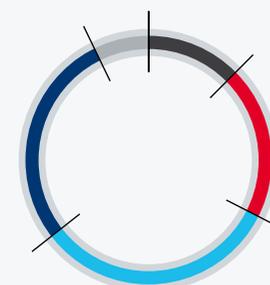
PRE Group employee qualification structure

	%
■ University	25.84
■ Secondary concluded by an exam (maturita)	56.24
■ Secondary and secondary vocational	17.25
■ Primary	0.67



PRE Group employee age structure

	%
Under 20 years	0.07
■ 20–30 years	12.55
■ 30–40 years	20.14
■ 40–50 years	31.74
■ 50–60 years	28.32
■ Over 60 years	7.18



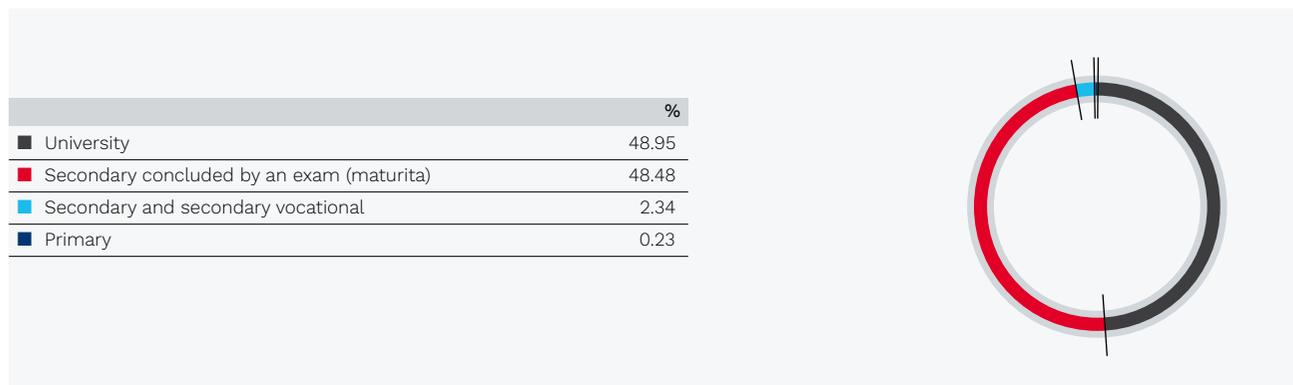
Healthcare

Employees are provided with a comprehensive healthcare that meets the requirements of health living and working environment and active support of healthcare as they are laid down in the national health promotion programme of the Czech Republic.

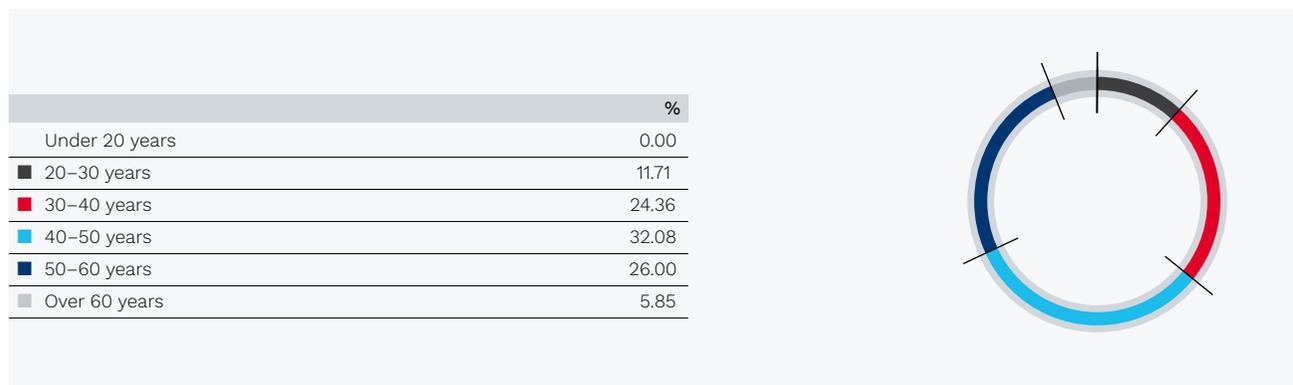
Occupational healthcare is provided on the company’s premises by a medical professional from POLIKLINIKA AGEL Praha Italská, a healthcare facility operated by the contractual partner Dopravní zdravotnictví a.s. This legally mandated healthcare mostly includes routine, pre-employment, special and in some cases post-employment check-ups. The occupational health professional also cooperates with the Occupational Safety and Environmental Protection department, carrying out occupational health inspections at workplaces, proposes specific measures to remedy eventual deficiencies and contributes to awareness-raising activities on the protection of employee health. In agreement with the HR department, he or she also provides vaccinations, which are not legally mandated, but considered beneficial to the protection of employee health by the company.

In addition to the legal requirements, all employees have access to free preventive healthcare programmes: most notably, breast cancer screening and treatment, urological and thyroid screening, as well as comprehensive dental care. Managers of the PRE Group are also provided with a preventive healthcare programme at the Na Homolce Hospital and Pavel Kolář’s private Centre for Musculoskeletal Medicine.

PRE employee qualification structure



PRE employee age structure



Social policy

Key principles of the social policy attest to a long-standing commitment to provide a transparent social policy and a high standard of employee care. As a result, a robust social care programme is enshrined in the collective agreement. By doing so, as an employer, PRE demonstrates its commitment to ensuring the well-being of all employees, creating a good social climate and constantly improving its employees' living standards and economic situations.

The social care programme is aimed at the improvement of the employees' social conditions, working environment and catering, the provision of interest-free housing loans and social loans as well as of assistance to manage emergency and unexpected precarious situations of the employees, legally mandated and additional preventive healthcare programmes, the organisation of cultural and sporting events for employees as well as the promotion of free-time activities for employees and their families.

The scope of the social care programme is enshrined in the collective agreement and detailed in relevant provisions of company law. The social care programme includes both universal and elective fringe benefits. As a result, all the services provided are just, transparent and available for all the employees

Training

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The parent company coordinates and promotes the systematic training and development of its employees in order to maintain and expand the required personnel qualifications, skills and competences in all fields. The main objective of the employer is to attain the required personnel and qualification structure, using all available tools and methods, that are defined every calendar year in its Training and Development Plan. Thanks to this, the employees can maintain or improve their current knowledge and qualifications. As a result, the employees welcome PRE's HR policies as they inspire their motivation, integrity and loyalty.

Through its recruitment programme, the company continues to offer work placements to secondary schools and universities graduates. The long-standing cooperation primarily entails the provision of practical internships and the recruitment of new employees coming from a number of electrical engineering schools, such as the Faculty of Electrical Engineering of the Czech Technical University in Prague (FEL ČVUT), the František Křižík Secondary Vocational School and College of Electrical Engineering (VOŠ a SPŠE Františka Křižíka) as well as the Technical Business Vocational Training Centre Prague 9, Poděbradská 1 (Centrum odborné přípravy technickohospodářské). Many graduates managed to enter the job market successfully thanks to the high-quality professional experience gained at PRE and to personal contacts with the PRE Group experts who consulted on their Bachelor's and Master's theses.

The parent company continues to run and fully fund the Polygon training and educational centre. It caters to the company's employees, as well as to partner companies and students of electrical engineering schools during their practical internships in the PRE Group. Thus, students of secondary schools and universities have the opportunity to get first-hand experience with the distribution network equipment currently used in Prague and its safe operation. In 2019, the facility was used by a total of 507 persons, of whom 225 were electrical engineering students.



Environmental protection and OHS

In line with the PRE Group policy on environmental protection, safety and energy efficiency, the PRE Group companies promote a responsible attitude to the protection of the environment and public health. PRE actively seeks to meet the legal requirements and put them into practice.

In order to reduce the environmental impact of their activities, the companies take measures to limit the consumption of non-renewable sources of energy as well as to protect soil and water. In 2019, data was collected to establish the carbon footprint produced by the PRE Group. Some companies saw their environmental management systems re-certified according to CSN EN ISO 14001:2016.

The PRE Group companies consider the occupational health and safety of its employees and take preventive measure in order to minimise adverse health effects of their work activity. It mostly includes educational and instructive programmes and the distribution of information materials. The companies keep their employees and stakeholders informed about security issues and are open to their employees' suggestions. The PRE Group traditionally supports health promotion programmes for its employees, thanks to which work-related accidents are kept at low levels.





The Aviatica administrative building is a new landmark in the skyline of Prague's Radlice. It was constructed at the revitalized site of the former Walter Motors aircraft engine factory.

Since the project meets strict environmental and energy efficiency requirements, it received the LEED Gold international environmental certification.



Public relations

Good relationships with customers, business partners and the general public are among the core values of all of the PRE Group companies. It is reflected in their business activities and customer care as well as in our external communication and donor activities.

Philanthropy

Pražská energetika, a.s., rightly considers itself to be a modern energy company, and as such, it actively engages in making Prague a nice, vibrant and pleasant place to live, and in supporting socially beneficial projects and organisations. PRE strives to help mainly in the region where it operates due to the PRE Group's urban character and close ties to Prague.

The donor and sponsorship activities run by the parent company, i.e., Pražská energetika, a.s., on behalf of the entire PRE Group emphasise the social benefits of donations, supporting charities and projects in the field of healthcare, social services, education, environmental protection, culture and sports. For nine years, PRE has worked closely with Nadace Charty 77 (Charter 77 Foundation), within which it established an endowment fund, Fond PRE. The aim is to use the resources to help address the healthcare and social needs of individuals with disabilities and support organisations working with them. The cooperation with the Charter 77 Foundation increases the efficiency of the donor activities, as its staff closely cooperates with doctors and other professionals, have perfect knowledge of the needs of people with disabilities, and can see specific real-life stories behind every application. As such, the Charter 77 Foundation is a guarantee that PRE's financial support really gets to those who need it the most at the time. Every year, PRE contributes CZK 3 million to the endowment fund, which is distributed among individual applicants. The Charter 77 Foundation concludes deeds of donation with the recipients. The maximum possible financial contribution for one project is CZK 200 thousand.

In 2019, the total amount of donations made by PRE was CZK 6.7 million. It was used for 29 direct donations and another 91 donations from Fond PRE established within the Charter 77 Foundation. The average contribution to a project from Fond PRE in 2019 was more than CZK 34 thousand.

As part of its donor activities, PRE also traditionally cooperates with hospitals, such as the Radiodiagnostic Clinic of the General University Hospital in Prague (Radiodiagnostická klinika FVN v Praze), the Sisters of Mercy of St. Borromeo Hospital in Prague (Nemocnice Milosrdných sester sv. Karla Boromejského v Praze) and the Gynaecology and Obstetrics Clinic of the Královské Vinohrady University Hospital (Gynekologicko-porodnická klinika FNKV), and with schools, such as the Palestra College of Physical Education and Sport (Vysoká škola tělesné výchovy a sportu Palestra) and the Faculty of Electrical Engineering of the Czech Technical University in Prague (FEL ČVUT).

In the social sector it cooperates with Our Child Foundation (Nadace Naše dítě), Drop of Hope Endowment Fund (Nadační fond Kapka naděje), the Linka bezpečí helpline, Association for the Protection of Endangered Children (Sdružení na ochranu ohrožených dětí), Association of the SOS Children's Villages, the Zajíček na koni association, Centre LOCIKA, the Šance project, HEWER, Life 90 (Život 90), HOSPIC 50+, and Art Against Cancer (Uměním proti rakovině). PRE also supports people with disabilities, for example through Wheelchair Club Petýrkova, Jedlička Institute Foundation (Nadace Jedličkova ústavu), Czech Boccia Federation, Quiet World (Tichý svět), Deaf With Hope (Neslyšící s nadějí), Blind Sport Club Prague and Union of the Deaf and Hearing Impaired.

Membership in organisations

The most notable organisations the PRE Group companies belong to include: Czech Association of Energy Sector Employers (ČSZE), Association of Energy Sector Managers (AEM), Czech Power Engineering Society (ČENES), Czech Association of Regulated Power Supply Companies (ČSRES), EURELECTRIC (European energy traders and distributors union), ČSVTS (Czech scientific and technical society), ČK CIRED, Czech Company Lawyers Association (Unie podnikových právníků ČR z.s.), Czech-German Chamber of Commerce and Industry, American Chamber of Commerce in the Czech Republic, French-Czech Chamber of Commerce, Nordic Chamber of Commerce in the Czech Republic, Czech Institute of Internal Auditors (Český institut interních auditorů), Chamber of Commerce of the Capital City of Prague (Hospodářská komora hlavního města Prahy), EDSO for Smart Grids (association of EU distribution network operators), Solar Association (Solární asociace), Association of Electronic Commerce (APEK), Association of High Voltage Test Facilities (Asociace zkušeben vysokého napětí z.s.), Friends of the National Technical Museum in Prague (Klub přátel Národního technického muzea v Praze), Association of the Electric Vehicle Industry (ASEP), Association of Independent Energy Suppliers (ANDE), Czech Institute of Information Security Managers (ČIMIB), itSMF Czech Republic (IT Service Management Forum), RIPE NCC (regional internet registry) and Czech Association of IT Managers (CACIO).

Subsidy schemes

The PRE Group participates in nationwide development projects, especially in the fields of e-mobility and electricity network management. It draws subsidies from the following four programmes:

- PRE's Backbone network – No. MS2014+ CZ.04.2.40/0.0/0.0/18_030/0000213.

This project is funded by the Structural and investment funds of the Ministry of Transport of the Czech Republic within the Operational programme “Transport” 2014-2020. Its objective is to enhance the development of a backbone network of charging stations. The project was inaugurated on 1 October 2018. The project is due to expire on 31 December 2021. In order to be eligible for the financial help, a network of 125 charging stations in 50 identified areas in the Czech Republic must be constructed. As of the balance sheet date, the first wave of constructions was completed and the construction of dozens of stations has already been launched.
- PRE's Metropolitan network – No. MS2014+ CZ.04.2.40/0.0/0.0/16_030/0000226.

This project is also funded by the Structural and investment funds of the Ministry of Transport of the Czech Republic within the Operational programme “Transport” 2014-2020. Its objective is to enhance a further development of charging stations. The project was launched in February 2019 and it will promote the development, quality and density of the charging stations infrastructure. The subsidy was attributed on 27 June 2019 and the project is due to expire on 30 June 2021.

In order to be eligible for the financial help, a network of 112 charging stations must be constructed. As of the balance sheet date, four charging stations have already been put into operation and the remaining ones are still under construction.
- Providing usability of flexibility aggregation including demand-side management for power system regulation purposes – No. TK02010049.

This project is provided by the Technology Agency of the Czech Republic from the programme THETA. The project was launched in August 2019 and it is due to expire in December 2022.
- Improvement of the region's resistance to the risk of blackouts using new technologies and crisis management procedures – No. VI20192022124.

The project is provided by the Ministry of Interior of the Czech Republic under the Security Research Programme of the Czech Republic realised in the years 2015–2022. The project was inaugurated on 1 July 2019 and it is due to expire on 30 June 2022.



Risk management system in the PRE Group

Risk management is one of the key tools in the management of the PRE Group companies, aimed at supporting them in fulfilling their vision and strategy. The primary objective of the risk management system is to eliminate or minimise the negative impacts of both internal and external risks on the PRE Group companies and maximise their benefits for the PRE Group.

The process of risk management includes the systematic identification, assessment and management of risks, which entails the description of existing controls and the definition of measures mitigating the impacts of risks to an acceptable level, the assessment of the risk management system effectiveness and the reporting of all important risks in the key high-risk business areas of the PRE Group companies using a unified reporting structure. The risk management system also ensures timely warning. The main focus of the risk management system are the risks that could have the biggest impact and therefore present the biggest threat. New risks are continuously identified. All risks are recorded in the company list of risks.

The monitored risks are assessed in terms of their potential impact and likelihood using three scenarios of possible development. Additional methods and indicators are used to quantify financial and market risks, such as value at risk, sensitivity analysis, etc. Binding limits are set for selected indicators.

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Risks are divided into four main categories: strategic, operational, financial, and compliance risks. Strategic risks are connected to technology developments as well as climate change, environmental protection and societal changes. Operational risks relate to the company's business activities, to infrastructure and human impact as well as to the changes in legislation and regulatory parameters that can have a profound effect particularly on the company's regulated activities. Financial risks are connected with financial management and the company's financing and also include credit risks and risks posed by market price trends. Compliance risks relate to non-compliance and violation of legislation.

The key body of the risk management system is the Risk Management Committee, which regularly debates risk management reports, proposes measures to manage the monitored risks and identifies new risks the company is exposed to. The committee approves methodologies and other risk management documents, sets limits for all the high-risk areas and business activities and assesses the overall possible impact of risks on the PRE Group economic results.

The risk management system and its methodology are based on the methods and procedures of the EnBW corporate group. The monitored risks are reported at regular intervals using a unified structure stipulated by the risk management standards of the EnBW corporate group.



Internal audit, compliance, ombudsperson

Internal audit

The main tasks of the PRE Group internal audit include the independent expert assessment of the company's internal control and management systems and the assessment of compliance with set rules and best practices. When planning internal audits, the risk level of individual processes, the extent to which a particular field has already been audited and suggestions from the PRE Group companies' management are taken into consideration.

When conducting internal audits, attention is paid to selected key processes across the entire PRE Group. The findings relate to the design of processes and the strengthening of controls as well as to compliance.

In 2019, long-term cooperation with Ernst & Young consulting group was replaced by PricewaterhouseCoopers Audit, s.r.o. (PwC).

Internal audits are concluded with final reports, which are debated by the management of the PRE Group companies. Twice per year, the Board of Directors approves an internal audit activity report. Implementation of approved corrective measures is monitored through the Audit Tracker web application.

As in previous years, the internal audit team audited the environmental management system according to ISO 14001, ISO 50001, the internal audits according to ISO 9001 and internal audits of occupational health and safety management system Safe Enterprise (Bezpečný podnik). Internal auditors started to build a scheme of compliance management in the PRE Group.

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Compliance

All the PRE Group companies make the utmost effort to comply with legislation and ethical rules of business conduct and reflect these rules in their procedures and internal standards. They follow the PRE Group's Code of Ethics and fully recognise their social responsibility in all of their activities.

Binding compliance rules defining a unified system of compliance management have been adopted by all the PRE Group companies. Their employees regularly receive relevant trainings and are required to act in an honest and fair way in compliance with these rules. The same attitude is expected from the companies' contractual partners.

The Compliance tab on the PRE intranet contains documents and important contacts, including the e-mail addresses compliance@pre.cz and interni.audit@pre.cz, which can be used by employees for open as well as anonymous reporting of suspected violations of the law, the PRE Group's Code of Ethics and other internal standards.

The employees are regularly informed about the PRE Group compliance rules as well as criminal liability of legal entities, primarily through trainings on data protection and the secure use of IT tools as well as through articles in the internal company magazine. The methodology detailing the application of the Act on Criminal Liability of

Legal Entities was inspired by the methodology of the Prosecutor General's Office. These conclusions are being implemented by the PRE Group into its internal processes.

In 2019, supporting documents for the design of the Compliance Management System (CMS) for all of the PRE corporate group companies were drawn up. The aim of this is to ensure all actions are taken in coherence to the applicable legislation. Further work on the CMS will be done throughout 2020.

Work has also been launched on examining the partners through questionnaires. Ethical principles for cooperation were designed for all suppliers of PRE and they will be implemented in contracts concluded with partners. These measures, together with an update of the risks linked to criminal liability of legal entities, are subject to further discussions with the directors of relevant departments and the companies.

In 2019, the PRE Group focused on improving the protection of personal data and data in general in all of its companies. The PRE Group drew up a significantly amended set of rules "Protection of personal data", based on the provisions stipulated by the General Data Protection Regulation (GDPR), interpretative documents, the Czech law and the case-law of the EU courts. In this respect, the companies follow best practices set forth by companies with comparable business activities and implement follow-up processes to monitor measures taken to protect personal data of clients, employees and other shareholders.

So-called risk assessment of data protection was conducted in all relevant companies following the guidelines of the National Data Protection Authority. Based on the results of this, data protection impact assessment (DPIA) was carried out in all required fields.

038

Ombudsperson

The number of issues raised by the PRE Group raised by 10% year-on-year. The share of legitimate complaints, however, decreased (legitimate complaints accounted this year for 5.7% compared with 12.6% last year).

Customer issues translate into concrete suggestions on how to improve the quality of the company's services. Even issues that are deemed not legitimate constitute valuable feedback.

The majority of issued raised by costumers regarded contractual arrangements and trading conditions (32.4%), invoicing and claims (31.4%) and electricity distribution (17.1%).



Subsidiaries

PREdistribuce, a.s.

PREdistribuce, a.s., (PREdi) operates the distribution system in the capital Prague, in Roztoky and in Žalov covering an area of 505 km². According to the Energy Act, it operates in accordance with the licences granted by the ERÚ for an indefinite period of time. Its main mission lies in providing a reliable and safe supply of electric energy to all its customers.

It was founded in 2005 in connection with unbundling, which aimed at separating the distribution of electricity from trading in electricity and at ensuring that an electricity distribution licence is held by a separate company. As a result, on 1 January 2006, PREdi assumed all rights and obligations of Pražská energetika, a.s., related to securing and operating the distribution system and became the owner of the technical equipment and some of the immovable assets used for electricity distribution in the distribution territory.

Development of selected network indicators

Indicator	Unit	2019	2018	2017	2016	2015	2014
Maximum network load	MW	1,162	1,187	1,196	1,172	1,093	1,149
Total length of electricity networks	km	12,372	12,276	12,104	12,054	12,014	12,006
of which: HV	km	221	221	214	207	207	207
MV	km	3,899	3,881	3,864	3,872	3,867	3,854
LV	km	8,252	8,174	8,026	7,975	7,940	7,945
Number of HV/MV stations (PREdi/total)	pieces	24/25	24/25	23/24	22/23	22/23	22/24
Total number of MV/MV stations and MV/LV stations	pieces	4,906	4,876	4,863	4,858	4,843	4,835
Number of MV/LV distribution stations	pieces	3,221	3,214	3,218	3,229	3,229	3,246

039

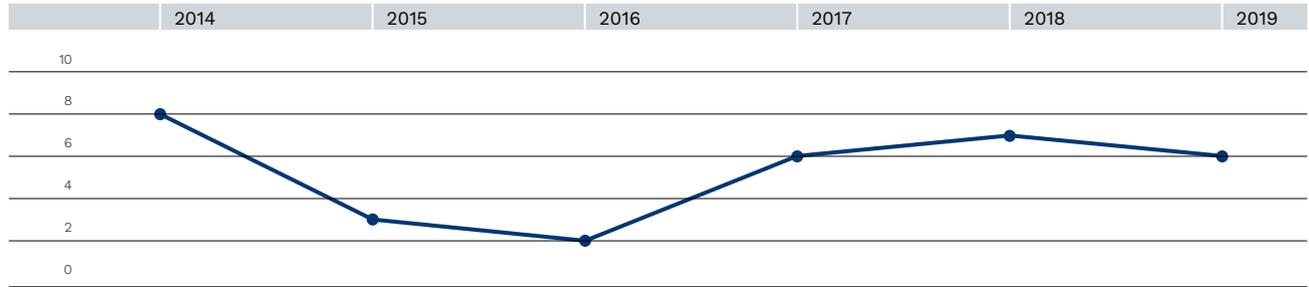
Number of enquiries processed by the Distribution Emergency Line

Year	2019	2018	2017	2016	2015	2014
Total	42,794	41,434	42,521	42,125	42,210	41,371
of which failures	4,783	4,098	4,207	8,018	11,726	13,900

Number of e-mails processed by the Distribution Emergency Line

Year	2019	2018	2017	2016	2015	2014
Total	6,529	6,344	6,697	6,208	5,470	5,722

Number of HV failures

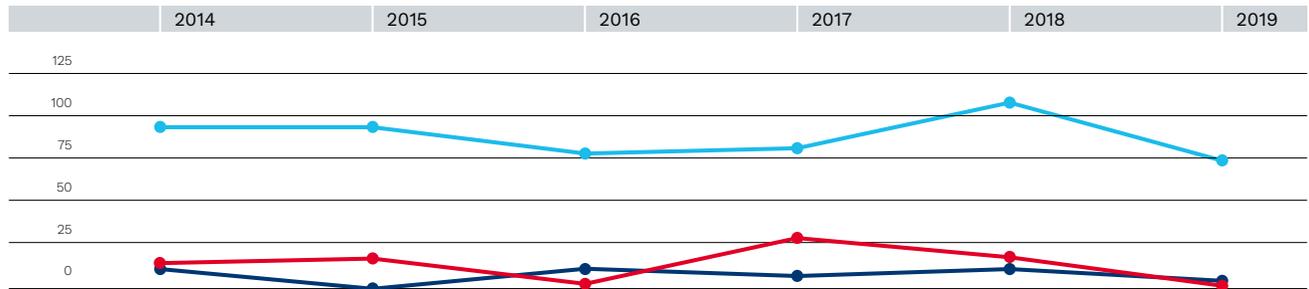


Number of MV failures



040

Average length of electricity supply disruption on ● HV, ● HV/MV and ● MV equipment (min.)



Distribution of electricity means all of the processes and activities related to ensuring the reliable distribution of electricity from generation points and transfer points with the transmission system to transfer points and consumption points of individual customers through a well-maintained distribution system. The PREdi distribution system consists of 110 kV, 22 kV and 0.4 kV overhead lines and cable lines, distribution stations with 110/22 kV transformation and 22/0.4 kV network transformer stations. The key processes and activities ensuring smooth distribution include development and renovation of network assets, connection of new customers, buildings and structural units, optimum operation control and resolution of failures, maintenance and repairs of the network, and measurements and transfer of data for the settlement of supplies in the distribution system. Distribution of electricity is subject to price and quality regulation by the ERÚ, which aims to optimise costs and prices for the use of networks, while ensuring adequate quality of electricity distribution and related user and customer services.

At the end of 2019, more than 809 thousand consumption points were connected to the PREdi distribution system, which represents nearly a 1% increase year-on-year. The highest load of the distribution network in 2019 amounting to 1,162 MW was recorded on 24 January 2019, which is comparable to previous years. In 2019, the networks distributed 6,296 GWh on all voltage levels. All output and energy demands of both the existing and new customers and development projects in the licensed territory were met. Throughout the year, the quality standards of electricity supply and related services were met with regard to the customers connected to the distribution system in accordance with ERÚ Decree No. 540/2005 Coll., as amended.

In order to provide a highly reliable and safe energy network, every year PREdi draws up and carries out an investment plan based on results of thorough analyses examining the technological state of the network, new trends and regulatory requirements, the transmission capacity and reliability of its networks, the actual physical lifetime of individual network components as well as the possibilities of their effective maintenance. PREdi takes also into account the expected evolution of the demand of individual costumers, developers and other entities for new connections, which has been steadily on the rise. At the same time, it addresses the need to increase output based on the consumption in already existing connection points.

PREdi has been facing new regulatory challenges posed by the European legislation which encourages the use of new technologies in the energy sector, such as electromobility, AMM or electro-accumulation. As a result of this, combined with the steadily growing demand for a continuous and quality energy supply, PREdi commits itself to prepare its distribution network to absorb and integrate these new trends. Smartening of the distribution network and development of a smart infrastructure is carried out in line with the National Smart Grid Action Plan adopted by the Czech government.

In the development of smart grids, PREdi is assisted by its 100% subsidiary PREnetcom, a.s., which focuses primarily on the development of metallic and especially optical cables that are installed together with the distribution network to achieve monitoring, management and operation control of smart grids. PREdi also cooperate with the Capital City of Prague in fulfilling the Smart Prague strategy falling within the generally well-known policy of smart cities.

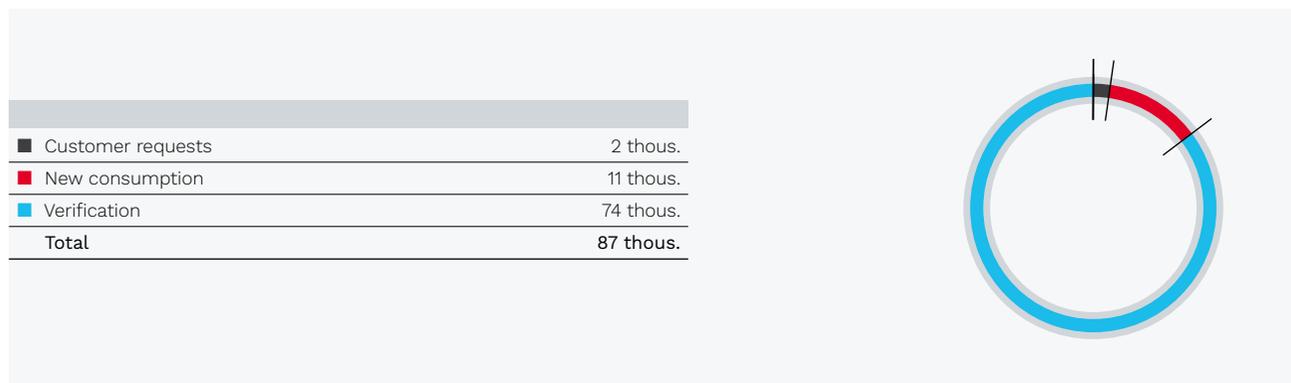


The Troja Bridge received the Award of Excellence of The European Convention for Constructional Steelwork in recognition its art of blurring the frontier between architectural and engineering work.

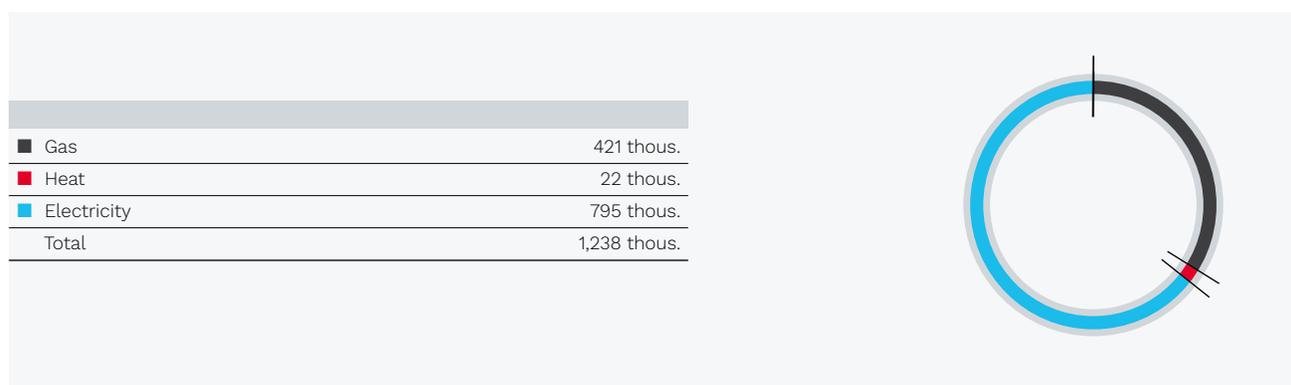
The new bridge significantly reduced the noise levels in the area, replacing the previous bridge known as “the Noise Maker”.



Number of electricity meter installations carried out in 2019



Number of meter readings in 2019



044

Photovoltaic power plants operated by PREm

Renewable sources of energy	construction / start of operations	acquisitions	installed capacity
Photovoltaic power plant Jinonice	2010		0.173 MWp
Photovoltaic power plant Lhotka	2010		0.060 MWp
Photovoltaic power plant Pražáčka (I-III)	2010		0.138 MWp
Photovoltaic power plant Hrouda	2010		0.028 MWp
Photovoltaic power plant Sever	2010		0.204 MWp
Photovoltaic power plant Kondrac	2009	11/2011	1.109 MWp
Photovoltaic power plant Hořovice	2010	12/2011	1.087 MWp
Photovoltaic power plant Pozorka	2010	2/2013	3.998 MWp
Photovoltaic power plant Ořechevská	2009	12/2013	3.168 MWp
Photovoltaic power plant Rajhradská	2009	12/2013	3.168 MWp
Photovoltaic power plant Dačice	2009/2010	12/2014	4.848 MWp
Photovoltaic power plant Mikulov	2009	12/2014	0.941 MWp
Photovoltaic power plant Pozořice	2010	4/2015	4.596 MWp
In total photovoltaic power plants PREm			23.518 MWp
Photovoltaic power plant Světlík	2009/2010	11/2017	2.154 MWp
In total photovoltaic power plants			25.672 MWp
Wind farm Částkov	2009	12/2019	4.000 MW
In total photovoltaic wind farms			4.000 MW
In total renewable sources of energy			29.672 MW

PREměření, a.s.

PREměření, a.s., (PREm) operates in three key areas. Its activities in the traditional segment of metering include the purchase, testing and installation of metering equipment for its sister company PREdi and to a smaller extent the sale of metering equipment and selected electrical appliances to external customers. Additionally, PREm carries out meter readings both for the PRE Group and for external customers: Pražská plynárenská Distribuce, a.s., Pražská teplotárenská, a.s., and Veolia Energie Praha, a.s.

Energy services are a significant part of PREm's activities. Their development is one of the strategic objectives of the PRE Group. PREm offers a wide range of energy services including energy audits, lighting and heating solutions, rental of metering equipment, electroinstallation and inspection, installation and servicing of photovoltaic power plants, construction and inspection of transformer stations, comprehensive decentralised energy supply solutions (gas boiler rooms, cogeneration units, etc.) and a wide range of electromobility services. PREm offers its energy services primarily through the PRE Service Centre, which also rents and sells electric bikes.

Since 2010, the company has also been active in the field of renewable energy sources. PREm's portfolio of photovoltaic power plants has grown considerably, especially in the last few years, currently consisting of 16 photovoltaic power plants with the total installed capacity of 23.5 MWp. In addition to these, PREm owns a separate photovoltaic power plant PRE FVE Světlík with the total capacity of 2.1 MWp. In late 2019, the company completed an acquisition of two-wind turbine installations with the total installed capacity of 4 MW. The total capacity of renewable sources of energy of the company is 29.7 MW.

045

eYello CZ, k.s.

eYello CZ, k.s., (eYello) is the legal successor of PREleas, a.s., which was established in 1996. Since 1 May 2014, it has been a limited partnership company (with PRE being the general partner with 90% and PREm the limited partner with 10%). The company trades in electricity and gas, and provides electricity and gas supplies in the Czech Republic.

In the last six years, the company, operating under the Yello Energy brand, has ranked among the most dynamically developing electricity and gas suppliers in the Czech Republic. What sets it apart from other suppliers on the market is the simplicity and user-friendliness of its product portfolio, attractive prices and flexible and smooth communication without customer centres. As such, the Yello Energy brand is a valued addition to PRE's successful product portfolio. eYello draws on the experience of Yello Strom GmbH (an EnBW subsidiary), which has been a successful alternative supplier of electricity and gas in neighbouring Germany since 1999, currently servicing almost a million customers.

KORMAK Praha a.s.

KORMAK Praha a.s. (Kormak) provides a complete range of engineering, design and construction services in the field of 0.4-110 kV electricity infrastructure and 22/0.4 kV transformer stations, carries out inspections and maintenance of LV and MV equipment and provides non-stop emergency services. Its activities also include installation of MV terminations and connectors in the PREdi network, renovation of 110/22 kV transformers, and construction and maintenance of street lighting. The company also meets the needs of the PRE Group by cooperating on projects related to the latest trends in the energy industry, such as the development of charging infrastructure for electric vehicles and optical infrastructure, and other smart city projects.

PREservisní, s.r.o.

PREservisní, s.r.o., (PREs) is a 100% subsidiary of Pražská energetika, a.s., and since 1 January 2019 it provides related services to the remaining PRE Group companies. Its activities most notably include centralised material purchasing, services related to the administration, maintenance and development of real estates unrelated to energy production owned by the Group, administrative services, fleet management, management energy buildings constructions and investor's technical supervision, diagnostics and measurements. PREs owns a complex of buildings in Uhřetěves, which has been since 2019 under complete reconstruction to fit the needs of Kormak company.

Thanks to PREs, the PRE Group achieves higher efficiency of its internal processes, capitalises its investments, and reduces its administrative burden and related costs.

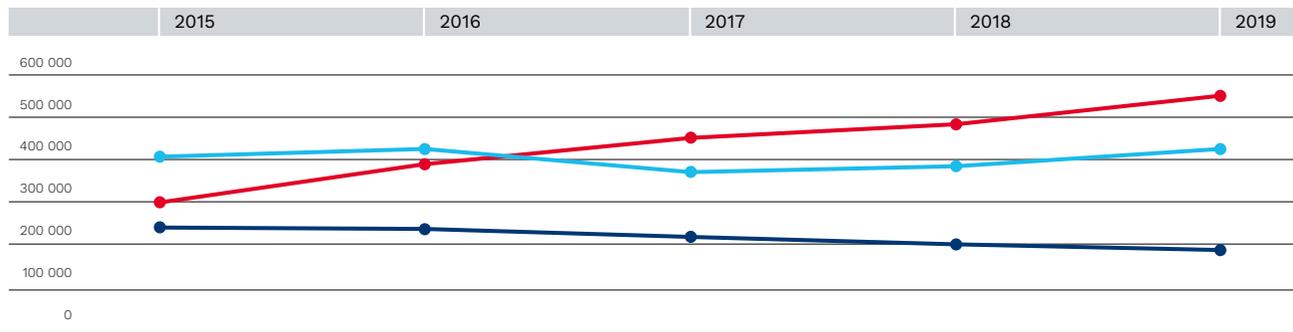
PREzákaznická, a.s.

PREzákaznická, a.s., (PREzak) is a 100% subsidiary of Pražská energetika, a.s. It is in charge of all main customer service channels (the PRE Customer Centre and the PRE Call Centre) and the provision of customer support services on behalf of PRE, PREdi, PREm and eYello.

The main goal of PREzak is to provide high quality customer services. To this end, it uses not only traditional communication channels (customer centres and call centres), but it also develops new modern online communication tools, such as the Moje PRE (My PRE) administration portal, online forms and chat. PREzak also develops new self-service options, widening the range of matters customers can administer online themselves whenever they want without the need to visit customer centres.

046

● Number of visits at the PRE Customer Centres ● Number of interactions with the PRE Call Centre ● Total number of unique daily of accesses to the Moje PRE portal



VOLTCOM, spol. s r.o.

VOLTCOM, spol. s r.o., (Voltcom) became part of the PRE Group on 30 April 2019 as a 100% subsidiary of Pražská energetika, a.s. The acquisition aims at strengthening the PRE Group's position in the field of energy services, focusing on targeting new customers with their own wholesale transformer stations as well as on the improvement of the existing transformer stations in preparation for the electrification of mobility.

Voltcom has a long history of construction design, construction and maintenance of installations and wholesale electricity purchases. Voltcom took part in several pilot projects for so-called "smart transformer stations" and is currently engaged in carrying these out for PREdi. In 2020, the company is expected to grow, especially in the segment of smart transformer stations and in the development of SG Ready heat pumps.

PREnetcom, a.s.

PREnetcom, a.s., (PREnetcom) was founded in November 2017 as a 100% subsidiary of PREdistribuce, a.s., and started operating on 1 January 2018. The main task of PREnetcom is to fulfil the long-term strategic goals of PREdi – i.e., to implement smart grids by designing and constructing communication infrastructure to connect individual components of the distribution network, which will ensure reliable transfer of network data and enable remote control of the distribution network.

The company also explores the possibilities of using the spare capacity of the created communication network for other purposes, such as smart city and smart home features. In 2018 and 2019, it launched its first pilot commercial project in Prague's Skalka area involving 550 households. It started to implement more projects in Chodov, Vinohrady and Skalka II area. 2020 will see the implementation of other pilot projects aimed at selecting suitable technologies, determining the overall concept and architecture of the communication network, including the standardization of follow-up processes and technical solutions within the PRE Group's infrastructure.

047

SOLARINVEST – GREEN ENERGY, s.r.o.

SOLARINVEST – GREEN ENERGY, s.r.o., (Solarinvest) became part of the PRE Group in May 2018 as a subsidiary of PREměření, a.s. The acquisition aims at strengthening the PRE Group's position in the field of energy services, focusing on renewable energy sources, electro-accumulation and electromobility.

Solarinvest has a long history of installing photovoltaic power plants, supplying battery accumulation systems and installing heat pumps and air conditioning systems for households and industrial sites. Using its own internal capacity, it takes care of design, installation and servicing, and provides consulting on relevant subsidies. In recent years, the company focused on its growth in the segment of industrial accumulation systems and electromobility infrastructure. It expects to develop further in these fields in 2020.

FRONTIER TECHNOLOGIES, s.r.o.

FRONTIER TECHNOLOGIES, s.r.o., (Frontier) specialises in the development, design and installation of smart and energy efficient indoor and outdoor lighting systems. The company uses products by leading world suppliers of lighting and related technologies as well as products it develops and produces itself in the Czech Republic. Thanks to their technical-economic parameters, Frontier's products are also widely used throughout the EU. The company's major customers include leading Czech industrial enterprises and suppliers for both public and private sector EPC projects. As a result, Frontier's lighting solutions often feature in energy efficient and smart buildings. The company also provides lighting systems for public buildings and sites, schools, swimming pools, airports, sports venues and street lighting.

PRE FVE Světlík, s.r.o.

On 30 November 2017, PREměření, a.s., bought FVE Světlík, s.r.o., becoming its sole owner. After the acquisition, the company was renamed PRE FVE Světlík, s.r.o., and moved its registered office to the seat of PREm. The acquisition reflects the company's strategic objective to enhance its activities in the field of generation of electricity from renewable sources.

PRE FVE Světlík has no employees. Its assets comprise of a photovoltaic power plant infrastructure with the installed capacity of 2.154 MWp. Unlike basic stationary solar systems, the power plant uses tracking photovoltaic panels. By changing their tilt, the panels extend the period of optimum light exposure and, consequently, increase the output of the power plant. In 2019, the power plant generated 3,255 MWh of electricity.

048

WINDING WE NORTH a.s. and PRE VTE Částkov, s.r.o.

On 19 December 2019, PREměření, a.s., bought a 100% share of WINDING WE NORTH a.s. (Winding), becoming its sole owner. This company is the sole associate of PRE VTE Částkov, s.r.o. After the acquisition, it moved its registered office to the seat of PREm. The acquisition reflects the company's strategic objective to enhance its activities in the field of generation of electricity from renewable sources.

Winding and PRE VTE Částkov have no employees. Its assets comprise technological solutions of a wind farm with capacity of 4 MW. The wind farm comprises two separate wind turbines of 2 MW each. The wind farm is situated in the Sokolovsko region (west Bohemia). In 2019, the power plant generated 8,838 MWh of electricity.

Structure of shareholders

Shareholders

All shareholders have access to important information about the company either directly on the company's website (www.pre.cz) or, upon request, from the Shareholder Administration department (the Strategic Development and Relations with Shareholders section).

Thanks to its online availability, shareholders have virtually immediate access to information about important changes in the company.

Throughout the year, there were no significant changes to the structure of shareholders.

Main PRE shareholders (%)

As of 31.12.	2019	2018	2017	2016	2015	2014
Pražská energetika Holding a.s.	58.05	58.05	58.05	58.05	58.05	58.05
EnBW Energie Baden-Württemberg AG	41.4	41.4	41.4	41.4	41.4	41.4
Other entities	0.55	0.55	0.55	0.55	0.55	0.55

Structure of PRE shareholders (%)

As of 31.12.	2019		2018		2017		2016	
	Number of shareholders	Nominal value (TCZK)						
Domestic shareholders	5,405	2,266,190	5,435	2,266,193	5,458	2,266,193	5,484	2,266,205
Foreign shareholders	13	1,603,253	13	1,603,250	13	1,603,250	13	1,603,238
Shareholders total	5,418	3,869,443	5,448	3,869,443	5,471	3,869,443	5,497	3,869,443
Natural persons	5,399	20,032	5,429	20,035	5,452	20,038	5,479	20,039
Legal persons	19	3,849,411	19	3,849,408	19	3,849,405	18	3,849,404



Information from the General Meeting

The Annual General Meeting of Pražská energetika, a.s., held on 20 June 2019, approved:

- the Report of the Board of Directors on Business Activities and Assets for 2018, as presented by the company's Board of Directors;
- the consolidated financial statements for 2018, as presented by the company's Board of Directors;
- the separate financial statements for 2018, as presented by the company's Board of Directors;
- the proposal for the distribution of 2018 profit, including determination of the amount of profit shares (dividends) and directors' fees for 2018 and the method of payment;
- the contract on the performance of the duties of the newly elected member of the Supervisory Board, including remuneration; and,
- the presented proposal for the total amount of donations in 2020;

elected KMPG Česká republika Audit, s.r.o., to be the auditor of financial statements for 2020 and 2021;

elected Stefan Theo Webers, whose mandate expired on 27 June 2019, to be a new member of the Supervisory Board with effect from 28 June 2019;

elected new members of the Supervisory Board: Jan Chabr, Michael Koch and Matej Šandor, who were elected to replace Jaroslav Štěpánek, Jan Sixta and Monika Hášová;

050 was presented with the Supervisory Board Report on Activities including the statement on the Report on Relations.



Information required by law

Information about facts which occurred after the balance sheet day and are significant for the fulfilment of the purpose of the present report

No such facts have occurred, except for the events mentioned in the notes to the consolidated and separate financial statements.

Information about the projected development of the accounting unit's activities

The information is presented in the chapters "Report of the Board of Directors on Business Activities" and "Strategy".

Information about activities in research and development

The company does not systematically conduct activities in these fields.

Information about acquisition of own shares or own interests

The company did not acquire its own shares.

Information about whether the accounting unit has and organisation unit abroad

The company has no branch and no organisational unit abroad.

Information about activities in the field of environmental protection and labour law relations

The information is presented in the chapters "Environmental protection and OHS" and "Human resources".

051

Information about risk management objectives and methods in the company

The information is presented in the chapter "Risk management system in the PRE Group".

Information about price, credit, liquidity and cash flow risks the accounting unit is exposed to

The information is presented in the financial statements.

Information about interruption of business

The company did not interrupt its business during the year.



Supervisory Board Report on Activities

In accordance with the Articles of Association, the Supervisory Board consists of eight members elected by the General Meeting of the company. As a supervisory body, it oversees the performance of the company's business activities in compliance with the law and the Articles of Association. The Supervisory Board also elects and removes members of the Board of Directors and approves contracts on the performance of the duties of the Board of Directors members, their remuneration and other benefits.

In accordance with the Articles of Association, all of the meetings of the Supervisory Board in 2019 were attended by the members of the Works Council elected by the company's employees. The meetings were also attended by the chairperson and the vice-chairperson of the Board of Directors.

The Supervisory Board continuously monitored the activities of the company and the key decisions of the Board of Directors. The Board of Directors regularly informed the Supervisory Board about the current developments in the company, its economic results, financial situation and compliance. To this end, the Board of Directors submitted written materials and its members commented on them when the materials were debated by the Supervisory Board.

In 2019, the Supervisory Board, amongst others:

- oversaw the developments in the company's operational activities, particularly in sales, turnover, receivables and liabilities;
- assessed the fulfilment of the top management's objectives for 2018;
- debated and reviewed the Report on Relations for 2018 and did not identify any irregularities with regard to the requirements of the Act on Business Corporations, including the review of whether any damage was incurred and settled, in accordance with Sections 71 and 72; the Supervisory Board considers that all the facts stated in the Report on Relations are in line with the actual reality;
- debated the 2018 Annual Report;
- debated and reviewed the consolidated and separate financial statements for 2018 including the auditor's reports; the Supervisory Board concluded that the financial report presents a true and fair view of the financial and economic situation of the PRE Group as well as the results of its business activities;
- debated the Report of the Board of Directors on Business Activities and Assets for 2018;
- debated and reviewed the proposal for the distribution of 2018 profit, including the determination of the amount of profit shares (dividends) and directors' fees for 2018 and the method of payment;
- debated the proposal for the nomination of the auditors of financial statements;
- debated the materials to be debated by the General Meeting in 2019;
- elected Jan Chabr a new member of the Board of Directors as of 16 May 2019;

- debated and approved the resignation of Jan Chabr from the Board of Directors as of 19 June 2019;
- elected Jan Chabr a new member of the Supervisory Board as of 23 September 2019;
- elected Marek Ženíšek a new member of the Board of Directors as of 24 September 2019;
- debated the plan of audits;
- approved the economic plan for 2020 and took account of the draft plan for 2021-2022;
- approved the long-term financial strategy of the company;
- approved the proposal of addendum No. 1 to the Audit Contract;
- approved the 2019 update of the PRE Group strategy for 2020-2025; and,
- approved the top management's objectives for 2020.

The Supervisory Board declares that the company's economic results in 2019 were excellent and expresses its thanks for them to the members of the Board of Directors as well as the company's employees.

In Prague, 19 March 2020

Signed by

Jan Chabr

Chairperson of the Supervisory Board



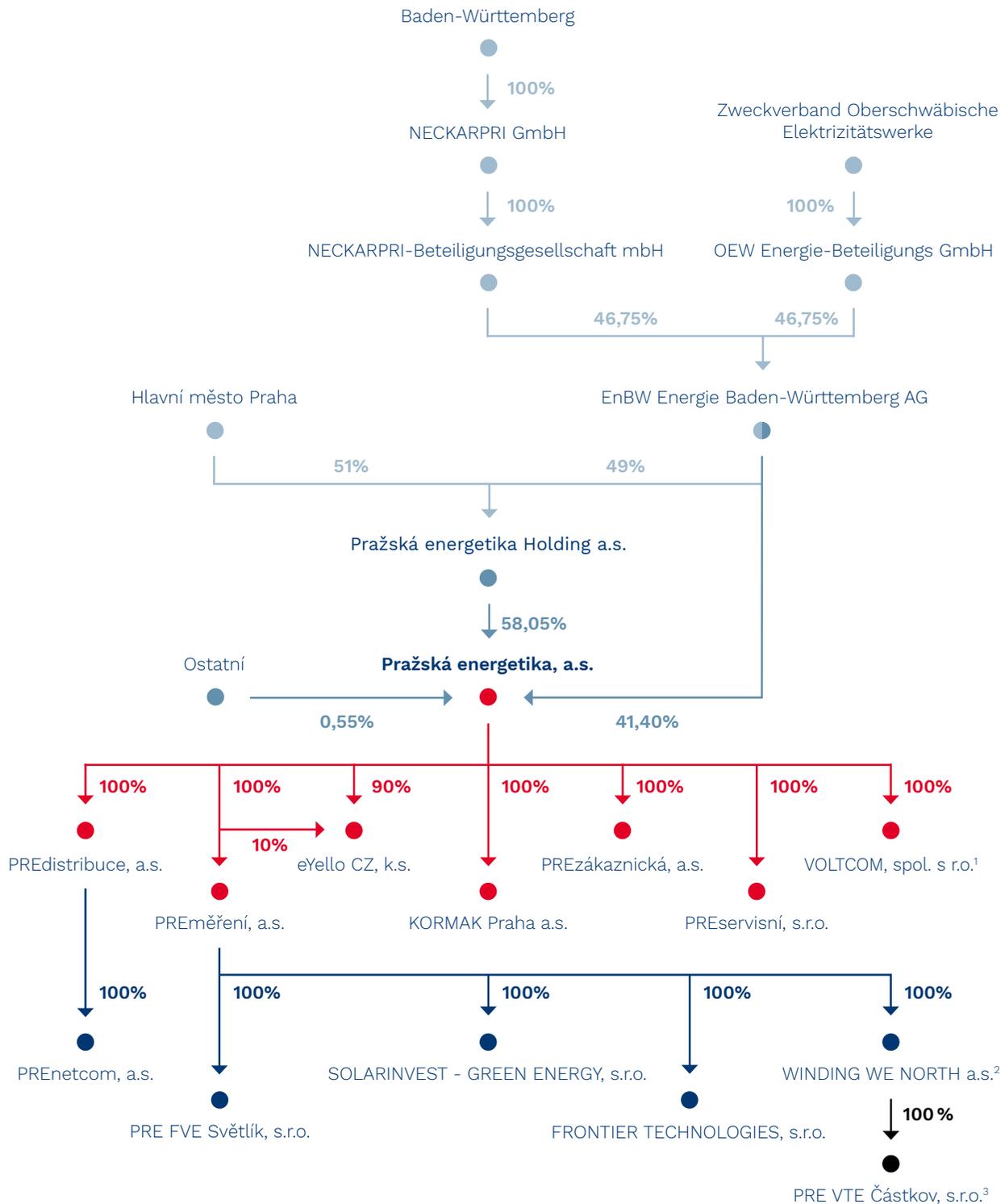


The Churchill project significantly raised so far neglected part of Prague's central train station, transforming it into a modern complex of office buildings and recreational areas.

The formerly abandoned area was replaced by a square with green spaces and water features.

Report on Relations

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Report on Relations of Pražská energetika, a.s., for 2019

(Hereinafter the Report on Relations) drawn up in accordance with Section 82 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives (hereinafter the Business Corporations Act) for the accounting period of 1.1.2019 to 31.12.2019. The relations are described in a manner respecting the provisions of Section 504 of Act No. 89/2012 Coll., the Civil Code, concerning trade secrets, and by analogy with the provisions of Section 359 of the Business Corporations Act concerning restrictions of information provision.

1. Structure of the relations between the controlled entity and the controlling entity, the role of the controlled entity and the manner and means of control

I. Structure of the relations

Controlling entities:

Pražská energetika Holding a.s. registered office Na Hroudě 1492, 100 05 Prague 10, ID No.: 26428059, registered in the Commercial Register maintained at the Municipal Court in Prague, file ref. B 7020 (**PREH**)

EnBW Energie Baden-Württemberg AG, registered office Durlacher Allee 93, 76131 Karlsruhe, Federal Republic of Germany, registered in the Commercial Register maintained at the District Court in Mannheim, file ref. 107956 (**EnBW**), which is at the same time the managing entity in accordance with Section 79 (1) of the Business Corporations Act

Controlled/managed entity:

Pražská energetika, a.s., registered office Na Hroudě 1492, 100 05 Prague 10, ID No.: 60193913, registered in the Commercial Register maintained at the Municipal Court in Prague, file ref. B 2405 (**PRE**)

The chart of the PRE Group structure is shown on the opposite page.

II. Role of PRE; method and means of control

PRE provides stable, environmentally friendly and efficient electricity supply in the capital and contributes to the development and improvement of energy infrastructure. The main activities of PRE and the PRE Group companies include trading in electricity and gas in the Czech Republic, electricity distribution and generation from renewable sources and complementary energy services.

PREH is jointly controlled by the Capital City of Prague (with a 51% share) and EnBW (with a 49% share). PREH holds PRE shares amounting to 58.05% of the PRE registered capital.

EnBW holds PRE shares amounting to 41.40% of the PRE registered capital. In compliance with Section 79 of the Business Corporations Act, PRE is a part of the EnBW corporate group and as such operates on the Czech energy market. EnBW controls and manages PRE through its representatives on the Board of Directors and the Supervisory Board.

¹ A 100% subsidiary of PRE since 30 April 2019.

² A 100% subsidiary of PREm since 19 December 2019.

³ A 100% subsidiary of Winding since 19 December 2019.

Pursuant to the shareholder contracts, the controlling companies, PREH and EnBW, exercise their control on the level of PRE and the control involves primarily PRE activities. The unified management does not apply to the activities of PRE's subsidiaries, which are managed only by PRE as their majority partner. The management of the subsidiaries falls under the sole remit of PRE's Board of Directors.

2. Overview of the actions carried out during the last accounting period on the instigation or in the interest of the controlling entity or its controlled entities if such actions concerned property exceeding 10% of the controlled entity's equity as identified in the last financial statements

In 2019, no actions concerning assets exceeding 10% of PRE's equity were carried out on the instigation or in the interest of the controlling entity or its controlled entities.

3. Overview of mutual contracts between the controlled entity and the controlling entity and between the controlled entities

The overview of mutual contracts between the controlled entities has been prepared based on a list of contracts provided to PRE by the controlling entities.

I. Contracts concluded by PRE with PREH

Contract on the provision of services – in effect from 1.1.2018 to 31.12.2021

Contract on personal data processing – in effect from 1.1.2018 to 31.12.2021

Contract on short-term loan – in effect from 1.8.2018 to 3.7.2019, under Appendix 2 to 31.7.2020

Contract on medium-term loan – in effect from 3.8.2015 to 3.7.2019, as amended

Contract on the provision of IT services – in effect from 8.11.2018 for an indefinite period of time

II. Contracts concluded by PRE with EnBW or with the entities controlled by EnBW

Contract on corporate cooperation with EnBW (on IT security) No. G3400/2024 – in effect from 28.4.2011 for an indefinite period of time

I&C security policy with EnBW (access to IS) No. G3400/2032 – in effect from 1.9.2011 for an indefinite period of time

General contract with EnBW (access to data and data processing in IDM) No. G3400/2068 – in effect from 28.11.2011 for an indefinite period of time

Subcontract to the general contract with EnBW (technical contract) No. G3400/2107 – in effect from 26.10.2012 for an indefinite period of time, as amended

Contract on the enhancement of qualification – in effect from 27.7.2018 to 30.9.2019

Contract on the handling of matters – health insurance and social security contributions and the calculation of prepayments of natural person income tax from wage-earning income and all emoluments – in effect from 1.8.2012 for an indefinite period of time

Licence contract with Yello Strom GmbH – in effect from 5.11.2012 to 5.11.2020

Contract on the provision of market access through IMC with EnBW Trading GmbH (as of 1.5.2014 EnBW) No. G4400/2012/0003 – in effect from 20.12.2012 for an indefinite period of time

Contract on the provision of market access through OTE with EnBW Trading GmbH (as of 1.5. 2014 EnBW) – in effect from 25.4.2013 for an indefinite period of time

Contract on the creation of supply consortium with PREdi and EnBW Regional AG (as of 1.2.2014 Netze BW GmbH) – in effect from 23.8.2013 until the execution of a potential public contract

Contract on the execution of the contract on the creation of supply consortium with PREdi and EnBW Regional AG (as of 1.2.2014 Netze BW GmbH) – in effect from 23.8.2013 until the execution of a potential public contract, as amended

Contract on the provision of market access through EMIR No. G4400/2014/0001 with EnBW Trading GmbH (as of 1.5.2014 EnBW) – in effect from 23.4.2014 for an indefinite period of time

EFET Electricity contract with EnBW Trading GmbH (as of 1.5.2014 EnBW) – in effect from 20.1.2005 for an indefinite period of time

EFET Gas contract with Gasversorgung Süddeutschland GmbH – in effect from 13.9.2013 for an indefinite period of time

EFET Gas contract with EnBW – in effect from 1.1.2015 for an indefinite period of time

EFET Gas contract with VNG Energie Czech – in effect from 1.4.2018 for an indefinite period of time

Sublease contract with EnBW for EnBW organisational – in effect from 12.1.2016 until the coming into effect of the lease contract

Preliminary agreement on the general contract on the provision of operation, maintenance and controlling services – in effect from 8.8.2018 until the coming into effect of the contract on the provision of services between PRE and EnBW

License contract with Yello Strom GmbH – in effect from 12.6.2018 to 5.11.2020

III. Contracts concluded by PRE with its subsidiaries

i) Contracts between PRE and PREdi

General contract on the provision of services between PRE, PREdi and PREnetcom No. PS20000019/010 – in effect from 1.1.2019 to 31.12.2048

Contract on the provision of services No. P/Pd/19, Contract on personal data processing – in effect from 1.1.2019 to 31.12.2022

Contract on the sale of electricity in PREpoint charging stations No. PS20000019/045 – in effect from 20.2.2019 for an indefinite period of time

Contract on the lease TS 136, P4 of a part of real estate No. 1853/126, 127 in Podolí – in effect from 1.1.2019 to 31.12.2028

Contract on electricity supply to cover losses in the distribution system and for the own needs of the distribution system operator No. P200006/14 – in effect from 1.1.2006 for an indefinite period of time

Contract on the provision of short-term loans No. P200006/22 – in effect from 30.11.2005 for an indefinite period of time, as amended

License contract No. PS20000011/029 – in effect from 3.1.2011 for an indefinite period of time, as amended

Lease contract No. N21112 of O2 ARENA in Vysočany – in effect from 1.2.2012 to 1.4.2019, as amended

Contract on gas supply services in Kolbenova 159 No. PS21001015/015 – in effect from 1.11.2014 for an indefinite period of time, as amended

Contract on the purchase of a wire rope flow detecting device No. PS23000219/001 – in effect from 18.1. 2019 to 31.12.2019

10 contracts on the establishment of easement to place PREdi's distribution system equipment in PRE's immovable assets, concluded for an indefinite period of time

Contract on the establishment of easement No. VV/G33/04457/08 – in effect from 31.3.2008 to 2.4.2048

Lease contract No. NO21111/011 – in effect from 1.4.2011 for an indefinite period of time

Lease contract No. NO21109/006 on the lease of the premises of Malešice – training centre – in effect from 1.4.2009 for an indefinite period of time

Lease contract No. NO21106/015 on the use of advertising billboards – in effect from 2.1.2006 for an indefinite period of time

Lease contract No. NO21106/001 on the use of plastic advertising billboards (282 units) – in effect from 30.12.2005 for an indefinite period of time, as amended

General contract on the provision of GPRS module installation services No. PS20000013/033 – in effect from 25.10.2013 for an indefinite period of time

Contract on long-term loan No. 1/2014 PS20000014/021 – in effect from 18.6.2014 to 18.6.2026

Contract on long-term loan No. 2/2014 PS20000014/030 – in effect from 26.11.2014 to 28.11.2026

Contract on long-term loan No. 1/2015 PS20000015/021 – in effect from 29.6.2015 to 29.6.2027

Contract on join gas supply services No. PS21001015/015 – in effect from 1.11.2014 for an indefinite period of time

Contract on the lease of non-residential premises for business No. NV/S21/1633025 – in effect from 1.3.2016 for an indefinite period of time

Contract on the lease of non-residential premises for business No. NV/S21/1633226 – in effect from 1.3.2016 for an indefinite period of time

Contract on the lease of non-residential premises for business No. NV/S21/1633022 – in effect from 1.3.2016 for an indefinite period of time

Contract on the lease of non-residential premises for business No. NV/S21/1633026 – in effect from 1.3.2016 for an indefinite period of time

Contract on the lease of non-residential premises for business No. NV/S21/1633021 – in effect from 1.3.2016 for an indefinite period of time

Contract on the lease of non-residential premises for business No. NV/S21/1633024 – in effect from 1.3.2016 for an indefinite period of time

Contract on the lease of non-residential premises for business No. NV/S21/1633027 – in effect from 1.3.2016 for an indefinite period of time

Contract on the lease garage parking spaces No. NV/S21/1634181 – in effect from 1.4.2016 for an indefinite period of time

General contract on electricity distribution to consumption points of the electricity trader's customers No. PS20000011/011 – in effect from 1.1.2011 for an indefinite period of time

Contract on operational cash transfer No. PS20000017/009 – in effect from 17.2.2017 for an indefinite period of time

Contract on the execution of construction alterations No. PS20000017/046 – in effect from 18.5.2017 for an indefinite period of time

Contract on the lease of a part of an immovable asset No. NO/S21/1841737 – in effect from 1.7.2018 to 30.6.2028

Contract on the lease of an immovable asset No. NO/S21/1944082 – in effect from 1.1.2019 to 31.12.2028

Contract on the provision of dispatcher control services and handling No. PS23100218/001 – in effect from 1.6.2018 to 31.5.2019

Contract on the cooperation on the construction of charging stations No. PS2100/018/036 – in effect from 14.6.2018 to 31.12.2028

PRE and PREdi have concluded contracts on the connection to the distribution system for all PRE's consumption points.

ii) Contracts between PRE and PREm

Contract on the lease of a part of an immovable asset No. C00441/10 – in effect from 1.10.2010 to 31.12.2035, as amended

Contract on the lease of a part of an immovable asset No. C00453/10 – in effect from 1.11.2010 to 31.12.2035, as amended

Lease contract No. G3530/NO/01/2015/32289 (M5000/NV/2016/33018) – in effect from 1.3.2016 for an indefinite period of time, as amended

Lease contract No. G3530/NO/03/2016/32451 (M5000/NV/2016/33228) – in effect from 1.3.2016 for an indefinite period of time, as amended

Lease contract No. G3530/NO/05/2016/33671 (M5000/NV/2016/34134) – in effect from 1.4.2016 for an indefinite period of time, as amended

Lease contract No. G3530/NO/05/2016/33808 (M5000/NV/2016/34760) – in effect from 1.4.2016 for an indefinite period of time, as amended

Contract on the provision of short-term loans No. C00186/05 (G3160/PREM-KRDUV/2005/02) – in effect from 30.11.2005 for an indefinite period of time, as amended

Contract on telephone equipment use and the re-charging of costs of telephone lines use No. 1226 (C00240/06) – in effect from 1.8.2006 for an indefinite period of time

Contract on the provision of services No. M6100/O/2019/0079 (P/Pm/19), Contract on the provision of services No. M5000/O/2019/0004 (Pm/P/19), Contract on personal data processing – in effect from 1.1.2019 to 31.12.2022

Contract on the take-over of rights and obligations arising from the forwarding contract dated 30.6.2000 No. P4212005/5 (C00311/08) – in effect from 1.1.2008 for an indefinite period of time

General contract on storage heaters installation No. C00384/09 – in effect from 3.9.2009 for an indefinite period of time, as amended

Contract on personal data processing No. C00426/10 – in effect from 22.6.2010 for an indefinite period of time

License contract on using trademark No. C00470/11 – in effect from 3.1.2011 for an indefinite period of time

Contract on joint electricity supply services – type MO No. SoSSE/6254022 (C00503/11) – in effect from 14.6.2011 for an indefinite period of time, as amended

Contract on joint electricity supply services – type MO No. SoSSE/6250517 (C00504/11) – in effect from 14.6.2011 for an indefinite period of time, as amended

Contract on joint electricity supply services – type MO No. SoSSE/6282725 (C00505/11) – in effect from 14.6.2011 for an indefinite period of time, as amended

Contract on joint electricity supply services – type MO No. SoSSE/6279473 (C00506/11) – in effect from 14.6.2011 for an indefinite period of time, as amended

Contract on joint electricity supply services – type MO No. SoSSE/6283505 (C00507/11) – in effect from 14.6.2011 for an indefinite period of time, as amended

Contract on joint electricity supply services – type MO No. SoSSE/6207319 (C00508/11) – in effect from 14.6.2011 for an indefinite period of time, as amended

Contract on joint electricity supply services – type MO No. SoSSE/6253998 (C00509/11) – in effect from 14.6.2011 for an indefinite period of time, as amended

Contract on joint electricity supply services No. M6100/E/2016/0004 – in effect from 23.11.2015 for an indefinite period of time, as amended

Contract on electricity supply to cover losses in the distribution system and for the own needs of the distribution system operator No. 70001471 (M6100/E/2016/0133) – in effect from 31.10.2016 for an indefinite period of time

Contract on the provision of distribution system services with the electricity trader No. 1/2016 (M6100/E/2017/0007) – in effect from 31.10.2016 for an indefinite period of time
Mandate contract No. C00542/11 (G4630/2011/0005) – in effect from 5.12.2011 for an indefinite period of time, as amended
Contract on electricity supply from promoted sources No. C00605/12 – in effect from 1.1.2013 for an indefinite period of time, as amended
General contract for work No. M6100/RS/2016/0002 (G4100/2016/0001) – in effect from 21.1.2016 for an indefinite period of time
Servicing contract No. G3530/S/10/2016/03 (M6100/SE/2016/0020) – in effect from 1.3.2016 for an indefinite period of time, as amended
Contract on long-term loan No. 1/2014 (C00806/O/2015/14, G1020/PREM-VSU1/2014/05) – in effect from 28.2.2014 to 28.2.2022
Contract on long-term loan No. 2/2014 (C00807/O/2015/14, G1020/PREM-VSU2/2014/06) – in effect from 28.2.2014 to 28.2.2023
Contract on long-term loan No. 3/2014 (C00808/O/2015/14, G1020/PREM-VSU3/2014/07) – in effect from 28.2.2014 to 29.2.2024
Contract on long-term loan No. 4/2014 (C00809/O/2015/14, G1020/PREM-VSU4/2014/08) – in effect from 28.2.2014 to 29.2.2024
Contract on long-term loan No. 5/2014 (M5000/O/2015/2015, G1020/PREM-VSU5/2014/09) – in effect from 8.12.2014 to 31.12.2021
Contract on long-term loan No. 1/2015 (G1020/PREM /2015/07, M5000/O/2015/0010, G1020/PREM-OŘECH/2015/07) – in effect from 27.10.2015 to 29.10.2023
Contract on long-term loan No. 2/2015 (G1020/PREM-RAJ/2015/08, M5000/O/2015/0011) – in effect from 27.10.2015 to 29.10.2023
Contract on long-term loan No. 1/2014 (M5000/DAC/2015/0015, G1020/BLACKUVER/2014/01) – in effect from 8.12.2014 to 18.12.2024
Contract on long-term loan No. 1/2015 (G1020/Dačice/2015/04, M5000/DAC/2015/0013) – in effect from 27.10.2015 to 29.10.2024
Contract on long-term loan No. 1/2015 (G1020/Mikulov/2015/05, M5000/MIK/2015/0014) – in effect from 27.10.2015 to 29.10.2024
Contract on long-term loan No. 1/2015 (G1020/Pozořice/2015/06, M5000/POZ/2015/0012) – in effect from 27.10.2015 to 29.10.2024
Contract on long-term loan No. 1/2017 (M5000/O/2017/0003) – in effect from 22.12.2017 to 22.12.2027
Contract on operational cash transfer No. G1020/POKLAD_PREM/2017/1 (M5000/O2017/0001) – in effect from 17.2.2017 for an indefinite period of time
Contract on the provision of physical unidirectional cash pooling No. C00188/05 (ZBA/2005/36) – in effect from 1.12.2005 for an indefinite period of time
Contract on the supply of electricity from the Ořechov renewable source No. M6100/E/2018/0134 – in effect from 1.1.2019 to 31.12.2019
Contract on the supply of electricity from the Rajhrad renewable source No. M6100/E/2017/0135 – in effect from 1.1.2019 to 31.12.2019
Contract on the supply of electricity from the Pozořice renewable source No. M6100/E/2017/0136 – in effect from 1.1.2019 to 31.12.2019
Contract on the supply of electricity from the Pozořice renewable source 4 MW No. M6100/E/2018/0137 – in effect from 1.1.2019 to 31.12.2019
Contract on the supply of electricity from the Pozorka renewable source No. M6100/E/2017/0149 – in effect from 1.1.2019 to 31.12.2019
Contract on the supply of electricity from the Hořovice renewable source No. M6100/E/2018/0145 – in effect from 1.1.2019 to 31.12.2019
Contract on the supply of electricity from the Kondrac renewable source No. M6100/E/2018/0146 – in effect from 1.1.2019 to 31.12.2019
Contract on the supply of electricity from the Mikulov renewable source No. M6100/E/2018/0147 – in effect from 1.1.2019 to 31.12.2019
Contract on the supply of electricity from the Dačice renewable source No. M6100/E/2018/0148 – in effect from 1.1.2019 to 31.12.2019
Contract on mutual exchange of services in connection with magazine PREforum No. M6100/O/2018/0173 (G1030/O/2018/332) – in effect from 18.10.2018 to 31.3.2019
Lease contract on the lease of movable assets (electric bikes) No. M6100/N/2018/0139 – in effect from 1.6.2018 to 31.12.2022
Contract on the supply of electricity from the Holešovice renewable source No. M6100/E/2018/0179 – in effect from 15.11.2018 for an indefinite period of time
Contract on carport 4XL Novovysočanská No. M6100/P/2019/0141 – in effect from 4.9.2019
Contract on project documents for a public charging station in Šebele car wash centre No. M6100/P/2019/0152, dated 16.9.2019
Contract on project documents for a public charging station in Prime Office Building, Pankrác, No. M6100/P/2019/0153, dated 16.9.2019
Contract on project documents for a public charging station in Voctářová, No. M6100/P/2019/0154, dated 16.9.2019
Contract on project documents for a public charging station in in Corso Court Thámová, No. M6100/P/2019/0155, dated 16.9.2019
Contract on project documents for a public charging station in Alza Holešovice, No. M6100/P/2019/0156, dated 16.9.2019
Contract on mutual exchange of services in connection with magazine PREforum No. M6100/O/2019/0183 (G1030/O/2019/314) – in effect from 15.10.2019 to 31.3.2020
Contract on the installation of a charging station in Ostopašská street No. M6100/P/2019/0050 (V4030/PRE/I/01/2019/006) – in effect from 19.3.2019 to 13.12.2019, as amended
Contract on joint electricity supply services Dvouletky No. M6100/E/2018/0106, dated 28.6.2018
34 orders on work on installation of electrical equipment

iii) Contracts between PRE and eYello

Sub-license contract No. G4009/2012/004 – in effect from 19.12.2012 to 5.11.2020, as amended
Sub-license contract No. G4009/2019/001 – in effect from 16.1.2019 for an indefinite period of time
Sublease contract – in effect from 1.6.2013 to 31.3.2021, as amended
Contract on the provision of short-term loans – in effect from 30.11.2005 for an indefinite period of time, as amended
General contract on electricity supply No. G4100/2014/0043 – in effect from 1.1.2014 for an indefinite period of time, as amended
General contract on gas supply – in effect from 1.10.2015 for an indefinite period of time, as amended
Contract on marketing costs allocation No. G4000/2014/0010 – in effect from 1.7.2014 for an indefinite period of time, as amended
Contract on the provision of services No. P/Y/19, Contract on personal data processing – in effect from 1.1.2019 to 31.12.2022
Contract on operational cash transfer No. G3160/POKLADYELLO/2017/03 – in effect from 17.2.2017 for an indefinite period of time
Contract on the provision of counselling services – in effect from 17.12.2019 to 31.12.2019
General contract on the supplies of office equipment V4000/YELLO/2019/007 – in effect from 1.4.2019 to 31.12.2022
Contract on the administration of the software service ILQpay – in effect from 4.4.2019 for an indefinite period of time

iv) Contracts between PRE and Kormak

Contract on data security, protection and on general rules of mutual cooperation – in effect from 11.4.2016 for an indefinite period of time
Contract on the provision of short-term loans – in effect from 22.4.2016 for an indefinite period of time, as amended
Contract on the provision of services No. P/K/19, Contract on personal data processing – in effect from 1.1.2019 to 31.12.2022
Contract for work – the provision and installation of a street lighting pole including the installation of a wall box station No. G3540/I/01/2018/041 – in effect from 3.12.2018 to 31.1.2019
Contract on the transfer of rights to use licenses No. G3400/4930 – in effect from 7.10.2019 for an indefinite period of time
Contract on the purchase of hardware equipment – in effect from 12.3.2019 for an indefinite period of time
Contract on the assignment of license contract to SW ABRA – in effect from 1.5.2019 for an indefinite period of time
Contract on the assignment of license contract to SW Docházka – in effect from 10.10.2019 for an indefinite period of time
Contract on the assignment of license contract to SW MISYS – in effect from 22.8.2019 for an indefinite period of time
Contract on the assignment of license contract to SW Daisy Bizon – in effect from 29.8.2019 for an indefinite period of time
22 contracts and orders for design and engineering works

v) Contracts between PRE and PREs

Contract on the provision of services No. P/Ps/19, Contract on the provision of services P/Ps/19, Contract on personal data processing – in effect from 1. 1. 2019 to 31.12.2022
Contract on the provision of short-term loans – in effect from 22.4.2016 for an indefinite period of time
Contract on long-term loan No. 1/2016 – in effect from 20.7.2016 for a definite period of time, till 29.7.2026
Contract on long-term loan No. 1/2017 – in effect from 30.3.2017 for a definite period of time, till 10.4.2027
Contract on join gas supply services No. 30005831 – in effect from 20.9.2016 for an indefinite period of time
Contract on join gas supply services No. 30005832 – in effect from 20.9.2016 for an indefinite period of time
Contract on join gas supply services No. 30008435 – in effect from 28.8.2017 for an indefinite period of time
Contract on joint gas supply services No. 7302270 – in effect from 24.7.2017 for a definite period of time, till 30.6.2019
Contract on logistics services and sales of stocks, No. G3510/2018/016 – in effect from 1.1.2019 to 31.1.2019
Contract on the lease of office HR 4 No. V4020/NO/05/2019/43960 – in effect from 1.1.2019 for an indefinite period of time
Contract on the lease of building A Novovysočanská, No. V4020/NV/03/2019/43672 – in effect from 1.1.2019 for an indefinite period of time
Contract on the lease of office HR19 No. G3530/NO/01/2018/43304 – in effect from 1.1.2019 for an indefinite period of time
Lease contract for Holešovice-doprava, No. G3530/NO/03/2018/43305 – in effect from 1.1.2019 for an indefinite period of time
Contract on the lease of a garage PREservisní, No. G3530/NO/05/2018/43303 – in effect from 1.1.2019 for an indefinite period of time

Contract on the lease of offices Svornost, No. G3530/NO/07/2018/43326 – in effect from 1.1.2019 for an indefinite period of time

Contract on the order of air fresheners 4 No. V4020/PRE/041/2019/05 – in effect from 26.3.2019

Contract on operational cash transfer No. G3160/POKLAD_SERV/2019/01 – in effect from 2.1.2019 for an indefinite period of time

Contract on the use of vehicles, No. V4000/PRESERV/2019/034 – in effect from 1.1.2019 to 31.12.2022

vi) Contracts between PRE and PREzak

Contract on the provision of services No. P/Pz/19, Contract on the provision of services P/Ps/19, Contract on personal data processing – in effect from 1.1.2019 to 31.12.2022

Lease contract No. PRE G3530/NO/05/2017/39928 – in effect from 1.1.2018 for an indefinite period of time

Lease contract No. G3530/NO/00/2017/39637 – in effect from 1.1.2018 for an indefinite period of time

Lease contract No. G3530/NO/01/2017/39628 – in effect from 1.1.2018 for an indefinite period of time

Lease contract No. G3530/NO/05/2018/40194 – in effect from 1.1.2018 for an indefinite period of time

Lease contract No. G3530/NO/07/2018/40197 – in effect from 1.1.2018 for an indefinite period of time

Sub-lease contract No. G3530/NO/03/2018/40198 – in effect from 1.1.2018 for an indefinite period of time

Sub-lease contract No. G3530/NO/03/2018/40199 – in effect from 1.1.2018 for an indefinite period of time

Sub-lease contract No. G3530/NO/03/2018/40883 – in effect from 1.3.2018 for an indefinite period of time

Sub-lease contract No. G3530/NO/06/2018/40214 – in effect from 1.1.2018 to 31.3.2021

Sub-lease contract No. G3530/NO/06/2018/40215 – in effect from 1.1.2018 to 31.3.2021

Sub-lease contract No. G3530/NO/06/2018/40216 – in effect from 1.1.2018 to 31.3.2021

Sub-lease contract No. G3530/NV/09/2019/46631 – in effect from 1.9.2019 for an indefinite period of time

Sub-lease contract No. G3530/NO/06/2019/46343 – in effect from 1.9.2019 for an indefinite period of time

Contract on operational cash transfer – in effect from 30.1.2018 for an indefinite period of time

Contract on the provision of short-term loans – in effect from 18.12.2017 for an indefinite period of time

vii) Contracts between PRE and Voltcom

Lease contract and sub-lease contract of a part of real estate No. 560/15 – in effect from 28.12.2006 for an indefinite period of time

Contract on telephone equipment use and the re-charging of costs of telephone lines use No. 1501 – in effect from 21.4.2008 for an indefinite period of time, as amended

Contract on data security and protection and on general rules of mutual cooperation – in effect from 1.6.2017 for an indefinite period of time

Contract on the lease of office HR 4 No. V4030/PRE/I/01/2019/080 – in effect from 25.11.2019 to 30.1.2020, as amended

IV. Contracts concluded by PRE with the other PRE Group companies

i) Contracts between PRE and PRE FVE Světlík

Contract on loan – in effect from 30.11.2017 to 28.11.2027

Contract on electricity supply No. SVE/2017/0013 – in effect from 31.5.2018 for an indefinite period of time

Contract on the supply of electricity from renewable source No. M6100/E/2018/0014 – in effect from 1.1.2019 to 31.12.2019

ii) Contracts between PRE and PREnetcom

Lease contract No. G3530/NO/05/2017/40195 – in effect from 1.1.2018 for an indefinite period of time

Contract on the provision of short-term loans – in effect from 6.2.2018 for an indefinite period of time

Contract on the assignment of contract to CETIN No. PS/N90/1946183 – in effect from 1.7.2019 for an indefinite period of time

Contract on the assignment of contract to TELCO No. PS/N90/1946188 – in effect from 1.7.2019 for an indefinite period of time

Contract on the assignment of contract to T-Mobile No. PS/N90/1946202 – in effect from 1.6.2019 for an indefinite period of time

Contract on the provision of services No. PS/N90/1944030 and No. PS/N90/1944031, P/Pn/19 – in effect from 1.1.2019 to 31.12.2022

5 contract assignment agreements – in effect from 1.2019 for an indefinite period of time

iii) Contracts between PRE and Solarinvest

Contract on short-term loans No. G3160/05 (SIGE_KR_UV2/2019/03) – in effect from 1.4.2019 for an indefinite period of time

Contract on long-term loan No. 1/2018 G3160/SIGE_VSU1/2018/01 – in effect from 29.5.2018 to 31.1.2025

Contract on intragroup loan No. G3160/SIGE_VSU1/2019/02 – in effect from 2.5.2019 to 2.5.2023

Contract on long-term loan No. 2/2019 G3160/SIGE_VSU2/2019/05 – in effect from 30.7.2019 to 30.7.2023

iv) Contracts between PRE, PREdi and PREnetcom

General contract on the provision of services between PRE, PREdi and PREnetcom No. PS20000019/010 – in effect from 1.1.2019 to 31.12.2048

v) Contracts between PRE and Frontier

Contract for work to refurbish lightening of offices and meeting rooms 012H19, No. V4030/PRE/I/01/2019/026 – in effect from 14.10.2019 to 31.12.2019

Contract on the provision of counselling services No. G3220/2019/048 – in effect from 20.9.2019 for an indefinite period of time

Contract on personal data processing No. G3220/2019/049 – in effect from 19.9.2019 to 31.12.2019

Contract for work to refurbish lightening of garages H4, No. V4030/PRE/I/01/2019/013 – in effect from 14.5.2019 to 15.9.2019

Contract on short-term loans No. G3160/FT_KRD_UV/2019/04 – in effect from 1.4.2019 for an indefinite period of time

Contract on work to rebuilt PRE's museum in TR building in Holešovice, No. IS/S24/1947641 – in effect from 28.11.2019 to 30.4.2020

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V. Contracts concluded between PRE subsidiaries

i) Contracts between PREdi and PREm

Contract on the supply of metering equipment No. KV/S25/1843480 – in effect from 1.1.2019 to 31.12.2022

Contract on the provision of services No. Pm/Pd/19, Contract on personal data processing – in effect from 1.1.2019 to 31.12.2022

Contract on the supply of defunct metering equipment No. S252007/003 (C00261/06) – in effect from 30.12.2006 for an indefinite period of time

General contract on the provision of services No. PS20000019/010 – in effect from 1.1.2019 for an indefinite period of time

Contract on the supply of used metering equipment No. S252007/004 (C00260/06) – in effect from 30.12.2006 for an indefinite period of time

General contract for work No. P20006/19 (C00203/06) – in effect from 1.3.2006 for an indefinite period of time, as amended

Contract on the lease of land No. N21110/016 (C00418/10) – in effect from 1.4.2010 to 31.12.2030

Contract on the lease of land No. NO21110/004 (C00438/10) – in effect from 1.9.2010 to 31.12.2030

Contract on the lease of land No. N21110/039 (C00436/10) – in effect from 1.10.2010 to 31.12.2035, as amended

Contract on the lease of a part of an immovable asset No. NO21110/005 (C00439/10) – in effect from 1.10.2010 to 31.12.2035, as amended

10 contracts on the cooperation on performing work on unmeasured parts of electricity consumption equipment

Contract on personal data processing No. PS20000013/038/13 (C00627/13) – in effect from 1.3.2013 for the time of the effect of the above-listed contracts

Contract on the provision of distribution system services from MV and HV with the operator of local distribution system No. 80003131 (M6100/E/2016/0126) – in effect from 15.11.2016 for an indefinite period of time

Contract on the establishment of easement No. VV/G33/12987/1841945 – in effect from 9.4.2018 for an indefinite period of time

Contract on the installation of a separator machine No. PS25002219/001, 002 – in effect from 10.9.2019 / 17.12.2019 to 31.12.2019

2 contracts on the purchase of movable assets (electric bike)

PREm and PREdi have concluded contracts on the connection to the distribution system for all PRE's consumption points.

ii) Contracts between PREDi and eYello

General contract on electricity distribution to consumption points of the electricity trader's customers No. SOD/10390 – in effect from 16.11.2012 for an indefinite period of time

iii) Contracts between PREDi and PREzak

Contract on personal data processing – in effect from 19.12.2017 for an indefinite period of time

Contract on the provision of services No. PS20000019/013, Pz/Pd/19, Contract on the provision of services – in effect from 1.1.2019 to 31.12.2022

iv) Contracts between PREDi and Kormak

Contract on work – provision of expert services in the network of PREDistribuce, a.s., No. PS23000117/002 – in effect from 1.2.2017 for an indefinite period of time

Contract for work – graphic and drawing documentation No. PS21002012/004 – in effect from 15.2.2012 for an indefinite period of time

Contract on personal data processing No. PS27200018/010 – in effect from 6.1.2009 for an indefinite period of time

General contract on the provision of services No. PS20000019/2019, K/P/2019 – in effect from 1.1.2019 to 31.12.2022

Contract on personal data processing in connection with provided services, No. PS7200018/013 – in effect from 29.2.2016 to 28.2.2019

Contract on the cooperation on performing work on unmeasured parts of electricity consumption equipment No. PS27200018/012 – in effect from 21.3.2018 to 28.2.2019, or until the cooperating partner's certificate expires

Contract on the provision of dispatcher control services and handling No. PS23330218/011 – in effect from 1.1.2019 to 31.12.2019

Contract on the cooperation on performing work on unmeasured parts of electricity consumption equipment – in effect from 29.2.2016 to 2023, or until the cooperating partner's certificate expires

Lease contract No. NV/S24/1946371 – in effect from 11.7.2019 to 16.9.2022

Contract of mandate to contract No. PS23000117/002 – in effect from 1.12.2017 for an indefinite period of time

3 contracts for work on the provision of design and engineering services for the repairs of distribution system equipment

6 contracts for work on carrying out repairs of distribution system equipment

93 contracts for work on the provision of design and engineering services for the construction of distribution system equipment

106 contracts for work on carrying out construction of distribution system equipment

Kormak and PREDi have concluded contracts on the connection to the distribution system for all PRE's consumption points.

v) Contracts between PREDi and PREs

Contract on the provision of services No. PS20000019/015, Ps/Pd/2019, Contract on the provision of services – in effect from 1.1.2019 to 31.12.2022

3 on the purchase of a movable asset (cable and diagnostic equipment) – in force from 20.6.2019 to 31.7.2019

PREs and PREDi have concluded contracts on the connection to the distribution system for all PRE's consumption points.

vi) Contracts between PREDi and Voltcom

General contract on work and contract on the provision of services No. PS20000019/046, V/Pd/19 – in effect from 1.5.2019 to 31.12.2023

Contract on personal data processing – in effect from 30.4.2019 for an indefinite period of time

Contract on the cooperation on performing work on unmeasured parts of electricity consumption equipment No. PS27200019/013 – in effect from 17.12.2019 to 20.11.2024, or until the cooperating partner's certificate expires

Contract on the provision of maps No. PS21002011/005 – in effect from 21.12.2010 for an indefinite period of time

Contract on the provision of dispatcher control services and handling No. PS23330219/001 – in effect from 1.1.2019 to 31.12.2019

Contract for work – earthing measurements No. PS 23320119/009 – in effect from 2.1.2019 to 31.12.2020

General contract for work – fixing of earthing of distribution equipment No. PO/S21/1943571 – in effect from 15.1.2019 to 31.12.2019.

Contract for work No. PS 23320119/008 – in effect from 21.2019 to 31.12.2019

Contract for work No. PS 23320119/011 – in effect from 1.2.2019 to 31.12.2019

Contract on work – provision of design and engineering services for the construction of a relay equipment for MV network, No. 99/S24/PR/1946936 – in effect from 25.10.2019 to 30.3.2020

Contract on the provision of services No. PS 25002118/004 – in effect from 1.6.2018 to 30.6.2019

Purchase contract No. KV/S21/1946804 – dated 9.10.2019

7 contracts for work on the provision of design and engineering services for the construction of distribution system equipment

7 contracts for work on carrying out repairs of distribution network

109 contracts for work on the provision of design and engineering services for the construction of distribution system equipment

80 contracts for work on carrying out construction of distribution system equipment

Voltcom and PREdi have concluded contracts on the connection to the distribution system for all PRE's consumption points.

vii) Contracts between PREdi and Frontier

Contract for work – investment and construction No. IS/S24/1947641 – in effect from 28.11.2019 to 30.4.2020

viii) Contracts between Kormak and PREs

Lease contract on the lease of a complex of buildings with equipment – in effect from 4.9.2013 for an indefinite period of time, as amended

Contract on the provision of services No. Ps/K/19 – in effect from 1.1.2019 to 31.1.2022

Contract for work No. V4030/PREs/01/2019/040 – in effect from 10.10.2019 to 31.10.2019

Contract for work No. V4030/PREs/01/2019/071 – in effect from 10.10.2019 to 31.1.2020

Contract for work No. V4030/PREs/01/2019/072 – in effect from 10.10.2019 to 31.1.2020

ix) Contracts between Kormak and PREm

General contract on work on the provision of servicing of transformer station No. C00517/11 – in effect from 22.9.2011 for an indefinite period of time

Contract on stand-by for charging stations No. M6100/P/2017/0094 – in effect from 1.8.2017 for an indefinite period of time

12 contracts and order for planning and construction work

x) Contracts between Kormak and Voltcom

3 contracts/orders for design and engineering works

xi) Contracts between Kormak and Frontier

Sub-provider contract – within the public contract for Prague, Akátová, Libčická, Mazurská, dated 14.11.2019

Sub-provider contract – within the public contract for Prague 5, U Starého židovského hřbitova, dated 14.11.2019

xii) Contracts between Voltcom and PREm

1 annual contract/order for metering transformers and electricity meters

xiii) Contracts between Voltcom and PREs

1 contract for work on the construction of a relocation project for the distribution system

xiv) Contracts between PREzak and eYello

Contract on the provision of services No. Pz/Y/19, Contract on personal data processing – in effect from 1.1.2019 to 31.12.2022

xv) Contracts between PREzak and PREs

Contract on the provision of services No. Ps/Pz/19, Contract on personal data processing – in effect from 1.1.2019 to 31.12.2022

xvi) Contracts between PREs and PREm

Contract on the provision of services No. V3000/PRESERV/2019/007, Ps/Pm/19, Contract on personal data processing – in effect from 1.1.2019 to 31.12.2022

Contract on the exchange of wall box in Jungmannova, No. V4020/PRE/098/2019/09 – in effect from 4.7.2019 to 20.7.2019

Contract on alternations of PREm charging station No. V4020/PRE/077/2019/09 – in effect from 16. 5. 2019 to 31. 5. 2019

Contract/order of regular inspections of charging stations No. V4020/PREs/118/2019/09 – in effect from 9.8.2019 to 15.9.2019

Contract on testing connections of charging stations in garages No. V4020/PRE/I/168/2019/09 – in effect from 29.10.2019 to 30.11.2019

xvii) Contracts between PREzak and PREm

Contract on the provision of services No. Pz/Pm/19, Contract on personal data processing – in effect from 1.1.2019 to 31.12.2022

xviii) Contracts between PREzak and PREdi

Contract on the provision of services No. Pz/Pd/19, Contract on personal data processing – in effect from 1.1.2019 to 31.12.2022

xvix) Contracts between PREservisní and eYello

Contract on the provision of services No. Ps/Y/19, Contract on personal data processing – in effect from 1.1.2019 to 31.12.2022

VI. Contracts between PRE subsidiaries and their subsidiaries

i) Contracts between PREm and PRE FVE Světlík

Contract on the provision of services – servicing of photovoltaic power plants M6100/O/2019/0015 – in effect from 1.1.2019 to 31.12.2022

Order taken in order to adjust compensation equipment No. OV/2019/0001 dated 15.7.2019

ii) Contracts between PREdi and PREnetcom

General contract on the provision of services between PREnetcom, PREdi and PRE No. PS20000019/010 – in effect from 1.1.2019 to 31.12.2048

Contract on the assignment of contract No. PS20000019/021/ – in effect from 1.2.2019 (contract for work No. 8237/98 – service from 28.7.1998, as amended)

Contract for work No. PS20000019/028 – in effect from 24.4.2019 to 31.3.2022

Contract on personal data processing No. PS20000019/051 – in effect from 24.4.2019 to 31.12.2022

Lease contract No. NO/S21/1943803 – in effect from 1.1.2019 for an indefinite period of time

Contract on the purchase of movable assets No. PS20000019/026, dated 24.4.2019

iii) Contracts between PREm and Solarinvest

General purchase contract No. M6100/RS/2018/0060 – in effect from 28.5.2018 for an indefinite period of time, as amended
Servicing contract No. M6100/SE/2018/0062 – in effect from 1.6.2018 for an indefinite period of time
Agency contract No. M6100/O/2018/0113 – in effect from 23.7.2018 for an indefinite period of time
Contract on personal data processing No. M6100/O/2016/0090 – in effect from 1.9.2016 for an indefinite period of time
Contract on personal data processing No. M6100/O/2018/0114 – in effect from 23.7.2018 for an indefinite period of time
Contract on material purchasing No. M6100/RS/2016/0055 – in effect from 14.7.2016 for an indefinite period of time
Contract on the sale of batteries No. M6100/K/2017/0130 – in effect from 16.11.2017 for an indefinite period of time
Contract on the execution of the construction of photovoltaic power plants M6100/RS/2016/0088 – in effect from 1.9.2016 for an indefinite period of time
Contract on the servicing of the Hořovice, Hrouda and Jinonice photovoltaic power plants No. M6100/SE/2018/0062 – in effect from 1.6.2018 for an indefinite period of time
Contract on the completion of the Chudek photovoltaic power plant No. M6100/DOD/OBJ/2018/0137 – in effect from 15.8.2018 for an indefinite period of time
Contract on the construction of the Nad Mokřinou photovoltaic power plant No. M6100/DOD/OBJ/2018/0160 – in effect from 14.9.2018 for an indefinite period of time
Contract on the construction of the Horní Počernice photovoltaic power plant No. M6100/DOD/OBJ/2018/0180 – in effect from 31.10.2018 for an indefinite period of time
Contract on the construction of the Za Dvorem photovoltaic power plant No. M6100/DOD/OBJ/2018/0196 – in effect from 5.11.2018 for an indefinite period of time
27 orders of work on electric equipment
5 orders on equipment supplies

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iv) Contracts between PREm and Frontier

Contract on the provision of services – in effect from 1.1.2019 to 31.12.2022
Contract on the provision of LED lightning system in Cihelna Štěrboholy No. OV/19/6100/0040 – in effect from 28.3.2019 to 8.5.2019
Contract on the servicing of the lightning system in Cihelna Štěrboholy No. OV/19/6100/0161 – dated 29.11.2019

4. Review of whether the controlled entity incurred damage and a review of its settlement

Neither PRE nor its controlled entities have incurred any damage from the relations with the controlling entities or the entities controlled by any of the controlling entities or from the above-mentioned contractual relationships. Transactions arising from the above-mentioned contractual relationships are agreed in prices usual for the given contract type at the place and time; no preferential treatment is provided to one party or the other.

5. Advantages and disadvantages arising from the relations between the controlled entity and the controlling entity and between the controlled entity and the entities controlled by the controlling entity, and the risks that arise from them; information on the potential settlement of damage. Information on the possible settlement of damage

PRE has not incurred any damage or faced any risks beyond the degree usual in business relations between independent entities resulting from the relations with the controlling entities or the entities controlled by any of the controlling entities, or from the above-mentioned contracts.

The cooperation between PRE and the controlling entities and their controlled entities brings considerable advantages to PRE thanks to the acquired know-how and numerous synergies, which PRE can also achieve. In particular, PRE has access to the knowledge and experience of the EnBW corporate group, as well as to the technology used and the advantages it brings. There are no disadvantages arising for PRE from cooperation within the corporate group.

The Board of Directors, as the statutory body of PRE, declares that the data contained in this Report on Relations are correct and complete and that the procedure of drawing up the Report on Relations according to Section 82 et seq. of the Business Corporations Act made full use of all the information and data which the statutory body has at its disposal and which it has ascertained acting with due diligence.

In Prague, 5 March 2020

Signed by

Pavel Elis

Chairperson of the Board of Directors

Signed by

Alexander Sloboda

Vice-chairperson of the Board of Directors

Appendix No. 1 to the Report on Relations of PRE for 2019

Controlled and connected entities of EnBW (as of 31.12.2019)

SALES

Fully consolidated companies

bmp greengas GmbH, München/Germany
BroadNet Deutschland GmbH, Köln/Germany
ED GrünSelect GmbH, Rheinfelden/Germany
EnBW Energy Factory GmbH, Stuttgart/Germany (formerly Watt Synergia GmbH, Frankfurt am Main/Germany)
EnBW Mainfrankenpark GmbH, Dettelbach/Germany
EnBW Telekommunikation GmbH, Karlsruhe/Germany (formerly EnBW Omega Zweiundfünfzigste Verwaltungsgesellschaft mbH, Karlsruhe/Germany)
EnBW Vertriebsbeteiligungen GmbH, Stuttgart/Germany
energieNRW GmbH, Düsseldorf/Germany
ESD Energie Service Deutschland GmbH, Offenburg/Germany
eYello CZ, k.s., Prague/Czech Republic
G.EN. Gaz Energia Sp. z o.o., Tarnowo Podgórze/Poland
Gasversorgung Süddeutschland GmbH, Stuttgart/Germany
Gasversorgung Unterland GmbH, Heilbronn/Germany
goldgas GmbH, Wien/Austria
goldgas GmbH, Eschborn/Germany
NaturEnergie+ Deutschland GmbH, Mühlacker/Germany
Plusnet GmbH, Köln/Germany
Plusnet Infrastruktur GmbH & Co. KG, Köln/Germany
PREservisní, s.r.o., Prague/Czech Republic (formerly KORMAK nemovitosti s.r.o., Prague/Czech Republic)
PREzákaznická, a.s., Prague/Czech Republic
Sales & Solutions GmbH, Stuttgart/Germany
SENEC GmbH, Leipzig/Germany
Ventelo GmbH, Köln/Germany
VNG-Erdgascommerz GmbH, Leipzig/Germany
VOLTCOM, spol. s.r.o., Prague/Czech Republic
winpoint AG, Steg-Hohtenn/Switzerland
Yello Strom GmbH, Köln/Germany
ZEAG Immobilien GmbH & Co. KG, Heilbronn/Germany
Erdgas Südwest GmbH, Karlsruhe/Germany
NetCom BW GmbH, Ellwangen/Germany
Messerschmid Energiesysteme GmbH, Bonndorf/Germany
TRITEC AG, Aarberg/Switzerland
winsun AG, Steg-Hohtenn/Switzerland
Pražská energetika, a.s., Prague/Czech Republic

Related but unconsolidated companies

152 Telecom GmbH, Köln/Germany
188 Telecom GmbH, Köln/Germany
19 GmbH, Köln/Germany
112 Telecom GmbH, Köln/Germany
152 Communication GmbH, Köln/Germany
198 Telecom GmbH, Köln/Germany

Broadnet Services GmbH, Köln/Germany
F&Q Netzbetriebs GmbH & Co. KG, Köln/Germany
NatürlichEnergie Swiss NES GmbH, Laufenburg/Switzerland
Plusnet Verwaltungs GmbH, Köln/Germany
Q-DSL home GmbH, Köln/Germany
SENEC Cloud s.r.l., Rom/Italy
SENEC Italia s.r.l., Rom/Italy
T & Q Netzbetriebs GmbH & Co. KG, Köln/Germany
VNG ViertelEnergie GmbH, Leipzig/Germany
VNG-Erdgastankstellen GmbH, Leipzig/Germany
Yello Solar GmbH, Karlsruhe/Germany
ZEAG Immobilien Verwaltungsgesellschaft mbH, Heilbronn/Germany
WTT CampusONE GmbH, Ludwigsburg/Germany
fonial GmbH, Köln/Germany
LIV-T GmbH, München/Germany
Senec Australia PTY Ltd., Mount Claremount/Australia (formerly Thinking Beyond Pty Ltd, Mount Claremount/Australia)
BEN Fleet Services GmbH, Karlsruhe/Germany
Energieversum GmbH & Co. KG, Gütersloh/Germany
grünES GmbH, Esslingen am Neckar/Germany
Stromvertrieb Backnang Verwaltungs GmbH, Backnang/Germany
Energie- und Medienversorgung Sandhofer Straße Verwaltungs GmbH, Mannheim i.L./Germany
Energie- und Medienversorgung Sandhofer Straße GmbH & Co. KG, Mannheim i.L./Germany

Companies consolidated at equity

MITGAS Mitteldeutsche Gasversorgung GmbH/Germany

Joint ventures

effizienzcloud GmbH, Leipzig/Germany
AutenSys GmbH, Karlsruhe/Germany
backnangstrom GmbH & Co. KG, Backnang/Germany
my-e-car GmbH, Lörrach/Germany
Regionah Energie GmbH, Munderkingen/Germany
Tender365 GmbH, Leipzig/Germany
Einhorn Energie GmbH & Co. KG, Giengen an der Brenz/Germany
Einhorn Energie Verwaltungsgesellschaft mbH, Giengen an der Brenz/Germany
Stadtwerke Freiberg a.N. GmbH, Freiberg am Neckar/Germany
Gasversorgung Pforzheim Land GmbH, Pforzheim/Germany
Sautter PE GmbH, Ellhofen/Germany
Silphienergie GmbH, Ostrach/Germany
caplog-x GmbH, Leipzig/Germany
apio AG i.L., Wallisellen/Switzerland
espot GmbH, Stuttgart/Germany
Tempus s.r.l., Torri di Quartesolo/Italy
Korbacher Energiezentrum GmbH & Co. KG, Korbach/Germany
Gemeinschaft für Energieeffizienz GmbH, Düsseldorf/Germany
Energieagentur Heilbronn GmbH, Heilbronn/Germany
Stadt- und Überlandwerke GmbH Luckau-Lübbenau, Luckau/Germany
EDSR Energiedienste Staldenried AG, Staldenried/Switzerland

NETWORKS

Fully consolidated companies

ED Netze GmbH, Rheinfelden/Germany
EnBW Kommunale Beteiligungen GmbH, Stuttgart/Germany
EnBW Netze BW Beteiligungsgesellschaft mbH, Stuttgart/Germany (formerly EnBW Omega Siebzigste Verwaltungsgesellschaft mbH, Stuttgart/Germany)
EnBW REG Beteiligungsgesellschaft mbH, Stuttgart/Germany
EVGA Grundstücks- und Gebäudemanagement GmbH & Co. KG, Obrigheim/Germany
FRONTIER TECHNOLOGIES, s.r.o., Prague/Czech Republic
KORMAK Prague a.s., Prague/Czech Republic
Netze BW GmbH, Stuttgart/Germany
Netze BW Omega 1 GmbH, Stuttgart/Germany
Netze BW Wasser GmbH, Stuttgart/Germany
Netze-Gesellschaft Südwest mbH, Karlsruhe/Germany
Netzgesellschaft Düsseldorf mbH, Düsseldorf/Germany
Netzgesellschaft Ostwürttemberg DonauRies GmbH, Ellwangen Jagst/Germany
NHF Netzgesellschaft Heilbronn-Franken mbH, Heilbronn/Germany
NHL Netzgesellschaft Heilbronner Land GmbH & Co. KG, Heilbronn/Germany
NWS Grundstücksmanagement GmbH & Co. KG, Obrigheim/Germany
NWS REG Beteiligungsgesellschaft mbH, Stuttgart/Germany
ONTRAS Gastransport GmbH, Leipzig/Germany
PREdistribuce, a.s., Prague/Czech Republic
PREmeření, a.s., Prague/Czech Republic
PREnetcom, a.s., Prague/Czech Republic
RBS wave GmbH, Stuttgart/Germany
terranets bw GmbH, Stuttgart/Germany
TransnetBW GmbH, Stuttgart/Germany
ZEAG Engineering GmbH, Heilbronn/Germany
EnBW Ostwürttemberg DonauRies AG, Ellwangen/Germany
ZEAG Energie AG, Heilbronn/Germany
Stadtwerke Düsseldorf AG, Düsseldorf/Germany
Stromnetzgesellschaft Heilbronn GmbH & Co. KG, Heilbronn/Germany
Neckar Netze GmbH & Co. KG, Esslingen am Neckar/Germany

Related but unconsolidated companies

Elektrizitätswerk Aach GmbH, Aach/Germany
Energieversorgung Gaildorf OHG der EnBW Kommunale Beteiligungen GmbH und NWS REG Beteiligungsgesellschaft mbH, Gaildorf/Germany
Energieversorgung Raum Friedrichshafen Verwaltungsgesellschaft mbH, Stuttgart/Germany
Energieversorgung Rheinfelden/Grenzach-Wyhlen Verwaltungs GmbH, Rheinfelden/Germany
GDMcom GmbH, Leipzig/Germany (formerly GDMcom Gesellschaft für Dokumentation und Telekommunikation mbH, Leipzig/Germany)
GEOMAGIC GmbH, Leipzig/Germany
HEV Hohenloher Energie Versorgung GmbH, Ilshofen-Obersteinach/Germany
MoviaTec GmbH, Leipzig/Germany
Neckar Netze Verwaltungsgesellschaft mbH, Esslingen am Neckar/Germany
NHL Verwaltungs-GmbH, Heilbronn/Germany
OSG ONTRAS Servicegesellschaft mbH, Leipzig/Germany
Transnet BW SuedLink Verwaltungsgesellschaft mbH, Stuttgart/Germany (formerly Konverter Ultranet Verwaltungsgesellschaft mbH, Stuttgart/Germany)
TransnetBW SuedLink GmbH & Co. KG, Stuttgart/Germany (formerly Konverter Ultranet GmbH & Co. KG, Stuttgart/Germany)

INFRACON Infrastruktur Service GmbH & Co. KG, Leipzig/Germany

Rieger GmbH & Co. KG, Lichtenstein, Kreis Reutlingen/Germany

Rieger Beteiligungs-GmbH, Lichtenstein, Kreis Reutlingen/Germany

Elektrizitätswerk Weißenhorn AG, Weißenhorn/Germany

Netze Pforzheim-Region GmbH & Co. KG, Pforzheim/Germany

Gasnetzgesellschaft Laupheim GmbH & Co. KG, Laupheim/Germany

Gasnetzgesellschaft Laupheim Verwaltungs GmbH, Laupheim/Germany

Netzgesellschaft Elz-Neckar GmbH & Co. KG, Obrigheim/Germany

Netzgesellschaft Elz-Neckar Verwaltungs GmbH, Obrigheim/Germany

Stromnetzgesellschaft Albershausen GmbH & Co. KG, Albershausen/Germany

Stromnetzgesellschaft Albershausen Verwaltungs GmbH, Albershausen/Germany

Stromnetzgesellschaft Heilbronn Verwaltungs-GmbH, Heilbronn/Germany

Stromnetzgesellschaft Laupheim GmbH & Co. KG, Laupheim/Germany

Stromnetzgesellschaft Laupheim Verwaltungs GmbH, Laupheim/Germany

Companies consolidated at equity

Stadtwerke Esslingen am Neckar GmbH & Co. KG, Esslingen am Neckar/Germany

Pražská energetika Holding, a.s., Prague/Czech Republic

Zweckverband Landeswasserversorgung, Stuttgart/Germany

Heilbronner Versorgungs GmbH, Heilbronn/Germany

Stuttgart Netze GmbH, Stuttgart/Germany

FairEnergie GmbH, Reutlingen/Germany

Stadtwerke Hilden GmbH, Hilden/Germany

GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. Kommanditgesellschaft, Straelen/Germany

Zweckverband Bodensee-Wasserversorgung, Stuttgart/Germany

Stadtwerke Karlsruhe GmbH, Karlsruhe/Germany

Joint ventures

Netzgesellschaft Sontheim GmbH & Co. KG, Sontheim an der Brenz/Germany

Netzgesellschaft Sontheim Verwaltungsgesellschaft mbH, Sontheim an der Brenz/Germany

Netzgesellschaft Steinheim GmbH & Co. KG, Steinheim am Albuch/Germany

Netzgesellschaft Steinheim Verwaltungsgesellschaft mbH, Steinheim am Albuch/Germany

Stromnetz Herrenberg Verwaltungsgesellschaft mbH, Herrenberg/Germany

Stromnetzgesellschaft Herrenberg mbH & Co. KG, Herrenberg/Germany

Stadtwerke Sinsheim Versorgungs GmbH & Co. KG, Sinsheim/Germany

Stadtwerke Sinsheim Verwaltungs GmbH, Sinsheim/Germany

Stromnetz Langenau GmbH & Co. KG, Langenau/Germany

Stromnetz Langenau Verwaltungs-GmbH, Langenau/Germany

e.wa riss GmbH & Co. KG, Biberach/Germany

e.wa riss Verwaltungsgesellschaft mbH, Biberach/Germany

Fränkische Wasser Service GmbH, Crailsheim/Germany

HDRegioNet GmbH i.L., Düsseldorf/Germany

Niederrheinisch-Bergisches Gemeinschaftswasserwerk GmbH, Düsseldorf/Germany

Ostalbwasser Ost GmbH, Ellwangen/Germany

Ostalbwasser Service GmbH, Aalen/Germany

Ostalbwasser West GmbH, Schwäbisch Gmünd/Germany

regioaqua Gesellschaft für Wasser und Abwasser mbH, Rheinfelden/Germany

Stadtwerke Schramberg GmbH & Co. KG, Schramberg/Germany

Stadtwerke Schramberg Verwaltungsgesellschaft mbH, Schramberg/Germany

RENEWABLE SOURCES**Fully consolidated companies**

Aletsch AG, Mörel/Switzerland
BALANCE Erneuerbare Energien GmbH, Leipzig/Germany
Barre Energie SARL, Montpellier/France
Bliekevare Nät AB, Falkenberg/Sweden
Centrale Solaire des Terres Rouges SARL, Montpellier/France
Centrale Solaire du Sycala SARL, Montpellier/France
Connected Wind Services A/S, Balle/Denmark
Connected Wind Services Danmark A/S, Balle/Denmark
Connected Wind Services Deutschland GmbH, Rantrum/Germany
Connected Wind Services Refurbishment A/S, Balle/Denmark
Couffrau Energie SARL, Montpellier/France
EnAlpin AG, Visp/Switzerland
EnBW Biogas GmbH, Stuttgart/Germany
EnBW France GmbH, Stuttgart/Germany
EnBW Gnosjö Vind AB, Falkenberg/Sweden (formerly Gnosjö Energi AB, Rabbalshede/Sweden)
EnBW He Dreiht GmbH, Varel/Germany
EnBW Holding A.S., Gümüssuyu-Istanbul/Turkey
EnBW NAG-Beteiligungsgesellschaft mbH, Stuttgart/Germany
EnBW Offshore 1 GmbH, Stuttgart/Germany
EnBW Offshore 2 GmbH, Stuttgart/Germany
EnBW Offshore 3 GmbH, Stuttgart/Germany
EnBW Offshore Service GmbH, Klausdorf/Germany
EnBW Renewables International GmbH, Stuttgart/Germany
EnBW Solar GmbH, Stuttgart/Germany
EnBW Solarpark Tuningen GmbH, Stuttgart/Germany
EnBW Solarpark Weesow-Willmersdorf GmbH, Stuttgart/Germany (formerly EnBW Solarpark Weesow-Willmersdorf GmbH, Cottbus/Germany)
EnBW Sverige AB, Falkenberg/Sweden
EnBW Sverige Vind AB, Falkenberg/Sweden (formerly Power Wind Partners AB, Rabbalshede/Sweden)
EnBW Wind Onshore 1 GmbH, Stuttgart/Germany
EnBW Wind Onshore Instandhaltungs GmbH, Karlsruhe/Germany
EnBW Windkraftprojekte GmbH, Stuttgart/Germany
EnBW Windpark Eisenach II GmbH, Stuttgart/Germany
Energiedienst AG, Rheinfelden/Germany
Ferme Éolienne de la Bessière SARL, Montpellier/France
Ferme Éolienne de Puech de Cambert SARL, Montpellier/France
Ferme Éolienne de Puech de l'Homme SARL, Montpellier/France
Grünwerke GmbH, Düsseldorf/Germany
Kraftwerk Lötschen AG, Steg/Switzerland
La Société des Monts de Lacaune SAS, Montpellier/France
Langenburg Infrastruktur GmbH, Stuttgart/Germany
Le Val Energie SARL, Montpellier/France
Leipziger Biogasgesellschaft mbH, Leipzig/Germany
Parc Éolien de la Vallée de Belleuse SARL, Montpellier/France
Parc Éolien du Mont de Maisnil SARL, Montpellier/France
PRE FVE Světlík, s.r.o., Prague/Czech Republic
PRE VTE Částkov, s.r.o., Prague/Czech Republic

Röbergsfjället Nät AB, Falkenberg/Sweden
SCE Wind Zernitz GmbH & Co. KG, Stuttgart/Germany
Socpe de Champs Perdus SARL, Montpellier/France
SOLARINVEST – GREEN ENERGY, s.r.o., Prague/Czech Republic
Svenska Connected Wind Services AB, Falkenberg/Sweden
Valeco Ingénierie SAS, Montpellier/France
Valeco O&M SAS, Montpellier/France
Valeco SAS, Montpellier/France
WINDING WE NORTH a.s., Prague/Czech Republic
Windpark "Auf der Weißen Trisch" GmbH, Zweibrücken/Germany
Windpark Breitenbach GmbH, Düsseldorf/Germany
Windpark Niederlinxweiler GmbH & Co. KG, Leinfelden-Echterdingen/Germany
Windpark Rot am See GmbH, Ellwangen Jagst/Germany
EE Bürgerenergie Braunsbach GmbH & Co. KG, Braunsbach/Germany
EE BürgerEnergie Forchtenberg GmbH & Co. KG, Forchtenberg/Germany
BürgerEnergie Königheim GmbH & Co. KG, Königheim/Germany
EE BürgerEnergie Möckmühl GmbH & Co. KG, Möckmühl/Germany
EE BürgerEnergie Jagsthausen GmbH & Co. KG, Jagsthausen/Germany
Bürgerenergie Widdern GmbH & Co. KG, Widdern/Germany
EE BürgerEnergie Boxberg GmbH & Co. KG, Boxberg/Germany
EE Bürgerenergie Hardthausen GmbH & Co. KG, Hardthausen am Kocher/Germany
Neckar Aktiengesellschaft, Stuttgart/Germany
EE Bürgerenergie Ilshofen GmbH & Co. KG, Ilshofen/Germany
JatroSolutions GmbH, Stuttgart/Germany
Geothermie-Gesellschaft Bruchsal GmbH, Bruchsal/Germany
Energiedienst Holding AG, Laufenburg/Switzerland
Parc Éolien de Bel Air SAS, Montpellier/France
EnBW Windpark Aalen-Waldhausen GmbH, Stuttgart/Germany (formerly EnBW Omega 19. Verwaltungsgesellschaft mbH, Stuttgart/Germany)
Rheinkraftwerk Neuhausen AG, Neuhausen/Switzerland
Solarpark Berghülen GmbH, Stuttgart/Germany
Solarpark Riedlingen-Zwiefaltendorf GmbH, Stuttgart/Germany
EnBW Baltic 1 GmbH & Co. KG, Stuttgart/Germany
EnBW Hohe See GmbH & Co. KG, Hamburg/Germany
EnBW Baltic 2 GmbH & Co. KG, Biberach an der Riß/Germany
EnBW Windpark Buchholz III GmbH, Stuttgart/Germany
Windenergie Tautschbuch GmbH, Riedlingen/Germany
EnBW Onshore Portfolio GmbH, Stuttgart/Germany
Energie Renouvelable du Languedoc SARL, Montpellier/France
Joncels Energie SARL, Montpellier/France

Proportionately consolidated companies

Rheinkraftwerk Iffezheim GmbH, Iffezheim/Germany
Rhonewerke AG, Ernen/Switzerland

Related but unconsolidated companies

BALANCE Management GmbH, Leipzig/Germany
Biogas Produktion Altmark GmbH, Hohenberg-Krusemark/Germany
Biogas Trelder Berg 1 GmbH, Buchholz/Germany
Biogas Trelder Berg 2 GmbH, Buchholz/Germany

Biogas Trelder Berg 3 GmbH, Buchholz/Germany
Biomethanproduktion Freyenstein GmbH, Hohenberg-Krusemark/Germany
Biosphärenwindpark Schwäbische Alb GmbH, Münsingen/Germany
Cambert Énergie SARL, Montpellier/France
CarbonBW (Thailand) Ltd., Bangkok/Thailand
Centernach Énergie SARL, Montpellier/France
Centrale Photovoltaïque Agroénergie SARL, Montpellier/France
Centrale Photovoltaïque de Bionne SARL, Montpellier/France
Centrale Photovoltaïque de Castelle SARL, Montpellier/France
Centrale Photovoltaïque de la demi-lune SARL, Montpellier/France
Centrale Photovoltaïque de la Forêt Bagnolais SARL, Montpellier/France
Centrale Photovoltaïque de la ZA de Gaudet SARL, Montpellier/France
Centrale Photovoltaïque de Labastide SARL, Montpellier/France
Centrale Photovoltaïque de Pavailier SARL, Montpellier/France
Centrale Photovoltaïque de Saint Quentin la Tour SAS, Montpellier/France
Centrale Photovoltaïque de Sirius SARL, Montpellier/France
Centrale Photovoltaïque des Coteaux de la Braye SARL, Montpellier/France
Centrale Photovoltaïque des Gravières SARL, Montpellier/France
Centrale Photovoltaïque des Quatre Vents SARL, Montpellier/France
Centrale Photovoltaïque du Perche Ornaïen SARL, Montpellier/France
Centrale Photovoltaïque Pont du Casse SARL, Montpellier/France
Centrale Photovoltaïque Retour sur l'Isle SARL, Montpellier/France
Centrale Solaire d'Aguessac SARL, Montpellier/France
Centrale Solaire d'Algosud SARL, Montpellier/France
Centrale Solaire de Biltagarbi SARL, Montpellier/France
Centrale Solaire de Bors de Montmoreau SARL, Montpellier/France
Centrale Solaire de Cap Delta SARL, Montpellier/France
Centrale Solaire de Carré Sud SARL, Montpellier/France
Centrale Solaire de Catreille SARL, Montpellier/France
Centrale Solaire de Châteauperouse SARL, Montpellier/France
Centrale Solaire de Colombiers SARL, Montpellier/France
Centrale Solaire de Coste Cuyère SARL, Montpellier/France
Centrale Solaire de Josse SARL, Montpellier/France
Centrale Solaire de la Tastère SARL, Montpellier/France
Centrale Solaire de Lunel SARL, Montpellier/France
Centrale Solaire de Maine SARL, Montpellier/France
Centrale Solaire de Marignac SARL, Montpellier/France
Centrale Solaire de Massane SARL, Montpellier/France
Centrale Solaire de Montegut SARL, Montpellier/France
Centrale Solaire de Nohanent SARL, Montpellier/France
Centrale Solaire de Peregrine SARL, Montpellier/France
Centrale Solaire de Roubian SARL, Montpellier/France
Centrale Solaire de Saint Leger de Balson SARL, Montpellier/France
Centrale Solaire de Severac SARL, Montpellier/France
Centrale Solaire de Til Chatel SARL, Montpellier/France
Centrale Solaire des Calottes SARL, Montpellier/France
Centrale Solaire des Coëvrons SARL, Montpellier/France
Centrale Solaire des Cruzilloux SARL, Montpellier/France
Centrale Solaire des Moulins Lodevois SARL, Montpellier/France

Centrale Solaire d'Exideuil SARL, Montpellier/France
Centrale Solaire d'Odin SARL, Montpellier/France
Centrale Solaire du Caussanel SARL, Montpellier/France
Centrale Solaire du Lido SARL, Montpellier/France
Centrale Solaire du Tea Fleury-Merogis SARL, Montpellier/France
Centrale Solaire EMA Solar SARL, Montpellier/France
Centrale Solaire EuroPrimeur SARL, Montpellier/France
Centrale Solaire Gesim Beau Ciel SARL, Montpellier/France
Centrale Solaire la Vidalle SARL, Montpellier/France
Centrales Solaires de Iouanacera SARL, Montpellier/France
Centrales Solaires de l'Isle sur la Sorgue SAS, Montpellier/France
Centrales Solaires de Quirinus SARL, Montpellier/France
Centrales Solaires de Salles-la-Source SARL, Montpellier/France
Centrales Solaires d'Hemera SARL, Montpellier/France
Centrales Solaires d'Hyperion SARL, Montpellier/France
Centrales Solaires du Languedoc SARL, Montpellier/France
Deves Énergie SARL, Montpellier/France
EnBW Albatros Management GmbH, Hamburg/Germany
EnBW Asia Pacific Ltd, Taipei/Taiwan
EnBW Baltic 1 Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Baltic 2 Management GmbH, Biberach an der Riß/Germany (formerly EnBW Omega 11. Verwaltungsgesellschaft mbH, Karlsruhe/Germany)
EnBW Baltic Windpark Verwaltungsgesellschaft mbH, Stuttgart/Germany
EnBW Bürgerbeteiligung Wind 1 GmbH, Stuttgart/Germany (formerly EnBW Windpark Langenburg GmbH, Stuttgart/Germany)
EnBW Danemark ApS, Balle/Denmark
EnBW France SAS, Boulogne Billancourt/France
EnBW Hohe See Management GmbH, Hamburg/Germany
EnBW North America Inc., Wilmington, Delaware/USA
EnBW Solarpark Gottesgabe GmbH, Neutrebbin/Germany
EnBW Wind Onshore Portfolio 219 GmbH, Stuttgart/Germany
EnBW Wind Onshore Verwaltungsgesellschaft mbH, Stuttgart/Germany
EnBW Wind op Zee B.V., Amsterdam/Netherlands
EnBW Windpark Kleinliebringen GmbH, Stuttgart/Germany
Ferme Éolienne de Donzère SARL, Montpellier/France
Ferme Éolienne de la Ferrière-de-Flée SARL, Montpellier/France
Ferme Éolienne de Saint Jean de Pourcharesse SARL, Montpellier/France
Grünwerke Verwaltungs GmbH, Düsseldorf/Germany
Kemberg Windpark Management GmbH & Co. Betriebsgesellschaft KG, Düsseldorf/Germany
NatürlichEnergie EMH GmbH, Platten/Germany
NatürlichSonne Trogen GmbH & Co. KG, Monzelfeld/Germany
NatürlichSonne Trogen Verwaltungs GmbH, Ettlingen/Germany
Parc Éolien d'Amfreville-les-Champs SARL, Montpellier/France
Parc Éolien d'Argillières SARL, Montpellier/France
Parc Éolien de Barbezières-Lupsault SARL, Montpellier/France
Parc Éolien de Bornay 2 SARL, Montpellier/France
Parc Éolien de Bornay SARL, Montpellier/France
Parc Éolien de Boussais SARL, Montpellier/France
Parc Éolien de Breuillac SARL, Montpellier/France
Parc Éolien de Broquières SARL, Montpellier/France
Parc Éolien de Causse et Rivières SARL, Montpellier/France

Parc Éolien de Champ Serpette SARL, Montpellier/France
Parc Éolien de Champs Perdus 2 SARL, Montpellier/France
Parc Éolien de Chan des Planasses SARL, Montpellier/France
Parc Éolien de Combaynat SARL, Montpellier/France
Parc Éolien de Keranflech SARL, Montpellier/France
Parc Éolien de Kerimard SARL, Montpellier/France
Parc Éolien de la Bussière SARL, Montpellier/France
Parc Éolien de la Cressionnière SARL, Montpellier/France
Parc Éolien de la Fougère SARL, Montpellier/France
Parc Éolien de la Haute Charmoie SARL, Montpellier/France
Parc Éolien de la Pezille SARL, Montpellier/France
Parc Éolien de la Roche SARL, Montpellier/France
Parc Éolien de la Vallée Berlure SARL, Montpellier/France
Parc Éolien de la Vingeanne SARL, Montpellier/France
Parc Éolien de le Quesnel SARL, Montpellier/France
Parc Éolien de l'Épinette SARL, Montpellier/France
Parc Éolien de Lupsault SARL, Montpellier/France
Parc Éolien de Marendeuil SARL, Montpellier/France
Parc Éolien de Monsures SARL, Montpellier/France
Parc Éolien de Mouterre-Silly SARL, Montpellier/France
Parc Éolien de Nongée SARL, Montpellier/France
Parc Éolien de Noroy SARL, Montpellier/France
Parc Éolien de Picoud SARL, Montpellier/France
Parc Éolien de Pistoie SARL, Montpellier/France
Parc Éolien de Ravery SARL, Montpellier/France
Parc Éolien de Revelles SARL, Montpellier/France
Parc Éolien de Ribemont SARL, Montpellier/France
Parc Éolien de Saint-Fraigne SARL, Montpellier/France
Parc Éolien de Saint-Ygeaux SARL, Montpellier/France
Parc Éolien de Sery-les-Mezières SARL, Montpellier/France
Parc Éolien de Severac d'Aveyron SARL, Montpellier/France
Parc Éolien de Thennes SARL, Montpellier/France
Parc Éolien de Vellexon SARL, Montpellier/France
Parc Éolien de Vervant et Lea SARL, Montpellier/France
Parc Éolien de Warlus SARL, Montpellier/France
Parc Éolien des Bouiges SARL, Montpellier/France
Parc Éolien des Brandes de l'Ozon Sud SARL, Montpellier/France
Parc Éolien des Bruyères SARL, Montpellier/France
Parc Éolien des Ecoulottes SARL, Montpellier/France
Parc Éolien des Gaudines SARL, Montpellier/France
Parc Éolien des Gours SARL, Montpellier/France
Parc Éolien des Moussières SARL, Montpellier/France
Parc Éolien des Navarros SARL, Montpellier/France
Parc Éolien des Quatre Chemins SARL, Montpellier/France
Parc Éolien des Rapailles SARL, Montpellier/France
Parc Éolien des Renouillères SARL, Montpellier/France
Parc Éolien des Rieux SARL, Montpellier/France
Parc Éolien des Saules SARL, Montpellier/France
Parc Éolien des Terres de Caumont SARL, Montpellier/France

Parc Éolien d'Hilvern SARL, Montpellier/France
Parc Éolien du Bel Essart SARL, Montpellier/France
Parc Éolien du Bois de la Motte SARL, Montpellier/France
Parc Éolien du Bois du Piné SARL, Montpellier/France
Parc Éolien du Commandeur SARL, Montpellier/France
Parc Éolien du Fresnay SARL, Montpellier/France
Parc Éolien du Frestoy SARL, Montpellier/France
Parc Éolien du Houarn SARL, Montpellier/France
Parc Éolien du Houssais SARL, Montpellier/France
Parc Éolien du Mercorbon SARL, Montpellier/France
Parc Éolien du Mont de l'Echelle SARL, Montpellier/France
Parc Éolien du Puy Peret SARL, Montpellier/France
SP XIV GmbH & Co. KG, Cottbus/Germany
SP XV GmbH & Co. KG, Cottbus/Germany
Valeco Energía México S.A. de C.V., Mexico City/Mexico
Valeco Énergie Québec Inc., Montreal/Canada
Valeco Engineering One Member Company Ltd., Ho Chi Minh City/Vietnam
Valeco Sea Pte. Ltd., Singapore/Singapore
Windpark Rot am See Infrastruktur GmbH, Stuttgart/Germany
ZEAG Erneuerbare Energien GmbH, Heilbronn/Germany
JATROSELECT-Paraguay Sociedad de Responsabilidad Limitada, Volendam/Paraguay
EE Bürgerenergie Bühlerzell GmbH & Co. KG, Bühlerzell/Germany
EE Bürgerenergie Frankenhardt GmbH & Co. KG, Frankenhardt/Germany
EE Bürgerenergie Hardheim GmbH & Co. KG, Hardheim/Germany
EE Bürgerenergie Höpfingen GmbH & Co. KG, Höpfingen/Germany
EE BürgerEnergie Krautheim GmbH & Co. KG, Krautheim/Germany
EE BürgerEnergie Neudenuau GmbH & Co. KG, Neudenuau/Germany
EE Bürgerenergie Sulzbach-Laufen GmbH & Co. KG, Sulzbach-Laufen/Germany
Valeco Solar SARL, Montpellier/France
Holzskraft Plus GmbH, Düsseldorf/Germany
Parc Éolien de Brebières SAS, Montpellier/France
EnPV GmbH, Karlsruhe/Germany
JatroGreen S.A.R.L., Antananarivo/Madagascar
Powderis SARL, Montpellier/France
Centrale Solaire de la Durance SARL, Montpellier/France
Hydro Léman SARL, Montpellier/France
Erneuerbare Energien Neckarwestheim GmbH & Co. KG, Neckarwestheim/Germany
Alb-Windkraft Verwaltungs GmbH, Geislingen an der Steige/Germany
Centrale Solaire de Saint Mamet SARL, Montpellier/France
Solarpark Leutkirch GmbH & Co. KG, Leutkirch im Allgäu/Germany
Solarpark Leutkirch Verwaltungsgesellschaft mbH, Leutkirch im Allgäu/Germany

Companies consolidated at equity

Valeco Ren SAS, Montpellier/France
EnBW Albatros GmbH & Co. KG, Hamburg/Germany
Borusan EnBW Enerji yatırımları ve Üretim Anonim Şirketi, Istanbul/Turkey
Elektrizitätswerk Rheinau AG, Rheinau/Switzerland
Bayerische-Schwäbische Wasserkraftwerke Beteiligungsgesellschaft mbH, Gundremmingen/Germany
KW Ackersand I AG, Stalden/Switzerland, Karlsruhe/Germany

Joint ventures

Netzanschlussgesellschaft Windparks Ostercappeln/Bohmte mbH, Kirchdorf/Germany

biogasNRW GmbH i.L., Düsseldorf/Germany

Centrale Electrique Rhénane de Gamsheim SA, Gamsheim/France

Holding de la Montagne Noire SARL, Montpellier/France

Kraftwerk Aegina A.G., Obergoms/Switzerland

Kraftwerk Reckingen AG, Reckingen/Germany

Parc Éolien des Quintefeuilles SAS, Montpellier/France

Parc Éolien Vallée de l'Escrebieux SAS, Montpellier/France

Rheinkraftwerk Säckinggen AG, Bad Säckinggen/Germany

SwissAlpin SolarTech AG i.L., Visp/Switzerland

Wasserkraftwerk Hausen GbR, Hausen im Wiesental/Germany

WKM Wasserkraftwerke Maulburg GmbH, Maulburg/Germany

KW Jungbach AG, St. Niklaus/Switzerland

Projektentwicklung Waldeck-FrankenberG GmbH & Co. KG, Korbach/Germany

Projektentwicklung Waldeck-FrankenberG Verwaltungs GmbH, Korbach/Germany

Centrale Solaire de la Petite Vicomté SAS, Montpellier/France

Obere Donau Kraftwerke AG, München/Germany

Segalasses Énergie SARL, Toulouse/France

TWKW Trinkwasserkraftwerke Niedergesteln AG, Niedergesteln/Switzerland

Kraftwerk Ryburg-Schwörstadt AG, Rheinfeldern/Switzerland

Haiding One International Investment Co., Ltd., Taipeh/Taiwan

Haiding Three International Investment Co., Ltd., Taipeh/Taiwan

Haiding Two International Investment Co., Ltd., Taipeh/Taiwan

Parc Éolien de Montelu SAS, Montpellier/France

Parc Éolien des Gassouillis SAS, Montpellier/France

GEIE Exploitation Minière de la Chaleur, Kutzenhausen/France

Windpark Prützke II GmbH & Co. KG, Düsseldorf/Germany

KWT Kraftwerke Törbel-Moosalp AG, Törbel/Switzerland

Baltic Windpark Beteiligungen GmbH & Co. KG, Stuttgart/Germany

Kraftwerke Gougra AG, Sierre/Switzerland

EE Bürgerenergie Heilbronn GmbH & Co. KG, Heilbronn/Germany

Parc Éolien de Lavacquerié SAS, Montpellier/France

Windpark Lindtorf GmbH, Rheine/Germany

Alb-Windkraft GmbH & Co. KG, Geislingen an der Steige/Germany

ANOG Anergienetz Obergoms AG, Obergoms/Switzerland

KWOG Kraftwerke Obergoms AG, Obergoms/Switzerland

Éolienne de Murasson SARL, Montpellier/France

Erneuerbare Energien Zollern Alb GmbH i.L., Balingen/Germany

Ferme Éolienne de Muratel SAS, Montpellier/France

Ferme Éolienne de Plo d'Amoures SAS, Montpellier/France

Ferme Éolienne de Thalys SAS, Montpellier/France

Kooperation Erneuerbare Energien im Landkreis Rottweil GmbH, Schramberg/Germany

Mélagues Énergie SAS, Montpellier/France

Montagnol Énergie SAS, Montpellier/France

Parc Éolien de Chasseneuil SARL, Montpellier/France

Parc Éolien de Prinquies SARL, Montpellier/France

Parc Éolien du Vallon de Sancey SARL, Montpellier/France

Sepe de la Gare SAS, Montpellier/France

Tauriac Energie SAS, Montpellier/France

Wasserkraftwerk Pfinztal GmbH & Co. KG, Pfinztal/Germany

PRODUCTION AND TRADE

Fully consolidated companies

AWISTA Logistik GmbH, Düsseldorf/Germany

EnBW Biomasse GmbH, Karlsruhe/Germany

EnBW Etzel Speicher GmbH, Karlsruhe/Germany

EnBW Grundstücksverwaltung Rheinhafen GmbH, Karlsruhe/Germany

EnBW Kraftwerk Lippendorf Beteiligungsgesellschaft mbH, Stuttgart/Germany

EnBW Rückbauservice GmbH, Stuttgart/Germany

ENERGIEUNION GmbH, Schwerin/Germany

Gemeinschaftsheizkraftwerk Fortuna GmbH, Düsseldorf/Germany

Gesellschaft für nukleares Reststoffrecycling mbH, Neckarwestheim/Germany

HANDEN Sp. z o.o., Warschau/Poland

Heizkraftwerk Stuttgart GmbH, Stuttgart/Germany

Kernkraftwerk Obrigheim GmbH, Obrigheim/Germany

MSE Mobile Schlammmentwässerungs GmbH, Karlsbad-Ittersbach/Germany

TAE Thermische Abfallentsorgung Ansbach GmbH, Ansbach/Germany

TPLUS GmbH, Karlsruhe/Germany

TWS Kernkraft GmbH, Gemmrigheim/Germany

u-plus Umweltservice GmbH, Karlsruhe/Germany

VNG Austria GmbH, Gleisdorf/Austria

VNG Energie Czech s.r.o., Prague/Czech Republic

VNG Gasspeicher GmbH, Leipzig/Germany

VNG Handel & Vertrieb GmbH, Leipzig/Germany

VNG Italia S.r.l., Bologna/Italy

EnBW Kernkraft GmbH, Obrigheim/Germany

Südwestdeutsche Nuklear-Entsorgungsgesellschaft mbH, Stuttgart/Germany

SPIGAS S.r.l., La Spezia/Italy

Zentraldeponie Hubbelrath GmbH, Düsseldorf/Germany

VNG AG, Leipzig/Germany

AWISTA Gesellschaft für Abfallwirtschaft und Stadtreinigung mbH, Düsseldorf/Germany

KNG Kraftwerks- und Netzgesellschaft mbH, Rostock/Germany

Proportionately consolidated companies

Friedeburger Speicherbetriebsgesellschaft mbH "Crystal", Friedeburg/Germany

Related but unconsolidated companies

P² Plant & Pipeline Engineering GmbH, Essen/Germany

EnergieFinanz GmbH, Schwerin/Germany

EZG Operations GmbH, Wismar/Germany

Nahwärme Düsseldorf GmbH, Düsseldorf/Germany

Companies consolidated at equity

Companies consolidated at equity
Erdgasspeicher Peissen GmbH, Halle (Saale)/Germany
Fernwärme Ulm GmbH, Ulm/Germany
Schluchseewerk Aktiengesellschaft, Laufenburg Baden/Germany
REMONDIS Rhein-Wupper GmbH & Co. KG, Düsseldorf/Germany
Grosskraftwerk Mannheim AG, Mannheim/Germany

Joint ventures

EnergyIncore GmbH, Schwerin/Germany
Fernwärme Rhein-Neckar GmbH, Mannheim/Germany
KDM Kompostierungs- und Vermarktungsgesellschaft für Stadt Düsseldorf/Kreis Mettmann mbH, Ratingen/Germany
Kraftwerksbatterie Heilbronn GmbH, Stuttgart/Germany
MIOGAS & LUCE S.r.l., Rozzano/Italy
Powerment GmbH & Co. KG, Ettlingen/Germany
RheinWerke GmbH, Düsseldorf/Germany
MOWA Mobile Waschanlagen GmbH, Neunkirchen-Seelscheid/Germany
REMONDIS Rhein-Wupper Verwaltungs GmbH, Düsseldorf/Germany
HWM Holzwärme Müllheim GmbH, Müllheim/Germany
Fernwärme Zürich AG, Zürich/Switzerland
Untergrundspeicher- und Geotechnologie-Systeme Gesellschaft mit beschränkter Haftung, Mittenwalde/Germany
SPIGAS CLIENTI S.r.l., Mailand/Italy (formerly SPIGAS CLIENTI S.r.l., La Spezia/Italy)
Nuovenergie S.p.A., Mailand/Italy
Beteiligungsgesellschaft der EVU an der Kerntechnischen Hilfsdienst GmbH – GbR, Karlsruhe/Germany
CANARBINO S.p.A., Mailand/Italy (formerly CANARBINO S.p.A., Sarzana/Italy)

OTHER

Fully consolidated companies

ED Immobilien GmbH & Co. KG, Rheinfelden/Germany
ED Immobilien Verwaltungsgesellschaft mbH, Rheinfelden/Germany
ED Kommunal GmbH, Rheinfelden/Germany
EnBW Betriebs- und Servicegesellschaft mbH, Karlsruhe/Germany
EnBW City GmbH & Co. KG, Obrigheim/Germany
EnBW Immobilienbeteiligungen GmbH, Karlsruhe/Germany
EnBW International Finance B.V., Amsterdam/Netherlands
EnBW Perspektiven GmbH, Karlsruhe/Germany
Facilma Grundbesitzmanagement und -service GmbH & Co. Besitz KG, Obrigheim/Germany
Neckarwerke Stuttgart GmbH, Stuttgart/Germany
NWS Finanzierung GmbH, Karlsruhe/Germany
symbiotic services GmbH, Karlsruhe/Germany
MURVA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Grünwald/Germany
EnBW Versicherungsvermittlung GmbH, Stuttgart/Germany

Related but unconsolidated companies

EnBW Bürgerbeteiligung Solar 1 GmbH, Stuttgart/Germany (formerly EnBW Omega 16. Verwaltungsgesellschaft mbH, Stuttgart/Germany)
EnBW New Ventures GmbH, Karlsruhe/Germany
EnBW Omega 13. Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega 14. Verwaltungsgesellschaft mbH, Karlsruhe/Germany

EnBW Omega 15. Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega 17. Verwaltungsgesellschaft mbH, Stuttgart/Germany
EnBW Omega 18. Verwaltungsgesellschaft mbH, Stuttgart/Germany
EnBW Omega 11. Verwaltungsgesellschaft mbH, Stuttgart/Germany
EnBW Omega 111. Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega 112. Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega 113. Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega 114. Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega 115. Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega 116. Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega 117. Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega 118. Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega 119. Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega 12. Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega Achtundachtzigste Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega Achtundsiebzigste Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega Achtzigste GmbH, Mühlacker/Germany (formerly EnBW Omega Achtzigste Verwaltungsgesellschaft mbH, Karlsruhe/Germany)
EnBW Omega Dreiundneunzigste Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega Dreiundsiebzigste Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega Fünfundfünfzigste Verwaltungsgesellschaft mbH, Stuttgart/Germany
EnBW Omega Fünfundneunzigste Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega Hundertste Verwaltungsgesellschaft mbH, Stuttgart/Germany
EnBW Omega Neunundachtzigste Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega Sechsendachtzigste Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega Siebenundneunzigste Verwaltungsgesellschaft mbH, Stuttgart/Germany
EnBW Omega Vierundneunzigste Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Omega Zweiundneunzigste Verwaltungsgesellschaft mbH, Karlsruhe/Germany
EnBW Real Estate GmbH, Obrigheim/Germany
EnBW Senergi Immobilien GmbH, Karlsruhe/Germany
Interconnector GmbH, Karlsruhe/Germany
KMS Verwaltungsgesellschaft mbH, Stuttgart/Germany
MGMTree GmbH, Leipzig/Germany
Rheintal PE GmbH & Co. KG, Bad Homburg v. d. Höhe/Germany
SSG Verwaltungsgesellschaft mbH i.L., Kornwestheim/Germany
VNG Innovation Consult GmbH, Leipzig/Germany
VNG Innovation GmbH, Leipzig/Germany

Joint ventures

UnigestionFLEX SCS SICAV RAIF, Luxemburg/Lucembursko
WP Global Germany Private Equity L.P., Wilmington, Delaware/USA
Sirius EcoTech Fonds Düsseldorf GmbH & Co. KG., Düsseldorf/Germany
regiodata GmbH, Lörrach/Germany
MVV Energie AG, Mannheim/Germany
EFR Europäische Funk-Rundsteuerung GmbH, München/Germany
GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH, Straelen/Germany



KPMG Česká republika Audit, s.r.o.

Pobřežní 1a
186 00 Praha 8
Czech Republic
+420 222 123 111
www.kpmg.cz

This document is an unsigned English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholders of Pražská energetika, a.s.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Pražská energetika, a.s. ("the Company") and its subsidiaries ("the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Group is set out in Note "General information" to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under

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ID data box: 8h3gtra



those regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Determination of the Amount of Uninvoiced Energy (Contract Assets of TCZK 489,435)

See Note 3, section "Significant accounting estimates", and Note 20 of the Consolidated Financial Statements.

Description of the Key Audit Matter

The Group recognises significant balances of uninvoiced revenues for delivery of energy to customers whose energy meters are read and respectively invoiced at intervals longer than one month. The Group estimates the amount of this uninvoiced energy as at 31 December 2019 using balance equation method based on the estimated average price for supplied energy and the quantity of uninvoiced energy, which includes estimated grid losses. The total amount of uninvoiced energy balance as at 31 December 2019 and the number of estimates used to determine the amount of uninvoiced revenues significantly increases the risk of material misstatement.

Auditor's Approach to the Key Audit Matter

Audit procedures performed by us included, among others:

- with the assistance from our own Information Technology specialists we tested the design, implementation and operating effectiveness of the relevant key controls over the determination of the amount of uninvoiced revenues on a monthly basis, including the controls over the determination of the average price for the supply of energy and quantity per different categories of customers;
- we reperformed the calculation of the uninvoiced revenue balance amount as at 31 December 2019 and tested on a sample basis the accuracy of the input data used by the Group, including the consistency of estimates of the average price and the grid losses;
- we compared the estimate of uninvoiced revenues for energy supply determined based on the balance equation method with the estimate based on the calculation per customer performed by the Group and assessed whether the difference in both estimates is reasonable based on the Group's historical data and experience.



Classification of Commodity Contracts

See Note 3, section “Derivatives”, and Note 31 of the Consolidated Financial Statements.

Description of the Key Audit Matter

As part of its business activity, the Group enters into contracts to buy or sell electric energy and gas (commodities). These transactions may be settled in a form of a physical delivery or settled net in cash. They can be entered by the Group to secure a future supply of commodity to end customers, or with the purpose of speculation in changes in market prices. The appropriate classification of a given transaction has a major impact on the accounting treatment – contracts which are expected to be physically delivered to end customers (the own-use portfolio) are regarded as executory contracts and not measured at their fair value at each reporting date. Other contracts, in turn, are measured at their fair value either in the income statement or in other comprehensive income, if cash flow hedge accounting is applied. Due to a large number of contracts and the significant impact of their designation to an appropriate portfolio on the resulting accounting treatment, this area required our increased attention in the audit and as such we considered it to be a key audit matter

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Auditor's Approach to the Key Audit Matter

Audit procedures performed by us included, among others:

- in cooperation with our own Information Technology specialists we tested the design, implementation and operating effectiveness of the relevant key controls over the designation of contracts to appropriate portfolios of contracts, including controls preventing subsequent transfers between these portfolios;
- we assessed whether the contracts initially designated to own-use portfolio were not subsequently transferred to other portfolios of contracts to be measured at fair value;
- in cooperation with our own valuation specialists we assessed whether the relevant contracts were measured at fair value at the reporting date and, where applicable, that the adequate hedge documentation exists for contracts accounted for using hedge accounting;
- we evaluated the appropriateness of the initial designation of contracts to relevant portfolios by comparing volumes designated to the own-use and hedging portfolios, respectively with volumes that the Group intended to supply to end customers. We carried out this testing prospectively for contracts concluded as at the balance sheet date and also retrospectively for contracts settled in 2019.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the consolidated and the separate financial statements and our auditor's report. The statutory body is responsible for the other information.



Our opinion on the consolidated and separate financial statements does not cover the other information. In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the consolidated and the separate financial statements is, in all material respects, consistent with the consolidated and the separate financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

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Responsibilities of the Statutory Body and Supervisory Board for the Consolidated Financial Statements

The statutory body is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the statutory body is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on the Audit of the Separate Financial Statements

Opinion

We have audited the accompanying financial statements of Pražská energetika, a.s. (“the Company”), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2019, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note “General information” to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Determination of the Amount of Uninvoiced Energy (Contract Assets of TCZK 416,809)

See Note 3, section “Significant accounting estimates”, and Note 19 of the Separate Financial Statements.

Description of the Key Audit Matter

The Company recognises significant balances of uninvoiced revenues for delivery of energy to customers whose energy meters are read and respectively invoiced at intervals longer than one month. The Company estimates the amount of this uninvoiced energy as at 31 December 2019 using balance equation method based on the estimated average price for supplied energy and the quantity of uninvoiced energy, which includes estimated grid losses. The total amount of uninvoiced energy balance as at 31 December 2019 and the number of estimates used to determine the amount of uninvoiced revenues significantly increases the risk of material misstatement.

Auditor's Approach to the Key Audit Matter

Audit procedures performed by us included, among others:

- with the assistance from our own Information Technology specialists we tested the design, implementation and operating effectiveness of the relevant key controls over the determination of the amount of uninvoiced revenues on a monthly basis, including the controls over the determination of the average price for the supply of energy and quantity per different categories of customers;
- we reperformed the calculation of the uninvoiced revenue balance amount as at 31 December 2019 and tested on a sample basis the accuracy of the input data used by the Company, including the consistency of estimates of the average price and the grid losses;
- we compared the estimate of uninvoiced revenues for energy supply determined based on the balance equation method with the estimate based on the calculation per customer performed by the Company and assessed whether the difference in both estimates is reasonable based on the Company's historical data and experience.

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Classification of Commodity Contracts

See Note 3, section “Derivatives”, and Note 31 of the Separate Financial Statements.

Description of the Key Audit Matter

As part of its business activity, the Company enters into contracts to buy or sell electric energy and gas (commodities). These transactions may be settled in a form of a physical delivery or settled net in cash. They can be entered by the Company to secure a future supply of commodity to end customers, or with the purpose of speculation in changes in market prices.



The appropriate classification of a given transaction has a major impact on the accounting treatment – contracts which are expected to be physically delivered to end customers (the own-use portfolio) are regarded as executory contracts and not measured at their fair value at each reporting date. Other contracts, in turn, are measured at their fair value either in the income statement or in other comprehensive income, if cash flow hedge accounting is applied. Due to a large number of contracts and the significant impact of their designation to an appropriate portfolio on the resulting accounting treatment, this area required our increased attention in the audit and as such we considered it to be a key audit matter

Audit procedures performed by us included, among others:

- in cooperation with our own Information Technology specialists we tested the design, implementation and operating effectiveness of the relevant key controls over the designation of contracts to appropriate portfolios of contracts, including controls preventing subsequent transfers between these portfolios;
- we assessed whether the contracts initially designated to own-use portfolio were not subsequently transferred to other portfolios of contracts to be measured at fair value;
- in cooperation with our own valuation specialists we assessed whether the relevant contracts were measured at fair value at the reporting date and, where applicable, that the adequate hedge documentation exists for contracts accounted for using hedge accounting;
- we evaluated the appropriateness of the initial designation of contracts to relevant portfolios by comparing volumes designated to the own-use and hedging portfolios, respectively with volumes that the Company intended to supply to end customers. We carried out this testing prospectively for contracts concluded as at the balance sheet date and also retrospectively for contracts settled in 2019.

Responsibilities of the Statutory Body and Supervisory Board for the Financial Statements

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Relations

We have reviewed the factual accuracy of the information disclosed in the report on relations of Pražská energetika, a.s. (“the Company”) for the year ended 31 December 2019. The responsibility for the preparation and factual accuracy of this report rests with the Company’s statutory body. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the report on relations is free of material misstatement. A review is limited primarily to inquiries of the Company’s personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the report on relations and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations of Pražská energetika, a.s. for the year ended 31 December 2019 contains material factual misstatements.

Statutory Auditor Responsible for the Engagement

Petr Škoda is the statutory auditor responsible for the audit of the consolidated and separate financial statements of Pražská energetika, a.s. as at 31 December 2019, based on which this independent auditor’s report has been prepared.

Prague
24 April 2020

Signed by

KPMG Česká republika Audit, s.r.o.
Registration number 71

Signed by

Petr Škoda
Partner
Registration number 1842



Consolidated financial statements

Consolidated financial statements of Pražská energetika, a.s., for the year ended on 31 December 2019
Prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the EU
 Translated from the Czech original

Consolidated income statement (TCZK)

	Note	2019	2018
Revenue from electricity produced		423,431	420,219
Revenue from electricity and gas sold		20,887,824	19,378,086
Cost of electricity and gas sold		(14,277,503)	(12,827,692)
Gross profit from the sale of commodities	(5)	7,033,752	6,970,613
Other operating revenue	(5)	579,326	453,011
Personnel expenses	(7)	(1,520,450)	(1,350,680)
Amortisation and depreciation	(16, 17)	(1,267,365)	(1,267,140)
Amortisation of the right-of-use	(18)	(148,430)	--
Cost of purchased services, material and energy	(8)	(1,293,165)	(1,358,207)
Borrowing costs	(9)	(98,205)	(48,002)
Capitalisation	(10)	294,240	207,214
Impairment losses for financial assets	(11)	(29,608)	(27,565)
Other gains and losses	(12)	(12,773)	(21,253)
Profit before tax		3,537,322	3,557,991
Income tax	(13)	(686,219)	(690,155)
Profit after tax		2,851,103	2,867,836
Basic and diluted earnings per share attributable to ordinary shares [CZK]	(15)	737	741

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Consolidated statement of comprehensive income (TCZK)

	2019	2018
Profit after tax	2,851,103	2,867,836
Items that cannot be subsequently reclassified to profit or loss:		
Revaluation of net payables from defined benefits	(9,798)	--
Items that may be subsequently reclassified to profit or loss:		
Cash flow hedges, net of tax	(412,072)	201,129
Total other comprehensive income after tax	(421,870)	201,129
Comprehensive income attributable to the company's shareholders	2,429,233	3,068,965

Consolidated statement of financial position (balance sheet) (TCZK)

		2019	2018
Assets	Note		Restated
Property, plant and equipment	(16)	24,463,982	24,035,782
Intangible assets	(17)	572,782	432,582
Right-of-use	(18)	1,633,822	--
Trade receivables and other receivables	(21)	283,492	332,730
Deferred tax asset	(13)	41,868	33,979
Non-current assets		26,995,946	24,835,073
Inventories	(22)	138,786	123,695
Contract assets	(20)	489,435	375,523
Tax assets *)	(13)	4,000	33,872
Trade and other receivables*)	(21)	2,190,074	3,099,610
Cash and cash equivalents	(23)	1,975,454	1,989,878
Current assets		4,797,749	5,622,578
Total assets		31,793,695	30,457,651
Liabilities			
Share capital	(29)	3,869,443	3,869,443
Reserves	(30)	1,080,167	1,502,036
Retained earnings		13,545,789	12,423,478
Equity attributable to the company's shareholders		18,495,399	17,794,957
Loans	(24)	3,100,000	3,100,000
Contract liabilities	(25)	1,632,068	1,613,491
Trade and other payables	(27)	256,114	342,306
Finance lease liabilities	(18)	1,529,615	--
Provisions	(28)	386,816	393,431
Deferred tax liability	(13)	2,058,960	2,092,880
Non-current liabilities		8,963,573	7,542,108
Loans	(24)	1,088,767	1,214,551
Contract liabilities	(25)	1,165,405	1,040,036
Tax liabilities *)	(13)	30,064	51,630
Trade and other payables *)	(27)	1,746,815	2,653,067
Finance lease liabilities	(18)	125,582	--
Provisions	(28)	178,090	161,302
Current liabilities		4,334,723	5,120,586
Total liabilities		31,793,695	30,457,651

*) For adjustment description refer to note 3 "Comparable information".

Consolidated statement of changes in equity (TCZK)

	Share capital	Reserves	Retained profits	Equity attributable to the company's shareholders
Balance on 31 December 2017	3,869,443	1,300,907	14,038,164	19,208,514
Adjustment at initial application of IFRS 9	--	--	(7,710)	(7,710)
Adjustment at initial application of IFRS 15	--	--	(1,012,638)	(1,012,638)
Other movements	--	--	(1,510)	(1,510)
Adjusted balance on 1 January 2018	3,869,443	1,300,907	13,016,306	18,186,656
Dividends and directors' fees paid	--	--	(3,460,664)	(3,460,664)
Other comprehensive income	--	201,129	--	201,129
Net profit for 2018	--	--	2,867,836	2,867,836
Balance on 31 December 2018	3,869,443	1,502,036	12,423,478	17,794,957
Dividends and directors' fees paid	--	--	(1,728,792)	(1,728,792)
Other comprehensive income	--	(421,869)	--	(421,869)
Net profit for 2019	--	--	2,851,103	2,851,103
Balance on 31 December 2019	3,869,443	1,080,167	13,545,789	18,495,399

Consolidated statement of cash flows (TCZK)

	Note	2019	2018
Opening balance of cash and cash equivalents	(23)	1,990,738	3,709,159
Operating activities			
Accounting profit from ordinary activity, before tax		3,537,322	3,557,991
Amortisation and depreciation	(16, 17, 18)	1,415,795	1,267,140
Write-offs of doubtful debts	(11)	23,410	18,467
Change in loss allowances and provisions		13,135	(11,367)
Gains (losses) from the sale and disposal of fixed assets	(12)	(1,096)	4,946
Interest charged to profit or loss	(9, 12)	90,182	33,527
Foreign exchange rate gains (losses)	(12)	14,040	(5,528)
Settlement of hedging derivatives		(215,644)	34,869
Remeasurement of financial instruments		(14,107)	32,681
Net operating cash flow before changes in working capital		4,863,037	4,932,726
Change in trade receivables and transitional accounts	(21)	(424,454)	(335,131)
Change in trade payables and transitional accounts	(26)	200,420	234,165
Change in inventories	(22)	(14,269)	(45,804)
Net operating cash flow before tax and interest		4,624,734	4,785,956
Interest paid		(94,259)	(47,570)
Interest received		7,816	14,475
Income tax paid		(625,918)	(646,034)
Net cash flow from operating activities		3,912,373	4,106,827
Investing activities			
Acquisition of fixed assets	(16, 17)	(1,720,293)	(1,813,886)
Acquisition of subsidiaries	(19)	(149,935)	(37,918)
Proceeds from the sale of fixed assets		4,995	4,024
Net cash flow from investing activities		(1,865,233)	(1,847,780)
Financing activities			
External loans repaid	(24)	(404,000)	(1,628,436)
External loans received	(24)	209,985	1,126,000
Lease payments *)	(18)	(127,049)	(20,339)
Dividends, profit shares and directors' fees paid	(14)	(1,727,919)	(3,460,026)
Net cash flow from financing activities		(2,048,983)	(3,982,861)
Change in cash and cash equivalents		(1,843)	(1,723,814)
Effect of foreign exchange rate movements		(12,650)	5,393
Closing balance of cash and cash equivalents	(23)	1,976,245	1,990,738

*) As finance leases until 2018.

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(1) General information

Pražská energetika, a.s., (hereinafter “PRE” or the “Company”) was established as a joint-stock company in the Czech Republic and was entered in the Commercial Register held by the Municipal Court in Prague 1 on 1 January 1994.

The Company’s registered office is located at Na Hroudě 1492/4, Prague 10, 100 05, ID No.: 60193913.

The principal activities of the Company and its subsidiaries (hereinafter the “PRE Group” or the “Group”) include the supply of electricity in the Czech Republic and the distribution of electricity in the territory consisting of the capital Prague and the city of Roztoky, covering an area of approximately 505 km². These activities generate a major part of the Group’s revenue. The Group also strengthens its activities related to the generation of electricity from renewable sources.

In 2012, the Group expanded its principal activities to include gas supplies and started to offer supplies of electricity and gas to households and small businesses under the Yello Energy brand.

Electricity is distributed in public interest, and rights and obligations relating to this activity, as well as trading with, and supplies of electricity and gas, except for general legal regulations, are stipulated in Act No. 458/2000 Coll., the Energy Act, as amended, and the related implementing rules.

PRE's principal shareholders	2019	2018
Pražská energetika Holding a.s. (PREH)	58.05%	58.05%
EnBW Energie Baden-Württemberg AG (EnBW)	41.40%	41.40%
Other	0.55%	0.55%
Total	100.00%	100.00%

PREH is under joint control of the Capital City of Prague (with an equity investment of 51%) and EnBW (with an equity investment of 49%).

EnBW owns 41.40% of PRE’s share capital. Under Section 79 of the Business Corporations Act, PRE operates on the Czech energy market as part of the EnBW group. PRE is controlled and managed by EnBW through its representatives on the Board of Directors and the Supervisory Board. Other information is included in the Report on Relations. EnBW is the parent company as well as the ultimate controlling party of PRE.

(2) Entry into application of new and amended International Financial Reporting Standards**Standards and interpretations effective in the current period**

The following amendments to the current standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current period:

- **The Group applied IFRS 16** (issued by the IASB Council in January 2016, and effective for annual periods beginning on or after 1 January 2019)

IFRS 16 introduces new or amended requirements regarding lease accounting. It introduces significant changes in the accounting of the lessee due to the elimination of the distinction between operating and finance leases.

The right-of-use assets from leases are recognised as at the date of initial application for all leases excepting short-term leases and low value asset leases. Lessor accounting requirements, however, shall remain largely unchanged. Detailed information on the new requirements is listed in note 3 below. The impact of the application of IFRS 16 on the Company's financial statements is described in note 4 below.

The date of the first-time adoption of IFRS 16 by the Group is 1 January 2019. In the first-time adoption of IFRS 16, the Group applied the modified retrospective method.

- **Amendments to IFRS 9 “Prepayment Features with Negative Compensation”** (effective for annual periods beginning on or after 1 January 2019)
- **Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”** (effective for annual periods beginning on or after 1 January 2019)
- **Annual Improvements to IFRS 2015-2017 Cycle** (effective for annual periods beginning on or after 1 January 2019)
- **Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”** (effective on or after 1 January 2019)
- **IFRIC 23 “Uncertainty over Income Tax Treatments”** (effective for annual periods beginning on or after 1 January 2019)

According to the Group's estimates, compliance with these standards (excepting IFRS 16) has no significant impact on the financial statements.

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Standards and interpretations issued by the IASB and adopted by the EU but not yet effective

- **Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”** (effective for annual periods beginning on or after 1 January 2020)
- **Amendments to IAS 1 and IAS 8 Defining the term “significant”** (effective for annual periods beginning on or after 1 January 2020, early application allowed)
- **Amendments to References to the Conceptual Framework in IFRS** (effective for annual periods beginning on or after 1 January 2020, with early application allowed)

The Company decided not to apply these standards before their effective dates.

New standards, interpretations and amendments to the current standards issued by the IASB but not yet adopted by the EU

- **IFRS 17 “Insurance Contracts”** (version issued by the IASB is effective for the first annual IFRS financial statements for annual periods beginning on or after 1 January 2021)
- **IFRS 3 “Business Combinations”** (effective for annual periods beginning on or after 1 January 2020)

- **Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”** (the effective date is yet to be stipulated)
- **IAS 1 “Preparation and Presentation of Financial Statements”** (effective for the annual IFRS financial statements for annual periods beginning on or after 1 January 2022)

The Group anticipates that the adoption of these new standards, amended standards and interpretations will have no material impact on the financial statements of the Group in the period of their first-time adoption.

(3) Significant accounting policies

Statement of compliance

The financial statements are prepared and presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Basis of the preparation of financial statements

The financial statements have been prepared on the historical cost basis except for certain financial instruments described in note 31. The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and its subsidiaries. The Group exercises control over its subsidiaries and it is the Group’s intention to exercise it in the following year. The financial statements of the subsidiaries are included in the consolidated financial statements from the effective date of acquisition. A subsidiary is an enterprise which the acquirer (parent company) has obtained control of in business combination.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All significant intra-group transactions, balances, revenue and expenses are eliminated in full on consolidation.

Business combinations

Business combinations are accounted for using the acquisition method. The acquisition cost of the business combination corresponds to the sum of the consideration transferred, measured at purchase-date fair value. The identifiable assets acquired and the liabilities assumed are recognised at their fair value. Purchase-related costs are recognised in profit or loss as incurred.

Upon the acquisition of an entity, the Group assesses whether the financial assets acquired and the liabilities assumed are classified and defined as appropriate in accordance with their contractual, economic and other relevant conditions as of the purchase date. Among others, the Group assesses the separation of embedded derivatives from host contracts.

Goodwill is initially measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests over the net amounts of the identifiable assets acquired and the liabilities assumed. If the fair value of the acquiree's net assets exceeds the consideration ("negative goodwill"), the Group first assesses whether the acquiree's identifiable assets, liabilities and contingent liabilities have been correctly defined and measured and the purchase price correctly determined. If, after the assessment, any potential differences remain, they are recognised directly in profit or loss.

Revenue recognition

Accounting for the main categories of revenues from contracts with customers is described in note 5.

Revenue from leasing (primarily fibre optics) is recognised evenly over the lease period.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts any estimated future cash flows over the expected life of the financial asset to that asset's net carrying amount as at the date of its first-time recognition.

Dividend yield is recognised when the right to receive the payment arises.

Foreign currency translation

The financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). Czech crowns are the functional currency of all Group entities and the presentation currency for the consolidated financial statements.

During the year, transactions in currencies other than Czech crowns are recorded at the rates of exchange announced by the Czech National Bank and prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates announced by the Czech National Bank prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange rate gains and losses are recognised in profit or loss in the period in which they arise except for exchange rate differences arising from cash flow hedges where changes in fair value are posted directly to equity.

Borrowing costs

The Group capitalises borrowing costs related to the construction of qualifying assets in line with IAS 23. A qualifying asset is an asset that takes a substantial period of time during the investment construction to get ready for its intended use. The amount of capitalised borrowing costs is determined as the product of the capitalisation rate and the balances on the assets under construction account (including pre-payments) as at the end of the relevant month. The capitalisation rate is the average interest rate from external loans.

Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Income tax

Income tax expense reported in the income statement represents the sum of the tax currently payable and a change in the deferred tax balance.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of revenue or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current tax liability also includes tax overpayments or additional tax charges from previous periods. The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is determined at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised. The calculated tax is recognised in profit or loss except when associated with items charged directly to equity in which case it is dealt with in equity.

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Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost reduced by accumulated depreciation and recognised impairment loss. Cost includes the purchase price and costs associated with acquisition.

The cost of internally produced tangible assets includes direct and indirect costs directly related to the production of the asset.

Depreciation of plant and equipment is charged to profit or loss.

Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. The cost includes professional services fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The estimated useful lives and depreciation are reviewed at the end of each reporting period and impacts of any changes in estimates are accounted for prospectively.

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and properties under construction, over their estimated useful lives, using the straight-line method:

Asset category	Depreciation period in years
Buildings, halls and other construction	6, 7, 15, 20, 25, 30, 40, 50, 70
Cable tunnels, cable and overhead power lines	30, 40, 70
Fibre optics	30
Power structures	15, 25, 30
Working machinery and equipment	5, 8, 10, 12, 20
Telecommunication equipment	3-26
Appliances and special technology equipment, communication cables	3, 4, 5, 8, 10
Vehicles	4, 8, 10
Electricity meters	15
Fixtures and fittings	4, 5, 6, 8, 10
Hardware	3, 4
Photovoltaic power plants – construction part *)	20
Photovoltaic power plants – technology*)	5, 10, 20

*) The depreciation period is calculated from bringing the photovoltaic power plant into operation.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Goodwill arising on business acquisitions is reported at cost as determined at the business acquisition date net of cumulative impairment losses, if any. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets are amortised using the straight-line method over the following estimated useful lives:

Asset category	Amortisation period in years
Software	4
Other intangible assets	6, or based on the contract 3-4

Impairment of non-financial assets (except for the deferred tax asset)

At each balance sheet date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). In circumstances where the relevant asset does not generate cash inflows separately, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Impairment of goodwill

Within the Group, goodwill is allocated to two cash-generating units – renewable energy manufacturers, which include photovoltaic power plants and wind power plants, and to electrical assembly companies.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods, despite it being indicated.

Right-of-use (accounting policies valid as at 31 December 2019)

The Group initially applied the new IFRS 16 Leases as at 1 January 2019.

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IFRS 16 introduces consistent single balance sheet model for lessees pursuant to which the Group shall decide whether the lease contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Therefore, the Group, as a lessee, recognised the asset – right-of-use asset – representing its rights to use the underlying asset and the lease liability representing its liability to pay the lease payments. In the past, the Group, in accordance with IAS 17, recognised whether the Group as the lessee received all risks and benefits from the leased assets and differentiated between operating and finance lease accordingly.

On part of the lessor, reporting is similar to previous accounting policies. The Group has no such lease contracts.

For more information on the introduction of this standard refer to notes 4 and 18.

The Group as a lessee shall recognise the right-of-use asset and lease liability at the commencement day.

The right-of-use asset is initially measured at acquisition cost and subsequently at acquisition cost reduced by accumulated amortisation and impairment loss adjusted by lease liabilities remeasurement primarily arising from lease modification or indexation. Right-of-use asset is depreciated on a straight-line basis throughout the term of use of the asset or until the end of the lease, whichever is sooner.

The lease liability is initially measured at fair value of the lease payments due as at the day of application, discounted using the incremental borrowing rate set by the Group.

The lease liability is then increased by the interest expense and reduced by lease payments paid. Remeasurement occurs in case the future lease payments change due to changes in indexation or rates, change in the estimate of

the expected payment from the residual value guarantee, or due to change in assessment whether the option to extend the lease is certain (including the extension of the expected term of lease indefinitely).

The Group estimates the term of the lease for lease contracts in which it acts as the lessee and which include option to renew or to terminate early, or which are concluded for indefinite period. Assessment whether the Group is sufficiently sure that it will use this option affects the term of the lease which in turn affects the values of reported lease liabilities and right-of-use assets. In the case the lessee and lessor can both terminate the lease without more than insignificant penalty, the lease period in such case shall mean the notice period. In this case, penalisation means not only a penalty for early termination but also the cost of moving or providing alternative lease.

The Group decided to apply the exemption offered by the standard related to the non-recognition of right-of-use assets and lease liabilities for short-term leases and low-value underlying assets leases. Short-term leases are leases under 12 months. Leases with low-value underlying assets include primarily IT and office equipment leases.

The Group separates lease and non-lease components and applies the practical simplification of not separating lease components only for cars, where it accounts only single lease component.

Leases (accounting policies valid as at 31 December 2018)

Leases are classified as finance leases whenever all the substantial risks and rewards of ownership of the relevant assets transfer to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the date of their acquisition or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Lease liabilities are included in trade and other payables within current and non-current liabilities.

Assets acquired under finance leases are depreciated in the same manner as the assets owned by the Group over the lower of their estimated useful lives and their lease period.

Government grants

The Group participates in state development projects, namely in e-mobility and energy network management, and utilises government grants in compliance with individual project terms and conditions.

In the Group's financial statements, government grants are reported at the moment it is sufficiently clear the grant will be accepted and the Group is able to fulfil the project terms and conditions. The grants accepted are settled in the period in which the Group reports related expenses.

Returnable government grant is reported as a change in net book estimate.

Grants relating to assets

Grants relating to non-current assets acquisition are presented and recognised as grants relating to assets. Grants received reduce the non-current asset acquisition cost. Grants received are recognised in profit or loss throughout the term of the depreciated asset as a reduced depreciation expense. In case the grant is returned, the carrying amount of the asset will be immediately increased by this refund. At the same time, an impairment loss of the new carrying amount value is tested. Depreciation, which would be reported in profit or loss in case there were no grants, are recognised in profit or loss immediately.

Grants relating to expenses

All grants except grants for non-current assets acquisition are recognised as grants for expenses. Received grants are recognised together with related expenses and decrease their amount. In case the grant is returned, the refund is immediately recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost determined using the weighted arithmetic average and the net realisable value. The cost includes the purchase price of the material, customs duties and in-transit storage and freight costs incurred to deliver the inventories. The net realisable value represents the estimated selling price for inventories less all estimated costs of marketing, sale and distribution.

Provisions

Provisions are recognised in the balance sheet when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is equal to the present value of those cash flows.

Financial assets (except for derivatives)

Financial assets are recognised in the Group's balance sheet at the moment the Group becomes bound by a contractual provision relating to the financial asset. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or the financial asset transfers to a third party. The classification of a financial asset arises from an entity's business model for managing financial assets and the characteristics of contractual cash flows following from the given financial asset. After initial recognition, financial assets are subsequently measured depending on the classification implemented.

Financial assets are classified into the following categories: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss.

Financial assets measured at amortised cost (FAAC)

FAAC include financial assets held within a business model whose objective is to hold financial assets to collect contractual cash flows, whilst these contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets at FVOCI include financial assets held within a business model whose objective is to hold financial assets to collect contractual cash flows and to sell financial assets, whilst the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through profit or loss (FVTPL)

Financial assets at FVTPL include financial assets that do not meet the criteria for measuring at amortised cost or at FVOCI and also those financial assets that could meet the criteria for measuring at amortised cost or at FVOCI, but their measurement at other than fair value through profit and loss would cause measurements of financial assets and financial liabilities on different bases and give rise to recognition inconsistencies.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses from financial assets classified as FAAC and financial assets at FVOCI depending on the expected credit loss model (impairment model) applied. A simplified model is applied for trade receivables and lease receivables.

Impairment model

The new impairment model is applied to financial assets measured at amortised cost, financial assets measured at FVOCI and contract assets. Compared to IAS 39, impairment losses are recognised earlier. In accordance with IFRS 9, the Group calculates a loss allowance for financial assets with regard to the development of credit risk, which is reflected in the stage of impairment (stage 1-3), at an amount a) equal to 12-month expected credit losses (stage 1), or b) corresponding with the lifetime expected credit losses on the financial asset (stage 2-3). If, compared with the initial recognition, the credit risk has significantly increased, the financial asset will be classified in stage 2. If a counterparty default is identified with a financial asset, this financial asset will be classified as stage 3.

The Group calculates loss allowances for trade receivables in the amount corresponding with the lifetime expected credit losses on the financial asset.

In respect of cash and cash equivalents and loans granted, the Group calculates loss allowances equal to 12-month expected credit losses, if the related credit risk has not increased significantly since initial recognition or no counterparty default has been identified.

In assessing whether the credit risk associated with a financial asset has increased significantly, the Group compares the risk of default of the financial instrument as at the date of recognition with the risk as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort and shows a significant increase in credit risk. The Group primarily relies on its own historical experience,

available information and market analyses, including current macroeconomic indicators and forward-looking information. Regardless of these analyses, the Group considers situations where the financial asset is more than 30 days past due to indicate significant increases in credit risk. In case of cash and cash equivalents, these include situations where the external credit rating of the counterparty, based on renowned external rating agencies (Moody's, Standard & Poor's and Fitch), decreases from an investment level to speculative (non-investment) level. Default is a situation where the financial asset is more than 90 days past due; in case of cash and cash equivalents, it is a situation where the external credit rating of a counterparty based on renowned external rating agencies decreases to a risk level.

The expected credit losses are calculated as the weighted average of credit losses with the respective risks of a default occurring as the weights. The credit losses are calculated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Impairment losses for financial assets, including contract assets, are newly recognised on a separate line as impairment losses for financial assets in the income statement.

Financial liabilities (except for derivatives)

Financial liabilities are recognised in the Group's balance sheet at the moment the Group becomes bound by a contractual provision relating to the financial liability. Financial liabilities are derecognised when the financial liability extinguishes, i.e., in case the obligation specified in the contract is fulfilled, cancelled or its validity expires. After initial recognition, financial liabilities are subsequently measured depending on the classification implemented.

Financial liabilities are classified into the following categories: financial liabilities measured at amortised cost and financial liabilities measured at fair value through profit or loss.

Financial liabilities measured at amortised cost (FLAC)

FLAC include financial liabilities that are not measured at fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss (FLTPL)

FLTPL include derivatives that do not function as effective hedging instruments and those derivatives whose measurement at other than fair value through profit and loss would cause the measurement of financial assets and financial liabilities on different bases and give rise to recognition inconsistencies.

Initial recognition of financial assets and financial liabilities

In regular evaluation of business models for holding financial assets, the Group relies on basic activities generating cash flows and representing financial assets. The main part of revenues and cash flow constitute activities connected with the supply and distribution of electricity and gas in the Czech Republic. Other significant revenues of the Group include in particular the following activities: trading on the market with commodities, generation of solar energy and energy services.

In determining the business model, the Group considers risks affecting the given financial assets and the method of their management, the evaluation of the individual significant financial assets' profitability and performance as part of specific activities.

The Group determines whether contractual cash flows from financial assets are solely payments of principal and interest on the principal amount outstanding based on an analysis and evaluation of contractual financial conditions pertaining to the given financial instrument. The Group also takes into consideration events that could impact the amount or timing of contractual cash flows and the amount of advances received.

At initial recognition of individual investments in equity instruments that are not held for trading and would otherwise be measured at FVTPL, the Group may make an irrevocable decision to present subsequent changes at FVOCI. This decision is performed separately for each individual investment.

All other financial assets that are not subsequently measured at amortised cost or at FVOCI are measured at FVTPL.

At initial recognition, the Group may irrevocably designate a financial asset or financial liability to the category measured at FVTPL, if doing so eliminates or significantly reduces a measuring or accounting mismatch that could otherwise arise in measuring assets or liabilities or recognising relevant profits or losses on different bases.

Except for trade receivables that do not have a significant financing component, at initial recognition, financial assets and financial liabilities are measured at FVTPL. In respect of financial assets or financial liabilities not included in the FVTPL category, the fair value is increased or decreased by transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Trade receivables that do not have a significant financing component are measured at their transaction price at initial recognition.

The Group performs subsequent measurement of individual categories of financial assets and liabilities in accordance with the initial classification and the given instruments are included in current or non-current assets or liabilities, depending on the period in which they are settled.

Derivatives

The Group hedges its future transactions, risk management and cash flows using financial and commodity derivative contracts. With most purchases and sales of electricity and gas in form of term contracts carried out by the Group, their physical delivery with subsequent consumption or sale as part of the Group's regular activities is expected. Such contracts are not covered by IFRS 9 and therefore not measured (own use contracts).

The Group considers transactions concluded with the aim to balance the volumes of purchases and sales of a commodity to be a part of its regular activities, therefore these contracts also do not come under IFRS 9.

In terms of derivatives concluded in line with the selected risk management strategy, the Group applies hedge accounting based on the rules of IAS 39, because the Group applied transition provisions of IFRS 9 and follows and will continue to follow IAS 39 in respect of current and newly defined hedging relationships. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

As part of its trading portfolio, the Group also enters into commodity derivatives transactions to derive profit from the short-term movements of prices.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. In respect of derivatives traded as part of its trading portfolio, the resulting gain or loss is recognised directly in the profit or loss for the current year.

The fair value of derivatives is classified as a non-current receivable or a non-current liability if the derivative is settled in more than 12 months, or as a current receivable or a current liability if the derivative is settled within 12 months.

Hedge accounting

The Group designates certain hedging instruments as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Movements in the hedging reserve in equity are also detailed in the statement of changes in equity.

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Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts reported in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. An adjustment of the carrying amount of the hedged item arising from the hedged risk is realised into profit or loss from the date of the relevant adjustment.

Offsetting financial instruments

Financial assets and liabilities are mutually offset and the net amount is reported in the balance sheet, if a legally enforceable right exists to offset recognised amounts, as well as the intention to perform settlement on a net basis or realise the receivable and at the same time settle the liability. The legally enforceable right must not be dependent on future events and must be executable as part of regular business activities also in case of default, insolvency or bankruptcy of the Group or the counterparty.

Employee benefits expense

The Group makes contributions to the health insurance and pension insurance schemes and the state employment policy scheme at the level required by law and effective in the relevant year by reference to the employees' gross salary. The insurance and social security expenses are charged to profit or loss in the same period as the relating payroll expenses.

The Group also makes contributions to its employees' retirement benefit plans. These contributions are expensed in the period in which employees are entitled to receive contributions based on the services that they provide to the Group.

The Group provides other bonuses under the Collective Agreement (the defined benefit plan, refer to the note "Provisions"). The relevant provisions are measured at the present value of anticipated future payments using actuarial assumptions.

Statement of cash flows

The Group prepares its statement of cash flows using the indirect method.

Significant accounting estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. The Group's management has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

The Group considers the determination of the uninvoiced energy amount with customers whose actual consumption is not read on a monthly basis to be a key area subject to the use of estimates. This amount is determined using the balance approach as a difference between the aggregate electricity input and output, where certain inputs of this accounting equation must be estimated (e.g., grid losses or own consumption in the relevant period, average price of energy supplied). The Group subsequently reviews the total closing amount using a control calculation in the customer system.

The Group also receives investment contributions based on contracts on connection to the power grid. Based on an analysis and in line with valid legislation, the Group defers these investment contributions over a period of 20 years, because the contract on connection includes the initial connection to the grid and also maintenance of the given connection over the term of the contract that is concluded for an indefinite period of time. In determining the above assumption, the Group relied on its own analysis of the duration of contracts on the connection of individual collection points and also took into account relevant legislation relating to investment contributions. At the same time, the selected methodology is in compliance with the parent company's accounting policies and similar approaches are implemented by other European companies in comparable sectors.

Moreover, the Group applied its own judgement, acting as a principal in respect of revenue from distribution services. Based on its own assessment, the Group is in the position of a principal in providing distribution services, mainly due to its significant integration of distribution services and electricity supplies for its customers. From the

point of view of the Group's customers, distribution and supply thus represent one performance obligation. Another factor justifying the position of a principal is the fact that the Group reviews necessary inputs for the provision of an integrated service (distribution) until the control over delivery is transferred to the customer.

Right-of-use asset and lease liabilities measurement in contracts for indefinite period is based on the estimated term of the lease relationship. This estimate is based on historical experience with similar lease relationship, the specifics of the leased assets, or the penalty for replacing the existing lease with an alternative. For detailed description of significant estimates relating to lease relationships refer to note 4.

Comparable information

In 2019, receivables and payables relating to corporate income tax were set aside into independent item in the Financial position statement, namely into lines Tax liabilities and Tax assets. Other payables and receivables relating to value added tax, tax on electricity, gas, etc., were transferred to "Trade receivables and other receivables" and "Trade payables and other payables". The comparative period was restated.

(4) IFRS 16 Leases – Initial application (MCZK)

The Group initially applied the new IFRS 16 Leases as at 1 January 2019. When applying the IFRS 16, the Group used modified retrospective model under which the cumulative effect of the first-time adoption is reported in retained profits as at 1 January 2019. Therefore, the comparable information presented for the period ended on 31 December 2018 was not revised – i.e., it is presented as it was originally presented in compliance with IAS 17 and related interpretations.

Upon initial application, the lease liability in leases classified as operating leases under IAS 17 was measured at fair value of outstanding lease payments discounted by the incremental borrowing rate of the Group as at 1 January 2019. When determining the interest rate, the Company takes into account individual terms of leases. As at 1 January 2019, the weighted average incremental borrowing interest rate was 2.873%. As at 1 January 2019, there were no significant changes in motor vehicles finance leases. As at this date, assets and liabilities relating to finance leases reported in compliance with IAS 17 were reclassified from non-current tangible assets into right-of-use assets.

Right-of-use assets were measured at the carrying amount of lease liability adjusted by the amount of prepayments or deferred lease payments. When applying IFRS 16 to leases formerly classified as operating leases under IAS 17, the Group applies the following practical simplifications:

- It used the exemption not to report right-of-use assets and lease liabilities for leases under 12 months from the initial application.
- In case the contract includes the option to extend or terminate the lease, it applied a retrospective method for determining the term of the lease.
- It relied on its previous assessment of the lease suitability.
- It excluded initial direct expenses of measuring the right-of-use asset.

Upon transferring to the IFRS 16, the Group reports right-of-use asset and lease liabilities. The effect of the transition is described below:

(MCZK)	1.1.2019
Right-of-use asset	1,560
Lease liability	1,560

Reported right-of-use assets relate to the following types of asset:

(MCZK)	1.1.2019
Offices and storage facilities	97
Land	30
Cable conduits and premises for transformer stations	1,433
Right-of-use asset total	1,560

Liabilities from operating leases published as at 31 December 2018 can be reconciled with lease liability as at 1 January 2019 as follows:

(MCZK)	
Liabilities arising from irrevocable lease agreements as at 31 December 2018, presented in the Group's consolidated financial statements	93
Liabilities arising from agreements for indefinite period not reported under irrevocable agreements above due to different approach to the option to extend or terminate the lease	1,961
Nominal value of lease liabilities as at 31 December 2018	2,054
Discounting	(494)
Total lease liabilities recognised as at 1 January 2019	1,560
Current lease liabilities	125
Non-current lease liabilities	1,435
Total lease liabilities recognised as at 1 January 2019	1,560

(5) Revenues (TCZK)

Revenue and expenses relating to the sale of electricity and gas	2019	2018
Revenue from electricity produced	444,361	441,833
Payment for solar energy	(20,930)	(21,614)
Total revenue from electricity production	423,431	420,219
Sales of electricity B2B	5,230,917	4,141,970
Sales of distribution and system services B2B	4,627,550	4,790,706
Sales of electricity B2C	3,295,211	2,885,185
Sales of distribution and system services B2C	6,986,574	6,687,339
Sales of electricity to dealers	130,713	423,307
Revenue from electricity and fuels sold	882	--
Revenue from the sales of gas B2B and B2C	457,649	354,583
Revenue from the sales of gas to dealers	174,964	124,087
Sales of distribution services to local producers	--	--
Margin on trading	(16,636)	(29,091)
Total revenues	20,887,824	19,378,086
Costs of purchases of sold electricity	(7,366,776)	(6,185,313)
Costs of purchases of distribution and system services	(6,319,061)	(6,236,241)
Costs of electricity and distribution services for fuel	(580)	--
Costs of purchases of gas	(591,086)	(406,138)
Total costs	(14,277,503)	(12,827,692)
Gross profit from the sale of commodities	7,033,752	6,970,613

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Other operating revenue	2019	2018
Revenue from provided services	365,720	236,568
Investment contributions	188,276	191,319
Compensation for unauthorised consumption	11,565	12,586
Other	13,765	12,538
Total	579,326	453,011

Information about the nature, method and timing of typical satisfaction of performance obligations from contracts with customers, including significant payment terms and the revenue recognition method under IFRS 15

Revenue from electricity produced: This includes revenue from electricity produced in photovoltaic power plants; the price of electricity is regulated by the Energy Regulatory Office and according to the valid legislation it is guaranteed for the period of twenty years from obtaining the licence. Revenue is currently generated in form of a so-called green bonus. Revenue is recognised at the moment the commodity is delivered.

Sales of electricity, gas and distribution services B2B: As part of the B2B segment, the Group recognises revenue arising from contracts on supplies of electricity, gas and distribution services with end major corporate customers. A characteristic feature for this customer segment is the regular monthly reading of consumption meters and the subsequent invoicing for supplies in the given month. Terms of the contracts on supplies of electricity or gas are individual, taking into consideration customer requirements and needs. Revenue is recognised at the moment the commodity is delivered; this revenue is recognised on an ongoing basis with a fixed price.

Sales of electricity, gas and distribution services B2C: As part of the B2C segment, the Group recognises revenue arising from contracts on supplies of electricity, gas and distribution services with end customers comprising small entrepreneurs and households. A characteristic feature for this customer segment is the annual reading of consumption meters and the subsequent invoicing for supplies in the given period. Contracts are usually concluded for a period of 24 months; with regard to contractual penalties, a termination notice is not expected. B2C customers usually provide regular advance payments determined based on the expected quantity delivered. Revenue is recognised at the moment the commodity is delivered; this revenue is recognised on an ongoing basis with a fixed price. With regard to the annual character of the consumption meter reading and annual invoicing of the actual consumption, the Group estimates the amount of electricity or gas consumed but not yet invoiced on an ongoing basis and this estimate enters revenue recognition.

Sales of electricity and gas to dealers: Revenue from trading with wholesale partners is connected with the sales on the wholesale market that the Group carries out in transactions serving to hedge the purchase price of the commodity, performed through commodity term contracts with physical delivery of the commodity, and with the sales of surpluses when balancing the planned withdrawal diagram at moments immediately preceding the actual delivery to end customers. Contractual conditions are individual; however, they are determined to a large extent by a standard EFET contract or trade conditions on the market managed by the Czech market operator. Revenue is recognised at the moment the commodity is sold to a wholesale partner. In the case of hedging transactions, the price is fixed, and in the case of transactions connected with the diagram balancing, it is determined by the development on the short-term (spot) commodity market. Invoicing is performed in the month following the month when the commodity is delivered to the dealer. No advance payments are made.

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Revenue from provided services: These include in particular services provided to external customers, such as revenue from the lease of land, real estate and cars, IT support, reading of heat and gas meters, maintenance of public lighting and electrical assembly work. Prices and payment terms arise under individual contracts concluded.

Investment contributions: The Group receives investment contributions based on contracts on connection to the power grid. Based on an analysis and in line with valid legislation, the Group defers these investment contributions over a period of 20 years, because the contract on connection includes the initial connection to the grid and also maintenance of the given connection over the term of the contract that is concluded for an indefinite period of time.

Revenue relating to performance obligations that were not satisfied or partly satisfied as at 31 December 2019

Contract revenue	2020	2021	2022	2023	2024
Supplies of electricity	7,326,791	2,904,290	540,585	42,642	583
Supplies of gas	318,529	199,867	58,827	2,496	--
Other revenue	39,360	12,485	10,405	3,528	54
Total	7,684,680	3,116,642	609,817	48,666	637

Supplies of electricity and gas: Contractual revenue comprises the equivalent of supply fixed by a contract, measured at a contractual price. In respect of customers whose supply is not fixed, the supply is estimated over the notice period and measured at the average planned price.

Other revenue: This includes contractual revenue in particular from the lease of assets and provision of energy services.

Other hedged revenue (not included in the table) is revenue from the following regulated activities: distribution of electricity, electricity generation from renewable energy sources and revenue from investment contributions:

Distribution of electricity: This activity is regulated by the Energy Regulatory Office (“the ERÚ”) which determines so called allowed revenues using the revenue cap method. Allowed revenues are derived from the product of operating expenses, depreciation and reasonable profit (WACC x RAB), where the RAB (regulatory asset base) is the carrying amount of assets recognised by the regulator and the WACC is the weighted average cost of capital expressing the rate of return. Regulatory parameters, determining the resulting allowed revenues for the upcoming year are always published by the ERÚ in November of the previous year – in 2020, the allowed revenues are set at MCZK 5,145.

Revenue from electricity produced: The price of electricity is regulated by the ERÚ and according to the valid legislation it is guaranteed for the period of twenty years from obtaining a licence (i.e., in respect of the PRE Group until 2029, or 2030). Revenue is currently generated in the form of a so-called green bonus; in 2020, the revenue of MCZK 400 is expected.

Investment contributions: Revenue relating to unsatisfied or partly satisfied performance obligations in respect of investment contributions totals TCZK 1,807,014 and its division into current and non-current is shown in contract liabilities in note 25 “Contract liabilities”.

The Group used practical expedients and revenue arising from contracts, whose originally expected term of the contract was less than one year, was not included as part of the above expected revenue.

Contract balances	2019	2018
Receivables included in trade and other receivables *)	1,606,988	1,474,152
Contract assets *)	489,435	375,523
Contract liabilities *)	2,797,473	2,653,527

*) See notes 20, 21 and 25.

Incremental costs for obtaining a contract amount to TCZK 61,687 (on 31.12.2018: TCZK 40,346); they relate to the commissions paid for attracting new customers, they are reported in trade and other receivables and written-off for four years in the cost of purchased services, material and energy.

(6) Segment reporting (TCZK)

The Group’s activities are divided into Trade, Distribution and Other segments. The structure of information on segments corresponds with the structure of principal business activities and the structure of managerial information in the Group. Transfer pricing between entities in the Group is arranged in the same amount as if arranged between independent entities in ordinary business relations. The Group regularly prepares transfer pricing documentation and always once every three years asks the tax authority for a binding assessment of the pricing method. The current binding assessment is valid until 2019.

Trade - supply of electricity and gas (commodities) and trading in electricity

The Company purchases and sells commodities and carries out related activities. The segment's revenue according to the type of business relationship (see the following paragraph) is either only proceeds from the sold commodity or proceeds from the sold commodity and distribution service.

Customers have the right to choose a commodity supplier. If they choose a supplier whose supply territory is not in the place of the physical consumption of the commodity, they pay only for the delivered commodity to this supplier. They subsequently pay to the distributor, in whose supply territory the consumption is located, for distribution and system services (hereinafter only “services”) related to the commodity supply. The customer can conclude a contract on combined supply services with the supplier and in such case the supplier also provides distribution services.

The commodity price is contractual (non-regulated), while the service price is regulated. The price of distribution services is regulated by the ERÚ.

Distribution

The distribution segment ensures the physical transmission of electricity from suppliers to customers in the required quantity and quality. The segment's principal revenue is internal revenue from the trade segment for the quantity of energy transmitted on individual voltage levels, or external revenue from customers with whom the segment is in direct business relation.

Other

The segment's principal activity is the generation of electricity from solar energy. In addition, it provides the reading, purchases, sale, testing and installation of meters. It provides and further develops a portfolio of external services, which includes electro-installation work at the customer's consumption points, servicing of photovoltaic power plants, energy audits of buildings, inspection and cleaning of transformer stations, installation of lighting systems, decentralised energy services and EPC, etc. It offers services related to turnkey installation of photovoltaic power plants. To a lesser extent, the Group sells selected electrical appliances in its company store.

	Trade		Distribution		Other		Elimination		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	
Electricity and gas/ distribution										
External revenue	17,065,385	15,640,701	3,822,439	3,737,385	423,431	420,219	--	--	21,311,255	19,798,305
Inter-segment revenue	402,280	336,407	5,803,369	5,832,220	--	--	(6,205,649)	(6,168,627)	--	--
External expenses	(9,958,000)	(8,511,187)	(4,319,503)	(4,316,505)	--	--	--	--	(14,277,503)	(12,827,692)
Inter-segment expenses	(5,792,407)	(5,820,924)	(402,280)	(336,407)	--	--	6,194,687	6,157,331	--	--
Gross profit	1,717,258	1,644,997	4,904,025	4,916,693	423,431	420,219	(10,962)	(11,296)	7,033,752	6,970,613
Other external operating revenue	44,913	59,313	297,804	305,539	236,609	88,159	--	--	579,326	453,011
Other inter-segment operating revenue	907,572	862,183	18,909	19,434	234,717	220,681	(1,161,198)	(1,102,298)	--	--
Personnel expenses	(719,164)	(630,484)	(580,111)	(534,052)	(221,175)	(186,144)	--	--	(1,520,450)	(1,350,680)
Amortisation and depreciation of non-current assets	(253,722)	(189,132)	(1,017,739)	(936,113)	(144,334)	(141,895)	--	--	(1,415,795)	(1,267,140)
Cost of purchased services, material and energy	(579,002)	(609,540)	(1,553,023)	(1,668,786)	(335,451)	(196,954)	1,174,311	1,117,073	(1,293,165)	(1,358,207)
Impairment losses for assets	(24,378)	(16,193)	(4,882)	(10,658)	(348)	(714)	--	--	(29,608)	(27,565)
Other gains and losses less interest received	58,951	18,279	149,154	88,111	75,513	83,050	(2,151)	(3,479)	281,467	185,961
Operating performance of the segment	1,152,428	1,139,423	2,214,137	2,180,168	268,962	286,402	--	--	3,635,527	3,605,992
Interest and dividends received	1,812,737	1,500,100	1,149	390	1,073	678	(1,814,959)	(1,501,168)	--	--
Borrowing costs	(61,159)	(55,900)	(161,782)	(105,329)	(33,723)	(37,943)	158,459	151,170	(98,205)	(48,002)
Current income tax	(252,987)	(239,640)	(324,154)	(315,753)	(55,978)	(50,041)	--	--	(633,119)	(605,434)
Deferred income tax	5,457	(7,064)	(65,471)	(81,207)	6,914	3,550	--	--	(53,100)	(84,721)
Financial performance of the segment	2,656,476	2,336,919	1,663,879	1,678,269	187,248	202,646	(1,656,500)	(1,349,998)	2,851,103	2,867,835
Other information										
Total assets	21,035,684	21,563,800	24,525,915	22,454,537	2,136,380	2,191,318	(15,904,284)	(15,752,004)	31,793,695	30,457,651
Additions to tangible assets *)	161,895	108,748	1,608,382	1,590,999	61,204	73,620	--	--	1,831,481	1,773,367
Additions to intangible assets *)	81,507	89,253	61,510	8,798	92,014	70,189	--	--	235,031	168,240
Liabilities	8,570,479	9,628,048	19,196,397	17,313,521	1,435,704	1,473,130	(15,904,284)	(15,752,004)	13,298,296	12,662,695

*) Additions include additions from business combinations and additions from right-of-use in line with IFRS 16.

(7) Personnel expenses (TCZK)

	2019	2018
	Staff including management	Staff including management
Average headcount	1,547	1,485
Salaries	908,470	805,997
Salaries paid depending on the fulfilment of the plan	74,867	92,040
Social security and health insurance	350,278	333,082
Remuneration to the members of the Group's bodies	63,218	53,696
Other social expenses *)	123,617	65,865
Total	1,520,450	1,350,680

*) Primarily expenses relating to severance pays and employee benefits defined by the Collective Agreement, specifically catering contributions, bonuses paid to employees in relation to work or life anniversaries, retirement, contributions to additional pension insurance and medical care.

Personnel expenses were reduced by the grant provided under the Dflex project (“Verifying the flexibility for the operation and control of the electrification system”) totalling TCZK 766 (2018: TCZK 0).

(8) Cost of purchased services, material and energy (TCZK)

	2019	2018
Material and own consumed energy	241,081	122,298
Subcontracts and freight costs *)	216,101	176,915
Repairs of property, plant and equipment	240,311	324,269
Consulting services	58,258	49,459
Lease payments **)	49,056	197,459
Postage and telecommunication fees	43,678	41,917
IT support	133,563	134,118
Marketing	104,235	106,790
Personnel services and employee development	44,316	39,950
Other ***)	162,566	165,032
Total	1,293,165	1,358,207

*) The item includes subcontracts and freight costs as part of the services primarily in respect of KORMAK Praha a.s., and VOLTCOM, spol. s r.o., which carry out repairs and construction of new assets, and PREměření, a.s., which provides electro-installation services.

***) Reduction due to the application of IFRS 16.

***) Expenses incurred on cleaning services, security guard services, storage fees and other services. Moreover, the item includes the costs of the fees to the statutory auditor.

The purchased material and energy services were reduced by the grant provided under the Dflex project (“Verifying the flexibility for the operation and control of the electrification system”) and “Improving the region’s resilience against the threat of global electrical blackout using new technologies and management” totalling TCZK 498 (2018: TCZK 0).

Costs of the fees payable to the statutory auditor (TCZK)

	PREH	PRE	PREdi	PREm	eYello	PREzak	Total
Audit	339	1,303	940	256	190	254	3,282
Consulting services and other review services	--	413	50	14	10	--	487
Total for 2019	339	1,716	990	270	200	254	3,769
Audit	290	1,250	990	270	200	--	3,000
Consulting services and other review services	54	797	--	--	--	--	851
Total for 2018	344	2,047	990	270	200	--	3,851

KPMG Česká republika Audit, s.r.o., is the statutory auditor.

(9) Borrowing costs (TCZK)

	2019	2018
Interest on loan *)	46,846	43,953
Interest expense on employee benefits	2,414	3,459
Interest on leases	48,945	590
Total	98,205	48,002

*) A portion of the borrowing costs of TCZK 6,921 (2018: TCZK 8,870) was capitalised in line with IAS 23. The capitalisation rate was 1.16% p. a. (2018: 1.16% p. a.).

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(10) Asset capitalisation (TCZK)

	2019	2018
First-time installation and calibration of electricity meters	37,451	38,140
Internally produced assets (production of distribution assets)	256,789	169,074
Total	294,240	207,214

(11) Impairment loss for financial assets (TCZK)

	2019	2018
Write-offs of doubtful debts	23,410	18,467
Creation and release of loss allowances for receivables	5,690	10,402
Creation and release of loss allowances for contract assets	577	(667)
Creation and release of loss allowances for cash and cash equivalents	(69)	(637)
Total	29,608	27,565

(12) Other gains and losses (TCZK)

	2019	2018
Taxes and charges	(14,745)	(19,154)
Insurance premium	(8,691)	(7,608)
Foreign exchange rate gains (losses)	(4,091)	8,905
Interest received outside of the Group	8,023	4,663
Gain (loss) from the sale and disposal of assets	1,096	(4,946)
Gain (loss) from the sale and disposal of inventories	8,844	21,812
Other	(3,209)	(24,925)
Total	(12,773)	(21,253)

(13) Income tax (TCZK)

The current income tax is calculated at 19% of the estimated taxable profit. Deferred tax is calculated using the income tax rate anticipated in future periods, i.e., 19%.

	2019	2018
Current tax	633,119	605,434
Deferred tax	53,100	84,721
Total income tax	686,219	690,155

Effective tax rate	2019		2018	
Profit before tax	3,537,322		3,557,991	
Income tax using the effective income tax rate	672,091	19.00%	676,018	19.00%
Impact of items that are never tax-deductible	14,128	0.40%	14,137	0.40%
Total income tax/effective tax rate	686,219	19.40%	690,155	19.4%

Deferred tax assets (-) and liabilities (+) recorded in the balance sheet relate to the following items:

	Recorded		Changes in		Recorded		Changes in		2017
	2019	in profit or loss	Recorded in equity	business combinations	2018	in profit or loss	Recorded in equity	business combinations	
Non-current assets	2,142,893	59,990	--	4,049	2,078,854	80,765	(237,532)	11,427	2,224,194
Provisions	(7,850)	9,264	--	--	(17,114)	7,918	--	--	(25,032)
Loss allowances for receivables	(16,461)	(2,764)	--	--	(13,697)	950	(1,809)	--	(12,838)
Loss allowances for inventories	(102)	157	--	--	(259)	-259	--	--	--
Obligation under the Collective Agreement	(85,757)	(13,547)	(2,299)	--	(69,911)	(4,653)	--	--	(65,258)
Cash flow hedge	(15,631)	--	(96,659)	--	81,028	--	47,178	--	33,850
Total deferred tax liability	2,017,092	53,100	(98,958)	4,049	2,058,901	84,721	(192,163)	11,427	2,154,916

The total deferred tax is reported in the balance sheet as a deferred tax asset of TCZK 41,868 (2018: TCZK 33,979) and a deferred tax liability of TCZK 2,058,960 (2018: TCZK 2,092,880).

The estimated current income tax for 2019 of TCZK 631,211 was reduced by income tax prepayments of TCZK 605,147 and the net difference is reported in tax receivables in the amount of TCZK 4,000 and in tax liabilities in the amount of TCZK 30,064. In 2018, the estimated income tax of TCZK 605,192 was reduced by income tax prepayments of TCZK 587,434 and the net difference was reported in tax receivables in the amount of TCZK 33,872 and in tax liabilities in the amount of TCZK 51,630.

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(14) Dividends (TCZK)

The following amounts were recognised as distribution of profit to shareholders in the relevant period:

	2019	2018
Final dividend for 2018 of CZK 437 (2017: CZK 885) per share	1,690,908	3,425,695

The proposed dividend for 2019 must be approved by the shareholders at the regular General Meeting. It has not been included in liabilities in these financial statements.

(15) Earnings per share (TCZK)

Earnings per share are calculated from the net profit for distribution of TCZK 2,851,103 (2018: TCZK 2,867,836) attributable to 3,869,443 shares, i.e., the earnings per share amount to CZK 737 (2018: CZK 741). The Group has no issued instruments diluting the basic earnings per share.

(16) Property, plant and equipment (MCZK)

	Land	Power structures	Cables and overhead power lines	Telecom- munication technologies and IT	Adminis- trative buildings	Power plants - renewable resources	Electricity meters	Other	Under construc- tion	Total
Cost										
Balance on										
31 December 2017	903.1	12,520.4	14,343.6	2,707.8	1,811.9	2,190.2	1,750.0	818.6	564.9	37,610.5
Adjustment at initial										
application of IFRS 15	--	1,865.6	932.8	--	--	--	--	--	--	2,798.4
Additions	3.3	323.4	812.7	83.3	7.8	0.5	39.2	57.7	375.5	1,703.4
Additions from business										
combinations incl.										
purchase price allocation	1.1	--	--	--	--	62.5	--	6.4	--	70.0
Disposals	(1.5)	(117.9)	(85.5)	(84.7)	(0.8)	--	(115.3)	(40.6)	(7.0)	(453.3)
Transfers	0.3	153.0	60.4	85.4	6.9	0.1	5.9	15.9	(327.9)	--
Balance on										
31 December 2018	906.3	14,744.5	16,064.0	2,791.8	1,825.8	2,253.3	1,679.8	858.0	605.5	41,729.0
Accumulated depreciation										
Balance on										
31 December 2017	(0.6)	(5,242.9)	(4,669.9)	(1,940.1)	(531.9)	(506.1)	(1,279.5)	(473.2)	--	(14,644.2)
Adjustment at initial										
application of IFRS 15	--	(1,521.2)	(760.6)	--	--	--	--	--	--	(2,281.8)
Depreciation	--	(371.0)	(378.7)	(157.6)	(42.7)	(138.2)	(59.0)	(58.1)	--	(1,205.3)
Loss allowances	--	--	--	--	--	--	--	--	--	--
Disposals	--	118.0	85.2	84.7	0.8	--	115.2	35.2	--	439.1
Transfers	--	--	--	--	--	--	--	--	--	--
Balance on										
31 December 2018	(0.6)	(7,017.1)	(5,724.0)	(2,013.0)	(573.8)	(645.3)	(1,223.3)	(496.1)	--	(17,693.2)
Net book value 2017	902.5	7,277.5	9,673.7	767.7	1,280.0	1,683.1	470.5	345.4	564.9	22,965.3
Net book value 2018	905.7	7,727.4	10,340.0	778.8	1,252.0	1,608.0	456.5	361.9	605.5	24,035.8

	Land	Power structures	Cables and overhead power lines	Telecom- munication technologies and IT	Adminis- trative buildings	Power plants - renewable resources	Electricity meters	Other	Under construc- tion	Total
Cost										
Balance on										
31 December 2018	906.3	14,744.5	16,064.0	2,791.8	1,825.8	2,253.3	1,679.8	858.0	605.5	41,729.0
Additions *)	4.4	256.3	816.4	83.8	15.7	6.7	58.9	32.3	363.7	1,638.2
Additions from business combinations including purchase price allocation	1.1	--	--	--	--	48.9	--	11.0	--	61.0
Disposals	(0.1)	(55.1)	(64.2)	(52.0)	--	--	(115.3)	(39.0)	(0.6)	(326.3)
Reclassification in line with IFRS 16	--	--	--	--	--	--	--	(143.0)	--	(143.0)
Transfers	0.5	204.4	42.5	76.3	5.8	--	26.8	3.3	(359.6)	--
Transfers from business combinations	--	--	--	--	--	0.2	--	4.0	--	4.2
Balance on										
31 December 2019	912.2	15,150.1	16,858.7	2,899.9	1,847.3	2,309.1	1,650.2	726.6	609.0	42,963.1
Accumulated depreciation										
Balance on										
31 December 2018	(0.6)	(7,017.1)	(5,724.0)	(2,013.0)	(573.8)	(645.3)	(1,223.3)	(496.1)	--	(17,693.2)
Depreciation	--	(378.4)	(396.8)	(120.6)	(43.2)	(137.6)	(66.7)	(39.2)	--	(1,182.5)
Loss allowances	--	--	--	--	--	--	--	--	--	--
Disposals	--	55.1	64.2	52.0	--	--	115.3	37.0	--	323.6
Reclassification in line with IFRS 16	--	--	--	--	--	--	--	53.0	--	53.0
Balance on										
31 December 2019	(0.6)	(7,340.4)	(6,056.6)	(2,081.6)	(617.0)	(782.9)	(1,174.7)	(445.3)	--	(18,499.1)
Net book value 2018	905.7	7,727.4	10,340.0	778.8	1,252.0	1,608.0	456.5	361.9	605.5	24,035.8
Net book value 2019	911.6	7,809.7	10,802.1	818.3	1,230.3	1,526.2	475.5	281.3	609.0	24,464.0

*) The increase in investments was reduced by the provided grant from the "Backbone network" and "Metropolitan network" projects totalling MCZK 3.3 (2018: MCZK 0).

None of the Company's property, plant and equipment were pledged or used as collateral. In 2020, the Group anticipates incurring total capital expenditures of approximately MCZK 1,195. As at the date of preparation of the financial statements, approximately MCZK 1,013 of all planned expenditure had been contracted.

(17) Intangible assets (MCZK)

	Software	Goodwill	Other	Under construction	Total
Cost					
Balance on 31 December 2017	646.0	157.7	41.5	85.0	930.2
Additions	16.4	--	0.7	81.1	98.2
Additions from business combinations	--	45.0	25.0		70.0
Disposals	--	(51.1)	(0.2)	--	(51.3)
Transfers	69.5	--	0.3	(69.8)	--
Balance on 31 December 2018	731.9	151.6	67.3	96.3	1,047.1
Accumulated amortisation					
Balance on 31 December 2017	(522.4)	--	(30.5)	--	(552.9)
Amortisation expense	(57.5)	--	(4.3)	--	(61.8)
Disposals	--	--	0.2	--	0.2
Transfers	--	--	--	--	--
Balance on 31 December 2018	(579.9)	--	(34.6)	--	(614.5)
Net book value 2017	123.6	157.7	11.0	85.0	377.3
Net book value 2018	152.0	151.6	32.7	96.3	432.6

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	Software	Goodwill	Other	Under construction	Total
Cost					
Balance on 31 December 2018	731.9	151.6	67.3	96.3	1,047.1
Additions	9.8	--	3.1	72.0	84.9
Additions from business combinations		150.0			150.0
Disposals	(45.3)	--	(2.1)	--	(47.4)
Transfers from business combinations	90,9			(90,9)	--
Allocation of purchase price of last year's acquisitions	0,3	12.1	(22.1)	--	(9.7)
Balance on 31 December 2019	787.6	313.7	46.2	77.4	1,224.9
Accumulated amortisation					
Balance on 31 December 2018	(579.9)	--	(34.6)	--	(614.5)
Amortisation expense	(79.0)	--	(5.9)	--	(84.9)
Disposals	45.3	--	1.9	--	47.2
Transfers	--	--	--	--	--
Balance on 31 December 2019	(613.6)	--	(38.6)	--	(652.2)
Net book value 2018	152.0	151.6	32.7	96.3	432.6
Net book value 2019	174.0	313.7	7.6	77.4	572.7

The Group has no intangible assets developed internally.

None of the Group's intangible assets are pledged or used as collateral.

In 2020, the Group anticipates incurring total capital expenditures of approximately MCZK 136. As at the date of preparation of the financial statements, approximately MCZK 52 of all planned expenditure had been contracted.

(18) Right-of-use and lease liabilities (MCZK)

The Group holds cable conduits for HV and MV lines and non-residential premises for MV/LV transformer stations, motor vehicles, warehouses and land under operating leases.

The lease contracts for cable conduits have usually been concluded for an indefinite period of time. The Group estimated the lease period for 20 years. This period reflects the average remaining useful life of the Group's assets laid in the cable conduits and the historical experience with similar leases. The average period of notice with these agreements is six months, however, termination notice is not expected due to the specific use of the underlying assets and significant penalisation in the form of cost of alternative means of laying the relevant cable infrastructure of the Group.

Leases of non-residential premises for transformer stations include lease contracts for definite period of time under which the Group considers the term of the contract as the lease period, and for indefinite period under which the Group uses its own judgement and, similarly to cable conduits, applied the 20-years lease period. This period reflects the useful life of the Group's assets and the historical experience with similar leases. The average period of notice with these agreements is three months, however, termination notice is not expected due to the specific use of the underlying assets and significant penalisation in the form of cost of alternative means of ensuring energy distribution for the region.

The Group also leases offices and storage facilities (term of lease corresponds with the term of contractual relationship), and land for photovoltaic power plants (term of lease is based on the term of the contractual relationship which corresponds to the photovoltaic power plant's useful life). The Group leases personal and utility motor vehicles, usually for a period of three to six years.

Right-of-use	Offices and storage			Premises for transformer		Total
	Cars	facilities	Land	Conduits	stations	
Balance on 1 January 2019	--	97	30	1,100	333	1,560
Transfers from property, plant and equipment	90	--	--	--	--	90
Additions	46	7	1	44	35	133
Amortisation expense	(40)	(21)	(3)	(57)	(28)	(149)
Net book value on 31 December 2019	96	83	28	1,087	340	1,634

Lease liability

(MCZK)	31.12.2019	1.1.2019
Current lease liabilities	125	125
Non-current lease liabilities	1,530	1,435
Total lease liabilities	1,655	1,560
<hr/>		
Lease liabilities as at 1 January 2019	1,560	
Finance lease liabilities (motor vehicles)	90	
Lease payments (pursuant to Cash flows statement) *)	(127)	
Interest expense	49	
Interest paid (pursuant to Cash flows statement)	(49)	
Lease increase and modifications	132	
Lease liabilities as at 31 December 2019	1,655	

*) In the cash flows statement, the value of the finance lease is reported for the comparable period.

As at 31 December 2019 and in relation to the application of IFRS 16, the Group reported in its income statement:

(MCZK)	31.12.2019
Amortisation of the right-of-use	148
Interest expense	49
Short-term lease expense	4
Expenses for leases where the Group applies the exemption for lease with low-value underlying assets.	4

In 2019, the total cash flows relating to leases was MCZK 184. As at 31 December 2019, the Group applied interest rate from 1.83% to 3.46% depending on the length of the contractual relationship and the underlying asset. The Group is not exposed to significant future expenses arising from contracts where the lease did not start as at the balance sheet date, residual value guarantees, or variable lease payments. The Group does not record any significant unrecognised liabilities relating to short-term leases.

The Group does not lease any leased assets to third persons. For the analysis of maturity of lease liabilities refer to note 31.

In 2018, the Group reported lease liabilities (TCZK) in line with IAS 17

Lease liabilities (TCZK)	Minimum	Present value
	lease payment	of minimum lease payments
	2018	2018
Lease payments due within 1 year	33,075	32,916
Lease payments due from 1 to 5 years	53,446	51,949
Lease payments due in over 5 years	5,433	5,075
Total lease payments	91,954	89,940
Future lease payments	(2,014)	--
Present value of minimum lease payments	89,940	89,940
Non-current trade and other payables		57,024
Current trade and other payables		32,916
Total		89,940
Property, plant and equipment		
Carrying amount of assets held under finance leases		89,940

In 2018, the Group reported finance lease amortisation under IAS 17 of TCZK 19,808, interest on lease payments of TCZK 591, and cost of operating leases of TCZK 175,247.

Rent (TCZK)	2018
Non-residential premises	58,061
Cable conduits	107,789
Motor vehicles	271
Other leased assets of all types	9,126
Total	175,247

(19) Subsidiaries (MCZK)

Company	Principal activity	2019	2018
PREdistribuce, a.s.	Distribution of electricity in Prague and Roztoky	100%	100%
eYello CZ, k.s.	Electricity and gas trading	100%	100%
PREměření, a.s.	Electro-installation services, meter readings and generation of electricity from solar energy	100%	100%
KORMAK Praha a.s.	Construction and repairs of distribution facilities	100%	100%
PREservisní, s.r.o.	Lease of real estate, apartments and non-residential premises and servicing for other entities of the PRE Group	100%	100%
PREzákaznická, a.s.	Customer service for other entities of the PRE Group	100%	100%
PRE FVE Světlík, s.r.o.	Generation of electricity from solar energy	100%	100%
PREnetcom, a.s.	Communication network administration	100%	100%
SOLARINVEST – GREEN ENERGY, s.r.o.	Installation of turnkey photovoltaic systems and electro-installation	100%	100%
FRONTIER TECHNOLOGIES, s.r.o.	Production and supply of professional lighting systems	100%	100%
VOLTCOM, spol. s r.o.	Construction and repairs of distribution facilities	100%	--
WINDING WE NORTH a.s.	Financial investor	100%	--
PRE VTE Částkov, s.r.o.	Generation of electricity from renewable resources	100%	--

The Group exercises control over its subsidiaries, i.e., it has the power to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are included in the consolidated financial statements.

In November 2018, the Group acquired a 100% share in FRONTIER TECHNOLOGIES, s.r.o. In 2019, the acquisition price was allocated, resulting in an increase in the initially recognised goodwill.

As at 30 April 2019, VOLTCOM, spol. s r.o., was acquired. The company specialises in construction, modernisation and servicing of distribution transformer stations and expanding transformer stations. The reason for the acquisition was fulfilling the Group objectives in the field of digitalisation and decentralisation of the energy sector. In 2019, the acquisition price was allocated, too.

In December 2019, PREměření, a.s., acquired a 100% share in WINDING WE NORTH a.s., which owns 100% of shares in subsidiary PRE FVE Částkov, s.r.o., which operates a wind power plant with the installed capacity of 4MWh.

On the acquisition of subsidiaries, goodwill was created as the paid consideration included additional sums relating to the benefits from expected revenues from services, and savings on repairs and distribution network building. These benefits are not reported separately from goodwill as independent assets as they do not meet the criteria for recognition as identified intangible assets.

The consolidated statement of comprehensive income includes the acquirees' revenue of MCZK 127. The consolidated income statement includes the acquirees' result of operation of MCZK 11. If the date of acquisition of the acquirees had been the beginning of the accounting period, the revenue of MCZK 181 would have entered the consolidated revenues, and the result of operation of MCZK (9) would have entered the consolidated income statement.

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	2019	2018
Assets acquired and liabilities assumed from subsidiaries as at the acquisition date		
Property, plant and equipment	61	7
Intangible assets	--	25
Loans and borrowings	(66)	--
Other assets and liabilities	2	(4)
Cash	31	10
Fair value of the identifiable net assets acquired	28	38
Consideration transferred upon the acquisition of subsidiaries	178	83
Less the fair value of the identifiable net assets acquired	(28)	(38)
Goodwill arisen upon the acquisition of subsidiaries	150	45

Net cash flows upon the acquisition of subsidiaries	2019	2018
Consideration transferred upon the acquisition of subsidiaries	178	83
Cash equivalents of the subsidiaries over whom control has been acquired	(31)	(10)
Balance of outstanding amount of purchase price *)	3	(35)
Net cash outflows upon the acquisition of subsidiaries	150	38

*) Includes retentions and deferred (conditional) payments arising from the contract. Deferred payments represent an additional payment of the purchase price which is dependent on the future achievement of selected financial indicators acquired by the company (profit before tax).

The goodwill which arose upon the allocation of the purchase price is not tax-relevant.

Goodwill	2019	2018
Balance as at 1.1.2019	151	157
Additions from business combinations performed during the year	150	45
Change in goodwill following the purchase price allocation	13	(51)
Balance as at 31.12.2019	314	151

Goodwill by company	2019	2018
FVE Dačice, s.r.o.	34	34
FVE Pozořice, s.r.o.	5	5
KORMAK Praha a.s., and PREservisní, s.r.o.	57	57
PRE FVE Světlík, s.r.o.	10	10
SOLARINVEST - GREEN ENERGY, s.r.o.	17	17
FRONTIER TECHNOLOGIES, s.r.o.	41	28
VOLTCOM, spol. s r.o.	49	--
PRE VTE Částkov, s.r.o., and WINDING WE NORTH a.s.	101	--
Balance on 31.12.	314	151

In compliance with the accounting policies, an impairment test was conducted in respect of goodwill, during which no impairment indicators were identified.

	Renewable energy manufacturers	Electrical assembly companies	Total
Pražská energetika, a.s.			
Goodwill (gross) as at 31 December 2018	49	102	151
Additions	101	62	163
Disposals	--	--	--
Goodwill (gross) as at 31 December 2019	150	164	314
Impairment losses as at 31 December 2018	--	--	--
Additions	--	--	--
Disposals	--	--	--
Impairment losses as at 31 December 2019	--	--	--
Goodwill (net) as at 31 December 2018	49	102	151
Goodwill (net) as at 31 December 2019	150	164	314

Annually at the balance sheet date, the Company sets the value of the recoverable sum for each of the cash-generating units to which goodwill is attributable. In this case, the recoverable amount is set as the higher of the value in use or the fair value reduced by the cost of sale.

Due to the fact the value in use is higher for all cash-generating units goodwill is attributable than the fair value reduced by the cost of sale, the recoverable amount of each cash-generating unit is based on its value in use.

Setting the value in use for renewable energy manufacturers

The value in use of cash-generating units from the group of renewable energy manufacturers is based on the following key expectations which form the basis of the cash flow plans of individual renewable energy manufacturers. This comprises:

1. Future production of the renewable energy manufacturers, i.e., the amount of electricity each individual renewable energy manufacturer produces;
2. Future price of electricity delivery to the distribution grid, i.e., the price for which each individual renewable energy manufacturer is able to sell its future production; and,
3. Useful life, i.e., the period during which the individual renewable energy manufacturer is able to produce electricity and sell it for the price set in item 2 above.

In the first case scenario, the Company sets the future production of each individual renewable energy manufacturer as the arithmetic average of its production starting with the first full year of putting the power plant into operation and ending on the last day of the current accounting period. For photovoltaic power plants, the Company in its prediction expects gradual degradation of solar panels resulting in annual production decrease of 0.8%; for wind power plants no production decrease is considered.

In the second case scenario, the Company sets the future price for electric energy delivery into the grid in accordance with the Price Decision No. 3/19 of the Energy Regulatory Office.

In the third case scenario, the Company sets the useful life at 20 years from the day of putting each individual renewable energy manufacturer into operation.

Due to the rather low complexity of photovoltaic and wind power plants, the Company creates the cash flows plan for their whole useful life and expects revenue and expenses indexation in line with the long-term inflation objective of the Czech National Bank of 2% p.a.

The discount rate before tax is between ca 6.6% and 7.7% p.a., depending on the manufacturer.

Setting the value in use for electrical assembly companies

The value in use of cash-generating units from the group of electrical assembly companies is based on the following key expectations which form the basis of the cash flow plans of individual electrical assembly companies which are part of the Company's consolidated economic plan. This comprises:

1. Future turnover, i.e., the estimate of future sale of goods, products and services generated by each individual company;
2. Future margin, i.e., the profitability from the sale of goods, products and services reduced by direct cost of these services and production overhead; and,

3. Period of business activity, i.e., the period in which each company operates its business activities.

In the first case scenario, the Company sets the future sales of each electrical assembly company with regard to its historical performance and growth trend, business concept and development activities and expected market trends.

In the second case scenario, the Company sets the future margin for each electrical assembly company mostly according to its historical margin taking into account the expected market development.

In the third case scenario, the Company set the term of business activity at only 10 years and the Company considers this period a very conservative estimate based rather on the prudence principle than on the real estimate of the operating efficiency of current business activities.

The Company creates the cash flows plan for the above-mentioned period of 10 years, and for the period not included in the Company's mid-term business plan, i.e., from 2023 onwards, the Company expects revenues and expenses indexation in line with the long-term inflation objective of the Czech National Bank of 2% p.a.

The discount rate before tax is between ca 11.1% and 12.2% p.a., depending on the manufacturer.

Impact of changes in key expectations on the recoverable amount

The Company analysed the impact of changes in key expectations on the recoverable amount. The Company did not identify any reasonably feasible change in key expectation which would result in the carrying amount of the cash-generating unit exceeding the recoverable amount.

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(20) Contract assets (TCZK)

Contract assets comprise the Group's right for payment for supplies already carried out and invoiced, based on contracts with customers, at the selling price reduced by advances received, in case the value of supply is higher than the value of advances received. A contract asset becomes a receivable at the moment the unconditional right for payment is acquired; this unconditional right arises from invoicing after meter reading. The usual invoice payment deadline for end customers is 30 days.

Current contract assets	2019	2018
Uninvoiced supplies of electricity and gas – gross	3,739,054	3,413,529
Less advances received	(3,291,000)	(3,073,520)
Uninvoiced supplies of electricity and gas – net	448,054	340,009
Uninvoiced distribution of electricity – gross	582,011	543,457
Less advances for distribution received	(540,630)	(507,944)
Uninvoiced distribution of electricity – net	41,381	35,514
Total	489,435	375,523

Balance of contract assets on 1.1.2018	567,763
Invoicing of recognised contract assets during 2018	(571,653)
Uninvoiced supplies of 2018, less advances received	378,746
Impairment in compliance with the IFRS 9 requirements	667
Balance of contract assets on 31.12.2018	375,523
Invoicing of recognised contract assets during 2019	(378,746)
Uninvoiced supplies of 2019, less advances received	493,235
Impairment in compliance with the IFRS 9 requirements	(577)
Balance of contract assets at 31/12/2019	489,435

Impairment of contract assets in compliance with IFRS 9	
Creation as at 1.1.2018 (affecting retained earnings)	3,890
Additions and release in the current year	(667)
Balance on 31 December 2018	3,223
Additions and release in the current year	577
Balance on 31 December 2019	3,800

(21) Trade and other receivables (TCZK)

Non-current trade and other receivables	2019	2018
Principal amounts paid, primarily for electricity trading	177,136	56,121
Advances paid	22,910	24,029
Receivables from the revaluation of commodity derivatives for trading	12,418	51,424
Receivables from the revaluation of hedging commodity derivatives	28,401	180,128
Other non-financial assets	42,627	21,028
Total	283,492	332,730

Current trade and other receivables	2019	2018 Restated
Receivables from electricity and gas supplies	1,440,854	1,348,143
Receivables related to supplies of distribution services	118,423	105,828
Other trade receivables	47,711	20,181
Margin deposits with the power exchanges	63,237	137,526
Receivables from the revaluation of commodity derivatives for trading	245,897	947,805
Receivables from the revaluation of hedging commodity derivatives	163,717	320,618
Other receivables – gross	459,131	397,292
Less advances provided	(442,406)	(262,753)
Other receivables – net	16,725	134,539
Other tax receivables	8,072	11,957
Other non-financial assets	85,438	73,928
Total	2,190,074	3,100,525

Compared to the initial recognition, the credit risk did not increase significantly. In respect of non-current principals and margin deposit, the following loss allowances were established for expected credit losses at an amount of 12-month credit losses (stage 1 of the impairment model):

Loss allowances for other receivables	
Creation as at 1.1.2018 (affecting retained earnings)	1,340
Additions and release in the current year	506
Balance on 31 December 2018	1,846
Additions and release in the current year	1,343
Balance on 31 December 2019	3,189

Of the current trade receivables, gross receivables past their due date totalled TCZK 484,392 (2018: TCZK 448,489). Outstanding portions usually bear no interest. The following loss allowances were created for the current trade receivables:

Loss allowances for current trade receivables	
Balance on 31 December 2017	335,477
Creation as at 1.1.2018 (affecting retained earnings)	2,792
Adjusted balance on 1.1.2018	338,269
Additions and utilisation in the current year	9,896
Balance on 31 December 2018	348,165
Additions and utilisation in the current year	4,347
Balance on 31 December 2019	352,512

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In considering the recoverability of receivables, the Group takes into account any changes in the recoverability of trade receivables from the date of their origination through the balance sheet date.

The carrying amount of trade and other receivables corresponds to their fair value. Receivables are considered credit impaired if they are more than 3 months past due.

	% of loss allowance	2019		
		Gross	Loss allowance	Net
Receivables within due date	1	1,475,108	14,944	1,460,164
Receivables up to 1 month past due	8	120,071	9,588	110,483
Receivables between 1 and 3 months past due	8	21,231	1,698	19,533
Receivables between 4 and 12 months past due	73	34,367	25,162	9,205
Receivables over 12 months past due	98	308,723	301,120	7,603
Total trade receivables		1,959,500	352,512	1,606,988

	2018			
	% of loss allowance	Gross	Loss allowance	Net
Receivables within due date	1	1,373,827	15,046	1,358,781
Receivables up to 1 month past due	8	89,529	7,157	82,372
Receivables between 1 and 3 months past due	8	17,765	1,426	16,339
Receivables between 4 and 12 months past due	74	30,885	22,725	8,160
Receivables over 12 months past due	97	310,311	301,811	8,500
Total trade receivables		1,822,317	348,165	1,474,152

(22) Inventories (TCZK)

	2019	2018
Material	61,815	52,448
Work in progress	23,573	638
Products	2,245	1,810
Goods	51,153	68,799
Total	138,786	123,695

Cost of purchased material, services and energy and other gains and losses in the income statement include costs of sold and consumed inventories of TCZK 243,168 (2018: TCZK 181,025).

Given their limited use, inventories were written down to their net realisable value as follows:

Balance on 31 December 2017	1,877
Additions and utilisation in the current year	(518)
Balance on 31 December 2018	1,359
Additions and utilisation in the current year	(822)
Balance on 31 December 2019	537

The adjustment to the net realisable value is reported in other gains and losses.

(23) Cash and cash equivalents (TCZK)

Cash and cash equivalents include cash in hand, deposits payable upon request and other highly liquid financial assets that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

	2019	2018
Current bank accounts	1,969,488	1,985,664
of which: loss allowances	(791)	(860)
Cash in hand	4,202	2,598
Stamps and vouchers	2,555	2,476
Total	1,975,454	1,989,878
Adjustment by loss allowances for cash	791	860
Total cash and cash equivalents for the purposes of the statement of cash flows	1,976,245	1,990,738

Impairment of cash and cash equivalents in compliance with IFRS 9	
Creation as at 1.1.2018 (affecting retained earnings)	1,497
Additions and release in the current year	(637)
Balance on 31 December 2018	860
Additions and release in the current year	(69)
Balance on 31 December 2019	791

At the request of the Company, banks issued payment bank guarantees of MCZK 10 in favour of ČEPRO, a.s., APCS Power Cleaning and Settlement AG (2018: MCZK 19 in favour of OTE, a.s., and APCS Power Clearing and Settlement AG).

(24) Loans (TCZK)

This note summarises the information about the contractual conditions of received interest bearing loans and borrowings. For more information about the Group's exposure to interest rate risks refer to the note on "Financial instruments".

	2019			2018		
	Amount	Interest rate	Due date	Amount	Interest rate	Due date
Loan 1	1,000,039	Fix 1.40%	1.7.2024	1,000,039	Fix 1.40%	1.7.2024
Loan 2	1,005,615	Fix 1.16%	8.7.2022	1,005,614	Fix 1.16%	8.7.2022
Loan 3	1,100,029	Fix 0.94%	25.6.2020	1,100,029	Fix 0.94%	25.6.2020
Loan 4	--	--	--	78,357	Fix 0.60%	3.7.2019
Loan 5	856,727	Fix 1.06%	3.7.2020	1,004,505	Fix 1.06%	3.7.2019
Loan 6	--	--	--	126,007	Fix 2.11%	2.1.2019
Loan 7	66,372	1M PRIBOR +2,40%	20.8.2022	--	--	--
Authorised overdraft of current accounts	159,985	O/N PRIBOR +0,35%, at least 0.00%	--	--	--	--
Total	4,188,767			4,314,551		
Non-current loans	3,100,000			3,100,000		
Current loans	1,088,767			1,214,551		
Total	4,188,767			4,314,551		

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	Cash flows					31.12.2019
	31.12.2018	Utilisation	Repayment	Other	Assumed loan	
Total loans	4,314,551	209,985	(404,000)	1,859	66,372	4,188,767

	Cash flows					31. 12. 2018
	31. 12. 2017	Čerpání	Splácení	Ostatní	Převzatý úvěr	
Total loans	4,820,707	1,126,000	(1,628,436)	(3,720)	--	4,314,551

Loan 3 is classified as a non-current loan due to planned refinancing. New loan agreements were signed in November 2019. The due date of the new loans is eight years from the date of signing the loan agreement.

Loans 4 and 5 are loans from the parent company Pražská energetika Holding a.s. The amendment to the loan agreement extends the due date by one year.

With regards to the Group's rating the banks do not require loan collateral. As at 31 December 2019, undrawn loan facilities amounted to MCZK 3,060 (as at 31 December 2018: MCZK 2,834).

Loans are carried at their amortised cost. The fair value of loans 1 – 5 differs from their amortised cost by MCZK 107, and this value amounts to MCZK 3,856. In respect of other loans, their amortised cost does not differ from their fair value in particular due to their short-term character. In 2018, the fair value of loans 1-5 differed from their amortised cost by MCZK 97, and this value amounted to MCZK 4,091.

The fair value was calculated by discounting contractual cash flows using the current yield curve. Fair value comes under level 3 as a result of using inputs that cannot be directly derived from data acquired on the active market, such as own credit risk.

The Group capitalises borrowing costs using the capitalisation rate in line with IAS 23.

(25) Contract liabilities (TCZK)

The contract liability relates to advances received and invoicing that has already been performed (e.g., in the case of investment contributions), as part of contracts with customers, reduced by the value of supplies that have not yet been invoiced, and from which revenue is recognised on an ongoing basis or will be recognised directly after the balance sheet date as part of the satisfaction of a performance obligation.

Non-current contract liabilities	2019	2018
Investment contributions	1,632,068	1,613,491
Total	1,632,068	1,613,491

Current contract liabilities	2019	2018
Advances received for the supply of electricity and gas from customers – gross	4,279,077	3,929,515
Less uninvoiced supplies	(3,291,000)	(3,073,520)
Advances received for the supply of electricity and gas from customers – net	988,077	855,995
Advances received for the supply of distribution services – gross	543,012	514,393
Less uninvoiced distribution services	(540,630)	(507,944)
Advances received for the supply of distribution services – net	2,382	6,449
Investment contributions	174,946	177,592
Total	1,165,405	1,040,036

Balance of contract liabilities on 1.1.2018	2,759,859
Increase in contract liabilities in the current year (investment contributions received, advance payments, partial invoicing)	1,067,332
Recognition of contract liabilities in revenues in the current year	(1,173,664)
Balance of contract liabilities on 31.12.2018	2,653,527
Increase in contract liabilities in the current year (investment contributions received, advance payments, partial invoicing)	1,183,982
Recognition of contract liabilities in revenues in the current year	(1,040,036)
Balance of contract liabilities on 31.12.2019	2,797,473

The amount of TCZK 1,040,036 which in 2018 was recognised as contract liability, was reported in revenues for the period ended on 31 December 2019 (the contract liability of TCZK 1,173,664 reported as at 1 January 2018, was reported as revenue for the period ended on 31 December 2018).

The Group has no revenue relating to the satisfaction or partial satisfaction of performance obligations in prior accounting periods.

(26) Trade and other payables (TCZK)

Non-current trade and other payables	2019	2018
Payables from the revaluation of commodity derivatives for trading	18,873	49,977
Payables from the revaluation of hedging commodity derivatives	50,545	80,174
Other financial liabilities	33,982	83,353
Other non-financial liabilities	152,714	128,802
Total	256,114	342,306

Current trade and other payables	2019	2018 Restated
Uninvoiced supplies of electricity and gas from suppliers – gross	461,050	278,670
Less advances provided for the supply of electricity and gas	(442,406)	(262,753)
Uninvoiced supplies of electricity and gas from suppliers – net	18,644	15,917
Trade payables	789,841	1,037,863
Payables from the revaluation of commodity derivatives for trading	248,889	972,806
Payables from the revaluation of hedging commodity derivatives	115,636	93,468
Payables from the revaluation of hedging foreign exchange derivatives	4,274	10,143
Payables to employees *)	56,998	52,095
Social security and health insurance liabilities	33,677	29,968
Other tax payables **)	249,948	211,287
Other financial liabilities	118,855	126,989
Other non-financial liabilities	110,053	102,531
Total	1,746,815	2,653,067

*) Includes December wages paid in January of the following year.

***) The item comprises mostly payables relating to value added tax, tax on electricity and gas. In 2019, the payables were set aside from the statement of financial position, line Tax liabilities and transferred into Trade payables and other payables.

The Group reports overdue trade payables of TCZK 1,307 (2018: TCZK 3,266). All overdue liabilities were settled during January 2020.

In respect of liabilities that are carried at amortised cost, this value corresponds with their fair value.

(27) Provisions (TCZK)

	2019	2018
Employee benefits	309,085	296,219
Other provisions	255,821	258,514
Total	564,906	554,733
Non-current provisions	386,816	393,431
Current provisions	178,090	161,302
Total	564,906	554,733

The provision for employee benefits represents liabilities pursuant to the Collective Agreement arising from bonuses paid to employees upon retirement and work and life jubilees.

	Employee benefits	Business risks	Salaries	Total
Balance on 31 December 2017	298,397	117,878	152,566	568,841
Additions in the current year	44,622	11,223	130,994	186,839
Utilisation in the current year	(25,332)	--	(148,403)	(173,735)
Release in the current year	(21,468)	(1,581)	(4,163)	(27,212)
Balance on 31 December 2018	296,219	127,520	130,994	554,733
Additions in the current year	44,593	8,719	153,216	206,528
Utilisation in the current year	(23,702)	--	(127,258)	(150,960)
Release in the current year	(8,025)	(34,503)	(2,867)	(45,395)
Balance on 31 December 2019	309,085	101,736	154,085	564,906
Non-current liabilities – provisions	285,080	101,736	--	386,816
Current liabilities – provisions	24,005	--	154,085	178,090
Total	309,085	101,736	154,085	564,906

The provision for salaries includes salaries paid depending on the fulfilment of the plan.

The provisions for business risks arise from the operation of fixed assets.

The provision for employee benefits represents liabilities pursuant to the Collective Agreement arising from bonuses paid to employees upon retirement and work and life jubilees and liabilities to personal accounts drawn by employees for optional benefits. In respect of work jubilees and bonuses upon retirement, the amount of benefit depends on the hours that the employee has worked in the Group; in case of life jubilees, the bonus is paid to the employee on reaching the age of 50. After employees retire, no other benefits are provided to them.

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To calculate the provision, a projected unit credit method is used – i.e., for each period worked, the employee is entitled to a proportion of the present value of the benefit. In addition, the calculation takes into account the time value of money and the probability that the benefit will not be paid out.

The discount rate is derived based on market yields of Czech state bonds in the currency of the liability, i.e., CZK, with the maturity date corresponding with the maturity of the liability. It is determined as a single discount factor for all benefits together.

The probability of continuance (payment) includes the anticipated retirement, the probability of leaving the Group, the mortality and the invalidity rate. The anticipated retirement is determined for individual employees using legislation valid in the respective country. Staff turnover, mortality, and invalidity rates are determined based on the Group's historical data analysis.

Basic assumptions used for actuarial valuation:

	2019	2018
Discount rate	1.682%	2.302%
Average retirement age (years)	64.8	64.7
Probability of continuance	0.68	0.70

Significant actuarial assumptions for determining the liability include the discount rate and probability of continuance. The sensitivity analyses below were determined based on possible changes in the parameters described, at the end of the accounting period, whilst all other assumptions remained constant.

	Basis	(1) p.b.	Difference	+1 p.b.	Difference
Sensitivity of the provision to the change in discount rate	309,085	345,179	36,094	278,708	(30,377)

	Basis	(0.10)	Difference	0.10	Difference
Sensitivity of the provision to the change in probability of continuance	309,085	274,230	(34,855)	330,653	21,568

The creation of provisions for employee benefits includes interest expense of TCZK 2,414 (2018: TCZK: 3,459), running cost relating to these benefits of TCZK 30,083 (2018: 41,163), and revaluation of the liabilities from defined benefits reported in the other comprehensive income of TCZK 12,096. The utilisation of provisions then comprises the payments of employee benefits.

(28) Share capital (TCZK)

Share capital

There are 3,869,443 registered shares in the nominal value of CZK 1,000 per share (2018: 3,869,443 shares). These shares are in the book-entry form and carry no right for the regular payment of dividends.

The Company's share capital has been paid in full.

(29) Reserves (TCZK)

	2019	2018
Reserve fund	773,889	773,889
Other reserves	382,711	382,711
Cash flow hedge	(66,636)	345,436
Revaluation of net payables from defined benefits	(9,797)	--
Total	1,080,167	1,502,036

The Group's reserve fund has been created in the amount of 20% (TCZK 773,889) of the share capital and no further increase is to be made. The General Meeting decides on the use of the reserve fund and this fund is used to settle the Company's loss.

Other reserves represent part of the capital of the former state enterprise, the legal predecessor of the Company. As a result of the privatisation project, the state enterprise's capital was divided into share capital, reserve fund and capital funds as at the date of incorporation of the joint stock company (1 January 1994). As at that date, the balance of the capital funds was TCZK 390,390. The Board of Directors decides on the use of the balance of this fund based on the rules for fund management approved by the General Meeting. Subject to the approval of the General Meeting, the Company may establish other discretionary funds.

Cash flow hedge and revaluation of payables from defined benefits include:

	2019	2018
Revaluation of hedging commodity derivatives	(66,610)	433,777
Effect of deferred tax	12,656	(82,418)
Revaluation of hedging foreign exchange derivatives	(15,657)	(7,313)
Effect of deferred tax	2,975	1,390
Revaluation of payables from defined benefits	(12,096)	--
Effect of deferred tax	2,299	--
Total	(76,433)	345,436

(30) Government grants (TCZK)

With regards to the “Backbone network”, “Metropolitan network” and Dflex projects, the Group records a grant commitment of TCZK 108,185, which is not accounted for in compliance with the accounting policy in note 3 because as at the date of the financial statements it is not entirely certain the grant will be provided to the Group.

(31) Financial instruments (TCZK)

Categories of financial instruments

Financial assets (net)	Cat.:	2019	2018
(a) Receivables from the revaluation of commodity derivatives for trading	iii.	258,315	999,229
(b) Receivables from the revaluation of hedging commodity derivatives	iv.	192,118	500,746
(c) Receivables from the revaluation of hedging foreign exchange derivatives	iv.	--	--
(d) Cash and cash equivalents	i.	1,975,454	1,989,878
(e) Margin deposit	i.	63,237	137,526
(g) Trade and other receivables, except for the above	i.	1,800,848	1,663,897

Financial liabilities	Cat.:	2019	2018
(i) Payables from the revaluation of commodity derivatives for trading	iii.	267,763	1,022,783
(j) Payables from the revaluation of hedging commodity derivatives	iv.	166,181	173,642
(k) Payables from the revaluation of hedging foreign exchange derivatives	iv.	4,274	10,143
(l) Loans received	v.	4,188,767	4,314,551
(n) Financial liabilities carried at amortised cost, except for the above	v.	961,322	1,264,122
(o) Lease liabilities	v.	1,655,197	--

Categories of financial instruments:

- i. Financial assets measured at amortised cost
- ii. Financial assets measured at fair value through other comprehensive income (“FVOCI”)
- iii. Financial assets/liabilities measured at fair value through profit or loss
- iv. Financial assets/liabilities measured at fair value through other comprehensive income
- v. Financial liabilities measured at amortised cost

Financial assets and liabilities (ii., iii., iv.) were valued using valuation models with market data (stage 2), such as forward curves of underlying commodities, spot and forward foreign exchange rates and interest rate curves.

Gains and losses from financial instruments reported in the current period		2019	2018
Gain/loss from the revaluation of commodity derivatives in the trading portfolio *)	(a, i)	(16,636)	(29,091)
Interest received outside of the Group and revenue from securities held	(d)	8,023	14,475
Borrowing costs (except for the interest on employee benefits)	(l)	(95,791)	(44,544)
Loss allowances for trade receivables and other financial assets	(d, e, g)	(6,198)	(9,098)
Write-offs of doubtful debts	(g)	(23,410)	(18,467)
Hedge ineffectiveness	(b, j)	(2,630)	1,273

*) Included in the margin on trading.

Hedge accounting *)		2019	2018
Creation of the equity fund from the cash flow hedge	(b, c, j, k)	(195,960)	346,701
Reversal of the fund from cash flow hedge in the income statement *)	(b, c, j, k)	(312,771)	(98,393)

*) In the costs of purchased electricity.

Capital risk

The Group manages its capital to ensure an optimal financial position from the long-term perspective while maximising the long-term return to shareholders. The capital is the value of equity from the balance sheet.

	2019	2018
Total assets	31,793,695	30,457,651
Equity	18,495,399	17,794,957
Equity/total assets	58%	58%

Market risk

In view of its activities, the Group is predominantly exposed to the market risk related to the changing prices of commodities (electricity and gas), currency risk and the risk of changes in interest rates.

For the hedging of market risks, the Group uses the following non-derivative financial assets and financial instruments:

- commodity derivatives (forwards and futures) to hedge the changes in prices of these commodities;
- currency derivatives (forwards) to hedge the changes in exchange rates; and,
- funds denominated in EUR acquired by a spot purchase on the money market to hedge exchange rates.

The Group's exposure to market risks is measured using various methods, the most important being the sensitivity analysis which reflects potential impacts of changes in prices defined in individual scenarios on the Group's results. The VaR methodology (value at risk) is used to measure short-term business exposure. The Group's exposure to market risks is monitored on a regular basis and its approach to managing these risks has not significantly changed as compared to the prior period. There is no concentration of market risks in the Group.

Currency risk

The Group is exposed to the risk of changes in exchange rates. It takes a significant exposure to the risk of changes in exchange rates only to settle transactions in foreign currency (EUR) made to procure electricity or gas for the Group's customers. The Group's strategy is to minimise the risk of undesirable effects of exchange rate fluctuations on cash flows. The risks of such changes in exchange rates are measured using defined scenarios for exchange rate development. The open exposure is established based on the annual plan of exchange currency requirements and the amount of agreed hedging.

The Group hedges a significant portion of its future planned foreign currency cash flows for the purchase of electricity and gas against the risk related to exchange rates, using currency forwards and a spot purchase of EUR with subsequent holding period until the determined date of usage; these transactions are accounted for in accordance with the hedge accounting principles that the Group applies.

The Group monitors hedge effectiveness under hedge accounting. The hedging has been effective. Due to the fact that the characteristics of the hedging instrument and the hedged item tally, no sources of ineffectiveness, with the exception of the counterparty's credit risk, have been identified. The counterparty's credit risk is insignificant. The credit rating of PRE and the counterparty of the hedging instrument is high. The effect of the credit risk does not dominate the changes in value that result from the economic relationship. The hedge ratio is set at 1:1.

The economic relationship between the hedged item and the hedging instrument has been tested:

Qualitative analysis: based on the comparison of the characteristics of the hedging instrument and the hedged item, the Group concluded that they are balanced. Quantitative analysis: using the simple method of scenario analysis, the Group examined and further monitors any changes in the fair value of the hedging instrument and the hedged item as a result of changes in the underlying variable, comprising the EUR/CZK exchange rate. The changes in the fair value of the hedged item and the hedging instrument move in opposite directions and the change in the fair value of the hedging instrument fully compensates the change in the fair value of the hedged item.

The carrying amount of foreign currency assets and liabilities:

	Assets (TCZK)		Liabilities (TCZK)	
	2019	2018	2019	2018
Receivables and payables from the revaluation of commodity derivatives for trading	258,315	999,229	267,763	1,022,783
Receivables and payables from the revaluation of hedging commodity derivatives	192,118	500,746	166,181	173,642
Receivables and payables from the revaluation of hedging foreign exchange derivatives	--	--	4,274	10,143
Non-derivative financial assets for currency risk management (cash)	1,346,730	977,550	--	--
Cash and cash equivalents	72,890	351,552	--	--
Margin deposit	63,237	137,526	--	--
Trade receivables and payables and other receivables and payables	228,725	263,546	307,486	512,223
Total in EUR	2,162,015	3,230,149	745,704	1,718,791
Other currencies	144	75	--	--
Total	2,162,159	3,230,224	745,704	1,718,791

Currency derivatives and non-derivative financial assets open at the balance sheet date:

	Average exchange rate CZK/EUR		Value (TEUR)		Value (TCZK)		Fair value (in TCZK)	
	2019	2018	2019	2018	2019	2018	2019	2018
Purchase of EUR through currency derivatives								
Purchase of EUR up to 1 month	--	25.97	--	17,000	--	441,441	--	(3,715)
Purchase of EUR from 1 to 3 months	25.71	26.11	25,000	16,000	642,725	417,693	(4,274)	(4,508)
Purchase of EUR from 3 to 12 months	--	26.14	--	8,000	--	209,123	--	(1,920)
Total			25,000	41,000	642,725	1,068,257	(4,274)	(10,143)

	Average exchange rate CZK/EUR		Value (TEUR)		Value (TCZK)		Revaluation (TCZK)	
	2019	2018	2019	2018	2019	2018	2019	2018
Cash in EUR used to hedge currency risk								
EUR used up to 1 month	25.41	--	10,000	--	254,100	--	(3,700)	--
EUR used from 1 to 3 months	25.62	25.59	25,000	13,000	635,250	334,425	(5,295)	1,695
EUR used from 3 to 12 months	25.54	25.68	18,000	25,000	457,380	643,125	(2,388)	1,135
Total			53,000	38,000	1,346,730	977,550	(11,383)	2,830

Currency risk – sensitivity analysis

The Group performed a sensitivity analysis to identify the potential impact of the change in the value of these assets and liabilities on the level of profit or equity as a result of a 1% decrease in the CZK/EUR exchange rate.

	2019	2018
Profit/(loss)	494	2,182
Equity	16,282	19,115

Interest rate risk

Medium- and long-term external funds of the Group include loans maturing in two, four and six years. These loans have a fixed interest rate. Changes in market interest rates have no impact on the contracted amount of repayments of these loans which effectively reduces the risk of changes in interest rates. Changes in interest rates may only affect the costs of hedging short-term sources of funding. However, the impact of this risk on the Group, if any, is immaterial, therefore, the Group does not manage it and does not apply hedge accounting. Lease liabilities are not included in the table as they are not sensitive to changes in interest rate unless the lease relationship is modified.

The carrying amount of assets and liabilities which is dependent on the interest rate:

	Assets (TCZK)		Liabilities (TCZK)	
	2019	2018	2019	2018
Receivables and payables from the revaluation of hedging foreign exchange derivatives	--	--	4,274	10,143
Total	--	--	4,274	10,143

Interest rate risk – sensitivity analysis

The Group performed a sensitivity analysis to identify the potential impact of the change in the value of these assets and liabilities on the level of profit or equity as a result of a 1 pp increase in the interest rate.

	2019	2018
Profit/(loss)	--	--
Equity	1	7

Risk of changing prices of commodities

The Group is exposed to the risk related to the development of electricity and gas prices, which can have an impact on the expected profit margin. The Group's strategy is to minimise the risk of undesirable effects of price changes on cash flows.

Electricity and gas for end customers is purchased in order to achieve the optimisation of purchase prices within the position limited in terms of volume. Exposure management is based on limits for the maximum permissible size of outstanding exposures, the possible financial impact is derived from defined scenarios for price developments. The commodity risk management strategies are primarily based on the structure of the Group's end customers and distinguish between customers with individual rates (the B2B customer segment) and customers receiving common price-list rates (the B2C customer segment). As the price is set at different times for each segment, the commodity hedging method varies for the two customer groups as well. In the case of the B2B customer segment, back-to-back hedging is used, i.e., the commodity is acquired as soon as the offer is accepted by the customer. For the B2C customer segment, gradual hedging is used, i.e., the commodity is acquired over time for a large number of small customers, taking into account market liquidity and minimising market price volatility for customers.

In implementing the above strategies, a range of tools, procedures and techniques are used to ensure that the commodity is delivered at the specified time, in the specified place and at the optimum purchase price.

A significant portion of the commodity delivered to the domestic market is hedged using forward contracts with physical delivery in the Czech Republic. The 'own use' exemption allowed by IFRS 9 applies to such forward contracts.

In the event of temporary insufficient liquidity in the domestic commodity market with the physical delivery of the commodity, the Group hedges the purchase price and mitigates the risk of price development via transactions in external commodity markets connected with the Czech transmission system. So far, only the German market has been involved, due to its sufficient liquidity and high degree of price correlation with the Czech market. The 'own-use' exemption does not apply to these transactions, and in these cases, the Group applies hedge accounting. The objective of commodity risk management is to hedge cash flows connected with the future purchase of a commodity for the end customer on the domestic market. The Group hedges against the risk of price changes by purchasing an OTC commodity forward or stock exchange futures on the external market, thus substantially ensuring the required purchase price. At the moment of sufficient liquidity on the Czech market, the Group purchases the commodity on the domestic OTC market and at the same time closes the position on the external market with an inverse contract. Hedging is thus terminated. Any gain or loss from hedging to a large extent

compensates the movement of price on the domestic market between the moment the Group wanted to purchase the commodity for the end customer, but could not do so due to low liquidity, and the moment of subsequent purchase. The 'own-use' exemption allowed by IFRS 9 applies to the purchase on the domestic market. The Group monitors hedge effectiveness under hedge accounting. The hedge has so far been highly effective. The characteristics of the hedging instrument and the hedged item tally. Apart from the counterparty's credit risk, a source of hedge ineffectiveness is also the degree of correlation between external and domestic commodity markets, expressed by the spread development between markets. The correlation across both markets is very high in the medium term (more than 98%). The counterparty's credit risk is insignificant. The credit rating of PRE and the counterparty of the hedging instrument is high. The effect of the credit risk does not dominate the changes in value that result from the economic relationship. The hedge ratio is set at 1:1.

The economic relationship between the hedged item and the hedging instrument has been tested:

- Qualitative analysis: based on the comparison of the characteristics of the hedging instrument and the hedged item, PRE concluded that they are balanced.
- Quantitative analysis: using the simple method of scenario analysis, the Group examined and further monitors any changes in the fair value of the hedging instrument and the hedged item as a result of changes in the underlying variable, comprising the rate of the commodity. The changes in the fair value of the hedged item and the hedging instrument move in opposite directions and the change in the fair value of the hedging instrument considerably compensates the change in the fair value of the hedged item.

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Another possibility to solve temporary market illiquidity is to hedge the price of future spot purchase of a commodity, using commodity futures on the domestic market without physical delivery. At the moment of low liquidity on the domestic market with physical delivery, the Group agrees to the purchase of domestic commodity futures. The Group holds these futures until expiration. When the derivative expires, hedging is terminated. Any gain or loss from hedging, expressed by the paid or collected variation margin, fully compensates the movement of price on the domestic market between the moment the Group wanted to purchase the commodity for the end customer but could not do so due to low liquidity and the moment of purchase on the spot market. The Group monitors hedge effectiveness under hedge accounting. The hedge has been highly effective. The characteristics of the hedging instrument and the hedged item tally. Due to the fact that the characteristics of the hedging instrument and the hedged item tally, no sources of ineffectiveness, with the exception of the counterparty's credit risk, have been identified. The counterparty's credit risk is insignificant. The credit rating of PRE and the counterparty of the hedging instrument is high. The effect of the credit risk does not dominate the changes in value that result from the economic relationship. The hedge ratio is set at 1:1.

The economic relationship between the hedged item and the hedging instrument has been tested:

- Qualitative analysis: based on the comparison of the characteristics of the hedging instrument and the hedged item, PRE concluded that they are balanced.
- Quantitative analysis: using the simple method of scenario analysis, the Group examined and further monitors any changes in the fair value of the hedging instrument and the hedged item as a result of changes in the underlying variable, comprising the rate of the commodity. The changes in the fair value of the hedged item and the hedging instrument move in opposite directions and the change in the fair value of the hedging instrument considerably compensates the change in the fair value of the hedged item.

The carrying amount of assets and liabilities which depends on the commodity price:

	Assets (TCZK)		Liabilities (TCZK)	
	2019	2018	2019	2018
Receivables and payables from the revaluation of commodity derivatives for trading	258,315	999,229	267,763	1,022,783
Receivables and payables from the revaluation of hedging commodity derivatives	192,118	500,746	166,181	173,642
Total	450,433	1,499,975	433,944	1,196,425

Open commodity derivatives for hedging as at the balance sheet date:

	Commodity contracts for purchase				Commodity contracts for sale			
	Nominal value (TEUR)		Nominal value (TCZK)		Nominal value (TEUR)		Nominal value (TCZK)	
	2019	2018	2019	2018	2019	2018	2019	2018
Futures								
Settlement up to 12 months	27,243	35,079	692,248	902,407	--	--	--	--
Settlement from 1 to 2 years	2,607	10,491	66,254	269,881	--	--	--	--
Settlement from 2 to 3 years	449	--	11,397	--	--	--	--	--
Total	30,299	45,570	769,899	1,172,288	--	--	--	--
OTC forward								
Settlement up to 12 months	21,178	10,105	538,139	259,951	9,394	5,926	238,692	152,446
Settlement from 1 to 2 years	8,810	9,777	223,872	251,513	6,281	3,606	159,598	92,764
Settlement from 2 to 3 years	6,664	--	169,337	--	4,240	--	107,734	--
Settlement from 3 to 4 years	4,669	--	118,641	--	4,476	--	113,744	--
Settlement from 4 to 5 years	4,770	--	121,198	--	4,576	--	116,288	--
Total	46,091	19,882	1,171,187	511,464	28,967	9,532	736,056	245,210

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Open commodity own use contracts:

	Nominal value (TEUR)		Nominal value (TCZK)	
	2019	2018	2019	2018
Own use contracts – electricity *)	287,534	303,490	7,317,257	7,861,368
Own use contracts – gas *)	16,463	7,963	418,325	204,848
Total	303,997	311,453	7,735,582	8,066,216

*) Contracts which were concluded and are held due to acceptance or failure to deliver non-financial item relating to expected purchase, sale or use.

Commodity risk – sensitivity analysis

The Group performed a sensitivity analysis to identify the potential impact of the change in the value of these assets and liabilities on the level of profit or equity as a result of a 1% increase in commodity prices on EEX.

	2019	2018
Profit/(loss)	--	--
Equity	2,882	3,252

Credit risk

The Group is exposed to credit risk primarily in terms of trade receivables from end customers relating to the supplies and distribution of electricity or gas and in respect of wholesale partners trading in commodities in relation to concluded hedging and trading derivative contracts on the OTC market. In addition, the credit risk is connected with contract assets, the Group's receivables from inter-company loans and consignment of funds, available or consigned as margin deposit in connection with the trading on commodity exchange, with banks. Although the Group does not expect a higher credit risk in connection with receivables and other financial assets, the future credit status of business partners can be negatively influenced by future macroeconomic developments and the financial stability of the national economy.

In compliance with the Group's credit risk management policy, the credibility of wholesale partners trading in commodities and business partners in the B2B segment and cooperating banks is verified. In terms of newly signed contracts in the B2C segment, the Group evaluates whether the Group's potential customer is in debt in respect of possible previous contractual relations, which can indicate the potential customer's reduced credibility, or it relies upon information from publicly available registers.

The development and balance of receivables is monitored and evaluated on an ongoing basis with the aim to minimise the risk that doubtful or uncollectible receivables may arise. The maximum possible credit risk resulting from financial and contract assets corresponds with their carrying amount.

Credit risk is managed on the level of risk owners, on the level of individual sections. As part of credit risk management process, the Group primarily strives to prevent the risk from occurring, performs regular or one-off scoring of wholesale and B2B partners, monitors external rating of cooperating banks, determines and monitors the compliance with binding exposure limits for individual partners, etc.

The Group monitors the development of receivables, customers' credit history and carries out the analysis of the ageing structure of receivables. These activities are performed in the integrated system for evaluation, administration and recovery of trade receivables. In case overdue receivables arise, the Group communicates with the debtor with the aim to acquire the outstanding amount. If the debtor does not respond to the summons, the Group proceeds to terminate the supplies of electricity or gas and subsequently recover the unpaid receivables.

In electricity and gas supplies and distribution which is the Group's principal activity, the Group specifically applies the following principles to minimise the failure to collect receivables.

The reading of industrial customers' electricity and gas meters and invoicing takes place on a monthly basis. Some of the customers pay monthly or ten-day advance payments, based on their expected consumption, to cover electricity or gas consumed but not yet invoiced, taking into account previous years' consumption, season and other factors. The method of determining the amount of the advance payments is specified in the contract. Reminders are sent to customers who fail to pay on time. If a customer fails to settle the debt within an additional time period, the electricity or gas supply is suspended. Certain industrial customers cover their future liabilities by making prepayments in advance or by paying deposits.

The standard reading of small businesses and household electricity and gas meters and invoicing takes place on an annual basis. For supplied but unbilled electricity or gas, advance payments are determined to reflect the volume and nature of the consumption. The determination of the price and the payment method are specified in the contracts with customers. If a customer fails to settle the debt within an additional time period, the electricity supply is suspended.

There is no concentration of credit risk.

The Group bases the monitoring of credit risk development on the ageing structure of receivables. The amount of loss allowance is determined on this basis. The percentage of loss allowance for individual categories of receivable maturities is determined with respect to available historical data and the expected future development, as part of which the Group takes into account also the expected development of economy. Historical data are based on the actual development in receivable repayment in the last four years. When taking into consideration the future development, the Group relies on available macroeconomic forecasts. The loss allowance rate reflects the expected percentage of receivables that will not be paid by the customer in the given age category.

The Group calculates loss allowances for trade receivables and contract assets in the amount corresponding with the lifetime expected credit losses on the financial asset. In respect of other receivables, the Group initially calculates loss allowances at an amount of 12-month expected credit losses and subsequently, if the counterparty's credibility reduction is identified, at lifetime expected credit losses.

A loss allowance for contract assets is established in the same way as the loss allowance for trade receivables within due date.

The information on loss allowance amounts for contract and financial assets is included in notes 20, 21 and 23.

The standard practice of the Group is not to require collateral for trade receivables in form of hedging financial assets. As at 31 December 2019, the Group did not hold any trade receivables or contract assets for which a loss allowance would be established due to collateral received.

The Group proceeds to write off trade receivables if, based on available information, it concludes that it is not possible to recover the given receivable despite efforts undertaken so far, or that the revenue from recovering the debt receivable will not cover potential costs that the Group would incur on debt recovery, or if it is a doubtful debt. These include in particular cases where the court cancelled the bankruptcy, because the debtor's assets are completely insufficient, the debtor is insolvent or faces the risk of insolvency based on insolvency proceedings, the debtor was a legal person that ceased to exist without a legal successor, the debtor was a natural person and has died and the receivable could not be satisfied even as part of inheritance proceedings, the assets of which were subject to public auctioning or execution and the yield from auctioning or execution did not fully cover the debt receivable. In addition, these include cases, where the debtor's whereabouts are unknown based on the information of competent national authorities (the police, courts, etc.). Moreover, doubtful receivables include receivables for which documents for recovery by legal means are not available, statute-barred debts that the debtor refuses to pay, the court dismissed the action, or the compulsory execution was not successful.

Liquidity risk

The Group manages liquidity risk by maintaining an average amount of cash and cash equivalents, banking facilities and borrowing facilities, by continuously monitoring forecast and actual cash flows and seeking to match the maturity profiles of financial assets and liabilities. Included in the note "Loans" is a listing of additional undrawn loan facilities that the Group has at its disposal to further reduce liquidity risk. These loan facilities have not been drawn yet. The Group is not exposed to any significant liquidity risk and does not suffer from any solvency issues. There is no concentration of liquidity risk.

Liquidity risk – tables

The following tables represent the residual maturity of the Group's undiscounted non-derivative financial liabilities. The table including the financial liabilities reflects the earliest dates on which the Group may be asked to fulfil its liabilities.

Liabilities 2019	Net book value	Up to 1 month	1-3 months	3-12 months	More than 12 months	Total
Payables from the revaluation of commodity derivatives for trading	267,763	20,741	41,482	186,667	18,873	267,763
Payables from the revaluation of hedging commodity derivatives	166,181	9,549	19,092	85,788	51,752	166,181
Payables from the revaluation of hedging foreign exchange derivatives	4,274	--	4,274	--	--	4,274
Loans received (including interest)	4,188,767	167,916	3,843	913,482	3,425,366	4,510,607
Financial liabilities carried at amortised cost, except for the above	961,322	797,227	62,366	69,831	31,898	961,322
Lease liabilities *)	1,655,197	14,917	29,834	134,254	1,928,460	2,107,465
Total		1,010,350	160,891	1,390,022	5,456,349	8,017,612

*) As at 31 December 2019, lease liabilities over 5 years totalled TCZK 1,349,735 (31 December 2018: TCZK 0).

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Liabilities 2018	Net book value	Up to 1 month	1-3 months	3-12 months	More than 12 months	Total
Payables from the revaluation of commodity derivatives for trading	1,022,783	81,067	162,134	729,605	49,977	1,022,783
Payables from the revaluation of hedging commodity derivatives	173,642	7,789	15,578	70,101	80,174	173,642
Payables from the revaluation of hedging foreign exchange derivatives	10,143	3,715	4,508	1,920	--	10,143
Loans received (including interest)	4,314,551	132,958	2,000	1,116,181	3,204,089	4,455,228
Financial liabilities carried at amortised cost, except for the above	1,264,122	1,028,754	72,989	79,184	85,208	1,266,135
Total		1,254,283	257,209	1,996,991	3,419,448	6,927,931

(32) Related party transactions (TCZK)

In line with IAS 24, the below-listed related parties have been identified. Related parties also include subsidiaries and transactions with related parties are eliminated upon consolidation.

Expenses and revenues - related parties

	Sales to related parties		Purchases from related parties	
	2019	2018	2019	2018
Relations with controlling entities and associates	2,329,273	1,179,401	3,014,238	1,181,693
Pražská energetika Holding a.s.	1,474	1,477	--	--
Capital City of Prague	215,705	250,420	7,540	27,371
EnBW Energie Baden-Württemberg AG *)	2,112,094	927,504	3,006,698	1,149,153
Relations with other entities	918,487	836,236	164,047	152,596
ONTRAS Gastransport GmbH	--	--	--	640
Dopravní podnik hl.m. Prahy, a.s.	874,638	796,866	4,765	5,586
Kolektory Praha, a.s.	8,425	6,394	109,749	107,520
Obecní dům, a.s.	5,994	6,366	--	--
TRADE CENTRE PRAHA a.s.	6,892	4,172	17,775	17,861
Pražská plynárenská, a.s.	22,538	22,438	31,758	20,989
Total	3,247,760	2,015,637	3,178,285	1,334,289

*) EnBW Energie Baden-Württemberg AG is among the top suppliers of electricity and gas and the sales and purchases of this entity enter into a different trading margin and are further used to purchase the commodity.

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Receivables from and payables to related parties

	Receivables		Liabilities	
	2019	2018	2019	2018
Relations with controlling entities and associates	47,811	1,045	953,423	1,133,223
Pražská energetika Holding a.s. *)	297	149	856,727	1,082,862
Capital City of Prague	47,073	896	--	18,803
EnBW Energie Baden - Württemberg AG	441	--	96,696	31,558
Relations with other entities	65,088	50,192	84,318	23,976
Dopravní podnik hl.m. Prahy, a.s.	53,899	45,447	84,318	45
Kolektory Praha, a.s.	2,385	743	--	--
Obecní dům, a.s.	1,167	638	--	--
TRADE CENTRE PRAHA a.s.	708	--	--	--
Pražská plynárenská, a.s.	6,929	2,831	--	23,931
Total	112,899	51,237	1,037,741	1,157,199

*) The payable of TCZK 856,727 (2018: TCZK 1,082,862) is a loan received from the parent company Pražská energetika Holding a.s. Refer to the note "Loans".

Business transactions were conducted on an arm's length basis. Outstanding amounts were not collateralised.

Dividends paid

	2019	2018
Pražská energetika Holding a.s.	981,501	1,988,473
EnBW Energie Baden-Württemberg AG	699,964	1,418,091

Executive management

	2019	2018
Number of persons	45	40
Remuneration (TCZK)	104,614	91,086

The executive management includes members of the Board of Directors, the directors of the companies in the PRE Group and members of the Supervisory Board. Selected members of the executive management are allowed to use company cars for private purposes.

Receivables from executive management

As at 31 December 2019, the Group reported receivables from the members of executive management totalling TCZK 68 (at 31 December 2018: TCZK 55). The receivables are disclosed in trade and other receivables and were collected during January 2020.

(36) Post balance sheet events (TCZK)

On 11 March 2020, the World Health Organisation declared the coronavirus outbreak a pandemic, and the Czech government declared a state of emergency on 12 March 2020. Responding to the potentially serious threat the COVID-19 presents to public health, the Czech government authorities have taken measures to contain the outbreak (restrictions on the movement of people, restrictions or interruption of production or of the provision of services in selected industries, etc.).

PRE ensures the supply (distribution), generation and sale of energy and related services on the territory of the capital of Prague and the entire Czech Republic. In connection with the coronavirus pandemic, PRE's management expects a decline in the sale of commodities, the amount of energy distributed and other energy services provided especially to corporate customers, an increase in the credit risk of its customers and in the risk of concluded contracts becoming loss-making as a result of the foreign exchange rate developments.

PRE has introduced measures to prevent operational risks, such as dividing critical departments into shifts so that the employees do not come into physical contact, etc.

Based on currently publicly available information, the Group's current KPI's and in view of the actions initiated by management, PRE's management does not anticipate a direct immediate and significant adverse impact of the COVID-19 outbreak on the Group's consolidated operating results, operations and financial position in 2020. However, PRE's management cannot preclude the possibility that extended lock down periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment PRE operates in may have an effect on PRE, and its financial position and operating results in the medium and longer term. PRE's management continues to monitor the situation closely and will respond to mitigate the impact of such events and circumstances as they occur.

No other events have occurred since the balance sheet date that would have any material impact on the financial statements.

In Prague, 24 April 2020

Signed by

Pavel Elis

Chairperson of the Board of Directors

Signed by

Alexander Sloboda

Vice-chairperson of the Board of Directors

Separate financial statements

Separate financial statements of Pražská energetika, a.s., for the year ended on 31 December 2019
Prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the EU
 Translated from the Czech original

Income statement (TCZK)

	Note	2019	2018
Revenue from electricity and gas sold		16,996,898	15,676,014
Cost of electricity and gas sold		(15,354,979)	(14,103,303)
Gross profit from the sale of electricity and gas	(5)	1,641,919	1,572,711
Other operating revenue	(5)	982,955	938,513
Personnel expenses	(7)	(489,627)	(487,762)
Amortisation and depreciation	(15, 16)	(192,523)	(189,132)
Depreciation of the right-of-use	(17)	(60,794)	--
Cost of purchased services, material and energy	(8)	(752,076)	(719,687)
Borrowing costs	(9)	(62,455)	(56,678)
Dividends received	(18)	1,674,500	1,350,000
Impairment losses for assets	(10)	(21,182)	(13,467)
Other gains and losses	(11)	151,591	181,614
Profit before tax		2,872,308	2,576,112
Income tax	(12)	(237,150)	(240,457)
Profit after tax		2,635,158	2,335,655
Basic and diluted earnings per share attributable to ordinary shares (CZK)	(14)	681	604

Statement of comprehensive income (TCZK)

	2019	2018
Profit after tax	2,635,158	2,335,655
Items that cannot be subsequently reclassified to profit or loss:		
Revaluation of net payables from defined benefits	(2,313)	--
Items that may be subsequently reclassified to profit or loss:		
Cash flow hedges, net of tax	(412,072)	201,129
Total other comprehensive income after tax	(414,385)	201,129
Comprehensive income attributable to the Company's shareholders	2,220,773	2,536,784

Statement of financial position - balance sheet (TCZK)

		2019	2018
Assets	Note		Restated
Property, plant and equipment	(15)	1,742,943	1,835,779
Intangible assets	(16)	244,886	239,583
Right-of-use	(17)	180,044	--
Equity investments	(18)	10,071,091	9,977,091
Trade and other receivables	(20)	206,974	276,766
Loans	(21)	3,311,448	3,477,687
Non-current assets		15,757,386	15,806,906
Inventories	(22)	20,844	69,173
Tax assets	(12)	3,197	33,007
Contract assets	(19)	416,809	332,451
Trade and other receivables	(20)	2,016,000	3,097,231
Loans	(21)	715,512	279,885
Cash and cash equivalents	(23)	1,955,922	1,936,062
Current assets		5,128,284	5,747,809
Total assets		20,885,670	21,554,715
Liabilities			
Share capital	(28)	3,869,443	3,869,443
Reserves	(29)	1,087,651	1,502,036
Retained earnings		7,482,976	6,560,576
Equity attributable to the Company's shareholders		12,440,070	11,932,055
Loans	(24)	3,100,000	3,100,000
Trade and other payables	(26)	69,418	187,175
Lease liabilities	(17)	125,307	--
Provisions	(27)	82,007	89,848
Deferred tax liability	(12)	82,161	178,881
Non-current liabilities		3,458,893	3,555,904
Loans	(24)	1,157,273	1,453,756
Contract liabilities	(25)	897,422	788,144
Trade and other payables	(26)	2,809,271	3,762,651
Lease liabilities	(17)	56,541	--
Provisions	(27)	66,200	62,205
Current liabilities		4,986,707	6,066,756
Total liabilities		20,885,670	21,554,715

Statement of changes in equity (TCZK)

	Registered capital	Reserves	Retained profits	Equity attributable to the Company's shareholders
Balance on 31 December 2017	3,869,443	1,300,907	7,682,561	12,852,911
Adjustment at initial application of IFRS 9	--	--	(12,046)	(12,046)
Adjusted balance on 1 January 2018	3,869,443	1,300,907	7,670,515	12,840,865
Dividends and directors' fees paid	--	--	(3,445,594)	(3,445,594)
Other comprehensive income	--	201,129	--	201,129
Net profit for 2018	--	--	2,335,655	2,335,655
Balance on 31 December 2018	3,869,443	1,502,036	6,560,576	11,932,055
Dividends and directors' fees paid	--	--	(1,712,758)	(1,712,758)
Other comprehensive income	--	(414,385)	--	(414,385)
Net profit for 2019	--	--	2,635,158	2,635,158
Balance on 31 December 2019	3,869,443	1,087,651	7,482,976	12,440,070

Statement of cash flows (TCZK)

	Note	2019	2018
Opening balance of cash and cash equivalents	(23)	1,936,922	3,681,204
Operating activities			
Accounting profit from ordinary activity, before tax		2,872,308	2,576,112
Amortisation and depreciation	(15, 16, 17)	253,317	189,132
Write-offs of doubtful debts	(10)	20,582	16,295
Change in loss allowances and provisions	(10, 11)	(5,146)	(57,487)
Gains (losses) from the sale and disposal of fixed assets	(11)	(15)	103
Dividend income		(1,682,924)	(1,362,508)
Interest charged to profit or loss		(102,344)	(107,857)
Foreign exchange rate gains (losses)		14,040	(5,528)
Settlement of hedging derivatives		(215,644)	34,869
Remeasurement of financial instruments		(14,107)	32,681
Net operating cash flow before changes in working capital		1,140,067	1,315,812
Change in trade receivables and transitional accounts	(20)	(22,311)	(297,461)
Change in trade payables and transitional accounts	(26)	(82,824)	(53,946)
Change in inventories	(22)	49,202	(5,168)
Net operating cash flow before tax and interest		1,084,134	959,237
Interest paid		(59,676)	(56,680)
Income tax paid		(206,859)	(268,784)
Net cash flow from operating activities		817,599	633,773
Investing activities			
Acquisition of fixed assets	(15, 16)	(205,610)	(168,885)
Acquisition of subsidiaries	(18)	(94,000)	(9,790)
Proceeds from the sale of fixed assets		1,308	3,027
Inter-company loans	(21)	(269,365)	124,601
Interest received and revenue from securities held		164,615	154,989
Dividends received and shares in profit		1,687,008	1,370,532
Net cash flow from investing activities		1,283,956	1,474,474
Financing activities			
Financial operations in the Group	(21, 24)	(104,221)	109,871
External loans repaid	(24)	(404,000)	(1,628,436)
External loans received	(24)	209,985	1,126,000
Lease payments	(17)	(58,990)	(20,402)
Dividends and directors' fees paid	(13)	(1,711,888)	(3,444,955)
Net cash flow from financing activities		(2,069,114)	(3,857,922)
Change in cash and cash equivalents		32,441	(1,749,675)
Effect of foreign exchange rate movements		(12,650)	5,393
Closing balance of cash and cash equivalents	(23)	1,956,713	1,936,922

Contents of the notes to the financial statements

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(1) General information

Pražská energetika, a.s., (hereinafter “PRE” or the “Company”) was established as a joint-stock company in the Czech Republic and was entered in the Commercial Register held by the District Court of Prague 1 on 1 January 1994.

The Company’s registered office is located at Na Hroudě 1492/4, Prague 10, 100 05, ID No.: 60193913.

The Company primarily supplies electricity to customers in the Czech Republic and this activity accounts for a significant part of the Company’s revenues. In 2012, the Company expanded its activities to include gas supplies

PRE’s principal shareholders	2019	2018
Pražská energetika Holding a.s. (PREH)	58.05%	58.05%
EnBW Energie Baden–Württemberg AG (EnBW)	41.40%	41.40%
Other	0.55%	0.55%
Total	100.00%	100.00%

Pražská energetika Holding a.s., is under joint control of the Capital City of Prague (with an equity investment of 51%) and EnBW (with an equity investment of 49%).

EnBW holds an interest in PRE’s shares amounting to 40%. Under Section 79 of the Business Corporations Act, the Company operates on the Czech energy market as part of the EnBW group. PRE is controlled and managed by EnBW through its representatives on the Board of Directors and the Supervisory Board. Other information is included in the Report on Relations.

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(2) Adoption of new and amended International Financial Reporting Standards**Standards and interpretations effective in the current period**

The following amendments to the current standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current period:

- **The Group applied IFRS 16** (issued by the IASB Council in January 2016, and effective for annual periods beginning on or after 1 January 2019)

IFRS 16 introduces new or amended requirements regarding lease accounting. It introduces significant changes in the accounting of the lessee due to the elimination of the distinction between operating and finance leases. The right-of-use assets from leases are recognised as at the date of initial application for all leases excepting short-time leases and low-value asset leases. Lessor accounting requirements, however, shall remain largely unchanged. Detailed information on the new requirements is listed in note 3 below. The impact of the application of IFRS 16 on the Company’s financial statements is described in note 4 below.

The date of the first-time adoption of IFRS 16 by the Company is 1 January 2019. For the first-time adoption, the Company applied the modified retrospective method.

- **Amendments to IFRS 9 “Prepayment Features with Negative Compensation”** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”** (effective for annual periods beginning on or after 1 January 2019);
- **Annual Improvements to IFRS 2015-2017 Cycle** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”** (effective on or after 1 January 2019);
- **IFRIC 23 “Uncertainty over Income Tax Treatments”** (effective for annual periods beginning on or after 1 January 2019).

According to the Company’s estimates, compliance with these standards (excepting IFRS 16) has no significant impact on the financial statements.

Standards and interpretations issued by the IASB and adopted by the EU but not yet effective

- **Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IAS 1 and IAS 8 Defining the term “significant”** (effective for annual periods beginning on or after 1 January 2020, with early application allowed);
- **Amendments to References to the Conceptual Framework in IFRS** (effective for annual periods beginning on or after 1 January 2020, with early application allowed).

The Company decided not to apply these standards before their effective dates.

New standards, interpretations and amendments to the current standards issued by the IASB but not yet adopted by the EU

- **IFRS 17 “Insurance Contracts”** (version issued by the IASB is effective for the first annual IFRS financial statements for annual periods beginning on or after 1 January 2021);
- **IFRS 3 “Business Combinations”** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”** (the effective date is yet to be stipulated);
- **IAS 1 “Preparation and Presentation of Financial Statements”** (effective for the annual IFRS financial statements for annual periods beginning on or after 01 January 2022).

The entity anticipates that the adoption of these new standards, amended standards and interpretations will have no material impact on the financial statements of the entity in the period of their first-time adoption.

(3) Significant accounting policies

Statement of compliance

The financial statements are prepared and presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Basis of the preparation of financial statements

The financial statements have been prepared on the historical cost basis except for certain financial instruments described in note 31. The principal accounting policies are set out below.

Information on consolidated financial statements

Apart from the separate financial statements, the Company prepares and publishes consolidated financial statements of the parent company PRE and its subsidiaries (hereinafter the “PRE Group” or the “Group”) in compliance with IFRS always as at 31 December. A subsidiary is an enterprise which the acquirer (parent company) has obtained control of in business combination.

Revenue recognition

Accounting for the main categories of revenues from contracts with customers is described in note 5.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts any estimated future cash flows over the expected life of the financial asset to that asset's net carrying amount as at the date of its first-time recognition.

Dividend yield is recognised when the right to receive the payment arises.

Foreign currency translation

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). Czech crowns are the functional currency of the Company and the presentation currency for the financial statements.

During the year, transactions in currencies other than Czech crowns are recorded at the rates of exchange announced by the Czech National Bank and prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates announced by the Czech National Bank prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange rate gains and losses are recognised in profit or loss in the period in which they arise except for exchange rate differences arising from cash flow hedges where changes in fair value are posted directly to equity.

Borrowing costs

The Company capitalises borrowing costs related to the construction of qualifying assets in compliance with IAS 23. A qualifying asset is an asset that takes a substantial period of time during the investment construction to get ready for its intended use. The amount of capitalised borrowing costs is determined as the product of the capitalisation rate and the balances on the assets under construction account (including pre-payments) as at the end of the relevant month. The capitalisation rate is the average interest rate from external loans.

Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Income tax

Income tax expense reported in the income statement represents the sum of the tax currently payable and a change in the deferred tax balance.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of revenue or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current tax liability also includes tax overpayments or additional tax charges from previous periods. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is determined at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised. The calculated tax is recognised in profit or loss except when associated with items charged directly to equity in which case it is dealt with in equity.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost reduced by accumulated depreciation and recognised impairment loss. Cost includes the purchase price and costs associated with acquisition.

The cost of internally produced tangible assets includes direct and indirect costs directly related to the production of the asset.

Depreciation of plant and equipment is charged to profit or loss. Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. The cost includes

professional services fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The estimated useful lives and depreciation methods are reviewed at the end of each reporting period and impacts of any changes in estimates are accounted for prospectively.

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and properties under construction, over their estimated useful lives, using the straight-line method:

Asset category	Depreciation period in years
Buildings, halls and other construction	6, 7, 10, 15, 20, 25, 30, 40, 50, 70
Fibre optics	30
Working machinery and equipment	5, 10, 12, 20
Telecommunication equipment	3-26
Appliances and special technology equipment	3, 4, 5, 8, 10
Vehicles	4, 8, 10
Fixtures and fittings	4, 5, 6, 8, 10
Hardware	3, 4, 5

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

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Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets are amortised using the straight-line method over the following estimated useful lives:

Asset category	Amortisation period in years
Software	4
Other intangible assets	6

Impairment of non-financial assets (except for the deferred tax asset)

At each balance sheet date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). In circumstances where the relevant asset does not generate cash inflows separately, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Right-of-use (accounting policies valid as at 31 December 2019)

The Company initially applied the new IFRS 16 Leases as at 1 January 2019.

IFRS 16 introduces consistent single balance sheet model for lessees pursuant to which the Company shall decide whether the lease contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Therefore, the Company as a lessee, recognised the asset – right-of-use asset – representing its rights to use the underlying asset and the lease liability representing its liability to pay the lease payments. In the past, the Company in accordance with IAS 17 recognised whether the Company as the lessee received all risks and benefits from the leased assets and differentiated between operating and finance lease accordingly.

On part of the lessor, reporting is similar to previous accounting policies. The Company has no such lease contracts.

For more information on the introduction of this standard refer to notes 4 and 17.

The Company as a lessee shall recognise the right-of-use asset and lease liability at the commencement day. The right-of-use asset is initially measured at acquisition cost and subsequently at acquisition cost reduced by accumulated amortisation and impairment loss adjusted by lease liabilities remeasurement primarily arising from lease modification or indexation. Right-of-use asset is amortised on a straight-line basis throughout the term of use of the asset or until the end of the lease, whichever is sooner.

The lease liability is initially measured at fair value of the lease payments due as at the day of application, discounted using the incremental borrowing rate set by the Company.

The lease liability is then increased by the interest expense and reduced by lease payments paid. Remeasurement occurs in case the future lease payments change due to changes in indexation or rates, change in the estimate of the expected payment from the residual value guarantee, or due to change in assessment whether the option to extend the lease is certain (incl. extension of the expected term of lease indefinitely).

The Company estimates the term of the lease for lease contracts in which it acts as the lessee and which include option to renew or to terminate early, or which are concluded for indefinite period. Assessment whether the Company is sufficiently sure that it will use this option affects the term of the lease which in turn affects the values of reported lease liabilities and right-of-use assets. In the case the lessee and lessor can both terminate the lease without more than insignificant penalty, the lease period in such case shall mean the notice period. In this case, penalisation means not only a penalty for early termination but also the cost of moving or providing alternative lease.

The Company decided to apply the exemption offered by the standard related to the non-recognition of right-of-use assets and lease liabilities for short-term leases and low-value underlying assets leases. Short-term leases are leases under 12 months. Leases with low-value underlying assets include primarily IT and office equipment leases.

The Company separates lease and non-lease components and applies the practical simplification of not separating lease components from non-lease components only for motor vehicles, where it reports only a single lease component.

Leases (accounting policies valid as at 31 December 2018)

Leases are classified as finance leases whenever all the substantial risks and rewards of ownership of the relevant assets transfer to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the date of their acquisition or, if lower, at the present value of the minimum lease payments. Assets acquired under finance leases are depreciated in the same manner as the assets owned by the Company over the lower of their estimated useful lives and their lease period. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Lease liabilities are included in trade and other payables within current and non-current liabilities.

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Government grants

The Company participates in state development projects, namely in e-mobility and energy network management, and utilises government grants in compliance with individual project terms and conditions.

In the Company's financial statements, government grants are reported at the moment it is sufficiently clear the grant will be accepted and the Company is able to fulfil the project terms and conditions. The grants accepted are settled in the period in which the Company reports related expenses.

Returnable government grants are reported as a change in net book estimate.

Grants relating to assets

Grants relating to non-current assets acquisition are presented and recognised as grants relating to assets. Grants received reduce the cost of non-current asset acquisition. Grants received are recognised in profit or loss throughout the term of the depreciated asset as a reduced depreciation expense. In case the grant is returned, the carrying amount of the asset will be immediately increased by this refund. At the same time, impairment loss of the new carrying amount value is tested. Depreciation, which would be reported in profit or loss in case there were no grants, are recognised in profit or loss immediately.

Grants relating to expenses

All grants except grants for non-current assets acquisition are recognised as grants relating to expenses. Received grants are recognised together with related expenses and decrease their amount. In case the grant is returned, the refund is immediately recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost determined using the weighted arithmetic average and the net realisable value. The cost includes the purchase price of the material, customs duties and in-transit storage and freight costs incurred to deliver the inventories. The net realisable value represents the estimated selling price for inventories less all estimated costs of marketing, sale and distribution.

Provisions

Provisions are recognised in the balance sheet when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is equal to the present value of those cash flows.

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Equity investments

Equity investments include the Company's share in other companies' share capital. The parent company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Proceeds from equity investments flow to the Company in the form of dividends. These equity investments are measured at cost.

Financial assets (except for derivatives)

Financial assets are recognised in the Company's balance sheet at the moment the Company becomes bound by a contractual provision relating to the financial asset. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or the financial asset transfers to a third party. The classification of a financial asset arises from an entity's business model for managing financial assets and the characteristics of contractual cash flows following from the given financial asset. After initial recognition, financial assets are subsequently measured depending on the classification implemented.

Financial assets are classified into the following categories: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.

Financial assets measured at amortised cost (FAAC)

FAAC include financial assets held within a business model whose objective is to hold financial assets to collect contractual cash flows, whilst these contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets at FVOCI include financial assets held within a business model whose objective is to hold financial assets to collect contractual cash flows and to sell financial assets, whilst the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through profit or loss (FVTPL)

Financial assets at FVTPL include financial assets that do not meet the criteria for measuring at amortised cost or at FVOCI and also those financial assets that could meet the criteria for measuring at amortised cost or at FVOCI, but their measurement at other than fair value through profit and loss would cause measurements of financial assets and financial liabilities on different bases and give rise to recognition inconsistencies.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses from financial assets classified as FAAC and financial assets at FVOCI depending on the expected credit loss model (impairment model) applied. A simplified model is applied for trade receivables and lease receivables.

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Impairment model

The new impairment model is applied to financial assets measured at amortised cost, financial assets measured at FVOCI and contract assets. In accordance with IFRS 9, the Company calculates a loss allowance for financial assets with regard to the development of credit risk, which is reflected in the stage of impairment (stage 1-3), at an amount a) equal to 12-month expected credit losses (stage 1), or b) corresponding with the lifetime expected credit losses on the financial asset (stage 2-3). If compared with the initial recognition the credit risk has significantly increased, the financial asset will be classified in stage 2. If a counterparty default is identified with a financial asset, this financial asset will be classified as stage 3.

The Company calculates loss allowances for trade receivables in the amount corresponding with the lifetime expected credit losses on the financial asset.

In respect of cash and cash equivalents and loans granted, the Company calculates loss allowances equal to 12-month expected credit losses, provided the related credit risk has not increased significantly since initial recognition or no counterparty default has been identified.

In assessing whether the credit risk associated with a financial asset has increased significantly, the Company compares the risk of default of the financial instrument as at the date of recognition with the risk as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort and shows a significant increase in credit risk. The Company primarily relies on its own historical

experience, available information and market analyses, including current macroeconomic indicators and forward-looking information. Regardless of these analyses, the Company considers situations where the financial asset is more than 30 days past due to indicate significant increases in credit risk. For cash and cash equivalents, these include situations where the external credit rating of the counterparty, based on renowned external rating agencies (Moody's, Standard & Poor's and Fitch), decreases from an investment level to speculative (non-investment) level. Default is a situation where the financial asset is more than 90 days past due; in case of cash and cash equivalents, it is a situation where the external credit rating of a counterparty based on renowned external rating agencies decreases to a risk level.

The expected credit losses are calculated as the weighted average of credit losses with the respective risks of a default occurring as the weights. The credit losses are calculated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Impairment losses for financial assets, including contract assets, are newly recognised on a separate line as impairment losses for financial assets in the income statement.

Financial liabilities (except for derivatives)

Financial liabilities are recognised in the Company's balance sheet at the moment the Company becomes bound by a contractual provision relating to the financial liability. Financial liabilities are derecognised when the financial liability extinguishes, i.e., in case the obligation specified in the contract is fulfilled, cancelled or its validity expires. After initial recognition, financial liabilities are subsequently measured depending on their initial classification.

Financial liabilities are classified into the following categories: financial liabilities measured at amortised cost and financial liabilities measured at fair value through profit or loss.

Financial liabilities measured at amortised cost (FLAC)

FLAC include financial liabilities that are not measured at fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss (FLTPL)

FLTPL include derivatives that do not function as effective hedging instruments and those derivatives whose measurement at other than fair value through profit and loss would lead to measurement of financial assets and financial liabilities on different bases and give rise to recognition inconsistencies.

Initial recognition of financial assets and financial liabilities

For regular evaluation of business models for holding financial assets, the Company relies on basic activities generating cash flows and representing financial assets. The main part of revenues and cash flow constitute activities connected with the supply of electricity and gas in the Czech Republic. Other significant revenues of the Company are connected with trading on the market with commodities and inter-company financing.

In determining the business model, the Company considers risks affecting the given financial assets and the method of their management, the evaluation of the individual significant financial assets' profitability and performance as part of specific activities.

The Company determines whether contractual cash flows from financial assets are solely payments of principal and interest on the principal amount outstanding based on an analysis and evaluation of contractual financial conditions pertaining to the given financial instrument. The Company also takes into consideration events that could impact the amount or timing of contractual cash flows and the sum of advances received.

At initial recognition of individual investments in equity instruments that are not held for trading and would otherwise be measured at FVTPL, the Company may make an irrevocable decision to present subsequent changes at FVOCI. This decision is performed separately for each individual investment.

All other financial assets that are not subsequently measured at amortised cost or at FVOCI are measured at FVTPL.

At initial recognition, the Company may irrevocably designate a financial asset or financial liability to the category measured at FVTPL, if doing so eliminates or significantly reduces a measuring or accounting mismatch that could otherwise arise in measuring assets or liabilities or recognising relevant profits or losses on different bases.

At initial recognition, financial assets and financial liabilities are measured at FVTPL, except for trade receivables that do not have a significant financing component. In respect of financial assets or financial liabilities not included in the FVTPL category, the fair value is increased or decreased by transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Trade receivables that do not have a significant financing component are measured at their transaction price at initial recognition.

The Company performs subsequent measurement of individual categories of financial assets and liabilities in accordance with the initial classification and the given instruments are included in current or non-current assets or liabilities, depending on the period in which they are settled.

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Derivatives

The Company hedges its future transactions, risk management and cash flows using financial and commodity derivative contracts. With most purchases and sales of electricity and gas in form of term contracts carried out by the Company, their physical delivery with subsequent consumption or sale as part of the Company's regular activities is expected. Such contracts are not covered by IFRS 9 and therefore not measured (own use contracts).

The Company considers transactions concluded with the aim to balance the volumes of purchases and sales of a commodity to be a part of its regular activities, therefore these contracts also do not come under IFRS 9.

In terms of derivatives concluded in line with the selected risk management strategy, the Company applies hedge accounting based on the rules of IAS 39, because the Company applied transition provisions of IFRS 9 and follows and will continue to follow IAS 39 in respect of current and newly defined hedging relationships. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

As part of its trading portfolio, the Company also enters into commodity derivatives transactions to derive profit from the short-term movements of prices.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. In respect of derivatives traded as part of its trading portfolio, the resulting gain or loss is recognised directly in the profit or loss for the current year.

The fair value of derivatives is classified as a non-current receivable or a non-current liability if the derivative is settled in more than 12 months, or as a current receivable or a current liability if the derivative is settled within 12 months.

Hedge accounting

The Company designates certain hedging instruments as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item. Movements in the hedging reserve in equity are also detailed in the statement of changes in equity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts reported in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. An adjustment of the carrying amount of the hedged item arising from the hedged risk is realised into profit or loss from the date of the relevant adjustment.

Offsetting financial instruments

Financial assets and liabilities are mutually offset and the net amount is reported in the balance sheet, if a legally enforceable right exists to offset recognised amounts, as well as the intention to perform settlement on a net basis or realise the receivable and at the same time settle the liability. The legally enforceable right must not be dependent on future events and must be executable as part of regular business activities also in case of default, insolvency or bankruptcy of the Company or the counterparty.

Employee benefits expense

The Company makes contributions to the health insurance and pension insurance schemes and the state employment policy scheme at the level required by law and effective in the relevant year by reference to the employees' gross salary. The insurance and social security expenses are charged to profit or loss in the same period as the relating payroll expenses.

The Company also makes contributions to its employees' retirement benefit plans. These contributions are expensed in the period in which employees are entitled to receive contributions based on the services that they provide to the Company.

The Group provides other bonuses under the Collective Agreement (the defined benefit plan, refer to the note "Provisions"). The relevant provisions are measured at the present value of anticipated future payments using actuarial assumptions.

Statement of cash flows

The Company prepares its statement of cash flows using the indirect method.

Significant accounting estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. The Company's management has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

The Company considers the determination of the uninvoiced energy amount with customers whose actual consumption is not read on a monthly basis to be a key area subject to the use of estimates. This amount is determined using the balance approach as a difference between the aggregate electricity input and output, where certain inputs of this accounting equation must be estimated (e.g. grid losses or own consumption in the relevant period, average price of energy supplied). The Company subsequently reviews the total closing amount using a control calculation in the customer system.

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Comparable information

At 1 January 2019, the activities of the Support services section were split-off and 48 employees were transferred into PREservisní, s.r.o. This concerns principally the following activities: purchase of materials for the Group; providing operating, maintenance and development services for non-energy premises of the PRE Group; services relating to acquisition and operation of vehicles; investments and repairs.

In 2019, receivables and payables relating to corporate income tax were set aside into independent item in the statement of financial position, namely into lines Tax liabilities and Tax assets. Other payables and receivables relating to value added tax, tax on electricity, gas, etc. were transferred to "Trade and other receivables" and "Trade and other payables". The comparative period was restated.

(4) IFRS 16 Leases – Initial application (TCZK)

The Company initially applied the new IFRS 16 Leases as at 1 January 2019. When applying the IFRS 16, the Company used modified retrospective model under which the cumulative effect of the first-time adoption is reported in retained profits as at 1 January 2019. Therefore, the comparable information presented for the period ended on 31 December 2018 was not revised – i.e., it is presented as it was originally presented in compliance with IAS 17 and related interpretations.

Upon initial application, the lease liability in contracts classified as operating leases under IAS 17 was measured at fair value of outstanding lease payments discounted by the incremental borrowing rate of the Company as at 1 January 2019. When determining the interest rate, the Company takes into account individual terms of leases. As at 1 January, the weighted average incremental borrowing interest rate was 2.434%. As at 1 January 2019, there were no significant changes in motor vehicles finance leases. As at this date, assets and liabilities relating to finance leases reported in compliance with IAS 17 were reclassified from non-current tangible assets into right-of-use assets.

Right-of-use assets were measured at the carrying amount of lease liability adjusted by the sum of prepayments or accruals/deferrals. When applying IFRS 16 to leases formerly classified as operating leases under IAS 17, the Company applies the following practical simplifications:

- It used the exemption not to report right-of-use assets and lease liabilities for leases under 12 months from the initial application.
- In case the contract includes the option to extend or terminate the lease, it applied a retrospective method for determining the term of the lease;
- It relied on its previous assessment of the lease suitability.
- It excluded initial direct expenses of measuring the right-of-use asset.

Upon transferring to the IFRS 16, the Company recognises right-of-use asset and lease liabilities. The effect of the transition is described below:

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	1.1.2019
Right-of-use asset	97,118
Lease liabilities	97,118

Recognised right-of-use assets relate to the following types of asset:

	1.1.2019
Offices and storage facilities	97,118
Right-of-use asset total	97,118

Liabilities from operating leases published as at 31 December 2018 can be reconciled with lease liabilities as at 1 January 2019 as follows:

Liabilities arising from irrevocable lease agreements as at 31 December 2018, presented in the Company's financial statements	12,422
Liabilities arising from agreements for indefinite period not reported under irrevocable agreements above due to different approach to the option to extend or terminate the lease	91,852
Nominal value of lease liabilities as at 31 December 2018	104,274
Discounting	(7,156)
Total lease liabilities recognised as at 1 January 2019	97,118
Current lease liabilities	20,579
Non-current lease liabilities	76,539
Total lease liabilities recognised as at 1 January 2019	97,118

(5) Revenues (TCZK)

Revenue and expenses relating to the supply and distribution of commodities	2019	2018
Sales of electricity B2B	5,230,917	4,141,970
Sales of distribution and system services B2B	2,425,831	2,573,055
Sales of electricity B2C	3,051,276	2,759,945
Sales of distribution and system services B2C	5,018,432	4,982,233
Sales of electricity to dealers	319,497	516,568
Revenue from electricity and fuels sold	882	--
Revenue from the sales of gas B2B and B2C	300,411	203,310
Sales of gas to dealers	264,008	191,616
Sales of electricity for losses at grids	402,280	336,408
Margin on trading	(16,636)	(29,091)
Total revenues	16,996,898	15,676,014
Costs of purchases of sold electricity	(7,366,776)	(6,185,313)
Costs of purchases of distribution and system services	(7,444,263)	(7,555,288)
Costs of electricity and distribution services for fuel	(860)	--
Costs of purchases of gas	(543,080)	(362,702)
Total costs	(15,354,979)	(14,103,303)
Gross profit from the sale of electricity and gas	1,641,919	1,572,711

Other operating revenue	2019	2018
Revenue from provided services	978,580	935,341
Other	4,375	3,172
Total	982,955	938,513

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Information about the nature, method and timing of typical satisfaction of performance obligations from contracts with customers, including significant payment terms and the revenue recognition method under IFRS 15

Sales of electricity and gas B2B: As part of the B2B segment, the Company recognises revenue arising from contracts on supplies of electricity or gas with end major corporate customers. A characteristic feature for this customer segment is the regular monthly reading of consumption meters and the subsequent invoicing for supplies in the given month. Terms of the contracts on supplies of electricity or gas are individual, taking into consideration customer requirements and needs. Revenue is recognised at the moment the commodity is delivered; this revenue is recognised on an ongoing basis with a fixed price.

Sales of electricity and gas B2C: As part of the B2C segment, the Company recognises revenue arising from contracts on supplies of electricity or gas with end customers comprising small entrepreneurs and households. A characteristic feature for this customer segment is the annual reading of consumption meters and the subsequent invoicing for supplies in the given period. Contracts are usually concluded for a period of 24 months; with regard to contractual penalties, a termination notice is not expected. B2C customers usually provide regular advance payments determined based on the expected quantity delivered. Revenue is recognised at the moment the commodity is delivered; this revenue is recognised on an ongoing basis with a fixed price. With regard to the annual character of the consumption meter reading and annual invoicing of the actual consumption, the Company estimates the amount of electricity or gas consumed but not yet invoiced on an ongoing basis and this estimate enters revenue recognition.

Sales of electricity and gas to dealers: Revenue from trading with wholesale partners is connected with the sales on the wholesale market that the Company carries out in transactions serving to hedge the purchase price of the commodity, performed through commodity term contracts with physical delivery of the commodity, and with the sales of surpluses when balancing the planned withdrawal diagram at moments immediately preceding the actual delivery to end customers. Contractual conditions are individual; however, they are determined to a large extent by a standard EFET contract or trade conditions on the market managed by the Czech market operator. Revenue is recognised at the moment the commodity is sold to a wholesale partner. In the case of hedging transactions, the price is fixed, and in the case of transactions connected with the diagram balancing, it is determined by the development on the short-term (spot) commodity market. Invoicing is performed in the month following the month when the commodity is delivered to the dealer. No advance payments are made.

Sales of electricity for losses at grids: In distributing electricity, physical loss arises (approximately 1-6% of the supplied amount depending on the voltage level – HV, MV, LV). The Company must therefore acquire and provide the distribution grid with a higher volume of electricity than the total supply to end customers. This difference is provided as electricity intended to cover losses and invoiced to the distributor by the Company. Invoicing is performed in the month following the month when commodity is delivered to the distribution grid. No advance payments are made.

Revenue from provided services: Revenue is connected with services rendered by the Company to other companies within the PRE Group based on concluded service provision contracts. Services are invoiced monthly, prices are fixed. In addition, these include services provided to external customers, such as revenue from the lease of land, real estate and cars and IT support. Prices and payment terms arise under individual contracts concluded.

Revenue relating to performance obligations that were not satisfied or partly satisfied as at 31 December 2019

Contract revenue	2020	2021	2020	2023	2024
Supplies of electricity	7,161,620	2,787,953	502,140	41,903	583
Supplies of gas	218,877	118,738	27,458	1,006	--
Other revenue	232	45	--	--	--
Total	7,380,729	2,906,736	529,598	42,909	583

Supplies of electricity and gas: Contractual revenue comprises the equivalent of supply fixed by a contract, measured at a contractual price. In respect of customers whose supply is not fixed, the supply is estimated over the notice period and measured at the average planned price. The Company applied practical expedients and the above expected revenue does not include revenues arising from contracts where the originally expected term of the contract was less than one year.

Other revenue: This includes contractual revenue in particular from the lease of assets and provision of energy services.

Contract balances	2019	2018
Receivables included in "Trade and other receivables" *]	1,480,141	1,525,931
Contract assets *)	416,809	332,451
Contract liabilities *]	897,422	788,144

*) For more information see notes 19, 20, 25.

(6) Segment reporting (TCZK)

The Group's activities are divided into Trade, Distribution and Other segments. The structure of information on segments corresponds with the structure of principal business activities and the structure of managerial information in the Group. Transfer pricing between entities in the Group is arranged in the same amount as if arranged between independent entities in ordinary business relations. The Group regularly prepares transfer pricing documentation and always once every three years asks the tax authority for a binding assessment of the pricing method. The current binding assessment is valid until 2019.

PRE is part of the trade segment and does not divide its activities any further as it primarily does business in the Capital City of Prague and mainly supplies electricity. Therefore, all required information on the segment's economic activity is included in these financial statements.

Supply of electricity and gas (commodities) and trading in electricity

The Company ensures the purchase and sale of commodities and carries out related activities. The Company's revenue according to the type of business relationship (see the following paragraph) is either sole proceeds from the sold commodity or proceeds from the sold commodity and distribution service.

Customers have the right to choose a commodity supplier. If they choose a supplier whose territory of supply is not at the point of the physical collection of the commodity, they pay this supplier only for the delivered commodity. They subsequently pay to the distributor in whose territory of supply the collection point is located for distribution and system services (hereinafter only "services") related to the commodity supply. The customer can conclude a contract on combined supply services with the supplier and in such case the supplier also arranges the supply of distribution services.

The commodity price is contractual (non-regulated), while the service price is regulated. The price of distribution services is regulated by the Energy Regulatory Office.

(7) Personnel expenses (TCZK)

	2019	2018
	Staff including management	Staff including management
Average headcount	418	456
Salaries	283,736	288,310
Salaries paid depending on the fulfilment of the plan	26,824	35,151
Insurance premiums	114,577	119,656
Remuneration to the members of the Company's bodies	23,208	22,884
Other social expenses *)	41,282	21,761
Total	489,627	487,762

*) Primarily expenses relating to severance pays and employee benefits defined by the Collective Agreement, specifically catering contributions, bonuses paid to employees in relation to work or life anniversaries, retirement, contributions to additional pension insurance and medical care.

Personnel expenses were reduced by the grant provided under the Dflex project ("Verifying the flexibility for the operation and control of the electrification system") totalling TCZK 766 (2018: TCZK 0).

(8) Cost of purchased services, material and energy (TCZK)

	2019	2018
Material and own consumed energy	62,262	58,186
Repairs of property, plant and equipment	48,900	46,729
Consulting services	23,318	32,849
Lease payments *)	6,934	34,480
Postage and telecommunication fees	40,479	40,988
IT support	135,794	129,693
Marketing	56,285	63,557
Customer service	218,911	196,428
Other **)	159,193	116,777
Total	752,076	719,687

*) Reduction is due to the application of IFRS 16.

***) Expenses incurred on external employees, cleaning services, security guard services, storage fees and other services.

Expenses were reduced by the grant provided under the Dflex project (“Verifying the flexibility for the operation and control of the electrification system”) totalling TCZK 188 (2018: TCZK 0).

(9) Borrowing costs (TCZK)

	2019	2018
Interest on cash pooling	3,521	1,847
Interest on loan	53,569	52,728
Interest expense on employee benefits	1,027	1,512
Interest on leases	4,338	591
Total	62,455	56,678

(10) Impairment loss for financial assets (TCZK)

	2019	2018
Write-offs of doubtful debts	20,582	16,296
Creation and release of loss allowances for trade receivables	(1,420)	(1,673)
Creation and release of loss allowances for contract assets	577	(667)
Creation and release of loss allowances for cash and cash equivalents	(69)	(637)
Creation and release of loss allowances for loans in the Group	(47)	(351)
Creation and release of loss allowances for other financial assets	1,559	499
Total	21,182	13,467

(11) Other gains and losses (TCZK)

	2019	2018
Gain (loss) from the sale and disposal of fixed assets and inventories	987	8,244
Foreign exchange rate gains (losses)	(3,993)	9,009
Interest received in the Group	156,830	150,104
Interest received outside of the Group	7,969	14,431
Share in the profit or loss of eYello CZ, k.s.	8,424	12,508
Hedge ineffectiveness	(2,630)	1,273
Other	(15,996)	(13,955)
Total	151,591	181,614

(12) Income tax (TCZK)

The current income tax is calculated at 19% of the estimated taxable profit. Deferred tax is calculated using the income tax rate anticipated in future periods, i.e., 19%.

	2019	2018
Current tax	236,668	225,527
Deferred tax	482	14,930
Total income tax	237,150	240,457

	2019		2018	
Profit before tax	2,872,308		2,576,112	
Income tax using the effective income tax rate	545,738	19.00%	489,461	19.00%
Impact of tax non-deductible dividends received	(318,155)	(11.08%)	(256,500)	(9.96%)
Impact of other items that are never tax-deductible	9,567	0.33%	7,496	0.29%
Total income tax/effective tax rate	237,150	8.26%	240,457	9.33%

Deferred tax assets (-) and liabilities (+) recorded in the balance sheet relate to the following items:

	2019	Recorded in profit or loss	Recorded in equity	2018	Recorded in profit or loss	Recorded in equity	2017
Non-current assets	139,965	1,492	--	138,473	4,604	--	133,869
Provisions	(11,095)	(988)	--	(10,107)	4,426	--	(14,533)
Loss allowances	(14,557)	(2,223)	--	(12,334)	472	(2,825)	(9,981)
Obligation under the Collective Agreement	(16,521)	2,201	(543)	(18,179)	5,428	--	(23,607)
Cash flow hedge	(15,631)	--	(96,659)	81,028	--	47,179	33,849
Total deferred tax liability	82,161	482	(97,202)	178,881	14,930	44,354	119,597

The estimated current income tax for 2019 of TCZK 235,800 was reduced by income tax prepayments of TCZK 238,997 and the net receivable is reported in tax receivables. In 2018, the estimated income tax of TCZK 225,000 was reduced by income tax prepayments of TCZK 258,007 and the net receivable was reported in "Tax receivables".

(13) Dividends (TCZK)

The following amounts were recognised as distribution of profit to shareholders in the relevant period:

	2019	2018
Final dividend for 2018 of CZK 436.99 (2017: CZK 885.32) per share	1,690,908	3,425,695

The final amount of the proposed dividend for 2019 must be approved by the shareholders at the General Meeting. It has not been included in liabilities in these financial statements.

(14) Earnings per share (TCZK)

Earnings per share are calculated from the net profit for distribution of TCZK 2,635,158 (2018: TCZK 2,335,655) attributable to 3,869,443 shares, i.e., the earnings per share amount to CZK 681 (2018: CZK 604).

The Company has no issued instruments diluting the basic earnings per share.

(15) Property, plant and equipment (MCZK)

	Land	Telecommunication technologies and IT	Administrative buildings	Other	Under construction	Total
Cost						
Balance on 31 December 2017	136.5	912.0	1,789.6	473.6	61.7	3,373.4
Additions	--	5.0	7.8	45.8	50.1	108.7
Disposals	(0.3)	(37.1)	(0.8)	(31)	(2.9)	(72.1)
Transfers	--	30.3	7.0	14.5	(51.8)	--
Balance on 31 December 2018	136.2	910.2	1,803.6	502.9	57.1	3,410.0
Accumulated depreciation						
Balance on 31 December 2017	(0.6)	(732.3)	(528.7)	(242.3)	--	(1,503.9)
Depreciation expense	--	(58.7)	(40.0)	(35.3)	--	(134.0)
Disposals	--	37.2	0.8	25.7	--	63.7
Transfers	--	--	--	--	--	--
Balance on 31 December 2018	(0.6)	(753.8)	(567.9)	(251.9)	--	(1,574.2)
Net book value 2017	135.9	179.7	1,260.9	231.3	61.7	1,869.5
Net book value 2018	135.6	156.4	1,235.7	251.0	57.1	1,835.8

	Land	Telecommunication technologies and IT	Administrative buildings	Other	Under construction**)	Total
Cost						
Balance on 31 December 2018	136.2	910.2	1,803.6	502.9	57.1	3,410.0
Additions	--	4.2	15.7	35.2	59.6	114.7
Disposals	--	(34.2)	--	(22.7)	--	(56.9)
Transfers	--	41.1	5.8	(141.0)	(48.7)	(142.8)
Balance on 31 December 2019	136.2	921.3	1,825.1	374.4	68.0	3,325.0
Accumulated depreciation						
Balance on 31 December 2018	(0.6)	(753.8)	(567.9)	(251.9)	--	(1,574.2)
Depreciation expense	--	(56.6)	(40.5)	(19.2)	--	(116.3)
Disposals	--	34.1	--	21.4	--	55.5
Transfers *)	--	--	--	52.9	--	52.9
Balance on 31 December 2019	(0.6)	(776.3)	(608.4)	(196.8)	--	(1,582.1)
Net book value 2018	135.6	156.4	1,235.7	251.0	57.1	1,835.8
Net book value 2019	135.6	145.0	1,216.7	177.6	68.0	1,742.9

*) Reclassification under Right-of-use pursuant to IFRS 16.

***) Increase in investments was reduced by the provided grant from the "Backbone network" and "Metropolitan network" projects totalling TCZK 3.3 (2018: TCZK 0).

None of the Company's property, plant and equipment were pledged or used as collateral.

The Company anticipates incurring total capital expenditure of MCZK 64 in 2020. Approximately 24% of all planned expenditure was contracted as at the date of preparation of the financial statements.

(16) Intangible assets (MCZK)

	Software	Other	Under construction	Total
Cost				
Balance on 31 December 2017	639.0	9.7	84.7	733.4
Additions	8.5	--	80.7	89.2
Disposals	--	(0.2)	--	(0.2)
Transfers	69.4	--	(69.4)	--
Balance on 31 December 2018	716.9	9.5	96.0	822.4
Accumulated amortisation				
Balance on 31 December 2017	(518.5)	(9.4)	--	(527.9)
Amortisation expense	(54.9)	(0.2)	--	(55.1)
Disposals	--	0.2	--	0.2
Transfers	--	--	--	--
Balance on 31 December 2018	(573.4)	(9.4)	--	(582.8)
Net book value 2017	120.5	0.3	84.7	205.5
Net book value 2018	143.5	0.1	96.0	239.6

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	Software	Other	Under construction	Total
Cost				
Balance on 31 December 2018	716.9	9.5	96.0	822.4
Additions	9.3	--	72.2	81.5
Disposals	(45.2)	(1.6)	--	(46.8)
Transfers	90.8	--	(90.8)	--
Balance on 31 December 2019	771.8	7.9	77.4	857.1
Accumulated amortisation				
Balance on 31 December 2018	(573.4)	(9.4)	--	(582.8)
Amortisation expense	(76.2)	--	--	(76.2)
Disposals	45.2	1.6	--	46.8
Transfers	--	--	--	--
Balance on 31 December 2019	(604.4)	(7.8)	--	(612.2)
Net book value 2018	143.5	0.1	96.0	239.6
Net book value 2019	167.4	0.1	77.4	244.9

The Company has no intangible assets developed internally.

None of the Company's intangible assets are pledged or used as collateral.

The Company anticipates incurring total capital expenditure of MCZK 136 in 2020. Approximately 38% of all planned expenditure was contracted as at the date of preparation of the financial statements.

(17) Right-of-use and lease liabilities (TCZK)

The Company leases principally motor vehicles, offices and storage facilities. For personal motor cars and utility cars, the usual period of lease is three to six years. For offices and storage facilities, the period of lease corresponds to the length of the tenancy.

Right-of-use	Cars	Offices and storage facilities	Total
Opening balance on 1 January 2019	--	97,118	97,118
Transfers from property, plant and equipment	89,940	--	89,940
Additions	46,487	7,293	53,780
Amortisation expense	(40,136)	(20,658)	(60,794)
Net book value on 31 December 2019	96,291	83,753	180,044

Lease liabilities	31.12.2019	1.1.2019
Non-current lease liabilities	125,307	76,539
Current lease liabilities	56,541	20,579
Total lease liabilities	181,848	97,118
Lease liabilities as at 1 January 2019	97,118	
Motor vehicles – lease pursuant to IAS 17	89,940	
Lease payments (pursuant to Cash flows statement)*)	(58,990)	
Interest expense	4,338	
Interest paid (pursuant to Cash flows statement)	(4,338)	
Lease increase and modifications	53,780	
Lease liabilities as at 31 December 2019	181,848	

*) In the cash flows statement, the value of the finance lease is reported for the comparable period.

As at 31 December 2019 and in relation to the application of IFRS 16, the Company reported in its income statement:

	31.12.2019
Amortisation of the right-of-use	60,794
Interest expense	4,338
Short-term lease expense	2,375
Expenses for leases where the Company applies the exemption for lease with low-value underlying assets.	4,498

In 2019, the total cash flows relating to leases was TCZK 70,201. As at 31 December 2019, the Company applied interest rate from 1.83% to 2.86% depending on the length of the contractual relationship and the underlying asset. The Company is not exposed to significant future expenses arising from contracts where the lease did not start on the balance sheet date, residual value guarantees, or variable lease payments. The Company does not record any significant unrecognised liabilities relating to short-term leases.

The Company does not lease any leased assets to third persons. For the analysis of maturity of lease liabilities refer to note 31.

In 2018, the Company reported the following lease liabilities pursuant to IAS 17:

	Minimum lease payments 2018	Present value of minimum lease payments 2018
Lease payments due within 1 year	33,075	32,916
Lease payments due from 1 to 5 years	53,446	51,949
Lease payments due in over 5 years	5,433	5,075
Total lease payments	91,954	89,940
Future lease payments	(2,015)	--
Present value of minimum lease payments	89,940	89,940
Other financial liabilities		
Non-current		57,024
Current		32,916
Total		89,940
Property, plant and equipment		
Carrying amount of assets held under finance leases		89,940

In 2018, the Company reported finance lease amortisation under IAS 17 of TCZK 19,808, interest on lease payments of TCZK 591, and cost of operating leases of TCZK 12,422.

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	2018
Non-residential premises	5,762
Motor vehicles	271
Other leased assets of all types	6,389
Total	12,422

(18) Equity investments (TCZK)

	Note	Investment	2019		2018
			Equity investment	Investment	Equity investment
PREdistribuce, a.s.	Non-marketable	100%	9,513,537	100%	9,513,537
PREměření, a.s.	Non-marketable	100%	313,264	100%	313,264
eYello CZ, k.s.	Non-marketable	90%	9,000	90%	9,000
KORMAK Praha a.s.	Non-marketable	100%	107,550	100%	107,550
PREservisní, s.r.o. *)	Non-marketable	100%	23,740	100%	23,740
PREzákaznická, a.s.	Non-marketable	100%	10,000	100%	10,000
VOLTCOM, spol. s r.o.	Non-marketable	100%	94,000	--	--
Total			10,071,091		9,977,091

*) As at 1 October 2018, the name of the company was changed (formerly Kormak nemovitosti s.r.o.), and the share capital was increased by TCZK 9,970.

PREměření, a.s., holds a 10% equity investment in eYello CZ, k.s.

As at 30 April 2019, VOLTCOM, spol. s r.o., was acquired. The company specialises in the construction and modernisation of and servicing of distribution transformer stations and expanding transformer stations. The reason for the acquisition is to fulfil the Group's objectives in the field of digitalisation and decentralisation of the energy sector.

The parent company controls all its subsidiaries. Dividends received include recognised and paid profit shares awarded and paid from PREdistribuce, a.s., of TCZK 1,400,000 (2018: TCZK 1,329,000), KORMAK Praha a.s. of TCZK 19,000 (2018: TCZK 21,000), PREzákaznická, a.s., of TCZK 18,000, PREměření, a.s., of 200,000, and VOLTCOM, spol. s r.o., of TCZK 37,500.

Information on the subsidiaries was derived from individual statutory financial statements of these companies prepared in compliance with Czech Accounting Standards.

Business entity: PREdistribuce, a.s.

The company distributes electricity.

	2019	2018
Registered office: Svornosti 3199/19a, Prague 5		
ID No.: 27376516		
Average headcount	455	501
Economic data (TCZK)		
Registered capital	17,707,934	17,707,934
Equity	19,699,878	19,668,021
Profit after tax	1,442,957	1,428,972
Sale of goods and services	9,665,005	9,667,472

Business entity: PREměření, a.s.

The company provides readings, purchases and sale, testing and installation of meters and, to a lesser extent, sales of selected electric appliances. Other principal activities include the generation of electricity from solar energy. Since 2013, the Company has offered services in turnkey installation of photovoltaic power plants.

	2019	2018
Registered office: Na Hroudě 2149/19, Prague 10		
ID No.: 25677063		
Average headcount	245	241
Economic data (TCZK)		
Registered capital	35,000	35,000
Equity	902,522	855,696
Profit after tax	249,546	186,894
Sale of goods, services and solar energy generation	567,786	513,916

Business entity: eYello CZ, k.s.

eYello CZ, k.s., was established in 1996 with the original name PREleas, a.s. The company supplies electricity and gas under the Yello Energy brand.

	2019	2018
Registered office: Kubánské náměstí 1391/11, Prague 10		
ID No.: 25054040		
Average headcount	7	6
Economic data (TCZK)		
Equity	6,902	6,894
Profit after tax	8	13
Sale of electricity, gas and services	792,955	485,014

Business entity: KORMAK Praha a.s.

KORMAK Praha a.s. carries out construction and repairs of distribution facilities.

	2019	2018
Registered office: K Sokolovně 667, Prague 10		
ID No.: 48592307		
Average headcount	66	72
Economic data (TCZK)		
Registered capital	2,100	2,100
Equity	27,424	22,995
Profit after tax	24,687	22,211
Sale of goods and services	224,383	249,039

Business entity: PREservisní, s.r.o.

PREservisní, s.r.o., leases and manages real estate, apartments, and non-residential premises and provides service for the other entities of the PRE Group.

	2019	2018
Registered office: Na Hroudě 1492/4, Prague 10		
ID No.: 02065801		
Average headcount	87	0
Economic data (TCZK)		
Registered capital	10,000	10,000
Equity	36,809	22,263
Profit after tax	14,546	1,074
Sale of goods and services	364,884	2,424

Business entity: PREzákaznická, a.s.

PREzákaznická, a.s., provides customer service for the other entities of the PRE Group.

	2019	2018
Registered office: Na Hroudě 1492/4, Prague 10		
ID No.: 06532438		
Average headcount	185	185
Economic data (TCZK)		
Registered capital	10,000	10,000
Equity	34,438	30,496
Profit after tax	22,792	20,496
Sale of goods and services	413,181	372,295

Business entity: VOLTCOM, spol. s r.o.

VOLTCOM spol. s r.o., carries out construction and repairs of distribution facilities.

	2019	2018
	1.4.2019	1.4.2018
	-31.12.2019	-31.3.2019
Registered office: Otevřená 1092/2, Prague 6		
ID No.: 44794274		
Average headcount	42	56
Economic data (TCZK)		
Registered capital	2,000	2,000
Equity	13,232	39,772
Profit after tax	10,960	10,852
Sale of goods and services	121,956	124,414

(19) Contract assets (TCZK)

Contract assets	2019	2018
Receivables from electricity and gas supplies – gross	3,401,809	3,218,451
Less advances received	(2,985,000)	(2,886,000)
Total	416,809	332,451

Creation and release of contract assets

Balance on 1 January 2018	385,110
Invoicing of recognised contract assets during 2018	(389,000)
Uninvoiced supplies of 2018, less advances received	335,674
Changes in impairment in compliance with the IFRS 9 requirements	667
Balance on 31 December 2018	332,451
Invoicing of recognised contract assets during 2019	(335,674)
Uninvoiced supplies of 2019, less advances received	420,609
Changes in impairment in compliance with IFRS 9 requirements	(577)
Balance on 31 December 2019	416,809

Impairment of contract assets

Impairment of contract assets in compliance with IFRS 9	
Creation as at 1 January 2018 (affecting retained earnings)	3,890
Utilisation/release	(667)
Balance on 31 December 2018	3,223
Utilisation/release	577
Balance on 31 December 2019	3,800

Contract assets comprise the Company's right to payment for supplies already carried out and uninvoiced, based on contracts with customers, at the selling price reduced by advances received, in case the value of supply is higher than the value of advances received. A contract asset becomes a receivable at the moment the unconditional right to payment is acquired; this unconditional right arises from the invoicing after meter reading. The usual invoice payment deadline for end customers is 30 days.

(20) Trade and other receivables (TCZK)

Non-current trade and other receivables	2019	2018
Principal amounts paid	166,144	45,198
Receivables from the revaluation of commodity derivatives for trading	12,418	51,424
Receivables from the revaluation of hedging commodity derivatives	28,401	180,128
Other	11	16
Total	206,974	276,766

Current trade and other receivables	2019	2018
Receivables from electricity and gas supplies	1,389,883	1,298,178
Margin deposits with the power exchanges	63,237	137,526
Receivables from the revaluation of commodity derivatives for trading	245,897	947,805
Receivables from the revaluation of hedging commodity derivatives	163,717	320,618
Other receivables – gross	368,267	512,419
Less advances provided	(264,272)	(163,745)
Other receivables – net	103,995	348,674
Other non-financial assets	49,271	44,431
Total	2,016,000	3,097,232

Compared to the initial recognition, the credit risk with other receivables did not increase significantly. In respect of other receivables, the following loss allowances were established for the expected credit losses at an amount of 12-month credit losses (stage 1 of the impairment model):

Creation as at 1 January 2018 (affecting retained earnings)	1,354
Additions and release in the current year	499
Balance on 31 December 2018	1,853
Additions and release in the current year	1,559
Balance on 31 December 2019	3,412

Of the above current trade receivables, gross receivables past their due date totalled TCZK 380,437 (2018: TCZK 370,225). Outstanding portions usually bear no interest. The following loss allowances were created for trade receivables:

Balance on 31 December 2017	277,255
Creation as at 1 January 2018 (affecting retained earnings)	2,899
Adjusted balance on 1 January 2018	280,154
Additions and utilisation in the current year	(1,673)
Balance on 31 December 2018	278,481
Additions and utilisation in the current year	(1,420)
Balance on 31 December 2019	277,061

In considering the recoverability of receivables, the Company takes into account any changes in the recoverability of trade receivables from the date of their origination through the balance sheet date.

The carrying amount of trade and other receivables corresponds to their fair value

2019				
	% of loss allowance	Gross	Loss allowance	Net
Receivables within due date	1	1,286,506	12,933	1,273,573
Receivables up to 1 month past due	8	94,478	7,541	86,937
Receivables between 2 and 3 months past due	8	18,655	1,492	17,163
Receivables between 4 and 12 months past due	72	23,995	17,333	6,662
Receivables over 12 months past due	98	243,310	237,762	5,548
Total current trade receivables		1,666,944	277,061	1,389,883

2018				
	% of loss allowance	Gross	Loss allowance	Net
Receivables within due date	1	1,206,434	12,070	1,194,364
Receivables up to 1 month past due	8	83,505	6,680	76,825
Receivables between 2 and 3 months past due	8	16,221	1,298	14,923
Receivables between 4 and 12 months past due	66	17,220	11,440	5,780
Receivables over 12 months past due	98	253,279	246,993	6,286
Total current trade receivables		1,576,659	278,481	1,298,178

Receivables are considered credit impaired if they are more than 3 months past due.

(21) Loans granted (TCZK)

	2019			2018		
	Amount	Interest rate p.a.	Due date	Amount	Interest rate p.a.	Due date
Loan granted in Group 1	17,107	Fix 4.38%	29.2.2022	24,188	Fix 4.38%	29.2.2022
Loan granted in Group 2	87,945	Fix 4.63%	29.2.2023	112,465	Fix 4.63%	29.2.2023
Loan granted in Group 3	20,573	Fix 4.93%	29.2.2024	24,822	Fix 4.93%	29.2.2024
Loan granted in Group 4	35,441	Fix 4.93%	29.2.2024	42,761	Fix 4.93%	29.2.2024
Loan granted in Group 5	612,460	CZK IRS 3Y+3.10%	18.6.2026	612,460	CZK IRS 3Y+3.10%	18.6.2026
Loan granted in Group 6	702,968	CZK IRS 3Y+3.00%	28.11.2026	702,968	CZK IRS 3Y+3.00%	28.11.2026
Loan granted in Group 7	13,827	Fix 3.02%	31.12.2021	20,735	Fix 3.02%	31.12.2021
Loan granted in Group 8	20,027	Fix 3.48%	18.12.2024	24,032	Fix 3.48%	18.12.2024
Loan granted in Group 9	1,430,091	CZK IRS 3Y+2.50%	29.6.2027	1,430,091	CZK IRS 3Y+2.50%	29.6.2027
Loan granted in Group 10	135,785	Fix 3.27%	29.10.2024	162,942	Fix 3.27%	29.10.2024
Loan granted in Group 11	30,174	Fix 3.27%	29.10.2024	36,209	Fix 3.27%	29.10.2024
Loan granted in Group 12	70,394	Fix 3.17%	29.10.2023	87,993	Fix 3.17%	29.10.2023
Loan granted in Group 13	54,304	Fix 3.17%	29.10.2023	67,880	Fix 3.17%	29.10.2023
Loan granted in Group 14	130,756	Fix 3.27%	29.10.2024	156,907	Fix 3.27%	29.10.2024
Loan granted in Group 15	2,033	Fix 2.21%	29.7.2026	2,334	Fix 2.21%	29.7.2026
Loan granted in Group 16	8,317	Fix 3.52%	10.4.2027	9,426	Fix 3.52%	10.4.2027
Loan granted in Group 17	40,688	Fix 4.53%	30.11.2027	45,774	Fix 4.53%	30.11.2027
Loan granted in Group 18	116,117	Fix 3.62%	22.12.2027	130,631	Fix 3.62%	22.12.2027
Loan granted in Group 19	2,288	Fix 4.96%	31.1.2025	2,739	Fix 4.96%	31.1.2025
Loan granted in Group 20	566	Fix 4.47%	2.5.2023	--	--	--
Loan granted in Group 21	538	Fix 4.47%	31.7.2023	--	--	--
Loan granted in Group 22	3,007	Fix 4.50%	15.1.2020	--	--	--
Loan granted in Group 23	4,621	Fix 4.47%	30.6.2020	--	--	--
Loan granted in Group 24	8,636	Fix 4.47%	30.6.2020	--	--	--
Cash pooling receivables:						
PREdistribuce, a.s.	461,694	O/N PRIBOR+0.75%		49,045	O/N PRIBOR+0.75%	
PREměření, a.s.	--	O/N PRIBOR+0.75%		--	O/N PRIBOR+0.75%	
KORMAK Praha a.s.	5,188	O/N PRIBOR+0.75%		4,835	O/N PRIBOR+0.75%	
SOLARINVEST - GREEN ENERGY, s.r.o.	16,197	O/N PRIBOR+0.75%		11,215	O/N PRIBOR+0.75%	
PREservisní, s.r.o.	14	O/N PRIBOR+0.75%		--	--	
VOLTCOM, spol. s r.o.	37	O/N PRIBOR+0.75%		--	--	
Loss allowances for inter-company loans	(4,833)			(4,880)		
Total	4,026,960			3,757,572		
Of which:						
Non-current	3,311,448			3,477,687		
Current	715,512			279,885		

Granted loans are carried at their amortised cost. The fair value of loans 1-24 differs from their amortised cost by MCZK 194, and this value amounts to MCZK 3,743. In respect of other loans, their amortised cost does not differ from their fair value in particular due to their short-term character. In 2018, the fair value of loans 1-19 differed from their amortised cost by MCZK 170, and this value amounted to MCZK 3,867.

The fair value was calculated by discounting contractual cash flows using the current yield curve. Fair value comes under level 3 as a result of using inputs that cannot be directly derived from data acquired on the active market, such as credit risk.

Compared to the initial recognition, the credit risk with granted loans did not increase significantly. In respect of granted loans, the following loss allowances were established for the expected credit losses at an amount of 12-month credit losses (stage 1 of the impairment model):

Creation as at 1 January 2018 (affecting retained earnings)	5,231
Additions and release in the current year	(351)
Balance on 31 December 2018	4,880
Additions and release in the current year	(47)
Balance on 31 December 2019	4,833

(22) Inventories (TCZK)

	2019	2018
Material	4,594	41,156
Goods	16,250	28,017
Total	20,844	69,173

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Cost of purchased material, services and energy and other gains and losses in the income statement include costs of sold and consumed inventories of TCZK 92,404 (2018: TCZK 241,746). The number of inventories in storage, and consumed and sold inventories decreased due to separating the activities relating to the purchase of materials for PREservisní, s.r.o.

Given their limited use, inventories were written down to their net realisable value as follows:

Balance on 31 December 2017	1,449
Additions and utilisation in the current year	(515)
Balance on 31 December 2018	934
Additions and utilisation in the current year	(873)
Balance on 31 December 2019	61

The loss allowance to the net realisable value is reported in other gains and losses.

(23) Cash and cash equivalents (TCZK)

Cash and cash equivalents include cash in hand, deposits payable upon request and other highly liquid financial assets that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

	2019	2018
Current bank accounts	1,953,663	1,934,655
Of which: Loss allowances	(791)	(860)
Cash in hand	1,721	782
Stamps and vouchers	538	625
Total cash and cash equivalents in the statement of financial position	1,955,922	1,936,062
Adjustment by loss allowances for cash	791	860
Total cash and cash equivalents for the purposes of the statement of cash flows	1,956,713	1,936,922

Compared to the initial recognition, the credit risk with cash and cash equivalents did not increase significantly. In respect of cash and cash equivalents, the following loss allowances were established for expected credit losses at an amount of 12-month credit losses (stage 1 of the impairment model):

Creation as at 1 January 2018 (affecting retained earnings)	1,497
Additions and release in the current year	(637)
Balance on 31 December 2018	860
Additions and release in the current year	(69)
Balance on 31 December 2019	791

At the Company's request, banks issued payment bank guarantees of MCZK 10 in favour of ČEPRO, a.s., and APCS Power Cleaning and Settlement AG (2018: MCZK 18 in favour of OTE, a.s., and APCS Power Clearing and Settlement AG).

(24) Loans received (TCZK)

This note summarises the information about the contractual conditions of received interest bearing loans and borrowings. For more information about the Company's exposure to interest rate risks refer to the note on "Financial instruments".

	2019			2018		
	Amount	Interest rate	Due date	Amount	Interest rate	Due date
Loan 1	1,000,039	Fix 1.4%	1.7.2024	1,000,039	Fix 1.40%	1.7.2024
Loan 2	1,005,615	Fix 1.16%	8.7.2022	1,005,615	Fix 1.16%	8.7.2022
Loan 3	1,100,029	Fix 0.94%	25.6.2020	1,100,029	Fix 0.94%	25.6.2020
Loan 4	--	--	--	78,357	Fix 0.60%	3.7.2019
Loan 5	856,727	Fix 1.06%	31.7.2020	1,004,505	Fix 1.06%	3.7.2019
Loan 6	--	--	--	126,007	Fix 2.11%	2.1.2019
Authorised overdraft of current accounts – ČSOB	159,985	O/N PRIBOR+0,35%, at least 0.00%	--	--	--	--
Cash pooling payables:						
PREdistribuce, a.s.	--	O/N PRIBOR-0,35%, at least 0.00%		60	O/N PRIBOR-0,35%, at least 0.00%	
eYello CZ, k.s.	47,675	O/N PRIBOR-0,35%, at least 0.00%		62,028	O/N PRIBOR-0,35%, at least 0.00%	
PREměření, a.s.	10,965	O/N PRIBOR-0,35%, at least 0.00%		98,351	O/N PRIBOR-0,35%, at least 0.00%	
PREzákaznická, a.s.	47,867	O/N PRIBOR-0,35%, at least 0.00%		66,110	O/N PRIBOR-0,35%, at least 0.00%	
PREnetcom, a.s.	13,763	O/N PRIBOR-0,35%, at least 0.00%		3,950	O/N PRIBOR-0,35%, at least 0.00%	
PREservisní, s.r.o.	5,629	O/N PRIBOR-0,35%, at least 0.00%		8,705	O/N PRIBOR-0,35%, at least 0.00%	
PRE FVE Světlík, s.r.o.	5,508	O/N PRIBOR-0,35%, at least 0.00%		--	--	
FRONTIER TECHNOLOGIES, s.r.o.	2,020	O/N PRIBOR-0,35%, at least 0.00%		--	--	
VOLTCOM, spol. s r.o.	1,451	O/N PRIBOR-0,35%, at least 0.00%		--	--	
Total	4,257,273			4,553,756		
Of which:						
Non-current loans	3,100,000			3,100,000		
Current loans	1,157,273			1,453,756		

Cash flows						
Cash transactions						
	31 December 2018	Utilisation	Repayment	in the Group	Other	31 December 2019
Total loans	4,553,756	209,985	(404,000)	(104,326)	1,858	4,257,273

Cash flows						
Cash transactions						
	31 December 2017	Utilisation	Repayment	in the Group	Other	31 December 2018
Total loans	4,949,684	1,126,000	(1,628,436)	110,227	(3,719)	4,553,756

Loan 3 is classified as a non-current loan due to planned refinancing. New loan agreements were signed in November 2019. The due date of the new loans is eight years from the date of signing the loan agreement.

Loans 4 and 5 are loans from the parent company Pražská energetika Holding a.s. The amendment to the loan agreement extends the due date by one year.

Due to the Company's rating, the banks do not require loan collateral. As at 31 December 2019, undrawn loan facilities amounted to MCZK 3,060 (as at 31 December 2018: MCZK 2,834).

Loans are carried at their amortised cost. The fair value of loans 1-5 differs from their amortised cost by MCZK 107, and this value amounts to MCZK 3,856. In respect of other loans, their amortised cost does not differ from their fair value in particular due to their short-term character. In 2018, the fair value of loans 1 – 5 differed from their amortised cost by MCZK 97, and this value amounted to MCZK 4,091.

The fair value was calculated by discounting contractual cash flows using the current yield curve. Fair value comes under level 3 as a result of using inputs that cannot be directly derived from data acquired on the active market, such as own credit risk.

Currently, the Company does not capitalise any borrowing costs in accordance with the applied accounting policy.

(25) Contract liabilities (TCZK)

Current contract liabilities	2019	2018
Advances received for the supply of electricity and gas from customers – gross	3,882,422	3,674,144
Less uninvoiced supplies	(2,985,000)	(2,886,000)
Total	897,422	788,144

Creation and release of contract liabilities

Balance on 1 January 2018	920,928
Recognition of contract liabilities in revenues in the current year	(920,928)
Increase in contract liabilities in the current year (advance payments, partial invoicing)	788,144
Balance on 31 December 2018	788,144
Recognition of contract liabilities in revenues in the current year	(788,144)
Increase in contract liabilities in the current year (advance payments, partial invoicing)	897,422
Balance on 31 December 2019	897,422

The contract liability relates to advances received and invoicing that has already been performed as part of contracts with customers, reduced by the value of supplies that have not yet been invoiced, and from which revenue is recognised on an ongoing basis or will be recognised directly after the balance sheet date as part of the satisfaction of a performance obligation.

The amount of TCZK 788,144 which was recognised as contract liability in 2018, was recognised in revenues for the period ended on 31 December 2019 (the contract liability of TCZK 920,928 recognised as at 1 January 2018 was reported as revenue for the period ended on 31 December 2018).

The Company has no revenue relating to the satisfaction or partial satisfaction of performance obligations in prior accounting periods.

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(26) Trade and other payables (TCZK)

Non-current trade and other payables	2019	2018
Payables from the revaluation of commodity derivatives for trading	18,873	49,977
Payables from the revaluation of hedging commodity derivatives	50,545	80,174
Other financial liabilities	--	57,024
Total	69,418	187,175

Current trade and other payables	2019	2018
Uninvoiced supplies of electricity and gas from suppliers - gross	277,981	176,432
Less advances provided for the supply of electricity and gas	(264,272)	(163,745)
Uninvoiced supplies of electricity and gas from suppliers - net	13,709	12,687
Trade payables	442,018	679,031
Payables from the revaluation of commodity derivatives for trading	248,889	972,806
Payables from the revaluation of hedging commodity derivatives	113,967	93,468
Payables from the revaluation of hedging foreign exchange derivatives	4,274	10,143
Payables to employees *)	17,544	17,533
Social security and health insurance liabilities	9,980	9,993
Intercompany payables **)	1,696,302	1,716,752
Other tax liabilities	139,524	113,165
Other financial liabilities	28,286	50,970
Other non-financial liabilities	94,778	86,103
Total	2,809,271	3,762,651

*) Includes December wages paid in January.

***) For detailed breakdown refer to note 32.

The Company reports overdue trade payables of TCZK 59 (2018: TCZK 67). All overdue liabilities were settled during January 2020.

In respect of liabilities that are carried at amortised cost, this value corresponds with their fair value.

(27) Provisions (TCZK)

	2019	2018
Employee benefits	89,807	98,860
Other provisions	58,400	53,193
Total	148,207	152,053
Non-current provisions	82,007	89,848
Current provisions	66,200	62,205
Total	148,207	152,053

The provision for employee benefits represents liabilities pursuant to the Collective Agreement arising from bonuses paid to employees upon retirement and work and life jubilees.

	Employee		Business	
	benefits	Salaries	risks	Total
Balance on 31 December 2017	128,194	75,591	900	204,685
Additions in the current year	14,115	53,193	--	67,308
Utilisation in the current year	(6,142)	(60,830)	--	(66,972)
Release in the current year	(37,307)	(14,761)	(900)	(52,968)
Balance on 31 December 2018	98,860	53,193	--	152,053
Additions in the current year	12,263	58,400	--	70,663
Utilisation in the current year	(5,744)	(49,207)	--	(54,951)
Release in the current year	(15,572)	(3,986)	--	(19,558)
Balance on 31 December 2019	89,807	58,400	--	148,207
Non-current	82,007	--	--	82,007
Current	7,800	58,400	--	66,200
Total	89,807	58,400	--	148,207

The provision for salaries includes salaries paid depending on the fulfilment of the plan.

The provision for employee benefits represents liabilities pursuant to the Collective Agreement arising from bonuses paid to employees upon retirement and work and life jubilees and liabilities to personal accounts drawn by employees for optional benefits. In respect of work jubilees and bonuses upon retirement, the amount of benefit depends on the hours that the employee has worked in the Company; in case of life jubilees, the bonus is paid to the employee on reaching the age of 50. After employees retire, no other benefits are provided to them.

To calculate the provision, a projected unit credit method is used – i.e., for each period worked, the employee is entitled to a proportion of the present value of the benefit. In addition, the calculation takes into account the time value of money and the probability that the benefit will not be paid out.

The discount rate is derived based on market yields of Czech state bonds in the currency of the liability, i.e., CZK, with the maturity date corresponding with the maturity of the liability. It is determined as a single discount factor for all benefits together.

The probability of continuance (payment) includes the anticipated retirement, the probability of leaving the Company, the mortality and the invalidity rate. The anticipated retirement is determined for individual employees using legislation valid in the respective country. Staff turnover, mortality, and invalidity rates are determined based on the Group's historical data analysis.

Basic assumptions used for actuarial valuation:

	2019	2018
Discount rate	1.68%	2.30%
Average retirement age (years)	64.8	64.6
Probability of continuance	0.63	0.68

Significant actuarial assumptions for determining the liability include the discount rate and probability of continuance. The sensitivity analyses below were determined based on possible changes in the parameters described above at the end of the accounting period, whilst all other assumptions remained constant.

	Basis	(1) p.p.	Net	1 p.p.	Net
Sensitivity to the change in discount rate	89,807	100,435	10,628	80,867	(8,940)

	Basis	(0.10)	Net	0.10	Net
Sensitivity to the change in probability of continuance	89,807	79,270	(10,537)	95,989	6,182

The creation of provisions for employee benefits includes interest expense of TCZK 1,027 (2018: TCZK: 1,512), running cost relating to these benefits of TCZK 8,380 (2018: 12,603), and revaluation of the liabilities from defined benefits reported in the total comprehensive income of TCZK 2,856. The utilisation of provisions then comprises the payments of employee benefits. The release of provisions primarily relates to the transfer of a part of employees to PREservisní, s.r.o.

(28) Share capital (TCZK)

Registered capital

There are 3,869,443 registered shares in the nominal value of CZK 1,000 per share (2018: 3,869,443 shares). These shares are in the book-entry form and carry no right for the regular payment of dividends.

The Company's share capital has been paid in full.

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(29) Reserves (TCZK)

	2019	2018
Reserve fund	773,889	773,889
Other reserves	382,711	382,711
Cash flow hedge	(66,636)	345,436
Revaluation of net payables from defined benefits	(2,313)	--
Total	1,087,651	1,502,036

The Company reserve fund has been created in the amount of 20% (TCZK 773,889) of the share capital and no further increase is to be made. The General Meeting decides on the use of the reserve fund and this fund is used to settle the Company's loss.

Other reserves represent part of the capital of the former state enterprise, the legal predecessor of the Company. As a result of the privatisation project, the state enterprise's capital was divided into share capital, reserve fund and capital funds as at the date of incorporation of the joint stock company (1 January 1994). As at that date, the balance of the capital funds was TCZK 390,390. The Board of Directors decides on the use of the balance of this fund based on the rules for fund management approved by the General Meeting. Subject to the approval of the General Meeting, the Company may establish other discretionary funds.

Cash flow hedges and revaluation of defined benefits include:

	2019	2018
Revaluation of hedging commodity derivatives	(66,610)	433,777
Effect of deferred tax	12,656	(82,418)
Revaluation of hedging foreign exchange derivatives	(15,657)	(7,313)
Effect of deferred tax	2,975	1,389
Revaluation of payables from defined benefits	(2,856)	--
Effect of deferred tax	543	--
Total	(68,949)	345,435

(30) Government grants (TCZK)

In relation to the “Backbone network”, “Metropolitan network” and Dflex projects, the Company records a grant commitment of TCZK 108,185, which is not accounted for in compliance with the accounting policy in note 3 because as at the date of the financial statements it is not entirely certain the grant will be provided to the Company.

(31) Financial instruments (TCZK)

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Categories of financial instruments

Financial assets (net)	Cat.:	2019	2018
(a) Receivables from the revaluation of commodity derivatives for trading	iii.	258,315	999,229
(b) Receivables from the revaluation of hedging commodity derivatives	iv.	192,118	500,746
(c) Receivables from the revaluation of hedging foreign exchange derivatives	iv.	--	--
(d) Cash and cash equivalents	i.	1,955,922	1,936,062
(e) Margin deposit	i.	63,237	137,526
(f) Loans granted and cash pooling	i.	4,026,960	3,757,572
(g) Trade and other receivables, except for the above	i.	1,660,022	1,692,049
(h) Other financial assets	ii.	--	--

Financial liabilities	Cat.:	2019	2018
(i) Payables from the revaluation of commodity derivatives for trading	iii.	267,763	1,022,783
(j) Payables from the revaluation of hedging commodity derivatives	iv.	164,511	173,642
(k) Payables from the revaluation of hedging foreign exchange derivatives	iv.	4,274	10,143
(l) Loans received	v.	4,122,395	4,314,551
(m) Cash pooling liabilities	v.	134,878	239,205
(n) Lease liabilities	v.	181,848	--
(o) Financial liabilities carried at amortised cost, except for the above	v.	2,180,315	2,516,4655

Categories of financial instruments:

- i. Financial assets measured at amortised cost
- ii. Financial assets measured at fair value through other comprehensive income (FVOCI)
- iii. Financial assets/liabilities measured at fair value through profit or loss
- iv. Financial assets/liabilities measured at fair value through other comprehensive income
- v. Financial liabilities measured at amortised cost

Financial assets and liabilities (ii., iii., iv.) were valued using valuation models with market data (level 2), such as forward curves of underlying commodities, spot and forward foreign exchange rates and interest rate curves.

Gains and losses from financial instruments reported in the current period		2019	2018
Gain/loss from the revaluation of commodity derivatives in the trading portfolio *)	(a, i)	(16,636)	(29,091)
Interest received in the Group	(f)	156,830	150,104
Interest received outside of the Group and revenue from securities held	(d,h)	7,969	14,431
Borrowing costs (except for the interest on employee benefits)	(l, m)	(61,428)	(55,166)
Loss allowances for trade receivables and other financial assets	(d, e, f, g)	(600)	2,828
Write-offs of doubtful debts	(g)	(20,582)	(16,295)
Hedge ineffectiveness	(b, j)	(2,630)	1,273

*) Included in the margin on trading.

Hedge accounting		2019	2018
Creation of the equity fund from the cash flow hedge	(b, c, j, k)	(195,960)	346,701
Reversal of the fund from cash flow hedge in the income statement *)	(b, c, j, k)	(312,771)	(98,393)

*) In the costs of purchased electricity.

Capital risk

The Company manages its capital to ensure an optimal financial position from the long-term perspective while maximising the long-term return to shareholders. The capital is the value of equity from the balance sheet.

	2019	2018
Total assets	20,885,670	21,554,715
Equity	12,440,070	11,932,055
Equity/total assets	60%	55%

Market risk

In view of its activities, the Company is predominantly exposed to the risks of changes in market prices of commodities (electricity and gas), currency risk and the risk of changes in interest rates.

For the hedging of market risks, the Company uses the following non-derivative financial assets and financial instruments:

- commodity derivatives (forwards and futures) to hedge the changes in prices of these commodities;
- currency derivatives (forwards) to hedge the changes in exchange rates; and,
- funds denominated in EUR acquired by a spot purchase on the money market to hedge exchange rates.

The Company's exposure to market risks is measured using various methods, the most important being the sensitivity analysis which reflects potential impacts of changes in prices defined in individual scenarios on the Company's results. The VaR methodology (value at risk) is used to measure short-term business exposure. The Company's exposure to market risks is monitored on a regular basis and its approach to managing these risks has not significantly changed as compared to the prior period.

There is no concentration of market risks in the Company.

Currency risk

The Company is exposed to the risk of changes in exchange rates. It takes a significant exposure to the risk of changes in exchange rates only to settle transactions in foreign currency (EUR) made to procure electricity or gas for the Company's customers. The Company's strategy is to minimise the risk of undesirable effects of exchange rate fluctuations on cash flows. The risks of such changes in exchange rates are measured using defined scenarios for exchange rate development. The open exposure is established based on the annual plan of exchange currency requirements and the amount of agreed hedging.

The Company hedges a significant portion of its future planned foreign currency cash flows for the purchase of electricity and gas against the risk related to exchange rates, using currency forwards and a spot purchase of EUR with subsequent holding period until the determined date of usage; these transactions are accounted for in accordance with the hedge accounting principles that the Company applies.

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The Company monitors hedge effectiveness under hedge accounting. The hedging has been effective. Due to the fact that the characteristics of the hedging instrument and the hedged item tally, no sources of ineffectiveness, with the exception of the counterparty's credit risk, have been identified. The counterparty's credit risk is insignificant. The credit rating of PRE and the counterparty of the hedging instrument is high. The effect of the credit risk does not dominate the changes in value that result from the economic relationship. The hedge ratio is set at 1:1.

The economic relationship between the hedged item and the hedging instrument has been tested:

Qualitative analysis: based on the comparison of the characteristics of the hedging instrument and the hedged item, the Group concluded that they are balanced.

Quantitative analysis: using the simple method of scenario analysis, the Company examined and further monitors any changes in the fair value of the hedging instrument and the hedged item as a result of changes in the underlying variable, comprising the EUR/CZK exchange rate. The changes in the fair value of the hedged item and the hedging instrument move in opposite directions and the change in the fair value of the hedging instrument fully compensates the change in the fair value of the hedged item.

The carrying amount of foreign currency assets and liabilities:

	Assets (TCZK)		Liabilities (TCZK)	
	2019	2018	2019	2018
Receivables and payables from the revaluation of commodity derivatives for trading	258,315	999,229	267,763	1,022,783
Receivables and payables from the revaluation of hedging commodity derivatives	192,118	500,746	164,511	173,642
Receivables and payables from the revaluation of hedging foreign exchange derivatives	--	--	4,274	10,143
Non-derivative financial assets for currency risk management (cash)	1,346,730	977,550	--	--
Cash and cash equivalents	72,759	351,409	--	--
Margin deposit	63,237	137,526	--	--
Trade receivables and payables and other receivables and payables	228,725	263,546	307,486	512,170
Total in EUR	2,161,884	3,230,006	744,034	1,718,738
Other currencies	62	45	--	--
Total	2,161,946	3,230,051	744,034	1,718,738

Currency derivatives and non-derivative financial assets open at the balance sheet date:

	Average exchange rate CZK/EUR		Value (TEUR)		Value (TCZK)		Fair value (in TCZK)	
	2019	2018	2019	2018	2019	2018	2019	2018
Purchase of EUR through currency derivatives								
Purchase of EUR up to 1 month	--	25.97	--	17,000	--	441,441	--	(3,715)
Purchase of EUR from 1 to 3 month	25.71	26.11	25,000	16,000	642,725	417,693	(4,274)	(4,508)
Purchase of EUR from 3 to 12 months	--	26.14	--	8,000	--	209,123	--	(1,920)
Total			25,000	41,000	642,725	1,068,257	(4,274)	(10,143)

	Average exchange rate CZK/EUR		Value (TEUR)		Value (TCZK)		Revaluation (TCZK)	
	2019	2018	2019	2018	2019	2018	2019	2018
Cash in EUR used to hedge currency risk								
EUR used up to 1 month	25.41	--	10,000	--	254,100	--	(3,700)	--
EUR used from 1 to 3 month	25.62	25.59	25,000	13,000	635,250	334,425	(5,295)	1,695
EUR used from 3 to 12 months	25.54	25.68	18,000	25,000	457,380	643,125	(2,388)	1,135
Total			53,000	38,000	1,346,730	977,550	(11,383)	2,830

Currency risk – sensitivity analysis

The Company performed a sensitivity analysis to identify the potential impact of the change in the value of these assets and liabilities on the level of profit or equity as a result of a 1% decrease in the CZK/EUR exchange rate.

	2019	2018
Profit/loss	507	2,182
Equity	16,282	19,115

Interest rate risk

Medium- and long-term external funds of the Company include loans maturing in two, four and six years. These loans have a fixed interest rate. Changes in market interest rates have no impact on the contracted amount of repayments of these loans which effectively reduces the risk of changes in interest rates. Changes in interest rates may only affect the costs of hedging short-term sources of funding. However, the impact of this risk on the Company, if any, is immaterial, therefore, the Company does not manage it and does not apply hedge accounting. Furthermore, lease liabilities are not sensitive to changes in the interest rate unless the lease relationship is modified. Therefore, they are not included in the table below.

The carrying amount of assets and liabilities which is dependent on the interest rate:

	Assets (TCZK)		Liabilities (TCZK)	
	2019	2018	2019	2018
Receivables and payables from the revaluation of hedging foreign exchange derivatives	--	--	4,274	10,143
Total	--	--	4,274	10,143

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Interest rate risk – sensitivity analysis

The Company performed a sensitivity analysis to identify the potential impact of the change in the value of these assets and liabilities on the level of profit or equity as a result of a 1 pp increase in the interest rate.

	2019	2018
Profit/loss	--	--
Equity	1	7

Risk of changing prices of commodities

The Company is exposed to the risk related to the development of electricity and gas prices, which can have an impact on the expected profit margin. The Company's strategy is to minimise the risk of undesirable effects of price changes on cash flows.

Electricity and gas for end customers is purchased in order to achieve the optimisation of purchase prices within the position limited in terms of volume. Exposure management is based on limits for the maximum permissible size of outstanding exposures, the possible financial impact is derived from defined scenarios for price developments. The commodity risk management strategies are primarily based on the structure of the Company's end customers and distinguish between customers with individual rates (the B2B customer segment) and customers receiving common price-list rates (the B2C customer segment). As the price is set at different times for each segment, the commodity

hedging method varies for the two customer groups as well. In the case of the B2B customer segment, back-to-back hedging is used, i.e. the commodity is acquired as soon as the offer is accepted by the customer. For the B2C customer segment, gradual hedging is used, i.e., the commodity is acquired over time for a large number of small customers, taking into account market liquidity and minimising market price volatility for customers.

In implementing the above strategies, a range of tools, procedures and techniques are used to ensure that the commodity is delivered at the specified time, in the specified place and at the optimum purchase price.

A significant portion of the commodity delivered to the domestic market is hedged using forward contracts with physical delivery in the Czech Republic. The 'own-use' exemption allowed by IFRS 9 applies to such forward contracts.

In the event of temporary insufficient liquidity in the domestic commodity market with the physical delivery of the commodity, the Company hedges the purchase price and mitigates the risk of price development via transactions in external commodity markets connected with the Czech transmission system. So far, only the German market has been involved, due to its sufficient liquidity and high degree of price correlation with the Czech market. The 'own-use' exemption does not apply to these transactions, and in these cases the Company applies hedge accounting. The objective of commodity risk management is to hedge cash flows connected with the future purchase of a commodity for the end customer on the domestic market. The Company hedges against the risk of price changes by purchasing an OTC commodity forward or stock exchange futures on the external market, thus substantially ensuring the required purchase price. At the moment of sufficient liquidity on the Czech market, the Company purchases the commodity on the domestic OTC market and at the same time closes the position on the external market with an inverse contract. Hedging is thus terminated. Any gain or loss from hedging to a large extent compensates the movement of price on the domestic market between the moment the Company wanted to purchase the commodity for the end customer, but could not do so due to low liquidity, and the moment of subsequent purchase. The 'own-use' exemption allowed by IFRS 9 applies to the purchase on the domestic market. The Group monitors hedge effectiveness under hedge accounting. The hedge has so far been highly effective. The characteristics of the hedging instrument and the hedged item tally. Apart from the counterparty's credit risk, a source of hedge ineffectiveness is also the degree of correlation between external and domestic commodity markets, expressed by the spread development between markets. The correlation across both markets is very high in the medium term (more than 98%). The counterparty's credit risk is insignificant. The credit rating of PRE and the counterparty of the hedging instrument is high. The effect of the credit risk does not dominate the changes in value that result from the economic relationship. The hedge ratio is set at 1:1.

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The economic relationship between the hedged item and the hedging instrument has been tested:

Qualitative analysis: based on the comparison of the characteristics of the hedging instrument and the hedged item, PRE concluded that they are balanced.

Quantitative analysis: using the simple method of scenario analysis, the Company examined and further monitors any changes in the fair value of the hedging instrument and the hedged item as a result of changes in the underlying variable, comprising the rate of the commodity. The changes in the fair value of the hedged item and the hedging instrument move in opposite directions and the change in the fair value of the hedging instrument considerably compensates the change in the fair value of the hedged item.

Another possibility to solve temporary market illiquidity is to hedge the price of future spot purchase of a commodity, using commodity futures on the domestic market without physical delivery. At the moment of low liquidity on the domestic market with physical delivery, the Company agrees to the purchase of domestic commodity futures. The Company holds these futures until expiration. When the derivative expires, hedging is

terminated. Any gain or loss from hedging, expressed by the paid or collected variation margin, fully compensates the movement of price on the domestic market between the moment the Company wanted to purchase the commodity for the end customer but could not do so due to low liquidity and the moment of purchase on the spot market. The Group monitors hedge effectiveness under hedge accounting. The hedge has been highly effective. The characteristics of the hedging instrument and the hedged item tally. Due to the fact that the characteristics of the hedging instrument and the hedged item tally, no sources of ineffectiveness, with the exception of the counterparty's credit risk, have been identified. The counterparty's credit risk is insignificant. The credit rating of PRE and the counterparty of the hedging instrument is high. The effect of the credit risk does not dominate the changes in value that result from the economic relationship. The hedge ratio is set at 1:1.

The economic relationship between the hedged item and the hedging instrument has been tested:

Qualitative analysis: based on the comparison of the characteristics of the hedging instrument and the hedged item, PRE concluded that they are balanced.

Quantitative analysis: using the simple method of scenario analysis, the Company examined and further monitors any changes in the fair value of the hedging instrument and the hedged item as a result of changes in the underlying variable, comprising the rate of the commodity. The changes in the fair value of the hedged item and the hedging instrument move in opposite directions and the change in the fair value of the hedging instrument considerably compensates the change in the fair value of the hedged item.

The carrying amount of assets and liabilities which depends on the commodity price:

	Assets (TCZK)		Liabilities (TCZK)	
	2019	2018	2019	2018
Receivables and payables from the revaluation of commodity derivatives for trading	258,315	999,229	267,763	1,022,783
Receivables and payables from the revaluation of hedging commodity derivatives	192,118	500,746	164,511	173,642
Total	450,433	1,499,975	432,274	1,499,975

Open commodity derivatives for hedging as at the balance sheet date:

	Commodity contracts for purchase				Commodity contracts for sale			
	Nominal value (TEUR)		Nominal value (TCZK)		Nominal value (TEUR)		Nominal value (TCZK)	
	2019	2018	2019	2018	2019	2018	2019	2018
Futures								
Settlement up to 12 months	27,243	35,079	692,248	902,407	--	--	--	--
Settlement from 1 to 2 years	2,607	10,491	66,254	269,881	--	--	--	--
Settlement from 2 to 3 years	449	--	11,397	--	--	--	--	--
Total	30,299	45,570	769,899	1,172,288	--	--	--	--
OTC forward								
Settlement up to 12 months	21,178	10,105	538,139	259,951	9,394	5,926	238,692	152,446
Settlement from 1 to 2 years	8,810	9,777	223,872	251,513	6,281	3,606	159,598	92,764
Settlement from 2 to 3 years	6,664	--	169,337	--	4,240	--	107,734	--
Settlement from 3 to 4 years	4,669	--	118,641	--	4,476	--	113,744	--
Settlement from 4 to 5 years	4,770	--	121,198	--	4,576	--	116,288	--
Total	46,091	19,882	1,171,187	511,464	28,967	9,532	736,056	245,210

Open commodity own use contracts:

	Nominal value (TEUR)		Nominal value (TCZK)	
	2019	2018	2019	2018
Own use contracts – electricity *)	287,534	303,490	7,317,257	7,861,368
Own use contracts – gas *)	16,463	7,963	418,325	204,848
Total	303,997	311,453	7,735,582	8,066,216

*) These include contracts that have been concluded and are held for acceptance or delivery of non-financial item for the expected purchase, sale or use.

Commodity risk – sensitivity analysis

The Company performed a sensitivity analysis to identify the potential impact of the change in the value of these assets and liabilities on the level of profit or equity as a result of a 1% increase in commodity prices on EEX.

	2019	2018
Profit/loss	--	--
Equity	2,882	3,252

Credit risk

The Company is exposed to credit risk primarily in terms of trade receivables from end customers relating to the supplies and distribution of electricity or gas and in respect of wholesale partners trading in commodities in relation to concluded hedging and trading derivative contracts on the OTC market. In addition, the credit risk is connected with contract assets, the Company's receivables from inter-company loans and consignment of funds, available or consigned as margin deposit in connection with the trading on commodity exchange, with banks. Although the Company does not expect a higher credit risk in connection with receivables and other financial assets, the future credit status of business partners can be negatively influenced by macroeconomic developments and the financial stability of the national economy.

In compliance with the Company's credit risk management policy, the credibility of wholesale partners trading in commodities and business partners in the B2B segment and cooperating banks is verified. In terms of newly signed contracts in the B2C segment, the Company evaluates whether the Company's potential customer is in debt in respect of possible previous contractual relations, which can indicate the potential customer's reduced credibility, or it relies upon information from publicly available registers.

The development and balance of receivables is monitored and evaluated on an ongoing basis with the aim to minimise the risk that doubtful or uncollectible receivables may arise. The maximum possible credit risk resulting from financial and contract assets corresponds with their carrying amount.

Credit risk is managed on the level of risk owners, on the level of individual sections. As part of credit risk management process, the Group primarily strives to prevent the risk from occurring, performs regular or one-off scoring of wholesale and B2B partners, monitors external rating of cooperating banks, determines and monitors the compliance with binding exposure limits for individual partners, etc. The Company monitors the development of receivables, customers' credit history and carries out the analysis of the ageing structure of receivables. These activities are performed in the integrated system for evaluation, administration and recovery of trade receivables. In case overdue receivables arise, the Company communicates with the debtor with the aim to acquire the

outstanding amount. If the debtor does not respond to the summons, the Company proceeds to terminate the supplies of electricity or gas and subsequent recovery of unpaid receivables.

In electricity and gas supplies and distribution which is the Company's principal activity, the Company specifically applies the following principles to minimise the failure to collect receivables.

The reading of industrial customers' electricity and gas meters and invoicing takes place on a monthly basis. Some of the customers pay monthly or ten-day advance payments, based on their expected consumption, to cover electricity or gas consumed but not yet invoiced, taking into account previous years' consumption, season and other factors. The method of determining the amount of the advance payments is specified in the contract. Reminders are sent to customers who fail to pay on time. If a customer fails to settle the debt within an additional time period, the electricity or gas supply is suspended. Certain industrial customers cover their future liabilities by making prepayments in advance or by paying deposits.

The standard reading of small businesses and household electricity and gas meters and invoicing takes place on an annual basis. For supplied but unbilled electricity or gas, advance payments are determined to reflect the volume and nature of the consumption. The determination of the price and the payment method are specified in the contracts with customers. If a customer fails to settle the debt within an additional time period, the electricity supply is suspended.

There is no concentration of credit risk.

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The Company bases the monitoring of credit risk development on the ageing structure of receivables. The amount of loss allowance is determined on this basis. The percentage of loss allowance for individual categories of receivable maturities is determined with respect to available historical data and the expected future development, as part of which the Company takes into account also the expected development of economy. Historical data are based on the actual development in receivable repayment in the last four years. When taking into consideration the future development, the Company relies on available macroeconomic forecasts. The loss allowance rate reflects the expected percentage of receivables that will not be paid by the customer in the given age category.

The Company calculates loss allowances for trade receivables and contract assets in the amount corresponding with the lifetime expected credit losses on the financial assets. In respect of other receivables, the Group initially calculates loss allowances at an amount of 12-month expected credit losses and subsequently, if the counterparty's credibility reduction is identified, at lifetime expected credit losses.

A loss allowance for contract assets is established in the same way as the loss allowance for trade receivables within due date.

The information on loss allowance amounts for contract and financial assets is included in notes 19, 20, 21 and 23 of the financial statements.

The standard practice of the Company is not to require collateral for trade receivables in form of hedging financial assets. As at 31 December 2019, the Group did not hold any trade receivables or contract assets for which a loss allowance would be established due to collateral received.

The Company proceeds to write off trade receivables if, based on available information, it concludes that it is not possible to recover the given receivable despite efforts undertaken so far, or that the revenue from recovering the debt receivable will not cover potential costs that the Company would incur on debt recovery, or if it is a doubtful

debt. These include in particular cases where the court cancelled the bankruptcy, because the debtor's assets are completely insufficient, the debtor is insolvent or faces the risk of insolvency based on insolvency proceedings, the debtor was a legal person that ceased to exist without a legal successor, the debtor was a natural person and has died and the receivable could not be satisfied even as part of inheritance proceedings, the assets of which were subject to public auctioning or execution and the yield from auctioning or execution did not fully cover the debt receivable. In addition, these include cases, where the debtor's whereabouts are unknown based on the information of competent national authorities (the police, courts, etc.). Moreover, doubtful receivables include receivables for which documents for recovery by legal means are not available, statute-barred debts that the debtor refuses to pay, the court dismissed the action, or the compulsory execution was not successful.

Liquidity risk

The Company manages liquidity risk by maintaining a sufficient amount of cash and cash equivalents, banking facilities and borrowing facilities, by continuously monitoring forecast and actual cash flows and seeking to match the maturity profiles of financial assets and liabilities. Included in the note "Loans" is a listing of additional available loan facilities to further reduce liquidity risk. These loan facilities have not been drawn yet. The Company is not exposed to any significant liquidity risk and does not suffer from any solvency issues. Entities from the PRE Group use cash pooling in order to optimise financing costs.

There is no concentration of liquidity risk.

Liquidity risk – tables

The following tables represent the contractual maturity of the Company's undiscounted financial liabilities. The table including the financial liabilities reflects the earliest dates on which the Company may be asked to fulfil its liabilities.

Liabilities 2019	Net book value	Up to 1 month	1-3 months	3-12 months	More than 12 months	Total
Payables from the revaluation of commodity derivatives for trading	267,763	20,741	41,482	186,667	18,873	267,763
Payables from the revaluation of hedging commodity derivatives	164,511	9,497	18,995	85,475	50,544	164,511
Payables from the revaluation of hedging foreign exchange derivatives	4,274	--	4,274	--	--	4,274
Loans received (including interest)	4,122,395	165,903	--	901,038	3,377,294	4,444,235
Payables from cash pooling (including interest)	134,878	134,878	--	--	--	134,878
Lease liabilities	181,848	5,470	10,939	49,226	125,243	190,878
Financial liabilities carried at amortised cost, except for the above	2,180,315	565,770	294,268	1,320,277	--	2,180,315
Total		902,259	369,958	2,542,683	3,571,954	7,386,854

Liabilities 2018	Net book value	Up to 1 month	1-3 months	3-12 months	More than 12 months	Total
Payables from the revaluation of commodity derivatives for trading	1,022,783	81,067	162,134	729,605	49,977	1,022,783
Payables from the revaluation of hedging commodity derivatives	173,642	7,789	15,578	70,101	80,174	173,642
Payables from the revaluation of hedging foreign exchange derivatives	10,143	3,715	4,508	1,920	--	10,143
Loans received (including interest)	4,314,551	132,958	2,000	1,116,181	3,204,089	4,455,228
Payables from cash pooling (including interest)	239,205	239,205	--	--	--	239,205
Financial liabilities carried at amortised cost, except for the above	2,516,465	817,043	299,643	1,342,914	58,879	2,518,479
Total		1,281,777	483,863	3,260,721	3,393,119	8,419,480

(32) Related party transactions (TCZK)

In line with IAS 24, the below-listed related parties have been identified. Related parties also include subsidiaries.

Expenses incurred with and revenue generated from related parties:

	Sales to related parties		Purchases from related parties	
	2019	2018	2019	2018
Relations with controlling entities and associates	2,312,871	994,527	3,006,978	1,156,018
Pražská energetika Holding a.s.	1,474	1,477	--	5,169
Capital City of Prague	199,302	65,545	280	1,696
EnBW Energie Baden-Württemberg AG *)	2,112,095	927,505	3,006,698	1,149,153
Relations with other entities	481,204	393,391	49,086	39,979
ONTRAS Gastransport GmbH	--	--	--	640
Dopravní podnik hl.m. Prahy, a.s.	465,795	380,378	984	1,071
Kolektory Praha, a.s.	8,333	6,394	--	--
Obecní dům, a.s.	5,994	6,366	--	--
TRADE CENTRE PRAHA a.s.	1,082	253	17,773	17,861
Pražská plynárenská, a.s.	--	--	30,329	20,407
Total	2,794,075	1,387,918	3,056,064	1,195,997

*) EnBW Energie Baden-Württemberg AG is among the top electricity and gas suppliers of PRE. The sales and purchases from this entity among other things enter, amongst other, into the margin on trading and are further used to secure the commodity purchase.

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Receivables from and payables to related parties

	Receivables		Liabilities	
	2019	2018	2019	2018
Relations with controlling entities and associates	47,487	149	953,423	1,131,315
Pražská energetika Holding a.s. *)	297	149	856,727	1,082,862
Capital City of Prague	46,750	--	--	16,895
EnBW Energie Baden-Württemberg AG	441	--	96,696	31,558
Relations with other entities	36,773	25,277	38,288	103
ONTRAS Gastransport GmbH	--	--	--	--
Dopravní podnik hl.m. Prahy, a.s.	32,540	23,363	37,996	--
Kolektory Praha, a.s.	2,358	743	--	--
Obecní dům, a.s.	1,167	638	--	--
TRADE CENTRE PRAHA a.s.	708	533	--	--
Pražská plynárenská, a.s.	--	--	292	103
Total	84,260	25,426	991,711	1,131,418

*) The payable of TCZK 856,727 (2018: TCZK 1,082,862) is a loan received from the parent company Pražská energetika Holding a.s. – refer to note “Loans received”.

Business transactions were conducted on an arm’s length basis. Outstanding amounts were not collateralised.

Dividends paid

	2019	2018
Pražská energetika Holding a.s.	981,501	1,988,473
EnBW Energie Baden-Württemberg AG	699,964	1,418,091

Remuneration to the statutory bodies, Supervisory Board and top management

	2019	2018
Number of persons	13	13
Remuneration (TCZK)	41,279	40,896

Managers include members of the Board of Directors, the Company's directors and members of the Supervisory Board.

Selected members of the executive management are allowed to use company cars for private purposes.

Receivables from executive management

As at 31 December 2019, the Company reported receivables from the members of executive management totalling TCZK 18 (at 31 December 2018: TCZK 11). These items are disclosed in trade and other receivables and were collected during January 2019.

Receivables from and payables to subsidiaries

	PRE's trade and other receivables as at 31.12.		PRE's trade and other payables as at 31.12.	
	2019	2018	2019	2018
PREdistribuce, a.s. *)	34,807	149,001	1,692,144	1,695,840
PREměření, a.s.	11,124	11,162	104	--
eYello CZ, k.s.	47,266	44,990	--	813
KORMAK Praha a.s.	2,555	867	88	--
PREservisní, s.r.o.	2,219	2	--	--
PREzákaznická, a.s.	1,866	34,135	3,790	19,846
PREnetcom, a.s.	288	255	--	214
VOLTCOM, spol. s r.o.	345	--	--	--
PRE FVE Světlík, s.r.o.	--	--	106	39
FRONTIER TECHNOLOGIES, s.r.o.	--	--	70	--
Loss allowances for receivables	(223)	(159)	--	--
Total	100,247	240,253	1,696,302	1,716,752

*) The liability represents estimate for distribution services provided.

	Cash pooling loans and receivables as at 31.12.		Loans and liabilities from cash pooling as at 31.12.	
	2019	2018	2019	2018
PREdistribuce, a.s.	3,207,213	2,794,564	--	60
PREměření, a.s.	732,450	891,567	10,965	98,352
eYello CZ, k.s.	--	--	47,675	62,027
PREservisní, s.r.o.	10,364	11,760	5,629	8,706
KORMAK Praha a.s.	5,188	4,835	--	--
PRE FVE Světlík, s.r.o.	40,688	45,774	5,508	--
SOLARINVEST - GREEN ENERGY, s.r.o.	22,596	13,953	--	--
PREzákaznická, a.s.	--	--	47,867	66,110
PREnetcom, a.s.	--	--	13,763	3,950
VOLTCOM, spol. s r.o.	37	--	1,451	--
FRONTIER TECHNOLOGIES, s.r.o.	--	--	2,020	--
WINDING WE NORTH a.s.	8,636	--	--	--
PRE VTE Částkov, s.r.o.	4,621	--	--	--
Loss allowances	(4,833)	(4,880)	--	--
Total	4,026,960	3,757,573	134,878	239,205

Expenses incurred with and revenue generated from the subsidiaries

	Revenue/income of PRE		Expenses/costs of PRE	
	2019	2018	2019	2018
PREdistribuce, a.s.	2,456,181	2,360,013	5,811,037	5,840,442
Of which: Electricity and distribution services	402,280	336,407	5,784,623	5,823,755
Services	530,157	572,387	11,070	16,338
Investments	--	--	14,410	--
Inventories *)	1,584	11,413	--	--
Dividends	1,400,000	1,329,000	--	--
Interest on loans	122,160	110,806	934	349
PREměření, a.s.	346,876	147,157	49,019	36,056
Of which: Services	116,952	111,714	5,623	5,233
Sale of electricity	--	--	40,854	30,144
Investments	--	--	1,691	--
Inventories *)	2	15	--	--
Dividends	200,000	--	--	--
Interest on loans	29,922	35,428	851	679
eYello CZ, k.s.	303,515	187,020	2,431	412
Of which: Electricity and gas and distribution services	277,828	160,791	--	--
Services	17,213	13,721	2,000	--
Interest on loans	50	--	431	412
Transfer of the share in profit or loss	8,424	12,508	--	--

KORMAK Praha a.s.	28,922	28,293	2,327	--
Of which: Dividends	19,000	21,000	--	--
Services	8,651	6,145	857	--
Investments	--	--	1,470	--
Inventories *)	43	120	--	--
Interest on loans	1,228	1,028	--	--
PREservisní, s.r.o.	67,740	430	45,568	29
Of which: Services	67,025	19	43,780	--
Inventories *)	194	--	1,688	--
Interest on loans	521	411	100	29
PRE FVE Světlík, s.r.o.	2,220	2,217	3,978	2,482
Of which: Sale of electricity	--	--	3,814	2,482
Interest on loans	2,220	2,217	164	--
PREzákaznická, a.s.	212,628	175,628	219,676	196,795
Of which: Services	194,615	175,570	218,911	196,428
Inventories *)	13	55	--	0
Interest on loans	--	3	765	367
Dividends	18,000	--	--	--
PREnetcom, a.s.	5,100	964	6,000	626
Of which: Services	5,100	962	5,814	614
Inventories *)	--	2	--	--
Interest on loans	--	--	186	12
SOLARINVEST - GREEN ENERGY, s.r.o.	599	211	--	--
Interest on loans	599	211	--	--
FRONTIER TECHNOLOGIES, s.r.o.	1	--	58	--
Interest on loans	1	--	58	--
VOLTCOM, spol. s r.o.	37,887	--	29	--
Of which: Services	245	--	--	--
Inventories *)	34	--	--	--
Interest on loans	108	--	29	--
Dividends	37,500	--	--	--
Total	3,461,669	2,901,933	6,140,123	6,076,842

*) Profit from material sold.

All transactions with subsidiaries were undertaken on an arm's length basis.

(33) Post balance sheet events

On 11 March 2020, the World Health Organisation declared the coronavirus outbreak a pandemic, and the Czech government declared a state of emergency on 12 March 2020. Responding to the potentially serious threat the COVID-19 presents to public health, the Czech government authorities have taken measures to contain the outbreak (restrictions on the movement of people, restrictions or interruption of production or of the provision of services in selected industries, etc.).

PRE ensures the supply (distribution), generation and sale of energy and related services on the territory of the capital of Prague and the entire Czech Republic. In connection with the coronavirus pandemic, PRE's management expects a decline in the sale of commodities, the amount of energy distributed and other energy services provided especially to corporate customers, an increase in the credit risk of its customers and in the risk of concluded contracts becoming loss-making as a result of the foreign exchange rate developments.

PRE has introduced measures to prevent operational risks, such as dividing critical departments into shifts so that employees do not come into physical contact, etc.

Based on currently publicly available information, the Company's current KPI's and in view of the actions initiated by management, PRE's management does not anticipate a direct immediate and significant adverse impact of the COVID-19 outbreak on the Company's operating results, operations and financial position in 2020. However, PRE's management cannot preclude the possibility that extended lock down periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment PRE operates in may have an effect on PRE, and its financial position and operating results in the medium and longer term. PRE's management continues to monitor the situation closely and will respond to mitigate the impact of such events and circumstances as they occur.

No other events have occurred since the balance sheet date that would have any material impact on the financial statements.

In Prague, 24 April 2020

Signed by

Pavel Elis

Chairperson of the Board of Directors

Signed by

Alexander Sloboda

Vice-chairperson of the Board of Directors



Affidavit

To the best of our knowledge, the Annual Report, in exercising all reasonable due diligence, presents a true and honest picture of the financial situation, business activities and economic results of Pražská energetika, a.s., and the PRE Group in 2019, and of the prospects for their future development. No facts have been deliberately omitted from or distorted in the Annual Report which could have altered its meaning.

In Prague, 24 April 2020

Signed by

Pavel Elis

Chairperson of the Board of Directors

Signed by

Alexander Sloboda

Vice-chairperson of the Board of Directors



PRE Group history

- 1897** ■ The Electricity Works of the Royal Capital City of Prague started operating on 1 September.
- 1924** ■ A ministerial decree declared the Electricity Works a universally useful utility.
- 1934** ■ The construction of the Electricity Works headquarters in Prague was completed. The building's modern design was far ahead of its time.
- 1941** ■ The Electricity Works was incorporated into the Prague Municipal Company (Městské podniky pražské).
- 1945** ■ The energy industry was nationalised by presidential decree.
- 1946** ■ The Transport Company (Dopravní podnik) separated from the Electricity Works. The former Electricity Works power generation division was incorporated into the newly established national enterprise, the Central Bohemian Power Generation Company (Středočeské elektrárny).
- 1959** ■ The Central Bohemian Electricity Works (Středočeské energetické závody) and the Prague District Administration (Okresní správa Praha) were established.
- 1965** ■ The Prague Distribution Enterprise (Rozvodný závod Praha) was founded within the Central Bohemian Electricity Works.
- 1990** ■ On 1 July, the Prague Electricity Works became a separate state-owned company.
- 1994** ■ A joint stock company, Pražská energetika, a.s., was founded.
- 1996** ■ A subsidiary, PREleas, a.s., was founded.
■ Construction of a new company administration building started on Na Hroudě street.
- 1997** ■ The company celebrated its 100th anniversary. The construction of the new administration building was completed.
- 1998** ■ A subsidiary, PREměření, a.s., (formerly Cejchovna elektroměrů Praha, a.s.) was founded.
- 2000** ■ Modernisation of all customer contact points was completed and the call centre started operating.
- 2002** ■ PRE successfully dealt with the aftermath of the August floods.
- 2004** ■ The process of unbundling was commenced in accordance with the EU legislation.
■ The central dispatcher control centre started operating.
■ A joint PRE and PP Customer Centre opened in the Adria Palace as part of the Together for Prague (Spolu pro Prahu) project.
- 2006** ■ On 1 January, the distribution system operator became a separate entity – a 100% subsidiary, PREdistribuce, a.s., established in 2005.

- 2007** ■ PRE became a member of the Prague Energy Exchange (PXE).
- 2009** ■ The Energy Advisory Centre (CEP) started operating at Jungmannova 28 (the TeTa passage).
■ The Technical and Documentary Museum of Prague Power Engineering (Technické a dokumentační muzeum pražské energetiky) moved into new premises.
- 2010** ■ The structure of shareholders changed: the shares held by Honor Invest, a.s., were bought by the existing shareholder EnBW Energie Baden-Württemberg AG, which made it the majority shareholder.
■ In accordance with the PRE Group's new long-term strategy, five photovoltaic power plants (Jinonice, Lhotka, Na Hroudě 19, Pražáčka and Sever) started operating.
■ PREm is the licence holder. The highest peak load of the distribution system in history (1,209 MW) was recorded on 1 December at 2 p.m.
- 2011** ■ As of 1 December, PRE shares were delisted from trading on the regulated market. The delisting process was formally concluded on 28 December.
- 2012** ■ The Hořovice and Kondrac photovoltaic power plants were acquired, each with the installed capacity of 1 MWp.
■ The 100% subsidiary, PREleas, a.s., was renamed eYello CZ, a.s., and branched out into trading in electricity and gas (since 1 May 2014 as a limited partnership company).
■ PRE started cooperating with the Charter 77 Foundation (Nadace Charty 77) on philanthropic activities.
- 2013** ■ The biggest specialised electric bike rental service in the Czech Republic, PREkolo, was launched.
■ The Pozorka photovoltaic power plant with the installed capacity of 3.99 MWp and the Syrovice photovoltaic power plant with the installed capacity of 6.3 MWp were acquired.
■ The PRE Group was awarded in the Patron category of the Czech Goodwill project for its considerate attitude towards business, economic-social and natural environment.
- 2014** ■ On 27 March, the Articles of Association were amended, establishing the Works Council.
■ On 1 May, the PRE Service Centre (CES) started operating in the TeTa passage, offering PREm energy services and housing a specialised electric bike shop and rental service.
■ In September, a mobile virtual operator, PREmobil, started operating, offering attractive telecommunication services.
■ The Dačice photovoltaic power plant and the Mikulov photovoltaic power plant with the total installed capacity of 5.79 MWp were acquired on 1 December.
- 2015** ■ The CES successfully hosted the 5th annual electromobility exhibition, one of the biggest of its kind in the Czech Republic.
■ On 30 April, the Pozoříce photovoltaic power plant with the installed capacity of 4.59 MWp was acquired.
■ In September, PREdi celebrated its 10th anniversary.
■ A separate Energy Services division was established in PREm, aiming to further develop the field of energy analyses and audits, efficient lighting, small photovoltaic power plants design, installation and servicing, and the provision of decentralised energy supply solutions.

- 2016**
- 14 March saw the acquisition of KORMAK Praha a.s., which provides engineering, design and construction services in the field of electricity networks, and KORMAK nemovitosti s.r.o., which provides asset management services.
 - Thanks to PRE, three smart SM!GHT lamps were installed in Prague in November. They not only provide street lighting and serve as Wi-Fi hotspots and charging stations for electric cars and bikes, but are also equipped with emergency buttons, sensors monitoring air quality and other smart city features. Two of the lamps are located close to the PRE headquarters on Na Hroudě street; the third is in the Holešovice exhibition grounds.
- 2017**
- As of 1 January, PREdi started providing services critical for the operation of street lighting in Prague.
 - On 1 June, the PRE Call Centre launched a new toll-free phone number, 800 550 055.
 - On 19 September, the company held a gala evening at the Žofín palace marking its 120th anniversary.
 - On 9 October, an electric car sharing service, or e-carsharing, was launched in Prague.
 - On 1 November, PREzákaznická, a.s., was founded, taking over all direct customer services.
 - On 27 November, PREnetcom, a.s., was founded to develop communication infrastructure within the distribution network in connection with the implementation of smart grids.
- 2018**
- A pilot quick-charge station was made available to the public, combining the functions of a charging station for electric vehicles, a photovoltaic power plant and a battery-like accumulation device.
 - May 3 saw the acquisition of SOLARINVEST – GREEN ENERGY, s.r.o., specialising in the installation of solar and thermal systems.
 - A new type of electric vehicle charging station, called a wall box, was launched.
 - A toll-free phone line for reporting electricity supply failures started operating at the phone number 800,823,823
 - On 19 September, the new 110/22 kV Karlín transformer station started operating, boosting the supply to the developing area of Rohanský island.
 - The 100% subsidiary, KORMAK nemovitosti, s.r.o., was renamed PREservisní, s.r.o., and started to carry out central purchasing for the PRE Group.
 - 30 November saw the acquisition of FRONTIER TECHNOLOGIES, s. r. o., specialising in the development, production and supply of intelligent lighting solutions.
- 2019**
- The brand was awarded the label of excellent reputation, Czech Superbrands 2019.
 - Two projects for the Backbone network (construction of a network of 125 fast charging stations in the Czech Republic) and PRE's Metropolitan network (construction of standard charging stations in Prague's residential areas and housing estates) were granted support by the Ministry of Transport under the Operational programme Transport subsidy scheme.
 - 30 May saw the acquisition of VOLTCOM, spol. s.r.o., specialising in the construction and the improvement of transformer stations and substations.
 - In November, together with Škoda Auto DigiLab and Israeli company Chakratec PRE inaugurated a super-fast charging station using kinetic flywheel technology in Prague's Letňany.
 - 19 December saw the acquisitions of WINDING WE NORTH a.s. and its subsidiary PRE VTE Částkov, s.r.o.



List of abbreviations

AMM	Advanced metering management
B2B	Big customers
B2C	Small customers
CES PRE	Service Centre (Centrum služeb PRE)
CMS	Compliance Management System
CSMAD	Directive 2014/57/EU of the European Parliament and of the Council on criminal sanctions for market abuse (Market Abuse Directive)
ČEPS	ČEPS, a.s., the operator of the transmission system in the Czech Republic
ČVUT	Czech Technical University in Prague
EEX	European Energy Exchange
EMIR	Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories
EnBW	EnBW Energie Baden-Württemberg AG
EPC	Energy performance contracting
ERÚ	Energy Regulatory Office (Energetický regulační úřad)
eYello	eYello CZ, k.s., a 90% subsidiary of PRE and a 10% subsidiary of PREm
FEL	Faculty of Electrical Engineering of the Czech Technical University in Prague
Frontier	FRONTIER TECHNOLOGIES, s.r.o., a 100% subsidiary of PREm
FVE	Photovoltaic power plant
GDP	Gross domestic product
GDPR	Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation)
GWh	Gigawatt hour
HV	high voltage
IFA	intangible fixed assets
Kormak	KORMAK Praha a.s., a 100% subsidiary of PRE
kV	Kilovolt
kWp	Kilowatt-peak
LV	low voltage
MAR	Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU
MiFIR	Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments and amending Regulation (EU) No 648/2012
MO	Retail
MV	Medium voltage
MW	Megawatt
MWh	Megawatt hour
MWp	Megawatt-peak

OHS	Occupational health and safety
OSEP	Occupational safety and environmental protection
OTC	Over the counter
OTE	OTE, a.s., the electricity and gas market operator in the Czech Republic
PP	Pražská plynárenská, a.s.
PRE	Pražská energetika, a.s.
PREdi	PREdistribuce, a.s., a 100% subsidiary of PRE
PREH	Pražská energetika Holding a.s.
PREm	PREměření, a.s., a 100% subsidiary of PRE
PREnetcom	PREnetcom, a.s., a 100% subsidiary of PREdi
PREs	PREservisní, s.r.o., a 100% subsidiary of PRE
PREzak	PREzákaznická, a.s., a 100% subsidiary of PRE
PRE FVE Světlík	PRE FVE Světlík, s. r. o., a 100% subsidiary of PREm
PRE VTE Částkov	PRE VTE Částkov, s. r. o., a 100% subsidiary
REMIT	Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency
RES	renewable energy sources
SG	SG ready, smart transformer station
Solarinvest	SOLARINVEST – GREEN ENERGY, s.r.o., a 100% subsidiary of PREm
TFA	tangible fixed assets
TWh	Terawatt hour
Voltcom	VOLTCOM, spol. s.r.o., a 100% subsidiary of PRE
Winding	WINDING WE NORTH a.s., a 100% subsidiary of PREm



Contact information

	Address	Postal code	Telephone
Pražská energetika, a.s. ID No.: 60193913 Press relations	Na Hroudě 1492/4, Prague www.pre.cz e-mail: pre@pre.cz Prague 10, Na Hroudě 1492/4	100 05 100 05	800 550 055 For calls from abroad: +420 267 055 555 +420 267 051 102
PREdistribuce, a.s. ID No.: 27376516 Emergency line	Prague 5, Svornosti 3199/19a www.predistribuce.cz e-mail: distribuce@predistribuce.cz Prague 2, Kateřinská 1528/9 e-mail: poruchy@predistribuce.cz	150 00 120 00	800 550 055 For calls from abroad: +420 267 055 555 Emergency line 800 823 823
PREzákaznická, a.s. ID No.: 06532438 PRE Costumer Centre PRE Call Centre	Prague 10, Na Hroudě 1492/4 www.prezakaznicka.cz e-mail: pre@pre.cz Prague 1, Jungmannova 36/31 Prague 4, Vladimírova 64/18 Prague 10, Kubánské náměstí 1391/11	100 05 110 00 140 00 100 00	800 550 055 For calls from abroad: +420 267 055 555 800 550 055
PREměření, a.s. ID No.: 25677063 Emergency line PRE Costumer Centre PREmobilita Orders of energy services	Prague 10, Na Hroudě 2149/19 www.premereni.cz e-mail: mereni@pre.cz For PRE customers in case of main circuit-breaker failures: www.premereni.cz/opravy Prague 1, Jungmannova 747/28 e-mail: centrum.sluzeb@pre.cz e-mail: premobilita@pre.cz e-mail: servis.prem@pre.cz	100 05 110 00	800 550 055 For calls from abroad: +420 267 055 555 +420 733 143 143
eYello CZ, k.s. ID No.: 25054040	Prague 10, Kubánské náměstí 1391/11 www.yello.cz e-mail: yello@yello.cz	100 00	+420 267 056 704
PREservisní, s.r.o. ID No.: 02065801	Prague 10, Na Hroudě 1492/4 www.preservisni.cz e-mail: pre@pre.cz	100 05	800 550 055 For calls from abroad: +420 267 055 555

	Address	Postal code	Telephone
KORMAK Praha a.s. ID No.: 48592307	Prague 10, K Sokolovně 667 www.kormak.cz e-mail: kormak@kormak.cz	104 00	+420 267 051 301
VOLTCOM, spol. s r.o. ID No.: 44794274	Prague 6, Otevřená 1092/2 www.voltcom.cz e-mail: voltcom@voltcom.cz	169 00	+420 267 052 547
PREnetcom, a.s. ID No.: 06714366	Prague 10, Na Hroudě 1492/4 www.prenetcom.cz e-mail: pre@pre.cz	100 05	800 550 055 For calls from abroad: +420 267 055 555
FRONTIER TECHNOLOGIES, s.r.o. ID No.: 27234835	Prague 10, Na Hroudě 2149/19 www.frontier-technologies.eu e-mail: info@frontier-technologies.eu	100 05	+420 277 002 333
224 SOLARINVEST - GREEN ENERGY, s.r.o. ID No.: 28923405	Prague 10, Na Hroudě 2149/19 www.solarinvest.cz e-mail: info@solarinvest.cz	100 05	+420 321 677 966
PRE FVE Světlík, s.r.o. ID No.: 28080378	Prague 10, Na Hroudě 2149/19 www.premereni.cz e-mail: mereni@pre.cz	100 05	800 550 055 For calls from abroad: +420 267 055 555
WINDING WE NORTH a.s. ID No.: 27831248	Prague 10, Na Hroudě 2149/19 www.premereni.cz e-mail: mereni@pre.cz	100 05	800 550 055 For calls from abroad: +420 267 055 555
PRE VTE Částkov, s.r.o. ID No.: 27966216	Prague 10, Na Hroudě 2149/19 www.premereni.cz e-mail: mereni@pre.cz	100 05	800 550 055 For calls from abroad: +420 267 055 555