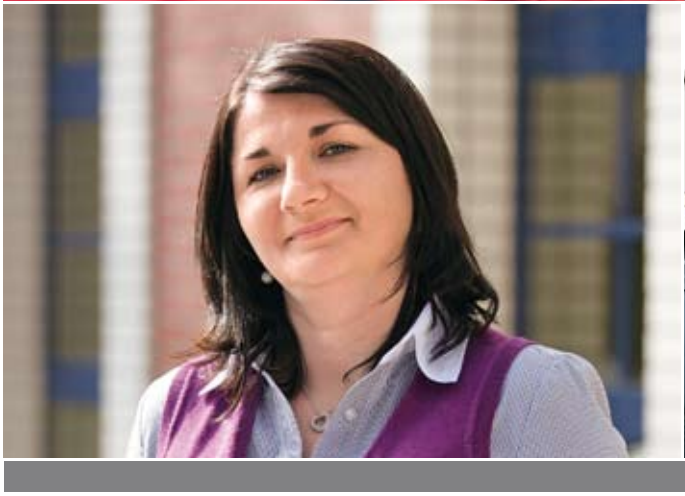


PREdistribuce, a.s.
Annual Report
2010



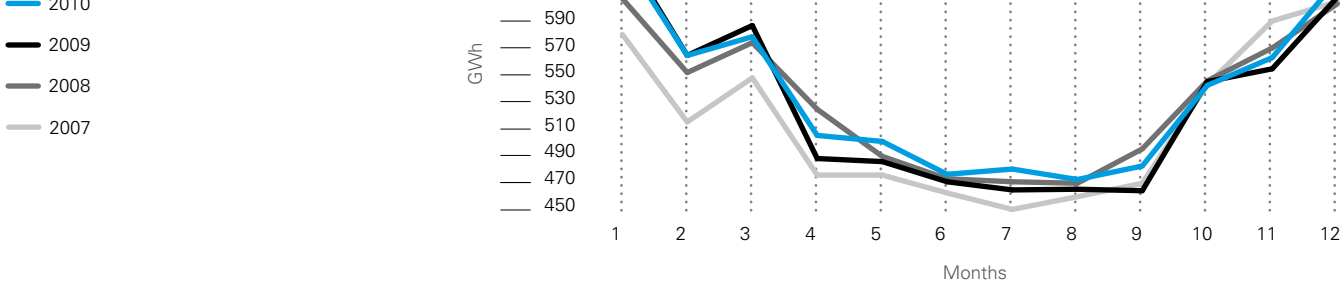


Main Trends

Main financial indicators (MCZK)

	2010	2009	2008	2007	2006
Total assets	**27,148**	**26,624**	**26,314**	**24,864**	**24,494**
Distribution equipment	**22,465**	21,989	21,721	20,880	20,643
Other fixed assets	**2,079**	2,136	1,997	2,322	2,315
Group cash pooling receivables	**0**	0	0	339	317
Trade receivables	**2,575**	2,367	2,498	1,274	1,157
Other assets	**29**	132	98	49	62
Total liabilities	**27,148**	**26,624**	**26,314**	**24,864**	**24,494**
Equity	**18,933**	18,673	18,850	19,582	18,456
Deferred tax liability	**2,953**	2,958	2,968	2,995	3,806
Group cash pooling payables	**254**	192	874	0	0
Trade payables	**235**	124	133	156	160
Deferred revenues	**1,863**	1,810	1,743	1,675	1,599
Provisions	**179**	158	157	176	169
Loans	**2,600**	2,600	1,500	0	0
Other liabilities	**131**	109	89	280	304
Gross profit from distribution services sales	**4,765**	4,695	4,699	4,621	4,187
Routine trade activity profit before tax	**1,133**	**847**	**1,080**	**1,293**	**1,025**
Routine trade activity after tax	**910**	**685**	**880**	**1,742**	**776**
Extraordinary profit/loss	**0**	**0**	**0**	**0**	**(28)**
Profit after tax	**910**	**685**	**880**	**1,724**	**748**

Development of electricity distribution in 2007–2010



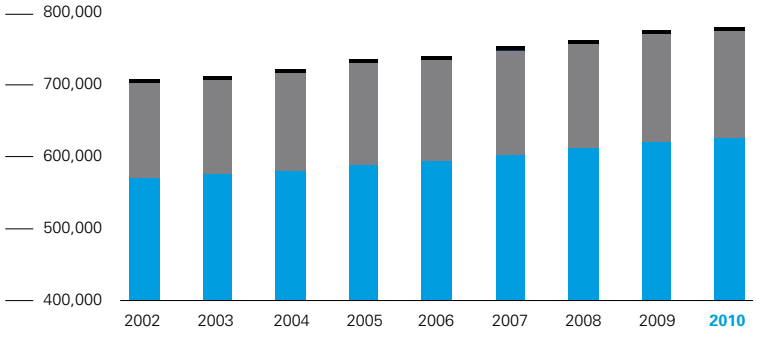
Other indicators

		2010	2009	2008	2007	2006
Total distribution (balance)	GWh	**6,450.5**	6,339.1	6,372.5	6,172.0	6,085.0
Total number of consumption points	**Number**	**749,513**	**744,998**	**735,779**	**726,366**	**713,474**
of which: large customers (VO)	Number	**1,947**	1,948	1,929	1,854	1,916
retail-small businesses (MOP)	Number	**136,275**	137,682	136,089	136,320	132,323
retail-households (MOO)	Number	**611,291**	605,368	597,761	588,192	579,235
Total length of electricity networks	**km**	**11,781**	**11,675**	**11,552**	**11,544**	**11,229**
of which: VHV	km	**202**	202	206	196	196
HV	km	**3,829**	3,780	3,701	3,670	3,476
LV	km	**7,750**	7,693	7,645	7,678	7,557
Number of employees - full time average	Persons	**504**	514	515	555	583

Number of consumption points

- Large customers (1,947*)
- Retail-small businesses (136,275*)
- Retail-households (611,291*)

*year 2010



PRE Group's Strategic Vision

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

We are the energy of this city

Corporate Strategy
PRE Group

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





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Changes which have occurred since the end of the accounting period (31.12.2010) to the deadline of the issue of this Annual Report (14.4.2011) are highlighted in ***bold italics.***





Basic Company Data

Commercial name:	**PREdistribuce, a.s.**
Registered office:	**150 00 Prague 5, Svornosti 3199/19a**
Identification No.:	**27376516**
Tax ID:	**CZ27376516**
Legal form:	**joint stock company**
Registered in:	**Commercial Register at the Municipal Court in Prague, Section B, File 10158**
Account:	**ČSOB Prague-město, Account No.: 17494043/0300**

The incorporation of the independent Company PREdistribuce, a.s. is associated with the changes brought on by the new energy legislation and obligation of transformation in accordance with European norms.

Under Act No. 670/2004 Coll., which amended Act No. 458/2000 Coll., on Business Conditions and Public Administration in the Energy Sectors and on the Amendment to other Acts (the Energy Act), as amended, the Directive of the European Parliament and Council Number 2003/54/ES on common rules for the national electricity market was incorporated into the Czech rule of law. These regulations imposed on so-called vertically integrated entrepreneurs, i.e. concurrent electricity distribution and trading licence holders, which included Pražská energetika, a.s. the duty to legally separate those licensed activities so the electricity distribution licence holder is a legally independent Company.

Pražská energetika, a.s. ID No.: 60193913, with its registered office in Prague 10, Na Hroudě 1492/4, PCN 100 05 carried out this change by a contract on the investment contribution of part of the enterprise dated 28 December 2005 and invested part of the enterprise (the Distribution Division) in the subsidiary PREdistribuce, a.s. ID No.: 27376516, with registered office in Prague 5, Svornosti 3199/19a, PCN 150 00.

PREdistribuce, a.s. thereby came into effect as of 1 January 2006 in all the rights and obligations of the Pražská energetika, a.s. for securing and operating the distribution system on the licensed territory of the Capital City of Prague, Roztoky u Prahy and the municipality of Žalov. This legal succession particularly arises from the provision of Section 476 (1) and Section 477 (1) of the Commercial Code.

By this contract PREdistribuce, a.s. became the owner of the technical equipment and part of the immovable assets used to secure electricity distribution on the territory of the Capital City of Prague and the cadastral territory of Roztoky u Prahy and Žalov.

As of 1 January 2006 under the granted electricity distribution licence No. 120504769 PREdistribuce, a.s. became the operator of the distribution system on the territory of the Capital City of Prague, Roztoky u Prahy and Žalov.

In 2010 the Company achieved the highest gross profit from the sales of distribution services in its history

4,765 MCZK.



Zdeněk Macháček
Milan Ilchman

SHIFT IV – OPERATIONAL ELECTRICIANS



"We usually go out to remove failures in the network in pairs. Whole crews go out to deal with more extensive failures even before the first customer calls us to report a failure."

The failure service removes any outages and interruptions in the supply of electricity in VHV, HV and LV networks, and provides a service to customers, controls the quality of work performed and provides assistance to substation operators.

PRE Group

The history of the Group companies dates to back to 1897 when the Electricity Works of the Royal Capital City of Prague was established. Its line of business was, beyond electricity supply, also streets lightning and trams operation.

The Group members, besides its parent company, are the following subjects, 100% owned subsidiaries:

- **PREdistribuce, a.s. (PREdi)** – electricity distribution on the territory of Prague and Roztoky u Prahy, planning the renovation and development of the distribution system, construction, operation, management and maintenance of distribution system equipment.
  ID No.: 27376516; Prague 5, Svornosti 3199/19a, tel.: 267 051 111, fax: 267 310 817, Internet: www.pre.cz, e-mail: pre@pre.cz and distribuce@pre.cz
- **PREměření, a.s. (PREm**) – repairs and installation of electricity meters on the PRE supplied territory, generation of electrical energy – FVE.
  ID No.: 25677063; Prague 10, Na Hroudě 2149/19, tel.: 267 052 254, fax: 267 052 263, Internet: www.pre.cz, e-mail: mereni@pre.cz
- **PREleas, a.s.** – leasing operations for the PRE Group members.
  ID No.: 25054040; Prague 10, Limuzská 2110/8, tel.: 272 702 305, fax: 272 702 305

Total assets in the assessed period reached the historical highest level

27,148 MCZK.



Jiří Janda

METERING AND READINGS A, B



"I am responsible for **electricity metering and taking readings from key PREdi customers with the subsequent delivery of processed data** for billing. I am also in charge of electricity metering at delivery points between PREdi and ČEZ Distribution, or ČEPS."

The department methodically manages the concept of metering. It determines the method of metering electricity and subsequent installation, dismantling and servicing of metering sets, including the parameterisation of metering sets. It ensures and performs the readings of data taken from metering sets.

Foreword of the Chairman of the Board of Directors

Dear readers,

by way of introduction, allow me to wish you, on behalf of PREdistribuce, a.s. lots of health and success in 2011. After the economic crisis that affected the economy throughout the EU, this year will most likely prove to be a year of economic growth. I am pleased to say that 2010, in terms of operational reliability and the amount of electricity distributed, has so far been the most successful year for the Company and for its legal predecessors. The operating results of the entire distribution system confirm the trend in the fall of the distribution failure rate in Prague as far as this concerns the number of cases of serious faults and the quality of supply. This positive trend was achieved by the long-term enforcement, rational planning of development and renovation from one centre, renovation according to approved corporate norms and implementation of modern technologies and elements used in the EU with high demands on reliability and safety.

2010 was a year of turbulent growth of requirements for connecting photovoltaic power plants to the network of distribution companies in the Czech Republic. As a consequence of this, the České sdružení regulovaných elektroenergetických společností (ČSRES) (Czech Association of Regulated Electricity Companies) adopted joint measures which, in view of the connected networks, also affected the PREdistribuce, a.s. network. The members of this association are all the large distribution companies in the Czech Republic and ČEPS, a.s., the Company engaged in supplying electricity along transmission grids. It has been shown not just in some EU countries (Germany), but also in the Czech Republic, to what extent currently the society is affected by energy industry and what impact the uncontrolled connection of sources may have on the stability of the network and the price of distribution services for end customers. Only 15 MW of photovoltaic sources were connected on the PREdistribuce, a.s. licensed territory last year which is only about 1% of the total connected amount of new sources. In spite of this, our Company is exposed to the risk of instability due to the connection of the PREdistribuce, a.s. network to that of ČEZ Distribuce, a.s. and ČEPS, a.s. The actual impact of this unpredictable generated electricity from photovoltaic sources on the operability of the network will not become apparent until the summer season when sunlight is at its most intense and electricity consumption falls to a minimum. Despite this, I trust that I and my colleagues, especially at ČEPS, a.s. have adopted such measures so the supply along the transmission grids from the large power plants to the delivery points in Prague remains almost undisturbed.

PREdistribuce, a.s. was established in 2006 as a 100 % subsidiary of the sole shareholder, Pražská energetika, a.s. in 2010 reached the fifth year of its existence. The Company's main mission is to provide a high-quality and constant supply from four delivery points to approx. 750,000 consumption points for end customers through the maintained distribution system for the territory of the Capital City of Prague and the town of Roztoky u Prahy. Our Company has had an electricity distributor licence issued for this territory since 1 January 2006 which will expire on 16 January 2027. Electricity distribution as a regulated activity is subject to regulation by the Energy Regulatory Office of the Czech Republic ČR - ERO. In terms of safety, all networks and operational equipment of PREdistribuce, a.s. is part of the critical infrastructure of Prague and the entire Czech Republic.

Record figures were also achieved for the distribution of electricity

6,450 GWh.



The distribution equipment of the Company consists of a system of 110 kV, 22 kV and 0.4 kV overhead and cable lines, twenty-four 110/22 kV distribution stations with transformation and 4,778 22/0.4 kV network transformer stations which were maintained in 2010 by a total of 504 employees.

Among the main tasks of the employees is the planning of development and renovation of the distribution equipment, connection of new customers after the previous construction of investment energy structures and connections, metering of transmitted electricity at VHV and HV level and data transfer for settlement of distribution services and supplies to the system of the Market Operator. The Company also manages the network assets, manages operations, services and handles fault conditions including planned repairs and maintenance of the network according to the regulations of preventive maintenance. I believe that all these activities were performed by the Company's employees promptly and of a high professional standard. Besides these main activities, PREdistribuce, a.s. maintained controlled supervision of its affiliated company, PREměření, a.s. into which all activities connected with the metering of electricity at 0.4 kV level were concentrated in 2008.

According to the comparative statistics of the ERÚ, PREdistribuce, a.s. was in 2010 the most reliable electricity distributor to end customers. On average customers in Prague and Roztoky were affected only for tens of minutes by power failures in 2010. I can promise that we will take further technical measures to maintain this condition or even improve it.

I would like to present several basic data indicating the output and quantity of transmitted electricity on licensed territory. The total network load reached a historic maximum of 1,209 MW on 1 December 2010; a total of 6,450.5 GWh was distributed in 2010 through networks on the territory of the Capital City of Prague and the town of Roztoky u Prahy

which covered the requirements of existing and new customers at all voltage levels. The volume of distributed electricity was (compared with the value in 2009) by 111 GWh higher which indicates the strong position of the Capital City of Prague compared with the rest of the regions in the Czech Republic where the load stagnated and even fell due to the economic crisis. The quality standards of electricity supplies and related services to the absolute majority of end customers connected to the Company's distribution networks were met during the course of the year in accordance with the ERÚ Decree No. 540/2005 Coll. Customers were being connected throughout the period in accordance with valid legislation.

There were no system breakdowns or extensive failures in electricity supplies in 2010. Only one failure was detected in the 110 kV network on 15 December 2010 with a power outage time of 7 minutes due to the faulty operation of the protection for the transformer of the Jih transformer station. In the 22 kV feeding network the average power outage time including foreign interventions was 33 minutes. No significant failures were registered in the 22 kV and 1 kV distribution networks which could cause power outage on larger territory and thereby customer dissatisfaction. Supply renewal standards set by an ERO decree were maintained in almost 99% of all breakdowns at 22 kV and 1 kV levels. The operational results of the entire distribution system confirm the trend in the fall of the breakdown rate of distribution in Prague as far as serious breakdowns and quality of supply is concerned.

A reliable (continuous) supply of electricity is fundamental for the function and running of a city. Short-term more extensive power failures paralyse the city which may result in transport collapse, a threat to the lives of people stuck in lifts and a restriction of the activities of most state administrative authorities and companies.
One of the main strategic structures of simple renovation carried out in 2010 was the almost complete renovation of double-circuit overhead 110 kV lines in the south-west outskirts of the Capital City between the system's two delivery points - Chodov substation (from the branching-off point at TR Lhotka) and the Řeporyje substation of almost 6 km in length. Two 40 MVA transformers in 110/22 kV substations in Měcholupy and Malešice were renovated. The construction began of further two important structures which will increase the operational reliability of the City centre, the replacement of 110 kV metal-enclosed switchgear in the Holešovice substation and the laying of a new 110 kV cable from the Karlov substation to the Pankrác substation which is now operated on the radial network basis.

There was also extensive renewal of the 22/0.1 kV cable network and distribution equipment technology in the 22 kV feeding network (in eleven buildings including property settlement). Total investments made in distribution equipment, i.e. simple renewal and development of networks including controlling, telemechanization and metering systems came to 1,652.8 MCZK in 2010.

In 2010 the Company's management went according to plan. Compared with 2009, when the economic crisis culminated, the Company's profit increased by MCZK 225 which was due especially to the greater quantities of distributed electricity and optimisation of all costs. The planned volume of transmitted energy was exceeded by more than 100 GWh compared with the previous year. The higher volume of distributed energy especially in the Capital City was caused by the revival of the developer market. The Company achieved a profit after tax under Czech accounting standards of MCZK 910.

I believe that in 2010 PREdistribuce, a.s. employees duly fulfilled all the tasks of the distributor in the Capital City and I would like to thank them. Our Company wants to be unobtrusive, conservative, but at the same time an essential part of the life of Prague. PREdistribuce, a.s. remained the mainstay of the PRE Group in 2010 and contributed to the satisfaction of Prague residents and running of the city. I therefore trust that we have fulfilled the visions of our shareholders. Our objective for the next period is to maintain this trend and continue to be one of those companies aware of their responsibility to the environment and endeavour to constantly improve the conditions for its protection. The development of the Company's network must be supported by the prompt preparation of the energy infrastructure.



Milan Hampl
Chairman of the Board of the Directors and Director

Company Strategy

The most important point of the Company's strategy is to increase distribution efficiency in operational-technical and investment measures in the network and by the optimal structure of processes within the Company and with regard to external cooperating subjects. It is a matter of course that the Company must respect the legislation of prescribed guaranteed standards of the quality of supplies and related services which is in the competence of the distribution licence holder. In view of the scope of powers of PREdistribuce, a.s. on the territory of the Capital City, the ERÚ tightened standards as of 1 January 2010 in accordance with the character of the territory and its sensitivity to any failures in distribution.

All conditions were observed as defined in the so-called "Compliance Programme" the task of which is to exclude to the maximum possible extent any discriminatory behaviour in processes for which the distribution system operator is responsible to all market participants.

The responsibility of the PRE Group for the situation in supplying electricity to the City of Prague is reflected, among other things, in the care for the distribution system which forms the city's critical infrastructure. Further feeding VHV/HV transformer stations Smíchov and Pankrác were put into operation; they are capable of supplying electricity to new or developing city locations. The work continued on putting into operation connecting cable lines and renovation of overhead 110 kV lines which highly increase the reliability of supplies. The 110 kV feeding network and linked lower voltage networks were consistently complemented to meet the conditions for proper function of the critical infrastructure, priorities of the development of the Capital City and permanent growth of the load. In connection with this condition the operation is planned of a new control system for the distribution system which should replace the old one which is being put out of service and integrate into it local control and data processing systems which have been already created.

A pilot project of the Smart Metering System for metering the electricity consumption by customers was implemented last year. This system enables almost 2,500 customers of the Company to ensure a regular monthly invoicing of electricity supplied, contributes to optimising the coverage of daily load diagram of the segment of retail household and retail small businesses and further to this, it also contributes to reduce electricity losses.

New business opportunities for the Company will, in the near future, be procedures for taking over further distribution systems (local distribution networks) on the licensed territory of PREdistribuce, a.s. which will result in an increase in basic assets within the existing distribution network. The gradual application of the Smart Grid and Smart Metering system will lead to increased quality and frequency of service within the existing distribution network and this will

On 1 December 2010 at 2.00 p.m. the highest network load was reached since 1898

1,209 MW.

comply with the wishes of customers in knowledge of their personal consumption. The possibility will be actively developed of expanding the system of charging points in terms of the development of the infrastructure for e-cars.

The Company will always exert maximum efforts with regard to analysis of the condition of the system, its further renovation and development of the backbone network. Important distribution equipment will be renovated, "bottlenecks" in the network removed. New transformer stations, switching and distribution transformer stations are and will be added to the network after careful consideration of the situation.

Measures are being prepared to increase the reliability of network, especially in the field of planning the assets, network management and making the maintenance more efficient (implementation of the so called Workforce Management according to experience obtained from network operation in Baden-Württemberg).

The principal mission of the Company is to ensure a reliable transmission of electricity from delivery points from the transmission system to the consumption or delivery points of individual customers through the maintained distribution system.

The most important strategic objective is to optimize network assets and ensure their maximum utilization for electricity distribution in order to provide in cooperation with the other PRE Group companies high quality and non-discriminatory services for network customers.











Martin Votava

HV/LV NETWORK



"My task is to ensure reliable electricity distribution to individual customers; I am responsible for the development and installing new connections and for communicating with the market operator."

The department plans the long-term development and renewal of the HV and LV distribution network, sets technical conditions for increasing the input power, provides consultation to planners and investors.

Company Bodies

Board of Directors as at 31.12.2010

Milan Hampl
(46 years) | Chairman | Address: PREdistribuce, a.s., Svornosti 3199/19a, 150 00 Prague 5

Petr Dražil
(44 years) | Vice Chairman | Address: PREdistribuce, a.s., Svornosti 3199/19a, 150 00 Prague 5

Christian Franz-Josef Schorn
(46 years) | Member | Address: EnBW AG, Durlacher Allee 93, D-76131 Karlsruhe, Germany

Martin Langmajer
(46 years) | Member | Address: MHMP, Mariánské náměstí 2, 110 00 Prague 1

Supervisory Board as at 31.12.2010

Petr Hulinský
(43 years) | Chairman | Address: MHMP, Mariánské náměstí 2, 110 00 Prague 1

Hermann Lüschen
(57 years) | Vice Chairman | Address: EnBW AG, Durlacher Allee 93, D-76131 Karlsruhe, Germany

Drahomír Ruta
(64 years) | Member (until 31.12.) | Address: Pražská energetika, a.s., Na Hroudě 1492/4, 100 05 Prague 10

Pavel Elis
(45 years) | Member | Address: Pražská energetika, a.s., Na Hroudě 1492/4, 100 05 Prague 10

Karel Urban
(52 years) | Member | Address: PREdistribuce, a.s., Svornosti 3199/19a, 150 00 Prague 5

Radek Hanuš
(34 years) | Member (from 2.3.) | Address: PREdistribuce, a.s., Svornosti 3199/19a, 150 00 Prague 5

Vladimír Přáda
(42 years) | Member (until 1.3.) | Address: PREdistribuce, a.s., Svornosti 3199/19a, 150 00 Prague 5

Alexander Manfred Sloboda (from 1.1.2011)
(47 years) | Member | Address: Pražská energetika, a.s., Na Hroudě 1492/4, 100 05 Prague 10



M. Hampl M. Langmajer P. Dražil Ch. Schorn

Important Decisions of the Parent Company Pražská energetika, a.s. affecting the Incorporation and Structure of PREdistribuce, a.s.

A. The decision on the formation of the Company was made at a meeting of the Board of Directors of the parent company Pražská energetika, a.s. on 16 August 2005 (RP-82/2005). This decision was made in accordance with the provisions of Section 171 (1) a) and Section 172 of the Commercial Code. The line of business of the newly formed Company was:

- lease of real estate, apartments and non-residential premises without provision of other basic services in accordance with Section 4 of the Trade Licensing Act,
- electricity distribution.

The Company was formed for an unlimited period.
The Company registered capital was MCZK 2 being divided into 2 registered certificated shares, of which each had the nominal value of MCZK 1.

- The founder decided to subscribe and repay himself the entire registered capital which was carried out by monetary investment contribution as follows:
- Pražská energetika, a.s. subscribed 2 shares by a monetary investment contribution which was MCZK 2. The issue price of one share equalled its nominal value and was MCZK 1,
- the investment contributions repaid by the founder were administered by the founder, i.e. Pražská energetika, a.s. until the incorporation of the Company.

B. At its meeting on 7 October 2005 (RP-123/2005) the Board of Directors of the parent company decided to change the line of business of PREdistribuce, a.s. as of 1 January 2006 to:

- electricity distribution,
- installation, repairs, inspections and testing of selected electrical equipment,
- production, installation and repair of electronic equipment,
- inspection and testing of selected pressure equipment,
- repair and installation of meters,
- testing, measurement, analyses and checks,
- revisions and testing of selected lifting equipment,
- engineering work in investment construction,
- installation, maintenance and service of telecommunication equipment,
- graphic and drafting work,
- real estate activity,
- lease and hiring of movables.

The possibility was also approved of the issue of shares as collective papers that will replace individual securities.

C. At a meeting on 28 December 2005 (RP-159/2005) the Board of Directors of the parent company decided to increase the registered capital of PREdistribuce, a.s. with a subscription of shares and repayment of the issue price of the subscribed shares by a non-monetary investment contribution of part of the enterprise. The registered capital was increased by the sum of MCZK 21,547 which is the value of part of the enterprise for the investment contribution based on a valuation made by an expert as at 30 June 2005.

The Board of Directors also approved the draft of Shares Subscription Contract (RP-160/2005) and the draft Contract on the Investment Contribution of part of the Enterprise of Pražská energetika, a.s. "Distribution Division" (RP-161/2005).

Then:

- on 29 December Pražská energetika, a.s. and PREdistribuce, a.s. concluded the Contract on the Investment Contribution of Part of the Enterprise effective as of 1 January 2006,
- lon 29 December 2005 Pražská energetika, a.s. and PREdistribuce, a.s. concluded the Agreement on the Subscription of Shares to the value of the above stated increase.

D. On 1 January 2006 PREdistribuce, a.s. was taken over with the signing of the Handover and Takeover Record between the companies Pražská energetika, a.s. and PREdistribuce, a.s.

The sole shareholder approved the subscription of shares by the non-monetary investment contribution the subject matter of which was part of the enterprise of the "Distribution Division" valued by an expert opinion at MCZK 21,549. The registered capital was increased based on a decision of the General Meeting of Pražská energetika, a.s. held on 28 December 2005.

E. In June 2006 the Board of Directors took note of the approval of the organizational changes by the Board of Directors of PREdistribuce, a.s. applying to the transfer of 50 employees of PREdistribuce, a.s. ensuring the installation of electric meters on LV networks, including the transfer of rights and obligations to PREměření, a.s.

F. At its meeting on 19 June 2006 (RP-90/2006) the Board of Directors of the parent company adopted the decision to reduce the registered capital of PREdistribuce, a.s. (this decision was made in view of the fact that the auditors of the subsidiary confirmed the reported accumulated losses from previous years in the value of CZK 3,841,085,719.68 as at 30 April 2006).

It was decided:

- to reduce the Company's registered capital from the sum of CZK 21,549,000,000 by the sum of CZK 3,841,066,152 to the sum of CZK 17,707,933,848,
- the reason for reducing the Company registered capital was to compensate the Company accumulated losses from previous years at a total of CZK 3,841,085,719.68 reported in the Company accounting documents in the balance sheet, item A.IV.2.,
- that the sum of CZK 3,841,066,152 corresponding to the reduction in the Company's registered capital will be used for compensation of part of the Company's accumulated losses totalling CZK 3,841,085,719.68. The remaining part of the accumulated losses of CZK 19,567.68 will be left on the account of accumulated losses from previous years,
- the registered capital was reduced by the proportional reduction in the nominal value of all the Company's shares so that the nominal value of one hitherto Company ordinary registered certificated share worth MCZK 1 was reduced by CZK 178,248; i.e. after the reduction of registered capital one Company ordinary registered certificated share had the nominal value of CZK 821,752.

G. In September 2006 the Board of Directors decided to issue a collective paper No.1 and certified shares No.1 and No.2 of the issuer PREdistribuce, a.s. replacing 21,549 ordinary registered shares to the nominal value of CZK 821,752 of each share.

H. At its meeting on 6 November 2007 the Board of Directors of the parent company (RP-106/2007) decided on the transfer of activities related to meter reading services to a subsidiary PREměření, a.s. (see the part Company Organization Chart, or Line of Business.

Important Events

2006

1.1.	Milan Hampl was elected a member of the Board of Directors,
27.1.	amendment to the Articles Association – § 20 and 24 was approved,
31.1.	the membership ended in the Supervisory Board of – Vladimír Šalek, Jan Doležálek, Aleš Staněk,
1.2.	Petr Dražil was elected a member of the Board of Directors,
1.2.	Petr Hulinský, Hermann Lüschen, Drahomír Ruta and Pavel Elis were elected members of the Supervisory Board,
1.3.	Karel Urban and Vladimír Přáda were elected members of the Supervisory Board,
4.4.	amendment to the Articles of Association § 11, 14, 21, 25 and 26 was approved,
20.4.	Petr Hulinský was elected Chairman of the Supervisory Board and Hermann Lüschen Vice Chairman,
19.6.	reduction of the registered capital was approved,
June	reconstruction of the R 22 kV Malešice transformer completed,
September	reconstruction of the 110 kV overhead lines TR Chodov TR Jih,
6.10.	Christian Franz-Josef Schorn and Martin Langmajer were elected members of the Board of Directors,
	amendment to the Articles of Association – § 5, 20 and 22 approved,
October	reconstruction of the TR 110/22 kV Východ completed,
	110 kV line termination into the TR Východ completed,
	cable tunnel into TR Západ completed,
	reconstruction of transformation in the TR Západ completed,
2.11.	Milan Hampl was elected Chairman of the Board of Directors; Petr Dražil Vice Chairman,
November	reconstruction of the RS 4000 Klárov completed, replacement of the 22 kV switch breakers, modification of ŘS and reconstruction of HDO transmitter in TR Chodov completed,
December	the first phase of the R 110 kV reconstruction in TR Běchovice completed.

2007

19.4.	the first ordinary General Meeting held which assessed the economic results of the year 2006,
September	completion of the second phase of the 22 kV cable laying from TR Černý Most,
November	completion of the second phase of the R 110 kV reconstruction in TR Běchovice,
December	building of the third section of the R 22 kV in TR Letňany,
	completion of the first section of the R 22 kV reconstruction in TR Běchovice,
	renovation of TR Holešovice facade.





2008

January ¦ construction of KT Kateřinská completed,

March ¦ construction of KT Smíchov south branch completed,

22.4. ¦ the second ordinary General Meeting held which assessed the economic results of the year 2007,

May ¦ construction of TR Letňany completed,

August ¦ construction of KT Vltava completed,

¦ construction of KT Pankrác completed,

September ¦ cable laying Jih Střed KT 102 completed,

¦ construction of overhead lines Malešice-Východ completed,

November ¦ additional equipment of the R 110 kV Lhotka completed,

December ¦ construction of the TR Smíchov completed,

¦ construction of the TR Pankrác completed,

¦ cable laying between Karlov-Smíchov completed,

¦ the first phase of renovation of the 110 kV distributor TR Střed completed.

2009

February ¦ completion of construction and launching of high voltage distribution station 110/22 kV Pankrác,

March ¦ the move of the training centre completed from the Novovysočanská building to TR Malešice,

¦ the Fit for Future project was launched within the Group in cooperation with Facility, s.r.o.,

16.4. ¦ the third ordinary General Meeting held which assessed the economic results of the year 2008,

April ¦ completion of the construction of stage II of 110/22 kV TR Smíchov (fully furnished with additional equipment),

June ¦ activation of anti-flood measures on the territory of the Capital City of Prague, stage I of the flooding activity on the Vltava river,

August ¦ discussion started on the Collective Agreement for the period of 2010–2013,

¦ completion of stage II of the reconstruction of the 110/22 kV Střed substation under full operation of feeding the city centre with electricity without any failure in electricity supply,

¦ completion of the reconstruction of stage I of VV 2 x 110 kV TR Sever – Roztoky,

¦ completion of the replacement of the T 102 + T 103 transformers in TR Jinonice,

September ¦ completion of the reconstruction of the building C in Novovysočanská street to which, in addition to TR Pražačka employees of the Network Operations were relocated,

October ¦ completion of laying the 110 kV cable between TR Malešice and TR Střed,

¦ Milan Hampl and Petr Dražil were re-elected members of the Board of Directors for the next term of office,

December ¦ completion of Zličín-Jih cable tunnel.

2010

January ¦ New Collective Agreement for the period of 2010–2012,
¦ supervisory audit of EMS system pursuant to ČSN ISO 14001 was successfully carried out,

February ¦ Milan Hampl was re-elected Chairman of the Board of Directors and Petr Dražil was elected the Vice Chairman for the next term, Petr Hulinský, Hermann Lüschen, Drahomír Ruta, Pavel Elis and Karel Urban were re-elected members of the Supervisory Board for the next term. Radek Hanuš was elected the new member of the Supervisory Board,
¦ transformer station TR 110/22 kV Smíchov underwent building approval,
¦ cable duct from TR Zličín-Jih underwent building approval,

22.4. ¦ the fourth ordinary General Meeting held which assessed the economic results of the year 2009,

April ¦ renewal of transformer T 103 40 MVA in TR 110/22 kV Malešice,

May ¦ for the second time PREdi obtained award "Safe Enterprise",

June ¦ intention to built cable tunnel for leading the cables out from TR Jih towards North approved,

July ¦ flexi-time working hours were introduced in the whole Group,

August ¦ Martin Langmajer and Christian Franz-Josef Schorn were re-elected members of the Board of Directors for the next term,
¦ repair of fault in V 303 + V 304 TR Chodov – TR Řeporyje – section SO01 completed,

September ¦ selection of SCADA dispatching system was approved,
¦ Petr Hulinský was re-elected Chairman of the Supervisory Board and Hermann Lüschen was elected the Vice Chairman for the next term,
¦ renewal of transformer T 102 40 MVA located in TR 110/22 kV Měcholupy,

October ¦ Drahomír Ruta resigned from the Supervisory Board with the effect ***from 1.1.2011***, Alexander Manfred Sloboda was elected to take over this position,
¦ repair of breakdown in V 303 + V 304 TR Chodov – TR Řeporyje – section SO02 completed,
¦ laying of 110 kV cable between TR Karlov and TR Pankrác commenced,
¦ reconstruction of R 110 kV in TR Holešovice,
¦ replacement of disconnections R 22 kV in TR Jih,

1.12. ¦ historic maximum load of 1,209 MW was achieved at 2 p.m.

The Company's highest priority is to increase efficient distribution in operational and technical measures and optimum structure of processes.



Miloslav Stránský

TELEMECHANICS



"Our department ensures the collection, transmission and processing of updated technological data of the energy network which are essential for the operative decision-making of the dispatcher and automated processes. So my work contributes to ensuring the reliability of the PREdi network."

The department accepts structures and partial telemetry units, accepts and assembles structures, administers, maintains and repairs telemechanised equipment, updates technical documentation and inspects telemechanics equipment.

Brief History and current Situation in the Power Industry – Unbundling

In the Czech Republic the model is implemented of regulated access of third parties to the networks (reg TPA), which in its principle means that eligible customers are entitled to select their own electricity supplier and have authorized access to the electrical energy networks. Since the start of electricity market liberalization all electricity trading was gradually exposed to competition.

In accordance with the Energy Act it was originally necessary to separate the distribution activity from the trading by 1 January 2007 at the latest; however later based on an assessment of the regulator's opinion of the determined amount of permitted distribution revenues, this process was speeded up and the separation took place during the course of 2005 (in the PRE Group as of 1 January 2006, in a manner whereby the parent company invested its distribution assets in the Company).

On 1 January 2006 part of the enterprise of Pražská energetika, a.s. (Distribution Division) was taken over by PREdistribuce, a.s. with the signing of the Handover and Takeover Record between the companies Pražská energetika, a.s. and PREdistribuce, a.s. At the end of 2005 the Company received an electricity distribution licence from the ERÚ and simultaneously based on an application made, the ERÚ cancelled the electricity distribution licence of Pražská energetika, a.s. as of 31 December 2005.

Recapitulation of important events in the power industry in 2010; overview of the relevant legal regulations

In 2010 all electricity customers could, as well as in previous years 2006–2009, select their own supplier of electricity according to their judgement (Act No. 458/2000 Coll.). This year was also the first year of the regulatory period III (1.1.2010 - 31.12.2014). To cater for the needs of the regulatory period III the existing methodology was modified on the basis of methodology analysis, experience with functioning of the regulation methodology in the previous regulation periods and based on the outcomes of consulting process carried out with market participants in 2009. Aim of this methodology is to determine the appropriate level of profits for distribution companies during the five years of the regulation period III, to provide for adequate quality of services provided to the customers at efficiently incurred costs, support future investments, ensure sources for renewal of networks and keep increasing the efficiency that will bring gains also to the customers.

The following acts were promulgated and came into force in 2010:

During the year there were in sequel three acts issued, which amended the Act No.180/2005 Coll., on support for production of electricity from renewable energy sources (RES) and on amendments on certain acts (Acts No. 137, No. 330 and No. 402/2010 Coll.). Within the context of RES it is necessary to mention the Government Decree No. 418/2010 Coll. that defined the limit for the state budget funds for granting subsidies for payment of additional costs related to the support of electricity renewable sources. This Government Decree came into effect as of 22.12.2010.

In 2010 the following decrees were promulgated and came into force:

On 1.1.2010 the ERÚ Decree No. 468/2009 Coll. of 16 December 2009 came into force on the rules of the electricity market, principles of pricing for the activities of the electricity market operator and implementing some further provisions of the Energy Act, as amended, that amends the ERÚ Decree No. 541/2005 Coll. On 20.10.2010 another amendment of this Decree was promulgated as the ERÚ Decree No. 400/2010 Coll., ***with the effect from 1.1.2011***.

ERÚ Decree No. 41/2010 Coll. that amends the ERÚ Decree No. 540/2005 Coll. on the quality of electricity supplies and related services, which is effective from 27.2.2010 and which only for PREdistribuce, a.s. shortened the period for renewal of electricity distribution after the interruption. At the same time the fees for non-compliance with the standards were increased and the period for making claims was extended.

On 1.4.2010 ERÚ Decree No. 81/2010 Coll., which amends the ERÚ Decree No. 51/2006 Coll. on terms and conditions of connection to the electricity system came into force. These changes were especially related to the connection of generation units, submission of connectivity study, payment of advance payments and conclusion of contracts.

Promulgation of ERÚ Decree No. 79/2010 Coll. on dispatch control of electricity system and on data handover for dispatch control and ERÚ Decree No. 80/2010 Coll. on the emergency status in electric power industry and on content requisites of the emergency plan repealed the original ERÚ Decrees No. 219 to No. 222/2001 Coll. The promulgated ERÚ Decrees came into effect from 1.4.2010.

On 15.9.2010 the ERÚ Decree No. 264/2010 Coll., on the method of price regulation in energy industries and on procedure for price regulation that amends the ERÚ Decree No. 140/2009 Coll. came into force. This decree also modified the conditions for regulatory period III. Changes applied to the calculation of prices, losses and correction factors. ***Selected parameters of regulation that are connected with the quality of electricity supplies and related services according to this decree will be valid for the first time from year 2013.***

On 1.11.2010 the ERÚ Decree No. 300/2010 Coll. of 22.10.2010 came into effect and it amended the ERÚ Decree No. 475/2005 Coll. that implements certain provisions of the act on support for use of renewable sources of energy, as amended.

ERÚ Decree No. 349/2010 Coll. on determining the minimum effectiveness of energy use during generation of electricity and heat energy is in force since 8.12.2010.

The following ERÚ Price Decisions were issued and came into force in 2010:

On 1.1.2010 the ERÚ Price Decisions No. 4/2009 and No. 5/2009 that specify support for electricity production from renewable resources, for combined heat and electricity production and secondary energy sources came into effect. ***For the year 2011 the ERÚ Price Decision No. 2/2010 was issued on 8.11.2010 and the Price Decision No. 6/2010 was issued on 29.12.2010 for this area of support and prices.***

On 1.1.2010 the ERÚ Price Decision No. 7/2009 and No. 9/2009 that determined the price of regulated services related to the electricity supplies came into force. ***On 30.10.2010 the ERÚ Price Decision No. 4/2010 for this price area was issued for year 2011.***

On 1.1.2010 the ERÚ Price Decision No. 8/2009 that specified fixed prices of electricity distribution to customers from the low voltage networks came into force. ***On 30.10.2010 the ERÚ Price Decision No. 5/2010 for this price area was issued for year 2011 that determined the prices of regulated services related to the supply of electricity to customers from the low voltage networks.***







Human Resources

The parent company performs the personnel administration and wage calculation (payroll). The module used for managing personnel administration is SAP HR version ECC 6.0.

The targeted professional training as part of improving the employee qualifications continued for the narrow specialization of employees arising from the law (e.g. Decree No. 50/78 Coll.). Special employee training continued aimed at deepening professional knowledge, knowledge of new decrees and laws in the economic, legal and personnel field. Courses were also held on raising the qualification of employees. Selected employees continued in improving their professional knowledge by extramural studies at universities. During the year 10 employees were improving their professional knowledge by extramural studies.

The rules of remuneration are clearly determined within the Company as their basic principles arise from collective bargaining between representatives of the trade union organization and management of all entities within the Group. A wage regulation is, among other things, a part of the Collective Agreement; in turn the relevant Company norms deal with specific application of the remuneration system. Tariff and non-tariff wages are also enforced in the Company. The variable wage component consists of an individual or team performance component or remunerations from the fund of the section manager or director.

It is also one of the Company priorities to provide effective assistance to employees being made redundant; particularly those of a pre-pension age, single parents and the socially less privileged. In order to alleviate the negative consequences of organizational changes the Company runs a system of social and financial compensation measures.

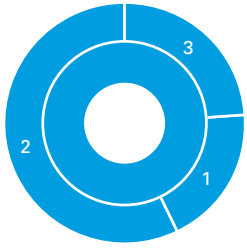
The Company applies a Collective Agreement which is valid for the period of 2010–2012, an amendment to this Collective Agreement was concluded at the end of the year.

Comprehensive works health care, including dental care, is also ensured for employees as was the case in previous years. A health prevention care programme is taking place in the Company meeting the requirements of the National Health Promotion Programme. The following four projects are being carried out for employees beyond this scope oncology programme (aimed at prevention and treatment of breast cancer), preventive check-up of thyroid gland, preventive urology programme, vaccination against tick-borne encephalitis, type A hepatitis and influenza.

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

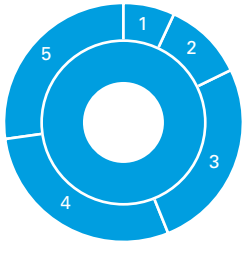
One of the main tasks of the management of PREdistribuce, a.s. for the future in cooperation with the Human Resources Department is to enhance high quality work positions by independent technicians working in development and operation management mostly from the ranks of the Czech Technical University graduates and vocational secondary schools specializing in the power industry. This measure will ensure the smooth transfer of experience and knowledge about distribution networks from employees who will soon reach retirement age.

Qualification structure



1	University	19.14%
2	Vocational with GCSE	57.03%
3	Secondary and apprenticeship	23.83%
4	Elementary	0%

Age structure



1	up to 20 years	0%
2	20–30 years	10.74%
3	30–40 years	25.59%
4	40–50 years	29.30%
5	50–60 years	26.75%
6	over 60 years	7.62%

Emergency Service Line

Number of enquiries answered by the Emergency Service Line

Year	2010	2009	2008	2007
Total	**32,860**	**28,800**	**34,260**	**31,200**
of which breakdowns	**22,160**	18,650	23,300	22,300

Number of e-mails answered by the Emergency Service Line

Year	2010	2009	2008	2007
Total	**1,577**	**1,230**	**679**	**100**

Investments

The parameters and factual contents of the PREdistribuce, a.s. Investment Programme are based in the long-term on the results of analyses respecting the technical condition, transmission capability and achieved reliability of network operation, real physical service life of the individual network components and possibility of their effective maintenance. It also takes into account the respected further trend in customer demand for new connections, or an increase in consumed output at already existing connection points on already built-up area and in the developing city's locations. The predicted future trend is supported by the specific requirements of customers and the present development constantly recorded in the last few years in Prague and the town of Roztoky u Prahy. The increased activity of investors in Prague after the accession of the Czech Republic to the EU continues, but it may mean a greater degree of uncertainty in the estimates of future development. These starting points also show the further need to maintain a virtually constant speed and scope of investment activities for the future. The distribution of funds respects the slight shift in volume in favour of the HV and VHV levels which are very important for reliable operation of the distribution system because their failure would have a greater impact on the network customers.

The construction of the investment plan, in segmentation to individual distribution equipment categories, dealt with the extended reproduction of network systems on the one hand based on the available data and with respect to mutual links, while taking into account the expected customer requirements and corresponding development of the load in the individual locations. On the other hand, the investment plan also dealt with the simple reproduction of distribution equipment ensuring with the planned repairs the operating reliability and required level of distribution services expected by the customers in the Capital City. The level of supply quality and the services associated with this was determined by secondary ERÚ (Energy Regulatory Office) legislation. Non-fulfilment of the guaranteed standards unlike in previous years is penalized as of 1 July 2006, by the obligation of payment for non-observance of the guaranteed standard in accordance with the new Decree of the ERÚ No. 540/2005 Coll.

The Company allocates investment expenses to information technology only in case of dispatch and control technology. Investments to other spheres of information technology are carried out by the parent company.

A significant part of investment funds must, in accordance with the current energy legislation, be earmarked for so-called customer investment fulfilling the distributor's obligation to carry out modifications in the network which will enable the connection of customers' consumption points and satisfy the quantitative (size of input, volume and profile of power transmission) and qualitative (reliability of supply and quality of energy) customers requirements in the territory being supplied for whom the Company holds a distribution licence. New legislation laid down by the Decree of the ERÚ No. 51/2006 Coll. which came into force on 1 March 2006, amended the existing addressed approach of determining the share of customer payments in the justified costs of the distributor for the connection and securing of input and introduced the lump sum payments for individual voltage levels in accordance with specific rates applying to the reserved input unit (ampere per LV level, or MW per HV and VHV level). Thanks to this methodical change and the transitional period that Decree No. 51/2006 Coll. introduced, it was difficult to estimate the possible volume of contributions to this category of investments.

The part of the investment programme dealing with so-called strategic investments deserves special attention as this particularly involves the construction of new 110/22 kV transformer points and their system connection at the 110 kV level. They also involve additional equipment and extension of the capacity of these stations resulting from the development of load profile in areas which they supply including the construction of new connection lines ensuring the optimal feeding of output to lower levels of the network.

The Company was the most reliable electricity distributor to end customers during the year in the Czech Republic according to the ERÚ statistics.

Overview of investment funds allocations in 2006–2010 (MCZK)

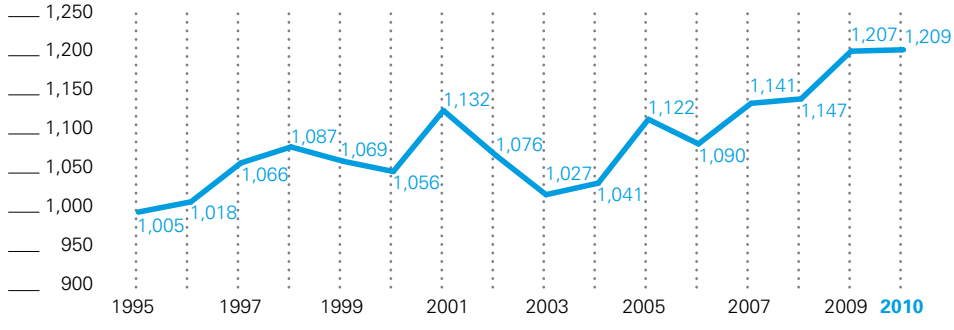
		Distribution equipment			
	Total Investments	VHV	HV	LV	Electric meters
2006	1,282.2	398.2	452.4	271.7	159.9
2007	1,428.0	412.2	665.1	221.8	128.8
2008	1,723.6	851.3	438.9	341.5	91.9
2009*	1,632.2	604.5	636.1	299.7	92.0
2010**	**1,652.8**	**464.3**	**833.5**	**268.4**	**86.7**

Note: * Without 2009 interest capitalization (MCZK 21.281).
** Without 2010 interest capitalization (MCZK 27.009).

Highest achieved annual load profile (MW)

Note 1: Load decrease in 2002-2003 was caused by floods and long-term distribution equipment shutdown from 8.8.2002.

Note 2: On 1.12.2010 the historically highest load profile of 1,209 MV was achieved.

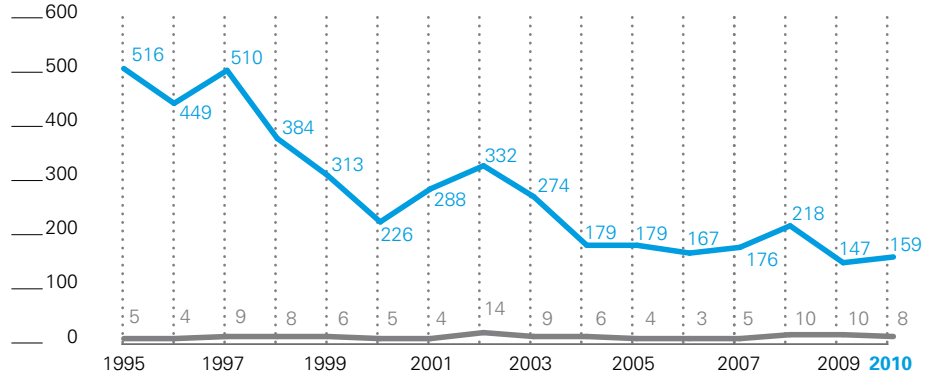


Number of VHV and HV failures

VHV failures

HV failures

Note: Increase of failure rate in 2002-2003 was caused by floods and long-term distribution equipment failure from 8.8.2002. Increase of VHV failure rate in 2008 was caused by short-term failures of worn 110kV transformers which have been already replaced. These failures had a minimum impact on power supply to end customers.



Strategic Investments

In 2010 PREdistribuce, a.s. continued with the trend in extending new backbone networks and the careful renovation of existing VHV and HV networks which are part of the city's critical infrastructure. Maintaining the backbone network and its technical level is the best means of preventing large breakdowns which could result in large territorial supply cuts and could ensue in the collapse of part of the city.

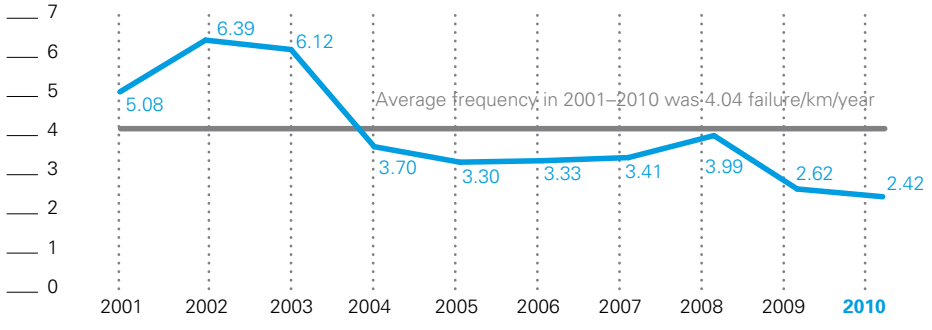
The biggest strategic constructions of 2010 were:

- construction of double overhead lines 110 kV from TR Chodov to TR Řeporyje with the total length of circa 6 km was completed,
- laying of 110 kV cable from TR Karlov to TR Pankrác, operated "in the line end", was commenced,
- reconstruction of the encapsulated 110 kV distributor in TR Holešovice, in the City centre, was commenced,
- replacement of two old 110 kV transformers in TR Malešice and TR Měcholupy,
- reconstruction of equipment in further eleven disconnecting transformer stations 22/0.4 kV.

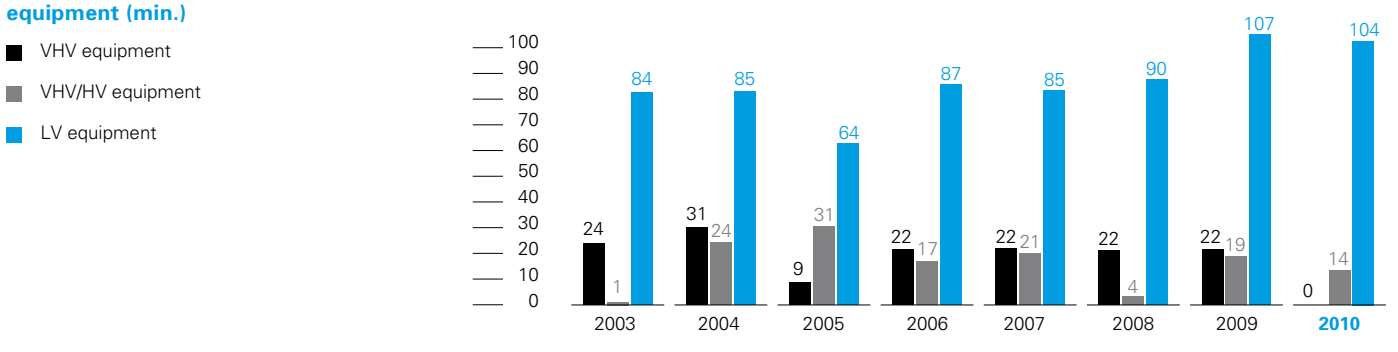
Simultaneously with main constructions in the 110 kV backbone networks or 110/22 kV substations, in 2010 the reconstruction works continued in distribution stations and the HV and LV cable network. As regards the renovation of entry parts of 22/0.4 kV stations there were continued planned renovations of stations on the sites of large hospitals and waterworks that are historically neglected and not the property of PREdistribuce, a.s. and from the technical point of view they are also the weak element of the distribution system. As part of the reconstruction work there was always a property settlement executed as well with the aim to own the entry part of the switching station.

In five years of the existence of PREdistribuce, a.s. many important investment projects were launched and completed which have proved beneficial to the Capital City and are a guarantee for the continuing trend in the high quality and uninterrupted supply of electricity to the Capital City. All projects are coordinated with the planning departments of Prague City Council and respect the zoning plan. PREdistribuce, a.s. will continue to be able to fulfil its functions in the field of development and renovate both morally or physically obsolete equipment of the distribution system in the Capital City.

Frequency of 22 kV cable failures



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



Main strategic constructions planned until 2015 are as follows:

- reconstruction of 110 kV switchgear in TR Holešovice,
- construction of encapsulated 110/22 kV substation Karlín,
- construction of new outdoor 110/22 kV substation in Uhříněves, including interlink through the 110 kV line between TR Chodov and TR Malešice,
- reconstruction of 110 kV substation and controlling system in TR Letňany,
- renovation of controlling system and enhancement of substation TR Chodov with four fields 110 kV,
- full reconstruction of TR Lhotka, including controlling system,
- construction of outdoor 110/22 kV substation 110/22 kV in Písnice within the context of Metro line construction,
- renovation of overhead 110 kV line in the North of Prague, leading from TR Sever up to TR Východ.

Additionally in the area of completed automated operation of VHV/HV transformer stations and 22 kV switching stations, the attention will be focused on the continuity of supply with the possibility to use automatic substitutes made possible by the state-of-the-art control and telematric (telemechanisation) systems of the distribution system stations, especially at important large customers.

During the year there were no system failures or extensive electricity breakdowns.

Overview of the development of selected network indicators

Indicator	Unit	**2010**	2009	2008	2007	2006
Achieved network load maximum	MW	**1,209**	1,207	1,147	1,141	1,090
Length of VHV network	km	**202**	202	206	196	196
Number of VHV/HV stations	Unit	**22/24**	21/24	21/24	20/23	20/23
Length of HV lines	km	**3,829**	3,780	3,701	3,670	3,476
Total number of HV stations	Unit	**4,778**	4,796	4,783	4,750	4,693
Number of HV/LV distribution stations	Unit	**3,254**	3,277	3,281	3,272	3,258
Length of LV network*	km	**7,750**	7,693	7,645	7,678	7,557

Note: *Leap change of the LV network length between the year 2001 and 2002 resulted from the technical records specification of the applications of the graphic information system of the network.







Financial Report

Despite the fact that 2010 was affected by the economic crisis, the Company created a profit after tax of MCZK 910 (year-on-year profit increase of MCZK 225). Gross profit from the sales of distribution services (trade margin) achieved a value of MCZK 4,765 and showed a slight increase compared with last year (by MCZK 71).

The Company's income from operations reached the value of MCZK 1,203 which means a year-on-year increase of MCZK 263; the produced added value compared with last year increased to the value of MCZK 2,691 (increase of MCZK 283). The Company's financial income showed a loss of MCZK 70 (due to the convergence to an annual billing period and therefore the need to secure the operating part of the cash flow through loans).

The most important cost items in the evaluated year were the costs of transmission and distribution services of MCZK 2,979 (a year-on-year increase of MCZK 818), purchased services (within and outside the Group) of MCZK 1,405 (a year-on-year increase of MCZK 75), depreciation of long-term assets of MCZK 1,242 (a year-on-year increase of MCZK 36), material and energy consumption (within and outside the Group) of MCZK 697 (a year-on-year decrease of 292 MCZK due to the costs of energy to cover technical losses in the distribution system) and personnel costs of MCZK 403 (a year-on-year increase of MCZK 13). Revenues from the sales of distribution services (MCZK 7,745) form 97% and other operating revenues (MCZK 196) form 2.5% of total revenues. Their total value compared with 2009 increased by MCZK 898.

The Company's total assets value reached MCZK 27,148. A substantial part consisted of long-term assets of MCZK 24,543 (90%) and current assets of MCZK 2,598 - here there was an increase in estimated accrued revenues due to an increase in the state of unbilled distribution services for lost customers (increase of MCZK 92) and in trade receivables with the parent company (increase of MCZK 110). Accruals came to the value of MCZK 6.

Besides the economic result, there was only an increase in the reserve fund to MCZK 315 within the Company's equity of MCZK 18,933. Liabilities of MCZK 6,326 consisted especially of deferred taxes payable of MCZK 2,953, bank loans and assistance of MCZK 2,600, short-term payables (MCZK 609) and reserves of MCZK 179. Accruals of MCZK 1,889 represented the value of deferred revenues due to shares of applicants for connection. 70% of the Company's financing was secured from its own sources, 23% from foreign sources and 7% from other liabilities.

The main sources of the Company's monetary means in terms of cash flow came from the accounting profit before tax in the amount of MCZK 1,133, depreciation of MCZK 1,242 and income from contributions made by applicants for connection of MCZK 143. These resources were used for expenses related to investment activities (MCZK 1,657), for payment of dividends (MCZK 650) and to pay income tax (MCZK 93). Loan agreements were concluded with the parent company in connection with the earlier change in the readings system for the purpose of financing operating capital.

	Unit	2010	2009	2008	2007	2006	Calculation formula
Level of liquidity							
Total revenues	MCZK	**7,984.0**	7,086.2	6,897.1	6,513.6	6,128.5	Total revenues
Sales margin from the distribution sales	MCZK	**4,765.4**	4,694.8	4,698.7	4,621.1	4,186.8	Sales margin from distribution
Profit after tax	MCZK	**910.2**	684.6	879.6	1,724.3	747.9	Profit after tax
Profit after tax without VOD*	MCZK	**905.3**	675.1	852.1	913.2	725.5	Profit after tax – deferred tax
Level of profitability of revenues							
Sales margin from the distribution sales per CZK 1of revenues	%	**61.5**	68.5	70.5	73.5	70.9	Sales margin from electricity sales / sales of electricity x 100
Added value per CZK 1 of revenue	%	**33.7**	34.0	36.7	41.5	41.1	Added value / total revenues x 100
Profit before tax per CZK 1 of revenue	%	**14.2**	12.0	15.7	19.9	17.2	Profit/loss from regular activity before tax / total revenues x 100
Profit without VOD* after tax per CZK 1 of revenue	%	**11.3**	9.5	12.4	14.0	11.8	Profit after tax / total revenues x 100
Level of liquidity							
Regular liquidity	%	**123.2**	594.4	234.1	376.4	313.6	Short-term assets / short term payables x 100
Turnover of short-term receivables	Number of turnovers	**3.1**	2.8	2.7	4.0	4.1	Total revenues / status of short-term receivables at the end of the year
Turnover of short-term payables	Number of turnovers	**13.1**	16.9	6.3	15.0	12.8	Total revenues / status of short-term payables at the end of the year
Equity interest in total invested capital	%	**69.74**	70.14	71.63	78.76	75.35	Equity / total invested capital x 100
Equity interest to foreign capital	%	**230.5**	234.8	253.0	370.8	305.6	Equity / foreign capital x 100
Level of return							
Sales margin from distribution per CZK 1 long term + long-term payables) x 100	%	**19.9**	19.9	19.8	18.9	17.4	Sales margin from distribution / (Equity +long-term payables)
Return on sales – ROS without VOD*	%	**11.3**	9.5	12.4	14.0	11.8	Profit after tax / total revenues x 100
Return on total assets – ROA without VOD*	%	**3.3**	2.5	3.2	3.7	3.0	Profit after tax / total assets x 100
Return on equity – ROE without VOD*	%	**4.8**	3.6	4.5	4.9	3.9	Profit after tax / equity x 100
Return on total invested capital	%	**4.4**	3.5	4.3	5.2	4.0	(Profit before tax + expense interest) / total invested capital x 100
Turnover of total invested capital	Number of turnovers	**0.3**	0.3	0.3	0.3	0.3	Total revenues / total invested capital
Added value labour productivity	TCZK/employee	**5,339.6**	4,684.7	4,917.5	4,869.2	4,199.1	Added value / average adjusted number of employees
Total revenues labour revenues	TCZK/employee	**15,841.2**	13,786.4	13,392.4	11,736.2	10,219.9	Total revenues / average adjusted number of employees
Average adjusted number of employees	Persons	**504**	514	515	555	583	Number of employees

Note: *Without the impact of deferred tax.

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

The companies of the PRE Group rank among those modern organizations which prioritise their care and responsibility for environmental protection and attempt to constantly improve the conditions for its protection.

In the framework of environment protection policy, considerable funds are invested to modernisation of distribution system equipment. Older oil transformers are constantly being replaced by hermetically sealed transformers or ones without oil tanks, so-called dry transformers. This reduces the risk of possible contamination of surface and groundwater.

A functional system has been created at the Group workplaces of sorting and collecting dangerous and other waste and re-collection of products. Employees are continuously trained in the entire sphere of environmental protection; selected employees are also trained in how to manage dangerous chemical substances and preparations. An instruction presentation is available for training on the Intranet.

The ISO 14 001 – EMS system has been introduced in PRE and PREdistribuce, a.s. In 2010 a surveillance audit was carried out in both companies.

Environmental Care Policy

The following obligations concerning environmental protection were defined within PRE and PREdistribuce, a.s.

- observe legal regulations in all spheres of environmental protection; devote maximum attention to new regulations and apply them in both companies,
- observe the sorting of communal waste including dangerous components, sorting all other kinds of waste and packaging, and sorting selected types of waste which can be delivered for recollection free of charge,
- consistently observe the system of handling dangerous substances and dangerous waste; deliver waste to authorized companies for disposal,
- conduct systematic training of employees who handle dangerous chemical substances and preparations with regard to health and environmental protection,
- by a system of providing information and education, increase the employees' awareness of the need for environmental protection and efforts of its constant improvement.

Safety and Protection of Health at Work Policy

PREdistribuce, a.s. as an independent entity obtained award "Safe Enterprise" for the second time in 2010. The introduced system of occupational safety and health protection management system, responsibility of the employees to observe regulations and be responsible for their health resulted in a considerable fall in the rate of work injuries as early as 2005. The number of injuries increased in 2008 as three were registered. Only one work injury was reported in 2009 and in 2010 no injury was reported.

Policy of Safety and Protection of Health at Work favours above all:

- safety and protection of health at work as an integral part of the Company's activity management,
- common objective of the Group's management members and all employees – to avoid risk situations and threats by consistent observance of occupational safety principles,
- system of corporate norms applying to health protection, preventive checks, OOPP and risk analysis of individual work activities ensures that legislation is upheld and the obligations of the employer and employees observed.



Markéta Sochůrková

PREPARING OPERATIONS



"I prepare and safeguard the operation of the low voltage network on the outlined territory of PREdi in order to optimise its integration and reliability."

The department coordinates the plans of switching off the VHV, HV and LV equipment for review and reconstruction, assesses the technical parts of contracts, optimises the network configuration and its operation in terms of reliability and administers the application of the highest upgraded role of the dispatching centre.

Risk Management System in the Company, in the PRE Group respectively

The risk management system within the PRE Group is an organized process based on a two-level arrangement. A unified methodical mechanism ensuing from common normative framework is bounding for each company of the Group. Every company nominates its own Risk Management Committee which discusses in detail monitored risks within individual companies. Consequently, a consolidation of risks is carried out within the Group and the Group Risk Management Committee based on Overall Consolidated Report on Risk Management sets the strategy of the risk management within the overall risk exposure of the Group.

Principle roles and responsibilities of key players of the risk management system have been explicitly assigned and defined, namely of the Risk Management Committee, the PRE Group Risk Manager, risk managers of individual companies and other persons involved in it. The risk management organizational structure is relatively independent of the line management structure.

Identification processes, analyses, measuring, monitoring and reporting of individual risks specifically form the basic pillars of the risk management system. The basis of reporting is formed by regular, uniformly structured reporting which involves assessment of individual monitored risks and the most important measures serving to reduce the risk exposure. Systematic risk monitoring is performed in the market, financial, credit, legislative-regulatory categories, operating risk and other risk categories.

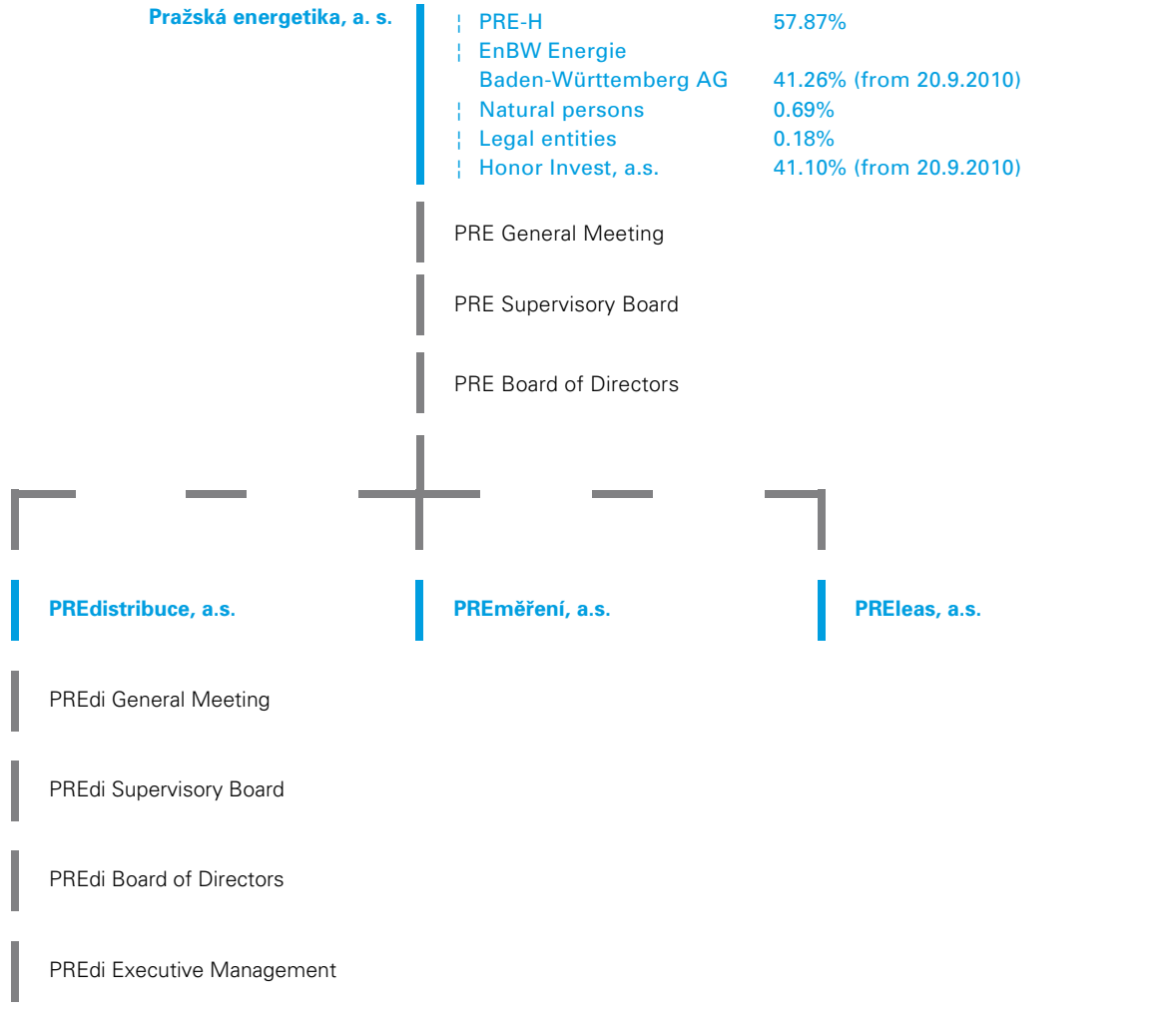
All monitored risks are projected with regard to their expected level of impact and relative frequency. Other specific measurement indicators have been introduced for financial and market risks such as VaR, CFaR, maximum loss and the like. Binding limits are set for selected indicators.

One of the most significant tasks of the risk management system is to also ensure the function of timely warnings and assessment of remedy measures efficiency. The risk management system focuses above all on the main monitored risks the impact of which, according to the assessment, represents potentially the greatest threat. An effort to identify all actual risks which are listed in the catalogue of risks is proceeded continuously. The Risk Management closely cooperates with the functions of the PRE Group internal audit and thus helps to identify key interest areas.

Further development of the risk management system arises from the need of tighter cooperation in the framework of the EnBW shareholders group and utilization of shared know-how in this field.

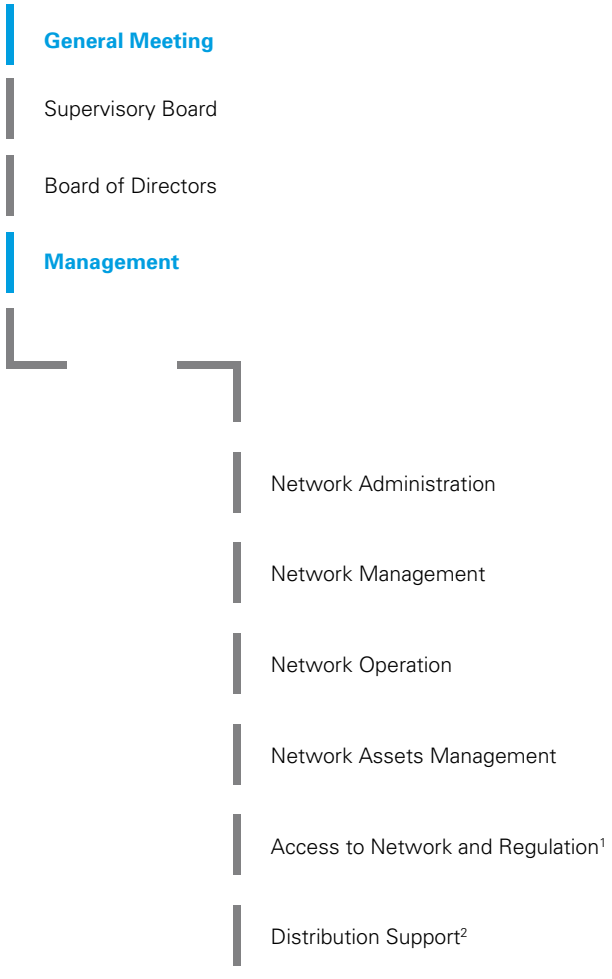
The operational results of the Company's distribution system for 2010 showed a long-term trend in reducing the distribution failure rate in the Capital City.

The PRE Group and Company Management



Company Organization Chart

As at 31.12.2010



[1] Access to Network and Regulation Section (from 1.2.2011 Access to Network and Economy)
[2] Distribution Support Section (from 1.2.2011 cancelled)

Report on General Meetings held during the Year

During 2010 four General Meetings were held (always in the form of a decision made by the parent company as the sole shareholder).

A. General Meeting held on 4 February

The subject of the meeting was the election of Supervisory Board members.

B. General Meeting held on 22 April

The subject of the meeting was the approval of the Board of Directors Report on Company management for 2009 and the state of its assets, the Report on the relations between the related persons, the Regular financial statements for 2009, distribution of profit, remuneration of members of the Company bodies and allocations to funds and the Annual Report for 2009. The General Meeting also took note of the Report of the Board of Directors on the entrepreneurial activity of the Company in 2009 and the state of its assets.

C. General Meeting held on 31 August

The subject of the meeting was the election of the Board of Directors members.

D. General Meeting held on 15 October

The subject of the meeting was the resignation and election of the Supervisory Board members.





In May the Company defended the title “Safe Enterprise“.

The Company Line of Business

The line of business is as follows:

- electricity distribution,
- assembly, repairs, revision and testing of electrical equipment,
- production, installation, repair of electrical machinery and instruments, electronic and telecommunications equipment,
- production, trade and services not stated in Annexes 1 to 3 of the Trade Licensing Act in the fields:
  - repairs and maintenance of household needs, objects of a cultural nature, fine mechanical products, optical instruments and meters,
  - advisory and consulting activity, processing of expert studies and opinions,
  - leasing and renting of movables,
  - preparation and drafting of technical designs, graphic and draftsman work,
  - real estate activity, property administration and maintenance,
  - testing, metering, analyses and controls.











Information Required in accordance with Legislation in Force

Registered office of the organisational unit contributing at least 10% to the Company's turnover

– registered office of the organizational unit contributing at least 10% to the Company total turnover, production or services that the Company provides The Company has no organizational unit which would meet the prescribed criteria. The parent company has an organizational unit in Slovakia but its share in total parent company turnover is less than 10%.

Research and Development Policy

– the Company will state information on research or development policy of new products or procedures in the current accounting period should these be significant
In view of the line of business, the Company does not conduct development policy or any new product research.

Information on the interruption of business

– information on the interruption of business which may have or had a significant effect on the financial situation in the current period The Company did not interrupt its business in 2010.

Significant change of the Company financial situation

– no significant change in the Company's financial situation occurred since the last financial period

Realization of redemption offer

– the Company did not receive any redemption offer

Assumed economic results of the Company

– information may be found in following chapters of the Annual Report – "Foreword of the Chairman of the Board of Directors", "Company Strategy" and "Investments or Strategic Investments"

Report on Relations between Connected Persons

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

The Controlling Person: Pražská energetika, a.s.
with registered office: Prague 10, Na Hroudě 1492/4, PCN 100 05, ID No.: 60193913, entered in the Commercial Register kept by the Municipal Court in Prague, Section B, File 2405.

The Controlled Person: PREdistribuce, a.s.
with registered office: Prague 5, Svornosti 3199/19a, PCN 150 00, ID No.: 27376516, entered in the Commercial Register kept by the Municipal Court in Prague, Section B, File 10158.

List of other Persons controlled by the same Controlling Person:

The Controlled Person: PREměření, a.s.
with registered office: Prague 10, Na Hroudě 2149/19, PCN 100 05, ID No.: 25677063, entered in the Commercial Register kept at the Municipal Court in Prague, Section B, File 5433.

The Controlled Person: PREleas, a.s.
with registered office: Prague 10, Limuzská 2110/8, PCN 100 00, ID No.: 25054040, entered in the Commercial Register kept at the Municipal Court in Prague, Section B, File 4033.

The above-mentioned defined range of controlling and controlled persons is known to the Board of Directors of the controlled person PREdistribuce, a.s. Other persons were not found.

I. Contractual Relations between the Controlled Person and the Controlling Person

"Contract on Provision of Services" No. P200006/01 – in force as of 1.1.2006 for indefinite period
- Amendment No. 1 – in force as of 28.12.2006
- Amendment No. 2 – in force as of 31.12.2007
- Amendment No. 3 – in force as of 31.12.2008
- Amendment No. 4 – in force as of 1.4.2009
- Amendment No. 5 – in force as of 15.12.2009

"Lease Contract" No. PS20000007/003 – in force as of 1.1.2007 for indefinite period
- Amendment No. 1 – in force as of 1.1.2008
- Amendment No. 2 – in force as of 1.3.2009

"Lease Contract" No. PS20000007/004 – in force as of 1.1.2007 for indefinite period
- Amendment No. 1 – in force as of 1.1.2008
- Amendment No. 2 – in force as of 1.3.2009

Lease Contract" No. P200006/05 – in force as of 1.1.2006 for indefinite period
- Amendment No. 1 – in force as of 1.9.2006
- Amendment No. 2 – in force as of 1.3.2008

"Lease Contract" No. P200006/06 – in force as of 1.1.2006 for indefinite period
- Amendment No. 1 – in force as of 1.9.2006
- Amendment No. 2 – in force as of 1.4.2007
- Amendment No. 3 – in force as of 31.12.2007

"Contract on the Lease of Non-residential Premises" No. P200006/09 – in force as of 1.1.2006 for indefinite period
- Amendment No. 1 – in force as of 1.12.2007
- Amendment No. 2 – in force as of 1.9.2008
- Amendment No. 3 – in force as of 1.4.2010

"Contract on the Lease of Garage Parking Lot" No. P200006/10 – in force as of 1.1.2006 for indefinite period
Amendment No. 1 – in force as of 31.12.2007
Amendment No. 2 – in force as of 1.1.2010
"Contract on the Lease of Non-Residential Premises" No. P200006/11 – in force as of 1.1.2006 for indefinite period
Amendment No. 1 – in force as of 1.11.2007
Amendment No. 2 – in force as of 1.1.2008
Amendment No. 3 – in force as of 1.4.2010
"Contract on the Lease of Garage Parking Lot" No. P200006/13 – in force as of 1.1.2006 for indefinite period
"Contract on Electricity Supplies to cover Losses in the Distribution System for the Distribution System Operator Own Needs" No. P200006/14 – in force as of 1.1.2006 for indefinite period
"General Contract on Electricity Distribution to Consumption Points connected to VHV and HV Levels" No. P200006/15 – in force as of 1.1.2006 for indefinite period
"General Contract on Electricity Distribution to Consumption Points connected to LV Level" No. P200006/16 – in force as of 1.1.2006 for indefinite period
"Contract on Provision Short-term Loans" No. P200006/22 – in force as of 30.11.2005 for indefinite period
Amendment No. 1 – in force as of 25.1.2006
Amendment No. 2 – in force as of 17.6.2008
Amendment No. 3 – in force as of 25.6.2008
Amendment No. 4 – in force as of 13.10.2008
"General Mandate Contract for Construction of Telecommunication Equipment" No. P200006/27 – in force as of 2.5.2006 for indefinite period
"Sub-licence Contract" No. PS20000006/033 – in force as of 21.3.2006 for indefinite period
"Lease Contract" No. NO21106/015 – in force as of 2.1.2006 for indefinite period
Amendment No. 1 – in force as of 31.12.2008
Amendment No. 2 – in force as of 9.12.2009
"Lease Contract – Plastic Billboards" No. NO21106/001 – in force as of 30.12.2005 for indefinite period
Amendment No. 1 – in force as of 1.1.2010
"Administration, Operation and Maintenance of Optical Networks" No. PS23400206/002 – in force as of 1.1.2007 for indefinite period
"Contract for Work" No. PS23310209/012 – in force as of 1.1.2009 for indefinite period
"Lease Contract" No. PG3530/07/2008/22 – in force as of 1.8.2008 for indefinite period
Amendment No. 1 – in force as of 1.1.2009
"Contract on Loan No. 1/2009" No. PS20000009/017 – in force from 6.6.2009 until 30.6.2012
Amendment No. 1 – in force as of 29.6.2009
Amendment No. 2 – in force as of 29.6.2010
"Contract on Loan No. 2/2008" No. PS20000008/018 – in force as of 30.10.2008
Amendment No. 1 – in force as of 27.11.2008
Amendment No. 2 – in force as of 27.11.2009
Amendment No. 3 – in force as of 29.11.2010
"Contract on Loan" No. NO21109/001 – in force from 1.3.2009 until 31.12.2015
"Contract on Loan" No. NO21109/006 – in force as of 1.4.2009 for indefinite period
"Contract on Creation of Easement" No. 33200/3236/07/3065 – in force as of 26.1.2007 for indefinite period
"Contract on Creation of Easement" No. 33200/3502/07/4849 – in force as of 26.1.2007 for indefinite period
"Contract on Creation of Easement" No. 33200/3665/07/4394 – in force as of 29.11.2007 for indefinite period
"Contract on Creation of Easement" No. 33200/3938/08/5562 – in force as of 2.4.2008 for indefinite period
"Contract on Creation of Easement" No. 33200/4067/07/6065 – in force as of 12.11.2007 for indefinite period
"Contract on Creation of Easement" No. 33200/4295/08 – in force as of 5.2.2008 for indefinite period
"Contract on Creation of Easement" No. 33200/4449/08/5877 – in force as of 13.10.2008 for indefinite period
"Contract on Creation of Easement" No. 33200/4457/08 – in force from 2.4.2008 until 2.4.2048
"Contract on Future Purchase Contract" No. 276/6069/08 – in force as of 16.5.2008
"Contract on Creation of Easement" No. 33200/4793/08/5678 – in force as of 19.1.2009 for indefinite period
"Contract on Creation of Easement" No. 33200/5001/08 – in force as of 12.12.2008 for indefinite period
"Contract on Future Contract on Creation of Easement" No. VB/S24/1010230 – in force as of 23.11.2010
"Purchase Contract" No. KV/G33/06971/1009963 – in force as of 27.10.2010
"Contract on Creation of Easement" No. VV/G33/06487/1006936 – in force as of 21.5.2010
"Purchase Contract" No. KV/G33/07000/1010208 – in force as of 10.12.2010

II. Contractual Relations of PREdistribuce, a.s. with other Persons controlled by the same Controlling Person

PREměření, a.s.

"Contract on provision of Services" No. S252007/002, C00270/07 – in force as of 1.1.2007 for indefinite period
Amendment No. 1 – in force as of 1.1.2008
Amendment No. 2 – in force as of 1.1.2009
Amendment No. 3 – in force as of 1.1.2010
"Contract on Delivery of Malfunctioning Metering Equipment" No. S252007/003, C00261/06 – in force as of 30.12.2006 for indefinite period
"Contract on Delivery of used Metering Equipment" No. S252007/004, C00260/06 – in force as of 30.12.2006 for indefinite period
"Contract for Work" No. P20006/19, C00203/06 – in force as of 1.3.2006 for indefinite period
Amendment No. 1 – in force as of 2.1.2008
"Contract on Lease of Land" No. N21110/016 – in force from 1.4.2010 until 31.12.2030
"Agreement on a Future Contract on Creation of Easement" No. VB/S21/0904425, C00386/09 – in force as of 21.9.2009
"Contract on Lease of Land" No. NO21110/004 – in force from 1.9.2010 until 31.12.2030
"Agreement on a Future Contract on Creation of Easement" No. VB/S21/0904423, C00387/09 – in force as of 21.9.2009
Amendment No. 1 – in force as of 9.12.2010
"Contract on Lease of Land" No. N21110/039 – in force from 1.10.2010 until 31.12.2035
"Contract on Lease of a Part of Real Property" No. NO21110/005 – in force from 1.10.2010 to 31.12.2035
Amendment No. 1 – in force as of 9.12.2010
"Contract on Delivery of Metering Equipment" No. C 00405/09, PS21000110/026 – in force from 1.1.2010 to 31.12.2010
"Contract on Settlement of Regulated Payments for Electricity Generated from Renewable Sources" No. 65024896/2010 PS25002110/133, PS25002110/033, PS25002110/208, PS25002110/209, PS25002110/210, PS25002110/213, PS25002110/214 – in force as of 20.12.2010 for indefinite period
"Contract on Electricity Supply from Renewable Sources" (C00420/10) (FVE Jinonice) – in force as of 26.5.2010 for indefinite period
"Contract on Settlement of Regulated Payments for Electricity Generated from Renewable Sources" No. 10126843/2010 (C00421/10) (FVE Jinonice) – in force from 26.5.2010 to 19.12.2010
"Contract on Connection to the Distribution System on LV Level" No. 6149169/2010 (C00422/10) (FVE Jinonice) – in force as of 26.5.2010 for indefinite period
"Contract on Connection to the Distribution System on LV Level" No. 6168552/2010 (C00442/10) (FVE Lhotka) – in force as of 4.8.2010 for indefinite period
"Contract on Settlement of Regulated Payments for Electricity Generated from Renewable Sources" No. 25002110/133 (C00443/10) (FVE Lhotka) – in force from 13.9.2010 to 19.12.2010
"Contract on Electricity Supply from Renewable Sources" (C00445/10) (FVE Lhotka) – in force as of 1.10.2010 for indefinite period
"Contract on Electricity Supply from Renewable Sources" (C00465/10) (FVE Pražačka TO 03) – in force as of 26.5.2010 for indefinite period
"Contract on Electricity Supply from Renewable Sources" (C00466/10) (FVE Pražačka TO 02) – in force as of 28.12.2010 for indefinite period
"Contract on Electricity Supply from Renewable Sources" (C00467/10) (FVE Pražačka TO 04) – in force as of. 28.12.2010 for indefinite period
"Contract on Electricity Supply from Renewable Sources" (C00468/10) (FVE Sever) – in force as of 28.12.2010 for indefinite period
"Contract on Electricity Supply from Renewable Sources" (C00469/10) (FVE Hrouda) – in force as of 28.12.2010 for indefinite period

PREleas, a.s.

Leasing Contracts No. 9900014 to 9900016 – in force as of 1.2.1999
Leasing Contracts No. 0000015 to 0000028 – in force as of 1.2.2000
Leasing Contracts No. 0100001 to 0100010 – in force as of 1.2.2001
Leasing Contracts No. 0100029 to 0100031 – in force as of 1.2.2001
Leasing Contracts No. 0200014 to 0200018 – in force as of 1.2.2002
Leasing Contracts No. 0300001 to 0300014 – in force as of 1.2.2003
Leasing Contracts No. 0400001 to 0400006 – in force as of 1.2.2004
Leasing Contracts No. 0500001 to 0500003 – in force as of 1.2.2005

III. Commentary of the Statutory Body

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

From performance of these contracts PREdistribuce, a.s. has not incurred any loss of assets and no consideration has been provided that would be disadvantageous from the point of view of PREdistribuce, a.s. It is for these reasons that there is no need to conclude any contract between the companies for compensation of loss of assets and no such loss had to be compensated by the end of 2009 to the companies Pražská energetika, a.s., PREměření, a.s. The abovementioned business contracts were concluded under the usual business custom practice with no advantage to one or the other contractual parties.

In Prague, 18 February 2011



Milan Hampl
Chairman of the Board of Directors



Petr Dražil
Vice Chairman of the Board of Directors

Supervisory Board Report

In 2010 the Supervisory Board performed tasks as laid down by the law and the Company's Articles of Association. In accordance with § 197– § 201 of the Act No. 513/1991 Coll. as amended, the Supervisory Board supervised the activities of the Board of Directors, its performance of business activities, fulfilment of the instructions of the Company's General Meeting and assessment of the Company's business plan. In 2010 the Supervisory Board met five times. The year 2010 was the fifth year of the Company ´s real activity.

The Supervisory Board at its meetings above all discussed the investment plans necessary for fulfilling the Company's objectives. This concerned namely the construction of cable tunnel for leading the cables out from TR Jih towards North and investment project for delivery of SCADA control system.

The Supervisory Board discussed and analysed the regular financial statements for the year 2009 and became acquainted with the auditor's report to these regular financial statements.

The Supervisory Board also discussed and analyzed the Report on Relations between the Controlling and Controlled Person and Relations between the Controlled Person and other Persons Controlled by the same Controlling Person in accordance with § 66a, (9) of the Commercial Code.

Thereafter the Supervisory Board also approved:
– explicit tasks of the Company's Director,
– assessment of tasks stipulated by the Company's Director for the year 2009,
– text of the Annual Report for the year 2009.

At its meeting held in 2011, the Supervisory Board discussed and analyzed the regular financial statements for the year 2010 and became acquainted with the auditor's report to the regular financial statements; it approved the text of the Annual Report for the year 2010.

The Supervisory Board states that the Company's economic results in 2010 were very good and expresses its thanks to the members of the Company's Board of Directors and employees.

In Prague, 4 May 2011



Petr Hulinský
Chairman of the Supervisory Board

Independent Auditor's Report

Independent Auditor's Report to the Shareholders PREdistribuce, a.s.

Having its registered office at: Svornosti 3199/19a, Praha 5, 150 00, Czech Republic
Identification number: 27376516

Report on the Financial Statements

Based upon our audit, we issued the following audit report dated 1 March 2011 on the financial statements which are included in this annual report on pages 45 to 60:

"We have audited the accompanying financial statements of PREdistribuce, a.s., which comprise the balance sheet as at 31 December 2010, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with accounting regulations applicable in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of PREdistribuce, a.s. as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic."

Report on the Related Party Transactions Report

We have also reviewed the factual accuracy of the information included in the related party transactions report of PREdistribuce, a.s. for the year ended 31 December 2010 which is included in this annual report on pages 38 to 41. This related party transactions report is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the related party transactions report based on our review.
We conducted our review in accordance with Auditing Standard 56 issued by the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the related party transactions report is free of material factual misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the related party transactions report and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information contained in the related party transactions report of PREdistribuce, a.s. for the year ended 31 December 2010 contains material factual misstatements.

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

Report on the Annual Report

We have also audited the annual report of the Company as of 31 December 2010 for consistency with the financial statements referred to above. This annual report is the responsibility of the Company's Statutory Body. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

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

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

In Prague on 15 April 2011

Audit firm:

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

Statutory auditor:

Václav Loubek
certificate no. 2037

Separate financial statements in full version as at 31 December 2010

Income Statement

(CZK thousand)

Line	Text	Note	2010	2009
I. 1.	Sales of distribution services in the Group		**6,547,957**	5,932,203
I. 2.	Sales of distribution services outside the Group		**1,196,635**	923,517
A.	Costs of distribution and system services		**(2,979,165)**	(2,160,894)
+	**Gross margin**	**(1)**	**4,765,427**	**4,694,826**
II.	Other income	(1)	**27,559**	32,107
II. 1.	Other income		**22,619**	27,664
II. 3.	Own work capitalised		**4,940**	4,443
B.	Purchased consumables and services	(3)	**(2,101,824)**	(2,318,979)
B. 1.	Consumed material and energy		**(696,583)**	(988,954)
B. 2.	Purchased services		**(1,405,241)**	(1,330,025)
+	**Added value**		**2,691,162**	**2,407,954**
C.	Staff costs	(2)	**(403,013)**	(390,487)
C. 1.	Payroll costs		**(253,157)**	(258,408)
C. 2.	Remuneration to members of statutory bodies		**(3,286)**	(3,222)
C. 3.	Social security and health instance costs		**(92,380)**	(91,113)
C. 4.	Social costs		**(54,190)**	(37,744)
D.	Taxes and fees		**(8,342)**	(8,412)
E.	Depreciation of tangible and intangible fixed assets	(7,8)	**(1,241,672)**	(1,205,837)
III.	Sales of fixed assets and material	(4)	**15,896**	6,913
III. 1.	Sales of fixed assets		**15,894**	6,913
III. 3.	Sales of material		**2**	–
F.	Net book value of sold fixed assets	(4)	**(20,404)**	(44,731)
G.	Change in reserves and provisions		**(4,584)**	3,598
IV.	Other operating income	(1)	**195,921**	191,454
H.	Other operating expenses		**(21,747)**	(19,892)
*****	**Operating profit or loss**		**1,203,217**	**940,560**
X.	Interest income	(5)	**1**	–
N.	Interest expenses	(5)	**(70,301)**	(92,946)
XI.	Other financial income		**4**	15
O.	Other financial expenses		**(140)**	(152)
*****	**Financial profit or loss**		**(70,436)**	**(93,083)**
Q.	Income tax on ordinary activities	(6)	**(222,541)**	(162,908)
Q. 1.	- payable		**(227,529)**	(172,418)
Q. 2.	- deferred		**4,988**	9,510
* *	Profit or loss on ordinary activities		**910,240**	**684,569**
*** * ***	**Profit or loss for the current period**		**910,240**	**684,569**

Balance Sheet

(CZK thousand)

				2010		2009
Line	Text	Note	Gross	Adjustment	Net	Net
	TOTAL ASSETS		**45,810,316**	**(18,662,554)**	**27,147,762**	**26,624,432**
A.	Receivables for subscribed capital		--	--	**--**	--
B.	**Fixed assets**		**43,187,499**	**(18,644,404)**	**24,543,095**	**24,125,636**
B. I.	Intangible fixed assets	(8)	24,202	(6,426)	**17,776**	16,352
B. I. 2.	Research and development		11,928	(6,344)	**5,584**	7,686
3.	Software		82	(82)	**--**	--
7.	Intangible fixed assets under construction		12,192	--	**12,192**	8,666
B. II.	Tangible fixed assets	(7)	43,163,197	(18,637,978)	**24,525,219**	24,109,184
B. II. 1.	Land		364,341	--	**364,341**	358,825
2a.	Cable and external wiring		18,195,064	(6,764,136)	**11,430,928**	10,921,854
2b.	Power structures		12,565,050	(5,883,672)	**6,681,378**	6,742,393
3a.	Transformer station and switching station technologies		7,831,902	(3,479,631)	**4,352,271**	4,325,002
3b.	Logistics and management equipment/technology		1,574,476	(1,213,145)	**361,331**	351,882
3c.	Other fixtures and equipment		257,055	(153,574)	**103,481**	108,507
6.	Other tangible fixed assets – electricity meters in the network		1,941,008	(1,143,820)	**797,188**	882,618
7a.	Electricity meters in stock - tangible fixed assets under construction		--	--	**--**	--
7b.	Other tangible fixed assets under construction		402,042	--	**402,042**	413,771
8.	Prepayments for tangible fixed assets		32,259	--	**32,259**	4,332
B. III.	Non-current financial assets		100	--	**100**	100
C.	Current assets		2,616,553	(18,150)	**2,598,403**	2,490,153
C. II.	Long-term receivables		32	--	**32**	32
C. II. 1.	Trade receivables		32	--	**32**	32
C. III	Short-term receivables		2,614,658	(18,150)	**2,596,508**	2,488,359
C. III. 1.	Trade receivables	(10)	95,174	(18,150)	**77,024**	65,089
2.	Receivables – controlling entity	(19)	501,009	--	**501,009**	391,284
6.	State – tax receivables		--	--	**--**	119,001
7.	Short-term prepayments made		20,275	--	**20,275**	1,156
8.	Estimated receivables	(19)	1,997,306	--	**1,997,306**	1,910,764
9.	Other receivables		894	--	**894**	1,065
C. IV.	**Current financial assets**		**1,863**	**--**	**1,863**	**1,762**
C. IV. 1.	Cash on hand		1,863	--	**1,863**	1,762
2.	Cash at bank		--	--	**--**	--
D. I.	Deferred expenses and accrued income		6,264	--	**6,264**	8,643
D. I. 1.	Deferred expenses		6,264	--	**6,264**	8,643

Line	Text	Note	**2010**	2009
	TOTAL LIABILITIES		**27,147,762**	**26,624,432**
A.	**Equity**	**(11)**	**18,933,237**	**18,673,197**
A. I.	Share capital		**17,707,934**	17,707,934
A. I. 1.	Share capital		**17,707,934**	17,707,934
A. III.	Funds from profit		**315,000**	280,500
A. III. 1.	Statutory reserve fund		**315,000**	280,500
A. IV.	Profit or loss for prior periods		**--**	63
A. IV. 1.	Retained earnings		**63**	194
A. V.	Profit or loss for the current period		**910,240**	684,569
B.	**Liabilities**		**6,325,690**	**6,114,983**
B. I.	Reserves	(13)	**178,764**	157,682
4.	Other reserves		**178,764**	157,682
B. II.	Long-term payables		**4,053,400**	5,558,388
B. II. 2.	Payables to related parties	(19)	**1,100,000**	2,600,000
9.	Other payables		**32**	33
10.	Deferred tax liability	(9)	**2,953,368**	2,958,355
B. III.	Short-term payables		**2,093,526**	398,913
B. III. 1.	Trade payables	(14)	**196,576**	101,070
2.	Payables – controlling entity	(19)	**1,792,469**	215,144
5.	Payables to employees		**13,310**	16,987
6.	Social security and health instance payables	(6)	**8,739**	9,694
7.	State – tax payables and subsidies	(6)	**18,379**	31,303
8.	Short-term prepayments received		**64,053**	24,415
10.	Estimated payables		**--**	300
C. I.	Accrued expenses and deferred income		**1,888,835**	1,836,252
C. I. 1.	Accrued expenses		**26,314**	26,604
2.	Deferred income	(15)	**1,862,521**	1,809,648

Cash Flow Statement

(CZK thousand)

	Note	**2010**	2009
Opening balance of cash and cash equivalents		**1,762**	1,967
Operating activity			
Accounting profit from ordinary activity before tax		**1,132,781**	**847,477**
Amortisation and depreciation	(7, 8)	**1,241,672**	1,205,837
Write-off of bad debts and other assets		**756**	1,166
Non-monetary personnel expenses		**18,215**	5,530
Change in provisions, reserves and temporary accounts	(10, 13)	**71,671**	5,686
Release of investment contributions to income	(15)	**(161,261)**	(154,029)
Profit (loss) from the sale and disposal of fixed assets	(4)	**4,825**	37,836
Interest	(5)	**67,701**	90,052
Net cash flow from operating activity before changes in working capital		**2,376,360**	**2,039,555**
Change in trade receivables		**(131,937)**	149,118
Change in trade payables		**2,461**	(38,848)
Net cash flow from operating activity before tax and interest		**2,246,884**	2,149,825
Interest paid	(5)	**(68,194)**	(69,746)
Interest received	(5)	**1**	–
Income tax paid		**(93,203)**	(213,366)
Net cash flow from operating activity		**2,085,488**	1,866,713
Investment activity			
Expenditure related to the acquisition of fixed assets		**(1,656,666)**	(1,651,315)
Income from investment contributions	(15)	**143,459**	220,234
Income from the sale of fixed assets	(4)	**15,894**	6,913
Net cash flow from investment activity		**(1,497,313)**	**(1,424,168)**
Financial activity			
Change in intercompany financial receivables and payables	(19)	**62,126**	418,450
Dividends paid		**(650,200)**	(861,200)
Net cash flow from financial activity		**(588,074)**	**(442,750)**
Change in cash and cash equivalents		**101**	(205)
Closing balance of cash and cash equivalents		**1,863**	**1,762**

Notes to the financial statementes – for the year ended 31.12.2010

General Information

Establishment and Description of the Company

PREdistribuce a.s. ("PREdi" or the "Company") was established as a joint-stock company on 16 August 2005 and was entered in the Register of Companies of the Municipal Court in Prague on 7 September 2005.

The Company's registered office is at Svornosti 3199/19a, Prague 5, 150 00, corporate ID No. 27376516.

The Company's principal activity is the distribution of electricity in the region of the City of Prague and Roztoky u Prahy, covering an area of 505 km2, from which it derives most of its revenues. The distribution of electricity is carried out in the public interest and the associated rights and obligations, with the exception of general legal regulations, are regulated by Energy Act No. 458/2000 Coll., as amended, and the related implementation guidance.

Statutory and Supervisory Bodies as of 31 December 2010

Board of Directors

Milan Hampl	Chairman and CEO	since 2 Nov 2006 (reappointed on 3 Feb 2010)
Petr Dražil	Vice Chairman and Manager of the Network Administration section	since 2 Nov 2006 (reappointed on 3 Feb 2010)
Christian Franz-Josef Schorn	Member, EnBW, Germany	since 6 Oct 2006 (reappointed on 6 Oct 2010)
Martin Langmajer	Member, the Capital City of Prague	since 6 Oct 2006 (reappointed on 6 Oct 2010)

Supervisory Board

Petr Hulinský	Chairman, the Capital City of Prague	since 20 April 2006 (reappointed on 15 Sept 2010)
Hermann Lüschen	Vice Chairman, EnBW, Germany	since 20 April 2006 (reappointed on 15 Sept 2010)
Pavel Elis	Member, Chairman of the Board of Directors and CEO of Pražská energetika, a.s. since 1 Nov 2010	since 1 Feb 2006 (reappointed on 4 Feb 2010)
Karel Urban	Member, PREdi employee	since 1 March 2006 (reappointed on 2 March 2010)
Radek Hanuš	Member, PREdi employee	since 2 March 2010
Drahomír Ruta	Member, Chairman of the Board of Directors and CEO of Pražská energetika, a.s. before 31 Oct 2010	from 1 Feb 2006 to 31 Dec 2010

Pražská energetika, a.s. is the sole shareholder of PREdistribuce, a.s.

Organisational Structure:

The following six sections report directly to the Company's CEO:
– Distribution support;
– Network administration;
– Network management;
– Network operations;
– Network assets management; and
– Network access and regulation.

Accounting Policies

Statement of Compliance

The financial statements were prepared in accordance with the Accounting Act 563/1991 Coll., as amended; the Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended; and Czech Accounting Standards for Businesses, as amended.

Basis of the Preparation of Financial Statements

These financial statements are presented in thousands of Czech crowns ('CZK thousand') or millions of Czech crowns ('CZK million'). The accounting records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis, the accruals principle, the prudence concept and the going concern assumption.

Foreign Currency Translation

During the year, assets and liabilities denominated in a foreign currency are translated using the daily foreign exchange rate announced by the Czech National Bank. During the year, foreign exchange gains and losses are only recognised when realised. At the balance sheet date, foreign currency assets and liabilities are translated at the Czech National Bank's official rates for that date. Unrealised foreign exchange gains and losses are recognised in the income statement.

Tangible and Intangible Fixed Assets

Assets Held by the Company

Purchased tangible and intangible fixed assets are stated at acquisition cost, which includes the purchase price and costs related to the acquisition. Tangible and intangible fixed assets costing more than CZK 40 thousand and CZK 60 thousand, respectively, with a useful life exceeding one year are recognised in the balance sheet. Acquisition cost does not include investment contributions (see below). The Company used the possibility of capitalising interest in line with Section 47 of Regulation 500/2002 Coll., as amended.

Assets acquired through the contribution to the Company are valued based on an expert appraisal.

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

Low Value Tangible and Intangible Assets

Tangible assets costing between CZK 2 thousand and CZK 40 thousand with an individual useful life exceeding one year are classified as low value tangible assets and software equipment costing less than CZK 60 thousand is classified as low value intangible assets. The acquisition costs of these assets are charged to expenses and their physical balances are maintained in off-balance sheet records, the only exception being electricity meters that are recognised and depreciated as tangible fixed assets.

Improvements

Major expenses incurred to replace parts of individual items of fixed assets increase the carrying value of the related assets. Other subsequent costs are capitalised only if they result in the increase in the future economic value of the related asset. All costs related to routine repairs and maintenance are charged to expenses.

Depreciation

Fixed assets are depreciated for accounting purposes using the straight-line method over the following depreciation periods:

Asset category	Depreciation period in years
Buildings and halls	50
Cable tunnels, cables and external wiring	40
Fibre-optics	30
Power structures	25, 30
Working machines and equipment	4, 10, 12 and 20
Telecommunication equipment	15
Machinery and special technology equipment, communication cables	10
Electricity meters	10, 12 and 16
Furniture and fixtures	8
HW, SW	4

Short-Term Receivables

Short-term receivables are stated at their nominal value less provisions.

Investment Contributions
Customers pay part of the cost incurred reasonably by the Company upon being connected to the required power supply. The customers' obligation to pay this charge is stipulated in Act No. 458/2000 Coll. and Regulation 51/2006 Coll., as amended. The payment is accounted for as deferred income over 20 years.

Cash and Cash Equivalents
Cash and cash equivalents include cash, cash in transit, current bank accounts and other current highly liquid financial assets whose value can be easily determined and are easily convertible into cash.

Impairment Losses on Assets
At each balance sheet date, the Company reviews the carrying amounts of its assets (with the exception of deferred tax assets) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, provision is recorded to reflect the impairment of the asset.

Share Capital
Issued Shares
The Company issued registered ordinary shares (refer to the Note "Equity").

Dividends
Dividends are recognised as payable in the period when the distribution of profit was approved.

Cash Pooling
The Company participates in the parent company's cash pooling. The interest arising from cash pooling is recorded as interest income or interest expense as appropriate. The remaining balance of cash pooling is reported as a receivable from or a payable to the parent company.

Reserves
Reserves are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and an outflow of cash is likely.

Short-Term Payables
Short-term payables are stated at their nominal value.

Revenue Recognition
Revenue from provided services is recognised in the income statement when the services are rendered.

Expense Recognition
Operating Leases
Operating lease payments are recognised in the income statement evenly over the lease period. Operating leases mostly comprise leases of administrative buildings, cable-tunnels and non-residential premises where high- and low-voltage transformers are placed.

Finance Leases
Instalments for leased assets are amortised and expensed. If the asset is acquired after the termination of the lease, the asset is carried at acquisition or replacement cost.

Income Tax
Income tax is recognised in the income statement and includes current income tax and the deferred tax.

Current income tax comprises the tax payable arising from the Company's performance in the current year and additional payments (or excessive payments) from prior periods arising from the difference between the estimated and actual tax in prior periods.

Deferred tax is accounted for using the balance sheet liability method. Deferred tax arises from all temporary differences between the accounting and tax carrying amounts of all assets and liabilities using the tax rate that is expected to apply when the assets are realised or the liabilities are settled.

A deferred tax asset is recognised only to the extent that it is probable that it will be utilised in the following accounting periods.

Significant Accounting Estimates
The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates. In the Company's view, determination of the volume of unbilled electricity distribution is the crucial area which is subject to the use of estimates. Additions to it are determined using the balance method, i.e. as a difference between the aggregate electricity inputs and outputs including losses and internal consumption in the relevant period. The aggregate ultimate balance is further reviewed by a cross-check calculation in the client system.

Contents of the Notes to the Financial Statements

1. Revenue Recognition
2. Personnel Expenses
3. Costs of Purchase of Material, Services and Energy
4. Losses from the Sales of Assets and Materials (Net)
5. Interest Expenses and Income
6. Income Tax
7. Tangible Fixed Assets
8. Intangible Fixed Assets
9. Deferred Tax Liability
10. Trade Receivables
11. Equity
12. Earnings per Share
13. Reserves
14. Trade Payables
15. Temporary Liabilities
16. Leased Assets
17. Expenditure on Acquisition of Fixed Assets
18. Related Parties
19. Group Relationships
20. Post Balance Sheet Events

(1) Revenue Recognition (CZK thousand)

Revenues and Expenses Relating to the Supply of Distribution Services	**2010**	2009
Sale of distribution and system services to wholesale customers	**2,802,592**	2,436,006
Sale of distribution and system services to retail customers	**4,913,160**	4,403,296
Other income	**28,840**	16,418
Total income	**7,744,592**	**6,855,720**
Costs of the purchase of distribution and system services	**(2,979,165)**	(2,160,894)
Total costs	**(2,979,165)**	**(2,160,894)**
Gross profit from the sale of distribution services	**4,765,427**	**4,694,826**

Other income	**2010**	2009
Income from services rendered in the Group *)	**8,743**	7,962
Income from services rendered outside the Group	**13,876**	19,702
of which: repair and assembly	**6,542**	11,993
lease of real estate	**4,368**	4,914
Capitalisation of fixed assets	**4,940**	4,443
Total	**27,559**	**32,107**

*) Primarily maintenance of fibre optics for the parent company (CZK 4,282 thousand and CZK 4,514 thousand in the years ended 31 December 2010 and 2009, respectively).

Other operating income	**2010**	2009
Connection fees	**161,261**	154,029
Compensation for unauthorised consumption	**26,205**	25,223
Sundry	**8,455**	12,202
Total	**195,921**	**191,454**

(2) Personnel Expenses (CZK thousand)

	2010	2009
	Staff including management	Staff including management
Average headcount	**504**	514
Payroll costs	**232,189**	234,509
Salaries paid depending on the Company's performance	**20,968**	23,899
Insurance	**92,380**	91,113
Remuneration of the members of the Company's bodies	**3,286**	3,222
Other social costs (according to the collective agreement) *)	**54,190**	37,744
Total	**403,013**	390,487

*) Primarily costs of severance pays and employee benefits defined by the Collective Agreement, specifically catering contributions, bonuses paid to employees in relation to work or life anniversaries, retirement, contributions to additional pension insurance and electricity discounts for employees. The increase in costs has related to the increased claims for the use of employee benefits according to the Collective Agreement since 2010 and increase in the present value of a long-term reserve for these benefits (due to the decline in interest rates).

(3) Costs of Purchase of Material, Services and Energy (CZK thousand)

	2010	2009
Consumed electricity and losses	**642,689**	934,029
Services of the parent company	**637,247**	609,303
Operating lease of vehicles	**21,455**	22,096
Lease of equipment, vehicles and construction machinery	**46,533**	63,792
Lease of non-residential premises	**71,208**	70,978
Assembly work and reading of meters	**191,061**	190,427
Sundry	**10,673**	10,404
Costs of purchase of material, services and energies in the Group	**1,620,866**	**1,901,029**
Material and consumed energies	**48,566**	50,245
Repairs of fixed assets	**244,821**	203,018
Lease of cable tunnels	**89,774**	87,647
Lease of non-residential premises	**37,592**	31,647
Training, conferences	**1,829**	2,840
Sundry	**58,376**	42,553
Costs of purchase of material, services and outside of the Group	**480,958**	**417,950**
Total	**2,101,824**	**2,318,979**

(4) Losses from the Sales of Assets and Materials (Net)(CZK thousand)

	2010	2009
Sales of electricity meters	**17**	190
Sales of other assets and materials	**11,112**	–
Net book value of electricity meters	**--**	(1,993)
Net book value of other assets	**(8,690)**	–
Loss from the sale of assets within the Group	**2,439**	**(1,803)**
Sales of assets	**4,765**	6,723
Sales of material (primarily from metal waste)	**2**	–
Net book value of sold material	**(11,714)**	(42,738)
Loss from the sale of assets outside the Group	**(6,947)**	**(36,015)**
Total	**(4,508)**	**(37,818)**

(5) Interest Expenses and Income (CZK thousand)

Interest income and expenses	**2010**	2009
Interest income arising from cash pooling	**1**	–
Interest expenses from cash pooling	**(5,702)**	(20,527)
Interest expenses from intercompany loans	**(89,005)**	(90,805)
Interest expenses from employee benefits *)	**(2,599)**	(2,895)
Interest expenses – capitalised interest	**27,009**	21,281
Interest expenses – other	**(5)**	–
Total (net)	**(70,301)**	**(92,946)**

*) The increase in the present value of liabilities from defined employee benefits between periods arises from the fact that the pay day will be one period earlier.

(6) Income Taxes (CZK thousand)

Effective tax rate		**2010**		2009
Profit or loss for the period after tax	910,240		684,569	
Income tax from ordinary activity	222,541		162,908	
Profit before tax	**1,132,781**		**847,477**	
Income tax using the applicable income tax rate	215,228	19.00%	169,495	20.00%
Impact of items that are never tax-deductible	3,584	0.42%	(3,204)	(0.38%)
Corrections of estimates of prior years' taxes	3,729	0.44%	(3,383)	(0.40%)
Total income tax/effective tax rate	**222,541**	**19.53%**	**162,908**	**19.22%**

Payables to the State	**2010**	2009
Payables arising from social security and health insurance contributions	8,739	9,694
State - tax payables *)	18,379	31,303

*) Includes personal income tax and VAT.

None of the above-mentioned payables were carried past their due dates.

(7) Tangible Fixed Assets (CZK mil.)

	Land	Power structures	Cables and external wiring	Telecommunication and information technologies	Electricity meters	Other	Assets under construction	**Total**
Cost								
Balance at 31 Dec 2008	**347.6**	**19,580.1**	**16,623.6**	**1,424.3**	**1,998.3**	**267.2**	**258.1**	**40,499.2**
Additions	11.6	410.5	700.2	92.5	82.0	18.9	329.5	1,645.2
Disposals	(1.1)	(95.3)	(106.2)	(4.2)	(87.8)	(11.1)	–	(305.7)
Reclassification	0.7	16.1	145.7	(0.4)	7.4	–	(169.5)	–
Balance at 31 Dec 2009	**358.8**	**19,911.4**	**17,363.3**	**1,512.2**	**1,999.9**	**275.0**	**418.1**	**41,838.7**
Accumulated depreciation								
Balance at 31 Dec 2008	**--**	**(8,358.2)**	**(6,124.6)**	**(1,085.9)**	**(1,055.2)**	**(162.1)**	**--**	**(16,786.0)**
Depreciation	–	(551.8)	(412.5)	(77.0)	(147.9)	(15.3)	–	(1,204.5)
Accumulated depreciation on disposals	–	66.1	95.6	2.6	85.8	10.9	–	261.0
Reclassification	–	–	–	–	–	–	–	–
Balance at 31 Dec 2009	**--**	**(8,843.9)**	**(6,441.5)**	**(1,160.3)**	**(1,117.3)**	**(166.5)**	**--**	**(17,729.5)**
Net book value at 31 Dec 2008	347.6	11,221.9	10,499.0	338.4	943.1	105.1	258.1	23,713.2
Net book value at 31 Dec 2009	**358.8**	**11,067.5**	**10,921.8**	**351.9**	**882.6**	**108.5**	**418.1**	**24,109.2**

	Land	Power structures	Cables and external wiring	Telecommunication and information technologies	Electricity meters	Other	Assets under construction	**Total**
Cost								
Balance at 31 Dec 2009	**358.8**	**19,911.4**	**17,363.3**	**1,512.2**	**1,999.9**	**275.0**	**418.1**	**41,838.7**
Additions	14.0	375.9	843.0	49.3	54.8	10.2	328.8	1,676.0
Disposals	(9.7)	(56.9)	(115.2)	(20.9)	(120.5)	(28.1)	–	(351.3)
Reclassification	1.2	166.5	104.0	33.9	6.8	–	(312.6)	(0.2)
Balance at 31 Dec 2010	**364.3**	**20,396.9**	**18,195.1**	**1,574.5**	**1,941.0**	**257.1**	**434.3**	**43,163.2**
Accumulated depreciation								
Balance at 31 Dec 2009	–	(8,843.9)	(6,441.5)	(1,160.3)	(1,117.3)	(166.5)	–	**(17,729.5)**
Depreciation	–	(568.4)	(435.4)	(73.2)	(146.9)	(15.1)	–	(1,239.0)
Accumulated depreciation on disposals	–		112.8	20.4	120.4	28.0	–	281.6
Reclassification	–	49.0	–	(0.1)	–	–	–	48.9
Balance at 31 Dec 2010	**--**	**(9,363.3)**	**(6,764.1)**	**(1,213.2)**	**(1,143.8)**	**(153.6)**	**--**	**(18,638.0)**
Net book value at 31 Dec 2009	358.8	11,067.5	10,921.8	351.9	882.6	108.5	418.1	24,109.2
Net book value at 31 Dec 2010	**364.3**	**11,033.6**	**11,431.0**	**361.3**	**797.2**	**103.5**	**434.3**	**24,525.2**

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

(8) Intangible Fixed Assets (CZK mil.)

	Software	Other	Investments under construction	**Total**
Cost				
Balance at 31 Dec 2008	**0.7**	**4.0**	**3.2**	**7.9**
Additions	--	5.3	7.6	12.9
Disposals	(0.1)	--	--	(0.1)
Reclassification	--	2.2	(2.2)	--
Balance at 31 Dec 2009	**0.6**	**11.5**	**8.6**	**20.7**
Accumulated amortisation				
Balance at 31 Dec 2008	**(0.7)**	**(2.4)**	**--**	**(3.1)**
Amortisation	--	(1.3)	--	(1.3)
Accumulated amortisation on disposals	0.1	--	--	0.1
Reclassification	--	--	--	--
Balance at 31 Dec 2009	**(0.6)**	**(3.7)**	**--**	**(4.3)**
Net book value at 31 Dec 2008	--	1.6	3.2	4.8
Net book value at 31 Dec 2009	**--**	**7.8**	**8.6**	**16.4**

	Software	Other	Investments under construction	**Total**
Cost				
Balance at 31 Dec 2009	0.6	11.5	8.6	20.7
Additions	--	--	4.0	4.0
Disposals	(0.6)	--	--	(0.6)
Reclassification	**--**	**0.5**	**(0.4)**	0.1
Balance at 31 Dec 2010	**--**	**12.0**	**12.2**	**24.2**
Accumulated amortisation				
Balance at 31 Dec 2009	**(0.6)**	**(3.7)**	**--**	**(4.3)**
Amortisation	--	(2.7)	--	(2.7)
Accumulated amortisation on disposals	0.6	--	--	0.6
Reclassification	--	--	--	--
Balance at 31 Dec 2010	**--**	**(6.4)**	**--**	**(6.4)**
Net book value at 31 Dec 2009	--	7.8	8.6	16.4
Net book value at 31 Dec 2010	--	**5.6**	**12.2**	**17.8**

Pursuant to accounting policies (refer to Accounting Policies), low value fixed assets are expensed upon acquisition. The purchase cost of these assets at the balance sheet date is shown in the following table:

Low value fixed assets (CZK thousand)	**2010**	2009
Low value tangible assets with a cost lower than CZK 40 thousand	**76,137**	75,535
Low value intangible assets with a cost lower than CZK 60 thousand	**246**	--
Total	**76,383**	**75,535**

(9) Deferred Tax Liability (CZK thousand)

Deferred tax assets and liabilities recognised in the balance sheet:
Deferred tax assets (-) and liabilities (+) resulting from the temporary differences between the accounting and tax values relate to the following items:

	31 Dec 2010	Charging to profit or loss	31 Dec 2009	Charging to profit or loss	31 Dec 2008
Fixed assets	**2,987,801**	(469)	2,988,270	(6,227)	2,994,497
Receivables	**(1,452)**	(51)	(1,401)	(479)	(922)
Reserves	**(14,607)**	385	(14,992)	1,433	(16,425)
Liability arising from the collective agreement	**(18,374)**	(4,852)	(13,522)	(4,237)	(9,285)
Total	**2,953,368**	**(4,987)**	**2,958,355**	**(9,510)**	**2,967,865**

(10) Trade Receivables (CZK thousand)

As of 31 December 2010, trade receivables amounted to CZK 95,174 thousand gross (2009: CZK 78,923 thousand), of which receivables of CZK 17,008 thousand (2009: CZK 9,917 thousand) were up to six months past due, receivables of CZK 6,623 thousand (2009: CZK 10,915 thousand) were 6–2 months past due and receivables of CZK 14,932 thousand (2009: CZK 9,817 thousand) were more than 12 months past due. A provision of CZK 18,150 thousand (2009: CZK 13,834 thousand) was created.

(11) Equity (CZK thousand)

Share Capital and Types of Shares as of 31 December 2010

Share capital of the Company consists of 21,549 registered shares (2009: 21,549 registered shares) with a nominal value of CZK 821,752 (2009: CZK 821,752).

Registered Shares
Shares with full voting rights, transferable with the consent of the General Meeting.

Distribution of Profit
The General Meeting will decide on the distribution of profit of CZK 910,240 thousand (2009: CZK 684,569 thousand).

Statement of Changes in Equity (CZK thousand)

	Share capital	Reserve fund	Profit or loss	Retained earnings	Changes in equity
Balance at 31 Dec 2008	**17,707,934**	**236,500**	**879,592**	**25,802**	**18,849,828**
Creation of the reserve fund	–	44,000	(44,000)	–	–
Dividends paid	–	–	(848,000)	–	(848,000)
Directors' fees paid	–	–	(13,200)	–	(13,200)
Retained earnings	–	–	25,608	(25,608)	–
Net profit for 2009	–	–	684,569	–	684,569
Balance at 31 Dec 2009	**17,707,934**	**280,500**	**684,569**	**194**	**18,673,197**
Creation of the reserve fund	**--**	**34,500**	**(34,500)**	**--**	**--**
Dividends paid	–	–	(637,000)	–	(637,000)
Directors' fees paid	–	–	(13,200)	–	(13,200)
Retained earnings	–	–	131	(131)	–
Net profit for 2010	–	–	910,240	–	910,240
Balance at 31 Dec 2010	**17,707,934**	**315,000**	**910,240**	**63**	**18,933,237**

(12) Earnings per Share (CZK thousand)

The calculation of earnings per share is based on net retained earnings of CZK 910,240 thousand (2009: CZK 684,569 thousand) attributable to 21,549 shares, i.e. earnings per share amount to CZK 42 thousand (2009: CZK 32 thousand).

(13) Reserves (CZK thousand)

	Business risks*)	Severance pay	Employee benefits **)	Other	**Total**
Balance at 31 Dec 2008	**84,721**	**1,197**	**71,448**	**--**	**157,366**
Creation of reserves in the current period	–	–	18,390	–	18,390
Use of reserves in the current period	(8,110)	1,093	(11,057)	–	(18,074)
Balance at 31 Dec 2009	**76,611**	**2,290**	**78,781**	**--**	**157,682**
Creation of reserves in the current period	3,211	–	29,469	–	32,680
Use of reserves in the current period	(2,943)	(2,290)	(6,365)	–	(11,598)
Balance at 31 Dec 2010	**76,879**	**--**	**101,885**	**--**	**178,764**
Long-term reserves	76,879	–	86,782	–	163,661
Short-term reserves	–	–	15,103	–	15,103
Total	**76,879**	**--**	**101,885**	**--**	**178,764**

*) Reserve for risks arising from the operation of fixed assets.
**) These are reserves for future liabilities arising from the collective agreement, principally retirement benefits, and benefits for work and life anniversaries. The long-term portion of the payable was discounted at the balance sheet date.

(14) Trade Payables (CZK thousand)

The Company records trade payables of CZK 196,576 thousand (2009: CZK 101,070 thousand), of which payables of CZK 44 thousand (2009: CZK 60 thousand) were past their due dates. All payables past their due dates were settled in January 2011.

(15) Temporary Liabilities (CZK thousand)

Deferred income – investment contributions	
Balance at 31 Dec 2008	**1,743,442**
Investment contributions received	220,235
Released to income	(154,029)
Balance at 31 Dec 2009	**1,809,648**
Investment contributions received	143,458
Deferred income (correction factor of allowed income *)	70,676
Released to income **)	(161,261)
Balance at 31 Dec 2010	**1,862,521**

*) Part of the income from distribution services which does not relate to the reporting period but to 2011.
**) Disclosed in "Other operating income" in the income statement.

(16) Leased Assets (CZK thousand)

Operating Leases
As disclosed in the Accounting Policies, assets held by the Company under operating leases predominantly include cable conduits for ultra-high voltage and high voltage lines, non-residential premises for high- and low-voltage transformers and administrative buildings. The lease contracts have been concluded for an indefinite period of time.

The below table shows the aggregate annual costs of these leases:

	2010	2009
Administrative buildings	**71,208**	70,978
Cable conduits	**89,774**	87,647
Non-residential premises	**37,592**	31,647
Vehicles	**21,455**	22,096
Total	**220,029**	212,368

Finance Leases
Finance leases include technological equipment, vehicles and construction machinery. In the years ended 31 December 2010 and 2009, the Company paid CZK 46,533 thousand and CZK 63,792 thousand, respectively, in lease instalments.

(17) Expenditure on Acquisition of Fixed Assets

The Company anticipates incurring total expenditure of CZK 1,732 million for the year ending 31 December 2011, of which approximately CZK 763 million has been contracted as of the balance sheet date.
The Company is not involved in individual research and development but co-operates with other companies and institutions on innovation processes. It actively works to improve support operations (licence acquisition, know-how, maintenance, procurement, and IT systems).

(18) Related Parties (CZK thousand)

The Company's CEO and members of the Board of Directors are considered the executive management. The management contract contains a non-competition clause extending to 12 calendar months after the termination of employment. This fact is offset by cash compensation in the amount of the average monthly pay for each month of the obligation's performance.

Members of the Company's Board of Directors and Supervisory Board entered into the Contract for the Terms and Conditions of the Job Performance for the period of the performance of their position. Remuneration is paid for the position's performance as approved annually by the General Meeting – the sole shareholder. The Contract does not provide for any non-standard benefits.

Members of the senior management can use company cars for private purposes.

Total remuneration of the members of the statutory and supervisory bodies and executive management:

	2010		2009	
	Executive management and Board of Directors	**Supervisory Board**	Executive management and Board of Directors	Supervisory Board
Number	**5**	**6**	5	6
Amounts received due to the existence of an employment *)	**6,113**	**--**	6,849	–
Amounts received due to the existence of the membership in statutory/ supervisory bodies) **)	**7,979**	**8,561**	7,956	8,523

*) Salaries and contribution to life insurance.
**) Bonuses to members of bodies, paid director's fees and contributions for healthcare.

Transactions with the Members of Statutory Bodies and Executive Management
As of 31 December 2010, the Company recorded a receivable from the members of its Board of Directors and Supervisory Board totalling CZK 38 thousand (2009: CZK 47 thousand). These receivables were settled during January 2010.

(19) Group Relationships (CZK thousand)

	PREdi receivables as of 31 Dec		PREdi payables as of 31 Dec	
	2010	2009	**2010**	2009
Pražská energetika, a.s.	**2,325,245**	**2,230,752**	**2,880,800**	**2,818,964**
of which: Trade receivables/payables	**500,997**	391,263	**--**	--
Trade receivables/payables (cash pooling)	**--**	--	**254,485**	192,360
Accrued income/expenses (cash pooling)	**--**	--	**276**	372
Long-term loan*)	**--**	--	**1,100,000**	2,600,000
Accrued expenses (long-term loan)	**--**	--	**22,939**	26,232
Short-term loan**)	**--**	--	**1,500,000**	--
Accrued expenses (short-term loan)	**--**	--	**2,700**	--
Accrued expenses (other)	**--**	--	**400**	--
Estimated receivables – unbilled distribution services	**1,824,248**	1,839,489	**--**	--
PREleas, a.s.	**4,090**	7,187	**--**	--
PREměření, a.s.	**12**	21	**37,983**	22,784
Total	**2,329,347**	**2,237,960**	**2,918,783**	**2,841,748**

	PREdi income		PREdi expenses/ costs	
	2010	2009	**2010**	2009
Pražská energetika, a.s.	**6,567,607**	**5,940,285**	**(1,485,152)**	**(1,760,135)**
of which: Distribution services	**6,547,957**	5,932,203	**--**	--
Other services, material consumed	**8,367**	7,962	**(740,582)**	(712,781)
Consumed electricity and losses	**--**	--	**(641,174)**	(934,029)
Fixed assets	**11,112**	--	**(8,690)**	(1,993)
Other expenses	**--**	--	**--**	--
Other income	**170**	120	**--**	--
Cash pooling	**1**	--	**(5,701)**	(20,527)
Interest on loans	**--**	--	**(89,005)**	(90,805)
PREleas, a.s.	**--**	--	**(46,534)**	**(63,793)**
of which: Services - leases	**--**	--	**(46,533)**	(63,792)
Fixed assets	**--**	--	**(1)**	(1)
PREměření, a.s.	**497**	416	**(279,293)**	(290,291)
of which: Services	**375**	--	**(191,061)**	(190,427)
Electricity meters	**17**	190	**(86,709)**	(99,864)
Other assets	**--**	--	**--**	--
Contractual fines	**105**	226	**--**	--
PV – obligatory purchase, non-central production	**--**	--	**(1,523)**	--
Total	**6,568,104**	5,940,701	**(1,810,980)**	**(2,114,219)**

*) The loan of CZK 1,100 million provided by Pražská energetika a.s., with maturity on 30 June 2012 with the interest rate equal to PRIBOR + 2.3% p.a. for the financing of the debtor's operating and investment needs.

**) The loan in the amount of CZK 1,500 million provided by Pražská energetika, a.s., with maturity on 30 November 2011 and the interest rate equal to PRIBOR + 0.3% p.a. for the financing of the debtor's operating and investment needs.

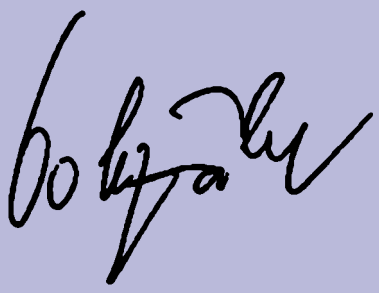
The Company's management believes that all transactions with Group entities were performed under arm's length conditions. The Company incurred no loss in connection with related-party transactions.

(20) Post Balance Sheet Events

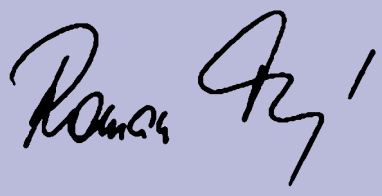
No events occurred subsequent to the balance sheet date that would have a material impact on the financial statements.

Affidavit

We hereby declare that data stated in the Annual Report for the year 2010 comply with the real facts and that no known circumstances which could affected the accurate and correct assessment of the Company PREdistribuce, a.s. were omitted.



Jan Doležálek
Date of birth: 23.2.1952
Responsible for the Annual Report
Page 1–41, 61–64



Roman Tupý
Date of birth: 2.2.1963
Responsible for the Annual Report
page 45–60

List of Abbreviations

AMM	Automatic Metering System
CEP	Energy Consulting Centre
ČSRES	České sdružení rozvodných energetických společností /Czech Association of Power Distribution Companies
DDZ	Daily load profile
DLHM	Tangible fixed assets
DLNHM	Intangible fixed assets
DR	Supervisory Board
DŘT	Dispatching control technology
DS	Distribution system
DTS	Distribution transformer station
ERÚ	Energetický regulační úřad/Energy Regulatory Office
ES ČR	Electrification system of the Czech Republic
ESČ	Elektrotechnický svaz český/Czech Electrotechnical Union
EU	European Union
FNM ČR	Fond národního majetku České republiky/National Property Fund of the Czech Republic
FVE	Photovoltaic power station
GIS	Geographical information system
GWh	Gigawatt-hour
HDO	Mass remote control
HMP	Capital City of Prague
Hz	Hertz
CHZ	Protected customer
KT	Cable tunnel
kV	Kilovolt
KVET	Combined generation of electricity and heating
MF ČR	Ministerstvo financí České republiky/Ministry of Finance of the Czech Republic
MHMP	Magistrát hlavního města Prahy/Prague City Council
MO	Small customer/retail
MOO	Small customer – households
MOP	Small customer – small businesses
MPO ČR	Ministerstvo průmyslu a obchodu České republiky/Ministry of Industry and Trade of the Czech Republic
MPSV ČR	Ministerstvo práce a sociálních věcí ČR/Ministry of Labour and Social Affairs
MVE	Small hydroelectric power stations
MWh	Megawatt-hour

MW	Megawatt
MZ ČR	Ministerstvo zdravotnictví ČR/Ministry of Health of the Czech Republic
NN	Low voltage
NT	Low tariff
OC	Business centre
OKO	Organized short-term trade
OOPP	Personal protection devices
OPM	Consumption delivery point
OSNE	System for electricity trading support
OK	Commercial centre
OTE, a.s.	Electricity market operator
OZ	Eligible customer
OZE	Renewable sources
PDS	Provozovatel distribuční soustavy/Distribution system operator
PEAS	První energetická akciová společnost/First energy joint stock company
PIS	Poradenské a informační středisko/Advisory and information centre
PP	Board of Directors
PP, a.s.	Pražská plynárenská, a.s.
PP-H, a.s.	Pražská plynárenská Holding, a.s.
PRE	Pražská energetika, joint stock company
PREdi	PREdistribuce, a.s., 100% subsidiary
PRE-H	Pražská energetika Holding a.s.
PREleas, a.s.	PREleas, a.s., 100% subsidiary
PS	Poradenské středisko/Advisory centre
PS, a.s.	Pražské služby, a.s./Prague Services, joint stock company
PT, a.s.	Pražská teplárenská, a.s.
PT-H, a.s.	Pražská teplárenská Holding, a.s.
PXE	Pražská energetická burza/Prague Energy Stock Exchange
R	Distribution station
REAS	Rozvodné energetické akciové společnosti/Power Distribution joint stock companies
RS	Disconnecting station
ŘS	Controlling system
TDD	Standard daily profile
TPA	third party access
TR	Distribution station
TWh	terrawatt-hour
ÚED ČR	Ústřední energetický dispečink České republiky/ Central Power Dispatching of the Czech Republic
ÚHOS	Úřad pro ochranu hospodářské soutěže/Office for the Protection of business Competition
VN	High voltage
VVN	Very high voltage
VO	Large customer

Address of the Company and its Workplaces

	Address	PCN	Telephone, fax
PREdistribuce, a.s.	**Prague 5, Svornosti 3199/19a**	**150 00**	**267 051 111, 267 310 817**

The Company is registered in the Commercial Register maintained at the Municipal Court in Prague, Section B, File No. 10158.
The Company was founded for an indefinite period in compliance with the legal order of the Czech Republic.
The Company does not have any organizational unit abroad.
web: www.pre.cz
e-mail: pre@pre.cz, distribuce@pre.cz; poradce@pre.cz
w@p: w@p.pre.cz
ID No.: 27376516
Tax No.: CZ27376516
Bank details: ČSOB Praha-město
Account No.: 17494043/0300

	Address	PCN	Telephone
Director	**Prague 10, Na Hroudě 1492/4**	**100 05**	**+420 267 052 000**
	Prague 5, Svornosti 3199/19a	**150 00**	**+420 267 052 601**
Network Administration	Prague 5, Svornosti 3199/19a	150 00	+420 267 052 100
Network Management	Prague 2, Nitranská 2226/1	120 00	+420 267 052 200
Network Operation	Prague 9, Novovysočanská 696/3	190 00	+420 267 052 300
Network Assets Management	Prague 5, Svornosti 3199/19a	150 00	+420 267 052 400
Access to Network and Regulation	Prague 2, Sokolská 1264/7	120 00	+420 267 052 500 ***(from 1.2.2011 Access to Network and Economy)***
Distribution Support	Prague 10, Na Hroudě 1492/4	100 05	267 052 600 ***(from 1.2.2011 cancelled)***
PRE Customer Centre	**Prague 4, Vladimírova 18**	140 00	+420 267 054 230
	Prague 9, Ocelářská 5a	190 00	+420 267 054 240
	Prague 1, Jungmannova 31	101 00	+420 267 056 363
Emergency Services	**Prague 2, Kateřinská 9**	120 00	+420 224 915 151 (e-mail: poruchy@pre.cz)
Call Centre	**Prague 10, Na Hroudě 19**	100 05	+420 267 055 555
Energy Consulting Centre	**Prague 1, Jungmannova 28**	101 00	+420 267 055 555
Information for Press	**Prague 10, Na Hroudě 1492/4**	100 05	+420 267 051 102

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