



PRE Group
2017 Annual Report

365/24



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PRE Group

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

PRE has a more than one hundred and twenty year long history of supplying electricity and developing the electricity system in Prague. It dates back to 1897, when the Electricity Works of the Royal Capital City of Prague (Elektrické podniky královského hlavního města Prahy) was founded. Today, with more than 700 thousand consumption points, the PRE Group is the third largest electricity supplier in the Czech Republic and operates a high quality and reliable distribution network. As part of its activities, it supports state-of-the-art technological solutions and provides consultancy on the implementation of innovative technologies and energy savings. Last year, it distributed almost 6.3 TWh of electricity on all voltage levels to end customers and generated 25.4 GWh of electricity from renewable sources.

In 2017, the PRE Group included the parent company Pražská energetika, a.s., which holds the licences for electricity and gas trading in the Czech Republic, and its subsidiaries: PREdistribuce, a.s., the owner and operator of the distribution system in the capital Prague and in Roztoky; PREměření, a.s., which specializes in installations and readings of electricity metres, energy services, service products and the generation of electricity from renewable sources; eYello CZ, k.s., which sells electricity and gas to households and small businesses under the Yello Energy brand; KORMAK Praha a.s., which provides a complete range of engineering, design and construction services in the field of electricity infrastructure and transformer station construction; KORMAK nemovitosti s.r.o., which manages real estate; and PREzákaznická, a.s., which has been providing complete customer services to the clients of Pražská energetika, a.s., PREdistribuce, a.s., PREměření, a.s., and eYello CZ, k.s., since the 1st of November 2017. The PRE Group also includes PRE FVE Světlík, s.r.o., which on the 30th of November 2017 became a 100% subsidiary of PREměření, a.s., and PREnetcom, a.s., a 100% subsidiary of PREdistribuce, a.s., which was founded on the

27th of November 2017 with effect from the 1st of January 2018. The main task of PREnetcom, a.s., is to develop communication infrastructure within the distribution network in connection with the implementation of smart networks. PRE FVE Světlík, s.r.o., owns and operates a photovoltaic power plant under relevant licences.

LICENCE OVERVIEW

Pražská energetika, a.s.

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

PREdistribuce, a.s.

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

PREměření, a.s.

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

eYello CZ, k.s.

- ... Electricity trading licence from the 27th of September 2012 to the 26th of September 2022
- ... Gas trading licence from the 27th of September 2012 to the 26th of September 2022

PRE GROUP COMPANIES

Pražská energetika, a.s. (PRE)

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

ID No.: 60193913

Prague 10, Na Hroudě 1492/4

PREdistribuce, a.s. (PREdi)

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

ID No.: 27376516

Prague 5, Svornosti 3199/19a

PREměření, a.s. (PREm)

Repairs, installations and readings of electricity metres in the PRE supplied territory, electricity generation, energy services

ID No.: 25677063

Prague 10, Na Hroudě 2149/19

eYello CZ, k.s. (eYello)

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

ID No.: 25054040

Prague 10, Kubánské náměstí 1391/11

KORMAK Praha a.s. (Kormak)

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

ID No.: 48592307

Prague 10, K Sokolovně 667

KORMAK nemovitosti s.r.o. (Kormak nemovitosti)

Lease of real estate, flats and non-residential premises

ID No.: 02065801

Prague 10, K Sokolovně 667

PREzákaznická, a.s. (PREzak)*

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

ID No.: 06532438

Prague 10, Na Hroudě 1492/4

PRE FVE Světlík, s.r.o.**

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

ID No.: 28080378

Prague 10, Na Hroudě 2149/19

PREnetcom, a.s. (PREnetcom)***

Production, trading and services not listed in Appendices No. 1 to 3 of the Trade Licensing Act, the production, installation and repair of electrical machinery and devices, and electronic and telecommunication equipment

ID No.: 06714366

Prague 10, Na Hroudě 1492/4

** PREzákaznická, a.s., became part of the PRE Group on the 1st of November 2017.*

*** PRE FVE Světlík, s.r.o., became part of the PRE Group when it was founded on the 30th of November 2017.*

**** PREnetcom, a.s., founded on the 27th of November 2017, became part of the PRE Group when its founding came into effect on the 1st of January 2018.*

PRE corporate bodies

BOARD OF DIRECTORS AS OF 31.12.2017

Pavel Elis
Chairperson

Alexander Manfred Sloboda
Vice-chairperson

Marián Čalfa
Vice-chairperson

Pavel Pustějovský
Member

Helmut Oehler
Member

SUPERVISORY BOARD AS OF 31.12.2017

Jaroslav Štěpánek
Chairperson

Franz Retzer
Vice-chairperson

Bernhard Beck
Member

Monika Hášová
Member

Jan Sixta
Member

Fabian Spalthoff
Member

Stefan Theo Webers
Member

Jörg Reichert
Member

WORKS COUNCIL AS OF 31.12.2017

Jan Pokorný
Chairperson

Alena Šafrová
Vice-chairperson
(since 14.5.2017)

Miroslava Svobodová
Member

Martin Votava
Member

Martin Macháček
Vice-chairperson
(until 13.5.2017)

The Works Council was established as an independent body within the company in 2014 by an amendment to the Articles of Association reflecting the private law recodification. It deals with employee matters and submits recommendations to the Board of Directors based on employee input. The Works Council consists of four employees of the PRE Group, who attend meetings of the PRE Supervisory Board.

In 2017, no members of the company bodies were subject to a conflict of interest or infringed prohibition of competition.



In the photo: Aleš Staněk, Alexander Sloboda, Pavel Elis, Milan Hampl

DIRECTORS OF THE PRE GROUP COMPANIES AS OF 31.12.2017

Pražská energetika, a.s.

Pavel Elis
Managing director

Alexander Manfred Sloboda
Sales director

PREdistribuce, a.s.

Milan Hampl
Managing director

Petr Dražil
Director of the Regulated Assets division

PREměření, a.s.

Aleš Staněk
Managing director

Rudolf Červenka
Director of the Energy Services division

KORMAK Praha a.s.

Tomáš Kocourek
Managing director

Radek Matusznyi
Manufacturing director

eYello CZ, k.s.

Michal Kulig
Managing director

PREzákaznická, a.s.

Roman Kronus
Managing director
(since 1.11.2017)

PREnetcom, a.s.

Petr Dvořák
Managing director
(since 1.1.2018)

Report of the Board of Directors on business activities

REPORT OF THE BOARD OF DIRECTORS ON THE COMPANY'S BUSINESS ACTIVITIES AND ASSETS FOR 2017

Pražská energetika, a.s., (PRE) and its subsidiaries are a stable and prosperous energy corporate group with a hundred and twenty year long history. Its mission is to be a reliable partner in supplying, generating and selling energy and providing related services in the territory of Prague and the Czech Republic.

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

As the parent company, PRE leads the expanding PRE Group, which includes the following subsidiaries: PREdistribuce, a.s. (PREdi), PREměření, a.s. (PREm), eYello CZ, k.s. (eYello), KORMAK Praha a.s. (Kormak), KORMAK nemovitosti s.r.o. (Kormak nemovitosti), and, since 2017, also PREzákaznická, a.s. (PREzak), PREnetcom, a.s. (PREnetcom), and PRE FVE Světlík, s.r.o.

In their activities, all of the companies follow strict ethical standards, which include above all the responsible attitude towards society, the environment and their own employees. PRE's business activities adhere to the principles of sustainable development. To ensure growth of the company's value, the corporate culture accents the constant improvement of internal efficiency, innovation, and the support of employee initiative and activities. The company founds its position on mutual trust with customers and partners, a proactive approach to business development and professionalism and attentiveness of all employees. PRE also actively contributes to the modernization of the energy sector, where great future potential lies in the implementation of smart grids and in decentralized energy solutions using modern technologies, which help customers

better control their energy consumption and optimize their energy supply costs.

Economic and political situation in 2017

In 2017, the Czech economy maintained strong growth, which gradually accelerated throughout the year. Its dynamism in the last quarter laid solid foundations for positive developments in 2018. Overall, the Czech economy grew by 4.6% in 2017, which was the second strongest growth during the last ten years. This development was, among other things, driven by the private sector's substantial investment activity as well as by a continued upward trend in domestic consumption. However, there are still obstacles to property development in big cities. Probably the greatest hindrance is that Prague still does not have a metropolitan development plan, which is supposed to be completed no sooner than 2022–2023.

Electricity price on the Prague Energy Exchange gradually rose over the course of last year, accelerating primarily during the second half of the year. The price of supplies for the following year increased year-on-year by about a third. At the same time, electricity consumption increased year-on-year both in Prague and throughout the entire Czech Republic. The total electricity consumption in the Czech Republic reached 61.9 TWh, having increased by 1.6% compared to 2016.

In 2017, the energy sector saw major legislative changes. Since the 1st of August 2017, the Energy Regulatory Office (ERÚ) has been governed by a five-member council, which decided to keep the 2016–2018 price regulations for the energy sector and the gas industry in effect for another two years (2019–2020). It also initiated public consultation on the key principles of the price regulation of the energy sector and the gas industry in the fifth regulatory period lasting from 2021 to 2025. PRE actively participates in the consultation process.

In November, the European Commission issued the Third Report on the State of the Energy Union, which tracks the progress made over the past year and looks forward to the year ahead. The report confirms that energy transition cannot be achieved, unless the infrastructure adapts to the needs of the future energy system, and highlights that energy, transport and telecommunication infrastructure are progressively interlinked. Given the expansion of electromobility, decentralized energy production and demand response solutions, this trans-sectorial integration on local levels will become increasingly important

in the daily lives of citizens. The fact is that neither energy consumption nor emission trends mirror the growth of GDP, primarily thanks to policies aiming at increasing energy efficiency. Taking all this into account, PRE sees the biggest opportunities for further development in the field of energy services, clean mobility, renewable sources and smart grids.

Economic results in 2017

In 2017, the PRE Group achieved record economic results for the second year in a row. The consolidated EBITDA amounted to CZK 4,755 million; the profit from ordinary activity after tax amounted to CZK 2,960 million. As such, the EBITDA exceeded the 2016 result by 3.6%; and the profit from ordinary activity after tax exceeded the 2016 result by 7.5%.

The good results were, among other things, driven by a slight increase in the volume of supplies in all the sale segments.

The company succeeded in increasing electricity supplies by 13 GWh and gas supplies by 85 GWh. Year-on-year, the volume of electricity distributed in the licensed territory increased by 47 GWh and the volume of electricity generated from renewable sources by 1.3 GWh.

The total consolidated gross margin from the supply of electricity and gas, including the revenue from electricity generation, amounted to CZK 6,733 million, having slightly exceeded the 2016 margin. The record economic results were also achieved thanks to the full integration of Kormak into the PRE Group and the increase in its production, the number of contracts for energy services and street lighting maintenance and the higher amount of collected connection fees caused by growing investment activity in Prague.

The increase in operating expenses was caused by the above-mentioned activities in the field of energy services, maintenance of street lighting and network construction. The higher expenses were, however, fully offset by higher revenues, and alternatively, by capitalizing the relevant expenses as consolidated revenue, which had a positive effect on the overall results.

There was a slight year-on-year increase in consolidated personnel expenses amounting to CZK 11 million due to the growth of average earnings in line with the collective agreement and the reduction in the provisions related to employees retiring (IAS 19), which was motivated by the growth of real interest rates.

In 2017, the PRE Group generated consolidated operating cash flow of CZK 3,794 million. As the General Meeting did not decide to pay out dividends in 2017, current assets increased substantially; having doubled compared to the end of 2016, they reached CZK 6,279 million.

The value of consolidated non-current assets increased year-on-year by CZK 1,071 million to CZK 23,621 million, primarily thanks to investments into energy network fixed assets amounting to more than CZK 1.5 billion. The investments were chiefly made into the development and modernisation of the high and low voltage networks. In order to extend the portfolio of renewable sources, the Světlík photovoltaic power plant with the installed capacity of 2.2 MW was acquired; other investments were made in the development of information and communication technologies, technical upgrades of buildings and vehicle fleet renewal.

Equity attributable to the parent company's shareholders increased by 18.4% to CZK 19,209 million in 2017. The fact that the share of equity exceeds 64% creates good conditions in the long term for PRE to implement ambitious growth plans and make related investments.

Despite the tough competitive environment, the company managed to maintain its return on capital employed (ROCE) at 15%, which proves its long-term high performance.

Pražská energetika, a.s. – business activities

PRE's strategic goal is to maintain its electricity supply market share in the long term and gradually increase its share of gas supply in the Czech Republic. PRE supplies electricity and gas to end customers both inside and outside of its distribution area. In addition, the parent company also performs all shared and corporate services for the companies of the PRE Group.

The separate economic results after tax amounted to CZK 2,213 million in 2017; the gross profit from the sale of electricity and gas amounted to CZK 1,604 million, which was CZK 98 million less than in 2016. There was a significant increase in the supplies outside Prague amounting to 13% year-on-year. The share of electricity supplied outside PRE's own distribution area already accounts for more than 30% of the total supplied volume. 2017 also saw a significant increase in the sale of gas: the total volume of gas supply rose by 34% year-on-year to 337 GWh. The company plans to further boost its sales activities in this area.

In 2017, PRE procured electricity and gas for its customers both on futures and intraday markets in the Czech Republic, as well as Germany and Austria. This procurement strategy aims at ensuring the lowest possible purchase prices and, as a result, attractive sale prices for end customers. A considerable portion of electricity was purchased from local Czech producers of electricity from renewable sources, such as biogas stations, producers generating electricity from biomass, and hydroelectric power plants.

PRE owes its impressive sales record to its balanced and transparent relationship with customers and long-term commitment to improving customer services. Last year, the PRE Group continued to focus on the development of individual sales channels and new methods of selling energy in the B2B segment. Thanks to the new sales activities, the total sale of electricity on the MV and HV levels increased by 1.6% year-on-year. As in previous years, a number of new products were introduced in 2017 in response to the current market trends. The company counteracted the aggressive practices of its competitors by its time-tested sales retention activities aimed at stabilising the whole portfolio. The retention measures included a number of active campaigns targeted at customers whose products were expiring in 2017. The customers were offered attractive sale prices and their fixation until 2019.

A decisive factor in successful future sales is digitisation. In 2017, the company launched an automated system of individual price quoting. As a result, customers can now accept price quotes online through a modern web portal.

PRE also actively engages in smart city projects, developing smart city infrastructure. In 2017, the company installed ten new PREpoint charging stations, many of which support the quick-charge function. The company is pleased not only by the growing number of charging stations, but primarily by the growing number of PREpoints' users that doubled year-on-year. In order to make electromobility more accessible to Prague citizens and promote new approaches to car transport in Prague, the company started cooperating with the largest car sharing provider in the Czech Republic launching an electric car sharing service, Sdílení elektromobilů od PRE. PRE's main goal in the field of smart city infrastructure is to be a partner to Prague, its districts and municipal companies in all aspects of energy management and to promote smart

solutions using state-of-the-art technologies. Consequently, the company carried out a number of projects in 2017, aimed at implementing smart ways of measuring energy consumption in buildings and the installation of multifunctional smart lamps, which also serve as charging stations.

PREdistribuce, a.s.

The subsidiary PREdi operates the distribution network in Prague and in Roztoky covering an area of 505 km², and as such carries out one of the key activities of the PRE Group. PREdi carries out its business activities as an operator of a distribution system in the public interest in compliance with the Energy Act and under a licence issued by ERÚ. Through its implementing rules, ERÚ determines how the energy industries and prices are regulated. As an operator of the distribution network in the capital, PREdi has a specific position within the Czech energy sector and has to face extraordinary challenges and demands for high quality and reliable supply.

In January 2017, PREdi took over the responsibility for operating the street lighting dispatcher control centre and solving failures and breakdowns of street lighting owned by the capital Prague. As switching points of the street lighting system are located close to electric networks and the layout of lighting points corresponds to the layout of electric cables, PREdi, as the distribution system operator, is a natural partner for the capital in operating street lighting in Prague.

PREdi's EBITDA reached CZK 3,043 million, exceeding the 2016 result by 6.7%. The volume of electricity distributed by the PREdi distribution network in 2017 amounted to 6,288 GWh, which is a 0.8% year-on-year increase and the highest amount since 2013. The higher volume of distributed electricity positively influenced the gross margin, which amounted to CZK 4,717 million, exceeding the 2016 margin by CZK 81 million.

PREdi's operating expenses, which increased by CZK 79 million (5.3%) year-on-year, were markedly influenced by taking on the emergency and routine maintenance of street lighting in Prague. 2017 also saw the adjustment of electricity metres depreciation rate, which reduced annual depreciation by CZK 40 million. The additional growth in operating revenue by CZK 95 million was achieved by providing the street lighting emergency maintenance and satisfying more customer requests for the relocation of cables.

The company continued to develop the network to be able to connect new consumption points in commercial premises, housing units and other buildings in the capital. At the end of 2017, more than 795 thousand consumption points were connected to the PREDi distribution system, which is a year-on-year increase by 1.1%. The highest total load of the network amounting to 1,196 MW was recorded in January.

As planned, the company invested a total of CZK 1,594 million into the construction and renovation of distribution equipment. CZK 940 million was invested into the renovation of distribution equipment, CZK 526 million into the development of distribution networks (including customers' constructions), and CZK 129 million into the purchase of new electricity metres.

The costliest construction projects in 2017 included the construction of the Karlín transformer station and cable tunnel; the continued construction of the Uhřetěves transformer station; the renovation of HV cable lines between the Jih and Malešice distribution stations; the renovation of buildings at the Karlov distribution station; the upgrade of the central dispatcher control system by introducing the SCADA system; and the renovation of T101 and T102 transformer foundations in the Chodov transformer station.

PREDi also actively engages in the digitisation of network operation and the building of smart infrastructure, which will be necessary in the near future to ensure reliable operation of the electricity system and to meet the demand created by the expected expansion of decentralized generation. Smart grids will play a vital role in the future developments in the electricity market, where active consumers might also act as producers. Smart infrastructure will also provide technological support to consumers, further increasing energy efficiency. The PRE Group experts, therefore, actively participate in working groups, which help prepare measures outlined in the National Smart Grid Action Plan (Národní akční plán pro chytré sítě) approved by the Czech government.

Other important companies in the PRE Group

PREm is successful in gradually implementing its growth plans. In 2017, its EBITDA amounted to CZK 353 million, having increased by CZK 23 million (7%) year-on-year. PREm managed to increase the revenue from electricity generation by 7% year-on-year, the revenue from energy services by 6.7% and the margin from the sale of electricity metres by 9%.

The company offers its customers smart, customized solutions promoting energy efficiency. In 2017, the company continued to standardize its energy services portfolio, which stimulated the further considerable increase in the number of processed offers. It also made room for further growth in the number of contracts in the coming years. The largest volume of offers was processed in the field of construction and servicing of small photovoltaic power plants, electricity/gas heating solutions, lighting, electromobility and adjustments and servicing of consumption points.

PREm provides its sister company, PREDi, with services related to the purchase, installation and calibration of electricity meters as well as metre readings. The company also carries out metre readings for its long-standing partners, Pražská plynárenská Distribuce, a.s., and Pražská teplárenská, a.s., and newly also for Veolia Energie Praha, a.s.

eYello sells electricity and gas to households and small businesses in the Czech Republic under the Yello Energy brand. Even though both traditional and alternative suppliers seem to engage in robust retention activities and changing suppliers is a time-consuming process taking 6 to 8 months owing to their contractual terms, eYello supplied energy to more than 30 thousand consumption points by the end of the year, with electricity supplies accounting for about 70% and gas supplies for 30%. In 2017, the company's EBITDA amounted to CZK 21 million, almost doubling from 2016. This result was achieved primarily thanks to the considerable year-on-year increase in the gross margin from the sale of electricity, which amounted to 52.4%. The increase was mainly caused by the higher volume of supplied electricity (+18 GWh) and better purchase prices.

Kormak provides services in the field of design, building permit administration, and construction, and installation of low and high voltage networks in particular for PREDi. Given the market shortage of qualified personnel in this field, the incorporation of Kormak to the PRE Group provides a long-term guarantee of easy access to resources necessary for the reliable development of distribution networks. Insourcing these services is very beneficial in carrying out projects essential for the development of network infrastructure in the capital.

In 2017, Kormak managed to considerably increase turnover by 32% year-on-year to CZK 217 million. EBITDA amounted to CZK 31 million.

January... ...February



The PRE Gallery starts its new exhibition season
PRE has run a gallery for the past 19 years, enriching the cultural life of Prague.

New PRE advertising campaign

At the beginning of January, we launched a very successful outdoor advertising campaign with the motto No Need for a Hairdo or a Tie (Bez trvalé i bez kravaty) in the streets of Prague to promote the use of "customer self-service" on our website www.pre.cz.



PRE Service Centre expands the range of water heaters

The PRE Service Centre has started to carry new smart water heaters. Thanks to their double tank structure, they can heat water much faster, providing a new experience in comfort.



PREzak was established in November 2017 as a 100% subsidiary of PRE. Since the 1st of January 2018, it has served as the principle contact point for all PRE Group's B2C customers dealing with administrative matters and been responsible for all its main communication channels (the customer centres and the call centre) and customer support.

PREnetcom (a 100% subsidiary of PREdi) was founded in November 2017 with effect from the 1st of January 2018. PREnetcom will help plan and coordinate the construction and operation of optical networks supporting the operation of smart grids and coordinate the use of temporarily available optical network transmission capacity by PREdi and PRE.

Expected economic situation

2018 will be an important year for the energy sector. Major progress is expected in debating and passing new EU energy legislation known as the Winter Package, which is supposed to include a number of necessary directives. Passing the new legislation is indispensable for the successful development of the whole energy sector.

As mentioned before, the changes in the energy sector create many new opportunities in the field of energy services, smart grids and smart city infrastructure. PRE reflects these developments in its updated 2025 strategy, which highlights PRE's role as an infrastructure company with close ties to the city of Prague. Infrastructure is the common denominator for all PRE's existing and future development activities. PRE's three new key strategic areas include:

- I) Smart customer infrastructure, which brings together the sale of energy and the sale of energy services, as they seem to increasingly converge on the market today. By focusing on this area, PRE meets the full spectrum of customers' needs in the field of electricity and gas supply and energy services, such as heating, cooling, the installation of rooftop solar systems, accumulation, and energy consumption management.
- II) City infrastructure, which concerns both regulated distribution activities and the development of Prague's public infrastructure, where the PRE Group can make use of synergies with its existing capacities and competences. This area includes the installation of charging stations for electric vehicles, the development of high-speed internet infrastructure and the



Selvo electric cart to help seniors

We started the new year with a good deed, donating a Selvo electric cart from the PREkolo shop to a retirement home in Prague 10.



PRE at the SOLAR PRAHA fair

The trade fair held on the 9th-11th of February brought together leading manufacturers and distributors of roof materials, windows, construction systems, insulation, and facade, gutter and solar systems.

9.-11.2.

Painted transformer stations liven up places throughout Prague

The idea to spruce up damaged transformer stations dates back to 2011, when we launched the Redo It Your Own Way (PREdělej to po svém) project, calling for tenders. More than 50 transformer stations have since been refurbished.



Feedback from experts

Our advertising campaign promoting the purchase of electric bikes for Christmas (PREkolo jako nejlepší vánoční dárek) succeeded not only in terms of sales, but also with marketing experts. It received positive feedback, for example, from the Marketing a Media magazine.



efficient maintenance of street lighting and the introduction of smart features in this field.

III) Sustainable infrastructure for the generation of electricity, which concerns the generation of electricity from renewable sources.

The strategic plan draws on the company's defined, long-term measures and initiatives, which are reviewed and updated every year. Thanks to these development activities, the key indicator, EBITDA, is planned to increase to more than CZK 5 billion by 2025. The company will utilize its current market position and unique know-how and continue to respond to the dynamic changes of the market environment. By doing so, it will continue to accomplish its strategic vision to be a modern and stable energy company and a preferred partner for its customers and to actively contribute to making Prague a nice and pleasant place to live.

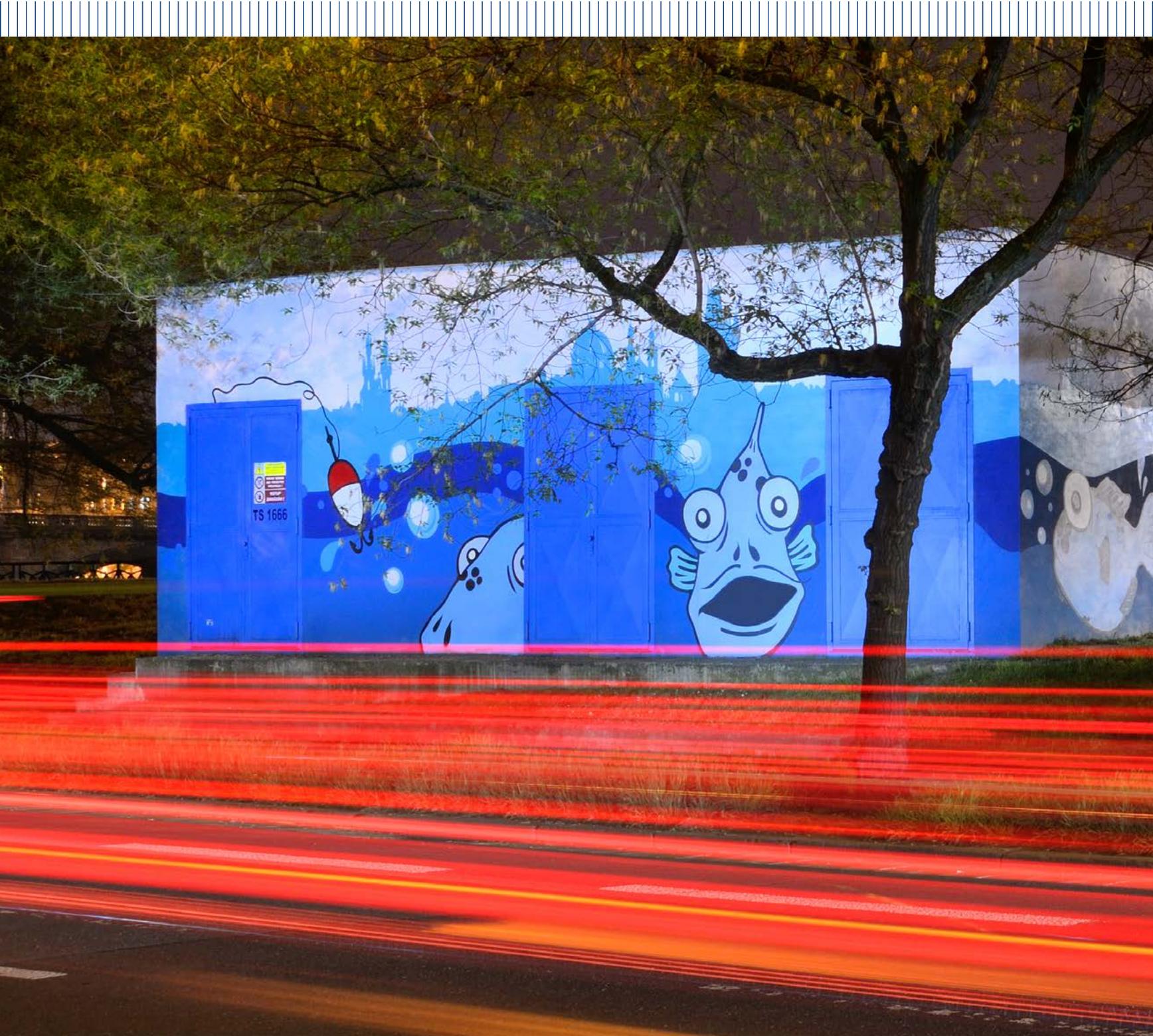
On behalf of the Board of Directors, we would like to thank our customers, employees, suppliers, partners and shareholders for their trust and cooperation in 2017 and for their contribution to the excellent economic results. We are looking forward to our continued successful cooperation.

In Prague, 29th of March 2018

Pavel Elis
Chairperson of the Board of Directors

Alexander Sloboda
Vice-chairperson of the Board of Directors

February



Wednesday 15th

Transformer stations play a vital role in supplying electricity in Prague. We have launched a project called Redo it Your Own Way (PREdělej to po svém), offering them to street artists as a canvas for their creativity. The street art has already spruced up dozens of transformer stations.



Selected financial indicators for the PRE Group

SELECTED FINANCIAL INDICATORS FOR THE PRE GROUP

	Unit	2017	2016
Total revenue	MCZK	19,369	18,942
Sales margin	MCZK	6,733	6,716
Profit after tax	MCZK	2,960	2,752
Equity proportion to total invested capital	%	64.2	64.3
Return on capital employed - ROCE	%	15.0	16.2
Total revenue labour productivity	TCZK/employee	13,212	12,930
EBIT - operating profit/loss before interest and tax	MCZK	3,661	3,472
EBITDA - profit before tax, interest and depreciation	MCZK	4,755	4,589
Net profit per share	CZK	765	711

OTHER INDICATORS

	Unit	2017	2016
Gross distributed electricity	GWh	6,288	6,241
Total purchase of electricity	GWh	5,930	5,917
Purchase of gas	GWh	337	253
Generation of electricity	GWh	26	24

Trading in electricity and gas

In 2017, PRE procured electricity and gas for its customers on both the futures and intraday markets in the Czech Republic, Germany and Austria. This procurement strategy aims at ensuring better purchase prices and, as a result, better sale prices for end customers.

In 2017, the PRE Group's main suppliers of electricity and gas included its traditional and trusted business partners from both the Czech Republic and abroad. A considerable portion of electricity was purchased from local Czech producers of electricity from renewable sources, particularly biogas stations, biomass and hydroelectric power plants. The PRE Group has enjoyed long-term cooperation with Povodí Vltavy, s.p., which operates hydroelectric power plants on the Vltava river.

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

SALES (B2B SEGMENT)

In 2017, electricity sales were greatly influenced by first modest and later considerable growth of the prices on the energy exchange. However, growing prices on the wholesale market did not encourage greater purchase activity among customers. Customers were holding back in the first half of the year mainly because the Bank Board of the Czech National Bank decided to end foreign exchange interventions at the beginning of April and no longer prevent the Czech crown from appreciating below CZK 27:EUR1. As a result, customers expected electricity prices in CZK to fall.

January and the first half of February 2017 were uncommonly cold, which caused unusually high electricity consumption and increased spot prices in the first quarter. This trend adversely affected electricity prices for customers whose contracts reflect spot prices and who purchase electricity in parts depending on monthly and quarterly stock exchange products.

In the B2B segment, the trend of tenders continued: almost all state authorities and regional governments invited tenders in the form of electronic auctions in accordance with the Public Procurement Act. Big customers tend to procure electricity in parts at various moments in time. In these cases, either individual procurements follow a prearranged time scheme, or, more often, customers choose independently when to purchase the agreed amount of electricity.

Growing electricity prices on the energy exchange made customers more inclined to conclude multi-annual contracts. Following the activities of alternative suppliers, consultancies and organisers of electronic auctions, customer pressure on sale prices continued.

Last year, the PRE Group continued to focus on the development of individual sales channels and new methods of selling energy. The total volume of electricity sold to the customers on the MV and HV levels increased by 1.6% year-on-year. This increase reflects the development of PRE's sales activities as well as the overall growth of the Czech economy.

SALES (B2C SEGMENT)

In the B2C segment, PRE focused primarily on continuing its sales retention activities in 2017 aimed at stabilising the whole portfolio. The retention measures included a number of active campaigns targeted at customers whose products were expiring in 2017. The customers were offered attractive sale prices and their fixation until 2019. Consequently, the campaigns also served as a retention measure against competing offers from other suppliers.

March... ...April



The launch of the Uhřetíněves transformer station

The construction of the new HV/MV station has helped to considerably improve the operation of the MV network and the reliability of the HV backbone network as well as reduce energy losses.



PREkolo in 2017

In March, PRE's electric bike shop and rental service on Jungmannova street kicked off the new cycling season by stocking up on new electric bikes. Now it also carries electric bikes by Author.



A new campaign promoting the installation of photovoltaic systems

Thanks to becoming eligible for support under the New Green Savings subsidy programme, the installation of photovoltaic systems is becoming more attractive to customers, increasing the demand.

In 2017, B2C activities also included the digitisation of individual price quoting. As a result, customers can now accept price quotes online through the web portal. The company also worked on adjusting its contractual documentation to comply with GDPR provisions.

Thanks to PRE's sales activities, the balance of the number of B2C customers remained stable year-on-year; and when combined with eYello's results, the balance of the number of B2C customers was positive. The volume of supplies decreased slightly by about 1%.

In 2017, PRE also continued to supply its B2B and B2C customers with natural gas. The volume of supplied natural gas increased by 27% year-on-year. PRE plans to further expand its sales activities in this area.

SALES (eYello CZ, k.s.)

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

The company's successful development continued in 2017: at the end of the year, it supplied electricity and gas to more than 30 thousand consumption points. Thanks to the stable growth of its customer portfolio and constant development of its products, the company secured its position among the top ten most dynamically developing electricity and gas suppliers in the Czech Republic.

28.3.

Works Council elections

The Works Council is one of the corporate bodies of Pražská energetika, a.s., in accordance with the Articles of Association. The PRE Group employees elected four new members to the Works Council for three-year terms.

**We recycle, therefore we are**

It has already been ten years, since we joined forces with ECOBAT, which runs a take-back system for used batteries. Since then, we have, on average, collected 287 kg of batteries each year.

PREměření at Building Fairs Brno

On the 26th-29th of April, PREměření participated simultaneously in the Mobitex and Urbis fairs, which took place as part of the Building Fairs Brno.

**A big increase in the number of PRE charging stations**

At the beginning of April, 54 charging stations were available to customers at 33 locations throughout the Czech Republic. 28 of the locations were in Prague.

26.4.

PRE recognized by Konto Bariéry

Konto Bariéry is the first and only charity collection organized continuously for the past twenty-five years, receiving donations from about forty thousand regular donors. It supports people with disabilities and helps them live a full life in the society.

**CUSTOMER SERVICES**

PRE constantly develops and enhances its customer services. It operates two customer centres conveniently located in the centre of Prague and a freephone line at the phone number 800 550 055. As online contact is becoming a preferred means of communication for customers, the digitisation of customer services is required. PRE has, therefore, devoted its attention and resources to developing tools for electronic communication.

The popularity of the Moje PRE (My PRE) administration portal is growing, with the number of registered customers reaching almost 300 thousand. The portal provides registered customers with comprehensive information about their invoices, payments, fixed prepayments and technical specifications of their consumption points and offers a wide range of online administration possibilities, including switching products, modifying contracts and making online payments using QR codes and payment cards. Customers can also request an electricity invoice to be issued on

a different date than scheduled and enter consumption meter readings. As a result, customers can take care of everyday administration themselves without the need to visit the customer centre or contact the call centre.

In summer 2017, the company added joint invoicing to its customer services portfolio. Different invoices for multiple electricity and gas consumption points can be now merged into one, which makes it easier for customers with more than one consumption point to make payments and keep track of their invoices.

As part of its customer services, the company also provides complete assistance with changing energy suppliers. When customers wish to switch to PRE from their current electricity or gas supplier everything is taken care of by PRE, including all related administration tasks. The wide range of products at attractive prices and the possibility to use electronic means of communication when negotiating contracts are also staples of PRE's customer services.

March



Thursday 9th



We have been developing our portfolio of renewable energy sources since 2010. During the last few years, it has expanded considerably, currently including sixteen photovoltaic power plants with the total installed capacity of 25.7 MWp.



Strategy

PRE's strategy draws on the company's mission and vision to be a reliable partner in supplying, generating and selling energy, providing high quality energy services and using state-of-the-art technologies. PRE's activities are also shaped profoundly by its close ties with the capital Prague. As the operator of the local distribution network, the PRE Group is a guarantee of reliable energy infrastructure in the capital, and as such plays a major role in the development of the entire region. Infrastructure is the cornerstone of PRE's strategy and a common denominator for all its development areas and newly launched activities.

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

Smart customer infrastructure brings together the sale of energy and the sale of energy services, as they seem to increasingly converge on the market today. In order to meet customers' needs, PRE plans to develop its portfolio of combined products, enabling joint supply of electricity and gas and the provision of related energy services, particularly rooftop solar systems, heating and electromobility solutions. The company will also continue to digitise its processes, increase the quality of customer services and introduce new sales channels.

The second strategic area, city infrastructure, mainly concerns the distribution of electricity in the capital. The PRE Group will continue to focus on the optimization of its operating processes and "smartening" of the distribution network. To this end, it will carry out pilot projects and in the long term introduce state-of-the-art smart grid technologies throughout the distribution network. In the long term, it plans to cooperate with the operator of the transmission system, ČEPS, to take specific measures to increase the reliability of the electricity supply in Prague. The PRE Group will also explore possibilities to make acquisitions in the field of local distribution networks particularly in Prague and its vicinity.

The strategic development of city infrastructure focuses on three main elements: charging stations for electric vehicles, optical networks and street lighting. The company considers electromobility an important field of the future energy sector and, therefore, plans to continue to play an active role in the installation of public charging stations for electric vehicles. As for optical networks, PRE aims to develop infrastructure for high-speed internet connection. To achieve synergies when laying fibre optical cables for smart grids, it will also create spare capacity that could be made available for the use by other entities. The company also wants to become a bigger player in the field of street lighting. Thanks to its experts in planning and maintenance and robust internal processes, it can provide high quality of services at low costs.

PRE's third key development area is sustainable infrastructure for the generation of electricity from renewable sources. In the short term, PRE will continue to pursue its acquisition strategy by investing in photovoltaic power plants in the Czech Republic. Taking into account market developments and changes to the support schemes for the generation of energy from renewable sources, PRE will expand its own capacity to build and operate new power plants.

In pursuing its development goals in all of the areas, PRE can depend on its great know-how and in-house personnel, skilled in a wide range of fields and supported by reliable internal processes, and the capacity to make additional investments to promote the desired development. In all its development activities, the company can draw upon its stable position on the market and its strong and trustworthy brand, which is synonymous with clear and lasting values among the customers and partners.

Human resources

HUMAN RESOURCES MANAGEMENT

All personnel administration and wage calculations for the PRE Group, including services relating to occupational health and safety and environmental protection, are carried out centrally by the parent company. In PRE, PREdi, PREm and PREzak, remuneration, occupational healthcare and social policies are governed by a collective agreement. Both tariff and negotiated wages are used in the PRE Group; specific applications of the remuneration system are provided for by the respective company standards. The SAP HR module is used for personnel administration.

HEALTHCARE

Employees are provided with occupational healthcare in compliance with the applicable legislation at the company's premises by a medical professional from the POLIKLINIKA AGEL Praha Italská, a healthcare facility operated by the contractual partner, Dopravní zdravotnictví, a.s. In addition to the legally required healthcare, all employees have access to free preventive healthcare programmes. Most notably, they include breast cancer screening and treatment, urological and thyroid screening, regular vaccinations against seasonal diseases and hepatitis A, as well as extra dental care and subsidized prosthodontic care. Managers are also provided with a preventive healthcare programme at the Na Homolce Hospital and Pavel Kolář's Centre for Musculoskeletal Medicine.

SOCIAL POLICY

Social policy is considered one of the employer's key motivational tools. It is enshrined in the collective agreement and draws on a long-standing commitment to provide a robust social programme, which reflects the current social and economic situation of the society. The scope and quality of both blanket and elective fringe benefits provided to employees meet a high standard of employee care. The social programmes primarily aim at improving the employees' social conditions, living standards, working environment and healthcare. Specifically, they include catering, provision of interest-free social and housing loans, occupational healthcare and additional preventive healthcare programmes, cultural and sporting events, recreation and wellness programmes, family vacations and summer camps for employees' children, etc.

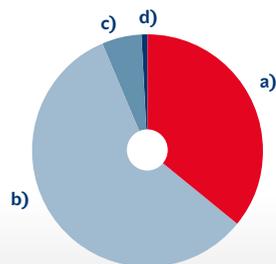
TRAINING

PRE's personnel policies promote the systematic and targeted training and development of its employees. PRE uses all available tools to ensure employees gain the necessary expertise and develop their knowledge and skills, which at the same time increases the company's competitiveness and inspires the employees' loyalty and positive perception of PRE's HR policies. The training and development programmes aim at providing all employees with required qualifications and competences in all fields. The company also continues

to cooperate with secondary schools and universities through its recruitment programme. Lasting up to one year, it aims at helping graduates adapt to the work environment and complement their theoretical knowledge with basic working experience.

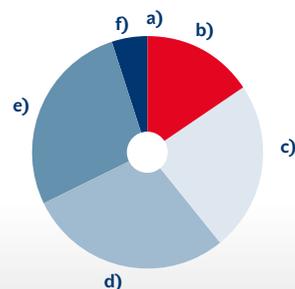
PRE has also enjoyed a long-term cooperation with electrical engineering secondary schools and universities offering unpaid professional internships to students in their final year. The current lack of skilled workers in the relevant technical fields attests to the importance and usefulness

PRE employee qualification structure



a)	University	35.87%
b)	Secondary concluded by an exam (maturita)	57.78%
c)	Secondary and secondary vocational	5.72%
d)	Primary	0.63%

PRE employee age structure

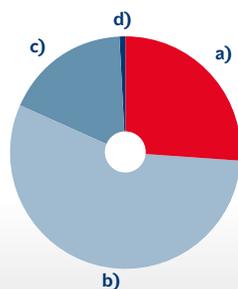


a)	Under 20 years	0.16%
b)	20-30 years	15.56%
c)	30-40 years	23.65%
d)	40-50 years	28.57%
e)	50-60 years	27.14%
f)	Over 60 years	4.92%

of these activities. Many graduates of the Faculty of Electrical Engineering of the Czech Technical University in Prague (FEL ČVUT) and Prague electrical engineering vocational schools, such as the Technical Business Vocational Training Centre (Centrum odborné přípravy technickohospodářské), the Vocational Academy Secondary Technical School (Střední technická škola Akademie řemesel) and the Secondary Vocational School and College of Transport (SPŠ a VOŠ dopravní), have managed to enter the job market successfully thanks to the high-quality professional experience gained at the PRE Group.

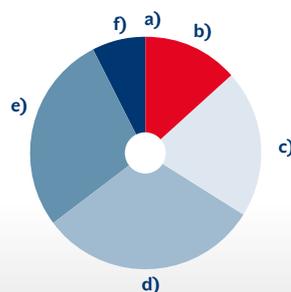
The company runs and finances the Polygon training and educational centre located at the Malešice distribution station. It caters to the company's employees as well as partner companies and students of electrical engineering schools hosting professional trainings. In 2017, a total of 509 persons, of whom 205 were electrical engineering students, used the opportunity to get first-hand experience with the distribution network equipment used in Prague and its safe operation.

PRE Group employee qualification structure



a)	University	26.24%
b)	Secondary concluded by an exam (maturita)	55.49%
c)	Secondary and secondary vocational	17.51%
d)	Primary	0.76%

PRE Group employee qualification structure



a)	Under 20 years	0.14%
b)	20-30 years	13.26%
c)	30-40 years	20.53%
d)	40-50 years	31.04%
e)	50-60 years	27.61%
f)	Over 60 years	7.42%

May... ...June



Ratolest Fest 2017

PRE participated in the 4th annual Ratolest Fest. The family festival focusing on active lifestyle offered visitors more than a hundred interactive stations prepared by sporting organisations and clubs, kindergartens and other organizations.

27.5.

16.5.

Safe Enterprise for the 6th time in a row
Pražská energetika, a.s., and PREdistribuce, a.s., were awarded with the Safe Enterprise certificate for their responsible attitudes to occupational safety. The ceremony was held in Opava on Tuesday, the 16th of May.



25.5.

PRE Service Centre exhibits the EnBW collection

From the 25th of May, the PRE Service Centre hosted an exhibition of selected works from the EnBW collection in its exhibition space at the TeTa palace on Jungmannova street.

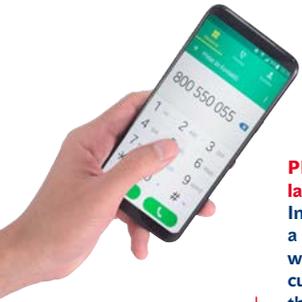


Environmental protection and OHS

Environmental responsibility, ensuring safe working conditions and protecting employee health are among the top priorities of the PRE Group. Therefore, all of the PRE Group companies strive to continuously improve in all these areas. Protection of the environment and employee health are important parts of the corporate culture.

The companies have mechanisms for raising awareness among employees and contractors of their activities' potential impacts on employee health and safety and the environment, providing them with regular trainings and access to additional information and educational presentations on the company intranet.

The PRE Group companies understand how their activities might impact the environment, for example by causing soil and water contamination by oil products and the emission of air pollutants and substances damaging the ozone layer. They also realize the operation of electric devices and running the distribution network might adversely affect the health of employees and other persons.



PRE Call Centre launches a new line
 In June, we launched a new freephone line, which can be used by customers from across the Czech Republic free of charge.



2017 Museum Night
 For the ninth time, PRE Technical and Documentary Museum participated in the annual Prague Museum Night, welcoming visitors from the Czech Republic, Slovakia, Italy, Poland, Spain and England.



Joint invoicing now available to our customers
 Since the 19th of June, our customers with more than one electricity and gas supply contract have been able to opt for joint invoicing. All invoices for multiple consumption points can now be merged into one.

19.6.



New booking system for renting electric bikes and metering devices
 In June, we launched a substantially upgraded online booking system to better meet the growing demand for renting electric bikes and metering devices from the PRE Service Centre.

21.6.



PRE Annual General Meeting
 On the 21st of June 2017, the shareholders approved the good economic results of Pražská energetika, a.s., in 2016.

Taking all this into consideration, the companies have robust environmental management systems in place meeting the ISO 14001 standard and hold the Safe Enterprise (Bezpečný podnik) safety at work certificate as well as the Health Supporting Enterprise (Podnik podporující zdraví) certificate. In 2017, all these systems were audited and recertified.

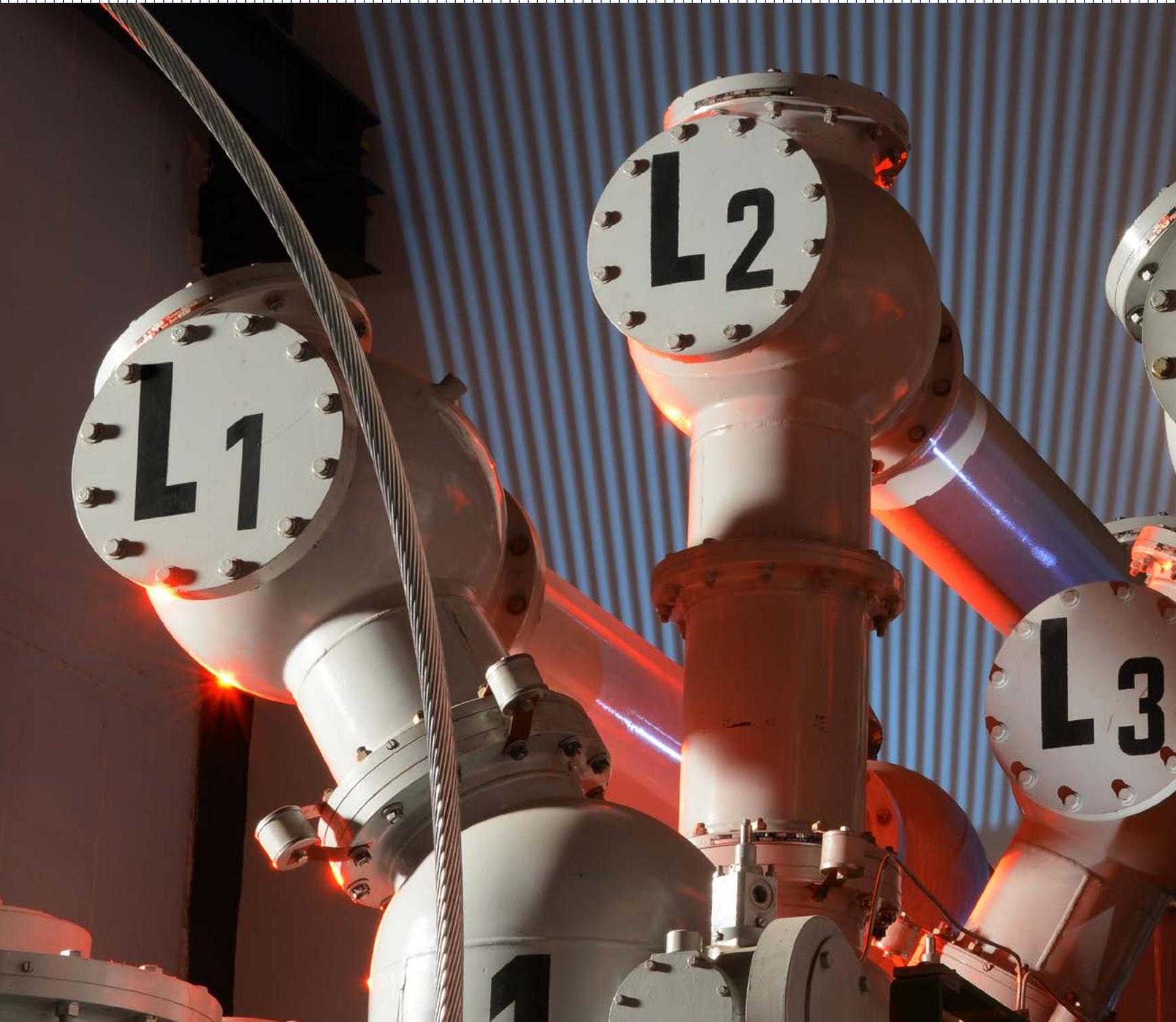
In order to meet the environmental protection and occupational health and safety goals in 2017, the PRE Group prioritized investments into equipment preventing the leakage of harmful substances, limiting noise pollution and increasing occupational safety. Investments were also made into measures protecting wild birds.

Selected 110/22 kV transformer foundations were renovated and some 110/22 kV transformers were exchanged in 2017. In order to replace overhead HV lines, 110 kV cables are being laid and put into operation.

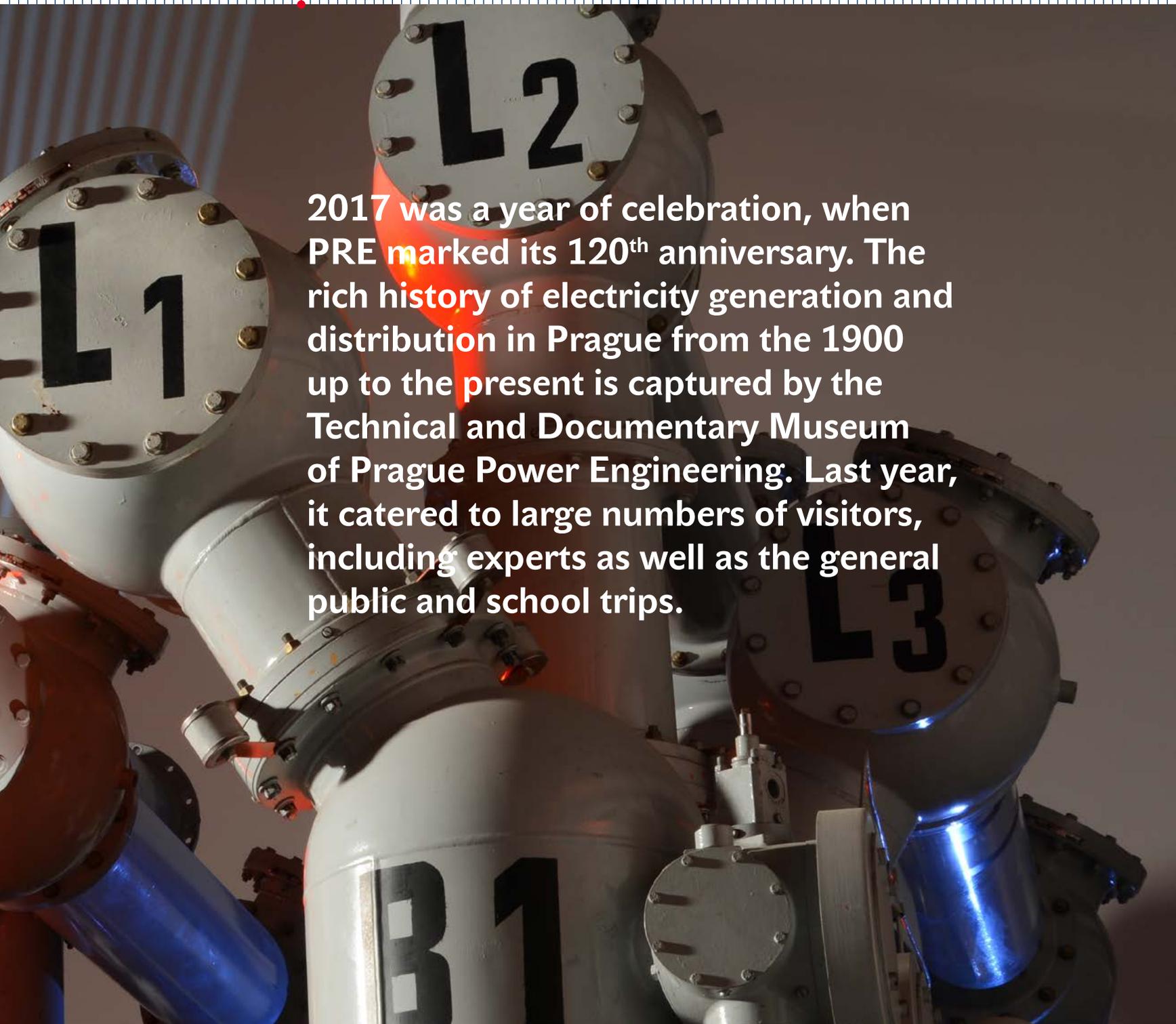
In 2017, older 22/0.4 kV oil transformers were being replaced by hermetically sealed transformers and dry transformers.

The measures limiting the company's potential environmental impacts also include the promotion and active use of alternative fuel vehicles as part of the PREmobilita initiative.

June



Saturday 10th



2017 was a year of celebration, when PRE marked its 120th anniversary. The rich history of electricity generation and distribution in Prague from the 1900 up to the present is captured by the Technical and Documentary Museum of Prague Power Engineering. Last year, it catered to large numbers of visitors, including experts as well as the general public and school trips.

Public relations

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

PHILANTHROPY

Active participation in making Prague a nice and pleasant place to live and supporting socially beneficial projects and organisations is an inseparable part of PRE's corporate culture. These activities are regional in their scope due to PRE's urban character and close ties to Prague.

The donor activities, run by the parent company on behalf of the whole Group, emphasize social benefits of donations, supporting charities and projects in healthcare, social services, education, the environment, culture and sports. Since 2012, PRE has enhanced its donor activities by cooperating with the Charter 77 Foundation (Nadace Charty 77), within which it established an endowment fund, Fond PRE, to help address healthcare and social needs of individuals with disabilities and support organisations working with disabled people. The cooperation with the Charter 77 Foundation increases the donor activities efficiency as its staff cooperates with doctors and other professionals, have perfect knowledge of the needs of disabled people, and can see specific real-life stories behind every application. As such, the Charter 77 Foundation is a guarantee that PRE's financial support really gets to those who need it the most at the time. Every year, PRE contributes CZK 3 million to the endowment fund, which is distributed among individual applicants. The Charter 77 Foundation concludes deeds of donation with the recipients. The maximum possible financial contribution for one project is CZK 200,000.

In 2017, the total amount of donations made by PRE was CZK 8 million. It was used for 36 direct donations; another 75 donations were made from Fond PRE established within the Charter 77 Foundation. The average contribution to a project from Fond PRE in 2017 was CZK 38,000.

As part of its donor activities, PRE has also enjoyed long-term cooperation with hospitals, including the Radiodiagnostic Clinic

of the General University Hospital in Prague (Radiodiagnostická klinika Všeobecné fakultní nemocnice v Praze), the Sisters of Mercy of St. Borromeo Hospital in Prague (Nemocnice Milosrdných sester sv. Karla Boromejského v Praze) and the Gynaecology and Obstetrics Clinic of the Královské Vinohrady University Hospital (Gynekologicko-porodnická klinika Fakultní nemocnice Královské Vinohrady); and with schools, such as the Palestra College of Physical Education and Sport (Vysoká škola tělesné výchovy a sportu Palestra). The most notable partners in the social sector include Our Child Foundation (Nadace Naše dítě), Drop of Hope Endowment Fund (Nadační fond Kapka naděje), the Association for the Protection of Endangered Children (Sdružení na ochranu ohrožených dětí), the Association of the SOS Children's Villages, Babybox, the Šance project, the RoSa Centre, Life 90 (Život 90), POINT 50+, Umění doprovázet Endowment Fund and the Tempus Hospice. PRE also supports disabled people, for example the Wheelchair Club Petýrkova, the Blind Sport Club Prague, the Quiet World (Tichý svět), the Open Studio (Otevřený atelier), cyclist Jiří Bouška, who suffers from a spastic movement disorder, and the Jedlička Institute Foundation (Nadace Jedličkova ústavu).

MEMBERSHIP IN ORGANIZATIONS

The most notable organizations the PRE Group companies belong to include: the Czech Association of Regulated Power Supply Companies (České sdružení regulovaných elektroenergetických společností), the World Energy Council – CR Energy Committee, ČK CIREC, the Czech Company Lawyers Association (Unie podnikových právníků ČR), the Czech Institute of Internal Auditors (Český institut interních auditorů), the Chamber of Commerce of the Capital City of Prague (Hospodářská komora hlavního města Prahy), the Czech Association of Energy Sector Employers (Český svaz zaměstnavatelů v energetice), the Association of Managers in the Energy Sector (Asociace energetických manažerů), the Czech Power Engineering Society (Česká energetická společnost), EDSO for Smart Grids (the association of EU distribution network operators), the Association of Electronic Commerce (Asociace pro elektronickou komerci), the Association of High Voltage Test Facilities (Asociace zkušeben vysokého napětí), the Friends of the National Technical Museum in Prague Club (Klub přátel Národního technického muzea v Praze), ASEP – Association of the Electric Vehicle Industry (Asociace elektromobilního průmyslu), ANDE – Association of Independent Energy Suppliers (Asociace nezávislých dodavatelů energií) and the Czech Association of IT Managers (Česká asociace manažerů informačních technologií).

Risk management system in the PRE Group

In all of the PRE Group companies, risk management is a unified process drawing on a shared common methodical framework.

The key body of the risk management system is the Risk Management Committee, which examines activity reports and formulates management strategies for the most relevant risks. It approves limits for the management of relevant risks and assesses their possible impact on the PRE Group economic results.

The main risk management objective is to increase the value of the PRE Group companies by undertaking only acceptable risks. The risk management system also ensures timely warning. The main focus are the risks that could have the biggest impact and therefore present the biggest threat. New risks are being continuously identified and recorded in a list of risks.

The monitored risks are evaluated in terms of their expected impact and probability in three scenarios to ensure comparability. Other methods and indicators are used to quantify financial and market risks, such as value at risk, maximum impending losses, etc. Binding limits are set for selected indicators.

The following types of risks are monitored: strategic risks, operational risks, financial risks and compliance risks. In the financial risks category, market and credit risks are deemed the most relevant. The market risks are primarily related to electricity and gas prices and exchange rates developments. The monitored and assessed strategic risks include, for example, market development trends and reputation risks. Depending on their nature, operational risks are managed in a decentralised way by individual organisational units. Their management is subsequently evaluated by internal audits.

Legislative-regulatory risks can have a profound effect on the company's activities, in particular the regulated activities. In the medium term, these risks are especially closely linked to key regulatory parameters, the extent of renewable sources support and other regulations applicable in the ongoing fourth regulatory period as well as the preparation of the fifth regulatory period.

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

Internal audit, compliance, ombudsperson

INTERNAL AUDIT

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

The outcome of an internal audit is a final report, which is debated by the management of the PRE Group companies. Twice a year, an internal audit activity report is submitted to the Board of Directors for approval. Implementation of corrective measures is monitored through the Audit Tracker web application.

The Internal Audit and Risk Management department focuses on selected key processes across the entire PRE Group. The findings relate to the design of processes and the strengthening of control mechanisms as well as to compliance.

July... ...August



Fourth donation for the Blind Sport Club Prague
The Blind Sport Club Prague is a leading sports club working with young severely visually impaired athletes. It offers them an excellent range of sports, enabling them not only to enjoy sports in their free time, but also compete at major tournaments.



Traditional Energetik children's summer camp
At the beginning of July, children of our employees again set out for the Želivka camping site for a two-week summer camp in the midst of the quiet woodlands of the Bohemian-Moravian Highlands.



In 2017, the Internal Audit and Risk Management department continued its cooperation on the PRE Group internal audits with the Ernst & Young consultancy in the form of co-sourcing. As in previous years, the internal audit team audited the environmental management system according to ISO 14001 and ISO 50001 and the Safe Enterprise (Bezpečný podnik) occupational health and safety system.

The Internal Audit and Risk Management department also carried out tasks in other fields, such as compliance and personal data protection. It also took part in the investigation of specific complaints related mainly to the requirements of the Energy Regulatory Office (ERÚ).

COMPLIANCE

All of the companies of the PRE Group make the utmost effort to comply with legal rules and ethical rules of business conduct and to apply these rules to standardised procedures

and internal standards. They follow the PRE Group's Code of Ethics and they fully recognise their social responsibility, which is reflected in all their activities.

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

The Compliance tab on the PRE Group intranet contains documents and important contacts, including email addresses (compliance@pre.cz and interni.audit@pre.cz), which can be used by employees for anonymous reporting of suspected violations of the law, the Code of Ethics or other internal standards.

Since 2016, when the compliance rules were amended following significant changes in the Act on Criminal Liability of Legal Entities, internal seminars have been organized for all



PREměření launches an e-shop
 The growing demand for PREm's energy services and products carried by the PRE Service Centre motivated us to launch an e-shop, which features the full range of products.



Get yellowed
 For the second time, eYello supported a regional family running event called Get Rainbowed (Barvám neutečeš), where having good fun proved even more important than to clock up the best time on the five kilometre track.



Installing smart lamps in Prague
 Aside from street lighting, smart lamps can also monitor air quality, serve as charging stations for electric bikes and cars and Wi-Fi hotspots and call for help at the touch of an emergency button. The range of features is tailored to the lamps' specific locations in Prague.



employees focusing primarily on the criminal liability of legal entities, data protection and secure use of IT tools. A new methodology detailing the application of the legislation was created in 2017 providing interpretations of relevant criminal offences and information on risks relating to companies in general as well as to individual organizational units and their remits.

In 2017, comprehensive documentation for the application of the Act on Contract Registry was created under the auspices of the compliance officer and relevant departments were given in-depth training. As a result, the introduction of the legislation did not cause any undue complications. Throughout the year, all of the PRE Group companies made careful preparations for the implementation of the General Data Protection Regulation (GDPR). The preparations continue in 2018 to ensure full compliance once the regulation comes into effect.

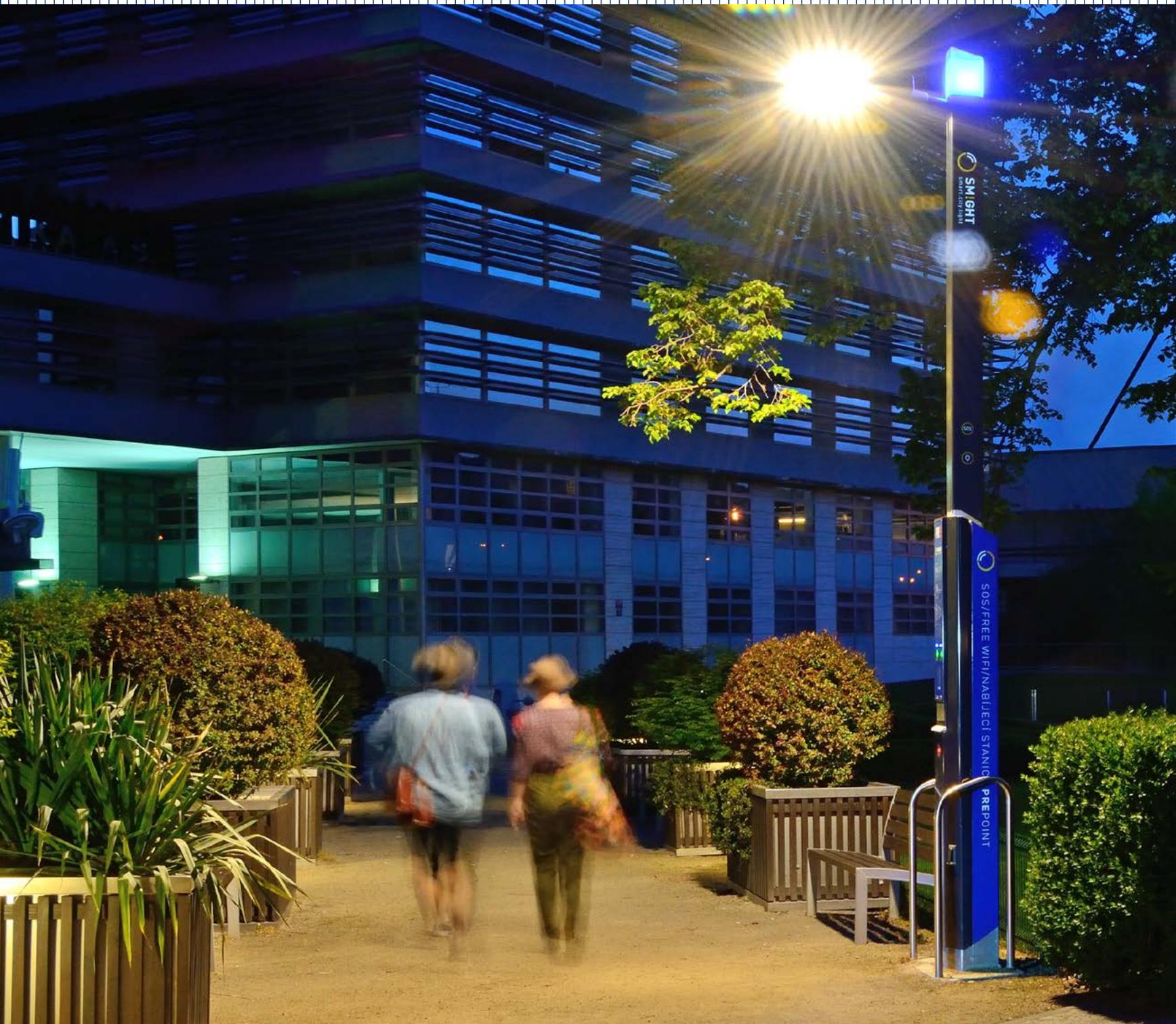
OMBUDSPERSON

The PRE Group has had an ombudsperson for four years. In 2017, she dealt with a wide range of issues raised by customers, from enquiries about trade practices to complaints to improvement suggestions. The number of issues raised by customers has been growing, increasing twofold year-on-year.

The share of legitimate complaints is indirectly proportionate to the total number of issues raised. In 2015, it was 26%, in 2016 13%, and in 2017 fewer than 10%. Most matters are resolved to customers' satisfaction by providing detailed explanations.

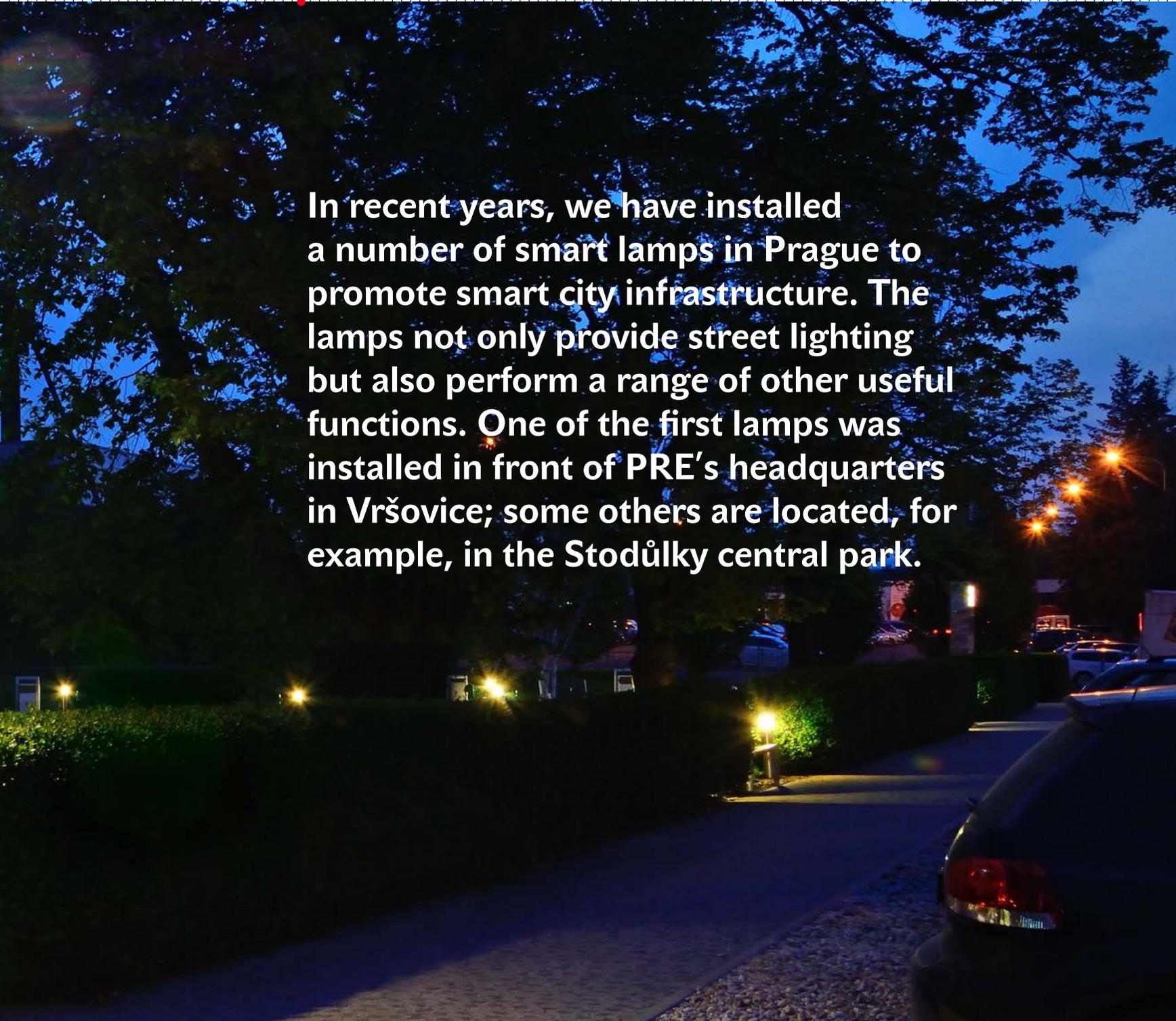
Customer suggestions are vital in improving the quality of the provided services and help the PRE Group preserve its good reputation.

August



Wednesday 2nd

In recent years, we have installed a number of smart lamps in Prague to promote smart city infrastructure. The lamps not only provide street lighting but also perform a range of other useful functions. One of the first lamps was installed in front of PRE's headquarters in Vršovice; some others are located, for example, in the Stodůlky central park.



Subsidiaries

PREdistribuce, a.s.

PREdistribuce, a.s., (PREdi) operates the distribution system in the capital city of Prague, in Roztoky and in Žalov. It was founded in 2005 in connection with unbundling, which aimed

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

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

Indicator	Unit	2017	2016	2015	2014	2013	2012
Maximum network load	MW	1,196	1,172	1,093	1,149	1,156	1,198
Length of the HV network	km	214	207	207	207	206	206
Number of HV/MV stations (PREdi/total)	pieces	23/24	22/23	22/23	22/24	22/24	22/24
Length of the MV lines	km	3,864	3,872	3,867	3,854	3,872	3,865
Total number of MV/LV stations	pieces	4,863	4,858	4,843	4,835	4,834	4,833
Number of MV/LV distribution stations	pieces	3,218	3,229	3,229	3,246	3,261	3,274
Length of the LV network	km	8,026	7,975	7,940	7,945	7,834	7,850

Number of enquiries processed by the Distribution Emergency Line

Year	2017	2016	2015	2014	2013	2012
Total	42,521	42,125	42,210	41,371	52,789	41,782
of which failures	4,207	8,018	11,726	13,900	22,943	15,935

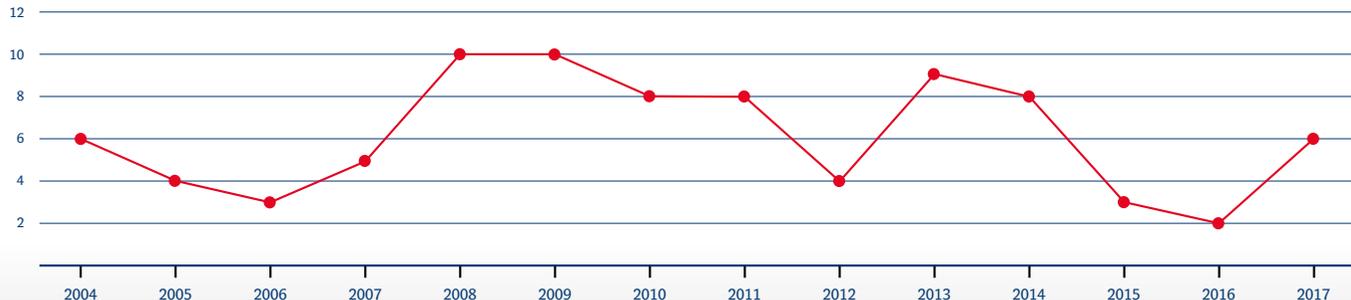
Since the 1st of January 2017, the Distribution Emergency Line has also been used for reporting failures and breakdowns of street lighting equipment. In 2017, it processed 20,458 enquiries relating to street lighting (not included in the table).

Number of e-mails processed by the Distribution Emergency Line

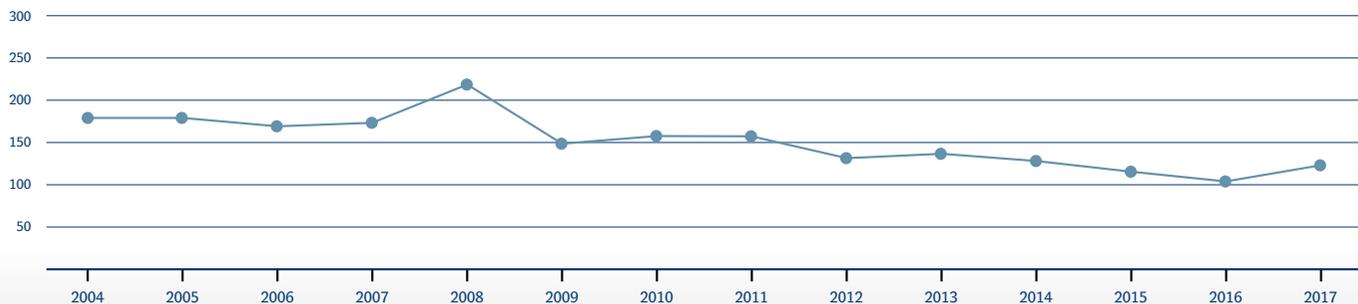
Year	2017	2016	2015	2014	2013	2012
Total	6,697	6,208	5,470	5,722	4,916	2,860

Since the 1st of January 2017, the Distribution Emergency Line has also been used for reporting failures and breakdowns of street lighting equipment. In 2017, it processed 10,076 e-mails relating to street lighting (not included in the table).

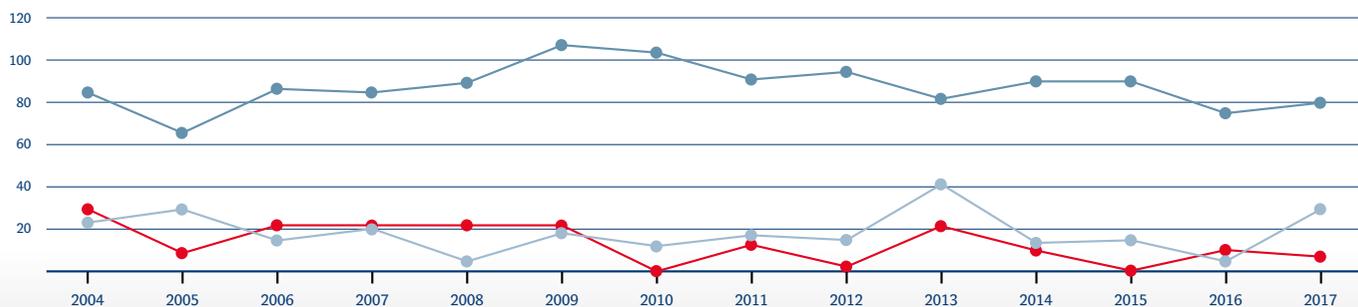
Number of HV failures



Number of MV failures



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



Distribution network

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

The highest total load of the distribution network in history amounting to 1,209 MW was recorded on the 1st of December 2010. In 2017, the networks distributed almost 6.3 TWh on all voltage levels; all output and energy demands of existing and new customers and development projects in the licensed territory were met. Throughout the year, the quality standards of electricity supply and related services were met with regard to the customers connected to the distribution system in accordance with Decree of ERÚ No. 540/2005 Coll., as amended.

PREměření, a.s.

PREměření, a.s., operates in three key areas. Its activities in the traditional segment of metering include the purchase, testing and installation of metering equipment for the sister company PREdi and to a smaller extent the sale of metering equipment and selected electrical appliances to external customers. Additionally, PREm carries out meter readings both for the

Photovoltaic power plants operated by PREm

Photovoltaic power plant	Capacity [kWp]
Jinonice	173
Lhotka	60
Hrouda	28
Pražáčka TO02	90
Pražáčka TO03	18
Pražáčka TO04	30
Sever	204
Kondrac	1,109
Hořovice	1,087
Pozorka	3,998
Syrovice – Rajhradská	3,168
Syrovice – Ořechovská	3,168
Dačice	4,848
Mikulov	941
Požořice	4,596
Světlík	2,154
Total	25,672

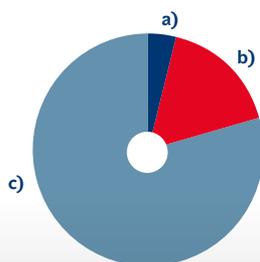
PRE Group and for external customers – Pražská plynárenská Distribuce, a.s., Pražská teplotárenská, a.s., and Veolia Energie Praha, a.s.

Energy services are another significant part of PREm's activities and their development is one of the strategic objectives of the PRE Group. PREm offers a wide range of energy services including energy audits, design of lighting and heating solutions, rental of metering equipment, electroinstallation and inspection, installation and servicing of photovoltaic power plants, construction and inspection of transformer stations, comprehensive decentralised energy supply solutions (gas boiler rooms, cogeneration units, etc.) and a wide range of electromobility services. PREm offers

its energy services primarily through the PRE Service Centre, which also rents and sells electric bikes.

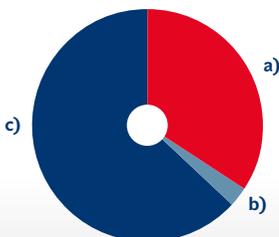
Since 2010, the company has also been active in the field of renewable energy sources. PREm's portfolio of photovoltaic power plants has grown considerably, especially in the last few years, currently consisting of 16 photovoltaic power plants with the total installed capacity of 25.7 MWp. Besides its own electricity generation, the company's energy services also include planning, construction and servicing of small photovoltaic power plants for customers, who find this field especially attractive as it offers savings on heating and water heating.

Number of electricity meters installations carried out in 2017



a)	Customer requests	3 Thousand
b)	New consumption	13 Thousand
c)	Verification	61 Thousand
	Total	77 Thousand

Number of meter readings in 2017



a)	Gas	426 Thousand
b)	Heat	33 Thousand
c)	Electricity	779 Thousand
	Total	1,238 Thousand

September... ...October



Electric cars quietly race through Prague
On the 21st of September, we participated in an electric car race called Quiet Journey (Tichá cesta), which aimed to prove that electric cars are an ideal means of city transport thanks to their low emissions and noise-free operation.

21.9.

1.9.

Celebrating the 120th anniversary
In 2017, we celebrated the 120th anniversary of the founding of our legal predecessor, the Electricity Works of the Royal Capital City of Prague, which started operating on Wednesday, the 1st of September 1897.



PREdistribuce smart distribution stations
Last year, we started installing and testing new smart distribution stations, which will help us respond to new challenges in the energy sector, including the expansion of electromobility, renewable sources and other modern technologies. At the same time, they will help us meet the ever increasing demands for safety and reliability of the electricity supply in Prague.



eYello CZ, k.s.

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

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

KORMAK Praha a.s.

KORMAK Praha a.s. (Kormak) provides a complete range of engineering, design and construction services for 0.4–35 kV electricity infrastructure and 22/0.4 kV transformer stations, carries out inspections and maintenance of LV and MV equipment and provides non-stop emergency services. Its activities also include installation of MV terminations and connectors in the PREdi network, cooperation on the renovation of 110/22 kV transformers, and construction and maintenance of street lighting. The company also cooperates on projects related to the latest trends in the energy industry, meeting the needs of the PRE Group, especially PREdi.

KORMAK nemovitosti s.r.o.

KORMAK nemovitosti s.r.o. owns and rents immovable assets and provides related services.



FOR ARCH building trade fair

We regularly participate in the FOR ARCH building trade fair. This time, our stand focused primarily on energy services offered by PREměření and products carried by the PRE Service Centre.

19.–23.9.



Launching e-carsharing

Since October, we have given Prague citizens an opportunity to carshare fifteen modern VW e-Golf electric cars to travel around the capital.



Mladé Běchovice 2017 race

Mladé Běchovice is an open endurance race for children between 1 and 16 and children and youth with disabilities. PRE has proudly supported the race for the past five years.



We are a Health Supporting Enterprise

For the fifth time, we succeeded in the Health Supporting Enterprise competition organized annually by the chief public health officer under the auspices of the Health Ministry and the National Institute of Public Health.

PREzákaznická, a.s.

PREzákaznická, a.s., (PREzak) is a 100% subsidiary of Pražská energetika, a.s. It was founded as a separate legal entity on the 1st of November 2017 and took over all PRE customer services. This step was primarily taken to increase transparency of reporting costs to the Energy Regulatory Office (ERÚ), which are related to services provided to PREdi, and to prepare for the expected tightening of the unbundling rules by the EU and the General Data Protection Regulation (GDPR) coming into effect.

As a result, PREzak is responsible for all main customer service channels, including the customer centres and the call centre, and the provision of customer support services on behalf of PRE, PREdi, PREm and eYello.

PREnetcom, a.s.

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

The company will also explore possibilities of using the spare capacity of the created communication network for other purposes, such as smart city and smart home functions. Pilot projects will be carried out in 2018 and 2019 to select suitable technologies, determine the overall concept and architecture of the communication network, and develop a suitable business plan.

October



Monday 9th

Electric cars are the future of mobility in big cities. In October, we, therefore, launched an e-carsharing services, enabling Prague citizens to share fifteen modern VW e-Golf electric cars to travel around the capital.



Structure of shareholders

SHAREHOLDERS

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

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

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

Main PRE shareholders (%)

As of 31.12.	2017	2016	2015	2014	2013	2012
Pražská energetika Holding, a.s.	58.05	58.05	58.05	58.05	58.05	58.05
EnBW Energie Baden-Württemberg AG	41.4	41.4	41.4	41.4	41.4	41.4
Other entities	0.55	0.55	0.55	0.55	0.55	0.55

Structure of PRE shareholders (%)

As of 31.12.	2017		2016		2015		2014	
	Number of shareholders	Nominal value (TCZK)						
Domestic shareholders	5,458	2,266,193	5,484	2,266,205	5,504	2,266,204	5,523	2,266,204
Foreign shareholders	13	1,603,250	13	1,603,238	13	1,603,239	10	1,603,239
Shareholders total	5,471	3,869,443	5,497	3,869,443	5,517	3,869,443	5,533	3,869,443
Natural persons	5,452	20,038	5,479	20,039	5,500	21,428	5,514	21,408
Legal persons	19	3,849,405	18	3,849,404	17	3,848,015	19	3,848,035

Information from the General Meeting

The Annual General Meeting of Pražská energetika, a.s., held on the 21st of June 2017

approved:

- ... the Report of the Board of Directors on the Company's Business Activities and Assets for 2016, as presented by the company's Board of Directors;
- ... the consolidated financial statements for 2016, as presented by the company's Board of Directors;
- ... the separate financial statements for 2016, as presented by the company's Board of Directors;
- ... the payment of director's fees to the members of the Board of Directors, the Supervisory Board and the Works Council;
- ... the contract on the performance of the duties of the substitute member of the Supervisory Board, Monika Krobová Hášová, from the 9th of March 2017, including remuneration;
- ... the contract on the performance of the duties of the newly elected member of the Supervisory Board, Monika Krobová Hášová, including remuneration;
- ... the contracts on the performance of the duties of the Works Council members Alena Šafrová and Martin Votava including remuneration; and,
- ... the presented proposal for the total amount of gifts in 2018;

did not approve:

- ... the report on the payment of profit shares (dividends) for 2016.

The Annual General Meeting also appointed KPMG Česká republika Audit, s.r.o., (Prague 8, Pobřežní 648/1a, 186 00, ID No.: 49619187) to be the auditor of the company's financial statements for 2017-2019;

elected Monika Hášová, whose previous mandate expired at the General Meeting, to be a member of the Supervisory Board with effect from the 21st of June 2017; and,

was presented with the report of the Supervisory Board including the statement on the Report on Relations.

Information required by law

Information about facts which occurred after the balance sheet day

No such facts have occurred.

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

The information is presented in the Report of the Board of Directors on the Company's Business Activities and Assets for 2017 and in the chapter "Strategy".

Information about activities in research and development

The company does not systematically conduct activities in these fields.

Information about acquisition of own shares

The company did not acquire its own shares.

Information about whether the accounting unit has an organisational unit abroad

The company has an organisational unit in Slovakia, whose contribution to the total turnover accounts for less than 10%.

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

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

Information about risk management objectives and methods in the company

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

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

The information is presented in the financial statements.

Information about interruption of business

The company did not interrupt its business during the year.

November... ...December



1.11.



A new subsidiary, PREzákaznická, a.s.
On the 1st of November, we got a new addition to the PRE Group. PREzákaznická, a.s., is a 100% subsidiary of Pražská energetika, a.s. Its task is to centralize customer support and increase the user-friendliness of our customer services.



PRE Service Centre refurbished
The PRE Service Centre was modernised in November. We opened a new heating studio for our customers, where we not only consult on heating solutions, but also present smart home features and other technologies.

Supervisory Board Report on Activities

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

In 2017, five meetings of the Supervisory Board were held at the company's registered office. The meetings of the Supervisory Board were regularly attended by the Chairperson and the Vice-chairperson of the Board

of Directors and by the members of the Works Council elected by the company's employees.

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

In 2017, the Supervisory Board, amongst others:

- ... debated and reviewed the proposal for the distribution of profits for 2016 as well as the submitted drafts of the consolidated and separate financial statements, and became acquainted with the auditor's reports on these statements;
- ... oversaw the developments in the operational activities of the company, in particular the developments in sales and turnover and in receivables and liabilities;



21st issue of PRE fórum

A new issue of our popular client magazine, PRE fórum, which is published annually at the end of the year, provided our customers with practical information and latest news from the energy sector.



New expansion of our photovoltaic portfolio

At the end of last year, the Světlík photovoltaic power plant with the installed capacity of 2.154 MWp enriched the PRE Group's photovoltaic portfolio. It is equipped with a tracking system which allows it to change the tilt of the solar panels both horizontally and vertically.

PREnetcom, a.s., joins the PRE Group

At the end of November, PREnetcom, a.s., was founded as a subsidiary of PREdistribuce, a.s. It is responsible for the development of optical network capacities on behalf of the entire PRE Group.



eYello reaches a record number of customers

The number of eYello's customers increased by more than a third over the course of last year.



- ... assessed the fulfilment of the top management's 2016 objectives;
- ... debated and reviewed the Report on Relations;
- ... debated the 2016 Annual Report;
- ... debated the proposal for auditor appointment;
- ... debated the materials to be debated by the company's General Meeting convened on the 21st of June 2017;
- ... debated and approved the draft contract with the auditor of the company's financial statements;
- ... debated and approved the transfer of certain activities (customer services) to a newly founded company;
- ... approved the economic plan for 2018 and took account of the draft plan for 2019–2020;
- ... approved the update of the 2017 PRE Group strategy for 2018–2025; and,
- ... approved the top management's objectives for 2018.

At its March meeting, the Supervisory Board appointed Monika Krobová Hášová to be a substitute member of the Supervisory Board from the 26th of April 2017 until the next General Meeting.

The General Meeting held on the 21st of June 2017 elected Monika Hášová to be a member of the Supervisory Board with effect from the 21st of June 2017.

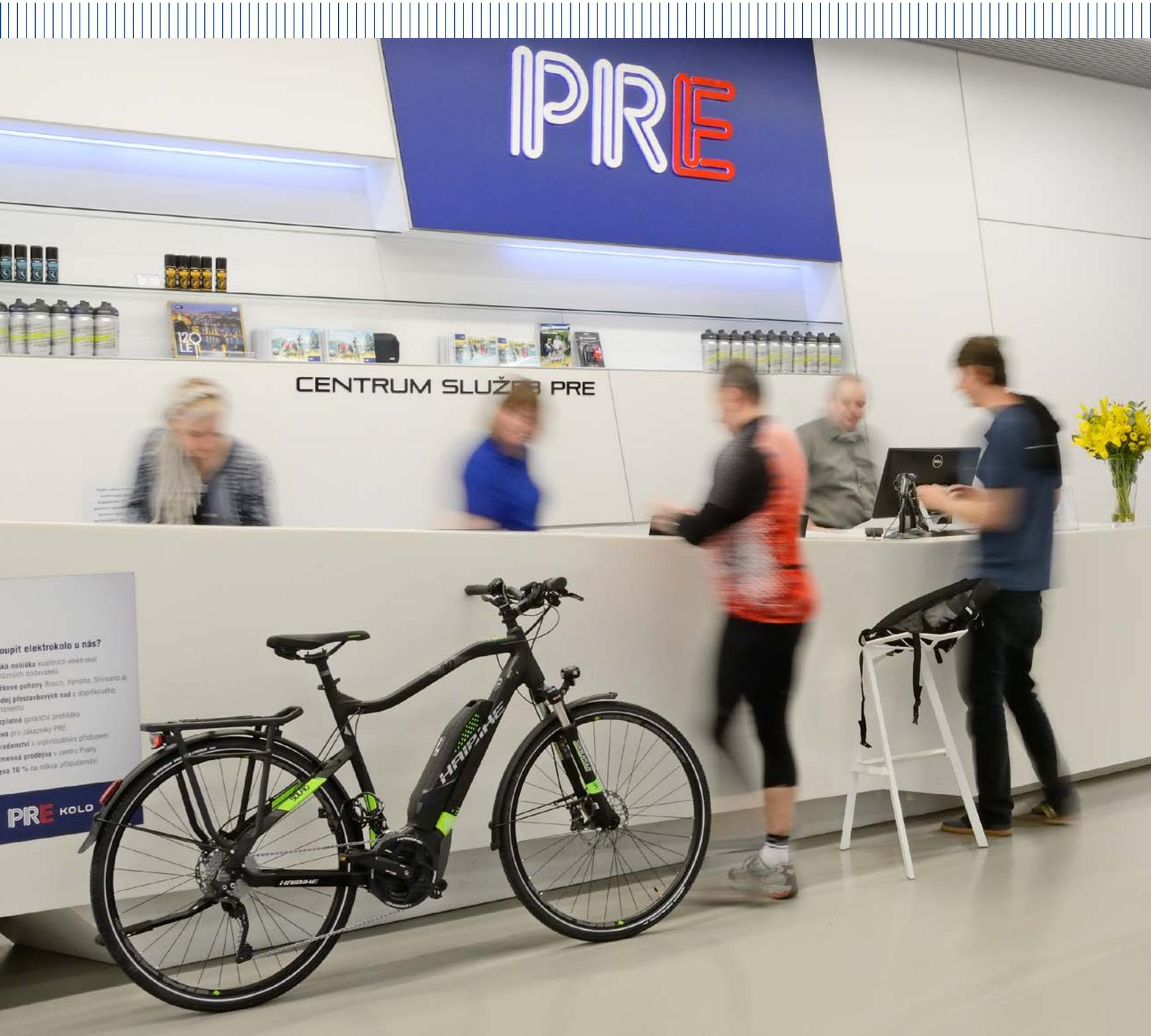
The Supervisory Board declares that the company's economic results in 2017 were very good and expresses its thanks for them to the members of the Board of Directors as well as the company's employees.

In Prague, 8th of March 2018

Jaroslav Štěpánek

Chairperson of the Supervisory Board

November

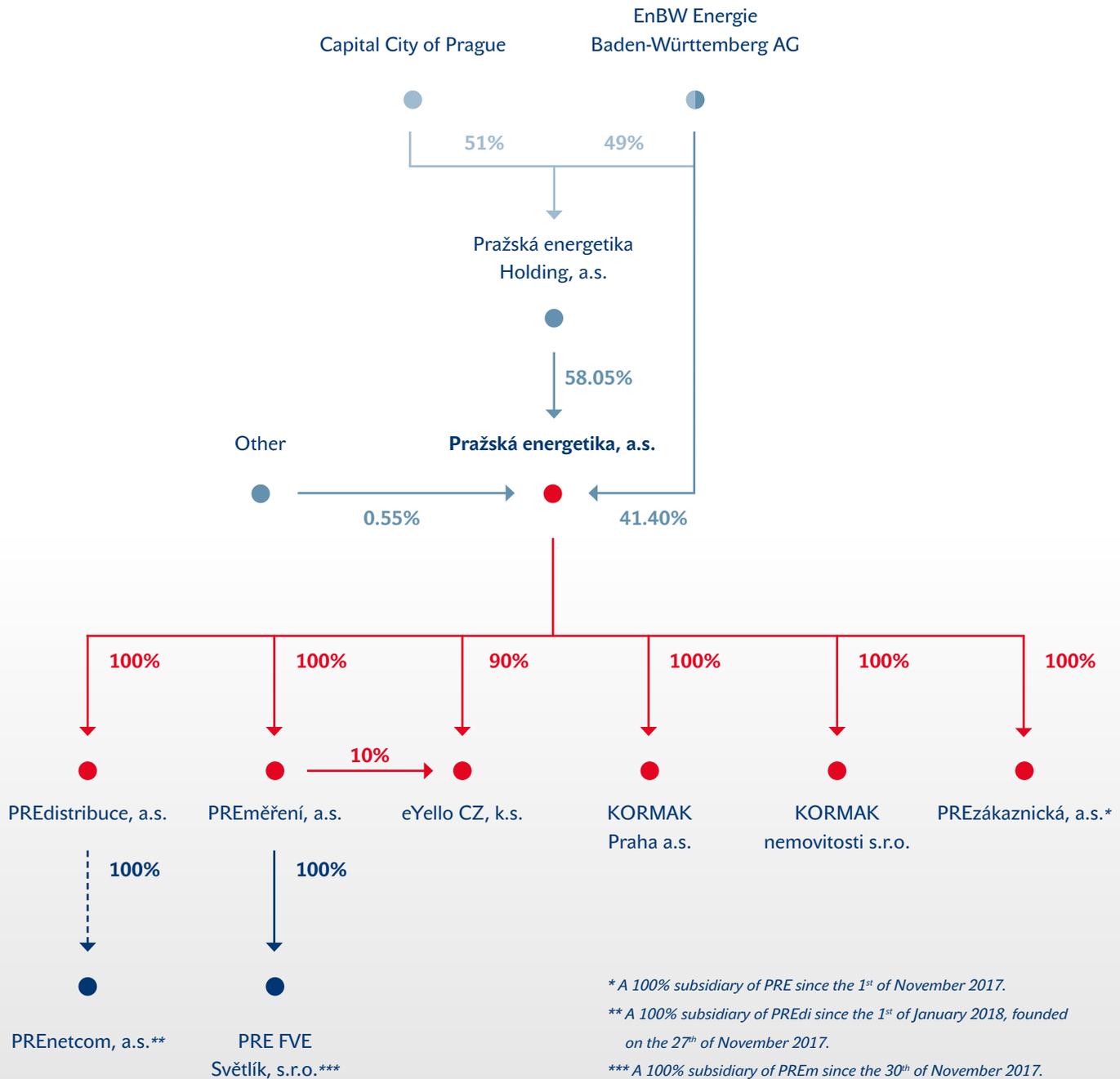


Thursday 30th

In November, we modernised the PRE Service Centre dedicated to our energy services. In the new heating studio, we consult on heating, water heating and air conditioning. The PREkolo electric bike shop and rental service also received a better layout.



Report on Relations



REPORT ON RELATIONS OF PRAŽSKÁ ENERGETIKA, A.S., FOR 2017

(hereinafter the **Report on Relations**) drawn up in accordance with Section 82 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives (hereinafter the **Business Corporations Act**) for the accounting period of 1.1.2017 to 31.12.2017. The relations are described in a manner which respects the provisions of Section 504 of Act No. 89/2012 Coll., the Civil Code, concerning trade secrets, and by analogy with the provisions of Section 359 of the Business Corporations Act concerning restrictions of information provision.

1. STRUCTURE OF THE RELATIONS BETWEEN THE CONTROLLED ENTITY AND THE CONTROLLING ENTITY, THE ROLE OF THE CONTROLLED ENTITY AND THE MANNER AND MEANS OF CONTROL

I. Structure of the relations

Controlling entities:

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

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

Controlled/managed entity:

Pražská energetika, a.s., registered office Na Hroudě 1492/4, 100 05 Prague 10, ID No.: 60193913, registered in the Commercial Register maintained at the Municipal Court in Prague, file ref. B 2405 (**PRE**)

See the chart of the PRE Group structure on the opposite page.

II. Role of PRE, method and means of control

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

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

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

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

2. OVERVIEW OF THE ACTIONS CARRIED OUT DURING THE LAST ACCOUNTING PERIOD ON THE INSTIGATION OR IN THE INTEREST OF THE CONTROLLING ENTITY OR ITS CONTROLLED ENTITIES IF SUCH ACTIONS CONCERNED PROPERTY EXCEEDING 10% OF EQUITY OF THE CONTROLLED ENTITY AS IDENTIFIED IN THE LAST FINANCIAL STATEMENTS

In 2017, no actions concerning assets exceeding 10% of PRE's equity were carried out on the instigation or in the interest of the controlling entity or its controlled entities.

3. OVERVIEW OF MUTUAL CONTRACTS BETWEEN THE CONTROLLED ENTITY AND THE CONTROLLING ENTITY AND BETWEEN THE CONTROLLED ENTITIES

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

I. Contracts concluded by PRE with PREH and with the entities controlled by PREH

Contract on the location of the registered office and provision of related services No. NG3530/05/2015/05 – in effect from 1.4.2015 to 31.12.2017

Contract on the administration of financial and personnel agenda – in effect from 15.8.2001 to 31.12.2017, as amended

Contract on medium-term loan No. 2015 – in effect from 3.8.2015 to 3.8.2018

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

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

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

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

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

General contract on mutual secondment of PRE and EnBW employees – in effect from 23.10.2012 for an indefinite period of time

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

Contract on the handling of matters and the provision of services with EnBW CZ, spol. s r.o. – in effect from 1.2.2012 for an indefinite period of time

Contract on the handling of matters and the provision of advisory and administrative services with EnBW CZ, spol. s r.o. – in effect from 1.2.2012 to 31.12.2017, as amended

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

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

Contract on OTE access provision with EnBW Trading GmbH (as of 1.5.2014 EnBW) No. G4400/2013/0002 – in effect from 25.4.2013 for an indefinite period of time

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

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

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

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

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

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

Sublease contract with EnBW for EnBW organisational unit – in effect from 12.1.2016 for the effective period of the lease contract

Contract on the prevention of access to information – in effect from 10.10.2016 to 10.10.2018

III. Contracts with subsidiaries

i) Contracts between PRE and PREdi

Contract on the provision of services No. PS20000016/003 – in effect from 1.1.2016 to 31.12.2018
Contract on electricity supply to cover losses in the distribution system and for the own needs of the distribution system operator No. P200006/14 – in effect from 1.1.2006 for an indefinite period of time
Contract on the provision of short-term loans No. P200006/22 – in effect from 30.11.2005 for an indefinite period of time, as amended
General mandate contract on the construction of telecommunication equipment No. P200006/27 – in effect from 2.5.2006 for an indefinite period of time
Licence contract No. PS20000011/029 – in effect from 3.1.2011 for an indefinite period of time, as amended
Lease contract No. NO21106/015 – in effect from 2.1.2006 for an indefinite period of time, as amended
Lease contract – plastic advertisement billboards No. NO21106/001 – in effect from 30.12.2005 for an indefinite period of time, as amended
Contract for work – administration, operation and maintenance of optical networks No. PS21000111/079 – in effect from 1.7.2011 for an indefinite period of time
Lease contract No. NO21109/006 – in effect from 1.4.2009 for an indefinite period of time
10 contracts on the establishment of easement to place PREdi's distribution system equipment in PRE's immovable assets, concluded for an indefinite period of time
Contract on the establishment of easement No. VV/G33/04457/08 – in effect from 31.3.2008 to 2.4.2048
Lease contract No. NO21111/011 – in effect from 1.4.2011 for an indefinite period of time
General contract on the provision of GPRS module installation services No. PS20000013/033 – in effect from 25.10.2013 for an indefinite period of time
Contract on the sublease of the distribution system No. N21112/012 – in effect from 1.1.2012 to 31.12.2018, as amended
Contract on long-term loan No. 1/2014 (PS20000014/021) – in effect from 18.6.2014 to 18.6.2026
Contract on long-term loan No. 2/2014 (PS20000014/030) – in effect from 26.11.2014 to 28.11.2026
Contract on long-term loan No. 1/2015 (PS20000015/021) – in effect from 29.6.2015 to 29.6.2027
Contract on joint gas supply services No. PS21001015/015 – in effect from 1.11.2014 for an indefinite period of time
Contract on the lease of non-residential premises for business No. NV/S21/1633025 – in effect from 1.3.2016 for an indefinite period of time
Contract on the lease of non-residential premises for business No. NV/S21/1633226 – in effect from 1.3.2016 for an indefinite period of time
Contract on the lease of non-residential premises for business No. NV/S21/1633022 – in effect from 1.3.2016 for an indefinite period of time
Contract on the lease of non-residential premises for business No. NV/S21/1633026 – in effect from 1.3.2016 for an indefinite period of time
Contract on the lease of non-residential premises for business No. NV/S21/1633021 – in effect from 1.3.2016 for an indefinite period of time
Contract on the lease of non-residential premises for business No. NV/S21/1633024 – in effect from 1.3.2016 for an indefinite period of time
Contract on the lease of non-residential premises for business No. NV/S21/1633027 – in effect from 1.3.2016 for an indefinite period of time
Contract on the lease of garage parking spaces No. NV/S21/1634181 – in effect from 1.4.2016 for an indefinite period of time
General contract on electricity distribution to consumption points of the electricity trader's customers No. PS20000011/011 – in effect from 1.1.2011 for an indefinite period of time
Contract on operational cash transfer No. PS20000017/009 – in effect from 17.2.2017 for an indefinite period of time
Contract on the provision of storage and handling services (street lighting) No. PS23000117/005 (G3500/01/2017/023) – in effect from 1.1.2017 for an indefinite period of time
Contract on the execution of construction alterations No. PS20000017/046 – in effect from 18.5.2017 for an indefinite period of time
PRE and PREdi have concluded contracts on the connection to the distribution system for all PRE's consumption points.

ii) Contracts between PRE and PREm

Contract on the lease of a part of real estate No. C00441/10 – in effect from 1.10.2010 to 31.12.2035, as amended
Contract on the lease of a part of real estate No. C00453/10 – in effect from 1.11.2010 to 31.12.2035, as amended
Lease contract No. G3530/NO/01/2015/32289 (M5000/NV/2016/33018) – in effect from 1.3.2016 for an indefinite period of time, as amended
Lease contract No. G3530/NO/03/2016/32451 (M5000/NV/2016/33228) – in effect from 1.3.2016 for an indefinite period of time, as amended

Lease contract No. G3530/NO/05/2016/32421 (M5000/NV/2016/33030) – in effect from 1.4.2016 for an indefinite period of time, as amended
Lease contract No. G3530/NO/05/2016/33671 (M5000/NV/2016/34134) – in effect from 1.4.2016 for an indefinite period of time, as amended
Lease contract No. G3530/NO/05/2016/33808 (M5000/NV/2016/34760) – in effect from 1.4.2016 for an indefinite period of time, as amended
Contract on the provision of short-term loans No. C00186/05 (G3160/PREM-KRDUV/2005/02) – in effect from 30.11.2005 for an indefinite period of time, as amended
Contract on telephone equipment use and re-charging costs of telephone lines use No. 1226 (C00240/06) – in effect from 1.8.2006 for an indefinite period of time
Contract on the provision of services No. G1200/2016/004 (M5000/O/2015/0008) – in effect from 1.1.2016 to 31.12.2018, as amended
Contract on the provision of services No. G1200/2016/002 (M6100/O/2015/0103) – in effect from 1.1.2016 to 31.12.2018
Contract on the take-over of rights and obligations arising from the Forwarding contract dated 30.6.2000 No. P4212005/5 (C00311/08) – in effect from 1.1.2008 for an indefinite period of time
General contract on storage heaters installation No. C00384/09 – in effect from 3.9.2009 for an indefinite period of time, as amended
Contract on personal data processing No. C00426/10 – in effect from 22.6.2010 for an indefinite period of time
Licence contract on using trademark No. C00470/11 – in effect from 3.1.2011 for an indefinite period of time
Contract on joint electricity supply services – type MO No. SoSSE/6254022 (C00503/11) – in effect from 14.6.2011 for an indefinite period of time, as amended
Contract on joint electricity supply services – type MO No. SoSSE/6250517 (C00504/11) – in effect from 14.6.2011 for an indefinite period of time, as amended
Contract on joint electricity supply services – type MO No. SoSSE/6282725 (C00505/11) – in effect from 14.6.2011 for an indefinite period of time, as amended
Contract on joint electricity supply services – type MO No. SoSSE/6279473 (C00506/11) – in effect from 14.6.2011 for an indefinite period of time, as amended
Contract on joint electricity supply services – type MO No. SoSSE/6283505 (C00507/11) – in effect from 14.6.2011 for an indefinite period of time, as amended
Contract on joint electricity supply services – type MO No. SoSSE/6207319 (C00508/11) – in effect from 14.6.2011 for an indefinite period of time, as amended
Contract on joint electricity supply services – type MO No. SoSSE/6253998 (C00509/11) – in effect from 14.6.2011 for an indefinite period of time, as amended
Contract on joint electricity supply services No. M6100/E/2016/0004 – in effect from 23.11.2015 for an indefinite period of time, as amended
Contract on electricity supply to cover losses in the distribution system and for the own needs of the distribution system operator No. 70001471 (M6100/E/2016/0133) – in effect from 31.10.2016 for an indefinite period of time
Contract on the provision of distribution system services with the electricity trader No. 1/2016 (M6100/E/2017/0007) – in effect from 31.10.2016 for an indefinite period of time
Mandate contract No. C00542/11 – in effect from 5.12.2011 for an indefinite period of time, as amended
Contract on electricity supply from supported sources No. C00605/12 – in effect from 1.1.2013 for an indefinite period of time, as amended
General contract for work No. M6100/RS/2016/0002 – in effect from 21.1.2016 for an indefinite period of time
Servicing contract No. G3530/S/10/2016/03 (M6100/SE/2016/0020) – in effect from 1.3.2016 for an indefinite period of time, as amended
Contract on long-term loan No. 1/2014 (C00806/14) – in effect from 28.2.2014 to 28.2.2022
Contract on long-term loan No. 2/2014 (C00807/14) – in effect from 28.2.2014 to 28.2.2023
Contract on long-term loan No. 3/2014 (C00808/14) – in effect from 28.2.2014 to 29.2.2024
Contract on long-term loan No. 4/2014 (C00809/14) – in effect from 28.2.2014 to 29.2.2024
Contract on long-term loan No. 5/2014 (M5000/O/2015/0004, G1020/PREM-VSU5/2014/09) – in effect from 8.12.2014 to 31.12.2021
Contract on long-term loan No. 1/2015 (G1020/PREM /2015/07, M5000/O/2015/0010) – in effect from 27.10.2015 to 29.10.2023
Contract on long-term loan No. 2/2015 (G1020/PREM/2015/08, M5000/O/2015/0011) – in effect from 27.10.2015 to 29.10.2023
Contract on long-term loan No. 1/2014 (M5000/DAC/2015/0015, G1020/BLACKUVER/2014/01) – in effect from 8.12.2014 to 18.12.2024
Contract on long-term loan No. 1/2015 (G1020/Dačice/2015/04, M5000/DAC/2015/0013) – in effect from 27.10.2015 to 29.10.2024
Contract on long-term loan No. 1/2015 (G1020/Mikulov/2015/05, M5000/MIK/2015/0014) – in effect from 27.10.2015 to 29.10.2024
Contract on long-term loan No. 1/2015 (G1020/Požořice/2015/06, M5000/POZ/2015/0012) – in effect from 27.10.2015 to 29.10.2024
Contract on long-term loan No. 2/2017 (1/2017, M5000/O/2017/0003) – in effect from 22.12.2017 to 22.12.2027
Contract on operational cash transfer No. G1020/POKLAD_PREM/2017/1 (M5000/O/2017/0001) – in effect from 17.2.2017 for an indefinite period of time
Contract on the sale of electricity in PREpoint charging stations No. M6100/K/2017/0117 – in effect from 3.4.2017 for an indefinite period of time
Contract for work – relocation of the Novovysočanská heat pump No. M6100/P/2017/0124 (G3540/I/01/2017/022) – in effect from 17.10.2017 to 20.12.2017

Contract on the provision of physical unidirectional cash pooling No. C00188/05 (ZBA/2005/36) – in effect from 1.12.2005 for an indefinite period of time

Contract on supply of electricity from renewable sources No. M6100/E/2016/0104 – in effect from 1.1.2017 to 31.12.2017

Contract on supply of electricity from renewable sources No. M6100/E/2016/0105 – in effect from 1.1.2017 to 31.12.2017

Contract on supply of electricity from renewable sources No. M6100/E/2016/0106 – in effect from 1.1.2017 to 31.12.2017

Contract on supply of electricity from renewable sources No. M6100/E/2016/0107 – in effect from 1.1.2017 to 31.12.2017

Contract on supply of electricity from renewable sources No. M6100/E/2016/0108 – in effect from 1.1.2017 to 31.12.2017

Contract on supply of electricity from renewable sources No. M6100/E/2016/0109 – in effect from 1.1.2017 to 31.12.2017

Contract on supply of electricity from renewable sources No. M6100/E/2016/0110 – in effect from 1.1.2017 to 31.12.2017

Contract on supply of electricity from renewable sources No. M6100/E/2016/0111 – in effect from 1.1.2017 to 31.12.2017

Contract on supply of electricity from renewable sources No. M6100/E/2016/0112 – in effect from 1.1.2017 to 31.12.2017

iii) Contracts between PRE and eYello

Sub-licence contract – in effect from 19.12.2012 to 5.11.2020, as amended

Sublease contract – in effect from 1.6.2013 to 31.3.2021

General contract on electricity supply No. G4100/2014/0043 – in effect from 1.1.2014 for an indefinite period of time, as amended

General contract on gas supply – in effect from 1.10.2015 for an indefinite period of time

Contract on marketing costs allocation No. G4000/2014/0010 – in effect from 1.7.2014 for an indefinite period of time, as amended

Contract on the provision of services No. G1200/2016/005 – in effect from 1.1.2016 to 31.12.2018

Contract on operational cash transfer No. G3160/POKLADYELLO/2017/03 – in effect from 17.2.2017 for an indefinite period of time

iv) Contracts between PRE and Kormak

Contract on data security and protection and on general rules of mutual cooperation – in effect from 11.4.2016 for an indefinite period of time

Contract on the provision of short-term loans – in effect from 22.4.2016 or an indefinite period of time, as amended

Contract on the provision of services – in effect from 1.1.2017 to 31.12.2018, as amended

v) Contracts between PRE and Kormak nemovitosti

Contract on the provision of short-term loans – in effect from 22.4.2016 for an indefinite period of time

Contract on long-term loan No. 1/2016 – in effect from 20.7.2016 to 29.7.2026

Contract on long-term loan No. 1/2017 – in effect from 30.3.2017 to 10.4.2027

Contract on the provision of services – in effect from 1.1.2017 to 31.12.2017

Contract on joint gas supply services No. 30005831 – in effect from 20.9.2016 for an indefinite period of time

Contract on joint gas supply services No. 30005832 – in effect from 20.9.2016 for an indefinite period of time

Contract on joint electricity supply services No. 7178072 – in effect from 6.10.2016 to 30.9.2018

Contract on joint electricity supply services No. 7178030 – in effect from 6.10.2016 to 30.9.2018

Contract on joint electricity supply services No. 7178075 – in effect from 6.10.2016 to 30.9.2018

Contract on joint electricity supply services No. 7178065 – in effect from 6.10.2016 to 30.9.2018

Contract on joint gas supply services No. 30008435 – in effect from 28.8.2017 for an indefinite period of time

Contract on joint electricity supply services No. 7302270 – in effect from 24.7.2017 to 30.6.2019

vi) Contracts between PRE and PREzak

Lease contract No. PRE G3530/NO/05/2017/39582 – in effect from 1.11.2017 for an indefinite period of time

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

vii) Contracts between PRE and PRE FVE Světlík

Contract on loan – in effect from 30.11.2017 to 28.11.2027

IV. Contracts between subsidiaries**i) Contracts between PREdi and PREm**

Contract on the provision of services No. PS20000016/004 (M5000/O/2015/0009) – in effect from 1.1.2016 to 31.12.2018

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

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

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

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

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

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

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

Contract on the supply of metering equipment No. KV/S25/1532051 (M5400/RS/2015/0007) – in effect from 1.1.2016 to 31.12.2018

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

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

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

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

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

ii) Contracts between PREdi and eYello

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

iii) Contracts between PREdi and Kormak

Contract for work – provision of expert services in the network of PREdistribuce, a.s., No. PS23000205/005 – in effect from 1.1.2006 to 31.1.2017, as amended

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

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

Contract on personal data processing – in effect from 6.1.2009 for an indefinite period of time

Contract on the cooperation on performing work on unmeasured parts of electricity consumption equipment – in effect from 29.2.2016 to 21.3.2018 or until the cooperating partner's certificate expires

General contract for work and Contract on the provision of services No. PS20000016/017 – in effect from 14.3.2016 to 31.12.2018

Contract for work – emergency and routine maintenance of street lighting in Prague No. PS23320117/010 – in effect from 2.1.2017 to 31.12.2017

Contract for work – emergency and routine maintenance of street lighting in Prague No. PS23320117/037 – in effect from 15.6.2017 to 29.12.2017

Long-term contract on the provision of dispatcher control services and manipulation, operation and work No. PS23330217/011 – in effect from 1.1.2017 to 31.12.2017

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

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

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

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

iv) Contracts between PREdi and Kormak nemovitosti

Kormak nemovitosti and PREdi have concluded contracts on the connection to the distribution system for all consumption points of Kormak nemovitosti.

v) Contracts between PREm and eYello

Contract on mutual marketing support No. Y9101/2016/0019 (M6100/SL/2016/0067) – in effect from 14.7.2016 to 31.12.2018

vi) Contracts between PREm and Kormak

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

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

Contract for work – design and engineering works No. M6100/P/2016/0033 – in effect from 29.6.2016 to 8.9.2017

Contract on the construction of the Záběhlický zámek transformer station No. M6100/P/2017/0066 – in effect from 30.6.2017 to 20.7.2017

Contract on the provision and installation of the Yugo Alloys transformer station, Prague 9, Bystrá 761/10, No. M6100/P/2017/0135 – in effect from 15.11.2017 to 5.12.2017

Order of the inspection and cleaning of transformer station 8848 Angelo by Vienna House Prague, Prague 5 – Smíchov, Radlická 1g, No. M6102/DOD/Obj/2017/0002 – in effect from 22.2.2017 to 23.3.2017

Order of project documentation for transformer station 1650, Prague 10 – Záběhlice, Za Potokem 45/4, No. M6102/DOD/Obj/2017/0003 – in effect from 13.3.2017 to 28.4.2017

Order of the installation of charging stations No. M6100/DOD/Obj/20170152 – in effect from 14.9.2017 to 14.3.2018

vii) Contracts between Kormak and Kormak nemovitosti

Lease contract on group of real estate including fixtures and fittings – in effect from 4.9.2013 for an indefinite period of time, as amended

4. REVIEW OF WHETHER DAMAGE HAS BEEN INCURRED BY THE CONTROLLED ENTITY AND A REVIEW OF ITS SETTLEMENT

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

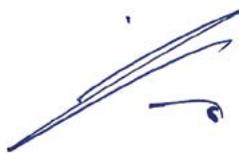
5. ADVANTAGES AND DISADVANTAGES ARISING FROM THE RELATIONS BETWEEN THE CONTROLLED ENTITY AND THE CONTROLLING ENTITY AND BETWEEN THE CONTROLLED ENTITY AND THE ENTITIES CONTROLLED BY THE CONTROLLING ENTITY, AND THE RISKS THAT ARISE FROM THEM; INFORMATION ON THE POTENTIAL SETTLEMENT OF DAMAGE

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

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

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

In Prague, 29th of March 2018



Pavel Elis
Chairperson of the
Board of Directors



Alexander Sloboda
Vice-chairperson of
the Board of Directors

APPENDIX NO. 1 TO THE REPORT ON RELATIONS OF PRAŽSKÁ ENERGETIKA, A.S., FOR 2017

Controlled and connected entities of EnBW (as of 31.12.2017)

SALES

Fully consolidated companies	Company registered office
bmp greengas GmbH	Ganghoferstraße 68a, 80339 München
ED GrünSelect GmbH	Rheinbrücke 5/7, 79618 Rheinfelden Baden
EnBW Mainfrankenpark GmbH	Mainfrankenpark 2, 97337 Dettelbach
EnBW Vertriebsbeteiligungen GmbH	Schelmenwasenstraße 15, 70567, Stuttgart
energieNRW GmbH	Höherweg 100, 40233 Düsseldorf
ESD Energie Service Deutschland GmbH	Zeller Straße 38, 77654 Offenburg
eYello CZ, k.s.	Kubánské náměstí 1391/11, 100 00 Prague 10
G.EN. Gaz Enerigia Sp. z o.o.	Dorczyka 1, 62-080 Tarnowo Podgorne, Poland
Gasversorgung Süddeutschland GmbH	Schulze-Delitzsch-Straße 7, 70565 Stuttgart
Gasversorgung Unterland GmbH	Weipertstraße 41, 74076 Heilbronn
goldgas GmbH	Mariahilfer Straße 62, 1070 Wien, Austria
goldgas GmbH	Ginnheimer Straße 2-6, 65760 Eschborn
NaturEnergie+ Deutschland GmbH	Heilbronner Str. 40, 75417 Mühlacker
PREzákaznická, a.s.	Na Hroudě 1492/4, 100 05 Prague 10
Sales & Solutions GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
VNG-Erdgascommerz GmbH	Braunstraße 7, 04347 Leipzig
Watt Synergia GmbH	Lyoner Straße 44-48, 60528 Frankfurt am Main
Yello Strom GmbH	Siegburger Straße 229, 50679 Köln
ZEAG Immobilien GmbH & Co. KG	Weipertstraße 41, 74076 Heilbronn
Messerschmid Energiesysteme GmbH	Im Breitenfeld 20, 79848 Bonndorf
TRITEC AG	Heckenweg 29, 3270 Aarberg, Switzerland
winsun AG	Beeschi Mattenstrasse 2, 3940 Steg VS, Switzerland
Energie- und Medienversorgung Sandhofer Straße GmbH & Co. KG	Sandhofer Straße 116, 68305 Mannheim
Pražská energetika, a.s.	Na Hroudě 1492/4, 100 05 Prague 10
Related but unconsolidated companies	Company registered office
EZG Operations GmbH	Am Haffeld 2, 23970 Wismar
NatürlichEnergie Swiss NES GmbH	Baslerstrasse 44, 5080 Laufenburg, Switzerland
VNG ViertelEnergie GmbH	Braunstraße 7, 04347 Leipzig
VNG-Erdgastankstellen GmbH	Braunstraße 7, 04347 Leipzig
Yello Solar GmbH (formerly EnBW Omega Neunundsiebzigste Verwaltungsgesellschaft mbH)	Siegburger Straße 229, 50679 Köln
ZEAG Immobilien Verwaltungsgesellschaft mbH	Weipertstraße 41, 74076 Heilbronn
WTT CampusONE GmbH	Königsallee 43, 71638 Ludwigsburg
effizienzcloud GmbH	Löhrstraße 15, 04105 Leipzig
KEA-Beteiligungs-GbR "Energie", Karlsruhe	
LIV-T GmbH	Zielstattstraße 19, 81379 München
grünES GmbH	Fleischmannstr. 50, 73728 Esslingen a.N.

Stromvertrieb Backnang Verwaltungs GmbH	Schlachthofstraße 6–10, 71522 Backnang
Energie- und Medienversorgung Sandhofer Straße Verwaltungs GmbH	Sandhofer Straße 116, 68305 Mannheim

NETWORKS

Fully consolidated companies	Company registered office
ED Mobility Support GmbH	Schönebergerstraße 10, 79618 Rheinfelden
ED Netze GmbH	Rheinbrückstraße 5/7, 79618 Rheinfelden
EnBW Kommunale Beteiligungen GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW REG Beteiligungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EVGA Grundstücks- und Gebäudemanagement GmbH & Co. KG	Kraftwerkstr. 1, 74847 Obrigheim
KORMAK nemovitosti s.r.o.	K Sokolovně 667/9, 104 00 Prague 10
KORMAK Praha a.s.	K Sokolovně 667/9, 104 00 Prague 10
Netze BW GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
Netze BW Wasser GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
Netze-Gesellschaft Südwest mbH	Nobelstr. 18, 76275 Ettlingen
Netzgesellschaft Düsseldorf mbH	Höherweg 200, 40233 Düsseldorf
Netzgesellschaft Ostwürttemberg DonauRies GmbH	Unterer Brühl 2, 73479 Ellwangen
NHF Netzgesellschaft Heilbronn-Franken mbH	Weipertstraße 39, 74076 Heilbronn
NWS Grundstücksmanagement GmbH & Co. KG	Kraftwerkstr. 1, 74847 Obrigheim
NWS REG Beteiligungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
ONTRAS Gastransport GmbH	Maximilianallee 4, 4129 Leipzig
PREdistribuce, a.s.	Svornosti 3199/19a, 150 00 Prague 5
PREměření, a.s.	Na Hroudě 2149/19, 100 05 Prague 10
RBS wave GmbH	Mittlerer Pfad 2–4, 70499 Stuttgart
terraneis bw GmbH	Am Wallgraben 135, 70565 Stuttgart
TransnetBW GmbH	Pariser Platz – Osloer Str. 15–17, 70173 Stuttgart
EnBW Ostwürttemberg DonauRies AG	Unterer Brühl 2, 73479 Ellwangen
ZEAG Energie AG	Weipertstraße 41, 74076 Heilbronn
Erdgas Südwest GmbH	Siemensstr. 9, 76275 Heilbronn
NetCom BW GmbH	Unterer Brühl 2, 73479 Ellwangen
Stuttgart Netze Betrieb GmbH	Stöckachstraße 48, 70190 Stuttgart
Stadtwerke Düsseldorf AG	Höherweg 100, 40233 Düsseldorf
Stromnetzgesellschaft Heilbronn GmbH & Co. KG	Weipertstraße 41, 74076 Heilbronn
Neckar Netze GmbH & Co. KG	Mettingerstr. 123, 73728 Esslingen am Neckar

Related but unconsolidated companies	Company registered office
Elektrizitätswerk Aach GmbH	Eltastraße 1–5, 78532 Tuttlingen
Energieversorgung Gaildorf OHG der EnBW Kommunale Beteiligungen GmbH und NWS REG Beteiligungsgesellschaft mbH	Burg 2, 74405 Gaildorf
Energieversorgung Raum Friedrichshafen GmbH & Co. KG	Schelmenwasenstraße 15, 70567 Stuttgart
Energieversorgung Raum Friedrichshafen Verwaltungsgesellschaft mbH	Kriegsbergstr. 32, 70174 Stuttgart
GDMcom Gesellschaft für Dokumentation und Telekommunikation GmbH	Maximilianallee 4, 0412 Leipzig
GEOMAGIS GmbH	Maximilianallee 4, 0412 Leipzig

HEV Hohenloher Energie Versorgung GmbH	Orlacher Str. 1, 74532 Illshofen
Konverter Ultraset GmbH & Co. KG	Osloer Straße 15–17, 70173 Stuttgart
Konverter Ultraset Verwaltungsgesellschaft mbH	Osloer Straße 15–17, 70173 Stuttgart
Neckar Netze Verwaltungsgesellschaft mbH	Mettingerstr., 73728 Esslingen am Neckar
NHL Netzgesellschaft Heilbronner Land GmbH & Co. KG	Weipertstraße 39, 74076 Heilbronn
NHL Verwaltungs-GmbH, Heilbronn (formerly EnBW Omega Achtundneunzigste Verwaltungsgesellschaft mbH, Stuttgart)	Weipertstraße 39, 74076 Heilbronn
OSG ONTRAS Servicegesellschaft mbH	Maximilianallee 4, 04129 Leipzig
Seeallianz GmbH & Co. KG	Rathausplatz 1, 88677 Markdorf
INFRACON Infrastruktur Service GmbH & Co. KG	Schelmenwasenstraße 15, 70567 Stuttgart
Rieger GmbH & Co. KG	Friedrichstraße 16, 72805 Lichtenstein
Rieger Beteiligungs-GmbH	Friedrichstraße 16, 72805 Lichtenstein
Elektrizitätswerk Weißenhorn AG	Illberberger Straße 6a, 89264 Weißenhorn
Netze Pforzheim-Region GmbH & Co. KG	Sandweg 22, 75179 Pforzheim
Gasnetzgesellschaft Laupheim GmbH & Co. KG	Marktplatz 1, 88471 Laupheim
Gasnetzgesellschaft Laupheim Verwaltungs GmbH	Marktplatz 1, 88471 Laupheim
Netzgesellschaft Elz-Neckar GmbH & Co. KG	Hauptstraße 7, 74847 Obrigheim
Netzgesellschaft Elz-Neckar Verwaltungs GmbH	Hauptstraße 7, 74847 Obrigheim
Stromnetzgesellschaft Albershausen GmbH & Co. KG	Kirchstraße 1, 73095 Albershausen
Stromnetzgesellschaft Albershausen Verwaltungs GmbH	Kirchstraße 1, 73095 Albershausen
Stromnetzgesellschaft Heilbronn Verwaltungs-GmbH	Weipertstraße 41, 74076 Heilbronn
Stromnetzgesellschaft Laupheim GmbH & Co. KG	Marktplatz 1, 88471 Laupheim
Stromnetzgesellschaft Laupheim Verwaltungs GmbH	Marktplatz 1, 88471 Laupheim

RENEWABLE SOURCES

Fully consolidated companies	Company registered office
Aletsch AG	Litternaring 2, 3930 Visp, Switzerland
Connected Wind Services A/S	Nyballevej, 8444 Balle, Denmark
Connected Wind Services Danmark A/S	Nyballevej, 8444 Balle, Denmark
Connected Wind Services Deutschland GmbH	Mühlenberg 19, 2587 Rantrum
Connected Services Refurbishment A/S	Nyballevej, 8444 Balle, Denmark
CWS-BD UG	Am Sandtorkai 41, 20457 Hamburg
EnAlpin AG	Bahnhofplatz 1b, 3930 Visp, Switzerland
EnBW Biogas GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW He Dreihl GmbH	Oldenburger Straße 49, 26316 Varel
EnBW Holding A.S.	Innou Cad. 53/9, 34437, Istanbul, Turkey
EnBW NAG-Beteiligungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Offshore 1 GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Offshore 2 GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Offshore 3 GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Offshore Service GmbH	Klausdorfer Str. 1, 18445 Klausdorf
EnBW Solar GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Solarpark Tuningen GmbH (formerly EnBW Omega Füngundachtzigste Verwaltungsgesellschaft mbH)	Schelmenwasenstraße 15, 70567 Stuttgart

EnBW Wind Onshore 1 GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Wind Onshore 2 GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Wind Onshore Instandhaltungs GmbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Windkraftprojekte GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Windpark Eisenach II GmbH	Kronenstraße 26, 70173 Stuttgart
Energiedienst AG	Schönenbergerstraße 10, 79618 Rheinfelden Baden
PRE FVE Světlik, s.r.o.	Na Hroudě 2149/19, 100 05 Prague 10
Grünwerke GmbH	Höherweg 200, 40233 Düsseldorf
SCE Wind Zernitz GmbH & Co. KG	Schelmenwasenstraße 15, 70567 Stuttgart
Svenska Connected Wind Services AB	Åkarevägen 17, 31132 Falkenberg, Sweden
Windpark "Auf der Weißen Trisch" GmbH	Pirmasenser Str. 66, 66482 Zweibrücken
Windpark Breitenbach GmbH	Höherweg 200, 40233 Düsseldorf
Windpark Niederlinxweiler GmbH & Co. KG	Kronenstraße 26, 70173 Stuttgart
Windpark Rot am See GmbH	Unterer Brühl 2, 73479 Ellwangen Jagst
Windpark Webenheim GmbH & Co. KG	Schelmenwasenstraße 15, 70567 Stuttgart
EE Bürgerenergie Braunsbach GmbH & Co. KG	Geislinger Straße 11, 74542 Braunsbach
EE BürgerEnergie Forchtenberg GmbH & Co. KG	Hauptstr. 14, 74670 Forchtenberg
EE BürgerEnergie Boxberg GmbH & Co. KG	Kurpfalzstr. 29, 97944 Boxberg
BürgerEnergie Königheim GmbH & Co. KG	Kirchplatz 2, 97953 Königheim
EE Bürgerenergie Ilshofen GmbH & Co. KG	Haller Straße 1, 74532 Ilshofen
EE BürgerEnergie Jagsthausen GmbH & Co. KG	Hauptstraße 3, 74249 Jagsthausen
EE BürgerEnergie Möckmühl GmbH & Co. KG	Hauptstraße 23, 74219 Möckmühl
Bürgerenergie Widdern GmbH & Co. KG	Rathausplatz 7, 74259 Widdern
Neckar Aktiengesellschaft	Schelmenwasenstraße 15, 70567 Stuttgart
EE Bürgerenergie Hardthausen GmbH & Co. KG	Lampoldshauer Straße 8, 74239 Hardthausen am Kocher
Geothermie-Gesellschaft Bruchsal GmbH	Schnabel-Henning-Str. 1a, 76646 Bruchsal
JatroSolutions GmbH	Echterdinger Str. 30, 70599 Stuttgart
Energiedienst Holding AG	Baslerstrasse 44, 5080 Laufenburg, Switzerland
Rheinkraftwerk Neuhausen AG	Laufengasse, 8212 Neuhausen, Switzerland
Solarpark Berghülen GmbH (formerly EnBW Omega Einundachtzigste Verwaltungsgesellschaft mbH)	Schelmenwasenstr. 15, 70567 Stuttgart
EnBW Baltic 1 GmbH & Co. KG	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Baltic 2 S.C.S.	1, Rue Hildegard von Bingen, L-1282 Luxembourg
EnBW Onshore Portfolio GmbH	Schelmenwasenstr. 15, 70567 Stuttgart
Kraftwerk Lötschen AG	Bahnhofplatz 1b, CH-3940 Steg VS

Related but unconsolidated companies**Company registered office**

CarbonBW (Thailand) Ltd.	Soi Sukhumvit 63, Bangkok, Thailand
EnBW Albatros Management GmbH (formerly EnBW Omega Siebenundsiebzigste Verwaltungsgesellschaft mbH)	Fischertwiete 1, 20095 Hamburg
EnBW Baltic 1 Verwaltungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Baltic 2 Management S.a r.l.	7A, Rue Robert Stumper, 2557 Luxembourg, Luxembourg
EnBW Baltic 2 Windpark Verwaltungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Baltic Windpark Verwaltungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Danmark ApS, Balle/Dänemark (formerly Kriegers Flak ApS, Kopenhagen/Dänemark)	Nyballevej 8, 8444 Balle, Denmark

EnBW Hohe See Management GmbH	Fischertwiete 1, 20095 Hamburg
EnBW Wind Onshore Verwaltungsgesellschaft mbH	Schelmenwasenstr. 15, 70567 Stuttgart
EnBW Wind op Zee B.V.	Herikerbergweg 122, 1101CM Amsterdam, Netherlands
EnBW Windpark Kleinliebringen Gmb (formerly EnBW Omega Neunundneunzigste Verwaltungsgesellschaft mbH)	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Windpark Langenburg GmbH (formerly EnBW Omega Neunzigste Verwaltungsgesellschaft mbH)	Schelmenwasenstraße 15, 70567 Stuttgart
Grünwerke Verwaltungs GmbH	Höherweg 200, 40233 Düsseldorf
Kemberg Windpark Management GmbH & Co. Betriebsgesellschaft KG	Höherweg 200, 40233 Düsseldorf
Langenburg Infrastruktur GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
Solarpark Karpin GmbH & Co. KG	Am Hochgericht 10, 96231 Bad Staffelstein
Solarpark Riedlingen-Zwiefaltendorf Gmb (formerly EnBW Omega Vierundachtzigste Verwaltungsgesellschaft mbH)	Schelmenwasenstraße 15, 70567 Stuttgart
Windpark Freckenfeld GmbH (formerly EnBW Omega Zweiundachtzigste Verwaltungsgesellschaft mbH)	Schelmenwasenstraße 15, 70567 Stuttgart
Windpark Rot am See Infrastruktur GmbH, Stuttgart	Schelmenwasenstraße 15, 70567 Stuttgart
ZEAG Erneuerbare Energien GmbH	Weipertstraße 41, 74076 Heilbronn
JATROSELECT-Paraguay Sociedad de Responsabilidad Limitada	Paraguay
EE Bürgerenergie Bühlerzell GmbH & Co. KG	Heilberger Straße 4, 74426 Bühlerzell
EE Bürgerenergie Frankenhardt GmbH & Co. KG	Crailsheimer Straße 3, 74586 Frankenhardt
EE Bürgerenergie Hardheim GmbH & Co. KG	Schlossplatz 6, 74736 Hardheim
EE Bürgerenergie Höpfingen GmbH & Co. KG	Heidelberger Straße 23, 74746 Höpfingen
EE BürgerEnergie Krautheim GmbH & Co. KG	Burgweg 5, 74238 Krautheim
EE BürgerEnergie Neudenuau GmbH & Co. KG	Hauptstraße 27, 74861 Neudenuau
EE Bürgerenergie Sulzbach-Laufen GmbH & Co. KG	Eisbachstraße 24, 74429 Sulzbach-Laufen
Holzkraft Plus GmbH	Höherweg 100, 40233 Düsseldorf
NatürlichSonne Trogen GmbH & Co. KG	Auf der Grub 1, 54472 Monzelfeld
EnPV GmbH (formerly EnBW Omega Einundneunzigste Verwaltungsgesellschaft mbH)	Durchlacher Allee 93, 76131 Karlsruhe
JatroGreen S.A.R.L.	Antananarivo, Madagascar
Erneuerbare Energien Neckarwestheim GmbH & Co. KG	Marktplatz 1, 74382 Neckarwestheim
Alb-Windkraft Verwaltungs GmbH	Eybstr. 98-100, 73312 Geislingen
Solarpark Leutkirch GmbH & Co. KG	Marktstr. 26, 88299 Leutkirch im Allgäu
Solarpark Leutkirch Verwaltungsgesellschaft mbH	Markstraße 26, 88299 Leutkirch im Allgäu
Windenergie Tautschbuch GmbH (formerly EnBW Omega Dreiundachtzigste Verwaltungsgesellschaft mbH)	Schelmenwasenstraße 15, 70567 Stuttgart

PRODUCTION AND TRADE

Fully consolidated companies	Company registered office
AWISTA Logistik GmbH	Höherweg 222, 40233 Düsseldorf
EnBW Biomasse GmbH	Am Erlengraben 5, 76275 Ettlingen
EnBW Etzel Speicher GmbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Grundstücksverwaltung Rheinhafen GmbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Kraftwerk Lippendorf Beteiligungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Rückbauservice GmbH	Schelmenwasenstraße 15, 70567 Stuttgart

ENERGIEUNION GmbH	Werderstraße 74b, 19055 Schwerin
Gemeinschaftsheizkraftwerk Fortuna GmbH	Höherweg 222, 40233 Düsseldorf
Gesellschaft für nukleares Reststoffrecycling mbH	Im Steinbruch, 74382 Neckarwestheim
HANDEN Sp. z o.o.	Domaniewska 37, 02-675, Poland
Heizkraftwerk Stuttgart GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
Kernkraftwerk Obrigheim GmbH	Kraftwerkstraße 1, 74847 Obrigheim
MSE Mobile Schlammwässerungs GmbH	Auf der Hub 35-39, 76307 Karlsbad
TAE Thermische Abfallentsorgung Ansbach GmbH	Durlacher Allee 93, 76131 Karlsruhe
TPLUS GmbH	Am Erlengraben 5, 76275 Ettlingen
TWS Kernkraft GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
u-plus Umweltservice GmbH	Am Erlengraben 5, 76275 Ettlingen
VNG Austria GmbH	Pirching 95/1, 8200 Gleichsdorf, Austria
VNG Danmark ApS	Langelinie Allé 35, 2100 København, Denmark
VNG Energie Czech, s.r.o.	Opletalova 1284/37, 110 00 Prague 1
VNG Gasspeicher GmbH	Maximilianallee 2, 04129 Leipzig
VNG Italia S.r.l.	VIA CALCAVINAZZI 1, 40121 Bologna, Italy
VNG Norge AS	Laberget 22, 4020 Stavanger, Norway
EnBW Kernkraft GmbH	Kraftwerkstraße 1, 74847 Obrigheim
VNG-Verbundnetz Gas Aktiengesellschaft	Braunstr. 7, 04347 Leipzig
SPIGAS S.r.l.	Via Vittorio Veneto, 3, 04347
AWISTA Gesellschaft für Abfallwirtschaft und Stadtreinigung mbH	Höherweg 100, 40233 Düsseldorf
KNK Kraftwerks- und Netzgesellschaft mbH	Am Kühlturm 1, 18147 Rostock

Related but unconsolidated companies**Company registered office**

EnergieFinanz GmbH	Werderstraße 74b, 19055 Schwerin
VNG Handel & Vertrieb GmbH (formerly VNG Erste Beteiligungsgesellschaft mbH)	Braunstraße 7, 04347 Leipzig
VNG Slovakia, spol. s r. o.	Seberíniho 2, 811002 Bratislava, Slovakia
Südwestdeutsche Nuklear-Entsorgungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
Zentraldeponie Hubbelrath GmbH	Höherweg 100, 40233 Düsseldorf
Nahwärme Düsseldorf GmbH	Höherweg 100, 40233 Düsseldorf

OTHER**Fully consolidated companies****Company registered office**

ED Immobilien GmbH & Co. KG	Rheinbrückstraße 5/7, 79618 Rheinfelden Baden
ED Immobilien Verwaltungsgesellschaft mbH	Schönenbergerstraße 10, 79618 Rheinfelden Baden
EnBW City GmbH & Co. KG	Kraftwerkstraße 1, 74847 Obrigheim
EnBW Immobilienbeteiligungen GmbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW International Finance B.V.	Schouwburgplein 30-34, 3012 CL Rotterdam, Netherlands
EnBW Perspektiven GmbH	Durlacher Allee 93, 76131 Karlsruhe
Energiedienst Support GmbH	Schönenbergerstraße 10, 79618 Rheinfelden Baden
Facilma Grundbesitzmanagement und -service GmbH & Co. Besitz KG	Kraftwerkstr. 1, 74847 Obrigheim
Neckarwerke Stuttgart GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
NWS Finanzierung GmbH	Durlacher Allee 93, 76131 Karlsruhe
SBZ Beteiligungen GmbH	Durlacher Allee 93, 76131 Karlsruhe

symbiotic services GmbH	Durlacher Allee 93, 76131 Karlsruhe
MURVA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Tölzer Str. 15, 82031 Grünwald
EnBW Versicherungsvermittlung GmbH	Calwer Straße 7, 70173 Stuttgart

Related but unconsolidated companies	Company registered office
BALANCE VNG Bioenergie GmbH	Braunstraße 7, 04347 Leipzig
E-City Immobilienverwaltungs GmbH (formerly EnBW Omega Achtundsechzigste Verwaltungsgesellschaft mbH)	Durlacher Allee 93, 76131 Karlsruhe
EnBW CZ, spol. s r.o.	Na Hroudě 1492/4, 100 00 Prague 10
EnBW New Ventures GmbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Omega Achtundachtzigste Verwaltungsgesellschaft mbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Omega Achtundsiebzigste Verwaltungsgesellschaft mbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Omega Achtzigste Verwaltungsgesellschaft mbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Omega Dreiundneunzigste Verwaltungsgesellschaft mbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Omega Dreiundsiebzigste Verwaltungsgesellschaft mbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Omega Fünfundfünfzigste Verwaltungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Omega Fünfundneunzigste Verwaltungsgesellschaft mbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Omega Fünfundsechzigste Verwaltungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Omega Hundertste Verwaltungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Omega Neunundachtzigste Verwaltungsgesellschaft mbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Omega Sechsendachtzigste Verwaltungsgesellschaft mbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Omega Sechsendneunzigste Verwaltungsgesellschaft GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Omega Siebenundneunzigste Verwaltungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Omega Siebzigste Verwaltungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Omega Vierundfünfzigste Verwaltungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Omega Vierundneunzigste Verwaltungsgesellschaft mbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Omega Zweiundneunzigste Verwaltungsgesellschaft mbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Omega Zweiundfünfzigste Verwaltungsgesellschaft mbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Omega Zweiundsiebzigste Verwaltungsgesellschaft mbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Real Estate GmbH	Kraftwerkstraße 1, 74847 Obrigheim
EnBW Senergi Immobilien GmbH	Durlacher Allee 93, 76131 Karlsruhe
Interconnector GmbH	Durlacher Allee 93, 76131 Karlsruhe
KMS Verwaltungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
SSG Verwaltungsgesellschaft mbH i.L.	Stammheimer Str. 10, 70806 Kornwestheim
Rheintal PE GmbH & Co. KG	Am Pilgerrain 17, 61352 Bad Homburg v. d. Höhe
MGMTree GmbH	Braunstraße 7, 04347 Leipzig
VNG Innovation GmbH	Braunstraße 7, 04347 Leipzig
Pražská energetika Holding, a.s.	Na Hroudě 1492, 100 05 Prague



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

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Pražská energetika, a.s. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note "General information" to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Recorded in the Commercial Register kept by the Municipal Court in Prague, Section C, Insert No. 24185

Identification No. 49619187
VAT No. CZ699001996
ID data box: 8h3gtra



Basis for Opinion

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

Key Audit Matters

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

Determination of the Amount of Uninvoiced Energy

See accounting policies, section "Significant accounting estimates" and Note 17.

Description of the Key Audit Matter

The Company recognises significant balances of uninvoiced energy for customers whose electricity meters are read in intervals longer than one month. The Company estimates the amount of this uninvoiced energy based on a balance equation of purchases and sales of electricity, where certain inputs in this balance equation (in particular grid losses and the estimated average price of supplied energy) represent a significant estimate made by the Company. The total amount of uninvoiced energy and the number of used estimates then significantly increases the risk of potential incorrect recognition of the given item as at the balance sheet date.



Auditor's Approach to the Key Audit Matter

Audit procedures performed by us included in particular:

- testing of relevant controls in determining the amount of uninvoiced energy, primarily verification of the effective operation of recalculation carried out on a monthly basis directly in the Company's customer system, including verification of the logical and mathematical correctness of the recounts. The testing was performed in cooperation with our internal IT specialists;
- tests of details over the accuracy of the balance equation as at the balance sheet date, including verification of the adequacy of the input data used by the Company, in particular the consistence of estimates of the average price and the grid losses;
- comparison of the estimate of uninvoiced energy based on the balance equation and based on calculations from the customer system as at the balance sheet date, including the assessment whether the difference between both methods is within the tolerance set by the Company based on historical data and experience.

Classification of Commodity Contracts

See accounting policies, section "Derivatives" and Note 28.

Description of the Key Audit Matter

As part of its business activity, the Company enters into term transactions with commodities (in particular contracts for the purchase and sale of electricity). These transactions have a various form, because they can constitute transactions settled in form of a physical delivery or transactions settled financially and are usually arranged for different purposes. They can comprise a term transaction through which the Company secures a future supply of a commodity for end customers, or a speculation relating to the development of prices of a relevant commodity within limits set by the Company. The correct classification of a given transaction then has a major impact on the accounting treatment – contracts which are expected to be physically settled within the sale of a commodity to end customers (the own-use portfolio) are not covered by IAS 39, therefore they are not remeasured at their fair value. Other contracts are addressed in the given standard and remeasured at their fair value either in equity if hedge accounting of cash flows is applied, or in the income statement if speculative transactions are involved. Due to the large number of commodity contracts and the differences in their accounting treatment, we consider this area to be important for our audit if incorrect classification occurs.



Auditor's Approach to the Key Audit Matter

Audit procedures performed by us included in particular:

- testing of internal control system in respect of the classification of concluded transactions to correct portfolios based on the type and purpose of individual contracts, including controls limiting reclassifications between individual portfolios;
- tests of details over the stability of individual portfolios, in particular testing that the contracts originally recorded within the own-use portfolio were not transferred to other portfolios;
- tests of details over the accounting treatment of different types of contracts as at the balance sheet date. In cooperation with our internal specialists in the valuation of financial instruments, we tested that the relevant contracts were remeasured at fair value and that adequate hedging documentation exists for contracts recorded within hedge accounting.

Moreover, we tested that the commodity amount recorded within the own-use portfolio does not exceed the commodity amount that the Company plans to supply to end customers. We carried out this testing prospectively for contracts concluded as at the balance sheet date and also retrospectively for contracts settled in 2017.

Other Information

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

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

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

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



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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



Report on the Audit of the Separate Financial Statements

Opinion

We have audited the accompanying financial statements of Pražská energetika, a.s. (“the Company”), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2017, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note “General information” to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Key Audit Matters

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

Determination of the Amount of Uninvoiced Energy

See accounting policies, section “Significant accounting estimates” and Note 16.



Description of the Key Audit Matter

The Company recognises significant balances of uninvoiced energy for customers whose electricity meters are read in intervals longer than one month. The Company estimates the amount of this uninvoiced energy based on a balance sheet equation of purchases and sales of electricity, where certain inputs in this balance sheet equation (in particular grid losses and the estimated average price of supplied energy) represent a significant estimate made by the Company. The total amount of uninvoiced energy and the number of used estimates then significantly increases the risk of potential incorrect recognition of the given item as at the balance sheet date.

Auditor's Approach to the Key Audit Matter

Audit procedures performed by us included in particular:

- testing of relevant controls in determining the amount of uninvoiced energy, primarily verification of the effective operation of recalculation carried out on a monthly basis directly in the Company's customer system, including verification of the logical and mathematical correctness of the recounts. The testing was performed in cooperation with our internal IT specialists;
- tests of details over the accuracy of the balance equation as at the balance sheet date, including verification of the adequacy of the input data used by the Company, in particular the consistence of estimates of the average price and the grid losses;
- comparison of the estimate of uninvoiced energy based on the balance equation and based on calculations from the customer system as at the balance sheet date, including the assessment whether the difference between both methods is within the tolerance set by the Company based on historical data and experience.

Classification of Commodity Contracts

See accounting policies, section "Derivatives" and Note 28.

Description of the Key Audit Matter

As part of its business activity, the Company enters into term transactions with commodities (in particular contracts for the purchase and sale of electricity). These transactions have a various form, because they can constitute transactions settled in form of a physical delivery or transactions settled financially and are usually arranged for different purposes. They can comprise a term transaction through which the Company secures a future supply of a commodity for end customers, or a speculation relating to the development of prices of a relevant commodity within limits set by the Company. The correct classification of a given transaction then has a major impact on the accounting treatment – contracts which are expected to be physically settled within the sale of a commodity to end customers (the own-use portfolio) are not covered by IAS 39, therefore they are not remeasured at their fair value. Other contracts are addressed in the given standard and remeasured at their fair value either in equity if hedge



accounting of cash flows is applied, or in the income statement if speculative transactions are involved. Due to the large number of commodity contracts and the differences in their accounting treatment, we consider this area to be important for our audit if incorrect classification occurs.

Auditor's Approach to the Key Audit Matter

Audit procedures performed by us included in particular:

- testing of internal control system in respect of the classification of concluded transactions to correct portfolios based on the type and purpose of individual contracts, including controls limiting reclassifications between individual portfolios;
- tests of details over the stability of individual portfolios, in particular testing that the contracts originally recorded within the own-use portfolio were not transferred to other portfolios;
- tests of details over the accounting treatment of different types of contracts as at the balance sheet date. In cooperation with our internal specialists in the valuation of financial instruments, we tested that the relevant contracts were remeasured at fair value and that adequate hedging documentation exists for contracts recorded within hedge accounting.

Moreover, we tested that the commodity amount recorded within the own-use portfolio does not exceed the commodity amount that the Company plans to supply to end customers. We carried out this testing prospectively for contracts concluded as at the balance sheet date and also retrospectively for contracts settled in 2017.

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

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



Report on Relations

We have reviewed the factual accuracy of the information disclosed in the report on relations of Pražská energetika, a.s. ("the Company") for the year ended 31 December 2017. The responsibility for the preparation and factual accuracy of this report rests with the Company's statutory body. Our responsibility is to express our view on the report on relations based on our review.

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

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations of Pražská energetika, a.s. for the year ended 31 December 2017 contains material factual misstatements.

Statutory Auditor Responsible for the Engagement

Petr Škoda is the statutory auditor responsible for the audit of the consolidated financial statements and financial statements of Pražská energetika, a.s. as at 31 December 2017, based on which this independent auditor's report has been prepared.

Prague
25 April 2018

Signed by

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

Signed by

Petr Škoda
Partner
Registration number 1842

Consolidated financial statements

Consolidated financial statements of Pražská energetika, a.s., for the year ended December 31, 2017

Prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the EU

Consolidated income statement (TCZK)

	Note	2017	2016
Revenue from electricity produced		351,552	326,656
Revenue from electricity and gas sold		18,349,924	18,154,633
Cost of electricity and gas sold		(11,968,726)	(11,765,716)
Gross profit from the sale of electricity and gas	(4)	6,732,750	6,715,573
Other operating revenue	(4)	474,481	334,227
Personnel expenses	(6)	(1,255,806)	(1,244,516)
Amortisation and depreciation	(14, 15)	(1,093,521)	(1,117,390)
Cost of purchased services, material and energy	(7)	(1,301,639)	(1,190,099)
Borrowing costs	(8)	(35,688)	(31,358)
Asset capitalisation	(9)	193,435	126,872
Other gains and losses	(10)	(88,584)	(152,890)
Profit before tax		3,625,428	3,440,419
Income tax	(11)	(665,327)	(687,978)
Profit after tax		2,960,101	2,752,441
Basic and diluted earnings per share attributable to ordinary shares (CZK)	(13)	765	711

Consolidated statement of comprehensive income (TCZK)

	2017	2016
Profit after tax	2,960,101	2,752,441
Items that may be subsequently reclassified to profit or loss:		
revaluation of other financial assets, net of tax	6,673	--
cash flow hedges, net of tax	58,452	101,847
Total other comprehensive income after tax	65,125	101,847
Comprehensive income attributable to the parent company's shareholders	3,025,226	2,854,288

Translation note

This version of the financial statements is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of the financial statements takes precedence over this translation.

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

	Note	2017	2016 restated
Assets			
Property, plant and equipment	(14)	22,965,269	22,149,494
Intangible assets	(15)	377,279	283,326
Trade and other receivables	(17)	253,200	93,532
Deferred tax asset	(11)	25,745	24,537
Non-current assets		23,621,493	22,550,889
Inventories	(19)	77,373	54,287
Tax assets		9,741	26,892
Trade and other receivables	(17)	2,482,669	2,460,661
Other financial assets	(18)	1,000,000	5,822
Cash and cash equivalents	(20)	2,709,159	298,605
Current assets		6,278,942	2,846,267
Total assets		29,900,435	25,397,156
Equity and liabilities			
Share capital	(25)	3,869,443	3,869,443
Reserves	(26)	1,300,907	1,235,782
Retained earnings		14,038,164	11,116,078
Equity attributable to the parent company's shareholders		19,208,514	16,221,303
Loans	(21)	3,100,000	3,190,000
Trade and other payables	(22)	177,975	87,404
Provisions	(24)	393,853	450,117
Deferred tax liability	(11)	2,180,661	2,092,295
Non-current liabilities		5,852,489	5,819,816
Loans	(21)	1,720,707	25,129
Tax liabilities		285,029	344,282
Trade and other payables	(22)	2,658,708	2,862,331
Provisions	(24)	174,988	124,295
Current liabilities		4,839,432	3,356,037
Total liabilities		29,900,435	25,397,156

Consolidated statement of changes in equity(TCZK)

	Share capital	Reserves	Retained earnings	Equity attributable to the parent company's shareholders
Balance on 31.12.2015	3,869,443	1,133,935	10,110,280	15,113,658
Dividends and directors' fees paid	--	--	(1,746,643)	(1,746,643)
Other comprehensive income	--	101,847	--	101,847
Net profit for 2016	--	--	2,752,441	2,752,441
Balance on 31.12.2016	3,869,443	1,235,782	11,116,078	16,221,303
Directors' fees paid	--	--	(38,015)	(38,015)
Other comprehensive income	--	65,125	--	65,125
Net profit for 2017	--	--	2,960,101	2,960,101
Balance on 31.12.2017	3,869,443	1,300,907	14,038,164	19,208,514

Consolidated statement of cash flows (TCZK)

	Note	2017	2016 restated
Opening balance of cash and cash equivalents		298,605	214,858
Operating activities			
Receipts from the sale and distribution of electricity and the sale of gas		18,667,186	18,502,839
Cash paid for the purchase and distribution of electricity and the purchase of gas		(12,218,295)	(11,704,152)
Net receipt from the sale and distribution of electricity and the sale of gas		6,448,891	6,798,687
Other operating receipts	(5, 10)	454,771	322,013
Cash paid for operating activities	(7, 10)	(1,303,096)	(1,155,778)
Cash flows from operating activities		90,736	264,306
Personnel expenditures	(6)	(1,231,046)	(1,194,372)
Direct taxes paid	(11)	(641,573)	(469,699)
Financial expenditures		(23,770)	(23,795)
Net cash flow from operating activities		3,794,913	4,541,362
Investing activities			
Proceeds from the sale of fixed assets	(10)	10,074	7,781
Acquisition of fixed assets	(14, 15)	(1,664,866)	(1,573,413)
Acquisition of subsidiaries	(16)	(235,669)	(92,553)
Net cash flow from investing activities		(1,890,461)	(1,658,185)
Financing activities			
External loans repaid	(21)	(62,644)	(1,055,114)
Dividends and directors' fees paid	(12)	(40,600)	(1,745,481)
External loans received	(21)	1,619,201	1,190
Net cash flow from financing activities		1,515,957	(2,799,405)
Change in cash and cash equivalents		3,420,409	83,772
Closing foreign exchange differences		(9,855)	(25)
Closing balance of cash and cash equivalents	(20)	3,709,159	298,605

Contents of the notes to the financial statements

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(1) General information

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

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

The principal activities of PRE and its subsidiaries (hereinafter the "PRE Group" or the "Group") include the supply of electricity in the Czech Republic and distribution of electricity in the region of Prague and Roztoky, covering an area of approximately 505 km². These activities generate a major part of the Group's revenue. The Group also strengthens its activities related to the generation of electricity from solar energy.

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

Electricity is distributed in public interest; 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	2017	2016
Pražská energetika Holding, a.s. (PREH)	58.05%	58.05%
EnBW Energie Baden-Württemberg AG (EnBW)	41.40%	41.40%
Other	0.55%	0.55%
Total	100.00%	100.00%

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

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

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

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

- **Amendments to IAS 7 "Disclosure Initiative"** (effective in the EU for annual periods beginning on or after the 1st of January 2017);
- **Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"** (effective in the EU for annual periods beginning on or after the 1st of January 2017).

The adoption of these amended standards resulted in no significant changes in the accounting policies.

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

- **IFRS 9 “Financial Instruments”** (issued in July 2014) (effective in the EU for annual periods beginning on or after the 1st of January 2018)

Financial assets that under IFRS 9 will be subsequently measured at amortised cost are held within a business model whose objective is to hold assets to collect contractual cash flows. At the same time, on specified dates the contractual terms negotiated with the respective financial asset give rise to cash flows that are solely payments of principal and interest on the principal outstanding. The impairment model in IFRS 9 takes into account expected credit losses, compared to incurred credit losses according to IAS 39. The Group will recognise a lifetime of expected credit losses in respect of its trade receivables and amounts that are to be paid by customers based on contracts with customers, as required by IFRS 15. As of the balance sheet date, the Group is in the process of preparing a detailed assessment of the potential impact of IFRS 9 adoption as of the 1st of January 2018.

IFRS 9 requires the Company to ensure that hedge accounting relationships are in conformity with the Company’s risk management goals and strategy and to apply the future expectation principle that assesses hedge efficiency. The Company will apply transition provisions and follow IAS 39 in respect of current hedging relationships.

- **IFRS 15 “Revenue from Contracts with Customers”** (issued in May 2014) (effective for annual periods beginning on or after the 1st of January 2018)

The Group is preparing an assessment of the impacts of the new standard on the 2018 financial statements. This analysis was not completed as at this balance sheet date. After an initial assessment of possible impact areas, the Group primarily focused on the following assessment:

- whether the Group is in the position of principal or agent (in particular in case of revenue from distribution services);
- whether the current recognition of incremental costs for obtaining contracts and their depreciation is in line with the requirements of the new standard; and,
- whether the current recognition of connection fees (contributions) and similar charges is in line with the requirements of the new standard.

The Group does not record any expenses incurred on loyalty schemes. Paid bonuses have been evaluated as insignificant. The Group will continue to monitor these areas.

The Group plans to choose a cumulative method of transition to the new standard. The cumulative effect of potential impact as at the date of transition to the new standard will be reported as a restatement to the opening balance of retained earnings as of the 1st of January 2018. Comparative information for the previous period will not be restated.

- **IFRS 16 Leases** (effective for annual periods beginning on or after the 1st of January 2019)

New standard IFRS 16 “Leases” supersedes all current international accounting standards relating to the recognition of leases both with the lessee and the lessor. Based on the requirements of this standard, most subject matters of leases will be recognised on the balance sheet of the lessee while recognition with the lessor will remain almost unchanged. This model will be applied to leases with the exception of short-term leases where the underlying asset is of low value.

At present, the Group is assessing the precise impacts of the new standard, but expects a significant impact on the increase of assets and liabilities due to the recognition of most subject matters of current operating leases on the balance sheet and the classification impact on the income statement. The Group has not yet made a decision on the method of transition to this new standard.

- **Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”** (effective for annual periods beginning on or after the 1st of January 2018 or when IFRS 9 is applied for the first time)

Based on the Group’s estimates, compliance with this standard will not have a significant impact on the financial statements.

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

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

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for the first annual IFRS financial statements for annual periods beginning on or after the 1st of January 2016)
- **IFRS 17 “Insurance Contracts”** (version issued by the IASB is effective for the first annual IFRS financial statements for annual periods beginning on or after the 1st of January 2021)
- **Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”** (effective for annual periods beginning on or after the 1st of January 2018)
- **Amendments to IFRS 9 “Prepayment Features with Negative Compensation”** (effective for annual periods beginning on or after the 1st of January 2019)
- **Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”** (the effective date is yet to be stipulated)
- **Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”** (effective for annual periods beginning on or after the 1st of January 2019)
- **Amendments to IAS 40 “Transfers of Investment Property”** (effective for annual periods beginning on or after the 1st of January 2018)
- **Annual Improvements to IFRS 2014–2016 Cycle** (effective for annual periods beginning on or after the 1st of January 2017 or 2018)
- **Annual Improvements to IFRS 2015–2017 Cycle** (effective for annual periods beginning on or after the 1st of January 2019)
- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (effective for annual periods beginning on or after the 1st of January 2018)
- **IFRIC 23 “Uncertainty over Income Tax Treatments”** (effective for annual periods beginning on or after the 1st of January 2019)

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

(3) Significant accounting policies

Statement of compliance

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

Basis of the preparation of financial statements

The financial statements have been prepared on the historical cost basis except for certain financial instruments described in note 28. 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 financial statements of the subsidiaries are included in the consolidated financial statements from the effective date of acquisition. A subsidiary is an enterprise which the acquirer (parent company) has obtained control of in business combination.

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

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

Business combinations

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

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

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

Revenue recognition

Revenue from the sale 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. Revenue arising from contracts for the provision of services is reported including the information regarding the status of the contract completion. 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 fee is stipulated in Act No. 458/2000 Coll., and Regulation No. 51/2006 Coll., as amended. The Group recognises investment contributions as revenue for the current period.

Revenue from the sale of electricity, gas and distribution is recognised in the period when the electricity is consumed by customers. Revenue from other provided services is recognised when the services are rendered.

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

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

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

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

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

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

Foreign currency translation

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

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

Borrowing costs

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

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

Income tax

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

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

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

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

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

Property, plant and equipment

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

The cost of internally produced tangible 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 are carried at cost, less any recognised impairment loss. The cost includes professional service fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Asset category	Depreciation period in years
Buildings, halls and other constructions	7, 15, 20, 25, 30, 40, 50, 70
Cable tunnels, cable and overhead power lines	40
Fibre optics	30
Power structures	15, 25, 30
Working machinery and equipment	5, 8, 10, 12, 20
Telecommunication equipment	4–21
Appliances and special technology equipment, communication cables	4, 5, 10
Vehicles	4, 8, 10
Electricity meters	15
Fixtures and fittings	4, 5, 6, 8, 10
Hardware	3, 4
Photovoltaic power plants – construction part*	20
Photovoltaic power plants – technology*	5, 10, 20

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

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

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

Intangible assets

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

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

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

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

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

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

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

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

Impairment of goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

Inventories

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

Provisions

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

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

Financial assets (except for derivatives)

Financial assets are recognised 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 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 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 bonds 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 method less any impairment.

Financial assets available for sale

Listed shares and 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 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, other receivables and loans

Trade receivables are initially measured at fair value and subsequently revalued at amortised cost using the effective interest method. Reasonable adjustments for estimated irrecoverable losses are recognised in profit or loss if objective evidence (the number of days the relevant asset is overdue) exists that the asset has been impaired. The recognised adjustment is determined as the difference between the carrying amount of the relevant asset and the present value of the estimated future cash flows discounted at the effective interest rate calculated upon initial recognition. The Group accounts for the adjustment until the process of claim recovery is completed. At this moment the receivable is written off.

Other receivables with determined or determinable payments which are not quoted on an active market are classified as other financial assets. They are recorded at amortised cost using the effective interest method less any impairment. Interest revenue is reported using the effective interest method.

Financial liabilities (except for derivatives)

Financial liabilities are classified as at FVTPL or as other financial liabilities.

Financial liabilities at FVTPL include derivatives that do not function as effective hedging instruments. Financial liabilities at FVTPL are stated at fair value, with any resulting gain or loss from revaluation recognised in profit or loss.

Other financial liabilities (including borrowings, trade and other payables) are initially recognised at fair value increased by transaction costs. They are subsequently recorded 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 Group hedges its future transactions, risk management and cash flows using financial and commodity derivative contracts. With most purchases and sales of electricity and gas in form of term contracts carried out by the Group, their physical delivery with subsequent consumption or sale as part of the Group's regular activities is expected. Such contracts are not covered by IAS 39 and are therefore not measured.

The Group considers transactions concluded with the aim to balance the volumes of purchases and sales of a commodity to be a part of its regular activities, therefore these contracts do not come under IAS 39 either.

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

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. 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 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 derivatives is classified as a non-current receivable or a non-current liability if the derivative is settled in more than 12 months, or as a current receivable or a current liability if the derivative is settled within 12 months.

Hedge accounting

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

At the inception of the hedge relationship, the 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 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 derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

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

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

Offsetting financial instruments

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

Employee benefits expense

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

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

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

Statement of cash flows

The Group prepares its statement of cash flows using the 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 revenue and expenses during the reporting period. The Group's management has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

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

Comparative period restatements

In 2017, the Group changed its method of offsetting uninvoiced electricity and gas against advances received from customers. In addition, the Group started to offset uninvoiced electricity and gas against advances provided to suppliers. The Group also started to separate derivative-related balances into non-current and current based on the moment of their settlement.

As a result of these changes, the comparative period in the statement of financial position on the lines "Trade and other receivables" and "Trade and other payables" was restated. The financial impact of these changes is described in notes 17 and 22 of these notes to the financial statements.

In 2017, the Group changed the settling of its deferred tax assets and deferred tax liabilities. As a result of this change, the comparative period was restated; the Group newly reported a deferred tax asset of TCZK 24,537 and at the same time, increased the deferred tax liability by the same amount.

In the statement of cash flows, a correction was made in the 2016 period; a decrease by the receipts from electricity sold in EUR (MCZK 774) had been recognised in both "Cash paid for the purchase of electricity and gas" and in "Receipts from the sale of electricity and gas".

Moreover, the Group refined the presentation of financial instruments specified in note 28 of the notes to these financial statements to better reflect the structure of financial instruments in other parts of the notes to these financial statements. As a result of this change, the selected comparative information in note 28 was restated.

Significant accounting events and judgements in applying the accounting policies

Based on a separate review of the depreciation plan and the increased planning quality, the decision was made to adjust the depreciation period of a portion of the assets. The change included the adjustment of the useful lives of current assets, resulting

in a decrease in annual depreciation by MCZK 40. The greatest change was in the depreciation of electricity meters, from 12 to 15 years.

On the 1st of November 2017, PREzákaznická, a.s., was established. A 100% equity investment in PRE FVE Světlík, s.r.o., was purchased on the 30th of November 2017.

(4) Revenues (TCZK)

Revenue and expenses relating to the sale of electricity and gas	2017	2016
Revenue from electricity produced	371,776	345,371
Payment for electricity generated from solar energy	(20,224)	(18,715)
Total revenue from electricity production	351,552	326,656
Sales of electricity B2B	3,620,698	3,880,786
Sales of distribution and system services B2B	4,573,629	4,625,370
Sales of electricity B2C	2,828,910	2,796,735
Sales of distribution and system services B2C	6,507,304	6,271,970
Sales of electricity to dealers	403,558	303,210
Revenue from the sales of gas B2B and B2C	308,632	245,146
Revenue from the sales of gas to dealers	109,199	24,656
Sales of distribution services to local producers	4	174
Gross profit from trading	(2,010)	6,586
Total revenues	18,349,924	18,154,633
Cost of electricity sold	(5,548,298)	(5,672,269)
Cost of distribution and system services	(6,059,318)	(5,890,628)
Cost of gas	(361,110)	(202,819)
Total costs	(11,968,726)	(11,765,716)
Gross profit from the sale of electricity and gas	6,732,750	6,715,573

Other operating revenue	2017	2016
Revenue from provided services*	245,463	133,546
Received investment contributions	196,742	171,773
Compensation for unauthorised consumption	17,998	17,850
Other	14,278	11,058
Total	474,481	334,227

* Including revenue from the lease of land, real estate and other operating equipment, freight transport, IT support, reading of heat and gas meters, maintenance of public lighting and electro-installation works.

(5) Segment reporting (TCZK)

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

Trade – the supply of electricity and gas (commodities) and trading in electricity

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

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

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

Distribution

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

Other

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

	Trade		Distribution		Other		Elimination		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Electricity and gas / Distribution										
External revenue	14,821,142	14,803,628	3,528,782	3,351,005	351,552	326,656	--	--	18,701,476	18,481,289
Inter-segment revenue	316,111	381,488	5,796,575	5,964,519	--	--	(6,112,686)	(6,346,007)	--	--
External expenses	(7,676,275)	(7,467,421)	(4,292,451)	(4,298,295)	--	--	--	--	(11,968,726)	(11,765,716)
Inter-segment expenses	(5,785,288)	(5,954,176)	(316,111)	(381,488)	--	--	6,101,399	6,335,664	--	--
Gross profit	1,675,690	1,763,519	4,716,795	4,635,741	351,552	326,656	(11,287)	(10,343)	6,732,750	6,715,573
Other external operating revenue	62,413	58,972	332,480	212,317	79,588	62,938	--	--	474,481	334,227
Other inter-segment operating revenue	852,320	846,197	21,578	21,460	228,077	227,194	(1,101,975)	(1,094,851)	--	--
Personnel expenses	(582,603)	(587,948)	(497,369)	(488,407)	(175,834)	(168,161)	--	--	(1,255,806)	(1,244,516)
Amortisation and depreciation of fixed assets	(171,975)	(168,395)	(797,178)	(825,831)	(124,368)	(123,164)	--	--	(1,093,521)	(1,117,390)
Other operating expenses	(570,218)	(567,813)	(1,667,250)	(1,566,796)	(179,040)	(162,443)	1,114,869	1,106,953	(1,301,639)	(1,190,099)
Other gains and losses	(37,027)	(33,410)	95,681	(34,750)	47,804	43,901	(1,607)	(1,759)	104,851	(26,018)
Profit before borrowing costs	1,228,600	1,311,122	2,204,737	1,953,734	227,779	206,921	--	--	3,661,116	3,471,777
Dividends and interest received	1,284,294	1,204,857	5	8	20	2	(1,284,319)	(1,204,867)	--	--
Borrowing costs	(42,423)	(39,688)	(86,343)	(83,009)	(35,891)	(41,228)	128,969	132,567	(35,688)	(31,358)
Current income tax	(251,888)	(262,871)	(298,292)	(275,577)	(42,163)	(34,272)	--	--	(592,344)	(572,719)
Deferred income tax	(5,934)	(9,997)	(70,491)	(108,596)	3,441	3,335	--	--	(72,983)	(115,259)
Financial performance of the segment	2,212,649	2,203,423	1,749,616	1,486,560	153,186	134,758	(1,155,350)	(1,072,300)	2,960,101	2,752,441
Other information										
Total assets	22,131,555	18,558,177	21,458,316	20,705,998	2,097,744	1,891,688	(15,787,179)	(15,758,707)	29,900,435	25,397,156
Additions to tangible assets	109,200	109,573	1,537,983	1,526,587	221,906	3,840	--	--	1,869,089	1,640,000
Additions to intangible assets	74,415	78,600	7,597	88,238	61,197	78	--	--	143,209	166,916
Payables	9,280,774	7,961,968	15,618,846	15,448,446	1,579,480	1,524,145	(15,787,179)	(15,758,707)	10,691,921	9,175,852

(6) Personnel expenses (TCZK)

	2017	2016
	Staff including management	Staff including management
Average headcount	1,449	1,453
Salaries	747,642	727,668
Salaries paid depending on the fulfilment of the plan	66,270	64,212
Social and health insurance	302,407	292,807
Remuneration to the members of the Group's bodies	47,644	45,133
Other social expenses*	91,843	114,696
Total	1,255,806	1,244,516

* Primarily expenses relating to severance pays and employee benefits defined by the collective agreement, specifically catering contributions, bonuses paid to employees in relation to work or life anniversaries, retirement, contributions to additional pension insurance and medical care (including revaluation of the provision for these benefits).

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

	2017	2016
Material and own consumed energy	114,455	120,300
Subcontracts and freight costs*	116,937	76,970
Repairs of tangible fixed assets	337,358	274,545
Consulting services	43,756	41,732
Lease payments	194,141	192,596
Postage and telecommunication fees	37,350	35,378
IT support	119,344	125,332
Marketing	91,346	95,357
Training and conferences	8,045	7,628
Other**	238,907	220,261
Total	1,301,639	1,190,099

* The item includes subcontracts and freight costs as part of the services primarily in respect of KORMAK Praha a.s., which provides repairs and construction of new assets.

** Including expenses for personnel services, cleaning services, security services, warehousing, audit and other services. Moreover, the item includes the costs of the fee to the statutory auditor.

Costs of fees payable to the statutory auditor (TCZK)

Type of service	PREH	PRE	PREdi	PREm	eYello	Total
Audit	315	1,318	685	176	140	2,634
Consulting services	--	146	--	--	--	146
Total for 2017	315	1,464	685	176	140	2,780
Audit	315	1,403	919	224	189	3,050
Consulting services	--	300	650	--	--	950
Total for 2016	315	1,703	1,569	224	189	4,000

The statutory auditor is KPMG Česká republika Audit, s.r.o., having replaced Deloitte Audit, s.r.o., the original auditor, during 2017.

(8) Borrowing costs (TCZK)

	2017	2016
Interest on loan*	31,958	29,904
Interest expense on employee benefits	3,146	931
Interest on leases	584	523
Total	35,688	31,358

* A portion of borrowing costs of TCZK 8,297 (2016: TCZK 8,814) was capitalised in line with IAS 23. The capitalisation rate was 1.16% p.a. (2016: 1.16% p.a.).

(9) Asset capitalisation (TCZK)

	2017	2016
First-time installation and calibration of electricity meters	25,276	23,840
Internally produced assets (production of distribution assets)	168,159	103,032
Total	193,435	126,872

(10) Other gains and losses (TCZK)

	2017	2016
Write-offs of doubtful debts	(12,484)	(47,583)
Creation and release of allowance for receivables	(17,986)	225
Taxes and charges	(22,486)	(11,763)
Insurance premium	(6,874)	(5,748)
Foreign exchange rate gains (losses)	(8,578)	1,445
Profit from the sale and disposal of assets	2,903	2,897
Other*	(23,079)	(92,363)
Total	(88,584)	(152,890)

* In 2016, the item was primarily influenced by additions to provisions, see note 24.

(11) Income tax (TCZK)

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

	2017	2016
Current tax	592,344	572,719
Deferred tax	72,983	115,259
Total income tax	665,327	687,978

Effective tax rate	2017		2016	
Profit before tax	3,625,428		3,440,419	
Income tax using the effective income tax rate	688,831	19.00%	653,680	19.00%
Impact of items that are never tax-deductible	(23,504)	(0.65)%	34,298	1.00%
Total income tax / effective tax rate	665,327	18%	687,978	20%

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

	2017	Recorded in profit or loss	Recorded in equity	2016	Recorded in profit or loss	Recorded in in equity	2015
Fixed assets	2,224,194	69,290	464	2,154,440	118,055	6,117	2,030,268
Provisions	(25,032)	540	--	(25,572)	(198)	--	(25,374)
Adjustments	(12,838)	2,854	--	(15,692)	1,453	--	(17,145)
Obligation under the collective agreement	(65,258)	299	--	(65,557)	(4,051)	--	(61,506)
Cash flow hedge	33,850	--	13,711	20,139	--	23,890	(3,751)
Total deferred tax liability	2,154,916	72,983	14,175	2,067,758	115,259	30,007	1,922,492

The total deferred tax is reported in the balance sheet as a deferred tax asset of TCZK 25,745 (2016: TCZK 24,537) and a deferred tax liability of TCZK 2,180,661 (2016: TCZK 2,092,295).

(12) Dividends (TCZK)

The dividend for 2016 was not paid by the Group; the proposed payment was not approved by the General Meeting.

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

	2016	2015
Final dividend for 2016 of CZK 0 (2015: CZK 442) per share	--	1,710,294

The proposed dividend for 2017 must be approved by the shareholders at the General Meeting. It has not been included in liabilities in these financial statements.

(13) Earnings per share (TCZK)

Earnings per share are calculated from the net profit for distribution of TCZK 2,960,101 (2016: TCZK 2,752,441) attributable to 3,869,443 shares, i.e., the earnings per share amount to CZK 765 (2016: CZK 711). The Group has no issued instruments diluting the basic earnings per share.

(14) Property, plant and equipment (MCZK)

	Land	Power structures	Cables and overhead power lines	Telecommunication technologies and IT	Administrative buildings	Photovoltaic power plants	Electricity meters	Other	Under construction	Total
Cost										
Balance on 31.12.2015	797.7	11,694.8	12,903.3	2,573.7	1,745.0	1,996.6	1,787.8	726.4	546.0	34,771.3
Additions	32.0	446.5	731.6	86.6	12.2	0.4	40.1	66.0	205.6	1,621.1
Additions from business combinations										
	6.6	--	--	--	8.6	--	--	3.7	--	18.9
Disposals	(0.4)	(51.2)	(81.3)	(55.8)	--	--	(86.8)	(31.1)	--	(306.6)
Transfers	--	79.8	80.2	89.9	15.0	--	15.5	19.0	(278.0)	21.4
Reclassification and other	--	--	--	--	--	--	--	(5.0)	--	(5.0)
Balance on 31.12.2016	835.9	12,169.9	13,633.8	2,694.4	1,780.8	1,997.0	1,756.6	779.0	473.6	36,121.0
Accumulated depreciation										
Balance on 31.12.2015	(1.2)	(4,750.3)	(4,185.7)	(1,808.9)	(449.4)	(264.5)	(1,328.3)	(417.1)	--	(13,205.4)
Depreciation expense	--	(288.9)	(309.0)	(162.7)	(39.3)	(120.8)	(88.1)	(55.3)	--	(1,064.1)
Adjustments	--	--	--	--	--	--	--	--	--	--
Disposals	--	51.0	81.3	55.8	--	--	86.8	23.1	--	298.0
Transfers	--	--	--	--	--	--	--	--	--	--
Balance on 31.12.2016	(1.2)	(4,988.2)	(4,413.4)	(1,915.8)	(488.7)	(385.3)	(1,329.6)	(449.3)	--	(13,971.5)
Net book value 2015	796.5	6,944.5	8,717.6	764.8	1,295.6	1,732.1	459.5	309.3	546.0	21,565.9
Net book value 2016	834.7	7,181.7	9,220.4	778.6	1,292.1	1,611.7	427.0	329.7	473.6	22,149.5

	Land	Power structures	Cables and overhead power lines	Telecommunication technologies and IT	Administrative buildings	Photovoltaic power plants	Electricity meters	Other	Under construction	Total
Cost										
Balance on 31.12.2016	835.9	12,169.9	13,633.8	2,694.4	1,780.8	1,997.0	1,756.6	779.0	473.6	36,121.0
Additions	43.2	314.2	721.5	98.5	6.9	0.4	72.2	72.5	321.5	1,650.9
Additions from business combinations	25.2	--	--	--	--	192.8	--	--	--	218.0
Disposals	(1.3)	(38.5)	(71.6)	(139.3)	--	--	(88.8)	(38.4)	(1.5)	(379.4)
Transfers	0.1	74.8	59.9	54.2	24.2	--	10.0	5.5	(228.7)	--
Balance on 31.12.2017	903.1	12,520.4	14,343.6	2,707.8	1,811.9	2,190.2	1,750.0	818.6	564.9	37,610.5
Accumulated depreciation										
Balance on 31.12.2016	(1.2)	(4,988.2)	(4,413.4)	(1,915.8)	(488.7)	(385.3)	(1,329.6)	(449.3)	--	(13,971.5)
Depreciation expense	--	(293.3)	(328.2)	(163.6)	(42.4)	(120.8)	(38.7)	(57.2)	--	(1,044.2)
Adjustments	--	--	--	--	--	--	--	--	--	--
Disposals	0.6	38.6	71.7	139.3	(0.8)	--	88.8	32.3	--	370.5
Transfers	--	--	--	--	--	--	--	--	--	--
Balance on 31.12.2017	(0.6)	(5,242.9)	(4,669.9)	(1,940.1)	(531.9)	(506.1)	(1,279.5)	(474.2)	--	(14,645.2)
Net book value 2016	834.7	7,181.7	9,220.4	778.6	1,292.1	1,611.7	427.0	329.7	473.6	22,149.5
Net book value 2017	902.5	7,277.5	9,673.7	767.7	1,280.0	1,683.1	470.5	345.4	564.9	22,965.3

Photovoltaic power plants	Installed capacity (kWp)	Licence	Acquisition
Kondrac photovoltaic power plant	1,109	2009	2011
Hořovice photovoltaic power plant	1,087	2010	2011
Pozorka photovoltaic power plant	3,998	2010	2013
Syrovce photovoltaic power plant	6,336	2009	2013
Mikulov photovoltaic power plant	941	2010	2014
Dačice photovoltaic power plant	4,848	2009/2010	2014
Požořice photovoltaic power plant	4,596	2010	2015
Světlík photovoltaic power plant	2,154	2009/2010	2017
Other photovoltaic power plants*	603	2010	
Total	25,672		

* These are small power plants installed in Prague (own construction).

None of the Company's property, plant and equipment were pledged or used as collateral. In 2018, the Group anticipates incurring total capital expenditures of approximately MCZK 1,900. As at the date of preparation of the financial statements, approximately MCZK 1,002 of all planned expenditures had been contracted.

(15) Intangible assets (MCZK)

	Software	Goodwill	Other	Under construction	Total
Balance on 31.12.2015	566.9	39.3	39.8	71.2	717.2
Additions	6.3	78.5**	9.5	72.6	166.9
Disposals	--	--	(2.4)	--	(2.4)
Transfers	50.5	(21.4)	0.2	(50.7)	(21.4)
Balance on 31.12.2016	623.7	96.4	47.1	93.1	860.3
Accumulated amortisation					
Balance on 31.12.2015	(492.1)	--	(34.0)	--	(526.1)
Amortisation expense	(48.6)	--	(4.7)	--	(53.3)
Disposals	--	--	2.4	--	2.4
Transfers	--	--	--	--	--
Balance on 31.12.2016	(540.7)	--	(36.3)	--	(577.0)
Net book value 2015	74.8	39.3	5.8	71.2	191.1
Net book value 2016	83.0	96.4	10.8	93.1	283.3

	Software	Goodwill*	Other	Under construction	Total
Cost					
Balance on 31.12.2016	623.7	96.4	47.1	93.1	860.3
Additions	11.4	61.3**	4.2	66.3	143.2
Disposals	(63.5)	--	(9.8)	--	(73.3)
Transfers	74.4	--	--	(74.4)	--
Balance on 31.12.2017	646.0	157.7	41.5	85.0	930.2
Accumulated amortisation					
Balance on 31.12.2016	(540.7)	--	(36.3)	--	(577.0)
Amortisation expense	(45.3)	--	(4.0)	--	(49.3)
Disposals	63.6	--	9.8	--	73.4
Transfers	--	--	--	--	--
Balance on 31.12.2017	(522.4)	--	(30.5)	--	(552.9)
Net book value 2016	83.0	96.4	10.8	93.1	283.3
Net book value 2017	123.6	157.7	11.0	85.0	377.3

* The Group's goodwill arose from the purchase of FVE Dačice, s.r.o., of TCZK 33,839, FVE Pozoňice, s.r.o., of TCZK 5,306, the purchase of KORMAK Praha a.s. and KORMAK nemovitosti s.r.o. of TCZK 57,160, and the purchase of PRE FVE Světlík, s.r.o., of TCZK 61,308.

** Additions from business combinations - see note 16.

The Group has no intangible assets developed internally.

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

In 2018, the Group anticipates incurring total capital expenditures of approximately MCZK 90. As at the date of preparation of the financial statements, approximately MCZK 45 of all planned expenditures had been contracted.

(16) Subsidiaries (MCZK)

Company	Principal activity	Equity investment (2017 / 2016)
PREdistribuce, a.s.	Distribution of electricity in Prague and Roztoky	100% / 100%
eYello CZ, k.s.	Electricity and gas trading	100% / 100%
PREměření, a.s.	Electro-installations, meter readings and generation of electricity from solar energy	100% / 100%
KORMAK Praha a.s.	Construction and repairs of distribution equipment	100% / 100%
KORMAK nemovitosti s.r.o.	Lease of real estate, apartments and non-residential premises	100% / 100%
PREzákaznická, a.s.	Customer services for other entities of the PRE Group	100% / --
PRE FVE Světlík, s.r.o.	Generation of electricity from solar energy	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 financial statements of the subsidiaries are included in the consolidated financial statements.

In November 2017, PREzákaznická, a.s., a subsidiary, was established to provide customer services for other entities of the PRE Group.

On the 30th of November 2017, PRE FVE Světlík, s.r.o., was acquired. The company operates a photovoltaic power plant. The grounds for the acquisition reflect the Group's achievement of the goal to strengthen its position in the segment of the generation of electricity from renewable sources. Goodwill arising upon the company's acquisition includes amounts relating to the expected benefit from expected synergies, increased revenues and future market development. The purchase price allocation will be performed in 2018, which will result in a change in the amounts of goodwill and asset and liability items.

The consolidated statement of comprehensive income includes the acquiree's revenue of MCZK 0.9. The consolidated income statement includes the acquiree's result of operation of MCZK (0.3). If the date of acquisition of the acquiree had been the beginning of the accounting period, the acquiree's revenue of MCZK 45 would have entered the consolidated revenues, and the acquiree's result of operation of MCZK 19 would have entered the consolidated income statement.

On the 14th of March 2016, PRE acquired 100% equity investments in KORMAK Praha a.s. and KORMAK nemovitosti s.r.o. The acquisition strengthened the Group's stability in respect of investments in the distribution network and decreased dependency on external suppliers. KORMAK nemovitosti s.r.o. is the owner of real estate which KORMAK Praha a.s. rents for its operations.

	2017	2016
Assets acquired and liabilities assumed from subsidiaries as at the acquisition date:		
property, plant and equipment	218	19
loans, borrowings and other assets and liabilities	(50)	6
cash	13	18
Fair value of the identifiable net assets acquired	181	43
Consideration transferred upon the acquisition of subsidiaries	242	122
Less the fair value of the identifiable net assets acquired	(181)	(43)
Goodwill arisen upon the acquisition of subsidiaries	61	79

Net cash flows upon the acquisition of subsidiaries	2017	2016
Consideration transferred upon the acquisition of subsidiaries paid in cash	242	122
Less the cash equivalents of the subsidiaries over whom control has been acquired	(13)	(18)
Net consideration not settled (retention)	7	(11)
Net cash outflows upon the acquisition of subsidiaries	236	93

The goodwill which arose upon the allocation of the purchase price is not tax-relevant.

Goodwill	2017	2016
Balance on 1.1.	96	39
Additions from business combinations performed during the year	61	79
Change in goodwill following the purchase price allocation	--	(21)
Balance on 31.12.	157	96

In compliance with the accounting policies, an impairment test was conducted in respect of goodwill, during which no impairment was identified.

(17) Trade and other receivables (TCZK)

Non-current trade and other receivables	2017	2016
Principal amounts paid, primarily for electricity trading	56,225	40,481
Advances paid	19,319	13,209
Receivables from revaluation of commodity derivatives for trading	14,185	39,554
Receivables from revaluation of commodity hedging derivatives*	163,350	--
Other financial assets	121	288
Total	253,200	93,532

* In 2017, the Company introduced hedge accounting for commodity term contracts in connection with new strategies to hedge prices and electricity supplies for its customers.

Current trade and other receivables	2017	2016
Receivables from electricity and gas supplies (including combined supply) – gross	4,445,603	4,399,463
Less advances received	(2,952,429)	(2,878,590)
Receivables from electricity and gas supplies (including combined supply) – net*	1,493,174	1,520,873
Receivables related to supplies of distribution services – gross	708,217	565,409
Less advances received for distribution services	(373,519)	(368,715)
Receivables related to supplies of distribution services – net	334,698	196,694
Margin deposits with the power exchanges	86,836	64,848
Receivables from the revaluation of commodity derivatives for trading**	274,871	586,007
Receivables from the revaluation of hedging commodity derivatives***	84,958	--
Receivables from the revaluation of hedging foreign exchange derivatives***	--	7,511
Other receivables – gross	326,568	263,730
Less advances provided	(204,887)	(250,730)
Other receivables – net****	121,681	13,000
Other non-financial assets	86,451	71,728
Total	2,482,669	2,460,661

* In 2017, the Company changed its method of offsetting uninvoiced electricity and gas against advances received from customers. The impact of this change on the balance sheet totals TCZK 389,000 (2016: TCZK 386,000).

** The Company reclassified a portion of these receivables to non-current. The comparative period was restated (decrease of TCZK 39,554).

*** In 2017, the Company introduced hedge accounting for commodity term contracts in connection with new strategies to hedge prices and electricity supplies for its customers.

**** In 2017, the Group started to offset uninvoiced electricity and gas against advances provided to suppliers. The impact of this change on the balance sheet is a decrease of TCZK 204,877 (2016: TCZK 250,730). Other financial assets used to be a part of this item. Since 2017, they have been recorded in a separate balance sheet item "Other financial assets" due to their significance. The comparative period was restated (decrease of TCZK 5,822).

Of the above current trade receivables, gross receivables past their due date totalled TCZK 416,675 (2016: TCZK 422,619). Outstanding portions usually bear no interest. The following adjustments were created for doubtful receivables:

Balance on 31.12.2015	317,716
Additions and utilisation in the current year	(225)
Balance on 31.12.2016	317,491
Additions and utilisation in the current year	17,986
Balance on 31.12.2017	335,477

In considering the recoverability of receivables, the Group takes into account any changes in the recoverability of trade receivables from the date of their origination through the balance sheet date.

The carrying amount of trade and other receivables corresponds to their fair value.

Ageing structure of receivables	2016		
	Gross	Adjustment	Net
Receivables within due date	1,612,438	14,628	1,597,810
Receivables up to 3 months past due	120,182	17,726	102,456
Receivables between 4 and 12 months past due	32,751	23,759	8,992
Receivables over 12 months past due	269,686	261,378	8,308
Receivables from electricity and gas supplies	2,035,057	317,491	1,717,566

Ageing structure of receivables	2017		
	Gross	Adjustment	Net
Receivables within due date	1,746,261	9,105	1,737,156
Receivables up to 3 months past due	75,094	5,611	69,483
Receivables between 4 and 12 months past due	42,886	30,261	12,625
Receivables over 12 months past due	299,108	290,500	8,608
Receivables from electricity and gas supplies	2,163,349	335,477	1,827,872

(18) Other financial assets (TCZK)

	2017	2016
Available-for-sale debt securities*	1,000,000	--
Available-for-sale equity securities	--	5,822
Total	1,000,000	5,822

* The item comprises a corporate bill of exchange due on the 16th of January 2018.

(19) Inventories (TCZK)

Inventories	2017	2016
Material	52,486	31,331
Work in progress	378	864
Goods	24,509	22,092
Total	77,373	54,287

“Cost of purchased services, material and energy” and “Other gains and losses” in the income statement include costs of sold and consumed inventories of TCZK 124,064 (2016: TCZK 120,622).

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

Balance on 31.12.2015	2,483
Additions and utilisation in the current year	(287)
Balance on 31.12.2016	2,196
Additions and utilisation in the current year	(319)
Balance on 31.12.2017	1,877

The adjustment to the net realisable value is reported in “Other gains and losses”.

(20) Cash and cash equivalents (TCZK)

Cash and cash equivalents include cash in hand, deposits payable upon request and other highly liquid financial assets that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

	2017	2016
Current bank accounts	2,702,888	292,072
Cash in hand	4,015	3,912
Stamps and vouchers	2,256	2,621
Total	2,709,159	298,605
Other financial assets complying with the definition of cash equivalents – see note 18	1,000,000	--
Total cash and cash equivalents for the purposes of the statement of cash flows	3,709,159	298,605

(21) Loans (TCZK)

	2017			2016		
	Amount	Interest rate	Maturity date	Amount	Interest rate	Maturity date
Loan 1	1,007,194	Fix 1.40%	1.7.2024	1,007,194	Fix 1.40%	1.7.2024
Loan 2	1,005,614	Fix 1.16%	8.7.2022	1,005,615	Fix 1.16%	8.7.2022
Loan 3	1,100,086	Fix 0.94%	25.6.2020	1,100,058	Fix 0.94%	25.6.2020
Loan 4	90,232	Fix 0.60%	3.8.2018	102,262	Fix 0.60%	3.8.2018
Loan 5	801,008	Fix 0.84%	2.11.2018			
Loan 6	500,135	Fix 0.97%	19.12.2018			
Authorised overdraft of current accounts	316,438	O/N PRIBOR+0.35%, at least 0.00%				
Total	4,820,707			3,215,129		
Non-current loans	3,100,000			3,190,000		
Current loans	1,720,707			25,129		
Total	4,820,707			3,215,129		

	Cash flows					31.12.2017
	31.12.2016	Drawing	Repayment*	Other	Assumed loan*	
Total loans	3,215,129	1,619,201	(62,644)	(1,623)	50,644	4,820,707

* An external loan assumed as part of the acquisition of PRE FVE Světlik, s.r.o., repaid after the acquisition and replaced by an intra-group loan.

Loan 4 is a loan from the parent company Pražská energetika Holding, a.s.

The banks do not require loan collateral with regard to the Group's rating. As of the 31st of December 2017, undrawn loan facilities amounted to MCZK 2,144 (31.12.2016: MCZK 3,050).

Loans are carried at their amortised cost. The fair value of loans 1, 2, 3 differs from their amortised cost by MCZK 136, and this value amounts to MCZK 2,977. In respect of other loans, their amortised cost does not differ from their fair value in particular due to their short-term character. In 2016, the fair value of loans did not differ significantly from their carrying amount. The fair value was calculated by discounting contractual cash flows using the current yield curve.

Fair value comes under level 3 as a result of using inputs that cannot be directly derived from data acquired on the active market, such as credit risk.

The Group capitalises borrowing costs using the capitalisation rate in line with IAS 23.

(22) Trade and other payables (TCZK)

Non-current trade and other payables	2017	2016
Payables from the revaluation of commodity derivatives for trading	13,793	35,305
Payables from the revaluation of hedging commodity derivatives*	86,596	--
Other financial liabilities	53,863	52,099
Other non-financial liabilities	23,723	--
Total	177,975	87,404

* In 2017, the Company introduced hedge accounting for commodity term contracts in connection with new strategies to hedge prices and electricity supplies for its customers.

Current trade and other payables	2017	2016
Advances received for the supply of electricity and gas from customers – gross	3,922,770	3,763,632
Less uninvoiced supplies	(2,952,429)	(2,878,590)
Advances received for the supply of electricity and gas from customers – net*	970,341	885,042
Uninvoiced supplies of electricity and gas from suppliers – gross	237,646	292,878
Less advances provided for the supply of electricity and gas	(204,887)	(250,730)
Uninvoiced supplies of electricity and gas from suppliers – net*	32,759	42,148
Advances received for the supply of distribution services – gross	396,306	391,657
Less uninvoiced distribution services	(373,519)	(368,715)
Advances received for the supply of distribution services – net	22,787	22,942
Trade payables	988,906	1,069,468
Payables from the revaluation of commodity derivatives for trading**	266,135	576,203
Payables from the revaluation of hedging commodity derivatives***	29,116	779
Payables from the revaluation of hedging foreign exchange derivatives	29,072	--
Payables to employees****	47,126	43,421
Social security and health insurance liabilities	27,534	26,390
Other financial liabilities	157,664	111,089
Other non-financial liabilities	87,268	84,849
Total	2,658,708	2,862,331

* In 2017, the Company changed the method of offsetting uninvoiced electricity and gas against advances. In respect of advances received from customers, the impact of this change on the balance sheet is an increase of TCZK 389,000 (2016: TCZK 386,000), in respect of advances provided to suppliers, it is a decrease of TCZK 204,877 (2016: TCZK 250,730).

** The Company reclassified a portion of these payables to non-current. The comparative period was restated (decrease of TCZK 35,305).

*** In 2017, the Company introduced hedge accounting for commodity term contracts in connection with new strategies to hedge prices and electricity supplies for its customers. The impact on the balance sheet totals TCZK 29,116.

**** Includes outstanding December salaries.

The Group reports overdue trade payables of TCZK 140 (2016: TCZK 32). All overdue liabilities were settled during January 2018.

In respect of liabilities that are carried at amortised cost, this value corresponds with their fair value.

(23) Finance lease liabilities (TCZK)

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	2017	2016
Finance lease liabilities				
Lease payments due within 1 year	27,848	20,712	27,654	20,598
Lease payments due from 1 to 5 years	49,603	48,535	48,207	47,185
Lease payments due in over 5 years	1,790	974	1,657	914
Total lease payments	79,241	70,221	77,518	68,697
Future lease payments	(1,723)	(1,524)	--	--
Present value of minimum lease payments	77,518	68,697	77,518	68,697
Non-current trade and other payables			49,864	48,099
Current trade and other payables			27,654	20,598
Total			77,518	68,697
Tangible fixed assets				
Carrying amount of assets held under finance leases			77,518	60,787

The Group 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 liabilities are denominated in Czech crowns. The fair value of lease liabilities corresponds to their carrying amount.

(24) Provisions (TCZK)

	2017	2016
Employee benefits*	298,397	355,702
Other provisions	270,444	218,710
Total	568,841	574,412
Non-current provisions	393,853	450,117
Current provisions	174,988	124,295
Total	568,841	574,412

* The provision for employee benefits represents liabilities pursuant to the collective agreement arising from bonuses paid to employees upon retirement and work and life anniversaries.

Other provisions	Business risks	Salaries	Other	Total
Balance on 31.12.2015	36,674	95,772	1,101	133,547
Additions in the current year	83,284	100,569	68	183,921
Utilisation in the current year	--	(86,043)	(782)	(86,825)
Release in the current year	(2,204)	(9,729)	--	(11,933)
Balance on 31.12.2016	117,754	100,569	387	218,710
Additions in the current year	1,770	152,566	5	154,341
Utilisation in the current year	--	(89,640)	(392)	(90,032)
Release in the current year	(1,646)	(10,929)	--	(12,575)
Balance on 31.12.2017	117,878	152,566	--	270,444
Non-current liabilities – provisions	117,878	--	--	117,878
Current liabilities – provisions	--	152,566	--	152,566
Total	117,878	152,566	--	270,444

The provision for salaries includes salaries paid depending on the fulfilment of the plan. The provisions for business risks arise from the operation of fixed assets.

(25) Share capital (TCZK)

Share capital

There are 3,869,443 registered shares in the nominal value of CZK 1,000 per share (2016: 3,869,443 shares). These shares are in the book-entry form and carry no right for the regular payment of dividends.

The Company's share capital has been paid in full.

(26) Reserves (TCZK)

	2017	2016
Reserve fund	773,889	773,889
Other reserves	382,711	382,711
Cash flow hedge	144,307	85,855
Fund from the revaluation of other current financial assets	--	(6,673)
Total	1,300,907	1,235,782

The Group's reserve fund has been created in the amount of 20% (TCZK 773,889) of the share capital and no further increase is to be made. The General Meeting decides on the use of the reserve fund and this fund is used to settle the Company's loss.

Other reserves represent part of the capital of the former state enterprise, the legal predecessor of the Company. As a result of the privatisation project, the state enterprise's capital was divided into share capital, reserve fund and capital funds as at the date of incorporation of the joint stock company (the 1st of January 1994). As at that date, the balance of the capital funds was TCZK 390,390. The Board of Directors decides on the use of the balance of this fund based on the rules for fund management approved by the General Meeting. Subject to the approval of the General Meeting, the Company may establish other discretionary funds.

Cash flow hedges include:

	2017	2016
Revaluation of hedging commodity derivatives	207,228	98,483
of which effect of deferred tax	(39,373)	(18,712)
Revaluation of hedging foreign exchange derivatives	(29,072)	7,511
of which effect of deferred tax	5,524	(1,427)
Total	144,307	85,855

The fund from the revaluation of other financial assets is used to record gains and losses from the revaluation of available-for-sale securities. In 2017, these assets were sold and the fund was released in the income statement.

(27) Contingent liabilities and contingent assets (TCZK)

At the request of the Group, banks issued payment bank guarantees of MCZK 19 (2016: MCZK 137) in favour of OTE, a.s., and APCS Power Clearing and Settlement AG, as well as for public contracts for the supply of electricity in favour of TRADE CENTRE PRAHA, a.s.

(28) Financial instruments (TCZK)

Categories of financial instruments

Financial assets	Cat.	2017	2016
(a) Receivables from the revaluation of commodity derivatives for trading	iii.	289,055	625,561
(b) Receivables from the revaluation of hedging commodity derivatives	iv.	248,308	--
(c) Receivables from the revaluation of hedging foreign exchange derivatives	iv.	--	7,511
(d) Cash and cash equivalents	i.	2,709,159	298,605
(e) Margin deposit	i.	86,836	64,848
(g) Trade and other receivables, except for the above	i.	2,005,899	1,771,336
(h) Available-for-sale debt securities – bill of exchange	ii.	1,000,000	--
(i) Other financial assets	ii.	--	5,822

Financial liabilities	Cat.	2017	2016
(j) Payables from the revaluation of commodity derivatives for trading	iii.	279,928	611,508
(k) Payables from the revaluation of hedging commodity derivatives	iv.	115,712	779
(l) Payables from the revaluation of hedging foreign exchange derivatives	iv.	29,072	--
(m) Loans received	v.	4,820,707	3,215,129
(n) Financial liabilities carried at amortised cost, except for the above	v.	1,233,191	1,274,804

Categories of financial instruments:

- i. Loans and other receivables
- ii. Available-for-sale securities
- iii. Financial instruments for trading revalued in the income statement
- iv. Hedging financial instruments revalued in equity
- v. Financial liabilities at net book value

Financial assets and liabilities (iii., iv.) were valued using valuation models with market data (level 2), such as forward curves of underlying commodities, spot and forward foreign exchange rates and interest rate curves.

Gains and losses from financial instruments reported in the current period		2017	2016
Profit/loss from the revaluation of commodity derivatives in the trading portfolio*	(a, j)	(2,010)	6,585
Revenue from securities held	(f, i)	3	661
Borrowing costs (except for the interest on employee benefits)	(m)	(32,542)	(30,428)
Other	(d, g)	(30,062)	(46,449)

* Included in "Gross profit from trading".

Hedge accounting		2017	2016
Creation of the equity fund from the cash flow hedge	(b, c, k, l)	178,156	105,994
Reversal of the fund from cash flow hedge* in the income statement	(b, c, k, l)	(105,994)	3,834

* In "Cost of electricity sold".

Capital risk

The Group manages its capital to ensure an optimal financial position from the long-term perspective while maximising the long-term return to shareholders. The capital is the value of equity from the balance sheet.

	2017	2016
Total assets	29,900,435	25,397,156
Equity	19,208,514	16,221,303
Equity / total assets	64%	64%

Market risk

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

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

1. commodity forwards and futures to hedge the changes in prices of these commodities; and,
2. currency forwards to hedge the changes in exchange rates.

The Group's exposure to market risks is measured using various methods, the most important being the sensitivity analysis which reflects potential impacts of changes in prices defined in individual scenarios on the Group's results. The VaR methodology (value at risk) is used to measure short-term business exposure. The Group's exposure to market risks is monitored on a regular basis and its approach to managing these risks has not significantly changed as compared to the prior period. There is no concentration of market risks in the Group.

Currency risk

The major portion of the Group's electricity and gas purchases for its end customers are denominated in EUR. Invoicing to end customers is then performed primarily in CZK. The Group hedges a substantial part of its future planned cash flows (in EUR) for the purchase of electricity and gas 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 as a result of settling stock exchange or OTC transactions pursued to make transactions associated with procuring electricity or gas for the Group's customers. Risks are measured using defined scenarios for exchange rate development. The open exposure is established based on the annual plan of exchange currency requirements and the amount of agreed hedging. The position is hedged using forwards. The Group monitors hedge effectiveness under hedge accounting. The hedge has been effective so far.

The carrying amount of foreign currency assets and liabilities:

	Assets (TCZK)		Liabilities (TCZK)	
	2017	2016	2017	2016
Receivables and payables from the revaluation of commodity derivatives for trading	289,055	625,561	279,928	611,508
Receivables and payables from the revaluation of hedging commodity derivatives	248,308	--	115,712	779
Receivables and payables from the revaluation of hedging foreign exchange derivatives	--	7,511	29,072	--
Cash and cash equivalents	81,826	188,487	--	--
Margin deposit	86,836	64,848	--	--
Trade receivables and payables and other receivables and payables	233,915	257,655	420,734	482,763
Total in EUR	939,940	1,144,062	845,446	1,095,050
Other currencies	162	161	--	--
Total	940,102	1,144,223	845,446	1,095,050

Currency derivatives open at the balance sheet date:

EUR purchased	Average exchange rate CZK/EUR		Value (TEUR)		Value (TCZK)		Fair value (TCZK)	
	2017	2016	2017	2016	2017	2016	2017	2016
Up to 1 month	26.15	27.03	14,000	10,000	366,031	270,330	(8,320)	(67)
1-3 months	25.96	27.03	28,000	22,000	726,967	594,580	(10,592)	431
3-12 months	25.85	26.92	44,000	43,391	1,137,558	1,168,276	(10,160)	7,147
Total	25.94	26.97	86,000	75,391	2,230,556	2,033,186	(29,072)	7,511

Currency risk – sensitivity analysis

The Group performed a sensitivity analysis to identify the potential impact of the change in the value of these assets and liabilities on the level of profit or equity as a result of a 1% decrease in the CZK/EUR exchange rate.

(TCZK)	2017	2016
Profit (+) / loss (-)	(90)	(569)
Equity	18,868	19,576

Interest rate risk

Medium- and long-term external funds of the Group include loans maturing in three, five and seven years. These loans have a fixed interest rate. Changes in market interest rates have no impact on the contracted amount of repayments of these loans which effectively reduces the risk of changes in interest rates. Changes in interest rates may only affect the costs of hedging short-term sources of funding. However, the impact of this risk on the Group, if any, is immaterial.

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

	Assets (TCZK)		Liabilities (TCZK)	
	2017	2016	2017	2016
Receivables and payables from the revaluation of hedging foreign exchange derivatives	--	7,511	29,072	--
Total	--	7,511	29,072	--

Interest rate risk – sensitivity analysis

The Group performed a sensitivity analysis to identify the potential impact of the change in the value of these assets and liabilities on the level of profit or equity as a result of a 1% increase in the interest rate.

(TCZK)	2017	2016
Profit (+) / loss (-)	--	--
Equity	45	(52)

Risk of changing prices of commodities

The Group is exposed to the risk related to the development of electricity and gas prices; the amount of gas is relatively low. Electricity and gas for end customers is purchased in order to achieve the optimisation of purchase prices within the position limited in terms of volume. Exposure management is based on limits for the maximum permissible size of outstanding exposures, the possible financial impact is derived from defined scenarios for price developments.

The commodity risk management strategies are based on the structure of the Group's end customers and distinguish between customers with individual rates (the B2B customer segment) and customers receiving common price-list rates (the B2C customer segment). As the price is set at different times for each segment, the commodity hedging method varies for the two customer groups as well. In the case of the B2B customer segment, back-to-back hedging is used, i.e. the commodity is acquired as soon as the offer is accepted by the customer. For the B2C customer segment, gradual hedging is used, i.e. the commodity is acquired over time for a large number of small customers, taking into account market liquidity and minimising market price volatility for customers.

In implementing the above strategies, a range of tools, procedures and techniques are used to ensure that the commodity is delivered at the specified time, in the specified place and at the optimum purchase price. A significant portion of the commodity delivered to the domestic market is hedged using forward contracts with physical delivery in the Czech Republic. The "own-use" exemption allowed by IAS 39 applies to such forward contracts. In the event of momentary insufficient liquidity in the domestic commodity market, the Group hedges the physical delivery, or the price, of the commodity via transactions in external commodity markets. Another way of dealing with a temporary lack of market liquidity is to hedge the price of a future spot commodity purchase using commodity futures that are not physically delivered. The Group applies hedge accounting to such procedures.

The carrying amount of assets and liabilities which depends on the commodity price:

	Assets (TCZK)		Liabilities (TCZK)	
	2017	2016	2017	2016
Receivables and payables from the revaluation of commodity derivatives for trading	289,055	625,561	279,928	611,508
Receivables and payables from the revaluation of hedging commodity derivatives	248,308	--	115,712	--
Total	537,363	625,561	395,640	611,508

Commodity risk – sensitivity analysis

The Group performed a sensitivity analysis to identify the potential impact of the change in the value of these assets and liabilities on the level of profit or equity as a result of a 1% increase in commodity prices on EEX .

(TCZK)	2017	2016
Profit (+) / loss (-)	--	--
Equity	9,033	--

Credit risk

The Group is exposed to the credit risk in terms of both relations to end customers and customers in the supplies and distribution of electricity or gas and in the exposure on the wholesale market with commodities in relation to concluded hedging derivatives for OTC. The standard practice of the Group is not to require collateral for trade receivables.

In electricity and gas 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 and gas meters and invoicing takes place on a monthly basis. Some of the customers pay monthly or ten-day advance payments, based on their expected consumption, to cover electricity or gas consumed but not yet invoiced, taking into account previous years' consumption, season and other factors. The method of determining the amount of the advance payments is specified in the contract. Reminders are sent to customers who fail to pay on time. If a customer fails to settle the debt within an additional time period, the electricity or gas supply is suspended. Certain industrial customers cover their future liabilities by making prepayments in advance or by paying deposits.

The standard reading of small businesses and household electricity and gas meters and invoicing takes place on an annual basis. For supplied but unbilled electricity or gas, advance payments are determined to reflect the volume and nature of the consumption. The determination of the price and the payment method are specified in the contracts with customers. If a customer fails to settle the debt within an additional time period, the electricity supply is suspended.

The solvency of business partners on the wholesale market with commodities is verified; depending on the achieved solvency, the partners are allocated exposure limits. Financial derivatives on the OTC basis are agreed only with partners with a sufficient level of solvency. 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. These loan facilities have not been drawn yet. The Group is not exposed to any significant liquidity risk and does not suffer from any solvency issues. There is no concentration of liquidity risk.

Liquidity risk – tables

The following tables represent the residual maturity of the Group's undiscounted non-derivative financial payables. The table including the financial liabilities reflects the earliest dates on which the Group may be asked to fulfil its liabilities.

	Net book value	Up to 1 month	1-3 months	3-12 months	More than 12 months	Total
Liabilities 2017						
Payables from the revaluation of commodity derivatives for trading	279,928	22,178	44,356	199,601	13,793	279,928
Payables from the revaluation of hedging commodity derivatives	115,712	2,426	4,853	21,837	86,596	115,712
Payables from the revaluation of hedging foreign exchange derivatives	29,072	8,320	10,592	10,160	--	29,072
Loans received (including interest)	4,820,707	21,537	15,000	1,684,170	3,302,102	5,022,809
Financial liabilities carried at amortised cost	1,233,191	966,951	59,804	152,572	55,586	1,234,913
Total		1,021,412	134,605	2,068,340	3,458,077	6,682,434

	Net book value	Up to 1 month	1-3 months	3-12 months	More than 12 months	Total
Liabilities 2016						
Payables from the revaluation of commodity derivatives for trading	611,508	48,017	96,034	432,152	35,305	611,508
Payables from the revaluation of hedging commodity derivatives	779	65	130	584	--	779
Payables from the revaluation of hedging foreign exchange derivatives	--	--	--	--	--	--
Loans received (including interest)	3,215,129	13,866	2,000	9,262	3,397,135	3,422,263
Financial liabilities carried at amortised cost	1,274,804	984,921	52,895	184,889	53,623	1,276,328
Total		1,046,869	151,059	626,887	3,486,063	5,310,878

(29) Operating leases (TCZK)

The minimum operating lease payments expensed in the current period:

Lease payments	2017	2016
Non-residential premises	58,736	61,113
Cable conduits	104,776	101,122
Cars	298	329
Other leased assets of all types	8,654	8,768
Total	172,464	171,332

The Group holds cable conduits for HV and MV lines and non-residential premises for MV/LV transformers under operating leases. The contracts have been concluded for an indefinite period of time. The management expects the costs of leases to remain at the current level in the future. The average period of notice with these agreements is six months. These revocable agreements are not included in the following table.

Liabilities arising from irrevocable lease agreements	2017	2016
Less than 1 year	8,842	9,442
From 1 to 5 years	30,230	30,686
5 years and more	61,123	64,549
Total	100,195	104,677

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

(30) Related party transactions (TCZK)

In line with IAS 24, the below-listed related parties have been identified. Related parties also include subsidiaries and transactions with related parties are eliminated upon consolidation.

Movements in receivables and payables of related parties

	Sales to related parties		Purchases from related parties	
	2017	2016	2017	2016
Relations with controlling entities and associates	1,740,926	1,227,197	1,691,536	1,151,516
Pražská energetika Holding, a.s.	266	266	--	--
Capital City of Prague	209,491	198,207	25,783	29,739
EnBW Energie Baden-Württemberg AG*	1,531,169	1,028,724	1,665,753	1,121,777
Relations with other entities	781,359	805,997	145,527	131,645
Netze BW GmbH	--	--	--	13
ONTRAS Gastransport GmbH	--	--	1,762	--
Dopravní podnik hl. m. Prahy, a.s.	735,735	762,709	4,591	3,619
Kolektory Praha, a.s.	6,844	6,707	104,508	100,856
Obecní dům, a.s.	6,613	7,197	--	--
TRADE CENTRE PRAHA, a.s.	6,025	7,727	18,347	18,223
Pražská energetika, a.s.	26,142	21,657	16,319	8,934
Total	2,522,285	2,033,194	1,837,063	1,283,161

Receivables from and payables to related parties

	Receivables		Payables	
	2017	2016	2017	2016
Relations with controlling entities and associates	16,539	63,447	134,110	117,420
Pražská energetika Holding, a.s.**	25	25	90,232	102,261
Capital City of Prague	16,091	42,310	17,273	5,540
EnBW Energie Baden-Württemberg AG*	423	21,112	26,605	9,619
Relations with other entities	44,711	46,058	37,516	10,003
ONTRAS Gastransport GmbH	--	--	568	--
Dopravní podnik hl. m. Prahy, a.s.	38,449	42,953	23,703	19
Kolektory Praha, a.s.	408	272	1,200	1,200
Obecní dům, a.s.	704	748	--	--
TRADE CENTRE PRAHA, a.s.	--	155	140	1,914
Pražská energetika, a.s.	5,150	1,930	11,905	6,870
Total	61,250	109,505	171,626	127,423

* EnBW Energie Baden-Württemberg AG is among the top suppliers of electricity and gas.

** The payable of TCZK 90,232 (2016: TCZK 102,261) is a loan received from the parent company Pražská energetika Holding, a.s. – refer to the note “Loans”.

Business transactions were conducted on an arm's length basis. Outstanding amounts were not collateralised

Dividends paid	2017	2016
Pražská energetika Holding, a.s.	--	992,754
EnBW Energie Baden-Württemberg AG	--	707,989

Executive management

	2017	2016
Number of persons	38	39
Remuneration (TCZK)	84,604	79,697

The executive management includes members of the Boards of Directors, the directors of the companies in the PRE Group and members of the Supervisory Boards. Selected members of the executive management are allowed to use company cars for private purposes.

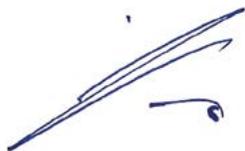
Receivables from executive management

As of the 31st of December 2016, the Group reported receivables from the members of executive management totalling TCZK 26 (31.12.2015: TCZK 43). The receivables are disclosed in "Trade and other receivables" and were collected during January 2018.

(31) Post balance sheet events (TCZK)

As on the 1st of January 2018, PREnetcom, a.s., a subsidiary of PREdistribuce, a.s., was established.

In Prague, 25th of April 2018



Pavel Elis
Chairperson of the Board of Directors



Alexander Sloboda
Vice-chairperson of the Board of Directors

Separate financial statements

Separate financial statements of Pražská energetika, a.s., for the year ended December 31, 2017

Prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the EU

Income statement (TCZK)

	Note	2017	2016
Revenue from electricity and gas sold		14,902,664	15,006,920
Cost of electricity and gas sold		(13,298,798)	(13,304,831)
Gross profit from the sale of electricity and gas	(4)	1,603,866	1,702,089
Other operating revenue	(4)	929,256	918,184
Personnel expenses	(6)	(575,156)	(580,437)
Amortisation and depreciation	(13, 14)	(171,975)	(168,395)
Cost of purchased services, material and energy	(7)	(543,475)	(540,837)
Borrowing costs	(8)	(42,438)	(39,690)
Dividends received		1,155,350	1,072,300
Other gains and losses	(9)	115,020	113,065
Profit before tax		2,470,448	2,476,279
Income tax	(10)	(257,820)	(272,868)
Profit after tax		2,212,628	2,203,411
Basic and diluted earnings per share attributable to ordinary shares (CZK)	(12)	572	569

Statement of comprehensive income (TCZK)

	2017	2016
Profit after tax	2,212,628	2,203,411
Items that may be subsequently reclassified to profit or loss:		
revaluation of other financial assets, net of tax	6,673	--
cash flow hedges, net of tax	58,452	101,847
Total other comprehensive income after tax	65,125	101,847
Comprehensive income attributable to the Company's shareholders	2,277,753	2,305,258

Translation note

This version of the financial statements is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of the financial statements takes precedence over this translation.

Statement of financial position (balance sheet) (TCZK)

	Note	2017	2016 restated
Assets			
Property, plant and equipment	(13)	1,869,527	1,892,846
Intangible assets	(14)	205,472	176,994
Equity investments	(15)	9,967,301	9,957,301
Trade and other receivables	(16)	224,777	72,772
Loans	(17)	3,644,850	3,601,667
Non-current assets		15,911,927	15,701,580
Inventories	(19)	63,490	43,837
Trade and other receivables	(16)	2,240,084	2,328,328
Loans	(17)	234,504	182,064
Other financial assets	(18)	1,000,000	5,822
Cash and cash equivalents	(20)	2,681,204	294,562
Current assets		6,219,282	2,854,613
Total assets		22,131,209	18,556,193
Equity and liabilities			
Share capital	(25)	3,869,443	3,869,443
Reserves	(26)	1,300,907	1,235,782
Retained earnings		7,682,561	5,493,133
Equity attributable to the Company's shareholders		12,852,911	10,598,358
Loans	(21)	3,100,000	3,190,000
Trade and other payables	(22)	150,252	83,404
Provisions	(24)	121,212	146,860
Deferred tax liability	(10)	119,597	99,953
Non-current liabilities		3,491,061	3,520,217
Loans	(21)	1,849,684	259,172
Tax liabilities		139,729	168,502
Trade and other payables	(22)	3,714,351	3,952,204
Provisions	(24)	83,473	57,740
Current liabilities		5,787,237	4,437,618
Total liabilities		22,131,209	18,556,193

Statement of changes in equity (TCZK)

	Share capital	Reserves	Retained earnings	Equity attributable to the Company's shareholders
Balance on 31.12.2015	3,869,443	1,133,935	5,023,094	10,026,472
Dividends and directors' fees paid	--	--	(1,733,372)	(1,733,372)
Other comprehensive income	--	101,847	--	101,847
Net profit for 2016	--	--	2,203,411	2,203,411
Balance on 31.12.2016	3,869,443	1,235,782	5,493,133	10,598,358
Directors' fees paid	--	--	(23,200)	(23,200)
Other comprehensive income	--	65,125	--	65,125
Net profit for 2017	--	--	2,212,628	2,212,628
Balance on 31.12.2017	3,869,443	1,300,907	7,682,561	12,852,911

Statement of cash flows (TCZK)

	Note	2017	2016 restated
Opening balance of cash and cash equivalents		294,562	141,421
Operating activities			
Receipts from the sale of electricity and gas		14,816,895	14,738,344
Cash paid for the purchase of electricity and gas		(13,555,866)	(13,279,490)
Net receipt from the sale of electricity and gas	(4)	1,261,029	1,458,854
Receipts in the Group	(30)	1,148,232	1,051,036
Other operating receipts	(4, 9)	69,443	56,569
Cash paid for operating activities	(7, 9)	(774,334)	(685,128)
Cash flows from operating activities		121,818	355,052
Personnel expenditures	(6)	(561,408)	(559,505)
Direct taxes paid	(10)	(303,276)	(212,789)
Financial expenditures	(8)	(29,882)	(28,630)
Net cash flow from operating activities		931,622	1,435,459
Investing activities			
Proceeds from the sale of fixed assets	(9)	6,527	6,275
Acquisition of fixed assets	(13, 14)	(209,773)	(300,115)
Inter-company loans		(90,329)	135,385
Interest received in the Group		126,105	131,284
Dividends received and shares in profit		1,156,011	1,072,300
Net cash flow from investing activities		998,541	1,045,129
Financing activities			
External loans repaid	(21)	(12,000)	(1,055,114)
Dividends and directors' fees paid	(11)	(25,785)	(1,732,206)
Financial operations in the Group	(30)	(105,082)	458,708
External loans received	(21)	1,619,201	1,190
Net cash flow from financing activities		1,476,334	(2,327,422)
Change in cash and cash equivalents		3,396,497	153,166
Closing foreign exchange differences		(9,855)	(25)
Closing balance of cash and cash equivalents	(20)	3,681,204	294,562

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(1) General information

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

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

The Company primarily supplies electricity to customers in the Czech Republic and this activity accounts for a significant part of the Company's revenues. In 2012, the Company expanded its activities to include the supply of gas.

PRE's principal shareholders	2017	2016
Pražská energetika Holding, a.s.	58.05%	58.05%
EnBW Energie Baden-Württemberg AG	41.40%	41.40%
Other	0.55%	0.55%
Total	100.00%	100.00%

Pražská energetika Holding, a.s., is under joint control of the Capital City of Prague (with an equity investment of 51%) and EnBW (with an equity investment of 49%).

EnBW owns 41.40% of the Company's share capital. Under Section 79 of the Business Corporations Act, the Company operates on the Czech energy market as part of the EnBW group. The Company is controlled and managed by EnBW through its representatives on the Board of Directors and the Supervisory Board. Other information is disclosed in the Report on Relations.

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

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

- **Amendments to IAS 7 "Disclosure Initiative"** (effective in the EU for annual periods beginning on or after the 1st of January 2017);
- **Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"** (effective in the EU for annual periods beginning on or after the 1st of January 2017).

The adoption of these amended standards resulted in no significant changes in the accounting policies.

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

- **IFRS 9 "Financial Instruments"** (issued in July 2014) (effective in the EU for annual periods beginning on or after the 1st of January 2018)

Financial assets that under IFRS 9 will be subsequently measured at amortised cost are held within a business model whose objective is to hold assets to collect contractual cash flows. At the same time, on specified dates the contractual terms negotiated with the respective financial asset give rise to cash flows that are solely payments of principal and interest on the principal outstanding. The impairment model in IFRS 9 takes into account expected credit losses compared to incurred credit losses according to IAS 39. The Company will recognise a lifetime of expected credit losses in respect of its trade receivables and amounts that are to be paid by customers based on contracts with customers, as required by IFRS 15. As at the balance sheet date, the Company is in the process of preparing a detailed assessment of the potential impact of IFRS 9 adoption as of the 1st of January 2018.

IFRS 9 requires the Company to ensure that hedge accounting relationships are in conformity with the Company's risk management goals and strategy and to apply the future expectation principle that assesses hedge efficiency. The Company will apply transition provisions and follow IAS 39 in respect of current hedging relationships.

- **IFRS 15 "Revenue from Contracts with Customers"** (issued in May 2014) (effective for annual periods beginning on or after the 1st of January 2018)

The Company is preparing an assessment of the impacts of the new standard on the 2018 financial statements. This analysis was not completed as at this balance sheet date. After an initial assessment of possible impact areas, the Company primarily focused on the following assessment:

- whether the Company is in the position of principal or agent (in particular in case of revenue from distribution services);
- whether the current recognition of incremental costs for obtaining contracts and their depreciation is in line with the requirements of the new standard; and,
- whether the current recognition of connection fees (contributions) and similar charges is in line with the requirements of the new standard.

The Company does not record any expenses incurred on loyalty schemes. Paid bonuses have been evaluated as insignificant. The Company will continue to monitor these areas.

The Company plans to choose a cumulative method of transition to the new standard. The cumulative effect of potential impact as at the date of transition to the new standard will be reported as a restatement to the opening balance of retained earnings as of the 1st of January 2018. Comparative information for the previous period will not be restated.

- **IFRS 16 "Leases"** (effective for annual periods beginning on or after the 1st of January 2019)

New standard IFRS 16 "Leases" supersedes all current international accounting standards relating to the recognition of leases both with the lessee and the lessor. Based on the requirements of this standard, most subject matters of leases will be recognised on the balance sheet of the lessee while recognition with the lessor will remain almost unchanged. This model will be applied to leases with the exception of short-term leases where the underlying asset is of low value.

At present, the Company is assessing the precise impacts of the new standard, but expects a significant impact on the increase of assets and liabilities due to the recognition of most subject matters of current operating leases on the balance sheet and the classification impact on the income statement. The Company has not yet made a decision on the method of transition to this new standard.

- **Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”** (effective for annual periods beginning on or after the 1st of January 2018 or when IFRS 9 is applied for the first time)

Based on the entity’s estimates, compliance with this standard will not have a significant impact on the entity’s financial statements.

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

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

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for the first annual IFRS financial statements for annual periods beginning on or after the 1st of January 2016)
- **IFRS 17 “Insurance Contracts”** (version issued by the IASB is effective for the first annual IFRS financial statements for annual periods beginning on or after the 1st of January 2021)
- **Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”** (effective for annual periods beginning on or after the 1st of January 2018)
- **Amendments to IFRS 9 “Prepayment Features with Negative Compensation”** (effective for annual periods beginning on or after the 1st of January 2019)
- **Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”** (the effective date is yet to be stipulated)
- **Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”** (effective for annual periods beginning on or after the 1st of January 2019)
- **Amendments to IAS 40 “Transfers of Investment Property”** (effective for annual periods beginning on or after the 1st of January 2018)
- **Annual Improvements to IFRS 2014–2016 Cycle** (effective for annual periods beginning on or after the 1st of January 2017 or 2018)
- **Annual Improvements to IFRS 2015–2017 Cycle** (effective for annual periods beginning on or after the 1st of January 2019)
- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (effective for annual periods beginning on or after the 1st of January 2018)
- **IFRIC 23 “Uncertainty over Income Tax Treatments”** (effective for annual periods beginning on or after the 1st of January 2019)

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

(3) Significant accounting policies

Statement of compliance

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

Basis of the preparation of financial statements

The financial statements have been prepared on the historical cost basis except for certain financial instruments described in note 28. The principal accounting policies are set out below.

Information on consolidated financial statements

Apart from the separate financial statements, the Company prepares and publishes consolidated financial statements of the parent company PRE and its subsidiaries (hereinafter the "PRE Group" or the "Group") in compliance with the IFRS always as of the 31st of December. A subsidiary is an enterprise which the acquirer (parent company) has obtained control of in business combination.

Revenue recognition

Revenue from the sale 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. Revenue arising from contracts for the provision of services is reported including the information regarding the status of the contract completion.

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

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

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

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

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 liabilities are included in "Trade and other payables" within current and non-current liabilities.

Foreign currency translation

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). Czech crowns are the functional currency of the Company and the presentation currency for the financial statements.

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

Borrowing costs

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

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

Income tax

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

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

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

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

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

Property, plant and equipment

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

The cost of internally produced tangible 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 are carried at cost, less any recognised impairment loss. The cost includes professional services fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Asset category	Depreciation period in years
Buildings, halls and other constructions	6, 7, 10, 15, 20, 25, 30, 40, 50, 70
Fibre optics	30
Working machinery and equipment	5, 10, 12, 20
Telecommunication equipment	3-33
Appliances and special technology equipment	3, 10
Vehicles	4, 8, 10
Fixtures and fittings	6, 8, 10
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.

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	6, or based on the contract 3-4

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

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

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

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

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

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 (except for derivatives)

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 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. The parent company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Proceeds from equity investments flow to the Company in the form of dividends. These equity investments are measured at cost.

Financial assets available for sale

Listed shares and 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, other receivables and loans

Trade receivables are initially measured at fair value and subsequently revalued at amortised cost using the effective interest method. Reasonable adjustments for estimated irrecoverable losses are recognised in profit or loss if objective evidence (the number of days the relevant asset is overdue) exists that the asset has been impaired. The recognised adjustment is determined as the difference between the carrying amount of the relevant asset and the present value of the estimated future cash flows discounted at the effective interest rate calculated upon initial recognition. The Company accounts for the adjustment until the process of claim recovery is completed. At this moment the receivable is written off.

Other receivables with determined or determinable payments which are not quoted on an active market are classified as other financial assets. They are recorded at amortised cost using the effective interest method less any impairment. Interest revenue is reported using the effective interest method.

Financial liabilities (except for derivatives)

Financial liabilities are classified as at FVTPL or as other financial liabilities.

Financial liabilities at FVTPL include derivatives that do not function as effective hedging instruments. Financial liabilities at FVTPL are stated at fair value, with any resulting gain or loss from revaluation recognised in profit or loss.

Other financial liabilities (including borrowings, trade and other payables) are initially recognised at fair value increased by transaction costs. They are subsequently recorded 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, risk management and cash flows using financial and commodity derivative contracts. With most purchases and sales of electricity and gas in form of term contracts carried out by the Company, their physical delivery with subsequent consumption or sale as part of the Company's regular activities is expected. Such contracts are not covered by IAS 39 and are therefore not measured.

The Company considers transactions concluded with the aim to balance the volumes of purchases and sales of a commodity to be a part of its regular activities, therefore these contracts do not come under IAS 39 either.

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

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. 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 derivatives is classified as a non-current receivable or a non-current liability if the derivative is settled in more than 12 months, or as a current receivable or a current liability if the derivative is settled within 12 months.

Hedge accounting

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

At the inception of the hedge relationship, the 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 amount of the hedged item arising from the hedged risk is realised into profit or loss from the date of the relevant adjustment.

Offsetting financial instruments

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

Employee benefits expense

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

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

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

Statement of cash flows

The Company prepares its statement of cash flows using the 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 revenue and expenses during the reporting period. The Company's management has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

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

Comparative period restatements

In 2017, the Company changed its method of offsetting delivered but uninvoiced electricity and gas against advances received from customers. In addition, the Company started to offset uninvoiced electricity and gas against advances provided to suppliers. The Company also started to separate derivative-related balances into non-current and current based on the moment of their settlement.

As a result of these changes, the comparative period in the statement of financial position on lines "Trade and other receivables" and "Trade and other payables" was restated. The financial impact of these changes is described in notes 16 and 22 of these notes to the financial statements.

In the statement of cash flows, a correction was made in the 2016 period; a decrease by the receipts from electricity sold in EUR (MCZK 774) had been recognised in both "Cash paid for the purchase of electricity and gas" and in "Receipts from the sale of electricity and gas".

Moreover, the Company refined the presentation of financial instruments specified in note 28 of the notes to these financial statements to better reflect the structure of financial instruments in other parts of the notes to these financial statements. As a result of this change, the selected comparative information in note 28 was restated.

Other significant events

On the 1st of November 2017, the Company established PREzákaznická, a.s., a subsidiary.

(4) Revenues (TCZK)

Revenue and expenses relating to the supply and distribution of commodities	2017	2016
Sales of electricity B2B	3,620,698	3,880,786
Sales of distribution and system services B2B	2,512,481	2,596,940
Sales of electricity B2C	2,736,133	2,723,997
Sales of distribution and system services B2C	4,914,520	4,855,909
Sales of electricity to dealers	464,106	354,650
Revenue from the sales of gas B2B and B2C	161,581	138,985
Sales of gas to dealers	179,043	67,580
Sales of electricity for losses at grids	316,111	381,488
Gross profit from trading	(2,010)	6,585
Total revenues	14,902,665	15,006,920
Cost of electricity sold	(5,548,298)	(5,672,268)
Cost of distribution and system services	(7,427,001)	(7,452,849)
Cost of gas	(323,499)	(179,714)
Total costs	(13,298,798)	(13,304,831)
Gross profit from the sale of electricity and gas	1,603,867	1,702,089
Other operating revenue	2017	2016
Revenue from provided services*	921,782	915,127
Other	7,474	3,057
Total	929,256	918,184

* Including services rendered to other companies within the PRE Group based on concluded service provision contracts, revenue from the lease of land, real estate and cars and IT support.

(5) Segment reporting (TCZK)

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

PRE is part of the trade segment and does not divide its activities any further as it primarily does business in Prague and mainly supplies electricity. Therefore, all required information on the segment's economic activity is included in these financial statements.

Supply of electricity and gas (commodities) and trading in electricity

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

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

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

(6) Personnel expenses (TCZK)

	2017	2016
	Staff including management	Staff including management
Average headcount	623	634
Salaries	339,651	338,001
Salaries paid depending on the fulfilment of the plan	31,401	30,921
Social and health insurance	135,993	135,342
Remuneration to the members of the Company's bodies	22,843	22,510
Other social expenses*	45,268	53,663
Total	575,156	580,437

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

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

	2017	2016
Material and own consumed energy	56,092	60,680
Repairs of tangible fixed assets	39,173	29,977
Consulting services	25,983	23,200
Lease payments	49,792	49,799
Postage and telecommunication fees	36,659	34,817
IT support	113,977	121,394
Marketing	65,544	67,250
Other*	156,255	153,720
Total	543,475	540,837

* Including expenses incurred on external employees, cleaning services, security guard services, storage fees and other services.

(8) Borrowing costs (TCZK)

	2017	2016
Interest on cash pooling	40	10
Interest on loan	40,256	38,692
Interest expense on employee benefits	1,558	465
Interest on leases	584	523
Total	42,438	39,690

(9) Other gains and losses (TCZK)

	2017	2016
Write-offs of doubtful debts	(11,170)	(44,295)
Creation and release of allowances for receivables	(7,879)	16,369
Gain (loss) from the sale and disposal of fixed assets and inventories	14,048	9,113
Foreign exchange rate gains (losses)	(8,481)	1,531
Interest received in the Group	128,944	132,571
Share in the profit or loss of eYello CZ, k.s.	20,532	11,539
Other	(20,974)	(13,763)
Total	115,020	113,065

(10) Income tax (TCZK)

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

	2017	2016
Current tax	251,886	262,871
Deferred tax	5,934	9,997
Total income tax	257,820	272,868

	2017		2016	
Profit before tax	2,470,448		2,476,279	
Income tax using the effective income tax rate	469,385	19.00%	470,493	19.00%
Impact of tax non-deductible dividends received	(219,517)	(8.89)%	(203,737)	(8.23)%
Impact of other items that are never tax-deductible	7,952	0.32%	6,112	0.25%
Total income tax / effective tax rate	257,820	10.44%	272,868	11.02%

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

	Recorded			Recorded			
	31.12.2017	in profit or loss	Recorded in equity	31.12.2016	in profit or loss	Recorded in equity	31.12.2015
Fixed assets	133,869	4,608	--	129,261	7,887	--	121,374
Provisions	(14,533)	(4,847)	--	(9,686)	(285)	--	(9,401)
Adjustments	(9,981)	1,461	--	(11,442)	4,291	--	(15,733)
Obligation under the collective agreement	(23,607)	4,712	--	(28,319)	(1,896)	--	(26,423)
Cash flow hedge	33,849	--	13,711	20,139	--	23,891	(3,752)
Total deferred tax liability	119,597	5,934	13,711	99,953	9,997	23,891	66,065

(11) Dividends (TCZK)

The dividend for 2016 was not paid; the proposed payment was not approved by the General Meeting.

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

	2017	2016
Final dividend for 2016 of CZK 0 (2015: CZK 442) per share	--	1,710,294

The final amount of the proposed dividend for 2017 must be approved by the shareholders at the General Meeting. It has not been included in liabilities in these financial statements.

(12) Earnings per share (TCZK)

Earnings per share are calculated from the net profit for distribution of TCZK 2,212,628 (2016: TCZK 2,203,411) attributable to 3,869,443 shares, i.e., the earnings per share amount to CZK 572 (2016: CZK 569).

The Company has no issued instruments diluting the basic earnings per share.

(13) Property, plant and equipment (MCZK)

	Land	Telecommunication technologies and IT	Administrative buildings	Other	Under construction	Total
Cost						
Balance on 31.12.2015	137.2	849.7	1,744.8	437.2	80.5	3,249.4
Additions	--	11.5	12.2	36.0	49.9	109.6
Disposals	(0.1)	(17.1)	--	(24.9)	--	(42.1)
Transfers	--	59.9	7.0	5.1	(72.0)	--
Balance on 31.12.2016	137.1	904.0	1,764.0	453.4	58.4	3,316.9
Accumulated depreciation						
Balance on 31.12.2015	(1.2)	(675.1)	(449.4)	(214.0)	--	(1,339.7)
Depreciation expense	--	(48.5)	(38.8)	(31.5)	--	(118.8)
Disposals	--	17.1	--	17.3	--	34.4
Transfers	--	--	--	--	--	--
Balance on 31.12.2016	(1.2)	(706.5)	(488.2)	(228.2)	--	(1,424.1)
Net book value 2015	136.0	174.6	1,295.4	223.2	80.5	1,909.7
Net book value 2016	135.9	197.5	1,275.8	225.2	58.4	1,892.8

	Land	Telecommunication technologies and IT	Administrative buildings	Other	Under construction	Total
Cost						
Balance on 31.12.2016	137.1	904.0	1,764.0	453.4	58.4	3,316.9
Additions	--	6.6	1.4	42.5	58.7	109.2
Disposals	(0.6)	(27.3)	--	(24.7)	(0.1)	(52.7)
Transfers	--	28.7	24.2	2.4	(55.3)	--
Balance on 31.12.2017	136.5	912.0	1,789.6	473.6	61.7	3,373.4
Accumulated depreciation						
Balance on 31.12.2016	(1.2)	(706.5)	(488.2)	(228.2)	--	(1,424.1)
Depreciation expense	--	(53.1)	(39.7)	(33.3)	--	(126.1)
Disposals/additions	0.6	27.3	(0.8)	19.2	--	46.3
Transfers	--	--	--	--	--	--
Balance on 31.12.2017	(0.6)	(732.3)	(528.7)	(242.3)	--	(1,503.9)
Net book value 2016	135.9	197.5	1,275.8	225.2	58.4	1,892.8
Net book value 2017	135.9	179.7	1,260.9	231.3	61.7	1,869.5

None of the Company's property, plant and equipment were pledged or used as collateral.

The Company anticipates incurring total capital expenditure of MCZK 122 in 2018. Approximately 3% of all planned expenditure was contracted as at the date of preparation of the financial statements.

(14) Intangible assets (MCZK)

	Software	Other	Under construction	Total
Cost				
Balance on 31.12.2015	563.6	13.1	70.8	647.5
Additions	6.1	--	72.5	78.6
Disposals	--	--	--	--
Transfers	50.4	--	(50.4)	--
Balance on 31.12.2016	620.1	13.1	92.9	726.1
Accumulated amortisation				
Balance on 31.12.2015	(488.4)	(11.1)	--	(499.5)
Amortisation expense	(48.5)	(1.1)	--	(49.6)
Disposals	--	--	--	--
Transfers	--	--	--	--
Balance on 31.12.2016	(536.9)	(12.2)	--	(549.1)
Net book value 2015	75.2	2.0	70.8	148.0
Net book value 2016	83.2	0.9	92.9	177.0

	Software	Other	Under construction	Total
Cost				
Balance on 31.12.2016	620.1	13.1	92.9	726.1
Additions	8.2	0.1	66.1	74.4
Disposals	(63.6)	(3.5)	--	(67.1)
Transfers	74.3	--	(74.3)	--
Balance on 31.12.2017	639.0	9.7	84.7	733.4
Accumulated amortisation				
Balance on 31.12.2016	(536.9)	(12.2)	--	(549.1)
Amortisation expense	(45.2)	(0.7)	--	(45.9)
Disposals	63.6	3.5	--	67.1
Transfers	--	--	--	--
Balance on 31.12.2017	(518.5)	(9.4)	--	(527.9)
Net book value 2016	83.2	0.9	92.9	177.0
Net book value 2017	120.5	0.3	84.7	205.5

The Company has no intangible assets developed internally.

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

The Company anticipates incurring total capital expenditure of MCZK 81 in 2018. Approximately 56% of all planned expenditure was contracted as at the date of preparation of the financial statements.

(15) Equity investments (TCZK)

	Note	2017		2016	
		Investment	Equity investment	Investment	Equity investment
PREdistribuce, a.s.	Non-marketable	100%	9,513,537	100%	9,513,537
PREměření, a.s.	Non-marketable	100%	313,264	100%	313,264
eYello CZ, k.s.	Non-marketable	90%	9,000	90%	9,000
KORMAK Praha a.s.	Non-marketable	100%	107,550	100%	107,550
KORMAK nemovitosti s.r.o.	Non-marketable	100%	13,950	100%	13,950
PREzákaznická, a.s.	Non-marketable	100%	10,000	--	--
Total			9,967,301		9,957,301

In November 2017, PRE established PREzákaznická, a.s., a subsidiary that will provide customer services for other entities of the PRE Group.

In March 2016, PRE acquired 100% equity investments in KORMAK Praha a.s. and KORMAK nemovitosti s.r.o. The acquisition strengthened the Group's stability in respect of investments in the distribution network and decreased dependency on external suppliers. KORMAK nemovitosti s.r.o. is the owner of real estate which KORMAK Praha a.s. rents for its operations.

PREměření, a.s., holds a 10% equity investment in eYello CZ, k.s.

The parent company controls all its subsidiaries.

Information on the subsidiaries was derived from individual statutory financial statements of these companies prepared in compliance with the Czech Accounting Standards.

Business entity: PREdistribuce, a.s.

The company distributes electricity.

	2017	2016
Registered office: Svornosti 3199/19a, Prague		
ID No.: 27376516		
Average headcount	512	513
Economic data (TCZK)		
Share capital	17,707,934	17,707,934
Equity	19,579,149	19,379,473
Profit after tax	1,340,776	1,140,694
Sales of goods and services	9,450,389	9,345,709

Business entity: PREměření, a.s.

The company provides the reading, purchases and sale, review and installation of meters and, to a lesser extent, sales of a selected product mix of electric appliances. Other principal activities include the generation of electricity from solar energy. Since 2013, the Company has offered services in turnkey installations of photovoltaic power plants.

	2017	2016
Registered office: Na Hroudě 2149/19, Prague 10		
ID No.: 25677063		
Average headcount	240	238
Economic data (TCZK)		
Share capital	35,000	35,000
Equity	671,522	509,148
Profit after tax	164,840	143,645
Sales of goods, services and generation of electricity from solar energy	478,031	440,072

Business entity: eYello CZ, k.s.

eYello CZ, k.s., was established in 1996 with the original name PREleas, a.s. The company supplies electricity and gas under the Yello Energy brand.

	2017	2016
Registered office: Kubánské náměstí 1391/11, Prague 10		
ID No.: 25054040		
Average headcount	6	6
Economic data (TCZK)		
Equity	6,881	6,860
Profit after tax	21	11
Sales of electricity, gas and services	365,178	272,738

Business entity: KORMAK Praha a.s.

KORMAK Praha a.s. carries out construction and repairs of distribution facilities.

	2017	2016
Registered office: K Sokolovně 667, Prague 10		
ID No.: 48592307		
Average headcount	68	62
Economic data (TCZK)		
Share capital	2,100	2,100
Equity	24,544	28,816
Profit after tax	22,327	26,629
Sales of goods and services	216,852	160,475

Business entity: KORMAK nemovitosti s.r.o.

KORMAK nemovitosti s.r.o. leases and administers real estate, apartments and non-residential premises.

	2017	2016
Registered office: K Sokolovně 667, Prague 10		
ID No.: 02065801		
Average headcount	--	--
Economic data (TCZK)		
Share capital	210	210
Equity	11,399	10,385
Profit after tax	1,013	891
Sales of goods and services	2,220	1,587

Business entity: PREzákaznická, a.s.

PREzákaznická, a.s., provides customer services for other entities of the PRE Group.

	2017	2016
Registered office: Na Hroudě 2149/19, Prague 10		
ID No.: 06532438		
Average headcount	--	--
Economic data (TCZK)		
Share capital	10,000	
Equity	10,000	
Profit after tax	--	
Sales of services	--	

(16) Trade and other receivables (TCZK)

Non-current trade and other receivables	2017	2016
Principal amounts paid	47,226	33,035
Receivables from the revaluation of commodity derivatives for trading	14,185	39,554
Receivables from the revaluation of hedging commodity derivatives*	163,350	--
Other receivables	16	183
Total	224,777	72,772

* In 2017, the Company introduced hedge accounting for commodity term contracts in connection with new strategies to hedge prices and electricity supplies for its customers. The impact on the balance sheet totals TCZK 163,350.

Current trade and other receivables	2017	2016
Receivables from electricity and gas supplies – gross	4,239,500	4,251,174
Less advances received	(2,796,208)	(2,755,877)
Receivables from electricity and gas supplies – net*	1,443,292	1,495,297
Margin deposits with the power exchanges	86,836	64,848
Receivables from the revaluation of commodity derivatives for trading**	274,870	586,007
Receivables from the revaluation of hedging commodity derivatives***	84,958	--
Receivables from the revaluation of hedging foreign exchange derivatives***	--	7,511
Other receivables – gross	434,458	334,183
Less advances provided	(128,913)	(196,340)
Other receivables – net****	305,545	137,843
Other non-financial assets	44,583	36,822
Total	2,240,084	2,328,328

* In 2017, the Company changed its method of offsetting uninvoiced electricity and gas against advances received from customers. The impact of this change on the balance sheet totals TCZK 389,000 (2016: TCZK 386,000).

** The Company reclassified a portion of these receivables to non-current. The comparative period was restated (decrease of TCZK 39,554).

*** In 2017, the Company introduced hedge accounting for commodity term contracts in connection with new strategies to hedge prices and electricity supplies for its customers. The impact on the balance sheet totals TCZK 84,958.

**** In 2017, the Company started to offset uninvoiced electricity and gas against advances provided to suppliers. The impact of this change on the balance sheet is a decrease of TCZK 128,913 (2016: TCZK 196,340). Other financial assets used to be a part of this item. Since 2017, they have been recorded in a separate balance sheet item "Other financial assets" due to their significance. The comparative period was restated (decrease of TCZK 5,822).

Of the above current trade receivables, gross receivables past their due date totalled TCZK 341,060 (2016: TCZK 349,851). Outstanding portions usually bear no interest. The following adjustments were created for doubtful receivables:

Balance on 31.12.2015	285,745
Additions and utilisation in the current year	(16,369)
Balance on 31.12.2016	269,376
Additions and utilisation in the current year	7,879
Balance on 31.12.2017	277,255

In considering the recoverability of receivables, the Company takes into account any changes in the recoverability of trade receivables from the date of their origination through the balance sheet date.

The carrying amount of trade and other receivables corresponds to their fair value.

Ageing structure of receivables	2016		
	Gross	Adjustment	Net
Receivables within due date	1,414,823	13,228	1,401,595
Receivables up to 3 months past due	86,813	6,132	80,681
Receivables between 4 and 12 months past due	22,799	16,997	5,802
Receivables over 12 months past due	240,238	233,019	7,219
Receivables from electricity and gas supplies	1,764,673	269,376	1,495,297

Ageing structure of receivables	2017		
	Gross	Adjustment	Net
Receivables within due date	1,379,487	7,849	1,371,638
Receivables up to 3 months past due	61,815	4,729	57,086
Receivables between 4 and 12 months past due	29,128	20,830	8,298
Receivables over 12 months past due	250,117	243,847	6,270
Receivables from electricity and gas supplies	1,720,547	277,255	1,443,292

(17) Loans granted (TCZK)

	On 31.12.2017			On 31.12.2016		
	Amount	Interest rate p.a.	Maturity date	Amount	Interest rate p.a.	Maturity date
Loan granted in Group 1	30,968	Fix 4.38%	29.2.2022	37,459	Fix 4.38%	29.2.2022
Loan granted in Group 2	135,883	Fix 4.63%	29.2.2023	158,249	Fix 4.63%	29.2.2023
Loan granted in Group 3	28,868	Fix 4.93%	29.2.2024	32,720	Fix 4.93%	29.2.2024
Loan granted in Group 4	49,732	Fix 4.93%	29.2.2024	56,368	Fix 4.93%	29.2.2024
Loan granted in Group 5	612,460	CZK IRS 3Y+3.10%	18.6.2026	611,984	CZK IRS 3Y+3.10%	18.6.2026
Loan granted in Group 6	702,968	CZK IRS 3Y+3.00%	28.11.2026	702,271	CZK IRS 3Y+3.00%	28.11.2026
Loan granted in Group 7	27,643	Fix 3.02%	31.12.2021	34,551	Fix 3.02%	31.12.2021
Loan granted in Group 8	28,038	Fix 3.48%	18.12.2024	32,043	Fix 3.48%	18.12.2024
Loan granted in Group 9	1,421,953	CZK IRS 3Y+2.50%	29.6.2027	1,421,953	CZK IRS 3Y+2.50%	29.6.2027
Loan granted in Group 10	190,099	Fix 3.27%	29.10.2024	217,256	Fix 3.27%	29.10.2024
Loan granted in Group 11	42,244	Fix 3.27%	29.10.2024	48,279	Fix 3.27%	29.10.2024
Loan granted in Group 12	105,592	Fix 3.17%	29.10.2023	123,190	Fix 3.17%	29.10.2023
Loan granted in Group 13	81,456	Fix 3.17%	29.10.2023	95,033	Fix 3.17 %	29.10.2023
Loan granted in Group 14	183,058	Fix 3.27%	29.10.2024	209,209	Fix 3.27%	29.10.2024
Loan granted in Group 15	2,635	Fix 2.21%	29.7.2026	2,936	Fix 2.21%	29.7.2026
Loan granted in Group 16	10,535	Fix 3.52%	10.4.2027	--		
Loan granted in Group 17	50,848	Fix 4.53%	30.11.2027	--		
Loan granted in Group 18	145,146	Fix 3.62%	22.12.2017	--		
Receivables arising from cash pooling of PREdistribuce, a.s.	13,432	O/N PRIBOR+0.75%		127	O/N PRIBOR+0.75%	
Receivables arising from cash pooling of PREměření, a.s.	46	O/N PRIBOR+0.75%		--		
Receivables from cash pooling KORMAK Praha a.s., KORMAK nemovitosti s.r.o.	15,750	O/N PRIBOR+0.75%		103	O/N PRIBOR+0.75%	
Total	3,879,354			3,783,731		
of which:						
non-current	3,644,850			3,601,667		
current	234,504			182,064		

Granted loans are carried at their amortised cost. The fair value of loans 1 to 18 differs from their amortised cost by MCZK 131, and this value amounts to MCZK 3,981. In respect of other loans, their amortised cost does not differ from their fair value in particular due to their short-term character. In 2016, the fair value of loans did not differ significantly from their carrying amount.

The fair value was calculated by discounting contractual cash flows using the current yield curve. Fair value comes under level 3 as a result of using inputs that cannot be directly derived from data acquired on the active market, such as credit risk.

(18) Other financial assets (TCZK)

	2017	2016
Available-for-sale debt securities	1,000,000	--
Available-for-sale equity securities	--	5,822
Total	1,000,000	5,822

“Available-for-sale debt securities” comprise a corporate bill of exchange due on the 16th of January 2018.

(19) Inventories (TCZK)

	2017	2016
Material	45,387	26,470
Goods	18,103	17,367
Total	63,490	43,837

“Cost of purchased services, material and energy” and “Other gains and losses” in the income statement include costs of sold and consumed inventories of TCZK 241,168 (2016: TCZK 201,031).

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

Balance on 31.12.2015	2,040
Additions and utilisation in the current year	(363)
Balance on 31.12.2016	1,677
Additions and utilisation in the current year	(228)
Balance on 31.12.2017	1,449

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

(20) Cash and cash equivalents (TCZK)

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.

	2017	2016
Current bank accounts	2,678,900	292,068
Cash in hand	1,475	1,359
Stamps and vouchers	829	1,135
Total cash and cash equivalents in the statement of financial position	2,681,204	294,562
Other financial assets meeting the definition of cash equivalents – see note 18	1,000,000	--
Total cash and cash equivalents for the purposes of the statement of cash flows	3,681,204	294,562

(21) Loans received (TCZK)

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

	On 31.12.2017			On 31.12.2016		
	Principal	Interest rate	Maturity date	Principal	Interest rate	Maturity date
Loan 1	1,007,194	Fix 1.40%	1.7.2024	1,007,194	Fix 1.40%	1.7.2024
Loan 2	1,005,614	Fix 1.16%	8.7.2022	1,005,615	Fix 1.16%	8.7.2022
Loan 3	1,100,086	Fix 0.94%	25.6.2020	1,100,058	Fix 0.94%	25.6.2020
Loan 4	90,232	Fix 0.60%	3.8.2018	102,262	Fix 0.60%	3.8.2018
Loan 5	801,008	Fix 0.84%	2.11.2018	--		
Loan 6	500,135	Fix 0.97%	19.12.2018	--		
Authorised overdraft of current accounts – ING	200,278	O/N PRIBOR+0.35%		--		
Authorised overdraft of current accounts – ČSOB	116,160	O/N PRIBOR+0.35%		--		
Payables from the cash pooling of PREdistribuce, a.s.	3	O/N PRIBOR-0.35%, at least 0%		105,552	O/N PRIBOR-0.35%, at least 0%	
Payables from the cash pooling of eYello CZ, k.s.	57,736	O/N PRIBOR-0.35%, at least 0%		41,727	O/N PRIBOR-0.35%, at least 0%	
Payables from the cash pooling of PREměření, a.s.	71,014	O/N PRIBOR-0.35%, at least 0%		74,527	O/N PRIBOR-0.35%, at least 0%	
Payables from the cash pooling of KORMAK Praha a.s., KORMAK nemovitosti s.r.o.	224	O/N PRIBOR-0.35%, at least 0%		12,237	O/N PRIBOR-0.35%, at least 0%	
Total	4,949,684			3,449,172		
of which:						
non-current loans	3,100,000			3,190,000		
current loans	1,849,684			259,172		

	Cash flows					31.12.2017
	31.12.2016	Drawing	Repayment	Cash transactions in the Group	Other	
Total loans	3,449,172	1,619,201	(12,000)	(105,082)	(1,607)	4,949,684

Loan 4 is a loan from the parent company Pražská energetika Holding, a.s.

The banks do not require loan collateral with regard to the Company's rating. As of the 31st of December 2017, undrawn loan facilities amounted to MCZK 2,144 (31.12.2016: MCZK 3,050).

Loans are carried at their amortised cost. The fair value of loans 1, 2, 3 differs from their amortised cost by MCZK 136, and this value amounts to MCZK 2,977. In respect of other loans, their amortised cost does not differ from their fair value in particular due to their short-term character. In 2016, the fair value of loans did not differ significantly from their carrying amount.

The fair value was calculated by discounting contractual cash flows using the current yield curve. Fair value comes under level 3 as a result of using inputs that cannot be directly derived from data acquired on the active market, such as own credit risk.

Currently, the Company does not capitalise any borrowing costs in accordance with the applied accounting policy.

(22) Trade and other payables (TCZK)

Non-current trade and other payables	2017	2016
Payables from the revaluation of commodity derivatives for trading	13,793	35,305
Payables from the revaluation of hedging commodity derivatives*	86,596	--
Other financial liabilities	49,863	48,099
Total	150,252	83,404

* In 2017, the Company introduced hedge accounting for commodity term contracts in connection with new strategies to hedge prices and electricity supplies for its customers. The impact on the balance sheet totals TCZK 86,596.

Current trade and other payables	2017	2016
Advances received for the supply of electricity and gas from customers – gross	3,717,136	3,606,084
Less uninvoiced supplies	(2,796,208)	(2,755,877)
Advances received for the supply of electricity and gas from customers – net*	920,928	850,207
Uninvoiced supplies of electricity and gas from suppliers – gross	159,886	235,877
Less advances provided for the supply of electricity and gas	(128,913)	(196,340)
Uninvoiced supplies of electricity and gas from suppliers – net*	30,973	39,537
Trade payables	588,122	648,476
Payables from the revaluation of commodity derivatives for trading**	266,135	576,203
Payables from the revaluation of hedging commodity derivatives***	29,116	779
Payables from the revaluation of hedging foreign exchange derivatives	29,072	--
Payables to employees****	20,680	19,361
Social security and health insurance liabilities	12,271	11,513
Inter-company payables*****	1,692,253	1,686,361
Other financial liabilities	48,848	43,965
Other non-financial liabilities	75,953	75,802
Total	3,714,351	3,952,204

* In 2017, the Company changed the method of offsetting uninvoiced electricity and gas against advances. In respect of advances received from customers, the impact of this change on the balance sheet is an increase of TCZK 389,000 (2016: TCZK 386,000), in respect of uninvoiced supplies of electricity and gas from suppliers, it is a decrease of TCZK 128,913 (2016: TCZK 196,340).

** The Company reclassified a portion of these payables to non-current. The comparative period was restated (decrease of TCZK 35,305).

*** In 2017, the Company introduced hedge accounting for commodity term contracts in connection with new strategies to hedge prices and the supply of electricity for its customers. The impact on the balance sheet totals TCZK 29,116.

**** Includes outstanding December salaries.

***** Includes an estimated payable for the provision of distribution services from PREdistribuce, a.s., of TCZK 1,692,223 (2016: TCZK 1,685,093) and payables to eYello CZ, k.s., of TCZK 30 (2016: TCZK 18).

The Company reports overdue trade payables of TCZK 140 (2016: TCZK 32). All overdue liabilities were settled during January 2018.

In respect of liabilities that are carried at amortised cost, this value corresponds with their fair value.

(23) Finance lease liabilities (TCZK)

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	2017	2016
Lease payments due within 1 year	27,848	20,712	27,654	20,598
Lease payments due from 1 to 5 years	49,603	48,535	48,207	47,185
Lease payments due in over 5 years	1,789	974	1,656	914
Total lease payments	79,240	70,221	77,517	68,697
Future lease payments	(1,723)	(1,524)		
Present value of minimum lease payments	77,517	68,697	77,517	68,697
Trade and other payables				
Non-current			49,863	48,099
Current			27,654	20,598
Total			77,517	68,697
Tangible fixed assets				
Carrying amount of assets held under finance leases			77,517	68,697

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 liabilities are denominated in Czech crowns. The fair value of lease liabilities corresponds to their carrying amount.

(24) Provisions (TCZK)

	2017	2016
Employee benefits	128,194	153,621
Other provisions	76,491	50,979
Total	204,685	204,600
Non-current provisions	121,212	146,860
Current provisions	83,473	57,740
Total	204,685	204,600

The provision for employee benefits represents liabilities pursuant to the collective agreement arising from bonuses paid to employees upon retirement and work and life anniversaries.

Other provisions:

	Business risks	Salaries	Other	Total
Balance on 31.12.2015	1,150	47,227	1,101	49,478
Additions in the current year	--	49,541	69	49,610
Utilisation in the current year	--	(47,227)	(782)	(48,009)
Release in the current year	(100)	--	--	(100)
Balance on 31.12.2016	1,050	49,541	388	50,979
Additions in the current year	--	74,941	5	74,946
Utilisation in the current year	--	(48,891)	(393)	(49,284)
Release in the current year	(150)	--	--	(150)
Balance on 31.12.2017	900	75,591	--	76,491
Non-current	900	--	--	900
Current	--	75,591	--	75,591
Total	900	75,591	--	76,491

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

(25) Share capital (TCZK)**Share capital**

There are 3,869,443 registered shares in the nominal value of CZK 1,000 per share (2016: 3,869,443 shares). These shares are in the book-entry form and carry no right for the regular payment of dividends.

The Company's share capital has been paid in full.

(26) Reserves (TCZK)

	2017	2016
Reserve fund	773,889	773,889
Other reserves	382,711	382,711
Cash flow hedge	144,307	85,855
Fund from the revaluation of other current financial assets	--	(6,673)
Total	1,300,907	1,235,782

The Group's reserve fund has been created in the amount of 20% (TCZK 773,889) of the share capital and no further increase is to be made. The General Meeting decides on the use of the reserve fund and this fund is used to settle the Company's loss.

Other reserves represent part of the capital of the former state enterprise, the legal predecessor of the Company. As a result of the privatisation project, the state enterprise's capital was divided into share capital, reserve fund and capital funds as at the date of incorporation of the joint stock company (the 1st of January 1994). As at that date, the balance of the capital funds was TCZK 390,390. The Board of Directors decides on the use of the balance of this fund based on the rules for fund management approved by the General Meeting. Subject to the approval of the General Meeting, the Company may establish other discretionary funds.

Cash flow hedges include:

	2017	2016
Revaluation of hedging commodity derivatives	207,228	98,483
Effect of deferred tax	(39,373)	(18,712)
Revaluation of hedging foreign exchange derivatives	(29,072)	7,511
Effect of deferred tax	5,524	(1,427)
Total	144,307	85,855

The fund from the revaluation of other financial assets is used to record gains and losses from the revaluation of available-for-sale securities. In 2017, these assets were sold and the fund was released in the income statement.

(27) Contingent liabilities and contingent assets

At the request of the Company, banks issued payment bank guarantees of MCZK 19 (2016: MCZK 137) in favour of OTE, a.s., and APCS Power Clearing and Settlement AG, as well as for the public contract for the supply of electricity in favour of TRADE CENTRE PRAHA, a.s.

(28) Financial instruments (TCZK)**Categories of financial instruments**

Financial assets	Cat.	2017	2016
(a) Receivables from the revaluation of commodity derivatives for trading	iii.	289,055	625,561
(b) Receivables from the revaluation of hedging commodity derivatives	iv.	248,308	--
(c) Receivables from the revaluation of hedging foreign exchange derivatives	iv.	--	7,511
(d) Cash and cash equivalents	i.	2,681,204	294,562
(e) Margin deposit	i.	86,836	64,848
(f) Loans granted and cash pooling	i.	3,879,354	3,783,731
(g) Trade and other receivables, except for the above	i.	1,796,063	1,666,342
(h) Available-for-sale debt securities – bill of exchange	ii.	1,000,000	--
(i) Other financial assets	ii.	--	5,822

Financial liabilities	Cat.	2017	2016
(j) Payables from the revaluation of commodity derivatives for trading	iii.	279,928	611,508
(k) Payables from the revaluation of hedging commodity derivatives	iv.	115,712	779
(l) Payables from the revaluation of hedging foreign exchange derivatives	iv.	29,072	--
(m) Loans received	v.	4,820,707	3,215,129
(n) Payables from cash pooling	v.	128,977	234,044
(o) Financial liabilities carried at amortised cost, except for the above	v.	2,410,059	2,466,438

Categories of financial instruments

- i. Loans and other receivables
- ii. Available-for-sale securities
- iii. Financial instruments for trading revalued in the income statement
- iv. Hedging financial instruments revalued in equity
- v. Financial liabilities at net book value

Financial assets and liabilities (iii., iv.) were valued using valuation models with market data (level 2), such as forward curves of underlying commodities, spot and forward foreign exchange rates and interest rate curves.

Gains and losses from financial instruments reported in the current period		2017	2016
Profit/loss from the revaluation of commodity derivatives in the trading portfolio*	(a, j)	(2,010)	6,585
Interest received in the Group and revenue from securities held	(f, i)	128,944	133,232
Borrowing costs (except for the interest on employee benefits)	(m, n)	(40,880)	(39,225)
Other	(d, g)	(18,642)	(27,018)

* Included in "Gross profit from trading".

Hedge accounting		2017	2016
Creation of the equity fund from the cash flow hedge	(b, c, k, l)	178,156	105,994
Reversal of the fund from cash flow hedge* in the income statement	(b, c, k, l)	(105,994)	3,834

* In "Cost of electricity sold".

Capital risk

The Company manages its capital to ensure an optimal financial position from the long-term perspective while maximising the long-term return to shareholders. The capital is the value of equity from the balance sheet.

	2017	2016
Total assets	22,131,209	18,556,193
Equity	12,852,911	10,598,358
Equity / total assets	58%	57%

Market risk

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

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

- commodity forwards and futures to hedge the changes in prices of these commodities; and
- currency forwards to hedge the changes in exchange rates.

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

There is no concentration of market risks in the Company.

Currency risk

The major portion of the Company's electricity and gas purchases to its end customers are denominated in EUR. Invoicing to end customers is then performed primarily in CZK.

The Company hedges a substantial part of its future planned cash flows (in EUR) for the purchase of electricity and gas 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 as a result of settling stock exchange or OTC transactions pursued to make transactions associated with procuring electricity or gas for the Company's customers. Risks are measured using defined scenarios for exchange rate development. The open exposure is established based on the annual plan of exchange currency requirements and the amount of agreed hedging.

The position is hedged using forwards. The Company monitors hedge effectiveness under hedge accounting. The hedge has been effective so far.

The carrying amount of foreign currency assets and liabilities:

	Assets (TCZK)		Liabilities (TCZK)	
	2017	2016	2017	2016
Receivables from the revaluation of commodity derivatives for trading	289,055	625,561	279,928	611,508
Receivables and payables from the revaluation of hedging commodity derivatives	248,308	--	115,712	779
Receivables and payables from the revaluation of hedging foreign exchange derivatives	--	7,511	29,072	--
Cash and cash equivalents	81,707	188,341	--	--
Margin deposit	86,836	64,848	--	--
Trade receivables and payables and other receivables and payables	233,915	257,611	420,734	482,014
Total in EUR	939,821	1,143,872	845,446	1,094,301
Other currencies	97	77	--	--
Total	939,918	1,143,949	845,446	1,094,301

Currency derivatives open at the balance sheet date:

EUR purchased	Average exchange rate CZK/EUR		Value (TEUR)		Value (TCZK)		Fair value (TCZK)	
	2017	2016	2017	2016	2017	2016	2017	2016
Up to 1 month	26.15	27.03	14,000	10,000	366,031	270,330	(8,320)	(67)
1-3 months	25.96	27.03	28,000	22,000	726,967	594,580	(10,592)	431
3-12 months	25.85	26.92	44,000	43,391	1,137,558	1,168,276	(10,160)	7,147
Total	25.94	26.97	86,000	75,391	2,230,556	2,033,186	(29,072)	7,511

Currency risk – sensitivity analysis

The Company performed a sensitivity analysis to identify the potential impact of the change in the value of these assets and liabilities on the level of profit or equity as a result of a 1% decrease in the CZK/EUR exchange rate.

	2017	2016
Profit (+) / loss (-)	(91)	(563)
Equity	18,868	19,576

Interest rate risk

Medium- and long-term external funds of the Company include loans maturing in three, five and seven years. These loans have a fixed interest rate. Changes in market interest rates have no impact on the contracted amount of repayments of these loans which effectively reduces the risk of changes in interest rates. Changes in interest rates may only affect the costs of hedging short-term sources of funding. However, the impact of this risk on the Company, if any, is immaterial.

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

	Assets (TCZK)		Liabilities (TCZK)	
	2017	2016	2017	2016
Receivables and payables from the revaluation of hedging foreign exchange derivatives	--	7,511	29,072	--
Total	--	7,511	29,072	--

Interest rate risk – sensitivity analysis

The Company performed a sensitivity analysis to identify the potential impact of the change in the value of these assets and liabilities on the level of profit or equity as a result of a 1% increase in the interest rate.

	2017	2016
Profit (+) / loss (-)	--	--
Equity	45	(52)

Risk of changing prices of commodities

The Company is exposed to the risk related to the development of electricity and gas prices; the amount of gas is relatively low. Electricity and gas for end customers is purchased in order to achieve the optimisation of purchase prices within the position limited in terms of volume. Exposure management is based on limits for the maximum permissible size of outstanding exposures, the possible financial impact is derived from defined scenarios for price developments.

The commodity risk management strategies are based on the structure of the Company's end customers and distinguish between customers with individual rates (the B2B customer segment) and customers receiving common price-list rates (the B2C customer segment). As the price is set at different times for each segment, the commodity hedging method varies for the two customer groups as well. In the case of the B2B customer segment, back-to-back hedging is used, i.e. the commodity is acquired as soon as the offer is accepted by the customer. For the B2C customer segment, gradual hedging is used, i.e. the commodity is acquired over time for a large number of small customers, taking into account market liquidity and minimising market price volatility for customers.

In implementing the above strategies, a range of tools, procedures and techniques are used to ensure that the commodity is delivered at the specified time, in the specified place and at the optimum purchase price. A significant portion of the commodity delivered to the domestic market is hedged using forward contracts with physical delivery in the Czech Republic. The "own-use" exemption allowed by IAS 39 applies to such forward contracts. In the event of momentary insufficient liquidity in the domestic commodity market, the Company hedges the physical delivery, or the price, of the commodity via transactions in external commodity markets. Another way of dealing with a temporary lack of market liquidity is to hedge the price of a future spot commodity purchase using commodity futures that are not physically delivered. The Company applies hedge accounting to such procedures.

The carrying amount of assets and liabilities which depends on the commodity price:

	Assets (TCZK)		Liabilities (TCZK)	
	2017	2016	2017	2016
Receivables and payables from the revaluation of commodity derivatives for trading	289,055	625,561	279,928	611,508
Receivables and payables from the revaluation of hedging commodity derivatives	248,308	--	115,712	--
Total	537,363	625,561	395,640	611,508

Commodity risk - sensitivity analysis

The Company performed a sensitivity analysis to identify the potential impact of the change in the value of these assets and liabilities on the level of profit or equity as a result of a 1% increase in commodity prices on EEX.

(TCZK)	2017	2016
Profit (+) / loss (-)	--	--
Equity	9,033	--

Credit risk

The Company is exposed to the credit risk in terms of both relations to end customers and customers in the supplies and distribution of electricity or gas and in the exposure on the wholesale market with commodities in relation to concluded hedging derivatives for OTC. The standard practice of the Company is not to require collateral for trade receivables.

In electricity and gas 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 and gas meters and invoicing takes place on a monthly basis. Some of the customers pay monthly or ten-day advance payments, based on their expected consumption, to cover electricity or gas consumed but not yet invoiced, taking into account previous years' consumption, season and other factors. The method of determining the amount of the advance payments is specified in the contract. Reminders are sent to customers who fail to pay on time. If a customer fails to settle the debt within an additional time period, the electricity or gas supply is suspended. Certain industrial customers cover their future liabilities by making prepayments in advance or by paying deposits.

The standard reading of small businesses and household electricity and gas meters and invoicing takes place on an annual basis. For supplied but unbilled electricity or gas, advance payments are determined to reflect the volume and nature of the consumption. The determination of the price and the payment method are specified in the contracts with customers. If a customer fails to settle the debt within an additional time period, the electricity supply is suspended.

The solvency of business partners on the wholesale market with commodities is verified; depending on the achieved solvency, the partners are allocated exposure limits. Financial derivatives on the OTC basis are agreed only with partners with a sufficient level of solvency.

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. Entities from the PRE Group use cash pooling in order to optimise financing costs.

There is no concentration of liquidity risk.

Liquidity risk – tables

The following tables represent the contractual maturity of the Company's undiscounted financial liabilities. The table including the financial liabilities reflects the earliest dates on which the Company may be asked to fulfil its liabilities.

	Net book value	Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Liabilities 2017						
Payables from the revaluation of commodity derivatives for trading	279,928	22,178	44,356	199,601	13,793	279,928
Payables from the revaluation of hedging commodity derivatives	115,712	2,426	4,853	21,837	86,596	115,712
Payables from the revaluation of hedging foreign exchange derivatives	29,072	8,320	10,592	10,160	--	29,072
Loans received (including interest)	4,820,707	21,537	15,000	1,684,170	3,302,102	5,022,809
Payables from cash pooling (including interest)	128,977	128,977	--	--	--	128,977
Financial liabilities carried at amortised cost	2,410,059	767,926	290,288	1,301,981	51,586	2,411,781
Total		951,364	365,089	3,217,749	3,454,077	7,988,279

	Net book value	Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Payables 2016						
Payables from the revaluation of commodity derivatives for trading	611,508	48,017	96,034	432,152	35,305	611,508
Payables from the revaluation of hedging commodity derivatives	779	65	130	584	--	779
Payables from the revaluation of hedging foreign exchange derivatives	--	--	--	--	--	--
Loans received (including interest)	3,215,129	13,866	2,000	9,262	3,397,135	3,422,263
Payables from cash pooling (including interest)	234,044	234,044	--	--	--	234,044
Financial liabilities carried at amortised cost	2,466,438	841,170	297,139	1,280,031	49,623	2,467,963
Total		1,137,162	395,303	1,722,029	3,482,063	6,736,557

(29) Operating leases (TCZK)

Operating lease payments expensed in the current period:

	2017	2016
Non-residential premises	20,945	21,438
Cars	298	329
Other leased assets of all types	6,873	6,768
Total	28,116	28,535

The Company predominantly holds cars and non-residential premises under operating leases for an indefinite period of time. The management expects the costs of leases to remain at the current level in the future, i.e., in the amount of approximately MCZK 28 per year for contracts concluded as of the 31st of December 2017.

(30) Related party transactions (TCZK)

In line with IAS 24, the below-listed related parties have been identified. Related parties also include subsidiaries.

Expenses incurred with and revenue generated from related parties

	Sales to related parties		Purchases from related parties	
	2017	2016	2017	2016
Relations with controlling entities and associates	1,627,729	1,210,521	1,665,849	1,121,978
Pražská energetika Holding, a.s.	266	266	--	--
Capital City of Prague	96,294	181,530	1,446	201
EnBW Energie Baden-Württemberg AG*	1,531,169	1,028,725	1,664,403	1,121,777
Relations with other entities	359,259	386,101	37,750	29,710
ONTRAS Gastransport GmbH	--	--	1,762	1,135
Dopravní podnik hl. m. Prahy, a.s.	336,337	365,033	1,443	1,435
Kolektory Praha, a.s.	6,844	6,706	--	--
Obecní dům, a.s.	6,613	7,197	--	--
TRADE CENTRE PRAHA, a.s.	5,487	6,001	18,238	18,218
Pražská plynárenská, a.s.	3,978	1,164	16,307	8,922
Total	1,986,988	1,596,622	1,703,599	1,151,688

* EnBW Energie Baden-Württemberg AG is among the top suppliers of PRE electricity and gas.

Receivables from and payables to related parties

	Receivables		Payables	
	2017	2016	2017	2016
Relations with controlling entities and associates	854	62,419	132,243	116,500
Pražská energetika Holding, a.s.*	25	25	90,232	102,261
Capital City of Prague	406	41,282	15,406	5,345
EnBW Energie Baden-Württemberg AG	423	21,112	26,605	8,894
Relations with other entities	19,735	23,460	1,971	3,618
ONTRAS Gastransport GmbH	--	--	568	381
Dopravní podnik hl. m. Prahy, a.s.	18,611	22,440	--	--
Kolektory Praha, a.s.	408	272	1,200	1,200
Obecní dům, a.s.	704	748	--	--
TRADE CENTRE PRAHA, a.s.	--	--	140	1,913
Pražská plynárenská, a.s.	12	--	63	124
Total	20,589	85,879	134,214	120,118

* The payable of TCZK 90,232 (2016: TCZK 102,216) is a loan received from the parent company Pražská energetika Holding, a.s. - refer to the note "Loans received".

Business transactions were conducted on an arm's length basis. Outstanding amounts were not collateralised.

Dividends paid

	2017	2016
Pražská energetika Holding, a.s.	--	992,754
EnBW Energie Baden-Württemberg AG	--	707,989

Remuneration to the statutory bodies, the Supervisory Board, the Works Council, and top management

	2017	2016
Number of persons	13	13
Remuneration (TCZK)	40,942	40,497

Managers include members of the Board of Directors, the Company's directors, members of the Supervisory Board.

Selected managers can use company cars for private purposes.

Receivables from executive management

As of the 31st of December 2017, the Company reported receivables from the members of executive management totalling TCZK 19 (31.12.2016: TCZK 15). These items are disclosed in "Trade and other receivables" and were collected during January 2018.

Receivables from and payables to subsidiaries

	PRE's trade and other receivables as of 31.12.		PRE's trade and other payables as of 31.12.	
	2017	2016	2017	2016
PREdistribuce, a.s.	145,654	89,033	1,692,223	1,685,093
PREměření, a.s.	7,703	12,038	--	1,250
eYello CZ, k.s.	45,350	34,591	30	18
KORMAK Praha a.s.	891	318	--	--
KORMAK nemovitosti s.r.o.	2	--	--	--
Total	199,600	135,980	1,692,253	1,686,361

	PRE's loans and receivables from cash pooling as of 31.12.		PRE's loans and payables from cash pooling as of 31.12.	
	2017	2016	2017	2016
PREdistribuce, a.s.	2,750,814	2,736,335	3	105,553
PREměření, a.s.	1,048,772	1,044,357	71,014	74,527
eYello CZ, k.s.	--	--	57,735	41,727
KORMAK nemovitosti s.r.o.	13,170	3,039	224	--
KORMAK Praha a.s.	15,751	--	--	12,237
PRE FVE Světlík, s.r.o.	50,848	--	--	--
Total	3,879,355	3,783,731	128,976	234,044

Expenses incurred with and revenue generated from the subsidiaries

	Revenue of PRE		Expenses of PRE	
	2017	2016	2017	2016
PREdistribuce, a.s.	2,288,969	2,255,523	5,808,954	5,977,687
of which: electricity and distribution services	316,111	381,488	5,789,902	5,958,577
services	738,409	733,485	19,047	19,102
inventories*	12,088	8,356	--	--
dividends	1,130,000	1,041,000	--	--
interest on loans	92,361	91,194	5	8
PREměření, a.s.	147,657	153,509	31,944	13,273
of which: services	111,949	112,262	5,634	5,872
sale of electricity	--	--	26,291	7,400
inventories*	20	20	--	--
interest on loans	35,688	41,227	19	1
eYello CZ, k.s.	165,655	119,125	15	1
of which: electricity, gas and distribution services	130,393	94,363	--	--
services	14,730	13,210	--	--
interest on loans	--	13	15	1
transfer of the share in profit or loss	20,532	11,539	--	--
KORMAK Praha a.s.	29,515	30,858	--	--
of which: dividends	25,350	30,300	--	--
services	3,809	450	--	--
inventories*	6	--	--	--
interest on loans	350	108	--	--
KORMAK nemovitosti s.r.o.	341	1,030	--	--
of which: dividends	--	1,000	--	--
interest on loans	341	30	--	--
PRE FVE Světlík, s.r.o.	204	--	--	--
of which: interest on loans	204	--	--	--
Total	2,632,341	2,560,045	5,840,913	5,990,961

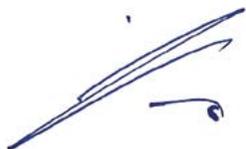
* Profit from material sold.

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

(31) Post balance sheet events

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

In Prague, 25th of April 2018



Pavel Elis
Chairperson of the Board of Directors

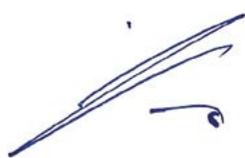


Alexander Sloboda
Vice-chairperson of the Board of Directors

Affidavit

To the best of our knowledge, the Annual Report, in exercising all reasonable due diligence, presents a true and honest picture of the financial situation, business activities and economic results of Pražská energetika, a.s., and the PRE Group in 2017, and of the prospects for their future development. No facts have been deliberately omitted from or distorted in the Annual Report which could have altered its meaning.

In Prague, 25th of April 2018



Pavel Elis
Chairperson of the Board of Directors



Alexander Sloboda
Vice-chairperson of the Board of Directors

PRE Group history

1897

... The Electricity Works of the Royal Capital City of Prague started operating on the 1st of September.

1924

... A ministerial decree declared the Electricity Works a universally useful utility.

1934

... The construction of the Electricity Works headquarters in Prague was completed. The building boasted one of the most modern designs of the time, far exceeding its contemporaries.

1941

... The Electricity Works was incorporated into the Prague Municipal Company (Městské podniky pražské).

1945

... The energy industry was nationalised by presidential decree.

1946

... The Transport Company (Dopravní podnik) separated from the Electricity Works. The former power generation division of the Electricity Works was incorporated into the newly established national enterprise – the Central Bohemian Power Generation Company (Středočeské elektrárny).

1959

... The Central Bohemian Electricity Works (Středočeské energetické závody) and the Prague District Administration (Okresní správa Praha) were established.

1965

... The Prague Distribution Enterprise (Rozvodný závod Praha) was founded within the Central Bohemian Electricity Works.

1990

... On the 1st of July, the Prague Electricity Works became a separate state-owned company.

1994

... A joint stock company, Pražská energetika, a.s., was founded.

1996

... A subsidiary, PREleas, a.s., was founded.

... The construction of a new company administration building started on Na Hroudě street.

1997

... The company celebrated its 100th anniversary. The construction of the new administration building was completed.

1998

... A subsidiary, PREměření, a.s., (formerly Cejchovna elektroměrů Praha, a.s.) was founded.

2000

... Modernization of all customer contact points was completed and the call centre started operating.

2002

... PRE successfully dealt with the aftermath of the August floods.

2004

... The process of unbundling was commenced in accordance with the EU legislation.

... The central dispatcher control centre started operating on Nitranská street.

... A joint PRE and PP Customer Centre was opened in the Adria Palace as part of the Together for Prague (Spolu pro Prahu) project.

2006

... On the 1st of January, the distribution system operator became a separate entity – a 100% subsidiary, PREdistribuce, a.s., established in 2005.

2007

... PRE became a member of the Prague Energy Exchange (PXE).

2009

... The Energy Advisory Centre (CEP) started operating at Jungmannova 28 (the TeTa passage).

... The Technical and Documentary Museum of Prague Power Engineering (Technické a dokumentační muzeum pražské energetiky) moved into new premises.

2010

... The structure of shareholders changed – the shares held by Honor Invest, a.s., were bought by the existing shareholder

EnBW Energie Baden-Württemberg AG, making it the majority shareholder.

... In accordance with the Group's new long-term strategy, five photovoltaic power plants (Jinonice, Lhotka, Na Hroudě 19, Pražáčka and Sever) started operating. PREm is the licence holder.

... The highest peak load of the distribution system in history (1,209 MW) was recorded on the 1st of December at 2 p.m.

2011

... On the 1st of December, PRE shares were delisted from trading on the regulated market. The delisting process was formally concluded on the 28th of December.

2012

... The Hořovice and Kondrac photovoltaic power plants were acquired, each with the installed capacity of 1 MWp.

... The 100% subsidiary, PREleas, a.s., was renamed eYello CZ, a.s., and branched out into trading in electricity and gas (since the 1st of May 2014 as a limited partnership company).

2013

... PRE started cooperating with the Charter 77 Foundation (Nadace Charty 77) on philanthropic activities.

... The biggest specialised electric bike rental service in the Czech Republic, PREkolo, was launched.

... The Pozorka photovoltaic power plant with the installed capacity of 3.99 MWp and the Syrovice photovoltaic power plant with the installed capacity of 6.3 MWp were acquired.

... The PRE Group was awarded in the Patron category of the Czech Goodwill project for its consideration for business, economic-social and natural environment.

2014

... On the 27th of March, the Articles of Association were amended, establishing the Works Council.

... On the 1st of May, the PRE Service Centre (CES) started operating in the TeTa passage, offering PREm energy services and housing a specialised electric bike shop and rental service.

... In September, a mobile virtual operator PREmobil started operating, offering attractive telecommunication services.

... On the 1st of December, the Dačice and Mikulov photovoltaic power plants with the total installed capacity of 5.79 MWp were acquired.

2015

... The CES successfully hosted the 5th annual e-mobility exhibition, one of the biggest of its kind in the Czech Republic.

... On the 30th of April, the Pozořice photovoltaic power plant with the installed capacity of 4.59 MWp was acquired.

... In September, PREdi celebrated its 10th anniversary.

... A separate Energy Services division was established in PREm, aiming to further develop the field of energy analysis and audits, efficient lighting, the design, construction and servicing of small photovoltaic power plants, and the provision of decentralised energy supplies solutions.

2016

... The 14th of March saw the acquisition of KORMAK Praha a.s., which provides engineering, design and construction services in the field of electricity networks, and KORMAK nemovitosti s.r.o., which provides asset management services.

... From the beginning of April to mid-June, the PRE Service Centre hosted the 6th annual sales exhibition of electric bikes, which is one of the biggest of its kind in the Czech Republic.

... Thanks to PRE, three smart SM!GHT-type lamps were installed in Prague in November. They not only provide street lighting and serve as Wi-Fi hotspots and charging stations for electric cars and bikes, but are also equipped with emergency buttons, sensors monitoring air quality and other smart city infrastructure. Two lamps are located close to the PRE headquarters on Na Hroudě street; the third is in the Holešovice exhibition grounds.

... A book *120 Years of Being the Energy of the City* was published at the end of the year.

2017

... On the 1st of January, PREdi started providing services critical for the operation of street lighting in Prague.

... On the 9th of March, a new transformer station in Uhříněves started operating, supplying electricity to the developing residential and industrial area in the east of Prague.

... On the 1st of June, the PRE Call Centre launched a new freephone number, 800 550 055.

... On the 19th of September, the company held a gala evening at the Žofín palace to mark its 120th anniversary.

... On the 9th of October, an electric car sharing service, or e-carsharing, was launched in Prague.

... PREžákaznická, a.s., was founded on the 1st of November taking over all direct customer services.

... On the 27th of November, PREnetcom, a.s., was founded to develop communication infrastructure within the distribution network in connection with the implementation of smart grids.

List of abbreviations

AMM – advanced metering management

B2B – big customers

B2C – small customers

CEP – Energy Advisory Centre (Centrum energetického poradenství)

CES – PRE Service Centre (Centrum služeb PRE)

CSMAD – Directive 2014/57/EU of the European Parliament and of the Council on criminal sanctions for market abuse (market abuse directive)

ČSRES – Czech Association of Regulated Power Supply Companies (České sdružení regulovaných energetických společností)

EEX – European Energy Exchange

EMIR – Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories

ERÚ – Energy Regulatory Office (Energetický regulační úřad)

EU – European Union

eYello – eYello CZ, k.s., a subsidiary of PRE

FVE – photovoltaic power plant

GDPR – Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation)

GWh – gigawatt hour

HV – high voltage

Kormak – KORMAK Praha a.s., a 100% subsidiary of PRE

Kormak nemovitosti – KORMAK nemovitosti s.r.o., a 100% subsidiary of PRE

kV – kilovolt

LV – low voltage

MAR – Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC

MCZ – millions of Czech crowns

MiFID II – Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU

MiFIR – Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments and amending Regulation (EU) No 648/2012

MO – retail

MV – medium voltage

MW – megawatt

MWh – megawatt hour

OHS – occupational health and safety

OTC – over the counter

OTE – OTE, a.s., electricity and gas market operator in the Czech Republic

PP – Pražská plynárenská, a.s.

PRE – Pražská energetika, a.s.

PREdi – PREdistribuce, a.s., a 100% subsidiary of PRE

PREH – Pražská energetika Holding, a.s.

PREm – PREměření, a.s., a 100% subsidiary of PRE

PREnetcom – PREnetcom, a.s., a 100% subsidiary of PREdi

PREzak – PREzákaznická, a.s., a 100% subsidiary of PRE

PXE – Prague Energy Exchange

REMIT – Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency

TCZK – thousands of Czech crowns

TEUR – thousands of euros

TR – transformer station

TWh – terawatt hour

Contact information

	Address	Postal code	Telephone
Pražská energetika, a.s.	Prague 10, Na Hroudě 1492/4	100 05	800 550 055
The company is registered in the Commercial Register maintained at the Municipal Court in Prague, file ref. B 2405.	www.pre.cz E-mail: pre@pre.cz ID No.: 60193913 Tax ID No.: CZ60193913 Bank information: Československá obchodní banka, a.s. Account number: 4001-0900109423/0300		For calls from foreign numbers: +420 267 055 555
PRE Press Relations	Prague 10, Na Hroudě 1492/4	100 05	+420 267 051 102
PREdistribuce, a.s.	Prague 5, Svornosti 3199/19a	150 00	800 550 055
Distribution Emergency Service	www.predistribuce.cz E-mail: distribuce@predistribuce.cz Prague 2, Kateřinská 1528/9 E-mail: poruchy@predistribuce.cz	120 00	For calls from foreign numbers: +420 267 055 555 Distribution Emergency Line: 1236
PREzákaznická, a.s.	Prague 10, Na Hroudě 1492/4	100 05	800 550 055
PRE Customer Centre	www.prezakaznicka.cz E-mail: pre@pre.cz Prague 1, Jungmannova 36/31 Prague 4, Vladimírova 64/18	110 00 140 00	For calls from foreign numbers: +420 267 055 555
PRE Call Centre	Prague 10, Kubánské náměstí 1391/11	100 00	800 550 055
PREměření, a.s.	Prague 10, Na Hroudě 2149/19	100 05	800 550 055
Emergency line	www.premereni.cz E-mail: mereni@pre.cz for PRE customers in case of main circuit-breaker failures: www.premereni.cz/opravy		For calls from foreign numbers: +420 267 055 555 +420 733 143 143
PRE Service Centre	Prague 1, Jungmannova 747/28 E-mail: centrum.sluzeb@pre.cz PREmobilita: premobilita@pre.cz Orders of energy services: servis.prem@pre.cz	110 00	
eYello CZ, k.s.	Prague 10, Kubánské náměstí 1391/11	100 00	+420 267 056 704
	www.yello.cz E-mail: yello@yello.cz		
KORMAK Praha a.s.	Prague 10, K Sokolovně 667	104 00	+420 271 071 311
	www.kormak.cz E-mail: kormak@kormak.cz		
KORMAK nemovitosti s.r.o.	Praha 10, K Sokolovně 667	104 00	+420 267 053 019
	E-mail: nemovitosti@kormak.cz		
PREnetcom, a.s.	Prague 10, Na Hroudě 1492/4	100 05	800 550 055
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