PRE Group

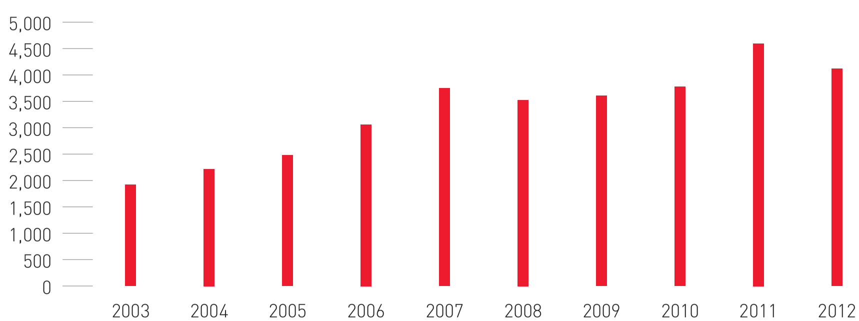
ANNUAL REPORT 2012

WE ARE
ENERGY
OF THIS
CITY

Selected Financial Indicators from the Consolidated Financial Statements

	Unit	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Total assets	MCZK	20,076	20,019	18,395	19,441	18,296	15,222	13,680	12,635	12,233	11,208
Fixed assets	MCZK	17,982	17,190	16,043	14,934	13,935	12,995	12,257	11,764	11,330	10,022
of which: tangible fixed assets	MCZK	17,750	16,929	15,806	14,700	13,703	12,698	12,085	11,569	11,120	9,809
of which: assets for distribution	MCZK	15,755	14,864	13,878	12,877	11,864	10,933	10,248	9,800	9,800	9,800
Depreciation of tangible and intangible fixed assets	%	39	40	39	40	40	41	41	41	40	38
Current assets	MCZK	2,094	2,829	2,353	4,507	4,361	2,227	1,423	871	903	1,186
Total liabilities	MCZK	20,076	20,019	18,395	19,441	18,296	15,222	13,680	12,635	12,233	11,208
Equity	MCZK	12,760	12,533	11,520	11,415	11,807	11,556	10,584	9,755	9,303	8,409
Share capital	MCZK	3,869	3,869	3,869	3,869	3,869	3,869	3,869	3,869	3,869	3,869
Long-term liabilities	MCZK	4,472	1,877	3,159	4,234	2,985	1,589	1,683	1,653	1,587	1,276
Short-term liabilities	MCZK	2,844	5,609	3,717	3,792	3,504	2,077	1,413	1,228	1,343	1,523
Total income (without turnover of fin. operations)	MCZK	20,934	20,789	20,289	20,761	19,062	16,728	14,158	12,267	11,188	10,342
of which: income from electricity and gas sold	MCZK	20,557	20,469	19,984	20,366	18,879	16,533	13,947	12,141	11,009	10,025
Total costs (without turnover of fin. operations)	MCZK	(17,806)	(17,165)	(17,422)	(17,980)	(16,273)	(13,780)	(11,823)	(10,666)	(9,883)	(8,986)
of which: costs of electricity sold	MCZK	(14,502)	(14,210)	(14,401)	(15,164)	(13,677)	(11,108)	(9,352)	(8,160)	(7,237)	(6,380)
of which: depreciation of tangible and intangible assets	MCZK	(989)	(904)	(862)	(811)	(740)	(740)	(688)	(834)	(877)	(611)
Net cash flow from investment activity	MCZK	(1,963)	(1,866)	(1,894)	(1,849)	(1,764)	(1,376	(1,255)	(1,434)	(1,503)	(878)
Profit from ordinary activity before tax	MCZK	3,035	3,578	2,791	2,682	2,730	2,978	2,336	1,586	1,287	1,243
Profit from ordinary activity after tax	MCZK	2,443	2,881	2,246	2,144	2,170	2,457	1,693	1,198	1,027	979
Net profit per share	CZK	631	745	580	554	561	635	438	304	254	242
EBIT	MCZK	3,103	3,663	2,880	2,781	2,757	2,993	2,352	1,608	1,303	1,270
EBITDA	MCZK	4,092	4,567	3,742	3,591	3,497	3,732	3,040	2,442	2,180	1,881

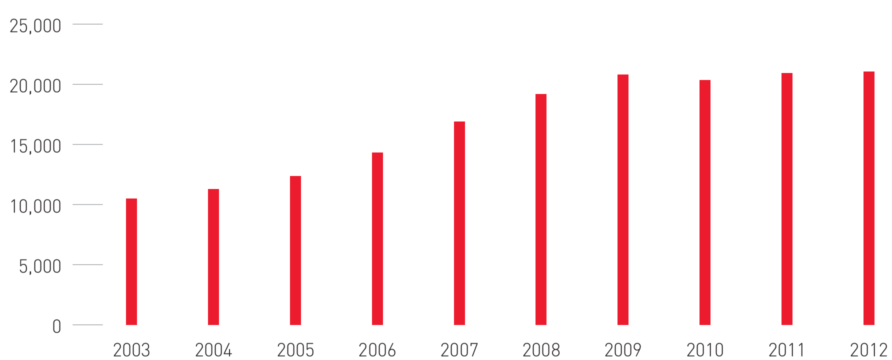
EBITDA



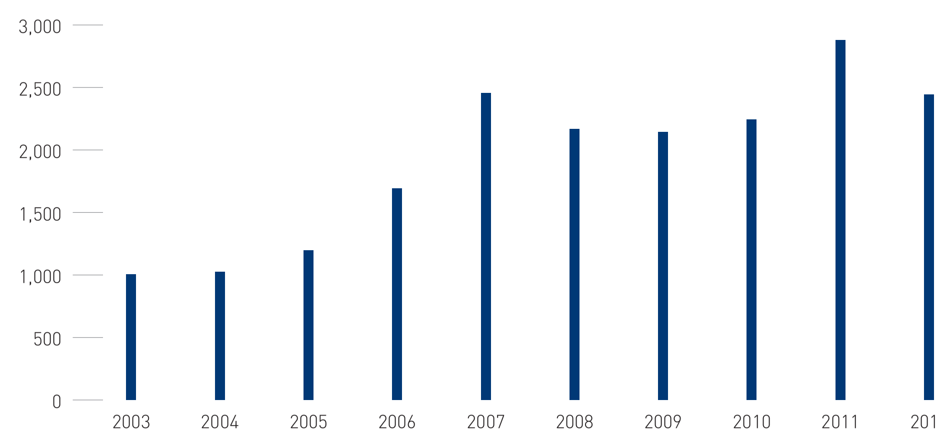
Other indicators

	Unit	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Gross distributed electricity	GWh	6,278	6,311	6,450	6,339	6,373	6,172	6,085	5,842	5,667	5,500
Total active power costs	GWh	6,289	6,621	6,828	6,686	6,846	6,608	6,395	6,028	5,813	5,479
of which: compulsory purchase	GWh	0	0	0	0	0	32	29	57	251	207
Number of consumption points as at 31.12.	number	688,349	687,601	721,681	744,539	728,235	721,740	716,541	703,499	697,143	688,498
of which: large customers	number	2,242	2,190	2,202	2,221	2,184	2,108	2,139	1,997	1,924	1,859
retail small businesses	number	134,862	134,643	132,099	141,980	136,916	135,455	135,566	130,804	128,347	125,579
retail households	number	551,245	550,768	587,380	600,338	591,400	584,177	578,836	570,698	566,872	561,060
Total length of networks	km	11,921	11,901	11,781	11,679	11,552	11,544	11,229	11,229	11,197	11,180
of which: VHV	km	206	202	202	202	206	196	196	196	196	194
HV	km	3,865	3,863	3,829	3,780	3,701	3,670	3,476	3,556	3,581	3,633
LV	km	7,850	7,836	7,750	7,693	7,645	7,678	7,557	7,477	7,420	7,354
Average recalculated number of the Group employees (consolidated)	persons	1,375	1,338	1,314	1,332	1,338	1,391	1,392	1,398	1,440	1,456

Total Revenues – PRE Group (CZK mil.)



Profit after Tax IFRS – PRE Group (CZK mil.)



PRE Group

- is a stable and prosperous entrepreneurial group with a longstanding tradition,
- ensures reliable, ecological and innovative supplies of energy and energy services throughout the Czech Republic while focusing on the Capital City of Prague,
- is a reliable distributor for its licensed territory,
- by using the latest technologies and procedures it fully meets the requirements and expectations of its customers,
- its strategic orientation fully responds to the present challenges of the energy market, responds to its liberalisation, increased competition and price fluctuations.

PRE Group Mission is to be a reliable partner of its customers, and a Company that is socially responsible and thus support its relation to customers and key partners.

PRE Group Strategic Vision is to be a strong energy Company which ensures sustainable, reliable, ecological and innovative supply of energy and energy services throughout the Czech Republic while focusing on the Capital City of Prague and its vicinity; a Company that is economically and socially responsible to shareholders, citizens, customers and employees.

PRE Group Strategy is the constant sustainable growth of the value of the PRE Group which will be a reliable partner of its customers, a leader of innovations and a socially responsible energy Group. The fundamental segments of the strategy are Distribution, Trading in Electricity and Gas Sales, Electricity Production and Energy Services.

Contents

Changes which have occurred since the end of the accounting period (31.12.2012) to the deadline for the issue of this Annual Report (15.5.2013) are marked in ***bold italics.***

Introduction

PRE Group

The PRE Group consists of the parent company and three further subsidiaries – controlled entities. All three 100% subsidiaries are included in the consolidated accounting unit by the full method drawn up according to IFRS. The term PRE Group began to be applied in connection with the preparation to detach the distribution system operator and form a separate 100% subsidiary as of 1.1.2006. One of the main reasons for creating an integrated Group of several entities interlinked by capital and the organisation structure is (with the appropriate coordination, quality management, application of various synergic effects, capital power, respect for the law laying down the independence of the distribution system operator and so on) above all to achieve greater competitiveness. Externally the PRE Group displays its unity by a unified external graphic style and common logotype.

Below stated entities are members of the PRE Group:

- **Pražská energetika, a.s. (PRE)** – line of business, see a separate chapter,
  ID No.: 60193913, Prague 10,
  Na Hroudě 1492/4,
  tel.: 840 550 055, 267 051 11, 267 055 555,
  Internet: www.pre.cz, e-mail: pre@pre.cz,

- **PREdistribuce, a.s. (PREdi)** – electricity distribution on the territory of Prague and Roztoky u Prahy; 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,
  tel.: 840 550 055, 267 051 111,
  fax.: 267 310 817,
  Internet: www.pre.cz, e-mail: distribuce@pre.cz, pre@pre.cz,

- **PREměření, a.s. (PREm)** – repairs, installations and meter readings on the PRE supplied territory, electricity generation, commercial activities related to connection and repair or modification of a new or existing consumption point, services in the field of FVE servicing, thermovision measuring of heat leakage from buildings etc.,
  ID No.: 25677063,
  Prague 10, Na Hroudě 2149/19,
  tel.: 840 550 055, 267 051 111,
  fax: 267 052 263,
  Internet: www.pre.cz, www.premereni.cz, e-mail: mereni@pre.cz,

- **PREleas, a.s. (until 19.10.)** – leasing operations for the PRE Group members
  eYello CZ, a.s. (from 19.10.) – trading in electricity, gas, generation, trade and services not stated in Annexes No. 1 to 3 to the Trade Licensing Act,
  ID No.: 25054040,
  Prague 10, Limuzská 2110/8,
  tel.: 840 555 777,
  Internet: www.yello.cz.

PRE with its approx. 690,000 consumption points is the third largest electricity supplier in the Czech Republic. Currently it employs about 1,375 employees; in 2012 it supplied to its customers approx. 6.3 TWh of electricity on all voltage levels and achieved a total consolidated profit in the amount of 2.44 billion CZK.

Among the PRE Group's main activities belongs the sales, trading in electricity and gas on the whole territory of the Czech Republic, electricity distribution, its generation and complementary energy services. The PRE Group's profile is presented as a reliable provider of a broad spectrum of services allowing it to fulfil its strategic vision of being a strong and important energy Group.

PRE Group Profile

Basic data on the PRE Group

Licence for trading in electricity - Pražská energetika, a.s.:
No. 140605073 (in force from 17.1.2007 to 16.1.2012; extended until 16.1.2017)

Licence for electricity distribution - PREdistribuce, a.s.:
No. 120504769 (in force from 1.1.2006 to 1.1.2031)

Licence for electricity generation - PREměření, a.s.:
No. 111013948 (in force from 14.12.2010 to 17.5.2035)

Licence for gas sales - Pražská energetika, a.s.:
No. 241018343 (in force from 2011 to 31.12.2016)

Licence for trading in electricity - eYello CZ, a.s.:
No. 141222044 (in force from 27.9.2012 to 26.9.2017)

Licence for gas sales - eYello CZ, a.s.:
No. 241222040 (in force from 27.9.2012 to 26.9.2017)

Surface extent of the distribution licensed area of Prague including Roztoky:	**cca 505 km^2**
Number of inhabitants in Prague area:	**1,300,000 persons**
Average number of inhabitants per km^2:	**2,574 persons**

The PRE Group has a rich tradition dating back over one hundred years. On 1 September 1897 Elektrické podniky královského hlavního města Prahy (Electrical Works of the Royal Capital City of Prague) was established, a Company which PRE considers to be its legal predecessor. At that time, this Company provided all the electricity production for the capital city, including construction, maintenance and operation of all electric tram routes, electric lighting in the streets and at home and, of course, electric power distribution to large industrial companies, small businesses and households.

During the first half of last century the company underwent several reorganizations and restructuring, survived two world wars, the socialist management era and in 1990 Pražské energetické závody became an independent state-owned company. On 1 January 1994 the joint stock company Pražská energetika, a.s. was established in its current form.

Members of the PRE Group are, except for PRE, three 100% subsidiaries - PREdistribuce, a.s., PREměření, a.s. and PREleas, a.s. or from 19 October subsidiary eYello CZ, a.s. The PRE Group is a power Group operating on the whole territory of the Czech Republic. The main priority of the management and all PRE Group employees is to build a modern commercially oriented power Group that is capable of flexibly adapting itself to the changing requirements of its customers. The main objective for all employees is to constantly increase the Company value for the shareholders, to obtain the position of the innovative leader on the energy market, to improve the quality of all services provided in the energy sector and their innovative development, permanent improvement of economic indicators, achieving economic results required by shareholders.

It is necessary to encourage above all the independence and responsibility of employees in the sphere of services development. It is totally implicit that the Employee Code of Ethics, which applies to all employees of the PRE Group, and the Ethics Code of Business Conduct must be observed.

During the past several years the energy market was significantly changed and that caused the need for radical changes in all areas of the PRE Group's activities. The earlier focus only on the electricity distribution and trading segments with the supporting role of energy services will be developed into a business model which is based on four segments:

- Distribution,
- Trading,
- Generation,
- Energy services.

The PRE Group's new strategic focus complies with the current challenges on the energy market.

Main Events of the Year

January
- in order to optimise the branches of the Customer Centre, it was decided to close the "Balabenka" branch in Ocelářská street; all its staff was transferred to the Adria I. – III. groups,
- new acquisition – purchase of the photovoltaic power station FVE Hořovice (business venture of SUNLIFE PRO, s.r.o.) with an installed capacity of 1 MWp,
- annual meeting of PREdi representatives with contractors selected from the Register of Partners – approx. 50 partnership units,

February
- 3rd anniversary of the re-opening of the Technical and Documentary Museum of Prague power supply in its new premises in the Holešovice substation,
- within the development of PREm newly introduced activities a new product "Servis FVE" was put on the market. It offers complete servicing of FVE to parties interested in it,
- kick-off meeting of the SCADA project (new strategic complex dispatch system for PREdi grid),

March
- based on the results of the competition for the most admired economic unit in the Czech Republic organised by the CZECH TOP 100 association, the PRE Group came fourth in the ranking of the category of "Electricity Generation and Distribution",
- start of work on the most important PREdi investment project in 2012 – the renovation of Lhotka transformer station,
- recertification of ISO 14001 – EMS completed,

April
- Vladimír Schmalz, Monika Krobová Hášová and Michal Štěpán became new members of the Supervisory Board,
- ordinary General Meeting of the parent company – detailed information is stated in a chapter entitled "Information from General Meetings held in 2012",
- General Meetings of the 100% subsidiaries – all showed an economic profit in 2011,

May
- seventh annual conference "Energy Day" attended by more than 200 B2B segment customers,
- Zdeněk Hrubý and Bohumil Poláček became new members of the PRE Board of Directors,

June
- Technical and Documentary Museum of Prague power supply was included for the fourth time in the "Prague Museum Night" Project, it was visited by 527 people interested in sightseeing,
- last meeting of the Steering Committee, project management and managers of individual subprojects of the MOST Project which has taken place in the PRE Group since 2010,

July
- the PRE electric bike rent service called "PREkolo" put into full operation in CEP PRE premises,

August
- third anniversary of the opening of the Centrum energetického poradenství PRE (CEP PRE)/PRE Energy Advisory Centre in the street Jungmannova 29,

September
- massive autumn sales campaign "Prémiový podzim PRE"(PRE Premium Autumn) launched,
- collective bargaining for future two years started,

October
- PRE Board of Directors approved the change of line of business and renaming the 100% subsidiary PREleas, a.s. to eYello CZ, a.s.; the change of company name was entered in the Commercial Register on 19 October,

November
- sales of electricity under the Yello Energy brand name launched ***(from the beginning of 2013 also sales of gas)***,
- first phase of the reconstruction of Lhotka distribution station completed,

December
- Collective Agreement for 2013–2015 concluded,
- completion of Slávia tunnel connecting R Bohdalec with the future encapsulated ČD (České dráhy) distribution station.

“BRIDGE” Project

Searching for synergies and subsequent savings was the main objective of the BRIDGE/MOST Project. A total of eight subteams attempted to find potential synergic effects among the companies EnBW and PRE.

Tomáš Gleich
Head of the Grid Operation Section, PREdi

Can you explain what the BRIDGE Project was about?

The part that I was responsible for focused on mutual cooperation and exchange of experiences between the companies EnBW Regional AG Stuttgart and PREdistribuce, a.s. Our task was to find the synergic effects in the distribution of electricity which are in the scope of PREdistribuce, a.s. in Prague and of the distributor in the city of Stuttgart, i.e EnBW Regional AG Stuttgart. Our task was to calculate the synergies that offered potential savings.

What area of synergies was this exactly?

Such as what elements do we use in the distribution grid, in what way do we select them, purchase, maintenance and replacement, how we develop and operate the grid, how we control it or what is the difference between the regulatory policy in the Czech Republic and in Germany.

And what was the course of the project?

A total of eight subteams worked on the project, and our team was called Distribution and had two leaders, one for PRE and one for EnBW. The relevant subteams from the Czech Republic and Germany communicated with each other by e-mail, they also visited each other “on trial” and the output of their cooperation is a set of savings measures. For example there will be a saving in synergy in the WFM system which we adopted from the German partner so during its implementation we could avoid any installation errors. Another saving is the joint purchase of some grid elements when larger purchases will bring lower prices. We also obtained a free ASP network planning system from the German side.

Board of Directors' Report on Business Activities and Assets

PRE Group

The PRE Group consists of the parent Company Pražská energetika, a.s. and three 100% subsidiaries. The parent Company, which is the holder of the electricity and gas trading licence, ensures the purchase and sales of electricity and the administrative corporate services for all the members of the PRE Group.

The most important subsidiary is PREdistribuce, a.s. – the holder of the electricity distribution licence for the territory of the Capital City and Roztoky u Prahy.

The subsidiary PREměření, a.s. provides services in metering, i.e. purchase, calibration, meter installation and their regular readings (gas and heat). The company also generates electricity from renewable sources (is the holder of generation licence) and as of 2011 also offers so called new services which it gradually expands, such as consumption equipment service, installation work on consumption equipment, photovoltaic power stations service, thermovision measuring of heat leakage from buildings, etc.

The final subsidiary PREleas, a.s. was providing intercompany leasing services. As of October, this subsidiary was renamed to eYello CZ, a.s.; the line of business activity was complemented or expanded to trading in electricity and gas. eYello CZ, a.s. offers the sales of electricity and gas primarily to domestic and small business customers outside Prague through the new brand YELLO ENERGY.

Pražská energetika, a.s., including its legal predecessors, has existed for 115 years now. The joint stock company was established in its present form by the transformation of the state enterprise of the same name in 1994.

Macroeconomic Preconditions in 2012

Macroeconomic preconditions have an important impact on the overall demand for electricity. The expected improvement of the Czech Republic's macroeconomic indicators which were to come about in 2012, and were to continue on from the positive economic results of 2011, did not occur. The trend of the Czech economy copied the global trend within the EU connected with stagnation, lack of demand and uncertainty on the monetary markets, etc. The political and economic uncertainty caused above all by the government coalition's being unable to agree about VAT when virtually right up to the end of the year it was not known which option it would approve, contributed in part to the uncertain prospects for the next year.

Economic Results of 2012

The PRE Group achieved a net consolidated profit in 2012 of MCZK 2,443, thereby exceeding the planned profit making by 6.3%. This is one of the best result in PRE's history which confirms keeping of the Group's high standard of performance. The earnings before interest and taxes, depreciation and amortisation (EBITDA) for 2012 were MCZK 4,092. This result was achieved by a satisfactory trend in sales margins and cost savings.

The total gross margin for 2012 exceeded the value of BCZK 6. The electricity supply margin throughout the Czech Republic for 2012 was BCZK 1.6, the margin reached BCZK 4.4 in distribution services across the territory of Prague.

There was a year-on-year fall in the volume of supplies, above all due to the general economic stagnation, the weather, as well as constant tough competition. Supplies to PRE customers throughout the Czech Republic in 2012 reached 6.1 TWh and distribution to the licensed territory 6.3 TWh.

A highly positive fact is that savings in operating expenses of MCZK 77 as opposed to the 2012 plan for the costs of purchased services and materials, i.e. expenditure of supplies and services from external companies, also significantly contributed to the improvement of overall performance.

Other earnings and losses are an item of the profit and loss statement which had a significant year-on-year impact on PRE's achieved profit. Usually this concerns a negative balance of about MCZK 100 (in 2012 this was – MCZK 112) which consists of irrecoverable debts and additions to reserves. However, in 2011 the result was a positive balance, especially thanks to the accounting of reserves (MCZK 221) for the legal dispute with ČEZ, a.s. dating back to 2001 and thanks to the sales of unused distribution assets.

Investment expenditures for 2012 totalled MCZK 1,818; the value of fixed assets in 2012 increased by 5% above all due to investments in distribution assets – the biggest projects in this area were investments in 110/22 kV substations. Therefore the Group's long-term consolidated assets increased from the start of the year by MCZK 792 above all due to the construction and modernisation of the distribution grids in the Capital City of Prague.

No major variances were recorded in other assets and payables. The exception being the values of short-term receivables and payables where there was a year-on-year movement which, however, has no impact on operating profit (EBIT) because this appears on closed positions in trading due to revaluation of commodity derivatives. In debt financing the short-term debt of 2011 in the form of short-term bank loans was replaced by long-term bank loans which will strengthen the Company's financial stability.

The share of equity in the total balance is kept at a stable level of approx. 63%. In 2012 an 18% return on capital employed (ROCE) was achieved which corresponds to the Company's long-term objectives.

Trading

The prices of active power were falling on the Prague Power Exchange throughout 2012; however, despite this fact, the price level for end customers rose and this trend continued in early 2013. The main cause of this fact was the increase in the contribution to renewable energy sources and the change in the VAT rate.

In 2012 the diversification was maintained of electricity suppliers for PRE and there were no greater changes in the shares of individual suppliers in the overall amount of acquired electricity. Among the biggest suppliers was ČEZ, a.s., Alpiq Energy SE and E.ON Energy Trading SE.

A fundamental impact on the trend in the price of electricity in 2012 was the increase of generation from renewable sources throughout Europe. This fact together with the economic trend in the EU had an impact on the fall of the prices of CO_2 allowances. Due to low or even negative spread virtually no more gas power plants could be enforced on the market.

The price-fixing market in Germany continues to set the trend of the wholesale electricity market in the Czech Republic. Trading in the Czech Republic mainly took place via brokers and partly on the PXE power exchange where, however, the traded volume was markedly lower than in the previous year. The total volume of traded electricity on markets in the Czech Republic achieved about the same level as in 2011, thanks to the increase in the volume of transactions on the spot market.

In 2012 the end market with electricity and gas developed dynamically. According to the data of OTE, (Electricity Market Operator), about 820,000 customers switched to a different electricity and gas supplier; of this electricity about 473,000 (an increase by 25,000 compared to 2011) and gas 347,000 (by 14,000 less than in 2011). The biggest section of customers who switched to a different supplier was households (for electricity this was over 80%). The switch to a different supplier was a welcomed and extended means by which to optimise the expenditures of households, businesses and industrial enterprises.

2012 was a year marked by a characteristically constant price fall in the sales of electricity to B2B segment customers and the corresponding delaying tactics of customers for organising tender proceedings. There was a significant increase in the complexity of commercial dealing – customers recognised the risks associated with the choice of the date for buying electricity and often chose the partial electricity buying model. In addition, the fluctuation of the price of electricity on the power exchange left customers discouraged about concluding several year contracts. The electronic auctions push up the price, as the sole parameter of tender proceedings and wipe out the difference between individual competitors. As at 31 December 2012 PRE had concluded contracts of about 98% of the planned amount for 2013 and 32% for 2014.

In the B2C segment the retention and reacquisition activities in 2012 managed significantly to lower the churn of customers compared to the previous year. The total number of consumption points in the B2C segment was about 700 at the end of 2012 beyond the number at the end of 2011.

The competing/alternative electricity dealers during the year gradually changed their sales strategy. While in previous years potential customers were contacted especially in the form of door-to-door sales, in the course of 2012 this method of selling evidently exhausted its options. Many end customers have already discovered that lack of trust in this method of sales is justified. Smaller and medium-sized traders gradually disappeared from the market realising that the achieved sales margin is not profitable for them; some of these companies merged or were sold.

In November the sales of electricity began under the Yello Energy brand above all to B2C segment customers outside Prague. The offer of all traditional and special products of Pražská energetika, a.s., above all for customers of the Capital City of Prague supported by an extensive range of services, rich service and many benefits, was obviously preserved and will continue to develop.

The activity of the PRE Energy Advisory Centre in Jungmannova Street can be assessed as being extraordinarily successful which, thanks to the attractive subjects of the specialised exhibitions, lectures and cultural activities, is seeing an annual rise in visitors. The Company is also the leader of the E-mobility Project in the Capital City (in cooperation with Prague City Hall) and provides an ebike rental service in Jungmannova street at reduced prices to PRE customers.

In 2012 the Company made its first natural gas supplies to B2B customers. The supply of natural gas in 2012 was about 45 GWh. The state of contracting for supply in 2013 at 31 December 2012 was about 75 GWh to 35 consumption points.

PREdistribuce, a.s.

This is the most important subsidiary which completed the seventh year of its independent existence in 2012. The Company created a net economic income after tax of about MCZK 993. The earnings before interest and taxes, depreciation and amortisation (EBITDA) came to the value of MCZK 2,616.

The distribution system consists of a system of 110 kV outdoor and cable lines of 206 km in length, 22 kV lines (3,865 km) and 0.4 kV lines (7,850 km), 110/22 kV (24) transformer substations and 22/0.4 kV (4,833) grid transformer stations. As a holder of a distribution licence PREdi ensures the grid assets administration, grid operation management, handles faults including planned repairs and maintenance work, plans the development and renovation of distribution equipment, connection of new customers, measuring of supplied electricity at VHV and HV level and delivers data for the billing of distribution services and supplies to the OTE, a.s. system.

There were no system faults or significant outages of electricity supply last year in the distribution grid on the licensed territory of Prague and Roztoky u Prahy. The grid worked reliably throughout the year; the standards of quality were met and in terms of the standard of its services PREdistribuce, a.s. was the most reliable distributor of electricity in the Czech Republic. Throughout the year no system fault was recorded in the subsidiary's distribution grids which could be caused by the lack of care for the grid and its elements. The operating results of the entire distribution system confirmed the trend in the reduction of the failure rate of distribution in the Capital City.

PREměření, a.s.

In 2012 the subsidiary created net income after tax of MCZK 33. EBITDA reached the value of MCZK 64.

The main line of activity of the subsidiary remained and continued to be services for the affiliated company PREdistribuce, a.s. in the purchase and installation of electric meters and their calibration as well as a meter reading service. The company continued to provide this service to its long-term partners which are Pražská plynárenská distribuce, a.s. and Pražská teplárenská, a.s.

The company began acquiring a clearer profile in services for external subjects. Thanks to the latest technologies and various types of metering it can minimise electricity costs and check the technical condition of energy equipment and analyse the options of energy savings for the customers. For example, it offers to draw up a Diagram Service (Consumption Diagram Analysis), Review Service (complete care for the TS) and Consumption Service (optimisation of the consumption point), a Thermovision Service and so on.

A considerable part of the profit comes from the generation of electricity from renewable sources owned by the company. Earnings from the generation of electricity achieved the value of MCZK 28.

PREleas, a.s. or eYello CZ, a.s.

The subsidiary PREleas, a.s. which, throughout its existence, was engaged solely in performing leasing operations for members of the PRE Group, was renamed at the end of the year and the line of its business activity was fundamentally complemented.

At the end of the year the sales of electricity and gas was launched under the Yello Energy brand above all to domestic and small business customers outside Prague. This brand is aimed at customers who look for simplicity, transparency and are not afraid to differ. It offers simple products, flexible communication without customer centres, flexible feedback and all at a reasonable and appropriate price.

Yello Energy is based on the experience of Yello Strom GmbH (the subsidiary of EnBW Energie Baden-Württemberg AG) which is with around 1 million customers a successful alternative supplier of electricity and gas in neighbouring Germany.

Shareholders

There was no change to the shareholder structure in 2012.

Expected economic situation in 2013

In the light of the continuing economic recession in Europe the PRE Group wants to continue competing as an important and successful player on the energy market. In view of the fact that currently a significant increase in supplies or margins cannot be realistically expected, PRE will focus on its costs. The PRE Group expects further reductions in operating costs of approx. MCZK 200 annually for the years 2013–2015 compared with previous plans and above all in real estate management, ICT, repairs, consulting services and marketing. Pražská energetika, a.s., expects to maintain the consolidated financial indicators of performance at a stable level even in the years to follow.

Dear shareholders, allow me, on behalf of the Board of Directors, to thank all the customers and employees of the PRE Group, shareholders and suppliers for their trust and cooperation in 2012 and for their contribution to the PRE Group's good results.

Pavel Elis
Chairman of the Board of Directors

Alexander Sloboda
Vice Chairman of the Board of Directors

Statutory Bodies and the PRE Group Management

Board of Directors as at 31.12.2012

Pavel Elis
Chairman | Graduate of the Faculty of Electrical Engineering of the Czech Technical University – FEL in Prague; he has been working in the energy sector since 1989; in 2004 he graduated from Prague International Business School and was awarded a degree of MBA.
Member of PREleas, a.s. Board of Directors, (until 9.10.) | member of PREdistribuce, a.s. Supervisory Board
Date of birth: 24.11.1965
Address: Na Hroudě 1492/4, 100 05 Prague 10

Alexander Sloboda
Vice Chairman | Graduate of Vocational College (Study of Power Technology and Company Economy) | From 1997 at EnBW AG in various managerial positions.
Chairman of PREměření, a.s. Supervisory Board | member of PREdistribuce, a.s. Supervisory Board | member of Pražská energetika Holding a.s. Board of Directors
Date of birth: 14.3.1963
Address: Na Hroudě 1492/4, 100 05 Prague 10

Zdeněk Hrubý
Member (from 22.5.), Vice Chairman (from 14.6.) | Graduate of the Faculty of Electrical Engineering of the Czech Technical University in cybernetics; PhD in economics.
As of 1996 at the Institute of Economic Studies of the Faculty of Social Sciences of Charles University – lecturer and researcher.
Chairman of the Supervisory Board of Elektrownia Skawina S. A. | member of the Board of Directors of the European Investment Fund | member of the Board of Directors of the European Investment Bank | member of the Board of Directors of SEVEn, o.p.s. | Chairman of the Czech Mountaineering Federation | member of the executive committee of the Czech Sports Association.
Date of birth: 9.8.1956
Address: Na Hroudě 1492/4, 100 05 Prague 10

Marcus Bort
Member | Graduate of the University of Mannheim (process engineering).
From 1999 at EnBW AG at different managerial positions in the sphere of energy services, currently Executive Officer and spokesman of the Executive Board of EnBW Energy Solutions GmbH.
Date of birth: 17.7.1965
Address: EnBW AG, Durlacher Allee 93, D-76131 Karlsruhe, Germany

From left

Alexander Sloboda
Aleš Staněk
Milan Hampl
Pavel Elis

Bohumil Poláček
Member (from 3.5.) | Graduate of the Faculty of Law of Charles University, Technical University of Liberec (Economics and Management of Consumer Industries), University of Economics (Business Valuation) and Management Studies at London International Graduate School.
Expert in the field of the appraisal of business, financial, intangible and tangible assets | Arbitrator registered in the list of the Ministry of Justice | university tutor and lecturer.
Executive of Appraising Alpha – znalecký ústav, s.r.o. and Consulting Alpha, s.r.o. | member of the Board of Directors of Home Credit Bank Kazakhstan JSC.
Date of birth: 13.4.1967
Address: Na Hroudě 1492/4, 100 05 Prague 10

Members of the Board of Directors in the course of the year also were:

Milan Jančík (until 21.5.)
Vice Chairman | Graduate of the Law Faculty and Conservatoire, member of the State Opera, private manager.
Date of birth: 24.10.1959
Address: Holečkova 47, 150 00 Prague 5

Marián Čalfa (until 21.4.)
Member | Graduate of Charles University, the Faculty of Law in Prague | long-standing advisor of the Company especially in legal issues related to the legal regulation of Company's activity in the corporate area.
Date of birth: 7.5.1946
Address: Dieselova 250, 109 00 Prague 10

Supervisory Board as at 31.12.2012

Vladimír Schmalz
Member (from 25.4.), Chairman (from 3.5.) | Graduate of the University of Economics in Prague – Faculty of Foreign Relations; member of the Council of the Capital City of Prague | Solotron s.r.o. – executive officer | Glogster, a.s. – member of the Supervisory Board.
Date of birth: 29.12.1966
Address: MHMP, Mariánské náměstí 2, 110 00 Prague 1

Hermann Lüschen
Vice Chairman | Graduate of Faculty of Physics at Kiel University, Germany | From 1982 at EnBW AG, currently acts as Director of the Foreign Participation section.
Membership in Supervisory Boards: Vice Chairman in PREdistribuce, a.s. | Pražská energetika Holding a.s. | ELMÜ Budapesti Elektromos Müvek Rt., Budapest, Hungary | EMASZ Eszak- Magyaroszági Áramszolgaáltató Rt., Miskolc, Hungary
Date of birth: 21.10.1953
Address: EnBW AG, Durlacher Allee 93, D-76131 Karlsruhe, Germany

Dirk Mausbeck (co-opted member)
Co-opted member (from 18.10) | Studied engineering at RWTH Aachen University and economics at the University of Hagen | Doctorate at the Jülich Research Centre, Institute of Energy Processes | From 1999 at EnBW AG, currently member of the Board of Directors and Commercial Director of EnBW AG|
Membership in Supervisory Boards: EnBW Operations GmbH | EnBW Vertrieb GmbH | GasVersorgung Süddeutschland GmbH | EnBW Regional AG | Stadtwerke Düsseldorf AG | ZEAG Energie AG | European Energy Exchange AG.
Date of birth: 14.10.1962
Address: EnBW AG, Durlacher Allee 93, D-76131 Karlsruhe, Germany

Peter Krampf (until 25.3.2013)
Member | Graduate of the University of Bayreuth
From 2005 at EnBW AG | Currently Vice President of corporate development | assistant at the University of Bayreuth.
Membership in Supervisory Boards: KWG EnBW Kraftwerke AG | Borusan EnBW Enerji yatırımları ve Üretim Anonim Şirketi | SWD Stadtwerke Düsseldorf AG | 2011 EHT EnBW Holding A.S. | in March 2013 he left EnBW.
Date of birth: 3.2.1971
Address: EnBW AG, Durlacher Allee 93, D-76131 Karlsruhe, Germany

Drahomír Ruta
Member | Graduate of the Faculty of Electrical Engineering ČVUT – Czech Technical University in Prague, in the energy sector worked from 1970.
From 11/2010 retired.
Date of birth: 12.1.1946
Address: Na Hroudě 1492/4, 100 05 Prague 10

Marc Wolpensinger
Member (from 15. 3. co-opted member, from 25.4. member) | Graduate of the University of Mannheim – Betriebswirtschaftslehre.
From 2005 at EnBW AG, Controlling and Property Participations Section.
Membership in Supervisory Boards: GasVersorgung Süddeutschland GmbH | Terranets bw GmbH | SWD Stadtwerke Düsseldorf AG.
Date of birth: 18.5.1967
Address: EnBW AG, Durlacher Allee 93, D-76131 Karlsruhe, Germany

Monika Krobová Hášová
Member (from 25.4.) | Graduate of the Faculty of Law of Charles University.
As of 1993 an independent lawyer – specialising in all contractual and commercial relations, commercial law, copyright, transfer of real estate, criminal defence.
Member of the Municipal Authority of the Capital City.
Date of birth: 16.1.1963
Address: MHMP, Mariánské náměstí 2, 110 00 Prague 1

Michal Štěpán
Member (from 25.4.) | Graduate of the Faculty of Civil Engineering of the Czech Technical University – Department of Structural and Transportation Engineering.
Member of the Council of the Capital City of Prague.
Vice Chairman of the Board of Directors of MAX stavební, a.s. – economic management | member of the Supervisory Board of Dopravní podnik hl. m. Prahy, akciová společnost.
Date of birth: 18.1.1965
Address: MHMP, Mariánské náměstí 2, 110 00 Prague 1

Eva Čančíková
Member | Graduate of Jan Amos Komenský in Prague | In PRE from 1984; currently Company Executive Office, PR Department.
Date of birth: 7.5.1958
Address: Na Hroudě 1492/4, 100 05 Prague 10

Ondřej Běhal
Member | Graduate of Law Faculty of Masaryk University in Brno | initially a legal trainee and independent lawyer. In PRE from 2003; currently working in the Legal Section, Manager of the General Legal Department.
Date of birth: 14.10.1973
Address: Na Hroudě 1492/4, 100 05 Prague 10

Ivana Grafnetrová
Member | Graduate of the Secondary School of Electrical Engineering in Resslova street in Prague. In PRE from 1984; currently working in the Sales Development Section, methodologist in the Sales Processes Support Department.
Date of birth: 16.1.1952
Address: Na Hroudě 1492/4, 100 05 Prague 10

Irena Potěšilová
Member | Graduate of the University of Economics in Prague.
In PRE from 1999, Methodology and Statistics Department; from 2002 Manager of the Methodology and Taxes Department.
Date of birth: 24.2.1963
Address: Na Hroudě 1492/4, 100 05 Prague 10

Franz Retzer (from 25.3.2013 co-opted member)
Co-opted member | Graduate of Civil Engineering at Technische Universität in Munich | studies of economics at École Nationale des Ponts et Chaussées in Paris | Master of Business Administration at Collége des Ingénieurs in Paris.
Since 2010 Director, responsible for Management and Development of EnBW Grid, Sales and Customer Services.
Date of birth: 20.7.1972
Address: EnBW AG, Durlacher Allee 93, D-76131 Karlsruhe, Germany

Members of the Supervisory Board in the course of the year also were:

Petr Hulinský (until 21.4.)
Chairman | Graduate of the Police Academy of the Czech Republic specializing in corruption and bribery in the field of criminal law.
Date of birth: 25.81967
Address: MHMP, Mariánské náměstí 2, 110 00 Prague 1

Martin Konermann (until 24.2.)
Member | Studied at Aachen University, Germany, he gained his doctorate degree at Erlangen University, Germany.
Date of birth: 27.8.1961
Address: EnBW AG, Durlacher Allee 93, D-76131 Karlsruhe, Germany

Hans-Peter Villis (until 17.10.)
Member | Chairman of the Board of Directors and Director of EnBW AG (until 1.10.).
Date of birth: 6.7.1958
Address: EnBW AG, Durlacher Allee 93, D-76131 Karlsruhe, Germany

Martin Langmajer (until 25.4.)
Member | Three years of studies at the Czech Technical University, Faculty of Mechanical Engineering, two years at the Faculty of Civil Engineering; graduate of the Finance and Administration University, o.p.s. – Economy of Public Administration.
Date of birth: 20.12.1964
Address: Tichonická 1017/30, 104 00 Prague 10

Petr Dolínek (until 25.4.)
Member | Two years at the Faculty of Humanities; than three years of studies at FF UK – Politology.
Date of birth: 27.3.1981
Address: MHMP, Mariánské náměstí 2, 110 00 Prague 1

Top management of the parent company as at 31.12.2012

Pavel Elis
Chief Executive Officer

Alexander Sloboda
Commercial Director

Directors of 100% subsidiaries as at 31.12.2012

Milan Hampl
PREdistribuce, a.s.

Aleš Staněk
PREměření, a.s.

Jaroslav Oliva
PREleas, a.s.(until 19.10.)

Michal Kulig[1]
eYello CZ a.s.

[1] proxy (from 19.10.)

“Additional Services” Project

Pražská energetika, a.s. has reached the conclusion that as well as electricity trading and distribution, it also needs to offer other services to its customers. Just as you can also buy coffee at a petrol pump station PRE now offers its customers something extra. The Metering Section provides an expanding range of additional services in return for a payment.

Martin Schneider
Head of the Metering Section, PREm

What does the term additional services mean?

The “PRE Group” has always focused only on the sales and distribution of electricity. But a few years ago German companies, such as our shareholder EnBW, as well as our rivals, realised that they also need to offer further services alongside the basic range, just as petrol stations offer coffee and refreshments as well as petrol, for example. Our additional services are analogies.

So what is the “coffee” that PREměření offers?

For example – when a customer builds a family house, he must build a consumption point at his own costs where there is an electricity meter and connect it to his own installation. We offer to prepare the consumption point, install the electricity meter and conclude an energy supply contract with the customer in one visit. It is comfortable, but a paid service because it is not part of the distribution service. We also offer an inspection of transformer stations. In Prague there are about 3,500 (owned by PREdi), but also a further approx. 1,000 owned by consumers, but we cannot care for them just as for the wiring in prefabricated buildings.

And other options?

In cooperation with our advisory centre we offer the installation of storage heaters or boilers. The customer buys the device in PRE Energy Advisory Centre for a good price and we provide the installation. We can also use thermal vision to measure heat loss in homes and industrial buildings which we do at a lower price than our rivals. Another additional service is the construction of a turnkey photovoltaic plant for family homes.

Risk Management System in the PRE Group

Risk management is established in all the companies of the PRE Group as a uniform process based on a shared methodical framework.

The most important body in the risk management system is the Risk Management Committee which discusses the most important risks in detail. Later, on the basis of the Summarised Consolidated Risk Management Report with regard to the Group's main risk exposures it determines the risk management strategy in view of the Group's main risk exposures. The committee approves the structure of the limits for the management of partial risks and continually monitors the overall impact of risks on the management of the PRE Group.

The main objective of the risk management system is to increase the value of the companies of the PRE Group when undertaking only acceptable risks. Among its further functions is to ensure the early warning function and evaluation of the effectiveness of remedial measures. The focal point of interest is the main monitored risks which, according to the evaluation, represent the potentially biggest threat. There are continuous efforts to identify all current risks that are concentrated in a list of risks.

The monitored risks are evaluated in terms of the expected level of impact and expected probability in at least three scenarios to ensure their comparability. Further specific indicators are applied for the purpose of the quantification of financial and market risks such as Value at Risk, Cash Flow at Risk and so on, maximum impending losses and the like. Binding limits are set for selected indicators.

The processes of the identification, analysis, measurement, monitoring and reporting of individual risks are part of the basic components of the risk management process.

Risks are systematically monitored in the market, credit, legislative – regulatory and operational risk categories as well as in a category of other risks:

- market risks are concentrated mostly on trading in electricity and securing the exchange rate,
- credit risks of trading partners on the wholesale market are managed on the basis of limits according to the evaluation of the credit history of the respective counterparty. The credit risks of end customers are regulated by payment terms,
- legislative – regulatory risks have the strongest effect on a Company's activities; in the mid-term these risks are associated with possible changes accompanying the fourth regulatory period,
- operational risks, depending on the nature, are decentralised and managed in each department; only the most important are verified by internal audits.

The risk management system and its methodology are based on procedures established in the EnBW Group. Monitored risks are reported in a uniform reporting structure and within periods as set by the risk management rules. Their reporting uses uniform IT platforms. The further development of the risk management system is based on the results of the continuing cooperation within the EnBW shareholder group using the shared know-how in this area.

Internal audit

In 2012 internal audit was engaged in key processes across the entire PRE Group as part of the implementation of planned or requested audits.

As regards the Internal Audit Department, 2012 was a year marked by more intensive cooperation with the EnBW Group. The objective of the cooperation was to harmonise the internal control systems of both companies. The key output of this cooperation can be considered as being the system overview of the condition of the internal control system for all processes across the PRE Group.

Cooperation continued as part of the internal audits conducted in the PRE Group in 2012 between the Internal Audit and Risk Management Department and the consulting company Ernst & Young in the form of co-sourcing. The internal audit team continued to provide ISO 14 001 system internal audits, internal audits of occupational safety and protection at work system the "Safe Enterprise" and also dealt with complaints addressed to the Company's management or the Energy Regulatory Office.

Review of the PRE Group History Milestones

1897	• On 1 September 1897 the Electricity Works of the Royal Capital City of Prague (Elektrické podniky královského hlavního města Prahy) was established,
1924	• Government decree declared the Electricity Works (Elektrické podniky) a universal utility,
1934	• construction of the Electricity Works Headquarters in Prague completed; the whole building concept by far exceeds the customs and traditions of that period and is one of the most modern in the Capital City of that time,
1941	• the Electricity Works incorporated into the Prague Municipal Company,
1945	• power industry nationalised by a presidential decree,
1946	• the Transport Company separated from the Electricity Works; a national Company Central Bohemia Power Generation Company was established incorporating the former power generation section of the Electricity Works,
1959	• foundation of the Central Bohemia Electricity Works (Středočeské energetické závody) n. p. (STE) and the Prague District Administration (Okresní správa Praha),
1965	• foundation of the Prague Distribution Enterprise within STE, n. p.,
1982	• the Prague Electricity Works (Pražské energetické závody, k. p.) acquire the status of an independent company within ČEZ Syndicate (České energetické závody) by a split from STE, k. p.,
1990	• as of 1 July the Prague Electricity Works became a separate state-owned Company,
1994	• foundation of the joint stock company Pražská energetika, a.s.,
1995–6	• subsidiaries PREmont Lhotka, s.r.o. (later PREmont LHOTKA, a.s.), PREleas, a.s. and others were being founded,
1996	• construction of the new Company administration building commences in Na Hroudě street,
1997	• 100th anniversary celebrations of the Company existence, construction of the new administration building completed,
2000	• an ambitious project of changes was initiated in PRE in order to fulfil the Company vision and strategic objectives, modernisation of all contact points within the Company was completed, operation of Call Centre for customers was launched,
2002	• PRE was more than successful in dealing with repercussions of the August floods,
2003	• 100% subsidiary PREmont LHOTKA, a.s. sold to a Belgian firm Fabricom S.A.,
2004	• in accordance with the European legislation the Company "unbundling" process was started, i.e. the separation of regulated and unregulated activities which means actual division of the parent Company into two independent entities, (detachment of PREdi from PRE), • the Czech President, professor V. Klaus and his entourage accompanied by Prague City Council and Prague 10 city district officials visited PRE, • operation begun of the central dispatch in the building in Nitranská street, • the operation of the joint Adria Customer Centre together with a customer line and joint website with the Company PP, a.s. began as a part of the "Together for Prague" Project,
2005	• the Compliance Programme has been adopted, which excludes the discriminatory behaviour of the PDS to other participants of the electricity market, the following systems have been launched: electricity sales support system (SPP), electricity trading support system (OSNE), 100% subsidiary PREdistribuce, a.s. was established (with registered capital of MCZK 2; at the end of the year it was increased to TCZK 21,549,811),

2006	• as of 1 January the distribution system operator was detached into a separate entity – 100% subsidiary
2007	• PRE group celebrated the 110th anniversary of the establishment of the legal predecessor of today's joint stock company, hurricane Kiryll caused considerable material damage, PRE became a member of the Pražská energetická burza – PXE,
2008	• during the WEC seminar the Czech Prime Minister Mirek Topolánek visited PRE, after terminating its activities, 100% subsidiary ODEM a.s. was deleted from the Commercial Register on 5 December 2008,
2009	• the Group's Fit for Future (FFF) programme was launched in connection with the general economic crisis and its aim is to maintain the Group's long-term high efficiency and competitiveness, • the Pražská energetika Technical and Documentary Museum was moved into its new premises, • the construction was completed of the Pankrác high-voltage distribution station, • the anti-flooding measures were activated in the Capital City, first level of flooding activity on the Vltava River,
2010	• change in the shareholder structure – repurchase of the share of shareholder Honor Invest, a.s. by the existing shareholder EnBW Energie Baden-Württemberg AG thereby becoming the majority shareholder, • formation of the new long-term strategy of the PRE Group which fully reflects market liberalisation, increase of competition in all segments and price fluctuation caused by macroeconomic instability (such as the economic crisis) and structural changes in European economies, • in accordance with the new long-term strategy of the PRE Group five photovoltaic power stations (Jinonice, Lhotka, Na Hroudě 19, Pražačka and Sever) were gradually put into operation during the course of the year, • historically maximum load profile of the distribution network (1,209 MW) was achieved on 1.12.2010 at 2.00 pm,
2011	• 7 photovoltaic power stations (PREměření, a.s.) were commissioned under an awarded licence for generation thereby launching the Group's activities in this area as part of the Group's long-term strategy in electricity generation, • it was decided to acquire 2 photovoltaic power stations (Hořovice, Kondrac), • the ordinary General Meeting decided to cancel publicly tradable shares, • on 28 December the delisting process (by settlement of the transaction between PRE and PRE-H) was formally ended – cancellation of public tradability of registered ordinary shares, • PRE's shares were withdrawn from trading on the regulated market effective as of 1 December, • acquisition of the ETT Energetika premises in Prague 9 –Vysočany – PREdistribuce, a.s.,
2012	• as part of optimisation of the PRE Customer Centre branches, it was decided to close down the Balabenka" branch in Ocelářská street, • new acquisition – purchase of FVE Hořovice (business venture of SUNLIFE PRO, s.r.o.) with stalled capacity of 1 MWp – PREměření, a.s., • the subsidiary PREměření, a.s. introduced to the market a new product – "Servis FVE" which offers comprehensive care for photovoltaic stations for those parties interested, • the 100% subsidiary PREleas, a.s. was renamed to eYello CZ, a.s.; there was a major expansion of its line of business to include trading in electricity and gas.

PRE Energy Advisory Centre

CEP PRE, i.e. the PRE Energy Advisory Centre, is located in the very centre of Prague in Jungmannova street and provides customers of Pražská energetika, a.s. with a wide range of services. Its staff will willingly advise everybody actively interested in how to reduce energy consumption in their household.

Miloslav Kloz
Head of the Advisory Group, PRE

What is the trend of visitors attendance to the advisory centre?

We recorded a great increase in 2011 – twice as many visitors as in 2010, and in 2012 we managed to maintain this number of visitors. The figures are not bad, on average four to five thousand visitors a month.

What information do you provide to visitors?

Our main task is providing advice about energy saving and new technologies. The scope is extensive. When we began, most questions applied to savings in the heating of building and water. Then there was a great increase in questions about heat loss which is a big topic in the Czech Republic. Many visitors come to ask for advice about insulation and replacing windows in residential houses, prefabricated buildings and family homes. Another greatly used service is renting metering equipment such as consumption meters, detectors of objects in walls and floors, or now the renting of new thermal cameras. On top of that, most of these services are provided to PRE customers free of charge. Since 2012 we have also been offering an electric bike rent service and we currently have twenty four bikes. This also relates to providing advice on the subject of E-mobility. There are several projects PRE is developing in the sphere of E-mobility and our centre is used as an information point for these activities.

What do people ask about specifically?

Usually how to most effectively save energy. In the sphere of insulation these are questions about various types of insulating materials or windows. As regards household appliances, customers ask about the energy demands of household appliances and the purchase of new ones. We have various energy calculators which can calculate the return on investment of a new appliance or compare the difference in the consumption of an old and new device. This also relates to another, already mentioned, service – renting consumption meters. A customer can measure the consumption of a fridge using a meter; we evaluate the measurement and based on the results the customer then decides whether it is worth investing in a new appliance.


NAHLÉDNĚTE POD

Brief History and Current Situation in the Power Industry

It must be stated that as in many sectors of the economy, external economic conditions are not precisely defined in the long-term even in the energy industry and they are continuously subject to changes (often in relation to changes of the political representation). In the period of one/two years, as typical examples in this context may be mentioned photovoltaic power stations – unpredictable system of subsidies and purchase prices, and also low prices of permissions, uncontrollably increasing output of wind farms; in macroeconomics the situation regarding the level of VAT in 2013 was not clear either and so on.

The state energy concept has set as its main priority the security of the supply of energy, competitiveness of the energy sector (including social acceptability), sustainability of the generation and handling of energy. It is necessary to also mention the effects which caused its subsequent aggressive changes which were the disaster at the Japanese Fukushima Nuclear Power Plant and subsequent departure of Germany from nuclear energy.

The Energy Regulatory Office (ERÚ) was authorized with the execution of state regulation in the power industry. Entrepreneurial activities in the power industry are possible on the basis of state permission – a licence.

A model of the regulated access of third parties to networks (regTPA) was adopted in the Czech Republic which in principle means that eligible customers have the right to select their own electricity supplier and are entitled to access the energy networks. Since the start of electricity market liberalization, all electricity trading has been exposed to competition.

During 2005–2006 all distribution companies accomplished the requested process of detaching the distribution activity from electricity sales. PRE did so as at 1 January 2006 by contributing the distribution assets of the parent Company to the subsidiary PREdistribuce, a.s.

PREdistribuce, a.s. started its licensed activity as of 1.1.2006 and at the same time ERÚ cancelled the distribution licence based on the proposal of PRE as at 31.12.2005.

The second half of 2008 and 2009 was marked by comment proceedings, and preparations to determine rules for the third regulatory period of 2010–2014.

During the years 2011–2012 there was a significant escalation in the number of customers who decided to change their supplier. There was also a significant rise in the number of electricity traders – up to several hundred. This figure also contained licence holders who were only engaged in cross-border sales/trading at local level. There were only several tens of traders who actually offered electricity to end customers on the domestic market. A new factor was that in years 2010 to 2012 big electricity companies from neighbouring countries, e.g. RWE (Germany), ENEL (Italy) and GAZPROM (Russia) appeared on the market. However, ČEZ, E.ON and PRE continued to maintain their position of the biggest suppliers to end customers.

Another innovation was the extension of the activities portfolio of some companies on the market – e.g. combining the offer of electricity and gas supply. More frequently there was a talk about the onset of intelligent grids (Smart Grid) or the introduction of intelligent energy consumption meters (Smart Metering), e-mobility etc. A pilot project took place for these areas within the PRE Group.

The year 2012 was the third year of the third Regulatory Period for which the Energy Regulatory Office newly specified the individual parameters of the regulatory framework.

The electricity market in the Czech Republic continued to maintain the position of the most liquid market in the Central European region. The volume of transactions closed at transparent trading points continued to increase.

The price trend in the electricity segment on the Czech market (just as in earlier years) was bound by the trend on the market in Germany. However the price levels still remained different, but their level was stabilised and during the year there were no significant fluctuations. The Prague Power Exchange – Power Exchange Central Europe (PXE) – maintains its stable position on the market and is still important for pricing to end customers.

In view of increasing the transparency of trading in power industry ERÚ issued the Code of Ethics for traders in energy sector. PRE accepted this Code during the year.

During the year the following legal standards impacting on the business of the PRE Group were issued in the field of energy:

- Regulation No. 344/2012 Coll. of 10 October on the state of emergency in the gas industry and how to ensure the security standard of gas supply,
- Regulation No. 346/2012 Coll. of 12 October on the dates and procedures of the selection of the form of subsidy, procedure of the registration of subsidies at the market operator, dates and procedures of the selection and changes of green bonus regimes and the date for offering electricity to the mandatory buyer (Registration Regulation),
- Regulation No. 347/2012 Coll. of 12 October which amends the technical – economic parameters of renewable sources for the generation of electricity and service life of plants generating electricity from subsidised sources,
- Regulation No. 348/2012 Coll. of 12 October which amends Regulation No. 140/2009 Coll. on the method of regulating prices in the energy sectors and procedures for regulating prices, as amended,
- Government Decree No. 429/2012 Coll. of 28 November which amends Government Decree No. 355/2012 Coll., on determining the limit of state budget funds for providing grants for the payment of extra expenses associated with the subsidy of electricity from renewable sources for 2013,
- Decree No. 436/2012 Coll. of 3 December which amends Decree No. 365/2009 Coll. on the Gas Market Rules, as amended,

- Regulation No. 438/2012 Coll. of 6 December which amends Decree No. 541/2005 Coll. on the Electricity Market Rules, principles of pricing for the activity of the electricity market operators and the implementation of some further provisions of the Energy Act, as amended,
- Decree No. 439/2012 Coll. of 6 December, on determining the method and dates of billing and payment of the price component for electricity transmission, gas transmission, electricity and gas distribution to cover costs associated with the subsidy of electricity, decentralised generation of electricity and biomethane and the implementation of some further provisions of the Act on subsidised energy sources (Settlement Regulation),
- Regulation No. 440/2012 Coll. of 5 December, on the guarantee of the electricity origin from renewable energy sources,
- Regulation No. 445/2012 Coll. of 6 December which amends Regulation No. 426/2005 Coll., on the details of granting a licence for business in the energy sectors, as amended,
- Act No. 500/2012 Coll. of 19 December, on the amendment of tax, insurance and further laws in connection with a decrease in public budget deficits,
- Regulation No. 476/2012 Coll. of 19 December which amends Regulation No. 82/2011 Coll., on metering electricity and the method of determining compensation for damage arising from unauthorised consumption, unauthorised supply, unauthorised transmission or unauthorised electricity distribution,
- Regulation No. 477/2012 Coll. of 20 December, on determining the types and parameters of subsidised renewable sources for the generation of electricity, heat or biomethane and on determining and storing documents,
- Regulation No. 478/2012 Coll. of 20 December, on accounting and records of electricity and heat from subsidised sources and biomethane, quantity and quality of actually acquired and utilised sources and the implementation of other provisions of the Act on subsidised energy sources,
- Regulation No. 480/2012 Coll. of 20 December, on energy audit and energy expert opinion.

Overview of licences granted to individual companies of the PRE Group for trading, production, distribution of electricity and trading in gas:

Pražská energetika, a.s. is the holder of an electricity trading licence:

- under the ERÚ Price Decision of 14 August 2001 it was a holder of an electricity trading licence from the period of 1 January 2002 to 16 January 2007,
- for the next period from 17 January 2007 to 16 January 2012 it received a licence on 21 November 2006,
- on 17 January 2007 the validity of the licence was extended to 16 January 2017.

Pražská energetika, a.s. was also the holder of an electricity distribution licence in the period from 1 January 2002 to 31 December 2005 under the ERÚ Decision of 26 October 2001. In view of the end of the unbundling process, the licence for electricity distribution at the parent company was cancelled and subsequently granted to the newly established company PREdistribuce, a.s. from 1 January 2006.

Pražská energetika, a.s. is the holder of a gas trading licence until 12 January 2016 under the ERÚ Decision of 12 January 2011.

PREdistribuce, a.s. is the holder of an electricity distribution licence for the period from 1 January 2006 to 1 January 2031 under the ERÚ Decision of 30 December 2005.

PREměření, a.s. was granted an electricity generation licence valid until 17 May 2035 under the ERÚ Decision of 14 December 2010 (this concerns generation at the photovoltaic power stations FVE Jinonice, Lhotka, Hrouda, Pražačka and TR Sever I. and also in Hořovice and Kondrac acquisitions).

PREleas, a.s. or eYello CZ, a.s.:

- was granted electricity trading licence No. 141222044 (valid from 27 September 2012 to 26 September 2017) under the ERÚ Decision of 27 September 2012,
- was granted gas trading licence No. 241222040 (valid from 27 September 2012 to 26 September 2017) under the ERÚ Decision of 27 September 2012.

“New Power Sources” Project

Ecology and renewable sources, these are terms that rule the civilised world. Here, too, they are discussed in all their aspects and Pražská energetika, a.s. is going with the times – it is building photovoltaic plants on the roofs of its buildings. It has decided that apart from electricity, it will also offer gas to its customers.

Zdeněk Smetana
Head of the Sales Section, PRE

What changes has the current situation in the energy sector brought PRE when new sources of energy have to be considered?

PRE is a traditional supplier of electricity that has been distributing and selling electricity in the Prague conurbation for 115 years. With the development of the open market we also began to sell gas for which we were granted a licence in 2011. Firstly we offered it to large customers of electricity, and we gradually want to also focus on smaller customers. We have introduced trading and sales processes for this commodity and are currently trying to develop them.

And what about the so much discussed photovoltaic plants?

This is an opportunity for us. We did not want to begin with the construction of photovoltaic power plants in fields and the like, but we decided to build them on the roofs of our buildings and in our premises. I think this was the original intention of the introduction of renewable sources. It is a fact that we have built or purchased already built photovoltaic power plants whose total output is 6.8 MW. It is not a big output, but this is well invested money. These power plants are operated by our subsidiary PREm.

Will you also focus on wind farms?

In my opinion the Czech Republic is not a good location for their construction. Places on hills or mountains where a strong wind can be harnessed cannot be utilised due to the ecology and environmental protection. Therefore wind farms do not have a great future here and PRE is not planning to build any.

Trading Activity

Suppliers and Trading in Electricity

The consumption and volume of purchased electricity slightly decreased in 2012 due to climatic reasons and as a result of the economic development. Normal customer consumption fluctuation was secured by medium-term and operative electricity trading on the wholesale market in order to minimise total electricity purchase costs. These operative business deals were concluded especially on the Czech spot market OKO and German spot market EPEX.

In 2012 the diversification of suppliers was maintained and there were no major changes to shares of individual suppliers in the total volume of procured electricity. Among the biggest suppliers belong ČEZ, a.s. (17.3% share), Alpiq Energy SE (14.4% share) and E.ON Energy Trading SE (8.3% share).

A major effect on the trend of the electricity price in 2012 was an increase in electricity generation from renewable sources throughout Europe, especially from wind farms and photovoltaic power stations in Germany. This fact and the economic trend in the EU had an impact on the fall in CO_2 emission allowance prices. More expensive gas power plants are no longer viable. Thanks to the development of shale gas extraction in the US where cheap gas is replacing coal, the price of gas has also fallen in Europe. The average spot price of electricity dropped as low as 43 EUR/MWh in the equivalent of annual base load product.

The price-fixing market in Germany continues to set the trend of the wholesale electricity market in the Czech Republic. Trading in the Czech Republic mostly took place through brokers (at OTC trading points) and partly also on the PXE power exchange where, however, the traded volume was significantly lower than in the previous year. The total volume of traded electricity in the Czech Republic reached about the same level as in 2011, thanks to an increase in the volume of trade on the spot market. In 2012 the PRE Group actively used the opportunity of direct trading on the spot market of the EPEX power exchange in Germany, including intraday trading.

The demand of the PRE Group's customers for green electricity remains all the time at a high level and preference was given to the purchase of electricity from renewable sources in the green bonus regime. In 2012 cooperation continued with Povodí Vltavy, s.p. which is the PRE Group's important supplier of green electricity. A significantly higher supply was also secured from biogas stations. The volume of procured green electricity for customers reached 255 GWh which is almost by 38% more than last year. The share of electricity from renewable sources for end customers in the total quantity of procured electricity increased to almost 4.2% (3% in 2011).

Volume of Electricity procured for Customers (GWh):

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
TOTAL volume procured	**6,289.00**	6,621.00	6,828.01	6,686.42	6,846.71	6,608.38	6,395.88	6,027.51	5,813.09	5,478.77
of which regulated prices	**8.26**	7.94	0.41	0	0	32.41	29.33	57.43	250.88	207.3
of which green bonus prices	**255.09**	184.52	142.37	92.85	94.18	4.41	23.76	0	0	0

Sales of Electricity (Segment B2B)

2012 was a year marked by a characteristically constant price fall on the power exchange for the sale of electricity to B2B segment customers and the delaying tactics of customers for organising tender proceedings. Customers very quickly recognised the risks associated with the choice of the date of the purchase of electricity. They more often chose a model of buying electricity in parts at various moments, either according to a pre-agreed time chart, or, more often, the customer chooses himself moments for buying an agreed quantity of electricity. The fluctuation of the price of electricity on the power exchange led to customers' dislike for concluding several-year contracts.

Throughout the year, state and regional administrative authorities were very busy inviting applications for tendering proceeding in the form of electronic auctions in accordance with the Public Procurement Act.

Further to last year's project for the introduction of the sales of natural gas, the Company made the first supplies of natural gas in 2012 to B2B customers. Selling activities developed through the year and we now offer natural gas as well as electricity to our customers.

The constantly stronger activities of our competitors and economic stagnation of the national economy was displayed in the fall in the total volume of electricity sales in the year-on-year comparison by approx. 3%. The size of supplies outside the territory of PREdi exceeded the value of 1.1 TWh.

In 2012 there was also emphasis on the development of individual selling channels and new selling methods. In view of this fact, sales representatives were trained in how to increase the standard of sales skills and legal awareness.

Sales of Electricity (B2C Segment)

The main activity in the B2C segment was the development of commercial and organisational measures to eliminate losses of customers established last year. The management of sales events was introduced in routine operation at the customer centres and customer line by the so-called ON/OFF system when three scenarios define selling activities directed at B2C customers. Retention processes were introduced into routine operation in the households segment with an average success rate of more than 20%. Retention processes in the small businesses segment focused on individual campaigns with a 20% success rate.

During the year customers were constantly warned of the incorrect trading practices of door-to-door sales by alternative suppliers.

The objective of the important sales retention campaign of 2012 entitled "Prémiový podzim PRE" (PRE Premium Autumn) was to fix contracts with household and small business customers up to the end of 2014. The campaign addressed the group of customers that had not accepted the offer made in the "Podzimní nabídka PRE" (PRE Autumn Offer) campaign of the previous year. The campaign's success rate was very good with an approx. result of 17%.

The adopted retention measures resulted in a year-on-year decrease in the number of churned customers by more than 70%.

The total volume of sales for 2012 in B2C customers at LV level fell year-on-year by approx. 2.6%. Besides the effect of the weather and the economic situation of small businesses, the fall was also due to customers churning to join competing suppliers.

Sales of Electricity (eYello CZ, a.s.)

In October the name of the subsidiary PREleas, a.s. was changed to eYello CZ, a.s. and its line of business activity was significantly extended to trading in electricity and gas sales. This was followed by an information campaign informing the public in the Czech Republic that this subsidiary had launched the sales of electricity and gas as part of the Yello Strom Project.

Number of visits at the PRE Customer Centre branches

Year	**2012**	2011	2010	2009	2008	2007
Total	**255,812**	267,109	261,720	240,026	216,288	235,355

Number of enquiries answered by the PRE Call Centre

Year	**2012**	2011	2010	2009	2008	2007	2006	2005	2004
Total	**249,877**	252,683	230,472	210,985	204,212	202,254	186,166	182,599	178,803

Number of e-mails answered by the PRE Call Centre

Year	**2012**	2011	2010	2009	2008	2007	2006	2005	2004
Total	**79,723**	63,363	48,834	30,369	30,193	18,214	6,882	5,291	2,423

Customer Services

The Customer Services Department provides services and support to sales departments in relation to all segments of customers, consumers of electricity and gas. Its primary objective in Front Office is to guarantee actual sales of energy products, services and activities related to customers in segment B2C. The department also ensures the activities and support of the Back Office processes for all customer segments, especially billing of energy supplies and services, management of debts collection ensuing from business relations, supplier change process, management and administration of customer documentation digitalization.

Among most important changes implemented by the department in 2012 were:

- implementation and launch of invoices distribution for electricity in a new layout,
- installation of self-service terminals at the PRE Customer Centre branches,
- implementation and launch in routine operation of SAP BCM telephony for the active part of PRE Call Centre (outgoing communication).

Front Office

Partial processes were implemented in customer services in order to increase the efficiency of active sales while simultaneously ensuring the highest possible level of services to customers.
Implementation and launch in operation of SAP BCM telephony system for outgoing communication of active part of the PRE Call Centre when dealing with acquisition and retention activities is considered as a key project carried out in 2012. In relation to further extension of services offer for B2C customers, self-service payment terminals were installed of the PRE Customer Centre branches as a response to high demand of customers for cashless payments of permission fees, debts and charges ensuing from the final billing.

Back Office

The Back Office ensures support to sales departments and also to internal departments providing services and actual sales. The key processes in Back Office activities are primarily the change of supplier for consumption points of customers connected to the LV level, billing and debt collection from customers of ů B2C and B2B segments. A no less important area is administration, digititalisation and availability of customer documentation for users.

In 2012 new printing and invoicing SW was implemented and changes made to the graphic design and content in all generated customer documents as one of the key projects. As of May 2012 invoices for electricity (and gas) are being distributed in a new layout to all customer segments. The reason for the changes in the layout of the invoice and other related printing was as follows:

- change in the content and better clarity of the invoice based on the remarks and suggestions made by customers,
- increased information and marketing value of the invoice and other customer documents,
- incorporation of printouts of customer documentation into the corporate design,
- structuring of the content of the invoice to meet the requirements of energy legislation.

The Back Office departments are providing support for the subsidiary eYello CZ, a.s. for the launch of the new brand Yello Energy as well as support for changes of supplier and administration of contractual relations.

In 2012 the Customer Service Department continued to contribute and constantly cooperate in activities and projects of the PRE Group's other departments; especially in the preparation and implementation of new sales products and in projects with output for strengthening sales competitiveness and efficiency.

Customer Services and Trading Support

Pražská energetika, a.s. is a customer oriented Company and its principal task is to continuously improve the quality and scope of provided services, reliability of electricity supplies, level of advisory services and extension of the whole spectrum of customers services.

During the year a number of marketing projects were implemented for customers.

E-mobility

During the year the PRE Group worked intensively on the E-mobility Project which (in line with global trends) is to gradually safeguard the operation of the increasing number of ecologically-friendly electric cars which will in future replace vehicles powered by combustion engines, particularly in big cities where the resulting benefit to the environment is most visible.

In the course of the year several, so called ePoints for electric cars, electric scooters and electric bikes were put into operation. These charging points became the base for the infrastructure and a total of 15 were opened (not only) in the Capital City by the end of the year. The points are equipped with various charging technology; the fast-charging ePoint EVO installed next to the Company headquarters, which can recharge an electric car in 15 minutes (from 20 to 80% of battery capacity), is a flagship of the fleet. Stations will continue to be built in future years.

During the pilot operation, three types of recharging stations are currently being used:

- ePoint STANDARD
- ePoint PLUS (most widely used)
- ePoint EVO

Part of the Group's car fleet (for business purposes) consists of seven Citroën C-Zero electric cars (1 for PRE and 6 for PREdi). As of December 2012 the subsidiary PREdistribuce, a.s. has been using the Mercedes-Benz Vito E-CELL "electric van". The PRE Group's own portfolio of transport vehicles also contains 2 GOVECS electric scooters and 3 ELMOTO electric bikes which are not just used as show exhibits, but chiefly as standard means of transportation in the PRE Group.

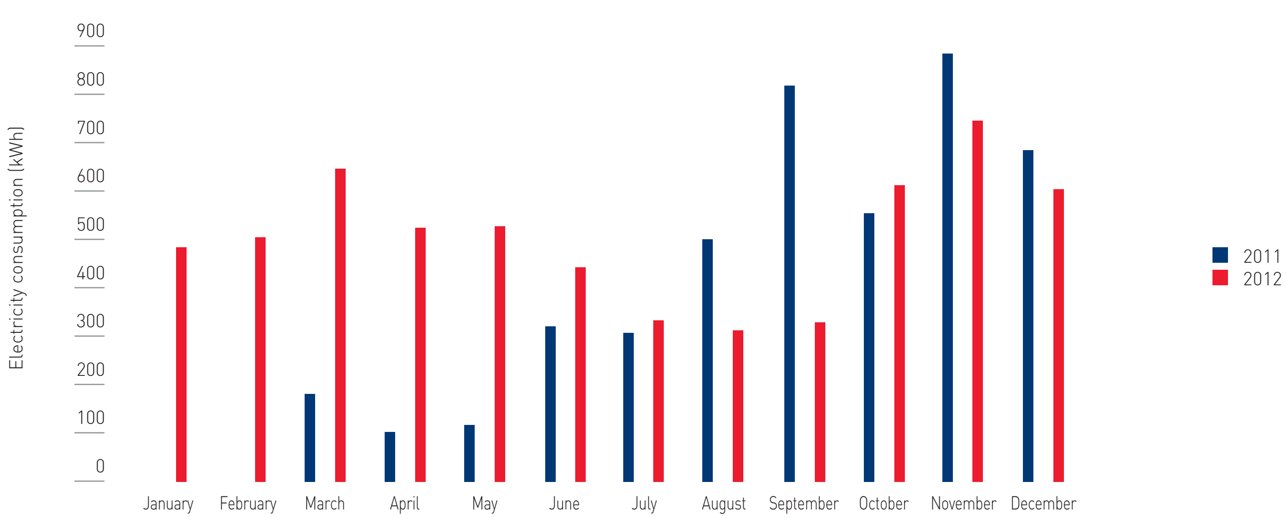
In 2011 PRE (under the auspices of Prague City Hall) also became the infrastructure partner of the "Praha elektromobilní" (Electric Car Prague) Project which continued in 2012; it regularly attended inter-departmental meetings.

Since 2010 the PRE Energy Advisory Centre (hereinafter "CEP PRE") has been renting electric bikes. In 2011 electric bike rent service (not just for PRE customers) was open which continued operating successfully at the CEP PRE in 2012. As to its size and offered services, it is the biggest electric bike rent service in the Czech Republic. The third annual e-mobility show was held in spring at the CEP PRE. This is the biggest show of its kind in the Czech Republic. PRE will continue with these successful activities in the years to follow.

Fifteen recharging stations were in full operation at the end of the year:

- Centrum energetického poradenství PRE (from 2/2011), ePointPLUS, ePointSTANDARD
- Centrum Chodov (from 2/2011), ePointPLUS
- Centrum Černý Most (from 2/2011), ePointPLUS
- ÚMČ Praha 5 (from 3/2011), ePointSTANDARD – not public
- Garáže Slovan (from 5/2011), ePointPLUS
- Pražská energetika, a.s. (from 6/2011), ePointEVO
- Europark Štěrboholy (from 8/2011), ePointPLUS
- Galerie Harfa (from 1/2012), ePointPLUS
- K+K Hotel Fenix (from 2/2012), ePointSTANDARD
- Transfer Energy (from 3/2012), ePointPLUS
- Sconto Stodůlky (from 4/2012), ePointPLUS
- Garáže Rudolfinum (from 9/2012), ePointPLUS
- ÚMČ Praha 22 (from 10/2012), ePointPLUS
- Skanska (from 10/2012), ePointPLUS
- Avion Shopping Park Ostrava (from 10/2012), ePointPLUS

Electricity consumption in individual months and years 2011 and 2012



Investments

In compliance with the Group Strategy Plan, the investment programme in 2012 was directed above all at:

- renovation and modernisation of LV and HV network, extension and enhancement of the network in connection with new requirements of customers for connection and increase of the required input,
- development of new capacities and modernisation of the equipment of VHV/HV distribution stations and HV switching stations,
- perfection of information and control systems to improve customer services and increase the reliability of the distribution system management.

In view of the fact that most investment funds for the entire PRE Group have been directed to the subsidiary PREdistribuce, a.s. as well as into informatics, this set of issues is dealt in more details in the following article.

PREdistribuce, a.s.

The parameters and contents of the PREdistribuce, a.s. investment programme are based in the long-term on results of analyses respecting the technical condition, transmission capability and achieved network operation reliability, real physical service life of individual network components and the possibilities of their effective maintenance. It also takes into account the estimated development of customer demand for new connections, increase in consumed output respectively in the existing connection points on already built-up territory and in developing locations of the city. The prerequisite of the future trend is supported by the specific requirements of customers and current constantly recorded development of the last few years in Prague and the town of Roztoky u Prahy. The increased activity of investors in Prague after the Czech Republic accession to the EU persists, however it may mean a greater degree of uncertainty for estimates of future development. These starting points continue to indicate the need to maintain a virtually constant rate and extent of investment activity also for the future. The distribution of funds respects the slight shift in volume in favour of HV and VHV levels which are crucial for the reliable operation of the distribution system because their failure has a greater impact on network customers.

The structure of the investment plan as divided into individual categories of distribution equipment resolved, on the one hand, based on available support documentation and with respect of mutual links the extended reproduction of network systems, while taking into account the expected requirements of customers and the corresponding development of the load at individual locations. On the other hand, the investment plan dealt with the simple reproduction of distribution equipment ensuring, together with the planned repairs, achievement of the determined operating reliability and required standard of the distribution service, expected by the consumers of the Capital City. The level of supply quality and related services was defined by the ERÚ secondary legislation. Unlike in previous years, as of 1.7.2006, non-performance of the guaranteed standards in accordance with the new ERÚ Decree No. 540/2005 Coll. is encumbered with the obligation of providing compensation for non-observance of the guaranteed standard.

The Company allocates investments to informatics only in case of dispatch and control technology. Investments to other spheres of information technology are secured by the parent Company.

A significant part of investment funds must, in accordance with the energy legislation in force, be set aside for so-called customer investment meeting the distributor's obligation to carry out network modifications enabling the connection of customer consumption points and satisfying the quantitative (size of input, volume and profile of energy transmission) and qualitative (reliability of energy supply and quality) of the consumers´ requirements on the supply territory for which the company holds a distribution licence. The new legislation embodied in the ERÚ Decree No. 51/2006 Coll., which came into force on 1.3.2006, changed the existing addressing method of determining the share of customer payments regarding the distributor's entitled expenses for connection and securing the input and introduced the generalisation of payments for individual voltage levels according to specific rates, relating to the unit of reserved input (ampere per LV level or MW per HV and VHV levels). Thanks to this methodical change and transition period, which the Decree No. 51/2006 Coll. introduced, it was difficult to estimate the possible volume of contributions to this category of constructions.

That part of the investment programme deserves special attention, which deals with so-called strategic investment that particularly involves the construction of new 110/22 kV transformation points and their system connection on the 110 kV level. It also involves additional equipment and extension of the capacity of these stations due to the increase in the load in areas, which they supply including the construction of new connecting lines ensuring the optimal output to lower network levels.

Informatics

ICT services (informatics, telecommunications) are secured centrally within the PRE Group that is to say not only for the parent company, but also for other members of the Group. On long-term basis the Group is then able to maintain and develop a uniform ICT strategy, an integral part of which is the ICT investment policy.

2012 was a very successful year in terms of informatics. Among others, it was possible to:

- transfer the provision of services in the area of informatics to routine support for selected EnBW sections,
- implement support of the active part of Call Centre by SAP – BCM product,
- launch the project of SAP system upgrade while focusing especially on CRM development,
- implement a significant part of a project for changing the high-capacity printing system,
- extend the functionality of Lancelot system by Back Office,
- apply modifications in accordance with Decree No. 540/2005 Coll. and No. 541/2005 Coll. as amended,
- enhance the system for customer support in the area of new products and commodities,
- successfully recertify the competence centre for SAP (CCoE) systems,
- extend the Company web portal,
- initiate the upgrade of geographic information systems (GIS),
- start cooperation on project for changing the systems of network management (SCADA),
- continue to develop AMM technologies,
- successfully recertify the informatics to ISO 9001 (IT quality) and ISO 27000 (security),
- launch the migration project of Windows7 end stations,
- implement IT for Yello energy products.

A series of development changes is planned as part of the adopted PRE Group strategy for 2013 that will require significant informatics support. This principally involves:

- project completion of SAP systems upgrade while focusing on CRM,
- further extension of IT services for Yello Energy,
- implementation of a project to increase support and functionality of the Customer Line by switchover to SAP-BCM technology,
- support of project implementation for changing the systems of network management (SCADA),
- further extension of the scope of services provided in the sphere of Informatics for EnBW,
- project completion of the upgrade of geographic systems (GIS),
- modifications of IT systems ensuing from Decrees No. 540/2005 Coll. and No. 541/2005 Coll., as amended,
- continuation of the development and use of AMM technology,
- restructuring the Company principal website and internet portal for customers,
- launching projects to support mobility and mobile services.

“SAP CRM” Project

Data administration – this is an important part of the activities of Pražská energetika, a.s. In view of the number of its customers there are truly a lot of data that PRE staff must work with. The simpler the work the greater the efficiency can be expected in this area. So this is where SAP CRM version 7.0 comes in whose implementation will significantly facilitate data administration.

Pavel Nedvěd
Head of the SAT Support Group, PRE

In what way does the management of relations between PRE and its customers work currently?

We are currently implementing a new version of SAP CRM version 7.0 for end customer service which will bring PRE the possibility of further development. It is a generic modification, a system on a new platform is far more user friendly.

In what sense?

It allows better end customer data administration. The system makes customers data more transparent and evaluates contacts with each of them. It allows to see the customer from global outlook. Our staff has information about consumption, customer credit rating or profitability. The moment a customer contacts us we can immediately determine which product is the most appropriate for him and will bring him the greatest benefits.

At what stage is the implementation of the new version of SAP CRM now?

In 2012 there was a tender and we are currently testing the system. Its implementation should be completed in 2013. Our customers will certainly appreciate the high comfort of services that the system brings.


SVĚTELNÉ
PROJEKT

Financial Analysis

	Unit	**2012**	2011	2010	2009	2008	2007	2006	Calculation formula
Level of liquidity									
Total revenues (revenues from sales of electricity, services and goods)	MCZK	**20,899**	20,756	20,248	20,719	19,013	16,661	14,075	Sales of electricity + Revenues from provided services
Sales margin	MCZK	**6,055**	6,259	5,583	5,203	5,202	5,425	4,596	Sales margin from income statement
Profit after tax	MCZK	**2,443**	2,881	2,246	2,144	2,170	2,457	1,693	Profit after tax from income statement
Level of profit of the revenues									
Sales margin from sales of electricity and distribution per CZK 1 of revenues (from SE and DS)	%	**29.5**	30.6	27.9	25.5	27.6	32.8	32.9	Sales margin from sales of electricity and distribution / sales of electricity x 100
Profit before tax per CZK 1 of total revenues	%	**14.5**	17.2	13.8	12.9	14.4	17.9	16.6	Profit/loss from regular activity before tax / total revenues x 100
Profit after tax per CZK 1 of total revenues	%	**11.7**	13.9	11.1	10.3	11.4	14.7	12.0	Profit after tax / total revenues x 100
Other indicators									
Regular liquidity	%	**73.6**	50.4	63.3	118.9	124.5	107.2	100.7	Short-term assets / short-term payables x 100
Equity interest in total invested capital	%	**63.6**	62.6	62.6	58.7	64.5	75.9	77.4	Equity / total invested capital x 100
Return on total assets – ROA	%	**12.2**	14.4	12.2	11.0	11.9	16.1	12.4	Profit after tax / total assets x 100
Return on equity – ROE	%	**19.1**	23	19.5	18.8	18.4	21.3	16.0	Profit after tax / equity x 100
Return on capital employed – ROCE	%	**18.0**	25.4	19.6	17.8	18.6	22.8	19.2	ROCE= EBIT / total assets – short-term payables
Total revenues labour productivity	TCZK/ employee	**15,199**	15,512	15,201	15,485	14,210	11,978	10,112	Total revenues / average adjusted number of employees
EBIT	MCZK	**3,103**	3,663	2,880	2,781	2,757	2,993	2,352	Operating profit/loss before interest and tax
EBITDA	MCZK	**4,092**	4,567	3,742	3,591	3,497	3,732	3,040	EBITDA = EBIT + depreciations
Net cash flow after tax	MCZK	**1,334**	1,918	2,076	1,672	1,060	980	1,677	NCF from operating activity decreased by NCF from investments

The PRE accounting is kept in accordance with IFRS.

Estimated economic results in 2013–2014

The consolidated financial plan of the PRE Group was drawn up using IFRS standards; all three subsidiaries were incorporated in the consolidated unit by a full consolidation method. A fundamental precondition for achieving planned indicators is that no significant differences will arise in the trend of GDP macroeconomic indicators, especially inflation of living costs, prices of industrial products, interest rates, exchange rates of electricity purchase prices and income tax rates. The plan aims to maintain high performance throughout the planning period and continue with long-term stable economic results. The plan also takes into account possible risks of the increasing competition on the energy market and the uncertainty of the impact of stricter regulatory rules in the III. Regulatory Period; however in addition it reflects the anticipated changes of the economic and legislative environment in the future. Due to further rise in the PRE Group's overall performance, the Company will at the same time look for suitable investment opportunities in the energy industry. In case of such investment, the Company is prepared to secure the financing by a combination of its own and foreign sources in the scope of the plan. The Company will systematically monitor fulfilment of planning preconditions and will flexibly respond to the changing conditions of the external environment by possible correction of its strategy.

Human Resources

Complete personal paperwork and wage calculation for the PRE Group has been carried out centrally in the parent Company including work safety and environment services.

The Company uses the module SAP HR version ECC 6.0 for the administration of personnel and wage paperwork.

During the year cooperation continued with the Personnel Section of EnBW. Five employees of PRE Group companies participated in a several month's internship at EnBW and eight EnBW employees did the same at PRE Group workplaces.

Within the whole PRE Group, there are clearly determined rules of remuneration based on the Collective Agreement in force (with the exception of eYello CZ, a.s. which is not its signatory). A wage regulation forms, among others, a part of the Collective Agreement; specific applications of the remuneration system are set forth by relevant corporate standards.

Number of employees – full time average

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
PRE	**636**	620	615	617	611	618	610	1,214	1,238	1,248
PREdi	**511**	507	504	514	515	555	583	-	-	
PRE Group	**1,375**[1]	1,338	1,314	1,332	1,338	1,391	1,392	1,398	1,440	1,456

[1] Other members of the PRE Group have the following number of employees – average full time equivalent: PREměření, a.s. – 226 persons and eYello CZ, a.s. (former PREleas, a.s.) – 2 persons.

A priority of the PRE Group is always to provide effective support for employees being made redundant particularly those employees of pre-retirement age, single parents and less privileged. The Company operates a system of social and financial compensation measures to alleviate the negative consequences of organizational change.

A unified Collective Agreement (with the above mentioned exception) for the period 2010–2012 was valid within the PRE Group. Collective bargaining was carried out in autumn 2012 – a new Collective Agreement for the period 2013–2015 was signed by the representatives of PRE Group employers and the Trade Union Organisation on 7.12.2012.

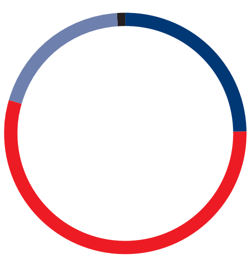
The Company ensures comprehensive works medical and dental care for its employees. A programme of preventive healthcare is taking place in the Company, which meets the requirements of the National Health Promotion Programme. The following four projects were implemented beyond the framework for employees: an oncology programme (designed to prevent and treat breast cancer), preventive check-ups of thyroid gland, preventive urological programme, vaccination against tick-borne encephalitis, hepatitis A and influenza. A managerial life programme is provided for senior managers.

The concept of the PRE Group's social policy is based on the need to motivate employees both morally and in the form of financial contributions, remunerations and other forms of appraisal of their work. Great attention is paid to care for the employees, improvement of their working and living conditions, housing, meals, works preventive care, preventive healthcare programmes, and other social benefits such as interest-free loans, recreation for employees and their family members, cultural and sports events, etc. Most of these social programmes are embodied in the Collective Agreement.

On a long term basis the PRE Group has been cooperating with two Prague electro technical vocational schools (Secondary Electrical Vocational School (SOU energetické) – Prague 9, Poděbradská 12 and the Technical Business Vocational Training Centre – Prague 9, Poděbradská 1a). In the same manner it cooperates with the František Křižík Higher Professional School and Secondary Technical School of Electrical Engineering – Prague 1, Na Příkopě 16 and the Secondary Technical and Higher Technical School of Transport – Prague 1, Masná 18. In the sphere of employees' recruitment, the Company closely cooperates with the Faculty of Electrical Engineering of the Czech Technical University.

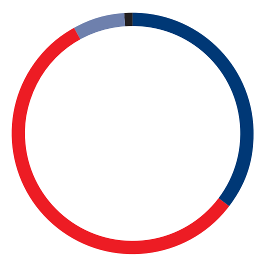
The parent Company, at its own costs, operates a training centre which is used as an aid to ensure professional internship. In 2012 a total of 1,075 persons, of whom 304 students, passed the professional internship here.

PRE Group Qualification Structure



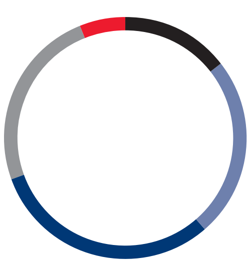
University	24.86%
Vocational with GCSE	54.84%
Secondary and Apprenticeship	19.29%
Elementary	1.01%

PRE Qualification Structure



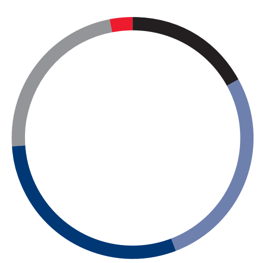
University	35.47%
Vocational with GCSE	56.56%
Secondary and Apprenticeship	7.03%
Elementary	0.94%

PRE Group Age Structure



up-to 20 years	0.07%
20-30 years	14.45%
30-40 years	24.21%
40-50 years	30.78%
50-60 years	24.49%
over 60 years	6.00%

PRE Age Structure



up-to 20 years	0%
20-30 years	17.03%
30-40 years	27.19%
40-50 years	29.84%
50-60 years	22.97%
over 60 years	2.97%

“Electromobility” Project

Electromobility and its possibilities are probably of interest to everybody. This is a popular topic particularly due to the prices of fuels at petrol pump stations. What is the situation in Prague? How many charging points for electric cars are operating and how quickly can they charge a battery? And what about electric bikes and electric scooters?

Jan Pauček
Head of the Sales Development Section, PRE

Petr Holubec
Head of the PR Department and Press Spokesman, PRE

In what way do you support electromobility?

Jan Pauček: Our support is based on several pillars. Firstly it is the infrastructure – the construction of charging points, their operation and inspection. Currently there are twenty eight at sixteen points, fourteen in Prague, one in Ostrava and one in Brno. The second pillar is informing customers about electromobility which takes place at our advisory centre, for example through the annual biggest show of electrically powered means of transportation in the Czech Republic. The third pillar is the promotion of electric bikes. They are ideal for transport around the city, nevertheless it is still expensive. Therefore we are operating a rent service for electric bikes for the third year now at our advisory centre from March to October. Those interested can order a bike via a special website. PRE customers have a discount.

How quick are the charging points operated by PRE?

Jan Pauček: These are divided into three types. The E-POINT standard, which is for bikes and scooters, E-POINT Plus, of which we have the most in Prague and are primarily intended for charging electric cars, and one quick-charging E-POINT EVO, which can charge a car battery up to 80% capacity in fifteen minutes.

What is the chance that the number of charging points will increase?

Petr Holubec: This depends on the number of electric cars on the streets. For us this is still not a business, we just want to show that it is possible to drive an electric car and that this is convenient in Prague. In addition, we want to test the reaction of the power grid to a charging point. Because this is a trial run, charging a means of transportation with an electric engine will be free at least until mid 2013, and perhaps longer.


ePoint
tiše!

Ecology, Environmental Protection, Safety and Protection of Health at Work

PRE Group ranks among modern corporations that take responsibility for the environment as their priority and attempt to constantly improve the conditions for its protection. Considerable funds are provided as part of the environmental protection policy to modernisation of distribution networks technology equipment which is used e.g. for protection of wild birds. In order to reduce the risk of possible contamination of surface and ground water older oil transformers are constantly being replaced by hermetically sealed transformers or ones without oil tanks, so-called dry transformers.

A working system of sorting and collection of dangerous and other waste and return collection of products has been created at the PRE Group workplaces. Employees are continuously trained in a whole scope of issues concerning environmental protection; selected employees are then trained in handling dangerous chemical substances and preparations. For more detailed knowledge of the environmental protection an educational presentation is available on the Intranet.

The ISO 14 001 – EMS system was introduced in PRE and in the subsidiary PREdistribuce, a.s. A recertification audit which confirmed the rightfulness of using these certificates and extended their validity until 2015, was carried out in both Companies in 2012.

Environmental Protection policy

The following principles in the field of environmental protection have been defined within the PRE Group:

- observe legal regulations in all areas of environmental protection; devote maximum attention to new regulations and apply them in the whole PRE Group,
- observe the sorting of communal waste, including dangerous components; sorting of all other kinds of waste and packaging; and sorting selected kinds of waste which can be freely returned for recollection,
- consistently observe the system of handling of dangerous substances and dangerous waste; return waste to firms authorised for its disposal,
- systematically train employees handling dangerous chemical substances and preparations with due regard to health and environmental protection,
- increase the awareness of employees for the need of environmental protection and the efforts to constantly improve it through the system of information and education.

Safety and Protection of Health at Work Policy

PRE as a parent Company of the PRE Group is a holder of "Safe Enterprise" Award. The objectives of the "Safety Enterprise" programme became inseparable part of the safety policy and protection of health at work not only in the parent Company but of the entire Group. The programme and its objectives have attracted all employees and helped to improve the approach to protection of health.

Employee healthcare at the PRE Group means not just the fulfilment of legal obligations, but also an important part of the corporate culture. The award "Safe Enterprise" and the title "Third Level Health Supporting Enterprise" guarantee the professional approach. High level of safety at work is ensured above all by mutual communication between the PRE Group management and employees and by solving even small problems together. Besides occupational medical services, further above-standard health and medical services, sports activities, recreational stays are provided as a part of employee benefits.

The policy of safety and protection of health at work prioritizes above all:

- safety and protection of health at work as an integral part of Company management activities,
- the common objective of Group members´ management and all employees – avoid risk situations and threat by consistent observance of safety at work rules,
- system of corporate norms applying to health protection, preventive checks, OOPP (Protection of Persons at Work) and risk analysis of individual activities ensures that legislation is upheld and the obligations of the employer and employees are observed.

Public Relations

Consistent customer orientation is a constant top priority of the PRE Group. Together with an extensive investment programme and creation of qualitatively higher level of external and internal communication, the PRE Group has been for a long time deliberately building its external image.

The strategic objective in the area of public relations is to achieve the positive image of PRE in the eyes of the public, customers, shareholders and all business partners. All available means are used in order to achieve this objective – refining all premises for customers, being as accommodating as possible in dealings with customers, seeking new forms of communication with customers, public, regional and municipal administration, achieving a single external and internal graphic image, donor activities etc. An appreciable part of creating a positive public image lies with free advisory services for customers and marketing, which significantly contribute to creating positive and friendly external image of the Company as a serious business partner. In line with its donation activities the PRE Group contacted the Charta 77 Foundation in which it established its own PRE Foundation through which money is donated for individual pre-approved projects.

The newly operating website was also created in an aim to move as many customer contacts from Commercial Centres to the Internet, eventually to the Call Centre. The level of elaboration and user comfort of the website was positively assessed during the annual competition Web Top 100. In 2006 the PRE Group website ranked in the 1st place in this prestigious competition. Annually the website ranks at leading positions in branch category Energetika (in 2007–2012 the corporate web presentation ranked always in the third place).

The PRE Group launched (in the framework of a project of free advisory services for a broad public) PRE Energy Advisor websites. Websites www.energetickyporadce.cz provide advisory services related to economical use of electricity and energy from renewable sources. You may find more information about this topic in chapter "Customer Services and Trading Support".

The PRE Energy Advisory Centre/Centrum energetického poradentsví (CEP PRE), which launched its activities in 2009, provides free advisory services (for households and small businesses) aimed at energy saving, renewable sources, economical use of electricity and introduces latest technology. Last year the Centre was visited by 55,665 customers. At the same time CEP PRE operates internet portal PRE Energy Advisor (Energetický poradce PRE) dedicated to saving electricity which was in 2012 visited by 204,621 people. An important function of the Centre are also services involving the leasing of consumption meters, detection sets and the new electric bike lending service (a total of over 2,200 loans).
A shop, where electrical heating devices and energy saving light fittings for concessionary prices can be bought, is located in the PRE Energy Advisory Centre.

The PRE Group Sponsor and Donor Activities are considered an important part for building its positive image and reputation. The purpose of the sponsored activities is to present the PRE Group as a dynamic Company, positively and openly communicating with the public. It must be stated that the sponsorship philosophy of the PRE Group serves the publicly beneficial needs and at the same time it plays an important communication role. PRE always makes careful decisions about sponsoring individual projects, which target group to choose and how the specific project will address it.

Capital Interests as at 31.12.2012

Pražská energetika, a.s. focuses in its entrepreneurial activities above all on business in energy or related fields; the most important acquisition is the 100% subsidiary PREdistribuce, a.s. which was established under legislation in force by transforming the distribution system operator to an independent entity. The accounting of all 100% subsidiaries is elaborated according to CAS.

During the year 2012 PRE held 100% interest in the following companies: PREdistribuce, a.s.

Registered office: Prague 5, Svornosti 3199/19a, ID No.: 27376516

The Company was formed on 16 August 2005 (entered to the Commercial Register on 7 September 2005) with a registered capital of MCZK 2.

In view of the fact that it is the most important subsidiary, more information on it is stated below.

The General Meeting of PRE held on 28 December 2005 decided to increase the registered capital of PREdistribuce, a.s. through the subscription of shares and payment of the issue rate attached to the subscribed shares by making a non-monetary contribution of part of the Company. The registered capital was increased by TCZK 21,547,000 which is the value of the part of the Company contributed as determined on the basis of an expert valuation as of 30 June 2005. On 29 December 2005 PRE and PREdistribuce, a.s. entered into a contract for contribution of part of the Company with the effect from 1 January 2006. On 29 December 2005 PRE and PREdistribuce, a.s. entered into a contract for subscription of shares pursuant to above-mentioned increase. On 1 January 2006 PREdistribuce, a.s. took over the part of the Company after the Memorandum of Hand-over and Take-over between PRE and PREdistribuce, a.s. was signed.

The subsidiary's line of business is:

- providing distribution services, management of contractual relations with customers, network connection management,
- planning, concepts, development and maintenance of the distribution network, substations and cable tunnels,
- construction of the distribution network, management of contractual relations with contractors,
- administration and recording of assets designed for electricity distribution,
- archiving data for technical and operation documentation,
- inspection and continuous checking activities of the existing equipment and equipment in construction,
- network operation management in real time, power flow management and loss optimization and HDO/mass remote control management,
- management of planned shutdowns, solution of breakdown situations, management of emergency service,
- preparation of frequency and disconnection plans and mid-term and short-term disconnection plans,
- diagnostics and measuring of technical qualities of the distribution network,
- administration and operation of communication metallic cables,
- administration and operation of network management systems,
- measurements in the distribution network including their assessment and submitting the measured and assessed data to the electricity market operator
- comprehensive economic paperwork for all departments of the division and regulation reporting,
- technical controlling.

Main selected Company indicators (MCZK):

	2012[1]	2011[1]	2010[1]	2009	2008	2007	2006
Total assets	**27,437**	**27,505**	**27,148**	**26,624**	**26,314**	**24,864**	**24,494**
Distribution equipment	**23,083**	22,862	22,465	21,989	21,721	20,880	20,643
Other fixed assets	**2,198**	2,108	2,079	2,136	1,997	2,322	2,315
Group cash pooling	**0**	0	0	0	0	339	317
Trade receivables	**2,136**	2,285	2,575	2,367	2,498	1,274	1,157
Other assets	**20**	249	29	132	98	49	62
Total liabilities	**27,437**	**27,505**	**27,148**	**26,624**	**26,314**	**24,864**	**24,494**
Equity	**19,119**	**19,202**	**18,933**	**18,673**	**18,850**	**19,582**	**18,456**
Deferred tax liability	**2,947**	2,947	2,953	2,958	2,968	2,995	3,806
Group cash pooling payables	**735**	752	254	192	874	0	0
Trade payables	**289**	522	235	124	133	156	160
Deferred revenues	**1,800**	1,861	1,863	1,810	1,743	1,675	1,599
Provisions	**217**	219	179	158	157	176	169
Loans	**2,200**	1,800	2,600	2,600	1,500	0	0
Other liabilities	**131**	202	131	109	89	280	304
Gross profit from distribution services sales	**4,406**	4,447	4,119	4,695	4,699	4,621	4,187
Profit from regular activity before tax	**1,230**	**1,444**	**1,133**	**847**	**1,080**	**1,293**	**1,025**
Profit from regular activity after tax	**993**	**1,167**	**910**	**685**	**880**	**1,742**	**776**
Extraordinary profit/loss	**0**	**(34)**	**0**	**0**	**0**	**0**	**(28)**
Profit after tax	**993**	**1,133**	**910**	**685**	**880**	**1,724**	**748**

[1] In view of the more faithful picture of gross profit from the sales of distribution services, except for the distribution and system services purchase expenses, the electricity purchase expenses for personal consumption and coverage of the Company energy losses have also been reported since 2011. The data for 2010 have been revised likewise.

The PREdi accounting is kept in accordance with CAS.

Distribution network

The parent company PRE was the regional operator of the distribution system on the defined territory of the Capital City of Prague and the town of Roztoky until 31.12.2005 in accordance with the ERÚ licence issued on 26.10.2001 for the period of 1.1.2002–16.1.2027. In accordance with the requirements of the Energy Act No. 458/2000 Coll. as amended the legal division was completed as at 1.1.2006 of the distribution system operator into the separate subsidiary PREdistribuce, a.s. which as of this date became the new ERÚ licence holder for the distribution of electricity for the territory of the Capital City of Prague and the town of Roztoky.

Distribution of electricity means all the processes and activities connected with ensuring the transmission of electricity from facilities or transfer points with the transmission system to the consumption or transfer points of individual customers through the distribution system which consists of lines and electricity stations of a voltage of 110 kV, 22 kV and 0.4 kV and further equipment for dispatch control of the distribution system and measurement of the electricity currents. The key processes and activities for securing distribution are the development and restoration of network activities, connection of new customers, buildings and structural units, optimum control of operation and resolving failures, maintenance and repairs of the network, measurement and transfer of data for settlement of supplies in the distribution system. Electricity distribution is subject to price and qualitative regulation performed by the ERÚ which aims to optimise costs and prices for the use of the network while observing the adequate quality of electricity distribution and the user and customer services related therewith.

The total load of distribution network reached its maximum of 1,209 MW on 1 December 2010; a total of 6.3 TWh was distributed on all voltage levels and all input and energy requirements of the existing and new customers and investors of development projects on the licensed territory were covered.

Standards of the quality of electricity supplies and related services were met with regard to customers connected to the distribution system throughout the year in accordance with the ERÚ Decree No. 540/205 Coll. as amended.

You may find more details about this subsidiary in its Annual Report.

Comparison of selected network indicators development (as at 31.12. of given year)

Indicator	Unit	**2012**	2011	2010	2009	2008	2007	2006	2005	2004	2003
Achieved maximum	MW	**1,198**	1,205	1,209	1,207	1,147	1,141	1,090	1,086	1,065	1,029
Length of VHV network	km	**206**	202	202	206	206	196	196	196	196	194
Number of VHV/HV stations	pieces	**22/24**	22/24	22/24	21/24	21/24	20/23	20/23	20/23	20/23	19/22
Length of HV lines	km	**3,865**	3,863	3,829	3,780	3,701	3,670	3,584	3,556	3,581	3,632
Number of HV stations	pieces	**4,833**	4,839	4,778	4,796	4,783	4,750	4,693	4,656	4,635	4,578
Number of HV/LV distribution stations[2]	pieces	**3,274**	3,295	3,254	3,277	3,281	3,272	3,258	3,238	3,241	3,222
Length of LV network[1]	km	**7,850**	7,836	7,750	7,693	7,645	7,678	7,557	7,477	7,420	7,354

[1] The leap change of the LV network length between the year 2001 and 2002 resulted from the technical records specification of the applications of the graphic information system of the network.
[2] The increase of HV/LV distribution stations number (also of HV/LV stations for the year 2011 in total) was caused by purchasing local distribution network operated by ETT, a.s. (39 stations).

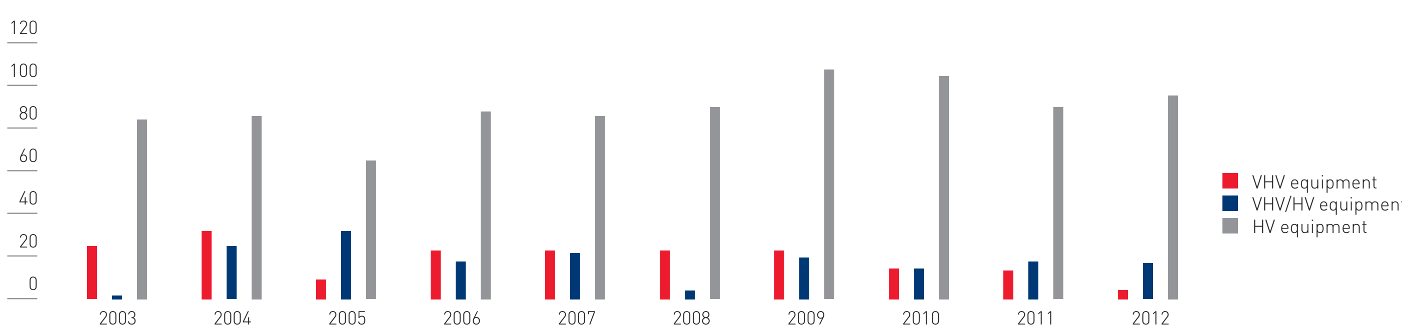
Number of enquiries answered by the Distribution Emergency Line

Year	**2012**	2011	2010	2009	2008	2007
Total	**41,782**	38,484	32,860	28,800	34,260	31,200
of which breakdowns	**15,935**	17,364	22,160	18,650	23,300	22,300

Number of e-mails answered by the Distribution Emergency Line

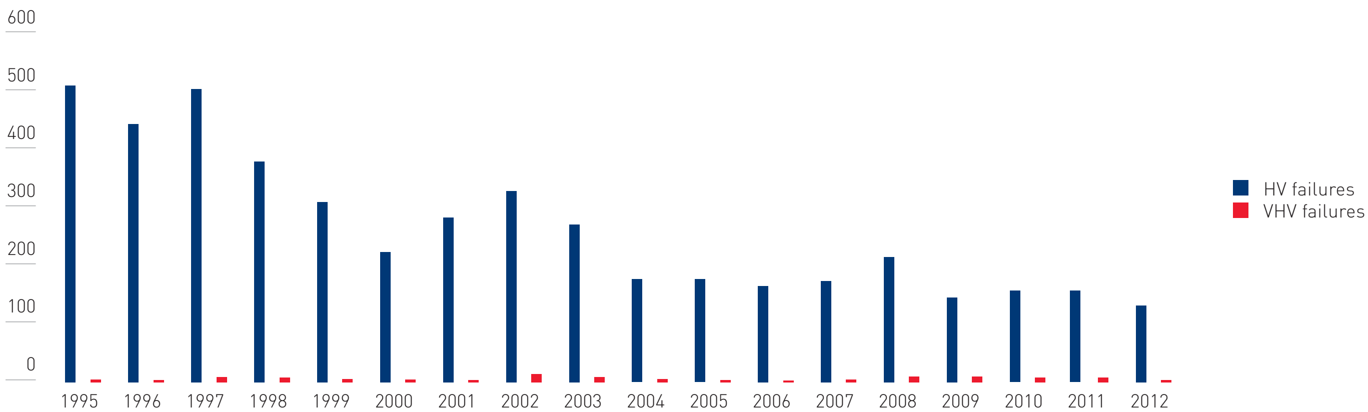
Year	**2012**	2011	2010	2009	2008	2007
Total	**2,860**	1,156	1,577	1,230	679	100

Average time of electricity supply disconnection on VHV, VHV/HV and HV equipment (min.)



Note: The increase of average time of electricity disconnection in 2009 was caused by worse traffic conditions in the Capital City during repairs of failures in HV transformer stations.

Number of VHV and HV failures



Note: The increase in failure rate in 2002–2003 was caused by floods and long-term distribution equipment shutdown.

PREměření, a.s.

Registered office: Prague 10, Na Hroudě 2149/19 (until 4.2.2008 Prague 7, Partyzánská 7a), ID No.: 25677063

The Company was established in 1998 (initially called Cejchovna elektroměrů Praha, a.s.); its registered capital is MCZK 35. The main subject of its business activities is the production, installation and repair of electrical machinery and instruments; repair and assembly of metering equipment, operating the state metrological centre for checking metering equipment, purchase of goods for the purpose of their further sale and sale, organizing training and qualification courses. On 24.10.2003 the Company scope of business was extended to include assembly, repair, review and testing of selected electrical equipment. On 24.11.2005 it was decided to change the name of the Company to PREměření, a.s. This name was entered in the Commercial Register on 5 December 2005.

As of 1.7.2006 the subsidiary took over activity within the PRE Group connected with the installation of metering equipment in the LV networks and secures its performance.

Further to the decision to carry out annual readings, it was decided within the Group to consolidate all activities associated with LV energy metering to PREměření, a.s. Based on the decisions carried out in 2007 and coming into force as of 1.1.2008, the organisational structure was amended in line with requirements for ensuring the optimum function of processes associated with electric meters, i.e. administration of metering instruments, reading service and installation. In compliance with this decision most of the employees of ODEM a.s. "company in liquidation" which used to provide the reading service, pursuant to Article 249 of the Labour Code related to the transfer of rights and obligations from labour law relations, were transferred to PREměření, a.s. on 1.1.2008.

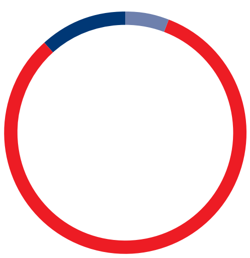
As of 1 January 2008 PREm within the PRE Group has taken over the activities associated with readings of electric meters, gas meters and calorimeters and ensures their performance (also on commercial basis for external entities).

The decision on strategic acquisitions to electricity generation and on extension of the line of business by electricity generation was a significant step in the PREm history. Based on the ERÚ decision of 14 December 2010, PREm was granted a licence to generate electricity which will be in force until 17 May 2035. During 2011–2012 this concerned generation in the stated below photovoltaic power stations with total installed capacity of 2.7 MW:

- Prague – Jinonice 173 kW
- Prague – Sever 204 kW
- Prague – Lhotka 60 kW
- Prague – Pražačka (90, 18 and 30 kW)
- Prague – Na Hroudě 28 kW
- Kondrac 1.1 MW
- Hořovice 1.1 MW

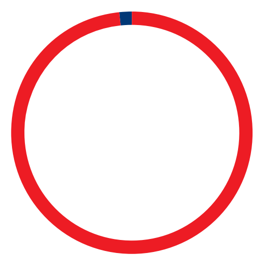
PREm took over from the parent company all activities involving electricity supplies being cut off to debtors and debt collection. PREm began selling services on the external market involving work at consumption points, inspection of LV and transformer stations, thermovision and a photovoltaic power stations service. The Company began its activities at the end of 2011.

Number of meter installations carried out in 2012



- new consumptions 19,000 pieces
- necessary verification 259,000 pieces
- customer's request (change of tariff) 36,500 pieces

Success rate of meter readings in 2012



- regular readings 748,700
- self readings 10,700

Main tasks of PREměření, a.s. for the future period are: production, installation and repairs of electric machines and instruments, purchase and sales of metering equipment, assembly and repairs of metering equipment, readings and collection of metering equipment data, checking seals, meter readings, power generation and other specialized activities.

Main data about the Company (TCZK):

	2012	2011	2010	2009	2008	2007[1]	2006	2005	2004	2003
Assets	**278,154**	316,616	128,404	120,889	122,581	103,172	69,147	74,001	90,394	81,611
Liabilities	**278,154**	316,616	128,404	120,889	122,581	103,172	69,147	74,001	90,394	81,611
Equity	**90,052**	59,698	56,408	67,94	72,032	51,310	48,939	56,961	66,792	59,725
External sources	**188,038**	256,895	71,996	52,949	50,549	51,862	20,208	17,040	23,602	21,886
Revenues	**398,771**	329,118	316,573	339,674	347,438	278,741	227,878	247,243	392,558	364,816
Costs	**366,017**	311,428	302,205	313,771	315,313	267,926	220,938	246,525	380,83	358,596
Profit after tax	**32,754**	17,690	14,368	25,903	32,125	10,815	6,940	718	11,728	6,220
Data on major investments made in the current accounting period and in previous accounting periods including financial investments	**0**	195,708	46,942	1,899	0	7,364	3,344	2,5	3,7	3,525

[1] The balance of the deferred tax since 2008 is being shown in the net value. In 2007 the deferred tax receivable was not balanced with the deferred tax obligation.

The PREm accounting is kept in accordance with CAS.

PREleas, a.s. (until 19.10.)
eYello CZ, a.s. (from 19.10.)

Registered office: Prague 10, Limuzská 2110/8, ID No.: 25054040

The Company was established in 1996; its registered capital was MCZK 10. Its main line of business was leasing and renting of technology and technological units. Its leasing activities were directed only to members of the PRE Group; its business plan is not to enter the leasing market. The Company utilises leaseback to conduct its business activities.

In view of the new adopted tax legislation, the Company since 2006 stopped new purchases of leasing objects. PREleas, a.s. now performs leasing operations of objects acquired in the past until the due end of their leasing depreciation.

In the year 2012 there were carried out major changes in the subsidiary PREleas, a.s. The subsidiary's name was changed to eYello CZ, a.s.; the line of business was decisively extended above all by trading in electricity and gas, while the existing line of business (financial leasing of technologies and technological equipment to the members of the PRE Group) remained unchanged. The main objective of this change was to utilise this company for trading in electricity and gas throughout the Czech Republic. eYello CZ, a.s. offer transparent products, flexible communication without the customer centres, flexible feedback, all this at reasonable price corresponding to provided services. Thus it extends the successful offer of PRE which is above all targeted to Prague customers.

Yello Energy makes use of the experience of Yello Strom (EnBW Energie Baden-Württemberg AG subsidiary) which has been a successful alternative supplier of electricity and gas in neighbouring Germany since 1999 where it has already acquired more than one million customers.

Main data about the Company (TCZK):

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Assets	**35,261**	59,192	86,645	118,343	164,540	216,235	280,542	352,896	329,985	320,023
Liabilities	**35,261**	59,192	86,645	118,343	164,540	216,235	280,542	352,896	329,985	320,023
Equity	**22,372**	34,039	48,815	62,172	68,422	59,442	79,372	77,281	61,467	45,538
External sources/liabilities[1]	**12,542**	22,880	32,994	47,278	81,409	135,619	170,804	232,999	209,876	195,674
Revenues	**35,791**	39,286	46,565	63,822	72,262	87,844	99,676	125,308	129,685	115,824
Costs	**34,358**	32,962	38,822	53,972	62,182	75,674	86,585	108,494	112,956	102,451
Profit after tax	**1,433**	6,324	7,743	9,850	10,080	12,170	13,091	16,814	16,729	13,373
Data on major investments made in the current accounting period and in previous accounting periods including financial investments	**0**	0	0	0	0	0	0	112,689	103,012	110,151

[1] Without accruals

The eYello CZ, a.s. accounting is kept in accordance with CAS.
All subsidiaries operated at a profit in 2012.

Membership in national/multinational organisations/associations

Companies of the PRE Group are members of ČSRES, World Energy Council – CR Energy Committee, ČK CIRED, Czech Company Lawyers Association (Unie podnikových právníků ČR, o. s.), Electricity Market Operator (Operátor trhu s elektřinou, a.s.), Czech-German Chamber of Commerce and Industry (Česko-německá obchodní a průmyslová komora), Czech Institute of Internal Auditors (Český institut interních auditorů), Chamber of Commerce of the Capital City of Prague (Hospodářská komora hlavního města Prahy), Czech Union of Employers of Power Industry (Český svaz zaměstnavatelů v energetice), Association of Electronic Commerce (Associate pro elektronickou komerci), Club of Friends of the national Technical Museum (Klub přátel Národního technického muzea v Praze) and Eco-carsharing Centre.

Shareholders

All shareholders have free access to all important information on the Company. All materials are available either directly on the Company website or upon a request from the Shareholder Agenda Department (Section Strategy and Relations with Shareholders) which is fully available to shareholders.

No change in the shareholder's structure occurred during the year.

Thanks to information shown on the Company website, shareholders have in fact an immediate access to information on any important changes in the Company.

Main PRE Shareholders (%)

Status as at 31.12.	**2012**	2011	2010	2009	2008	2007	2006	2005	2004	2003
Pražská energetika Holding a.s.	**58.05**	58.05	57.87	57.87	57.87	50.78	50.78	50.78	50.78	50.78
ČEZ, a. s.	**–**	–	–	–	–	–	–	–		34.00
Honor Invest, a.s.	**–**	–	–	41.10	41.10	34.00	34.00	34.00	34.00	–
MPSV ČR	**–**	–	–	–	–	14.19	14.19	14.19	14.19	14.19
FNM ČR	**–**	–	–	–	–	–	–	–	–	–
Capital City of Prague	**–**	–	–	–	–	–	–	–	–	–
EnBW Energie Baden-Württemberg AG	**41.40**	41.40	41.26	0.16	0.16	0.16	0.16	0.16	–	–
GESO AG	**–**	–	–	–	–	–	–	–	0.16	0.16
RWE Energie AG[1]	**–**	–	-	–	–	–	–	–	–	–
Legal entities	**0**	0	0.18	0.18	0.18	0.16	0.17	0.17	0.17	0.17
Natural persons	**0.55**	0.55	0.69	0.69	0.69	0.70	0.70	0.70	0.70	0.70
Employee shares	**-**	–	–	–	–	–	–	–	–	–

Status as at 31.12.	2002	2001	2000	1999	1998	1997	1996	1995	1994
Pražská energetika Holding a.s.	50.7	50.77	–	–	–	–	–	–	–
ČEZ, a.s.	–	–	–	–	–	–	–	–	–
Honor Invest, a.s.	–	–	–	–	–	–	–	–	–
MPSV ČR	–	–	–	–	–	–	–	–	–
FNM ČR	48.19	48.19	48.19	48.19	48.19	48.19	48.19	51.59	100.00
Capital City of Prague	–	–	25.89	33.83	33.83	33.83	33.83	33.83	–
EnBW Energie Baden-Württemberg AG	–	–	–	–	–	–	–	–	–
GESO AG	0.16	0.16	17.42	16.76	16.49	16.09	15.59	–	–
RWE Energie AG[1]	–	–	7.61	–	–	–	–	–	–
Legal entities	0.1	0.1	0.18	0.26	0.48	0.50	0.73	12.81	–
Natural persons	0.70	0.70	0.71	0.79	0.84	0.82	1.09	1.60	–
Emplooyee shares	–	–	–	–	–	0.40	0.40	–	–

[1] From 2001 RWE Plus AG; from 2003 RWE Energy AG.

Structure of PRE Shareholders

Status as at 31.12.	**2012**		2011		2010		2009		2008	
	Number of shareholders	**Nominal value (TCZK)**	Number of shareholders	Nominal value (TCZK)	Number of shareholders	Nominal value (TCZK)	Number of shareholders	Nominal value (TCZK)	Number of shareholders	Nominal value (TCZK)
Domestic shareholders	**5,599**	**2,266,221**	5,650	2,266,222	7,505	2,267,617	7,562	3,856,752	7,605	3,856,752
Foreign shareholders	**9**	**1,603,222**	8	1,603,221	10	1,601,826	10	12,691	10	12,691
Total shareholders	**5,608**	**3,869,443**	5,658	3,869,443	7,515	3,869,443	7,572	3,869,443	7,615	3,869,443
Natural persons	**5,590**	**21,412**	5,641	21,414	7,495	28,048	7,550	26,551	7,594	26,582
Legal entities	**18**	**3,848,031**	17	3,848,029	20	3,841,395	22	3,842,892	21	3,842,861
– of which IPF	**0**	**0**	0	0	0	0	0	0	0	0

Status as at 31.12.	2007		2006		2005	
	Number of shareholders	Nominal value (TCZK)	Number of shareholders	Nominal value (TCZK)	Number of shareholders	Nominal value (TCZK)
Domestic shareholders	7,659	3,856,756	7,720	3,856,751	7,821	3,856,761
Foreign shareholders	9	12,687	9	12,692	8	12,682
Total shareholders	7,668	3,869,443	7,729	3,869,443	7,829	3,869,443
Natural persons	7,646	27,305	7,708	27,327	7,807	27,193
Legal entities	22	3,842,138	21	3,842,116	22	3,842,250
– of which IPF	0	0	0	0	0	0

Information on General Meetings held in 2012

During the year one ordinary General Meeting of PRE was held.

Information on the General Meeting of PRE held on 25 April 2012

The General Meeting discussed:

- the Report of the Supervisory Board together with the statement on the Report on Relations between Connected Persons.

The General Meeting approved:

- the procedural rules of the General Meeting,
- the report of the Board of Directors on the business activity and on the state of its assets for 2011,
- the consolidated financial statements for 2011,
- the regular (separate) financial statements for 2011,
- the proposal of distribution of profit for 2011 including fixing the level and method of paying out
- dividends and royalties for 2011,
- the change in the Articles of Association,
- the proposed remuneration of members of the Board of Directors and the Supervisory Board,
- the proposed amount of gifts for 2013.

The General Meeting removed and elected:

- members of the Supervisory Board.

Note: The proposal for amending the Articles of Association was triggered by the fact that Pražská energetika, a.s. is no longer a publicly traded securities company.

“Yello” Project

eYello CZ, a.s., a hundred percent subsidiary of Pražská energetika, a.s., shows PRE the way how to compensate the loss caused by the liberalisation of the electricity market. It will offer electricity to households and small businesses. This service will be mostly used by customers outside Prague.

Michal Kulig
Proxy of eYello CZ, a.s.

Why was eYello CZ, a. s. established?

eYello CZ, a.s. entered the Czech market in November 2012. This is based on the successful German model Yello Strom, which in 1999 was a surprise for its different approach simplifying the established procedures of energy companies. At eYello CZ, a.s. we are glad that we have been able to buy the licence from German Yello Strom. Our priority is household and small business customers – i.e. the B2C segment. We would like to be among the top suppliers in the Czech Republic within three years, and we feel there is a potential in the regions outside Prague where the loyalty to traditional energy brands is not as strong as in Prague.

What is the relationship between eYello CZ, a.s. and PRE?

eYello CZ, a.s. is a one hundred percent subsidiary of PRE. As regards operation and strategy it can be compared to a business group’s vehicles whereby under the one roof of the Volkswagen Group there are the brands Škoda, VW, SEAT etc., but each has its own strategy, target group and operation – they search for possible synergic effects within the group.

What form of sale will the new company choose?

eYello CZ, a.s. sells electricity and gas above all through its online store – we want to bring energy closer to consumer goods. Compared with other suppliers our offer is simpler and more transparent. For electricity we offer Yello Single – one price across the rates, Yello Double – one price for night current and one price for day current. For gas we have gone even further with Yello Joule and offer one price across all bands. The prices are lower than from traditional suppliers. But I would like to stress that the advantage is not just the price, but also simple sales terms without any catches and hidden charges or a contract for an unlimited period.


Yello

PRE TOP Management Organisational Structure

as at 31.12.2012

Chief Executive Officer

- Services Unit
- Company Executive Office
- Strategy and Relations with Shareholders
- Group Economy
- Human Resources
- Legal
- Informatics
- Support Services

Commercial Director

- Commercial Unit
- Sales
- Trading in Electricity
- Sales Development
- Customer Services

- Unit
- Section

The PRE Group Management Chart

(overview of controlling and controlled persons)

- OEW Energie-Beteiligungs GmbH
  46.55%
- NECKARPRI Beteiligungsgesselschaft GmbH
  46.55%

- Capital City of Prague
  51%
- EnBW Energie
  Baden-Württemberg AG
  49%

- Pražská energetika Holding a.s. (PRE-H)

- Pražská energetika, a.s.

– Pražská energetika Holding a.s.	58.05%
– EnBW Energie Baden-Württemberg AG	41.40%
– Other	0.55%

- General Meeting
- Supervisory Board
- Board of Directors
- Executive Management

- PREdistribuce, a.s.
- PREměření, a.s.
- PREleas, a.s. (until 19.10.)
  eYello CZ, a.s. (from 19.10.)

Line of Business

The line of business of the parent Company consists of the following activities and spheres of activity:

- trading in electricity,
- provision of public communication networks and provision of electronic communication services in the scope of Certificate No. 1205 dated 16.5.2006, i.e. 18293/ 2006-631 issued by the Czech Telecommunication Office,
- assembly, repair, revisions and testing of pressure equipment and gas containers,
- assembly, repairs, revisions and testing of lifting equipment,
- road motor freight transport,
- nationally operated vehicles with the greatest permitted weight below 3.5 tons inclusive,
- nationally operated vehicles with the greatest permitted weight above 3.5 tons,
- internationally operated vehicles with the greatest permitted weight below 3.5 tons inclusive,
- national casual personal transport,
- international casual personal transport,
- technical and organizational activity in the area of fire protection,
- provision of services in safety and protection of health at work,
- accounting consultants activities, bookkeeping, keeping tax records,
- production, installation, repair of electrical machinery and appliances, electronic and telecommunication equipment,
- production, trade and services not mentioned in Amendments 1 to 3 to the Trade Licensing Act,
- gas sales,

Fields:

- provision of software, consultancy in the sphere of information technologies, data processing, hosting and related activities, web portals,
- wholesale and retail,
- pawnshop activities and retail with used goods,
- lease and lending of movable items,
- accommodation services,
- real estate activity, property administration and maintenance,
- after-school training and education, organization of courses, trainings, including lectureship activities,
- administration services and organisational-economic services,
- trade and services mediation,
- advertising activity, marketing, media representation,
- advisory and consultancy services, execution of specialised studies and expert opinions,
- waste removal (except of dangerous),
- publishing activities, polygraphic production, bookbinding and copying services.

Report on Relations between Connected Persons

Report on the Relations between the Controlling and Controlled Person and on the Relations between the Controlled Person and Other Persons Controlled by the Same Controlling Person in accordance with Section 66a (9) of the Commercial Code (Report on Relations between Connected Persons).

A. Information on Relation

Controlling Person: Pražská energetika Holding a.s., ID No.: 26428059, Registered office: Prague 10, Na Hroudě 1492 (PRE-H) and persons controlled by it or by its owners
Controlled Person: Pražská energetika, a.s., ID No.: 60193913, Registered office: Prague 10, Na Hroudě 1492/4 (PRE)

Controlling Person

Corporate name:	Pražská energetika Holding a.s.
Registered office:	Prague 10, Na Hroudě 1492/4, PCN 100 05
ID No.:	26428059
Registered office:	CZK 3,598,627,000
Equity:	CZK 6,460,925,000
Average number of employees:	–
Economic result after tax:	CZK 1,173,655,000
Line of business:	– administration of interests held in legal entities – activity of economic and organizational consultants
Information on main sphere of activity:	
Income from dividends:	CZK 1,167,946,000
Data on revenues in the last accounting period:	–
Data on dependence of the issuer on patents, licences, if they have significant impact on the issuer's activity:	the Company is not dependant on patents and licences
Data on judicial, administrative or arbitral proceedings in the current and two previous accounting period:	no proceedings have been held.
Numeric data on main investments made in the current accounting period:	CZK 0
Data on main future investments except for financial:	–
General data on trends in the issuer's activity and data on business prospects:	–

Contracts concluded between the controlling and controlled person are presented in the notes to the consolidated financial statements (point No. 29) and to the separate in point No. 30. Related Party Transactions (Total Summary of Receivables and Payables to Related Parties).

All business contracts were concluded under usual business practices with no advantage to one or the other contractual parties. No controlling contracts were concluded between the controlling and controlled party, no advantages were provided or loss caused to either party. PRE has not incurred any loss of assets and no consideration has been provided which would be from the point of view of PRE disadvantageous.

B. Information on the Relation

Controlling Person: EnBW Energie Baden-Württemberg AG., Durlacher Allee 93, 76131 Karlsruhe, Germany and persons controlled by it or by its owners
Controlled Person: Pražská energetika, a.s., ID No.: 60193913, registered office Prague 10, Na Hroudě 1492/4 (PRE)

Controlling Person

Corporate name:	**EnBW Energie Baden-Württemberg AG.**, registered at the District Court in Mannheim, Germany under number HRB 107956
Registered office:	Durlacher Allee 93, 76131 Karlsruhe, Germany
Registered capital:	EUR 708,108,042
Average number of employees:	20,183
Line of business:	generation, transmission, distribution and trading in electricity; import, storage, transmission and distribution of gas; environmental services

Contracts concluded between the controlling and controlled person are presented in the notes to the consolidated financial statements (point No. 29) and to the separate in point No. 30. Related Party Transactions (Total Summary of Receivables and Payables to Related Parties).

All business contracts were concluded under usual business practices with no advantage to one or the other contractual parties. No controlling contracts were concluded between the controlling and controlled party, no advantages were provided or loss caused to either party. PRE has not incurred any loss of assets and no consideration has been provided which would be from the point of view of PRE disadvantageous.

C. Information on Relation between the Controlling Person (PRE) and the Controlled Persons (PREdistribuce, a.s., PREměření, a.s., PREleas, a.s., a eYello CZ, a.s.)

a) Information on the Relation between the Controlling Person (PRE) and the Controlled Person (PREdistribuce, a.s.)

I. Contractual relations between the Controlled Person PREdistribuce, a.s. and the Controlling Person Pražská energetika, a.s.
“Contract on Provision of Services” No. P200006/01 – in force as of 1.1.2006 for indefinite period
Amendment No. 1 – in force as of 28.12.2006
Amendment No. 2 – in force as of 31.12.2007
Amendment No. 3 – in force as of 31.12.2008
Amendment No. 4 – in force as of 1.4.2009
Amendment No. 5 – in force as of 15.12.2009
Amendment No. 6 – in force as of 21.12.2010
Amendment No. 7 – in force as of 21.6.2011
Amendment No. 8 – in force as of 23.12.2011
“Lease Contract” No. PS20000007/003 – in force as of 1.1.2007 for indefinite period
Amendment No. 1 – in force as of 1.1.2008
Amendment No. 2 – in force as of 1.3.2009
“Lease Contract” No. PS20000007/004 – in force as of 1.1.2007 for indefinite period
Amendment No. 1 – in force as of 1.1.2008
Amendment No. 2 – in force as of 1.3.2009
Amendment No. 3 – in force as of 1.2.2012

“Lease Contract” No. P200006/05 – in force as of 1.1.2006 for indefinite period
Amendment No. 1 – in force as of 1.9.2006
Amendment No. 2 – in force as of 1.3.2008
Amendment No. 3 – in force as of 1.4.2011
“Lease Contract” No. P200006/06 – in force as of 1.1.2006 for indefinite period
Amendment No. 1 – in force as of 1.9.2006
Amendment No. 2 – in force as of 1.4.2007
Amendment No. 3 – in force as of 31.12.2007
“Contract on Lease of Non-residential Premises” No. P200006/09 – in force as of 1.1.2006 for indefinite period
Amendment No. 1 – in force as of 1.12.2007
Amendment No. 2 – in force as of 1.9.2008
Amendment No. 3 – in force as of 1.4.2010
Amendment No. 4 – in force as of 1.4.2011
“Contract on Lease of Garage Parking Lot” No. P200006/10 – in force as of 1.1.2006 for indefinite period
Amendment No. 1 – in force as of 31.12.2007
Amendment No. 2 – in force as of 1.1.2010
“Contract on Lease of Non-residential Premises” No. P200006/11 – in force as of 1.1.2006 for indefinite period
Amendment No. 1 – in force as of 1.11.2007
Amendment No. 2 – in force as of 1.1.2008
Amendment No. 3 – in force as of 1.4.2010
Amendment No. 4 – in force as of 1.2.2011
“Contract on Lease of Garage Parking Lot” No. P200006/13 – in force as of 1.1.2006 for indefinite period
“Contract on Electricity Supply to cover Losses in the Distribution System and for the Distribution System Operator Own Needs” No. P200006/14 – in force as of 1.1.2006 for indefinite period
“General Contract on Electricity Distribution to Customer Consumption Points of the Electricity Trader“ No. PS20000011/011 – in force as of 1.1.2011 for indefinite period
“Contract on provision of Short-term Loans” No. P200006/22 – in force as of 30.11.2005 for indefinite period
Amendment No. 1 – in force as of 25.1.2006
Amendment No. 2 – in force as of 17.6.2008
Amendment No. 3 – in force as of 25.6.2008
Amendment No. 4 – in force as of 13.10.2008
“General mandate Contract on Construction of Telecommunication Facilities” No. P200006/27 – in force as of 2.5.2006 for indefinite period
“Licence Contract” No. PS20000011/029 – in force as of 3.1.2011 for indefinite period
“Lease Contract” No. NO21106/015 – in force as of 2.1.2006 for indefinite period
Amendment No. 1 – in force as of 31.12.2008
Amendment No. 2 – in force as of 9.12.2009
Amendment No. 3 – in force as of 6.12.2011
“Lease contract – Plastic Advertisement Billboards” No. NO21106/001 – in force as of 30.12.2005 for indefinite period
Amendment No. 1 – in force as of 1.1.2010
Amendment No. 2 – in force as of 1.1.2011
Amendment No. 3 – in force as of 29.12.2011
“Contract for Work Administration, Operation and Maintenance of Optical Networks” No. PS21000111/079 – in force as of 1.7.2011 for indefinite period
“Contract for Work” No. PS23310209/012 – in force as of 1.1.2009 for indefinite period

“Lease Contract” No. PG3530/07/2008/22 – in force as of 1.8.2008 for indefinite period
Amendment No. 1 – in force as of 1.1.2009
“Contract on Loan No. 1/2009” No. PS20000009/017 – in force from 6.6.2009 to 30.6.2012
Amendment No. 1 – in force as of 29.6.2009
Amendment No. 2 – in force as of 29.6.2010
Amendment No. 3 – in force as of 29.6.2011
“Lease Contract” No. NO21109/001 – in force as of 1.3.2009 do 31.12.2015
“Lease Contract” No. NO21109/006 – in force as of 1.4.2009 for indefinite period
“Contract on Establishment of Easement” No. VV/G33/03236/07/3065 – in force as of 22.1.2007 for indefinite period
“Contract on Establishment of Easement” No. VV/G33/03502/07/4849 – in force as of 22.1.2007 for indefinite period
“Contract on Establishment of Easement” No. VV/G33/03665/07/4394 – in force as of 16.11.2007 for indefinite period
“Contract on Establishment of Easement” No. VV/G33/03938/08/5562 – in force as of 31.3.2008 for indefinite period
“Contract on Establishment of Easement” No. VV/G33/04067/07/6065 – in force as of 9.11.2007 for indefinite period
“Contract on Establishment of Easement” No. VV/G33/04295/08 – in force as of 4.2.2008 for indefinite period
“Contract on Establishment of Easement” No. VV/G33/04449/08/5877 – in force as of 10.10.2008 for indefinite period
“Contract on Establishment of Easement” No. VV/G33/04457/08 – in force from 31.3.2008 to 2.4.2048
“Contract on Establishment of Easement” No. 33200/4793/08/5678 – in force as of 19.1.2009 for indefinite period
“Contract on Establishment of Easement” No. 33200/5001/08 – in force as of 12.12.2008 for indefinite period
“Agreement on a Future Contract on Establishment of Easement” No. VB/S24/1010230 – in force as of 23.11.2010
“Contract on Establishment of Easement” No. VV/G33/06487/1006936 – in force as of 21.5.2010 for indefinite period
“Contract on Establishment of Easement” No. VV/G33/07210/1110903 – in force as of 12.5.2011 for indefinite period
“Contract on Establishment of Easement” No. VV/G33/08100/1215718 – in force as of 6.6.2012 for indefinite period
“Contract on Establishment of Easement” No. VV/G33/08212/1216021 – in force as of 20.4.2012 for indefinite period
“Lease Contract” No. NO21111/011 – in force as of 1.4.2011 for indefinite period
“Contract on Sub-lease of the Distribution System” No. N21112/012 – in force from 1.2.2012 to 31.12.2013
“Contract for Advertisement” No. N21112/039 – in force from 26.3.2012 to 31.12.2012
“Lease Contract” No. NO21112/016 – in force from 1.11.2012 to 30.6.2013
“Lease Contract” No. NO21112/017 – in force from 1.12.2012 to 31.3.2013
“Contract on Loan No. 1/2011” No. PS20000011/028 – in force from 28.11.2011 to 30.11.2014
Amendment No. 1 – in force as of 29.11.2011
“Contract on Loan No. 1/2012” No. PS20000012/032 – in force from 28.6.2012 to 29.6.2015
Amendment No. 1 – in force as of 29.6.2012
“Contract on Provision of Dispatch and Maintenance Services and Work on HV Equipment in RS 8900 Transformer Station in the Premises of the University Hospital in Motol” No. PS23330212/0025 – in force from 1.1.2012 to 31.12.2012

II. Contractual Relations with other Persons controlled by the same controlling Person PREměření, a.s.

“Contract on Provision of Services” No. S252007/002, C00270/07 – in force as of 1.1.2007 for indefinite period
Amendment No. 1 – in force as of 1.1.2008
Amendment No. 2 – in force as of 1.1.2009
Amendment No. 3 – in force as of 1.1.2010
Amendment No. 4 – in force as of 1.1.2011
Amendment No. 5 – in force as of 1.7.2011
Amendment No. 6 – in force as of 1.1.2012
“Contract on Supply of Malfunctioning Metering Equipment” No. S252007/003, C00261/06 – in force as of 30.12.2006 for indefinite period
“Contract on Supply of Used Metering Equipment” No. S252007/004, C00260/06 – in force as of 30.12.2006 for indefinite period

“Contract for Work” No. P20006/19, C00203/06 – in force as of 1.3.2006 for indefinite period
Amendment No. 1 – in force as of 2.1.2008
“Contract on Lease of Land” No. N21110/016, C00418/10 – in force from 1.4.2010 to 31.12.2030
“Contract on Lease of Land” No. NO21110/004, C00438/10 – in force from 1.9.2010 to 31.12.2030
“Contract on Lease of Land” No. N21110/039, C00436/10 – in force from 1.10.2010 to 31.12.2035
Amendment No. 1 – in force as of 9.12.2010
“Contract on Lease of a Part of Real Estate” No. NO21110/005, C00439/10 – in force from 1.10.2010 to 31.12.2035
Amendment No. 1 – in force as of 9.12.2010
“Contract on Supply of Metering Equipment” No. KV/S21/1215317, C00546/11 – in force from 10.1.2012 to 31.12.2012
“Contract on Settlement of Regulated Payments for Electricity Generated from a Renewable Source” No. 65024896/2010, PS25002110/133, PS25002110/033, PS25002110/208, PS25002110/209, PS25002110/210, PS25002110/213, PS25002110/214 (C00462/10) – in force as of 20.12.2010 for indefinite period
“Contract on Electricity Supply from Renewable Sources” (C00420/10), (FVE Jinonice) – in force as of 26.5.2010 for indefinite period
Amendment No. 1 – in force as of 1.4.2011
“Contract on Connection to the Distribution System on LV Level” No. 6149169/2010 (C00422/10), (FVE Jinonice) – in force as of 26.5.2010 for indefinite period
“Contract on Connection to the Distribution System on LV Level” No. 6168552/2010 (C00442/10), (FVE Lhotka) – in force as of 4.8.2010 for indefinite period
“Contract on Electricity Supply from Renewable Sources” (C00445/10), (FVE Lhotka) – in force as of 1.10.2010 for indefinite period
Amendment No. 1 – in force as of 1.4.2011
“Contract on Electricity Supply from Renewable Sources” (C00465/10), (FVE Pražačka TO 03) – in force as of 26.5.2010 for indefinite period
Amendment No. 1 – in force as of 1.4.2011
“Contract on Electricity Supply from Renewable Sources” (C00466/10), (FVE Pražačka TO 02) – in force as of 28.12.2010 for indefinite period
Amendment No. 1 – in force as of 1.4.2011
Amendment No. 2 – in force as of 1.4.2011
“Contract on Electricity Supply from Renewable Sources” (C00467/10), (FVE Pražačka TO 04) – in force as of 28.12.2010 for indefinite period
Amendment No. 1 – in force as of 1.4.2011
“Contract on Electricity Supply from Renewable Sources” (C00468/10), (FVE Sever) – in force as of 28.12.2010 for indefinite period
Amendment No. 1 – in force as of 1.4.2011
“Contract on Electricity Supply from Renewable Sources” (C00469/10), (FVE Hrouda) – in force as of 28.12.2010 for indefinite period
Amendment No. 1 – in force as of 1.4.2011
“Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment” No. PS20200011/003, C00478/11 – in force from 13.4.2011 to 28.2.2013
“Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment” No. PS20200012/003, C00564/12 – in force from 2.3.2012 to 28.2.2013
“Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment “ No. PS20200012/002, C00571/12 – in force from 10.4.2012 to 28.2.2013
“Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment” No. PS20200012/005, C00619/13 – in force from 20.6.2011 to 28.2.2013
“Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment” No.PS20200012/004, C00620/13 – in force from 1.2.2011 to 28.2.2013

PREleas, a.s. from 19.10.2012 entered under trademark eYello, a.s.
Leasing contracts No. 0200014 to 0200018 – in force as of 1.2.2002
Leasing contracts No. 0300005 to 0300014 – in force as of 1.2.2003
Leasing contracts No. 0400006 – in force as of 1.2.2004
Leasing contracts No. 0500001 to 0500003 – in force as of 1.2.2005

III. Commentary of the Statutory Body

Further to Section 66a (9) of the Commercial Code the afore mentioned contracts were concluded or were already in force and effect for the last accounting period between Pražská energetika, a.s. as the controlling person and PREdistribuce, a.s. as the controlled person and between PREdistribuce, a.s. as the controlled connected person and the controlled connected persons PREměření, a.s. and eYello, a.s. (before PREleas, a.s.).

PREdistribuce has not incurred any loss of assets and no consideration has been provided which would be disadvantageous from the point of view of PREdistribuce, a. It is for this reason that there is no need to conclude any contract among the stated companies for compensation of loss of assets and no such loss had to be compensated by the end of 2012 to Pražská energetika, a.s., PREměření, a.s. and eYello, a.s. (before PREleas, a.s.). The aforementioned business contracts were concluded under the usual business practices, with no advantage to one or the other contractual party.

The Company has decided not to disclose the values of fulfillment under the terms of the stated contracts due to business confidentiality.

b) Information on the Relation between the Controlling Person (PRE) and the Controlled Person (PREměření, a.s.)

I. Contractual Relations between the Controlled Person PREměření, a.s. and the Controlling Person Pražská energetika, a.s.
"Contract on Lease" (C00241/06), (Prague 6, Africká 687/36) – in force as of 1.9.2006 for indefinite period
Amendment No. 1 (C00284/07) – in force as of 1.4.2007
Amendment No. 2 (C00314/08) – in force as of 1.1.2008
"Contract on Lease" (C00242/06), (Prague 8, Novovysočanská 696/3) – in force as 1.9.2006 for indefinite period
Amendment No. 1 (C00283/07) – in force as of 1.4.2007
Amendment No. 2 (C00313/08) – in force as of 1.1.2008
Amendment No. 3 (C00390/09) – in force as of 1.10.2009
"Contract on Lease" (C00310/08), (Prague 10, Na Hroudě 2149/19) – in force as of 1.1.2008 for indefinite period
Amendment No. 1 (C00388/09) – in force as of 1.9.2009
Amendment No. 2 (C00474/11) – in force as of 1.2.2011
"Contract on Lease of Garage Parking Lot 62/35300/07/Ni" (C00312/08), (Prague 10, Na Hroudě 4) – in force as of 1.1.2008 for indefinite period
"Contract on Lease of a Part of Real Estate" (C00441/10), (Prague 8, Novovysočanská 696/3 – pro FVE) – in force from 1.10.2010 to 31.12.2030
Amendment No. 1 (C00458/10) – in force from 9.12.2010 to 31.12.2035
"Contract on Lease of a Part of real Estate" (C00453/10), (Prague 10, Na Hroudě 2149/19 – pro FVE) – in force from 1.11.2010 to 31.12.2030
Amendment No. 1 (C00459/10) – in force from 8.12.2010 to 31.12.2035
"Contract on Lease" (C00523/11), (Prague 4, Vladimírova 18) – in force as of 1.9.2011 for indefinite period
Amendment No. 1 (C00582/12) – in force as of 1.6.2012
"Contract on Lease of Non-residential Premises" (C00581/12), (Prague 7, Partyzánská 188/7a) – in force as of 1.6.2012 for indefinite period
Amendment No. 1 (C00592/12) – in force as of as of 1.8.2012
"Contract on Short-term Loans" (C00186/05) – in force as of 30.11.2005 for indefinite period
Amendment No. 1 (C00537/11) – in force as of 24.11.2011
"Contract No. ZBA/2005/36 on Provision of Factual Unidirectional Cash pooling" (C00188/05) – in force as of 1.12.2005 – for indefinite period

"Contract on Use of Telephone Equipment and charging the Costs related to the Use of Telephone Lines – No. 1226" (C00240/06) – in force as of 1.8.2006 for indefinite period

"Contract on Provision of Services" (C00267/06), (administration services, services delivery) – in force as of 1.1.2007 for indefinite period

Amendment No. 1 (C00306/07) – in force as of 1.1.2008
Amendment No. 2 (C00358/09) – in force as of 31.12.2008
Amendment No. 3 (C00406/10) – in force as of 1.1.2010
Amendment No. 4 (C00464/10) – in force as of 1.1.2011
Amendment No. 5 (C00511/11) – in force as of 1.7.2011
Amendment No. 6 (C00553/12) – in force as of 1.1.2012

"Agreement on Take-over Rights and Obligations arising from the Forwarding Contract dated 30.6.2000, No. P4212005/5" (C00311/08) – in force as of 1.1.2008 for indefinite period

"General Contract on Assembly of Storage Heating" (C00384/09) – in force as of 3.9.2009 for indefinite period

Amendment No. 1 (C00556/12) – in force as of 27.12.2011

"Contract on Personal Data Processing" (C00426/10) – in force as of 22.6.2010 for indefinite period

"Licence Agreement to use Trademark" (C00470/11), (authorization to use PRE trademark) – in force as of 3.1.2011 for indefinite period

"General Contract for Work" (C00500/11), (transformer stations servicing) – in force as of 24.6.2011 for indefinite period

"Contract on Combined Services related to the Electricity Supply – type MO No. SoSSE/6254022" (C00503/11), (FVE Sever) – in force as of 14.6.2011 for indefinite period

"Contract on Combined Services related to the Electricity Supply – type MO No. SoSSE/6250517" (00504/11), (FVE Pražačka T02) – in force as of 14.6.2011 for indefinite period

"Contract on Combined Services related to the Electricity Supply – type MO No. SoSSE/6282725" C00505/11), (FVE Pražačka T04) – in force as of 14.6.2011 for indefinite period

"Contract on Combined Services related to the Electricity – type MO No. SoSSE/6279473" (C00506/11), (FVE Pražačka T03) – in force as of 14.6.2011 for indefinite period

"Contract on Combined Services related to the Electricity – type MO No. SoSSE/6283505" (C00507/11), (FVE Hrouda) – in force as of 14.6.2011 for indefinite period

"Contract on Combined Services related to the Electricity – type MO No. SoSSE/6207319" (C00508/11), (FVE Jinonice) – in force as of 14.6.2011 for indefinite period

"Contract on Combined Services related to the Electricity – type MO No. SoSSE/6253998" (C00509/11), (FVE Lhotka) – in force as of 14.6.2011 for indefinite period

"General Contract for Work" (C00519/11), (installation and servicing the charging points) – in force as of 29.9.2011 for indefinite period

"General Contract for Work" (C00522/11), (measuring of the electric wiring load at a consumption point) – in force as of 19.9.2011 for indefinite period

"Mandate Contract" (C00542/11), (conclusion of contracts, collection of receivables) – in force as of 5.12.2011 for indefinite period

"Contract for Work" (C00586/12), (thermovision measuring) – in force as of 13.7.2012 for indefinite period

Amendment No. 1 (C00595/12) – in force as of 13.9.2012

"Contract on Loan" (C00603/12) – in force from 24.10.2012 to 29.4.2013

II. Contractual Relations with other Persons Controlled by the same Controlling Person

All below stated contracts have been concluded with other controlled person PREdistribuce, a.s.

"Contract on Lease of Land No. N 21110/016" (C00418/10), (FVE Lhotka) – in force from 1.4.2010 to 31.12.2030

„Contract on Lease of Land No. N 21110/039" (C00436/10), (FVE Sever) – in force from 1.10.2010 to 31.12.2030

Amendment No. 1 (C00460/10) – in force from 9.12.2010 to 31.12.2035

"Contract on Lease of Land No. NO 21110/004" (C00438/10), (FVE Jinonice) – in force from 1.9.2010 to 31.12.2030

"Contract on Lease of a Part of Real Estate No. N 21110/005" (C00439/10), (FVE Pražačka in force from 1.10.2010 to 31.12.2030
Amendment No. 1 (C00457/10) – in force from 9.12.2010 to 31.12.2035
"Contact for Work No. P 20006/19" (C00203/06), (realization of minor adjustments and connections in LV network, engineering activities) – in force as of 1.3.2006 for indefinite period
Amendment No. 1 (C00339/08) – in force as of 2.1.2008
"Contracts on Supply of used Metering Equipment" (C00260/06) – in force as of 30.12.2006 for indefinite period
"Contracts on Supply of Malfunctioning Metering Equipment" (C00261/06) – in force as of 30.12.2006 for indefinite period
"Contract on Provision of Services No. S 252007/002" (C00270/07) – in force as of 1.1.2007 for indefinite period
Amendment No. 1 (C00305/07) – in force as of 1.1.2008
Amendment No. 2 (C00359/09) – in force as of 1.1.2009
Amendment No. 3 (C00408/10) – in force as of 1.1.2010
Amendment No. 4 (C00463/10) – in force as of 1.1.2011
Amendment No. 5 (C00510/11) – in force as of 1.7.2011
Amendment No. 6 (C00554/12) – in force as of 1.1.2012
"Agreement on Future Contract on Establishment of Easement No. VB/S21/0904426" (C00385/09), (TR Lhotka) – in force as of 21.9.2009 for indefinite period
"Agreement on Future Contract on Establishment of Easement No. VB/S21/0904425" (C00386/09), (TR Jinonice) – in force as of 21.9.2009 for indefinite period
"Agreement on Future Contract on Establishment of Easement No. VB/S21/0904423" (C00387/09) (TR Sever) – in force as of 21.9.2009 for indefinite period
"Contract on Electricity Supply from Renewable Sources" (C00420/10), (FVE Jinonice) – in force as of 26.5.2010 for indefinite period
Amendment No. 1 (C00484/11) – in force as of 1.4.2011
"Contract on Connection to the Distribution System on LV Level No. 6149169/2010" (C00422/10), (FVE Jinonice) – in force as of 26.5.2010 for indefinite period
"Contract on Connection to the Distribution System on LV Level No. 6168552/2010" (C00442/10), (FVE Lhotka) – in force as of 4.8.2010 for indefinite period
"Contract on Electricity Supply from Renewable Sources" (C00445/10), (FVE Lhotka) – in force as of 1.10.2010 for indefinite period
Amendment No. 1 (C00485/11) – in force as of 1.4.2011
"Contract on Settlement of Regulated Payments for Electricity Generated from Renewable Sources No. 65024896/2010" (C00462/10), (FVE) – in force as of 20.12.2010 for indefinite period
"Contract on Electricity Supply from Renewable Sources" (C00465/10), (FVE Pražačka TO 03) – in force as of 28.12.2010 – for indefinite period
Amendment No. 1 (C00488/11) – in force as of 1.4.2011
"Contract on Electricity Supply from Renewable Sources" (C00466/10), (FVE Pražačka TO 02) – in force as of 28.12.2010 for indefinite period
Amendment No. 1 (C00486/11) – in force as of 1.4.2011
Amendment No. 2 (C00487/11) – in force as of 1.4.2011
"Contract on Electricity Supply from Renewable Sources" (C00467/10), (FVE Pražačka TO 04) – in force as of 28.12.2010 – for indefinite period
Amendment No. 1 (C00489/11) – in force as of 1.4.2011
"Contract on Electricity Supply from Renewable Sources" (C00468/10), (FVE Sever) – in force as of 28.12.2010 for indefinite period
Amendment No. 1 (C00483/11) – in force as of 1.4.2011
"Contract on Electricity Supply from Renewable Sources" (C00469/10), (FVE Hrouda) – in force as of 28.12.2010 for indefinite period
Amendment No. 1 (C00482/11) – in force as of 1.4.2011
"Contract on Supply of Measuring Equipment" (C00546/11) – in force from 10.1.2012 to 31.12.2012

“Contract on Cooperation for performing Work on unmetered Parts of Consumption Electric Equipment” (C00478/11) – Mr. Truxa – in force from 13.4.2011 to 28.2.2013
“Contract on Cooperation for performing Work on unmetered Parts of Consumption Electric Equipment” (C00564/12) – Mr. Zindulka – in force from 2.3.2012 to 28.2.2013
“Contract on Cooperation for performing Work on unmetered Parts of Consumption Electric Equipment” (C00571/12) – Mr. Záruba – in force from 10.4.2012 to 28.2.2013
“Contract on Cooperation for performing Work on unmetered Parts of Consumption Electric Equipment” (C00619/13) – Mr. Lebeda – in force from 20.6.2011 to 28.2.2013
“Contract on Cooperation for performing Work on unmetered Parts of Consumption Electric Equipment” (C00620/13) – Mr. Smetana – in force from 25.1.2011 to 28.2.2013

III. Commentary of the Statutory Body
Further to Section 66a (9) of the Commercial Code the aforementioned contracts between Pražská Energetika, a.s. as the Controlling Person and PREměření, a.s. as the Controlled Person and also between PREměření, a.s. as the controlled connected person and the controlled connected persons, i.e. companies PREdistribuce and PREleas, a.s. were concluded or were already in force and effect for the last accounting period. PREměření, a.s. has not incurred any loss of assets and no consideration has been provided which would be disadvantageous from the point of view of PREměření, a.s. It is for this reason that there is no need to conclude any contract between the two companies for compensation of loss of assets and no such loss had to be compensated by the end of 2012 to Pražská energetika, a.s., PREdistribuce, a.s. and PREleas, a.s. The aforementioned business contracts were concluded under the usual business practices with no advantage to one or other contractual party.

The Company has decided not to disclose the values of fulfillment under the terms of the stated contracts due to business confidentiality.

c) Information on the Relation between the Controlling Person (PRE) and the Controlled person (PREleas, a.s. – until 19.10. – eYello CZ, a.s. – from 19.10.)

I. Purchase Type Transactions:
„Leasing Contracts No. 14 to 18/2002“ lease of long-term tangible assets amounting to TCZK 33,461, in force as of 1.2.2002.
„Leasing Contracts No. 5 to 14/2003“ lease of long-term tangible assets amounting to TCZK 119,144, in force as of 1.2.2003.
„Leasing Contracts No. 6/2004“ lease of long-term tangible assets amounting to TCZK 69,344, in force as of 1.2.2004.
„Leasing Contracts No. 1 to 3/2005“ lease of long-term tangible assets amounting to TCZK 165,650, in force as of 1.2.2005.
Financial volume of purchase transactions TCZK 387,599.

II. List of Obligations recorded in relation to connected persons
“Contract on the provision of Leasing Services No. 1/2000”, in force as of 15.3.2000.

III. Further contractual relations between connected persons (services offered by PRE)
“Contract No. ZBA/2005/36” on Provision of Factual Unidirectional Cash Pooling, in force as of 30.11.2005,
“Contract on Loan No. 1/2011”, in force from 15.2.2011 to 15.2.2012.
“Contract on Loan No. 1/2012”, in force from 15.2.2012 to 15.2.2013.
“Contract on Provision of Services”, in force as of 19.12.2012.
“Sub-licence Contract for authorization to use trademarks”, in force as of 19.12.2012.

IV. Commentary of the Statutory Body

Further to Section 66a (9) of the Commercial Code the aforementioned contracts between Pražská Energetika, a.s. as the Controlling Person and eYello CZ, a.s. as the Controlled Person were concluded or were already in force and effect for the last accounting period. eYello CZ, a.s. has not incurred any loss of assets and no consideration has been provided which would be disadvantageous from the point of view of eYello CZ, a.s. It is for this reason that there is no need to conclude any contract between the two companies for compensation of loss of assets and no such loss had to be compensated by the end of 2012 by Pražská energetika, a.s.
The aforementioned business contracts were concluded under the usual business practices with no advantage to one or other contractual party.
The mentioned leasing contracts were originally concluded with Pražská energetika, a.s. Within the transfer of a part of the Company, rights and obligations related to the above mentioned contracts were transferred to a newly established legal entity PREdistribuce, a.s.
No business contracts or any other legal acts in accordance with Section 66a (9) of the Commercial Code have been concluded with other controlled persons controlled by Pražská energetika, a.s. which would be inconsistent with the procedure usual for concluding business relations with Pražská energetika, a.s.

The Company has decided not to disclose the values of fulfillment under the terms of the stated contracts due to business confidentiality.

28.2.2013

Information required in accordance with Legislation in Force

Information about facts which occurred after the balance sheet day
The data are continuously shown in the text of the Annual Report and are marked in bold italics.

Information about the estimated activity development of the accounting unit
The data are found in the chapter "Estimated Economic Results in 2013–2014".

Information about activities in research and development
The Company does not systematically conduct activities in these fields.

Information about whether the accounting unit has an organisational unit abroad
The Company has an organisational unit in Slovakia with a total turnover that accounts for less than 10%.

Information about activities in the field of environmental protection, legal and labour relations
The data are found in chapters "Ecology, Environmental Protection, Safety and Protection of Health at Work" and "Human Resources".

Information about objectives and methods of the Risk Management in the Company
The data are found in the chapter "PRE Group Risk Management System".

Information about price, credit and liquidity risks and risks related to cash flow to which the accounting unit is exposed
The data are found in the "Financial Report" and in the financial statements.

Information about Interruption of Business
The issuer did not interrupt its business during the year.

Supervisory Board Report

In 2012 the PRE Supervisory Board held seven meeting altogether (of which three times per rollam).
The meetings focused on fundamental materials concerning strategic decisions.

The Supervisory Board among others:

- discussed the preparation of the General Meeting held in 2012,
- discussed and reviewed the proposal of profit division for the year 2011 together with submitted proposals of the consolidated and regular (separate) financial statements; became acquainted with the reports of the auditor concerning these statements,
- discussed the Report on Relations between the Controlling and Controlled Person and on the Relations between the Controlled Person and other Persons Controlled by the same Controlling Person in accordance with § 66a (9) of the Commercial Code,
- discussed the text of the Annual Report for 2011,
- discussed and approved the assessment of the top management objectives for the year 2011,
- discussed and approved remunerations of Company directors in accordance with § 66d (3) of the Commercial Code,
- became continuously acquainted with economic results of the parent Company and subsidiaries,
- continuously, according to their needs, discussed personnel matters of the Supervisory Board and the Board of Directors.

The Supervisory Board declares that the Company's economic results in 2012 were very good and expresses its thanks to the Board of Directors and employees.

In Prague on 15.5.2013

Vladimír Schmalz
Chairman of the Supervisory Board

Auditor's Report

To the Shareholders of Pražská energetika, a.s.

Having its registered office at: Na Hroudě 1492/4, 100 05 Praha 10
Identification number: 601 93 913

Report on the Separate Financial Statements

Based upon our audit, we issued the following audit report dated 25 February 2013 on the financial statements which are included in this annual report on pages from 126 to 162:

"We have audited the accompanying financial statements of Pražská energetika, a.s., which comprise the statement of financial position as of 31 December 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Pražská energetika, a.s. as of 31 December 2012, 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 EU."

Report on the Consolidated Financial Statements

Based upon our audit, we issued the following audit report dated 25 February 2013 on the consolidated financial statements which are included in this annual report on pages from 86 to 123:

"We have audited the accompanying consolidated financial statements of Pražská energetika, a.s. and its subsidiaries, which comprise the statement of financial position as of 31 December 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Pražská energetika, a.s. and its subsidiaries as of 31 December 2012, and of its financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU."

Report on the Related Party Transactions Report

We have also reviewed the factual accuracy of the information included in the related party transactions report of Pražská energetika, a.s. for the year ended 31 December 2012 which is included in this annual report on pages 69 to 78. This related party transactions report is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the related party transactions report based on our review.

We conducted our review in accordance with Auditing Standard 56 issued by the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the related party transactions report is free of material factual misstatements. A review is limited primarily to inquiries of Company 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 related party transactions report and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information contained in the related party transactions report of Pražská energetika, a.s. for the year ended 31 December 2012 contains material factual misstatements.

The Company has decided not to disclose amounts under related party contracts citing business secrecy restrictions.

Report on the Annual Report

We have also audited the annual report of the Company as of 31 December 2012 for consistency with the financial statements referred to above. This annual report is the responsibility of the Company's Statutory Body. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the information included in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the information included in the annual report of the Company is consistent, in all material respects, with the financial statements referred to above.

In Prague on 22 May 2013

Audit firm:

Deloitte Audit s.r.o.
certificate no. 79

Statutory auditor:

Václav Loubek
certificate no. 2037

Consolidated Financial Statements – retrospective summary (2003–2010)

Consolidated Income Statements (TCZK)

	2010	2009	2008	2007	2006	2005	2004	2003
Revenues from electricity sold	19,984,453	20,366,222	18,879,115	16,532,912	13,947,381	12,140,558	11,008,703	10,024,809
Costs of electricity sold	(14,401,384)	(15,163,685)	(13,676,932)	(11,107,973)	(9,351,806)	(8,160,299)	(7,236,640)	(6,379,653)
Gross profit from electricity sold	**5,583,069**	**5,202,537**	**5,202,183**	**5,424,939**	**4,595,575**	**3,980,259**	**3,772,063**	**3,645,156**
Other operating income	304,228	394,364	182,787	195,154	210,258	126,516	179,118	317,315
Personal expenses	(1,048,783)	(996,497)	(960,525)	(979,253)	(904,787)	(799,161)	(749,662)	(711,217)
Depreciation	(861,721)	(810,676)	(739,669)	(739,803)	(688,289)	(833,994)	(877,104)	(610,862)
Costs of services, material and energy	(990,721)	(925,999)	(994,289)	(899,904)	(861,115)	(830,360)	(835,239)	(1,023,132)
Financial costs (Bearing interest)	(89,765)	(98,485)	(27,341)	(14,558)	(16,539)	(21,780)	(15,351)	
Other gains and losses	(105,669)	(82,918)	66,585	(8,554)	561	(34,995)	(186,518)	(347,542)
Profit from ordinary activity before tax	**2,790,638**	**2,682,326**	**2,729,731**	**2,978,021**	**2,335,664**	**1,586,485**	**1,287,307**	**1,269,718**
Income tax	(544,975)	(538,645)	(559,233)	(521,108)	(642,398)	(388,755)	(259,904)	(264,393)
Profit from ordinary activity after tax	2,245,663	2,143,681	2,170,498	2,456,913	1,693,266	1,197,730	1,027,403	1,005,325
Extraordinary expenses								(26,707)
Profit (loss) for accounting period	**2,245,663**	**2,143,681**	**2,170,498**	**2,456,913**	**1,693,266**	**1,197,730**	**1,027,403**	**978,618**
Profit per ordinary share [CZK]	580	554	561	635	438	304	254	242

Consolidated Balance Sheet – Consolidated Statements on Financial Position (TCZK)

	2010	2009	2008	2007	2006	2005	2004	2003
ASSETS								
Property, plants and equipment	15,805,631	14,700,276	13,702,513	12,697,512	12,084,545	11,569,394	11,119,624	9,808,997
Intangible fixed assets	215,742	210,827	186,073	169,645	142,310	163,949	177,710	155,707
Trade receivables and other receivables	21,335	22,850	46,540	128,211	29,852	30,300	32,586	57,616
Non-current assets	**16,042,708**	**14,933,953**	**13,935,126**	**12,995,368**	**12,256,707**	**11,763,643**	**11,329,920**	**10,022,320**
Inventories	41,002	41,927	53,130	42,866	31,186	34,099	49,767	40,834
Tax receivables	13,445	152,190	79,363	5,483	23,038	75,337	53,703	41,733
Trade receivables and other receivables	1,656,360	2,618,911	3,594,018	1,949,385	650,971	586,882	429,916	307,017
Other financial assets	49,025	148,851	172,350	162,754	441,028	134,885	319,158	666,399
Cash and cash equivalents	592,853	1,545,586	461,910	66,443	276,986	40,241	50,831	129,948
Current assets	**2,352,685**	**4,507,465**	**4,360,771**	**2,226,931**	**1,423,209**	**871,444**	**903,375**	**1,185,931**
Total assets	**18,395,393**	**19,441,418**	**18,295,897**	**15,222,299**	**13,679,916**	**12,635,087**	**12,233,295**	**11,208,251**
LIABILITIES								
Share capital	3,869,443	3,869,443	3,869,443	3,869,443	3,869,443	3,869,443	3,869,443	3,869,443
Funds from profit	1,172,377	1,171,867	1,566,166	1,048,453	1,156,387	1,155,605	1,156,255	1,154,527
Retained earnings	6,478,232	6,373,757	6,371,678	6,637,636	5,558,243	4,729,516	4,277,212	3,385,110
Equity	**11,520,052**	**11,415,067**	**11,807,287**	**11,555,532**	**10,584,073**	**9,754,564**	**9,302,910**	**8,409,080**
Loans	1,210,670	2,515,733	1,305,060	0	84,238	125,000	149,000	163,000
Trade payables and other payables	311,738	189,816	185,938	326,643	162,277	197,986	39,075	13,921
Provisions	345,073	333,988	331,855	325,760	321,705	364,808	578,604	423,512
Deferred tax liability	1,291,241	1,194,322	1,161,768	937,095	1,114,862	964,937	820,664	675,573
Long-term liabilities	**3,158,722**	**4,233,859**	**2,984,621**	**1,589,498**	**1,683,082**	**1,652,731**	**1,587,343**	**1,276,006**
Loans	1,302,071	974,169	655,132	221,224	197,905	416,000	457,000	28,000
Tax payables	79,962	101,725	116,305	331,959	153,343	14,383	12,278	35,991
Trade payables and other payables	2,325,889	2,711,748	2,729,229	1,461,534	1,014,348	705,533	863,311	1,453,780
Provisions	8,697	4,850	3,323	62,552	47,165	91,876	10,453	5,394
Short-term liabilities	**3,716,619**	**3,792,492**	**3,503,989**	**2,077,269**	**1,412,761**	**1,227,792**	**1,343,042**	**1,523,165**
Total liabilities	**18,395,393**	**19,441,418**	**18,295,897**	**15,222,299**	**13,679,916**	**12,635,087**	**12,233,295**	**11,208,251**

Consolidated Financial Statements in Full Version as at 31.12.2012

Consolidated Income Statement (CZK thousand)

	Note	2012	2011
Revenues from electricity produced		**27,842**	5,939
Revenues from electricity and gas sold		**20,529,623**	20,463,031
Costs of electricity and gas sold		**(14,502,382)**	(14,210,352)
Gross profit from the sale of electricity and gas	**(4)**	**6,055,083**	**6,258,618**
Other operating income	(4)	**376,489**	320,131
Personnel expenses	(6)	**(1,089,068)**	(1,129,933)
Amortisation and depreciation	(13, 14)	**(989,169)**	(904,296)
Costs of services, material and energy	(7)	**(1,138,561)**	(1,094,887)
Borrowing costs	(8)	**(67,691)**	(84,653)
Other gains and losses	(9)	**(111,633)**	213,040
Profit from ordinary activity before tax		**3,035,450**	**3,578,020**
Income tax	(10)	**(592,046)**	(696,647)
Profit from ordinary activity after tax		**2,443,404**	**2,881,373**
Earnings per share attributable to ordinary shares (CZK)	(12)	**631**	745

Consolidated Statement of Comprehensive Income (CZK thousand)

	2012	2011
Profit from ordinary activity after tax	**2,443,404**	2,881,373
Total other comprehensive income:		
Revaluation of other financial assets	**3,670**	3,344
Cash flow hedging	**(167,851)**	178,538
Total other comprehensive income after tax	**(164,181)**	181,882
Comprehensive income attributable to shareholders of the parent company	**2,279,223**	**3,063,255**

Consolidated Statement of Financial Position (Balance Sheet) (CZK thousand)

	Note	2012	2011
ASSETS			
Property, plant and equipment	(13)	**17,750,482**	16,928,531
Intangible assets	(14)	**207,277**	233,327
Trade receivables and other receivables	(16)	**23,920**	28,213
Non-current assets		**17,981,679**	**17,190,071**
Inventories	(17)	**38,806**	27,978
Tax receivables		**133,865**	193,984
Trade receivables and other receivables	(16)	**1,788,545**	2,174,931
Other financial assets	(18)	**6,035**	52,371
Cash and cash equivalents	(19)	**127,172**	379,519
Current assets		**2,094,423**	**2,828,783**
Total assets		**20,076,102**	**20,018,854**
LIABILITIES			
Share capital	(24)	**3,869,443**	3,869,443
Funds from profit	(25)	**1,190,078**	1,354,259
Retained earnings		**7,700,750**	7,309,034
Shareholder's equity attributable to the parent company's shareholders		**12,760,271**	**12,532,736**
Loans	(20)	**2,571,570**	73,479
Trade payables and other payables	(21)	**279,613**	250,405
Provisions	(23)	**69,115**	73,723
Deferred tax liability	(10)	**1,551,267**	1,479,599
Long-term payables		**4,471,565**	**1,877,206**
Loans	(20)	**277,089**	2,376,876
Tax payables		**29,193**	149,773
Trade payables and other payables	(21)	**2,454,602**	2,973,433
Provisions	(23)	**83,382**	108,830
Short-term payables		**2,844,266**	**5,608,912**
Total liabilities		**20,076,102**	**20,018,854**

Consolidated Statement of Changes in Equity (CZK thousand)

	Share capital	Funds from profit	Retained earnings	Shareholder's equity attributable to the parent company's shareholders
Balance at 31 Dec 2010	**3,869,443**	**1,172,377**	**6,478,232**	**11,520,052**
Dividends and director's fees paid	–	–	(2,050,571)	(2,050,571)
Other comprehensive income	–	181,882	–	181,882
Net profit for 2011	–	–	2,881,373	2,881,373
Balance at 31 Dec 2011	**3,869,443**	**1,354,259**	**7,309,034**	**12,532,736**
Dividends and director's fees paid	–	–	(2,051,688)	(2,051,688)
Other comprehensive income	–	(164,181)	–	(164,181)
Net profit for 2012	–	–	2,443,404	2,443,404
Balance at 31 Dec 2012	**3,869,443**	**1,190,078**	**7,700,750**	**12,760,271**

Consolidated Cash Flow Statement (CZK thousand)

	Note	**2012**	2011
Opening balance of cash and cash equivalents		**379,517**	592,853
Operating activity			
Income from the sale of electricity and gas		**19,657,002**	20,125,072
Expenses related to purchases of electricity and gas		**(13,973,380)**	(13,776,512)
Net income from the sale of electricity and gas		5,683,622	**6,348,560**
Other operating income	(4, 9)	**343,342**	324,070
Operating expenses	(7, 9)	**(1,162,786)**	(1,198,376)
Short-term changes in working capital		**157,445**	(208,725)
Personnel expenses	(6)	**(1,060,209)**	(995,991)
Direct tax	(10)	**(627,464)**	(432,829)
Financial income and expenses	(8)	**(75,228)**	(59,808)
Net cash flow from operating activity		3,258,722	**3,776,901**
Investment activity			
Income from the sale of fixed assets	(9)	**61,134**	58,385
Expenses related to the acquisition of fixed assets	(13, 14)	**(1,996,392)**	(1,914,201)
Net cash flow from investment activity		(1,935,258)	**(1,855,816)**
Financial activity			
External loans repaid	(20)	**(2,345,624)**	(1,308,654)
Dividends and director's fees paid	(11)	**(2,049,271)**	(2,051,795)
External loans received	(20)	**2,771,629**	1,227,595
Other financial operations		**47,457**	(1,567)
Net cash flow from financial activity		(1,575,809)	**(2,134,421)**
Change in cash and cash equivalents		**(252,345)**	(213,336)
Closing balance of cash and cash equivalents	**(19)**	127,172	**379,517**

Notes to the Financial Statements for year ended 31.12.2012

Content of the Notes to the Financial Statements

(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 Register of Companies 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, corporate ID: 60193913. The principal activities of PRE and its subsidiaries (hereinafter the "Group") include the supply of electricity in the Czech Republic and distribution of electricity in the region of the City of Prague and Roztoky u Prahy, covering an area of approximately 505 km^2. In 2012, the Group started offering electricity supplies to households and small businesses under the Yello Energy brand and expanded its principal activities to include gas supplies. These activities generate a major part of the Group's income. Electricity is distributed in public interest and rights and obligations relating to this activity, as well as trading with, and supplies of, electricity, except for general legal regulations, are stipulated in Energy Act No. 458/2000 Coll. as amended, and the related implementation guidance. More information on the major areas of the operations of the Group is disclosed in the Note Segment Reporting.

PRE's principal shareholders	**2012**	2011
Pražská energetika Holding a.s.	**58.05%**	58.05%
Energie Baden – Württemberg AG	**41.40%**	41.40%
Other	**0.55%**	0.55%
Total	**100.00%**	**100.00%**

As part of the finalisation of the delisting of the Company's shares from regulated markets, 6,501 shares were added to PRE's account at the Central Securities Depository as of 2 November 2011 on the basis of the repurchase from minority shareholders; the shares were purchased for CZK 8,000 per share, i.e. a total of CZK 52,008,000. On 15 December 2011, shares were additionally purchased from the shareholders that concluded a valid contract for the sale of shares but they did not issue an instruction for their transfer on a timely basis. As of that date, 133 shares were added to PRE's account in the Central Securities Depository, purchased for CZK 8,000 per share, i.e. a total of CZK 1,064,000. As of 16 December 2011, 6,634 shares of Pražská energetika, a.s. were registered at PRE's account at the Central Securities Depository. In accordance with the contracts for the transfer of securities for consideration dated 7 December 2011 and 19 December 2011, the total of 6,634 shares were sold for CZK 8,020 per share, i.e. a total of CZK 53,204,680 thousand, to Pražská energetika Holding a.s. The settlement date was 28 December 2011. On that date, 6,634 shares were transferred from the asset account of Pražská energetika, a.s. to the asset account of Pražská energetika Holding a.s. Pražská energetika, a.s. complied with all the statutory requirements defined for the delisting of shares from trading on regulated markets. For this reason, organisers of these markets – Burza cenných papírů Praha, a.s. and RM-SYSTÉM česká burza cenných papírů a.s., decided that the registered shares of Pražská energetika, a.s. in the certificate form, ISIN CZ0005078154, were delisted from the trading on regulated markets, with effect from 1 December 2011. The last trading date was 30 November 2011.

The Capital City of Prague owns 51 percent of Pražská energetika Holding a.s. and Energie Baden – Württemberg AG holds 49 percent.

(2) Adoption of New and Revised International Financial Reporting Standards

Standards and Interpretations Effective in the Current Period

The following amendments to the current standards and interpretations issued by the International Accounting Standards Board and adopted by the European Union are effective for the current period:

- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** – transfers of financial assets, adopted by the EU on 22 November 2012 (effective for annual periods beginning on or after 1 July 2011).

Standards and Interpretations Issued by the IASB and Adopted by the EU but not yet Effective

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- **IFRS 10 "Consolidated Financial Statements"** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014)
- **IFRS 11 "Joint Arrangements"** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 12 "Disclosure of Interests in Other Entities"** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 13 "Fair Value Measurement"** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **IAS 27 (revised in 2011) "Separate Financial Statements"** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014)
- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"** – severe hyperinflation and removal of fixed dates for first-time adopters, adopted by 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** – offsetting of financial assets and financial liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IAS 1 "Presentation of Financial Statements"** – presentation of items of other comprehensive income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012);
- **Amendments to IAS 12 "Income Taxes" – deferred tax** – use of underlying assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IAS 19 "Employee Benefits"** – improved accounting for post-employment benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IAS 32 "Financial Instruments: Presentation"** – offsetting of financial assets and financial liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014).

Standards and Interpretations issued by the IASB but not yet Adopted by the EU

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2015);
- **Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"** – government loans (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments - Disclosures"** – binding date of effectiveness of IFRS 9 and temporary disclosures;
- **Amendments to IFRS 10 "Consolidate Financial Statements", IFRS 11 "Joint Arrangements"** and **IFRS 12 "Disclosure of Interests in Other Entities"** – temporary provisions (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 10 "Consolidate Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities"** and **IAS 27 "Individual Financial Statements"** – investment entities (effective for annual periods beginning on or after 1 January 2014); and
- Amendments to various standards **"Improvements of IFRS (2012)"** resulting from the annual improvement project of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) with a view to removing inconsistencies and clarifying wording of individual standards (effective for annual periods beginning on or after 1 January 2013).

(3) Significant Accounting Policies

Statement of Compliance
The financial statements are prepared and presented in compliance 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. The principal accounting policies are set out below.

Basis of Consolidation
The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The Company exercises control over its subsidiaries and it is the Company's intention to exercise it in the following year. The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition.
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 intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

Revenue Recognition
Revenue from the sales of goods is measured at the fair value of the consideration received or receivable if significant risks and rewards arising from the ownership of the relevant goods have been transferred to the buyer. Revenues arising from contracts for the provision of services are recognised by reference to the stage of completion.
Revenues from electricity and distribution are recognised in the period when the electricity is consumed by customers. Revenues from other provided services are recognised when the services are rendered.
Revenue from leasing (primarily fibre-optics) are 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leases
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 acquired under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease 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 payables are included in "Trade payables and other payables" within short-term and long-term payables.

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 Company capitalises borrowing costs using the capitalisation rate in line with IAS 23. Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Income Tax

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 income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current tax payable 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised and are recognised in profit or loss except when associated with items charged directly to equity in which case it is also 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 and is presented net of investment contributions (see below). Property, plant and equipment with a cost over CZK 40 thousand are reported on the face of the balance sheet.

Customers pay part of the cost incurred reasonably by the Group upon being connected to the required power supply. The customers' obligation to pay this charge is stipulated in Act No. 458/2000 Coll. and Regulation 51/2006, as subsequently amended. The Group recognises investment contributions as income for the period.

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

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

Properties in the course of construction for production or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. The cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 in years
Buildings, halls	15, 50
Cable tunnels, cable and overhead lines	40
Fibre-optics	30
Power structures	15, 25, 30
Working machinery and equipment	5, 8, 10, 12, 20
Telecommunication equipment	4 to 19
Machinery and special technology equipment, communication cables	3, 4, 5, 10
Vehicles	4, 8, 10
Electricity meters	10, 12, 16
Furniture and fixtures	4, 8
Hardware	3, 4
PVS – construction part *)	20
PVS – technology *)	10, 20

*) The depreciation period is calculated from the date of bringing the PVS (photovoltaic power station) into operation.

Assets acquired under finance leases are depreciated in the same manner as the assets owned by the Group over their estimated useful lives or their lease period depending on which of them is shorter.
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.
Tangible assets costing between CZK 2 thousand and CZK 40 thousand with an individual useful life exceeding one year are classified as low value tangible assets. The acquisition costs of these assets are charged to expenses and their physical balances are maintained in the off-balance sheet records, the only exception being selected types of minor electricity equipment and electrical machines that are recognised and depreciated as tangible fixed assets.

Intangible Assets

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 estimates being accounted for on a prospective basis.
An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated: The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.
Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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

Asset category	Depreciation period in years
Software	4
Other intangible assets	according to the contract

Intangible assets costing between CZK 2 thousand and CZK 60 thousand with an individual useful life exceeding one year are classified as low value intangible assets. The acquisition costs of these assets are charged to expenses and their physical balances are maintained in the off-balance sheet records.

Impairment of Tangible and Intangible Assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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, but 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost determined using the weighted arithmetic average and 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, sales 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 the present value of those cash flows.

Financial Assets

Financial assets are recognised and derecognised in the Group's balance sheet on the date of transaction where the purchase or sale of an asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.
Financial assets are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), investments held-to-maturity, financial assets available-for-sale (AFS) and trade receivables and other receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial Assets and Fair Value through Profit or Loss

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.
Financial assets are classified as held for trading if (i) they were acquired principally for the purpose of selling in the near future; or (ii) are a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Investments Held to Maturity

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest rate method less any impairment.

Financial Assets Available for Sale

Unlisted shares and listed redeemable notes held by the Group that are traded on an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange rate gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

The foreign exchange rate gain or loss, if any, on financial assets available for sale denominated in foreign currencies is reported as part of the fair value change.

Trade Receivables and Other Receivables

Trade receivables are initially measured at fair value and subsequently revalued at amortised cost using the effective interest rate method. Reasonable allowances for estimated irrecoverable losses are recognised in profit or loss if impairment evidence exists. The recognised allowance is determined as the difference between the amortised cost of the relevant asset and the present value of the estimated future cash flows discounted at the effective interest rate calculated upon initial recognition.

Other receivables with determined or determinable payments which are not quoted on an active market are classified as other financial assets and measured at the amortised cost using the effective interest rate method and reflecting any impairment loss. Interest income is reported using the effective interest rate method.

Financial Liabilities

Financial liabilities, including borrowings, are initially measured at fair value, increased by transaction costs and subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivatives

The Group hedges its future transactions and cash flows using derivative contracts. The Group enters into commodity derivative instruments for purchases and sales of electricity in the Prague Power Exchange. The Group assumes that the majority of these derivatives will be settled in the form of a physical supply of electricity to be consumed or sold within the ordinary course of the Company's operation. Such contracts do not fall within the scope of IAS 39. As part of its trading portfolio, the Group also enters into commodity derivatives transactions.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. 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).

The fair value of hedging derivatives is classified as other non-current financial assets and long-term liability if the residual maturity of the hedging relationship exceeds 12 months, or as other non-current financial assets and short-term liability if the residual maturity of the hedging relationship is below 12 months.
The derivatives which are not designated as effective hedge instruments are classified as other non-current financial assets and short-term liabilities, as appropriate.

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 entity 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.

Cash Flow Hedge

The effective portion of changes in the fair value of financial 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 value of the hedged item arising from the hedged risk is realised into profit or loss from the date of the relevant adjustment.

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 costs.
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 "Trade Payables and Other Payables"). The relevant payables are measured at the present value of anticipated future payments using actuarial estimates.

Cash Flow Statement

The Company decided to prepare its cash flow statements using the direct method starting from 2012. The statement prepared using the direct method provides more information for the operational management of the Company. Comparative information has been presented on a similar basis.

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 revenues and expenses during the reporting period. Management of the Group 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 unbilled electricity amount the key area which is subject to the use of estimates. The increase in unbilled electricity is determined using the balance sheet approach as equal to the difference between the aggregate electricity input and output including losses and actual consumption for the relevant period. The total closing level is additionally reviewed by making a control calculation in the customer system.

Internal Audit Principles and Methods

The PRE Group prepares its financial statements so that these statements are correct, reliable and relevant and give a true and fair view of the Company's financial position and financial performance. The Company has internal regulations in place to determine the binding accounting principles and control mechanisms. These predominantly include the following: Circulation and Signing of Accounting Documents, Valuation of Assets and Liabilities, Stock Count of Assets and Liabilities, and Accounting Treatment for Transactions Related to Electricity Trading and Currency Risk Hedges. These internal regulations define the methods of processing and accounting for all usual transactions, including the rules for the prevention of fraudulent activities. The compliance with internal regulations is overseen by the Company's Internal Audit which follows the following norms of the Company: Internal Audit Statute, Risk Management, Internal Audit Planning and Performance.

(4) Revenues (CZK thousand)

Income and expenses relating to the sale of electricity and gas	2012	2011
Income from electricity produced	37,350	7,729
Payment for solar energy	(9,508)	(1,790)
Total income from electricity production	**27,842**	**5,939**
Sale of electricity B2B (including B2B NN)	6,141,332	6,591,200
Sale of distribution and system services B2B	4,680,784	4,412,713
Sale of electricity B2C	3,579,523	3,385,699
Sale of distribution and system services B2C (including B2B NN)	5,896,227	5,791,025
Income from the sale of gas	33,294	–
Other income *)	178,637	260,410
Gross profit from trading	19,826	21,984
Total income	**20,529,623**	**20,463,031**
Costs of purchases of sold electricity	(8,856,046)	(8,981,814)
Costs of purchases of distribution and system services	(5,613,026)	(5,228,538)
Costs of purchases of gas	(33,310)	–
Total costs	**(14,502,382)**	**(14,210,352)**
Gross profit from the sale and production of electricity	**6,055,083**	**6,258,618**

*) Includes income from the supplies of electricity to distributors and electricity traders.

Other operating income	2012	2011
Income from provided services *)	157,174	112,765
Received investment contributions	183,975	173,869
Compensation for unauthorised consumption	27,329	24,598
Other	8,011	8,899
Total	**376,489**	**320,131**

*) The income includes revenues from the lease of land, real estate and other operating equipment, freight transport and IT support.

(5) Segment Reporting

The Group's operation is structured into three business segments: Trade, Distribution and Internal Services (industry segments). Accounting records are kept as if the activities were run by separate companies in order to avoid discrimination and mutual in-flows of funds. Segment information is presented reflecting the primary business activity of the Group. The primary reporting format is based on management and internal information about the Group.

Trade Segment – Electricity and Gas (Commodity) Supply and Electricity Trading

The Trade segment is in charge of the purchase and sale of commodities, including related activities. The segment revenue is generated either only by the commodity sold or by the commodity sold plus the distribution services rendered depending on the commodity and business relationship (see below).

Customers have the right to choose their supplier of commodity. If they choose a supplier who does not supply the territory in which it will be consumed only the cost of the commodity provided is paid to this supplier. The cost of distribution and system services (hereinafter the "services"), which relates to the commodity supplied, are payable to the supplier who operates on the territory where the commodity is consumed. Customers can enter into a comprehensive service contract with the supplier, in which case the supplier also provides for the distribution services.

The price of commodity is contractually agreed (i.e. not regulated) while the price for services is regulated by the Energy Regulatory Office.

Distribution Segment

The Distribution segment is in charge of the actual transportation of the required quantity and quality of electricity from suppliers to customers. The principal income of this segment is internal income from the Trade segment for the transported quantity of electricity in different voltage levels or revenues from external customers with whom the segment is in a direct business relationship.

Internal Services Segment

The Internal Services segment provides the Trade segment and other companies within the Group with operating services, primarily logistics (transportation and supplying services), lease of office buildings, operation of information technologies and systems and services for staff (provision of flats, leisure activities) and administrative activities. The income of Internal Services consists of revenues from provided services.

Note: The capacity of staff involved in the Trade segment is partially used for the provision of administrative and support services to the Group entities. Related costs are transferred internally to the Internal Services segment where they are included in the total segment expenses.

Rules for Inter-Segment Transaction Accounting

Directly attributable expenses and income are recognised under the relevant segment. Internal services are valued at a planned rate which is calculated based on the budget of internal costs. The segment revenue is the internal settlement made with the recipient of the service based on a rate and the quantity of the service rendered. Expenses are allocated using the ABC (Activity Based Costing) method.

Segment reporting	Trade		Distribution		Services	
	2012	2011	**2012**	2011	**2012**	2011
Electricity and gas/Distribution						
External income	**18,096,326**	18,468,522	**2,433,296**	1,994,509	**27,842**	5,939
Inter-segment income	**601,323**	568,813	**6,872,679**	7,118,282	**–**	–
External expenses	**(10,203,719)**	(10,113,057)	**(4,298,662)**	(4,097,295)	**–**	–
Inter-segment expenses	**(6,862,652)**	(7,108,800)	**(601,323)**	(568,813)	**–**	–
Gross profit	**1,631,278**	**1,815,478**	**4,405,990**	**4,446,683**	**27,842**	**5,939**
Other external operating income	**17,521**	11,941	**230,087**	218,598	**104,951**	89,592
Other inter-segment operating income	**227,466**	219,775	**19,549**	14,194	**1,408,478**	1,315,402
Personnel expenses	**(242,435)**	(233,056)	**(407,264)**	(388,544)	**(431,315)**	(396,059)
Depreciation and amortisation of fixed assets	**(9,140)**	(8,149)	**(758,583)**	(695,038)	**(222,508)**	(201,847)
Other operating expenses	**(474,726)**	(472,769)	**(1,559,918)**	(1,500,030)	**(722,403)**	(666,741)
Other gains and losses net of received interest	**(64,972)**	(51,600)	**(22,307)**	25,345	**(24,364)**	(26,985)
Operating profit or loss of the segment	**1,084,992**	**1,281,620**	**1,907,554**	**2,121,208**	**140,681**	**119,301**
Received interest	**–**	–	**–**	471	**73,942**	78,743
Borrowings costs	**–**	–	**(59,732)**	(53,649)	**(81,901)**	(110,218)
Provisions (unallocated)	**–**	–	**–**	–	**–**	–
Income tax	**–**	–	**(353,513)**	(334,343)	**–**	–
Income tax (unallocated)	**–**	–	**–**	–	**–**	–
Segment profit or loss	**1,084,992**	**1,281,620**	**1,494,309**	**1,733,687**	**132,722**	**87,826**
Other information						
Property, plant and equipment	**9,033**	12,437	**15,600,864**	14,730,685	**2,140,585**	2,185,409
Intangible assets	**–**	–	**33,963**	40,068	**173,314**	193,259
Receivables	**1,578,163**	1,728,741	**1,797,019**	2,061,858	**3,134,974**	3,153,585
Other assets	**–**	–	**14,531**	183,810	**291,347**	276,160
Total assets	**1,587,196**	**1,741,178**	**17,446,377**	**17,016,421**	**5,740,220**	**5,808,413**
Payables	**3,884,109**	4,242,548	**4,658,429**	4,588,094	**3,470,984**	3,202,633
Expenses related to the acquisition of fixed assets	**–**	–	**(1,796,594)**	(1,528,221)	**(199,798)**	(385,980)

Segment reporting	Eliminations		Total	
	2012	2011	**2012**	2011
Electricity and gas/Distribution				
External income	**–**	–	**20,557,464**	20,468,970
Inter-segment income	**(7,474,002)**	(7,687,095)	**–**	–
External expenses	**–**	–	**(14,502,381)**	(14,210,352)
Inter-segment expenses	**7,463,975**	7,677,613	**–**	–
Gross profit	**(10,027)**	**(9,482)**	**6,055,083**	**6,258,618**
Other external operating income	**23,930**	–	**376,489**	320,131
Other inter-segment operating income	**(1,655,493)**	(1,549,371)	**–**	–
Personnel expenses	**–**	–	**(1,081,014)**	(1,017,659)
Depreciation and amortisation of fixed assets	**1,062**	738	**(989,169)**	(904,296)
Other operating expenses	**1,618,486**	1,544,653	**(1,138,561)**	(1,094,887)
Other gains and losses net of received interest	**10**	16	**(111,633)**	(53,224)
Operating profit or loss of the segment	**(22,032)**	**(13,446)**	**3,111,195**	**3,508,683**
Received interest	**(73,942)**	(79,214)	**–**	–
Borrowings costs	**73,942**	79,214	**(67,691)**	(84,653)
Provisions (unallocated)		–	**(8,054)**	153,990
Income tax	**1,498**	(50,529)	**(352,015)**	(384,872)
Income tax (unallocated)		–	**(240,031)**	(311,775)
Segment profit or loss	**(20,534)**	**(63,975)**	**2,443,404**	**2,881,373**
Other information				
Property, plant and equipment	**–**	–	**17,750,482**	16,928,531
Intangible assets	**–**	–	**207,277**	233,327
Receivables	**(4,697,691)**	(4,547,158)	**1,812,465**	2,397,026
Other assets	**–**	–	**305,878**	459,970
Total assets	**(4,697,691)**	**(4,547,158)**	**20,076,102**	**20,018,854**
Payables	**(4,697,691)**	(4,547,158)	**7,315,831**	7,486,117
Expenses related to the acquisition of fixed assets	**–**	–	**(1,996,392)**	(1,914,201)

(6) Personnel Expenses (CZK thousand)

	2012	2011
	Staff including management	Staff including management
Average headcount	**1,375**	1,338
Payroll costs	**662,024**	625,002
Salaries paid depending on the fulfilment of the plan	**71,060**	58,116
Insurance	**257,351**	243,042
Remuneration to the members of the Group's statutory bodies	**12,920**	12,510
Other social costs *)	**85,713**	191,263
Total	**1,089,068**	**1,129,933**

*) Primarily costs of 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 and contributions to additional pension insurance and medical care. In 2011, there was a temporary increase in expenses related to the newly recognised provision for salaries paid in dependence on the fulfilment of the plan of the prior period and salaries corresponding to outstanding vacation days incurred as of the balance sheet date.

(7) Costs of Services, Material and Energy (CZK thousand)

	2012	2011
Material and consumed energy	**110,494**	98,759
Repairs of tangible fixed assets	**342,273**	338,341
Consulting services	**38,342**	44,048
Rental charges	**183,922**	169,287
Postage and telecommunication fees	**46,878**	47,394
IT support	**138,642**	120,812
Marketing	**86,207**	102,312
Training and conferences	**7,214**	8,929
Other *)	**184,589**	165,005
Total	**1,138,561**	**1,094,887**

*) Including primarily costs of cleaning services, security guard services and storage fees.

(8) Borrowing Costs (CZK thousand)

	2012	2011
Interest on loan	**63,235**	78,007
Interest expense on employee benefits	**3,116**	4,104
Interest on leases	**1,340**	2,539
Other	**–**	3
Total	**67,691**	**84,653**

(9) Other Gains and Losses (CZK thousand)

	2012	2011
Write-offs of doubtful debt and creation of allowances	**(59,360)**	(49,528)
Taxes and charges	**(19,739)**	(13,260)
Insurance premium	**(5,971)**	(7,817)
Gain/(loss) from the sale and disposal of fixed assets and inventories	**536**	44,088
Change in provisions*)	**2,358**	223,314
Foreign exchange rate gains (losses)	**11,759**	(9,436)
Proceeds from securities held	**4,011**	3,026
Revaluation of interest rate swaps	**(31,232)**	28,992
Other	**(13,995)**	(6,339)
Total	**(111,633)**	**213,040**

* In 2011, the change in provisions comprised the use and release of a provision for a legal dispute with Středočeská energetická a.s. – refer to the Note "Provisions".

(10) Income Tax (CZK thousand)

The current income tax payable is calculated at 19 percent of the estimated taxable profit for the year ended 31 December 2012. Deferred tax is calculated using the income tax rates anticipated in future periods, i.e. 19 percent.

	2012	2011
Current tax payable	**481,005**	550,167
Deferred tax	**111,041**	146,480
Total income tax	**592,046**	**696,647**

Effective tax rate		**2012**		2011
Profit before tax	**3,035,450**		**3,578,020**	
Income tax using the effective income tax rate	**576,736**	**19.00%**	679,824	19.00%
Impact of items that are never tax-deductible	**16.411**	**0.54%**	17.673	0.49%
Corrections of tax estimates from prior periods	**(1,101)**	**(0.04%)**	(850)	(0.02%)
Total income tax/effective tax rate	**592,046**	**19.50%**	**696,647**	**19.47%**

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

	2012	Recorded in profit or loss	Recorded in equity	2011	Recorded in profit or loss	Recorded in equity	2010
Fixed assets	**1,619,325**	111,608	–	1,507,717	108,525	–	1,399,192
Provisions and allowances against receivables	**(27,786)**	6,368	–	(34,154)	40,030	–	(74,184)
Inventories	**(495)**	(25)	–	(470)	(29)	–	(441)
Obligation under the Collective Agreement	**(49,145)**	(6,911)	–	(42,234)	(2,047)	–	(40,187)
Cash flow hedge	**9,368**	–	(39,372)	48,740	–	41,879	6,861
Total deferred tax liability	**1,551,267**	**111,040**	**(39,372)**	**1,479,599**	**146,479**	**41,879**	**1,291,241**

(11) Dividends (CZK thousand)

The following amounts were recognised as distribution of profit to shareholders in the relevant period:

	2012	2011
Final dividend for 2011 of CZK 520 (2010: CZK 520) per share	**2,012,110**	2,012,110

The proposed final dividend for 2012 must be approved by shareholders at the General Meeting. It has not been included in liabilities in these financial statements.

(12) Earnings per Share (CZK thousand)

Earnings per share are calculated from the net profit for distribution of CZK 2,443,404 thousand (2011: CZK 2,881,373 thousand) attributable to 3,869,443 shares, i.e. the earnings per share amount to CZK 631 (2011: CZK 745). The Group has issued no instruments that would dilute the basic earnings per share.

(13) Property, Plant and Equipment (CZK million)

	Land	Power structures	Cables and overhead lines	Telecommunication technologies and IT	Administrative buildings	Leases	Electricity metres	Other*)	Assets under construction	**Total**
Cost										
Balance at 31 Dec 2010	**537.1**	**8,562.7**	**9,780.1**	**1,966.6**	**1,606.8**	**96.4**	**1,820.7**	**577.0**	**544.3**	**25,491.7**
Additions	120.0	522.1	663.7	69.7	22.0	11.4	26.7	207.1	358.9	**2,001.6**
Disposals	(10.6)	(85.9)	(56.2)	(30.0)	(35.8)	(9.4)	(73.7)	(23.0)	(1.8)	**(326.4)**
Reclassification	(0.1)	468.4	203.1	64.1	75.8	–	30.6	1.9	(428.8)	**415.0**
Balance at 31 Dec 2011	**646.4**	**9,467.3**	**10,590.7**	**2,070.4**	**1,668.8**	**98.4**	**1,804.3**	**763.0**	**472.6**	**27,581.9**
Accumulated depreciation										
Balance at 31 Dec 2010	**(1.8)**	**(3,373.0)**	**(3,166.8)**	**(1,346.4)**	**(315.4)**	**(33.2)**	**(1,162.6)**	**(286.9)**	**–**	**(9,686.1)**
Depreciation	–	(231.7)	(218.2)	(139.9)	(35.5)	(16.0)	(151.6)	(33.4)	–	**(826.3)**
Accumulated depreciation on disposals	–	78.4	55.9	28.7	10.3	6.7	73.7	20.3	–	**274.0**
Reclassification	–	(331.7)	(83.1)	–	–	–	–	(0.2)	–	**(415.0)**
Balance at 31 Dec 2011	**(1.8)**	**(3,858.0)**	**(3,412.2)**	**(1,457.6)**	**(340.6)**	**(42.5)**	**(1,240.5)**	**(300.2)**	**–**	**(10,653.4)**
Net book value – 2010	**535.3**	**5,189.7**	**6,613.3**	**620.2**	**1,291.4**	**63.2**	**658.1**	**290.1**	**544.3**	**15,805.6**
Net book value – 2011	**644.6**	**5,609.3**	**7,178.5**	**612.8**	**1,328.2**	**55.9**	**563.8**	**462.8**	**472.6**	**16,928.5**

*) The "Other" category includes the value of photovoltaic power stations at the net book value of CZK 235 million with the capacity of 2.799 kWp.

	Land	Power structures	Cables and overhead lines	Telecommunication technologies and IT	Administrative buildings	Leases	Electricity metres	Other*)	Assets under construction	**Total**
Cost										
Balance at 31 Dec 2011	**646.4**	**9,467.3**	**10,590.7**	**2,070.4**	**1,668.8**	**98.4**	**1,804.3**	**763.0**	**472.6**	**27,581.9**
Additions	90.2	557.2	557.6	109.2	5.2	32.1	51.0	33.7	312.6	**1,748.8**
Disposals	(1.5)	(52.3)	(48.1)	(59.1)	–	(38.3)	(74.7)	(9.6)	(1.3)	**(284.9)**
Reclassification	0.5	120.5	77.8	25.9	17.0	–	22.7	38.4	(298.8)	**4.0**
Balance at 31 Dec 2012	**735.6**	**10,092.7**	**11,178.0**	**2,146.4**	**1,691.0**	**92.2**	**1,803.3**	**825.5**	**485.1**	**29,049.8**
Accumulated depreciation										
Balance at 31 Dec 2011	**(1.8)**	**(3,858.0)**	**(3,412.2)**	**(1,457.6)**	**(340.6)**	**(42.5)**	**(1,240.5)**	**(300.2)**	**–**	**(10,653.4)**
Depreciation	0.6	(264.5)	(236.2)	(152.2)	(35.1)	(13.0)	(150.3)	(48.0)	–	**(898.7)**
Accumulated depreciation on disposals	–	46.7	45.4	58.0	–	18.5	74.7	9.5	–	**252.8**
Reclassification	–	–	–	–	(1.8)	–	–	1.8	–	**–**
Balance at 31 Dec 2012	**(1.2)**	**(4,075.8)**	**(3,603.0)**	**(1,551.8)**	**(377.5)**	**(37.0)**	**(1,316.1)**	**(336.9)**	**–**	**(11,299.3)**
Net book value – 2011	**644.6**	**5,609.3**	**7,178.5**	**612.8**	**1,328.2**	**55.9**	**563.8**	**462.8**	**472.6**	**16,928.5**
Net book value – 2012	**734.4**	**6,016.9**	**7,575.0**	**594.6**	**1,313.5**	**55.2**	**487.2**	**488.6**	**485.1**	**17,750.5**

*) The "Other" category includes the value of photovoltaic power stations at the net book value of CZK 235 million with the capacity of 2.799 kWp.

The number of seven photovoltaic power stations in Prague (total output of 603 kWp) was increased by the acquisition of additional two photovoltaic power stations at the end of 2011: Kondrac located in the Dub u Kondrace cadastral area with an output of 1,109 kWp (income since 30 November 2011) and Hořovice located in the Hořovice cadastral area with an output of 1,087 kWp (income since 30 December 2011). By the acquisition, the aggregate installed output was increased more than four times. The ownership title to the photovoltaic power station close to Kondrac is restricted by the pledge corresponding to the amount of the loan (refer to Note 20 Loans – loan No. 5).

(14) Intangible Assets (CZK million)

	Software	Other	Assets under construction	Total
Cost				
Balance at 31 Dec 2010	**646.2**	**22.4**	**74.8**	**743.4**
Additions	22.1	1.9	85.3	**109.3**
Disposals	(0.4)	–	(9.5)	**(9.9)**
Reclassification	50.6	2.2	(52.8)	**–**
Balance at 31 Dec 2011	**718.5**	**26.5**	**97.8**	**842.8**
Accumulated amortisation				
Balance at 31 Dec 2010	**(514.5)**	**(13.2)**	**–**	**(527.7)**
Amortisation	(77.6)	(4.6)	–	**(82.2)**
Accumulated amortisation on disposals	0.4	–	–	**0.4**
Reclassification	–	–	–	**–**
Balance at 31 Dec 2011	**(591.7)**	**(17.8)**	**–**	**(609.5)**
Net book value – 2010	**131.7**	**9.2**	**74.8**	**215.7**
Net book value – 2011	**126.8**	**8.7**	**97.8**	**233.3**

	Software	Other	Assets under construction	Total
Cost				
Balance at 31 Dec 2011	**718.5**	**26.5**	**97.8**	**842.8**
Additions	19.1	1.9	47.8	**68.8**
Disposals	(344.2)	–	(0.3)	**(344.5)**
Reclassification	56.1	11.2	(71.3)	**(4.0)**
Balance at 31 Dec 2012	**449.5**	**39.6**	**74.0**	**563.1**
Accumulated amortisation				
Balance at 31 Dec 2011	**(591.7)**	**(17.8)**	**–**	**(609.5)**
Amortisation	(85.1)	(5.4)	–	**(90.5)**
Accumulated amortisation on disposals	344.2	–	–	**344.2**
Reclassification	–	–	–	**–**
Balance at 31 Dec 2012	**(332.6)**	**(23.2)**	**–**	**(355.8)**
Net book value – 2011	**126.8**	**8.7**	**97.8**	**233.3**
Net book value – 2012	**116.9**	**16.4**	**74.0**	**207.3**

The Company has no intangible assets developed internally.

"Depreciation" in the notes "Property, plant and equipment" and "Intangible assets" also includes an impairment loss as follows:

	2012	2011
Depreciation	**(989.0)**	(904.3)
Impairment loss	**(0.2)**	(4.2)
Total	**(989.2)**	**(908.5)**

The Group anticipates incurring total capital expenditure of CZK 2.2 billion in 2013. Approximately CZK 0.8 billion has been contracted as of the balance sheet date.

In accordance with accounting policies (refer to Significant Accounting Policies), low value assets are recognised in expenses upon acquisition. The following table shows the purchase price of these assets that are in use as of the balance sheet date:

Low value fixed assets	**2012**	2011
Low value tangible assets	**281,764**	269,531
Low value intangible assets	**44,041**	37,163
Total	**325,805**	**306,694**

(15) Subsidiaries (CZK thousand)

Company	Principal activity	Country of origin	Ownership percentage	Share in voting rights
PREdistribuce, a.s.	Distribution	Czech Republic	100%	100%
eYello CZ, a.s.	Electricity and gas trading, provision of leases in the Group	Czech Republic	100%	100%
PREměření, a.s.	Purchase, sale and installation of electricity meters	Czech Republic	100%	100%

The Company 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 results of subsidiaries are included in the consolidated financial statements.

(16) Trade Receivables and Other Receivables (CZK thousand)

Trade receivables and other long-term receivables	**2012**	2011
Principal amounts paid	**19,240**	21,800
Receivables from sold flats *)	**4,549**	6,282
Other	**131**	131
Total	**23,920**	**28,213**

*) Of the stated receivables, the maturity of receivables totalling CZK 33 thousand exceeds five years (2011: CZK 133 thousand).

Long-term receivables are carried at their amortised cost which corresponds to their fair value.

Trade receivables and other short-term receivables	**2012**	2011
Receivables from electricity and gas supplies	**1,269,810**	1,310,682
Margin deposit with power exchanges	**52,040**	105,264
Receivables from the revaluation of commodity contracts (trading portfolio)	**279,990**	158,797
Receivables from cash flow hedges	**58,711**	257,450
Other assets	**127,994**	342,738
Total	**1,788,545**	**2,174,931**

Of the stated short-term trade receivables. receivables past their due date totalled CZK 455,121 thousand (2011: CZK 438,727 thousand). Outstanding portions usually bear no interest. The following allowances were created for doubtful receivables:

Balance at 31 Dec 2010	**224,923**
Charge and drawing in the current year	18,528
Balance at 31 Dec 2011	**243,451**
Charge and drawing in the current year	26,923
Balance at 31 Dec 2012	**270,374**

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 receivables and other receivables corresponds to their fair value.

(17) Inventories (CZK thousand)

Inventories	**2012**	2011
Material	**33,397**	21,090
Goods	**5,409**	6,888
Total	**38,806**	**27,978**

"Purchased material, services and energy" and "Other gains and losses" in the income statement include costs of sold and consumed material of CZK 131,801 thousand (2011: CZK 118,972 thousand).
Given the limited use inventories were written down to their net realisable value as follows:

Balance at 31 Dec 2010	**2,321**
Charge and drawing in the current year	160
Balance at 31 Dec 2011	**2,481**
Charge and drawing in the current year	276
Balance at 31 Dec 2012	**2,757**

The write-down to the net realisable value is reported in "Other gains and losses" in the income statement.

(18) Other Financial Assets (CZK thousand)

	Carrying value	
	2012	2011
Equity securities available for sale	**6,035**	6,035
Bonds available for sale	**–**	46,336
Total	**6,035**	**52,371**

(19) Cash and Cash Equivalents (CZK thousand)

Cash and cash equivalents include cash on hand, deposits repayable on demand and other highly liquid financial assets that can be reliably valued and bear an immaterial risk of change in the value.

Cash and Cash Equivalents	**2012**	2011
Depository bills	**–**	51,601
Current bank accounts	**122,431**	323,537
Cash on hand	**3,004**	2,641
Stamps and vouchers	**1,737**	1,740
Total	**127,172**	**379,519**

(20) Loans (CZK thousand)

		2012			2011	
	Amount	Interest rate	Maturity date	Amount	Interest rate	Maturity date
Loan No. 1	**–**	**–**	**–**	610,792	PRIBOR + 2.00%	30.6.2012
Loan No. 2	**–**	**–**	**–**	610,549	PRIBOR + 1.95%	30.6.2012
Loan No. 3	**–**	**–**	**–**	1,001,396	PRIBOR + 0.42%	30.11.2012
Loan No. 4	**–**	**–**	**–**	150,010	FIX 1.23%	2.1.2012
Loan No. 5	**73,479**	**FIX 5.69%**	**31.12.2024**	77,608	FIX 5.69%	31.12.2024
Loan No. 6	**701,229**	**PRIBOR + 0.88%**	**21.5.2015**	–	–	–
Loan No. 7	**601,067**	**PRIBOR + 0.90%**	**30.6.2015**			
Loan No. 8	**1,200,180**	**PRIBOR + 0.68%**	**29.6.2015**			
Loan No. 9	**200,047**	**FIX 0.71%**	**3.1.2013**			
Permitted overdraft of current accounts	**72,657**	**PRIBOR + 0.40%**	**–**			
Total	**2,848,659**			**2,450,355**		
Long-term loans	**2,571,570**			73,479		
Short-term loans	**277,089**			2,376,876		

Loan No. 5 loan is collateralised by the pledge of tangible assets forming the functional system of the photovoltaic power station located in the Dub u Kondrace cadastral area.

The Group uses interest rate swaps to hedge the interest rate from loans. The banks do not require loan collateral with regard to the Group's rating. Undrawn bank loans amounted to CZK 2,771 million as of 31 December 2012 (2011: CZK 3,819 million).
Loans are carried at their amortised cost which does not significantly differ from their fair value. Since 2009, the Group has capitalised borrowing costs using the capitalisation rate in accordance with IAS 23.

(21) Trade Payables and Other Payables (CZK thousand)

Trade payables and other long-term payables	**2012**	2011
Payables to employees *)	**245,706**	208,721
Other financial payables	**33,907**	41,684
Total	**279,613**	**250,405**

*) Includes payables under the Collective Agreement (involving bonuses paid to employees in connection with their retirement, work and life anniversaries).

Trade payables and other short-term payables	**2012**	2011
Trade payables *)	**1,921,457**	2,530,782
Payables from the revaluation of commodity contracts (trading portfolio)	**247,191**	109,890
Payables from revaluation of interest rate derivatives	**38,003**	6,771
Payables to employees **)	**67,921**	64,442
Payables from social security and health insurance	**25,066**	24,889
Other payables ***)	**154,964**	236,659
Total	**2,454,602**	**2,973,433**

*) Include received electricity prepayments of CZK 4,223,116 thousand (2011: CZK 4,224,573 thousand) net of an estimated payable for the supplied but not yet billed electricity of CZK 3,603,291 thousand (2011: CZK 3,519,663 thousand).
**) Includes unpaid December salaries and payables to employees under the Collective Agreement in the amount of CZK 25,835 thousand (2011: CZK 26,201 thousand).
***) Of which CZK 21,514 thousand represent payables arising from finance leases (2011: CZK 14,495 thousand).

The Group reports overdue trade payables in the amount of CZK 913 thousand (2011: CZK 27 thousand). All overdue payables were settled during January 2013.
The Group's payables are carried at amortised cost which corresponds to their fair value.

(22) Finance Lease Payables (CZK thousand)

Lease payables	Minimum lease payables		Present value of minimum lease payments	
	2012	2011	**2012**	2011
Lease payments due within 1 year	**21,725**	26,251	**21,514**	14,494
Lease payments due from 1 to 5 years	**32,660**	30,728	**31,042**	40,755
Lease payments due in over 5 years	**3,233**	999	**2,865**	896
Total lease payments	**57,618**	**57,978**	**55,421**	**56,145**
Future lease payments	**(2,197)**	(1,833)		
Present value of minimum lease payments	**55,421**	**56,145**	**55,421**	**56,145**
Trade payables and other payables				
Long-term			**33,907**	41,652
Short-term			**21,514**	14,493
Total			**55,421**	**56,145**
Tangible fixed assets				
Carrying amount of assets held under finance leases			**55,421**	56,145

The Group holds cars under finance lease contracts. All contracts have a fixed payment schedule and the Group did not enter into any contracts on contingent lease payments.
All lease payables are denominated in Czech crowns. The fair value of lease payables of the Group corresponds to their carrying value.

(23) Provisions (CZK thousand)

	Business risks	Severance pay	Other	Total
Balance at 31 Dec 2010	**353,010**	**–**	**760**	**353,770**
Creation of provisions in the current year	–	108,830	150	108,980
Use of provisions in the current year	(56,729)	–	–	(56,729)
Release of provisions in the current year	(223,468)	–	–	(223,468)
Balance at 31 Dec 2011	**72,813**	**108,830**	**910**	**182,553**
Creation of provisions in the current year	1,390	83,382	176	84,948
Use of provisions in the current year	(2,251)	(104,362)	–	(106,613)
Release of provisions in the current year	(3,923)	(4,468)	–	(8,391)
Balance at 31 Dec 2012	**68,029**	**83,382**	**1,086**	**152,497**
Long-term payables – provisions	68,029	–	1,086	69,115
Short-term payables – provisions	–	83,382	–	83,382
Total	**68,029**	**83,382**	**1,086**	**152,497**

The provision for salaries includes salaries paid in dependence on fulfilment of the plan.
The provisions for business risks arise from the operation of fixed assets totalling CZK 65,433 thousand (2011: CZK 68,599 thousand).
The provision for business risks included a provision established for a lawsuit filed by Středočeská energetická a.s. ("STE a.s.") claiming

CZK 171,719 thousand and penalty interest relating to services in the area of capacity reservation and electricity transmission in 2001. The Energy Regulation Office expressed its opinion in favour of STE a.s. The dispute was discontinued through the settlement agreement in 2011 and CZK 45,050 thousand of the provision amounting to CZK 266,265 thousand was used for the payment under the settlement agreement and the remaining portion was released.

(24) Share Capital (CZK thousand)

Share capital
There are 3,869,443 registered shares in the nominal value of CZK 1,000 per share (2011: 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.

(25) Funds from Profit (CZK thousand)

	2012	2011
Statutory reserve fund	**773,889**	773,889
Fund from the revaluation of current other financial assets	**(6,460)**	(10,876)
Cash flow hedge	**39,938**	208,535
Other funds from profit	**382,711**	382,711
Total	**1,190,078**	**1,354,259**

Other funds from profit 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 of the date of incorporation of the joint stock company (1 January 1993). As of that date, the balance of the capital funds was CZK 390,390 thousand. The use of capital funds to settle losses is subject to the decision of the Board of Directors pursuant to the prior opinion of the Supervisory Board. A different use of capital funds is subject to the decision of a General Meeting at the suggestion of the Board of Directors and after the examination of the Supervisory Board. Using the capital funds to pay out dividends is not allowable.

The Group's reserve fund has been created in the amount of 20 percent (CZK 773,889 thousand) of the share capital and no further increase is to be made. The Board of Directors decides on the use of the reserve fund pursuant to the prior opinion of the Supervisory Board and the fund is used to offset the Company's loss.

The fund from the revaluation of other financial assets is used to record gains and losses from the revaluation of securities available for sale.

(26) Contingent Liabilities and Contingent Assets (CZK thousand)

The Company issued a payment bank guarantee of CZK 108 million in favour of Operátor trhu s elektřinou a.s. (CZK 108 million as of 31 December 2011), a bank guarantee in the amount of EUR 200 thousand to Organizátor krátkodobého trhu s elektřinou, a.s. (2011: EUR 200 thousand), and CZK 30 million to the Prague School of Economics (2011: CZK 30 million), CZK 0.5 to the capital city of Prague (2011: CZK 0.8 million) and 0.2 million to the City District of Prague 4 for public contracts for the supply of electricity.

(27) Financial Instruments (CZK thousand)

Categories of Financial Instruments

Financial Assets	2012	2011
(a) Financial assets at fair value through profit or loss (revaluation of commodity contracts)	**279,990**	158,767
(b) Financial derivatives under hedge accounting	**58,711**	257,450
(c) Loans and receivables (including cash and cash equivalents)	**1,505,711**	1,855,794
(d) Financial assets available for sale	**6,035**	52,371

The loans and receivables predominantly include receivables from electricity supplies.

Financial Liabilities	2012	2011
(e) Financial liabilities at fair value through profit or loss (revaluation of commodity contracts)	**247,191**	109,890
(f) Financial liabilities at fair value through profit or loss (revaluation of interest rate swaps)	**38,003**	6,771
(g) Financial liabilities at amortised cost	**4,400,627**	4,459,763

Financial liabilities at amortised cost predominantly include bank loans and payables from electricity supplies.

Financial assets and liabilities (a, d, e) were valued at amounts quoted on active markets. Financial assets and liabilities (b, f) were valued by valuation models using market data.

Gains or losses on financial instruments reported in the period		2012	2011
Gain from revaluation of commodity derivatives in the trading portfolio (included in "Profit from trading")	(a, e)	**19,826**	21,984
Profit/loss from the revaluation of interest rate swaps	(f)	**(31,232)**	28,992
Gain from securities held	(c, d)	**4,011**	3,025
Borrowing costs (except for the interest on employee benefits)	(g)	**(64,575)**	(80,548)
Other	(c, g)	**(54,567)**	236,736

Hedge accounting *)		2012	2011
Creation of the equity fund from the cash flow hedge	(b)	**58,711**	257,450
Reversal of the fund from the cash flow hedge (in "Costs of electricity purchased")	(b)	**(257,450)**	(36,112)

*) Except for the items where the creation and reversal were performed in the same period.

Capital Risk

The Group manages its capital to ensure an optimal financial position from the long-term perspective while maximising the return to stakeholders. The Group monitors its debt via the net debt/equity indicator.

	2012	2011
Total assets	**20,076,102**	20,018,854
Shareholders' equity	**12,760,271**	12,532,736
Shareholders' equity/total assets	**64%**	63%

Market Risk

In view of its activities. the Group is predominantly exposed to the currency risk, interest rate risk and the risk of changes in the prices of electricity.

For the hedging of market risks, the Group uses financial instruments with derivative characteristics including the following:

- Currency forwards for the currency risk hedge related to the acquisition of electricity in EUR;
- Interest rate swaps to hedge the risk of increasing interest rates;
- Commodity futures and forwards to hedge the risk related to the development of electricity prices.

The Group uses the VaR methodology (Value at Risk) and its modifications CFaR (Cash Flow at Risk), which is complemented with the sensitivity analysis in measuring exposure to market risks. The Group's exposure to market risks and its approach to managing and measuring these risks have not significantly changed as compared to the prior period. There is no concentration of market risks in the Group.

Currency Risk

The Group purchases a significant part of the electricity supply for its customers in foreign currency (EUR).
The Group hedges a substantial part of its future planned cash flows (in EUR) for the purchase of electricity against the foreign exchange rate risk using currency derivatives and applies hedge accounting (cash flow hedges). The Group uses the Cash Flow at Risk method (CFaR) to determine the value up to which the future planned cash flows will be hedged. The Group monitors the hedge effectiveness as part of its hedge accounting. Hedging has been highly effective to date. The ineffective part of the hedge was immaterial.

Sensitivity to Foreign Exchange Rate Changes

The Group uses the Cash Flow at Risk (CFaR) method to determine the value up to which the future planned cash flows will be hedged, and determines the limit of the maximum loss.
The Group uses the VaR method for operational management of the foreign currency risk and measures the potential loss in pre-taxation profit over a given holding period for a specified confidence level.
The selected VaR indicator measures a potential loss over one day with a 95 percent confidence level. The calculated VaR is determined on the basis of historical data where the exchange rate volatility is estimated by reference to the historical data regarding the exchange rate volatility published by the Czech National Bank. The open exposure is determined on the basis of the annual plan for foreign currency requirements. The Group takes a significant foreign currency exposure only in EUR with a view to settling stock exchange or OTC transactions pursued to make transactions associated with procuring electricity for the Group's customers. As such, the one-day loss in terms of the market value change will not exceed the reported VaR with a confidence level of 95 percent. The Company monitors the aggregate potential loss which is calculated as the market value of the open exposure plus VaR.

The carrying value of foreign currency assets and liabilities:

	Assets CZK thousand *)		Liabilities CZK thousand *)	
	2012	2011	**2012**	2011
Currency derivatives for the purchase of EUR	**58,583**	257,450	**11,131**	48,916
Other assets and liabilities	**521,816**	546,414	**1,028,368**	1,003,690
Total EUR	**580,399**	**803,864**	**1,039,499**	**1,052,606**
Other currencies	**315**	204	**–**	–
Total	**580,714**	**804,068**	**1,039,499**	**1,052,606**

*) These include cash and cash equivalents, bank loans, margin deposits and price variances connected with trading on power stock exchanges, receivables and payables from foreign currency invoices, and receivables and payables arising from cash flow hedges.

Currency derivatives open at the balance sheet date:

	Average exchange rate CZK/EUR		Value in EUR thousand		Value in CZK thousand		Fair value in CZK thousand	
EUR purchased	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Up to 1 month	**25.29**	24.13	**25,000**	30,000	**632,285**	724,005	**(3,734)**	49,991
1–3 months	**25.09**	24.11	**50,000**	60,000	**1,254,460**	1,446,840	**3,100**	100,636
3–12 months	**24.78**	25.27	**145,000**	211,000	**3,592,555**	5,331,272	**59,217**	106,823
Total	**24.91**	**24.92**	**220,000**	**301,000**	**5,479,300**	**7,502,117**	**58,583**	**257,450**

Currency Risk – Sensitivity Analysis

The Group performed a sensitivity analysis to identify the dependence of the level of profit and equity on a change in the carrying value of these assets and liabilities resulting from an increase in the CZK/EUR exchange rate of 1 percent.

Sensitivity to the foreign exchange rate change (CZK thousand):

	2012	2011
Profit (+) or loss (-)	**(5,066)**	(4,572)
Shareholders' equity	**44,740**	62,474

Interest Rate Risk

The Group is exposed to a risk of an interest rate change which predominantly relates to the received loans with a floating interest rate. In order to reduce the risk related to the increase in interest rates. the Group established a hedge against the interest rate risks using interest rate swaps.

Interest rate derivatives open at the balance sheet date:

	Average fixed interest rate		Agreed principal in CZK thousand		Fair value in CZK thousand	
	2012	2011	**2012**	2011	**2012**	2011
Interest rate swaps	**1.21%**	2.53%	**2,500,000**	1,200,000	**(38,003)**	(6,771)

The contracts will mature in 2012. Pursuant to concluded interest rate swap contracts, the Group undertakes to exchange the potential difference between the variable interest rates and the agreed fixed interest rate on a six month basis.

The carrying amount of assets and liabilities which is dependent on the interest rate:

	Assets CZK thousand *)		Liabilities CZK thousand *)	
	2012	2011	**2012**	2011
Interest rate swaps	**–**	–	**38,003**	6,771
Other assets and liabilities	**65,028**	265,936	**84,610**	1,277,928
Total	**65,028**	**265,936**	**122,613**	**1,284,699**

*) These involve assets and liabilities relating to hedged future cash flows and loans.

Interest Rate Risk – Sensitivity Analysis

The Group performed a sensitivity analysis to identify the dependence of the level of profit and equity on a change in the carrying value of these assets and liabilities resulting from an increase in the CZK/EUR exchange rate of 1 percent.

Sensitivity to the interest rate change (CZK thousand)

	2012	2011
Profit (+) or loss (-)	**(165)**	(1,113)
Shareholders' equity	**(327)**	(511)

Price Risk

The Group makes every effort to eliminate the pricing risk associated with current financial asset transactions by actively participating in financial markets. The Group is exposed to the risk related to the development of electricity prices. Following the introduction of electricity trading at the Prague Power Exchange, variations in electricity prices increased significantly, thus exposing the Group to a greater price risk. The Group attempts to eliminate this risk mainly by seeking to minimise the open exposure which could lead to potential losses for the Group. This principle has been consequently observed in the area of the Group's principal activities, i.e. the electricity supplies to end customers, as well as in the area of commodity trading transactions.

Price Risk Related to Trading Transactions

A maximum loss limit is determined with regard to trading transactions. This limit is determined as the market value of the carried out transactions, the open positions and VaR. The limit of the potential loss was not exceeded in the reporting period.

Credit Risk

The standard practice of the Group is not to require collateral for trade receivables. Management of the Group has introduced the principles of risk management and the risk is monitored on a regular basis. Financial solvency of all customers is checked if they exceed a certain limit of credit exposure.
In electricity supplies and distribution which is the Group's principal activity, the Group applies the following principles to minimise the failure to collect receivables.

The reading of industrial customers' electricity meters and invoicing takes place on a monthly basis. Customers pay monthly or ten-day advance payments, based on their expected consumption, to cover electricity 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 supply is suspended. Certain industrial customers cover their future payables by making prepayments in advance or by paying deposits.

The standard reading of small businesses and household electricity meters and invoicing takes place on an annual basis. For supplied but unbilled electricity, 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. There is no concentration of credit risk.

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. The Group is not exposed to any significant liquidity risk and does not suffer from any solvency issues.

Following the initiation of commodity stock exchange trading, the issues related to the daily revaluation of commodity futures traded on the Prague commodity stock exchange and the related daily financial settlement of gains and losses represents a potential risk in liquidity terms. The Group's response to such risk is the intention to predict cash flows related to the revaluation of commodity futures and the adjustment of credit lines. 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 receivables and payables. The table including the financial payables reflects the earliest dates on which the Company may be asked to fulfil its liabilities. The table of financial receivables reflects the customers' payment discipline.

Receivables 2012		Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Trade balances	(16)	1,170,788	90,524	8,498	–	**1,269,810**
Margin deposits. principals paid	(16)	50,854	–	20,140	20,429	**91,423**
Other receivables including receivables from sold apartments	(16)	7,772	471	3,561	5,810	**17,614**
Total		**1,229,414**	**90,995**	**32,199**	**26,240**	**1,378,847**

Receivables 2011		Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Trade balances	(16)	1,224,303	77,660	8,719	–	**1,310,682**
Margin deposits. principals paid	(16)	88,796	4,179	12,373	21,800	**127,148**
Other receivables including receivables from sold apartments	(16)	12,104	393	18,479	8,111	**39,087**
Total		**1,325,203**	**82,232**	**39,571**	**29,911**	**1,476,917**

Payables 2012		Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Trade payables	(22)	1,244,757	26,311	30,983	26	**1,302,077**
Other financial payables	(22)	119,220	5,517	6,671	–	**131,408**
Bank loans	(21)	272,748	2,132	8,871	2,593,800	**2,877,551**
Provisions	(24)	–	–	–	69,115	**69,115**
Total		**1,636,725**	**33,960**	**46,525**	**2,662,941**	**4,380,151**

Payables 2011		Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Trade payables	(22)	1,567,686	21,793	36,395	–	**1,625,874**
Other financial payables	(22)	132,615	9,415	9,442	32	**151,504**
Bank loans	(21)	171,415	6,101	2,238,935	102,327	**2,518,778**
Provisions	(24)	–	5,251	49,127	73,723	**128,101**
Total		**1,871,716**	**42,560**	**2,333,899**	**176,082**	**4,424,257**

Payables from leases – refer to the Note "Finance Lease Payables".

(28) Operating Leases (CZK thousand)

The minimum operating lease payments expensed in the current period:

Rental charges	2012	2011
Non-residential premises	**53,612**	53,191
Cable conduits	**93,470**	91,366
Cars	**2,944**	3,022
Other rented assets of all types	**14,799**	8,624
Total	**164,825**	**156,203**

The Group holds cable conduits for ultra-high voltage and high voltage lines and non-residential premises for high- and low-voltage transformers under operating leases. The contracts have been concluded for an indefinite period of time. Management expects the costs of leases to remain at the current level in the future, i.e. in the amount of approximately CZK 165 million per year for contracts concluded as of 31 December 2012.

Liabilities arising from irrevocable lease agreements *)	2012	2011
Less than 1 year	**7,471**	7,498
from 1 to 5 years	**28,360**	28,521
5 years and more	**75,423**	82,960
Total	**111,254**	**118,979**

*) Lease of land under switching stations where the likelihood of notice is minimal.

(29) Related Party Transactions (CZK thousand)

Related parties include the owners of the Group that hold individually or by acting in concert more than 40 percent of voting rights (Pražská energetika Holding a.s. and Energie Baden – Württemberg AG) and companies controlled by them, their owners, members of bodies and executive management of the Group.

Movements in receivables and payables of related parties:

	Sales to related parties		Purchases from related parties	
Company	**2012**	2011	**2012**	2011
Relations to parent companies	**51,544**	**54,733**	**40,653**	**59,038**
Pražská energetika Holding a.s.	**326**	341	**–**	–
Capital City of Prague	**51,218**	54,392	**40,653**	59,038
Relations to fellow-subsidiaries	**1,532,754**	**2,047,219**	**874,129**	**1,069,417**
EnBW Trading GmbH	**250,383**	577,674	**600,781**	742,140
EnBW Systeme Infrastruktur Support GmbH	**11,827**	955	**–**	–
EnBW Regional AG	**4,293**	–	**–**	–
Dopravní podniky hl.m. Prahy, a.s.	**994,577**	1,186,910	**570**	1,457
Pražská teplárenská, a.s.	**177,805**	181,743	**93,080**	127,301
Kolektory Praha, a.s.	**6,842**	6,957	**110,085**	109,291
Energotrans, a.s.	**2,421**	7,307	**1,479**	29,383
Kongresové centrum Praha, a.s.	**57,803**	57,576	**–**	–
Obecní dům, a.s.	**10,088**	11,527	**90**	90
Pražská vodohospodářská společnost a.s.	**16,715**	16,570	**68,044**	59,755
Total	**1,584,298**	**2,101,952**	**914,782**	**1,128,455**

Total receivables from and payables to related parties:

	Sales to related parties		Purchases from related parties	
Company	**2012**	2011	**2012**	2011
Relations to parent companies	**25**	**5,593**	**7,152**	**8,653**
Pražská energetika Holding a.s.	**25**	25		–
Capital City of Prague	**–**	5,568	**7,152**	8,653
Relations to fellow-subsidiaries	**57,616**	**90,760**	**57,857**	**47,913**
EnBW Trading GmbH	**–**	–	**27,342**	22,649
EnBW Systeme Infrastruktur Support GmbH	**90**	955	**–**	–
EnBW Regional AG	**317**	–	**–**	–
Dopravní podniky hl.m. Prahy, a.s.	**43,168**	71,692	**3,637**	3,184
Pražská teplárenská, a.s.	**10,986**	10,732	**20,274**	21,705
Kolektory Praha, a.s.	**304**	1	**237**	267
Energotrans, a.s	**–**	2,790	**55**	55
Kongresové centrum Praha, a.s.	**–**	–	**260**	53
Obecní dům, a.s.	**1,079**	2,576	**–**	–
Pražská vodohospodářská společnost a.s.	**1,672**	2,014	**6,052**	–
Total	**57,641**	**96,353**	**65,009**	**56,566**

Business transactions were conducted on an arm's length basis. Outstanding amounts were not collateralised and were settled at the beginning of the following year.

Dividends Paid

	2012	2011
Pražská energetika Holding a.s.	**1,167,946**	1,164,496
Energie Baden – Württemberg AG	**832,928**	832,928

Remuneration for executive management		**2012**			2011	
	Executive Directors	**Board of Directors**	**Supervisory Board**	Executive Directors	Board of Directors	Supervisory Board
Number	**5**	**12**	**23**	5	12	24
Amounts received from the parent company *)	**14,668**	**11,099**	**20,374**	12,862	10,439	20,598
Amounts received from subsidiaries	**10,502**	**11,574**	**11,083**	9,362	11,800	10,730

*) Parent company is PRE.

Executive management includes the executive directors (i.e. the CEO and the Sales Director of the parent company and directors of the subsidiaries) and the members of the Boards of Directors and Supervisory Boards of all companies in the Group.

Members of the Supervisory Board elected from among the Company's staff also enter into a standard employment contract adequate to their job.

Receivables from Executive Management
As of 31 December 2012, the Group reported receivables from the members of executive management in the total amount of CZK 344 thousand (CZK 458 thousand as of 31 December 2011). These receivables are reported in "Trade receivables and other receivables" and were collected during January 2013.

(30) Fees Paid to the Statutory Auditor (CZK thousand)

Service type	PRE-H	PRE	PREdi	PREm	eYello	Total
Audit	384	2,439	1,429	357	18	4,627
Total at 31 Dec 2012	**384**	**2,439**	**1,429**	**357**	**18**	**4,627**
Audit	384	1,166	727	187	18	2,482
Total at 31 Dec 2011	**384**	**1,166**	**727**	**187**	**18**	**2,482**

The statutory auditor of PRE, a.s., PREdistribuce, a.s. and PREměření, a.s. is Deloitte Audit, s.r.o. eYello CZ, a.s. is audited by SLAK, s.r.o.

(31) Post Balance Sheet Events (CZK thousand)

On 20 February 2013, a contract was signed to purchase a part of business whereby the Company acquired a solar power station with an output of 4 MW and a cost of CZK 330 million.

Regular (separate) financial statements – retrospective summary (2005–2010)

Income Statement (CZK thousand)

	2010	2009	2008	2007	2006	2005
Revenues from electricity sold	19 428 991	20 376 734	19 055 042	16 663 941	14 196 511	12 140 558
Cost of electricity sold	-17 959 105	-18 928 597	-17 745 377	-15 215 735	-13 226 934	-8 160 299
Gross profit from the sale of electricity	**1 469 886**	**1 448 137**	**1 309 665**	**1 448 206**	**969 577**	**3 980 259**
Other operating income	907 813	877 189	829 918	811 927	756 254	100 892
Personnel expenses	-521 172	-487 443	-462 181	-469 497	-425 008	-732 827
Depreciation	-198 259	-186 941	-165 294	-177 439	-171 365	-826 567
Cost of services, material and energy	-522 720	-515 344	-543 443	-478 469	-457 567	-864 630
Borrowing costs	-114 391	-117 727	-32 526	-21 462	-13 867	-48 047
Dividends received	680 800	891 000	1 616 769	630 627	24 000	10 840
Other gains and losses	26 201	59 567	133 605	15 676	44 968	-33 713
Profit from ordinary activity before tax	**1 728 158**	**1 968 438**	**2 686 513**	**1 759 569**	**726 992**	**1 586 207**
Income tax	-208 458	-224 210	-231 412	-275 763	715 289	-372 216
Profit from ordinary activity after tax	**1 519 700**	**1 744 228**	**2 455 101**	**1 483 806**	**1 442 281**	**1 213 991**
Basic and diluted earnings per share attributable to ordinary shares (CZK)	393	451	634	383	373	314

Balance sheet (Statement on Financial Position) CZK thousand

	2010	2009	2008	2007	2006	2005	2005	2005
ASSETS						**PRE summary**	**PREdi**	**PRE***
Property, plant and equipment	1 999 227	1 922 251	1 907 117	1 827 285	1 830 397	11 570 301	9 800 406	1 769 895
Intangible assets	197 965	193 811	179 658	159 193	134 062	158 795	2 733	156 062
Equity investments	9 566 801	9 566 801	9 566 801	9 571 801	9 571 801	60 623	0	60 623
Trade receivables and other receivables	21 203	22 719	46 408	128 086	29 828	29 899	24	29 875
Loans	1 122 939	2 626 232	1 504 060	–	–	–	–	–
Non-current assets assets	**12 908 135**	**14 331 814**	**13 204 044**	**11 686 365**	**11 566 088**	**11 819 618**	**9 803 163**	**2 016 455**
Inventories	33 846	33 603	46 132	36 815	26 520	29 558	–	29 558
Tax receivables	9 280	30 606	–	11	139 814	70 117	–	70 117
Trade receivables and other receivables	1 549 690	2 547 189	3 531 615	1 865 408	607 898	585 781	9 743	576 038
Loans	1 790 330	240 563	959 310	53 548	45 044	–	–	–
Short-term investments	49 025	148 851	172 350	162 754	441 028	129 185	–	129 185
Cash and cash equivalents	589 834	1 542 619	458 500	64 117	274 406	35 821	1 116	34 705
Current assets	**4 022 005**	**4 543 431**	**5 167 907**	**2 182 653**	**1 534 710**	**850 462**	**10 859**	**839 603**
Total assets	**16 930 140**	**18 875 245**	**18 371 951**	**13 869 018**	**13 100 798**	**12 670 080**	**9 814 022**	**2 856 058**
LIABILITIES								
Share capital	3 869 443	3 869 443	3 869 443	3 869 443	3 869 443	3 869 443	–	3 869 443
Funds from profit	1 172 377	1 171 867	1 566 166	1 048 453	1 156 387	1 155 605	–	1 155 605
Retained earnings	4 364 784	4 969 870	5 350 950	5 316 905	5 210 621	4 629 879	–	4 629 879
Shareholders' equity	9 406 604	10 011 180	10 786 559	10 234 801	10 236 451	9 654 927	–	9 654 927
Loans	**1 210 670**	**2 515 733**	**1 305 060**	**–**	**–**	**–**	**–**	**–**
Trade payables and other payables	127 899	107 703	108 879	250 664	89 341	421 192	307 397	113 795
Provisions	268 194	257 377	247 135	237 223	228 689	364 808	96 448	268 360
Deferred tax liability	41 162	45 778	145 051	6 258	34 800	960 796	–	960 796
Long-term payables	**1 647 925**	**2 926 591**	**1 806 125**	**494 145**	**352 830**	**1 746 796**	**403 845**	**1 342 951**
Loans	1 327 319	1 046 532	713 102	555 723	522 769	310 000	–	310 000
Tax payables	58 670	65 887	81 287	71 169	12 645	11 704	–	11 704
Trade payables and other payables	4 480 925	4 822 795	4 984 168	2 474 150	1 948 735	855 453	220 942	634 511
Provisions	8 697	2 260	710	39 030	27 368	91 200	3 000	88 200
Short-term payables	**5 875 611**	**5 937 474**	**5 779 267**	**3 140 072**	**2 511 517**	**1 268 357**	**223 942**	**1 044 415**
Total liabilities	**16 930 140**	**18 875 245**	**18 371 951**	**13 869 018**	**13 100 798**	**12 670 080**	**627 787**	**12 042 293**

Note: The balance sheet is modified to provide sufficient information on the distribution part of the Company which was carried out on 1.1.2006. The column "PRE sum" shows the sum of PRE* and PREdistribuce, a.s. columns. The column "PREdi" shows the part of the Company prepared for the split-off to PREdistribuce, a.s. The column "PRE*" shows the remaining part of the Company after PREdistribuce, a.s. split-off.

Note: Contrary to the consolidated financial statements, the separate statements don't show data for the period of 2003–2004 (all data related to this period are not compatible with the data for the period 2005–2009 – the financial Statements were prepared according to CAS).

Regular (separate) Financial Statements in Full version as at 31.12.2012

Income Statement (CZK thousand)

	Note	2012	2011
Revenues from electricity and gas sold		**18,697,650**	19,037,335
Costs of electricity and gas sold		**(17,066,372)**	(17,221,857)
Gross profit from the sale of electricity and gas	**(4)**	**1,631,278**	**1,815,478**
Other operating income	(4)	**969,809**	912,665
Personnel expenses	(6)	**(533,644)**	(555,007)
Depreciation	(13, 14)	**(214,298)**	(206,265)
Costs of services, material and energy	(7)	**(586,477)**	(581,567)
Borrowing costs	(8)	**(76,376)**	(108,960)
Dividends received		**1,075,000**	883,300
Other gains and losses	(9)	**(10,330)**	270,486
Profit from ordinary activity before tax		**2,254,962**	**2,430,130**
Income tax	(10)	**(231,239)**	(304,683)
Profit from ordinary activity after tax		**2,023,723**	**2,125,447**
Earnings per share attributable to ordinary shares (CZK)	(12)	**523**	549

Statement of Financial Position (Balance Sheet) (CZK thousand)

	Note	2012	2011
ASSETS			
Property, plant and equipment	(13)	**1,926,025**	1,957,973
Intangible assets	(14)	**173,314**	193,259
Equity investments	(15)	**9,566,801**	9,566,801
Trade receivables and other receivables	(16)	**23,788**	28,074
Loans	(17)	**2,224,767**	701,711
Non-current assets		**13,914,695**	**12,447,818**
Inventories	(18)	**34,381**	22,251
Tax receivables		**117,278**	133,120
Trade receivables and other receivables	(16)	**1,698,524**	2,043,199
Loans	(17)	**771,085**	1,976,612
Other financial assets	(19)	**6,035**	52,371
Cash and cash equivalents	(20)	**123,373**	183,636
Current assets		**2,750,676**	**4,411,189**
Total assets		**16,665,371**	**16,859,007**
LIABILITIES			
Share capital	(25)	**3,869,443**	3,869,443
Funds from profit	(26)	**1,190,078**	1,354,259
Retained earnings		**4,444,794**	4,456,061
Equity attributable to the Company's shareholders		**9,504,315**	**9,679,763**
Loans	(21)	**2,502,476**	–
Trade payables and other payables	(22)	**137,229**	126,450
Provisions	(24)	**2,477**	912
Deferred tax liability	(10)	**80,763**	122,633
Long-term payables		**2,722,945**	**249,995**
Loans	(21)	**276,783**	2,377,137
Tax payables		**17,591**	64,784
Trade payables and other payables	(22)	**4,101,767**	4,432,950
Provisions	(24)	**41,970**	54,378
Short-term payables		**4,438,111**	**6,929,249**
Total liabilities		**16,665,371**	**16,859,007**

Statement of Changes in Equity (CZK thousand)

	Share capital	Funds from profit	Retained earnings	Equity attributable to the Company's shareholders
Balance at 31 Dec 2010	**3,869,443**	**1,172,377**	**4,364,784**	**9,406,604**
Dividends and director's fees paid	–	–	(2,034,170)	(2,034,170)
Other comprehensive income	–	181,882	–	181,882
Net profit for 2011	–	–	2,125,447	2,125,447
Balance at 31 Dec 2011	**3,869,443**	**1,354,259**	**4,456,061**	**9,679,763**
Dividends and director's fees paid	–	–	(2,034,990)	(2,034,990)
Other comprehensive income	–	(164,181)	–	(164,181)
Net profit for 2012	–	–	2,023,723	2,023,723
Balance at 31 Dec 2012	**3,869,443**	**1,190,078**	**4,444,794**	**9,504,315**

Statement of Comprehensive Income (CZK thousand)

	2012	2011
Profit from ordinary activities after tax	**2,023,723**	**2,125,447**
Revaluation of other financial assets	**3,670**	3,344
Cash flow hedging	**(167,851)**	178,538
Total other comprehensive income after tax	**(164,181)**	**181,882**
Comprehensive income attributable to the Company's shareholders	**1,859,544**	**2,307,329**

Cash Flow Statement (CZK thousand)

	Note	**2012**	2011
Opening balance of cash and cash equivalents		**183,636**	589,834
Operating activity			
Income from the sale of electricity and gas		**17,962,385**	18,875,382
Expenses related to purchases of electricity and gas		**(16,701,046)**	(17,297,012)
Net profit from the sale of electricity and gas	**(4)**	**1,261,339**	**1,578,370**
Income in the Group	(30)	**1,021,077**	988,911
Other operating income	(4, 9)	**78,795**	64,352
Operating expenses	(7, 9)	**(734,337)**	(816,851)
Short-term changes in working capital		**95,016**	(238,768)
Personnel expenses	(6)	**(520,703)**	(490,734)
Direct tax	(10)	**(287,180)**	(210,636)
Financial income and expenses	(8)	**(11,204)**	(1,522)
Net cash flow from operating activity		**902,803**	**873,122**
Investment activity			
Income from the sale of fixed assets	(9)	**26,287**	19,604
Expenses related to the acquisition of fixed assets	(13, 14)	**(191,085)**	(199,820)
Dividend received and shares in profit		**1,075,000**	883,300
Net cash flow from investment activity		**910,202**	**703,084**
Financial activity			
External loans repaid	(21)	**(2,342,524)**	(1,308,653)
Dividends and director's fees paid	(11)	**(2,032,571)**	(2,035,395)
Financial operations in the Group	(30)	**(318,275)**	213,211
External loans received	(21)	**2,772,645**	1,150,000
Other financial operations		**47,457**	(1,567)
Net cash flow from financial activity		**(1,873,268)**	**(1,982,404)**
Change in cash and cash equivalents		**(60,263)**	(406,198)
Closing balance of cash and cash equivalents	**(20)**	**123,373**	**183,636**

Notes to the Financial Statements as at 31.12.2012

Content of the Notes to the Financial Statements

(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 Register of Companies 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, corporate ID: 60193913.

The Company is primarily engaged in supplying 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 supplies of gas. More information on the areas of the Company's operations is disclosed in the Note Segment Reporting.

PRE's principal shareholders	**2012**	2011
Pražská energetika Holding a.s.	**58.05%**	58.05%
Energie Baden – Württemberg AG	**41.40%**	41.40%
Other	**0.55%**	0.55%
Total	**100.00%**	**100.00%**

The Capital City of Prague owns 51% of Pražská energetika Holding a.s. and Energie Baden – Württemberg AG holds 49%.

(2) Adoption of New and Revised International Financial Reporting Standards

Standards and Interpretations Effective in the Current Period
The following amendments to the current standards and interpretations issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:
- **Amendments to IFRS 7 "Financial Instruments: Disclosures"**- transfers of financial assets, adopted by the EU on 22 November 2012 (effective for annual periods beginning on or after 1 July 2011).

Standards and Interpretations issued by the IASB and Adopted by the EU but not yet Effective
At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:
- **IFRS 10 "Consolidated Financial Statements"** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 11 "Joint Arrangements"** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 12 "Disclosure of Interests in Other Entities"** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 13 "Fair Value Measurement"** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **IAS 27 (revised in 2011) "Separate Financial Statements"** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- **Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"** – severe hyperinflation and removal of fixed dates for first-time adopters, adopted by 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** – offsetting of financial assets and financial liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – presentation of items of other comprehensive income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- **Amendments to IAS 12 "Income Taxes"** – deferred tax - use of underlying assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IAS 19 "Employee Benefits"** – improved accounting for post-employment benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IAS 32 "Financial Instruments: Presentation"** – offsetting of financial assets and financial liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

Standards and Interpretations issued by the IASB but not yet Adopted by the EU

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2015);
- **Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"** – government loans (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments – Disclosures"** – binding date of effectiveness of IFRS 9 and temporary disclosures,
- **Amendments to IFRS 10 "Consolidate Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities"** – temporary provisions (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 10 "Consolidate Financial Statements", IFRS 12 "Disclosure of Interest in Other Entities" and IAS 27 "Individual Financial Statements"** – investment entities (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to various standards "Improvements of IFRSs (2012)"** resulting from the annual improvement project of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) with a view to removing inconsistencies and clarifying wording of individual standards (effective for annual periods beginning on or after 1 January 2013).

(3) Significant Accounting Policies

Statement of Compliance

The financial statements are prepared and presented in compliance 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. The principal accounting policies are set out below.

Basis of the Preparation of Consolidated Financial Statements

Apart from the unconsolidated financial statements, the Company prepares and publishes consolidated financial statements of the parent company PRE and its subsidiaries (hereinafter the "Group") in compliance with IFRS always as of 31 December. The consolidated and unconsolidated financial statements are published as of the same date.

Revenue Recognition

Revenue from the sales of goods is measured at the fair value of the consideration received or receivable if significant risk and rewards arising from the ownership of the relevant goods have been transferred to the buyer. Revenues arising from contracts for the provision of services are reported including the information regarding the status of the contract completion.

Revenues from electricity and distribution are recognised in the period when the electricity is consumed by customers. Revenues from other provided services are recognised when the services are rendered.

Revenues from leasing (primarily fibre-optics) are 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leases

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. 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 payables are included in "Trade payables and other payables" within short-term and long-term payables.

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 using the capitalisation rate in line with IAS 23. 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 income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current tax payable 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 and are recognised in profit or loss except when associated with items charged directly to equity in which case it is also 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. Property, plant and equipment with a cost over CZK 40 thousand are reported on the face of the balance sheet.
The cost of internally produced tangible and intangible 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, or for purposes not yet determined, 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.

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 and halls	15, 50
Fibre-optics	30
Working machinery and equipment	5, 8, 10, 12, 20
Telecommunication equipment	4–19
Appliances and special technology equipment	4, 10
Vehicles	4, 8, 10
Furniture and fixtures	4, 8
Hardware	3, 4

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.
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.
Tangible assets costing between CZK 2 thousand and CZK 40 thousand with an individual useful life exceeding one year are classified as low value tangible assets. The acquisition costs of these assets are charged to expenses and their physical balances are maintained in off-balance sheet records, the only exception being selected types of minor electricity equipment and electrical machines that are recognised and depreciated as tangible fixed assets.

Intangible Assets
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	Depreciation period in years
Software	4
Other intangible assets	according to the contract

Intangible assets costing between CZK 2 thousand and CZK 60 thousand with an individual useful life exceeding one year are classified as low value intangible assets. The acquisition costs of these assets are charged to expenses and their physical balances are maintained in off-balance sheet records.

Impairment of Tangible and Intangible Assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible 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, but 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 in prior years. A reversal of an impairment loss is recognised immediately 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 inventory.
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.

Financial Assets

Financial assets are recognised and derecognised in the balance sheet on the date of transaction where the purchase or sale of an asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.
Financial assets are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), investments held-to-maturity, financial assets available-for-sale (AFS) and trade receivables and other receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.
Financial assets are classified as held for trading if (i) they were acquired principally for the purpose of selling in the near future; or (ii) are a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.
Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Investments Held to Maturity

Bills of exchange and bonds with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment.

Equity Investments

Equity investments include the Company's share in other companies' share capital. By reference to this share, the Company may exercise controlling influence by holding the majority of voting rights, or substantial influence represented by 20 to 50% of voting rights held. A share in the registered capital below 20% represents minority influence. Proceeds from equity investments flow to the Company in the form of dividends.

Financial Assets Available for Sale

Unlisted shares and listed redeemable notes held by the Company that are traded on an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange rate gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.
The foreign exchange rate gain or loss, if any, on financial assets available for sale denominated in foreign currencies is reported as part of the fair value change.

Trade Receivables and Other Receivables

Trade receivables are initially measured at fair value and subsequently revalued at amortised cost using the effective interest method. Reasonable allowances for estimated irrecoverable losses are recognised in profit or loss if impairment evidence exists. The recognised allowance is determined as the difference between the amortised cost of the relevant asset and the present value of the estimated future cash flows discounted at the effective interest rate calculated upon initial recognition.
Other receivables with determined or determinable payments which are not quoted on an active market are classified as other financial assets and measured at the amortised cost using the effective interest method and reflecting any impairment loss. Interest income is reported using the effective interest method.

Financial Liabilities

Financial liabilities, including borrowings, are initially measured at fair value, increased by transaction costs and subsequently measured at amortised cost using the effective interest method.
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivatives

The Company hedges its future transactions and cash flows using derivative contracts. The Company enters into commodity derivative instruments for purchases and sales of electricity on the Prague Power Exchange and OTC markets. The Company assumes that the majority of these derivatives will be settled in the form of a physical supply of electricity to be consumed or sold within the ordinary course of the Company's operation. Such contracts therefore do not fall within the scope of IAS 39. As part of its trading portfolio, the Company also enters into commodity derivatives transactions.

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. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as a hedging instrument as part of hedge accounting. 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).

The fair value of hedging derivatives is classified as other non-current financial assets/long-term payable if the residual maturity of the hedging relationship exceeds 12 months, or as other current financial assets and short-term payable if the residual maturity of the hedging relationship is below 12 months.

The derivatives which are not designated as effective hedge instruments are classified as short-term receivables and short-term payables, as appropriate.

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 Company 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 value of the hedged item arising from the hedged risk is realised into profit or loss from the date of the relevant adjustment.

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 costs.

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 Company provides other bonuses under the Collective Agreement (the defined benefit plan, refer to the note "Trade Payables and Other Payables"). The relevant payables are measured at the present value of anticipated future payments using actuarial estimates.

Cash Flow Statement

The Company decided to prepare its cash flow statements using the direct method starting from 2012. The statement prepared using the direct method provides more information for the operational management of the Company. Comparative information has been presented on a similar basis.

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 revenues and expenses during the reporting period. Management of the Company 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 unbilled electricity amount the key area which is subject to the use of estimates. The increase in unbilled electricity is determined using the balance sheet approach as equal to the difference between the aggregate electricity input and output including losses and actual consumption for the relevant period. The total closing level is additionally reviewed by making a control calculation in the customer system.

Internal Audit Principles and Methods

The PRE Group prepares its financial statements so that these statements are correct, reliable and relevant and give a true and fair view of the Company's financial position and financial performance. The Company has internal regulations in place to determine the binding accounting principles and control mechanisms. These predominantly include the following: Circulation and Signing of Accounting Documents, Valuation of Assets and Liabilities, Stock Count of Assets and Liabilities, and Accounting Treatment for Transactions Related to Electricity Trading and Currency Risk Hedges. These internal regulations define the methods of processing and accounting for all usual transactions, including the rules for the prevention of fraudulent activities. The compliance with internal regulations is overseen by the Company's Internal Audit which follows the following norms of the Company: Internal Audit Statute, Risk Management, Internal Audit Planning and Performance.

(4) Revenues (CZK thousand)

Income and expenses relating to the sale of electricity and gas	**2012**	2011
Sales of electricity B2B (including B2B LV)	**6,141,332**	6,591,200
Sales of distribution and system services B2B	**3,353,164**	3,271,771
Sales of electricity B2C	**3,579,523**	3,385,699
Sales of distribution and system services B2C (including B2B LV)	**4,823,774**	4,968,274
Sales of gas	**33,294**	–
Other income *)	**746,737**	798,407
Gross gain from trading	**19,826**	21,984
Total income	**18,697,650**	**19,037,335**
Costs of purchases of sold electricity	**(8,856,046)**	(8,981,814)
Costs of purchases of distribution and system services	**(8,177,016)**	(8,240,043)
Costs of purchases of gas	**(33,310)**	–
Total costs	**(17,066,372)**	**(17,221,857)**
Gross profit from the sale of electricity and gas	**1,631,278**	**1,815,478**

*) Including proceeds from the sale of power products to distributors and electricity dealers.

Other operating income	2012	2011
Income from provided services *)	964,910	908,989
Other	4,899	3,676
Total	**969,809**	**912,665**

*) The income includes services rendered to other companies within the PRE Group based on management contracts, revenues from the lease of land, real estate, vehicles and IT support.

(5) Segment Reporting (CZK thousand)

The Company's operations are structured into two business segments: Trade and Internal Services (industry segments). The accounting records are kept as if the activities were run by separate companies in order to avoid discrimination and mutual in-flows of funds. Segment information is presented reflecting the primary business activity of the Company. The primary reporting format is based on management and internal information about the Company.

Trade Segment –Supply of and Trading with Electricity and Gas (Commodities)

The Trade segment is in charge of the purchase and sale of commodities, including related activities. The segment revenue is generated either only by the commodity sold or by the commodity sold plus the distribution services rendered depending on the type of business relationship (see below).

Customers have the right to choose their supplier of commodity. If they choose a supplier who does not supply the territory in which it will be consumed only the cost of the commodity provided is paid to this supplier. The cost of distribution and system services (hereinafter the "services"), which relates to the commodity supplied, are payable to the supplier who operates on the territory where the commodity is consumed. Customers can enter into a comprehensive service contract with the supplier, in which case the supplier also provides for the distribution services.

The price of commodity is contractually agreed (i.e. not regulated) while the price for distribution services is regulated by the Energy Regulatory Office.

Internal Services Segment

The Internal Services segment provides the Trade segment and other companies within the Group with operating services, primarily logistics (transportation and supplying services), lease of office buildings, operation of information technologies and systems, services for staff (provision of flats, leisure activities) and administrative services. The income of Internal Services consists of revenues from provided services.

Note: The capacity of staff involved in the Trade segment is partially used for the provision of administrative and support services to the Group entities. Related costs are transferred internally to the Internal Services segment where they are included in the total segment expenses.

Rules for Inter-Segment Transaction Accounting

Directly attributable expenses and income are recognised under the relevant segment. Internal services are valued at a planned rate which is calculated based on the budget of internal costs. The segment revenue is the internal settlement made with the recipient of the service based on a rate and the quantity of the service rendered. Expenses are allocated using the ABC (Activity Based Costing) method.

Segment statements	Trade		Services		Eliminations		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Electricity/Distribution								
External income	**18,697,650**	19,037,335	**–**	–	**–**	–	**18 ,697,650**	19,037,335
External expenses	**(17,066,372)**	(17,221,857)	**–**	–	**–**	–	**(17,066,372)**	(17,221,857)
Gross profit from the sale and production of electricity	**1,631,278**	**1,815,478**	**–**	**–**	**–**	**–**	**1,631,278**	**1,815,478**
Other external operating income	**20,069**	11,941	**949,740**	900,724	**–**	–	**969,809**	912,665
Other inter-segment operating income	**224,919**	219,775	**257,124**	241,140	**(482,043)**	(460,915)	**–**	–
Personnel expenses	**(242,435)**	(233,056)	**(289,831)**	(264,129)	**–**	–	**(532,266)**	(497,185)
Depreciation and amortisation of fixed assets	**(9,140)**	(8,149)	**(205,158)**	(198,116)	**–**	–	**(214,298)**	(206,265)
Other operating expenses	**(474,726)**	(472,769)	**(593,794)**	(569,713)	**482,043**	460,915	**(586,477)**	(581,567)
Other gains and losses net of received interest in the Group, net of release of provisions	**(64,972)**	(51,600)	**(19,287)**	(22,858)	**–**	–	**(84,259)**	(74,458)
Operating profit of the segment	**1,084,993**	**1,281,620**	**98,794**	**87,048**	**–**	**–**	**1,183,787**	**1,368,668**
Received dividends (not allocated)	**–**	–	**–**	–	**–**	–	**1,075,000**	883,300
Received interest in the Group	**–**	–	**73,929**	78,679	**–**	–	**73,929**	78,679
Borrowing costs	**–**	–	**(76,376)**	(108,960)	**–**	–	**(76,376)**	(108,960)
Provisions (not allocated)	**–**	–	**–**	–	**–**	–	**(1,378)**	208,443
Income tax (not allocated)	**–**	–	**–**	–	**–**	–	**(231,239)**	(304,683)
Segment profit or loss	**1,084,993**	**1,281,620**	**96,347**	**56,767**	**–**	**–**	**2,023,723**	**2,125,447**
Other information								
Property, plant and equipment	**9,033**	12,437	**1,916,992**	1,945,536	**–**	–	**1,926,025**	1,957,973
Intangible assets	**–**	–	**173,314**	193,259	**–**	–	**173,314**	193,259
Receivables	**1,578,163**	1,728,741	**3,140,001**	3,020,855	**–**	–	**4,718,164**	4,749,596
Other assets	**–**	–	**281,067**	391,378	**–**	–	**281,067**	391,378
Other assets (not allocated)	**–**	–	**–**	–	**–**	–	**9,566,801**	9,566,801
Total assets	**1,587,196**	**1,741,178**	**5,511,374**	**5,551,028**	**–**	**–**	**16,665,371**	**16,859,007**
Payables	**3,884,109**	4,242,548	**3,276,947**	2,936,696	**–**	–	**7,161,056**	7,179,244
Expenses related to the acquisition of fixed assets	**–**	–	**(191,085)**	(199,820)	**–**	–	**(191,085)**	(199,820)

(6) Personnel Expenses (CZK thousand)

	2012	2011
	Staff including management	Staff including management
Average headcount	**636**	620
Payroll costs	**326,917**	306,499
Salaries paid depending on the fulfilment of the plan	**35,384**	28,789
Insurance	**125,261**	118,271
Remuneration to the members of the Company's statutory bodies	**7,085**	6,450
Other social costs *)	**38,997**	94,998
Total	**533,644**	**555,007**

*) Primarily costs of 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. In 2011, there was a temporary increase in expenses related to the newly recognised provision for salaries paid in dependence on the fulfilment of the plan of the prior period and salaries corresponding to outstanding vacation days incurred as of the balance sheet date.

(7) Costs of Services, Material and Energy (CZK thousand)

	2012	2011
Material and consumed energy	**72,754**	68,331
Repairs of tangible fixed assets	**33,070**	40,339
Consulting services	**26,483**	29,047
Rental charges	**49,935**	37,783
Postage and telecommunication fees	**46,749**	47,262
IT support	**136,997**	118,431
Marketing	**83,182**	101,930
Other *)	**137,307**	138,444
Total	**586,477**	**581,567**

*) Including costs of cleaning services, security guard services, storage fees and other services.

(8) Borrowing Costs (CZK thousand)

	2012	2011
Interest on cash pooling	**13**	535
Interest on loan	**73,528**	103,961
Interest expense on employee benefits	**1,495**	1,925
Interest on leases	**1,340**	2,539
Total	**76,376**	**108,960**

(9) Other Gains and Losses (CZK thousand)

	2012	2011
Write-offs of doubtful debt and creation of allowances	**(57,617)**	(47,098)
Gain/(loss) from the sale and disposal of fixed assets and inventory	**8,675**	2,180
Change in provisions*)	**(1,565)**	221,565
Foreign exchange rate gains (losses)	**11,843**	(9,402)
Proceeds from securities held	**4,011**	3,025
Interest received in the Group	**73,929**	78,679
Revaluation of interest rate swaps	**(31,232)**	28,992
Other	**(18,374)**	(7,455)
Total	**(10,330)**	**270,486**

* In 2011, the change in provisions comprised the use and release of a provision for a legal dispute with Středočeská energetická a.s. – refer to the Note "Provisions".

(10) Income Tax (CZK thousand)

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

	2012	2011
Current tax payable	**233,737**	265,091
Deferred tax	**(2,498)**	39,592
Total income tax	**231,239**	**304,683**

	2012		2011	
Profit before tax	**2,254,962**		**2,430,130**	
Income tax using the effective income tax rate	**428,443**	**19.00%**	461,725	19.00%
Impact of tax non-deductible dividends received	**(204,250)**	**(9.06%)**	(167,828)	(6.91%)
Impact of other items that are never tax-deductible	**7,046**	**0.31%**	10,787	0.44%
Total income tax/effective tax rate	**231,239**	**10.25%**	**304,683**	**12.54%**

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

	31 Dec 2012	Recorded in profit or loss	Recorded in equity	31 Dec 2011	Recorded in profit or loss	Recorded in equity	31 Dec 2010
Fixed assets	**110,192**	(3,040)	–	113,232	(1,349)	–	114,581
Provisions	**(8,445)**	2,060	–	(10,505)	42,104	–	(52,609)
Receivables	**(9,561)**	1,420	–	(10,981)	(80)	–	(10,901)
Inventory	**(441)**	(16)	–	(425)	(29)	–	(396)
Obligation under the Collective agreement	**(20,350)**	(2,922)	–	(17,428)	(1,054)	–	(16,374)
Cash flow hedge	**9,368**	–	(39,372)	48,740	–	41,879	6,861
Total deferred tax liability	**80,763**	**(2,498)**	**(39,372)**	**122,633**	**39,592**	**41,879**	**41,162**

(11) Dividends (CZK thousand)

The following amounts were recognised as distribution of profit to shareholders in the relevant period:

	2012	2011
Final dividend for 2011 of CZK 520 (2010: CZK 520) per share	**2,012,110**	2,012,110

The final amount of the proposed dividend for 2012 must be approved by the General Meeting. It has not been included in liabilities in these financial statements.

(12) Earnings per Share (CZK thousand)

Earnings per share are calculated from the net profit for distribution of CZK 2,023,723 thousand (2011: CZK 2,125,447 thousand) attributable to 3,869,443 shares, i.e. the earnings per share amount to CZK 523 (2011: CZK 549). The Company has no issued instruments diluting the basic earnings per share.

(13) Property, Plant and Equipment (CZK million)

	Land	Telecommunication technologies and IT	Administrative buildings	Leases of vehicles	Other	Assets under construction	**Total**
Cost							
Balance at 31 Dec 2010	**172.8**	**744.7**	**1,606.7**	**96.6**	**282.4**	**109.7**	**3,012.9**
Additions	–	21.9	21.9	11.4	8.5	52.6	**116.3**
Disposals	(2.4)	(13.6)	(35.7)	(9.3)	(6.9)	–	**(67.9)**
Reclassification	–	25.4	75.7	–	1.5	(102,6)	**–**
Balance at 31 Dec 2011	**170.4**	**778.4**	**1,668.6**	**98.7**	**285.5**	**59.7**	**3,061.3**
Accumulated depreciation							
Balance at 31 Dec 2010	**(1.8)**	**(522.1)**	**(315.4)**	**(33.3)**	**(141.1)**	**–**	**(1,013.7)**
Depreciation	–	(58.2)	(35.5)	(16.0)	(16.6)	–	**(126.3)**
Accumulated depreciations	–	13.8	10.3	6.7	5.9	–	**36.7**
Reclassification	–	–	–	–	–	–	**–**
Balance at 31 Dec 2011	**(1.8)**	**(566.5)**	**(340.6)**	**(42.6)**	**(151.8)**	**–**	**(1,103.3)**
Net book value – 2010	171.0	222.6	1,291.3	63.3	141.3	109.7	**1,999.2**
Net book value – 2011	**168.6**	**211.9**	**1,328.0**	**56.1**	**133.7**	**59.7**	**1,958.0**

	Land	Telecommunication technologies and IT	Administrative buildings	Leases of vehicles	Other	Assets under construction	**Total**
Cost							
Balance at 31 Dec 2011	**170.4**	**778.4**	**1,668.6**	**98.7**	**285.5**	**59.7**	**3,061.3**
Additions	–	6.4	5.2	32.1	21.1	49.4	**114.2**
Disposals	(0.8)	(28.8)	–	(38.4)	(5.7)	(0.2)	**(73.9)**
Reclassification	–	12.8	17.0	–	22.2	(51.4)	**0.6**
Balance at 31 Dec 2012	**169.6**	**768.8**	**1,690.8**	**92.3**	**323.2**	**57.5**	**3,102.2**
Accumulated depreciation							
Balance at 31 Dec 2011	**(1.8)**	**(566.5)**	**(340.6)**	**(42.6)**	**(151.8)**	**–**	**(1,103.3)**
Depreciation	0.6	(61.5)	(35.1)	(13.0)	(16.9)	–	**(125.9)**
Accumulated depreciation ons	–	28.9	–	18.6	5.5	–	**53.0**
Reclassification	–	–	-1.8	–	1.8	–	**–**
Balance at 31 Dec 2012	**(1.2)**	**(599.1)**	**(377.5)**	**(37.0)**	**(161.4)**	**–**	**(1,176.2)**
Net book value – 2011	168.6	211.9	1,328.0	56.1	133.7	59.7	**1,958.0**
Net book value – 2012	**168.4**	**169.7**	**1,313.3**	**55.4**	**161.7**	**57.5**	**1,926.0**

(14) Intangible Assets (CZK million)

	Software	Other	Assets under construction	**Total**
Cost				
Balance at 31 Dec 2010	**642.5**	**10.4**	**62.6**	**715.5**
Additions	22.0	1.3	61.5	**84.8**
Disposals	(0.4)	–	(9.5)	**(9.9)**
Reclassification	50.6	1.5	(52.1)	**–**
Balance at 31 Dec 2011	**714.7**	**13.2**	**62.5**	**790.4**
Accumulated amortisation				
Balance at 31 Dec 2010	**(510.6)**	**(6.9)**	**–**	**(517.5)**
Amortisation	(77.5)	(2.5)	–	**(80.0)**
Accumulated amortisation on disposals	0.4	–	–	**0.4**
Reclassification	–	–	–	**–**
Balance at 31 Dec 2011	**(587.7)**	**(9.4)**	**–**	**(597.1)**
Net book value – 2010	131.9	3.5	62.6	**198.0**
Net book value – 2011	**127.0**	**3.8**	**62.5**	**193.3**

	Software	Other	Assets under construction	**Total**
Cost				
Balance at 31 Dec 2011	**714.7**	**13.2**	**62.5**	**790.4**
Additions	19.1	1.9	47.8	**68.8**
Disposals	(344.5)	–	–	**(344.5)**
Reclassification	56.5	–	(57.1)	**(0.6)**
Balance at 31 Dec 2011	**445.8**	**15.1**	**53.2**	**514.1**
Accumulated amortisation				
Balance at 31 Dec 2011	**(587.7)**	**(9.4)**	**–**	**(597.1)**
Amortisation	(85.2)	(2.6)	–	**(87.8)**
Accumulated amortisation on disposals	344.1	–	–	**344.1**
Reclassification	–	–	–	**–**
Balance at 31 Dec 2011	**(328.8)**	**(12.0)**	**–**	**(340.8)**
Net book value – 2011	127.0	3.8	62.5	**193.3**
Net book value – 2012	**117.0**	**3.1**	**53.2**	**173.3**

The Company has no intangible assets developed internally.

Depreciation in the notes "Property, plant and equipment" and "Intangible assets" also includes an impairment loss as follows:

	2012	2011
Amortisation and depreciation	**(214.3)**	(206.3)
Impairment profit/loss	**0.6**	–
Total	**(213.7)**	**(206.3)**

None of the Company's assets are pledged or used as collateral.

The Company anticipates incurring total capital expenditure of CZK 232 million in 2013. Approximately 30% of all planned expenditure was contracted as of the balance sheet date.

Low value fixed assets are charged to expenses in compliance with the accounting policies (see Significant Accounting Policies). The below table shows the purchase price of those assets that have been put into use as of the balance sheet date:

Low value fixed assets	2012	2011
Low value tangible assets	**197.3**	188.5
Low value intangible assets	**43.6**	36.6
Total	**240.9**	**225.1**

(15) Equity Investments (CZK thousand)

	Note	Investment	2012	2011
PREdistribuce, a.s.	Non-marketable	100%	**9,513,537**	9,513,537
PREměření, a.s.	Non-marketable	100%	**43,264**	43,264
eYello CZ, a.s.	Non-marketable	100%	**10,000**	10,000
Total			**9,566,801**	**9,566,801**

Additional Information on Subsidiaries

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.

	2012	2011
Registered office: Prague 5, Svornosti 3199/19a		
Corporate ID: 27376516		
Average headcount:	**511**	507
Economic data (in CZK thousand):		
Share capital	**17,707,934**	17,707,934
Shareholders' equity	**19,118,603**	19,202,209
Profit after tax	**992,594**	1,133,172
Sales of goods and services	**9,340,856**	9,140,952

Business entity: PREměření, a.s.

The company provides the reading, purchases and sale, review and assembly of meters and, to a lesser extent, sales of a selected product mix of electric appliances. In 2011, the company focused on strengthening activities in solar energy production.

	2012	2011
Registered office: Prague 10, Na Hroudě 2149/19		
Corporate ID: 25677063		
Average headcount:	**226**	209
Economic data (in CZK thousand):		
Share capital	**35,000**	35,000
Shareholders' equity	**90,052**	59,698
Profit after tax	**32,754**	17,690
Sales of goods and services	**397,892**	327,181

Business entity: eYello CZ, a.s.

eYello CZ, a.s. was established in 1996 with the original name PREleas, a.s. Until 2012, its principal business activity was to co-fund the assets in the Group through lease-back transactions. In October 2012, the company was renamed to eYello CZ, a.s. and its activities were expanded to include electricity and gas trading. On 19 November 2012, the company started offering electricity supplies to households and small businesses under the Yello Energy brand.

	2012	2011
Registered office: Prague 10, Limuzská 2110/8		
Corporate ID: 25054040		
Average headcount:	**2**	2
Economic data (in CZK thousand):		
Share capital	**10,000**	10,000
Shareholders' equity	**22,372**	34,039
Profit after tax	**1,433**	6,324
Sales of goods and services	**35,770**	39,265

(16) Trade Receivables and Other Receivables (CZK thousand)

Trade receivables and other long-term receivables	2012	2011
Principal amounts paid	**19,222**	21,775
Receivables from sold flats *)	**4,549**	6,282
Other	**17**	17
Total	**23,788**	**28,074**

*) Of the stated receivables, the maturity of receivables totalling CZK 33 thousand exceeds five years (2011: CZK 133 thousand).

Long-term receivables are carried at their amortised cost which corresponds to their fair value.

Trade receivables and other short-term receivables	2012	2011
Receivables from electricity supplies	**1,172,138**	1,201,541
Margin deposit with the power exchanges	**52,040**	105,264
Receivables from the revaluation of commodity contracts (trading portfolio)	**279,990**	158,797
Receivables from cash flow hedges	**58,711**	257,450
Other assets	**135,645**	320,147
Total	**1,698,524**	**2,043,199**

Of the above stated short-term trade receivables, gross receivables past their due date totalled CZK 408,363 thousand (2011: CZK 404,711 thousand). Outstanding portions usually bear no interest. The following allowances were created for doubtful receivables:

Balance at 31 Dec 2010	**206,773**
Charge and drawing in the current year	17,823
Balance at 31 Dec 2011	**224,596**
Charge and drawing in the current year	26,611
Balance at 31 Dec 2012	**251,207**

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 receivables and other receivables corresponds to their fair value.

(17) Loans Granted (CZK thousand)

		At 31 Dec 2012			At 31 Dec 2011	
	Amount	**Interest rate p.a.**	**Maturity date**	Amount	Interest rate p.a.	Maturity date
Loan granted in Group 1	**–**	**–**	**–**	1,122,882	PRIBOR+2.30%	30.6.2012
Loan granted in Group 2	**701,207**	**PRIBOR+1.05%**	**30.11.2014**	701,711	PRIBOR+1.05%	30.11.2014
Loan granted in Group 3	**–**	**–**	**–**	22,511	PRIBOR+0.80%	15.2.2012
Loan granted in Group 4	**7,152**	**FIX 2.44%**	**15.2.2013**	–	–	–
Loan granted in Group 5	**1,523,560**	**PRIBOR+1.30%**	**29.6.2015**	–	–	–
Loan granted in Group 6	**15,054**	**FIX 2.03%**	**29.4.2013**	–	–	–
Receivables arising from cash pooling from PREdistribuce, a.s.	**735,614**	**PRIBOR+0.50%**	**–**	752,564	PRIBOR+0.50%	–
Receivables arising from cash pooling from PREměření, a.s.	**13,265**	**PRIBOR+0.50%**	**–**	78,655	PRIBOR+0.50%	–
Long-term	**2,224,767**			701,711		
Short-term	**771,085**			1,976,612		
Total	**2,995,852**			**2,678,323**		

The carrying amount of the granted loans does not significantly differ from their fair value.

(18) Inventories (CZK thousand)

Inventories	**2012**	2011
Material	**33,203**	20,912
Goods	**1,178**	1,339
Total	**34,381**	**22,251**

"Purchased material, services and energy" and "Other gains and losses" in the income statement include costs of sold and consumed inventories of CZK 233,868 thousand (2011: CZK 244,632 thousand).

Given the limited use, inventories were written down to their net realisable value as follows:

Balance at 31 Dec 2010	**2,082**
Charge in the current year	157
Drawing in the current year	–
Balance at 31 Dec 2011	**2,239**
Charge in the current year	231
Drawing in the current year	–
Balance at 31 Dec 2012	**2,470**

The write-down to the net realisable value is reported in "Other gains and losses" in the income statement.

(19) Other Financial Assets (CZK thousand)

	Carrying value	
	2012	2011
Equity securities available for sale	**6,035**	6,035
Bonds available for sale	**–**	46,336
Total	**6,035**	**52,371**

(20) Cash and Cash Equivalents (CZK thousand)

Cash and cash equivalents include cash at 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.

	2012	2011
Bills of exchange	**–**	51,601
Current bank accounts	**121,854**	130,482
Cash on hand	**973**	1,001
Stamps and vouchers	**546**	552
Total	**123,373**	**183,636**

(21) Loans Received (CZK thousand)

This note summarises the information about the contractual conditions of interest bearing loans and borrowings. For more information about the Company's exposure to interest rate risks refer to the note "Financial Instruments".

	At 31 Dec 2012			At 31 Dec 2011		
	Principal	**Interest rate**	**Maturity date**	Principal	Interest rate	Maturity date
Loan No. 1	–	–	–	610,792	PRIBOR+2.00%	30.6.2012
Loan No. 2	–	–	–	610,549	PRIBOR+1.95%	30.6.2012
Loan No. 3	–	–	–	1,001,396	PRIBOR+0.42%	30.11.2012
Loan No. 4	–	–	–	150,010	FIX 1.23%	2.1.2012
Loan No. 5	**701,229**	**PRIBOR+0.88%**	**21.5.2015**			
Loan No. 6	**601,067**	**PRIBOR+0.90%**	**30.6.2015**	–	–	–
Loan No. 7	**1,200,180**	**PRIBOR+0.68%**	**29.6.2015**	–	–	–
Loan No. 8	**200,047**	**FIX 0.71%**	**3.1.2013**	–	–	–
Permitted overdraft of current accounts	**72,657**	**PRIBOR+0.40%**	–	–	–	–
Receivables from cash pooling to eYellow CZ, a.s.	**4,079**	**PRIBID-0.25%**	–	4,390	PRIBID-0.25%	–
Total	**2,779,259**			**2,377,137**		
Of which:						
Long-term loans	**2,502,476**			–		
Short-term loans	**276,783**			2,377,137		

The Company uses swaps for hedging the interest rate. The banks do not require loan collateral with regard to the Company's rating. Undrawn loan facilities amounted to CZK 2,771 million as of 31 December 2012 (CZK 3,819 million as at 31.12.2011).

Loans are carried at their amortised cost which does not significantly differ from their fair value. Currently, the Company does not capitalise any borrowing costs in accordance with the applied accounting policy.

(22) Trade Payables and Other Payables (CZK thousand)

Trade payables and other long-term payables	**2012**	2011
Payables to employees *)	**103,322**	84,799
Other financial liabilities	**33,907**	41,651
Total	**137,229**	**126,450**

*) Includes payables under the Collective Agreement (involving bonuses paid to employees in connection with their retirement, work and life anniversaries).

Trade payables and other short-term payables	**2012**	2011
Trade payables *)	**1,937,174**	2,262,551
Payables from revaluation of commodity contracts (trading portfolio)	**247,191**	109,890
Payables from revaluation of interest rate derivatives	**38,003**	6,771
Payables to employees **)	**29,725**	31,311
Payables from social security and health insurance	**11,837**	12,051
Intercompany payables ***)	**1,697,933**	1,864,547
Other payables	**139,904**	145,829
Total	**4,101,767**	**4,432,950**

*) Includes an estimated payable for supplied but not yet billed electricity recognised together with the prepayment received for electricity in the total amount of CZK 898,922 thousand (2011: CZK 1,131,260 thousand).
**) Includes outstanding December salaries and payables to employees under the Collective Agreement in the amount of CZK 9,253 thousand (2011: CZK 12,495 thousand).
***) Includes an estimated payable for the provision of distribution services from PREdistribuce, a.s. in the amount of CZK 1,676,075 thousand (2011: CZK 1,814,904 thousand), payables to PREdistribuce, a.s. arising from bills for distribution services in the amount of CZK 21,686 thousand (2011: CZK 49,540 thousand) and payables to PREměření, a.s. amounting to CZK 172 thousand (2011: CZK 102 thousand).

The Company reports overdue trade payables in the amount of CZK 913 thousand (2011: CZK 27 thousand). All overdue payables were settled during January 2013.
The Company's payables are carried at amortised cost which corresponds to their fair value.

(23) Finance Lease Payables (CZK thousand)

	Minimum lease payables		Present value of minimum lease payments	
	2012	2011	**2012**	2011
Lease payments due within 1 year	**21,725**	26,251	**21,514**	14,494
Lease payments due from 1 to 5 years	**32,660**	30,728	**31,042**	40,755
Lease payments due in over 5 years	**3,233**	999	**2,865**	897
Total lease payments	**57,618**	**57,978**	**55,421**	**56,146**
Future lease payments	**(2,197)**	(1,832)		
Present value of minimum lease payments	**55,421**	**56,146**	**55,421**	**56,146**

Trade payables and other payables		
Long-term	**33,907**	41,652
Short-term	**21,514**	14,494
Total	**55,421**	**56,146**
Tangible fixed assets		
Carrying amount of assets held under finance leases	**55,421**	56,146

The Company holds cars under finance lease contracts. All contracts have a fixed payment schedule and the Company did not enter into any contracts on contingent lease payments.
All lease payables are denominated in Czech crowns. The fair value of lease payables corresponds to their carrying value.

(24) Provisions (CZK thousand)

	Business risks	Salaries	Other	**Total**
Balance at 31 Dec 2010	**276,129**	**–**	**762**	**276,891**
Creation of provisions in the current year	–	54,378	150	**54,528**
Use of provisions in the current year	(54,414)	–	–	**(54,414)**
Release of provisions in the current year	(221,715)	–	–	**(221,715)**
Balance at 31 Dec 2011	**–**	**54,378**	**912**	**55,290**
Creation of provisions in the current year	1,391	41,970	174	**43,535**
Use of provisions in the current year	–	(52,666)	–	**(52,666)**
Release of provisions in the current year	–	(1,712)	–	**(1,712)**
Balance at 31 Dec 2012	**1,391**	**41,970**	**1,086**	**44,447**
Long-term	1,391	–	1,086	**2,477**
Short-term	–	41,970	–	**41,970**
Total	**1,391**	**41,970**	**1,086**	**44,447**

The provision for salaries includes salaries paid in dependence on fulfilment of the plan.
The provision for business risks included a provision established for a lawsuit filed by Středočeská energetická a.s. ("STE a.s.") claiming CZK 171,719 thousand and penalty interest relating to services in the area of capacity reservation and electricity transmission in 2001. The Energy Regulation Office expressed its opinion in favour of STE a.s. The dispute was discontinued through the settlement agreement in 2011 and CZK 45,050 thousand of the provision amounting to CZK 266,265 thousand was used for the payment under the settlement agreement and the remaining portion was released.

(25) Share Capital (CZK thousand)

Share Capital
There are 3,869,443 registered shares in the nominal value of CZK 1,000 per share (2011: 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.

(26) Funds from Profit (CZK thousand)

	2012	2011
Statutory reserve fund	**773,889**	773,889
Fund from the revaluation of current other financial assets	**(6,460)**	(10,130)
Cash flow hedge	**39,938**	207,789
Other funds from profit	**382,711**	382,711
Total	**1,190,078**	**1,354,259**

Other funds from profit 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 of the date of incorporation of the joint stock company (1 January 1993). As of that date, the balance of the capital funds was CZK 390,390 thousand. The use of capital funds to settle losses is subject to the decision of the Board of Directors pursuant to the prior opinion of the Supervisory Board. A different use of capital funds is subject to the decision of a General Meeting at the suggestion of the Board of Directors and after the examination of the Supervisory Board. Using the capital funds to pay out dividends is not allowable. The Company's reserve fund has been created in the amount of 20 percent (CZK 773,889 thousand) of the share capital and no further increase is to be made. The Board of Directors decides on the use of the reserve fund pursuant to the prior opinion of the Supervisory Board and the fund is used to offset the Company's loss. The fund from the revaluation of other financial assets is used to record gains and losses from the revaluation of securities available for sale.

(27) Contingent Liabilities and Contingent Assets

The Company issued a payment bank guarantee of CZK 108 million in favour of Operátor trhu s elektřinou, a.s. (CZK 108 million as of 31 December 2011), a bank guarantee in the amount of EUR 200 thousand to Organizátor krátkodobého trhu s elektřinou, a.s. (2011: EUR 200 thousand), and CZK 30 million to the Prague School of Economics (2011: CZK 30 million), CZK 0.5 to the capital city of Prague (2011: CZK 0.8 million) and 0.2 million to the City District of Prague 4 for public contracts for the supply of electricity.

(28) Financial Instruments (CZK thousand)

Categories of Financial Instruments

Financial assets	**2012**	2011
(a) Financial assets at fair value through profit or loss (revaluation of commodity contracts)	**279,990**	158,797
(b) Financial derivatives under hedge accounting	**58,711**	257,450
(c) Loans and receivables (including cash and cash equivalents)	**4,413,808**	4,236,839
(d) Financial assets available for sale	**6,035**	52,371

The loans and receivables predominantly include receivables from intercompany borrowings and receivables from electricity supplies.

Financial liabilities	**2012**	2011
(e) Financial liabilities at fair value through profit or loss (revaluation of commodity contracts)	**247,191**	109,890
(f) Financial liabilities at fair value through profit or loss (revaluation of interest rate swaps)	**38,003**	6,771
(g) Financial liabilities at amortised cost	**5,690,135**	5,615,476

Financial liabilities at amortised cost predominantly include bank loans and payables from electricity supplies.

Financial assets and liabilities (a, d, e) are carried at values quoted on active markets. Financial assets and liabilities (b, f) are valued using the valuation models and by reference to the market data.

Gains and losses of financial instruments reported in the current period:		**2012**	2011
Gain from revaluation of commodity derivatives in the trading portfolio (included in "Profit from trading")	(a, e)	**19,826**	21,984
Profit/loss from the revaluation of interest rate swaps	(f)	**(31,232)**	28,992
Gain from securities held and received interest in the Group	(c, d)	**77,940**	81,704
Borrowing costs (except for the interest on employee benefits)	(g)	**(74,881)**	(107,035)
Other	(c, g)	**(56,746)**	235,102

Hedge accounting		**2012**	2011
Creation of the equity fund from the cash flow hedge	(b)	**58,711**	257,450
Reversal of the fund from the cash flow hedge (in "Costs of electricity purchased")	(b)	**(257,450)**	(36,112)

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 stakeholders.

Market Risk
In view of its activities, the Company is predominantly exposed to currency risk, interest rate risk and the risk of changes in the prices of electricity.

For the hedging of financial risks, the Company uses financial instruments with derivative characteristics including the following:
- Currency forwards for the currency risk hedge related to the acquisition of electricity in EUR;
- Interest rate swaps to hedge the risk of increasing interest rates; and
- Commodity futures and forwards to hedge the risk related to the development of electricity prices.

The Company uses the VaR methodology (Value at Risk) and its modifications CFaR (Cash Flow at Risk), which is complemented with the sensitivity analysis, in measuring exposure to market risks. The Company's exposure to market risks and its approach to managing and measuring these risks have not significantly changed as compared to the prior period. There is no concentration of market risks in the Company.

Currency Risk
The major portion of the Company's electricity supplies to customers are denominated in EUR.
The Company hedges a substantial part of its future planned cash flows (in EUR) for the purchase of electricity against the foreign exchange rate risk using currency derivatives and applies hedge accounting (cash flow hedges). The Company uses the Cash Flow at Risk method (CFaR) to determine the value up to which the future planned cash flows will be hedged. The Company monitors the hedge effectiveness as part of its hedge accounting. Hedging has been highly effective to date. The ineffective part of the hedge was immaterial.
The Company uses the Cash Flow at Risk (CFaR) method to determine the value up to which the future planned cash flows will be hedged, and determines the limit of the maximum loss.
The Company uses the VaR method for operational management of the foreign currency risk and measures the potential loss in pre-taxation profit over a given holding period for a specified confidence level.
The selected VaR indicator measures a potential loss over one day with a 95 percent confidence level. The calculated VaR is determined on the basis of historical data where the exchange rate volatility is estimated by reference to the historical data regarding the exchange rate volatility published by the Czech National Bank. The open exposure is determined on the basis of the annual plan for foreign currency requirements. The Company takes a significant foreign currency exposure only in EUR with a view to settling stock exchange or OTC transactions pursued to make transactions associated with procuring electricity for the Company's customers. As such, the one-day loss in terms of the market value change will not exceed the reported VaR with a confidence level of 95 percent. The Company monitors the aggregate potential loss which is calculated as the market value of the open exposure plus VaR.

The carrying value of foreign currency assets and liabilities:

	Assets CZK thousand *)		Liabilities CZK thousand *)	
	2012	2011	**2012**	2011
Derivative contracts for purchase of Euros	**58,583**	257,450	**11,131**	48,916
Other assets and liabilities in EUR	**521,384**	546,191	**1,028,368**	1,003,690
Total in EUR	**579,967**	**803,641**	**1,039,499**	**1,052,606**
Other currencies	**122**	133	**–**	–
Total	**580,089**	**803,774**	**1,039,499**	**1,052,606**

*) These include cash and cash equivalents, bank loans, margin deposits and price variances connected with trading on power stock exchanges, receivables and payables from foreign currency invoices and receivables and payables arising from cash flow hedges

Currency derivatives open at the balance sheet date:

	Average exchange rate CZK/EUR		Value in EUR thousand		Value in CZK thousand		Fair value in CZK thousand	
EUR purchased	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Up to 1 month	**25.29**	24.13	**25,000**	30,000	**632,285**	724,005	**(3,734)**	49,991
1-3 months	**25.09**	24.11	**50,000**	60,000	**1,254,460**	1,446,840	**3,100**	100,636
3-12 months	**24.78**	25.27	**145,000**	211,000	**3,592,555**	5,331,272	**59,217**	106,823
Total	**24.91**	**24.92**	**220,000**	**301,000**	**5,479,300**	**7,502,117**	**58,583**	**257,450**

Currency Risk – Sensitivity Analysis

The Company performed a sensitivity analysis to identify the dependence of the level of profit and equity on a change in the carrying value of the financial assets and liabilities resulting from a decrease in the CZK/EUR exchange rate of 1 percent.

	2012	2011
Profit (+) or loss (-)	**(5,070)**	(4,574)
Shareholders' equity	**44,740**	62,474

Interest Rate Risk

The Company is exposed to a risk of an interest rate change which predominantly relates to the received loans with a floating interest rate. In order to reduce the risk related to the increase in interest rates, the Company established a hedge against the interest rate risks using interest rate swaps.

Interest rate derivatives open at the balance sheet date:

	Average fixed interest rate		Agreed principal in CZK thousand		Fair value in CZK thousand	
	2012	2011	**2012**	2011	**2012**	2011
Interest rate swaps	**1.21%**	2.53%	**2,500,000**	1,200,000	**(38,003)**	(6,771)

The contracts are due in 2013–2015. Based on the concluded interest rate swap contracts, the Company commits to exchanging the potential difference between the amount of variable interest rates and the agreed fixed interest rate on a six-month basis.

The carrying amount of assets and liabilities which is dependent on the interest rate:

	Assets CZK thousand *)		Liabilities CZK thousand *)	
	2012	2011	**2012**	2011
Interest rate swaps	**–**	–	**38,003**	6,771
Other assets and liabilities	**65,028**	265,936	**11,131**	1,200,321
Total	**65,028**	**265,936**	**49,134**	**1,207,092**

*) These involve assets and liabilities relating to hedged future cash flows, and loans.

Interest Rate Risk – Sensitivity Analysis

The Company performed a sensitivity analysis to identify the dependence of the level of profit and equity on a change in the carrying value of these assets and liabilities resulting from an increase in the CZK/EUR exchange rate of 1 percent.

Sensitivity to the interest rate change (CZK thousand)

	2012	2011
Profit (+) or loss (-)	**(167)**	(1,111)
Shareholders' equity	**(327)**	(511)

Price Risk

The Company seeks to eliminate the price risk related to transactions with current financial assets by being actively involved in financial markets. The Company is exposed to the risk related to the development of electricity prices. Upon the introduction of electricity trading at the Prague Power Exchange, variations in electricity prices increased significantly, thus exposing the Company to a greater price risk. The Company attempts to eliminate this risk mainly by seeking to minimise the open exposure which could lead to potential losses for the Company. This principle has been consequently observed in the area of the Company's principal activities, i.e. the electricity supplies to end customers, as well as in the area of commodity trading transactions.

Price Risk Related to Trading Transactions

A maximum loss limit is determined with regard to trading transactions. This limit is determined as the market value of the carried out transactions, the open positions and VaR. The limit of the potential loss was not exceeded in the reporting period.

Credit Risk

The standard practice of the Company is not to require collateral for trade receivables. Management of the Company has introduced the principles of credit risk management and the risk is monitored on a regular basis. Financial solvency of all customers is checked if they exceed a certain limit of credit exposure.
In electricity supplies and distribution which is the Company's principal activity, the Company applies the following principles to minimise the failure to collect receivables.

The reading of industrial customers' electricity meters and invoicing takes place on a monthly basis. Customers pay monthly or ten-day advance payments, based on their expected consumption, to cover electricity 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 supply is suspended. Certain industrial customers cover their future payables by making prepayments in advance or by paying deposits.

The standard reading of small businesses and household electricity meters and invoicing takes place on an annual basis. For supplied but unbilled electricity, 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.
There is no concentration of credit risk.

Liquidity Risk

The Company 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 Company has at its disposal 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.

As a result of commodity stock exchange trading, the issues related to the daily revaluation of commodity futures traded on the Prague commodity stock exchange and the related daily financial settlement of gains and losses on open positions represents a potential risk in liquidity terms. The Company's response to such risk is the intention to predict cash flows related to the revaluation of commodity futures and the adjustment of credit lines.
There is no concentration of liquidity risk.

Liquidity Risk – Tables

The following tables represent the residual maturity of the Company's undiscounted non-derivative financial receivables and payables. The table including the financial payables reflects the earliest dates on which the Company may be asked to fulfil its liabilities. The table of financial receivables reflects the customers' payment discipline. The analysis excludes intercompany receivables and payables which carry no liquidity risk.

Receivables 2012	Note	Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Trade balances		1,080,088	83,552	8,498	–	1,172,138
Margin deposits, principals paid		50,854	–	20,140	20,411	91,405
Other receivables including receivables for sold apartments		7,869	414	1,947	5,810	16,040
Total	**(16)**	**1,138,811**	**83,966**	**30,585**	**26,221**	**1,279,583**

Receivables 2011	Note	Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Trade balances		1,120,753	72,068	8,719	–	1,201,540
Margin deposit, principals paid		88,796	4,179	12,373	21,775	127,123
Other receivables including receivables for sold apartments		12,108	339	16,939	8,111	37,497
Total	**(16)**	**1,221,657**	**76,586**	**38,031**	**29,886**	**1,366,160**

Payables 2012		Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Trade payables	(22)	996,628	13,312	28,731	26	1,038,697
Other financial payables	(22)	113,134	2,597	6,671	–	122,402
Bank loans	(21)	272,748	–	2,476	2,500,000	2,775,224
Provisions	(24)	–	–	–	2,477	2,477
Total		**1,382,510**	**15,909**	**37,878**	**2,502,503**	**3,938,800**

Payables 2011		Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Trade payables	(22)	1,081,383	19,719	30,189	–	1,131,291
Other financial payables	(22)	123,231	5,061	9,442	–	137,734
Bank loans	(21)	171,415	3,969	2,232,540	–	2,407,924
Provisions	(24)	–	5,251	49,127	912	55,290
Total		**1,376,029**	**34,000**	**2,321,298**	**912**	**3,732,239**

Payables from leases – refer to the Note "Finance Lease Payables".

(29) Operating Leases (CZK thousand)

Operating lease payments expensed in the current period:

	2012	2011
Non-residential premises	**16,053**	14,910
Cars	**2,944**	3,022
Other rented assets of all types	**12,284**	7,207
Total	**31,281**	**25,139**

The Company predominantly holds cars and non-residential premises for an indefinite period of time under operating leases. Management expects the costs of leases to remain at the current level in the future, i.e. in the amount of approximately CZK 31 million per year for contracts concluded as of 31 December 2012.

(30) Related Party Transactions (CZK thousand)

Related parties include the owners of the Company that hold individually or by acting in concert more than 40 percent of voting rights (Pražská energetika Holding a.s., and Energie Baden – Württemberg AG) and companies controlled by them, their owners, members of bodies and executive management of the Company and subsidiaries.

Expenses incurred with and income generated from related parties:

	Sales to related parties		Purchases from related parties	
	2012	2011	**2012**	2011
Relations to parent companies	**51,119**	**51,327**	**14,400**	**14,227**
Pražská energetika Holding a.s.	**326**	341	**–**	–
Capital City of Prague	**50,793**	50,986	**14,400**	14,227
Relations to fellow-subsidiaries	**1,492,080**	**2,009,855**	**689,698**	**888,592**
EnBW Trading GmbH	**250,383**	577,674	**600,781**	742,141
EnBW Systeme Infrastruktur Support GmbH	**11,827**	955	**–**	–
EnBW Regional AG	**4,293**	–	**–**	–
Dopravní podnik hl. m. Prahy, a.s.	**993,972**	1,186,358	**200**	198
Pražská teplárenská, a.s.	**154,481**	161,648	**87,238**	116,870
Kolektory Praha, a.s.	**6,842**	6,957	**–**	–
Obecní dům, a.s.	**10,088**	11,527	**–**	–
Energotrans, a.s.	**2,391**	7,160	**1,479**	29,383
Kongresové centrum Praha, a.s.	**57,803**	57,576	**–**	–
Total	**1,543,199**	**2,061,182**	**704,098**	**902,819**

Receivables from and payables to related parties:

	Receivables		Payables	
	2012	2011	**2012**	2011
Relations to parent companies	**25**	**2,510**	**6,214**	**6,138**
Pražská energetika Holding a.s.	**25**	25	**–**	–
Capital City of Prague	**–**	2,485	**6,214**	6,138
Relations to fellow-subsidiaries	**53,209**	**86,304**	**50,990**	**47,050**
EnBW Trading GmbH	**–**	–	**27,342**	22,649
EnBW Systeme Infrastruktur Support GmbH	**90**	955	**–**	–
EnBW Regional AG	**317**	–	**–**	–
Dopravní podnik hl. m. Prahy, a.s.	**43,168**	71,642	**3,637**	3,166
Pražská teplárenská, a.s.	**8,251**	8,340	**19,459**	20,860
Kolektory Praha, a.s.	**304**	1	**237**	267
Obecní dům, a.s.	**1,079**	2,576	**–**	–
Energotrans, a.s.	**–**	2,790	**55**	55
Kongresové centrum Praha, a.s.	**–**	–	**260**	53
Total	**53,234**	**88,814**	**57,204**	**53,188**

Business transactions were conducted on an arm's length basis. Outstanding amounts were not collateralised and were settled at the beginning of the following year.

Dividends Paid

	2012	2011
Pražská energetika Holding a.s.	**1,167,946**	1,164,496
Energie Baden –Württemberg AG	**832,928**	832,928

Remuneration to the Statutory and Supervisory Bodies and Senior Management:

	2012		2011	
	Executive management	**Supervisory Board**	Executive management	Supervisory Board
Number	**5**	**12**	5	12
Amounts arising from the existence of employment *)	**14,668**	**–**	12,862	–
Amounts received arising from the membership in statutory/supervisory bodies **)	**11,099**	**20,374**	10,439	20,598

*) These include salaries and the life insurance contribution.
**) These include remuneration of the members of the statutory and supervisory bodies, director's fees paid and the health care contribution.

Executive management includes executive directors (i.e. the CEO and the Sales Director), and the members of the Board of Directors. Members of the Supervisory Board elected from among the Company's staff also enter into a standard employment contract adequate to their job. Members of executive management can use company cars for private purposes.

Receivables from Executive Management
As of 31 December 2012, the Company reported receivables from the members of executive management in the total amount of CZK 14 thousand (CZK 29 thousand as of 31 December 2011). The receivables are disclosed in "Trade receivables and other receivables" and were collected during January 2013.

Receivables from and Payables to Subsidiaries:

	Trade receivables of PRE as of 31 Dec		Trade payables of PRE as of 31 Dec	
	2012	2011	**2012**	2011
PREdistribuce, a.s.	**–**	–	**1,697,761**	1,864,446
PREměření, a.s.	**10,381**	9,354	**172**	102
eYello CZ, a.s.	**4,928**	8	**–**	–
Total	**15,309**	**9,362**	**1,697,933**	**1,864,548**

	PRE's receivables from cash pooling and loans as of 31 Dec		PRE's payables from cash pooling and loans as of 31 Dec	
	2012	2011	**2012**	2011
PREdistribuce, a.s.	**2,960,381**	2,577,157	**–**	–
PREměření, a.s.	**28,319**	78,656	**–**	2
eYello CZ, a.s	**7,152**	22,510	**4,079**	4,388
Total	**2,995,852**	**2,678,323**	**4,079**	**4,390**

Expenses incurred with and income generated income from the subsidiaries:

	Income of PRE		Expenses of PRE	
	2012	2011	**2012**	2011
PREdistribuce, a.s.	**2,534,565**	**2,256,635**	**6,890,910**	**7,131,618**
Of which: Electricity supplied to end customers and distribution services	**601,323**	568,813	**6,872,679**	7,118,282
Services	**790,651**	750,978	**18,231**	12,865
Inventory	**6,789**	8,044	**–**	–
Dividends	**1,063,000**	851,000	**–**	–
Interest on loans	**72,802**	77,800	**–**	471
PREměření, a.s.	**97,976**	**96,715**	**1,555**	**697**
Of which: Services	**97,277**	84,403	**1,555**	653
Inventory	**–**	–	**–**	–
Dividends	**–**	12,300	**–**	–
Interest on loans	**699**	12	**–**	44
eYello, a.s.	**15,104**	**20,997**	**13**	**20**
Of which: Services	**2,676**	130	**–**	–
Dividends	**12,000**	20,000	**–**	–
Interest on loans	**428**	867	**13**	20
Total	**2,647,645**	**2,374,347**	**6,892,478**	**7,132,335**

All transactions with subsidiaries were undertaken on an arm's length basis. The Company incurred no loss arising from related-party transactions.

(31) Post Balance Sheet Events

No events occurred subsequent to the balance sheet date that would have a material impact on the financial statements.

Affidavit

We hereby declare that data stated in the Annual Report for the year 2012 comply with the real facts and that no known circumstances which could affect the accurate and correct assessment of the company Pražská energetika, a.s. (PRE Group) were omitted.

In the accounting period 2001–2004 Pražská energetika, a.s. was audited by the company KPMG Česká republika Audit, spol. s.r.o., (ID No.: 49619187, registered office: Jana Masaryka 708/12, 120 00 Prague 2); for the years 2005–2011 by the company Deloitte Audit s.r.o. (ID No.: 49620592, registered office: Karolinská 654/2, Prague 8). The company became an auditor for the entire PRE Group in 2008.

Jan Doležálek
Date of birth: 23.2.1952
Section Manager Company Executive Office
Responsible for the Annual Report
page 1–79, 163–168

Roman Tupý
Date of birth: 2.2.1963
Section Manager Company Economy
Responsible for the Annual Report
page 84–162

Pražská energetika, a.s.
Na Hroudě 1492/4
100 05 Prague 10

List of Relevant Abbreviations

AMM	Automatic Metering System
B2B	large customer
B2C	small businesses and households
BCPP	Prague Stock Exchange
BTTO	gross
CEP a.s.	Cejchovna elektroměrů Praha a.s., 100 % dceřiná společnost/Electricity Meters Gauging Centre Prague, 100% subsidiary
CEP PRE	Centrum energetického poradenství PRE/PRE Energy Advisory Centre
ČENES	Česká energetická společnost/Czech Energy Society
ČSRES	České sdružení rozvodných energetických společností/Czech Association of Power Distribution Companies
DDZ	daily load profile
DLHM	tangible fixed assets
DLNHM	intangible fixed assets
DR	supervisory board
DŘT	dispatching control technology
DS	distribution system
DTS	distribution transformer station
ERÚ	Energetický regulační úřad/Energy Regulatory Office
ES ČR	electrification system of the Czech Republic
ESČ	Elektrotechnický svaz český/Czech Electrotechnical Union
EU	European Union
eYello CZ, a.s.	100 % subsidiary
FNM ČR	Fond národního majetku České republiky/National Property Fund
FVE	photovoltaic power station
GIS	geographical information system
GWh	gigawatt-hour
HDO	mass remote control
HMP	Capital City of Prague
Hz	Hertz
CHZ	captive customer
ICT	information and telecommunication technology
kV	kilovolt
KVET	combined generation of electricity and heating
MF ČR	Ministerstvo financí České republiky/Ministry of Finance of the Czech Republic
MHMP	Magistrát hlavního města Prahy/Prague City Council
MO	retail
MOO	retail – households
MOP	retail – small businesses
MPO ČR	Ministerstvo průmyslu a obchodu České republiky/Ministry of Industry and Trade
MPSV ČR	Ministerstvo práce a sociálních věcí ČR/Ministry of Labour and Social Affairs
MVE	small hydroelectric power stations
MWh	megawatt-hour
MW	megawatt
MZ ČR	Ministerstvo zdravotnictví ČR/Ministry of health of the Czech Republic
NN	low voltage
NT	low tariff

OC	commercial centre
OKO	organized short-term trading
OPM	consumption supply point
OSNE	system for electricity trading support
OK	commercial centre
OTC	over the counter
OTE, a.s.	Electricity Market Operator in the Czech Republic
OZ	eligible customer
OZE	renewable sources
PDS	provozovatel distribuční soustavy/Distribution System Operator
PEAS	První energetická akciová společnost/First energy joint stock company
PIS	Advisory and Information Centre
PP	Board of Directors
PP, a.s.	Pražská plynárenská, a.s.
PRE	Pražská energetika, a.s.
PREdi	PREdistribuce, a.s., 100% subsidiary
PRE-H	Pražská energetika Holding a.s.
PREleas, a.s.	PREleas, a.s., 100% subsidiary
PS	Poradenské středisko/Advisory Centre
PS, a.s.	Pražské služby, a.s.
PT, a.s.	Pražská teplárenská, a.s.
PXE	Pražská energetická burza/Prague Energy Stock Exchange
R	distribution station
REAS	power distribution joint stock companies
RS	distribution station
SCP	Středisko cenných papírů/Prague Securities Centre
SEVEn	Středisko pro efektivní využívání energie, o.p.s./Centre for efficient utilization of power, o.p.s
SPP	SW for electricity sales support
SW	software
TDD	standardized daily load profile
TR	transformer station
ÚED ČR	Ústřední energetický dispečink České republiky/Central Power Dispatching of the Czech Republic
ÚHOS	Úřad pro ochranu hospodářské soutěže/Office for Protection of Competition
VN	high voltage
VVN	very high voltage
VO	large customer
WAN	Wide Areal Network
WEC	World Energy Congress
WFM	Work Force Management
ZHMP	Zastupitelstvo hlavního města Prahy/Municipal Authority of the Capital City of Prague
ZC	customer centre
ZL	Call Centre/Customer Line

Addresses and Contact Data of PRE Group Entities

Pražská energetika Holding a.s.
ID No.: 26428059
Registered office: Prague 10, Na Hroudě 1492/4
Tel.: 267 051 111, 276 055 555, 840 550 055
Fax: 224 827 189

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PREdistribuce, a.s.
ID No.: 27376516
Registered office: Prague 5, Svornosti 3199/19a
Tel.: 267 051 111, 276 055 555, 840 550 055
Fax: 267 310 817
Internet: www.pre.cz
E-mail: pre@pre.cz; distribuce@pre.cz

PREměření, a.s.
ID No.: 25677063
Registered office: Prague 10, Na Hroudě 2149/19
Tel.: 267 051 111, 276 055 555, 840 550 055
Fax: 267 052 263
Internet: www.pre.cz; www.premereni.cz
E-mail: mereni@pre.cz

PREleas, a.s. (until 19.10.)
ID No.: 25054040
Registered office: Prague 10, Limuzská 2110/8
Tel.: 272 702 305
Fax: 272 702 305

eYello CZ, a.s. (from 19.10.)
ID No.: 25054040
Registered office: Prague 10, Limuzská 2110/8
Tel.: 840 555 777
Internet: www.yello.cz

Address of the Parent Joint Stock Company, of the PRE Group Members and their Main Workplaces as at 31.12.2012

	Address	PCN	Telephone, fax
Pražská energetika, a.s.	**Prague 10, Na Hroudě 1492/4**	**100 05**	**840 550 055, 267 310 817**

The Company is registered in the Commercial Register at the Municipal Court in Prague, Section B, File number 2405.
The Company was established for an unlimited period in compliance with the legal order of the Czech Republic, in accordance with Act No. 104/1990 Coll. on Joint Stock Companies.

Web:	www.pre.cz, www.energetickyporadce.cz
E-mail:	pre@pre.cz; poradce@pre.cz
ID No.:	60193913
Tax ID:	CZ60193913
Bank details:	Československá obchodní banka, a.s.
Account number:	4001-0900109423/0300

	Address	PCN	Telephone
Chief Executive Officer	**Prague 10, Na Hroudě 1492/4**	**100 05**	**267 053 999**
Commercial Director	**Prague 10, Na Hroudě 1492/4**	**100 05**	**267 055 099**
Company Executive Office	Prague 10, Na Hroudě 1492/4	100 05	267 051 100
Internal Audit and Risk Management	Prague 10, Na Hroudě 2149/19	100 05	267 051 011
Company Economy	Prague 10, Na Hroudě 1492/4	100 05	267 053 100
Human Resources	Prague 10, Na Hroudě 1492/4	100 05	267 053 200
Legal	Prague 10, Na Hroudě 1492/4	100 05	267 053 300
Informatics	Prague 10, Na Hroudě 1492/4	100 05	267 053 400
Support Services	Prague 10, Na Hroudě 1492/4	100 05	267 053 500
Sales	Prague 10, Na Hroudě 1492/4	100 05	267 054 100
Trading in Electricity	Prague 10, Na Hroudě 1492/4	100 05	267 053 700
Sales Development	Prague 10, Na Hroudě 1492/4	100 05	267 055 100
Customer Services	Prague 10, Na Hroudě 1492/4	100 05	267 053 410
Strategy and Relations with Shareholders	Prague 10, Na Hroudě 1492/4	100 05	267 051 200
Information for PRE Shareholders	Prague 10, Na Hroudě 1492/4	100 05	267 051 101

	Address	PCN	Telephone
PRE Customer Centre	**Prague 1, Jungmannova 36/31**	**110 00**	**840 550 055**
	Prague 4, Vladimírova 64/18	**140 00**	**840 550 055**
Energy Advisory Centre	**Prague 1, Jungmannova 747/28**	**101 00**	**267 055 555, 840 550 055**
PRE Call centre	**Prague 10, Na Hroudě 2149/19**	**100 05**	**267 055 555, 267 051 100, 840 550 055**
PRE Information for Press	**Prague 10, Na Hroudě 1492/4**	**100 05**	**267 051 102**

PREdistribuce, a.s.	**Prague 5, Svornosti 3199/19a**	**150 00**	**840 550 055, 267 051 111**
Director	Prague 10, Na Hroudě 1492/4	100 05	267 052 000
Network Administration	Prague 5, Svornosti 3199/19a	150 00	267 052 100
Network Management	Prague 2, Nitranská 2226/1	120 00	267 052 200
Network Operation	Prague 9, Novovysočanská 696/3	190 00	267 052 300
Network Assets Management	Prague 5, Svornosti 3199/19a	150 00	267 052 400
Access to Network and Economics	Prague 10, Sokolská 1264/7	120 00	267 052 500
Emergency Services	Prague 2, Kateřinská 9	120 00	224 915 151, 1236
	e-mail: poruchy@pre.cz		

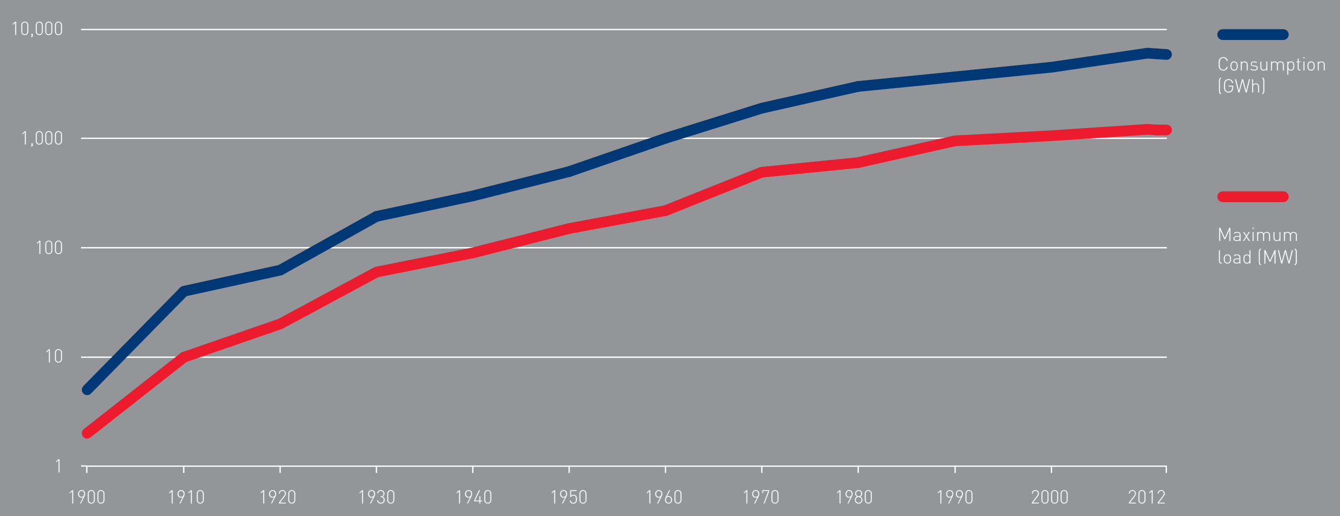
PREměření, a.s.	**Prague 10, Na Hroudě 2149/19**	**100 05**	**840 550 055, 267 051 111**
Metering	Prague 10, Na Hroudě 2149/19	100 05	267 056 100
Assembly	Prague 9, Novovysočanská 696/3	190 00	267 056 200
Reading Services	Prague 10, Na Hroudě 2149/19	100 05	267 056 300
Measuring Devices Servicing	Prague 9, Novovysočanská 696/3	190 00	267 056 400

PREleas, a.s. (until 19.10.)			
eYello CZ, a.s. (from 19.10.)	**Prague 10, Limuzská 2110/8**	**109 00**	**840 555 777**

112 years *1900–2012*

There are few companies that can boast of true and verified information that is more than a hundred years old. The diagram below is based on historical details and shows at what rate Prague developed in individual periods of its existence.

Consumption development (GWh) and maximum annual load (MW) of the Capital City of Prague in 1900–2012



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