



**Professionalism
Proactiveness
Mutual trust**

18

Table of contents

002	PRE Group
005	PRE corporate bodies
010	Report of the Board of Directors on Business Activities
017	Selected financial indicators for the PRE Group
018	Trading in electricity and gas
020	Strategy
022	Human resources
025	Environmental protection and OHS
025	Public relations
027	Risk management system in the PRE Group
027	Internal audit, compliance, ombudsperson
030	Subsidiaries
038	Structure of shareholders
039	Information from the General Meeting
039	Information required by law
040	Supervisory Board Report on Activities
042	Report on Relations
062	Independent Auditor's Report to the shareholders of Pražská energetika, a.s.
074	Consolidated financial statements
138	Separate financial statements
199	Affidavit
200	PRE Group history
204	List of abbreviations
206	Contact information

This document is an unsigned English translation of the Czech Annual Report. Only the Czech version of the Annual Report is legally binding.

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 its more than 800 thousand consumption points, the PRE Group is the third largest electricity supplier in the Czech Republic, operating a high quality and reliable distribution network. As part of its activities, it supports state-of-the-art technological solutions and provides consultancy on the implementation of innovative technologies and energy savings. Last year, it distributed almost 6.33 TWh of electricity on all voltage levels to end customers and generated 29.67 GWh of electricity from renewable sources.

In 2018, the PRE Group consisted of the parent company Pražská energetika, a.s., which holds 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 specialises in installations and readings of electricity meters, 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 related to electricity infrastructure and transformer stations; PREservisní, s.r.o., (until 30.9.2018, KORMAK nemovitosti s.r.o.), which carries out central purchasing for the PRE Group; and PREzákaznická, a.s., which provides complete customer services to the clients of Pražská energetika, a.s., PREdistribuce, a.s., PREměření, a.s., and eYello CZ, k.s.

The PRE Group also includes the 100% subsidiaries of PREměření, a.s.: PRE FVE Světlík, s.r.o., (since 30.11.2017), SOLARINVEST – GREEN ENERGY, s.r.o., (since 3.5.2018) and FRONTIER TECHNOLOGIES, s.r.o., (since 30.11.2018). PRE FVE Světlík, s.r.o., owns and operates a photovoltaic power plant under relevant licences. SOLARINVEST – GREEN ENERGY, s.r.o., carries out installations of solar and thermal systems, such as air-conditioning units, heat pumps, etc. FRONTIER TECHNOLOGIES, s.r.o., develops, produces and supplies indoor and outdoor smart lighting solutions. The PRE Group also includes PREnetcom, a.s., a 100% subsidiary of PREdistribuce, a.s., which was founded on 27 November 2017 and started operating on 1 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 grids.

Licence overview

Pražská energetika, a.s.

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

PREdistribuce, a.s.

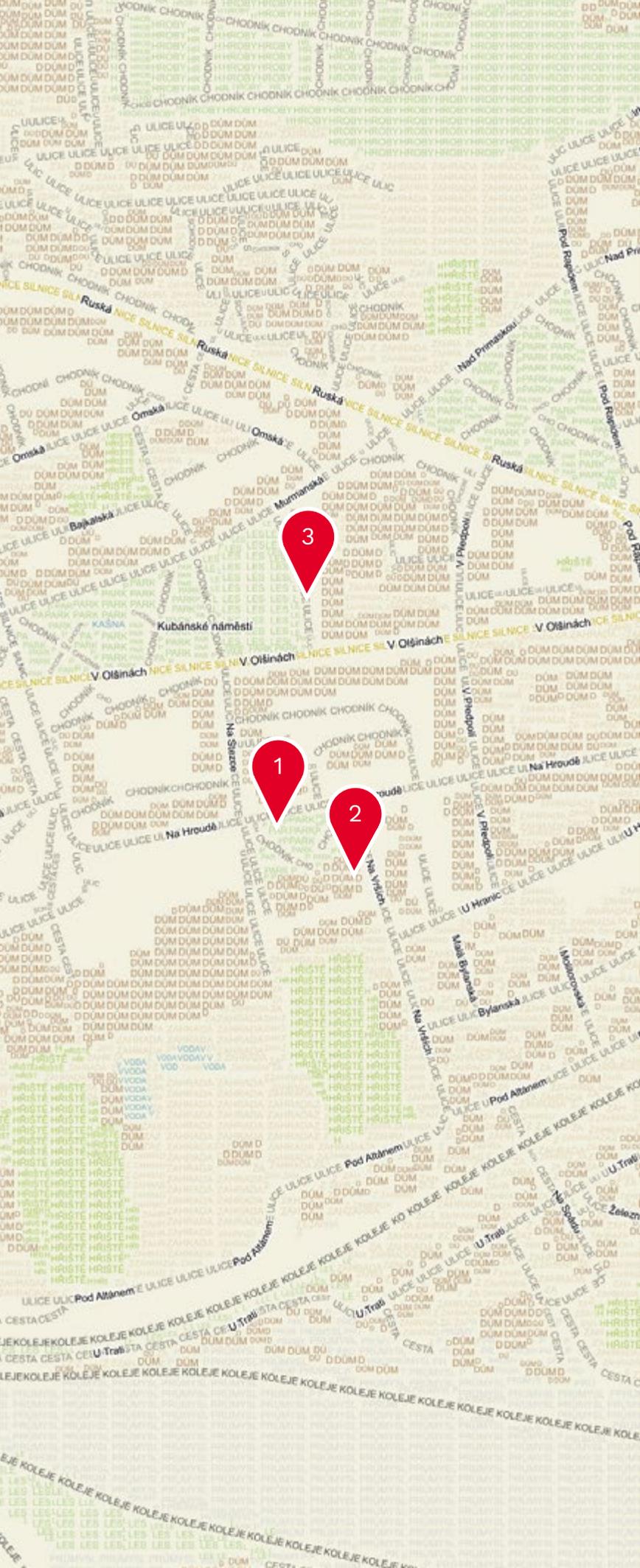
- Electricity distribution licence from 1 January 2006 for an indefinite period of time

PREměření, a.s.

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

eYello CZ, k.s.

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



1 The new seat of PRE was inaugurated in 1997. Its original design received a special mention of the Czech Association of Architects Grand Prix.



2 PRE has run a gallery for the past 20 years, hosting a number of interesting exhibitions every year.



3 The subsidiary eYello, based in Kubánské square, specialises in the sale of electricity and gas outside of the capital Prague.



4 As part of its donor activities, PRE has traditionally cooperated with the Královské Vinohrady University Hospital. Its donations, for example, helped buy machines and equipment for the Burn Clinic and the Gynaecology and Obstetrics Clinic.



5 This transformer station is located close to Kubánské square in Prague's Vršovice. Several dozen transformer stations in Prague have been spruced-up, sporting similar fresh new looks.



6 The subsidiary PREm offers smart solutions to customers, helping them increase energy efficiency.



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

ID No.: 27376516

Prague 5, Svornosti 3199/19a

PREměření, a.s. (PREm)

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

ID No.: 25677063

Prague 10, Na Hroudě 2149/19

eYello CZ, k.s. (eYello)

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

ID No.: 25054040

Prague 10, Kubánské náměstí 1391/11

KORMAK Praha a.s. (Kormak)

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

ID No.: 48592307

Prague 10, K Sokolovně 667

PREservisní, s.r.o. (PREs)

Until 30 September 2018, KORMAK nemovitosti s.r.o.

Lease of real estate, flats and non-residential premises

ID No.: 02065801

Prague 10, Na Hroudě 1492/4

PREzákaznická, a.s. (PREzak)

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

ID No.: 06532438

Prague 10, Na Hroudě 1492/4

PRE FVE Světlík, s.r.o.

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

ID No.: 28080378

Prague 10, Na Hroudě 2149/19

PREnetcom, a.s. (PREnetcom)*

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

ID No.: 06714366

Prague 10, Na Hroudě 1492/4

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

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

ID No.: 28923405

Prague 10, Na Hroudě 2149/19

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

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

ID No.: 27234835

Prague 10, Na Hroudě 2149/19

** PREnetcom, a.s., founded on 27 November 2017, became part of the PRE Group when it started operating on 1 January 2018.*

*** SOLARINVEST – GREEN ENERGY, s.r.o., became part of the PRE Group on 3 May 2018.*

**** FRONTIER TECHNOLOGIES, s.r.o., became part of the PRE Group on 30 November 2018.*

PRE corporate bodies

Board of Directors as of 31.12.2018

Pavel Elis

Chairperson

Alexander Manfred Sloboda

Vice-chairperson

Marián Čalfa

Vice-chairperson
(until 20.12.2018)

Pavel Pustějovský

Member
(until 20.6.2018)

Radim Kříž

Member
(since 21.6.2018)

Helmut Oehler

Member
(until 30.6.2018)

Markus Baumgärtner

Member
(since 1.7.2018)

Supervisory Board as of 31.12.2018

Jaroslav Štěpánek

Chairperson

Franz Retzer

Vice-chairperson until 27.6.2018, member since 28.6.2018

Bernhard Beck

Member until 27.6.2018, vice-chairperson since 28.6.2018

Monika Hášová

Member

Jan Sixta

Member

Fabian Spalthoff

Member

Stefan Theo Webers

Member

Jörg Reichert

Member

Works Council as of 31.12.2018

Jan Pokorný

Chairperson

Alena Šafrová

Vice-chairperson

Miroslava Svobodová

Member

Martin Votava

Member

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 2018, no members of the company bodies were subject to a conflict of interest or infringed prohibition of competition.

#006

PRE Group

PRE corporate bodies

Management of the PRE Group companies as of 31.12.2018

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

eYello CZ, k.s.



Michal Kulig
Managing director

#008

PRE Group

PRE corporate bodies

KORMAK Praha a.s.



Tomáš Kocourek
Managing director



Radek Matuszny
Manufacturing director

PREservisní, s.r.o.



Karel Urban
Authorised
representative and
managing director
(since 1.10.2018)



Miloslav Nergl
Authorised
representative and
director of the Support
Services division

PREzákaznická, a.s.



Roman Kronus
Managing director

PRE FVE Světlik, s.r.o.



Aleš Staněk
Authorised
representative

PREnetcom, a.s.



Petr Dvořák
Managing director

SOLARINVEST – GREEN ENERGY, s.r.o.



Aleš Hradecký
Authorised
representative
(since 3.5.2018)



Jakub Vančura
Authorised
representative
(since 3.5.2018)

FRONTIER TECHNOLOGIES, s.r.o.



Gabriel Lukáč
Authorised
representative



Tomáš Kocourek
Authorised
representative
(since 30.11.2018)

Report of the Board of Directors on Business Activities

Report of the Board of Directors on the Company's Business Activities and Assets for 2018

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

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

As the parent company, PRE leads the expanding PRE Group, which includes the following subsidiaries: PREdistribuce, a.s., (PREdi), PREměření, a.s., (PREm), eYello CZ, k.s., (eYello), KORMAK Praha a.s. (Kormak), PREservisní, s.r.o., (PREs) – until 30.9.2018, KORMAK nemovitosti s.r.o., PREzákaznická, a.s., (PREzak), PREnetcom, a.s., (PREnetcom), PRE FVE Světlík, s.r.o., and since 2018 also SOLARINVEST – GREEN ENERGY, s.r.o., (Solarinvest) and FRONTIER TECHNOLOGIES, s.r.o., (Frontier).

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

PRE also strives to contribute to the modernisation of the energy sector. It sees the greatest potential in smart grids, decentralised energy sources and modern technologies, which help customers better control their energy consumption and optimise their costs. It, therefore, offers its customers smart tailored solutions which promote energy efficiency.

Economic and political situation in 2018

The energy sector as we have traditionally known it is currently undergoing many dramatic changes. 2018 clearly showed we live in turbulent times characterised by rapid new technological developments, legislative changes and debates concerning European and national energy and climate objectives.

In July 2018, the Czech Senate proposed an amendment to Act No. 458/2000 Coll., the Energy Act, to the Chamber of Deputies. 2018 also saw the conclusion of the inter-ministry consultation process regarding the draft amendment to Act No. 165/2012 Coll., on promoted energy sources. The amendment to the Act on Promoted Energy Sources aimed at reflecting the Czech commitments resulting from the European Commission's decision to adopt specific measures verifying the adequacy of the support for promoted energy sources. Another major change to the act was motivated by the Czech Republic's commitments on the use of renewable energy sources. According to the amendment, their use will be encouraged by a system of auctions from 2021. Another proposed amendment to the Energy Act concerns primarily the Energy Regulatory Office (ERÚ), its decision-making powers, and the strengthening of consumer protection.

In December 2018, Directive (EU) 2018/2001 of the European Parliament and of the Council on the promotion of the use of energy from renewable sources was published. Its main aim is to establish a common framework for the promotion of the use of energy from renewable sources, set a binding 2030 EU target for the share of renewable energy in the gross end consumption in the Union, and define rules for the financial support of electricity from renewable sources and rules for the promotion of the use of renewable energy in the heating and cooling sector and

the transport sector. The directive also establishes rules for regional cooperation between the member states and between the member states and third countries. 2018 also saw the publication of the Energy Performance of Buildings Directive, the Energy Efficiency Directive and Regulation (EU) 2018/1999 of the European Parliament and of the Council on the governance of the energy union and climate action. The vital role in meeting the energy and climate targets is played by integrated national energy and climate plans, which all member states have to propose by the end of 2019 and subsequently every ten years.

As for overall economic developments in 2018, the Czech economy maintained its strong growth, which amounted to 3%. GDP growth was primarily driven by domestic demand, particularly the formation of gross fixed capital and end consumption of households.

Electricity price on the Prague Energy Exchange gradually rose over the course of last year. As a result, the price of supplies for the following year far exceeded 50 EUR/MWh. At the same time, electricity consumption increased year-on-year, both in Prague and the entire Czech Republic. The total electricity consumption in the Czech Republic reached 62.2 TWh, having increased by 0.5% compared to 2017.

Since 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 the period of 2019–2020. Public consultations are under way on the key principles of the price regulation of the energy sector and the gas industry in the fifth regulatory period, which will last from 2021 to 2025. PRE actively participates in the consultation process.

Economic results in 2018

In 2018, the PRE Group achieved record economic results in terms of EBITDA for the third year in a row. The consolidated EBITDA amounted to CZK 4,873 million, exceeding the 2017 result by CZK 118 million. The profit from ordinary activity after tax amounted to CZK 2,868 million. The slight year-on-year decrease was caused by changes in the accounting of investment contributions in accordance with the newly adopted IFRS 15 standard.

The good results were, among other things, driven by an increase in the volume of supplies in all the segments. Electricity supplies successfully increased by 88 GWh and gas supplies by 50 GWh. Year-on-year, the volume of electricity distributed in the licensed territory increased by 39 GWh and the volume of electricity generated from renewable sources by 4 GWh.

The total consolidated gross margin from the supply of electricity and gas, including the revenue from electricity generation, amounted to CZK 6,971 million, exceeding the 2017 margin considerably by CZK 238 million. The increase was mainly driven by the segments of distribution and renewable energy.

The increase in operating expenses was caused by the acquisition of Solarinvest, a higher number of repairs and constructions carried out by Kormak in the networks, and an increase in ICT expenditures.

Personal expenses increased year-on-year due to a higher number of employees and changes to the collective agreement.

There was a marked year-on-year increase in consolidated depreciation in 2018 due to the implementation of the new IFRS 15 accounting standard, which harmonises the accounting of investment contributions as deferred income over 20 years. Until 2017, the method of accounting a part of investment contributions caused a yearly decrease in distribution assets and, consequently, depreciation of about CZK 100 million.

In 2018, the PRE Group generated consolidated operating cash flow of CZK 4,107 million. As the General Meeting decided to pay out dividends in 2018, current assets decreased year-on-year.

The value of consolidated non-current assets increased year-on-year by CZK 1,214 million to CZK 24,835 million, primarily thanks to investments in energy network fixed assets amounting to more than CZK 1.5 billion. The investments were chiefly made in the development and modernisation of the MV and LV networks. Investments

were also made in the development of information and communication technologies, technical upgrades of buildings and vehicle fleet renewal.

Other balance sheet items remained stable year-on-year, except for non-current receivables and liabilities, where hedging derivatives were divided into current and non-current, which caused an increase in their value. The increase in the value of hedging derivatives was also caused by rising electricity prices. This increase, however, did not impact the economic results in any way. The year-on-year increase in non-current liabilities was also caused by the above-mentioned implementation of IFRS 15, which harmonises the accounting of investment contributions as deferred income over 20 years.

Retained earnings decreased as in July the General Meeting decided to pay out dividends amounting to CZK 3.4 billion. The value of retained earnings was also impacted by the retrospective removal of investment contributions from retained earnings and the transfer of deferred tax to non-current liabilities (as of 1 January 2018) pursuant to IFRS 15. Equity attributable to the parent company's shareholders increased to CZK 17,795 million in 2018. The fact that the share of equity exceeds 58% creates good conditions in the long term for PRE to implement ambitious growth plans and make related investments.

Despite the tough competitive environment, the company managed to maintain its return on capital employed (ROCE) at 15.7%, which proves its long-term high performance.

Pražská energetika, a.s. – business activities

The separate economic results after tax amounted to CZK 2,336 million in 2018, exceeding the 2017 results by CZK 123 million.

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

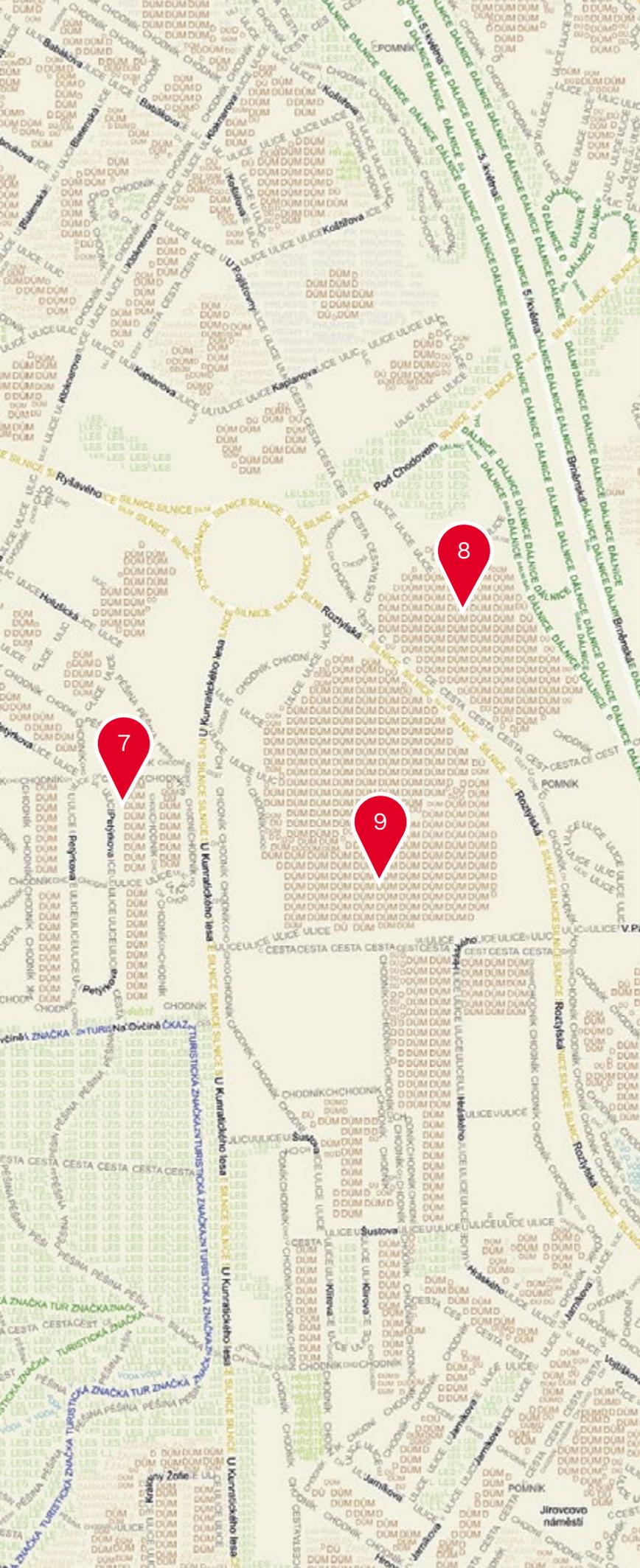
In 2018, PRE procured electricity and gas for its customers on futures and intraday markets not only in the Czech Republic, but also in Germany and Austria. This procurement strategy aims at ensuring the lowest possible purchase prices and, as a result, attractive sale prices for end customers. A considerable 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.

2018 was a successful year in terms of electricity sales: the total amount of supplied electricity increased by 88 GWh. Thanks to new sales activities, the total sale of electricity on the MV and HV levels increased by 4.1% year-on-year. There was a significant increase in the electricity supplies outside Prague amounting to 6.4% year-on-year.

After a long period of stable retail prices, the company, similarly to its competitors, had to introduce new prices for end customers in the second half of 2018 to at least partially reflect the growing wholesale prices. The rapid growth in electricity prices on the energy exchange and the company's decision to adjust prices only in the second half of the year caused a slight year-on-year decrease in the gross margin from the sale of electricity amounting to CZK 49 million.

The company responded to the current electricity market trends and 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 about to expire in 2018. They were offered attractive sale prices and their fixation until 2020.

2018 also saw a significant increase in the sale of gas: the total volume of supplied gas increased by 14.8% year-on-year to 387 GWh. As a result, the gross margin from the sale of gas increased by CZK 16 million year-on-year. The company plans to further boost its sales activities in this area.



7 The Wheelchair Club Petýrkova is among the many organisations PRE supports as part of its philanthropic activities.



8 The Chodov shopping centre is among the most important consumers supplied by PRE.



9 PRE operates a wide network of charging stations for electric vehicles in Prague. One of them is located in the parking garage at the Chodov shopping centre.



10 PREDi's non-stop emergency service is based in a newly renovated 1960s building in Prague's Karlov.



11 One of the many workplaces of the PRE Group is located in Prague's Vinohrady.



12 PRE has installed a number of smart lamps throughout Prague. They not only provide lighting, but also serve as free Wi-Fi hotspots and boast a number of other features, such as emergency buttons and sensors measuring emissions.

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PRE owes its impressive sales record to its balanced and transparent relationship with customers and long-term commitment to improving customer services. A decisive factor in successful future sales is digitisation. In 2018, the company continued to enhance its automated system of individual price quoting. As a result, customers accept price quotes online using a modern web portal.

PRE very actively engages in electromobility and smart city infrastructure. In 2018, the company installed its fifth quick-charge station and 20 standard PREpoint charging stations. The number of customers using PRE charging stations doubled year-on-year. In 2018, PRE prepared two comprehensive projects relating to public charging stations. Both were selected by the Czech Transport Ministry for funding under the Transport Operational Programme. The first project, Pátevní síť PRE (PRE Backbone Network), aims at building a nation-wide network of 125 quick-charge stations for electric vehicles in fifty regions of the Czech Republic. PRE's proposal based on cooperation with filling stations won the tender, receiving the co-funding. The project will be implemented by mid-2021. The second successful project, Metropolitní síť PRE (PRE Metropolitan Network), aims at installing over a hundred standard charging stations primarily in Prague.

As for smart infrastructure, the company focused on better accessibility of electromobility to Prague residents and the support of new services. As a result, a new control system for charging stations was launched, enabling one-off card payments for charging. PRE charging stations were also made available to the holders of Prague's Lítačka transport card and integrated in the international charging station administration system, Hubject, which makes them available to thousands of foreign customers. PRE also further developed its relationships with key players on the electromobility market, such as Škoda Auto and Porsche ČR (a VW Group importer). In addition to operating one of the largest fleets of electric vehicles, PRE also offers electromobility to all Prague residents through its e-carsharing pilot project.

PRE has a long tradition of devising and testing new types of services for Prague residents. It has installed more new smart lamps, which collect environmental data and

increase the accessibility of public charging infrastructure, and also implemented a number of solutions improving energy efficiency of buildings. 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.

PREdistribuce, a.s.

The subsidiary PREdi operates the distribution network in Prague and in Roztoky, carrying out one of the key activities of the PRE Group. Its primary mission is to ensure the reliable distribution of electricity from transfer points with the transmission system to end customers' consumption points using a modern distribution system. PREdi carries out its business activities as an operator of a distribution system in the public interest in compliance with the Energy Act and under a licence issued by ERÚ. Through its implementing rules, ERÚ determines how the energy industries and prices are to be regulated.

The highest load of the distribution network in 2018 amounting to 1,187 MW was recorded on 28 February. It corresponded to the highest loads in the previous years as well as the highest load in history.

Given the specifics of the capital, where short-term larger disruptions can have devastating effects, potentially causing transport collapse, posing a threat to people's lives and impeding the operation of state authorities and companies, high quality electricity supply is vital. PREdi consequently faces extraordinary demands for the high quality and reliability of supply.

2018 saw no large-scale technical breakdowns, which would have impacted the electricity supply to Prague customers in a major way. The performance of the distribution system proves the trend of decreasing distribution failure rate in the capital. Throughout the year, the quality standards of electricity supply and related services were met with regard to the absolute majority of customers connected to the PREdi distribution networks in accordance with ERÚ Decree No. 540/2005 Coll. PREdi also fares well in comparison with other electricity distributors in the Czech Republic and in

comparable cities in the EU, especially in terms of supply reliability on all voltage levels as recorded by ERÚ.

PREdi's EBITDA reached CZK 3,184 million, exceeding the 2017 result by 4.6%. The volume of electricity distributed by PREdi's distribution network in 2018 amounted to 6,327 GWh, which is a 0.6% 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 4,917 million.

2018 saw increased demand from investors for connecting new buildings, resulting in new consumption points in previously undeveloped parts of Prague. At the end of 2018, more than 802 thousand consumption points were connected to the distribution system, which is a year-on-year increase of about 1%. In 2018, PRE invested CZK 1,701 million in the distribution system, which is a 6.7% year-on-year increase. The most notable construction completed and launched in 2018 is the 110/22 kV Karlín transformer station, which considerably relieves the network in central parts of Prague 1 and Prague 9 and provides sufficient input for developing localities along the Vltava river all the way to Libeň. Considerable investments were made not only in the renovation of HV lines, but also in the LV networks.

In line with the company's new concepts, distribution transformer stations and 22 kV and 1 kV cable lines are now built as smart grid ready. The digitisation of network operation and the development of smart infrastructure is carried out in accordance with the National Smart Grid Action Plan (Národní akční plán pro chytré sítě) approved by the Czech government in 2015. Smart grids will be necessary to ensure reliable operation of the electricity system and to meet the demand created by the expected expansion of decentralised generation and electromobility. The network load can be expected to increase by up to hundreds of MW, especially due to the expansion of electromobility.

Other subsidiaries

In 2018, the PRE Group continued to grow, acquiring two new subsidiaries: Solarinvest and Frontier. The two companies considerably enhance the portfolio of energy

services offered by the PRE Group, substantially improving its position on the developing market. Solarinvest offers modern energy products combining electricity generation using solar panels with accumulation systems, as well as products helping end customers manage their consumption. Frontier supplies comprehensive lighting systems mainly to industrial enterprises and the public sector. Thanks to the organic growth of PREm and targeted acquisitions, the PRE Group successfully meets its development objectives.

The revenue from electricity generation from renewable sources increased considerably year-on-year thanks to favourable weather conditions in 2018 as well as the acquisition of the Světlík photovoltaic power plant, which uses special tracking solar panels.

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

Through its subsidiary eYello, PRE is also an active player in the retail segment, selling electricity and gas in other distribution territories using mainly online sales channels. The number of eYello customers continues to grow, reaching almost 40 thousand consumption points at the end of 2018. Electricity supplies accounted for about 70% and gas supplies for 30%. In 2018, the company's EBITDA amounted to CZK 13 million. The number of newly concluded contracts exceeded 22 thousand in 2018, despite strong retention measures adopted by other suppliers.

Kormak and PREzak primarily focus on providing internal services to the other members of the PRE Group. Kormak provides services in the field of design, building permit administration, construction, and installation of low and medium voltage networks, in particular for PREdi. PREzak serves as a single contact point for B2C customers regarding all energy supply matters; it is also in charge of the main communication channels (the PRE Customer Centre and the PRE Call Centre) and provides customer support services on behalf of all the PRE Group companies.

The company continuously strives to increase the efficiency of client communication and to implement new, mainly digital, communication channels.

We see great development potential in PREnetcom, a future hub for know-how in the construction, operation and use of optical data networks. It will help plan and coordinate their construction and operation, supporting smart grids, and coordinate the use of temporarily available optical network transmission capacity by PREdi and PRE.

Expected economic situation

In the following years, the energy sector will continue to be profoundly affected by the developments in EU and national legislation and initiatives aimed decarbonisation, increasing energy efficiency and promoting energy savings. At the same time, there is a growing inclination to introduce market mechanisms, for example, in renewable sources support. The energy sector is also shaped by rapid technological developments, digitisation and technical innovations, which bring new business models, for example, in the field of smart grids and electromobility.

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

The segment of smart customer infrastructure brings together the sale of energy and the sale of energy services, which seem to increasingly converge on the market today. In this area, PRE meets all customer needs related to electricity and gas supply as well as energy services, such as installation of heating systems and rooftop solar systems.

The segment of city infrastructure combines regulated distribution activities and the development of public infrastructure, which generates synergies with the existing capacities and competences. Thanks to the acquired public co-funding, the company will focus on the development of a network of public charging stations for electric vehicles

in the following years. Another key future area is the development of high-speed internet infrastructure, the efficient maintenance of street lighting and the introduction of smart city infrastructure.

In the segment of sustainable energy generation infrastructure, the focus has, expectedly, changed from the acquisition of existing generation plants to organic development. An increase in generation capacity is expected from 2021 in relation with the EU Winter Package, which will set a 2030 renewable energy target for the Czech Republic. In order to partake in these developments, PRE has compiled a list of measures, which are being implemented.

The company's strategic plan draws on its defined, long-term measures and initiatives, which are reviewed and updated every year. Thanks to the development activities, the key indicator, EBITDA, is planned to increase to more than CZK 5 billion by 2025. The company will utilise 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 mission and strategic vision to be a modern and stable energy company and a preferred partner for its customers, and to actively contribute to making Prague a nice and pleasant place to live.

On behalf of the Board of Directors, we would like to thank our customers, employees, suppliers, partners and shareholders for their trust and cooperation in 2018. We are very much looking forward to our continued successful cooperation in the future.

In Prague, 25 April 2019

Signed by

Pavel Elis
Chairperson of the
Board of Directors

Signed by

Alexander Sloboda
Vice-chairperson of the
Board of Directors

Selected financial indicators for the PRE Group

Selected financial indicators for the PRE Group

	Unit	2018	2017	Calculation formula
Total revenues	MCZK	20,251	19,176	Revenue from electricity and gas sold and from electricity produced + Other operating revenue
Sales margin	MCZK	6,971	6,733	Gross profit from the sale of commodities
Profit after tax	MCZK	2,868	2,960	
Equity proportion to total invested capital	%	58.4	64.2	Equity attributable to the parent company's shareholders / Total assets x 100
ROCE – return on capital employed	%	15.7	15.0	ROCE = EBIT / (Equity attributable to the parent company's shareholders + Non-current loans + Deferred tax liability) x 100
Total revenue labour productivity	TCZK/employee	13,620	13,212	(Revenue from electricity and gas sold and from electricity produced + Revenue from provided services + Investment contributions) / average adjusted number of employees
EBIT	MCZK	3,606	3,661	Profit before tax + Borrowing costs
EBITDA	MCZK	4,873	4,755	Profit before tax + Borrowing costs + Amortisation and depreciation
Net profit per share	CZK	741	765	Profit after tax / Share capital x 1,000

Other indicators

	Unit	2018	2017
Gross distributed electricity	GWh	6,327	6,288
Total purchase of electricity	GWh	6,018	5,930
Purchase of gas	GWh	387	337
Generation of electricity	GWh	30	26

Trading in electricity and gas

In 2018, PRE procured electricity and gas for its customers on futures and intraday markets not only in the Czech Republic, but also in Germany and Austria. This procurement strategy aims at ensuring better purchase prices and, as a result, better sale prices for end customers.

In 2018, the PRE Group's main electricity and gas suppliers included its traditional and trusted business partners from both the Czech Republic and abroad. A considerable portion of electricity was purchased from local Czech producers generating electricity from renewable sources, particularly biogas stations, producers generating electricity from biomass and hydroelectric power plants. The PRE Group continues its long-term cooperation with Povodí Vltavy, s.p., which operates hydroelectric power plants on the Vltava river.

PRE complies with all of the 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 2018, electricity sales were greatly influenced by the enormous growth in prices on the energy exchange. The growing wholesale prices did not encourage customers' buying activities in the first half of 2018. Another reason for customers holding back was the expected strengthening of the Czech crown against the euro, which, however, did not materialise. As a result, a considerable percentage of customers concluded their contracts in the second half of the year.

The growing electricity prices also resulted in high spot prices on the wholesale market. This trend adversely affected electricity prices for customers whose contracts reflect spot prices and who purchase electricity in tranches depending on yearly, monthly and quarterly stock exchange products.

Big customers choose to procure electricity for the next period in parts at various moments in time. The volume of electricity procured this way now accounts for about 47% of the total B2B supply.

State authorities and regional governments procure energy exclusively through electronic auctions in accordance with the Public Procurement Act.

Customers' inclination to conclude multi-annual contracts did not change markedly year-on-year: about 45% of the volume of supplies was contracted for the period after 2018. Following the activities of alternative suppliers, consultancies and organisers of electronic auctions, customer pressure on sale prices continued in 2018.

B2B sales activities in 2018 focused on making the individual sales channels more efficient by merging two sales segments. 2018 also saw the start of digitisation of new sales methods.

The total volume of electricity sold to the customers on the MV and HV levels increased by 4.2% year-on-year. This increase is tied to the improvement of the sales activities as well as the overall growth of the Czech economy.

Sales – B2C segment

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

In May 2018, the General Data Protection Regulation was implemented, affecting not only sales procedures, but also contractual documentation, customer service processes and the customer management system.

As for digitisation, a new application was developed to aid in preparing contractual documentation for end customers outside of traditional customer contact points. In cooperation with PREm, a new product was launched in 2018: PRE PROUD DRIVE includes a wall box for charging electric vehicles and green electricity supply. The new product is available to both companies and households.

The volume of natural gas supplied to the B2C segment increased by more than 39% year-on-year. Thanks to the sales activities of both PRE and its subsidiary, eYello, the balance of the number of B2C customers supplied with electricity was positive year-on-year. The volume of supplied electricity remained the same.

Sales – eYello CZ, k.s.

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

In 2018, the company supplied electricity and gas to almost 40 thousand customers, benefiting from the continued trend of switching energy suppliers. At the same time, it could not avoid increasing energy prices for its end customers to reflect the general trend on energy exchanges. Thanks to its stable growth, the company secured its traditional position among the top ten most dynamically developing electricity and gas suppliers in the Czech Republic.

Strategy

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

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

Smart customer infrastructure brings together the sale of energy and the sale of energy services, which seem to increasingly converge on the market. PRE plans to meet customers' needs by developing its portfolio of combined products, enabling the joint supply of electricity and gas and the provision of related energy services. Consequently, the PRE Group acquired two well-established companies in 2018: Solarinvest, which specialises in rooftop solar systems, and Frontier, which is a leading supplier of smart lighting systems. PRE plans to further enhance its energy services, both organically and inorganically, providing its customers with added value, just as it does with its electromobility solutions. The company will also continue to digitise its processes, increase the quality of customer services and introduce new sales channels.

The second strategic development area, city infrastructure, mainly concerns the distribution of electricity in the capital. The PRE Group will continue to focus on the optimisation of its operating processes and "smartening" of the distribution network. To this end, it will carry out pilot projects and in the long term introduce state-of-the-art smart grid technologies throughout the entire distribution network.

As smart grids have been deemed a key area of future development, the related activities will be stimulated correspondingly in the coming years. In the long term, the PRE Group plans to cooperate with the operator of the transmission system, ČEPS, taking specific measures to increase the reliability of the electricity supply in Prague. It 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, where it plans to use public co-funding to build city- and countrywide networks of charging stations. As for optical networks, PRE aims to develop infrastructure for high-speed internet connection. To achieve synergies when laying fibre optic cables for smart grids, it will also create spare capacity that could be made available to 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, PRE can provide high quality services at low costs.

PRE's third key strategic development area is sustainable infrastructure for the generation of electricity from renewable sources. Here, PRE will prudently grow its portfolio of renewable energy sources by mainly organic means, taking account of market developments and any changes to the support schemes for building new sites for generating energy from renewable sources.

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



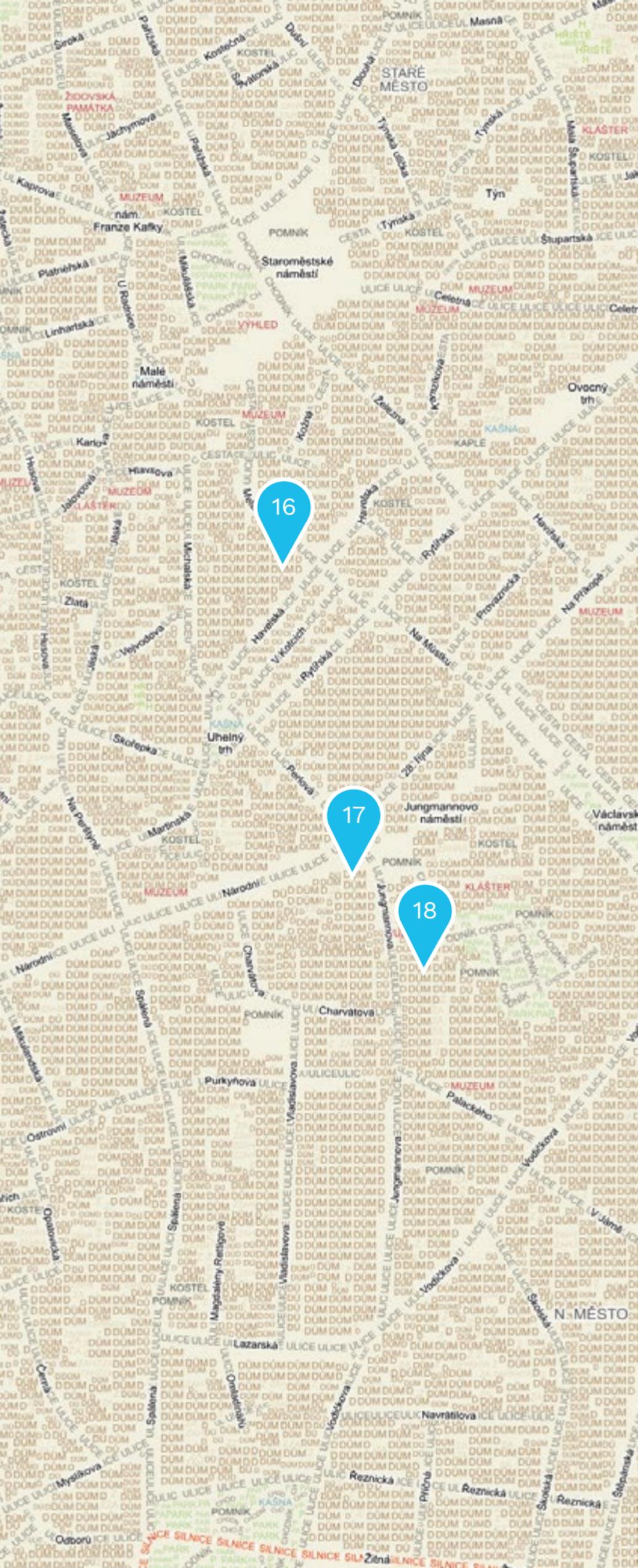
16 Six years ago, PRE started cooperating with the Charter 77 Foundation, helping people with disabilities through its Konto Bariéry charity collection.



17 The PRE Customer Centre on Jungmannova street serves up to a thousand customers every day.



18 The PRE Service Centre on Jungmannova street offers a wide range of energy services to both households and businesses. It also houses the PREkolo electric bike shop and rental service.



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Human resources

Human resources management

PRE's Human Resources department carries out all of the personnel administration and wage calculations for the PRE Group (the parent company and its subsidiaries), using the SAP HR module. Remuneration, healthcare and social care programmes are enshrined in the collective agreement. Both tariff and negotiated wages are used in the PRE Group; their specific applications are governed by the respective company standards.

Services related to occupational safety and environmental protection are also provided centrally by the parent

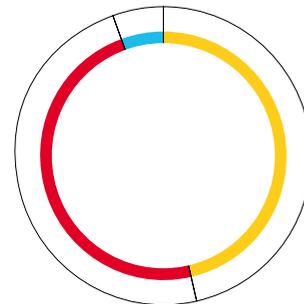
company to the entire PRE Group. PRE monitors all important indicators of work-related accidents, proposes specific measures and carries out regular inspections, particularly concerning fire safety and environmental protection. The effectiveness of the OHS management system is also regularly monitored throughout the entire PRE Group. PRE traditionally succeeds in obtaining the Safe Enterprise (Bezpečný podnik) occupational safety certificate as well as the Health Supporting Enterprise (Podnik podporující zdraví) certificate.

Healthcare

Employee healthcare consists of two key areas: occupational healthcare provided to the employees in accordance with the applicable legislation and preventive

PRE employee qualification structure

	%
■ University	46.45
■ Secondary concluded by an exam (maturita)	48.17
■ Secondary and secondary vocational	5.38
■ Primary	0.00



PRE employee age structure

	%
■ Under 20 years	0.00
■ 20-30 years	11.61
■ 30-40 years	22.58
■ 40-50 years	30.97
■ 50-60 years	27.74
■ Over 60 years	7.10



healthcare programmes provided to all the employees free of charge in addition to the legally mandated occupational healthcare.

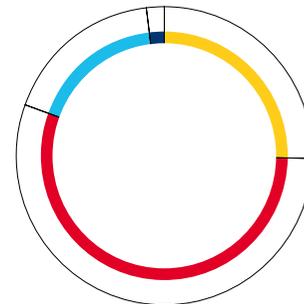
Occupational healthcare is provided at the company's premises by a medical professional from POLIKLINIKA AGEL Praha Italská, a healthcare facility operated by the contractual partner Dopravní zdravotnictví, a.s. It mostly includes routine, pre-employment and special check-ups. The occupational health professional also cooperates with the Occupational Safety and Environmental Protection department, carrying out occupational health inspections at workplaces, and with the HR department, providing vaccinations, which are not legally mandated, but considered beneficial to the protection of employee health by the company.

In addition to the legal requirements, all employees have access to free preventive healthcare programmes: most notably, breast cancer screening and treatment, urological and thyroid screening, regular vaccinations against seasonal diseases, as well as extra dental care including subsidised dental and prosthodontic interventions not covered by health insurance.

Managers of the PRE Group are also provided with a preventive healthcare programme at the Na Homolce Hospital and Pavel Kolář's Centre for Musculoskeletal Medicine.

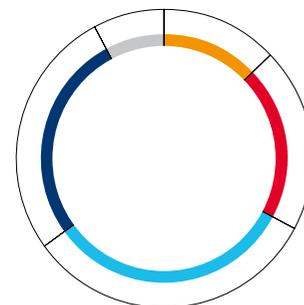
PRE Group employee qualification structure

	%
■ University	25.71
■ Secondary concluded by an exam (maturita)	55.82
■ Secondary and secondary vocational	17.73
■ Primary	0.74



PRE Group employee age structure

	%
■ Under 20 years	0.00
■ 20–30 years	12.92
■ 30–40 years	20.10
■ 40–50 years	32.00
■ 50–60 years	27.27
■ Over 60 years	7.71



Social policy

A transparent social policy and a high standard of employee care are among PRE's key values. As an employer, PRE cares for the well-being and motivation of all the employees and the good social climate and constantly improves its employees' living standards and economic situations.

Key principles of the social policy are enshrined in the collective agreement and attest to a long-standing commitment to provide a robust social care programme including both universal and elective fringe benefits. The programme primarily aims at the improvement of the employees' social conditions, working environment and catering, the provision of interest-free social loans and housing loans, legally mandated occupational healthcare and additional preventive healthcare programmes, the organisation of cultural and sporting events for employees as well as the promotion of free-time activities for employees and their families. The scope and quality of the social policy meet a high standard of employee care, which the company aims to improve every year.

Training

In line with its HR strategy, PRE puts a special emphasis on providing all of its employees with training and development opportunities. The main objective of systematic training and development is to attain the required personnel and qualification structure, using all available tools. Not only does it increase the company's competitiveness, but it also inspires the employees' loyalty and positive perception of PRE's HR policies. Every calendar year, the HR department prepares a training and development plan aimed primarily at providing employees with required qualifications and competences in all fields. The plan identifies knowledge and skills employees need to acquire to carry out their tasks and improve their current qualifications.

The company continues to cooperate with selected secondary schools and universities through its recruitment programme, offering placements to graduates to help them successfully enter the job market despite their lack of

previous experience. Lasting up to one year, the recruitment programme helps these young experts adapt to the work environment and complement their theoretical knowledge with basic working experience.

The current lack of skilled workers in the relevant technical fields attests to the importance and usefulness of the continued close cooperation with secondary schools and universities which provide education in the fields needed by the PRE Group to maintain its qualification structure. The cooperation primarily entails the provision of short-term and long-term practical internships in the PRE Group to students of partner schools, mainly universities, the active participation of the PRE Group experts in debates and meetings with students and PRE's presence at school open days. Many graduates of the Faculty of Electrical Engineering of the Czech Technical University in Prague (FEL ČVUT) as well as Prague electrical engineering vocational schools, such as the Technical Business Vocational Training Centre (Centrum odborné přípravy technickohospodářské) and the František Křížík Secondary Vocational School and College of Electrical Engineering (VOŠ a SPŠE Františka Křížíka), have managed to enter the job market successfully thanks to the high-quality professional experience gained at the PRE Group and to personal contacts with PRE experts who consulted on their Bachelor's and Master's theses.

PRE continues to run and fully fund the Polygon training and educational centre. It caters to the company's employees, enabling them to enhance their skills by training on real-life devices, as well as to partner companies and students of electrical engineering schools. In 2018, a total of 907 persons, of whom 294 were electrical engineering students, used the opportunity to get first-hand experience with the distribution network equipment used in Prague and its safe operation.

Environmental protection and OHS

Being aware of the potential impacts of their business activities, the PRE Group companies strive to prevent and limit their adverse effects on the environment and people's health. As a result, responsible attitudes to the protection of air, soil and water continue to be an inseparable part of the corporate culture. In order to reduce their environmental impact, the companies also try to limit the amount of waste. The PRE Group considers occupational health and safety of its employees a priority and aims to minimise work-related accidents and adverse health effects.

Unified in their efforts, all companies of the PRE Group jointly adopt the PRE Group policy on environmental protection, safety and energy efficiency, which was updated in 2018. The companies have procedures and systems in place to manage environmental protection and occupational health and safety. Selected PRE Group companies repeatedly obtain the Safe Enterprise (Bezpečný podnik) occupational safety certificate as well as the Health Supporting Enterprise (Podnik podporující zdraví) certificate and have their environmental management systems re-certified. 2018 saw the successful certification according to ISO 14001:2016.

In order to meet the environmental protection and occupational health and safety goals set in line with the PRE Group policy on environmental protection, safety and energy efficiency, the companies keep their employees and suppliers informed about the negative environmental impacts of their activities and the possibilities of improving the occupational safety and environmental protection standards.

In 2018, several programmes were carried out, focusing on re-greening and the installation of modern new equipment which is more energy efficient, better proofed against the leakage of dangerous substances into soil, air and water and less noise-polluting.

The PRE Group companies also traditionally engage in supporting renewable energy sources and the development and promotion of alternative means of transport.

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

As a modern energy company, PRE actively engages in making Prague a nice and pleasant place to live and in supporting socially beneficial projects and organisations. PRE strives to help mainly in the region where it operates due to its urban character and close ties to Prague.

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

77 Foundation concludes deeds of donation with the recipients. The maximum possible financial contribution for one project is CZK 200 thousand.

In 2018, the total amount of donations made by PRE was CZK 6.5 million. It was used for 30 direct donations and another 71 donations from Fond PRE established within the Charter 77 Foundation. The average contribution to a project from Fond PRE in 2018 was more than CZK 42 thousand.

As part of its donor activities, PRE also traditionally cooperates with hospitals, such as the Radiodiagnostic Clinic of the General University Hospital in Prague (Radiodiagnostická klinika FVN v Praze), the Sisters of Mercy of St. Borromeo Hospital in Prague (Nemocnice Milosrdných sester sv. Karla Boromejského v Praze) and the Gynaecology and Obstetrics Clinic of the Královské Vinohrady University Hospital (Gynekologicko-porodnická klinika FNKV), and with schools, such as the Palestra College of Physical Education and Sport (Vysoká škola tělesné výchovy a sportu Palestra) and the Faculty of Electrical Engineering of the Czech Technical University in Prague (FEL ČVUT). In the social sector it cooperates with Our Child Foundation (Nadace Naše dítě), Drop of Hope Endowment Fund (Nadační fond Kapka naděje), the Linka bezpečí helpline, Association for the Protection of Endangered Children (Sdružení na ochranu ohrožených dětí), Association of the SOS Children's Villages, the Zajíček na koni association, the Šance project, HEWER, Life 90 (Život 90), POINT 50+, and Art Against Cancer (Uměním proti rakovině). PRE also supports people with disabilities, for example through Wheelchair Club Petýrkova, Czech Boccia Federation, Quiet World (Tichý svět), Deaf With Hope (Neslyšící s nadějí), Open Studio (Otevřený atelier), the Borůvka Praha association, and Jedlička Institute Foundation (Nadace Jedličkova ústavu).

Membership in organisations

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

Risk management system in the PRE Group

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

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

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

Risks are divided into four main categories: strategic, operational, financial, and compliance risks. Strategic risks are connected to technology developments as well as climate change, environmental protection and societal changes. Operational risks relate to the company's business activities, to infrastructure and human impact as well as to the changes in legislation and regulatory parameters that can have a profound effect particularly on the company's

regulated activities. Financial risks are connected with financial management and the company's financing and also include credit risks and risks posed by market price trends. Compliance risks relate to non-compliance and violation of legislation.

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

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

Internal audit, compliance, ombudsperson

Internal audit

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

Internal audits are concluded with final reports, which are debated by the management of the PRE Group companies. Twice a year, the Board of Directors approves an internal

#028

PRE Group

Internal audit, compliance, ombudsperson

audit activity report. Implementation of approved corrective measures is monitored through the Audit Tracker web application.

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

In 2018, the Internal Audit and Risk Management department continued its cooperation on the PRE Group internal audits with Ernst & Young 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 management system. In 2018, it also carried out audits according to ISO 9001.

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

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

The Compliance tab on the PRE intranet contains documents and important contacts, including e-mail addresses compliance@pre.cz and interni.audit@pre.cz,

which can be used by the employees for open as well as anonymous reporting of suspected violations of the law, the PRE Group's Code of Ethics and other internal standards.

The employees are regularly informed about the PRE Group compliance rules as well as criminal liability of legal entities, primarily through trainings and articles in the internal company magazine, which also cover data protection and the secure use of IT tools. The methodology detailing the application of the Act on Criminal Liability of Legal Entities was amended by the Prosecutor General's Office in 2018. The PRE Group is implementing the changes into its internal processes.

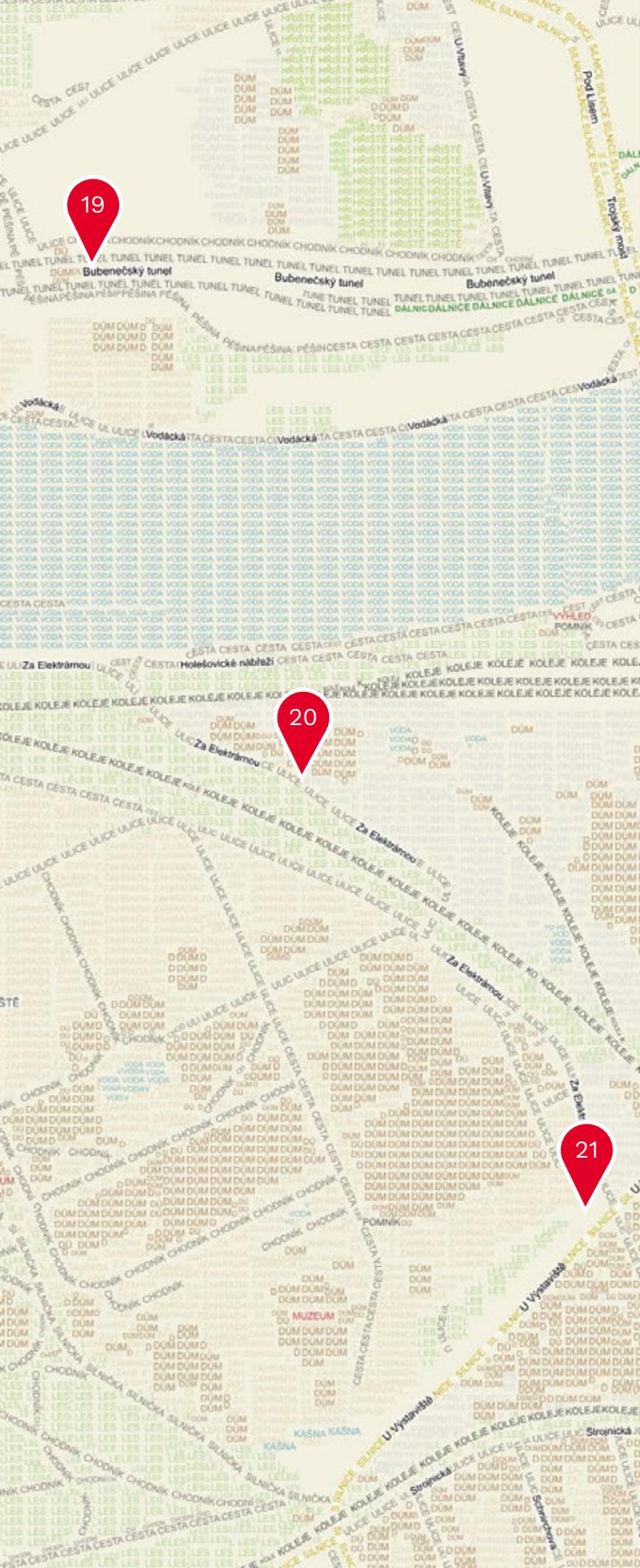
The General Data Protection Regulation (GDPR) came into effect in 2018 and the PRE Group companies comply with its provisions. A system for responding to customers' issues and complaints relating to personal data protection was fully launched. The measures taken in relation with GDPR will be further assessed and adjusted in 2019, based on the needs and requirements of both customers and the company's expert departments.

Ombudsperson

Since the position of an ombudsperson was established in the PRE Group five years ago, customers have grown accustomed to the possibility of raising their issues with her. Their number again saw a slight year-on-year increase in 2018. Compared to the first year, it has grown more than three-fold.

The ombudsperson debates the customer issues that could help improve the overall quality of the company's services with relevant departments.

The majority of issues raised by customers continues to be deemed not legitimate (legitimate complaints account for less than 10%). All customers are provided with detailed explanations of their cases.



19 The switching station at the entrance to the Blanka tunnel supplies electricity to the entire tunnel complex.



20 PRE actively engages in electromobility: electric cars are becoming an important part of the company fleet.



21 The quick-charge station for electric vehicles located near the exhibition grounds in Prague's Holešovice uses electricity generated by its solar panels, which it can also accumulate using its own batteries.



22 The 110/22 kV Karlín distribution station considerably improves the reliability of electricity supply in the centre of Prague.



23 The hydroelectric power plant on Štvanice island is more than a hundred years old.



24 The new cable tunnel built towards the Hlávka bridge will lead out the output from the new 110/22 kV Karlín transformer station to Prague's Old and New Town.

Subsidiaries

PREdistribuce, a.s.

PREdistribuce, a.s., (PREdi) operates the distribution system in the capital Prague, in Roztoky and in Žalov covering an area of 505 km². It was founded in 2005 in connection with

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

Development of selected network indicators

Indicator	Unit	2018	2017	2016	2015	2014	2013
Maximum network load	MW	1,187	1,196	1,172	1,093	1,149	1,156
Total length of electricity networks	km	12,276	12,104	12,054	12,014	12,006	11,912
of which: HV	km	221	214	207	207	207	206
MV	km	3,881	3,864	3,872	3,867	3,854	3,872
LV	km	8,174	8,026	7,975	7,940	7,945	7,834
Number of HV/MV stations (PREdi/total)	pieces	24/25	23/24	22/23	22/23	22/24	22/24
Total number of MV/MV stations and MV/LV stations	pieces	4,876	4,863	4,858	4,843	4,835	4,834
Number of MV/LV distribution stations	pieces	3,214	3,218	3,229	3,229	3,246	3,261

Number of enquiries processed by the Distribution Emergency Line

Year	2018	2017	2016	2015	2014	2013
Total	41,434	42,521	42,125	42,210	41,371	52,789
of which failures	4,098	4,207	8,018	11,726	13,900	22,943

The Distribution Emergency Line also processed 7,814 reports concerning failures and breakdowns of street lighting equipment (not included in the table).

The contract on the provision of services ensuring the operation of street lighting in Prague was terminated on 19 July 2018.

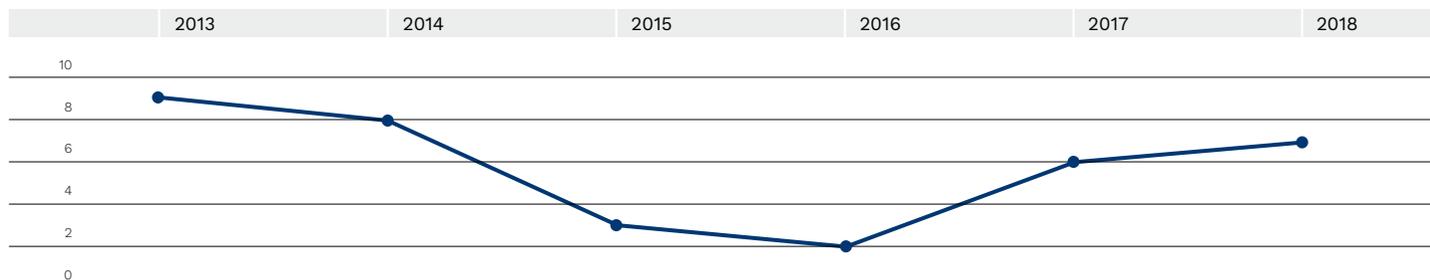
Number of e-mails processed by the Distribution Emergency Line

Year	2018	2017	2016	2015	2014	2013
Total	6,344	6,697	6,208	5,470	5,722	4,916

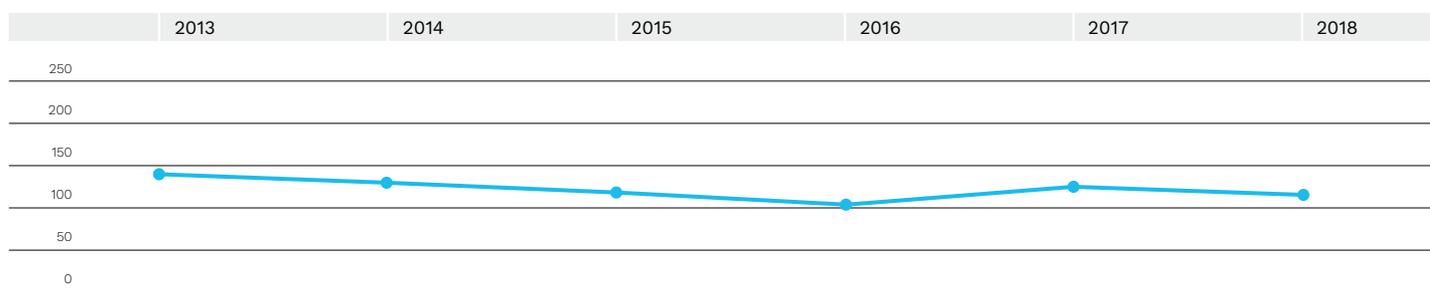
The Distribution Emergency Line also processed 3,871 reports concerning failures and breakdowns of street lighting equipment (not included in the table).

The contract on the provision of services ensuring the operation of street lighting in Prague was terminated on 19 July 2018.

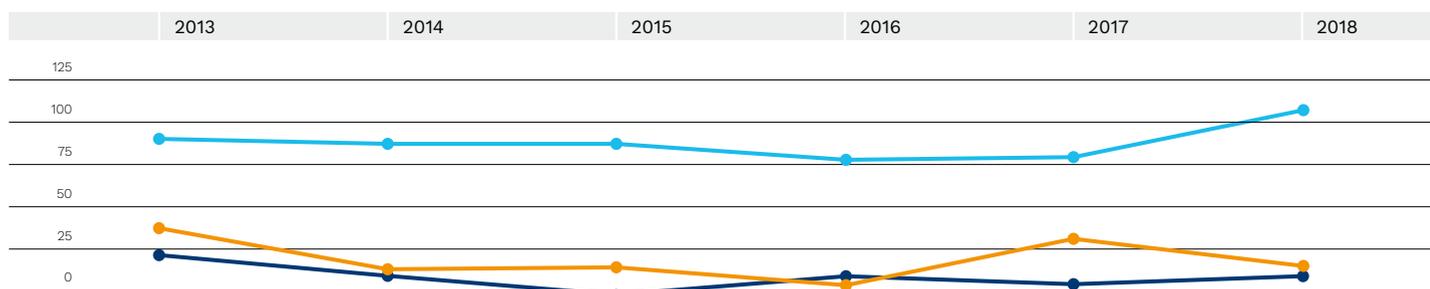
Number of HV failures



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

At the end of 2018, more than 802 thousand consumption points were connected to the PREdi distribution system. The highest load of the distribution network in 2018 amounting to 1,187 MW was recorded on 28 February. In 2018, the networks distributed 6,327 GWh on all voltage levels, which was 39 GWh more than last year. All output and energy demands of both the existing and new customers and development projects in the licensed territory were met. Throughout the year, the quality standards of electricity supply and related services were met with regard to the customers connected to the distribution system in accordance with ERÚ Decree No. 540/2005 Coll., as amended.

Last year, PREdi founded a subsidiary, PREnetcom, a.s., which primarily focuses on planning and coordinating the construction and operation of optical networks that support smart grids, and on coordinating the use of temporarily available optical network transmission capacity by PREdi and PRE.

PREměření, a.s.

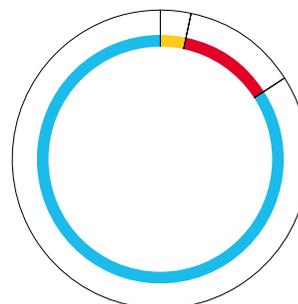
PREměření, a.s., (PREm) operates in three key areas. Its activities in the traditional segment of metering include the purchase, testing and installation of metering equipment for its sister company PREdi and to a smaller extent the sale of metering equipment and selected electrical appliances to external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

Energy services are a significant part of PREm's activities. Their development is one of the strategic objectives of the PRE Group. PREm offers a wide range of energy services including energy audits, lighting and heating solutions, rental of metering equipment, electroinstallation and inspection, installation and servicing of photovoltaic power plants, construction and inspection of transformer stations, comprehensive decentralised energy supply solutions (gas boiler rooms, cogeneration units, etc.) and a wide range of electromobility services. PREm offers its energy services primarily through the PRE Service Centre, which also rents and sells electric bikes. In 2018, the acquisition of two companies providing energy services was finalised: SOLARINVEST – GREEN ENERGY, s.r.o., specialises in installation of photovoltaic power plants and battery accumulation systems; FRONTIER TECHNOLOGIES, s.r.o., specialises in development, production and installation of lighting solutions.

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.

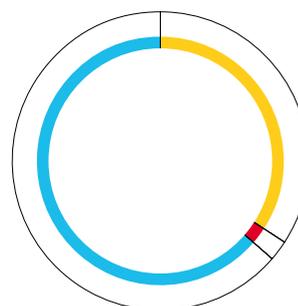
Number of electricity meter installations carried out in 2018

Customer requests	3 thous.
New consumption	11 thous.
Verification	73 thous.
Total	87 thous.



Number of meter readings in 2018

Gas	423 thous.
Heat	27 thous.
Electricity	786 thous.
Total	1,236 thous.



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
Syrovce – Rajhradská	3,168
Syrovce – Ořechovská	3,168
Dačice	4,848
Mikulov	941
Požořice	4,596
Světlík	2,154
Total	25,672

eYello CZ, k.s.

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

In the last five years, the company, operating under the Yello Energy brand, has ranked among 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.

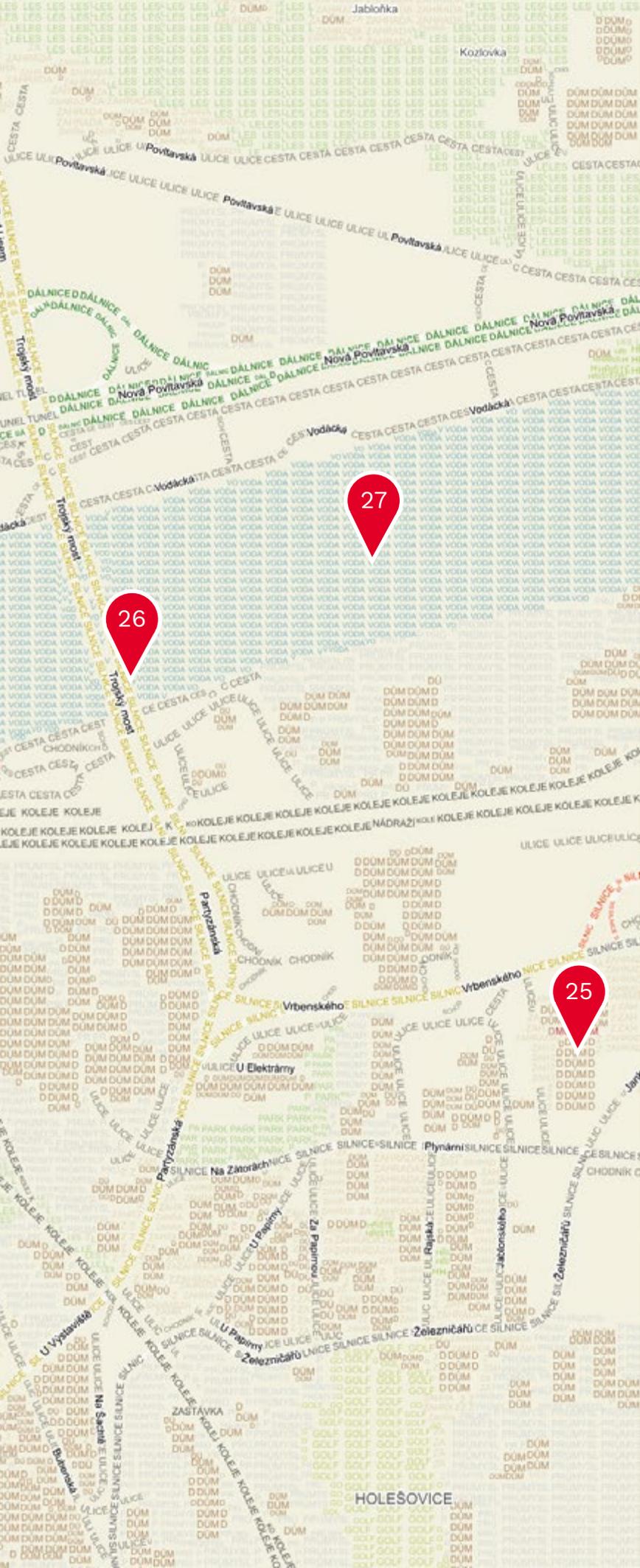
KORMAK Praha a.s.

KORMAK Praha a.s. (Kormak) provides a complete range of engineering, design and construction services in the field of 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, renovation of 110/22 kV transformers, and construction and maintenance of street lighting. The company also meets the needs of the PRE Group by cooperating on projects related to the latest trends in the energy industry, such as the development of charging infrastructure for electric vehicles and optical infrastructure, and other smart city projects.

KORMAK nemovitosti s.r.o. / PREservisní, s.r.o.

The existing 100% subsidiary of PRE, KORMAK nemovitosti s.r.o., was renamed PREservisní, s.r.o., (PREs) on 1 October 2018. Originally, KORMAK nemovitosti rented its immovable assets and provided related services.

As of 1 January 2019, PREs assumed the activities originally carried out by the Support Services section of the parent company, PRE, and the Construction Management and Diagnostics and Measurements departments of PREdi. As a result, the PRE Group achieves higher efficiency of its internal processes, capitalises its investments, and reduces its administrative burden and related costs.



25 The Technical and Documentary Museum of Prague Power Engineering boasts a unique collection, documenting the history of electricity generation, transmission and distribution from the 1900s to the present day.



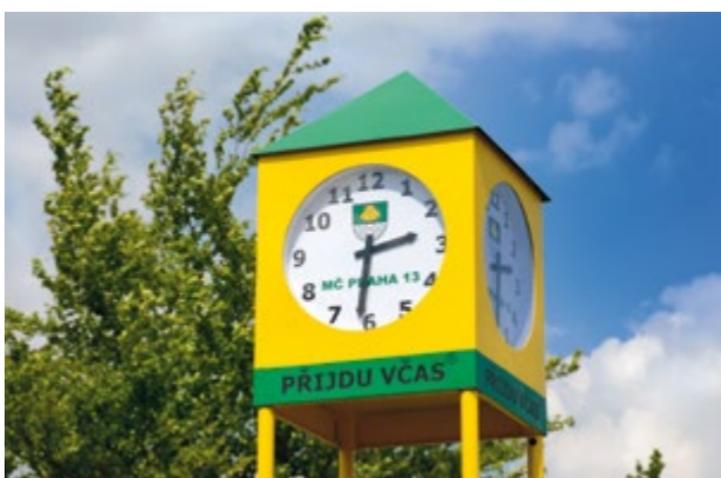
26 Prague's public transport company, Dopravní podnik hlavního města Prahy, is among PRE's biggest customers. The trams in the entire capital are powered by electricity from PRE.



27 The Holešovice cable tunnel connects the Sever and Holešovice distribution stations and leads out the output from the 110/22 kV Holešovice transformer station to Prague's districts of Holešovice, Bubny and Troja.



28 One of the first charging stations for electric vehicles was installed near the seat of the municipal authority of Prague 13.



29 PRE is involved in the Přijdu včas (Being on time) initiative aimed at installing clocks at playgrounds to help children keep track of time. The first clock was installed in the central park in Prague's Stodůlky.



30 Prague's entire metro system is powered by electricity from PRE, as the public transport company, Dopravní podnik hlavního města Prahy, is among PRE's biggest customers.

PREzákaznická, a.s.

PREzákaznická, a.s., (PREzak) was founded on 1 November 2017 as a 100% subsidiary of Pražská energetika, a.s., with the aim to transfer PRE customer services to a separate legal entity. PREzak is in charge of all main customer service channels (the PRE Customer Centre and the PRE Call Centre) and the provision of customer support services on behalf of PRE, PREdi, PREm and eYello. In 2018, the main objective was to stabilise the newly established company.

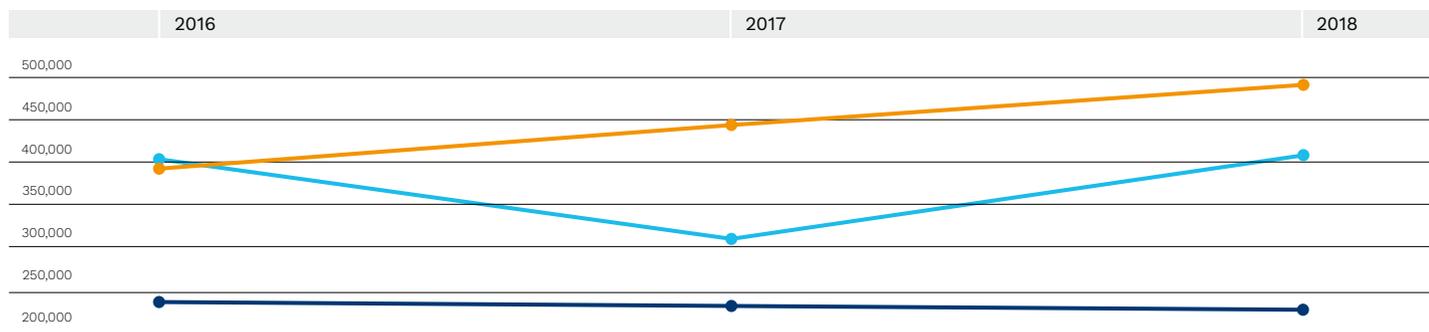
The main goal of PREzak is to provide high quality customer services. To this end, it uses not only traditional communication channels (customer centres and call centres), but also modern online communication tools, such as the Moje PRE (My PRE) administration portal, online forms, etc. PREzak also develops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

PREnetcom, a.s.

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

The company also explores the possibilities of using the spare capacity of the created communication network for other purposes, such as smart city and smart home features. In 2018, it launched its first pilot commercial project in Prague's Skalka involving 550 households. 2019 will see the implementation of other pilot projects aimed at selecting suitable technologies, determining the overall concept and architecture of the communication network, and developing a suitable business plan.

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



SOLARINVEST – GREEN ENERGY, s.r.o.

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

Solarinvest has a long history of installing photovoltaic power plants, supplying battery accumulation systems and installing heat pumps and air conditioning systems for households and industrial sites. Using its own internal capacity, it takes care of design, installation and servicing, and provides consulting on relevant subsidies. In 2019, the company expects to grow primarily in the segment of industrial accumulation systems and electromobility infrastructure.

PRE FVE Světlík, s.r.o.

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

PRE FVE Světlík, s.r.o., has no employees. Its assets comprise of a photovoltaic power plant infrastructure with the installed capacity of 2.154 MWp. Unlike basic stationary solar systems, the power plant uses tracking photovoltaic panels. By changing their tilt, the panels extend the period of optimum light exposure and, consequently, increase the output of the power plant. In 2018, the power plant generated 3,249 MWh of electricity. The sale of the generated electricity brought the company more than CZK 49 million.

FRONTIER TECHNOLOGIES, s.r.o.

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

Structure of shareholders

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

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).

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

Main PRE shareholders (%)

As of 31.12.	2018	2017	2016	2015	2014	2013
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.	2018		2017		2016		2015	
	Number of shareholders	Nominal value (TCZK)						
Domestic shareholders	5,435	2,266,193	5,458	2,266,193	5,484	2,266,205	5,504	2,266,204
Foreign shareholders	13	1,603,250	13	1,603,250	13	1,603,238	13	1,603,239
Shareholders total	5,448	3,869,443	5,471	3,869,443	5,497	3,869,443	5,517	3,869,443
Natural persons	5,429	20,035	5,452	20,038	5,479	20,039	5,500	21,428
Legal persons	19	3,849,408	19	3,849,405	18	3,849,404	17	3,848,015

Information from the General Meeting

The Annual General Meeting of Pražská energetika, a.s., held on 20 June 2018 approved:

- the Report of the Board of Directors on the Company's Business Activities and Assets for 2017, as presented by the company's Board of Directors;
- the consolidated financial statements for 2017, as presented by the company's Board of Directors;
- the separate financial statements for 2017, as presented by the company's Board of Directors;
- the proposal for the distribution of 2017 profit and any other profit undistributed as at 31 December 2017, including determination of the amount of profit shares (dividends) and directors' fees for 2017 and the method of payment;
- the contract on the performance of the duties of the newly elected member of the Supervisory Board, Franz Retzer, including remuneration; and,
- the presented proposal for the total amount of donations in 2019;

elected Franz Retzer, whose mandate expired on 27 June 2018, to be a member of the Supervisory Board with effect from 28 June 2018; and,

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

Information required by law

Information about facts which occurred after the balance sheet day

No such facts have occurred.

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

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

Information about activities in research and development

The company does not systematically conduct activities in these fields.

Information about acquisition of own shares

The company did not acquire its own shares.

Information about whether the accounting unit has an organisational unit abroad

The company had an organisational unit in Slovakia, whose contribution to the total turnover accounted for less than 10%. The organisational unit was dissolved as of 31 December 2018.

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

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

Information about risk management objectives and methods in the company

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

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

The information is presented in the financial statements.

Information about interruption of business

The company did not interrupt its business during the year.

Supervisory Board Report on Activities

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

In accordance with the Articles of Association, all of the meetings of the Supervisory Board in 2018 were attended by the members of the Works Council elected by the company's employees. The meetings were also attended by the chairperson and the vice-chairperson of the Board of Directors.

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

In 2018, the Supervisory Board, amongst others:

- debated and reviewed the proposal for the distribution of profits for 2017 including 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 company's operational activities, particularly in sales, turnover, receivables and liabilities;
- assessed the fulfilment of the top management's objectives for 2017;

- debated and reviewed the Report on Relations for 2017;
- debated the 2017 Annual Report;
- debated the materials to be debated by the General Meeting of the company convened on 20 June 2018;
- debated and approved the resignation of Pavel Pustějovský from the Board of Directors as of 20 June 2018;
- elected Radim Kříž to be a new member of the Board of Directors as of 21 June 2018;
- debated and approved the resignation of Helmut Oehler from the Board of Directors as of 30 June 2018;
- elected Markus Baumgärtner to be a new member of the Board of Directors as of 1 July 2018;
- elected Pavel Elis and Alexander Sloboda, whose mandates expired, for another term on the Board of Directors;
- elected Bernhard Beck to be the vice-chairperson of the Supervisory Board as of 28 June 2018;
- debated and approved the transfer of certain support activities to PREservisní, s.r.o.;
- approved the economic plan for 2019 and took account of the draft plan for 2020–2021;
- approved the 2018 update of the PRE Group strategy for 2019–2025; and,
- approved the top management's objectives for 2019.

The Supervisory Board declares that the company's economic results in 2018 were excellent and expresses its thanks for them to the members of the Board of Directors as well as the company's employees.

In Prague, 15 March 2019

Signed by

Jaroslav Štěpánek

Chairperson of the Supervisory Board



31 Václav Havel Airport is among PRE's biggest customers.



32 Frontier replaced standard gas-discharge lamps in terminal 2 of Prague's Václav Havel Airport with modern LED lamps.



33 The subsidiary PRedi prepares to build a new distribution station to supply Václav Havel Airport.



34 PRE has traditionally cooperated with the Czech Technical University, particularly its Faculty of Electrical Engineering, and supported a number of student projects.



35 Smart city infrastructure is one of the cornerstones of the PRE Group activities. Among other things, it includes the development of a network of charging stations and the promotion of electromobility.



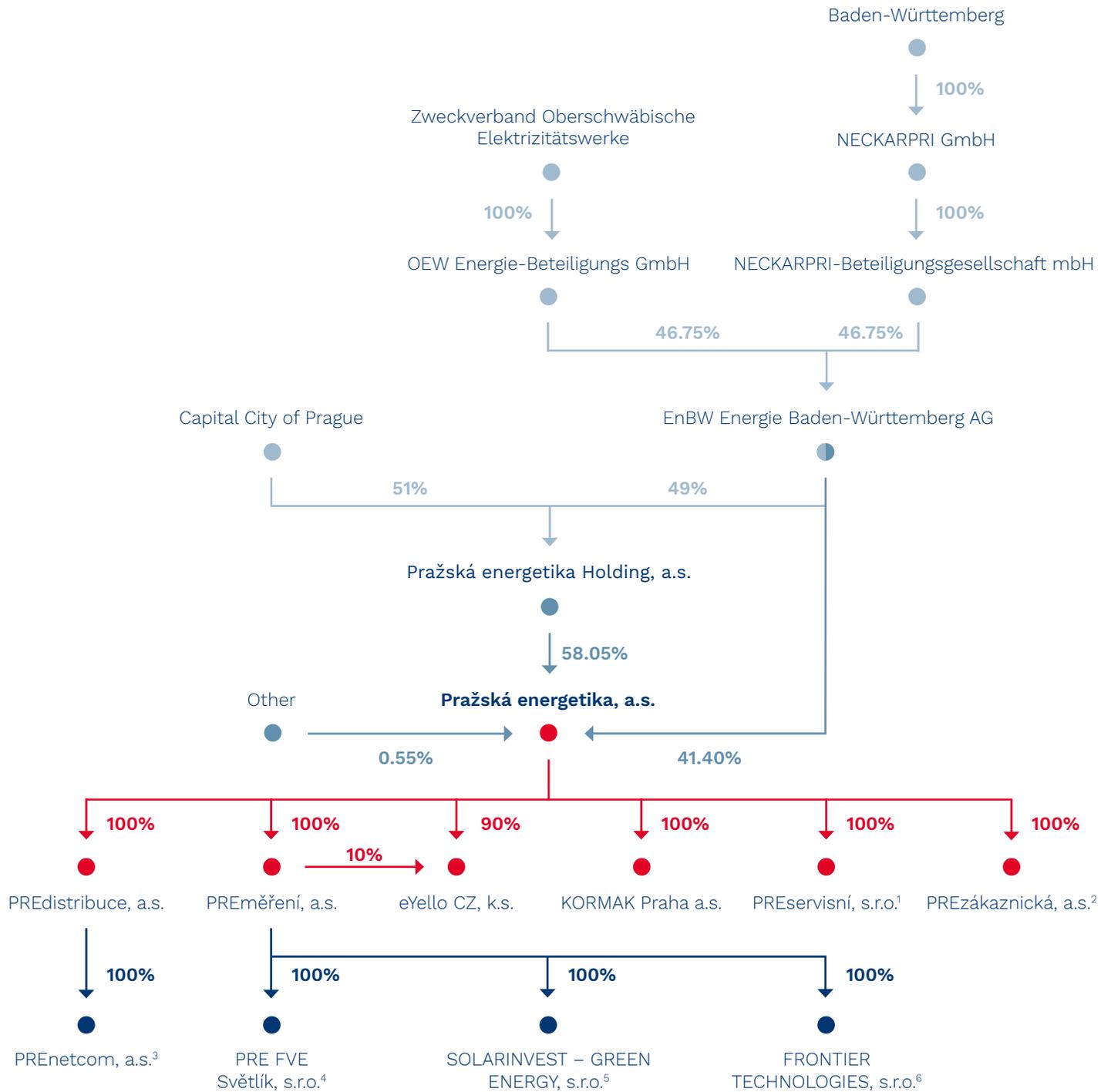
36 The Public Transport Museum documents the shared early history of PRE and Prague's public transport company, Dopravní podnik hlavního města Prahy.

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Report on Relations



Report on Relations of Pražská energetika, a.s., for 2018

(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 1.1.2018 to 31.12.2018. The relations are described in a manner respecting the provisions of Section 504 of Act No. 89/2012 Coll., the Civil Code, concerning trade secrets, and by analogy with the provisions of Section 359 of the Business Corporations Act concerning restrictions of information provision.

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

I. Structure of the relations

Controlling entities:

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

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

Controlled/managed entity:

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

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

II. Role of PRE; method and means of control

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

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

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

¹ Until 30 September 2018, KORMAK nemovitosti s.r.o.

² A 100% subsidiary of PRE since 1 November 2017.

³ A 100% subsidiary of PREdi since 1 January 2018, founded on 27 November 2017.

⁴ A 100% subsidiary of PREm since 30 November 2017.

⁵ A 100% subsidiary of PREm since 3 May 2018.

⁶ A 100% subsidiary of PREm since 30 November 2018.

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

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

In 2018, no actions concerning assets exceeding 10% of PRE's equity were carried out on the instigation or in the interest of the controlling entity or its controlled entities.

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

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

I. Contracts concluded by PRE with PREH

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

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

Contract on short-term loan No. 1/2018 – in effect from 1.8.2018 to 3.7.2019

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

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

II. Contracts concluded by PRE with EnBW 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 data and data processing in IDM) No. G3400/2068 – in effect from 28.11.2011 for an indefinite period of time

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

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

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

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

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

Contract on 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

EFET Gas contract with VNG Energie Czech, s.r.o. – in effect from 1.4.2018 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

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

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

III. Contracts concluded by PRE with its subsidiaries

i) Contracts between PRE and PREdi

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 advertising 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

11 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

#046

PRE Group

Report on Relations

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 – in effect from 1.1.2017 to 31.7.2018

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

Contract for work – installation of charging stations No. IS/S24/1736825 – in effect from 15.5.2017 to 30.10.2018

Contract on the purchase of a garage No. KV/G33/12450A/1739062 – in effect from 16.4.2018 to 10.5.2018

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

Contract on the provision of dispatcher control services and handling No. PS23100218/001 – in effect from 1.1.2018 to 31.5.2019

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

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

ii) Contracts between PRE and PREm

Contract on the lease of a part of 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 to 31.12.2018, as amended

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

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

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

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

Contract on the provision of services No. 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. G4109/2015/0083 (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 (G4630/2011/0005) – in effect from 5.12.2011 for an indefinite period of time, as amended

Contract on electricity supply from promoted sources No. C00605/12 – in effect from 1.1.2013 for an indefinite period of time, as amended
General contract for work No. M6100/RS/2016/0002 (G4100/2016/0001) – in effect from 21.1.2016 for an indefinite period of time
Servicing contract No. G3530/S/10/2016/03 (M6100/SE/2016/0020) – in effect from 1.3.2016 for an indefinite period of time, as amended
Contract on long-term loan No. 1/2014 (C00806/14, G1020/PREM-VSU1/2014/05) – in effect from 28.2.2014 to 28.2.2022
Contract on long-term loan No. 2/2014 (C00807/14, G1020/PREM-VSU2/2014/06) – in effect from 28.2.2014 to 28.2.2023
Contract on long-term loan No. 3/2014 (C00808/14, G1020/PREM-VSU3/2014/07) – in effect from 28.2.2014 to 29.2.2024
Contract on long-term loan No. 4/2014 (C00809/14, G1020/PREM-VSU4/2014/08) – in effect from 28.2.2014 to 29.2.2024
Contract on long-term loan No. 5/2014 (M5000/O/2015/0004, 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, G1020/PREM-OŘECH/2015/07) – in effect from 27.10.2015 to 29.10.2023
Contract on long-term loan No. 2/2015 (G1020/PREM-RAJ/2015/08, M5000/O/2015/0011) – in effect from 27.10.2015 to 29.10.2023
Contract on long-term loan No. 1/2014 (M5000/DAC/2015/0015, G1020/BLACKUVER/2014/01) – in effect from 8.12.2014 to 18.12.2024
Contract on long-term loan No. 1/2015 (G1020/Dačice/2015/04, M5000/DAC/2015/0013) – in effect from 27.10.2015 to 29.10.2024
Contract on long-term loan No. 1/2015 (G1020/Mikulov/2015/05, M5000/MIK/2015/0014) – in effect from 27.10.2015 to 29.10.2024
Contract on long-term loan No. 1/2015 (G1020/Požořice/2015/06, M5000/POZ/2015/0012) – in effect from 27.10.2015 to 29.10.2024
Contract on long-term loan No. 1/2017 (M5000/O/2017/0003) – in effect from 22.12.2017 to 22.12.2027
Contract on operational cash transfer No. G1020/POKLAD_PREM/2017/1 (M5000/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 on the provision of physical unidirectional cash pooling No. C00188/05 (ZBA/2005/36) – in effect from 1.12.2005 for an indefinite period of time
Contract on the supply of electricity from the Dačice renewable source No. M6100/E/2017/0099 – in effect from 1.1.2018 to 31.12.2018
Contract on the supply of electricity from the Hořovice renewable source No. M6100/E/2017/0100 – in effect from 1.1.2018 to 31.12.2018
Contract on the supply of electricity from the Kondrac renewable source No. M6100/E/2017/0101 – in effect from 1.1.2018 to 31.12.2018
Contract on the supply of electricity from the Mikulov renewable source No. M6100/E/2017/0102 – in effect from 1.1.2018 to 31.12.2018
Contract on the supply of electricity from the Ořechevská renewable source No. M6100/E/2017/0103 – in effect from 1.1.2017 to 31.12.2017
Contract on the supply of electricity from the Rajhrad renewable source No. M6100/E/2017/0104 – in effect from 1.1.2018 to 31.12.2018
Contract on the supply of electricity from the Pozorka renewable source No. M6100/E/2017/0105 – in effect from 1.1.2018 to 31.12.2018
Contract on the supply of electricity from the 4 MW Pozořice renewable source No. M6100/E/2017/0106 – in effect from 1.1.2018 to 31.12.2018
Contract on the supply of electricity from the 0.9 MW Pozořice renewable source No. M6100/E/2017/0107 – in effect from 1.1.2018 to 31.12.2018
Mandate contract – electromobility – in effect from 5.12.2011 for an indefinite period of time
Contract on the provision and installation of lighting at Za Elektrárnou 784 No. M6100/P/2018/0010 (G3540/I/01/2018/004), dated 19.1.2018
Contract on the provision and installation of the ABB Výstaviště charging station No. M6100/P/2018/0019 (G3540/I/01/2018/006), dated 10.1.2018
Contract on the provision and installation of the SMIGHT charging station on K Hrnčířům street in Šeberov No. M6100/P/2018/0156 (G3540/I/01/2018/028), dated 3.9.2018
Contract on the installation of smart lamps in Vinohrady No. M6100/O/2018/0174 (G3540/I/01/2018/034), dated 17.10.2018

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
Contract on the provision of short-term loans – in effect from 30.11.2005 for an indefinite period of time
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

Contract for work – the provision and installation of a street lighting pole including the installation of a wallbox charging station No. G3540/1/01/2018/041, dated 3.12.2018

v) Contracts between PRE and PREs (until 30.9.2018, 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 31.12.2018, as amended

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 gas supply services No. 30008435 – in effect from 28.8.2017 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 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/05/2017/39928 – in effect from 1.1.2018 for an indefinite period of time

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

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

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

Contract on the provision of services – in effect from 1.1.2018 to 31.12.2018

Contract on the provision of services – in effect from 1.1.2018 to 31.12.2018

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

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

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

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

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

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

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

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

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

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

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

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

i) Contracts between PRE and PRE FVE Světlík

Contract on loan – in effect from 30.11.2017 to 28.11.2027

ii) Contracts between PRE and PREnetcom

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

Contract on the provision of services No. PS/N90/1840869 – in effect from 2.1.2018 to 31.12.2018

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

Contract on the provision of services No. PS/N90/1843041 – in effect from 2.10.2018 to 31.12.2018

iii) Contracts between PRE and Solarinvest

Contract on the provision of short-term loans – in effect from 25.5.2018 or an indefinite period of time, as amended

V. Contracts between PRE 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

Contract for work No. IS/S24/1736667 – in effect from 15.5.2017 to 30.10.2018

Contract on the establishment of easement No. VV/G33/12987/1841945 – in effect from 9.4.2018 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 PREzak

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

Contract on the provision of services – in effect from 1.1.2018 to 31.12.2018

iv) Contracts between PREdi and Kormak

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 No. PS27200018/010 – 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 on personal data processing No. PS7200018/013 – in effect from 29.2.2016 to 28.2.2019

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

Contract on the provision of dispatcher control services and handling No. PS23330218/011 – in effect from 1.1.2018 to 31.12.2018

Contract for work – emergency and routine maintenance of street lighting in Prague No. PS23320117/057 – in effect from 30.12.2017 to 31.12.2018

Contract for work – emergency and routine maintenance of street lighting in Prague No. PS23320118/019 – in effect from 1.5.2018 to 31.12.2018

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

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

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

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

v) Contracts between PREdi and PREs (until 30.9.2018, Kormak nemovitosti)

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

vi) 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

vii) Contracts between PREm and Kormak

General contract for work 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

17 contracts and orders on work on electric equipment

viii) Contracts between PREm and PREzak

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

Contract on the provision of services – in effect from 1.1.2018 to 31.12.2018

ix) Contracts between Kormak and PREs (until 30.9.2018, Kormak nemovitosti)

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

x) Contracts between PREzak and eYello

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

Contract on the provision of services – in effect from 1.1.2018 to 31.12.2018

xi) Contracts concluded by PREzak with PRE and PREdi

Contract on the obligations related to transferred activities – in effect from 6.3.2018 to 21.3.2018

xii) Contracts concluded by PREs with PRE and PREdi

Contract on the transfer of activities and related rights and obligations, dated 18.12.2018

IV. Contracts between PRE subsidiaries and their subsidiaries**i) Contracts between PREdi and PREnetcom**

General contract on the provision of services No. PS20000018/020 – in effect from 2.1.2018 to 31.12.2018

ii) Contracts between PREm and PRE FVE Světlík

Contract on the provision of services – servicing of photovoltaic power plants M6100/O/2018/0005 – in effect from 1.1.2018 for an indefinite period of time

iii) Contracts between PREm and Solarinvest

General purchase contract No. M6100/RS/2018/0060 – in effect from 28.5.2018 for an indefinite period of time

Servicing contract No. M6100/SE/2018/0062 – in effect from 1.6.2018 for an indefinite period of time

Agency contract No. M6100/O/2018/0113 – in effect from 23.7.2018 for an indefinite period of time

Contract on personal data processing No. M6100/O/2018/0114 – in effect from 23.7.2018 for an indefinite period of time

16 orders of work on electric equipment

5 orders of materials supply

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 is provided to one party or the other.

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

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

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

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

In Prague, 28 March 2019

Signed by

Pavel Elis

Chairperson of the Board of Directors

Signed by

Alexander Sloboda

Vice-chairperson of the Board of Directors

Appendix No. 1 to the Report on Relations of Pražská energetika, a.s., for 2018

Controlled and connected entities of EnBW (as of 31.12.2018)

SALES

Fully consolidated companies	Company registered office
bmp greengas GmbH	Ganghoferstraße 68a, 80339 München
ED GrünSelect GmbH	Schönenbergstraße 10, 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 Energja 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 Vienna, 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
SENEC GmbH	Wittenberger Straße 15, 04129 Leipzig
VNG ViertelEnergie GmbH	Braunstraße 7, 04347 Leipzig
VNG-Erdgastankstellen GmbH	Braunstraße 7, 04347 Leipzig
Yello Solar GmbH	Siegburger Straße 229, 50679 Köln
ZEAG Immobilien Verwaltungsgesellschaft mbH	Weipertstraße 41, 74076 Heilbronn
WTT CampusONE GmbH	Königsallee 43, 71638 Ludwigsburg
LIV-T GmbH	Ganghoferstraße 66e, 80339 München

BEN Fleet Services GmbH	Gormannstraße 14, 10119 Berlin
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 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
FRONTIER TECHNOLOGIES, s.r.o.	Na Hroudě 2149/19, 100 00 Prague 10
PREservisní, s.r.o.	Na Hroudě 1492/4, 100 00 Prague 10
KORMAK Praha a.s.	K Sokolovně 667/9, 104 00 Prague10
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
NHL Netzgesellschaft Heilbronner Land GmbH & Co. KG	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
PREnetcom, a.s.	Na Hroudě 1492/4, 100 00 Prague 10
RBS wave GmbH	Mittlerer Pfad 2–4, 70499 Stuttgart
terranets bw GmbH	Am Wallgraben 135, 70565 Stuttgart
TransnetBW GmbH	Pariser Platz – Osloer Str. 15–17, 70173
ZEAG Engineering GmbH	Theresienstraße 2, 740 72 Heilbronn
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	Schelmenwasenstraße 15, 70567 Stuttgart
GDMcom Gesellschaft für Dokumentation und Telekommunikation GmbH	Maxmilianallee 4, 0412 Leipzig
GEOMAGIS GmbH	Maxmilianallee 4, 0412 Leipzig
HEV Hohenloher Energie Versorgung GmbH	Orlacher Str. 1, 74532 Ilshofen
Konverter Ultramet GmbH & Co. KG	Osloer Straße 15–17, 70173 Stuttgart
Konverter Ultramet Verwaltungsgesellschaft mbH	Osloer Straße 15–17, 70173 Stuttgart
MoviaTec GmbH	Maxmilianallee 4, 04129 Leipzig
Neckar Netze Verwaltungsgesellschaft mbH	Mettingserstr., 73728 Esslingen am Neckar
NHL Verwaltungs-GmbH	Weipertstraße 39, 74076 Heilbronn
OSG ONTRAS Servicegesellschaft mbH	Maximilianallee 4, 04129 Leipzig
INFRACON Infrastruktur Service GmbH & Co. KG	Maximilianallee 4, 04129 Leipzig
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	Furkastrasse 8, 3983 Mörel, Switzerland
BALANCE Erneuerbare Energien GmbH	Braunstraße 7, 04347 Leipzig
BALANCE VNG Bioenergie GmbH	Braunstraße 7, 04347 Leipzig
Bliekevare Nät AB	Marknadsvägen 1, 457 55 Rabbalshede, Sweden
Bliekevare Vind AB	Marknadsvägen 1, 457 55 Rabbalshede, Sweden
Brahehus Vind AB	Marknadsvägen 1, 457 55 Rabbalshede, Sweden
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
EnAlpin AG	Bahnhofplatz 1b, 3930 Visp, Switzerland
EnBW Biogas GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW He Dreiht 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 Renewables International GmbH (formerly Omega Sechszwanzigste Verwaltungsgesellschaft)	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Solar GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Solarpark Tuningen GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Solarpark Weesow-Willmersdorf GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Sverige AB	Åkarevägen 17, 311 32 Falkenberg, Sweden
EnBW Wind Onshore 1 GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Wind Onshore Instandhaltungs GmbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Windkraftprojekte GmbH	Kleinoberfeld 5, 761 35 Karlsruhe
EnBW Windpark Buchholz III GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Windpark Eisenach II GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
Energiedienst AG	Rheinbrückstraße 5/7, 79618 Rheinfelden
Gnosjö Energi AB	Marknadsvägen 1, 457 55 Rabbalshede, Sweden
Granberget Vind AB	Marknadsvägen 1, 457 55 Rabbalshede, Sweden
Grünwerke GmbH	Höherweg 200, 40233 Düsseldorf
Hedbodberget Sälträdberget Bliekevare Finans AB	Marknadsvägen 1, 457 55 Rabbalshede, Sweden
Hedbodberget Sälträdberget Bliekevare Holding AB	Marknadsvägen 1, 457 55 Rabbalshede, Sweden
Hedbodberget Vind AB	Marknadsvägen 1, 457 55 Rabbalshede, Sweden
Langenburg Infrastruktur GmbH	Schelmenwasenstraße 15, 70567 Stuttgart

Leipziger Biogasgesellschaft mbH	Braunstraße 7, 04347 Leipzig
MBG Mitteldeutsche Biogasgesellschaft mbH	Braunstraße 7, 04347 Leipzig
Power Wind Partners AB	Marknadsvägen 1, 457 55 Rabbalshede, Sweden
PRE FVE Světlik, s.r.o.	Na Hroudě 2149/19, 100 05 Prague 10
PWP Produktion AB	Marknadsvägen 1, 457 55 Rabbalshede, Sweden
Rödbergsfjället Nät AB	Marknadsvägen 1, 457 55 Rabbalshede, Sweden
Rödbergsfjället Vind AB	Marknadsvägen 1, 457 55 Rabbalshede, Sweden
Säliträdberget Vind AB	Marknadsvägen 1, 457 55 Rabbalshede, Sweden
SCE Wind Zernitz GmbH & Co. KG	Schelmenwasenstraße 15, 70567 Stuttgart
SOLARINVEST – GREEN ENERGY, s.r.o.	Na Hroudě 2149/19, 100 00 Prague 10
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	Schelmenwasenstraße 15, 70567 Stuttgart
Windpark Rot am See GmbH	Unterer Brühl 2, 73479 Ellwangen Jagst
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	Schelmenwasenstr. 15, 70567 Stuttgart
Solarpark Riedlingen-Zwiefaltendorf GmbH	Schelmenwasenstr. 15, 70567 Stuttgart
EnBW Baltic 1 GmbH & Co. KG	Schelmenwasenstraße 15, 70567 Stuttgart
Windenergie Tautschbuch GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Baltic 2 S.C.S.	1, Rue Hildegard von Bingen, L-1282 Luxembourg, 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
BALANCE Management GmbH	Braunstraße 7, 04347 Leipzig
CarbonBW (Thailand) Ltd.	Soi Sukhumvit 63, Bangkok, Thailand
EnBW Albatros Management GmbH	Fischertwiete 1, 20095 Hamburg
EnBW Asia Pacific Ltd.	No. 168, Sec. 3, Nanjing East Rd., Teipeh, Taiwan
EnBW Baltic 1 Verwaltungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Baltic 2 Management GmbH	Adolf-Pirrung-Straße 7, 88400 Biberach an der Riß
EnBW Baltic 2 Management S.a r.l.	1, Rue Hildegard von Bingen, 1282 Luxembourg, Luxembourg
EnBW Baltic 2 Windpark Verwaltungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Baltic Windpark Verwaltungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Danemark ApS	Nyballevej 8, 8444 Balle, Denmark
EnBW France GmbH, Stuttgart (formerly EnBW Omega Vierundfünfzigste Verwaltungsgesellschaft mbH)	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Hohe See Management GmbH	Durchlacher Allee 93, 76131 Karlsruhe
EnBW North America Inc.	311 Summer St, 02210 Boston, USA
EnBW Wind Onshore Verwaltungsgesellschaft mbH	Schelmenwasenstr. 15, 70567 Stuttgart
EnBW Wind op Zee B.V.	Herikerbergweg 122, 1101CM Amsterdam, Netherlands
EnBW Windpark Aalen-Waldhausen GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Windpark Kleinliebringen GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Windpark Langenburg GmbH	Schelmenwasenstraße 15, 70567 Stuttgart
Grünwerke Verwaltungs GmbH	Höherweg 200, 40233 Düsseldorf
Kemberg Windpark Management GmbH & Co. Betriebsgesellschaft KG	Höherweg 200, 40233 Düsseldorf
NatürlichSonne Trogen GmbH & Co. KG, Monzelfeld	Auf der Grub 1, 54472 Monzelfeld
NatürlichSonne Trogen Verwaltungs GmbH, Ettlingen (formerly EnBW Omega Zweiundsiebzigste Verwaltungsgesellschaft mbH)	Siemensstraße 9, 76275 Ettlingen
SP XIV GmbH & Co. KG	Nordparkstraße 30, 03044 Cottbus
SP XV GmbH & Co. KG	Nordparkstraße 30, 03044 Cottbus
Windpark Rot am See Infrastruktur GmbH	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 Neudenau GmbH & Co. KG	Hauptstraße 27, 74861 Neudenau
EE Bürgerenergie Sulzbach-Laufen GmbH & Co. KG	Eisbachstraße 24, 74429 Sulzbach-Laufen
Holzkraft Plus GmbH	Höherweg 100, 40233 Düsseldorf
EnPV GmbH	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	Marktstraße 26, 88299 Leutkirch im Allgäu
EnBW Baltic 2 GmbH & Co. KG	Adolf-Pirrung-Straße 7, 88400 Biberach an der Riß

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-Itterbach
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 Energie Czech, s.r.o.	Opletalova 1284/37, 110 00 Prague 1
VNG Gasspeicher GmbH	Maximilianallee 2, 04129 Leipzig
VNG Handel & Vertrieb GmbH	Braunstraße 7, 04347 Leipzig
VNG Italia S.r.l.	VIA CALCAVINAZZI 1, 40121 Bologna, Italy
EnBW Kernkraft GmbH	Kraftwerkstraße 1, 74847 Obrigheim
VNG AG (formerly 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
KNG Kraftwerks- und Netzgesellschaft mbH	Am Kühlurm 1, 18147 Rostock

Related but unconsolidated companies	Company registered office
EnergieFinanz GmbH	Werderstraße 74b, 19055 Schwerin
VNG Slovakia, spol. s r.o.	Seberiniho 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	Schönenbergerstraße 10, 79618 Rheinfelden Baden
ED Immobilien Verwaltungsgesellschaft mbH	Schönenbergerstraße 10, 79618 Rheinfelden Baden
EnBW Kommunal GmbH	Schönenbergerstraße 10, 79618 Rheinfelden Baden
EnBW City GmbH & Co. KG	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Immobilienbeteiligungen GmbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW International Finance B.V.	Herikerbergweg 122, 1101CM Amsterdam, 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	Stammheimer Str. 10, 70806 Kornwestheim
symbiotic services GmbH	Durlacher Allee 93, 76131 Karlsruhe
MURVA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Tölzer Str. 15, 82031 Grünwald
EnBW Versicherungsvermittlung GmbH	Durlacher Allee 93, 76131 Karlsruhe

Related but unconsolidated companies	Company registered office
EnBW Betriebs- und Servicegesellschaft mbH (formerly E-City Immobilienverwaltungs GmbH)	Durlacher Allee 93, 76131 Karlsruhe
EnBW CZ spol. s r.o. (in liquidation)	Na Hroudě 1492/4, 100 00 Prague 10
EnBW New Ventures GmbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Omega 103. Verwaltungsgesellschaft mbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Omega 104. Verwaltungsgesellschaft mbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Omega 105. Verwaltungsgesellschaft mbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Omega 106. Verwaltungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Omega 107. Verwaltungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Omega 108. Verwaltungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Omega 110. Verwaltungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
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 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 Siebenundneunzigste Verwaltungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Omega Siebzigste Verwaltungsgesellschaft mbH	Schelmenwasenstraße 15, 70567 Stuttgart
EnBW Omega Vierundneunzigste Verwaltungsgesellschaft mbH	Durlacher Allee 93, 76131 Karlsruhe

EnBW Omega Zweiundfünfzigste Verwaltungsgesellschaft mbH	Durlacher Allee 93, 76131 Karlsruhe
EnBW Omega Zweiundneunzigste 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 Innovattion Consult GmbH	Braunstraße 7, 04347 Leipzig
VNG Innovation GmbH	Braunstraße 7, 04347 Leipzig
Pražská energetika Holding, a.s.	Na Hroudě 1492, 100 05 Prague



KPMG Česká republika Audit, s.r.o.

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

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Only the Czech version of the report is legally binding.

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Pražská energetika, a.s. ("the Company") and its subsidiaries ("the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Group is set out in Note "General information" to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, 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 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 Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Determination of the Amount of Uninvoiced Energy

See Note 3, section "Significant accounting estimates", and Note 20.

Description of the Key Audit Matter

The Group recognises significant balances of uninvoiced energy for customers whose electricity meters are read in intervals longer than one month. The Group 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 Group. The total amount of uninvoiced energy and the number of used estimates then significantly increases the risk of potential incorrect recognition of the given amount 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 Group'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 Group, 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 Group based on historical data and experience.

Classification of Commodity Contracts

See Note 3, section "Derivatives", and Note 33.

Description of the Key Audit Matter

As part of its business activity, the Group 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 Group 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 Group. 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 IFRS 9, 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 if incorrectly classified, we consider this area to be important for our audit.



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 Group 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 2018.

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 Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

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

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

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

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

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

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

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

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



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

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

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

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



Report on the Audit of the Separate Financial Statements

Opinion

We have audited the accompanying financial statements of Pražská energetika, a.s. (“the Company”), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2018, 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 2018, 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 Note 3, section “Significant accounting estimates”, and Note 19.



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 amount 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 Note 3, section "Derivatives", and Note 33.

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 IFRS 9, 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 if incorrectly classified, we consider this area to be important for our audit.

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 2018.

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.

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PRE Group

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



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 2018. 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 2018 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 separate financial statements of Pražská energetika, a.s. as at 31 December 2018, based on which this independent auditor's report has been prepared.

Prague
25 April 2019

Signed by

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

Signed by

Petr Škoda
Partner
Registration number 1842

Consolidated financial statements

Consolidated financial statements of Pražská energetika, a.s., for the year ended on 31 December 2018

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

Translated from the Czech original

Consolidated income statement (TCZK)

	Note	2018	2017 restated
Revenue from electricity produced		420,219	351,552
Revenue from electricity and gas sold		19,378,086	18,349,924
Cost of electricity and gas sold		(12,827,692)	(11,968,726)
Gross profit from the sale of commodities	(6)	6,970,613	6,732,750
Other operating revenue	(6)	453,011	474,481
Personnel expenses	(8)	(1,350,680)	(1,255,806)
Amortisation and depreciation	(17, 18)	(1,267,140)	(1,093,521)
Cost of purchased services, material and energy	(9)	(1,358,207)	(1,301,639)
Borrowing costs	(10)	(48,002)	(35,688)
Capitalisation	(11)	207,214	193,435
Impairment losses for financial assets	(12)	(27,565)	(30,470)
Other gains and losses	(13)	(21,253)	(58,114)
Profit before tax		3,557,991	3,625,428
Income tax	(14)	(690,155)	(665,327)
Profit after tax		2,867,836	2,960,101
Basic and diluted earnings per share attributable to ordinary shares (CZK)	(16)	741	765

Consolidated statement of comprehensive income (TCZK)

	2018	2017
Profit after tax	2,867,836	2,960,101
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	201,129	58,452
Total other comprehensive income after tax	201,129	65,125
Comprehensive income attributable to the parent company's shareholders	3,068,965	3,025,226

Translation note

This version of the consolidated 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 the information, views and opinions, the Czech version of the consolidated financial statements takes precedence over this translation.

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

Assets	Note	2018	2017
Property, plant and equipment	(17)	24,035,782	22,965,269
Intangible assets	(18)	432,582	377,279
Trade and other receivables	(21)	332,730	253,200
Deferred tax asset	(14)	33,979	25,745
Non-current assets		24,835,073	23,621,493
Inventories	(23)	123,695	77,373
Contract assets	(20)	375,523	--
Tax assets	(14)	46,744	9,741
Trade and other receivables	(21)	3,086,738	2,482,669
Other financial assets	(22)	--	1,000,000
Cash and cash equivalents	(24)	1,989,878	2,709,159
Current assets		5,622,578	6,278,942
Total assets		30,457,651	29,900,435
Equity and liabilities			
Share capital	(30)	3,869,443	3,869,443
Reserves	(31)	1,502,036	1,300,907
Retained earnings		12,423,478	14,038,164
Equity attributable to the parent company's shareholders		17,794,957	19,208,514
Loans	(25)	3,100,000	3,100,000
Contract liabilities	(26)	1,613,491	--
Trade and other payables	(27)	342,306	177,975
Provisions	(29)	393,431	393,853
Deferred tax liability	(14)	2,092,880	2,180,661
Non-current liabilities		7,542,108	5,852,489
Loans	(25)	1,214,551	1,720,707
Contract liabilities	(26)	1,040,036	--
Tax liabilities	(14)	262,917	285,029
Trade and other payables	(27)	2,441,780	2,658,708
Provisions	(29)	161,302	174,988
Current liabilities		5,120,586	4,839,432
Total liabilities		30,457,651	29,900,435

Consolidated statement of changes in equity (TCZK)

	Share capital	Reserves	Retained earnings	Equity attributable to the parent company's shareholders
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
Adjustment at initial application of IFRS 9 (see note 4)	--	--	(7,710)	(7,710)
Adjustment at initial application of IFRS 15 (see note 5)	--	--	(1,012,638)	(1,012,638)
Other movements	--	--	(1,510)	(1,510)
Adjusted balance on 1.1.2018	3,869,443	1,300,907	13,016,306	18,186,656
Dividends and directors' fees paid	--	--	(3,460,664)	(3,460,664)
Other comprehensive income	--	201,129	--	201,129
Net profit for 2018	--	--	2,867,836	2,867,836
Balance on 31.12.2018	3,869,443	1,502,036	12,423,478	17,794,957

Consolidated statement of cash flows (TCZK)

	Note	2018	2017
Opening balance of cash and cash equivalents	(19)	3,709,159	298,605
Operating activities			
Accounting profit from ordinary activity before tax		3,557,991	3,625,428
Amortisation and depreciation	(17, 18)	1,267,140	1,093,521
Write-offs of doubtful debts	(12)	18,467	12,484
Change in loss allowances and provisions		(11,367)	8,339
Gains (losses) from the sale and disposal of fixed assets	(13)	4,946	4,009
Interest charged to profit or loss	(10, 13)	33,527	34,588
Foreign exchange rate gains (losses)	(13)	(5,528)	14,654
Settlement of hedging derivatives		34,869	(24,629)
Re-measurement of financial instruments		32,681	4,926
Net operating cash flow before changes in working capital		4,932,726	4,773,320
Change in trade receivables and accruals	(21)	(335,131)	(501,482)
Change in trade payables and accruals	(27)	234,165	216,049
Change in inventories	(23)	(45,804)	(39,703)
Net operating cash flow before tax and interest		4,785,956	4,448,184
Interest paid		(47,570)	(31,640)
Interest received		14,475	7,091
Income tax paid		(646,034)	(628,722)
Net cash flow from operating activities		4,106,827	3,794,913
Investing activities			
Acquisition of fixed assets	(17, 18)	(1,813,886)	(1,664,866)
Acquisition of subsidiaries	(19)	(37,918)	(235,669)
Proceeds from the sale of fixed assets		4,024	10,074
Net cash flow from investing activities		(1,847,780)	(1,890,461)
Financing activities			
External loans repaid	(25)	(1,628,436)	(62,644)
External loans received	(25)	1,126,000	1,619,201
Finance leases		(20,399)	--
Dividends, profit shares and directors' fees paid	(15)	(3,460,026)	(40,600)
Net cash flow from financing activities		(3,982,861)	1,515,957
Change in cash and cash equivalents		(1,723,814)	3,420,409
Effect of foreign exchange rate movements		5,393	(9,855)
Closing balance of cash and cash equivalents	(24)	1,990,738	3,709,159

Contents of the notes to the financial statements

1. General information
2. Adoption of new and amended International Financial Reporting Standards
3. Significant accounting policies
4. IFRS 9 “Financial Instruments”
5. IFRS 15 “Revenue from Contracts with Customers”
6. Revenues
7. Segment reporting
8. Personnel expenses
9. Cost of purchased services, material and energy
10. Borrowing costs
11. Asset capitalisation
12. Impairment losses for financial assets
13. Other gains and losses
14. Income tax
15. Dividends
16. Earnings per share
17. Property, plant and equipment
18. Intangible assets
19. Subsidiaries
20. Contract assets
21. Trade and other receivables
22. Other financial assets
23. Inventories
24. Cash and cash equivalents
25. Loans
26. Contract liabilities
27. Trade and other payables
28. Finance lease liabilities
29. Provisions
30. Share capital
31. Reserves
32. Contingent liabilities and contingent assets
33. Financial instruments
34. Operating leases
35. Related party transactions
36. Post balance sheet events

(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 of the Municipal Court in Prague 1 on 1 January 1994.

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

The principal activities of PRE and its subsidiaries (hereinafter the “PRE Group” or the “Group”) include the supply of electricity in the Czech Republic and the distribution of electricity in the territory comprising the capital Prague and the city of Roztoky, covering an area of approximately 505 km². These activities generate a major part of the Group’s revenue. The Group also strengthens its activities related to the generation of electricity from 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, and rights and obligations relating to this activity, as well as trading with and supplies of electricity and gas are, except for general legal regulations, governed by Act No. 458/2000 Coll., the Energy Act, as amended, and the related implementing rules.

PRE's principal shareholders	2018	2017
Pražská energetika Holding, a.s. (PREH)	58.05%	58.05%
EnBW Energie Baden-Württemberg AG (EnBW)	41.40%	41.40%
Other	0.55%	0.55%
Total	100.00%	100.00%

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

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

(2) 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.

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

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

The impacts of IFRS 9 and IFRS 15 on the Group’s financial statements are described in notes 4 and 5 below.

- **Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”** (effective for annual periods beginning on or after 1 January 2018)
- **Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 is applied for the first time)
- **Amendments to IAS 40 “Transfers of Investment Property”** (effective for annual periods beginning on or after 1 January 2018)
- **Annual Improvements to IFRS 2014–2016 Cycle** (effective for annual periods beginning on or after 1 January 2017 or 2018)
- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (effective for annual periods beginning on or after 1 January 2018)

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

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

- **IFRS 16 “Leases”** (effective for annual periods beginning on or after 1 January 2019)
The new IFRS 16 “Leases” standard 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 apply to leases with the exception of short-term leases where the underlying asset is of low value, i.e., relevant practical exemptions are used.

Based on information currently available, the Group is presently assessing the precise impacts of the new standard. To calculate the impacts, the Group used interest rates under which it could acquire an additional loan.

The Group expects that in connection with the implementation of IFRS 16, the balance sheet total will increase in the range of MCZK 1,450 – MCZK 1,700; in the first year, it expects an increase in depreciation of approximately MCZK 100, an increase in interest expense of approximately MCZK 47, and a decrease in rental costs of approximately MCZK 133.

The difference between the above liability and the liability stated in note 34 “Operating leases” is primarily due to a different determination of the duration of the liability for selected contracts (in particular contracts for an indefinite period of time), not including lease-related services in liabilities under IFRS 16, leases for which practical exemptions apply under IFRS 16 and also due to discounting.

In respect of lease contracts where the Group is in the role of the lessor, no significant differences are expected compared with the present guidance.

The actual impact of adopting the standard as at 1 January 2019 may differ from the estimated impact, mainly due to the ongoing analysis of the overall impact. The Group plans the initial adoption of the standard using the modified retrospective method, without restating comparative information for the previous period, and the value of newly identified assets set at the amount of the newly recognised lease liability.

The Company decided not to apply this standard before its effective date.

- **Amendments to IFRS 9 “Prepayment Features with Negative Compensation”** (effective for annual periods beginning on or after 1 January 2019)
- **IFRIC 23 “Uncertainty over Income Tax Treatments”** (effective for annual periods beginning on or after 1 January 2019)

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

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

- **IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies”** (effective for annual periods beginning on or after 1 January 2020)
- **IFRS 3 “Business Combinations”** (effective for annual periods beginning on or after 1 January 2020)
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for the first annual IFRS financial statements for annual periods beginning on or after 1 January 2016) – the EU will not adopt this standard
- **IFRS 17 “Insurance Contracts”** (the version issued by the IASB is effective for the first annual IFRS financial statements for annual periods beginning on or after 1 January 2021)
- **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 19 “Plan Amendment, Curtailment or Settlement”** (effective on or after 1 January 2019)
- **Amendments to References to the Conceptual Framework in IFRS** (effective for annual periods beginning on 1 January 2020)
- **Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”** (effective for annual periods beginning on or after 1 January 2019)
- **Annual Improvements to IFRS 2015–2017 Cycle** (effective for annual periods beginning on or after 1 January 2019)

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 for the preparation of financial statements

The financial statements have been prepared on the historical cost basis except for certain financial instruments described in note 33. The principal accounting policies are set out below.

Basis for 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 the subsidiaries to bring their accounting policies into line with those used by the 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

a) Accounting policies valid as at 31 December 2018

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

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

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

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

b) Accounting policies valid as at 31 December 2017

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 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. Customers pay a 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 leasing (primarily fibre optics) is recognised evenly over the lease period.

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

Dividend income 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 of the Group entities 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 of the 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 assets includes direct and indirect costs directly related to the production of the asset.

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

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

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

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

Asset category	Depreciation period in years
Buildings, halls and other constructions	6, 7, 15, 20, 25, 30, 40, 50, 70
Cable tunnels, cable and overhead power lines	30, 40, 70
Fibre optics	30
Power structures	15, 25, 30
Working machinery and equipment	5, 8, 10, 12, 20
Telecommunication equipment	3–25
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 3–44

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)

a) Accounting policies valid as at 31 December 2018

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

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

Financial assets measured at amortised cost (FAAC)

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

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

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

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

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

Impairment of financial assets

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

Impairment model

Details on the impairment model are described in note 4.

b) Accounting policies valid as at 31 December 2017

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 loss allowances 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 loss allowance 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 loss allowance 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)

a) Accounting policies valid as at 31 December 2018

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

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

Financial liabilities measured at amortised cost (FLAC)

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

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

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

Initial recognition of financial assets and financial liabilities

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

b) Accounting policies valid as at 31 December 2017

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

a) Accounting policies valid as at 31 December 2018

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 the form of term contracts carried out by the Group, their physical delivery with subsequent consumption or sale as part of the Group's regular activities is expected. Such contracts are not covered by IFRS 9 and therefore not measured.

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

In terms of derivatives concluded in line with the selected risk management strategy, the Group applies hedge accounting based on the rules of IAS 39, because the Group applied transition provisions of IFRS 9 and follows and will continue to follow

IAS 39 in respect of current and newly defined hedging relationships. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

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

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

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

Hedge accounting

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

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

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

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.

b) Accounting policies valid as at 31 December 2017

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 the 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 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 also do not come under IAS 39.

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 re-measured at their fair value at each balance sheet date. The resulting gains or losses are immediately recognised in profit or loss 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 Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

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

Cash flow hedge

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

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

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

Offsetting financial instruments

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

Employee benefits expense

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

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

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

Statement of cash flows

The Group prepares its statement of cash flows using the indirect method due to the reconciliation of methodology with the parent company.

Significant accounting estimates

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

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

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

Moreover, the Group applied its own judgement, acting as a principal in respect of revenue from distribution services. Based on its own assessment, the Group is in the position of a principal in providing distribution services, mainly due to its significant integration of distribution services and electricity supplies for its customers. From the point of view of the Group's customers, distribution and supply thus represent one performance obligation. Another factor justifying the position of a principal is the fact that the Group controls necessary inputs for the provision of the integrated service (distribution) until the control over delivery is transferred to the customer.

(4) IFRS 9 “Financial Instruments” (TCZK)

As at 1 January 2018, IFRS 9 “Financial Instruments” replaced the original standard IAS 39 “Financial Instruments: Recognition and Measurement”. The main changes connected with the application of IFRS 9 include: a) the new classification and the related measurement of financial assets and financial liabilities; b) the new perspective on the impairment of financial assets arising from the concept of expected credit losses; and c) the changes in hedge accounting where higher emphasis is newly put on the relationship with the risk management strategy applied by the Group.

At initial application of IFRS 9, the Group used transition provisions and did not restate information for the previous (comparative) period. The Group recognised the difference between the previous carrying amount and the carrying amount at the beginning of the current accounting period, including the date of initial application, in the opening balance of retained earnings.

The following table shows the impact of initial application of IFRS 9 on equity as at 1 January 2018.

Retained earnings	
Recognition of loss allowances according to IFRS 9	(9,519)
Deferred tax	1,809
Impact as at 1.1.2018	(7,710)

The introduction of IFRS 9 resulted in the following changes in the Group's policies.

A) Classification and measurement of financial assets and liabilities

The adoption of IFRS 9 has no significant impact on the classification and measurement of financial liabilities. Two categories of financial liabilities have been kept; financial liabilities are classified as a) financial liabilities measured at fair value through profit or loss (FVTPL), and b) financial liabilities measured at amortised cost (FLAC).

The Group classifies all its financial liabilities, except for derivatives held for trading and financial liabilities at FVTPL, as financial liabilities subsequently measured at amortised cost.

The classification and measurement of financial assets and the related accounting policies of the Group change as follows: The existing financial asset categories according to IAS 39, i.e., a) loans and receivables (L&R); b) available-for-sale financial assets (AFS); c) held-to-maturity financial assets (HTM); and d) financial assets at FVTPL, were cancelled. All financial assets are newly classified as a) financial assets subsequently measured at amortised cost (FAAC); b) financial assets measured at fair value through other comprehensive income (FVOCI); or c) financial assets measured at fair value through profit or loss (FVTPL).

Financial assets are classified with regard to the Group's business model for financial asset management and at the same time based on the contractual cash flow characteristics of the given financial asset.

Financial assets are measured at amortised cost if both of the following two conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- contractual conditions of the financial asset determine particular dates of cash flows representing solely payments of principal and interest on the principal amount outstanding.

Debt financial assets are measured at FVOCI if both of the following two conditions are met:

- the financial asset is held within a business model whose objective is to collect contractual cash flows and to sell financial assets; and,
- contractual conditions of the financial asset determine particular dates of cash flows representing solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

Except for trade receivables that do not have a significant financing component, the Group measures financial assets and financial liabilities at FVTPL at initial recognition. In terms of financial assets or financial liabilities outside of the FVTPL category, the fair value will be adjusted by transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

Financial assets and financial liabilities measured at fair value through profit or loss

These financial assets and liabilities are subsequently measured at fair value. All gains/losses, including interest and dividend income/expense, are recognised in profit or loss.

Financial assets and liabilities measured at amortised cost

Financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment. All interest income and gain/loss from currency conversion and impairment are recognised in profit or loss, as well as gain/loss on derecognition of these financial assets or liabilities.

Investments in equity instruments measured at fair value through other comprehensive income

These financial assets are subsequently measured at fair value and included in non-current assets. Dividend income is recognised in profit or loss, other gains/losses are recognised in other comprehensive income and can never be reclassified to profit or loss.

The following table summarises the changes in the categories relating to the measurement of financial assets for all the Group's financial assets as at 1 January 2018, including the change in the measurement due to the additional impairment according to point B below.

	New category (IFRS 9)	Original category (IAS 39)	New carrying amount (IFRS 9)	Original carrying amount (IAS 39)
Receivables from the revaluation of commodity derivatives for trading	FVTPL	FVTPL	289,056	289,056
Receivables from the revaluation of hedging commodity derivatives	FVOCI	FV – hedge accounting	248,308	248,308
Cash and cash equivalents	FAAC	L&R	2,708,062	2,709,159
Margin deposit	FAAC	L&R	85,968	86,836
Trade and other receivables, except for the above	FAAC	L&R	1,430,982	2,005,899
Available-for-sale debt securities – bill of exchange	FVOCI	AFS	999,600	1,000,000
Contract assets*	Non-financial	L&R	567,763	--
Total			6,329,739	6,339,258

* Contract assets earmarked from trade and other receivables. These are not considered financial assets under IFRS 9.

B) Impairment of financial assets

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

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

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

In assessing whether the credit risk associated with a financial asset has increased significantly, the Group compares the risk of default of the financial instrument as at the date of recognition with the risk as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort and shows a significant increase in credit risk. The Group primarily relies on its own historical experience, available information and market analyses, including current macroeconomic indicators and forward-looking information. Regardless of these analyses, the Group considers situations where the financial asset is more than 30 days past due to indicate significant increases in credit risk. In case of cash and cash equivalents, these include situations where the external credit rating of the counterparty, based on renowned external rating agencies (Moody's, Standard & Poor's, and Fitch), decreases from an investment level to speculative (non-investment) level. Default is a situation where the financial asset is more than 90 days past due; in case of cash and cash equivalents, it is a situation where the external credit rating of a counterparty based on renowned external rating agencies decreases to a risk level.

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

Impairment losses for financial assets, including contract assets, are newly recognised on a separate line as impairment losses for financial assets in the income statement. Therefore, the Group reclassified impairment losses of MCZK 30, recognised according to IAS 39, from other gains and losses to impairment losses for financial assets in the income statement for the comparative period, i.e., for 2017.

The following table shows the impact of the new impairment model under IFRS 9 on the amount of loss allowances as at 1 January 2018.

Loss allowances under IAS 39 on 31.12.2017	335,477
Additionally recognised loss allowances as at 1.1.2018	9,519
relating to: trade and other receivables	4,132
contract assets	3,890
cash and cash equivalents	1,497
Loss allowances under IFRS 9 as at 1.1.2018	344,996

C) Hedge accounting

IFRS establishes new hedge accounting requirements. Hedging relationships must be in compliance with the Group's risk management objectives and strategy; there must be evidence to show that an economic relationship between the hedging instrument and the hedged item exists; the effect of credit risk must not dominate the changes in fair value of the hedging instrument and the hedged item. At the same time, in assessing effectiveness, higher emphasis is put on the qualitative assessment and expectations relating to hedge effectiveness. This is tested only prospectively.

The Group applied the transition provisions of IFRS 9 and will continue to follow IAS 39 in respect of current and newly defined hedging relationships.

(5) IFRS 15 "Revenue from Contracts with Customers" (TCZK)

IFRS 15 establishes a general framework of principles for determining whether to recognise revenues, in what amount to recognise them, and what timing to apply.

The new standard replaces the following original standards and interpretations: IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfer of Assets from Customers", SIC 31 "Revenue – Barter Transactions Involving Advertising Services".

PRE Group decided to use the cumulative method of transition for the initial adoption of IFRS 15, i.e., the new principles are applied to contracts that were not terminated as at 1 January 2018. The cumulative effect as at the date of transition to IFRS 15 is reported as a restatement to the opening balance of retained earnings as at 1 January 2018. Comparative information for the previous period has not been restated.

Main impacts of the application of IFRS 15

In connection with IFRS 15, the recognition of contract assets and liabilities was adjusted; see notes 20 and 26.

From 2009, investment contributions under IFRIC 18 were immediately recognised as revenues in profit or loss, because the Company identified only a one-off service – the access to supply of goods (electricity), without the customer's obligation to purchase electricity from PRE. Investment contributions collected until 2008 reduced the value of non-current assets, and their

deferrals reduced the depreciation of non-current assets. In accordance with IFRS 15, the Group analysed whether investment contributions under the contract on connection can be considered a performance obligation satisfied at the moment of the initial connection and concluded that the contract on connection includes the service of initial connection as well as the maintenance of the given connection over an indefinite period, given the fact that the contract on connection has been concluded for an indefinite period of time. Based on an analysis carried out by the Group, the Group decided to defer these liabilities over a period of 20 years. The selected approach is in accordance with the valid tax and accounting legislation and at the same time the parent company's accounting policies.

As at 1 January 2018, the contributions collected until 2009 were derecognised from retained earnings to non-current liabilities of TCZK 1,250,170; the related deferred tax was derecognised from retained earnings of TCZK 237,532. Investment contributions recorded until 2008 as an amount reducing assets or depreciation, were reclassified to contract liabilities and the former reduction in depreciation is newly recognised in other operating revenue.

For concluding contracts, the Group uses external contractors and subsequently pays commissions to them if the supply of the contract is carried out. These commission costs represent incremental costs of obtaining a contract and are included in trade and other receivables (other non-financial assets) in the balance sheet. These costs of obtaining a contract are subsequently deferred based on an internal analysis of the duration of the relationship with newly acquired customers over a period of 48 months in costs of purchased services.

The Group also analysed other potential impacts of IFRS 15 (e.g., in incentives for customers, etc.) and did not identify any other differences compared to the original standards on the basis of this analysis. In this context, the Group will regularly evaluate potential changes in customer offers and reflect any potential changes within the financial reporting under IFRS 15.

The impact of the initial application of IFRS 15 as at 1 January 2018 on equity:

Retained earnings	
Investment contributions	(1,250,170)
Deferred tax	237,532
Impact as at 1.1.2018	(1,012,638)

The following tables show the impact of the application of IFRS 15 on the consolidated balance sheet as at 31 December 2018 and the consolidated income statement for the year ended on 31 December 2018.

#100

PRE Group

Consolidated financial statements for the year ended on 31 December 2018

	Amount recognised under IFRS 15	Adjustments	Amount without the application of IFRS 15
Property, plant and equipment (adjusted by investment contributions reducing the value of assets)	24,035,782	(419,247)	23,616,535
Other non-current assets	799,291	--	799,291
Total non-current assets	24,835,073	(419,247)	24,415,826
Contract assets	375,523	(375,523)	--
Trade and other receivables	3,086,738	375,523	3,462,261
Other current assets	2,160,317	--	2,160,317
Total current assets	5,622,578	--	5,622,578
Total assets	30,457,651	(419,247)	30,038,404
Retained earnings	12,423,478	1,111,188	13,534,666
Other components of equity	5,371,479	--	5,371,479
Total equity	17,794,957	1,111,188	18,906,145
Contract liabilities – investment contributions	1,613,491	(1,613,491)	--
Deferred tax liability	2,092,880	260,648	2,353,528
Other non-current liabilities	3,835,737	--	3,835,737
Total non-current liabilities	7,542,108	(1,352,843)	6,189,265
Contract liabilities – investment contributions	177,592	(177,592)	--
Contract liabilities – other	862,444	(862,444)	--
Trade and other payables	2,441,780	862,444	3,304,224
Other current liabilities	1,638,770	--	1,638,770
Total current liabilities	5,120,586	(177,592)	4,942,994
Total liabilities	30,457,651	(419,247)	30,038,404

	Amount recognised under IFRS 15	Adjustments	Amount without the application of IFRS 15
Revenue – investment contributions received	191,319	24,352	215,671
Amortisation and depreciation	(1,267,140)	97,314	(1,169,826)
Profit before tax	3,557,991	121,666	3,679,657
Income tax	(690,155)	(23,116)	(713,271)
Profit after tax	2,867,836	98,550	2,966,386
Basic and diluted earnings per share attributable to ordinary shares (CZK)	741	25	766

(6) Revenues (TCZK)

The impact of the application of the new IFRS 15 “Revenue from Contracts with Customers” accounting standard is described in note 5. In accordance with the selected method of transition (the cumulative impact method), the comparative information for the year ended on 31 December 2017 has not been restated.

Revenue and expenses relating to the sale of electricity and gas	2018	2017
Revenue from electricity produced	441,833	371,776
Payment for electricity generated from solar energy	(21,614)	(20,224)
Total revenue from electricity production	420,219	351,552
Sales of electricity – B2B	4,141,970	3,620,698
Sales of distribution and system services – B2B	4,790,706	4,573,629
Sales of electricity – B2C	2,885,185	2,828,910
Sales of distribution and system services – B2C	6,687,339	6,507,304
Sales of electricity to dealers	423,307	403,558
Revenue from the sales of gas – B2B and B2C	354,583	308,632
Revenue from the sales of gas to dealers	124,087	109,199
Sales of distribution services to local producers	--	4
Gross profit from trading	(29,091)	(2,010)
Total revenues	19,378,086	18,349,924
Cost of electricity sold	(6,185,313)	(5,548,298)
Cost of distribution and system services	(6,236,241)	(6,059,318)
Cost of gas	(406,138)	(361,110)
Total costs	(12,827,692)	(11,968,726)
Gross profit from the sale of commodities	6,970,613	6,732,750

Other operating revenue	2018	2017
Revenue from provided services	236,568	245,463
Investment contributions	191,319	196,742
Compensation for unauthorised consumption	12,586	17,998
Other	12,538	14,278
Total	453,011	474,481

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

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

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

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

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

Revenue from provided services: These include in particular services provided to external customers, such as revenue from the lease of land, real estate and cars, IT support, reading of heat and gas meters, maintenance of public lighting, and electro-installation services. Prices and payment terms are governed by individual contracts concluded.

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

Revenue relating to performance obligations that were not satisfied or partly satisfied as at 31 December 2018

Contract revenue	2019	2020	2021	2022	2023
Supplies of electricity	6,272,491	2,324,674	348,730	19,919	594
Supplies of gas	94,264	23,073	1,011	101	--
Other revenue	20,088	1,837	728	720	557
Total	6,386,843	2,349,584	350,469	20,740	1,151

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

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

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

Distribution of electricity: This activity is regulated by the Energy Regulatory Office (ERÚ) which determines allowed revenues using the revenue cap method. Allowed revenues are derived from the product of operating expenses, depreciation and reasonable profit (WACC x RAB), where the RAB (regulatory asset base) is the carrying amount of assets recognised by the regulator and the WACC is the weighted average cost of capital expressing the rate of return. Regulatory parameters, determining the resulting allowed revenues for the upcoming year are always published by ERÚ in November of the previous year – in 2019, the allowed revenues are set at MCZK 5,224.

Revenue from electricity produced: The price of electricity is regulated by ERÚ and according to the valid legislation it is guaranteed for the period of twenty years from obtaining a licence (i.e., in respect of the PRE Group until 2029, or 2030). Revenue is currently generated in the form of a “green bonus”; in 2019, the revenue of MCZK 375 is expected.

Investment contributions: Revenue relating to unsatisfied or partly satisfied performance obligations in respect of investment contributions totals TCZK 1,791,083 and its division into current and non-current is shown in contract liabilities under note 26.

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

Contract balances	2018	1.1.2018
Receivables included in trade and other receivables	1,474,152	1,260,109
Contract assets	375,523	567,763
Contract liabilities	2,653,527	2,759,859

*) See notes 20, 21, and 26.

Incremental costs of obtaining a contract amount to TCZK 40,346 (1.1.2018: TCZK 36,319); they relate to the commissions paid for attracting new customers, they are reported in trade and other receivables and written-off for four years in the cost of purchased services, material and energy.

(7) Segment reporting (TCZK)

The Group's activities are divided into the following segments: trade, distribution, and other. The structure of information on the segments corresponds with the structure of principal business activities and the structure of managerial information in the Group. Transfer pricing between the 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 regularly once every three years asks the tax authority for a binding assessment of the pricing method. The current binding assessment is valid until 2019.

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

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

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 only pay to this supplier for the delivered commodity. They subsequently pay to the distributor, in whose supply territory the consumption point is located, for distribution and system services (hereinafter only "services") related to the commodity supply. The customer can conclude a contract on combined supply services with the supplier and in such case the supplier also provides distribution services.

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

Distribution

The distribution segment concerns the physical transmission of electricity from suppliers to customers in the required quantity and quality. The segment's principal revenue is the 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, purchase, sale, testing, and installation of meters. It provides and further develops a portfolio of external services, which includes electro-installation work at the customers' consumption points, servicing of photovoltaic power plants, energy audits of buildings, inspection and cleaning of transformer stations, installation of lighting systems, decentralised energy services and EPC, etc. It offers services related to turnkey installation of photovoltaic power plants. To a lesser extent, the Company sells selected electrical appliances in its company store.

	Trade		Distribution		Other		Elimination		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Electricity and gas/ distribution										
External revenue	15,640,701	14,821,142	3,737,385	3,528,782	420,219	351,552	--	--	19,798,305	18,701,476
Inter-segment revenue	336,407	316,111	5,832,220	5,796,575	--	--	(6,168,627)	(6,112,686)	--	--
External expenses	(8,511,187)	(7,676,275)	(4,316,505)	(4,292,451)	--	--	--	--	(12,827,692)	(11,968,726)
Inter-segment expenses	(5,820,924)	(5,785,288)	(336,407)	(316,111)	--	--	6,157,331	6,101,399	--	--
Gross profit	1,644,997	1,675,690	4,916,693	4,716,795	420,219	351,552	(11,296)	(11,287)	6,970,613	6,732,750
Other external operating revenue	59,313	62,413	305,539	332,480	88,159	79,588	--	--	453,011	474,481
Other inter-segment operating revenue	862,183	852,320	19,434	21,578	220,681	228,077	(1,102,298)	(1,101,975)	--	--
Personnel expenses	(630,484)	(582,603)	(534,052)	(497,369)	(186,144)	(175,834)	--	--	(1,350,680)	(1,255,806)
Amortisation and depreciation of non-current assets	(189,132)	(171,975)	(936,113)	(797,178)	(141,895)	(124,368)	--	--	(1,267,140)	(1,093,521)
Cost of purchased services, material and energy	(609,540)	(570,218)	(1,668,786)	(1,667,250)	(196,954)	(179,040)	1,117,073	1,114,869	(1,358,207)	(1,301,639)
Impairment losses for assets	(16,193)	(21,875)	(10,658)	(8,603)	(714)	8	--	--	(27,565)	(30,470)
Other gains and losses less interest received	18,279	(15,152)	88,111	104,285	83,050	47,796	(3,479)	(1,607)	185,961	135,322
Operating performance of the segment	1,139,423	1,228,600	2,180,168	2,204,738	286,402	227,779	--	--	3,605,993	3,661,116
Interest and dividends received	1,500,100	1,284,294	390	5	678	20	(1,501,168)	(1,284,319)	--	--
Borrowing costs	(55,900)	(42,423)	(105,329)	(86,343)	(37,943)	(35,891)	151,170	128,969	(48,002)	(35,688)
Current income tax	(239,640)	(251,888)	(315,753)	(298,292)	(50,041)	(42,163)	--	--	(605,434)	(592,343)
Deferred income tax	(7,064)	(5,934)	(81,207)	(70,491)	3,550	3,441	--	--	(84,721)	(72,984)
Financial performance of the segment	2,336,919	2,212,649	1,678,269	1,749,617	202,646	153,186	(1,349,998)	(1,155,350)	2,867,836	2,960,101
Other information										
Total assets	21,563,800	22,131,555	22,454,537	21,458,316	2,191,318	2,097,744	(15,752,004)	(15,787,179)	30,457,651	29,900,435
Additions to tangible assets	108,748	109,200	1,590,999	1,537,983	73,620	221,906	--	--	1,773,367	1,869,089
Additions to intangible assets	89,253	74,415	8,798	7,597	70,189	61,197	--	--	168,240	143,209
Liabilities	9,628,048	9,280,774	17,313,521	15,618,846	1,473,130	1,579,480	(15,752,005)	(15,787,179)	12,662,694	10,691,921

#106

PRE Group

Consolidated financial statements for the year ended on 31 December 2018

(8) Personnel expenses (TCZK)

	2018	2017
	Staff including management	Staff including management
Average headcount	1,478	1,449
Salaries	805,997	747,642
Salaries paid depending on the fulfilment of the plan	92,040	66,270
Social security and health insurance	333,082	302,407
Remuneration to the members of the Group's bodies	53,696	47,644
Other social expenses*	65,865	91,843
Total	1,350,680	1,255,806

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

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

	2018	2017
Material and own consumed energy	122,298	114,455
Subcontracts and freight costs*	176,915	116,937
Repair of property, plant and equipment	324,269	337,358
Consulting services	49,459	43,756
Lease payments	197,459	194,141
Postage and telecommunication fees	41,917	37,350
IT support	134,118	119,344
Marketing	106,790	91,346
Personnel services and employee development	39,950	43,328
Other**	165,032	203,624
Total	1,358,207	1,301,639

* The item includes subcontracts and freight costs related to the services primarily in respect of KORMAK Praha a.s., which carries out repairs and constructions of new assets, and PREměření, a.s., which provides electroinstallation services.

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

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

	PREH	PRE	PREdi	PREm	eYello	Total
Audit	290	1,250	990	270	200	3,000
Consulting services and other review services	54	797	--	--	--	851
Total for 2018	344	2,047	990	270	200	3,851
Audit	315	1,318	685	176	140	2,633
Consulting services and other review services	--	146	--	--	--	146
Total for 2017	315	1,464	685	176	140	2,779

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

(10) Borrowing costs (TCZK)

	2018	2017
Interest on loan*	43,953	31,958
Interest expense on employee benefits	3,459	3,146
Interest on leases	590	584
Total	48,002	35,688

* A portion of borrowing costs of TCZK 8,870 (2017: TCZK 8,297) was capitalised in line with IAS 23. The capitalisation rate was 1.16% p.a. (2017: 1.16% p.a.).

(11) Asset capitalisation (TCZK)

	2018	2017
First-time installation and calibration of electricity meters	38,140	25,276
Internally produced assets (production of distribution assets)	169,074	168,159
Total	207,214	193,435

(12) Impairment loss for financial assets (TCZK)

Due to the application of IFRS 9 "Financial Instruments", impairment losses for assets were separated into an independent item in the income statement. In 2017, they were included in other gains and losses. The comparative period was restated.

	2018	2017
Write-offs of doubtful debts	18,467	12,484
Creation and release of loss allowances for receivables	10,402	17,986
Creation and release of loss allowances for contract assets	(667)	--
Creation and release of loss allowances for cash and cash equivalents	(637)	--
Total	27,565	30,470

#108

PRE Group

Consolidated financial statements for the year ended on 31 December 2018

(13) Other gains and losses (TCZK)

	2018	2017
Taxes and charges	(19,154)	(22,486)
Insurance premium	(7,608)	(6,874)
Foreign exchange rate gains (losses)	8,905	(8,578)
Gain (loss) from the sale and disposal of assets	(4,946)	2,903
Gain (loss) from the sale and disposal of inventories	21,812	7,407
Other	(20,262)	(30,486)
Total	(21,253)	(58,114)

(14) 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%.

	2018	2017
Current tax	605,434	592,344
Deferred tax	84,721	72,983
Total income tax	690,155	665,327

Effective tax rate	2018		2017	
Profit before tax	3,557,991		3,625,428	
Income tax using the effective income tax rate	676,018	19.00%	688,831	19.00%
Impact of items that are never tax-deductible	14,137	0.40%	(23,504)	(0.65)%
Total income tax / effective tax rate	690,155	19.40%	665,327	18.4%

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

	2018	Recorded in profit or loss	Recorded in equity	Changes in business combinations	2017	Recorded in profit or loss	Recorded in equity	2016
Non-current assets	2,078,854	80,765	(237,532)	11,427	2,224,194	69,290	464	2,154,440
Provisions	(17,114)	7,918	--	--	(25,032)	540	--	(25,572)
Loss allowances for receivables	(13,697)	950	(1,809)	--	(12,838)	2,854	--	(15,325)
Loss allowances for inventories	(259)	(259)	--	--	--	--	--	(367)
Obligation under the collective agreement	(69,911)	(4,653)	--	--	(65,258)	299	--	(65,557)
Cash flow hedge	81,028	--	47,178	--	33,850	--	13,711	20,139
Total deferred tax liability	2,058,901	84,721	(192,163)	11,427	2,154,916	72,983	14,175	2,067,758

The total deferred tax is reported in the balance sheet as a deferred tax asset of TCZK 33,979 (2017: TCZK 25,745) and a deferred tax liability of TCZK 2,092,880 (2017: TCZK 2,180,661).

The estimated current income tax for 2018 of TCZK 605,192 was reduced by income tax prepayments of TCZK 588,349 and the net difference is reported in tax receivables in the amount of TCZK 34,787 and in tax liabilities in the amount of TCZK 51,630. In 2017, the estimated income tax of TCZK 595,448 was reduced by income tax prepayments of TCZK 540,120 and the net difference was reported in tax receivables in the amount of TCZK 2,123 and in tax liabilities in the amount of TCZK 57,451. In addition, tax liabilities include, in particular, VAT liabilities.

(15) Dividends (TCZK)

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

	2018	2017
Final dividend for 2017 of CZK 885 (2016: CZK 0) per share	3,425,695	--

The proposed dividend for 2018 must be approved by the shareholders at the Annual General Meeting. It has not been included in liabilities in these financial statements.

The Group paid out the dividend for 2016 in 2018, when the proposed payment was approved by the Annual General Meeting.

#110

PRE Group

Consolidated financial statements for the year ended on 31 December 2018

(16) Earnings per share (TCZK)

Earnings per share are calculated from the net profit for distribution of TCZK 2,867,836 (2017: TCZK 2,960,101) attributable to 3,869,443 shares, i.e., the earnings per share amount to CZK 741 (2017: CZK 765). The Group has no issued instruments diluting the basic earnings per share.

(17) 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 31.12.2016	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)
Loss allowances	--	--	--	--	--	--	--	--	--	--
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 in 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 in 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

	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 31.12.2017	903.1	12,520.4	14,343.6	2,707.8	1,811.9	2,190.2	1,750.0	818.6	564.9	37,610.5
Adjustment at initial application of IFRS 15	--	1,865.6	932.8	--	--	--	--	--	--	2,798.4
Additions	3.3	323.4	812.7	83.3	7.8	0.5	39.2	57.7	375.5	1,703.4
Additions from business combinations, including purchase price allocation	1.1	--	--	--	--	62.5	--	6.4	--	70.0
Disposals	(1.5)	(117.9)	(85.5)	(84.7)	(0.8)	--	(115.3)	(40.6)	(7.0)	(453.3)
Transfers	0.3	153.0	60.4	85.4	6.9	0.1	5.9	15.9	(327.9)	--
Balance on 31.12.2018	906.3	14,744.5	16,064.0	2,791.8	1,825.8	2,253.3	1,679.8	858.0	605.5	41,729.0
Accumulated depreciation										
Balance on 31.12.2017	(0.6)	(5,242.9)	(4,669.9)	(1,940.1)	(531.9)	(506.1)	(1,279.5)	(474.2)	--	(14,645.2)
Adjustment at initial application of IFRS 15	--	(1,521.2)	(760.6)	--	--	--	--	--	--	(2,281.8)
Depreciation expense	--	(371.0)	(378.7)	(157.6)	(42.7)	(138.2)	(59.0)	(58.1)	--	(1,205.3)
Loss allowances	--	--	--	--	--	--	--	--	--	--
Disposals	--	118.0	85.2	84.7	0.8	--	115.2	35.2	--	439.1
Transfers	--	--	--	--	--	--	--	--	--	--
Balance on 31.12.2018	(0.6)	(7,017.1)	(5,724.0)	(2,013.0)	(573.8)	(645.3)	(1,223.3)	(496.1)	--	(17,693.2)
Net book value in 2017	902.5	7,277.5	9,673.7	767.7	1,280.0	1,683.1	470.5	345.4	564.9	22,965.3
Net book value in 2018	905.7	7,727.4	10,340.0	778.8	1,252.0	1,609.0	456.5	361.9	604.5	24,035.8

Photovoltaic power plants	Installed capacity (kWp)	Licence	Acquisition
Kondrac	1,109	2009	2011
Hořovice	1,087	2010	2011
Pozorka	3,998	2010	2013
Syrovice	6,336	2009	2013
Mikulov	941	2010	2014
Dačice	4,848	2009/2010	2014
Požořice	4,596	2010	2015
Světlík	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 2019, the Group anticipates incurring total capital expenditures of approximately MCZK 1,900. As at the date of the preparation of the financial statements, approximately MCZK 811 of all planned expenditure had been contracted.

#112

PRE Group

Consolidated financial statements for the year ended on 31 December 2018

(18) Intangible assets (MCZK)

	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 in 2016	83.0	96.4	10.8	93.1	283.3
Net book value in 2017	123.6	157.7	11.0	85.0	377.3

	Software	Goodwill*	Other	Under construction	Total
Cost					
Balance on 31.12.2017	646.0	157.7	41.5	85.0	930.2
Additions	16.4	--	0.7	81.1	98.2
Additions from business combinations	--	45.0	25.0	--	70.0
Disposals	--	(51.1)	(0.2)	--	(51.3)
Transfers	69.5	--	0.3	(69.8)	--
Balance on 31.12.2018	731.9	151.6	67.3	96.3	1,047.1
Accumulated amortisation					
Balance on 31.12.2017	(522.4)	--	(30.5)	--	(552.9)
Amortisation expense	(57.5)	--	(4.3)	--	(61.8)
Disposals	--	--	0.2	--	0.2
Transfers	--	--	--	--	--
Balance on 31.12.2018	(579.9)	--	(34.6)	--	(614.5)
Net book value in 2017	123.6	157.7	11.0	85.0	377.3
Net book value in 2018	152.0	151.6	32.7	96.3	432.6

* Additions from business combinations and purchase price allocation, see note 19.

The Group has no intangible assets developed internally.

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

In 2019, the Group anticipates incurring total capital expenditures of approximately MCZK 120. As at the date of the preparation of the financial statements, approximately MCZK 47 of all planned expenditure had been contracted.

(19) Subsidiaries (MCZK)

Company	Principal activity	2018	2017
PREdistribuce, a.s.	Distribution of electricity in Prague and Rostoky	100%	100%
eYello CZ, k.s.	Electricity and gas trading	100%	100%
PREměření, a.s.	Electroinstallation services, meter readings and generation of electricity from solar energy	100%	100%
KORMAK Praha a.s.	Construction and repairs of distribution infrastructure	100%	100%
PREservisní, s.r.o.*	Lease of real estate, apartments and non-residential premises	100%	100%
PREzákaznická, a.s.	Customer services for the other entities of the PRE Group	100%	100%
PRE FVE Světlík, s.r.o.	Generation of electricity from solar energy	100%	100%
PREnetcom, a.s.	Communication network administration	100%	--
SOLARINVEST – GREEN ENERGY, s.r.o.	Installation of turnkey photovoltaic systems and electroinstallation	100%	--
FRONTIER TECHNOLOGIES, s.r.o.	Production and supply of professional lighting systems	100%	--

* As at 1 October 2018, the company's name changed (the original name was KORMAK nemovitosti s.r.o.).

The Group exercises control over its subsidiaries, i.e., it has the power to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities.

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

On 1 January 2018, PREnetcom, a.s., was incorporated. The company was established with the aim to contribute to the achievement of the PRE Group's long-term objectives relating to the implementation of smart grids and AMM smart metering within the distribution network; this entails the interconnection of individual distribution network components to ensure the safe transfer of network data and the remote control of the network. PREnetcom, a.s., cooperates with PREdistribuce, a.s., in creating the concept, planning, and coordinating the construction and maintenance of the optical infrastructure.

On 3 May 2018, SOLARINVEST – GREEN ENERGY, s.r.o., was acquired. It installs solar and thermal systems, such as air conditioning units, heat pumps, etc. On 30 November 2018, FRONTIER TECHNOLOGIES, s.r.o., was acquired. It specialises in the development, production and supply of smart indoor and outdoor lighting solutions.

The purpose of the new acquisitions is to meet the Group's objectives to strengthen the Group's position on the market for solar system installations and to enter the new market for lighting solutions. Goodwill arising upon the companies' acquisition includes amounts relating to the expected benefit from expected synergies, increased revenues and future market development. The Group assumes that goodwill will be primarily allocated to intangible assets. The study on purchase price allocation will be finished in 2019.

The consolidated statement of comprehensive income includes the acquirees' revenue of MCZK 65. The consolidated income statement includes the acquirees' result of operation of MCZK 4. If the date of acquisition of the acquirees had been the beginning of the accounting period, the revenue of MCZK 132 would have entered the consolidated revenues, and the result of operation of MCZK 6 would have entered the consolidated income statement.

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

#114

PRE Group

Consolidated financial statements for the year ended on 31 December 2018

On 30 November 2017, PRE FVE Světlík, s.r.o., was acquired. It operates a photovoltaic power plant. In 2018, the purchase price was allocated, resulting in a reduction in the initially recognised goodwill of MCZK 51.1, an increase in property, plant and equipment of MCZK 62.5, and an increase in the deferred tax liability of MCZK 11.4.

	2018	2017
Assets acquired and liabilities assumed from subsidiaries as at the acquisition date		
Property, plant and equipment	7	218
Intangible assets	25	0
Loans, borrowings and other assets and liabilities	(4)	(50)
Cash	10	13
Fair value of the identifiable net assets acquired	38	181
Consideration transferred upon the acquisition of subsidiaries	83	242
Less the fair value of the identifiable net assets acquired	(38)	(181)
Goodwill arisen upon the acquisition of subsidiaries	45	61

	2018	2017
Net cash flows upon the acquisition of subsidiaries		
Consideration transferred upon the acquisition of subsidiaries	83	242
Cash equivalents of the subsidiaries over whom control has been acquired	(10)	(13)
Balance of outstanding amount of purchase price*	(35)	7
Net cash outflows upon the acquisition of subsidiaries	38	236

* Includes retentions and deferred (conditional) payments arising from the contract. Deferred payments represent an additional payment of the purchase price which is dependent on the future achievement of selected financial indicators acquired by the company (profit before tax).

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

Goodwill	2018	2017
Balance on 1.1.	157	96
Additions from business combinations performed during the year	45	61
Change in goodwill following the purchase price allocation	(51)	--
Balance on 31.12.	151	157

Goodwill after the companies	2018	2017
FVE Dačice, s.r.o.	34	34
FVE Pozoříce, s.r.o.	5	5
KORMAK Praha a.s. and PREservisní, s.r.o.	57	57
PRE FVE Světlík, s.r.o.	10	61
SOLARINVEST – GREEN ENERGY, s.r.o.	17	--
FRONTIER TECHNOLOGIES, s.r.o.	28	--
Balance on 31.12.	151	157

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

(20) Contract assets (TCZK)

Contract assets comprise the Group's right for payment for supplies already carried out and invoiced, based on contracts with customers, at the selling price reduced by advances received, in case the value of supply is higher than the value of advances received. A contract asset becomes a receivable at the moment the unconditional right for payment is acquired; this unconditional right arises from invoicing after meter reading. The usual invoice payment deadline for end customers is 30 days.

Current contract assets	2018	1. 1. 2018
Uninvoiced supplies of electricity and gas – gross	3,413,529	3,337,539
Less advances received	(3,073,520)	(2,952,429)
Uninvoiced supplies of electricity and gas – net	340,009	385,110
Uninvoiced distribution of electricity – gross	543,457	556,172
Less advances for distribution received	(507,944)	(373,519)
Uninvoiced distribution of electricity – net	35,514	182,653
Total	375,523	567,763

Balance of contract assets on 1.1.2018	567,763
Invoicing of recognised contract assets during 2018	(571,653)
Uninvoiced supplies of 2018, less advances received	378,746
Impairment in compliance with the IFRS 9 requirements	667
Balance of contract assets on 31.12.2018	375,523

Impairment of contract assets in compliance with IFRS 9	
Creation as at 1.1.2018 (affecting retained earnings)	3,890
Additions and release in the current year	(667)
Balance on 31.12.2018	3,223

(21) Trade and other receivables (TCZK)

Non-current trade and other receivables	2018	2017
Principal amounts paid, primarily for electricity trading	56,121	56,225
Advances paid	24,029	19,319
Receivables from the revaluation of commodity derivatives for trading	51,424	14,185
Receivables from the revaluation of hedging commodity derivatives	180,128	163,350
Other non-financial assets	21,028	121
Total	332,730	253,200

#116

PRE Group

Consolidated financial statements for the year ended on 31 December 2018

Current trade and other receivables	2018	2017
Receivables from electricity and gas supplies – gross	1,348,143	4,445,603
Less advances received	--	(2,952,429)
Receivables from electricity and gas supplies – net*	1,348,143	1,493,174
Receivables related to supplies of distribution services – gross	105,828	708,217
Less advances received	--	(373,519)
Receivables related to supplies of distribution services – net*	105,828	334,698
Other trade receivables	20,181	--
Margin deposits with the power exchanges	137,526	86,836
Receivables from the revaluation of commodity derivatives for trading	947,805	274,871
Receivables from the revaluation of hedging commodity derivatives	320,618	84,958
Other receivables – gross	148,841	326,568
Less advances provided	(16,132)	(204,887)
Other receivables – net	132,709	121,681
Other non-financial assets	73,928	86,451
Total	3,086,738	2,482,669

* As at 1 January 2018, invoiced electricity and distribution services were reclassified to contract assets.

Compared to the initial recognition, the credit risk did not increase significantly. In respect of non-current principals and margin deposit, the following loss allowances were established for expected credit losses at an amount of 12-month credit losses (stage 1 of the impairment model):

Creation as at 1.1.2018 (affecting retained earnings)	1,340
Additions and release in the current year	506
Balance on 31.12.2018	1,846

Of the current trade receivables, gross receivables past their due date totalled TCZK 448,489 (2017: TCZK 416,675). Outstanding portions usually bear no interest. The following loss allowances were created for the current trade receivables:

Balance on 31.12.2016	317,491
Additions and utilisation in the current year	17,986
Balance on 31.12.2017	335,477
Creation as at 1.1.2018 (affecting retained earnings)	2,792
Adjusted balance on 1.1.2018	338,269
Additions and utilisation in the current year	9,896
Balance on 31.12.2018	348,165

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

The carrying amount of trade and other receivables corresponds to their fair value. Receivables are considered credit impaired if they are more than 3 months past due.

Ageing structure of receivables	% of loss allowance	2018		
		Gross	Loss allowance	Net
Receivables within due date	1	1,373,827	15,046	1,358,781
Receivables up to 1 month past due	8	89,529	7,157	82,372
Receivables between 1 and 3 months past due	8	17,765	1,426	16,339
Receivables between 4 and 12 months past due	74	30,885	22,725	8,160
Receivables over 12 months past due	97	310,310	301,810	8,500
Total trade receivables		1,822,317	348,165	1,474,152

Ageing structure of receivables	2017		
	Gross	Loss allowance	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
Total receivables from electricity and gas supplies	2,163,349	335,477	1,827,872

(22) Other financial assets (TCZK)

	2018	2017
Available-for-sale debt securities	--	1,000,000
Total	--	1,000,000

Available-for-sale debt securities comprised a corporate bill of exchange that was paid up in January 2018.

(23) Inventories (TCZK)

	2018	2017
Material	52,448	52,486
Work in progress	638	378
Products	1,810	--
Goods	68,799	24,509
Total	123,695	77,373

Cost of purchased material, services and energy and other gains and losses in the income statement include the costs of sold and consumed inventories of TCZK 181,025 (2017: TCZK 124,064).

#118

PRE Group

Consolidated financial statements for the year ended on 31 December 2018

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

Balance on 31.12.2016	2,196
Additions and utilisation in the current year	(319)
Balance on 31.12.2017	1,877
Additions and utilisation in the current year	(518)
Balance on 31.12.2018	1,359

The adjustment to the net realisable value is reported in other gains and losses.

(24) 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.

	2018	2017
Current bank accounts	1,985,664	2,702,888
of which: loss allowances	(860)	--
Cash in hand	2,598	4,015
Stamps and vouchers	2,476	2,256
Total	1,989,878	2,709,159
Other financial assets complying with the definition of cash equivalents – see note 22	--	1,000,000
Adjustment by loss allowances for cash	860	--
Total cash and cash equivalents for the purposes of the statement of cash flows	1,990,738	3,709,159

Impairment of cash and cash equivalents in compliance with IFRS 9

Creation as at 1.1.2018 (affecting retained earnings)	1,497
Additions and release in the current year	(637)
Balance on 31.12.2018	860

(25) Loans (TCZK)

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

	2018			2017		
	Amount	Interest rate	Maturity date	Amount	Interest rate	Maturity date
Loan 1	1,000,039	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	1,005,614	Fix 1.16%	8.7.2022
Loan 3	1,100,029	Fix 0.94%	25.6.2020	1,100,086	Fix 0.94%	25.6.2020
Loan 4	78,357	Fix 0.60%	3.7.2019	90,232	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
Loan 7	1,004,505	Fix 1.06%	3.7.2019	--	--	--
Loan 8	126,007	Fix 2.11%	2.1.2019	--	--	--
Authorised overdraft of current accounts	--	--		316,438	O/N PRIBOR+0.35%, at least 0.00%	
Total	4,314,551			4,820,707		
Non-current loans	3,100,000			3,100,000		
Current loans	1,214,551			1,720,707		
Total	4,314,551			4,820,707		

	Cash flows					31.12.2018
	31.12.2017	Drawing	Repayment	Other	Assumed loan	
Total loans	4,820,707	1,126,000	(1,628,436)	(3,720)	--	4,314,551

	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.

Loans 4 and 7 are loans from the parent company Pražská energetika Holding, a.s.

The banks do not require loan collateral with regard to the Group's rating. As at 31 December 2018, undrawn loan facilities amounted to MCZK 2,834 (31.12.2017: MCZK 2,144).

Loans are carried at their amortised cost. The fair value of loans 1, 2, 3, 4, and 7 differs from their amortised cost by MCZK 97, and this value amounts to MCZK 4,091. In respect of other loans, their amortised cost does not differ from their fair value in particular due to their short-term character. In 2017, the fair value of loans 1, 2, and 3 differed from their amortised cost by MCZK 136, and this value amounted to MCZK 2,977.

#120

PRE Group

Consolidated financial statements for the year ended on 31 December 2018

The fair value was calculated by discounting contractual cash flows using the current yield curve. Fair value comes under level 3 as a result of using inputs that cannot be directly derived from data acquired on the active market, such as own credit risk.

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

(26) Contract liabilities (TCZK)

The contract liability relates to advances received and invoicing that has already been performed (e.g., in the case of investment contributions), as part of contracts with customers, reduced by the value of supplies that have not yet been invoiced, and from which revenue is recognised on an ongoing basis or will be recognised directly after the balance sheet date as part of the satisfaction of a performance obligation.

Non-current contract liabilities	2018	1.1.2018
Investment contributions	1,613,491	1,586,195
Total	1,613,491	1,586,195

Current contract liabilities	2018	1.1.2018
Advances received for the supply of electricity and gas from customers – gross	3,929,515	3,922,770
Less uninvoiced supplies	(3,073,520)	(2,952,429)
Advances received for the supply of electricity and gas from customers – net	855,995	970,341
Advances received for the supply of distribution services – gross	514,393	396,306
Less uninvoiced distribution services	(507,944)	(373,519)
Advances received for the supply of distribution services – net	6,449	22,787
Investment contributions	177,592	180,536
Total	1,040,036	1,173,664

Balance of contract liabilities on 1.1.2018	2,759,859
Increase in contract liabilities in the current year (investment contributions received, advance payments, partial invoicing)	1,067,332
Recognition of contract liabilities in revenues in the current year	(1,173,664)
Balance of contract liabilities on 31.12.2018	2,653,527

TCZK 1,173,664 recorded as a contract liability as at 1 January 2018 was reported in revenue in the period ended on 31 December 2018.

The Group has no revenue relating to the satisfaction or partial satisfaction of performance obligations in prior accounting periods.

(27) Trade and other payables (TCZK)

Non-current trade and other payables	2018	2017
Payables from the revaluation of commodity derivatives for trading	49,977	13,793
Payables from the revaluation of hedging commodity derivatives	80,174	86,596
Other financial liabilities	83,353	53,863
Other non-financial liabilities	128,802	23,723
Total	342,306	177,975

Current trade and other payables	2018	2017
Advances received for the supply of electricity and gas from customers – gross	--	3,922,770
Less uninvoiced supplies	--	(2,952,429)
Advances received for the supply of electricity and gas from customers – net*	--	970,341
Uninvoiced supplies of electricity and gas from suppliers – gross	262,538	237,646
Less advances provided for the supply of electricity and gas	(246,621)	(204,887)
Uninvoiced supplies of electricity and gas from suppliers – net	15,917	32,759
Advances received for the supply of distribution services – gross	--	396,306
Less uninvoiced distribution services	--	(373,519)
Advances received for the supply of distribution services – net*	--	22,787
Trade payables	1,037,863	988,906
Payables from the revaluation of commodity derivatives for trading	972,806	266,135
Payables from the revaluation of hedging commodity derivatives	93,468	29,116
Payables from the revaluation of hedging foreign exchange derivatives	10,143	29,072
Payables to employees**	52,095	47,126
Social security and health insurance liabilities	29,968	27,534
Other financial liabilities	126,989	157,664
Other non-financial liabilities	102,531	87,268
Total	2,441,780	2,658,708

* As at 1 January 2018, advances received were reclassified to contract liabilities.

** Includes outstanding December salaries.

The Group reports overdue trade payables of TCZK 3,266 (2017: TCZK 140).

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

#122

PRE Group

Consolidated financial statements for the year ended on 31 December 2018

(28) Finance lease liabilities (TCZK)

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	2018	2017
Lease payments due within 1 year	33,075	27,848	32,916	27,654
Lease payments due from 1 to 5 years	53,446	49,603	51,949	48,207
Lease payments due in over 5 years	5,433	1,790	5,075	1,657
Total lease payments	91,954	79,241	89,940	77,518
Future lease payments	(2,014)	(1,723)	--	--
Present value of minimum lease payments	89,940	77,518	89,940	77,518
Other non-current financial liabilities			57,024	49,864
Other current financial liabilities			32,916	27,654
Total			89,940	77,518
Property, plant and equipment				
Carrying amount of assets held under finance leases			89,940	77,518

The Group holds cars under finance lease contracts. All contracts have a fixed payment schedule and the Group did not enter into any contracts on contingent lease payments.

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

(29) Provisions (TCZK)

	2018	2017
Employee benefits	296,219	298,397
Other provisions	258,514	270,444
Total	554,733	568,841
Non-current provisions	393,431	393,853
Current provisions	161,302	174,988
Total	554,733	568,841

	Employee benefits	Business risks	Salaries	Other	Total
Balance on 31.12.2016	355,702	117,754	100,569	387	574,412
Additions in the current year	39,636	1,770	152,566	5	193,977
Utilisation in the current year	(25,580)	--	(89,640)	(392)	(115,612)
Release in the current year	(71,361)	(1,646)	(10,929)	--	(83,936)
Balance on 31.12.2017	298,397	117,878	152,566	--	568,841
Additions in the current year	44,622	11,223	130,994	--	186,839
Utilisation in the current year	(25,332)	--	(148,403)	--	(173,735)
Release in the current year	(21,468)	(1,581)	(4,163)	--	(27,212)
Balance on 31.12.2018	296,219	127,520	130,994	--	554,733
Non-current liabilities – provisions	265,911	127,520	--	--	393,431
Current liabilities – provisions	30,308	--	130,994	--	161,302
Total	296,219	127,520	130,994	--	554,733

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

The provisions for business risks arise from the operation of fixed assets.

The provision for employee benefits represents liabilities pursuant to the collective agreement arising from bonuses paid to employees upon retirement and work and life anniversaries and liabilities to personal accounts drawn by employees for elective benefits. In respect of work anniversaries and bonuses upon retirement, the amount of benefit depends on the hours that the employee has worked in the Group; in case of life anniversaries, the bonus is paid to the employee on reaching the age of 50. After employees retire, no other benefits are provided to them.

To calculate the provision, a projected unit credit method is used, i.e., for each period worked, the employee is entitled to a proportion of the present value of the benefit. In addition, the calculation takes into account the time value of money and the probability that the benefit will not be paid out.

The discount rate is derived based on market yields of Czech state bonds in the currency of the liability, i.e., CZK, with the maturity date corresponding with the maturity of the liability. It is determined as a single discount factor for all benefits together.

The probability of continuance (payment) includes the anticipated retirement, the probability of leaving the Group, the mortality, and the disability rate. The anticipated retirement is determined for individual employees using legislation valid in the respective country. Staff turnover, mortality, and disability rates are determined based on the Group's historical data analysis.

Basic assumptions used for actuarial valuation:

	2018
Discount rate	2.302%
Average retirement age (years)	64.7
Probability of continuance	0.70

Significant actuarial assumptions for determining the liability include the discount rate and probability of continuance. The sensitivity analyses below were determined based on possible changes in the parameters described, at the end of the accounting period, whilst all other assumptions remained constant.

	Basis	-1 p.b.	Difference	+1 p.b.	Difference
Sensitivity of the provision to the change in discount rate	296,219	329,872	33,653	267,879	(28,340)

	Basis	(0.1)	Difference	0.1	Difference
Sensitivity of the provision to the change in probability of continuance	296,219	262,409	(33,810)	313,116	16,897

Additions to the provisions for employee benefits in the current year include interest expense of TCZK 3,459 and ordinary expenses connected with these benefits of TCZK 41,163. The utilisation of provisions then comprises the payments of employee benefits.

(30) 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.

(31) Reserves (TCZK)

	2018	2017
Reserve fund	773,889	773,889
Other reserves	382,711	382,711
Cash flow hedge	345,436	144,307
Total	1,502,036	1,300,907

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 Group'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 the incorporation of the joint stock company (1 January 1994). As at that date, the balance of the capital funds was TCZK 390,390. The Board of Directors decides on the use of the balance of this fund based on the rules for fund management approved by the General Meeting. Subject to the approval of the General Meeting, the Company may establish other discretionary funds.

Cash flow hedges include:

	2018	2017
Revaluation of hedging commodity derivatives	433,777	207,228
Effect of deferred tax	(82,418)	(39,373)
Revaluation of hedging foreign exchange derivatives	(7,313)	(29,072)
Effect of deferred tax	1,390	5,524
Total	345,436	144,307

(32) Contingent liabilities and contingent assets (TCZK)

At the request of the Group, banks issued payment bank guarantees of MCZK 19 (2017: MCZK 19) in favour of OTE, a.s., and APCS Power Clearing and Settlement AG.

(33) Financial instruments (TCZK)

Categories of financial instruments

Financial assets (net)	Cat.	2018	2017
(a) Receivables from the revaluation of commodity derivatives for trading	iii.	999,229	289,055
(b) Receivables from the revaluation of hedging commodity derivatives	iv.	500,746	248,308
(c) Receivables from the revaluation of hedging foreign exchange derivatives	iv.	--	--
(d) Cash and cash equivalents	i.	1,989,878	2,709,159
(e) Margin deposit	i.	137,526	86,836
(g) Trade and other receivables, except for the above	i.	1,662,982	2,005,899
(h) Other financial assets – bill of exchange	ii.	--	1,000,000

Financial liabilities	Cat.	2018	2017
(i) Payables from the revaluation of commodity derivatives for trading	iii.	1,022,783	279,928
(j) Payables from the revaluation of hedging commodity derivatives	iv.	173,642	115,712
(k) Payables from the revaluation of hedging foreign exchange derivatives	iv.	10,143	29,072
(l) Loans received	v.	4,314,551	4,820,707
(n) Financial liabilities carried at amortised cost, except for the above	v.	1,264,122	1,233,191

Categories of financial instruments:

- i. Financial assets measured at amortised cost (loans and other receivables on 31 December 2017)
- ii. Financial assets measured at FVOCI (available-for-sale securities on 31 December 2017)
- iii. Financial assets/liabilities measured at FVTPL (financial instruments for trading revalued in the income statement on 31 December 2017)
- iv. Financial assets/liabilities measured at FVOCI (hedging financial instruments revalued in equity on 31 December 2017)
- v. Financial liabilities measured at amortised cost (financial liabilities at net book value on 31 December 2017)

#126

PRE Group

Consolidated financial statements for the year ended on 31 December 2018

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

Gains and losses from financial instruments reported in the current period		2018	2017
Gain/loss from the revaluation of commodity derivatives in the trading portfolio*	(a, i)	(29,091)	(2,010)
Interest received outside of the Group and revenue from securities held	(d, h)	14,475	411
Borrowing costs (except for the interest on employee benefits)	(l, n)	(44,544)	(32,542)
Loss allowances for trade receivables and other financial assets	(d, e, g)	(9,098)	(17,986)
Write-offs of doubtful debts	(g)	(18,467)	(12,484)
Hedge ineffectiveness	(b, j)	1,273	--

* Included in the gross profit from trading.

Hedge accounting		2018	2017
Creation of the equity fund from the cash flow hedge	(b, c, j, k)	346,701	178,156
Reversal of the fund from cash flow hedge in the income statement*	(b, c, j, k)	(98,393)	(105,994)

* In the 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.

	2018	2017
Total assets	30,457,651	29,900,435
Equity	17,794,957	19,208,514
Equity / total assets	58%	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 non-derivative financial assets and financial instruments:

- commodity forwards and futures to hedge the changes in prices of these commodities;
- currency forwards to hedge the changes in exchange rates; and,
- funds denominated in EUR acquired by a spot purchase on the money market to hedge exchange rates.

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

Currency risk

The Company is exposed to the risk of changes in exchange rates. It takes a significant exposure to the risk of changes in exchange rates only to settle transactions in foreign currency (EUR) made to procure electricity and gas for the Company's customers. The Company's strategy is to minimise the risk of undesirable effects of exchange rate fluctuations on cash flows. The risks of such changes in exchange rates are measured using defined scenarios for exchange rate development. The open exposure is established based on the annual plan of exchange currency requirements and the amount of agreed hedging.

The Company hedges a significant portion of its future planned foreign currency cash flows for the purchase of electricity and gas against the risk related to exchange rates, using currency forwards and a spot purchase of EUR with subsequent holding period until the determined date of usage; these transactions are accounted for in accordance with the hedge accounting principles that the Company applies.

The Company monitors hedge effectiveness under hedge accounting. The hedging has been effective. Due to the fact that the characteristics of the hedging instrument and the hedged item tally, no sources of ineffectiveness, with the exception of the counterparty's credit risk, have been identified. The counterparty's credit risk is insignificant. The credit rating of PRE and the counterparty of the hedging instrument is high. The effect of the credit risk does not dominate the changes in value that result from the economic relationship. The hedge ratio is set at 1:1.

The economic relationship between the hedged item and the hedging instrument has been tested:

- Qualitative analysis: Based on the comparison of the characteristics of the hedging instrument and the hedged item, the Company concluded that they are balanced.
- Quantitative analysis: Using the simple method of scenario analysis, the Company examined and further monitors any changes in the fair value of the hedging instrument and the hedged item as a result of changes in the underlying variable, comprising the EUR/CZK exchange rate. The changes in the fair value of the hedged item and the hedging instrument move in opposite directions and the change in the fair value of the hedging instrument fully compensates the change in the fair value of the hedged item.

The carrying amount of foreign currency assets and liabilities:

	Assets (TCZK)		Liabilities (TCZK)	
	2018	2017	2018	2017
Receivables and payables from the revaluation of commodity derivatives for trading	999,229	289,055	1,022,783	279,928
Receivables and payables from the revaluation of hedging commodity derivatives	500,746	248,308	173,642	115,712
Receivables and payables from the revaluation of hedging foreign exchange derivatives	--	--	10,143	29,072
Non-derivative financial assets for currency risk management (cash)	977,550	--	--	--
Cash and cash equivalents	351,552	81,826	--	--
Margin deposit	138,915	86,836	--	--
Trade receivables and payables and other receivables and payables	263,546	233,915	512,223	420,734
Total in EUR	3,231,538	939,940	1,718,791	845,446
Other currencies	75	162	--	--
Total	3,231,613	940,102	1,718,791	845,446

Currency derivatives and non-derivative financial assets open at the balance sheet date:

	Average exchange rate CZK/EUR		Value (TEUR)		Value (TCZK)		Fair value (TCZK)	
	2018	2017	2018	2017	2018	2017	2018	2017
Purchase of EUR through currency derivatives								
Purchase of EUR up to 1 month	25.97	26.15	17,000	14,000	441,441	366,031	(3,715)	(8,320)
Purchase of EUR from 1 to 3 months	26.11	25.96	16,000	28,000	417,693	726,967	(4,508)	(10,592)
Purchase of EUR from 3 to 12 months	26.14	25.85	8,000	44,000	209,123	1,137,558	(1,920)	(10,160)
Total	26.06	25.94	41,000	86,000	1,068,257	2,230,556	(10,143)	(29,072)

	Average exchange rate CZK/EUR		Value (TEUR)		Value (TCZK)		Revaluation (TCZK)	
	2018	2017	2018	2017	2018	2017	2018	2017
Cash in EUR used to hedge currency risk								
EUR used up to 1 month	--	--	--	--	--	--	--	--
EUR used from 1 to 3 months	25.59		13,000		334,425		1,695	
EUR used from 3 to 12 months	25.68		25,000		643,125		1,135	
Total	25.65		38,000		977,550		2,830	

Currency risk – sensitivity analysis

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

	2018	2017
Profit (+) / loss (-)	2,182	(90)
Equity	19,115	18,868

Interest rate risk

Medium- and long-term external funds of the Group include loans maturing in two, four, and six years. These loans have a fixed interest rate. Changes in market interest rates have no impact on the contracted amount of repayments of these loans which effectively reduces the risk of changes in interest rates. Changes in interest rates may only affect the costs of hedging short-term sources of funding. However, the impact of this risk on the Group, if any, is immaterial, therefore, the Group does not manage it and does not apply hedge accounting.

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

	Assets (TCZK)		Liabilities (TCZK)	
	2018	2017	2018	2017
Receivables and payables from the revaluation of hedging foreign exchange derivatives	--	--	10,143	29,072
Total	--	--	10,143	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.

	2018	2017
Profit (+) / loss (-)	--	--
Equity	7	45

Risk of changing prices of commodities

The Group is exposed to the risk related to the development of electricity and gas prices, which can have an impact on the expected profit margin. The Group's strategy is to minimise the risk of undesirable effects of price changes on cash flows.

Electricity and gas for end customers is purchased in order to achieve the optimisation of purchase prices within the position limited in terms of volume. Exposure management is based on limits for the maximum permissible size of outstanding exposures, the possible financial impact is derived from defined scenarios for price developments. The commodity risk management strategies are primarily based on the structure of the Group's end customers and distinguish between customers with individual rates (the B2B customer segment) and customers receiving common price-list rates (the B2C customer segment). As the price is set at different times for each segment, the commodity hedging method varies for the two customer groups as well. In the case of the B2B customer segment, back-to-back hedging is used, i.e., the commodity is acquired as soon as the offer is accepted by the customer. For the B2C customer segment, gradual hedging is used, i.e., the commodity is acquired over time for a large number of small customers, taking into account market liquidity and minimising market price volatility for customers.

In implementing the above strategies, a range of tools, procedures and techniques are used to ensure that the commodity is delivered at the specified time, in the specified place and at the optimum purchase price.

A significant portion of the commodity delivered to the domestic market is hedged using forward contracts with physical delivery in the Czech Republic. The "own-use" exemption allowed by IFRS 9 applies to such forward contracts.

In the event of momentarily insufficient liquidity in the domestic commodity market with the physical delivery of the commodity, the Group hedges the purchase price and mitigates the risk of price development via transactions in external commodity markets connected with the Czech transmission system. So far, only the German market has been involved, due to its sufficient liquidity and a high degree of price correlation with the Czech market. The "own-use" exemption does not apply to these transactions, and in these cases, the Group applies hedge accounting. The objective of commodity risk management is to hedge cash flows connected with the future purchase of a commodity for the end customer on the domestic market. The Group hedges against the risk of price changes by purchasing an OTC commodity forward or stock exchange futures on the external market, thus substantially ensuring the required purchase price. At the moment of sufficient liquidity on the Czech market, the Group purchases the commodity on the domestic OTC market and at the same time closes the position on the external market with an inverse contract. Hedging is thus terminated. Any gain or loss from hedging to a large extent compensates the movement of price on the domestic market between the moment the Company wanted to purchase the commodity for the end customer, but could not do so due to low liquidity, and the moment of subsequent purchase. The "own-use" exemption allowed by IFRS 9 applies to the purchase on the domestic market. The Company monitors hedge effectiveness under hedge accounting. The hedge has so far been highly effective. The characteristics of the hedging instrument and the hedged item tally. Apart from the counterparty's credit risk, a source of hedge ineffectiveness is

also the degree of correlation between external and domestic commodity markets, expressed by the spread development between markets. The correlation across both markets is very high in the medium term (more than 98%). The counterparty's credit risk is insignificant. The credit rating of PRE and the counterparty of the hedging instrument is high. The effect of the credit risk does not dominate the changes in value that result from the economic relationship. The hedge ratio is set at 1:1.

The economic relationship between the hedged item and the hedging instrument has been tested:

- Qualitative analysis: Based on the comparison of the characteristics of the hedging instrument and the hedged item, PRE concluded that they are balanced.
- Quantitative analysis: Using the simple method of scenario analysis, the Group examined and further monitors any changes in the fair value of the hedging instrument and the hedged item as a result of changes in the underlying variable, comprising the rate of the commodity. The changes in the fair value of the hedged item and the hedging instrument move in opposite directions and the change in the fair value of the hedging instrument considerably compensates the change in the fair value of the hedged item.

Another possibility to solve temporary market illiquidity is to hedge the price of future spot purchase of a commodity, using commodity futures on the domestic market without physical delivery. At the moment of low liquidity on the domestic market with physical delivery, the Group agrees to the purchase of domestic commodity futures. The Group holds these futures until expiration. When the derivative expires, hedging is terminated. Any gain or loss from hedging, expressed by the paid or collected variation margin, fully compensates the movement of price on the domestic market between the moment the Group wanted to purchase the commodity for the end customer but could not do so due to low liquidity and the moment of purchase on the spot market. The Group monitors hedge effectiveness under hedge accounting. The hedge has been highly effective. The characteristics of the hedging instrument and the hedged item tally. Due to the fact that the characteristics of the hedging instrument and the hedged item tally, no sources of ineffectiveness, with the exception of the counterparty's credit risk, have been identified. The counterparty's credit risk is insignificant. The credit rating of PRE and the counterparty of the hedging instrument is high. The effect of the credit risk does not dominate the changes in value that result from the economic relationship. The hedge ratio is set at 1:1.

The economic relationship between the hedged item and the hedging instrument has been tested:

- Qualitative analysis: Based on the comparison of the characteristics of the hedging instrument and the hedged item, PRE concluded that they are balanced.
- Quantitative analysis: Using the simple method of scenario analysis, the Company examined and further monitors any changes in the fair value of the hedging instrument and the hedged item as a result of changes in the underlying variable, comprising the rate of the commodity. The changes in the fair value of the hedged item and the hedging instrument move in opposite directions and the change in the fair value of the hedging instrument considerably compensates the change in the fair value of the hedged item.

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

	Assets (TCZK)		Liabilities (TCZK)	
	2018	2017	2018	2017
Receivables and payables from the revaluation of commodity derivatives for trading	999,229	289,055	1,022,783	279,928
Receivables and payables from the revaluation of hedging commodity derivatives	500,746	248,308	173,642	115,712
Total	1,499,975	537,363	1,196,425	395,640

Open commodity derivatives for hedging as at the balance sheet date:

	Commodity contracts for purchase				Commodity contracts for sale			
	Nominal value		Nominal value		Nominal value		Nominal value	
	(TEUR)		(TCZK)		(TEUR)		(TCZK)	
	2018	2017	2018	2017	2018	2017	2018	2017
Futures								
Settlement up to 12 months	35,079	11,786	902,407	301,014	--	--	--	--
Settlement from 1 to 2 years	10,491	2,556	269,881	65,280	--	--	--	--
Settlement from 2 to 3 years	--	--	--	--	--	--	--	--
Total	45,570	14,342	1,172,288	366,294	--	--	--	--
OTC forward								
Settlement up to 12 months	10,105	16,317	259,951	416,736	5,926	3,815	152,446	97,435
Settlement from 1 to 2 years	9,777	17,719	251,513	452,543	3,606	3,646	92,764	93,119
Settlement from 2 to 3 years	--	9,472	--	241,915	--	3,606	--	92,097
Total	19,882	43,508	511,464	1,111,194	9,532	11,067	245,210	282,651

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.

	2018	2017
Profit (+) / loss (-)	--	--
Equity	3,252	9,033

Credit risk

The Group is exposed to credit risk primarily in terms of trade receivables from end customers relating to the supplies and distribution of electricity and gas and in respect of wholesale partners trading in commodities in relation to concluded hedging and trading derivative contracts on the OTC market. In addition, the credit risk is connected with contract assets, the Group's receivables from inter-company loans and consignment of funds, available or consigned as margin deposit in connection with the trading on commodity exchange, with banks. Although the Group does not expect a higher credit risk in connection with receivables and other financial assets, the future credit status of business partners can be negatively influenced by future macroeconomic developments and the financial stability of the national economy.

In compliance with the Group's credit risk management policy, the credibility of wholesale partners trading in commodities and business partners in the B2B segment and cooperating banks is verified. In terms of newly signed contracts in the B2C segment, the Group evaluates whether the Group's potential customer is in debt in respect of possible previous contractual relations, which can indicate the potential customer's reduced credibility, or it relies upon information from publicly available registers.

The development and balance of receivables is monitored and evaluated on an ongoing basis with the aim to minimise the risk that doubtful or uncollectible receivables may arise. The maximum possible credit risk resulting from financial and contract assets corresponds with their carrying amount.

Credit risk is managed on the level of risk owners, on the level of individual sections. As part of credit risk management process, the Group primarily strives to prevent the risk from occurring, performs regular or one-off scoring of wholesale and B2B partners, monitors external rating of cooperating banks, determines and monitors the compliance with binding exposure limits for individual partners, etc.

The Group monitors the development of receivables, customers' credit history and carries out the analysis of the ageing structure of receivables. These activities are performed in the integrated system for evaluation, administration and recovery of trade receivables. In case overdue receivables arise, the Group communicates with the debtor with the aim to acquire the outstanding amount. If the debtor does not respond to the summons, the Group proceeds to terminate the supplies of electricity or gas and subsequently recover the unpaid receivables.

In electricity and gas supplies and distribution, which is the Group's principal activity, the Group specifically applies the following principles to minimise the failure to collect receivables.

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

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

There is no concentration of credit risk.

The Group bases the monitoring of credit risk development on the ageing structure of receivables. The amount of loss allowance is determined on this basis. The percentage of loss allowance for individual categories of receivable maturities is determined with respect to available historical data and the expected future development, as part of which the Group takes into account also the expected development of economy. Historical data are based on the actual development in receivable repayment in the last four years. When taking into consideration the future development, the Group relies on available macroeconomic forecasts. The loss allowance rate reflects the expected percentage of receivables that will not be paid by the customer in the given age category.

The Group calculates loss allowances for trade receivables and contract assets in the amount corresponding with the lifetime expected credit losses on the financial assets. In respect of other receivables, the Group initially calculates loss allowances at an amount of 12-month expected credit losses and subsequently, if the counterparty's credibility reduction is identified, at lifetime expected credit losses.

A loss allowance for contract assets is established in the same way as the loss allowance for trade receivables within due date. The information on loss allowance amounts for contract and financial assets is included in notes 20, 21, and 24.

The standard practice of the Group is not to require collateral for trade receivables in the form of hedging financial assets. As at 31 December 2018, the Group did not hold any trade receivables or contract assets for which a loss allowance would be established due to collateral received.

The Group proceeds to write off trade receivables if, based on available information, it concludes that it is not possible to recover the given receivable despite efforts undertaken so far, or that the revenue from recovering the debt receivable will not cover potential costs that the Group would incur on debt recovery, or if it is a doubtful debt. These include in particular cases where the court cancelled the bankruptcy, because the debtor's assets are completely insufficient, the debtor is insolvent or faces the risk of insolvency based on insolvency proceedings, the debtor was a legal person that ceased to exist without a legal successor, the debtor was a natural person and has died and the receivable could not be satisfied even as part of inheritance proceedings, the assets of which were subject to public auctioning or execution and the yield from auctioning or execution did not fully cover the debt receivable. In addition, these include cases, where the debtor's whereabouts are unknown based on the information of competent national authorities (the police, courts, etc.). Moreover, doubtful receivables include receivables for which documents for recovery by legal means are not available, statute-barred debts that the debtor refuses to pay, the court dismissed the action, or the compulsory execution was not successful.

Liquidity risk

The Group manages liquidity risk by maintaining an average amount of cash and cash equivalents, banking facilities and borrowing facilities, by continuously monitoring forecast and actual cash flows and seeking to match the maturity profiles of financial assets and liabilities. Included in the note "Loans" is a listing of additional undrawn loan facilities that the Group has at its disposal to further reduce liquidity risk. These loan facilities have not been drawn yet. The Group is not exposed to any significant liquidity risk and does not suffer from any solvency issues. There is no concentration of liquidity risk.

Liquidity risk – tables

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

Liabilities 2018	Net book value	Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Payables from the revaluation of commodity derivatives for trading	1,022,783	81,067	162,134	729,605	49,977	1,022,783
Payables from the revaluation of hedging commodity derivatives	173,642	7,789	15,578	70,101	80,174	173,642
Payables from the revaluation of hedging foreign exchange derivatives	10,143	3,715	4,508	1,920	--	10,143
Loans received (including interest)	4,314,551	132,958	2,000	1,116,181	3,204,089	4,455,228
Financial liabilities carried at amortised cost, except for the above	1,264,122	1,028,754	72,989	79,184	85,208	1,266,135
Total		1,254,283	257,209	1,996,991	3,419,448	6,927,931

#134

PRE Group

Consolidated financial statements for the year ended on 31 December 2018

Liabilities 2017	Net book value	Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Payables from the revaluation of commodity derivatives for trading	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

(34) Operating leases (TCZK)

The minimum operating lease payments expensed in the current period:

Lease payments	2018	2017
Non-residential premises	58,061	58,736
Cable conduits	107,789	104,776
Cars	271	298
Other leased assets of all types	9,126	8,654
Total	175,247	172,464

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	2018	2017
Less than 1 year	8,758	8,842
From 1 to 5 years	29,340	30,230
5 years and more	55,332	61,123
Total	93,430	100,195

Irrevocable lease agreements are concluded for the lease of land under distribution points.

(35) 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	
	2018	2017	2018	2017
Relations with controlling entities and associates	1,179,401	1,740,926	1,181,693	1,691,536
Pražská energetika Holding, a.s.	1,477	266	5,169	--
Capital City of Prague	250,420	209,491	27,371	25,783
EnBW Energie Baden-Württemberg AG	927,504	1,531,169	1,149,153	1,665,753
Relations with other entities	836,236	781,359	152,596	145,527
ONTRAS Gastransport GmbH	--	--	640	1,762
Dopravní podnik hl. m. Prahy, a.s.	796,866	735,735	5,586	4,591
Kolektory Praha, a.s.	6,394	6,844	107,520	104,508
Obecní dům, a.s.	6,366	6,613	--	--
TRADE CENTRE PRAHA, a.s.	4,172	6,025	17,861	18,347
Pražská plynárenská, a.s.	22,438	26,142	20,989	16,319
Total	2,015,637	2,522,285	1,334,289	1,837,063

Receivables from and payables to related parties

	Receivables		Payables	
	2018	2017	2018	2017
Relations with controlling entities and associates	1,045	16,539	1,133,223	134,110
Pražská energetika Holding, a.s.*	149	25	1,082,862	90,232
Capital City of Prague	896	16,091	18,803	17,273
EnBW Energie Baden-Württemberg AG**	--	423	31,558	26,605
Relations with other entities	50,192	44,711	23,976	37,516
ONTRAS Gastransport GmbH	--	--	--	568
Dopravní podnik hl. m. Prahy, a.s.	45,447	38,449	45	23,703
Kolektory Praha, a.s.	743	408	--	1,200
Obecní dům, a.s.	638	704	--	--
TRADE CENTRE PRAHA, a.s.	533	--	--	140
Pražská plynárenská, a.s.	2,831	5,150	23,931	11,905
Total	51,237	61,250	1,157,199	171,626

* The payable of TCZK 1,082,862 (2017: TCZK 90,232) is a loan received from the parent company Pražská energetika Holding, a.s. – refer to the note "Loans received".

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

#136

PRE Group

Consolidated financial statements for the year ended on 31 December 2018

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

Dividends paid	2018	2017
Pražská energetika Holding, a.s.	1,988,473	--
EnBW Energie Baden-Württemberg AG	1,418,091	--

Executive management

	2018	2017
Number of persons	40	38
Remuneration (TCZK)	91,086	84,604

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

Receivables from the executive management

As at 31 December 2018, the Group reported receivables from the members of the executive management totalling TCZK 55 (31.12.2017: TCZK 26). The receivables are disclosed in trade and other receivables and were collected during January 2019.

(36) Post balance sheet events (TCZK)

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

In Prague, 25 April 2019

Signed by

Pavel Elis

Chairperson of the Board of Directors

Signed by

Alexander Sloboda

Vice-chairperson of the Board of Directors

Separate financial statements

Separate financial statements of Pražská energetika, a.s., for the year ended on 31 December 2018

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

Translated from the Czech original

Income statement (TCZK)

	Note	2018	2017 restated
Revenue from electricity and gas sold		15,676,014	14,902,664
Cost of electricity and gas sold		(14,103,303)	(13,298,798)
Gross profit from the sale of electricity and gas	(6)	1,572,711	1,603,866
Other operating revenue	(6)	938,513	929,256
Personnel expenses	(8)	(487,762)	(575,156)
Amortisation and depreciation	(16, 17)	(189,132)	(171,975)
Cost of purchased services, material and energy	(9)	(719,687)	(543,475)
Borrowing costs	(10)	(56,678)	(42,438)
Dividends received	(18)	1,350,000	1,155,350
Impairment loss for financial assets	(11)	(13,467)	(19,048)
Other gains and losses	(12)	181,614	134,068
Profit before tax		2,576,112	2,470,448
Income tax	(13)	(240,457)	(257,820)
Profit after tax		2,335,655	2,212,628
Basic and diluted earnings per share attributable to ordinary shares (CZK)	(15)	604	572

Statement of comprehensive income (TCZK)

	2018	2017
Profit after tax	2,335,655	2,212,628
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	201,129	58,452
Total other comprehensive income after tax	201,129	65,125
Comprehensive income attributable to the Company's shareholders	2,536,784	2,277,753

Translation note

This version of the separate 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 the information, views and opinions, the Czech version of the separate financial statements takes precedence over this translation.

Statement of financial position (balance sheet) (TCZK)

	Note	2018	2017
Assets			
Property, plant and equipment	(16)	1,835,779	1,869,527
Intangible assets	(17)	239,583	205,472
Equity investments	(18)	9,977,091	9,967,301
Trade and other receivables	(20)	276,766	224,777
Loans	(21)	3,477,687	3,644,850
Non-current assets		15,806,906	15,911,927
Inventories	(23)	69,173	63,490
Tax assets		33,921	--
Contract assets	(19)	332,451	--
Trade and other receivables	(20)	3,096,317	2,240,084
Loans	(21)	279,885	234,504
Other financial assets	(22)	--	1,000,000
Cash and cash equivalents	(24)	1,936,062	2,681,204
Current assets		5,747,809	6,219,282
Total assets		21,554,715	22,131,209
Equity and liabilities			
Share capital	(30)	3,869,443	3,869,443
Reserves	(31)	1,502,036	1,300,907
Retained earnings		6,560,576	7,682,561
Equity attributable to the Company's shareholders		11,932,055	12,852,911
Loans	(25)	3,100,000	3,100,000
Trade and other payables	(27)	187,175	150,252
Provisions	(29)	89,848	121,212
Deferred tax liability	(13)	178,881	119,597
Non-current liabilities		3,555,904	3,491,061
Loans	(25)	1,453,756	1,849,684
Tax liabilities		113,165	139,729
Contract liabilities	(26)	788,144	--
Trade and other payables	(27)	3,649,486	3,714,351
Provisions	(29)	62,205	83,473
Current liabilities		6,066,756	5,787,237
Total liabilities		21,554,715	22,131,209

#140

PRE Group

Separate financial statements for the year ended on 31 December 2018

Statement of changes in equity (TCZK)

	Share capital	Reserves	Retained earnings	Equity attributable to the Company's shareholders
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
Adjustment at initial application of IFRS 9	--	--	(12,046)	(12,046)
Adjusted balance on 1.1.2018	3,869,443	1,300,907	7,670,515	12,840,865
Dividends and directors' fees paid	--	--	(3,445,594)	(3,445,594)
Other comprehensive income	--	201,129	--	201,129
Net profit for 2018	--	--	2,335,655	2,335,655
Balance on 31.12.2018	3,869,443	1,502,036	6,560,576	11,932,055

Statement of cash flows (TCZK)

	Note	2018	2017
Opening balance of cash and cash equivalents	(24)	3,681,204	294,562
Operating activities			
Accounting profit from ordinary activity before tax		2,576,112	2,470,448
Amortisation and depreciation	(16, 17)	189,132	171,975
Write-offs of doubtful debts and other assets		16,295	11,170
Change in loss allowances and provisions	(11, 12)	(57,487)	5,585
Gain (loss) from the sale and disposal of fixed assets	(12)	103	5,085
Dividend income		(1,362,508)	(1,176,543)
Interest charged to profit or loss		(107,857)	(86,916)
Foreign exchange rate gains (losses)		(5,528)	14,654
Settlement of hedging derivatives		34,869	(24,629)
Revaluation of financial instruments		32,681	4,926
Net operating cash flow before changes in working capital		1,315,812	1,395,756
Change in trade receivables and accruals	(20)	(297,461)	(364,184)
Change in trade payables and accruals	(27)	(53,946)	260,448
Change in inventories	(23)	(5,168)	(19,425)
Net operating cash flow before tax and interest		959,237	1,272,595
Interest paid		(56,680)	(39,684)
Income tax paid		(268,784)	(301,289)
Net cash flow from operating activities		633,773	931,622
Investing activities			
Acquisition of fixed assets (-)	(16, 17)	(178,675)	(209,773)
Proceeds from the sale of fixed assets (+)		3,027	6,527
Inter-company loans		124,601	(90,329)
Interest received and proceeds from securities (except for CP, i.e., other loans)		154,989	126,105
Dividends received and shares in profit		1,370,532	1,156,011
Net cash flow from investing activities		1,474,474	988,541
Financing activities			
Financial operations in the Group	(21, 25)	109,871	(105,082)
External loans repaid	(25)	(1,628,436)	(12,000)
External loans received	(25)	1,126,000	1,619,201
Finance leases		(20,402)	--
Dividends and directors' fees paid	(14)	(3,444,955)	(25,785)
Net cash flow from financing activities		(3,857,922)	1,476,334
Effect of foreign exchange rate movements		5,393	(9,855)
Change in cash and cash equivalents		(1,749,675)	3,396,497
Closing balance of cash and cash equivalents	(24)	1,936,922	3,681,204

Contents of the notes to the financial statements

1. General information
2. Adoption of new and amended International Financial Reporting Standards
3. Significant accounting policies
4. IFRS 9 “Financial Instruments”
5. IFRS 15 “Revenue from Contracts with Customers”
6. Revenues
7. Segment reporting
8. Personnel expenses
9. Cost of purchased services, material and energy
10. Borrowing costs
11. Impairment losses for financial assets
12. Other gains and losses
13. Income tax
14. Dividends
15. Earnings per share
16. Property, plant and equipment
17. Intangible assets
18. Equity investments
19. Contract assets
20. Trade and other receivables
21. Loans granted
22. Other financial assets
23. Inventories
24. Cash and cash equivalents
25. Loans received
26. Contract liabilities
27. Trade and other payables
28. Finance lease liabilities
29. Provisions
30. Share capital
31. Reserves
32. Contingent liabilities and contingent assets
33. Financial instruments
34. Operating leases
35. Related party transactions
36. Post balance sheet events

(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 of the Municipal Court in Prague 1 on 1 January 1994.

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

The 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	2018	2017
Pražská energetika Holding, a.s. (PREH)	58.05%	58.05%
EnBW Energie Baden-Württemberg AG (EnBW)	41.40%	41.40%
Other	0.55%	0.55%
Total	100.00%	100.00%

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

EnBW holds an interest in PRE’s shares amounting to 41.40% of PRE’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 included 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:

- **IFRS 9 “Financial Instruments”** (issued in July 2014) (effective in the EU for annual periods beginning on or after 1 January 2018)
- **IFRS 15 “Revenue from Contracts with Customers”** (issued in May 2014) (effective for annual periods beginning on or after 1 January 2018)

The impacts of IFRS 9 and IFRS 15 on the Company’s financial statements are described in notes 4 and 5 below.

- **Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”** (effective for annual periods beginning on or after 1 January 2018)

- **Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 is applied for the first time)
- **Amendments to IAS 40 “Transfers of Investment Property”** (effective for annual periods beginning on or after 1 January 2018)
- **Annual Improvements to IFRS 2014–2016 Cycle** (effective for annual periods beginning on or after 1 January 2017 or 2018)
- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (effective for annual periods beginning on or after 1 January 2018)

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 16 “Leases”** (effective for annual periods beginning on or after 1 January 2019)

The new IFRS 16 “Leases” standard 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 apply to leases with the exception of short-term leases where the underlying asset is of low value, i.e., relevant practical exemptions are used.

Based on information currently available, the Company is presently assessing the precise impacts of the new standard. To calculate the impacts, the Company used interest rates under which it could acquire an additional loan.

The Company expects that in connection with the implementation of IFRS 16, the balance sheet total will increase in the range of MCZK 85 – MCZK 110. In the first year, the Company expects an increase in depreciation of approximately MCZK 20, an increase in interest expense of approximately MCZK 2, and a decrease in rental costs of approximately MCZK 21.

The difference between the above liability and the liability stated in note 34 “Operating leases” is primarily due to a different determination of the duration of the liability for selected contracts (in particular contracts for an indefinite period of time) and also due to discounting.

In respect of lease contracts where the Group is in the role of the lessor, no significant differences are expected compared with the present guidance.

The actual impact of adopting the standard as of 1 January 2019 may differ from the estimated impact, mainly due to the ongoing analysis of the overall impact. The Group plans the initial adoption of the standard using the modified retrospective method, without restating comparative information for the previous period, and the value of newly identified assets set at the amount of the newly recognised lease liability.

The Company decided not to apply this standard before its effective date.

- **IFRIC 23 “Uncertainty over Income Tax Treatments”** (effective for annual periods beginning on or after 1 January 2019)
- **Amendments to IFRS 9 “Prepayment Features with Negative Compensation”** (effective for annual periods beginning on or after 1 January 2019)

The Company decided not to apply this standard and the amendment to the current standard before their effective dates. The adoption of this standard and the amendments to the current standard will not result in any significant changes in the accounting policies.

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

- **IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies”** (effective for annual periods beginning on or after 1 January 2020)
- **IFRS 3 “Business Combinations”** (effective for annual periods beginning on or after 1 January 2020)
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for the first annual IFRS financial statements for annual periods beginning on or after 1 January 2016) – the EU will not adopt this standard
- **IFRS 17 “Insurance Contracts”** (the version issued by the IASB is effective for the first annual IFRS financial statements for annual periods beginning on or after 1 January 2021)
- **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 19 “Plan Amendment, Curtailment or Settlement”** (effective on or after 1 January 2019)
- **Amendments to References to the Conceptual Framework in IFRS** (effective for annual periods beginning on 1 January 2020)
- **Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”** (effective for annual periods beginning on or after 1 January 2019)
- **Annual Improvements to IFRS 2015–2017 Cycle** (effective for annual periods beginning on or after 1 January 2019)

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 for the preparation of financial statements

The financial statements have been prepared on the historical cost basis except for certain financial instruments described in note 33. The principal accounting policies are set out below.

Information on consolidated financial statements

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

Revenue recognition***a) Accounting policies valid as at 31 December 2018***

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

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

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

b) Accounting policies valid as at 31 December 2017

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 income 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 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	3–25
Appliances and special technology equipment	3, 10
Vehicles	4, 8, 10
Fixtures and fittings	4, 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.

Equity investments

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

Financial assets (except for derivatives)***a) Accounting policies valid as at 31 December 2018***

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

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

Financial assets measured at amortised cost (FAAC)

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

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

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

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

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

Impairment of financial assets

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

Impairment model

Details on the impairment model are described in note 4.

b) Accounting policies valid as at 31 December 2017

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 loss allowances 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 loss allowance 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 loss allowance 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)

a) Accounting policies valid as at 31 December 2018

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

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

Financial liabilities measured at amortised cost (FLAC)

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

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

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

Initial recognition of financial assets and financial liabilities

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

b) Accounting policies valid as at 31 December 2017

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

a) Accounting policies valid as at 31 December 2018

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 the form of term contracts carried out by the Company, their physical delivery with subsequent consumption or sale as part of the Company's regular activities is expected. Such contracts are not covered by IFRS 9 and 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 also do not come under IFRS 9.

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

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

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

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

Hedge accounting

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

At the inception of the hedge relationship, the 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.

b) Accounting policies valid as at 31 December 2017

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 the form of term contracts carried out by the Company, 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 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 also do not come under IAS 39.

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 re-measured at their fair value at each balance sheet date. The resulting gains or losses are immediately recognised in profit or loss 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 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 indirect method due to the reconciliation of methodology with the parent company.

Significant accounting estimates

The presentation of financial statements requires the 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.

(4) IFRS 9 “Financial Instruments” (TCZK)

As at 1 January 2018, IFRS 9 “Financial Instruments” replaced the original standard, IAS 39 “Financial Instruments: Recognition and Measurement”. The main changes connected with the application of IFRS 9 include: a) the new classification and the related measurement of financial assets and financial liabilities; b) the new perspective on the impairment of financial assets arising from the concept of expected credit losses; and c) the changes in hedge accounting where higher emphasis is newly put on the relationship with the risk management strategy applied by the Company.

At initial application of IFRS 9, the Company used transition provisions and did not restate information for the previous (comparative) period. The Company recognised the difference between the previous carrying amount and the carrying amount at the beginning of the current accounting period, including the date of initial application, in the opening balance of retained earnings.

The following table shows the impact of initial application of IFRS 9 on equity as at 1 January 2018.

Retained earnings	
Recognition of loss allowances according to IFRS 9	(14,871)
Deferred tax	2,825
Impact as at 1.1.2018	(12,046)

The introduction of IFRS 9 resulted in the following changes in the Company’s policies.

A) Classification and measurement of financial assets and liabilities

The adoption of IFRS 9 has no significant impact on the classification and measurement of financial liabilities. Two categories of financial liabilities have been kept; financial liabilities are classified as a) financial liabilities measured at fair value through profit or loss (FVTPL); and b) financial liabilities measured at amortised cost (FLAC).

The Company classifies all its financial liabilities, except for derivatives held for trading and financial liabilities at FVTPL, as financial liabilities subsequently measured at amortised cost.

The classification and measurement of financial assets and the related accounting policies of the Company change as follows:

The existing financial asset categories according to IAS 39, i.e., a) loans and receivables (L&R); b) available-for-sale financial assets (AFS); c) held-to-maturity financial assets (HTM); and d) financial assets at FVTPL, were cancelled. All financial assets are newly classified as a) financial assets subsequently measured at amortised cost (FAAC); b) financial assets measured at fair value through other comprehensive income (FVOCI); or c) financial assets measured at fair value through profit or loss (FVTPL).

Financial assets are classified with regard to the Company's business model for financial asset management and at the same time based on the contractual cash flow characteristics of the given financial asset.

Financial assets are measured at amortised cost if both of the following two conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- contractual conditions of the financial asset determine particular dates of cash flows representing solely payments of principal and interest on the principal amount outstanding.

Debt financial assets are measured at FVOCI if both of the following two conditions are met:

- the financial asset is held within a business model whose objective is to collect contractual cash flows and to sell financial assets; and,
- contractual conditions of the financial asset determine particular dates of cash flows representing solely payments of principal and interest on the principal amount outstanding.

In regular evaluation of business models for holding financial assets, the Company relies on basic activities generating cash flows and representing financial assets. The main part of revenues and cash flow is constituted by activities connected with the supply of electricity and gas in the Czech Republic. Other significant revenues of the Company are connected with trading on the market with commodities and inter-company financing.

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

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

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

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

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

Except for trade receivables that do not have a significant financing component, the Company measures financial assets and financial liabilities at FVTPL at initial recognition. In terms of financial assets or financial liabilities outside of the FVTPL category, the fair value will be adjusted by transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

Financial assets and financial liabilities measured at fair value through profit or loss

These financial assets and liabilities are subsequently measured at fair value. All gains/losses, including interest and dividend income/expense, are recognised in profit or loss.

Financial assets and liabilities measured at amortised cost

Financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment. All interest income and gain/loss from currency conversion and impairment are recognised in profit or loss, as well as gain/loss on derecognition of these financial assets or liabilities.

Investments in equity instruments measured at fair value through other comprehensive income

These financial assets are subsequently measured at fair value and included in non-current assets. Dividend income is recognised in profit or loss, other gains/losses are recognised in other comprehensive income and can never be reclassified to profit or loss.

The following table summarises the changes in the categories relating to the measurement of financial assets for all Company's financial assets as at 1 January 2018, including the change in the measurement due to the additional impairment according to point B below.

	New category (IFRS 9)	Original category (IAS 39)	New carrying amount (IFRS 9)	Original carrying amount (IAS 39)
Receivables from the revaluation of commodity derivatives for trading	FVTPL	FVTPL	289,055	289,055
Receivables from the revaluation of hedging commodity derivatives	FVOCI	FV – hedge accounting	248,308	248,308
Cash and cash equivalents	FAAC	L&R	2,680,107	2,681,204
Margin deposit	FAAC	L&R	85,968	86,836
Loans granted and cash pooling	FAAC	L&R	3,874,123	3,879,354
Trade and other receivables, except for the above	FAAC	L&R	1,403,678	1,796,063
Available-for-sale debt securities – bill of exchange	FVOCI	AFS	999,600	1,000,000
Contract assets*	Not a fin. instr.	L&R	385,110	--
Total			9,965,949	9,980,820

* Contract assets earmarked from trade and other receivables.

B) Impairment of financial assets

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

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

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

In assessing whether the credit risk associated with a financial asset has increased significantly, the Company compares the risk of default of the financial instrument as at the date of recognition with the risk as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort and shows a significant increase in credit risk. The Company primarily relies on its own historical experience, available information and market analyses, including current macroeconomic indicators and forward-looking information. Regardless of these analyses, the Company considers situations where the financial asset is more than 30 days past due to indicate significant increases in credit risk. In case of cash and cash equivalents, these include situations where the external credit rating of the counterparty, based on renowned external rating agencies (Moody's, Standard & Poor's, and Fitch), decreases from an investment level to speculative (non-investment) level. Default is a situation where the financial asset is more than 90 days past due; in case of cash and cash equivalents, it is a situation where the external credit rating of a counterparty based on renowned external rating agencies decreases to a risk level.

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

Impairment losses for financial assets, including contract assets, are newly recognised on a separate line as impairment losses for financial assets in the income statement. Therefore, the Company reclassified impairment losses for financial assets of MCZK 19, recognised according to IAS 39, from other gains and losses to impairment losses for financial assets in the income statement for the comparative period, i.e., for 2017.

The following table shows the impact of the new impairment model under IFRS 9 on the amount of loss allowances as at 1 January 2018.

Loss allowances (impairment loss under IFRS 9) under IAS 39 as at 31 December 2017	277,255
Additionally recognised loss allowances as at 1.1.2018	14,871
relating to: trade and other receivables	4,253
contract assets	3,890
cash and cash equivalents	1,497
loans granted and cash pooling	5,231
Impairment loss under IFRS 9 as at 1.1.2018	292,126

C) Hedge accounting

IFRS establishes new hedge accounting requirements. Hedging relationships must be in compliance with the Company's risk management objectives and strategy; there must be evidence to show that an economic relationship between the hedging instrument and the hedged item exists; the effect of credit risk must not dominate the changes in fair value of the hedging instrument and the hedged item. At the same time, in assessing effectiveness, higher emphasis is put on the qualitative assessment and expectations relating to hedge effectiveness. This is tested only prospectively.

The Company applied the transition provisions of IFRS 9 and will continue to follow IAS 39 in respect to current and newly defined hedging relationships.

(5) IFRS 15 "Revenue from Contracts with Customers" (TCZK)

IFRS 15 establishes a general framework of principles for determining whether to recognise revenues, in what amount to recognise them, and what timing to apply.

The new standard replaces the following original standards and interpretations: IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfer of Assets from Customers", SIC 31 "Revenue – Barter Transactions Involving Advertising Services".

PRE decided to use the modified cumulative retrospective method for the initial adoption of IFRS 15, i.e., the new principles are applied to contracts that were not terminated as at 1 January 2018. The cumulative effect as at the date of transition to IFRS 15 is reported as a restatement to the opening balance of retained earnings as at 1 January 2018. Comparative information for the previous period has not been restated.

Relating to the introduction of IFRS 15, only the recognition of contract assets and liabilities changed for the Company; see notes 19 and 26.

#162

PRE Group

Separate financial statements for the year ended on 31 December 2018

The following table shows the impact of the application of IFRS 15 on the balance sheet as at 31 December 2018.

	Amount recognised under IFRS 15	Adjustments	Amount without the application of IFRS 15
Total non-current assets	15,806,906	--	15,806,906
Contract assets	332,451	(332,451)	--
Trade and other receivables	3,096,317	332,451	3,428,768
Other current assets	2,319,041	--	2,319,041
Total current assets	5,747,809	--	5,747,809
Total assets	21,554,715	--	21,554,715
Total equity	11,932,055	--	11,932,055
Total non-current liabilities	3,555,904	--	3,555,904
Contract liabilities	788,144	(788,144)	--
Trade and other payables	3,649,486	788,144	4,437,630
Other current liabilities	1,629,126	--	1,629,126
Total current liabilities	6,066,756	--	6,066,756
Total liabilities	21,554,715	--	21,554,715

The application of IFRS 15 had no impact on the income statement.

(6) Revenues (TCZK)

Revenue and expenses relating to the supply and distribution of commodities	2018	2017
Sales of electricity – B2B	4,141,970	3,620,698
Sales of distribution and system services – B2B	2,573,055	2,512,481
Sales of electricity – B2C	2,759,945	2,736,133
Sales of distribution and system services – B2C	4,982,233	4,914,520
Sales of electricity to dealers	516,568	464,106
Revenue from the sales of gas – B2B and B2C	203,310	161,581
Sales of gas to dealers	191,616	179,043
Sales of electricity for grid losses	336,408	316,110
Gross profit from trading	(29,091)	(2,010)
Total revenues	15,676,014	14,902,664
Cost of electricity sold	(6,185,313)	(5,548,298)
Cost of distribution and system services	(7,555,288)	(7,427,001)
Cost of gas	(362,702)	(323,499)
Total costs	(14,103,303)	(13,298,798)
Gross profit from the sale of electricity and gas	1,572,711	1,603,866

Other operating revenue	2018	2017
Revenue from provided services	935,341	921,782
Other	3,172	7,474
Total	938,513	929,256

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

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

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

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

Sales of electricity for grid losses: In distributing electricity, physical loss arises (approximately 1–6% of the supplied amount depending on the voltage level – HV, MV, LV). The Company must therefore acquire and provide the distribution network with a higher volume of electricity than the total supply to end customers. This difference is provided as electricity intended to cover losses and invoiced to the distributor by the Company. Invoicing is performed in the month following the month when the commodity is delivered to the distribution grid. No advance payments are made.

Revenue from provided services: Revenue is connected with services rendered by the Company to other companies within the PRE Group based on concluded service provision contracts. Services are invoiced monthly and prices are fixed. In addition,

these include services provided to external customers, such as revenue from the lease of land, real estate and cars, and IT support. Prices and payment terms are governed by individual contracts concluded.

Revenue relating to performance obligations that were not satisfied or partly satisfied as at 31 December 2018

Contract revenue	2019	2020	2021	2022	2023
Supplies of electricity	6,245,383	2,324,674	348,730	19,919	594
Supplies of gas	66,962	23,073	1,011	101	--
Other revenue	8,013	645	625	625	472
Total	6,320,358	2,348,392	350,366	20,645	1,066

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

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

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

Contractual balances	31.12.2018	1.1.2018
Receivables included in trade and other receivables*	1,525,931	1,237,250
Contract assets*	332,451	385,110
Contract liabilities*	788,144	920,928

* For more information see notes 19, 20, and 26.

(7) Segment reporting (TCZK)

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

PRE is a part of the trade segment and does not divide its activities any further as it primarily does business in the capital 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 and carries out 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 only pay to this supplier for the delivered commodity. They subsequently pay to the distributor, in whose supply territory the consumption point is located, for distribution and system services (hereinafter only “services”) related to the commodity supply. The customer can conclude a contract on combined supply services with the supplier and in such case the supplier also provides distribution services.

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

(8) Personnel expenses (TCZK)

	2018	2017
	Staff including management	Staff including management
Average headcount*	456	623
Salaries	288,310	339,651
Salaries paid depending on the fulfilment of the plan	35,151	31,401
Social security and health insurance	119,656	135,993
Remuneration to the members of the Company's bodies	22,884	22,843
Other social expenses**	21,761	45,268
Total	487,762	575,156

* The year-on-year decrease in the average headcount and the amount of personnel expenses is connected with the allocation of a part of PRE employees to a newly established subsidiary, PREzákaznická, a.s.

** Primarily expenses relating to severance pay and employee benefits defined by the collective agreement, specifically catering contributions, bonuses paid to employees in relation to work and life anniversaries, retirement, contributions to additional pension insurance and medical care.

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

	2018	2017
Material and own consumed energy	58,186	56,092
Repairs of property, plant and equipment	46,729	39,173
Consulting services	32,849	25,983
Lease payments	34,480	49,792
Postage and telecommunication fees	40,988	36,659
IT support	129,693	113,977
Marketing	63,557	65,544
Customer services*	196,428	--
Other**	116,777	156,255
Total	719,687	543,475

* Expenses incurred on services from the newly established subsidiary PREzákaznická, a.s.

** Expenses incurred on external employees, cleaning services, security guard services, storage fees and other services.

#166

PRE Group

Separate financial statements for the year ended on 31 December 2018

(10) Borrowing costs (TCZK)

	2018	2017
Interest on cash pooling	1,847	40
Interest on loan	52,728	40,256
Interest expense on employee benefits	1,512	1,558
Interest on leases	591	584
Total	56,678	42,438

(11) Impairment loss for financial assets (TCZK)

Due to the application of IFRS 9 “Financial Instruments”, impairment losses for assets were separated into an independent item in the income statement. In 2017, they were included in other gains and losses. The comparative period was restated.

	2018	2017
Write-offs of doubtful debts	16,296	11,170
Creation and release of loss allowances for trade receivables	(1,673)	7,878
Creation and release of loss allowances for contract assets	(667)	--
Creation and release of loss allowances for cash and cash equivalents	(637)	--
Creation and release of loss allowances for inter-company loans	(351)	--
Creation and release of loss allowances for other financial assets	499	--
Total	13,467	19,048

(12) Other gains and losses (TCZK)

	2018	2017
Gain (loss) from the sale and disposal of non-current assets and inventories	8,244	14,048
Foreign exchange rate gains (losses)	9,009	(8,481)
Interest received in the Group	150,104	128,944
Interest received outside of the Group	14,431	--
Share in the profit or loss of eYello CZ, k.s.	12,508	20,532
Hedge ineffectiveness	1,273	--
Other	(13,955)	(20,975)
Total	181,614	134,068

(13) Income tax (TCZK)

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

	2018	2017
Current tax	225,527	251,886
Deferred tax	14,930	5,934
Total income tax	240,457	257,820

	2018		2017	
Profit before tax	2,576,112		2,470,448	
Income tax using the effective income tax rate	489,461	19.00%	469,385	19.00%
Impact of tax non-deductible dividends received	(256,500)	(9.96)%	(219,517)	(8.89)%
Impact of other items that are never tax-deductible	7,496	0.29%	7,952	0.32%
Total income tax / effective tax rate	240,457	9.34%	257,820	10.44%

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

	31.12.2018	Recorded in profit or loss	Recorded in equity	31.12.2017	Recorded in profit or loss	Recorded in equity	31.12.2016
Non-current assets	138,473	4,604	--	133,869	4,608	--	129,261
Provisions	(10,107)	4,426	--	(14,533)	(4,847)	--	(9,686)
Loss allowances	(12,334)	472	(2,825)	(9,981)	1,461	--	(11,442)
Obligation under the collective agreement	(18,179)	5,428	--	(23,607)	4,712	--	(28,319)
Cash flow hedge	81,028	--	47,179	33,849	--	13,711	20,139
Total deferred tax liability	178,881	14,930	44,354	119,597	5,934	13,711	99,953

The estimated current income tax for 2018 of TCZK 225,000 was reduced by income tax prepayments of TCZK 258,007 and the net receivable is reported in tax receivables. In 2017, the estimated income tax of TCZK 251,600 was reduced by income tax prepayments of TCZK 241,348 and the net payable was reported in tax liabilities.

(14) Dividends (TCZK)

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

	2018	2017
Final dividend for 2017 of CZK 885.32 (2016: CZK 0) per share	3,425,695	--

The final amount of the proposed dividend for 2018 must be approved by the shareholders at the General Meeting. It has not been included in liabilities in these financial statements.

(15) Earnings per share (TCZK)

Earnings per share are calculated from the net profit for distribution of TCZK 2,335,655 (2017: TCZK 2,212,628) attributable to 3,869,443 shares, i.e., the earnings per share amount to CZK 604 (2017: CZK 572).

The Company has no issued instruments diluting the basic earnings per share.

(16) Property, plant and equipment (MCZK)

	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 in 2016	135.9	197.5	1,275.8	225.2	58.4	1,892.8
Net book value in 2017	135.9	179.7	1,260.9	231.3	61.7	1,869.5

	Land	Telecommunication technologies and IT	Administrative buildings	Other	Under construction	Total
Cost						
Balance on 31.12.2017	136.5	912.0	1,789.6	473.6	61.7	3,373.4
Additions	--	5.0	7.8	45.8	50.1	108.7
Disposals	(0.3)	(37.1)	(0.8)	(31.0)	(2.9)	(72.1)
Transfers	--	30.3	7.0	14.5	(51.8)	--
Balance on 31.12.2018	136.2	910.2	1,803.6	502.9	57.1	3,410.0
Accumulated depreciation						
Balance on 31.12.2017	(0.6)	(732.3)	(528.7)	(242.3)	--	(1,503.9)
Depreciation expense	--	(58.7)	(40.0)	(35.3)	--	(134.0)
Disposals/additions	--	37.2	0.8	25.7	--	63.7
Transfers	--	--	--	--	--	--
Balance on 31.12.2018	(0.6)	(753.8)	(567.9)	(251.9)	--	(1,574.2)
Net book value in 2017	135.9	179.7	1,260.9	231.3	61.7	1,869.5
Net book value in 2018	135.6	156.4	1,235.7	251.0	57.1	1,835.8

None of the Company's property, plant and equipment were pledged or used as collateral.

The Company anticipates incurring total capital expenditure of MCZK 82 in 2019. Approximately 2% of all planned expenditure was contracted as at the date of preparation of the financial statements.

(17) Intangible assets (MCZK)

	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 in 2016	83.2	0.9	92.9	177.0
Net book value in 2017	120.5	0.3	84.7	205.5

	Software	Other	Under construction	Total
Cost				
Balance on 31.12.2017	639.0	9.7	84.7	733.4
Additions	8.5	--	80.7	89.2
Disposals	--	(0.2)	--	(0.2)
Transfers	69.4	--	(69.4)	--
Balance on 31.12.2018	716.9	9.5	96.0	822.4
Accumulated amortisation				
Balance on 31.12.2017	(518.5)	(9.4)	--	(527.9)
Amortisation expense	(54.9)	(0.2)	--	(55.1)
Disposals	--	0.2	--	0.2
Transfers	--	--	--	--
Balance on 31.12.2018	(573.4)	(9.4)	--	(582.8)
Net book value in 2017	120.5	0.3	84.7	205.5
Net book value in 2018	143.5	0.1	96.0	239.6

#170

PRE Group

Separate financial statements for the year ended on 31 December 2018

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 120 in 2019. Approximately 40% of all planned expenditure was contracted as at the date of preparation of the financial statements.

(18) Equity investments (TCZK)

		2018		2017	
	Note	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
PREservisní, s.r.o.*	Non-marketable	100%	23,740	100%	13,950
PREzákaznická, a.s.	Non-marketable	100%	10,000	100%	10,000
Total			9,977,091		9,967,301

* As at 1 October 2018, the company changed its name (originally KORMAK nemovitosti s.r.o.) and the contribution and share capital amount increased by TCZK 9,790 (the original amount of the share capital was TCZK 210).

PREměření, a.s., holds a 10% equity investment in eYello CZ, k.s.

The parent company controls all its subsidiaries. The dividends received include profit shares awarded and paid from PREdistribuce, a.s., of TCZK 1,329,000 (2017: TCZK 1,130,000) and KORMAK Praha a.s. of TCZK 21,000 (2017: TCZK 25,350).

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.

	2018	2017
Registered office: Svornosti 3199/19a, Prague 5		
ID No.: 27376516		
Average headcount	501	512
Economic data (TCZK)		
Share capital	17,707,934	17,707,934
Equity	19,668,021	19,579,149
Profit after tax	1,428,972	1,340,776
Sale of goods and services	9,667,472	9,450,389

Business entity: PREměření, a.s.

The company specialises in readings, purchase, sale, testing and installation of meters and, to a lesser extent, sale of selected electric appliances. Other principal activities include the generation of electricity from solar energy. Since 2013, the Company has offered services related to turnkey installation of photovoltaic power plants.

	2018	2017
Registered office: Na Hroudě 2149/19, Prague 10		
ID No.: 25677063		
Average headcount	241	240
Economic data (TCZK)		
Share capital	35,000	35,000
Equity	855,696	671,522
Profit after tax	186,894	164,840
Sale of goods and services, and generation of electricity from solar energy	513,916	478,031

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.

	2018	2017
Registered office: Kubánské náměstí 1391/11, Prague 10		
ID No.: 25054040		
Average headcount	6	6
Economic data (TCZK)		
Equity	6,894	6,881
Profit after tax	13	21
Sale of electricity, gas and services	485,014	365,178

Business entity: KORMAK Praha a.s.

KORMAK Praha a.s. carries out construction and repairs of distribution infrastructure.

	2018	2017
Registered office: K Sokolovně 667, Prague 10		
ID No.: 48592307		
Average headcount	72	68
Economic data (TCZK)		
Share capital	2,100	2,100
Equity	22,995	24,544
Profit after tax	22,211	22,327
Sale of goods and services	249,039	216,852

#172

PRE Group

Separate financial statements for the year ended on 31 December 2018

Business entity: PREservisní, s.r.o.

PREservisní, s.r.o., leases and manages real estate, apartments and non-residential premises, and provides services for the other entities of the PRE Group.

	2018	2017
Registered office: Na Hroudě 1492/4, Prague 10		
ID No.: 02065801		
Average headcount	--	--
Economic data (TCZK)		
Share capital	10,000	210
Equity	22,263	11,399
Profit after tax	1,074	1,013
Sale of goods and services	2,424	2,220

Business entity: PREzákaznická, a.s.

PREzákaznická, a.s., provides customer services for the other entities of the PRE Group.

	2018	2017
Registered office: Na Hroudě 1492/4, Prague 10		
ID No.: 06532438		
Average headcount	185	--
Economic data (TCZK)		
Share capital	10,000	10,000
Equity	30,496	10,000
Profit after tax	20,496	--
Sale of services	372,295	--

(19) Contract assets (TCZK)

	2018	1.1.2018
Receivables from electricity and gas supplies – gross	3,218,451	3,181,318
Less advances received	(2,886,000)	(2,796,208)
Total	332,451	385,110

Creation and release of contract assets

Balance on 1.1.2018	385,110
Invoicing of recognised contract assets during 2018	(389,000)
Uninvoiced supplies of 2018, less advances received	335,674
Impairment in compliance with the IFRS 9 requirements	667
Balance on 31.12.2018	332,451

Impairment of contract assets

Impairment of contract assets in compliance with IFRS 9	
Creation as at 1.1.2018 (affecting retained earnings)	3,890
Utilisation/release	(667)
Balance on 31.12.2018	3,223

Contract assets comprise the Company's right for payment for supplies already carried out and uninvoiced, based on contracts with customers, at the selling price reduced by advances received, in case the value of supply is higher than the value of advances received. A contract asset becomes a receivable at the moment the unconditional right for payment is acquired; this unconditional right arises from invoicing after meter reading. The usual invoice payment deadline for end customers is 30 days.

(20) Trade and other receivables (TCZK)

Non-current trade and other receivables	2018	2017
Principal amounts paid	45,198	47,226
Receivables from the revaluation of commodity derivatives for trading	51,424	14,185
Receivables from the revaluation of hedging commodity derivatives	180,128	163,350
Other receivables	16	16
Total	276,766	224,777

Current trade and other receivables	2018	2017
Receivables from electricity and gas supplies – gross*	1,298,178	4,239,500
Less advances received*	--	(2,796,208)
Receivables from electricity and gas supplies – net	1,298,178	1,443,292
Margin deposits with the power exchanges – net	137,526	86,836
Receivables from the revaluation of commodity derivatives for trading	947,805	274,870
Receivables from the revaluation of hedging commodity derivatives	320,618	84,958
Receivables from the revaluation of hedging foreign exchange derivatives	--	--
Other receivables – gross	511,504	434,458
Less advances provided	(163,745)	(128,913)
Other receivables – net	347,759	305,545
Other non-financial assets	44,431	44,583
Total	3,096,317	2,240,084

* As at 1 January 2018, uninvoiced electricity was reclassified to contract assets.

#174

PRE Group

Separate financial statements for the year ended on 31 December 2018

Compared to the initial recognition, the credit risk with other receivables did not increase significantly. In respect of other receivables, the following loss allowances were established for the expected credit losses at an amount of 12-month credit losses (stage 1 of the impairment model):

Creation as at 1.1.2018 (affecting retained earnings)	1,354
Additions and release in the current year	499
Balance on 31.12.2018	1,853

Of the above current trade receivables, gross receivables past their due date totalled TCZK 370,225 (2017: TCZK 341,060). Outstanding portions usually bear no interest. The following loss allowances were created for trade receivables:

Balance on 31.12.2016	269,376
Additions and utilisation in the current year	7,879
Balance on 31.12.2017	277,255
Creation as at 1.1.2018 (affecting retained earnings)	2,899
Adjusted balance on 1.1.2018	280,154
Additions and utilisation in the current year	(1,673)
Balance on 31.12.2018	278,481

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.

	2017		
		Loss allowance	Net
Ageing structure of trade receivables	Gross		
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

	2018			
	% of loss allowances	Gross	Loss allowance	Net
Ageing structure of trade receivables				
Receivables within due date	1.0	1,206,434	12,070	1,194,364
Receivables up to 1 month past due	8.0	83,505	6,680	76,825
Receivables between 2 and 3 months past due	8.0	16,221	1,298	14,923
Receivables between 4 and 12 months past due	66.5	17,220	11,440	5,780
Receivables over 12 months past due	97.5	253,279	246,993	6,286
Receivables from electricity and gas supplies	17.7	1,576,659	278,481	1,298,178

Receivables are considered credit impaired if they are more than 3 months past due.

(21) Loans granted (TCZK)

	On 31.12.2018			On 31.12.2017		
	Amount	Interest rate p.a.	Maturity date	Amount	Interest rate p.a.	Maturity date
Loan granted in Group 1	24,188	Fix 4.38%	29.2.2022	30,968	Fix 4.38%	29.2.2022
Loan granted in Group 2	112,465	Fix 4.63%	29.2.2023	135,883	Fix 4.63%	29.2.2023
Loan granted in Group 3	24,822	Fix 4.93%	29.2.2024	28,868	Fix 4.93%	29.2.2024
Loan granted in Group 4	42,761	Fix 4.93%	29.2.2024	49,732	Fix 4.93%	29.2.2024
Loan granted in Group 5	612,460	CZK IRS 3Y+3.10%	18.6.2026	612,460	CZK IRS 3Y+3.10%	18.6.2026
Loan granted in Group 6	702,968	CZK IRS 3Y+3.00%	28.11.2026	702,968	CZK IRS 3Y+3.00%	28.11.2026
Loan granted in Group 7	20,735	Fix 3.02%	31.12.2021	27,643	Fix 3.02%	31.12.2021
Loan granted in Group 8	24,032	Fix 3.48%	18.12.2024	28,038	Fix 3.48%	18.12.2024
Loan granted in Group 9	1,430,091	CZK IRS 3Y+2.50%	29.6.2027	1,421,953	CZK IRS 3Y+2.50%	29.6.2027
Loan granted in Group 10	162,942	Fix 3.27%	29.10.2024	190,099	Fix 3.27%	29.10.2024
Loan granted in Group 11	36,209	Fix 3.27%	29.10.2024	42,244	Fix 3.27%	29.10.2024
Loan granted in Group 12	87,993	Fix 3.17%	29.10.2023	105,592	Fix 3.17%	29.10.2023
Loan granted in Group 13	67,880	Fix 3.17%	29.10.2023	81,456	Fix 3.17%	29.10.2023
Loan granted in Group 14	156,907	Fix 3.27%	29.10.2024	183,058	Fix 3.27%	29.10.2024
Loan granted in Group 15	2,334	Fix 2.21%	29.7.2026	2,635	Fix 2.21%	29.7.2026
Loan granted in Group 16	9,426	Fix 3.52%	10.4.2027	10,535	Fix 3.52%	10.4.2027
Loan granted in Group 17	45,774	Fix 4.53%	30.11.2027	50,848	Fix 4.53%	30.11.2027
Loan granted in Group 18	130,631	Fix 3.62%	22.12.2027	145,146	Fix 3.62%	22.12.2027
Loan granted in Group 19	2,739	Fix 4.96%	31.1.2025	--	--	--
Receivables from cash pooling:						
PREdistribuce, a.s.	49,045	O/N PRIBOR+0.75%		13,432	O/N PRIBOR+0.75%	
PREměření, a.s.	--	O/N PRIBOR+0.75%		46	O/N PRIBOR+0.75%	
KORMAK Praha a.s.	4,835	O/N PRIBOR+0.75%		15,750	O/N PRIBOR+0.75%	
SOLARINVEST – GREEN ENERGY, s.r.o.	11,215	O/N PRIBOR+0.75%		--	--	
Loss allowances for inter-company loans	(4,880)					
Total	3,757,572			3,879,354		
of which:						
non-current	3,477,687			3,644,850		
current	279,885			234,504		

Granted loans are carried at their amortised cost. The fair value of loans 1–19 differs from their amortised cost by MCZK 170, and this value amounts to MCZK 3,867. In respect of other loans, their amortised cost does not differ from their fair value in particular due to their short-term character. In 2017, the fair value of loans 1–18 differed from their amortised cost by MCZK 131, and this value amounted to MCZK 3,981.

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.

#176

PRE Group

Separate financial statements for the year ended on 31 December 2018

Compared to the initial recognition, the credit risk with granted loans did not increase significantly. In respect of granted loans, the following loss allowances were established for the expected credit losses at an amount of 12-month credit losses (stage 1 of the impairment model):

Creation as at 1.1.2018 (affecting retained earnings)	5,231
Additions and release in the current year	(351)
Balance on 31.12.2018	4,880

(22) Other financial assets (TCZK)

	2018	2017
Available-for-sale debt securities	--	1,000,000
Total	--	1,000,000

Available-for-sale debt securities comprised a corporate bill of exchange that was paid up in January 2018.

(23) Inventories (TCZK)

	2018	2017
Material	41,156	45,387
Goods	28,017	18,103
Total	69,173	63,490

Cost of purchased material, services and energy, and other gains and losses in the income statement include costs of sold and consumed inventories of TCZK 241,746 (2017: TCZK 241,168).

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

Balance on 31.12.2016	1,677
Additions and utilisation in the current year	(228)
Balance on 31.12.2017	1,449
Additions and utilisation in the current year	(515)
Balance on 31.12.2018	934

The write-down to the net realisable value is reported in other gains and losses.

(24) 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.

	2018	2017
Current bank accounts	1,935,515	2,678,900
Loss allowances for current bank accounts	(860)	--
Cash in hand	782	1,475
Stamps and vouchers	625	829
Total cash and cash equivalents in the statement of financial position	1,936,062	2,681,204
Other financial assets meeting the definition of cash equivalents – see note 22	--	1,000,000
Adjustment by loss allowances for cash	860	--
Total cash and cash equivalents for the purposes of the statement of cash flows	1,936,922	3,681,204

Compared to the initial recognition, the credit risk with cash and cash equivalents did not increase significantly. In respect of cash and cash equivalents, the following loss allowances were established for expected credit losses at an amount of 12-month credit losses (stage 1 of the impairment model):

Creation as at 1.1.2018 (affecting retained earnings)	1,497
Additions and release in the current year	(637)
Balance on 31.12.2018	860

#178

PRE Group

Separate financial statements for the year ended on 31 December 2018

(25) 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 31.12.2018			On 31.12.2017		
	Principal	Interest rate	Maturity date	Principal	Interest rate	Maturity date
Loan 1	1,000,039	Fix 1.40%	1.7.2024	1,007,194	Fix 1.40%	1.7.2024
Loan 2	1,005,615	Fix 1.16%	8.7.2022	1,005,614	Fix 1.16%	8.7.2022
Loan 3	1,100,029	Fix 0.94%	25.6.2020	1,100,086	Fix 0.94%	25.6.2020
Loan 4	78,357	Fix 0.60%	3.7.2019	90,232	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
Loan 7	1,004,505	Fix 1.06%	3.7.2019	--	--	--
Loan 8	126,007	Fix 2.11%	2.1.2019	--	--	--
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 cash pooling:						
PREdistribuce, a.s.	60	O/N PRIBOR-0.35%, at least 0%		3	O/N PRIBOR-0.35%, at least 0%	
eYello CZ, k.s.	62,028	O/N PRIBOR-0.35%, at least 0%		57,736	O/N PRIBOR-0.35%, at least 0%	
PREměření, a.s.	98,351	O/N PRIBOR-0.35%, at least 0%		71,014	O/N PRIBOR-0.35%, at least 0%	
PREzákaznická, a.s.	66,110	O/N PRIBOR-0.35%, at least 0%		--	--	
PREnetcom, a.s.	3,950	O/N PRIBOR-0.35%, at least 0%		--	--	
PREservisní, a.s.	8,705	O/N PRIBOR-0.35%, at least 0%		224	O/N PRIBOR-0.35%, at least 0%	
Total	4,553,756			4,949,684		
of which:						
non-current	3,100,000			3,100,000		
current	1,453,756			1,849,684		

	Cash flows					
	31.12.2017	Drawing	Repayment	Cash transactions in the Group	Other	31.12.2018
Total loans	4,949,684	1,126,000	(1,628,436)	110,227	(3,719)	4,553,756

	Cash flows					31.12.2017
	31.12.2016	Drawing	Repayment	Cash transactions in the Group		
Total loans	3,449,172	1,619,201	(12,000)	(105,082)	(1,607)	4,949,684

Loans 4 and 7 are loans from the parent company Pražská energetika Holding, a.s.

The banks do not require loan collateral with regard to the Company's rating. As at 31 December 2018, undrawn loan facilities amounted to MCZK 2,834 (31.12.2017: MCZK 2,144).

Loans are carried at their amortised cost. The fair value of loans 1, 2, 3, 4, and 7 differs from their amortised cost by MCZK 97, and this value amounts to MCZK 4,091. In respect of other loans, their amortised cost does not differ from their fair value in particular due to their short-term character. In 2017, the fair value of loans 1, 2, and 3 differed from their amortised cost by MCZK 136, and this value amounted to MCZK 2,977.

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.

(26) Contract liabilities (TCZK)

	2018	1.1.2018
Advances received for the supply of electricity and gas from customers – gross	3,674,144	3,717,136
Less uninvoiced supplies	(2,886,000)	(2,796,208)
Total	788,144	920,928

Creation and release of contract liabilities

Balance on 1.1.2018	920,928
Recognition of contract liabilities in revenues in the current year	(920,928)
Increase in contract liabilities in the current year (advance payments, partial invoicing)	788,144
Balance on 31.12.2018	788,144

The contract liability relates to advances received and invoicing that has already been performed, as part of contracts with customers, reduced by the value of supplies that have not yet been invoiced, and from which revenue is recognised on an ongoing basis or will be recognised directly after the balance sheet date as part of the satisfaction of a performance obligation.

TCZK 920,928 recorded as a contract liability as at 1 January 2018 was reported in revenue in the period ended on 31 December 2018.

The Company has no revenue relating to the satisfaction or partial satisfaction of performance obligations in prior accounting periods.

#180

PRE Group

Separate financial statements for the year ended on 31 December 2018

(27) Trade and other payables (TCZK)

Non-current trade and other payables	2018	2017
Payables from the revaluation of commodity derivatives for trading	49,977	13,793
Payables from the revaluation of hedging commodity derivatives	80,174	86,596
Other financial liabilities	57,024	49,863
Total	187,175	150,252

Current trade and other payables	2018	2017
Advances received for the supply of electricity and gas from customers – gross*	--	3,717,136
Less uninvoiced supplies*	--	(2,796,208)
Advances received for the supply of electricity and gas from customers – net*	--	920,928
Uninvoiced supplies of electricity and gas from suppliers – gross	176,432	159,886
Less advances provided for the supply of electricity and gas	(163,745)	(128,913)
Uninvoiced supplies of electricity and gas from suppliers – net	12,687	30,973
Trade payables	679,031	588,122
Payables from the revaluation of commodity derivatives for trading	972,806	266,135
Payables from the revaluation of hedging commodity derivatives	93,468	29,116
Payables from the revaluation of hedging foreign exchange derivatives	10,143	29,072
Payables to employees**	17,533	20,680
Social security and health insurance liabilities	9,993	12,271
Inter-company payables***	1,716,752	1,692,253
Other financial liabilities	50,970	48,848
Other non-financial liabilities	86,102	75,953
Total	3,649,486	3,714,351

* As at 1 January 2018, advances received from customers were reclassified to contract liabilities.

** Includes outstanding December salaries.

*** Includes an estimated payable for the provision of distribution services from PREdistribuce, a.s., of TCZK 1,695,840 (2017: TCZK 1,692,223), payables from customer services provided by PREzákaznická, a.s., of TCZK 19,846, payables to PREnetcom, a.s., of TCZK 214, payables to PRE FVE Světlík, s.r.o., of TCZK 39, and payables to eYello CZ, k.s., of TCZK 813 (2017: TCZK 30).

The Company reports overdue trade payables of TCZK 67 (2017: TCZK 140). All overdue liabilities were settled during January 2019.

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

(28) Finance lease liabilities (TCZK)

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	2018	2017
Lease payments due within 1 year	33,075	27,848	32,916	27,654
Lease payments due from 1 to 5 years	53,446	49,603	51,949	48,207
Lease payments due in over 5 years	5,433	1,789	5,075	1,656
Total lease payments	91,954	79,240	89,940	77,517
Future lease payments	(2,015)	(1,723)	--	--
Present value of minimum lease payments	89,940	77,517	89,940	77,517
Other financial liabilities				
Non-current			57,024	49,863
Current			32,916	27,654
Total			89,940	77,517
Property, plant and equipment				
Carrying amount of assets held under finance leases			89,940	77,517

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.

(29) Provisions (TCZK)

	2018	2017
Employee benefits	98,860	128,194
Other provisions	53,193	76,491
Total	152,053	204,685
Non-current provisions	89,848	121,212
Current provisions	62,205	83,473
Total	152,053	204,685

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.

#182

PRE Group

Separate financial statements for the year ended on 31 December 2018

	Employee benefits	Business risks	Salaries	Other	Total
Balance on 31.12.2016	153,621	1,050	49,541	388	204,600
Additions in the current year	17,134	--	74,941	5	92,080
Utilisation in the current year	(8,670)	--	(48,891)	(393)	(57,954)
Release in the current year	(33,891)	(150)	--	--	(34,041)
Balance on 31.12.2017	128,194	900	75,591	--	204,685
Additions in the current year	14,115	--	53,193	--	67,308
Utilisation in the current year	(6,142)	--	(60,830)	--	(66,972)
Release in the current year	(37,307)	(900)	(14,761)	--	(52,968)
Balance on 31.12.2018	98,860	--	53,193	--	152,053
Non-current	89,848	--	--	--	89,848
Current	9,012	--	53,193	--	62,205
Total	98,860	--	53,193	--	152,053

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

The provision for employee benefits represents liabilities pursuant to the collective agreement arising from bonuses paid to employees upon retirement and work and life anniversaries and liabilities to personal accounts drawn by employees for elective benefits. In respect of work anniversaries and bonuses upon retirement, the amount of benefit depends on the hours that the employee has worked in the Company; in case of life anniversaries, the bonus is paid to the employee on reaching the age of 50. After employees retire, no other benefits are provided to them.

To calculate the provision, a projected unit credit method is used – i.e., for each period worked, the employee is entitled to a proportion of the present value of the benefit. In addition, the calculation takes into account the time value of money and the probability that the benefit will not be paid out.

The discount rate is derived based on market yields of Czech state bonds in the currency of the liability, i.e., CZK, with the maturity date corresponding with the maturity of the liability. It is determined as a single discount factor for all benefits together.

The probability of continuance (payment) includes the anticipated retirement, the probability of leaving the Company, the mortality and the disability rate. The anticipated retirement is determined for individual employees using legislation valid in the respective country. Staff turnover, mortality, and disability rates are determined based on the Group's historical data analysis.

Basic assumptions used for actuarial valuation:

	2018
Discount rate	2.302%
Average retirement age (years)	64.6
Probability of continuance	0.68

Significant actuarial assumptions for determining the liability include the discount rate and probability of continuance. The sensitivity analyses below were determined based on possible changes in the parameters described above at the end of the accounting period, whilst all other assumptions remained constant.

	Basis	-1 p.b.	Difference	+1 p.b.	Difference
Sensitivity to the change in discount rate	98,860	110,111	11,251	89,363	(9,497)

	Basis	-0.1	Difference	+0.1	Difference
Sensitivity to the change in probability of continuance	98,860	87,863	(10,997)	104,328	5,468

Additions to the provisions for employee benefits in the current year include interest expense of TCZK 1,512 and ordinary expenses connected with these benefits of TCZK 12,603. The utilisation of provisions then comprises the payments of employee benefits. The release of provisions primarily relates to the transfer of a part of employees to PREzákaznická, a.s.

(30) Share capital (TCZK)

Share capital

There are 3,869,443 registered shares in the nominal value of CZK 1,000 per share (2017: 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.

(31) Reserves (TCZK)

	2018	2017
Reserve fund	773,889	773,889
Other reserves	382,711	382,711
Cash flow hedge	345,436	144,307
Total	1,502,036	1,300,907

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

Cash flow hedges include:

	2018	2017
Revaluation of hedging commodity derivatives	433,777	207,228
Effect of deferred tax	(82,418)	(39,373)
Revaluation of hedging foreign exchange derivatives	(7,313)	(29,072)
Effect of deferred tax	1,389	5,524
Total	345,435	144,307

(32) Contingent liabilities and contingent assets

At the request of the Company, banks issued payment bank guarantees of MCZK 18 (2016: MCZK 19) in favour of OTE, a.s., and APCS Power Clearing and Settlement AG.

(33) Financial instruments (TCZK)

Categories of financial instruments

Financial assets	Cat.	2018	2017
(a) Receivables from the revaluation of commodity derivatives for trading	iii.	999,229	289,055
(b) Receivables from the revaluation of hedging commodity derivatives	iv.	500,746	248,308
(c) Receivables from the revaluation of hedging foreign exchange derivatives	iv.	--	--
(d) Cash and cash equivalents	i.	1,936,062	2,681,204
(e) Margin deposit	i.	137,526	86,836
(f) Loans granted and cash pooling	i.	3,757,572	3,879,354
(g) Trade and other receivables, except for the above	i.	1,691,134	1,796,063
(h) Other financial assets – bill of exchange	ii.	--	1,000,000

Financial liabilities	Cat.	2018	2017
(i) Payables from the revaluation of commodity derivatives for trading	iii.	1,022,783	279,928
(j) Payables from the revaluation of hedging commodity derivatives	iv.	173,642	115,712
(k) Payables from the revaluation of hedging foreign exchange derivatives	iv.	10,143	29,072
(l) Loans received	v.	4,314,551	4,820,707
(m) Payables from cash pooling	v.	239,205	128,977
(n) Financial liabilities carried at amortised cost, except for the above	v.	2,516,465	2,410,059

Categories of financial instruments:

- i. Financial assets measured at amortised cost (loans and other receivables on 31 December 2017)
- ii. Financial assets measured at fair value through other comprehensive income (available-for-sale securities on 31 December 2017)
- iii. Financial assets/liabilities measured at fair value through profit and loss (financial instruments for trading revalued in the income statement on 31 December 2017)
- iv. Financial assets/liabilities measured at fair value through other comprehensive income (hedging financial instruments revalued in equity on 31 December 2017)
- v. Financial liabilities measured at amortised cost (financial liabilities at net book value on 31 December 2017)

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

Gains and losses from financial instruments reported in the current period		2018	2017
Gain/loss from the revaluation of commodity derivatives in the trading portfolio*	(a, i)	(29,091)	(2,010)
Interest received in the Group	(f)	150,104	128,944
Interest received outside of the Group and revenue from securities held	(d, h)	14,431	407
Borrowing costs (except for the interest on employee benefits)	(l, m)	(55,166)	(40,880)
Loss allowances for trade receivables and other financial assets	(d, e, f, g)	2,828	(7,878)
Write-offs of doubtful debts	(g)	(16,295)	(11,170)
Hedge ineffectiveness	(b, j)	1,273	--

* Included in the gross profit from trading.

Hedge accounting		2018	2017
Creation of the equity fund from the cash flow hedge	(b, c, j, k)	346,701	178,156
Reversal of the fund from cash flow hedge* in the income statement	(b, c, j, k)	(98,393)	(105,994)

* In the 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.

	2018	2017
Total assets	21,554,715	22,131,209
Equity	11,932,055	12,852,911
Equity / total assets	55%	58%

Market risk

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

For the hedging of market risks, the Company uses the following non-derivative financial assets and financial instruments:

- commodity derivatives (forwards and futures) to hedge the changes in prices of these commodities;
- currency derivatives (forwards) to hedge exchange rates; and,
- funds denominated in EUR acquired by a spot purchase on the money market to hedge exchange rates.

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

There is no concentration of market risks in the Company.

Currency risk

The Company is exposed to the risk of changes in exchange rates. It takes a significant exposure to the risk of changes in exchange rates only to settle transactions in foreign currency (EUR) made to procure electricity and gas for the Company's customers. The Company's strategy is to minimise the risk of undesirable effects of exchange rate fluctuations on cash flows. The risks of such changes in exchange rates are measured using defined scenarios for exchange rate development. The open exposure is established based on the annual plan of exchange currency requirements and the amount of agreed hedging.

The Company hedges a significant portion of its future planned foreign currency cash flows for the purchase of electricity and gas against the risk related to exchange rates, using currency forwards and a spot purchase of EUR with subsequent holding period until the determined date of usage; these transactions are accounted for in accordance with the hedge accounting principles that the Company applies.

The Company monitors hedge effectiveness under hedge accounting. The hedging has been effective. Due to the fact that the characteristics of the hedging instrument and the hedged item tally, no sources of ineffectiveness, with the exception of the counterparty's credit risk, have been identified. The counterparty's credit risk is insignificant. The credit rating of PRE and the counterparty of the hedging instrument is high. The effect of the credit risk does not dominate the changes in value that result from the economic relationship. The hedge ratio is set at 1:1.

The economic relationship between the hedged item and the hedging instrument has been tested:

- Qualitative analysis: Based on the comparison of the characteristics of the hedging instrument and the hedged item, the Company concluded that they are balanced.
- Quantitative analysis: Using the simple method of scenario analysis, the Company examined and further monitors changes in the fair value of the hedging instrument and the hedged item as a result of changes in the underlying variable, comprising the EUR/ CZK exchange rate. The changes in the fair value of the hedged item and the hedging instrument move in opposite directions and the change in the fair value of the hedging instrument fully compensates the change in the fair value of the hedged item.

The carrying amount of foreign currency assets and liabilities:

	Assets (TCZK)		Liabilities (TCZK)	
	2018	2017	2018	2017
Receivables and payables from the revaluation of commodity derivatives for trading	999,229	289,055	1,022,783	279,928
Receivables and payables from the revaluation of hedging commodity derivatives	500,746	248,308	173,642	115,712
Receivables and payables from the revaluation of hedging foreign exchange derivatives	--	--	10,143	29,072
Non-derivative financial assets for currency risk management (cash)	977,550	--	--	--
Cash and cash equivalents	351,409	81,707	--	--
Margin deposit	138,915	86,836	--	--
Trade receivables and payables and other receivables and payables	263,546	233,915	512,170	420,734
Total in EUR	3,231,395	939,821	1,718,738	845,446
Other currencies	45	97	--	--
Total	3,231,440	939,918	1,718,738	845,446

Currency derivatives open and non-derivative financial assets at the balance sheet date:

	Average exchange rate CZK/EUR		Value (TEUR)		Value (TCZK)		Fair value (TCZK)	
	2018	2017	2018	2017	2018	2017	2018	2017
Purchase of EUR through								
currency derivatives	2018	2017	2018	2017	2018	2017	2018	2017
Up to 1 month	25.97	26.15	17,000	14,000	441,441	366,031	(3,715)	(8,320)
1-3 months	26.11	25.96	16,000	28,000	417,693	726,967	(4,508)	(10,592)
3-12 months	26.14	25.85	8,000	44,000	209,123	1,137,558	(1,920)	(10,160)
Total	26.06	25.94	41,000	86,000	1,068,257	2,230,556	(10,143)	(29,072)

	Average exchange rate CZK/EUR		Value (TEUR)		Value (TCZK)		Fair value (TCZK)	
	2018	2017	2018	2017	2018	2017	2018	2017
Cash in EUR used to								
hedge currency risk	2018	2017	2018	2017	2018	2017	2018	2017
Used up to 1 month	--	--	--	--	--	--	--	--
Used in 1-3 months	25.59	--	13,000	--	334,425	--	1,695	--
Used in 3-12 months	25.68	--	25,000	--	643,125	--	1,135	--
Total	25.65	--	38,000	--	977,550	--	2,830	--

Currency risk – sensitivity analysis

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

	2018	2017
Profit (+) / loss (-)	2,182	(91)
Equity	19,115	18,868

Interest rate risk

Medium- and long-term external funds of the Company include loans maturing in two, four and six years. These loans have a fixed interest rate. Changes in market interest rates have no impact on the contracted amount of repayments of these loans which effectively reduces the risk of changes in interest rates. Changes in interest rates may only affect the costs of hedging short-term sources of funding. However, the impact of this risk on the Company, if any, is immaterial, therefore, the Company does not manage it and does not apply hedge accounting.

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

	Assets (TCZK)		Liabilities (TCZK)	
	2018	2017	2018	2017
Receivables and payables from the revaluation of hedging foreign exchange derivatives	--	--	10,143	29,072
Total	--	--	10,143	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.

	2018	2017
Profit (+) / loss (-)	--	--
Equity	7	45

Risk of changing prices of commodities

The Company is exposed to the risk related to the development of electricity and gas prices, which can have an impact on the expected profit margin. The Company's strategy is to minimise the risk of undesirable effects of price changes on cash flows.

Electricity and gas for end customers is purchased in order to achieve the optimisation of purchase prices within the position limited in terms of volume. Exposure management is based on limits for the maximum permissible size of outstanding exposures, the possible financial impact is derived from defined scenarios for price developments. The commodity risk management strategies are primarily based on the structure of the Company's end customers and distinguish between customers with individual rates (the B2B customer segment) and customers receiving common price-list rates (the B2C customer segment). As the price is set at different times for each segment, the commodity hedging method varies for the two customer groups as well. In the case of the B2B customer segment, back-to-back hedging is used, i.e., the commodity is acquired as soon as the offer is accepted by the customer. For the B2C customer segment, gradual hedging is used, i.e., the commodity is acquired over time for a large number of small customers, taking into account market liquidity and minimising market price volatility for customers.

In implementing the above strategies, a range of tools, procedures and techniques are used to ensure that the commodity is delivered at the specified time, in the specified place and at the optimum purchase price.

A significant portion of the commodity delivered to the domestic market is hedged using forward contracts with physical delivery in the Czech Republic. The "own-use" exemption allowed by IFRS 9 applies to such forward contracts.

In the event of momentarily insufficient liquidity in the domestic commodity market with the physical delivery of the commodity, the Company hedges the purchase price and mitigates the risk of price development via transactions in external commodity markets connected with the Czech transmission system. So far, only the German market has been involved, due to its sufficient liquidity and high degree of price correlation with the Czech market. The "own-use" exemption does not apply to these transactions, and in these cases, the Company applies hedge accounting. The objective of commodity risk management is to hedge cash flows connected with the future purchase of a commodity for the end customer on the domestic market. The Company hedges against the risk of price changes by purchasing an OTC commodity forward or stock exchange futures on the external market, thus substantially ensuring the required purchase price. At the moment of sufficient liquidity on the Czech market, the Company purchases the commodity on the domestic OTC market and at the same time closes the position on the external market with an inverse contract. Hedging is thus terminated. Any gain or loss from hedging to a large extent compensates the movement of price on the domestic market between the moment the Company wanted to purchase the commodity for the end customer, but could not do so due to low liquidity, and the moment of subsequent purchase. The "own-use" exemption allowed by IFRS 9 applies to the purchase on the domestic market. The Company monitors hedge effectiveness under hedge accounting. The hedge has so far been highly effective. The characteristics of the hedging instrument

and the hedged item tally. Apart from the counterparty's credit risk, a source of hedge ineffectiveness is also the degree of correlation between external and domestic commodity markets, expressed by the spread development between markets. The correlation across both markets is very high in the medium term (more than 98%). The counterparty's credit risk is insignificant. The credit rating of PRE and the counterparty of the hedging instrument is high. The effect of the credit risk does not dominate the changes in value that result from the economic relationship. The hedge ratio is set at 1:1.

The economic relationship between the hedged item and the hedging instrument has been tested:

- Qualitative analysis: Based on the comparison of the characteristics of the hedging instrument and the hedged item, PRE concluded that they are balanced.
- Quantitative analysis: Using the simple method of scenario analysis, the Company examined and further monitors any changes in the fair value of the hedging instrument and the hedged item as a result of changes in the underlying variable, comprising the commodity rate. The changes in the fair value of the hedged item and the hedging instrument move in opposite directions and the change in the fair value of the hedging instrument considerably compensates the change in the fair value of the hedged item.

Another possibility to solve temporary market illiquidity is to hedge the price of future spot purchase of a commodity, using commodity futures on the domestic market without physical delivery. At the moment of low liquidity on the domestic market with physical delivery, the Company agrees to the purchase of domestic commodity futures. The Company holds these futures until expiration. When the derivative expires, hedging is terminated. Any gain or loss from hedging, expressed by the paid or collected variation margin, fully compensates the movement of price on the domestic market between the moment the Company wanted to purchase the commodity for the end customer but could not do so due to low liquidity and the moment of purchase on the spot market. The Company monitors hedge effectiveness under hedge accounting. The hedge has been highly effective. The characteristics of the hedging instrument and the hedged item tally. Due to the fact that the characteristics of the hedging instrument and the hedged item tally, no sources of ineffectiveness, with the exception of the counterparty's credit risk, have been identified. The counterparty's credit risk is insignificant. The credit rating of PRE and the counterparty of the hedging instrument is high. The effect of the credit risk does not dominate the changes in value that result from the economic relationship. The hedge ratio is set at 1:1.

The economic relationship between the hedged item and the hedging instrument has been tested:

- Qualitative analysis: Based on the comparison of the characteristics of the hedging instrument and the hedged item, PRE concluded that they are balanced.
- Quantitative analysis: Using the simple method of scenario analysis, the Company examined and further monitors any changes in the fair value of the hedging instrument and the hedged item as a result of changes in the underlying variable, comprising the commodity rate. The changes in the fair value of the hedged item and the hedging instrument move in opposite directions and the change in the fair value of the hedging instrument considerably compensates the change in the fair value of the hedged item.

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

	Assets (TCZK)		Liabilities (TCZK)	
	2018	2017	2018	2017
Receivables and payables from the revaluation of commodity derivatives for trading	999,229	289,055	1,022,783	279,928
Receivables and payables from the revaluation of hedging commodity derivatives	500,746	248,308	173,642	115,712
Total	1,449,975	537,363	1,196,425	395,640

Open commodity derivatives for hedging as at the balance sheet date:

	Commodity contracts for purchase				Commodity contracts for sale			
	Nominal value (TEUR)		Nominal value (TCZK)		Nominal value (TEUR)		Nominal value (TCZK)	
	2018	2017	2018	2017	2018	2017	2018	2017
Futures								
Settlement up to 12 months	35,079	11,786	902,407	301,014	--	--	--	--
Settlement from 1 to 2 years	10,491	2,556	269,881	65,280	--	--	--	--
Settlement from 2 to 3 years	--	--	--	--	--	--	--	--
Total	45,570	14,342	1,172,288	366,294	--	--	--	--
OTC forward								
Settlement up to 12 months	10,105	16,317	259,951	416,736	5,926	3,815	152,446	97,435
Settlement from 1 to 2 years	9,777	17,719	251,513	452,543	3,606	3,646	92,764	93,119
Settlement from 2 to 3 years	--	9,472	--	241,915	--	3,606	--	92,097
Total	19,882	43,508	511,464	1,111,194	9,532	11,067	245,210	282,651

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)	2018	2017
Profit (+) / loss (-)	--	--
Equity	3,252	9,033

Credit risk

The Company is exposed to credit risk primarily in terms of trade receivables from end customers relating to the supplies and distribution of electricity and gas and in respect of wholesale partners trading in commodities in relation to concluded hedging and trading derivative contracts on the OTC market. In addition, the credit risk is connected with contract assets, the Company's receivables from inter-company loans and consignment of funds, available or consigned as margin deposit in connection with the trading on commodity exchange, with banks. Although the Company does not expect a higher credit risk in connection with receivables and other financial assets, the future credit status of business partners can be negatively influenced by future macroeconomic developments and the financial stability of the national economy.

In compliance with the Company's credit risk management policy, the credibility of wholesale partners trading in commodities and business partners in the B2B segment and cooperating banks is verified. In terms of newly signed contracts in the B2C segment, the Company evaluates whether the Company's potential customer is in debt in respect of possible previous contractual relations, which can indicate the potential customer's reduced credibility, or it relies upon information from publicly available registers.

The development and balance of receivables is monitored and evaluated on an ongoing basis with the aim to minimise the risk that doubtful or uncollectible receivables may arise. The maximum possible credit risk resulting from financial and contract assets corresponds with their carrying amount.

Credit risk is managed on the level of risk owners, on the level of individual sections. As part of credit risk management process, the Company primarily strives to prevent the risk from occurring, performs regular or one-off scoring of wholesale and B2B partners, monitors external rating of cooperating banks, determines and monitors the compliance with binding exposure limits for individual partners, etc. The Company monitors the development of receivables, customers' credit history and carries out the analysis of the ageing structure of receivables. These activities are performed in the integrated system for evaluation, administration and recovery of trade receivables. In case overdue receivables arise, the Company communicates with the debtor with the aim to acquire the outstanding amount. If the debtor does not respond to the summons, the Company proceeds to terminate the supplies of electricity or gas and subsequent recovery of unpaid receivables.

In electricity and gas supplies and distribution, which is the Company's principal activity, the Company specifically applies the following principles to minimise the failure to collect receivables.

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

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

There is no concentration of credit risk.

The Company bases the monitoring of credit risk development on the ageing structure of receivables. The amount of loss allowance is determined on this basis. The percentage of loss allowance for individual categories of receivable maturities is determined with respect to available historical data and the expected future development, as part of which the Company takes into account also the expected development of economy. Historical data are based on the actual development in receivable repayment in the last four years. When taking into consideration the future development, the Company relies on available macroeconomic forecasts. The loss allowance rate reflects the expected percentage of receivables that will not be paid by the customer in the given age category.

The Company calculates loss allowances for trade receivables and contract assets in the amount corresponding with the lifetime expected credit losses on the financial assets. In respect of other receivables, the Company initially calculates loss allowances at an amount of 12-month expected credit losses and subsequently, if the counterparty's credibility reduction is identified, at lifetime expected credit losses.

A loss allowance for contract assets is established in the same way as the loss allowance for trade receivables within due date. The information on loss allowance amounts for contractual and financial assets is included in notes 19, 20, 21, and 24 of the financial statements.

The standard practice of the Company is not to require collateral for trade receivables in the form of hedging financial assets. As at 31 December 2018, the Company did not hold any trade receivables or contract assets for which a loss allowance would be established due to collateral received.

The Company proceeds to write off trade receivables if, based on available information, it concludes that it is not possible to recover the given receivable despite efforts undertaken so far, or that the revenue from recovering the debt receivable will not cover potential costs that the Company would incur on debt recovery, or if it is a doubtful debt. These include in particular cases where the court cancelled the bankruptcy, because the debtor's assets are completely insufficient, the debtor is insolvent or faces the risk of insolvency based on insolvency proceedings, the debtor was a legal person that ceased to exist without a legal successor, the debtor was a natural person and has died and the receivable could not be satisfied even as part of inheritance proceedings, the assets of which were subject to public auctioning or execution and the yield from auctioning or execution did not fully cover the debt receivable. In addition, these include cases, where the debtor's whereabouts are unknown based on the information of competent national authorities (the police, courts, etc.). Moreover, doubtful receivables include receivables for which documents for recovery by legal means are not available, statute-barred debts that the debtor refuses to pay, the court dismissed the action, or the compulsory execution was not successful.

Liquidity risk

The Company manages liquidity risk by maintaining a sufficient amount of cash and cash equivalents, banking facilities and borrowing facilities, by continuously monitoring forecast and actual cash flows and seeking to match the maturity profiles of financial assets and liabilities. Included in the note "Loans" is a listing of additional available loan facilities to further reduce liquidity risk. These loan facilities have not been drawn yet. The Company is not exposed to any significant liquidity risk and does not suffer from any solvency issues. The entities from the PRE Group use cash pooling in order to optimise financing costs.

There is no concentration of liquidity risk.

Liquidity risk – tables

The following tables represent the contractual maturity of the Company's undiscounted financial liabilities. The table including the financial liabilities reflects the earliest dates on which the Company may be asked to fulfil its liabilities.

Liabilities 2018	Net book value	Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Payables from the revaluation of commodity derivatives for trading	1,022,783	81,067	162,134	729,605	49,977	1,022,783
Payables from the revaluation of hedging commodity derivatives	173,642	7,789	15,578	70,101	80,174	173,642
Payables from the revaluation of hedging foreign exchange derivatives	10,143	3,715	4,508	1,920	--	10,143
Loans received (including interest)	4,314,551	132,958	2,000	1,116,181	3,204,089	4,455,228
Payables from cash pooling (including interest)	239,205	239,205	--	--	--	239,205
Financial liabilities carried at amortised cost	2,516,465	817,043	299,643	1,342,914	58,879	2,518,479
Total		1,281,777	483,863	3,260,721	3,393,119	8,419,480

Liabilities 2017	Net book value	Up to 1 month	1–3 months	3–12 months	More than 12 months	Total
Payables from the revaluation of commodity derivatives for trading	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

(34) Operating leases (TCZK)

Operating lease payments expensed in the current period:

	2018	2017
Non-residential premises	5,762	20,945
Cars	271	298
Other leased assets of all types	6,389	6,873
Total	12,422	28,116

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 21 per year, reduced by re-invoicing of MCZK 15, for contracts concluded as at 31 December 2018.

(35) 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	
	2018	2017	2018	2017
Relations with controlling entities and associates	994,527	1,627,729	1,156,018	1,665,849
Pražská energetika Holding, a.s.	1,477	266	5,169	--
Capital City of Prague	65,545	96,294	1,696	1,446
EnBW Energie Baden-Württemberg AG*	927,505	1,531,169	1,149,153	1,664,403
Relations with other entities	393,391	359,259	39,979	37,750
ONTRAS Gastransport GmbH	--	--	640	1,762
Dopravní podnik hl. m. Prahy, a.s.	380,378	336,337	1,071	1,443
Kolektory Praha, a.s.	6,394	6,844	--	--
Obecní dům, a.s.	6,366	6,613	--	--
TRADE CENTRE PRAHA, a.s.	253	5,487	17,861	18,238
Pražská plynárenská, a.s.	--	3,978	20,407	16,307
Total	1,387,918	1,986,988	1,195,997	1,703,599

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

Receivables from and payables to related parties

	Receivables		Payables	
	2018	2017	2018	2017
Relations with controlling entities and associates	149	854	1,131,315	132,243
Pražská energetika Holding, a.s.*	149	25	1,082,862	90,232
Capital City of Prague	--	406	16,895	15,406
EnBW Energie Baden-Württemberg AG	--	423	31,558	26,605
Relations with other entities	25,277	19,735	103	1,971
ONTRAS Gastransport GmbH	--	--	--	568
Dopravní podnik hl. m. Prahy, a.s.	23,363	18,611	--	--
Kolektory Praha, a.s.	743	408	--	1,200
Obecní dům, a.s.	638	704	--	--
TRADE CENTRE PRAHA, a.s.	533	--	--	140
Pražská plynárenská, a.s.	--	12	103	63
Total	25,426	20,589	1,131,418	134,214

* The payable of TCZK 1,082,862 (2017: TCZK 90,232) 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

	2018	2017
Pražská energetika Holding, a.s.	1,988,473	--
EnBW Energie Baden-Württemberg AG	1,418,091	--

Remuneration to the statutory bodies, the Supervisory Board and the top management

	2018	2017
Number of persons	13	13
Remuneration (TCZK)	40,896	40,942

Managers include the members of the Board of Directors, the Company's directors and the members of the Supervisory Board.

Selected managers can use company cars for private purposes.

Receivables from executive management

As at 31 December 2018, the Company reported receivables from the members of executive management totalling TCZK 11 (31.12.2017: TCZK 19). These items are disclosed in trade and other receivables and were collected during January 2019.

Receivables from and payables to subsidiaries

	PRE's trade and other receivables		PRE's trade and other payables	
	as at 31.12		as at 31.12	
	2018	2017	2018	2017
PREdistribuce, a.s.	149,001	145,654	1,695,840	1,692,223
PREměření, a.s.	11,162	7,703	--	--
eYello CZ, k.s.	44,990	45,350	813	30
KORMAK Praha a.s.	867	891	--	--
PREservisní, s.r.o	2	2	--	--
PREzákaznická, a.s.	34,135	--	19,846	--
PREnetcom, a.s.	255	--	214	--
PRE FVE Světlík, s.r.o	--	--	39	--
Loss allowances for receivables	(159)	--	--	--
Total	240,253	199,600	1,716,752	1,692,253

	PRE's loans and receivables from		PRE's loans and payables from	
	cash pooling as at 31.12		cash pooling as at 31.12	
	2018	2017	2018	2017
PREdistribuce, a.s.	2,794,564	2,750,814	60	3
PREměření, a.s.	891,567	1,048,772	98,352	71,014
eYello CZ, k.s.	--	--	62,027	57,735
PREservisní, s.r.o	11,760	13,170	8,706	224
KORMAK Praha a.s.	4,835	15,751	--	--
PRE FVE Světlík, s.r.o.	45,774	50,848	--	--
SOLARINVEST – GREEN ENERGY, s.r.o.	13,953	--	--	--
PREzákaznická, a.s	--	--	66,110	--
PREnetcom, a.s.	--	--	3,950	--
Loss allowances for loans	(4,880)	--	--	--
Total	3,757,573	3,879,355	239,205	128,976

Expenses incurred with and revenue generated from the subsidiaries

	Revenue/income of PRE		Expenses/costs of PRE	
	2018	2017	2018	2017
PREdistribuce, a.s.	2,360,013	2,288,969	5,840,442	5,808,954
of which: electricity and distribution services	336,407	316,111	5,823,755	5,789,902
services	572,387	738,409	16,338	19,047
inventories*	11,413	12,088	--	--
dividends	1,329,000	1,130,000	--	--
interest on loans	110,806	92,361	349	5
PREměření, a.s.	147,157	147,657	36,056	31,944
of which: services	111,714	111,949	5,233	5,634
sale of electricity	--	--	30,144	26,291
inventories*	15	20	--	--
interest on loans	35,428	35,688	679	19
eYello CZ, k.s.	187,020	165,655	412	15
of which: electricity and gas and distribution services	160,791	130,393	--	--
services	13,721	14,730	--	--
interest on loans	--	--	412	15
transfer of the share in profit or loss	12,508	20,532	--	--
KORMAK Praha a.s.	28,293	29,515	--	--
of which: dividends	21,000	25,350	--	--
services	6,145	3,809	--	--
inventories*	120	6	--	--
interest on loans	1,028	350	--	--
PREservisní, s.r.o.	430	341	29	--
of which: services	19	--	--	--
interest on loans	411	341	29	--
PRE FVE Světlík, s.r.o.	2,217	204	2,482	--
of which: sale of electricity	--	--	2,482	--
interest on loans	2,217	204	--	--
PREzákaznická, a.s.	175,628	--	196,795	--
of which: services	175,570	--	196,428	--
inventories*	55	--	--	--
interest on loans	3	--	367	--
PREnetcom, a.s.	964	--	626	--
of which: services	962	--	614	--
inventories*	2	--	--	--
interest on loans	--	--	12	--
SOLARINVEST – GREEN ENERGY, s.r.o.	211	--	--	--
of which: interest on loans	211	--	--	--
Total	2,901,933	2,632,341	6,076,842	5,840,913

* Profit from material sold.

#198

PRE Group

Separate financial statements for the year ended on 31 December 2018

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

(36) 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, 25 April 2019

Signed by

Pavel Elis

Chairperson of the Board of Directors

Signed by

Alexander Sloboda

Vice-chairperson of the Board of Directors

Affidavit

To the best of our knowledge, the Annual Report, in exercising all reasonable due diligence, presents a true and honest picture of the financial situation, business activities and economic results of Pražská energetika, a.s., and the PRE Group in 2018, 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, 25 April 2019

Signed by

Pavel Elis

Chairperson of the Board of Directors

Signed by

Alexander Sloboda

Vice-chairperson of the Board of Directors

PRE Group history

1897

- The Electricity Works of the Royal Capital City of Prague started operating on 1 September.

1924

- A ministerial decree declared the Electricity Works a universally useful utility.

1934

- The construction of the Electricity Works headquarters in Prague was completed. The building's modern design was far ahead of its time.

1941

- The Electricity Works was incorporated into the Prague Municipal Company (Městské podniky pražské).

1945

- The energy industry was nationalised by presidential decree.

1946

- The Transport Company (Dopravní podnik) separated from the Electricity Works. The former Electricity Works power generation division was incorporated into the newly established national enterprise, the Central Bohemian Power Generation Company (Středočeské elektrárny).

1959

- The Central Bohemian Electricity Works (Středočeské energetické závody) and the Prague District Administration (Okresní správa Praha) were established.

1965

- The Prague Distribution Enterprise (Rozvodný závod Praha) was founded within the Central Bohemian Electricity Works.

1990

- On 1 July, the Prague Electricity Works became a separate state-owned company.

1994

- A joint stock company, Pražská energetika, a.s., was founded.

1996

- A subsidiary, PREleas, a.s., was founded.
- Construction of a new company administration building started on Na Hroudě street.

1997

- The company celebrated its 100th anniversary. The construction of the new administration building was completed.

1998

- A subsidiary, PREměření, a.s., (formerly Cejchovna elektroměrů Praha, a.s.) was founded.

2000

- Modernisation of all customer contact points was completed and the call centre started operating.

2002

- PRE successfully dealt with the aftermath of the August floods.

2004

- The process of unbundling was commenced in accordance with the EU legislation.
- The central dispatcher control centre started operating.
- A joint PRE and PP Customer Centre opened in the Adria Palace as part of the Together for Prague (Spolu pro Prahu) project.

2006

- On 1 January, the distribution system operator became a separate entity – a 100% subsidiary, PREdistribuce, a.s., established in 2005.

2007

- PRE became a member of the Prague Energy Exchange (PXE).

2009

- The Energy Advisory Centre (CEP) started operating at Jungmannova 28 (the TeTa passage).
- The Technical and Documentary Museum of Prague Power Engineering (Technické a dokumentační muzeum pražské energetiky) moved into new premises.

2010

- The structure of shareholders changed: the shares held by Honor Invest, a.s., were bought by the existing shareholder EnBW Energie Baden-Württemberg AG, which made it the majority shareholder.
- In accordance with the PRE Group's new long-term strategy, five photovoltaic power plants (Jinonice, Lhotka, Na Hroudě 19, Pražáčka and Sever) started operating. PREm is the licence holder.
- The highest peak load of the distribution system in history (1,209 MW) was recorded on 1 December at 2 p.m.

2011

- As at 1 December, PRE shares were delisted from trading on the regulated market. The delisting process was formally concluded on 28 December.

#202

PRE Group

PRE Group history

2012

- The Hořovice and Kondrac photovoltaic power plants were acquired, each with the installed capacity of 1 MWp.
- The 100% subsidiary, PREleas, a.s., was renamed eYello CZ, a.s., and branched out into trading in electricity and gas (since 1 May 2014 as a limited partnership company).
- PRE started cooperating with the Charter 77 Foundation (Nadace Charty 77) on philanthropic activities.

2013

- The biggest specialised electric bike rental service in the Czech Republic, PREkolo, was launched.
- The Pozorka photovoltaic power plant with the installed capacity of 3.99 MWp and the Syrovice photovoltaic power plant with the installed capacity of 6.3 MWp were acquired.
- The PRE Group was awarded in the Patron category of the Czech Goodwill project for its considerate attitude towards business, economic-social and natural environment.

2014

- On 27 March, the Articles of Association were amended, establishing the Works Council.
- On 1 May, the PRE Service Centre (CES) started operating in the TeTa passage, offering PREm energy services and housing a specialised electric bike shop and rental service.
- In September, a mobile virtual operator, PREmobil, started operating, offering attractive telecommunication services.
- The Dačice photovoltaic power plant and the Mikulov photovoltaic power plant with the total installed capacity of 5.79 MWp were acquired on 1 December.

2015

- The CES successfully hosted the 5th annual electromobility exhibition, one of the biggest of its kind in the Czech Republic.
- On 30 April, the 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 analyses and audits, efficient lighting, small photovoltaic power plant design, installation and servicing, and the provision of decentralised energy supply solutions.

2016

- 14 March saw the acquisition of KORMAK Praha a.s., which provides engineering, design and construction services in the field of electricity networks, and KORMAK nemovitosti s.r.o., which provides asset management services.
- Thanks to PRE, three smart SM!GHT lamps were installed in Prague in November. They not only provide street lighting and serve as Wi-Fi hotspots and charging stations for electric cars and bikes, but are also equipped with emergency buttons, sensors monitoring air quality and other smart city features. Two of the lamps are located close to the PRE headquarters on Na Hroudě street; the third is in the Holešovice exhibition grounds.

2017

- As of 1 January, PREdi started providing services critical for the operation of street lighting in Prague.
- On 1 June, the PRE Call Centre launched a new freephone number, 800 550 055.
- On 19 September, the company held a gala evening at the Žofín palace marking its 120th anniversary.
- On 9 October, an electric car sharing service, or e-carsharing, was launched in Prague.
- On 1 November, PREzákaznická, a.s., was founded, taking over all direct customer services.
- On 27 November, PREnetcom, a.s., was founded to develop communication infrastructure within the distribution network in connection with the implementation of smart grids.

2018

- A pilot quick-charge station was made available to the public, combining the functions of a charging station for electric vehicles, a photovoltaic power plant and a battery-like accumulation device.
- 3 May saw the acquisition of SOLARINVEST – GREEN ENERGY, s.r.o., specialising in the installation of solar and thermal systems.
- A new type of electric vehicle charging station, called a wallbox, was launched.
- A freephone line for reporting electricity supply failures started operating at the phone number 800 823 823.
- On 19 September, the new 110/22 kV Karlín transformer station started operating, boosting the supply to the developing area of Rohanský island.
- The 100% subsidiary, KORMAK nemovitosti s.r.o., was renamed PREservisní, s.r.o., and started to carry out central purchasing for the PRE Group.
- 30 November saw the acquisition of FRONTIER TECHNOLOGIES, s.r.o., which develops, produces and supplies smart lighting solutions.

List of abbreviations

AMM	Advanced metering management
B2B	Big customers
B2C	Small customers
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)
ČEPS	ČEPS, a.s., the operator of the transmission system in the Czech Republic
EEX	European Energy Exchange
EMIR	Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories
EnBW	EnBW Energie Baden-Württemberg AG
EPC	Energy performance contracting
ERÚ	Energy Regulatory Office (Energetický regulační úřad)
eYello	eYello CZ, k.s., a 90% subsidiary of PRE and a 10% subsidiary of PREm
Frontier	FRONTIER TECHNOLOGIES, s.r.o., a 100% subsidiary of PREm
FVE	Photovoltaic power plant
GDP	Gross domestic product
GDPR	Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation)
GWh	Gigawatt hour
HV	High voltage
Kormak	KORMAK Praha a.s., a 100% subsidiary of PRE
Kormak nemovitosti	KORMAK nemovitosti s.r.o., a 100% subsidiary of PRE
kV	Kilovolt
kWp	Kilowatt-peak
LV	Low voltage
MAR	Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC
MCZK	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
MWp	Megawatt-peak

OHS	Occupational health and safety
OTC	Over the counter
OTE	OTE, a.s., the electricity and gas market operator in the Czech Republic
PP	Pražská plynárenská, a.s.
PRE	Pražská energetika, a.s.
PREdi	PREdistribuce, a.s., a 100% subsidiary of PRE
PRE FVE Světlík	PRE FVE Světlík, s.r.o., a 100% subsidiary of PREm
PREH	Pražská energetika Holding, a.s.
PREm	PREměření, a.s., a 100% subsidiary of PRE
PREnetcom	PREnetcom, a.s., a 100% subsidiary of PREdi
PREs	PREservisní, s.r.o., a 100% subsidiary of PRE
PREzak	PREzákaznická, a.s., a 100% subsidiary of PRE
REMIT	Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency
Solarinvest	SOLARINVEST – GREEN ENERGY, s.r.o., a 100% subsidiary of PREm
TCZK	Thousands of Czech crowns
TEUR	Thousands of euros
TWh	Terawatt hour

Contact information

	Address	Postal code	Phone number
Pražská energetika, a.s. ID No.: 60193913	Prague 10, Na Hroudě 1492/4 www.pre.cz E-mail: pre@pre.cz	100 05	800 550 055 For calls from foreign numbers: +420 267 055 555
Press relations	Prague 10, Na Hroudě 1492/4	100 05	+420 267 051 102
PREdistribuce, a.s. ID No.: 27376516	Prague 5, Svornosti 3199/19a www.predistribuce.cz E-mail: distribuce@predistribuce.cz	150 00	800 550 055 For calls from foreign numbers: +420 267 055 555
Distribution Emergency Line	Prague 2, Kateřinská 1528/9 E-mail: poruchy@predistribuce.cz	120 00	Emergency line: 800 823 823
PREzákaznická, a.s. ID No.: 06532438	Prague 10, Na Hroudě 1492/4 www.prezakaznicka.cz E-mail: pre@pre.cz	100 05	800 550 055 For calls from foreign numbers: +420 267 055 555
PRE Customer Centre	Prague 1, Jungmannova 36/31	110 00	
	Prague 4, Vladimírova 64/18	140 00	
PRE Call Centre	Prague 10, Kubánské náměstí 1391/11	100 00	800 550 055
PREměření, a.s. ID No.: 25677063	Prague 10, Na Hroudě 2149/19 www.premereni.cz E-mail: mereni@pre.cz	100 05	800 550 055 For calls from foreign numbers: +420 267 055 555
Emergency line	for PRE customers in case of main circuit-breaker failures: www.premereni.cz/opravy		+420 733 143 143
PRE Service Centre	Prague 1, Jungmannova 747/28 E-mail: centrum.sluzeb@pre.cz	110 00	
PREmobilita	E-mail: premobilita@pre.cz		
Orders of energy services	E-mail: servis.prem@pre.cz		

	Address	Postal code	Phone number
eYello CZ, k.s. ID No.: 25054040	Prague 10, Kubánské náměstí 1391/11 www.yello.cz E-mail: yello@yello.cz	100 00	+420 267 056 704
KORMAK Praha a.s. ID No.: 48592307	Prague 10, K Sokolovně 667 www.kormak.cz E-mail: kormak@kormak.cz	104 00	+420 271 071 311
PREservisní, s.r.o. ID No.: 02065801	Prague 10, Na Hroudě 1492/4 www.preservisni.cz E-mail: pre@pre.cz	100 05	800 550 055 For calls from foreign numbers: +420 267 055 555
PREnetcom, a.s. ID No.: 06714366	Prague 10, Na Hroudě 1492/4 www.prenetcom.cz E-mail: pre@pre.cz	100 05	800 550 055 For calls from foreign numbers: +420 267 055 555
PRE FVE Světlík, s.r.o. ID No.: 28080378	Prague 10, Na Hroudě 2149/19 www.premereni.cz E-mail: mereni@pre.cz	100 05	800 550 055 For calls from foreign numbers: +420 267 055 555
FRONTIER TECHNOLOGIES, s.r.o. No.: 27234835	Prague 10, Na Hroudě 2149/19 www.frontier-technologies.eu E-mail: info@frontier-technologies.eu	100 05	+420 277 002 333
SOLARINVEST – GREEN ENERGY, s.r.o. ID No.: 28923405	Prague 10, Na Hroudě 2149/19 www.solarinvest.cz E-mail: info@solarinvest.cz	100 05	+420 321 677 966

Pražská energetika, a.s.

Na Hroudě 1492/4

100 05 Prague 10

www.pre.cz

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