



PRE Group

ANNUAL

REPORT

2013

WE ARE —

ENERGY

OF THIS

CITY

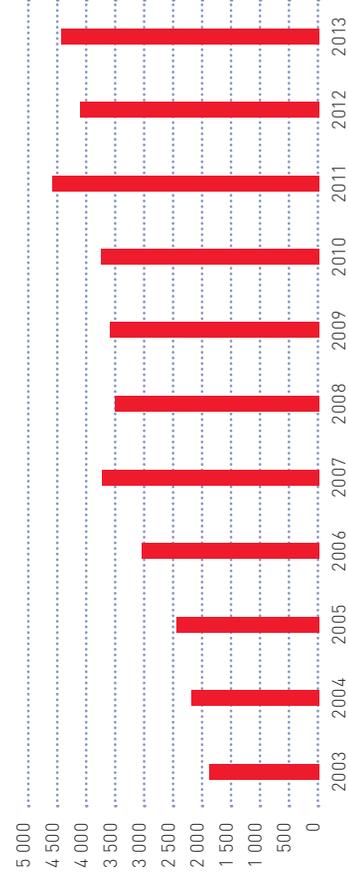
PRE GROUP

- 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.

SELECTED FINANCIAL INDICATORS FROM THE CONSOLIDATED FINANCIAL STATEMENTS

	Unit	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Total assets	MCZK	22,782	20,076	20,019	18,395	19,441	18,296	15,222	13,680	12,635	12,233	11,208
Fixed assets	MCZK	19,858	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	19,656	17,750	16,929	15,806	14,700	13,703	12,698	12,085	11,569	11,120	9,809
assets for distribution	MCZK	16,758	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	%	38	39	40	39	40	40	41	41	41	40	38
Current assets	MCZK	2,924	2,094	2,829	2,353	4,507	4,361	2,227	1,423	871	903	1,186
Total liabilities	MCZK	22,782	20,076	20,019	18,395	19,441	18,296	15,222	13,680	12,635	12,233	11,208
Equity	MCZK	13,812	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	3,869
Long-term liabilities	MCZK	4,888	4,472	1,877	3,159	4,234	2,985	1,589	1,683	1,653	1,587	1,276
Short-term liabilities	MCZK	4,082	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	21,824	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	21,433	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	(18,427)	(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 and gas sold	MCZK	(15,079)	(14,502)	(14,210)	(14,401)	(15,164)	(13,677)	(11,108)	(9,352)	(8,160)	(7,237)	(6,380)
depreciation of tangible and intangible fixed assets	MCZK	(1,021)	(989)	(904)	(862)	(811)	(740)	(740)	(688)	(834)	(877)	(611)
Net cash flow from investment activity	MCZK	(2,837)	(1,935)	(1,866)	(1,894)	(1,849)	(1,764)	(1,376)	(1,255)	(1,434)	(1,503)	(878)
Profit from ordinary activity before tax	MCZK	3,366	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	2,713	2,443	2,881	2,246	2,144	2,170	2,457	1,693	1,198	1,027	979
Net profit per share	CZK	701	631	745	580	554	561	635	438	304	254	242
EBIT	MCZK	3,399	3,134	3,663	2,880	2,781	2,757	2,993	2,352	1,608	1,303	1,270
EBITDA	MCZK	4,420	4,124	4,567	3,742	3,591	3,497	3,732	3,040	2,442	2,180	1,881

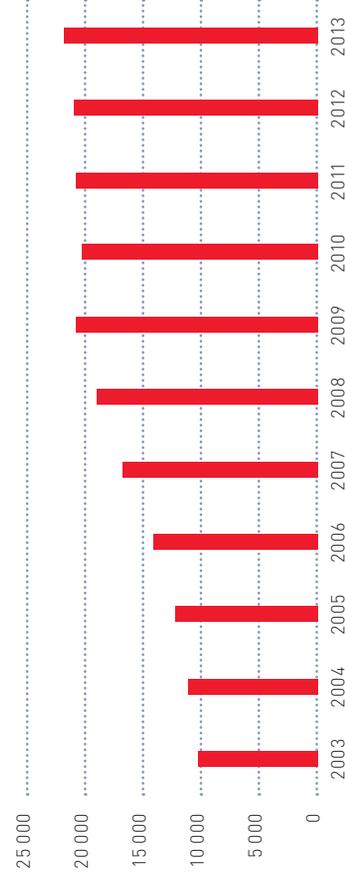
EBITDA



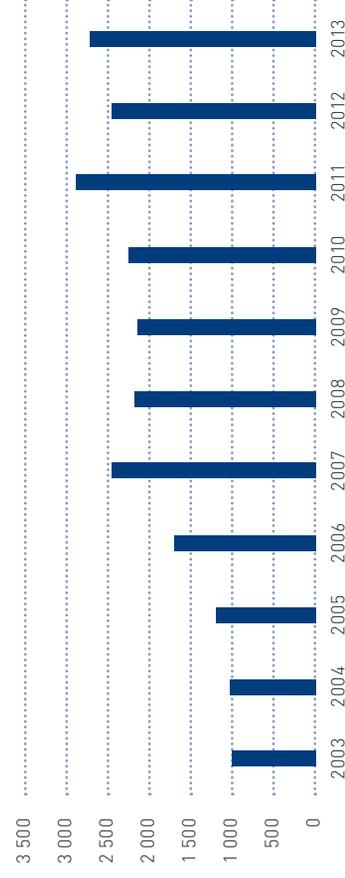
OTHER INDICATORS

	Unit	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Gross distributed electricity	GWh	6,301	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	6,241	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	0	32	29	57	251	207
Total number of PRE consumption points as at 31.12.	number	681,643	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	2,239	2,242	2,190	2,202	2,221	2,184	2,108	2,139	1,997	1,924	1,859
retail small businesses	number	128,637	134,862	134,643	132,099	141,980	136,916	135,455	135,566	130,804	128,347	125,579
retail households	number	550,767	551,245	550,768	587,380	600,338	591,400	584,177	578,836	570,698	566,872	56,060
Total number of PREdi consumption points as at 31.12.	number	765,008	759,768	754,593	749,513	744,998	735,779	726,366	713,474	-	-	-
of which: large customers	number	1,992	1,990	1,970	1,947	1,968	1,929	1,854	1,916	-	-	-
retail small businesses	number	131,520	133,457	134,679	136,275	137,682	136,089	136,320	132,323	-	-	-
retail households	number	631,496	624,321	617,944	611,291	605,368	597,761	588,192	579,235	-	-	-
Total length of networks	km	11,912	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	206	202	202	202	206	196	196	196	196	194
HV	km	3,872	3,865	3,863	3,829	3,780	3,701	3,670	3,476	3,556	3,581	3,633
LV	km	7,834	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	1,394	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 million]



PROFIT AFTER TAX – PRE GROUP [CZK million]



PRE GROUP MISSION – 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 – 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 – 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.

The PRE Group annually reviews/revises its long-term strategy. The revision applies particularly to the possibility of the growth of the Group while respecting its investment options, attractiveness and expected financial success of a given project. The revision of 2013 was specifically based on the following necessity:

- to safeguard the position of the PRE Group on the domestic market in Prague and its vicinity,
- to expand the PRE Group's activities (above all in generation and services including contracting),
- to expand business activities outside the regulated area of power industry,
- to fully exploit innovations, retention and reacquisition activities under the present trend of sales.

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Changes which have occurred since the end of the accounting period (31.12.2013) to the deadline for the issue of this Annual Report (19.5.2014) are marked in ***bold italics***.

INTRODUCTION

PRE GROUP

The PRE Group is formed by the parent company and three 100% subsidiaries – controlled entities. 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.

ENTITIES LISTED BELOW 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, 267 051 111, 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, www.predistribuce.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.

eYello CZ, a.s. (from 19.10.2012, from 1.5.2014 k.s.) – 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, Kubánské náměstí 1391/11
tel.: 840 555 777,
internet: www.yello.cz, e-mail: yello@yello.cz.

On 15 April 2014, the Company's General Meeting approved a change from the legal form of a public limited (joint stock) company to a limited partnership (general partner PRE with the 90% ownership interest, limited partner PREm with the 10% ownership interest).

PREleas, a.s. (until 19.10.2012) – leasing operations for the PRE Group members,

The PRE Group with its approx. 680,000 consumption points is the third largest electricity supplier in the Czech Republic. Currently it employs about 1,390 employees; in 2013 it supplied to its customers about 6.3 TWh of electricity on all voltage levels and according to EBITDA calculation it achieved profit in the amount of MCZK 4,420.

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

The PRE Group members received from ERÚ licences for commercial activities listed below:

Licence for trading in electricity – Pražská energetika, a.s.

Licence for gas sales – Pražská energetika, a.s.

Licence for electricity distribution – PREDistribuce, a.s.

Licence for electricity generation – PReměření, a.s.

Licence for trading in electricity – eYello CZ, a.s.

Licence for gas sales – eYello CZ, a.s.

Surface extent of distribution licensed area of Prague including Roztoky:	ca 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 generation for the Capital City, 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.

The main priority of the management and all PRE Group employees is to build a modern commercially oriented energy 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, obtain the position of the innovative leader on the energy market, increase the quality of all services provided in the energy sector and their innovative development, permanent improvement of economic indicators and 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 is being 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

- new Collective Agreement for the period of 2013–2015 came into force,
- offer of a new product for households KOMFORT + GARANT 2013 launched,
- temporary relocation (general reconstruction of the building) of all activities related to meters from Novovysočanská to Partyzánská (storehouse, laboratories, repair shop, shop, calibration equipment etc.),
- meeting of PREdi representatives with the selected contractors (design and contract work),

FEBRUARY

- 4th anniversary of re-opening of the Technical and Documentary Museum of Prague power industry in its new premises in the Holešovice substation,
- in philanthropy cooperation was launched with Nadace Charta 77 (Charter 77 Foundation),
- acquisition of FVE Pozorka near to Kladruby u Stříbra with installed capacity of 3.99 MWp and with more than 21,000 solar panels,

MARCH

- 2nd and 3rd stage of the Novovysočanská building reconstruction (extension of two storeys facing Novovysočanská Street and one facing inwards the premises),
- start of the electric bike hire (PREkolo) season in CEP – which is the biggest specialised bike hire service in the Czech Republic,
- recertification of ISO 14001 – EMS completed,

APRIL

- a target concept document was elaborated in the framework of “SCADA” project; creation and implementation of a database and charts was carried out by the end of the year,
- General Meetings of subsidiaries – all showed an economic profit in 2013,

MAY

- launching the operation of a Customer Line in new Garden 11 premises (former building of SKANSKA at Kubánské náměstí),

JUNE

- as a consequence of ca. ten-day floods (1–14 June) a state of emergency declared in the Capital City; regular meetings of the crisis team at PRE and MHMP took place,
- on 27 June ordinary General Meeting of the parent company was held – detailed information is stated in the chapter “Information from General Meetings held in 2013”,

- J. Baldík, D. Mausbeck, H. Lüschen and F. Retzer were elected new members of the PRE Supervisory Board,
- J. Maroušek was elected a new member of the PRE Board of Directors,

JULY

- PRE defended its certificate of “Safe Enterprise” for the fifth time and PREdi for the third time (official evaluation took place in October in the presence of the general inspector of the State Labour Inspection Office and deputy minister of the Ministry of Labour and Social Affairs),

AUGUST

- 4th anniversary of the opening of the Centrum energetického poradenství PRE (CEP PRE/PRE Energy Advisory Centre) in the street 29 Jungmannova,
- R 22 kV Lhotka was fully commissioned,
- member of the PRE Board of Directors Zdeněk Hrubý tragically died during mountain climbing,

SEPTEMBER

- massive autumn sales campaign “Prémiový podzim PRE” (PRE Premium Autumn) launched,
- participation in the European week of mobility,
- Technical and Documentary Museum of Prague power industry was included for the fifth time in the “Prague Museum Night Project”, it was visited by 527 people interested in sightseeing,

OCTOBER

- The PRE Group won the jury award of the Czech Goodwill project in the “Patron” category, i.e. as the Group which is considerate towards its business, economic-social and living environment,

NOVEMBER

- in the scope of extending the product portfolio the PREmobil Project was launched – offer of mobile telecommunication services,
- it was decided to gradually convert the e-mobility project from its image aspect to the position of future commercial use,

DECEMBER

- a sales campaign entitled “Thanks to PRE not just this year’s Christmas will be rich” was launched,
- purchase of FVE Syrovice near to Brno with installed capacity of ca 6.3 MW.

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 sale of electricity and the administrative corporate services for all the members of the PRE Group.

The most important subsidiary is PREdistribuce, a.s. which is the holder of the electricity distribution licence for the territory of the City of Prague and the town of 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 an electricity generation licence) and also offers so called additional services which it is gradually expanding, such as a consumption equipment service, installation work on consumption equipment, photovoltaic power stations service, thermovision measuring of heat leakage from buildings, etc.

The final subsidiary, eYello CZ, a.s. offers the sale of electricity and gas to customers from households and small businesses segment through the new trademark YELLO ENERGY.

Pražská energetika, a.s., including its legal predecessors, has existed for 116 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 2013

Macroeconomic preconditions have an important impact on the overall demand for electricity. The trend of the Czech economy copied the economic trend within the EU associated with stagnation, lack of demand and uncertainty on the monetary markets. The political and economic uncertainty caused by the political development in the second half of the year contributed, in part, to the uncertain prospects for the next year.

The European energy industry is experiencing a difficult period of transformation associated with massive regulatory interventions at European and national level. Thanks to the massive development of subsidised renewable resources, the flagging system of emission allowances, significant fall in energy commodity prices and stagnating demand, active power prices have been falling in the long term; however the end customer is not profiting from this decline because his bill is being constantly more burdened by the payment of various contributions and taxes.

ECONOMIC RESULTS OF 2013

Despite negative macroeconomic factors, Pražská energetika, a.s. managed to achieve excellent economic results in 2013. The result of the PRE Group for 2013 at the level of the consolidated EBITDA of MCZK 4,420 is by 7% higher than in 2012 (MCZK 4,123). Profit from ordinary activity after tax amounted to MCZK 2,713, which is by 11% more than in 2012 (MCZK 2,443). A positive trend in the margin and savings in operating expenses contributed to this improvement.

The active power sales margin increased year-on-year by 3%, at a fall of the average acquisition price of electricity by 10%. The distribution service sales margin is year-on-year higher by 5%; here the main cause of this fact was the inclusion of the correcting factor of distribution from 2011 in the regulated revenues of 2013. The total value of the consolidated gross margin increased year-on-year by 5% to MCZK 6,354 (MCZK 6,055 in 2012).



Increasing generation of electricity from renewable resources where Pražská energetika, a.s. operated 10 solar power plants with a total output of more than 6.7 MW also contributed to the better results. Despite worse weather in 2013, solar production also brought a total contribution to the Group's economic management of MCZK 52 (EBITDA).

Operating expenses fell year-on-year by MCZK 40 (-4%), despite the consequences of the June floods when almost MCZK 70 was spent on removing the damage. Personnel expenses were 4% higher compared to the same period in 2012, which is due above all to the rise of wages in accordance with the collective agreement and increase in the number of employees especially in the sales of electricity. The level of "Other Profits and Losses" was affected by exchange rate loss caused by a one-off weakening of the currency after the intervention of the CNB. However this exchange rate loss was exceeded several times by the exchange rate profit from secured payments which are directly accounted into the gross margin. The significant fall of interest expenses was caused by a fall in the average volume of long-term loans, fall of average interest rates and a fluctuation in the valuation of interest SWAPs.

The value of PRE consolidated assets increased year-on-year by MCZK 2,706 (+13%) to the value of MCZK 22,782; of this long-term assets account for MCZK 19,858 (+10%) – their increase is associated with the intensive investments made in the entire year. The increase in receivables from supplies, from revaluation of trading commodity contracts and currency hedging derivatives most significantly contributed to the increase in current assets.

In 2013 the equity ascribed to shareholders of the parent Company rose to MCZK 13,812 (+8%), in long-term payables there was an increase in long-term loans valued at MCZK 2,837 (+10%) and an increase in deferred taxes to MCZK 1,687 (+9%) affected by a higher difference between the tax and accounting valuation of long-term assets. Short-term payables rose above all due to short-term loans by MCZK 878 and revaluation of trading commodity contracts by MCZK 390.

The net cash flow from operations rose to MCZK 3,849 (+18%), expenses associated with the acquisition of fixed assets rose to MCZK 2,850 (+43%). Besides the usual investments, especially in the development of distribution assets, two acquisitions were made in renewable energy resources (in February 2013 the Photovoltaic Power Plant Pozorka – 4 MW and in December 2013 the Photovoltaic Power Plant Syrovice – 6.2 MW).

As regards investments made in the distribution networks, the reconstruction was completed of the substation TR Lhotka, the boring of the cable tunnel Karlín, the modification of the local distribution network in the area of TR Východ, the renovation of the 110 kV overhead lines in the area of TR Malešice and the renovation of 2 x 110 kV lines in the section of TR Chodov – TR Řeporyje was also carried out. The replacement was completed of transformers T 103, 63 MVA in the substation TR Střed and T 102, 40 MVA in the substation TR Měcholupy. Work also continued on the construction of the cable tunnel Motol, Rohanský ostrov; work began on the renovation of the control system in the substation Chodov and construction began of substations TR Třeboradice and TR Uhřetěves according to the approved investment plan.

The return on capital employed (ROCE) again fluctuated above 18%, which is confirmation of the Company's long-term high performance.

TRADING

In 2013 the falling trend continued of wholesale electricity prices lasting since 2011. Compared to 2012, the average price of one megawatt hour fell on the spot market by ca. 6 €/MWh. The price decrease was instantly reflected in the price for customers. But simultaneously, due to the growth in contribution to renewable sources, the charge rose which the end customer is obliged to pay although part of it has been already financed from the state budget. The total volume of procured electricity with regard to final supply of electric power to end customers of the PRE Group, wasn't significantly changed if compared to previous year.

In the Czech Republic electricity is traded mostly in € which resulted in a price increase of purchased electricity at the end of the year caused by the currency intervention of the CNB to the detriment of the CZK.

In 2013 diversification of electricity suppliers for PRE was maintained and there were no major changes during the year to the shares of individual suppliers in the total amount of acquired electricity. ČEZ, a.s., Alpiq Energy SE, E.ON Global Commodities SE, Vattenfall Energy Trading GmbH and others remained the Group's main suppliers in 2013. An appreciable part of required electricity was purchased from local producers of electricity from renewable resources, especially from biogas stations and hydroelectric power plants. In 2013 mutually satisfactory cooperation continued with Povodí Vltavy, s.p. which is an important supplier of green electricity for the PRE Group.

About 670,000 customers switched to a different electricity and gas supplier in the Czech Republic according to the data of OTE, the Czech electricity and gas operator; for electricity about 374,000 (a fall of 100,000 compared to 2012) and for gas 300,000 (50,000 less than in 2012). The biggest part of customers who switched the supplier being traditionally households (for electricity it was over 90%). 2013 was characterised by strong pressure on prices for the sale of electricity to B2B segment customers and the corresponding delaying tactics of customers for organising tenders. There was a significant increase in the complexity of commercial dealings – 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. In both customer segments (B2B and B2C) retention and reacquisition activities in 2013 managed to lower the churn of customers which means that equal balance was achieved.

Competing/alternative electricity traders gradually changed their sales strategy during the year. While in previous years potential customers were contacted mainly in the form of door-to-door selling, in 2012 and 2013 the options of this sales method had evidently been exhausted. Many end customers discovered that it was right not to put trust in this sales method. Smaller and medium-sized traders gradually disappeared from the market having realised that their sales margins were unsatisfactory; a part of these companies merged or were sold. The constantly greater popularity of electronic auctions forced energy traders to fight for customers at all costs; sometimes the tendered price ended up below the current price level offered on the power exchange. However such a set market will only function in future if the falling price trend continues; in the opposite case there is the real threat that these customers will have to deal with a bankrupting suppliers and a supplier of final instance will have to be enforced.

In 2013 the Company continued to supply natural gas to B2B customers. Natural gas supplies in 2013 reached ca. 69.3 GWh (if compared to 45 GWh in 2012).

PREdistribuce, a.s.

This is the most important subsidiary which reached the eighth year of its independent existence in 2013. The Company created a net income after tax of about MCZK 1,233. Profit at the EBITDA level reached the value of MCZK 2,969 (in 2012 MCZK 2,616).

Investments in the distribution grid came to MCZK 1,768. The high degree of investments in the distribution grid is reflected in the high reliability and quality of electricity supplies. No system failures or major electricity supply outages occurred last year in the distribution grid on the licensed territory of Prague and Rožtoky u Prahy.

The grid worked reliably throughout the year; quality standards were met and PREdistribuce, a.s. is the most reliable electricity distributor in the Czech Republic (according to the comparative statistics of the ERÚ) in terms of the level of its services. The Company did more than well coping with the June floods which cannot be compared in their extent to the floods in 2002, but in their consequences thoroughly tested the reliability of the distribution grid. During the year no system failure was reported in the networks of the subsidiary which could have been caused by inadequate care for the grid and its elements. The operating results of the entire distribution system confirmed the trend of the reduction in the rate of distribution failure in the Capital City.

PREměření, a.s.

The subsidiary created a net income in 2013 measured by the EBITDA indicator of MCZK 87 (+38% compared to 2012).

The subsidiary's main line of business is to continue providing services to its affiliated company PREdistribuce, a.s. in purchase, installation of electric meters and their calibration as well as providing reading services. The subsidiary also continued to provide this service to its long-term partners which are Pražská plynárenská distribuce, a.s. and Pražská teplárenská, a.s.

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

The subsidiary has also started developing services in EPC (Energy Performance Contracting) projects and decentralised solutions. A considerable part of the profit comes from the generation of electricity from renewable sources owned by the Company. During the year the generation capacities of renewable sources owned by the Company were expanded to include a further two plants (Syrovice and Pozorka etc.).

eYello CZ, a.s., PREleas, a.s. respectively

The subsidiary PREleas, a.s. (now eYello CZ, a.s.) throughout its existence up to the end of 2012 was solely engaged in leasing operations for members of the PRE Group.

At the end of 2012 the sale of electricity and gas was launched under the YELLO ENERGY trademark above all to households and small business customers outside Prague. This brand is intended for customers looking for simplicity and transparency who are not afraid to be different. It offers simple products, flexible communication without customer centres and flexible feedback all at a reasonable and appropriate price.

YELLO ENERGY is based on the experience of Yello Strom GmbH (a subsidiary of EnBW Energie Baden-Württemberg AG), which is a successful alternative electricity and gas supplier in neighbouring Germany with about 1 million customers. The subsidiary recorded more than 6,500 electricity and gas contracts at the end of 2013 for customers outside Prague.

SHAREHOLDERS

In 2013 there was no major change in the shareholder structure (a fall in the number of domestic shareholders by 16, an increase of foreign by 1).

EXPECTED ECONOMIC SITUATION IN 2014

The current situation in the energy sector is relatively difficult. The energy sector as a whole, especially power engineering, faces many new challenges. Many of them are associated with the overall regulatory system in the European Union and the Czech Republic. An important factor which affects the energy sector at the present time is also the further pressure on the integration of renewable sources into the energy system. So far the impact of the implementation of the EU directive on energy efficiency on the sector has not been fully analysed. The great question for the future is the rate and degree of the development of electromobility.

Pražská energetika, a.s. is trying to actively respond to these challenges. Our objective for the forthcoming period is to secure the PRE Group's position on the domestic market in Prague and its outskirts, expand activities in a value chain above all in decentralised production and energy services and further expand business activities outside the regulated area of power engineering.

Thus we will continue to develop the existing Company orientation on electricity and gas distribution and trading into a strong business model based on four segments:

- i) electricity distribution on the licensed territory of the City of Prague where our objective is to effectively and reliably operate the distribution system in conjunction with the gradual and rational implementation of new smart technologies,
- ii) electricity and gas trading throughout the territory of the Czech Republic where we want to develop new, innovative, customer-orientated products and services, but maintain a simple and flexible customer service,
- iii) decentralised production where we see the options of developing small cogeneration units, renewable sources and in operating local distribution networks,
- iv) energy services where there is a broad possibility of development whether in today's already traditional EPC (Energy Performance Contracting) services, or in new services that use the technological possibilities of smart metering and smart grids.

The Company's objective also for 2014 is to achieve a high degree of performance and to again exceed the 4 billion limit of the economic result measured by the EBITDA indicator.

Dear shareholders, allow me, on behalf of the Board of Directors, to thank all the customers and employees of the PRE Group, as well as the shareholders and suppliers for their trust and cooperation in 2013 and for their contribution to the PRE Group's exceptionally 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 31.12.2013

Pavel Elis

Chairman | Graduate of the Faculty of Electrical Engineering of the Czech Technical University ČVUT – 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 9.10.2012) | Member of PREdistribuce, a.s. Supervisory Board | Chairman (from 15.5.)

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 | Member of eYello CZ, a.s. Supervisory Board (from 23.4.)

Date of birth: 14.3.1963

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 responsible for energy services within EnBW in Sales & Solutions GmbH.

Date of birth: 17.7.1965

Address: EnBW AG, Schelmenwasenstr. 15, D-70567, Stuttgart, Germany

Jaroslav Maroušek

Member (from 28.6.) | Graduate of the Faculty of Electrical Engineering of the Czech Technical University ČVUT – FEL in Prague | He has been working in the energy sector since 1980 | currently SEVEN – Středisko pro efektivní využívání energie o.p.s./SEVEN – Centre for Efficient Utilisation of Energy o.p.s.

Date of birth: 10.6.1951

Address: Na Hroudě 1492/4, 100 05 Prague 10

Marián Čalfa

Member (from 20.12.) | **Vice Chairman (from 10.1.2014)** | Member of the Board of Directors from 1.11.2011 to 21.4.2012 | Graduate of Charles University, the Faculty of Law in Prague | Long-standing advisor of the Company especially in issues related to the legal regulation of Company's activity in the corporate area.

Date of birth: 7.5.1946

Address: Na Hroudě 1492/4, 100 05 Prague 10

From left:

Aleš Staněk
Pavel Elis
Alexander Sloboda
Milan Hampl

MEMBERS OF THE BOARD OF DIRECTORS IN THE COURSE OF THE YEAR ALSO WERE:**Zdeněk Hrubý (until 8.8. when he tragically died) |**

Vice Chairman | 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 Governors of the European Investment Fund | Member of the Board of Governors of the European Investment Bank | Member of the Board of Governors 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

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

SUPERVISORY BOARD AS AT 31.12.2013**Jiří Baldík**

Member (from 27.6.) | Chairman (from 28.6.) | Graduate of University of Economics he has been working in the energy sector at different managerial positions since 1973, e.g. Pražské teplárny s.p., ČEZ – Elektrárny Holešovice, a.s., Energotrans, a.s. |

Date of birth: 15.10.1949

Address: Na Hroudě 1492/4, 100 05 Prague 10

Franz Retzer

Vice Chairman (from 28.6.) | Co-opted member (25.3.–27.6.) | 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 Collège des Ingénieurs in Paris. From 2010 Director responsible for management and development of EnBW network, sales and company customer services.

Membership in Supervisory Boards: Member of EnBW Operations GmbH Supervisory Board | Member of EnBW Ostwürttemberg DonauRies AG Supervisory Board (from 10.7.)

Date of birth: 20.7.1972

Address: EnBW AG, Durlacher Allee 93, D-76131 Karlsruhe, Germany

Hermann Lüschen

Vice Chairman (until 27.6.) Member (from 28.6.) | Graduate of Faculty of Physics at Kiel University, Germany | From 1982 at EnBW AG, last time in the position of a Director of the Foreign Participation Section.

Membership in Supervisory Boards: Vice Chairman in PREDistribuce, a.s. | Pražská energetika Holding a.s. | ELMŰ Budapesti Elektromos Művek Rt., Budapest, Hungary | EMASZ Eszak – Magyarországi Áramszolgáltatató Rt., Miskolc, Hungary

Date of birth: 21.10.1953

Address: EnBW AG, Durlacher Allee 93, D-76131 Karlsruhe, Germany

Dirk Mausbeck

Member (from 27.6.) | Co-opted member (18.10.2012 – 27.6.2013) | Studied engineering at RWTH Aachen and economics at the University of Hagen | Doctorate at the Jülich Research Centre, Institute of Energy Processes | 1991–1999 Shell | 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

Drahomír Ruta

Member | Graduate of the Faculty of Electrical Engineering of the Czech Technical University ČVUT – FEL in Prague, in the energy sector worked from 1970 | Member of PREDistribuce, a.s. Supervisory Board (from 28. 6.) | From 11/2010 retired.

Date of birth: 12.1.1946

Address: Na Hroudě 1492/4, 100 05 Prague 10

Marc Wolpensinger

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 | Energiedienst Holding AG | Energiedienst AG | Pražská energetika Holding a.s.

Date of birth: 18.5.1967

Address: EnBW AG, Durlacher Allee 93, D-76131 Karlsruhe, Germany

Monika Krobová Hášová

Member | 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 law, transfer of real estate, defence in criminal cases.

Member of the Prague City Assembly.

Date of birth: 16.1.1963

Address: MHMP, Mariánské náměstí 2, 110 00 Prague 1

Michal Štěpán

Member | Graduate of the Faculty of Civil Engineering of the Czech Technical University – Department of Structural and Transportation Engineering.

Member of the Prague City Assembly, Vice Chairman of the Financial Committee.

Vice Chairman of the Board of Directors of MAX stavební, a.s. | 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

MEMBERS OF THE SUPERVISORY BOARD IN THE COURSE OF THE YEAR ALSO WERE:**Peter Krampf (until 25.3.)**

Member | Graduate of the University of Bayreuth.

From 2005 EnBW AG | Vice President for corporate development | Assistant at the University of Bayreuth.

Membership in Supervisory Boards: KWG EnBW Kraftwerke AG | Borusan EnBW Enerji yatırımları in Üretim Anonim Şirketi | SWD Stadtwerke Düsseldorf AG | 2011 EHT EnBW Holding A.S. | He left EnBW in March 2013.

Date of birth: 3.2.1971

Address: EnBW AG, Durlacher Allee 93, D-76131 Karlsruhe, Germany

Vladimír Schmalz (resigned as at 27.6.)

Chairman | Graduate of the University of Economics, Prague – Faculty of International Relations; Member of the Prague City Assembly | 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

TOP MANAGEMENT OF THE PRE GROUP COMPANIES**Top management of the parent company as at 31.12.2013****Pavel Elis**

Chief Executive Officer

Alexander Sloboda

Commercial Director

DIRECTORS OF 100% SUBSIDIARIES AS AT 31.12.2013**Milan Hampl**

PREdistribuce, a.s.

Aleš Staněk

PREměření, a.s.

Michal Kulig (proxy)

eYello CZ, a.s.

HEATED “BOXES” SAVE CHILDREN

BABY BOXES – RECEPTACLES FOR ABANDONED CHILDREN. CURRENTLY THERE ARE 61 IN OPERATION IN THE CZECH REPUBLIC, THE FIRST BEING INSTALLED EIGHT YEARS AGO. TO DATE, THE BABY BOXES HAVE HELPED 106 CHILDREN TO ENTER THE WORLD. THE PRESENT TYPE OF BABY BOX IS MADE OF ANTI-CORROSIVE SHEET METAL CONTAINING DOUBLE DOORS WHICH CAN BE OPENED AUTOMATICALLY BY PRESSING A SINGLE GREEN BACKLIT BUTTON. ONCE THE CHILD IS PLACED IN IT, A WEIGHT SENSOR IS ACTIVATED BY A MULTIPLY SECURED ALARM WHICH SENDS AN ALERT VIA CABLE TO A MONITOR LOCATED IN A CONSTANT SERVICE ROOM AND A MESSAGE TO THE MOBILE PHONES OF THE NURSING STAFF. AS OF THIS YEAR PRAŽSKÁ ENERGETIKA, A.S. IS CONTRIBUTING TO THE COSTS OF THE OPERATION AND MAINTENANCE OF THE BABY BOX IN NÁMĚSTÍ MÍRU (PEACE SQUARE) IN PRAGUE.



**Ludvík Hess,
father of the baby box project
in the Czech Republic**

“My present plan is for 80 baby boxes to be distributed around the country so that every unfortunate mother has the chance to reach it.”

33.
... pro Janu

BabyBo 

HLAVNÍ DÁRCE 33. BABYBOXU
PRAHA

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BabyBo 

NA SERVIS A INOVACE 33. BABYBOXU PŘÍSPÍVÁ
Pražská energetika, a. s.

IPRE

Podporujeme dítě nejen jako jediné
člověka, podporujeme všechny současně. Právě
v období od narození do 24 hodin života
dítě potřebuje a má právo na vše, co mu může
pomoci. Zavolat můžete 402 305 139.

When you decide to deliver your baby, you
can capture a special moment at the Department
for Social Work and Children's Protection
with the phone 2671. If you have decided to
deliver your baby because you have no
choice, please call 402 305 139 any time.

Только так, как относятся здесь ребенку,
могут быть основой у ребенка
любимой работы и здоровья детей –
24 часа в сутки.

Je to jenom tak, jak se k dítěti chová,
což může být s ním pro celý život,
a mělo by být 402 305 139.

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. The risks are consolidated for the entire PRE Group. Later, on the basis of the Summarised Consolidated Risk Management Report, a risk management strategy is determined in view of the management of the most important PRE Group risk exposures. The Risk Management Committee approves the structure of the limits for the management of individual relevant risks and continually monitors the overall possible 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. A continuous process of identification of current risks that are recorded in a list of risks is carried out.

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, 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 mostly concentrated in the spheres of trading in electricity and 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 and conditions,
- legislative – regulatory risks have the strongest effect on Company's activities; in the mid-term these risks are associated with possible changes accompanying the fourth regulatory period, in the short-term namely setting the parameters for calculation of WACC,
- operational risks, depending on their nature, are decentralised and managed in each department; only the most important are verified within the internal audits.

The risk management system and its methodology are based on procedures established in the EnBW Group. Currently, a project of implementing the integrated risk management which involves the internal audit and risk management in one uniform platform is being carried out. Monitored risks are reported in a uniform structure and in periods as set by the risk management rules. 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 2013 the department was engaged in key processes across the entire Group as part of the implementation of planned or requested audits.

The audit findings concerned not only setup of processes and enhancement of control mechanisms but also compliance and elimination of fraudulent behaviour. The main sphere of cooperation with EnBW is the Veris project which secures the integration of internal audit and risk management activities in order to increase their efficiency.

Cooperation continued as part of the internal audits in the PRE Group in 2013 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 specific complaints addressed to the Company's management or Energy Regulatory Office.

COMPLIANCE

Employees were made acquainted in this area with the Group's Code of Ethics, the relevant Group corporate standards were issued (security and protection of property, protection of trade secret, classified information, criminal liability of legal entities, handling personal data, dealings with state administrative authorities and unreported investigation by the European Commission, ÚOHS and ERÚ, awarding general contracts and rules of participation in public contracts, environmental protection, risk management, internal audit management).

An email address has been set up for the entire PRE Group which is compliance@pre.cz, where it is possible to report cases of breach of Compliance rules.

OMBUDSMAN

As of 1 January 2014 the position of independent ombudsman was set up in the PRE Group who investigates the suggestions of customers not satisfied with the way their complaint or claim is settled which were lodged earlier at any of the PRE Group companies. The ombudsman does not deal with a complaint which was firstly addressed as a complaint or claim as part of standard procedures of members of the PRE Group. The ombudsman submits the complaint to the relevant company with the competence to address it and will inform the submitting party of such step in writing. The newly set up position will contribute to a better quality and more objective solution to customer complaints and claims.

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 was one of the most modern 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 (Dopravní podnik) separated from the Electricity Works; national works Central Bohemian Power Generation Company was established incorporating the former power generation section of the Electricity Works,
- 1959** — foundation of the Central Bohemian Electricity Works (Středočeské energetické závody, n. p.) (STE) and Prague District Administration,
- 1965** — foundation of the Prague Distribution Enterprise within STE, n. p.,
- 1982** — the Prague Electricity Works (Pražské energetické závody, k. p.), acquired 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 for customer within the Company was completed, operation of Call Centre 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 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 unto TCZK 21,549,811),
- 2006** — as of 1 January the distribution system operator was detached into a separate entity – 100% subsidiary,
- 2007** — the PRE Group celebrated the 110th anniversary of the establishment of the legal predecessor of today’s joint stock company,
 - hurricane Kyrill 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, Pražička 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 December 2010 at 2 p.m.,
- 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 the public tradability of 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 Customer Centre branches, it was decided to close down the "Balabenka" branch in Ocelářská street,
 - acquisition – purchase of FVE Hořovice and FVE Kondrac each with installed capacity of 1 MWp – PREměření, a.s.,
 - subsidiary PREměření, a.s. introduced to the market a new product – "Servis FVE" which offers a comprehensive care of photovoltaic stations for persons interested in it,
 - 100% subsidiary PREleas, a.s. was renamed to eYello CZ, a.s.; there was a major expansion of the line of business to include trading in electricity and gas sales,
- 2013**
- new Collective Agreement for 2013–2015,
 - acquisition of FVE Pozorka near to Kladruba u Stříbra with installed capacity of 3.99 MWp and more than 21,000 solar panels,
 - launching the operation of a Customer Line in new Garden 11 premises (former building of SKANSKA at Kubánské náměstí),
 - considering the ca. ten-days floods (1–14 June) a state of emergency was declared in the Capital City,
 - The PRE Group won the jury award of the Czech Goodwill project in the "Patron" category; this award is presented every year to a company that is considerate towards its business, economic-social and living environment,
 - in the scope of extending the product portfolio the PREmobil Project was launched – offer of mobile telecommunication services to the Group customers,
 - purchase of FVE Syrovice near to Brno with installed capacity of ca 6.3 MW.



LÉKOŘICE BRINGS VOLUNTEERS TO PATIENTS

SINCE 2005 THE WORK OF THE OBČANSKÉ SDRUŽENÍ LÉKOŘICE (LIQUORICE CIVIC ASSOCIATION) AT THOMAYER HOSPITAL IN PRAGUE HAS, ABOVE ALL, BEEN TRYING TO CONTRIBUTE TO THE MENTAL COMFORT AND IMPROVE THE QUALITY OF LIFE OF PATIENTS. IT COORDINATES THE ACTIVITIES OF VOLUNTEERS, WORK OF GAME THERAPISTS AND THE HOSPITAL CHAPLAIN. VOLUNTEERS MOST OFTEN WORK AS SO-CALLED BED COMPANIONS. THIS MEANS THAT THEY CHAT WITH PATIENTS, READ TO AND GO ON WALKS WITH THEM, OR CREATE SOMETHING TOGETHER. IN SHORT, THEY DEVOTE THEIR TIME TO THEM. SOME VOLUNTEERS ALSO HELP TO IMPROVE THE INDOOR AND OUTDOOR ENVIRONMENT AT THE HOSPITAL – IN THE OUTPATIENT DEPARTMENTS, ON THE CORRIDORS AND THE PATIENTS’ ROOMS. PRAŽSKÁ ENERGETIKA, A.S. CONTRIBUTES TO THE COSTS OF GAME THERAPY AND THE POTTERY WORKSHOP AT THE LÉKOŘICE CENTRE.



**Karin Pospíšilová,
Lékořice executive director**

“Game therapy is an expert-managed game activity which contributes to alleviating stress related to illness and hospitalisation. But it need not by far apply only to children. Our pottery workshop provides an environment for working with children from the child department of psychiatry, but adult patients also come here and it is used for the prevention of burnout syndrome in healthcare staff.”



BRIEF HISTORY AND CURRENT SITUATION IN THE POWER INDUSTRY

During the year dissent escalated between the big energy groups and the approach of the EU to the power engineering sector. In the last 5 years the electricity market price fell from about 75 Euro/MWh to about a half. The profit of energy companies has been falling for a long time, but likewise other electricity price components are increasing, above all the costs of financing renewable sources.

Neighbouring Germany retreated from its efforts for full transition of power industry to renewable sources, government and parliament then decided to significantly reduce support for renewable sources. It is being said in professional circles that there is currently a lack of a European energy policy.

As far as the Czech Republic – it must be stated that as in many other sectors of the economy, external economic conditions have not been precisely defined in the long term even in the energy sector 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.

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 energies. It is necessary to also mention the effects which caused its subsequent aggressive changes, in particular the 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. This entity 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. Big electricity companies from neighbouring states such as RWE (Germany), ENEL (Italy) and GAZPROM (Russia) acted more and more actively 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 entities on the market – e.g. combining the offer of electricity and gas supply or telecommunication services. 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 2013 was the fourth 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 which was accepted by PRE.

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

- Energy Regulatory Office's Price Decision 3/2013 of 27 November 2013 on regulated prices related to gas supply,
- Energy Regulatory Office's Price Decision 4/2013 of 27 November 2013 laying down aid for promoted energy sources,
- Energy Regulatory Office's Price Decision 5/2013 of 27 November 2013 laying down regulated prices of services related to electricity supply,
- Energy Regulatory Office's Price Decision 6/2013 of 27 November 2013 laying down regulated prices of services related to electricity supply to customers connected to low voltage networks,
- Energy Regulatory Office's Price Decision 7/2013 of 12 December 2013 amending Energy Regulatory Office Price Decision No. 3/2013 of 27 November 2013 on regulated prices related to gas supply,
- Decree No. 289/2013 Coll. of 19 September 2013 amending Decree No. 108/2011 Coll. on metering gas and on the method of determining compensation for damage due to unauthorised consumption, unauthorised supply, unauthorised storage, unauthorised transmission or unauthorised distribution of gas,
- Decree No. 436/2013 Coll. of 16 December 2013 on the method of the regulation of prices and procedures for regulating prices in power engineering and heating industry and on the amendment to Decree. 140/2009 Coll. on the method of the regulation of prices in energy branches and procedures for the regulation of prices, as amended,
- Act No. 310/2013 Coll. of 13 September 2013 amending Act No. 165/2012 Coll. on promoted energy sources and the amendment of some laws, as amended by Act No. 407/2012 Coll. and further related laws,
- Decree No. 118/2013 Coll. of 9 May 2013 on energy specialists,
- Act No. 185/2013 Coll. of 13 September 2013 amending Act No. 312/2006 Coll. on insolvency administrators, as amended, Act No. 182/2006 Coll. on bankruptcy and methods of its settlement (Insolvency Act), as amended, and Act No. 634/2004 Coll. on administrative fees, as amended,
- Act No. 256/2013 Coll. of 8 August 2013 on the real estate cadastre (land register),
- Act No. 294/2013 Coll. of 12 September 2013 amending Act No. 182/2006 Coll. on bankruptcy and methods of its settlement (Insolvency Act), as amended, and Act No. 312/2006 Coll. on insolvency administrators, as amended.

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

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

- under the ERÚ Price Decision of 14 August 2001 it was the holder of an electricity trading licence in the period from 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 25 October 2011 the validity of the licence was extended until 16 January 2017.

Pražská energetika, a.s. was also the holder of an electricity distribution licence 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, Pražáčka and TR Sever I and the purchased plants Hořovice, Kondrac, Pozorka and Syrovice).

eYello CZ, a.s. or PREleas, 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.



EXTRAORDINARY CENTRE HELPS CHILDREN

THE CHILDREN'S CENTRE AT THOMAYER HOSPITAL IS PRIMARILY INTENDED FOR CHILDREN UNDER THE AGE OF THREE, BUT OFTEN ALSO CARES FOR OLDER CHILDREN, FOR EXAMPLE IN CASE OF GROUPS OF SIBLINGS. SERIOUSLY HANDICAPPED CHILDREN WHOSE MEDICAL CONDITION DOES NOT ALLOW PARENTS TO LOOK AFTER THEM AT HOME, AS WELL AS CHILDREN WITH DOWN'S SYNDROME, WITH IMPAIRED HEARING AND VISION, SUFFERING FROM FOETAL ALCOHOL SYNDROME OR THE CHILDREN OF MOTHER'S ADDICTED TO DRUGS FIND ASYLUM HERE, TOO. BESIDES THIS, THE CENTRE ALSO PROVIDES CARE TO MOTHERS WHO STAY HERE WITH THEIR CHILDREN. THE CENTRE IS THE ONLY FACILITY OF ITS KIND IN PRAGUE AND IS ALSO EXTRAORDINARY ON A NATIONAL SCALE. PRE SPONSORS THE CHILDREN'S CENTRE BY A DONATION TO THE NADAČNÍ FOND DĚTSKÝ ÚSMĚV (CHILDREN'S SMILE ENDOWMENT FUND) ESTABLISHED BY NURSES.



**Dr. Jaroslava Lukešová,
Director of the Children's Centre**

"The endowment fund makes it possible to finance the reconstruction of the game rooms, the equipment for the Snoezelen Room for sensory therapy, for running a nursery school, music therapy, as well as details such as tickets to the theatre or swimming-pool, or ingredients for baking Christmas sweets. We would not be able to afford most of these things without the endowment fund."



UČIME SE ZVIRATKA

BRUM

MIAU

BUM BUM

KUKU

Mamka



TRADING ACTIVITY

SUPPLIERS AND TRADING IN ELECTRICITY

The total volume of purchased electricity, in terms of the resulting supply of electrical energy to end customers of the PRE Group, has not changed significantly compared to the previous year. Demand for electricity was positively affected by generally colder weather on the one hand and negatively by the economic development in the Czech Republic on the other.

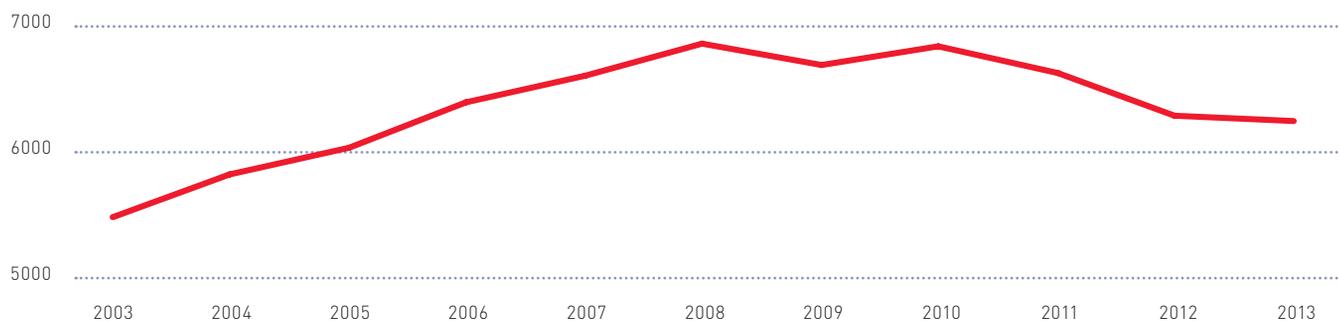
Electricity for customers of the PRE Group for 2013 was acquired on the futures market and the daily market in accordance with previous years, in order to acquire electricity for the end customer of the PRE Group as cheaply as possible. In the Czech Republic electricity is traded in Euros on official markets and the price of purchased electricity was partly also affected by the CNB's monetary intervention at the end of the year.

The main suppliers of the PRE Group in 2013 were companies already established on the energy market, i.e. ČEZ, a.s., Alpiq Energy SE, E.ON Global Commodities SE, Vattenfall Energy Trading GmbH and RWE Supply & Trading GmbH. A considerable part of the required electricity was purchased from local producers of electricity from renewable sources, especially from biogas stations and hydroelectric power plants.

The average electricity price copied the price trend on the German market and continued the falling trend of previous years. Compared to 2012, the average price per megawatt hour fell on the spot market to 37 €/MWh, which represents a year-on-year fall by 6 €/MWh. This trend was affected especially by the continuing construction of renewable sources in Western Europe, fall of the price of CO₂ allowances and fall of the price of black coal imported into Europe particularly from markets in America, Colombia and Russia.

The PRE Group continued to provide their customers with green electricity purchased directly from producers from renewable sources of energy in the Czech Republic. In 2013 the PRE Group managed to develop cooperation with most of the existing producers and also establish cooperation with further producers from renewable sources of energy. Thanks to this it was possible to cover the increased demand of customers for this commodity. In 2013 bilateral cooperation continued with Povodí Vltavy, s. p., which is a major supplier of green electricity for the PRE Group.

VOLUME OF ELECTRICITY PROCURED FOR CUSTOMERS (GWh)



ELECTRICITY SALES

Trading activity ranks among key processes in the Company. Undoubtedly this segment is a section where the future economic success or failure of the entire Group is decided. The sphere of trading in electricity and its sales has gone through a whole range of changes which are caused by unstable situation on the market. Satisfactory functioning of the Group without adopting these managerial measures would be impossible.

Sales of Electricity (Segment B2B)

2013 was a year marked by a characteristically slight price fall on the power exchange for the sales of electricity to B2B segment customers and also by the fact that throughout the year customers organised tender proceedings. Large customers very quickly recognised the risks associated with the choice of the date of electricity purchase and therefore more often chose a model of buying electricity in parts at various moments, either according to pre-agreed time chart, or, more often, the customer chooses himself moments for buying an agreed quantity of electricity. Even a slight fluctuation of electricity price on the power exchange led the customers dislike for concluding several-year contracts.

Throughout the year almost all entities of state and regional administration were very busy inviting applications for tendering proceedings in the form of electronic auctions in accordance with the Public Procurement Act.

In 2013 the Company supplied gas to its B2B customers for the second year. Selling activities developed through the year and we now offer natural gas together with electricity to our customers.

The constantly stronger activities of our competitors and economic stagnation/decline of Czech economy was virtually displayed by 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 2013 emphasis was being placed on the development of individual sales channels and new methods of selling electricity and natural gas. In view of this fact, sales representatives were trained in how to increase the level 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 – this concerns in particular retention and re-acquisition campaigns repeated on a monthly basis. In 2013 new segmentation of MOO and MOP customers was carried out aimed at more efficient utilisation of capacities, means and for introduction targeted communication towards customers.

During the year customers were constantly warned of the incorrect trading practices of door-to-door sales by alternative suppliers. Electronic auctions for households and small businesses, organised by independent auction houses with a support of the local administration, were a new phenomenon on the B2C market.

The objective of the important sales retention campaign of 2013 entitled "Podzim 2013"/"Autumn 2013" was to fix contracts with MOO and MOP customers by the end of 2015. The campaign which took place from 9/2013 to 12/2013 addressed that group of customers who in 2011 accepted the offer presented by the campaign "Podzimní nabídka PRE" (PRE Autumn Offer). Customers showed a lot of interest and so the campaign was prolonged until 31.1.2014.

The total volume of sales for 2013 in B2C customers at LV level increased year-on-year by approx. 2%.

SALES (eYello CZ, a.s.)

In March the subsidiary started to actively offer, apart from electricity, gas supplies to customers in the Czech Republic. Supplies of both media are carried out almost exclusively in the household sector, in smaller extent to small businesses. In the second half of the year a portal "Moje Yello" for servicing customers was launched. At the end of the year the Company supplied electricity and gas to more than 3,000 consumption points.

NUMBER OF VISITS AT THE PRE CUSTOMER CENTRE

Year	2013	2012	2011	2010	2009	2008	2007
Total	281,920	255,812	267,109	261,720	240,026	216,288	235,355

NUMBER OF ENQUIRIES ANSWERED BY THE PRE CALL CENTRE

Year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Total	239,444	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	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Total	103,923	79,723	63,363	48,834	30,369	30,193	18,214	6,882	5,291	2,423

CHANGES OF ELECTRICITY AND GAS SUPPLIERS (ACCORDING TO OTE, a.s. DATA)

	Electricity	Gas
2011	448,000	361,000
2012	473,000	347,000
2013	374,000	297,000

GROWTH PROJECTS

In accordance with the Group's long-term strategy, great attention is devoted to alternative ways of producing electricity (especially from renewable sources) such as wind power, solar power, etc. Another important part of the Group's commercial activities is the verification of the options of active entry into the area of operation of small co-generation facilities. Thanks to the expansion of energy services, which make the utilisation of energy more effective for customers and partners, the Group's objective is to become the contact in this area for the general public and gradually transform into being an individual manager of energy supplies.

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 customer servicing 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, administration of customer documentation digitalization etc.

FRONT OFFICE

During the year several large projects were implemented in customer services in order to increase the efficiency and high quality of services to customer. For example a new localisation of the PRE Customer Line in Garden 11 premises in Prague 10 is considered as one of key projects carried out in 2013. Modern workplace of the PRE Customer Line equipped with latest technology was put into operation on 2 May 2013. In the SW support of Front Office Departments there were several extensive implementations to improve the qualitative and quantitative parameters of customer service in 2013 in cooperation with other company departments and external suppliers.

The Customer Service Department in 2013 also contributed to the implementation of the successful "PRE Autumn Offer" campaign and further projects necessary to secure, maintain and develop the customer portfolio in accordance with the Company's strategic plans.

BACK OFFICE

The Back Office ensures support to sales department and also to Front Office internal departments providing services and actual sales. The key processes in Back office are primarily the change of a supplier for consumption points of customers who belong to B2C segment and consume electricity and natural gas, billing and debt collection from customers of B2C and B2B segments. A no less important area is administration, digitalisation and availability of customer documentation for users. Further to the successful implementation of a new invoice for electricity in April 2012, a new layout for "Letter" type documents (reminders, information letters) generated from bulk printouts to customers was completed and put into production as of 4 February 2013. The graphic elements and general design proceeds from the electricity and gas invoice layout.

The Back Office Departments provide constant internal support in changes of supplier and administration of contractual relations, contribute to and cooperate beyond the scope of the commonly performed extensive activities and projects of other PRE Group departments, especially in the scope of the preparation and implementation of new sales products and in projects with output for strengthening the competitiveness and efficiency of sales.

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 customer services.

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

E-MOBILITY

During the course of the year the PRE Group worked intensively on the E-mobility Project which (in line with global trends) is to safeguard the gradually increasing share of electric means of transport which will more and more compete with conventional combustion engines, (especially in big cities) where the resulting benefit to the environment is the most discernable (zero local emissions in the place of the operation of these means of transport).

In the course of the year several charging points so called (e-Points) 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 28 were opened (not only in the Capital City). The points are equipped with various charging technology; there exists a model which can recharge an electric car in 15 minutes (from 20 to 80% of battery capacity).

Within the pilot operation 3 types of charging points are being used:

- ePoint STANDARD
- ePoint PLUS
- ePoint EVO

Part of the car fleet (for business purposes) are seven Citroën C-Zero electric cars (1 piece PRE and 6 pieces PREdi). As of December 2012 the subsidiary PREdistribuce, a.s. uses a Mercedes-Benz Vito E-CELL "electric van". The actual portfolio of the means of transport of the PRE Group also contains 2 GOVECS electric scooters and 3 ELMOTO electric mopeds, which are used as standard means of transport in the PRE Group.

Since 2010 the PRE Energy Advisory Centre (hereinafter referred to as "PRE CEP") has been renting electric bikes and currently this is a hire service with the biggest choice of 24 types of electric bikes and 3 types of electric scooters in the Czech Republic. Compared to the previous year the number of hires has risen by about 20%, which had an impact on an almost 40% increase of revenue. In spring the 4th annual e-mobility exhibition was held at the PRE CEP. This is the biggest exhibition of its kind in the Czech Republic when 60 exhibits of electric bikes, electric motorbikes and plug-in hybrids could be seen in exhibition area of PRE CEP.

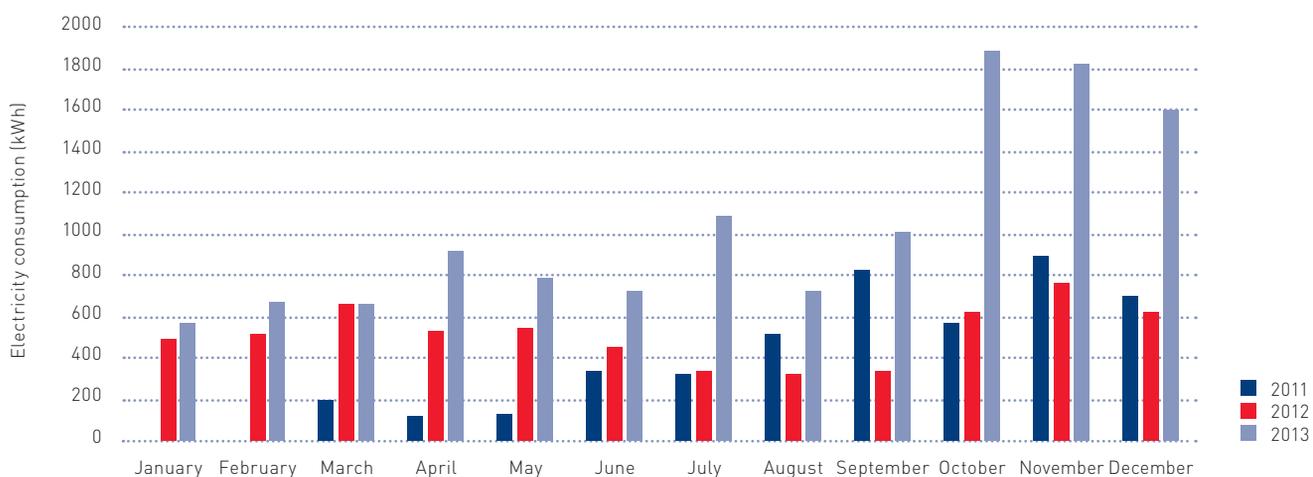
Since 2011 the CEP PRE has been drawing up a document entitled "Statistical Report on the State of the PRE Group E-mobility Projects", which describes in detail the capacity of charging points, driven distance of electric cars in the PRE Group car fleet and last but not least the PREkolo Project – the Pražská energetika electric bike hire service. The economic aspects are also monitored in all these groups.

Currently, as at 31.12.2013, there were 17 charging points in operation, in fact 28 charging stations:

- PRE Energy Advisory Centre/Centrum energetického poradenství PRE (from 2/2011), ePointPLUS, ePointSTANDARD, (3 stations)
- Centrum Chodov (from 2/2011), ePointPLUS
- Centrum Černý Most (from 2/2011), ePointPLUS (10 stations)
- ÚMČ Prague 5 (from 3/2011), ePointSTANDARD – not public
- Garáže Slovan (from 5/2011), ePointPLUS
- Pražská energetika (from 6/2011), ePointEVO
- Europark Štěrboholý (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 Prague 22 (from 10/2012), ePointPLUS
- Skanska (from 10/2012), ePointPLUS
- Avion Shopping Park Ostrava (from 10/2012), ePointPLUS
- Avion Shopping Park Brno (from 3/2013), ePointPLUS
- VTP Rožtoky (from 8/2013), ePointPLUS

During the year the entire project was presented as an image project; the Group built the charging points at its own costs, electricity consumption was not invoiced. It is planned that the construction of charging points will continue next year but on a commercial basis.

ELECTRICITY CONSUMPTION AT CHARGING STATIONS IN INDIVIDUAL MONTHS AND YEARS 2011-2013 (kWh)





IT TOOK A LONG TIME TO PREPARE FOR LONDON

CYCLIST JIŘÍ BOUŠKA WON THE BRONZE MEDAL AT THE PARALYMPICS IN LONDON. BEHIND THIS SUCCESS LIES A LOT OF SELF-DENIAL AND EFFORT TO OVERCOME HIS HANDICAP – YEARS' AGO HE CONTRACTED CEREBRAL PALSY WHICH AFFECTED THE LEFT HALF OF HIS BODY. THE LONDON MEDAL FOLLOWED ON FROM HIS PREVIOUS SUCCESS WINNING THE SILVER MEDAL AT THE PARALYMPICS IN BEIJING IN 2008 FOR EXAMPLE. JIŘÍ ALREADY BEGAN PREPARING FOR LONDON IN MID NOVEMBER 2011 WHEN HE COMPLETED TWO EVENTS IN MALLORCA AND ONE ALPINE IN CAVALESE. WITHIN THE ROAD SEASON HE MANAGED TO COMPETE IN ABOUT THIRTY RACES AND THEN BUILT UP HIS CONDITION FOR THE PARALYMPICS. PRAŽSKÁ ENERGETIKA, A.S. PROVIDED FINANCIAL SUPPORT FOR HIS PREPARATION FOR THE TOP RACE.



**Jiří Bouška,
Paralympian**

“What motivates me above all else is that I get better all the time. I work with my body, get stronger and can manage to achieve constantly better performances.”



INVESTMENTS

In compliance with the Group Strategy Plan, the investment programme in 2013 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 subsidiaries PREdistribuce, a.s., PREměření, 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. It is necessary to maintain a virtually constant pace and extent of investment activity also for the future period. 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 investment plan, structured into individual categories of distribution equipment resolved, on the one hand, based on available support documentation and with respect to mutual links, the extended reproduction of network systems, while taking into consideration 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 the distribution equipment, ensuring, together with the planned repairs, achievement of the determined operating reliability and required standard of the distribution service, expected by the customers 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 July 2006, non-performance of the guaranteed standards in accordance with the ERÚ Decree No. 540/2005 Coll., as amended, 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 earmarked for so called customer investments 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 energy transmission profile) and qualitative (reliability of the energy supply and quality) requirements of customers related to 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 March 2006, changed the existing addressing method of determining the share of customer payments regarding the distributor's eligible 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 investments 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.

ACQUISITIONS OF FVE

More detailed information on FVE may be found in chapter CAPITAL INTERESTS - PREměření, a.s.

BARRIERS ACCOUNT HELPS DISABLED PEOPLE

CHARTER 77 FOUNDATION (FOUNDED IN STOCKHOLM) SUPPORTED DISSIDENTS IN THE FORMER CZECHOSLOVAKIA. IT WAS MOVED TO PRAGUE IN 1990 AND FOCUSED ABOVE ALL ON IMPROVING THE LIVING CONDITIONS OF PEOPLE WITH A HANDICAP. THE FIRST HEALTH PROJECT OF THE CHARTER 77 FOUNDATION WAS THE MÍŠA ACCOUNT. IT IS THROUGH ITS UNIQUE PUBLIC COLLECTION THAT IT MANAGED TO COLLECT MORE THAN 100 MILLION CROWNS FOR THE LEKSELL GAMA KNIFE, AN INSTRUMENT USED IN NON-INVASIVE BRAIN TUMOUR SURGERY. ANOTHER UNIQUE CHARITY PROJECT OF THE FOUNDATION IS THE BARRIER ACCOUNT THROUGH WHICH 40,000 REGULAR DONORS PROVIDE LONG-TERM SUPPORT TO HANDICAPPED PEOPLE. THEREFORE THANKS TO THIS THE PROJECTS WHICH CAN HELP IMPROVE THEIR QUALITY OF LIFE ARE COUNTLESS. THE CHARTER 77 FOUNDATION ALSO MANAGES THE PRAŽSKÁ ENERGETIKA, A.S. ENDOWMENT FUND.



Božena Jirků,
director of the Charter 77 Foundation
and Barrier Account

“Every month we assess about a hundred applications. Sometimes it is a family with two handicapped children, sometimes a single mother with a handicapped son or a school headmaster who needs to build a ramp for handicapped pupils.”



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 the 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.

Main projects of the year were:

- implementation of Upgrade SAP CRM Project,
- support of SCADA Project,
- implementation of SAP BCM (call centre support),
- implementation of gas sales support,
- revolutionary restructuring of GIS systems,
- cost saving measures adopted in Fit For Future II. Project,
- development of AMM technologies,
- enhancement of Lancelot system functionalities for the area of trading.

A series of development changes is planned as part of the adopted Group strategy for 2014 that will require significant informatics support. This principally involves:

- ICSS Project – development of internet services for the Group,
- quality improvement of processes for point of delivery prices,
- optimising services provided in Customer Centres and Call Centres,
- preparation of new processes and SW support in real estate property record keeping,
- continuation of the development of AMM technologies utilisation and others.

FINANCIAL ANALYSIS

	Unit	2013	2012	2011	2010	2009	2008	2007	2006	Calculation formula
Level of liquidity										
Total revenues (revenues from sales of electricity, services and goods)	MCZK	21,784	20,899	20,756	20,248	20,719	19,013	16,661	14,075	Sales of electricity + Revenues from provided services
Sales margin	MCZK	6,354	6,055	6,259	5,583	5,203	5,202	5,425	4,596	Sales margin from income statement
Profit after tax	MCZK	2,713	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)	%	29.6	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	%	15.5	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	%	12.5	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	%	71.6	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	%	60.6	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	%	11.9	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	%	19.6	19.1	23	19.5	18.8	18.4	21.3	16.0	Profit after tax/equity x 100
Return on equity employed – ROCE	%	18.5	18.6	26.0	20.5	18.4	19.3	24.0	20.0	ROCE = EBIT/total assets – short-term payables
Total revenues labour productivity	TCZK/employee	15,627	15,199	15,512	15,201	15,485	14,210	11,978	10,112	Total revenues/average adjusted number of employees
EBIT	MCZK	3,399	3,134	3,663	2,880	2,781	2,757	2,993	2,352	Operating profit/loss before interest and tax
EBITDA	MCZK	4,420	4,124	4,567	3,742	3,591	3,497	3,732	3,040	EBITDA = EBIT + depreciation
Net cash flow after tax	MCZK	1,012	1,324	1,918	2,076	1,672	1,060	980	1,677	NCF from operating activity decreased by NCF from investments

ESTIMATED ECONOMIC RESULTS IN 2014-2015

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 compliance with its long-term strategy it will search for new entrepreneurial activities outside the regulated sphere of power industry etc. 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 for the administration of personnel paperwork.

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. Tariff and non-tariff wages are enforced in the Group.

NUMBER OF EMPLOYEES - FULL TIME AVERAGE

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
PRE	643	636	620	615	617	611	618	610	1,214	1,238	1,248
PREdi	515	511	507	504	514	515	555	583	-	-	-
PRE Group	1,394 ¹	1,375	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. – 231 persons and eYello CZ, a.s. – 5 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 2013–2015 was valid within the PRE Group. Comprehensive works medical and dental care is ensured for employees. A programme of preventive healthcare is taking place in the PRE Group which meets the requirements of the National Health Promotion Programme. Above this scope, the Company has implemented the following projects for its employees:

- oncology (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 health programme is provided for senior managers at the Hospital Na Homolce.

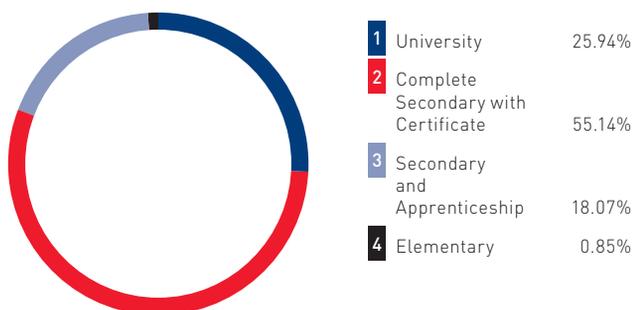
The concept of the PRE Group's social policy is based on the need to motivate employees both morally and in the form of financial contributions, remunerations and other forms of appraisal of their work. It proceeds from long-standing tradition and continues on from the social programme embodied in the Collective Agreement. Employee social care is transformed over time and current economic conditions create the need for such methods and approach to human resource management that provide incentive for forming stabilisation and motivation programmes.

The system of employee benefits contributes to perceive this motivation and stabilization program as a fair system with a high level individual decision-making of employees regarding the use of expenses which were earmarked by the employer to the sphere of social policy. It is focused above all on improvement of working and living conditions of employees, housing, meals, works health care, preventive healthcare programmes and other social benefits such as interest-free loans, recreation, cultural and sports events, etc. A great attention is paid to all spheres of social care provided to employees and most of these social programmes are embodied in the Collective Agreement.

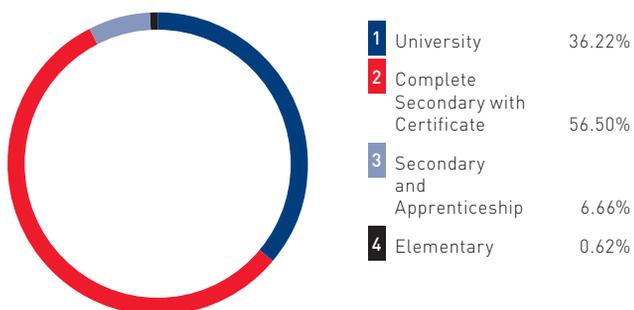
The PRE Group also very actively sponsors the development and education of employees; through the corporate Recruitment Programme it supports the employment of vocational schools graduates of secondary and tertiary degree of education. In the sphere of professional internships and recruitment of new employees, there exists a long-term cooperation with the Faculty of Electrical Engineering of the Czech Technical University and Prague electrotechnical vocational schools (Secondary Electrical Vocational School (SOU energetické), Prague 9, Poděbradská 12, the Technical Business Vocational Training Centre, Prague 9, Poděbradská 1a) and secondary schools such as 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.

The parent Company at its own costs operates a training and educational centre Polygon which is used for further training of own employees, employees of cooperating companies and also for professional internship of pupils and students of electrotechnical schools of all educational levels. In 2013 a total of 1,210 persons, of whom 235 were students, passed the professional internship here.

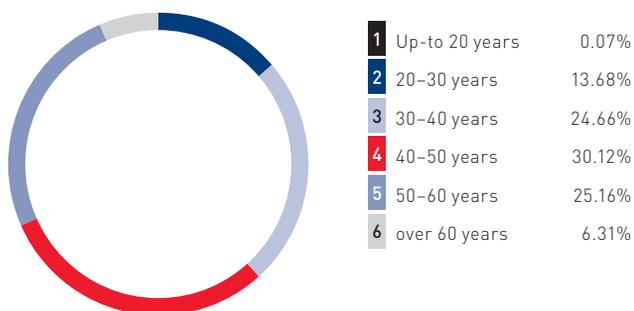
PRE GROUP QUALIFICATION STRUCTURE



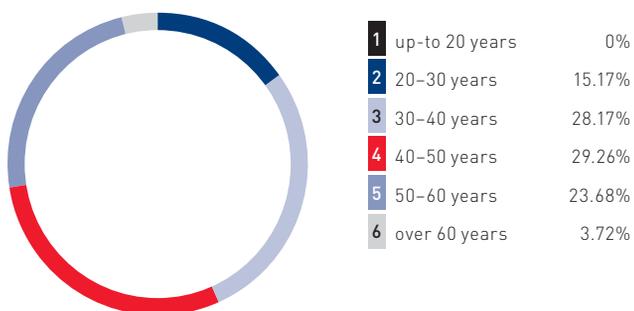
PRE QUALIFICATION STRUCTURE



PRE GROUP AGE STRUCTURE



PRE AGE STRUCTURE



ECOLOGY, ENVIRONMENTAL PROTECTION, SAFETY AND PROTECTION OF HEALTH AT WORK

All companies of the PRE Group rank among those modern companies which consider policy of environmental protection as their priority. In the environmental protection the PRE Group utilizes above all four basic pillars which can be expressed in words as: responsibility, care, quality and innovation.

Thanks to constant modernization of technical equipment of the distribution system not only operational security but also environmental protection is ensured. New types of constructions and installations of protective devices successfully prevent killing wild birds by electric current.

In view of reducing risks of possible contamination of the environment by transformer oil, a continuous replacement of older 22/0,4 kV transformers by hermetically sealed or dry transformers (without oil tanks) is carried out.

A functional system has been created at the PRE Group workplaces of sorting and recycling of communal waste. Liquidation of other types of waste and dangerous wastes is carried out through collecting and handing over to responsible companies. System of return collection EKO-BAT (batteries recycling) and EKO-LAMP (recycling of energy saving lamps and fluorescent lamps) has been in place since 2009. As for human resources management is concerned, employees are trained in the sphere of environmental protection, selected employees are further trained in how to manage dangerous chemical substances and preparations. An instruction presentation for more detailed explanation of the environment protection is available on the Intranet. The ISO 14 001 – EMS system has been introduced in Pražská energetika, a.s. and 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 AND ITS PRINCIPALS 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 Group,
- observe the sorting of communal waste, including dangerous components; sorting of all other kinds of waste and packaging; and also sorting selected kinds of rejected products which can be freely returned for recollection,
- consistently observe the system of handling of dangerous substances and dangerous waste; return this 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

Pražská energetika, a.s. and PREdistribuce, a.s. are holders of "Safe Enterprise" Award. 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 PRE Group. In 2013 the recertification of the "Safety Enterprise" system was carried out in both companies. 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 PRE Group is also a holder of the title "Third Level Health Supporting Enterprise" which is being awarded by the Ministry of Health. Both these certificates guarantee the professional approach to the protection of employees health. 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 provide 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 PRE Group members' management and all employees – avoid risk situations and threat by applying consistent observance of safety at work rules,
- system of corporate norms related to health protection, preventive checks, OOPP (Protection of Persons at Work) and risk analysis of individual work activities which 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 broad public, 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 public positive 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 came together with 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. 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) the 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 poradenství (CEP PRE), which launched its activities in 2009, provides to its visitors 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 56,248 people. At the same time PRE CEP operates a website called PRE Energy Advisor (www.energetickyporadce.cz) dedicated to electricity saving which in 2013 recorded 119,209 unique visitors and a website PREkolo (www.prekolo.cz) with 63,635 unique visitors. An important function of the Centre are also services involving the lending of consumption meters, detection sets, thermal cameras and electric bike hire service (a total of 3,467 borrowings, i.e. increase by 58.5% if compared with 2012). This rental shop has the broadest selection of brands and types of products in the Czech Republic; 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 entity, 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.

The PRE Group won the jury award of the Czech Goodwill project in the “Patron” category. Nominations of entrepreneurs and companies which are respectful to their business, economic - social and living environment (historical monuments, education, solidary care, nature and environmental protection) and which actively support its cultivation or safeguarding belong to this category.

The ČESKÝ GOODWILL Project was organized by the Czech HPCG Consultancy Group under the auspices of the Czech-German Chamber of Industry and Commerce.



THE SISTERS OF ST. BORRAMEO LOOK AFTER PRAGUE RESIDENTS

THE NON-GOVERNMENTAL FAMILY TYPE OF MEDICAL FACILITY, THE HOSPITAL OF THE SISTERS OF MERCY OF ST. CHARLES BORRAMEO IN PRAGUE PROVIDES CARE MOSTLY TO THE RESIDENTS OF PRAGUE, REGARDLESS OF THEIR AGE AND RELIGION. THE FOUNDER IS THE CONGREGATION OF THE SISTERS OF MERCY OF ST. CHARLES BORRAMEO. CURRENTLY THE HOSPITAL HAS A DEPARTMENT OF INTERNAL MEDICINE, SURGERY, ANAESTHESIOLOGY-RESUSCITATION, REHABILITATION AND A DETOXIFICATION DEPARTMENT FOR ADOLESCENT PATIENTS. IT ALSO OFFERS NURSING BEDS FOR FOLLOW-UP CARE, A PALLIATIVE CARE DEPARTMENT AND OPERATES A DEPARTMENT OF RADIO-DIAGNOSTICS AND CLINICAL BIOCHEMISTRY, A PHARMACY AND PROVIDES THE SERVICES OF SOCIAL WORKERS AND SPIRITUAL CARE. PRAŽSKÁ ENERGETIKA, A.S. MADE A CONTRIBUTION TO THE HOSPITAL FOR PURCHASE OF A RESUSCITATION BED WITH ACCESSORIES FOR THE ANAESTHESIOLOGY-RESUSCITATION DEPARTMENT.



Dr. Gustav Berlinger, Head of Anaesthesiology-Resuscitation

“Our department already has several of these beds and we are highly satisfied with them. These are Eleganza beds manufactured by the company Linet and are equipped with anti-pressure ulcer mattresses. These very simple and pleasant to control beds are praised by both the nursing staff and the patients.”





CAPITAL INTERESTS

AS AT 31.12.2013

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 2013 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.

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 share 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 at 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 of the part of PRE 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 operational 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 control 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,
- execution of constructions, their alterations and demolitions¹.

¹ The line of business was extended at the General Meeting held on 9.9.

MAIN SELECTED COMPANY INDICATORS (MCZK):

	2013 ¹	2012 ¹	2011 ¹	2010 1	2009	2008	2007	2006
Total assets	28,170	27,437	27,505	27,148	26,624	26,314	24,864	24,494
Distribution equipment	23,185	23,083	22,862	22,465	21,989	21,721	20,880	20,643
Other fixed assets	2,469	2,198	2,108	2,079	2,136	1,997	2,322	2,315
Group cash pooling	0	0	0	0	0	0	339	317
Trade receivables	2,504	2,136	2,285	2,575	2,367	2,498	1,274	1,157
Other assets	12	20	249	29	132	98	49	62
Total liabilities	28,170	27,437	27,505	27,148	26,624	26,314	24,864	24,494
Equity	19,409	19,119	19,202	18,933	18,673	18,850	19,582	18,456
Deferred tax liability	2,949	2,947	2,947	2,953	2,958	2,968	2,995	3,806
Group cash pooling payables	747	735	752	254	192	874	0	0
Trade payables	578	289	522	235	124	133	156	160
Deferred revenues	1,800	1,800	1,861	1,863	1,810	1,743	1,675	1,599
Provisions	215	217	219	179	158	157	176	169
Loans	2,200	2,200	1,800	2,600	2,600	1,500	0	0
Other liabilities	271	131	202	131	109	89	280	304
Gross profit from distribution services sales	4,645	4,406	4,447	4,119	4,695	4,699	4,621	4,187
Profit from regular activity before tax	1,526	1,230	1,444	1,133	847	1,080	1,293	1,025
Profit from regular activity after tax	1,233	993	1,167	910	685	880	1,742	776
Extraordinary profit/loss	0	0	(34)	0	0	0	0	(28)
Profit after tax	1,233	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 accounting of PREdi is executed according to CAS.

DISTRIBUTION NETWORK

The parent company PRE was the regional operation of the distribution system on the defined territory of the Capital City of Prague and the town of Roztoky until 31.12.2005 in compliance 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 Energy Act) 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 flows. 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; in 2013 a total of 6.3 TWh was distributed through the networks 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 (AS AT 31.12. OF GIVEN YEAR)

Indicator	Unit	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Achieved maximum load	MW	1,156	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	206	202	202	206	206	196	196	196	196	194
Number of VHV/HV stations	pieces	22/24	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	3,872	3,865	3,863	3,829	3,780	3,701	3,670	3,584	3,556	3,581	3,632
Number of HV lines	pieces	4,834	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 ¹	pieces	3,261	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	7,834	7,850	7,836	7,750	7,693	7,645	7,678	7,557	7,477	7,420	7,354

¹ The increase of HV/LV distribution stations number (and 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].

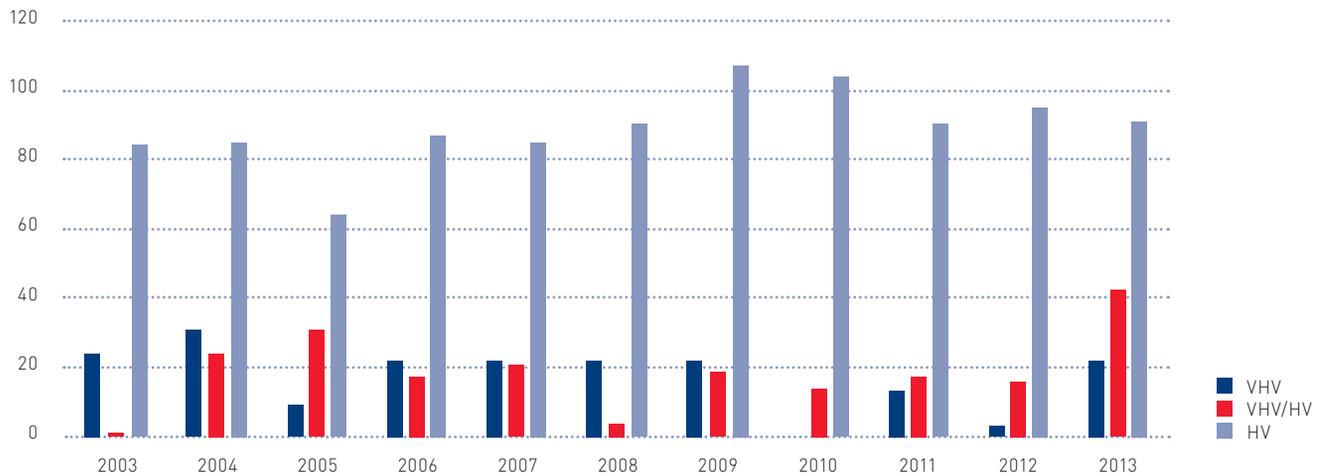
NUMBER OF ENQUIRIES ANSWERED BY THE DISTRIBUTION EMERGENCY LINE

Year	2013	2012	2011	2010	2009	2008	2007
Total	52,789	41,782	38,484	32,860	28,800	34,260	31,200
of which breakdowns	22,943	15,935	17,364	22,160	18,650	23,300	22,300

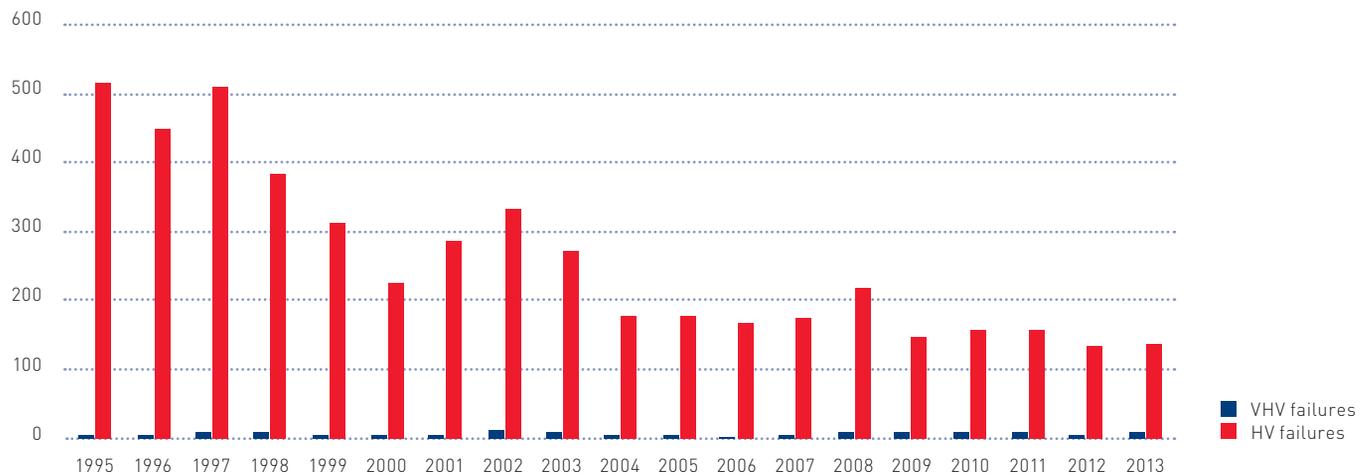
**NUMBER OF E-MAILS ANSWERED
BY THE DISTRIBUTION EMERGENCY LINE**

Year	2013	2012	2011	2010	2009	2008	2007
Total	4,916	2,860	1,156	1,577	1,230	679	100

**AVERAGE TIME OF ELECTRICITY SUPPLY DISCONNECTION
ON VHV, VHV/HV AND HV EQUIPMENT (min.)**



NUMBER OF VHV AND HV FAILURES



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 and its initial name was Cejchovna elektroměrů Praha, a.s. having registered capital in the amount of MCZK 35. Originally its main subject of business activities was 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 November 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.

Further to the decision to introduce annual readings, it was decided within the Group to consolidate all activities associated with LV electricity metering to PREměření, a.s. As of 1 January the organisational structure was adapted in line with requirements for ensuring the optimum function of processes associated with electric meters (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 January 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.

As mentioned below, the PREm activities diversified over the years in the main subject of business and also in related activities.

Primarily, PREm secured purchase of metering equipment, its testing and assembly for affiliated company PREdistribuce, a.s. and in a smaller extent sale of metering equipment and selected range of electrical appliances to external customers. Readings were carried out specifically within the Group, but also for external customers - Pražská plynárenská Distribuce, a.s. and Pražská teplárenská, a.s. Apart from these activities the Company was also involved in electricity supply being cut off to debtors and debt collection.

In the scope of its business activities the Company sold services related to work at the consumption point, inspection of LV lines and transformer stations, thermovision services, construction and servicing the photovoltaic power stations etc. Generation of electric power in own photovoltaic power stations has also been an important development activity of the Company.

CAPITAL INTERESTS AS AT 31.12.2013

In the course of the year the Company operated a total of 10 photovoltaic power stations which generated more than 5,824 GWh of power.

FVE (Photovoltaic power station)	Capacity [kWp]	Commissioned
Jinonice	173	05/2010
Lhotka	60	09/2010
Hrouda	28	12/2010
Pražačka T002	90	12/2010
Pražačka T003	18	12/2010
Pražačka T004	30	12/2010
Sever	204	12/2010
Kondrac	1,109	11/2011 ¹
Hořovice	1,087	12/2011 ¹
Pozorka	3,998	02/2013 ¹
TOTAL	6,797	

¹ PREm is a licence holder for generation of electricity from power station as of this date.

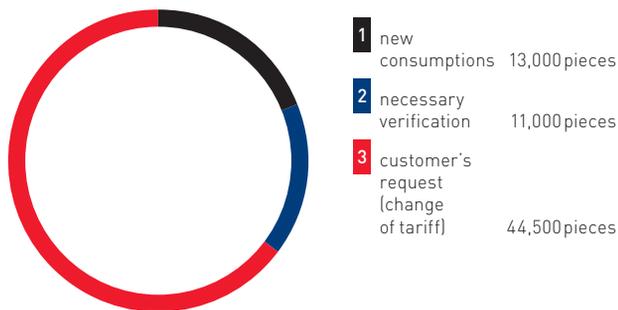
MAIN DATA ABOUT THE COMPANY (TCZK):

	2013	2012	2011	2010	2009	2008	2007 ¹	2006	2005	2004	2003
Assets	1,222,032	278,154	316,616	128,404	120,889	122,581	103,172	69,147	74,001	90,394	81,611
Liabilities	1,222,032	278,154	316,616	128,404	120,889	122,581	103,172	69,147	74,001	90,394	81,611
Equity	291,594	90,052	59,698	56,408	67,940	72,032	51,310	48,939	56,961	66,792	59,725
External sources	929,843	188,038	256,895	71,996	52,949	50,549	51,862	20,208	17,040	23,602	21,886
Revenues	447,464	398,771	329,118	316,573	339,674	347,438	278,741	227,878	247,243	392,558	364,816
Costs	413,522	366,017	311,428	302,205	313,771	315,313	267,926	220,938	246,525	380,830	358,596
Profit after tax	33,942	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	881,307	8,712	195,708	46,942	1,899	0	7,364	3,344	2,500	3,700	3,525

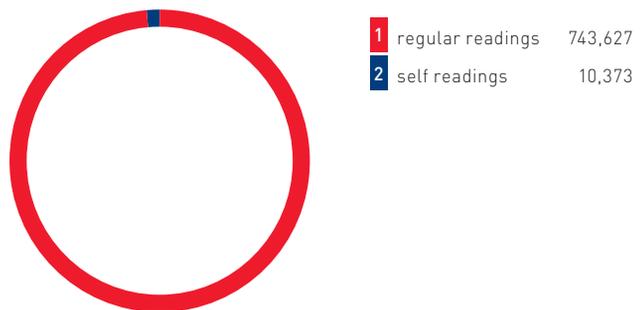
¹ The balance of the deferred tax since 2008 is being shown in the net value. In 2007 the deferred tax receivable was not balanced with the deferred tax obligation.

The PREm accounting is kept in accordance with CAS.

NUMBER OF METER INSTALLATIONS CARRIED OUT IN 2013



SUCCESS RATE OF METER READINGS IN 2013



eYello CZ, a.s. (FROM 19.10.2012)
PREleas, a.s. (UNTIL 19.10.2012)

Registered office: Prague 10, Kubánské náměstí 1391/11, ID No.: 25054040

eYello CZ, a.s. (former PREleas, a.s.) was established in 1996, its registered capital was MCZK 10. The company secures trading in electricity and gas sales and also leasing and renting of technology and technological units. Using the trade name "YELLO ENERGY" it supplies electricity and gas to whole Czech Republic. Its leasing activities are directed only to members of the PRE Group.

eYello CZ, a.s. differs from other suppliers on the market by simplicity of offered products, flexible communication without Customer Centres, flexible feedback, all this at reasonable price corresponding to provided services. Thus it extends the successful PRE offer which is above all targeted to Prague customers. The product "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.

The eYello CZ, a.s. accounting is kept in accordance with CAS.

MAIN DATA ABOUT THE COMPANY (TCZK):**eYello CZ, a.s.**

	2013
Assets	26,500
Liabilities	26,500
Equity	15,000
External sources ¹	11,497
Revenues	32,455
Costs	38,867
Profit after tax	(6,412)
Data on major investments made in current accounting period	0

PREleas, a.s.

	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 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.**MEMBERSHIP IN NATIONAL/MULTINATIONAL ORGANISATIONS/ASSOCIATIONS**

Companies of 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 Association of Energy Sector Employers (Český svaz zaměstnavatelů v energetice), Association of Electronic Commerce (Asociace pro elektronickou komerci), Club of Friends of the National Technical Museum (Klub přátel Národního technického muzea v Praze) and Eco-carsharing Centre.



AID TO CHILDREN AT RISK

THE OUR CHILD FOUNDATION HAS BEEN PROVIDING AID TO CHILDREN IN DIFFICULT LIFE SITUATIONS FOR MORE THAN 20 YEARS NOW. IT PROVIDES DIRECT FINANCIAL SUPPORT, FREE LEGAL ADVICE AND EDUCATION. IT ATTEMPTS TO IMPLEMENT CHANGES NECESSARY FOR THE MORE EFFECTIVE PROTECTION OF CHILDREN AT RISK. THE STAFF OF THE FOUNDATION DEALS WITH INDIVIDUAL APPLICATIONS FOR AID TO HANDICAPPED, ABUSED, EXPLOITED AND ABANDONED CHILDREN FROM SOCIALLY LESS PRIVILEGED FAMILIES. IN THE 20 YEARS OF ITS EXISTENCE THE OUR CHILD FOUNDATION HAS DISTRIBUTED OVER CZK 250 MILLION TO BENEFIT THOSE IN NEED. THE OUR CHILD FOUNDATION ESTABLISHED A NATIONAL SAFETY HELPLINE IN 1994. THE FOUNDATION DIRECTOR STOOD 10 YEARS AT THE HEAD OF THE BOARD OF DIRECTORS OF THE SAFETY HELPLINE WHICH CHILDREN WHO FEEL AT WHICHEVER RISK CAN CALL.



**Zuzana Baudyšová,
the founder of the Our Child Foundation
and Safety Helpline**

“We appreciate the long-term financial aid of Pražská energetika, a.s. Financial aid to children at risk is becoming constantly more urgent, there are more and more applications for aid and obtaining funds ever more difficult Thank you for the trust and cooperation.”



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 significant 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.	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Pražská energetika Holding a.s.	58.05	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	41.40	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	0.18	0.18	0.18	0.16	0.17	0.17	0.17	0.17
Natural persons	0.55	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.	50.78	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	0.17	0.18	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	-
Employee shares	-	-	-	-	-	0.40	0.40	-	-

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

INFORMATION ON GENERAL MEETINGS HELD IN 2013

DURING THE YEAR ONE ORDINARY GENERAL MEETING WAS CONVENED AND IT WAS HELD ON 27 JUNE 2013.

The General meeting discussed:

- the Report of the Supervisory Board together with the statement on the Report on Relations between interconnected 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 2012 in the wording presented by the Company's Board of Directors,
- the consolidated financial statements for 2012 in the wording presented by the Company's Board of Directors,
- the regular (separate) financial statements for 2012 in the wording presented by the Company's Board of Directors,
- the proposal of distribution of profit for 2012 including fixing the level and method of paying out dividends and director's fees for 2012,
- contracts on position performance of Supervisory Board new members,
- the presented remuneration of members of the Board of Directors and Supervisory Board,
- the proposed amount of gifts for 2014.

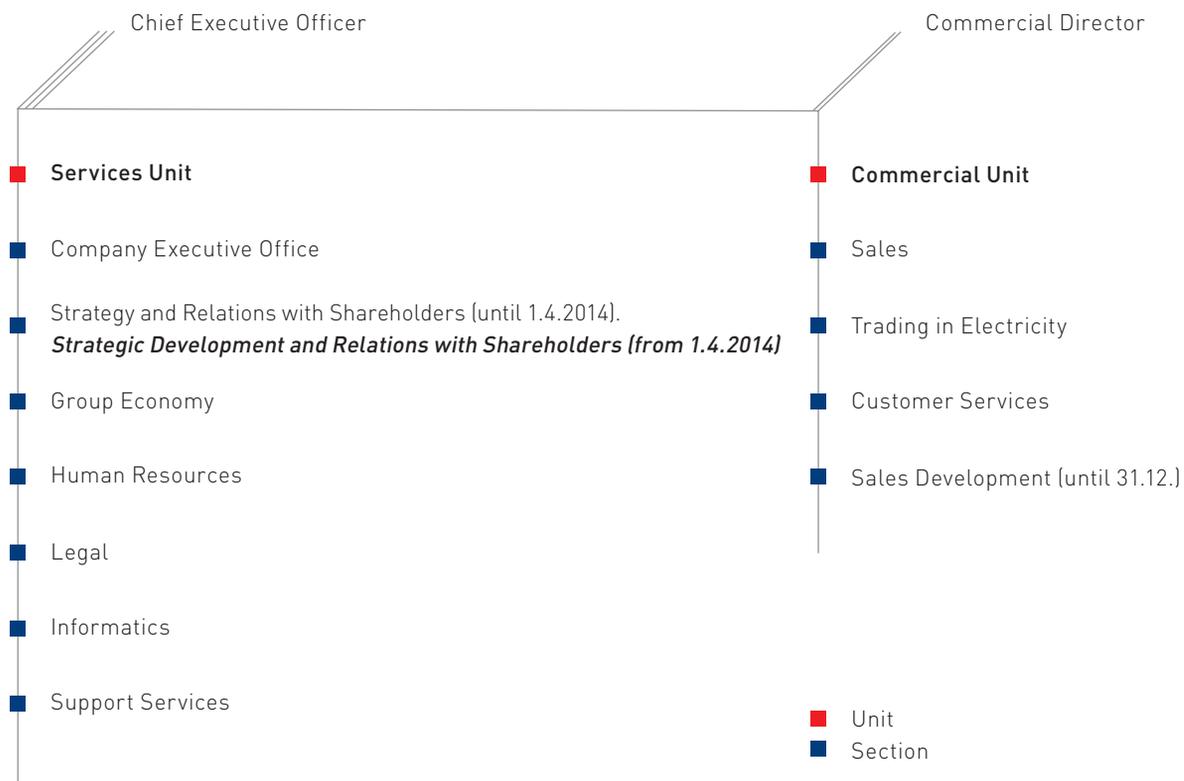
The General Meeting elected new members of the Supervisory Board:

- Hermann Lüschen
- Dirk Mausbeck
- Franz Retzer
- Jiří Baldík.

An ordinary General Meeting was held on 27 March 2014 which was convened above all due to a change in legislation as a result of the coming into effect of Act No. 89/2012 Coll., the Civil Code and Act No. 90/2012 Coll., on Business Companies and Cooperatives (the presented draft amendment of the Articles of Association was approved).

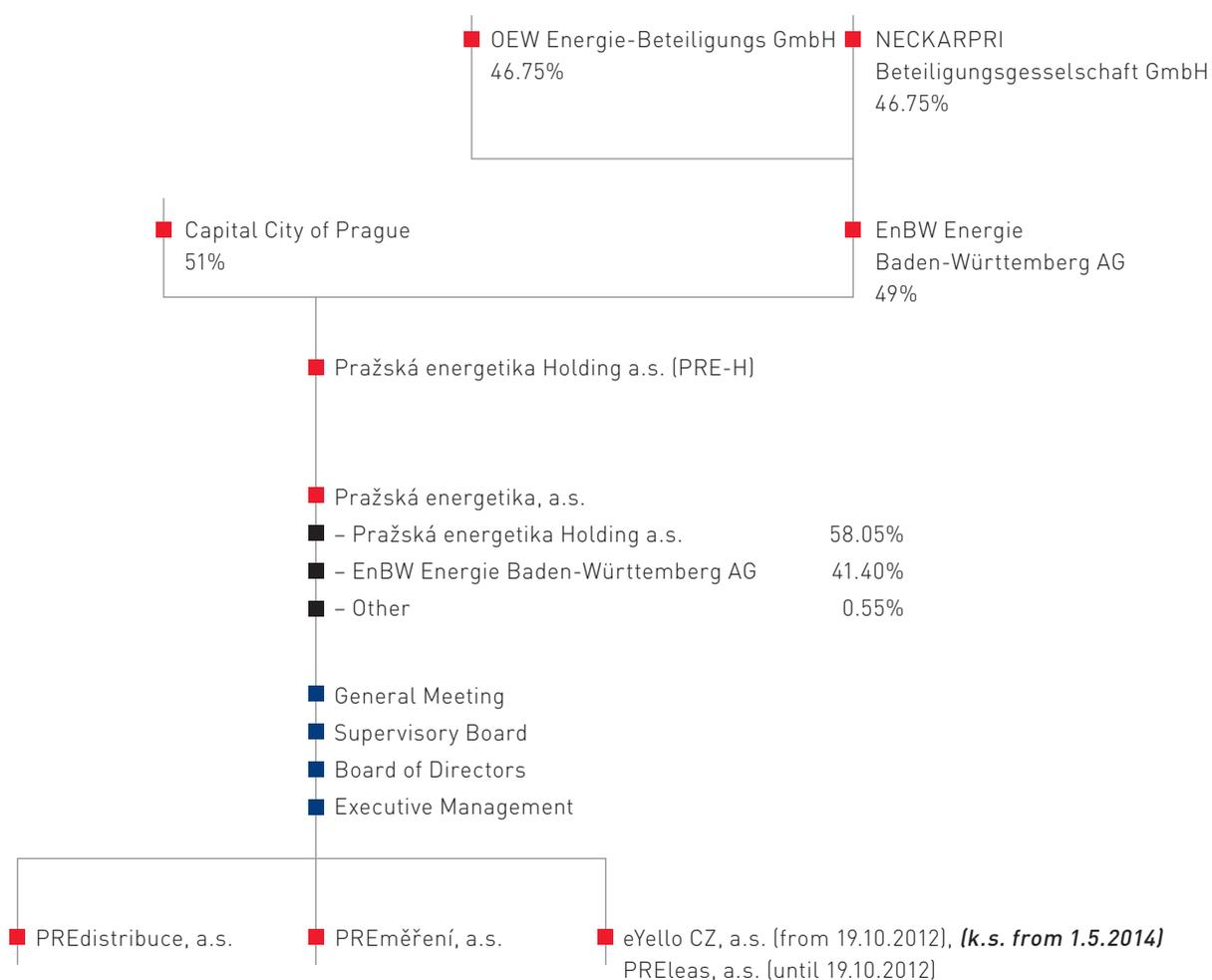
PRE TOP MANAGEMENT ORGANISATIONAL STRUCTURE

AS AT 31.12.2013



THE PRE GROUP MANAGEMENT CHART

(OVERVIEW OF CONTROLLING AND CONTROLLED PERSONS)



LINE OF BUSINESS

The line of business of the parent company, which was valid until the General Meeting held on 27 March 2014, consists of the following activities and fields 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, reg. No. 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 transport:
 - nationally operated by vehicles with the greatest permitted weight below 3.5 tons inclusive,
 - nationally operated by vehicles with the greatest permitted weight above 3.5 tons,
 - internationally operated by vehicles with the greatest permitted weight below 3.5 tons inclusive,
 - national casual personal transport,
 - international casual passenger,
- technical and organizational activity in the area of fire protection,
- provision of services in the area of safety and protection of health at work,
- accounting consultants activity, 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 technology, data processing, hosting and related activities and 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 activity, execution of specialised studies and expert opinions,
- waste handling (except of dangerous),
- publishing activities, polytrophic production, bookbinding and copying services,

THE ORDINARY GENERAL MEETING HELD ON 27 MARCH 2014 APPROVED THE BELOW STATED AMENDMENTS TO THE ARTICLES OF ASSOCIATION:

The point regarding road motor transport was newly worded:

- *freight operated by vehicles or trailers of the greatest permitted weight below 3.5 tons if designed to transport animals or items,*
- *freight operated by vehicles or trailers of the biggest permitted weight above 3.5 tons if designed to transport animals or items,*
- *passenger operated by vehicles designed to transport no more than 9 people including the driver,*

A new point was added:

- *assembly, repairs, revisions and testing of electrical equipment.*

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REPORT ON RELATIONS BETWEEN INTERCONNECTED 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 Interconnected Persons.)

A. Information on Relation

Controlling Person: Pražská energetika Holding a.s., ID No.: 26428059, Registered office Prague 10, Na Hroudě 1492/4 (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 capital:	CZK 3,598,627,000
Equity:	CZK 6,096,980,000
Average number of employees:	-
Economic result after tax:	CZK 988,540,000
Line of business:	- administration of interests held in legal entities - activity of economic and organizational consultants

Information on main sphere of activity:

Data on revenues in the last accounting period:	CZK 992,754,000
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 periods:	- no proceedings have been held
Numeric data on the main investments made in the current accounting period:	-
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. 27) and to the separate in point no. 28. Related Party Transactions (Total Summary of Receivables and Payables to Related Parties).	

All presented business contracts were concluded under usual business practices with no advantage to one or the other contractual party. 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:	708,108,042,24 €
Average number of employees:	19,839
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. 27) and to the separate in point No. 28. 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., and eYello CZ, a.s.)

“PRE as the Controlling Person and its subsidiaries as the Controlled Persons (PREdistribuce, a.s., ID No.: 27376516, PREměření, a.s., ID No.: 25677063 and eYello CZ, a.s., ID No.: 25054040) published on their websites, in compliance with §79 (3) of the Act No. 90/2012 Coll., on Business Corporations, the existence of the concern”.

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
- Amendment No. 9 – in force as of 19.12.2012

“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
- “Contract No. ZBA/2005/36 on Provision of Factual Unidirectional Cash Pooling** – in force as of 1.12.2005 for indefinite period
- “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. N021106/015** – 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
Amendment No. 4 – in force as of 1.7.2013
- “Lease Contract – Plastic Advertisement Billboards” No. N021106/001** – 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
Amendment No. 4 – in force as of 21.11.2013

- “**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
- “**Lease Contract**” No. NO21109/001 – in force from 1.3.2009 to 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
- “**Agreement on a Future Contract on Establishment of Easement**” No. VB/S24/1320548 – in force as of 8.3.2013
- “**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
- “**Contract on Establishment of Easement**” No. VV/G33/09086/1321312 – in force as of 13.5.2013 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
- “**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
- “**Lease Contract**” No. NVS24/1321673 – in force from 1.5.2013 to 30.11.2013
- “**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
Amendment No. 2 – in force as of 29.11.2012
- “**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
- “**General Contract on Provision of Service GPRS Module Installation**” No. PS20000013/033 in force as of 25.10.2013 for indefinite period

II. Contractual Relations with other Persons controlled by the same controlling Person

All below stated Contracts are Contracts concluded with other controlled 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
Amendment No. 7 – in force as of 1.1.2013
Amendment No. 8 – in force as of 1.6.2013

- “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. N021110/004, 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. N021110/005, C00439/10** – in force from 1.10.2010 to 31.12.2035
- Amendment No. 1 – in force as of 9.12.2010
- “Contract on Delivery of Metering Equipment” No. KV/S21/1322449, 6143** – in force as of 10.1.2013 to 31.12.2013
- “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 Cooperation to perform work on unmetered parts of electricity consumption equipment” No. 20200011/003, 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. S20200012/003, 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. S20200012/002, 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. S20200012/005, 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. 20200012/004, C00620/13** – in force from 1.2.2011 to 28.2.2013
- “Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment” No. 20200013/002, C00632/13** – in force from 1.3.2013 to 3.12.2015
- “Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment” No. 20200013/003, C00628/13** – in force from 1.3.2013 to 16.4.2014
- “Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment” No. 20200013/004, C00623/13** – in force from 18.2.2013 to 28.2.2016
- “Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment” No. 20200013/005, C00629/13** – in force from 1.3.2013 to 28.2.2016
- “Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment” No. 20200013/006, C00630/13** – in force from 1.3.2013 to 28.2.2016
- “Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment” No. S20200013/007, C00631/13** – in force from 1.3.2013 to 28.2.2016
- “Contract on Personal Data Processing” No. PS20000013/038, C00627/13** – in force as of 1.3.2013 until the effective date of Contracts on Cooperation
- eYello, a.s.**
- Leasing Contracts No. 0300005 to 0300014** – in force as of 1.2.2003
- Leasing Contract 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 aforementioned 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 interconnected person and the controlled interconnected 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. The aforementioned business contracts were concluded under the usual business practices, with no advantage to one or the other contractual party.

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 of 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 1.8.2012

Amendment No. 2 (C00633/13) – in force as of 1.2.2013

“**Contract on Lease of Non-residential Premises**” [PG 3530/05/2013/04 [C621/13] – in force as of 1.1.2008 for indefinite period

“**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

Amendment No. 7 (C00606/12) – in force as of 1.1.2013

“Contract 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 the 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” (C00504/11), (FVE Pražáčka 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 Pražáčka T04)
– in force as of 14.6.2011 for indefinite period

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

“Contract on Combined Services related to the Electricity Supply – 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 Supply – 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 Supply – 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. 011 for indefinite period

“General contract for Work” (C00522/11), (measuring 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
Amendment No. 1 (C00604/12) – in force as of 1.1.2013

“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
Amendment No. 2 (C00704/13) – in force as of 31.5.2013

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

“Contract on Electricity Supply from supported Sources” (C00605/12) – in force from 24.10.2012 to 29.4.2013

“Contract on Mid-term Loan No. 1/2013” (C00654/13) – in force from 26.4.2013 to 29.4.2016

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 Pražáčka) 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

- “Contract 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
Amendment No. 7 (C00607/12) – in force as of 1.1.2013
Amendment No. 8 (C00706/13) – in force as of 1.6.2013
- “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 Pražáčka 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 Pražáčka 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 Pražáčka 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 Hroudá) – 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”** (C00613/13) – in force from 7.1.2013 to 31.12.2013

- “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
- “Contract on Cooperation for performing Work on unmetered Parts of Consumption Electric Equipment”** (C00623/13) – Mr. Staš
– in force from 18.2.2013 to 28.2.2016
- “Contract on Personal data Processing”** (C00627/13) – in force as of 1.3.2013 until the effective date of Contracts on Cooperation
- “Contract for performing Work on unmetered Parts of Consumption Electric Equipment”** (C00628/13) – Mr. Smetana – in force from 1.3.2013 to 16.4.2014
- “Contract for performing Work on unmetered Parts of Consumption Electric Equipment”** (PS2020001/005), (C00629/13) – Mr. Truxa
– in force from 1.3.2013 to 28.2.2016
- “Contract for performing Work on unmetered Parts of Consumption Electric Equipment”** (PS2020013/006), (C00630/13) – Mr. Záruba
– in force from 1.3.2013 to 28.2.2016
- “Contract for performing Work on unmetered Parts of Consumption Electric Equipment”** (PS2020013/007), (C00631/13) – Mr. Zindulka
– in force from 1.3.2013 to 28.2.2016
- “Contract for performing Work on unmetered Parts of Consumption Electric Equipment”** (PS2020013/002), (C00632/13) – Mr. Lebeda
– in force from 1.3.2013 to 3.12.2015

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 interconnected person and the controlled interconnected 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 2013 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.

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

I. Purchase type Transactions:

- “Leasing Contracts No. 5 to 14/2003”** lease of long-term tangible assets, in force as of 1.2.2003
- “Leasing Contract No. 6/2004”** lease of long-term tangible assets, in force as of 1.2.2004
- “Leasing Contracts No. 1 to 3/2005”** lease of long-term tangible assets, in force as of 1.2.2005

II. List of Obligations recorded in relation to interconnected persons

- “Contract on the Provision of Leasing Services No. 1/2000”**, in force as of 15.3.2000.

III. Further contractual relations between interconnected persons (services offered by PRE)

“**Contract No. ZBA/2005/36**” on Provision of Factual Unidirectional Cash Pooling, in force as of 1.12.2005,

“**Contract on Loan” No. 1/2012**”, in force from 15.2.2012 to 15.2.2013

“**Contract on Loan” No. 1/2012**”, in force as of 19.12.2012

“**Sub-licence Contract**”, in force as of 19.12.2012

“**Contract on Sub-lease**”, in force from 1.6.2013 to 31.3.2021

“**Contract on Electricity Supply**”, in force as of 1.2.2013

“**Contract on Gas Supply**”, in force as of 1.7.2013.

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 2013 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.

INFORMATION REQUIRED IN ACCORDANCE WITH LEGAL REGULATIONS

Information about facts which occurred after the balance sheet day

The data are continuously stated 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 stated in the chapter "Estimated Economic Results 2014–2015".

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 stated in chapters "Ecology, Environmental Protection, Safety and Protection of Health at Work" and "Human Resources".

Information about objectives and risk management methods in the Company

The data are stated in the chapter "PRE Group Risk Management System".

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

The data are stated in the chapter "Financial Report" and in the financial statements.

Information about interruption of business

The company did not interrupt its business during the year.

SUPERVISORY BOARD REPORT

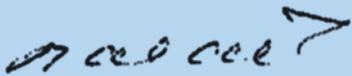
In 2013 the PRE Supervisory Board held five meetings altogether once it took decisions in the form of per rollam. The meetings were focused on fundamental materials concerning strategic decisions.

The Supervisory Board among others:

- discussed the preparation of the General Meeting held in 2013,
- discussed and reviewed the proposal of profit division for the year 2012 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 2012,
- discussed and approved the assessment of the top management objectives for 2012,
- approved the economic plan for 2014,
- 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 2013 were very good and expresses its thanks to the Board of Directors and employees.

In Prague, 19 May 2014



Jiří Baldík
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 2014 on the financial statements which are included in this annual report on pages from 127 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 2013, 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 2013, 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 2014 on the consolidated financial statements which are included in this annual report on pages from 90 to 124:

"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 2013, 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 2013, 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 2013 which is included in this annual report on pages 73 to 82. 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 2013 contains material factual misstatements.

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

The related party transactions report was prepared in accordance with Section 66a of Act No. 513/1991 Coll., the Commercial Code.

Report on the Annual Report

We have also audited the annual report of the Company as of 31 December 2013 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 30 May 2014

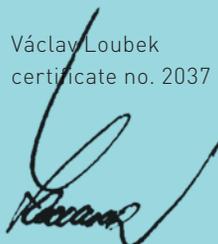
Audit firm:

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



Statutory auditor:

Václav Loubek
certificate no. 2037



CONSOLIDATED FINANCIAL STATEMENTS

RETROSPECTIVE SUMMARY (2003–2011)

Consolidated Income Statement (TCZK)

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues from electricity sold	20,463,031	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	(14,204,413)	(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	6,258,618	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	320,131	304,228	394,364	182,787	195,154	210,258	126,516	179,118	317,315
Personnel expenses	(1,129,933)	(1,048,783)	(996,497)	(960,525)	(979,253)	(904,787)	(799,161)	(749,662)	(711,217)
Depreciation	(904,296)	(861,721)	(810,676)	(739,669)	(739,803)	(688,289)	(833,994)	(877,104)	(610,862)
Costs of services, material and energy	(1,094,887)	(990,721)	(925,999)	(994,289)	(899,904)	(861,115)	(830,360)	(835,239)	(1,023,132)
Borrowing costs	(84,653)	(89,765)	(98,485)	(27,341)	(14,558)	(16,539)	(21,780)	(15,351)	
Other gains and losses	213,040	(105,669)	(82,918)	66,585	(8,554)	561	(34,995)	(186,518)	(347,542)
Profit from ordinary activity before tax	3,578,020	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	(696,647)	(544,975)	(538,645)	(559,233)	(521,108)	(642,398)	(388,755)	(259,904)	(264,393)
Profit from ordinary activity after tax	2,881,373	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	2,881,373	2,245,663	2,143,681	2,170,498	2,456,913	1,693,266	1,197,730	1,027,403	978,618
Earnings per ordinary share [CZK]	745	580	554	561	635	438	304	254	242

Consolidated Balance Sheet – Consolidated Statement of Financial Position (TCZK)

	2011	2010	2009	2008	2007	2006	2005	2004	2003
ASSETS									
Property, plant and equipment	16,928,531	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 assets	233,327	215,742	210,827	186,073	169,645	142,310	163,949	177,710	155,707
Trade receivables and other receivables	28,213	21,335	22,850	46,540	128,211	29,852	30,300	32,586	57,616
Non-current assets	17,190,071	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	27,978	41,002	41,927	53,130	42,866	31,186	34,099	49,767	40,834
Tax receivables	193,984	13,445	152,190	79,363	5,483	23,038	75,337	53,703	41,733
Trade receivables and other receivables	2,227,302	1,705,385	2,767,762	3,766,368	2,112,139	1,091,999	721,767	749,074	973,416
Cash and cash equivalents	379,519	592,853	1,545,586	461,910	66,443	276,986	40,241	50,831	129,948
Current assets	2,828,783	2,352,685	4,507,465	4,360,771	2,226,931	1,423,209	871,444	903,375	1,185,931
Total assets	20,018,854	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	3,869,443
Funds from profit	1,354,259	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	7,309,034	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	12,532,736	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	73,479	1,210,670	2,515,733	1,305,060	0	84,238	125,000	149,000	163,000
Trade payables and other payables	250,405	311,738	189,816	185,938	326,643	162,277	197,986	39,075	13,921
Provisions	73,723	345,073	333,988	331,855	325,760	321,705	364,808	578,604	423,512
Deferred tax liability	1,479,599	1,291,241	1,194,322	1,161,768	937,095	1,114,862	964,937	820,664	675,573
Long-term liabilities	1,877,206	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	2,376,876	1,302,071	974,169	655,132	221,224	197,905	416,000	457,000	28,000
Tax payables	149,773	79,962	101,725	116,305	331,959	153,343	14,383	12,278	35,991
Trade payables and other payables	2,973,433	2,325,889	2,711,748	2,729,229	1,461,534	1,014,348	705,533	863,311	1,453,780
Provisions	108,830	8,697	4,850	3,323	62,552	47,165	91,876	10,453	5,394
Short-term liabilities	5,608,912	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	20,018,854	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 31.12.2013

Consolidated Income Statement (CZK thousand)

	Note	2013	2012
Revenues from electricity produced		56,458	27,842
Revenues from electricity and gas sold		21,376,680	20,529,623
Costs of electricity and gas sold		(15,079,414)	(14,502,382)
Gross profit from the sale of electricity and gas	(4)	6,353,724	6,055,083
Other operating income	(4)	391,218	376,489
Personnel expenses	(5)	(1,133,531)	(1,089,068)
Amortisation and depreciation	(12, 13)	(1,021,129)	(989,169)
Costs of purchased services, material and energy	(6)	(1,098,524)	(1,138,561)
Borrowing costs	(7)	(33,166)	(98,923)
Other gains and losses	(8)	(92,432)	(80,401)
Profit from ordinary activity before tax		3,366,160	3,035,450
Income tax	(9)	(652,817)	(592,046)
Profit from ordinary activity after tax		2,713,343	2,443,404
Earnings per share attributable to ordinary shares (CZK)	(11)	701	631

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

	Note	2013	2012
Assets			
Property, plant and equipment	(12)	19,656,265	17,750,482
Intangible assets	(13)	168,917	207,277
Trade receivables and other receivables	(15)	32,564	23,920
Non-current assets		19,857,746	17,981,679
Inventories	(16)	49,979	38,806
Tax receivables		135,787	133,865
Trade receivables and other receivables	(15)	2,473,074	1,794,580
Cash and cash equivalents	(17)	265,546	127,172
Current assets		2,924,386	2,094,423
Total assets		22,782,132	20,076,102
Liabilities			
Share capital	(22)	3,869,443	3,869,443
Funds from profit	(23)	1,278,542	1,190,078
Retained earnings		8,664,289	7,700,750
Shareholder's equity attributable to the parent company's shareholders		13,812,274	12,760,271
Loans	(18)	2,836,740	2,569,094
Trade payables and other payables	(19)	299,237	279,613
Provisions	(21)	64,800	69,115
Deferred tax liability	(9)	1,687,057	1,551,267
Long-term payables		4,887,834	4,469,089
Loans	(18)	878,139	279,565
Tax payables		141,942	29,193
Trade payables and other payables	(19)	2,969,207	2,454,602
Provisions	(21)	92,736	83,382
Short-term payables		4,082,024	2,846,742
Total liabilities		22,782,132	20,076,102

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 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
Dividends and director's fees paid	--	--	(1,749,804)	(1,749,804)
Other comprehensive income	--	88,464	--	88,464
Net profit for 2013	--	--	2,713,343	2,713,343
Balance at 31 Dec 2013	3,869,443	1,278,542	8,664,289	13,812,274

Consolidated Statement of Comprehensive Income (CZK thousand)

	2013	2012
Profit from ordinary activity after tax	2,713,343	2,443,404
Revaluation of other financial assets	--	3 670
Cash flow hedging	88,464	(167,851)
Total other comprehensive income after tax	88,464	(164,181)
Comprehensive income attributable to shareholders of the parent company	2,801,807	2,279,223

Consolidated Cash Flow Statement (CZK thousand)

	Note	2013	2012
Opening balance of cash and cash equivalents		127,172	379,517
Operating activity			
Income from the sale of electricity and gas		20,603,223	19,657,002
Expenses related to purchases of electricity and gas		(14,385,620)	(13,973,380)
Net income from the sale of electricity and gas		6,217,603	5,683,622
Other operating income	(4,8)	406,523	343,342
Operating expenses	(6,8)	(1,142,430)	(1,162,786)
Short-term changes in working capital		27,900	157,445
Personnel expenses	(5)	(1,100,711)	(1,060,209)
Direct tax	(9)	(508,827)	(627,464)
Financial income and expenses	(7)	(51,550)	(75,228)
Net cash flow from operating activity		3,848,508	3,258,722
Investment activity			
Income from the sale of fixed assets	(8)	12,992	61,134
Expenses related to the acquisition of fixed assets	(12,13)	(2,850,321)	(1,996,392)
Net cash flow from investment activity		(2,837,329)	(1,935,258)
Financial activity			
External loans repaid	(18)	(200,008)	(2,345,624)
Dividends and director's fees paid	(10)	(1,750,132)	(2,049,271)
External loans received	(18)	1,070,336	2,771,629
Other financial operations		6,999	47,457
Net cash flow from financial activity		(872,805)	(1,575,809)
Change in cash and cash equivalents		138,374	(252,345)
Closing balance of cash and cash equivalents	(17)	265,546	127,172

Notes to the Financial Statements for year ended 31.12.2013

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(1) General Information

Pražská energetika, a.s. (hereinafter "PRE" or the "Company") was established as a joint-stock company in the Czech Republic and was entered in the 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: 60 19 39 13.

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 Rožtoky u Prahy, covering an area of approximately 505 km². These activities generate a major part of the Group's income. The Group also strengthens its activities related to solar energy generation.

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

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

PRE's principal shareholders	2013	2012
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 percent of Pražská energetika Holding 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 standards, interpretations and amendments to the current standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union are effective for the current period:

- **IFRS 13 "Fair Value Measurement"** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **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 the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"** – government loans, adopted by the EU on 4 March 2013 (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 July 2012 (effective for annual periods beginning on or after 1 January 2013); and Amendments to various standards
- **“Improvements to IFRSs (2009-2011 cycle)”** resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013).

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);
- **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 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities”** – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 (revised in 2011) “Separate Financial Statements”** – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014);
- **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);
- **Amendments to IAS 36 “Impairment of Assets”** – Recoverable Amounts Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014); and
- **Amendments to IAS 39: “Financial Instruments: Recognition and Measurement”** – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (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”** and subsequent amendments (the date of effectiveness has not yet been defined);
- **Amendments to IAS 19 “Employee Benefits”** – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to various standards “Improvements to IFRSs (2010–2012 Cycle)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014);
- **Amendments to various standards “Improvements to IFRSs (2011–2013 Cycle)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014); and
- **IFRIC 21 “Levies”** (interpretation effective for annual periods beginning on or after 1 January 2014).

(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

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 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 and other construction	7, 15, 50, 70
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	4-21
Machinery and special technology equipment, communication cables	4, 5, 10
Vehicles	4, 8, 10
Electricity meters	10, 12 and 16
Furniture and fixtures	4, 6, 8
Hardware	3, 4
Photovoltaic power stations – construction part *)	20
Photovoltaic power stations – technology *)	5, 10, 20

*) The depreciation period is calculated from bringing the 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:

- technical feasibility of completing the intangible asset is such that it will be available for use or sale;
- there is an intention to complete the intangible asset and use or sell it;
- accounting unit is able to use or sell the intangible asset;
- it can be proven how the intangible asset will generate probable future economic benefits;
- there are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset;
- accounting unit is capable of reliable assessment of expenditure attributable to the intangible asset during its development.

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.

Commodity derivatives for the purchase and sale of electricity are predominantly settled by physical supplies of electricity intended for consumption or sale within the Group's common activities. Such contracts therefore do not fall within the scope of IAS 39. The Group also enters into commodity derivatives within its trading portfolio.

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 prepares its cash flow statement using the direct method. The statement prepared using the direct method provides more information for the operational management of the Company.

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 Group 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 Group'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	2013	2012
Income from electricity produced	76,146	37,350
Payment for solar energy	(19,688)	(9,508)
Total income from electricity production	56,458	27,842
Sale of electricity B2B (including B2B LV/NN)	5,485,346	6,141,332
Sale of distribution and system services B2B	5,482,145	4,680,784
Sale of electricity B2C	3,365,346	3,579,523
Sale of distribution and system services B2C (including B2B LV/NN)	6,774,808	5,896,227
Sale of gas including distribution services	64,165	33,294
Other income *)	192,725	178,637
Gross profit from trading	12,145	19,826
Total income	21,376,680	20,529,623
Purchases of sold electricity	(7,932,096)	(8,856,046)
Purchases of distribution and system services	(7,082,892)	(5,613,026)
Purchases of gas	(64,426)	(33,310)
Total costs	(15,079,414)	(14,502,382)
Gross profit from the sale and production of electricity	6,353,724	6,055,083

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

Other operating income	2013	2012
Income from provided services *)	162,489	157,174
Received investment contributions	188,156	183,975
Compensation for unauthorised consumption	24,887	27,329
Other	15,686	8,011
Total	391,218	376,489

*) The income includes revenues from the lease of land, real estate and other operating equipment, freight transport, IT support, reading of heat and gas meters and electrical assembly work.

(5) Personnel Expenses (CZK thousand)

	2013	2012
	Staff including management	Staff including management
Average headcount	1,394	1,375
Payroll costs	693,920	662,024
Salaries paid depending on the fulfilment of the plan	63,547	71,060
Insurance	269,838	257,351
Remuneration to the members of the Group's statutory bodies	12,624	12,920
Other social costs *)	93,602	85,713
Total	1,133,531	1,089,068

*) 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.

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

	2013	2012
Material and own consumed energy	130,090	110,494
Repairs of tangible fixed assets	286,492	342,273
Consulting services	46,531	38,342
Rental charges	179,301	183,922
Postage and telecommunication fees	48,270	46,878
IT support	109,394	138,642
Marketing	95,032	86,207
Training and conferences	7,249	7,214
Other *)	196,165	184,589
Total	1,098,524	1,138,561

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

(7) Borrowing Costs (CZK thousand)

	2013	2012
Interest on loan	28,616	94,467
Interest expense on employee benefits	3,412	3,116
Interest on leases	1,138	1,340
Total	33,166	98,923

(8) Other Gains and Losses (CZK thousand)

	2013	2012
Write-offs of doubtful debt and creation of allowances	(44,360)	(59,360)
Taxes and charges	(10,616)	(19,739)
Insurance premium	(6,450)	(5,971)
Foreign exchange rate gains (losses)	(21,374)	11,759
Other	(9,632)	(7,090)
Total	(92,432)	(80,401)

(9) 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 rates anticipated in future periods, i.e. 19 percent.

	2013	2012
Current tax payable	537,779	481,005
Deferred tax	115,038	111,041
Total income tax	652,817	592,046

Effective tax rate	2013		2012	
Profit before tax	3,366,160		3,035,450	
Income tax using the effective income tax rate	639,570	19.00%	576,736	19.00%
Impact of items that are never tax-deductible	13,247	0.39%	15,310	0.50%
Total income tax/effective tax rate	652,817	19.39%	592,046	19.50%

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

	2013	Recorded in profit or loss	Recorded in equity	2012	Recorded in profit or loss	Recorded in equity	2011
Fixed assets	1,744,717	125,392	--	1,619,325	111,608	--	1,507,717
Provisions and allowances against receivables	(36,155)	(8,369)	--	(27,786)	6,368	--	(34,154)
Inventories	(481)	14	--	(495)	(25)	--	(470)
Obligation under the Collective Agreement	(51,143)	(1,998)	--	(49,145)	(6,911)	--	(42,234)
Cash flow hedge	30,119	--	20,751	9,368	--	(39,372)	48,740
Total deferred tax liability	1,687,057	115,039	20,751	1,551,267	111,040	(39,372)	1,479,599

(10) Dividends (CZK thousand)

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

	2013	2012
Final dividend for 2012 of CZK 442 (2011: CZK 520) per share	1,710,294	2,012,110

The proposed final dividend for 2013 must be approved by shareholders at the General Meeting. It has not been included in liabilities in these financial statements.

(11) Earnings per share (CZK thousand)

Earnings per share are calculated from the net profit for distribution of CZK 2,713,343 thousand (2012: CZK 2,443,404 thousand) attributable to 3,869,443 shares, i.e. the earnings per share amount to CZK 701 (2012: CZK 631). The Group has issued no instruments that would dilute the basic earnings per share.

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

	Land	Power structures	Cables and overhead lines	Telecommunication technologies and IT	Administrative buildings	Photo-voltaic power stations	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	238.2	1,804.3	623.2	472.6	27,581.9
Additions	90.2	557.2	557.6	109.2	5.2	0.2	51.0	65.6	312.6	1,748.8
Disposals	(1.5)	(52.3)	(48.1)	(59.1)	--	--	(74.7)	(47.9)	(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	238.4	1,803.3	679.3	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)	(3.1)	(1,240.5)	(339.6)	--	(10,653.4)
Depreciation	0.4	(264.5)	(236.2)	(152.2)	(35.1)	(16.5)	(150.3)	(44.5)	--	(898.9)
Accumulated depreciation on disposals	0.2	46.7	45.4	58.0	--	--	74.7	28.0	--	253.0
Reclassification	--	--	--	--	(1.8)	--	--	1.8	--	--
Balance at 31 Dec 2012	(1.2)	(4,075.8)	(3,603.0)	(1,551.8)	(377.5)	(19.6)	(1,316.1)	(354.3)	--	(11,299.3)
Net book value – 2011	644.6	5,609.3	7,178.5	612.8	1,328.2	235.1	563.8	283.6	472.6	16,928.5
Net book value – 2012	734.4	6,016.9	7,575.0	594.6	1,313.5	218.8	487.2	325.0	485.1	17,750.5

As of 31 December 2012, photovoltaic power stations had the output of 2.799 kWp.

	Land	Power structures	Cables and overhead lines	Telecommunication technologies and IT	Administrative buildings	Photovoltaic power stations	Electricity metres	Other*)	Assets under construction	Total
Cost										
Balance at 31 Dec 2012	735.6	10,092.7	11,178.0	2,146.4	1,691.0	238.4	1,803.3	679.3	485.1	29,049.8
Additions	42.2	527.8	585.7	138.9	7.3	875.2	51.3	64.1	536.5	2,829.0
Disposals	(0.2)	(78.0)	(82.9)	(120.6)	--	--	(68.2)	(56.1)	(0.6)	(406.6)
Reclassification	--	71.6	57.8	44.9	2.1	--	31.7	13.4	(201.4)	20.1
Balance at 31 Dec 2013	777.6	10,614.1	11,738.6	2,209.6	1,700.4	1,113.6	1,818.1	700.7	819.6	31,492.3
Accumulated depreciation										
Balance at 31 Dec 2012	(1.2)	(4,075.8)	(3,603.0)	(1,551.8)	(377.5)	(19.6)	(1,316.1)	(354.3)	--	(11,299.3)
Depreciation	--	(272.8)	(263.1)	(149.1)	(35.6)	(36.0)	(116.8)	(53.7)	--	(927.1)
Accumulated depreciation on disposals	--	76.8	82.9	120.6	--	--	67.7	42.4	--	390.4
Balance at 31 Dec 2013	(1.2)	(4,271.8)	(3,783.2)	(1,580.3)	(413.1)	(55.6)	(1,365.2)	(365.6)	--	(11,836.0)
Net book value – 2012	734.4	6,016.9	7,575.0	594.6	1,313.5	218.8	487.2	325.0	485.1	17,750.5
Net book value – 2013	776.4	6,342.3	7,955.4	629.3	1,287.3	1,058.0	452.9	335.1	819.6	19,656.3

Photovoltaic power stations have the output of 13,133 kWp. Seven previously-acquired photovoltaic power stations are located in Prague (total output of 603 kWp) and two are situated outside Prague in the Dub u Kondrace and Hořovice cadastral areas (total output of 2,196 kWp). Additional three photovoltaic power stations in the Pozorka u Kladrub and Syrovice cadastral areas (total output of 10,334 kWp) were acquired during 2013.

The ownership title to the photovoltaic power stations in the Dub u Kondrace and Syrovice cadastral areas is restricted by the pledge corresponding to the amount of the loan (refer to the Note "Loans").

(13) Intangible Assets (CZK million)

	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
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

	Software	Other	Assets under construction	Total
Cost				
Balance at 31 Dec 2012	449.5	39.6	74.0	563.1
Additions	9.6	1.8	64.5	75.9
Disposals	(50.3)	(0.4)	(0.6)	(51.3)
Reclassification *)	45.9	1.9	(67.9)	(20.1)
Balance at 31 Dec 2013	454.7	42.9	70.0	567.6
Accumulated amortisation				
Balance at 31 Dec 2012	(332.6)	(23.2)	--	(355.8)
Amortisation	(86.0)	(7.4)	--	(93.4)
Accumulated amortisation on disposals	50.1	0.4	--	50.5
Balance at 31 Dec 2013	(368.5)	(30.2)	--	(398.7)
Net book value – 2012	116.9	16.4	74.0	207.3
Net book value – 2013	86.2	12.7	70.0	168.9

*) The amount of CZK 20 million represents the proportional share in costs related to connecting as well as ensuring the reserved input of TR Chodov which is a part of its purchase price and which was reclassified under tangible fixed assets in 2013.

The Group has no intangible assets developed internally.

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

	2013	2012
Depreciation	(1,021.1)	(989,2)
Impairment loss	0.6	(0.2)
Total	(1,020.5)	(989.4)

The Group anticipates incurring total capital expenditure of CZK 1.9 billion in 2014. Approximately CZK 1 billion has been contracted as of the balance sheet date.

In accordance with accounting policies (refer to “Significant Accounting Policies”), low value fixed assets are recognised in expenses upon acquisition.

Acquisition Cost of Low Value Fixed Assets in Use as of the Balance Sheet Date:

	2013	2012
Low value fixed assets		
Low value tangible assets	295,339	281,764
Low value intangible assets	46,770	44,041
Total	342,109	325,805

(14) 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, generation of solar energy	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.

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

	2013	2012
Trade receivables and other long-term receivables		
Principal amounts paid	29,791	19,240
Receivables from sold apartments	2,643	4,549
Other	130	131
Total	32,564	23,920

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

	2013	2012
Trade receivables and other short-term receivables		
Receivables from electricity and gas supplies	1,525,445	1,269,810
Margin deposit with power exchanges	57,593	52,040
Receivables from the revaluation of commodity contracts (trading portfolio)	427,529	279,990
Receivables from cash flow hedges	169,467	58,711
Other assets	293,040	134,029
Total	2,473,074	1,794,580

Short-term trade receivables past their due date totalled CZK 515,847 thousand on a gross basis (2012: CZK 455,121 thousand). Outstanding portions usually bear no interest. The following allowances were created for doubtful receivables:

Balance at 31 Dec 2011	243,451
Charge and drawing in the current year	26,923
Balance at 31 Dec 2012	270,374
Charge and drawing in the current year	7,375
Balance at 31 Dec 2013	277,749

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.

(16) Inventories (CZK thousand)

Inventories	2013	2012
Material	30,543	33,397
Goods	19,436	5,409
Total	49,979	38,806

Costs of purchased and consumed material reported in the income statement amounted to CZK 199,214 thousand (2012: CZK 131,801 thousand).

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

Balance at 31 Dec 2011	2,481
Charge and drawing in the current year	276
Balance at 31 Dec 2012	2,757
Charge and drawing in the current year	43
Balance at 31 Dec 2013	2,800

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

(17) 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.

	2013	2012
Current bank accounts,	262,650	122,431
Cash on hand	1,121	3,004
Stamps and vouchers	1,775	1,737
Total	265,546	127,172

(18) Loans (CZK thousand)

	2013			2012		
	Amount	Interest rate	Maturity date	Amount	Interest rate	Maturity date
Loan No. 1	69,094	Fix 5.69%	31.12.2024	73,479	Fix 5.69%	31.12.2024
Loan No. 2	701,066	PRIBOR + 0.88%	22.5.2015	701,229	PRIBOR + 0.88%	22.5.2015
Loan No. 3	600,927	PRIBOR + 0.90%	30.6.2015	601,067	PRIBOR + 0.90%	30.6.2015
Loan No. 4	1,200,193	PRIBOR + 0.68%	29.6.2015	1,200,180	PRIBOR + 0.68%	29.6.2015
Loan No. 5	--	--	--	200,047	Fix 0.71%	3.1.2013
Loan No. 6	125,593	Fix 0.95%	30.7.2014	--	--	--
Loan No. 7	500,013	PRIBOR + 0.56%	22.7.2014	--	--	--
Loan No. 8 – 1st part	141,120	Fix 5.93%	31.10.2024	--	--	--
Loan No. 8 – 2nd part	20,159	PRIBOR + 2.35%	31.10.2024	--	--	--
Loan No. 9 – 1st part	72,000	PRIBOR + 2.86%	31.10.2024	--	--	--
Loan No. 9 – 2nd part	58,809	PRIBOR + 2.35%	31.10.2024	--	--	--
Authorised overdraft of current accounts	225,905	PRIBOR + 0.40%	--	72,657	PRIBOR + 0.40%	--
Total	3,714,879			2,848,659		
Long-term loans	2,836,740			2,569,094		
Short-term loans	878,139			279,565		
Total	3,714,879			2,848,659		

Loan no. 6 loan is the loan from the parent company, Pražská energetika Hoding a.s.

Loans no. 1,8 and 9 are collateralised by the pledge of tangible assets forming the functional system of photovoltaic power stations located in the Dub u Kondrace and Syrovce cadastral areas. The Group uses interest rate swaps to hedge the interest rate from loans which are accounted for as cash flow hedges.

Banks do not require loan collateral with regard to the Group's rating. Undrawn bank loans amounted to CZK 3,442 million as of 31 December 2013 (2012: CZK 2,771 million).

Loans are carried at their amortised cost which does not significantly differ from their fair value. The Group has capitalised borrowing costs using the capitalisation rate in accordance with IAS 23.

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

	2013	2012
Trade payables and other long-term payables		
Payables to employees *)	248,754	245,706
Other financial payables	50,483	33,907
Total	299,237	279,613

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

	2013	2012
Trade payables and other short-term payables		
Trade payables*)	2,260,697	1,921,457
Payables from the revaluation of commodity contracts (trading portfolio)	390,291	247,191
Payables from revaluation of interest rate derivatives	27,075	38,003
Payables to employees **)	65,218	67,921
Payables from social security and health insurance	24,483	25,066
Other payables	201,443	154,964
Total	2,969,207	2,454,602

*) Include received electricity prepayments net of an estimated payable for the supplied but not yet billed electricity of CZK 600,286 thousand (2012: CZK 619,825 thousand).

**) Includes unpaid December salaries and payables to employees under the Collective Agreement.

The Group reports overdue trade payables in the amount of CZK 1,918 thousand (2012: CZK 913 thousand). All overdue payables were settled during January 2014.

The Group's payables are carried at amortised cost which corresponds to their fair value.

(20) Finance Lease Payables (CZK thousand)

Lease payables	Minimum lease payables		Present value of minimum lease payments	
	2013	2012	2013	2012
Lease payments due within 1 year	19,850	21,725	19,645	21,514
Lease payments due from 1 to 5 years	41,241	32,660	39,034	31,042
Lease payments due in over 5 years	4,340	3,233	3,871	2,865
Total lease payments	65,431	57,618	62,550	55,421
Future lease payments	(2,881)	(2,197)		
Present value of minimum lease payments	62,550	55,421	62,550	55,421
Long-term trade payables and other payables			42,905	33,907
Short-term trade payables and other payables			19,645	21,514
Total			62,550	55,421
Tangible fixed assets				
Carrying amount of assets held under finance leases			62,550	55,421

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 corresponds to their carrying value.

(21) Provisions (CZK thousand)

	Business risks	Salaries	Other	Total
Balance at 31 Dec 2011	72,813	108,830	912	182,555
Creation of provisions in the current year	1,390	83,382	174	84,946
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
Creation of provisions in the current year	778	92,736	172	93,686
Use of provisions in the current year	(2,720)	(83,382)	(288)	(86,390)
Release of provisions in the current year	(2,257)	--	--	(2,257)
Balance at 31 Dec 2013	63,830	92,736	970	157,536
Long-term payables – provisions	63,830	--	970	64,800
Short-term payables – provisions	--	92,736	--	92,736
Total	63,830	92,736	970	157,536

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.

(22) Share Capital (CZK thousand)**Share capital**

There are 3,869,443 registered shares in the nominal value of CZK 1,000 per share (2012: 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.

(23) Funds from Profit (CZK thousand)

	2013	2012
Statutory reserve fund	773,889	773,889
Fund from the revaluation of current other financial assets	(6,460)	(6,460)
Cash flow hedge	128,402	39,938
Other funds from profit	382,711	382,711
Total	1,278,542	1,190,078

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.

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

At the request of the Group, banks issued payment bank guarantees of CZK 137 million (CZK 144 million as of 31 December 2012) in favour of Operátor trhu s elektřinou, a.s., Organizátor krátkodobého trhu s elektřinou, a.s. as well as for public contracts for the supply of electricity and gas in favour of the capital city of Prague, the Institute of Microbiology of the Academy of Sciences of the Czech Republic and Dopravní podnik hl. m. Prahy, a.s.

The Company issued a guarantee in favour of Československá obchodní banka, a.s. for debts of PReměření, a.s. of up to CZK 292 million.

(25) Financial Instruments (CZK thousand)

Categories of Financial Instruments

Financial Assets	2013	2012
(a) Financial assets at fair value through profit or loss (revaluation of commodity contracts)	427,529	279,990
(b) Financial derivatives under hedge accounting	169,467	58,711
(c) Loans and receivables (including cash and cash equivalents)	1,895,047	1,505,711
(d) Financial assets available for sale	6,035	6,035

The loans and receivables predominantly include receivables from electricity supplies.

Financial Liabilities	2013	2012
(e) Financial liabilities at fair value through profit or loss (revaluation of commodity contracts)	390,291	247,191
(f) Financial liabilities at fair value through profit or loss (revaluation of interest rate swaps)	22,082	38,003
(g) Financial derivatives under hedge accounting	4,993	--
(h) Financial liabilities at amortised cost	5,685,217	4,400,627

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, g) were valued by valuation models using market data.

Gains or losses on financial instruments reported in the period		2013	2012
Gain from revaluation of commodity derivatives in the trading portfolio (included in "Profit from trading")	(a, e)	12,145	19,826
Profit/loss from the revaluation of interest rate swaps	(f)	15,921	(31,232)
Gain from securities held	(c, d)	1,240	4,011

Borrowing costs (except for the interest on employee benefits)	(h)	(45,675)	(64,575)
Other	(c, h)	(41,591)	(54,567)
Hedge accounting		2013	2012
Creation of the equity fund from the cash flow hedge	(b, g)	164,474	58,711
Reversal of the fund from the cash flow hedge (in "Costs of electricity purchased")	(b, g)	(58,711)	(257,450)

Capital Risk

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

	2013	2012
Total assets	22,782,132	20,076,102
Shareholders' equity	13,812,274	12,760,271
Shareholders' equity/total assets	61%	64%

Market Risk

In view of its activities, the Group is predominantly exposed to the risk related to the changing prices of commodities (electricity and gas), currency risk and the risk of changes in interest rates.

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

- Commodity forwards and futures to hedge the changes in prices of these commodities;
- Currency forwards to hedge the changes in exchange rates; and
- Interest rate swaps to hedge the risk of increasing interest rates.

The Group's exposure to market risks is measured using various methods, the most important being the sensitivity analysis which reflects potential impacts of changes in prices defined in individual scenarios on the Group's results. The VaR methodology (Value at Risk) is used to measure short-term business exposure. The Group's exposure to market risks is monitored on a regular basis and its approach to managing these risks has not significantly changed as compared to the prior period.

There is no concentration of market risks in the Group.

Currency Risk

The Group 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 takes a significant foreign currency exposure only in EUR in relation to settling stock exchange or OTC transactions pursued to make transactions associated with procuring electricity for the Group's customers. Under the current circumstances, with the Czech National Bank actively intervening in the foreign exchange market, risks are measured using defined scenarios for foreign exchange rate developments. The open exposure is established based on the annual plan of exchange currency requirements.

The position is hedged using forwards. Hedge effectiveness is monitored under hedge accounting by the Group. Hedging has been substantially effective so far, with the ineffective portion of hedges being insignificant.

Účetní hodnota cizoměnových aktiv a závazků:

	Assets (CZK thousand) *		Liabilities (CZK thousand) *	
	2013	2012	2013	2012
Contracts for the purchase of EUR	169,055	58,583	32,120	11,131
Other assets and liabilities	785,243	521,816	1,163,057	1,028,368
Total EUR	954,298	580,399	1,195,177	1,039,499
Other currencies	204	315	--	--
Total	954,502	580,714	1,195,177	1,039,499

*] 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	
	2013	2012	2013	2012	2013	2012	2013	2012
EUR purchased	2013	2012	2013	2012	2013	2012	2013	2012
Up to 1 month	25.67	25.29	15,000	25,000	384,975	632,285	26,400	(3,734)
1-3 months	25.74	25.09	31,500	50,000	810,930	1,254,460	53,025	3,100
3-12 months	25.64	24.78	50,000	145,000	1,281,970	3,592,555	89,630	59,217
Total	25.68	24.91	96,500	220,000	2,477,875	5,479,300	169,055	58,583

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):

	2013	2012
Profit (+) or loss (-)	(3,782)	(5,066)
Shareholders' equity	21,408	44,740

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, usually linked to the market reference interest rate PRIBOR. The Group mitigates the risk related to the increase in interest rates; therefore, it established a hedge against interest rate risks by way of interest rate swaps maintained under hedge accounting.

Interest rate derivatives open at the balance sheet date:

	Average fixed interest rate		Agreed principal in CZK thousand		Fair value in CZK thousand	
	2013	2012	2013	2012	2013	2012
Úrokové swapy	1.21%	1.2%	2,500,000	2,500,000	(27,075)	(38,003)

The contracts will mature between 2014 and 2015. 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) *	
	2013	2012	2013	2012
Interest rate swaps	--	--	27,075	38,003
Other assets and liabilities	173,517	65,028	393,302	84,610
Total	173,517	65,028	420,377	122,613

*) 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)

	2013	2012
Profit (+) or loss (-)	(106)	(165)
Shareholders' equity	(467)	(327)

Price Risk

The Group seeks to eliminate the price risk related to transactions with current financial assets by being actively involved in financial markets. The Group is exposed to the risk related to the development of electricity prices and changes in foreign exchange rates. Exposure management is based on limits for the maximum permissible size of outstanding exposures, the possible financial impact is derived from defined scenarios for price developments.

Price Risk Related to Trading Transactions

A maximum loss limit is determined with regard to trading transactions. This limit for the entire monitored period as well as for individual quarters 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.

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 – 2013	Note	Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Trade balances		1,354,362	143,783	27,300	--	1,525,445
Margin deposits, principals paid		57,593	--	4,253	29,790	91,636
Other receivables		5,506	223	2,957	3,948	12,634
Total	(15)	1,417,461	144,006	34,510	33,738	1,629,715

Receivables – 2012	Note	Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Trade balances		1,170,788	90,524	8,498	--	1,269,810
Margin deposits, principals paid		50,854	--	20,140	20,429	91,423
Other receivables including receivables from sold apartments		7,772	471	3,561	5,810	17,614
Total	(15)	1,229,414	90,995	32,199	26,239	1,378,847

Payables – 2013	Note	Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Trade payables	(19)	1,522,708	24,770	112,934	--	1,660,412
Other financial payables	(19)	90,334	2,395	90,499	7,577	190,805
Bank loans	(18)	225,913	2,230	698,023	2,922,337	3,848,503
Provisions	(21)	--	--	--	64,800	64,800
Total		1,838,955	29,395	901,456	2,994,714	5,764,520

Payables – 2012	Note	Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Trade payables	(19)	1,244,757	26,311	30,983	26	1,302,077
Other financial payables	(19)	119,220	5,517	6,671	--	131,408
Bank loans	(18)	272,748	2,132	8,871	2,593,800	2,877,551
Provisions	(21)	--	--	--	69,115	69,115
Total		1,636,725	33,960	46,525	2,662,941	4,380,151

Payables from leases – refer to the Note “Finance Lease Payables.”

(26) Operating Leases (CZK thousand)

The minimum operating lease payments expensed in the current period:

Rental charges	2013	2012
Non-residential premises	53,371	53,612
Cable conduits	96,486	93,470
Cars	857	2,944
Other rented assets of all types	11,130	14,799
Total	161,844	164,825

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 114 million per year for contracts concluded as of 31 December 2013.

Liabilities arising from irrevocable lease agreements	2013	2012
Less than 1 year	8,076	7,471
from 1 to 5 years	28,914	28,360
5 years and more	77,493	75,423
Total	114,483	111,254

Irrevocable lease agreements are concluded for the lease of land under distribution points. The probability of termination is minimal.

(27) 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	
	2013	2012	2013	2012
Relations to parent companies	78,268	51,544	27,458	40,653
Pražská energetika Holding a.s.	326	326	--	--
Capital City of Prague	77,942	51,218	27,458	40,653
Relations to fellow-subsiaries	1,396,382	1,537,533	310,977	876,183
EnBW Trading GmbH	87,400	250,383	155,804	600,781
EnBW Systeme Infrastruktur Support GmbH	6,895	11,827	--	--
EnBW Regional AG	8,565	4,293	--	--
Dopravní podnik hl.m. Prahy, a.s.	1,014,531	994,577	1,245	570
Pražská teplárenská, a.s.	174,345	177,805	51,946	93,080
Kolektory Praha, a.s.	7,270	6,842	96,205	110,085
Obecní dům, a.s.	10,361	10,088	--	90
TRADE CENTRE PRAHA a.s.	7,399	7,200	3,394	3,533
Kongresové centrum Praha, a.s.	58,754	57,803	--	--
Pražská vodohospodářská společnost a.s.	20,862	16,715	2,383	68,044
Total	1,474,650	1,589,077	338,435	916,836

Total receivables from and payables to related parties:

	Sales to related parties		Purchases from related parties	
	2013	2012	2013	2012
Relations to parent companies	5,879	25	132,149	7,152
Pražská energetika Holding a.s. *)	25	25	125,593	--
Capital City of Prague	5,854	--	6,556	7,152
Relations to fellow-subsiaries	60,923	57,616	34,634	50,307
EnBW Trading GmbH	--	--	11,438	22,649
EnBW Systeme Infrastruktur Support GmbH	112	90	--	--
EnBW Regional AG	1,192	317	--	--
Dopravní podnik hl.m. Prahy, a.s.	47,027	43,168	3,260	3,184
Pražská teplárenská, a.s.	8,525	10,986	16,057	21,705
Kolektory Praha, a.s.	392	304	1,200	267
Obecní dům, a.s.	1,078	1,079	--	--
TRADE CENTRE PRAHA a.s.	--	--	2,377	2,449
Kongresové centrum Praha, a.s.	--	--	5	53
Pražská vodohospodářská společnost a.s.	2,597	1,672	297	--
Total	66,802	57,641	166,783	57,459

*) The payable of CZK 125,593 thousand is a loan from the parent company, Pražská energetika Holding a.s. – refer to the Note "Loans".

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

Dividends Paid

	2013	2012
Pražská energetika Holding a.s.	992,754	1,167,946
Energie Baden-Württemberg AG	707,989	832,928

Remuneration for executive management

	2013	2012
Number of persons	40	40
Remuneration in CZK thousand	79,900	79,299

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 2013, the Group reported receivables from the members of executive management in the total amount of CZK 221 thousand (CZK 344 thousand as of 31 December 2012). These receivables are reported in "Trade receivables and other receivables" and were collected during January 2014.

(28) Post Balance Sheet Events (CZK thousand)

No events occurred subsequent to the balance sheet date that would have a material impact on the financial statements.

REGULAR (SEPARATE) FINANCIAL STATEMENTS

RETROSPECTIVE SUMMARY (2005–2011)

Income Statement (CZK thousand)

	2011	2010	2009	2008	2007	2006	2005
Revenues form electricity sold	19,037,335	19,428,991	20,376,734	19,055,042	16,663,941	14,196,511	12,140,558
Costs of electricity sold	(17,221,857)	(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	1,815,478	1,469,886	1,448,137	1,309,665	1,448,206	969,577	3,980,259
Other operating income	912,665	907,813	877,189	829,918	811,927	756,254	100,892
Personnel expenses	(555,007)	(521,172)	(487,443)	(462,181)	(469,497)	(425,008)	(732,827)
Depreciation	(206,265)	(198,259)	(186,941)	(165,294)	(177,439)	(171,365)	(826,567)
Cost of services, material and energy	(581,567)	(522,720)	(515,344)	(543,443)	(478,469)	(457,567)	(864,630)
Borrowing costs	(108,960)	(114,391)	(117,727)	(32,526)	(21,462)	(13,867)	(48,047)
Dividends received	883,300	680,800	891,000	1,616,769	630,627	24,000	10,840
Other gains and losses	270,486	26,201	59,567	133,605	15,676	44,968	(33,713)
Profit from ordinary activity before tax	2,430,130	1,728,158	1,968,438	2,686,513	1,759,569	726,992	1,586,207
Income tax	(304,683)	(208,458)	(224,210)	(231,412)	(275,763)	715,289	(372,216)
Profit from ordinary activity after tax	2,125,447	1,519,700	1,744,228	2,455,101	1,483,806	1,442,281	1,213,991
Earnings per share attributable to ordinary share [CZK]	549	393	451	634	383	373	314

Balance Sheet (Statement on Financial Position) CZK thousand

	2011	2010	2009	2008	2007	2006	2005	2005	2005
Assets							PRE sum	PREdi	PRE*
Property, plant and equipment	1,957,973	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	193,259	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	9,566,801	9,571,801	9,571,801	60,623	0	60,623
Trade receivables and other receivables	28,074	21,203	22,719	46,408	128,086	29,828	29,899	24	29,875
Loans	701,711	1,122,939	2,626,232	1,504,060	–	–	–	–	–
Non-current assets	12,447,818	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	22,251	33,846	33,603	46,132	36,815	26,520	29,558	–	29,558
Tax receivables	133,120	9,280	30,606	–	11	139,814	70,117	–	70,117
Trade receivables and other receivables	2,095,570	1,598,715	2,696,040	3,703,965	2,028,162	1,048,926	714,966	9,743	705,223
Loans	1,976,612	1,790,330	240,563	959,310	53,548	45,044	–	–	–
Cash and cash equivalents	183,636	589,834	1,542,619	458,500	64,117	274,406	35,821	1,116	34,705
Current assets	4,411,189	4,022,005	4,543,431	5,167,907	2,182,653	1,534,710	850,462	10,859	839,603
Total assets	16,859,007	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	–	3,869,443
Funds from profit	1,354,259	1,172,377	1,171,867	1,566,166	1,048,453	1,156,387	1,155,605	–	1,155,605
Retained earnings	4,456,061	4,364,784	4,969,870	5,350,950	5,316,905	5,210,621	4,629,879	–	4,629,879
Shareholders' equity	9,679,763	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	126,450	127,899	107,703	108,879	250,664	89,341	421,192	307,397	113,795
Provisions	912	268,194	257,377	247,135	237,223	228,689	364,808	96,448	268,360
Deferred tax liability	122,633	41,162	45,778	145,051	6,258	34,800	960,796	–	960,796
Long-term payables	249,995	1,647,925	2,926,591	1,806,125	494,145	352,830	1,746,796	403,845	1,342,951
Provisions	2,377,137	1,327,319	1,046,532	713,102	555,723	522,769	310,000	–	310,000
Deferred tax liability	64,784	58,670	65,887	81,287	71,169	12,645	11,704	–	11,704
Trade payables and other payables	4,432,950	4,480,925	4,822,795	4,984,168	2,474,150	1,948,735	855,453	220,942	634,511
Provisions	54,378	8,697	2,260	710	39,030	27,368	91,200	3,000	88,200
Short-term payables	6,929,249	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 ;	16,859,007	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 split-off 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 31.12.2013

Income Statement (CZK thousand)

	Note	2013	2012
Revenues from electricity and gas sold		18,960,674	18,697,650
Costs of electricity and gas sold		(17,298,018)	(17,066,372)
Gross profit from the sale of electricity and gas	(4)	1,662,656	1,631,278
Other operating income	(4)	918,871	969,809
Personnel expenses	(5)	(556,788)	(533,644)
Depreciation	(12,13)	(207,662)	(214,298)
Costs of services, material and energy	(6)	(581,061)	(586,477)
Borrowing costs	(7)	(41,023)	(107,608)
Dividends received		929,000	1,075,000
Other gains and losses	(8)	(6,465)	20,902
Profit from ordinary activity before tax		2,117,528	2,254,962
Income tax	(9)	(234,246)	(231,239)
Profit from ordinary activity after tax		1,883,282	2,023,723
Earnings per share attributable to ordinary shares (CZK)	(11)	487	523

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

	Note	2013	2012
Assets			
Property, plant and equipment	(12)	1,957,900	1,926,025
Intangible assets	(13)	158,297	173,314
Equity investments	(14)	9,736,801	9,566,801
Trade receivables and other receivables	(15)	32,061	23,788
Loans	(16)	2,340,000	2,224,767
Non-current assets		14,225,059	13,914,695
Inventories	(17)	45,170	34,381
Tax receivables		133,114	117,278
Trade receivables and other receivables	(15)	2,336,346	1,704,559
Loans	(16)	1,024,852	771,085
Cash and cash equivalents	(18)	216,570	123,373
Current assets		3,756,052	2,750,676
Total assets		17,981,111	16,665,371
Liabilities			
Share capital	(23)	3,869,443	3,869,443
Funds from profit	(24)	1,278,542	1,190,078
Retained earnings		4,594,831	4,444,794
Equity attributable to the Company's shareholders		9,742,816	9,504,315
Loans	(19)	2,500,000	2,500,000
Trade payables and other payables	(20)	149,057	137,229
Provisions	(22)	2,211	2,477
Deferred tax liability	(9)	100,336	80,763
Long-term payables		2,751,604	2,720,469
Loans	(19)	853,697	279,259
Tax payables		17,765	17,591
Trade payables and other payables	(20)	4,569,463	4,101,767
Provisions	(22)	45,766	41,970
Short-term payables		5,486,691	4,440,587
Total liabilities		17,981,111	16,665,371

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 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
Dividends and director's fees paid			(1,733,245)	(1,733,245)
Other comprehensive income		88,464		88,464
Net profit for 2013			1,883,282	1,883,282
Balance at 31 Dec 2013	3,869,443	1,278,542	4,594,831	9,742,816

Statement of Comprehensive Income (CZK thousand)

	2013	2012
Profit from ordinary activities after tax	1,883,282	2,023,723
Revaluation of other financial assets	--	3,670
Cash flow hedging	88,464	(167,851)
Total other comprehensive income after tax	88,464	(164,181)
Comprehensive income attributable to the Company's shareholders	1,971,746	1,859,542

Cash Flow Statement (CZK thousand)

	Note	2013	2012
Opening balance of cash and cash equivalents		123,373	183,636
Operating activity			
Income from the sale of electricity and gas		18,227,752	17,962,385
Expenses related to purchases of electricity and gas		(16,623,815)	(16,701,046)
Net profit from the sale of electricity and gas	(4)	1,603,937	1,261,339
Income in the Group	(28)	1,018,442	1,021,077
Other operating income	(4,8)	66,861	78,795
Operating expenses	(6,8)	(793,522)	(734,337)
Short-term changes in working capital		(16,825)	95,016
Personnel expenses	(5)	(545,225)	(520,703)
Direct tax	(9)	(250,093)	(287,180)
Financial income and expenses	(7)	13,930	(11,204)
Net cash flow from operating activity		1,097,505	902,803
Investment activity			
Income from the sale of fixed assets	(8)	8,761	26,287
Expenses related to the acquisition of fixed assets	(13)	(418,891)	(191,085)
Dividend received and shares in profit	(10)	930,382	1,075,000
Net cash flow from investment activity		520,252	910,202
Financial activity			
External loans repaid	(19)	(195,624)	(2,342,524)
Dividends and director's fees paid		(1,733,571)	(2,032,571)
Financial operations in the Group	(28)	(380,613)	(318,275)
External loans received	(19)	778,249	2,772,645
Other financial operations		6,999	47,457
Net cash flow from financial activity		(1,524,560)	(1,873,268)
Change in cash and cash equivalents		93,197	(60,263)
Closing balance of cash and cash equivalents	(18)	216,570	123,373

Notes to the Financial Statements as at 31.12.2013

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(1) General Information

Pražská energetika, a.s. (hereinafter "PRE" or the "Company") was established as a joint-stock company in the Czech Republic and was entered in the 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: 60 19 39 13.

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.

PRE's principal shareholders	2013	2012
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 standards, interpretations and amendments to the current standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current period:

- **IFRS 13 "Fair Value Measurement"** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **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 the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"** – government loans, adopted by the EU on 4 March 2013 (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 July 2012 (effective for annual periods beginning on or after 1 January 2013); and
- **Amendments to various standards "Improvements to IFRSs (2009-2011 cycle)"** resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013).

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 “Disclosures of Interests in Other Entities”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **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 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities” – Transition Guidance**, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 (revised in 2011) “Separate Financial Statements” – Investment Entities**, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 32 “Financial Instruments: Presentation” – Offsetting Financial Assets and Financial Liabilities**, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 36 “Impairment of Assets” – Recoverable Amounts Disclosures for Non-Financial Assets**, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014); and
- **Amendments to IAS 39: “Financial Instruments: Recognition and Measurement” – Novation of Derivatives and Continuation of Hedge Accounting**, adopted by the EU on 19 December 2013 (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”** and subsequent amendments (the date of effectiveness has not yet been defined);
- **Amendments to IAS 19 “Employee Benefits” – Defined Benefit Plans: Employee Contributions** (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to various standards “Improvements to IFRSs (2010-2012 Cycle)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014);
- **Amendments to various standards “Improvements to IFRSs (2011-2013 Cycle)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014); and
- **IFRIC 21 “Levies”** (interpretation effective for annual periods beginning on or after 1 January 2014).

(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 using the stated below periods of depreciation:

Asset category	Depreciation period in years
Buildings, halls and other construction	7, 15, 50, 70
Fibre-optics	30
Working machinery and equipment	5, 8, 10, 12, 20
Telecommunication equipment	4-21
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 inventories. The net realisable value represents the estimated selling price for inventories less all estimated costs of marketing, sale and distribution.

Provisions

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

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

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. These equity investments are measured at cost.

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 prepares its cash flow statement using the direct method. The statement prepared using the direct method provides more information for the operational management of the Company.

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)

	2013	2012
Income and expenses relating to the sale of electricity and gas		
Sales of electricity B2B (including B2B NN)	5,485,346	6,141,332
Sales of distribution and system services B2B	3,707,321	3,353,164
Sales of electricity B2C	3,360,772	3,579,523
Sales of distribution and system services B2C (including B2B NN)	5,594,194	4,823,774
Sales of gas	62,469	33,294
Other income *)	738,427	746,737
Gross gain from trading	12,145	19,826
Total income	18,960,674	18,697,650
Costs of purchases of sold electricity	(7,932,097)	(8,856,046)
Costs of purchases of distribution and system services	(9,301,514)	(8,177,016)
Costs of purchases of gas	(64,407)	(33,310)
Total costs	(17,298,018)	(17,066,372)
Gross profit from the sale of electricity and gas	1,662,656	1,631,278

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

	2013	2012
Other operating income		
Income from provided services *)	914,548	964,910
Other	4,323	4,899
Total	918,871	969,809

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

(5) Personnel Expenses (CZK thousand)

	2013	2012
	Staff including management	Staff including management
Average headcount	643	636
Payroll costs	341,779	326,917
Salaries paid depending on the fulfilment of the plan	31,366	35,384
Insurance	131,006	125,261
Remuneration to the members of the Company's statutory bodies	7,018	7,085
Other social costs *)	45,619	38,997
Total	556,788	533,644

*) 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.

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

	2013	2012
Material and own consumed energy	81,155	72,754
Repairs of tangible fixed assets	28,488	33,070
Consulting services	30,043	26,483
Rental charges	44,947	49,935
Postage and telecommunication fees	48,153	46,749
IT support	107,279	136,997
Marketing	93,268	83,182
Other *)	147,728	137,307
Total	581,061	586,477

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

(7) Borrowing Costs (CZK thousand)

	2013	2012
Interest on cash pooling	--	13
Interest on loan	38,221	104,760
Interest expense on employee benefits	1,664	1,495
Interest on leases	1,138	1,340
Total	41,023	107,608

(8) Other Gains and Losses (CZK thousand)

	2013	2012
Write-offs of doubtful debt and creation of allowances	(37,362)	(57,617)
Gain/(loss) from the sale and disposal of fixed assets and inventories	8,535	8,675
Change in provisions	266	(1,565)
Foreign exchange rate gains (losses)	(21,344)	11,843
Proceeds from securities held	1,240	4,011
Interest received in the Group	59,667	73,929
Other	(17,467)	(18,374)
Total	(6,465)	20,902

(9) 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.

	2013		2012	
Current tax payable		235,424		233,737
Deferred tax		(1,178)		(2,498)
Total income tax		234,246		231,239

	2013		2012	
Profit before tax	2,117,528	2,254,962		
Income tax using the effective income tax rate	402,330	19,00%	428,443	19,00%
Impact of tax non-deductible dividends received	(176,510)	(8.34%)	(204,250)	(9,06%)
Impact of other items that are never tax-deductible	8,426	0.40%	7,046	0.31%
Total income tax/effective tax rate	234,246	11.06%	231,239	10.25%

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

	31 Dec 2013	Recorded in profit or loss	Recorded in equity	31 Dec 2012	Recorded in profit or loss	Recorded in equity	31 Dec 2011
Fixed assets	110,115	(77)	--	110,192	(3,040)	--	113,232
Provisions	(9,116)	(671)	--	(8,445)	2,060	--	(10,505)
Receivables	(9,323)	238	--	(9,561)	1,420	--	(10,981)
Inventories	(424)	17	--	(441)	(16)	--	(425)
Obligation under the Collective agreement	(21,035)	(685)	--	(20,350)	(2,922)	--	(17,428)
Cash flow hedge	30,119	--	20,751	9,368	--	(39,372)	48,740
Total deferred tax liability	100,336	(1,178)	20,751	80,763	(2,498)	(39,372)	122,633

(10) Dividends (CZK thousand)

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

	2013	2012
Final dividend for 2012 of CZK 442 (2011: CZK 520) per share	1,710,294	2,012,110

The final amount of the proposed dividend for 2013 must be approved by the General Meeting. It has not been included in liabilities in these financial statements.

(11) Earnings per Share (CZK thousand)

Earnings per share are calculated from the net profit for distribution of CZK 1,883,282 thousand (2012: CZK 2,023,723 thousand) attributable to 3,869,443 shares, i.e. the earnings per share amount to CZK 487 (2012: CZK 523). The Company has no issued instruments diluting the basic earnings per share.

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

	Land	Telecommunication technologies and IT	Administrative buildings	Other	Assets under construction	Total
Cost						
Balance at 31 Dec 2011	170.4	778.4	1,668.6	384.2	59.7	3,061.3
Additions	--	6.4	5.2	53.2	49.4	114.2
Disposals	(0.8)	(28.8)	--	(44.1)	(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	415.5	57.5	3,102.2
Accumulated depreciation						
Balance at 31 Dec 2011	(1.8)	(566.5)	(340.6)	(194.4)	--	(1,103.3)
Depreciation	0.6	(61.5)	(35.1)	(29.9)	--	(125.9)
Accumulated depreciation on disposals	--	28.9	--	24.1	--	53.0
Reclassification	--	--	(1.8)	1.8	--	--
Balance at 31 Dec 2012	(1.2)	(599.1)	(377.5)	(198.4)	--	(1,176.2)
Net book value – 2011	168.6	211.9	1,328.0	189.8	59.7	1,958.0
Net book value – 2012	168.4	169.7	1,313.3	217.1	57.5	1,926.0

	Land	Telecommunication technologies and IT	Administrative buildings	Other	Assets under construction	Total
Cost						
Balance at 31 Dec 2012	169.6	768.8	1,690.8	415.5	57.5	3,102.2
Additions	--	13.2	7.3	44.6	93.9	159.0
Disposals	--	(14.3)	--	(45.9)	--	(60.2)
Reclassification	--	27.4	2.1	7.4	(36.7)	0.2
Balance at 31 Dec 2013	169.6	795.1	1,700.2	421.6	114.7	3,201.2
Accumulated depreciation						
Balance at 31 Dec 2012	(1.2)	(599.1)	(377.5)	(198.4)	--	(1,176.2)
Depreciation	--	(49.6)	(35.6)	(33.9)	--	(119.1)
Accumulated depreciation on disposals	--	14.2	--	37.9	--	52.1
Reclassification	--	--	--	--	--	--
Balance at 31 Dec 2013	(1.2)	(634.5)	(413.1)	(194.4)	--	(1,243.2)
Net book value – 2012	168.4	169.7	1,313.3	217.1	57.5	1,926.0
Net book value – 2013	168.4	160.6	1,287.1	227.2	114.7	1,958.0

(13) Intangible Assets (CZK million)

	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 2012	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 2012	(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

	Software	Other	Assets under construction	Total
Cost				
Balance at 31 Dec 2012	445.8	15.1	53.2	514.1
Additions	9.6	1.8	62.8	74.2
Disposals	(50.1)	(0.4)	(0.6)	(51.1)
Reclassification	45.8	1.7	(47.7)	(0.2)
Balance at 31 Dec 2013	451.1	18.2	67.7	537.0
Accumulated amortisation				
Balance at 31 Dec 2012	(328.8)	(12.0)	--	(340.8)
Amortisation	(86.0)	(2.4)	--	(88.4)
Accumulated amortisation on disposals	50.1	0.4	--	50.5
Reclassification	--	--	--	--
Balance at 31 Dec 2013	(364.7)	(14.0)	--	(378.7)
Net book value – 2012	117.0	3.1	53.2	173.3
Net book value – 2013	86.4	4.2	67.7	158.3

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:

	2013	2012
Amortisation and depreciation	(207.7)	(214.3)
Impairment profit/loss	--	0.6
Total	(207.7)	(213.7)

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

The Company anticipates incurring total capital expenditure of CZK 229 million in 2014. Approximately 22% 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:

	2013	2012
Low value fixed assets		
Low value tangible assets	210.5	197.3
Low value intangible assets	46.3	43.6
Total	256.8	240.9

(14) Equity Investments (CZK thousand)

	Note	Investment	2013	2012
PREdistribuce, a.s.	Non-marketable	100%	9,513,537	9,513,537
PREměření, a.s.	Non-marketable	100%	213,264	43,264
eYello CZ, a.s.	Non-marketable	100%	10,000	10,000
Total			9,736,801	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.

	2013	2012
Registered office: Prague 5, Svornosti 3199/19a		
Corporate ID: 27 37 65 16		
Average headcount:	515	511
Economic data (in CZK thousand)		
Share capital	17,707,934	17,707,934
Shareholders' equity	19,409,289	19,118,603
Profit after tax	1,232,886	992,594
Sales of goods and services	10,731,003	9,340,856

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.

	2013	2012
Registered office: Prague 10, Na Hroudě 2149/19		
Corporate ID: 25 67 70 63		
Average headcount:	231	226
Economic data (in CZK thousand)		
Share capital	35,000	35,000
Shareholders' equity	291,594	90,052
Profit after tax	33,942	32,754
Sales of goods, services and solar energy generation	447,288	397,892

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.

	2013	2012
Registered office: Prague 10, Kubánské náměstí 1391/11		
Corporate ID: 25 05 40 40		
Average headcount:	5	2
Economic data (in CZK thousand)		
Share capital	10,000	10,000
Shareholders' equity	15,000	22,372
Profit after tax	(6,412)	1,433
Sales of electricity, gas and services	31,249	35,770

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

	2013	2012
Trade receivables and other long-term receivables		
Principal amounts paid	29,402	19,222
Receivables from sold flats	2,643	4,549
Other	16	17
Total	32,061	23,788

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

	2013	2012
Trade receivables and other short-term receivables		
Receivables from electricity and gas supplies	1,397,438	1,172,138
Margin deposit with the power exchanges	57,593	52,040
Receivables from the revaluation of commodity contracts (trading portfolio)	427,529	279,990
Receivables from cash flow hedges	169,467	58,711
Other assets	284,319	141,680
Total	2,336,346	1,704,559

Of the above stated short-term trade receivables, gross receivables past their due date totalled CZK 461,223 thousand (2012: CZK 408,363 thousand). Outstanding portions usually bear no interest. The following allowances were created for doubtful receivables:

Balance at 31 Dec 2011	224,596
Charge and drawing in the current year	26,611
Balance at 31 Dec 2012	251,207
Charge and drawing in the current year	3,255
Balance at 31 Dec 2013	254,462

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.

(16) Loans Granted (CZK thousand)

	At 31 Dec 2013			At 31 Dec 2012		
	Amount	Interest rate p.a.	Maturity date	Amount	Interest rate p.a.	Maturity date
Loan granted in Group 1	--	--	--	7,152	Fix, 2.44%	15.2.2013
Loan granted in Group 2	--	--	--	15,054	Fix, 2.03%	29.4.2013
Loan granted in Group 3	140,535	Fix, 2.15%	29.4.2016	--	--	--
Loan granted in Group 4*)	701,033	PRIBOR + 1.05%	30.11.2014	701,207	PRIBOR + 1.05%	30.11.2014
Loan granted in Group 5	1,515,888	PRIBOR + 1.30%	29.6.2015	1,523,560	PRIBOR + 1.30%	29.6.2015
Receivables arising from cash pooling from PREdistribuce, a.s.	747,567	PRIBOR + 0.50%		735,614	PRIBOR + 0.50%	--
Receivables arising from cash pooling from PREměření, a.s.	254,943	PRIBOR + 0.50%		13,265	PRIBOR + 0.50%	--
Receivables arising from cash pooling from eYellow CZ, a.s.	4,886	PRIBOR + 0.50%		--		
Long-term	2,340,000			2,224,767		
Short-term	1,024,852			771,085		
Total	3,364,852			2,995,852		

*) In terms of loan no.4, it is expected that it will be replaced by a new medium-term loan at termination; therefore, the loan is presented under long-term loans.

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

(17) Inventories (CZK thousand)

Inventories	2013	2012
Material	29,852	33,203
Goods	15,318	1,178
Total	45,170	34,381

"Purchased material, services and energy" and "Other gains and losses" in the income statement include costs of sold and consumed inventories of CZK 241,219 thousand (2012: CZK 233,868 thousand).

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

Balance at 31 Dec 2011	2,239
Charge and drawing in the current year	231
Balance at 31 Dec 2012	2,470
Charge and drawing in the current year	28
Balance at 31 Dec 2013	2,498

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

(18) 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.

	2013	2012
Current bank accounts	214,988	121,854
Cash on hand	1,055	973
Stamps and vouchers	527	546
Total	216,570	123,373

(19) 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 2013			At 31 Dec 2012		
	Principal	Interest rate	Maturity date	Principal	Interest rate	Maturity date
Loan No. 1	701,066	PRIBOR + 0.88%	22.5.2015	701,229	PRIBOR + 0.88%	22.5.2015
Loan No. 2	600,927	PRIBOR + 0.90%	30.6.2015	601,067	PRIBOR + 0.90%	30.6.2015
Loan No. 3	1,200,193	PRIBOR + 0.68%	29.6.2015	1,200,180	PRIBOR + 0.68%	29.6.2015
Loan No. 4	--	--	--	200,047	Fix 0.71%	3.1.2013
Loan No. 5	125,593	Fix 0.95%	30.7.2014	--	--	--
Loan No. 6	500,013	PRIBOR + 0.56%	22.7.2014	--	--	--
Authorised overdraft of current accounts	225,905	PRIBOR + 0.40%		72,657	PRIBOR + 0.40%	--
Receivables from cash pooling to eYellow CZ, a.s.	--	--	--	4,079	PRIBID-0.25%	--
Total	3,353,697			2,779,259		
Of which:						
Long-term loans	2,500,000			2,500,000		
Short-term loans	853,697			279,259		

*] Loan No. 5 is a short-term loan from the parent company, Pražská energetika Holding a.s.

The Company uses swaps for hedging the interest rate which are accounted for as cash flow hedges by the Company. The banks do not require loan collateral with regard to the Company's rating. Undrawn loan facilities amounted to CZK 3,442 million as of 31 December 2013 (2012: CZK 2,771 million).

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.

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

	2013	2012
Trade payables and other long-term payables		
Payables to employees *)	106,152	103,322
Other financial liabilities	42,905	33,907
Total	149,057	137,229

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

	2013	2012
Trade payables and other short-term payables		
Trade payables *)	2,021,990	1,937,174
Payables from revaluation of commodity contracts (trading portfolio)	390,291	247,191
Payables from revaluation of interest rate derivatives	27,075	38,003
Payables to employees **)	28,769	29,725
Payables from social security and health insurance	11,530	11,837
Intercompany payables ***)	1,982,493	1,697,933
Other payables	107,315	139,904
Total	4,569,463	4,101,767

*) Includes a prepayment for electricity reduced by an estimated payable for the supplied but not yet billed electricity in the total amount of CZK 912,051 thousand (2012: CZK 898,922 thousand).

***) Includes outstanding December salaries and payables to employees under the Collective Agreement in the amount of CZK 8,704 thousand (2012: CZK 9,253 thousand).

**) Includes an estimated payable for the provision of distribution services from PREdistribuce, a.s. in the amount of CZK 1,935,327 thousand (2012: CZK 1,676,075 thousand), payables to PREdistribuce, a.s. arising from bills for distribution services in the amount of CZK 46,877 thousand (2012: CZK 21,686 thousand) and payables to PREměření, a.s. amounting to CZK 288 thousand (2012: CZK 172 thousand).

The Company reports overdue trade payables in the amount of CZK 1,918 thousand (2012: CZK 913 thousand). All overdue payables were settled during January 2014.

The Company's payables are carried at amortised cost which corresponds to their fair value.

(21) Finance Lease Payables (CZK thousand)

	Minimum lease payables		Present value of minimum lease payments	
	2013	2012	2013	2012
Lease payments due within 1 year	19,850	21,725	19,645	21,514
Lease payments due from 1 to 5 years	41,241	32,660	39,034	31,042
Lease payments due in over 5 years	4,340	3,233	3,871	2,865
Total lease payments	65,431	57,618	62,550	55,421
Future lease payments	(2,881)	(2,197)		
Present value of minimum lease payments	62,550	55,421	62,550	55,421

Trade payables and other payables			
Long-term		42,905	33,907
Short-term		19,645	21,514
Total		62,550	55,421
Tangible fixed assets			
Carrying amount of assets held under finance leases		62,550	55,421

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.

(22) Provisions (CZK thousand)

	Business risks	Salaries	Other	Total
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
Creation of provisions in the current year	350	45,766	172	46,288
Use of provisions in the current year	--	(41,970)	(288)	(42,258)
Release of provisions in the current year	(500)	0	--	(500)
Balance at 31 Dec 2013	1,241	45,766	970	47,977
Long-term	1,241	--	970	2,211
Short-term	--	45,766	--	45,766
Total	1,241	45,766	970	47,977

The provision for salaries includes salaries paid in dependence on fulfilment of the plan.

(23) Share Capital (CZK thousand)

There are 3,869,443 registered shares in the nominal value of CZK 1,000 per share (2012: 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.

(24) Funds from Profit (CZK thousand)

	2013	2012
Statutory reserve fund	773,889	773,889
Fund from the revaluation of current other financial assets	(6,460)	(6,460)
Cash flow hedge	128,402	39,938
Other funds from profit	382,711	382,711
Total	1,278,542	1,190,078

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.

(25) Contingent Liabilities and Contingent Assets

At the request of the Group, banks issued payment bank guarantees of CZK 137 million (CZK 144 million as of 31 December 2012) in favour of Operátor trhu s elektřinou a.s., Organizátor krátkodobého trhu s elektřinou, a.s. as well as for public contracts for the supply of electricity and gas in favour of the capital city of Prague, the Institute of Microbiology of the Academy of Sciences of the Czech Republic and Dopravní podnik hl. m. Prahy, a.s.

The Company issued a guarantee in favour of Československá obchodní banka, a.s. for debts of PRe měření, a.s. of up to CZK 292 million.

(26) Financial Instruments (CZK thousand)

Categories of Financial Instruments

Financial assets	2013	2012
(a) Financial assets at fair value through profit or loss (revaluation of commodity contracts)	427,529	279,990
(b) Financial derivatives under hedge accounting	169,467	58,711
(c) Loans and receivables (including cash and cash equivalents)	5,091,719	4,413,808
(d) Financial assets available for sale	6,035	6,035

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

Financial liabilities	2013	2012
(e) Financial liabilities at fair value through profit or loss (revaluation of commodity contracts)	390,291	247,191
(f) Financial liabilities at fair value through profit or loss (revaluation of interest rate swaps)	22,082	38,003
(g) Financial derivatives under hedge accounting	4,993	--
(h) Financial liabilities at amortised cost	6,598,357	5,690,135

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,g) are valued using the valuation models and by reference to the market data.

Gains and losses of financial instruments reported in the current period		2013	2012
Gain from revaluation of commodity derivatives in the trading portfolio (included in "Profit from trading")	(a, e)	12,145	19,826
Profit/loss from the revaluation of interest rate swaps	(f)	15,921	(31,232)
Gain from securities held and received interest in the Group	(c, d)	60,907	77,940
Borrowing costs (except for the interest on employee benefits)	(h)	(55,280)	(74,881)
Other	(c, h)	(35,922)	(56,746)
Hedge accounting *)		2013	2012
Creation of the equity fund from the cash flow hedge	(b,g)	164,474	58,711
Reversal of the fund from the cash flow hedge (in "Costs of electricity purchased")	(b,g)	(58,711)	(257,450)

Capital Risk

The Company manages its capital to ensure an optimal financial position from the long-term perspective while maximising the long-term return to shareholders.

Market Risk

In view of its activities, the Company is predominantly exposed to the risk related to the changing prices of commodities (electricity and gas), currency risk and the risk of changes in interest rates.

For the hedging of financial risks, the Company uses financial instruments with derivative characteristics:

- Commodity forwards and futures to hedge the changes in prices of these commodities;
- Currency forwards to hedge the changes in exchange rates; and
- Interest rate swaps to hedge the risk of increasing interest rates.

The Company's exposure to market risks is measured using various methods, the most important being the sensitivity analysis which reflects potential impacts of changes in prices defined in individual scenarios on the Company's results. The VaR methodology (Value at Risk) is used to measure short-term business exposure. The Company's exposure to market risks is monitored on a regular basis and its approach to managing these risks has not significantly changed as compared to the prior period.

There is no concentration of market risks in the Company.

Currency Risk

The 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 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. Under the current circumstances, with the Czech National Bank actively intervening in the foreign exchange market, risks are measured using defined scenarios for foreign exchange rate developments. The open exposure is established based on the annual plan of exchange currency requirements.

The position is hedged using forwards. Hedge effectiveness is monitored under hedge accounting by the Company. Hedging has been substantially effective so far, with the ineffective portion of hedges being insignificant.

The carrying value of foreign currency assets and liabilities:

	Assets (CZK thousand) *		Liabilities (CZK thousand) *	
	2013	2012	2013	2012
Derivative contracts for purchase of Euros	169,055	58,583	32,120	11,131
Other assets and liabilities in EUR	784,997	521,384	1,162,948	1,028,368
Total in EUR	954,052	579,967	1,195,068	1,039,499
Other currencies	99	122	--	--
Total	954,151	580,089	1,195,068	1,039,499

*) 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	
	2013	2012	2013	2012	2013	2012	2013	2012
EUR purchased	2013	2012	2013	2012	2013	2012	2013	2012
Up to 1 month	25.67	25.29	15,000	25,000	384,975	632,285	26,400	(3,734)
1-3 months	25.74	25.09	31,500	50,000	810,930	1,254,460	53,025	3,100
3-12 months	25.64	24.78	50,000	145,000	1,281,970	3,592,555	89,630	59,217
Total	25.68	24.91	96,500	220,000	2,477,875	5,479,300	169,055	58,583

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.

	2013	2012
Profit (+) or loss (-)	(3,783)	(5,070)
Shareholders' equity	21,408	44,740

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, usually linked to the market reference interest rate PRIBOR. The Group mitigates the risk related to the increase in interest rates; therefore, it established a hedge against interest rate risks by way of interest rate swaps maintained under hedge accounting.

Interest rate derivatives open at the balance sheet date:

	Average fixed interest rate		Agreed principal in CZK thousand		Fair value in CZK thousand	
	2013	2012	2013	2012	2013	2012
Interest rate swaps	1.21%	1.21%	2,500,000	2,500,000	(27,075)	(38,003)

The contracts are due in 2014–2015. 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) *	
	2013	2012	2013	2012
Interest rate swaps	--	--	27,075	38,003
Other assets and liabilities	173,517	65,028	32,120	11,131
Total	173,517	65,028	59,195	49,134

*] 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.

	2013	2012
Profit (+) or loss (-)	(108)	(167)
Shareholders' equity	(467)	(327)

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 and changes in foreign exchange rates. Exposure management is based on limits for the maximum permissible size of outstanding exposures, the possible financial impact is derived from defined scenarios for price developments.

Price Risk Related to Trading Transactions

A maximum loss limit for the entire monitored period as well as for individual quarters 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.

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 – 2013	Note	Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Trade balances		1,237,188	132,950	27,300	--	1,397,438
Margin deposits, principals paid		57,593	--	4,253	29,402	91,248
Other receivables including receivables for sold apartments		1,784	179	1,626	3,948	7,537
Total	(15)	1,296,565	133,129	33,179	33,350	1,496,223

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 deposit, 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	(15)	1,138,811	83,966	30,585	26,221	1,279,583

Payables – 2013		Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Trade payables	(19)	1,038,829	12,101	59,009	0	1,109,939
Other financial payables	(19)	85,106	1,443	9,145	0	95,694
Bank loans	(18)	225,913	98	661,235	2,516,102	3,403,348
Provisions	(21)	0	0	0	2,210	2,210
Total		1,349,848	13,642	729,389	2,518,312	4,611,191

Payables – 2012		Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Trade payables	(19)	996,628	13,312	28,731	26	1,038,697
Other financial payables	(19)	113,134	2,597	6,671	--	122,402
Bank loans	(18)	272,748	--	2,476	2,500,000	2,775,224
Provisions	(21)	--	--	--	2,477	2,477
Total		1,382,510	15,909	37,878	2,502,503	3,938,800

Payables from leases – refer to the Note “Finance Lease Payables”.

(27) Operating Leases (CZK thousand)

Operating lease payments expensed in the current period:

	2013	2012
Non-residential premises	18,180	16,053
Cars	857	2,944
Other rented assets of all types	8,452	12,284
Total	27,489	31,281

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 27 million per year for contracts concluded as of 31 December 2013.

(28) 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	
	2013	2012	2013	2012
Relations to parent companies	77,921	51,119	14,484	14,400
Pražská energetika Holding a.s.	326	326	--	--
Capital City of Prague	77,595	50,793	14,484	14,400
Relations to fellow-subsiidiaries	1,345,962	1,496,889	210,703	691,669
EnBW Trading GmbH	87,400	250,383	155,804	600,781
EnBW Systeme Infrastruktur Support GmbH	6,895	11,827	--	--
EnBW Regional AG	8,565	4,293	--	--
Dopravní podnik hl.m. Prahy, a.s.	1,013,942	993,972	188	200
Pražská teplárenská, a.s.	145,382	154,481	51,317	87,238
Kolektory Praha, a.s.	7,270	6,842	--	--
Obecní dům, a.s.	10,361	10,088	--	--
TRADE CENTRE PRAHA a.s.	7,399	7,200	3,394	3,450
Kongresové centrum Praha, a.s.	58,748	57,803	--	--
Total	1,423,883	1,548,008	225,187	706,069

Receivables from and payables to related parties:

	Receivables		Payables	
	2013	2012	2013	2012
Relations to parent companies	5,844	25	130,773	6,214
Pražská energetika Holding a.s. *)	25	25	125,593	--
Capital City of Prague	5,819	--	5,180	6,214
Relations to fellow-subsiidiaries	57,126	53,209	34,173	53,384
EnBW Trading GmbH	--	--	11,438	27,342
EnBW Systeme Infrastruktur Support GmbH	112	90	--	--
EnBW Regional AG	1,192	317	--	--
Dopravní podnik hl.m. Prahy, a.s.	46,863	43,168	3,121	3,637
Pražská teplárenská, a.s.	7,489	8,251	16,032	19,459
Kolektory Praha, a.s.	392	304	1,200	237
Obecní dům, a.s.	1,078	1,079	--	--
TRADE CENTRE PRAHA a.s.	--	--	2,377	2,449
Kongresové centrum Praha, a.s.	--	--	5	260
Total	62,970	53,234	164,946	59,598

*) The payable of CZK 125.6 million is a short-term loan received from the parent company – refer to the Note “Received Loans”.

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

	2013	2012
Pražská energetika Holding a.s.	992,754	1,167,946
Energie Baden-Württemberg AG	707,989	832,928

Remuneration to the Statutory and Supervisory Bodies and Senior Management:

	2013		2012	
	Executive management	Supervisory Board	Executive management	Supervisory Board
Number of persons	5	12	5	12
Remuneration in CZK thousand	25,607	20,494	25,767	20,374

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 2013, the Company reported receivables from the members of executive management in the total amount of CZK 6 thousand (CZK 14 thousand as of 31 December 2012). The receivables are disclosed in "Trade receivables and other receivables" and were collected during January 2014.

Receivables from and Payables to Subsidiaries:

	Trade receivables of PRE as of 31 Dec		Trade payables of PRE as of 31 Dec	
	2013	2012	2013	2012
PREdistribuce, a.s.	--	--	1,982,203	1,697,761
PREměření, a.s.	12,941	10,381	288	172
eYello CZ, a.s.	1,344	4,928	2	--
Total	14,285	15,309	1,982,493	1,697,933

	PRE's receivables from cash pooling and loans as of 31 Dec		PRE's payables from cash pooling and loans as of 31 Dec	
	2013	2012	2013	2012
PREdistribuce, a.s.	2,964,488	2,960,381	--	--
PREměření, a.s.	395,478	28,319	--	--
eYello CZ, a.s.	4,886	7,152	--	4,079
Total	3,364,852	2,995,852	--	4,079

Expenses incurred with and income generated from the subsidiaries:

	Income of PRE		Expenses of PRE	
	2013	2012	2013	2012
PREdistribuce, a.s.	2,311,011	2,534,565	7,719,638	6,890,910
Of which: Electricity supplied to end customers and distribution services	583,718	601,323	7,700,275	6,872,679
Services	734,720	790,651	19,363	18,231
Inventories	6,488	6,789	--	--
Dividends	929,000	1,063,000	--	--
Interest on loans	57,085	72,802	--	--
PREměření, a.s.	106,035	97,976	8,147	1,555
Of which: Services	103,506	97,277	1,844	1,555
Sale of electricity generated by photovoltaic power stations	--	--	6,303	--
Interest on loans	2,529	699,	--	--
eYello, a.s.	12,738	15,104	--	13
Of which: Electricity supplied to end customers and distribution services	4,088	--	--	--
Services	8,597	2,676	--	--
Dividends	--	12,000	--	--
Interest on loans	53	428	--	13
Total	2,429,784	2,647,645	7,727,785	6,892,478

All transactions with subsidiaries were undertaken on an arm's length basis. The Company incurred no loss arising from related-party transactions.

(29) 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 2013 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 2005–2013 by the company Deloitte Audit s.r.o. (ID No.: 49620592, registered office: Karolinská 654/2, Prague 8).



Jan Doležálek

Date of birth: 23.2.1952
Section Manager
Company Executive Office
Responsible for the Annual Report
page 1–84, 163–168



Roman Tupý

Date of birth: 2.2.1963
Section Manager
Company Economy
Responsible for the Annual Report
page 88–162

Pražská energetika, a.s.
Na Hroudě 1492/4
100 05 Praha 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.	Čejchovna elektroměrů Praha a.s., 100% dceřiná společnost/Electricity Meter 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 regulovaných elektroenergetických společností/Czech Association of Regulated Power Supply 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 Eleetrotechnical Union
EU	European Union
eYello CZ, a.s.	100% subsidiary
FNM ČR	Fond národního majetku České republiky/National Property Fund of the Czech Republic
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 of the Czech Republic
MPSV ČR	Ministerstvo práce a sociálních věcí ČR/Ministry of Labour and Social Affairs of the Czech Republic
MVE	small hydroelectric power stations
MWh	megawatt-hour
MW	megawatt
MZ ČR	Ministerstvo zdravotnictví ČR/Ministry of Health of the Czech Republic

LIST OF RELEVANT ABBREVIATIONS

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
PREm	PREměření, 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
R	distribution station
REAS	power distribution joint stock companies
RS	distribution station
SCP	Středisko cenných papírů/Prague Securities Centre
SEVEen	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 Energy Dispatch of the Czech Republic
ÚOHS	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	Workforce Management
ZHMP	Zastupitelstvo hlavního města Prahy/Prague City Assembly
ZC	customer centre
ZL	Call Centre/Customer Line

ADDRESSES AND CONTACT DATA OF THE 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

Pražská energetika, a.s.

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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.predistribuce.czE-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.czE-mail: pre@pre.cz, mereni@pre.cz**eYello CZ, a.s. (from 1.5.2014 k.s.)**

ID No.: 25054040

Registered office: Prague 10, Kubánské náměstí 1392/11

Tel.: 840 555 777

Internet: www.yello.czE-mail: yello@yello.cz**PREleas, a.s. (until 19.10.2012)**

ID No.: 25054040

Registered office: Prague 10, Limuzská 2110/8

ADDRESS OF THE PARENT JOINT STOCK COMPANY, OF THE PRE GROUP MEMBERS AND THEIR MAIN WORKPLACES AS AT 31.12.2013

	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 (till 31.12.)
Customer Services	Prague 10, Na Hroudě 1492/4	100 05	267 053 410
Strategy and Relations with Shareholders (till 1.4.2014)			
Strategic Development and Relations with Shareholders (from 1.4.2014)	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
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
			267 055 555, 267 051 100,
PRE Call Centre	Prague 10, Na Hroudě 2149/19	100 05	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	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
	For ordering services: servis.prem@pre.cz		
eYello CZ, a.s. (from 1.5.2014 k.s.)	Prague 10, Kubánské náměstí 1391/11	100 00	840 555 777

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