PRE

PREdistribuce, a.s.

ANNUAL REPORT 2013

WE ARE _ ENERGY OF THIS CITY

PRE GROUP

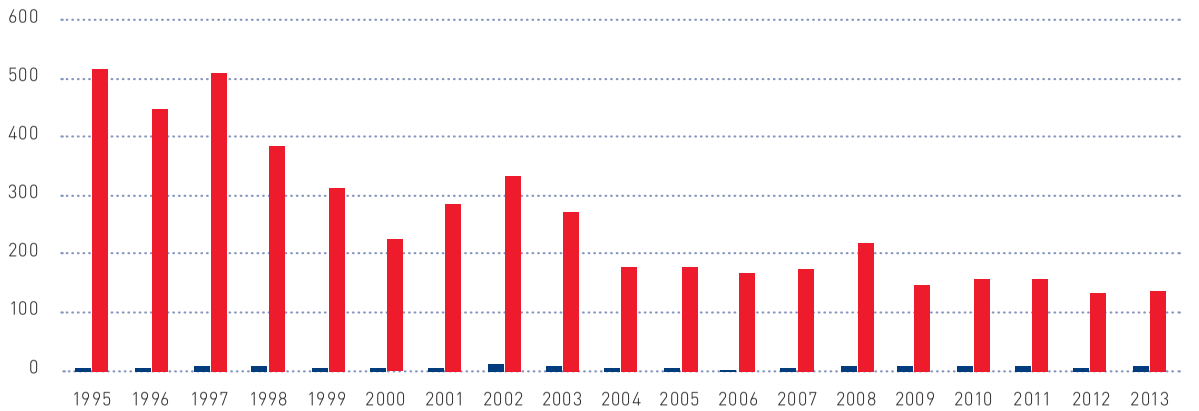
- IS A STABLE AND PROSPEROUS ENTREPRENEURIAL GROUP WITH A LONGSTANDING TRADITION,
- ENSURES RELIABLE, ECOLOGICAL AND INNOVATIVE SUPPLIES OF ENERGY AND ENERGY SERVICES THROUGHOUT THE CZECH REPUBLIC WHILE FOCUSING ON THE CAPITAL CITY OF PRAGUE,
- IS A RELIABLE DISTRIBUTOR FOR ITS LICENSED TERRITORY,
- BY USING THE LATEST TECHNOLOGIES AND PROCEDURES IT FULLY MEETS THE REQUIREMENTS AND EXPECTATIONS OF ITS CUSTOMERS,
- ITS STRATEGIC ORIENTATION FULLY RESPONDS TO THE PRESENT CHALLENGES OF THE ENERGY MARKET, RESPONDS TO ITS LIBERALISATION, INCREASED COMPETITION AND PRICE FLUCTUATIONS.

MAIN FINANCIAL INDICATORS (MCZK)

	2013[1]	2012[1]	2011[1]	2010[1]	2009	2008	2007	2006
Total assets	**28,170**	**27,437**	**27,505**	**27,148**	**26,624**	**26,314**	**24,864**	**24,494**
Distribution equipment	23,185	23,083	22,862	22,465	21,989	21,721	20,880	20,643
Other fixed assets	2,469	2,198	2,108	2,079	2,136	1,997	2,322	2,315
Group cash pooling receivables	0	0	0	0	0	0	339	317
Trade receivables	2,504	2,136	2,285	2,575	2,367	2,498	1,274	1,157
Other assets	12	20	249	29	132	98	49	62
Total liabilities	**28,170**	**27,437**	**27,505**	**27,148**	**26,624**	**26,314**	**24,864**	**24,494**
Equity	19,409	19,119	19,202	18,933	18,673	18,850	19,582	18,456
Deferred tax liability	2,949	2,947	2,947	2,953	2,958	2,968	2,995	3,806
Group cash pooling payables	747	735	752	254	192	874	0	0
Trade payables	578	289	522	235	124	133	156	160
Deferred revenues	1,800	1,800	1,861	1,863	1,810	1,743	1,675	1,599
Provisions	215	217	219	179	158	157	176	169
Loans	2,200	2,200	1,800	2,600	2,600	1,500	0	0
Other liabilities	271	131	202	131	109	89	280	304
Gross profit from distribution services sales	4,645	4,406	4,447	4,119	4,695	4,699	4,621	4,187
Profit from ordinary activity before tax	**1,526**	**1,230**	**1,444**	**1,133**	**847**	**1,080**	**1,293**	**1,025**
Profit from ordinary activity after tax	**1,233**	**993**	**1,167**	**910**	**685**	**880**	**1,742**	**776**
Extraordinary profit/loss	**0**	**0**	**(34)**	**0**	**0**	**0**	**0**	**(28)**
Profit after tax	**1,233**	**993**	**1,133**	**910**	**685**	**880**	**1,724**	**748**

Note: [1] Since 2011, in order to provide a more faithful picture of gross profit from the sales of distribution services, the item "Distribution and System Services Purchase Expenses" has also reported expenses for the purchase of electricity for the Company's own consumption and expense to cover its energy losses. The 2010 data have also been revised likewise.

NUMBER OF VHV AND HV FAILURES

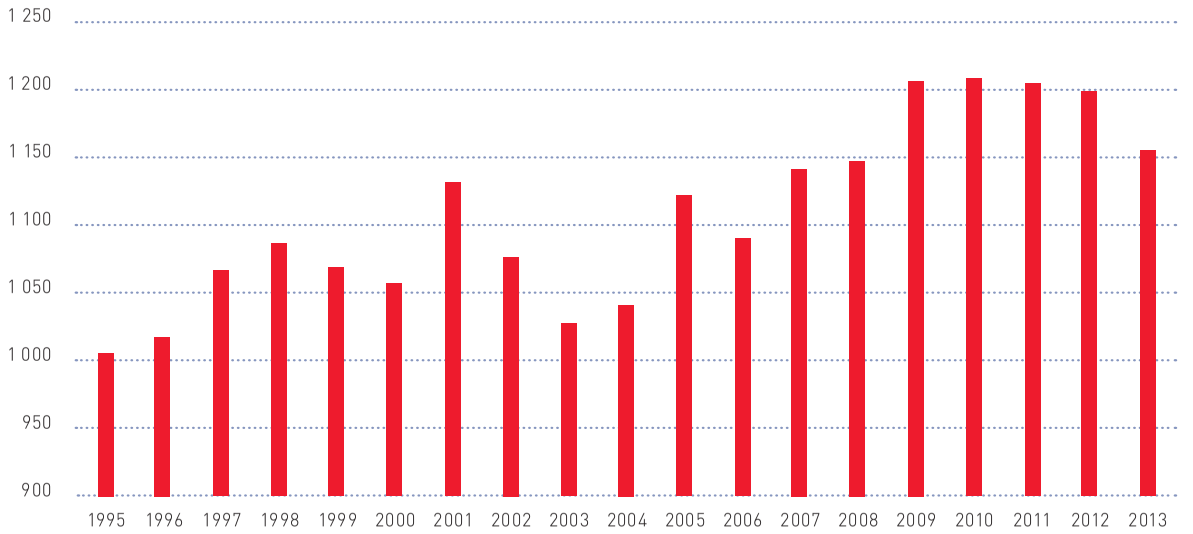


Note: Increase of failure rate in 2002-2003 was caused by floods and long-term distribution equipment shutdown from 8.8.2002.

OVERVIEW OF THE DEVELOPMENT OF SELECTED NETWORK INDICATORS

Indicator	Unit	2013	2012	2011	2010	2009	2008	2007	2006
Maximum network load	MW	1,156	1,198	1,205	1,209	1,207	1,147	1,141	1,090
Total length of electric networks	**km**	**11,912**	**11,921**	**11,901**	**11,781**	**11,675**	**11,552**	**11,544**	**11,229**
of which: VHV	km	206	206	202	202	202	206	196	196
HV	**km**	**3,872**	**3,865**	**3,863**	**3,829**	**3,780**	**3,701**	**3,670**	**3,476**
LV	km	7,834	7,850	7,836	7,750	7,693	7,645	7,678	7,557
Number of VHV/HV stations (PREdi/total)	pieces	22/24	22/24	22/24	22/24	21/24	21/24	20/23	20/23
Total number of HV/LV stations	pieces	4,834	4,833	4,839	4,778	4,796	4,783	4,750	4,693
Number of HV/LV distribution stations	**pieces**	**3,261**	**3,274**	**3,295**	**3,254**	**3,277**	**3,281**	**3,272**	**3,258**

HIGHEST ACHIEVED ANNUAL LOAD (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 of 1,209 MW was achieved.

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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
Company is registered in: the Commercial Register maintained at the Municipal Court in Prague, Section B, File 10158
Bank details: ČSOB Praha-město, account number: 17494043/0300
Licence: the Company is electricity distribution licence holder No. 120504769 (in force from 1.1.2006 for 25 years)

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 the Council 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.

Under this Contract, PREdistribuce, a.s. became the owner of technical equipment and part of real estate property used for ensuring the distribution of electricity on the territory of the Capital City of Prague and 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.

PRE GROUP

THE PRE GROUP STRATEGIC VISION

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

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 entities, 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, 840 550 055, fax: 267 310 817, Internet: www.pre.cz, www.predistribuce.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 (photovoltaic power station). ID No.: 25677063; Prague 10, Na Hroudě 2149/19, tel.: 267 051 111, 840 550 055, fax: 267 056 777, Internet: www.pre.cz, www.premereni.cz, e-mail: pre@pre.cz and mereni@pre.cz,

eYello CZ, a.s. – sales of electricity and gas trading on the territory of the Czech Republic excluding the Capital City. ID No.: 25054040; Prague 10, Kubánské náměstí 1391/11, tel.: 840 555 777, Internet: www.yello.cz, e-mail: yello@yello.cz.

FOREWORD OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear readers,

by way of introduction, on behalf of PREdistribuce, a.s., I would like to wish you lots of health and success in 2014 during which the after effects of the economic crisis will still most likely have an impact on the energy sector.

PREdistribuce, a.s. was established as a 100% distribution subsidiary of the sole shareholder Pražská energetika, a.s. and 2013 culminated in the eighth year of its existence. Its main task is to provide high quality and continuous supply of electricity to all its customers in the territory of the City of Prague and the town of Roztoky u Prahy covering an area of 505 km^2. The Company is the holder of a licence for the distribution of electricity in the territory mentioned above since 1 January 2006 for a period of 25 years. Electricity distribution is a regulated activity subject to regulation by the Energy Regulatory Office of the Czech Republic. In terms of safety all networks and operating equipment are part of the critical infrastructure of Prague and all of the Czech Republic.

2013 was the year when PREdistribuce, a.s. chaired the Czech Association of Regulated Power Supply Companies (ČSRES), which associates all big distribution companies in the Czech Republic and ČEPS, a.s. Many technical problems were addressed at meetings of ČSRES, specific comparisons made and remarks which contributed to the issue of new decrees related to the operation of the transmission and distribution system and functioning electricity market.

The Company's main mission is to ensure the reliable distribution of electricity from sources – delivery points with the transmission system – up to the consumption or delivery points of individual customers through the maintained distribution system. This system consists of 110 kV, 22 kV and 0.4 kV overhead and cable lines with a total length of 11,912 km, 24 110/22 kV transformer substations and a total of 4,834 22/0.4 kV power grid transformer stations. The number of consumption points from the HV network is almost 2,000 and over 763,000 from the LV network. The Company earned a profit of MCZK 1,233 and thereby met the task set by the shareholders for 2013.

A total of 515 employees maintained the Company's complete distribution system in 2013. The way that the distribution network is managed is that apart from operation management and addressing failures, planned repairs are well executed in accordance with the standards and network maintenance is carried out according to preventive maintenance regulations. Company employees also ensured other important work such as planning the development and renovation of distribution equipment and the network assets management, connection of new customers, construction of investment energy constructions and supply mains, metering supplied electricity at very high and high voltage levels and transfer of data for the billing of distribution services and supplies to the Elektricity Market Operator (OTE) system. I trust that all these activities were carried out by the Company's employees on time and to a high professional standard. Besides these main activities, PREdistribuce, a.s. maintained a control oversight of the activities of its sister company PREměření, a.s. to which all 0.4 kV electricity metering activities were transferred in 2008.

I would like to provide several basic data about the output and quantity of electricity supplied to the licensed territory. The total grid load reached a maximum of 1,156 MW on 24 January 2013, which is 53 MW less than the historic maximum reached in 2010, but the networks distributed a total 6,301 GWh of electricity in the territory of the City of Prague and Roztoky u Prahy which covered the requirements of existing and new customers at all voltage levels. The volume of distributed electricity was 23 GWh higher than in 2012, which (in the aftermath of the economic recession) indicates a gradual rise in consumption. The standards of quality of electricity supplies and related services were met with regard to the absolute majority of end customers connected to the Company's distribution networks in accordance with ERÚ Regulation No. 540/2005 Coll. Customers were connected throughout the entire year pursuant to valid legislation.

In 2013 the distribution network in Prague and Roztoky u Prahy was damaged again after 11 years since the destructive floods of 2002 by a natural disaster. In June a heavy flood passed through Prague again after several days of rain in the Czech Republic. The maximum flow of water of the Vltava river did not reach the record levels of 2002, nonetheless 91 22/1 kV transformer stations and almost 4,000 consumption points had to be switched off. However, this time equipment around the flooded rivulets Botič and Rokytka also had to be switched off. I must state that the cooperation with the city's crisis staff led by the mayor himself was excellent. The knowledge of the floods of 2002 was applied and the affected transformer stations, after being dried out, could be re-commissioned in coordination and all the 22 kV or 1 kV delivery points to end customers could be gradually switched back on after a week.

Another blackout which had a significant impact on the running of the city was recorded on 18 June and was affected by a fire in one of the ČEPS, a.s. feeding transformers, in the key 400/110 kV substation in Chodov. A further failure of ČEPS, a.s. technical equipment occurred on 20 August as a consequence of putting out the destructive fire and restoration of the equipment at the ČEPS Chodov substation. On 28 August the final blackout occurred during the parallel ongoing modernisation of the Chodov substation in the 110 kV section owned by PREdistribuce, a.s. which was caused by a worker of the contracting firm coming into contact in the substation with a part under voltage and receiving an electrical shock. Unfortunately safety regulations were not observed, but luckily the injured young man survived the accident and can lead a normal life. These above mentioned extraordinary events not caused by the Company's employees or by the failure of our distribution equipment, and chiefly due to the hour long power cut (before the employees of PREdistribuce, a.s. fully restored the power supply) meant the total collapse of the transport system including the Metro, limiting the operations of companies and comfort of supplies to all customers in a third of the city. These large-scale blackouts were proof to all of the absolute dependence of the distribution network on the delivery points fed by ČEPS, a.s. Without own sources of power generation the situation will remain the same in future. At the end of the year based on an evaluation of the floods and big outages of electricity at the VHV/HV substation in Chodov preparations began gradually with the state crisis units and the City of Prague for a possible big outage throughout the Prague agglomeration, called the "Blackout 2014" drill.

Otherwise no extensive system technical accidents were reported during the year on lines, in 110/22 kV substations or in 22/0.4 kV node transformer stations which would significantly (in a matter of hours) affect the supply of electricity to Prague residents. The operating results of the entire distribution system confirm the trend in the reduction of the distribution failure rate in Prague in the number of cases of serious failures and quality of supply, despite the fact that external interventions are not decreasing. The achieved values of the reliability of supplies to all voltage levels are highly positive compared to those of other operators in the Czech Republic and comparable operators in large cities in the EU. This positive trend was achieved through long-term implemented highly rational planning of the development and restoration of the city centre, state-of-the-art technologies and elements used in the EU with high demands on reliability and safety, renovation according to approved corporate standards and introduction of the Workforce Management system when the experience of EnBW Regional AG, Stuttgart was applied to maintenance and crew management. I can promise that we will take further technical measures to maintain or improve this situation in 2014.

According to comparative ERÚ statistics, PREdistribuce, a.s. was the most reliable energy supplier to end customers. On average a customer in Prague and Roztoky was affected during the blackouts in 2013 by a power cut of only 70 minutes; and only 35 minutes if excluding the abovementioned accidental events at the Chodov substation, June floods and foreign effects, which is almost 8 times less than in the distribution territory outside Prague.

A total of MCZK 1,767 was invested in the distribution network in 2013, i.e. just in networks renovation and development including the control, telemechanisation and metering systems; a further MCZK 208 was invested in repairs from operating resources. It must be added that investors continued to be interested in connecting new buildings in 2013 giving rise to new consumption points in still vacant plots in certain Prague districts. New major developer projects in the city centre, especially in the district of Karlín–Libeň and on the outskirts in green zones of the Slivenec–Stodůlky, Chodov–Uhříněves areas respectively, were in the process of being launched. The renovation also continued of the 110 kV overhead lines in the eastern part of the city at the Malešice substation and the full modernisation was successfully completed of the more than 40 year operated outdoor Letňany and Lhotka substations. As for the development constructions, I would like to mention the start of preparation works of the construction of cable ducts for the connection of new substations and provision of output through 22 kV cables in Karlín and Uhříněves which will be ommissioned in 2016 and 2017.

I trust that the employees of PREdistribuce, a.s. duly met all the key tasks of the distributor in the Capital City in 2013 and I would like to thank them. Our Company proudly professes the traditions of the energy industry in the Capital City and wants to continue being an indispensable part of the life of Prague and the mainstay of the PRE Group. By its share of quality distribution, our distribution company wants to contribute to ensuring the satisfaction of Prague residents, the running of the city and meet the ideas of shareholders. Our aim for the future is to maintain this trend and continue to belong among modern companies which are aware of their responsibility to the environment and strive to continuously improve the conditions for its protection.

Milan Hampl
Chairman of the Board of Directors and Director

COMPANY STRATEGY

The Company's long-term strategy is to increase distribution efficiency in operational-technical and investment measures made in the grid and in the optimal arrangement of processes within the Company as well as towards the increased control of cooperating external subjects. All these steps are directed at meeting the legislation of prescribed and guaranteed standards of the quality of supplies and related services which are in the competency of the distribution licence holder. In view of the scope of activity of PREdistribuce, a.s. in the territory of the Capital City, further tightening of these standards can be expected in future in accordance with the nature of the territory and its sensitiveness to any further distribution failure.

The electricity distribution system will be exposed to new qualitative and quantitative conditions in the near future, which will require change to its structure, operation and, most of all, the application of new technologies. Surely, on the one hand there will be an increase in the extent of implementation of decentralised sources of electricity, of which part will come from renewable energy sources (OZE) with difficult to predict production, and also there will be an increase in electric mobility, on the other hand the high reliability and safety of electricity supplies will need to be maintained constantly and supply ensured during periods of crisis.

The year 2013 was still a year marked by the aftermath of the economic crisis which since its beginning in 2008, has affected virtually the entire economically active part of the world in many economic sectors, including the energy sector in the Czech Republic. Due to the 10% reduction in the distribution tariff payment in 2013, apart from stagnation of demand, an increase in electricity prices cannot be expected even in 2014, although a constant burden is being placed on distribution service prices by the subsidy of renewable sources.

The distributor will need to come to terms with all these aspects and continue to offer reliable and high-quality distribution of electricity, whose parameters will continue to be legislatively regulated by the ERÚ; non-observance of requirements will be subject to penalisation.

Together with other distributors in the Czech Republic, projects related to the introduction of intelligent networks, so called Smart Grid and the related subsets AMM and E-mobility, accumulations which are mapping especially technical possibilities of the distribution network operator, are being monitored.

Conditions, defined in the so-called "Compliance Programme", the task of which is to secure to the maximum possible extent the non-discriminatory behaviour in processes for which the distribution system operator is responsible to all market participants, have been fully observed.

PREdistribuce, a.s. is responsible for the situation in supplying electricity to the Capital City. This fact is reflected, among other things, in care for the distribution system which forms a part of the city´s critical infrastructure with stricter standards related to the territory conditions and its sensitivity to possible distribution failures. In 2014 PREdistribuce, a.s. will be conducting a drill for an extensive power cut including the impact on the running of the City together with the Capital City's crisis units. This will include an analysis of the status of the system, its subsequent restoration and development of the backbone network for the needs of electricity supplies during crisis situations.

Measures are being prepared to increase the reliability of network, especially in Asset Management, network management and making the maintenace more efficient. In 2012 the so-called Workforce Management for managing field crews was introduced in cooperation with colleagues from EnBW. There will be new opportunities for the Company's business in the gradual takeover of further distribution systems (local distribution networks) in the Company's licensed territory which will result in an increase of the asset base as part of the existing distribution network.

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

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

PREdistribuce, a.s. wants to continue to be a stable Company and be perceived by its customers as up to now as a reliable electricity distributor and a partner in resolving their problems with feeding the consumption point. PREdistribuce, a.s. and its parent company will always provide support to its loyal employees and will remain to be their social partner.

ONE WOMAN AMONG MORE THAN FIFTY MEN

SHE HAS BEEN WORKING FOR THE PRE GROUP FOR THIRTEEN YEARS AND FIVE OF THOSE YEARS IN THE PRESENT JOB. SHE IS THE ONLY WOMAN IN A FIFTY-TWO MEMBER TEAM OF THE BREAKDOWN SERVICE. THIS IS WHERE ONE OF HER IMPORTANT DUTIES LIES WHICH IS TO PROVIDE AN ADMINISTRATIVE SERVICE TO HER COLLEAGUES WHO USUALLY SPEND THEIR TIME WORKING IN THE FIELD. SHE ALSO WORKS WITH OTHER COMPANY DEPARTMENTS AND WITH COLLEAGUES FROM THE EMERGENCY LINE WHERE SHE HANDLES CASH PAYMENTS FOR SHORT-TERM POWER CONSUMPTION. SHE IS THE DEPARTMENT TRADE UNION SHOP STEWARD FOR HER COLLEAGUES.

Jolana Dvořáková,
Assistant to the Head of the DN Operation and Breakdown Department

"I make sure that annual dates of regular medical check-ups are observed, look after corporate benefits, meal tickets, administration associated with tests in accordance with Decree No. 50/78 Coll. and organise plans for holidays."

COMPANY BODIES

BOARD OF DIRECTORS AS AT 31.12.2013

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

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

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

Miloš Langr
(49 years) | Member (from 28.6.) | Address: MHMP, Mariánské náměstí 2, 110 00 Prague 1

MEMBER OF THE BOARD OF DIRECTORS IN THE COURSE OF THE YEAR ALSO WAS:

Martin Langmajer (removed from office as at 27.6.)
(49 years) | Member | Address: Žampiónová 197, 104 00 Prague 10

SUPERVISORY BOARD AS AT 31.12.2013

Pavel Elis
(48 years | Chairman (from 15.5.) | Member (until 15.5.) | Address: Pražská energetika, a.s., Na Hroudě 1492/4, 100 05 Prague 10

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

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

Drahomír Ruta
(67 years) | Member (from 28.6.) | Address: Sopotská 642/64, 181 00 Prague 8

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

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

MEMBER OF THE SUPERVISORY BOARD IN THE COURSE OF THE YEAR WAS:

Pavel Klega (elected as at 11.4.) | (resigned as at 27.6.)
(48 years) | Member | Address: MHMP, Mariánské náměstí 2, 110 00 Prague 1

From left:

Petr Dražil
Milan Hampl
Christian Franz-Josef Schorn
Miloš Langr

IMPORTANT DECISIONS OF THE PARENT COMPANY PRAŽSKÁ ENERGETIKA, A.S. AFFECTING 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 services in accordance with Section 4 of the Trade Licencing Act,
- electricity distribution.

The Company was formed for an unlimited period.
The Company's 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 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 devices,
- production, installation and repair of electronic equipment,
- inspection and testing of selected pressure equipment,
- repair and installation of meters,
- testing, measurement, analysis 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 payment of the issue of 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 2005 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,
- on 29 December 2005 Pražská energetika, a.s. and PREdistribuce, a.s. concluded an 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 "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 of the parent company took note of the approval of the organizational change 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 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., it was decided that the sum CZK 3,841,066,152 corresponding to the reduction of the Company´s registered capital will be used for compensation of part of the Company´s accumulated losses totaling 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.

I LOVE EXCEL AND POWERPOINT

SHE BEGAN WORKING AT THE PRE GROUP IN 1990 AFTER GRADUATING FROM THE ČVUT – FACULTY OF ELECTRICAL ENGINEERING. AFTER THE INITIAL "ROUND" OF WORKING IN VARIOUS DEPARTMENTS SHE SETTLED IN JANUARY 1991 AT THE THEN "OPERATIONAL ADMINISTRATION WEST". AFTER MATERNITY LEAVE SHE BEGAN WORKING IN AUGUST 2002 AS ASSISTANT TO THE HEAD OF THE GRID CONSTRUCTION DEPARTMENT AND IN JANUARY 2012 SHE ACCEPTED THE OFFER OF THE POSITION OF HEAD OF THE COORDINATION AND PLANNING DEPARTMENT. SINCE SHE LIKES TO WORK ON A COMPUTER AND LOVES EXCEL AND POWERPOINT, THIS WORK IS ALSO HER HOBBY.

Lenka Boušková,
Head of the Coordination and Planning Department

"Our department is responsible for all the administrative agenda connected with tender procedures for public and general contracts. As for capital investment, we check data entered in the SAP programme and also process detailed analyses of the activities of individual departments including their presentation."

IMPORTANT EVENTS

2006

1.1. — Milan Hampl was elected a member of the Board of Directors,
27.1. — amendment to the Articles of 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 in 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 control system 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. — first ordinary General Meeting assessing economic results of 2006 was convened,
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. — second ordinary General Meeting assessing the economic results of 2007 was convened,
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 substation 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. — third ordinary General Meeting held which assessed the economic results of 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 2010–2012,
- completion of stage II. of the reconstruction of the 110/22 kV Střed substation under full operation of the feeding of the city centre 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 of 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 re-elected members of the Board of Directors for next term in office,

December
- completion of Zličín–Jih cable tunnel.

2010

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

February
- Milan Hampl was re-elected Chairman of the Board of Directors and also Petr Dražil was re-elected Vice Chairman for the next term in office,
- Petr Hulinský, Hermann Lüschen, Drahomír Ruta, Pavel Elis and Karel Urban were elected members of the Supervisory Board for the next term in office; 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.
- fourth ordinary General Meeting held assessing the economic results of 2009,

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

May
- PREdistribuce, a.s. for the second time retained the 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 in office,
- 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 re-elected Vice Chairman,
- renewal of transformer T 102 40 MVA located in TR 110/22 kV Měcholupy,

October
- Drahomír Ruta resigned from the Supervisory Board, Alexander Manfred Sloboda was elected to take over this position with effect from 1.1.2011,
- repair of breakdown in VV 303+ VV 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 commenced,
- replacement of R 22 kV disconnectors in TR Jih completed,

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

2011

February
- approved upgrade of control system and modifications of R 110 kV in TR Chodov,

March
- approved contracts for projects: "Reconstruction of R 110 kV and control system in TR 110/22 kV Prague–Holešovice", "Construction of the Bohdalec Cable Tunnel", "Reconstruction of R 110 kV and complement to the control system in TR 110/22 kV Letňany",
- work begun on the KT Bohdalec cable tunnel (215 m long),

April
- tender initiated for the purchase of the SCADA dispatching system,
- reconstruction begun of TR – I. stage – replacement of the T 101, 110/22 kV Transformer (40 MVA, new 110 kV cut-out switches, new disconnectors, new T 101 box),

12.5.
- fifth ordinary General Meeting held assessing the economic results of 2010,

May
- approved investment plan for the "Kabel 110 kV TR Jih – TR Malešice" project,
- approved investment plan for the "Restoration of TR 110/22 kV Lhotka" project,

June
- work begun on the restoration of the transformer T 101, 63 MVA, 110/22 kV in TR Střed,

November
- completion of the laying of cable 110 kV Pankrác–Karlov,
- completion of the I. stage of the reconstruction of TR Letňany,
- work begun on the KT Slavia cable tunnel,
- completion of the modification of T 101 for the new transformer 110/22 kV, 63 MVA in TR Střed,

December
- acquisition of the ETT Energetika site in Prague 9 - Vysočany,
- completion of the I. stage of reconstruction of TR 110/22 kV Holešovice,
- KT Bohdalec, construction nearing completion, finishing work underway.

2012

January
- approved Contract for Work of the "Prague 8 - Karlín, cable tunnel" as part of the "Construction of Karlín TR 110/22 kV" investment plan,
- approved Contract for Work of the "Restoration of the TR 110 kV in the existing 110/22 kV Prague–Lhotka transformer" as part of the "Restoration of Lhotka TR 110/22 kV" investment plan,
- approved Contract for Work on delivery of the SCADA control system and Service Agreement for servicing the DŘS SCADA (Dispatch Control System),

February
- start of the implementation of the SCADA project,

March
- approved Contract for Work of the "Restoration of the 22 kV substation in the existing Prague–Lhotka 110/22 kV transformer" as part of the "Restoration of the Prague–Lhotka TR 110/22 kV investment plan,

19.4.
- sixth regular General Meeting assessing the economic results of 2011,

April
- approved Contract for Work of the cable tunel "KT Karlín – additional equipment, start of the boring of KT Karlín" – additional equipment, start of the boring of KT Karlín" as part of the "Construction of TR 110/22 kV" investment plan,

May
- approved investment plan for the "Construction of the Slivenec TR 110/22 kV" project,
- completion of boring of the new Slávia tunnel into the existing Bohdalec tunnel,

June
- the Chairman of the Supervisory Board Petr Hulinský removed from office,
- successful takeover of KT Bohdalec,

July
- the pilot project in cooperation with Comunica for the graphic design of 16 selected transformer stations,

September
- completion of the restoration of the existing lines 2 x 110 kV VV 303/VV 1923 – inlet of TR Lochkov,

October
- approved investment plan for the "Construction of Malešice – Běchovice – Měcholupy VV 110 kV line including the connection to TR Uhříněves",

- takeover of the I. stage of the R 110 kV reconstruction in TR Lhotka,
- takeover of the I. stage of the R 22 kV reconstruction in TR Lhotka,
- takeover of the "Restoration of VV 303/VV 1923 Lochkov–Řeporyje" project,
- takeover of KT Slávia,
- start of work on the "KT Karlín – additional equipment" project,

November
- takeover of the "Reconstruction of Holešovice TR 110/22 kV, II. stage",
- takeover of the "Reconstruction of the second stage of R 110 kV in TR Letňany" project,
- start of the "TR Chodov, restoration of the control system" project,

December
- start of work on the "KT Rohanský ostrov – boring" project,
- approved Contract for Work of the delivery of low noise transformer T 101, 110/22 kV, 40 MVA in TR Měcholupy from SIEMENS,
- concluded Collective Agreement for the period of 2013–2015.

2013

January
- meeting with the selected contractors (design and contracting work),
- Milan Hampl and Petr Dražil were re-elected members of the Board of Directors for the next tenure,
- Pavel Elis and Hermann Lüschen were re-elected members of the Board of Directors for the next tenure,

March
- the investment plan was approved for the "110 kV Cable of Jih TR – Malešice TR (second cable), replacement of VV 101, VV 102",
- the Contract for Work was approved of the project "Restoration of the control system in the existing TR 110/22 kV Prague–Chodov",

11.4.
- seventh ordinary General Meeting evaluating the economic results for 2012,
- Pavel Klega was newly elected member of the Supervisory Board,

April
- the target concept document was drawn up as part of the SCADA project; the database and diagrams were also created and implemented by the end of the year,
- the Contract for Work was approved for the repair of "VV 110 kV of Malešice – Běchovice – Měcholupy in the section of TR Malešice – mast No. 67",

May
- completion of the construction of cable tunnel KT Karlín – boring project, construction of KT Karlín continued with additional equipment,

June
- considering about ten-day floods (1–14 June) a state of emergency was declared in the Capital City – regular meetings of the crisis team at PRE and City of Prague,
- Miloš Langr elected member of the Board of Directors in place of Martin Langmajer,
- Drahomír Ruta elected member of the Supervisory Board in place of Pavel Klega,

July
- the Company defended its certificate of "Safe Enterprise" for the third time (official evaluation took place in October in the presence of the general inspector of the State Labour Inspection Office and deputy minister of the Ministry of Labour and Social Affairs),
- start of the construction of cable tunnel KT Motol,

August
- R 22 kV Lhotka was fully commissioned,
- start of the reconstruction of the lines 2 x 110 kV TR Chodov–Řeporyje, masts No. 47–53,
- start of the construction of "Cable channels TR Západ",

September
- completion of the restoration of line 110 kV Malešice – mast No. 67,

November
- completion of the restoration of R 110 kV and R 22 kV Lhotka,

December
- completion of the reconstruction of lines 2 x 110 kV TR Chodov–Řeporyje, masts No. 47–53,
- start of the construction of cable tunnel KT Uhříněves,
- start of the reconstruction of R 110 kV and control system in TR Třeboradice,
- land purchased for the construction of the new TR Slivenec.

MY WORK IS INTERESTING AND DIVERSE

SHE HAS BEEN WORKING FOR THE PRE GROUP FOR TWENTY-SIX YEARS AND BEGAN WORKING IN HER CURRENT JOB EIGHTEEN YEARS AGO. SHE SECURES RUNNING OF THE DEPARTMENT SECRETARIAT IN SOKOLSKÁ STREET AND CREATES AN ADMINISTRATIVE BACKGROUND FOR A FURTHER 41 COLLEAGUES OF THE DCT DEPARTMENT WHO WORK IN OTHER LOCATIONS OF PRAGUE AND PROVIDE SUPPORT IN THE FIELD TO THE HIGH OPERATIONAL RELIABILITY OF THE COMPANY NETWORK. HER WORK INCLUDES CHECKING THE FULFILMENT OF CONTRACTS, RECORDS OF ACTIVITIES IN THE SAP SYSTEM, ORDERING MATERIAL, CHECKING DRAWDOWN OF FUNDS AND FURTHER ADMINISTRATIVE ACTIVITIES.

Monika Straková,
Assistant to the Head of the Dispatch Control Technology Department

"It is not usual today for a person to work for one employer for so long, but I still enjoy my work after all these years. It is interesting and diverse, and when you have a good team and working environment around you, there is no reason to look elsewhere."

pro lep

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 2013; OVERVIEW OF RELEVANT LEGAL REGULATIONS

In 2013 all electricity customers, just as before had the opportunity of selecting their supplier upon their own discretion (Act No. 458/2000 Coll.). This year was also the fourth year of the third regulatory period (1.1.2010–31.12.2014). The existing methodology was modified for the needs of the third regulatory period which was the result of the analysis of the original methodology and experience with regulation in previous regulatory periods and the conclusions of the consultancy process with market participants in 2009. The aim of the methodology is to determine the appropriate level of profit for the distribution company for the five years of the third Regulatory Period, ensure the adequate quality of the services provided to customers while being cost effective, support future investments, ensure sources for the renewal of the network and continue to increase efficiency from which customers will also profit.

IN 2013 THE FOLLOWING LAWS WERE ISSUED AND CAME INTO FORCE:

On 2 October 2013 the following regulation No. 310/2013 Coll. was issued in section 117: "The act which amends Act No. 165/2012 Coll., on subsidised energy sources and amendment of some laws, as amended by Act No. 407/2012 Coll., and further related Acts", when section 117 of 2 October 2013 comes into effect on the date of promulgation with exceptions of art. I (7), (8) and (9)–effective from 1 January 2014 and art. I (1), (3), (4), (6), (10), (11), (13), (15)–effective as of 1 July 2014.

IN 2013 THE FOLLOWING GOVERNMENT REGULATIONS WERE ISSUED AND CAME INTO FORCE:

Government Regulation No. 429/2012 Coll., which amends Regulation No. 355/2012 Coll., on determining the limit of state budget funds for providing subsidies for the payment of additional cost associated with the subsidy of electricity from renewable sources came into force on 30 November 2012 for the year 2013.

On 29 October 2013 the following regulation No. 338/2013 Coll. in section 131 was issued: "Government Regulation on determining the limit of state budget funds for providing subsidies for reimbursing part of the electricity price for customers and reimbursing heat operating subsidy for 2014", effective as of the date of promulgation.

IN 2013 THE FOLLOWING DECREES WERE ISSUED AND CAME INTO FORCE:

Decrees to Act No. 458/2000 Coll.:

On 1 January 2013 Decree No. 438/2012 Coll. of 13 December 2012 came into effect, amending Decree No. 541/2005 Coll., on Electricity Market Rules, principles of pricing for the activity of the electricity market operator and the implementation of some further provisions of the Energy Act as amended.

On 1 January 2013 Decree No. 445/2012 Coll., of 14 December 2012 came into effect, amending Decree No. 426/2005 Coll., on the details of granting licences for conducting business in the energy sectors, as amended.

On 1 January 2013 Decree No. 476/2012 Coll., of 19 December 2012, came into effect, amending Decree No. 82/2011 Coll., on metering electricity and the method of determining compensation for damage arising from unauthorised consumption, unauthorised supply, unauthorised transmission or unauthorised electricity distribution.

On 23 December 2013 Regulation No. 436/2013 Coll. was issued in section 171: "Decree on the method of price regulation and price regulation procedures in the electric power industry and heating industry and on the amendment of Decree No. 140/2009 Coll., on the method of price regulation in the energy sectors and price regulation procedures, as amended", effective as of 1 January 2014.

Decrees to Act No. 165/2012 Coll.:

On 1 January 2013 Decree No. 441/2012 Coll. of 5 December 2012 came into effect, on determining the minimum effect of the utilisation of energy in the generation of electricity and heat energy.

On 1 January 2013 Decree No. 440/2012 Coll. of 5 December 2012 came into effect, on the guarantees of the origin of electricity from renewable sources of energy.

On 1 January 2013 Decree No. 439/2012 Coll. of 6 December 2012, on clearing (on determining the method and dates of settlement and payment of the price component for electricity transmission, gas transportation, electricity and gas distribution for covering the expenses associated with the subsidy of electricity, decentralised generation of electricity and biomethane, and the implementation of other provisions of the Act on subsidised energy sources).

On 1 January 2013 Decree No. 453/2012 Coll. of 13 December 2012 came into effect, on electricity from highly efficient combined electricity and heat generation and electricity from secondary sources.

On 1 January 2013 Decree No. 477/2012 Coll. of 20 December 2012 came into effect, on determining the types and parameters of renewable sources for generating electricity, heat or biomethane and on determining and storing documents.

On 1 January 2013 Decree No. 478/2012 Coll. of 20 December 2012 came into effect, on accounting and recording electricity and heat from subsidised sources and biomethane, quantity and quality of actually acquired and utilised sources and the implementation of other provisions of the Act on subsidised energy sources.

On 1 January 2013 Decree No. 480/2012 Coll. of 20 December 2012 came into effect, repealing Decree No. 213/2001 Coll. and Decree No. 425/2004 Coll., on energy audit and energy expert opinion.

On 29 March 2013 Regulation No. 78/2013 Coll. was issued in section 36: "Decree on the energy performance of buildings", effective as of 1 April 2013.

On 16 May 2013 Regulation No. 118/2013 Coll. was issued in section 53: "Decree on energy specialists", effective as of 1 June 2013.

On 28 June 2013 Regulation No. 178/2013 Coll. was issued in section 75: "Decree amending Decree No. 352/2005 Coll., on details of handling electrical equipment and electrical waste and on detailed conditions of financing the waste management (Decree on handling electrical equipment and electrical waste), as amended", effective on the date of promulgation.

On 8 November 2013 Regulation No. 350/2013 Coll. was issued in section 138: "Decree amending the Decree No. 347/2012 Coll., determining the technical-economic parameters of renewable sources for electricity generation and lifetime of plants for generation of electricity from subsidized sources", effective as of 8 November 2013.

IN 2013 THE FOLLOWING ERÚ (ENERGY REGULATORY OFFICE) PRICE DECISIONS FOR 2014 WERE ISSUED AND CAME INTO FORCE:

On 1 January 2013 ERÚ Price Decision No. 4/2012 of 26 November 2012 came into force, determining a subsidy for subsidised energy sources. Price Decision No. 4/2013 was issued for 2014 on 27 November 2013 for this price area.

On 1 January 2013 ERÚ Price Decision No. 5/2012 of 30 November 2012 came into force, determining the prices of regulated services associated with electricity supply. Price Decision No. 5/2013 was issued for 2014 on 27 November 2013 for the price area.

On 1 January 2013 ERÚ Price Decision No. 6/2012 of 30 November 2012 came into force, determining the prices of regulated services associated with the supply of electricity from the low voltage network. Price Decision No. 6/2013 was issued for 2014 on 27 November 2013 for this price area.

HUMAN RESOURCES

The parent company performs the personnel administration and wage calculation. The module used for managing personnel administration is SAP HR.

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.) and 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 6 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.

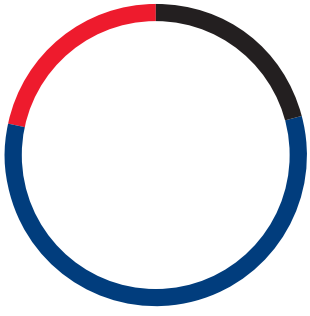
A unified Collective Agreement for the period 2013–2015 was valid within the Company.

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 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. A managerial health programme is provided for senior managers.

The Company's social policy concept is based on the need to motivate employees both morally and in the form of financial contributions, bonuses and other methods of appraisal of their work. This concept is based on a long-standing tradition and continues on from a high-quality social programme established in a valid collective agreement. Employee social care is transformed over time and current economic conditions create the need for such methods and approach to human resource management that provide incentive for forming stabilisation and motivation programmes.

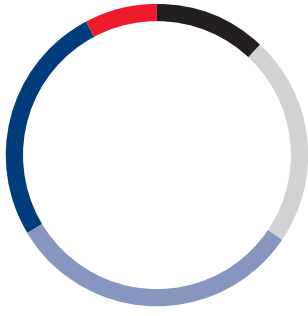
The management of PREdistribuce, a.s., together with the Human Resources Department, continues to appoint to work positions independent technicians working in development and operation management mostly from the ranks of the Czech Technical University and vocational secondary schools graduates specializing in the power industry. The aim of this arrangement is to ensure a smooth transfer of experience and knowledge about distribution networks from employees who will soon reach retirement.

QUALIFICATION STRUCTURE



1	University	21.00%
2	Complete Secondary with Certificate	57.61%
3	Secondary and apprecenticeship	21.39%
4	Elementary	0%

AGE STRUCTURE



1	up to 20 years	0.19%
2	20–30 years	11.95%
3	30–40 years	22.35%
4	40–50 years	32.17%
5	50–60 years	25.63%
6	over 60 years	7.71%

DISTRIBUTION EMERGENCY LINE

Number of enquiries answered by the Distribution Emergency Line

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

Number of e-mails answered by the Distribution Emergency Line

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

WE MAKE A WONDERFUL TEAM

SHE BEGAN AT THE PRE GROUP BY STARTING WORK FOR PRAŽSKÁ ENERGETIKA, A.S. IN 2001 AS A LAWYER IN THE PROPERTY LAW DEPARTMENT. WITH THE INCORPORATION OF PREDISTRIBUCE, A.S. SHE MOVED TO THIS COMPANY TO HANDLE LEGAL ISSUES. THE DEPARTMENT SHE MANAGES PROVIDES LEGAL SUPPORT TO THE COMPANY DEPARTMENTS, ADMINISTRATION ASSOCIATED WITH THE MEETINGS OF THE PREDI BOARD OF DIRECTORS AND ACTIVITIES ASSOCIATED WITH THE POSITION OF THE COMPANY SECURITY DIRECTOR.

Monika Hanzálková,
Head of the Company Executive Office

"I appreciate that my work is not monotonous, on the contrary it is highly diverse. I am surrounded by pleasant people on whom I can rely. We make a wonderful team."

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. 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 investment plan, in segmentation to individual distribution equipment categories, on the one hand dealt with the extended reproduction of network systems based on the available materials 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 the distribution equipment ensuring together with the planned repairs the operating reliability and required level of distribution services expected by the customers of the Capital City of Prague. The level of supply 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 has been penalized as of 1 July 2006, by the obligation of payment for non-observance of the guaranteed standard in accordance with the decree of the ERÚ No. 540/2005 Coll., as amended.

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 the 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.

STRATEGIC INVESTMENTS

Based on the investment plan approved by the shareholders, in 2013 PREdistribuce, a.s. continued with the careful renovation of the existing VHV and HV networks which are concurrently a part of the City´s critical infrastructure. There also continued optimization of HV and LV networks including constant renovation of transformer stations. Maintaining the backbone network and its technical level is the fundamental means of preventing large breakdowns which could result in large territorial supply cuts and may

cause a collapse of power supply to a part of the City, such as shutdown of public transport, massive panic attacks or dissatisfaction of end customers.

In 2013 the biggest strategic constructions were:

- completion of the reconstruction of a standard 110/22 kV substation in TR Lhotka,
- start of the reconstruction of the standard 110/22 kV substation in Třeboradice,
- continuation of the construction of cable duct from future Karlín substation towards Rohanský ostrov in Libeň for leading 22 kV output and also for looping the 110 kV cable of TR Holešovice – TR Střed,
- construction of the cable duct from TR Západ towards Vypich to ensure feeding the new Metro line,
- renovation of 110 kV overhead line from TR Malešice towards TR Běchovice,
- complete renovation of the additional equipment in other five switching stations 22/0.4 kV.

Apart from the main strategic constructions in the 110 kV backbone networks or 110/22 kV substations work continued in 2013 on the reconstruction of distribution stations and HV and LV cable network.

All the constructions were coordinated on time with the planning departments of the City of Prague and respect the urban plan. PREdistribuce, a.s. will be able to continue fulfilling the tasks of renovation so that in physical and accounting terms distribution system equipment reaching the end of its service life is modernised and thereby the high level of reliability and safety of the network is ensured. Likewise, the Company will ensure the reasonable development of all voltage networks according to the requirements of the City's development department and needs of customers.

The main strategic constructions of 2014 with an overlap into 2015 are:

- construction of encapsulated 110/22 kV Karlín substation and provision of output through 22 kV cables for new locations in the area of Rohanský ostrov, part of district Libeň (Švábky) and strengthening the existing part of Karlín,
- construction of outdoor TR Uhříněves for securing the needs of southeastern part of the City where highest number of failues of 22 kV overhead lines has been recorded and at the same time the need to connect new deleloper´s projects increases,
- complete reconstruction of TR Lhotka including the control system,
- renovation of the control system and extension of TR Chodov by four 110 kV fields,
- renovation of outdoor 110/22 kV substation in Třeboradice which PREdistribuce, a.s. bought from Pražská teplárenská, a.s. in 2012,
- renovation of overhead 110 kV lines in the North of Prague from TR Sever up to TR Červený vrch,
- replacement of overhead 110 kV lines between TR Malešice and TR Jih by cable lines,
- implementation of new SCADA dispatching control system.

Except for these activities, in the area of completed automation of the operation of 110/22 kV transformer stations and 22/0.4 kV switching stations, the attention will be namely focused on the continuity of supply carried out with automatic substitutes made possible by state-of-the art control or telemetric (telemechanisation) systems of distribution system stations, especially at important large customers.

PREdistribuce, a.s. is also involved in preparation of network and equipment for gradual deployment of smart grids (the so called Smart Grid) including the inteligent AMM metering. These future trends represent a big challenge for Company employees, especially as regards economic efforts and maximisation of benefits related to energy saving and customer servicing.

OVERVIEW OF INVESTMENT FUNDS ALLOCATIONS IN 2006–2013 (MCZK)

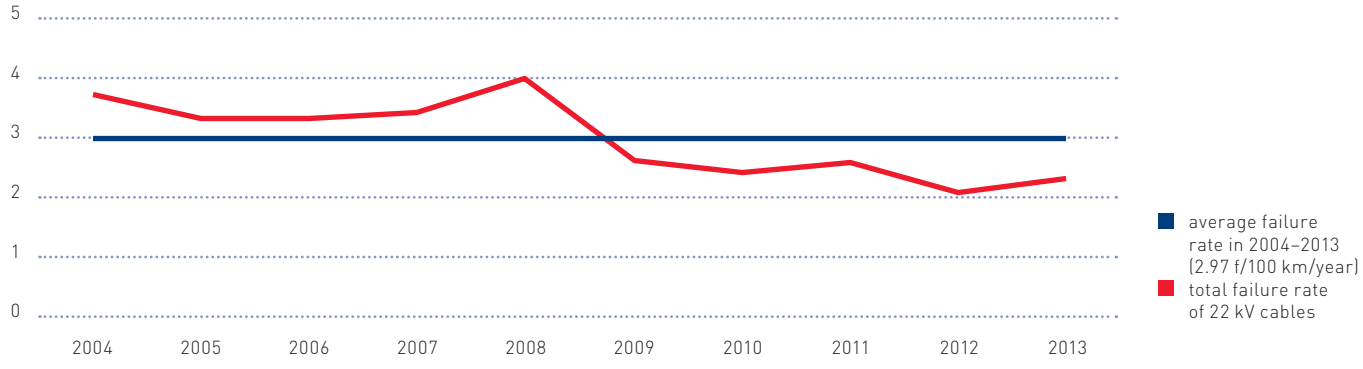
		Distribution equipment			
	Total Investments	VHV	HV	LV	Electric meters
2006	1,282.2	398.2	452.4	271.7	159.9
2007	1,428.0	412.2	665.1	221.8	128.8
2008	1,723.6	851.3	438.9	341.5	91.9
2009 [1]	1,632.2	604.5	636.1	299.7	92.0
2010 [2]	1,652.8	464.3	833.5	268.4	86.7
2011 [3]	1,701.3	493.7	772.4	371.7	63.5
2012 [4]	1,642.1	438.4	785.7	318.9	99.1
2013 [5]	**1,766.8**	**448.5**	**905.2**	**318.1**	**95.0**

Note: [1] Without interest capitalisation 2009 (MCZK 21.281).
[2] Without interest capitalisation 2010 (MCZK 27.009).
[3] Without interest capitalisation 2011 (MCZK 26.334).
[4] Without interest capitalisation 2012 (MCZK 14.691).
[5] Without interest capitalisation 2013 (MCZK 14.309).

OTHER INDICATORS

		2013	2012	2011	2010	2009	2008	2007	2006
Total distribution (procured)	GWh	**6,301.0**	6,278.4	6,310.7	6,450.5	6,339.1	6,372.5	6,172.0	6,085.0
Total number of consumption points	number	**765,008**	759,768	754,593	749,513	744,998	735,779	726,366	713,474
of which: large cutomers	number	**1,992**	1,990	1,970	1,947	1,948	1,929	1,854	1,916
retail-small businesses	number	**131,520**	133,457	134,679	136,275	137,682	136,089	136,320	132,323
retail-households	number	**631,496**	624,321	617,944	611,291	605,368	597,761	588,192	579,235
Average recalculated number of employees	number	**515**	511	507	504	514	515	555	583

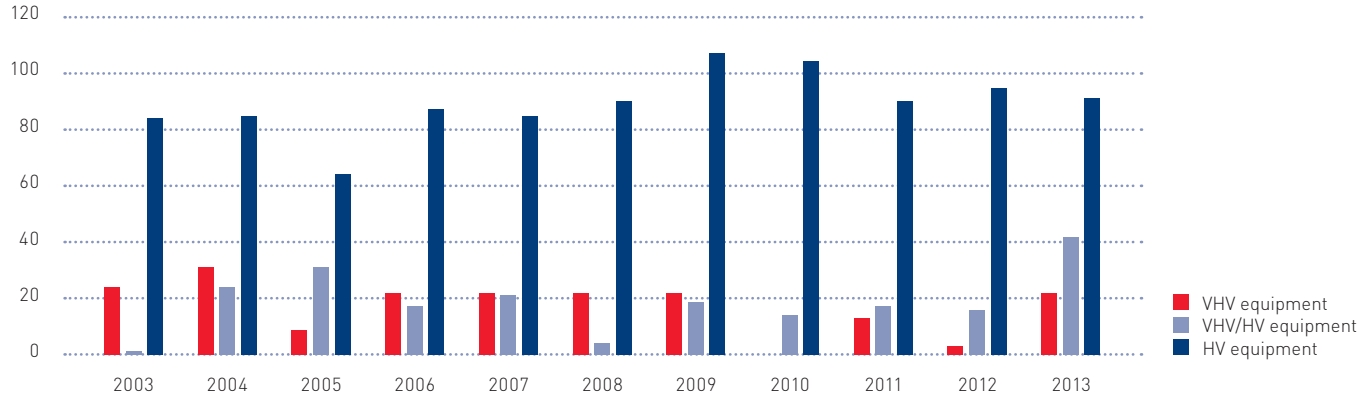
TREND OF 22 kV CABLE FAILURE RATE (FREQUENCY OF FAILURES f/100 km/year)



DEVELOPMENT OF ELECTRICITY DISTRIBUTION 2007–2013 (GWh)

	January	February	March	April	May	June	July	August	September	October	November	December	**Total**
2007	580	515	548	475	476	462	450	459	469	543	590	604	**6,172**
2008	607	552	574	524	489	473	471	470	495	546	570	603	**6,373**
2009	644	564	587	488	485	471	464	465	464	545	554	608	**6,339**
2010	640	565	578	505	501	476	480	472	482	542	563	647	**6,450**
2011	620	565	576	493	499	476	454	475	467	532	570	584	**6,311**
2012	600	599	547	501	481	464	467	477	459	539	556	588	**6,278**
2013	**611**	**541**	**590**	**511**	**487**	**464**	**464**	**470**	**469**	**529**	**566**	**598**	**6,300**

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



ENERGY REGULATION IS A NEW WORK CHALLENGE

THE BASIS OF THE GROUP'S WORK WHICH SHE MANAGES IS THE DRAWING UP OF REPORTS FOR THE COMPANY MANAGEMENT FOCUSING ON ESTIMATED EXPENSES AND REVENUES, INVESTMENT EXPENDITURE AND THE PROCESSING OF STATEMENTS FOR THE ERÚ. PART OF THE GROUP'S WORK IS ALSO THE PREPARATION OF PLANS AND COORDINATION OF ECONOMISTS OF INDIVIDUAL SECTIONS OF THE COMPANY. BESIDES THIS, HER DUTIES INCLUDE THE ANNUAL UPDATE OF THE PREDISTRIBUCE, A.S. INSURANCE CONTRACT.

Martina Ottová,
Head of the Economy,
Regulation and Reporting Group

"The area of energy regulation which is becoming my main job is a new work challenge for me."

FINANCIAL REPORT

The profit of PREdistribuce, a.s. for 2013 of MCZK 1,232.9 compared to the same period of the previous year (MCZK 993) is by 24.2% higher. The growth of the sales margin (year-on-year increase of MCZK 239) was the biggest contributor to this improvement and the main reason is the inclusion of a corrective factor in distribution from 2011 to regulated revenues of 2013.

The operating income increased year-on-year by MCZK 280.7 and reached MCZK 1,570.3, especially due to the influence of production consumption and depreciation. Operating expenses fell year-on-year by MCZK 104 thanks to adopted savings projects. This year MCZK 70 was spent on removing the consequences of damage caused by the June floods. The produced added value also rose (by 12%) to MCZK 3,187.3. Financial profit ended in a loss of MCZK 44.7 due to interest expense from loans.

Among the most important expenses contributing to profit in the year were expenses for transmission and distribution services reaching MCZK 6,052.3. The year-on-year increase (by MCZK 1,152.3) was caused mostly by the statutory aid to combined electricity and heat generation. Expenses for purchased services (within and outside the Group) came to MCZK 1,441.2, while falling by MCZK 106.2 if compared with 2012. Depreciation of long-term intangible and tangible assets contributed MCZK 1,399 to total expenses. Personnel expenses rose by MCZK 11.7 and were MCZK 421.4.

Total revenues included mostly earnings from sales of distribution services (MCZK 10,697.4) and other operating revenues (MCZK 234.3). All told, total revenues increased compared to last year by MCZK 1,400.3, the main share in this increase were earnings from distribution services which rose by MCZK 1,391.4, especially due to the item Renewable Sources and Cogeneration.

The total value of the Company's assets reached MCZK 28,169.9, the biggest part of it is formed by the long-term tangible assets of MCZK 25,642.8 (year-on-year increase MCZK of 395.9) which results above all due to investments made in distribution equipment. Current assets of MCZK 2,506.7 increased year-on-year by MCZK 353.3 especially due to an increase of the item Estimated Accounts Receivables (by MCZK 319.2) caused by an increase in unbilled distribution services. Accruals reached the value of MCZK 9.6.

In terms of liabilities, there was an increase in the value of equity to MCZK 19,409.3 due to a year-on-year profit growth. There was also an increase within equity of the statutory contribution to the reserve fund by MCZK 50. As regards foreign capital the increase in short-term payables was caused by the trade payables increase (by 282.4 CZK) and also by increase in taxes and subsidies to the state (by 113.2 MCZK). In total, short-term payables reached MCZK 1,571.8 which represents a year-on-year increase by 39%. Company resources were secured from 69% of its equity, from 25% of foreign capital and from 6% of other liabilities. Accruals of MCZK 1,817.4 are due particularly to the value of deferred revenues made up of shares of applicants for connection to the distribution system.

The Company reached operating cash flow of MCZK 2,506.5 which was used together with income from investment contributions for investment programme financing (MCZK 1,765.1) and payment of dividends and royalties (MCZK 942.2).

	Unit	2013	2012	2011	2010	Index 2012/ 2013	Calculation formula
Level of liquidity							
Total revenues	MCZK	**10,970.4**	9,570.1	9,416.0	7,984.0	1.15	Total revenues
Sales margin from the distribution sales[2]	MCZK	**4,645.0**	4,406.0	4,446.7	4,119.1	1.05	Sales margin from distribution
Profit after tax	MCZK	**1,232.9**	992.6	1,133.2	910.2	1.24	Profit after tax
Profit after tax without VOD[1]	MCZK	**1,234.6**	992.7	1,126.6	905.3	1.24	Profit after tax – deferred tax
Level of profitability of revenues							
Sales margin from the distribution sales per CZK 1 of revenues	%	**43.4**	47.3	48.8	53.2	0.92	Sales margin from electricity sales/ sales of electricity x 100
Added value per CZK 1 of revenues	%	**29.1**	29.7	31.2	33.6	0.98	Added value/total revenues x 100
Profit before tax per CZK 1 of revenues	%	**13.9**	12.8	15.3	14.2	1.08	Profit/loss from regular activity before tax/total revenues x 100
Profit without VOD[1] after tax per CZK 1 of revenues	%	**11.3**	10.4	12.0	11.3	1.08	Profit after tax/total revenues x 100
Level of liqidity							
Regular liquidity	%	**159.5**	190.6	99.3	124.1	0.84	Short-term assets/short-term payables x 100
Turnover of short-term receivables	Number of turnovers	**4.4**	4.4	3.7	3.1	0.98	Total revenues/status of short-term receivables at the end of the year
Turnover of short-term payables	Number of turnovers	**7.0**	8.5	3.7	3.8	0.82	Total revenues/status of short-term payables at the end of the year
Equity interest in total invested capital	%	**68.9**	69.7	69.8	69.7	0.99	Equity/total invested capital x 100
Equity interest to foreign capital	%	**221.6**	229.8	231.3	230.5	0.96	Equity/total foreign capital x 100
Level of return							
Sales margin from distribution per CZK 1 (long-term + long-term payables) x 100	%	**17.6**	16.9	17.9	16.5	1.04	Sales margin from distribution/ (Equity + long-term payables)
Return on sales – ROS without VOD[1]	%	**11.3**	10.4	12.0	11.3	1.08	Profit after tax/total revenues x 100
Return on total assets – ROA without VOD	%	**4.4**	3.6	4.1	3.3	1.21	Profit after tax/total assets x 100
Return on equity – ROE without VOD[1]	%	**6.4**	5.2	5.9	4.8	1.23	Profit after tax/equity x 100
Turnover of total invested capital	%	**5.6**	4.7	5.4	4.4	1.19	(Profit before tax + expense interest)/ total invested capital x 100
Turnover of total invested capital	Number of turnovers	**0.4**	0.3	0.3	0.3	1.12	Total revenues/total invested capital
Added value labour productivity	TCZK/ employee	**6,189.0**	5,568.3	5,790.0	5,329.8	1.11	Added value/average adjusted number of employees
Total revenues labour productivity	TCZK/ employee	**21,301.8**	18,728.3	18,571.9	15,841.2	1.14	Total revenues/average adjusted number of employees
Average adjusted number of employees	persons	**515**	511	507	504	1.01	Number of persons

Note: [1] Without the impact of deferred tax.
[2] In view of the more faithful picture of gross profit from the sales of distribution services the item "Distribution and System Services Purchase Expenses" has also been reporting since 2011 the electricity purchase expenses for own consumption and coverage of the Company energy losses. The data for 2010 have been revised likewise.

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

The companies of the PRE Group rank among those modern organizations which consider careand responsibility for environmental protection as their priority and therefore aim to constantly improve the conditions for its prostection.

In the framework of environmental protection policy, considerable funds are invested to modernisation of distribution networks technology equipment which are used e.g. for protection of wild birds. In view of reducing risks of possible contamination of surface and groundwater, a continuous replacement of older oil transformers by hermetically sealed or dry transformers (without oil tanks) is carried out.

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 sphere of environmental protection; selected employees are also trained in how to manage dangerous chemical substances and preparations. An instruction presentation for more detailed explanation of the environmental protection is available on the Intranet.

The ISO 14 001 – EMS system has been introduced in the Group and in the Company. A recertification audit which confirmed the rightfulness of using these certificates and extended their validity until 2015, was carried out in both Companies in 2012.

ENVIRONMENTAL PROTECTION POLICY

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

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

SAFETY AND PROTECTION OF HEALTH AT WORK POLICY

The Company is a holder of "Safe Enterprise Award". The objectives of the "Safe Enterprise" programme have become an integral part of safety and protection of health at work policy not only of the parent company, but of the entire PRE Group. In 2013 a recertification audit of the "Safe Enterprise" system was carried out in PRE and PREdi. The programme and its objectives have attracted all employees and helped to improve the approcach to protection of health. Employees healthcare at the PRE Group means not just the fulfilment of legal obligations, but also an important part of the corporate culture.

The award "Safe Enterprise" and the title "Third Level Health Supporting Enterprise" guarantee the professional approach. High level of safety at work is ensured above all by mutual communication between the PRE Group management and employees and by solving even small problems together. Besides occupational medical services, further above-standard health and medical services, sports activities, recreational stays are provided as a part of employees benefits.

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 PRE 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 are observed.

NEW TASKS COME IN EVERY DAY

SHE HAS BEEN WORKING AT PRAŽSKÁ ENERGETIKA, A.S., ITS SUBSIDIARY PREDISTRIBUCE, A.S. RESPECTIVELY, IN THE POSITION OF ASSISTANT TO THE BOARD OF DIRECTORS FOR FIVE YEARS. HER WORK FUNDAMENTALLY INVOLVES ALL ADMINISTRATIVE SUPPORT FOR THE CHAIRMAN AND VICE CHAIRMAN OF THE COMPANY BOARD OF DIRECTORS. SHE PREPARES SUPPORTING DOCUMENTS AND PRESENTATIONS FOR MEETINGS AND CONFERENCES INCLUDING TRANSLATIONS INTO GERMAN, COMPILES MINUTES OF MANAGEMENT MEETINGS AND HANDLES CORRESPONDENCE WITH THE GERMAN PARTNERS. AS A MEMBER OF THE EDITORIAL BOARD SHE CONTRIBUTES TO THE PUBLICATION OF THE CORPORATE MAGAZINE.

Zuzana Zdražilová,
Assistant to the Company Board of Directors

"What I like about my work is its variety. New tasks come in every day and need to be addressed operatively and effectively."

RISK MANAGEMENT SYSTEM IN THE COMPANY

Risk management in PREdistribuce, a.s. is is established as a uniform process based on a methodical framework shared by all PRE Group companies.

The most important body is the Risk Management Committee which discusses in detail the most important risks and determines the risk management strategy as regards the Company's main risk exposure based on the Risk Management Summary Report. The committee continually monitors the overall impact of risks on the Company's economic activities.

The main objective is to increase the Company's value by taking only acceptable risks. Other functions include the function of timely warning and assessment of the efficiency of remedial measures. The focal point of interest is the main monitored risks which, according to the assessment, potentially pose the greatest threat. Constant efforts are made to identify all current risks which are registered in a list of risks.

Monitored risks are projected with regard to their expected level of impact and expected probability in at least three scenarios so their comparability can be ensured.

Identification processes, analyses, measuring, monitoring and reporting of individual risks form the basic components of the risk management system.

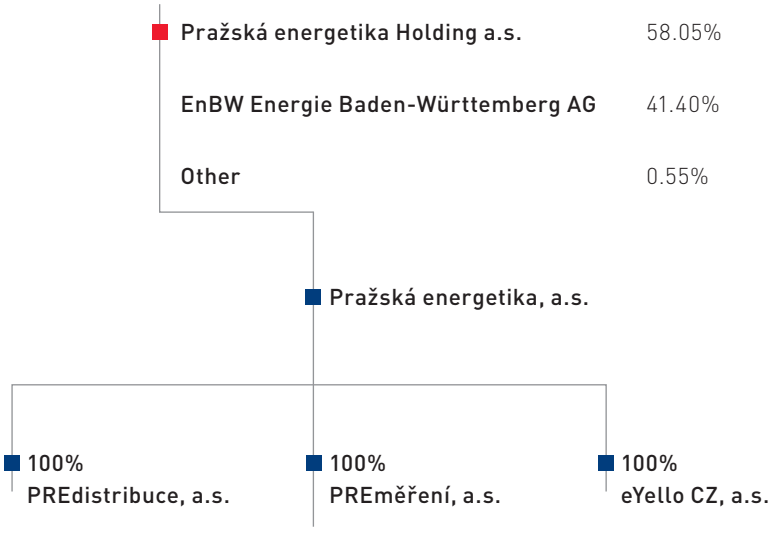
Systematic risk monitoring is performed in credit, legislative-regulatory and operating risk and other risk categories.

Legislative-regulatory risks have the strongest impact on the Company's activity; in the mid-term horizon these risks are particularly connected with possible changes accompanying the fourth regulatory period, in a short-term and mid-term horizon particularly the setup of parameters for WACC calculation.

Operating risks according to their nature are above all subject to decentralised management in specialist departments, only the most significant of them are verified in internal audits.

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

THE PRE GROUP AND COMPANY MANAGEMENT



COMPANY ORGANIZATION CHART

- General Meeting
- Supervisory Board
- Board of Directors
- Management
  - Network Administration
  - Network Management
  - Network Operation
  - Network Assets Management
  - Network Access and Economy

REPORT ON GENERAL MEETINGS HELD DURING THE YEAR

During 2013 four General Meetings were held (in the form of a decision of the parent company as the sole shareholder).

GENERAL MEETING ON 11 APRIL

The agenda of the General meeting was as follows:
- the Report of the Board of Directors on the entrepreneurial activity of the Company in 2012 and the state of its assets and the Report on Relations between the conected persons,
- the Regular Financial Statements for 2012, distribution of profit, remuneration of members of Company bodies and allocations to funds,
- the level and method of paying out dividends and royalties,
- the Auditor´s Report,
- the Report of the Supervisory Board,
- the Report of the Board of Directors on entrepreneurial policy in 2013,
- the remuneration of members of Company bodies,
- the amendment to the Articles of Association,
- the election of members of Company bodies.

GENERAL MEETING ON 27 JUNE

The agenda of the General Meeting was as follows:
- personnel changes in the Board of Directors of the Company and in Supervisory Board:
  - dismissal of Martin Langmajer from the position of Supervisory Board Member,
  - election of Miloš Langr as member of the Board of Directors,
  - resignation of Pavel Klega as member of the Supervisory Board,
  - election of Drahomír Ruta as member of the Supervisory Board.

GENERAL MEETING ON 9 SEPTEMBER

The agenda of the General Meeting was as follows:
- amendment to section 3 of the Articles of Association – extension of line of business.

GENERAL MEETING ON 19 DECEMBER

The agenda of the General Meeting was as follows:
- approval of the contract for performance of the office of executive members of the Board of Directors Milan Hampl and Petr Dražil.

COMPANY LINE OF BUSINESS

The Company 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,
- execution of constructions, their alterations and demolitions[1],
- production, trade and services not stated in Annexes 1 to 3 of the Trade Licensing Act in the fields:
  - repairs and maintenance of household equipment, objects of a cultural nature, fine mechanical products, optical instruments and meters,
  - advisory and consulting activity, processing expert studies and opinions,
  - leasing and renting of movables,
  - preparation and drafting technical designs, graphic and draftsman work,
  - real estate activity, property administration and maintenance,
  - testing, metering, analyses and checks.

Note: [1] The line of business was extended at the General Meeting held on 9 September.

INFORMATION REQUIRED IN ACCORDANCE WITH LEGISLATION IN FORCE

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

Registered office of the organisational unit contributing at least 10% to the Company's turnover.
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´s turnover is less than 10%.

Research and development policy – the Company will state information on research and 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 new products development.

Information about the interuption of business – information about the interruption of business which may have or had a significant effect on the Company financial situation in the current period.
The Company did not interrupt its business in 2013.

Significant change of the Company´s 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 the following chapters of the Annual Report – "Foreword of Chairman of the Board of Director ", "Company Strategy" and "Investments or Strategic Investments".

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

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

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

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 by the Municipal Court in Prague, Section B, File 5433.

The Controlled Person: eYello CZ, a.s.
with registered office: Prague 10, Kubánské náměstí 1391/11, PCN 100 00, ID No.: 25054040, entered in the Commercial Register kept by 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 PREdistribuce, a.s. and the Controlling Person Pražská energetika, a.s.

"Contract on Provision of Services" No. P200006/01 – in force as of 1.1.2006 for indefinite period
- Amendment No. 1 – in force as of 28.12.2006
- Amendment No. 2 – in force as of 31.12.2007
- Amendment No. 3 – in force as of 31.12.2008
- Amendment No. 4 – in force as of 1.4.2009
- Amendment No. 5 – in force as of 15.12.2009
- Amendment No. 6 – in force as of 21.12.2010
- Amendment No. 7 – in force as of 21.6.2011
- Amendment No. 8 – in force as of 23.12.2011
- Amendment No. 9 – in force as of 19.12.2012

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

"Lease Contract" No. PS20000007/004 – in force as of 1.1.2007 for indefinite period
Amendment No. 1 – in force as of 1.1.2008
Amendment No. 2 – in force as of 1.3.2009
Amendment No. 3 – in force as of 1.2.2012
"Lease Contract" No. P200006/05 – in force as of 1.1.2006 for indefinite period
Amendment No. 1 – in force as of 1.9.2006
Amendment No. 2 – in force as of 1.3.2008
Amendment No. 3 – in force as of 1.4.2011
"Lease Contract" No. P200006/06 – in force as of 1.1.2006 for indefinite period
Amendment No. 1 – in force as of 1.9.2006
Amendment No. 2 – in force as of 1.4.2007
Amendment No. 3 – in force as of 31.12.2007
"Contract on 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
Amendment No. 4 – in force as of 1.4.2011
"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
Amendment No. 4 – in force as of 1.2.2011
"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 Customers´ Consumption Points of the Trader with Electricity" No. PS20000011/011 – in force as of 1.1.2011 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 Telecommunications Equipment" No. P200006/27 – in force as of 2.5.2006 for indefinite period
"Licence Contract" No. PS20000011/029 – in force as of 3.1.2011 for indefinite period
"Lease Contract" No. NO21106/015 – in force as of 2.1.2006 for indefinite period
Amendment No. 1 – in force as of 31.12.2008
Amendment No. 2 – in force as of 9.12.2009
Amendment No. 3 – in force as of 6.12.2011
Amendment No. 4 – in force as of 1.7.2013

"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
Amendment No. 2 – in force as of 1.1.2011
Amendment No. 3 – in force as of 29.12.2011
Amendment No. 4 – in force as of 21.11.2013
"Contract for Work Administration, Operation and Maintenance of Optical Networks" No. PS21000111/079 – in force as of 1.7.2011 for indefinite period
"Contract for Work" No. PS23310209/012 – in force as of 1.1.2009 for indefinite period
"Lease Contract" No. PG3530/07/2008/22 – in force as of 1.8.2008 for indefinite period
Amendment No. 1 – in force as of 1.1.2009
"Lease Contract" No. NO21109/001 – in force from 1.3.2009 to 31.12.2015
"Lease Contract" No. NO21109/006 – in force as of 1.4.2009 for indefinite period
"Contract on Creation of Easement" No. VV/G33/03236/07/3065 – in force as of 22.1.2007 for indefinite period
"Contract on Creation of Easement" No. VV/G33/03502/07/4849 – in force as of 22.1.2007 for indefinite period
"Contract on Creation of Easement" No. VV/G33/03665/07/4394 – in force as of 16.11.2007 for indefinite period
"Contract on Creation of Easement" No. VV/G33/03938/08/5562 – in force as of 31.3.2008 for indefinite period
"Contract on Creation of Easement" No. VV/G33/04067/07/6065 – in force as of 9.11.2007 for indefinite period
"Contract on Creation of Easement" No. VV/G33/04295/08 – in force as of 4.2.2008 for indefinite period
"Contract on Creation of Easement" No. VV/G33/04449/08/5877 – in force as of 10.10.2008 for indefinite period
"Contract on Creation of Easement" No. VV/G33/04457/08 – in force from 31.3.2008 to 2.4.2048
"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
"Agreement on Future Contract on Creation of Easement" No. VB/S24/1010230 – in force as of 23.11.2010
"Agreement on Future Contract on Creation of Easement" No. VB/S24/1320548 – in force as of 8.3.2013
"Contract on Creation of Easement" No. VV/G33/06487/1006936 – in force as of 21.5.2010 for indefinite period
"Contract on Creation of Easement" No. VV/G33/07210/1110903 – in force as of 12.5.2011 for indefinite period
"Contract on Creation of Easement" No. VV/G33/08100/1215718 – in force as of 6.6.2012 for indefinite period
"Contract on Creation of Easement" No. VV/G33/08212/1216021 – in force as of 20.4.2012 for indefinite period
"Contract on Creation of Easement" No. VV/G33/09086/1321312 – in force as of 13.5.2013 for indefinite period
"Lease Contract" No. NO21111/011 – in force as of 1.4.2011 for indefinite period
"Contract on Sublease of Distribution System" No. N21112/012 – in force from 1.2.2012 to 31.12.2013
"Lease Contract" No. NO21112/016 – in force from 1.11.2012 to 30.6.2013
"Lease Contract" No. NO21112/017 – in force from 1.12.2012 to 31.3.2013
"Lease Contract" No. NVS24/1321673 – in force as of 1.5.2013 to 30.11.2013
"Contract on Loan No. 1/2011" No. PS20000011/028 – in force from 28.11.2011 to 30.11.2014
Amendment No. 1 – in force as of 29.11.2011
Amendment No. 2 – in force as of 29.11.2012
"Contract on Loan No. 1/2012" No. PS20000012/032 – in force from 28.6.2012 to 29.6.2015
Amendment No. 1 – in force as of 29.6.2012
"General Contract on Service Provision of GPRS Module Installation" No. PS20000013/033 – in force as of 25.10.2013 for indefinite period

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

PREměření, a.s.

"Contract on Provision of Services" No. S252007/002, C00270/07 – in force as of 1.1.2007 for indefinite period
Amendment No. 1 – in force as of 1.1.2008
Amendment No. 2 – in force as of 1.1.2009
Amendment No. 3 – in force as of 1.1.2010
Amendment No. 4 – in force as of 1.1.2011
Amendment No. 5 – in force as of 1.7.2011
Amendment No. 6 – in force as of 1.1.2012
Amendment No. 7 – in force as of 1.1.2013
Amendment No. 8 – in force as of 1.6.2013
"Contract on 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, C00418/10 – in force from 1.4.2010 to 31.12.2030
"Contract on Lease of Land" No. NO21110/004, C00438/10 – in force from 1.9.2010 to 31.12.2030
"Contract on Lease of Land" No. N21110/039, C00436/10 – in force from 1.10.2010 to 31.12.2035
Amendment No. 1 – in force as of 9.12.2010
"Contract on Lease of a Part of Property" No. NO21110/005, C00439/10 – in force from 1.10.2010 to 31.12.2035
Amendment No. 1 – in force as of 9.12.2010
"Contract on Delivery of Metering Equipment" No. KV/S21/1322449, 6143 – in force as of 10.1.2013 to 31.12.2013
"Contract on Connection to the Distribution System on LV Level" No. 6149169/2010 (C00422/10) (FVE Jinonice) – in force as of 26.5.2010 for indefinite period
"Contract on Connection to the Distribution System on LV Level" No. 6168552/2010 (C00442/10) (FVE Lhotka) – in force as of 4.8.2010 for indefinite period
"Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment" No. PS20200011/003, C00478/11 – in force from 13.4.2011 to 28.2.2013
"Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment" No. PS20200012/003, C00564/12 – in force from 2.3.2012 to 28.2.2013
"Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment" No. PS20200012/002, C00571/12 – in force from 10.4.2012 to 28.2.2013
"Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment" No. PS20200012/005, C00619/13 – in force from 20.6.2011 to 28.2.2013
"Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment" No. PS20200012/004, C00620/13 – in force from 1.2.2011 to 28.2.2013
"Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment" No. PS20200013/002, C00632/13 – in force from 1.3.2013 to 3.12.2015

"Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment" No. PS20200013/003, C00628/13 – in force from 1.3.2013 to 16.4.2014
"Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment" No. PS20200013/004, C00623/13 – in force from 18.2.2013 to 28.2.2016
"Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment" No. PS20200013/005, C00629/13 – in force from 1.3.2013 to 28.2.2016
"Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment" No. PS20200013/006, C00630/13 – in force from 1.3.2013 to 28.2.2016
"Contract on Cooperation to perform work on unmetered parts of electricity consumption equipment" No. PS20200013/007, C00631/13 – in force from 1.3.2013 to 28.2.2016
"Agreement on Personal Data Processing" No. PS20000013/038, C00627/13 – in force from 1.3.2013 until the effective date of the contracts on cooperation

eYello CZ, a.s.

Leasing Contracts No. 0300005 to 0300014 – in force as of 1.2.2003
Leasing Contract No. 0400006 – in force as of 1.2.2004
Leasing Contracts No. 0500001 to 0500003 – in force as of 1.2.2005

III. Commentary of the Statutory Body

Further to Section 66a (9) of the Commercial Code the abovementioned contracts were concluded or were already in force for the last accounting period between Pražská energetika, a.s., as the controlling person, and REdistribuce, a.s., as the controlled person, and also between PREdistribuce, a.s., as the controlled connected person and the controlled and connected persons, the companies PREměření, a. s. and eYello CZ, 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 stated companies for compensation of loss of assets and no such loss had to be compensated by the end of 2013 to the companies Pražská energetika, a.s., PREměření, a.s. and eYello CZ, 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, 28 February 2014

Milan Hampl
Chairman of the Board of Directors

Petr Dražil
Vice Chairman of the Board of Directors

SUPERVISORY BOARD REPORT

In 2013 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 2013 the Supervisory Board met four times.

The Supervisory Board at its meetings continuously became acquainted with the Company's economic results including the organisational and personnel matters. The Supervisory Board was also during the meetings informed about the fulfilment of the investment plan and approved proposals of investment projects presented by the Company's Board of Directors.

The Supervisory Board discussed and analysed the regular financial statements for the year 2012 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 for 2012.

Thereafter the Supervisory Board also approved:
— explicit tasks of the Company's Director for 2013,
— assessment of tasks stipulated by the Company's Director for 2012,
— text of the Annual Report for 2012.

At its meetings held in 2014, the Supervisory Board discussed and analyzed the Report on Relations between the Controlling and the Controlled Person and on the Relations between the Controlled Person and other Persons controlled by the same Controlling Person in accordance with § 66a (9) of the Commercial Code for 2013, the Regular Financial Statements for 2013 and became acquainted with the auditor's report to the Regular Financial Statements; it approved the text of the Annual Report for 2013, explicit tasks of the Company's Director for 2014 and assessment of tasks stipulated by the Company's Director for 2013.

The Supervisory Board states that the Company's economic results in 2013 were very good and expresses its thanks to the members of the Company's Board of Directors and employees.

In Prague, 24 April 2014

Pavel Elis
Chairman of the Supervisory Board

INDEPENDENT AUDITOR'S REPORT

To the Shareholders PREdistribuce, a.s.

Having its registered office at: Svornosti 3199/19a, 150 00 Praha 5
Identification number: 273 76 516

Report on the Financial Statements

Based upon our audit, we issued the following audit report dated 25 February 2014 on the financial statements which are included in this annual report on pages 58 to 75:

"We have audited the accompanying financial statements of PREdistribuce, a.s., which comprise the balance sheet as at 31 December 2013, 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 2013, 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 2013 which is included in this annual report on pages 50 to 54. 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 2013 contains material factual misstatements.

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

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

Report on the Annual Report

We have also audited the annual report of the Company as of 31 December 2013 for consistency with the financial statements referred to above. This annual report is the responsibility of the Company's Statutory Body. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

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

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

In Prague on 30 May 2014

Audit firm:

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

Statutory auditor:

Václav Loubek
certificate no. 2037

SEPARATE FINANCIAL STATEMENTS IN FULL VERSION

AS AT 31 DECEMBER 2013

Income Statement (CZK thousand)

Line	Text	Note	2013	2012
I. 1.	Sales of distribution services in the Group		**7,700,287**	6,872,679
I. 2.	Sales of distribution services outside the Group		**2,997,136**	2,433,296
A.	Costs of distribution and system services		**(6,052,255)**	(4,899,985)
+	**Gross margin**	**(1)**	**4,645,168**	**4,405,990**
II.	Income from other services	(1)	**33,580**	34,881
B.	Purchased consumables and services	(3)	**(1,491,412)**	(1,595,452)
B. 1.	Consumed material and energy		**(50,186)**	(48,067)
B. 2.	Purchased services		**(1,441,226)**	(1,547,385)
+	**Added value**		**3,187,336**	**2,845,419**
C.	Staff costs	(2)	**(421,420)**	(409,758)
C. 1.	Payroll costs		**(283,868)**	(277,741)
C. 2.	Remuneration to members of statutory bodies		**(3,212)**	(3,141)
C. 3.	Social security and health instance costs		**(101,479)**	(97,775)
C. 4.	Social costs		**(32,861)**	(31,101)
D.	Taxes and fees		**(7,135)**	(14,547)
E.	Depreciation of tangible and intangible fixed assets	(6, 7)	**(1,398,977)**	(1,325,920)
III.	Sales of fixed assets and material		**5,085**	6,780
III. 1.	Sales of fixed assets		**2,517**	6,762
III. 2.	Sales of material		**2,568**	18
F.	Net book value of sold fixed assets		**(3,420)**	(18,010)
G.	Change in reserves and provisions		**1,057**	5,013
IV.	Other operating income	(1)	**234,294**	222,502
H.	Other operating expenses		**(26,487)**	(21,855)
*****	**Operating profit or loss**		**1,570,333**	**1,289,624**
N.	Interest expenses	(4)	**(44,528)**	(59,732)
XI.	Other financial income		**32**	7
O.	Other financial expenses		**(242)**	(213)
*****	**Financial profit or loss**		**(44,738)**	**(59,938)**
Q.	Income tax on ordinary activities	(5)	**(292,709)**	(237,092)
Q. 1.	– payable		**(290,962)**	(236,984)
Q. 2.	– deferred		**(1,747)**	(108)
******	**Profit or loss on ordinary activities**		**1,232,886**	**992,594**
********	**Profit or loss for the current period**		**1,232,886**	**992,594**

Balance Sheet (CZK thousand)

				2013		2012
Line.	Text	Note	Gross	Adjustment	Net	Net
	TOTAL ASSETS		**50,064,447**	**(21,894,565)**	**28,169,882**	**27,437,333**
B.	**Fixed assets**		**47,525,347**	**(21,871,790)**	**25,653,557**	**25,281,023**
B. I.	Intangible fixed assets	(7)	26,997	(16,377)	**10,620**	33,963
B. I. 2.	Research and development		24,821	(16,295)	**8,526**	13,380
3.	Software		82	(82)	**-**	-
7.	Intangible fixed assets under construction		2,094	-	**2,094**	20,583
B. II.	Tangible fixed assets	(6)	47,498,250	(21,855,413)	**25,642,837**	25,246,960
B. II. 1.	Land		566,901	-	**566,901**	564,062
2a.	Cable and external wiring		19,975,987	(7,905,810)	**12,070,177**	11,928,020
2b.	Power structures		13,647,033	(6,915,592)	**6,731,441**	6,729,566
3a.	Transformer station and switching station technologies		8,672,285	(4,289,239)	**4,383,046**	4,425,002
3b.	Logistics and management equipment/technology		1,704,285	(1,250,777)	**453,508**	400,640
3c.	Other fixtures and equipment		280,813	(173,708)	**107,105**	106,247
6.	Other tangible fixed assets – electricity meters in the network		1,946,243	(1,320,287)	**625,956**	665,596
7b.	Other tangible fixed assets under construction		658,748	-	**658,748**	383,208
8.	Pre-payments made for tangible fixed assets		45,955	-	**45,955**	44,619
B. III.	Non-current financial assets		100	-	**100**	100
C.	**Current assets**		**2,529,525**	**(22,775)**	**2,506,750**	**2,153,421**
C. II.	Long-term receivables		32	-	**32**	32
C. II. 1.	Trade receivables		18	-	**18**	18
5.	Long-term pre-payments made		14	-	**14**	14
C. III.	Short-term receivables		2,529,146	(22,775)	**2,506,371**	2,151,648
C. III. 1.	Trade receivables	(8)	138,193	(22,775)	**115,418**	91,975
2.	Receivables – controlling entity	(16)	46,880	-	**46,880**	21,686
6.	State – tax receivables		-	-	**-**	12,790
7.	Short-term pre-payments made		1,494	-	**1,494**	1,599
8.	Estimated receivables	(16)	2,341,721	-	**2,341,721**	2,022,511
9.	Other receivables		858	-	**858**	1,087
C. IV.	Cash on hand		347	-	**347**	1,741
D. I.	Deferred expenses and accrued income		9,575	-	**9,575**	2,889
D. I. 1.	Deferred expenses		9,575	-	**9,575**	2,889

Line.	Text	Note.	2013	2012
	TOTAL LIABILITIES		**28,169,882**	**27,437,333**
A.	**Equity**	**(9)**	**19,409,289**	**19,118,603**
A. I.	Share capital		**17,707,934**	17,707,934
A. III	Statutory reserve fund		**468,000**	418,000
A. IV.	Accumulated profits/losses brought forward		**469**	75
A. V.	Profit or loss for the current period		**1,232,886**	992,594
B.	**Liabilities**		**6,943,181**	**6,493,088**
B. I.	Other reserves	(10)	**215,173**	216,528
B. II.	Long-term payables		**5,156,250**	5,146,927
B. II. 2.	Payables – controlling entity	(16)	**2,200,000**	2,200,000
9.	Other payables		**7,577**	-
10.	Deferred tax liability	(11)	**2,948,673**	2,946,927
B. III.	Short-term payables		**1,571,758**	1,129,633
B. III. 1.	Trade payables	(12)	**541,228**	258,788
2.	Payables – controlling entity	(16)	**784,172**	765,229
5.	Payables to employees		**15,810**	15,924
6.	Social security and health instance payables	(5)	**9,346**	9,778
7.	State – tax payables and subsidies	(5)	**120,565**	7,374
8.	Short-term pre-payments received		**99,717**	71,620
9.	Estimated payables		**920**	920
C. I.	Accrued expenses and deferred income		**1,817,412**	1,825,642
C. I. 1.	Accrued expenses		**17,336**	25,251
2.	Deferred income	(13)	**1,800,076**	1,800,391

Cash Flow Statement (CZK thousand)

	Note	2013	2012
Opening balance of cash and cash equivalents		**1,741**	183,710
Operating activity			
Sales of distribution services		**10,321,829**	9,285,261
Electricity consumption for network loss		**(575,045)**	(587,381)
Expenses for purchases of transit and system services		**(5,179,924)**	(4,286,826)
Net sales of distribution services	**(1)**	**4,566,860**	**4,411,054**
Expenses in the Group	(16)	**(981,225)**	(1,046,004)
Other operating income	(1)	**55,351**	44,630
Operating expenses	(3)	**(454,565)**	(545,880)
Short-term changes in working capital		**25,172**	57,592
Staff costs	(2)	**(410,166)**	(397,241)
Direct taxes	(5)	**(246,246)**	(331,907)
Financial income and expenses	(4)	**(48,710)**	(58,186)
Net cash flow from operating activity		**2,506,471**	**2,134,059**
Investment activity			
Income from the sale of fixed assets		**2,846**	34,754
Expenses related to the acquisition of fixed assets	(6,7)	**(1,767,927)**	(1,841,068)
Income from investment contributions	(13)	**187,393**	183,131
Net cash flow from investment activity		**(1,577,688)**	**(1,623,184)**
Financial activity			
Dividends and director's fees paid		**(942,200)**	(1,076,200)
Cash pooling in the Group		**12,023**	(16,644)
Loans in the Group	(16)	**-**	400,000
Net cash flow from financial activity		**(930,177)**	**(692,844)**
Change in cash and cash equivalents		**(1,394)**	(181,969)
Closing balance of cash and cash equivalents		**347**	**1,741**

Notes to the Financial Statements – for the year ended 31.12.2013

General Information

Incorporation 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 located at Svornosti 3199/19a, Prague 5, 150 00, Corporate ID: 27376516.

The Company's principal activities include the distribution of electricity in the region of the City of Prague and Roztoky u Prahy, covering an area of 505 km^2, 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 2013

Board of Directors	
Milan Hampl	Chairman of the Board of Directors and CEO
Petr Dražil	Vice-chairman of the Board of Directors and Head of the Network Administration Section
Christian Franz-Josef Schorn	Member of the Board of Directors, EnBW AG, Germany
Miloš Langr	Member of the Board of Directors

Supervisory Board	
Pavel Elis	Chairman of the Supervisory Board, Chairman of the Board of Directors and CEO of PRE
Hermann Lűschen	Vice-chairman of the Supervisory Board, Germany
Alexander Manfred Sloboda	Member of the Supervisory Board, Vice-chairman of the Board of Directors and Sales Director of PRE
Karel Urban	Member of the Supervisory Board, employee of the Company
Radek Hanuš	Member of the Supervisory Board, employee of the Company
Drahomír Ruta	Member of the Supervisory Board

The sole shareholder of the Company is Pražská energetika, a.s.

Organisational Structure of the Company

The following five sections report directly to the Company's CEO:

- Network administration
- Network management
- Network operations
- Network assets management
- Network access and economy

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 and assets that were used by other entities before the acquisition by the Company are valued based on an expert appraisal. As of the acquisition date of these assets, the Company recognises the acquisition cost and wear and tear resulting from the use of the acquired assets by prior entities.

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.

Technical 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	15, 25, 30
Working machines and equipment	10, 12 and 20
Telecommunication equipment	4, 15
Machinery and special technology equipment, communication cables	10
Electricity meters	10, 12 and 16
Furniture and fixtures	6, 8
Hardware, software	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. 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 accrued and expensed. Assets acquired after the termination of the lease are 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.

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

Significant Accounting Estimates
The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.
The Company considers the determination of the unbilled distribution of electricity the key area which is subject to the use of estimates. The increase in unbilled distribution is determined using the balance sheet approach as equal to the difference between the aggregate electricity input and output including losses and actual consumption for the relevant period. The total closing level is additionally reviewed by making a control calculation in the customer system.

Contents of the Notes to the Financial Statements

1. Revenues
2. Staff Costs
3. Costs of Purchase of Material, Services and Utilities
4. Interest Expenses
5. Income Tax
6. Tangible Fixed Assets
7. Intangible Fixed Assets
8. Trade Receivables
9. Equity
10. Reserves
11. Deferred Tax Liability
12. Trade Payables
13. Temporary Liabilities
14. Assets Held under Leases
15. Related Parties
16. Group Relationships
17. Significant Post Balance Sheet Events

(1) Revenues (CZK thousand)

Revenues and expenses relating to the supply of distribution services	**2013**	2012
Sale of distribution and system services B2B	**4,258,326**	3,660,339
Sale of distribution and system services B2C (including low-voltage B2B)	**6,384,274**	5,602,386
Other income	**54,823**	43,250
Total income	**10,697,423**	**9,305,975**
Costs of the purchase of distribution and system services	**(6,052,255)**	(4,899,985)
Gross profit from the sale of distribution services	**4,645,168**	**4,405,990**

Other income	**2013**	2012
Income from services rendered in the Group	**20,668**	19,369
Income from services rendered outside the Group	**12,912**	15,512
of which: Servicing and assembly	**4,917**	9,660
Leases	**4,223**	4,200
Total	**33,580**	**34,881**

Other operating income	**2013**	2012
Clearance of connection fees	**188,460**	179,102
Compensation for unauthorised consumption	**24,887**	27,329
Sundry	**20,947**	16,071
Total	**234,294**	**222,502**

(2) Staff Costs (CZK thousand)

	2013	2012
	Staff including management	Staff including management
Average headcount	**515**	511
Payroll costs	**259,906**	251,071
Salaries paid depending on the Company's performance	**23,961**	26,670
Insurance	**101,479**	97,775
Remuneration of the members of the Company's bodies	**3,213**	3,141
Other social costs (according to the collective agreement) *)	**32,861**	31,101
Total	**421,420**	**409,758**

*) Primarily costs of severance payments and employee benefits defined by the Collective Agreement, specifically catering contributions, bonuses paid to employees in relation to work or life anniversaries, retirement and contributions to additional pension insurance.

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

	2013	2012
Services of the parent company	**629,779**	685,015
Lease of technologies and technology units	**24,492**	35,692
Lease of non-residential premises	**71,862**	71,830
Lease of cars	**21,370**	21,133
Assembly work and reading of meters	**222,304**	214,162
Sundry	**11,736**	12,810
Costs of purchase of material, services and utilities in the Group	**981,543**	**1,040,642**
Material and consumed utilities	**45,206**	42,765
Repairs of fixed assets	**257,497**	308,727
Lease of cable tunnels	**96,486**	93,470
Lease of non-residential premises	**34,817**	37,559
Sundry	**75,863**	72,289
Costs of purchase of material, services and utilities outside the Group	**509,869**	**554,810**
Total	**1,491,412**	**1,595,452**

(4) Interest Expenses (CZK thousand)

	2013	2012
Interest expenses: from cash pooling	(4,930)	(7,666)
from loans in the Group	(52,156)	(65,136)
from employee benefits *	(1,748)	(1,621)
from capitalised interest	14,309	14,691
other	(3)	-
Total (net)	**(44,528)**	**(59,732)**

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

(5) Income Tax (CZK thousand)

Efektivní daňová sazba	2013		2012	
Profit or loss for the period	1,232,886		992,594	
Income tax from ordinary activity	292,709		237,092	
Income tax from extraordinary activity	-		-	
Profit before tax	**1,525,595**		**1,229,686**	
Income tax using the applicable income tax rate	289,863	19.00%	233,640	19.00%
Impact of items that are never tax-deductible	1,984	0.13%	3,268	0.27%
Corrections of estimates of prior years' taxes	862	0.06%	184	0.01%
Total income tax/effective tax rate	**292,709**	**19.19%**	**237,092**	**19.28%**

Payables to the State	2013	2012
Payables arising from social security and health insurance contributions	9,346	9,778
State – tax payables *)	120,565	7,374

*) Includes primarily corporate income tax and VAT in 2013 and personal income tax and VAT in 2012.

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

(6) 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 2011	**474.2**	**21,254.0**	**18,947.8**	**1,620.1**	**1,917.3**	**240.8**	**413.3**	**44,867.5**
Additions	90.3	558.1	562.6	102.9	67.9	11.9	263.2	1,656.9
Disposals	(0.8)	(89.2)	(107.6)	(57.6)	(87.1)	(2.7)	(1.2)	(346.2)
Reclassification	0.4	120.5	77.8	13.2	22.7	16.2	(247.5)	3.3
Balance at 31 Dec 2012	**564.1**	**21,843.4**	**19,480.6**	**1,678.6**	**1,920.8**	**266.2**	**427.8**	**46,181.5**
Accumulated depreciation								
Balance at 31 Dec 2011	**-**	**(10,154.0)**	**(7,185.8)**	**(1,250.8)**	**(1,198.7)**	**(148.2)**	**-**	**(19,937.5)**
Depreciation	-	(613.0)	(468.6)	(83.7)	(143.5)	(14.3)	-	(1,323.1)
Accumulated depreciation on disposals	-	78.2	101.8	56.5	87.0	2.6	-	326.1
Reclassification	-	-	-	-	-	-	-	-
Balance at 31 Dec 2012	**-**	**(10,688.8)**	**(7,552.6)**	**(1,278.0)**	**(1,255.2)**	**(159.9)**	**-**	**(20,934.5)**
Net book value at 31 Dec 2011	474.2	11,100.0	11,762.0	369.3	718.6	92.6	413.3	24,930.0
Net book value at 31 Dec 2012	**564.1**	**11,154.6**	**11,928.0**	**400.6**	**665.6**	**106.3**	**427.8**	**25,247.0**

	Land	Power structures	Cables and external wiring	Telecommunication and information technologies	Electricity meters	Other	Assets under construction	Total
Cost								
Balance at 31 Dec 2012	**564.1**	**21,843.4**	**19,480.6**	**1,678.6**	**1,920.8**	**266.2**	**427.8**	**46,181.5**
Additions	3.0	528.7	590.4	125.6	70.3	19.4	441.9	1,779.4
Disposals	(0.2)	(124.4)	(152.8)	(117.5)	(76.5)	(10.5)	(0.6)	(482.7)
Reclassification	-	71.6	57.8	17.5	31.7	5.7	(164.4)	20.0
Balance at 31 Dec 2013	**566.9**	**22,319.3**	**19,976.0**	**1,704.2**	**1,946.3**	**280.8**	**704.7**	**47,498.2**
Accumulated depreciation								
Balance at 31 Dec 2012	**-**	**(10,688.8)**	**(7,552.6)**	**(1,278.0)**	**(1,255.2)**	**(159.9)**	**-**	**(20,934.5)**
Depreciation	-	(637.8)	(506.1)	(90.3)	(141.0)	(18.7)	-	(1,393.8)
Provisions	-	0.6	-	-	-	-	-	0.6
Accumulated depreciation on disposals	-	121.2	152.8	117.5	75.9	4.9	-	472.3
Reclassification	-	-	-	-	-	-	-	-
Balance at 31 Dec 2013	**-**	**(11,204.8)**	**(7,905.9)**	**(1,250.8)**	**(1,320.3)**	**(173.7)**	**-**	**(21,855.4)**
Net book value at 31 Dec 2012	564.1	11,154.6	11,928.0	400.6	665.6	106.3	427.8	25,247.0
Net book value at 31 Dec 2013	**566.9**	**11,114.5**	**12,070.1**	**453.4**	**626.0**	**107.1**	**704.7**	**25,642.8**

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

(7) Intangible Fixed Assets (CZK mil.)

	Software	Other	Intangible fixed assets under construction	Total
Cost				
Balance at 31 Dec 2011	**0.1**	**13.3**	**35.2**	**48.6**
Additions	-	-		-
Disposals	-	-	-	-
Reclassification	-	11.3	(14.6)	(3.3)
Balance at 31 Dec 2012	**0.1**	**24.6**	**20.6**	**45.3**
Accumulated amortisation				
Balance at 31 Dec 2011	**(0.1)**	**(8.4)**	**-**	**(8.5)**
Amortisation	-	(2.8)	-	(2.8)
Accumulated amortisation on disposals	-	-	-	-
Reclassification	-	-	-	-
Balance at 31 Dec 2012	**(0.1)**	**(11.2)**	**-**	**(11.3)**
Net book value at 31 Dec 2011	-	4.9	35.2	40.1
Net book value at 31 Dec 2012	**-**	**13.4**	**20.6**	**34.0**

	Software	Other	Intangible fixed assets under construction	Total
Cost				
Balance at 31 Dec 2012	**0.1**	**24.6**	**20.6**	**45.3**
Additions	-	-	1.7	1.7
Disposals	-	-	-	-
Reclassification *	-	0.2	(20.2)	(20.0)
Balance at 31 Dec 2013	**0.1**	**24,8**	**2.1**	**27.0**
Accumulated amortisation				
Balance at 31 Dec 2012	**(0.1)**	**(11.2)**	**-**	**(11.3)**
Amortisation	-	(5.1)	-	(5.1)
Accumulated amortisation on disposals	-	-	-	-
Reclassification	-	-	-	-
Balance at 31 Dec 2013	**(0.1)**	**(16.3)**	**-**	**(16.4)**
Net book value at 31 Dec 2012	-	13.4	20.6	34.0
Net book value at 31 Dec 2013	**-**	**8.5**	**2.1**	**10.6**

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

Low-Value Fixed Assets

In line with the accounting policies (refer to Accounting Policies), low-value fixed assets are expensed upon acquisition. The acquisition cost of low-value tangible assets with the acquisition cost up to CZK 40 thousand that were in use as of the balance sheet date amounts to CZK 79,071 thousand (2012: CZK 78,484 thousand). The Company holds no low-value intangible fixed assets.

(8) Trade Receivables (CZK thousand)

As of 31 December 2013, past-due trade receivables amounted to CZK 52,814 thousand on a gross basis (2012: CZK 45,620 thousand), of which receivables that were past due by six months amounted to CZK 27,349 thousand (2012: CZK 23,336 thousand), receivables that were past due from six to twelve months amounted to CZK 6,029 thousand (2012: CZK 7,607 thousand), and receivables past due by more than twelve months amounted to CZK 19,436 thousand (2012: CZK 14,677 thousand).

(9) Equity (CZK thousand)

Registered Share Capital and Types of Shares as of 31 December 2013

The Company's share capital comprises 21,549 registered shares in the certificate form (2012: 21,549 shares) with the nominal value of CZK 821,752 (2012: 821,752).

Distribution of Profit

The General Meeting will decide on the distribution of profit in the amount of CZK 1,232,886 thousand (2012: CZK 992,594 thousand).

Statement of Changes in Equity

	Share capital	Reserve fund	Profit or loss	Retained earnings	Total equity
Balance at 31 Dec 2011	**17,707,934**	**361,000**	**1,133,172**	**103**	**19,202,209**
Creation of the reserve fund	-	57,000	(57,000)	-	-
Dividends paid	-	-	(1,063,000)	-	(1,063,000)
Directors' fees paid	-	-	(13,200)	-	(13,200)
Retained earnings	-	-	28	(28)	-
Net profit for 2012	-	-	992,594	-	992,594
Balance at 31 Dec 2012	**17,707,934**	**418,000**	**992,594**	**75**	**19,118,603**
Creation of the reserve fund	-	50,000	(50,000)	-	-
Dividends paid	-	-	(929,000)	-	(929,000)
Directors' fees paid	-	-	(13,200)	-	(13,200)
Retained earnings	-	-	(394)	394	-
Net profit for 2013	-	-	1,232,886	-	1,232,886
Balance at 31 Dec 2013	**17,707,934**	**468,000**	**1,232,886**	**469**	**19,409,289**

(10) Reserves (CZK thousand)

	Business risks	Salaries	Employee benefits	Total
Balance at 31 Dec 2011	**72,811**	**42,377**	**103,397**	**218,585**
Creation of reserves in the current period	-	-	25,230	25,230
Use of reserves in the current period	(6,173)	(11,611)	(9,503)	(27,287)
Balance at 31 Dec 2012	**66,638**	**30,766**	**119,124**	**216,528**
Creation of reserves in the current period	-	-	6,704	6,704
Use of reserves in the current period	(4,049)	4,236	(8,246)	(8,059)
Balance at 31 Dec 2013	**62,589**	**35,002**	**117,582**	**215,173**
Long-term reserves	62,589	-	106,988	169,577
Short-term reserves	-	35,002	10,594	45,596
Total	**62,589**	**35,002**	**117,582**	**215,173**

Reserves are recognised in respect of the following:
- Business risks – arising from operations of fixed assets;
- Salaries – include salaries paid in dependence on the fulfilment of the plan; and
- Employee benefits – a reserve for future liabilities arising from the Collective Agreement, principally retirement benefits, benefits for work and life anniversaries and unused optional benefits. The long-term portion of the payable was discounted at the balance sheet date.

11) Deferred Tax Liability (CZK thousand)

Deferred Tax Assets and Liabilities reported in the Balance Sheet:
Deferred tax assets (-) and liabilities (+) arising from the temporary differences between the accounting and tax values are attributable to the following items:

	2013	2012
Fixed assets	**2,990,417**	2,988,803
Receivables	**(1,525)**	(1,682)
Reserves	**(18,542)**	(18,507)
Payables arising from the Collective Agreement	**(21,677)**	(21,687)
Total	**2,948,673**	**2,946,927**

(12) Trade Payables (CZK thousand)

The Company carries no trade payables past their due dates.

(13) Temporary Liabilities (CZK thousand)

Deferred income	
Balance at 31 Dec 2011	**1,860,537**
Investment contributions received	183,962
Investment contributions recognised in income *	(179,102)
Correction factor of allowed income	(65,006)
Balance at 31 Dec 2012	**1,800,391**
Investment contributions received	188,145
Investment contributions recognised in income *	(188,460)
Balance at 31 Dec 2013	**1,800,076**

*) Investment contributions recognised in income are included in "Other operating income" in the income statement.

(14) Assets Held under Leases (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 table outlined below shows the aggregate annual costs of these leases:

	2013	2012
Cable conduits	**96,486**	93,470
Non-residential premises	**34,817**	37,559
Administrative buildings	**71,862**	71,830
Vehicles	**21,370**	21,133
Total	**224,535**	**223,992**

Finance Leases

Finance leases include technologies and technological units. In the year ended 31 December 2013, the lease payments amounted to CZK 24,492 thousand (2012: CZK 35,692 thousand).

(15) Related Parties (CZK thousand)

Persons having managing authority include the management of the Company (ie the CEO of the Company) and members of the Board of Directors.
Members of senior management use company cars for both business and private purposes.

Total Bonuses for Members of Statutory and Supervisory Bodies and Senior Management

	2013	2012
Number	**10**	9
Bonuses in CZK thousand *)	**23,660**	23,691

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

Transactions with Members of Statutory Bodies and Executive Management

As of 31 December 2013, the Company recorded receivables from the members of the Board of Directors and the Supervisory Board in the aggregate amount of CZK 12 thousand (2012: CZK 34 thousand). These receivables were settled during January 2014.

(16) Group Relationships (CZK thousand)

	PREdi receivables as of 31 Dec		PREdi payables as of 31 Dec	
	2013	2012	**2013**	2012
Pražská energetika, a.s.	**1,982,204**	**1,697,761**	**2,964,489**	**2,960,381**
of which: Trade receivables/payables	**46,877**	21,686	**-**	-
Trade receivables/payables (cash pooling)	**-**	-	**747,153**	735,130
Accrued income/expenses (cash pooling)	**-**	-	**415,**	484
Long-term loan*)	**-**	-	**2,200,000**	2,200,000
Accrued expenses (interest on loan)	**-**	-	**16,921**	24,767
Estimated amounts – unbilled distribution services **)	**1,935,327**	1,676,075	**-**	-
eYello CZ, a.s.	**-**	**141**	**-**	**-**
PREměření, a.s.	**3**	**-**	**37,019**	**30,099**
Total	**1,982,207**	**1,697,902**	**3,001,508**	**2,990,480**

*) The long-term loan consists of two parts: a loan of CZK 700 million maturing on 30 November 2014 that bears interest at PRIBOR + 1.05% p.a. – it is anticipated that after completing the loan it will be replaced by a new mid-term loan; and a loan of CZK 1,500 million maturing on 29 June 2015 that bears interest at PRIBOR + 1.3% p.a. The loans are intended for funding the operating and investment needs of the debtor..
**) Estimated receivables reported in the balance sheet amount to CZK 2,341,721 thousand (as of 31 December 2012: CZK 2,022,511 thousand), of which the amount of CZK 1,935,327 thousand (as of 31 December 2012: CZK 1,676,075 thousand) represents unbilled distribution services provided to Pražská energetika, a.s. and the amount of CZK 406,173 thousand (as of 31 December 2012: CZK 344,666 thousand) represents unbilled distribution services provided outside the PRE Group.

	PREdi income		PREdi costs/expenses	
	2013	2012	**2013**	2012
Pražská energetika, a.s.	**7,719,801**	**6,891,083**	**(2,473,638)**	**(2,693,570)**
of which: Distribution services	**7,700,275**	6,872,679	**-**	-
Other services, consumed material	**19,495**	18,233	**(734,747**	(790,787)
Consumed electricity for the Company's own purposes and losses	**-**	-	**(583,718**	(601,323)
Material	**-**	-	**(169,088**	(165,624)
Fixed assets	**-**	-	**(1)**	(35)
Other income	**31**	171	**-**	-
Dividends	**-**	-	**(929,000)**	(1,063,000)
Interest on cash pooling	**-**	-	**(4,929)**	(7,665)
Interest on loans	**-**	-	**(52,155)**	(65,136)
eYello CZ, a.s.	**12**	**-**	**(24,493)**	**(35,693)**
of which: Distribution services	**12**	-	**-**	-
Services – leases	**-**	-	**(24,492)**	(35,692)
Fixed assets	**-**	-	**(1)**	(1)
PREměření, a.s.	**1,184**	**1,146**	**(317,303)**	**(320,662)**
of which: Services and electricity meters	**1,184**	1,146	**(317,303)**	(313,294)
Photovoltaic power stations – obligatory purchase, de-centralised production	**-**	-	**-**	(7,368)
Total	**7,720,997**	**6,892,229**	**(2,815,434)**	**(3,049,925)**

All transactions with Group entities were performed under arm's length conditions. The Company suffered no detriment arising from intercompany transactions.

(17) Significant 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 in the Annual Report for the year 2013 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 1–54, 76–78

Roman Tupý
Date of birth: 2.2.1963
Responsible for the Annual Report page 58–75

LIST OF ABBREVIATIONS

AMM	Automatic Metering System
ČSRES	České sdružení regulovaných elektroenergetických společností/ Czech Association of Regulated Power Supply Companies
DCT	dispatch control technology
DŘS	dispatch control system
EMS	environmental management system
ERÚ	Energetický regulační úřad/Energy Regulatory Office
EU	European Union
eYello CZ, a.s.	100% subsidiary of Pražská energetika, a.s.
FVE	photovoltaic power station
GWh	gigawatt-hour
HDO	mass remote control
KT	cable tunnel
kV	kilovolt
MHMP	Magistrát hlavního města Prahy
MVA	magavoltamper
MW	megawatt
LV	low voltage
OOPP	personal protective equipment
OZE	renewable energy sources
PRE	Pražská energetika, a.s.
PREdi	PREdistribuce, a.s., 100% subsidiary of Pražská energetika, a.s.
PREm	PREměření, a.s., 100% subsidiary of Pražská energetika, a.s.
R	distribution station
RS	switching station
RP	Board of Directors decision
Skupina PRE	PRE + PREdi + PREm + eYello CZ, a.s.
T	transformer
TPA	third party access
TR	transformer station
HV	high voltage
VHV	very high voltage
VV	overhead lines

ADDRESS OF THE COMPANY AND ITS WORKPLACES

	Address	PCN	Telephone
PREdistribuce, a.s.	**Prague 5, Svornosti 3199/19a**	**150 00**	**840 550 055, 267 051 111**

The Company is registered in the Commercial Register maintained at the Municipal Court in Prague, Section B, File 10158.
The Company was founded for an indefinite period in compliance with the legal order of the Czech Republic.
The Company hasn´t any organizational unit abroad.

web:	www.pre.cz, www.predistribuce.cz
e-mail:	pre@pre.cz, distribuce@pre.cz, poradce@pre.cz
w@p:	w@p.pre.cz
ID No.:	27376516
Tax ID:	CZ27376516
Bank details:	ČSOB Praha-město, account number: 17494043/0300

	Address	PCN	Telephone
Director	**Prague 10, Na Hroudě 1492/4**	**100 05**	**267 052 000**
	Prague 5, Svornosti 3199/19a	**150 00**	**267 052 601**
Network Administration	Prague 5, Svornosti 3199/19a	150 00	267 052 100
Network Management	Prague 10, Nitranská 2226/1	101 00	267 052 200
Network Operation	Prague 9, Novovysočanská 696/3	190 00	267 052 300
Network Assets Management	Prague 5, Svornosti 3199/19a	150 00	267 052 400
Network Access and Economy	Prague 2, Sokolská 1264/7	120 00	267 052 500
PRE Customer Centre	**Prague 4, Vladimírova 18**	**140 00**	**840 550 055**
	Prague 1, Jungmannova 31	**101 00**	**840 550 055**
Emergency Services	**Prague 2, Kateřinská 9**	**120 00**	**1236 e-mail: poruchy@pre.cz**
Call Centre	**Prague 10, Na Hroudě 19**	**100 05**	**840 550 055, 267 051 111**
Energy Advisory Centre	**Prague 1, Jungmannova 28**	**101 00**	**840 550 055**
Information for Press	**Prague 10, Na Hroudě 1492/4**	**100 05**	**267 051 102**

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