

Annual

Report

PREdistribuce, a. s.

PRE Group

- is a stable and prosperous entrepreneurial grouping with a long-term tradition
- it ensures reliable, ecological and innovative supplies of power together with energy services to the whole Czech Republic, mainly to Prague
- it is a significant trader in electricity on the Czech Republic power market
- it is a reliable distributor on the licensed territory
- being able to utilise the latest technologies and procedures, it satisfies the requirements and expectations of its customers

We are
the energy



of



this city

Just as our customers

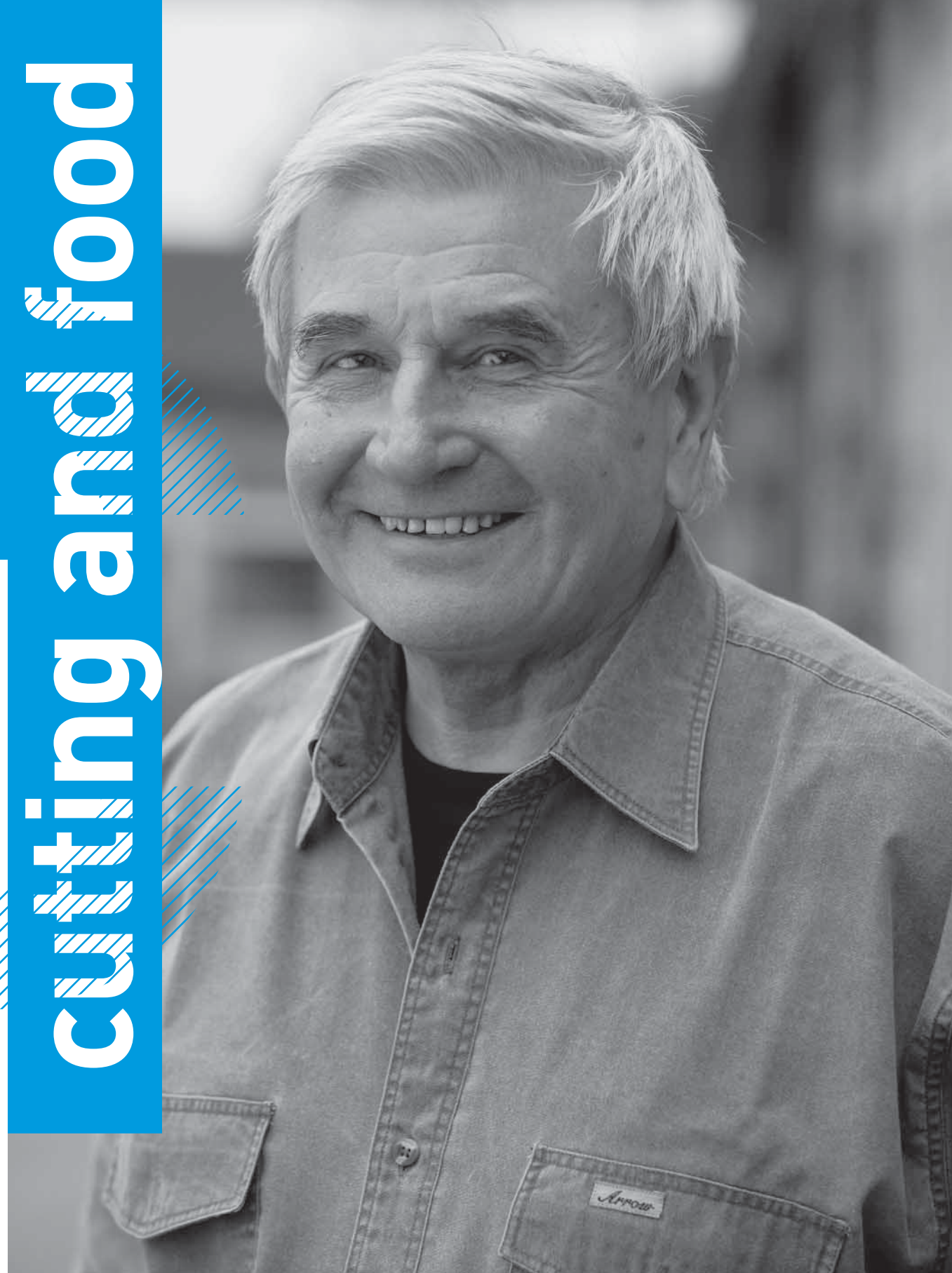


Jan Šíma

director
ADDFOOD, spol s.r.o.

We have two production branches. One of them is the cutting workshop which is specialised in cooperating activity, which means that based on the planning documentation we provide parts for large production units. The second is the food production branch – this concerns drinks concentrates from natural fruit juices, natural aromas and sugar, or substitute sweetener. The machine room requires a lot of power, but in the summer it is the food line that has a high off-take because we have to cool the production and storage premises. We have been contacted by other electricity distributors, but we have not responded. We are happy with our cooperation with PRE.

cutting and food



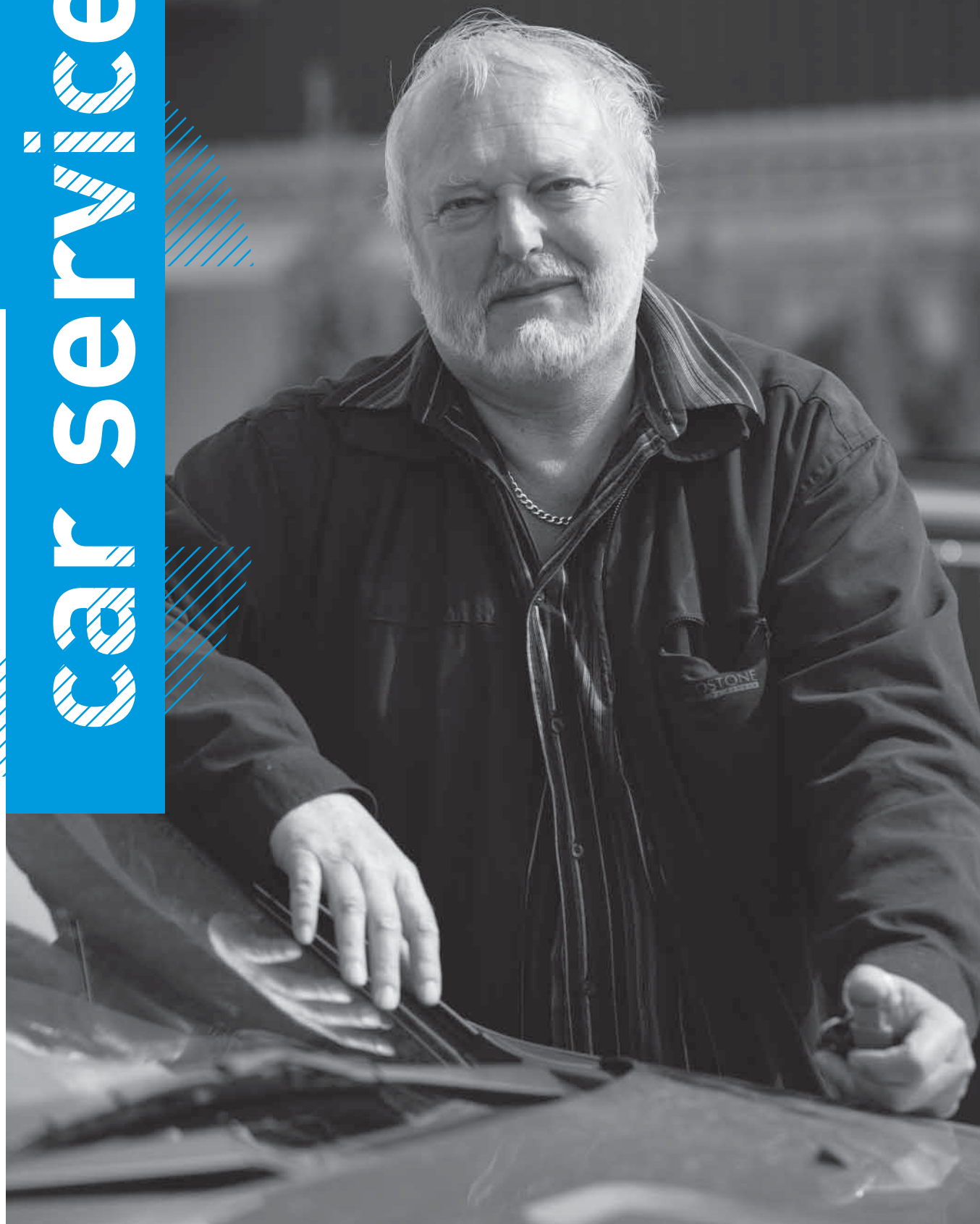


Vladimír Kosobud

executive
ELPEKO spol. s r.o.

I began with an electric bakery, hence the abbreviation ELPEKO – Elektrické pekárny Kosobud (Kosobud Electric Bakery). But as a boy I was attracted to cars so that when I finished paying off the leasing, I built up a car service instead of the bakery. I am happy with supplies from PRE and will continue to remain their customer.

car service





Zbyšek Terš

NAREX CONSULT, a.s.

We still buy our electricity from PRE, although we do occasionally get contacted by alternative suppliers who try to offer us energy for better prices. But we have discovered that the difference in case of our consumption is not that significant to make it worth to switch to a different supplier. The advantage of PRE is that it is a long-term stable and reliable supplier. We have now twice in a row concluded an advantageous contract for electricity supply always for two years. Our cooperation even exceeds the standard framework because PRE has a transformer station in our building and we rent our premises to the company.

electrical tools



Table of Contents

Basic Company Data	09
The PRE Group, Company Mission and Vision	10
Main Trends	11
Foreword of Chairman of the Board of Directors	15
Company Strategy	17
Important Decisions of the Parent Company Pražská energetika, a.s. affecting the Incorporation and Structure of PREdistribuce, a.s.	18
Risk Management System in the Company, in the PRE Group respectively	20
Important Events	21
Report on General Meetings held during the Year	23
Company Bodies	24
The PRE Group and Company Management Chart	26
Company Organization Chart	27
Brief History and Current Situation in the Power Industry - Unbundling	28
Human Resources	33
Investments	31
Financial Report	34
Ecology, Environmental Protection, Safety and Protection of Health at Work	36
Information Required in accordance with legislation in force	37
Report on Relations between Connected Persons	38
Supervisory Board Report	42
Independent Auditor's Report	43
Regular Financial Statements	45
Affidavit	65
List of Abbreviations	66
Joint Stock Company and its Workplaces Addresses	68

Changes which have occurred since the end of the accounting period (31 December 2009) to the deadline for the issue of this Annual Report, (24. 4. 2010) are highlighted ***in bold italics***.

Basic Company Data

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

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

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

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

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

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

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

The PRE Group, Company Mission and Vision

The Company is a member of the PRE Group. Among the Group's basic activities belongs the sale, trading and distribution of electricity; in addition this, it also secures other additional power services.

The history of the Group companies dates back to 1897 when the Electricity Works of the Royal Capital City of Prague (Elektrické podniky královského hlavního města Prahy), whose line of business at that time was together with electricity supplies also provision of the city's street lighting and operation of the trams, was established.

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

(I) PREdistribuce, a.s. (PREdi) – distribution of electricity on the territory of Prague and Roztoky u Prahy, planning of the renovation and development of the distribution system, construction, operation and maintenance of the distribution system equipment.

ID No.: 27376516; Prague 5, Svornosti 3199/19a, tel: 267 051 111, fax: 267 310 817, Internet: www.pre.cz, e-mail: pre@pre.cz and distribuce@pre.cz

(II) PREměření, a.s. (PREm) – repairs and installations of electric meters on the PRE supplied territory.

ID No.: 25677063; Prague 10, Na Hroudě 2149/19, tel.: 267 052 254, fax: 267 052 263, Internet: www.pre.cz, e-mail: mereni@pre.cz

(III) PREleas, a.s. – provides leasing operations for the PRE Group members.

ID No.: 25054040; Praha 10, Limuzská 2110/8, tel.: 272 702 305, fax: 272 702 305

Mission of PREdistribuce, a.s.

The mission of PREdistribuce, a.s. is to provide reliable distribution of electricity and associated services while observing standards laid down by implementing decrees. All technological capabilities need to be utilized and the quality of distribution systematically improved in Prague and Roztoky u Prahy to support the prosperity of the distribution network users, shareholders and employees.

Vision of PREdistribuce, a.s.

PREdistribuce, a.s. is a stable and prosperous power company with a long tradition. It is a reliable electricity distributor on the territory of Prague and the town of Roztoky u Prahy. By using the latest technology and procedures it meets the requirements and expectations of the distribution network users. Likewise, it is a strong social partner for its employees by caring for their professional development.

Main trends

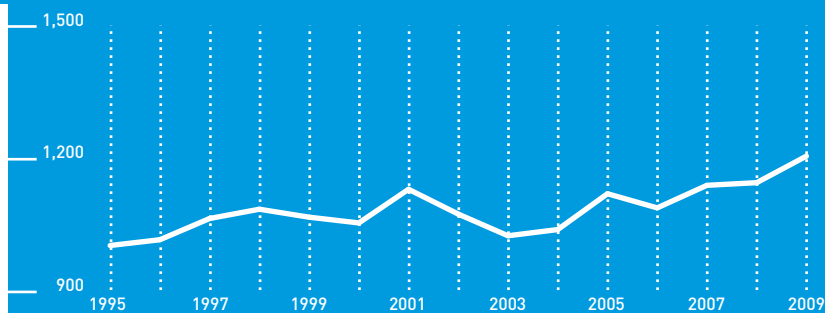
Main financial indicators (MCZK)

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

Other indicators

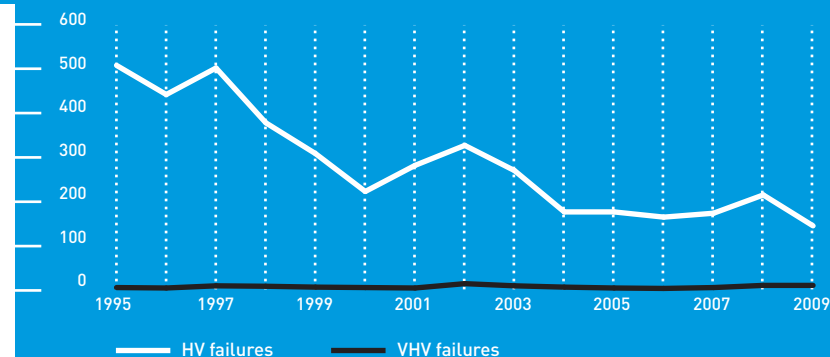
		2009	2008	2007	2006
Total distribution (balance)	GWh	6,339.1	6,372.5	6,172.0	6,085.0
Total number of consumption points:	number	744,998	735,779	726,366	713,474
of which: industrials	number	1,948	1,929	1,854	1,916
small businesses	number	137,682	136,089	136,320	132,323
households	number	605,368	597,761	588,192	579,235
Total length of electricity networks:	km	11,679	11,552	11,544	11,229
of which: VHV	km	202	206	196	196
HV	km	3,780	3,701	3,670	3,476
LV	km	7,693	7,645	7,678	7,557
Number of employees - average full time equivalent	persons	514	515	555	583

Highest achieved annual load profile (MW)



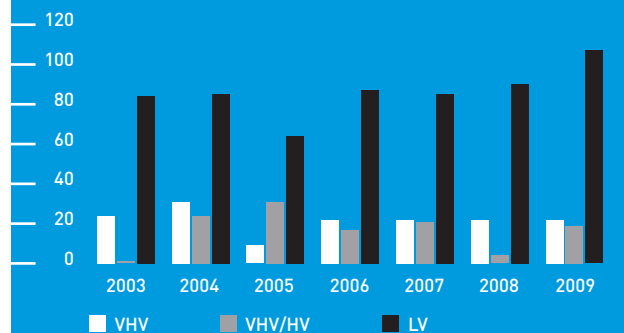
Note: Load decrease in 2002–2003 was caused by floods and long-term distribution equipment shutdown from 8.8.2002.

Number of VHV and HV failures



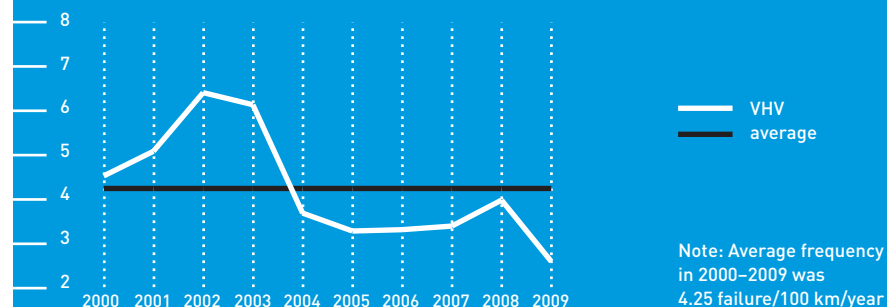
Note: Increase of failure rate in 2002–2003 was caused by floods and long-term distribution equipment shutdown from 8. 8. 2002. Increase of VHV failure rate in 2008 was caused by short-term shutdowns of worn 110 kV transformers which have been already replaced. In 2009 the failure rate of VHV was also caused by unreliability of used protection of TR 110 kV. These failures had a minimum impact on power supply to end customers.

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



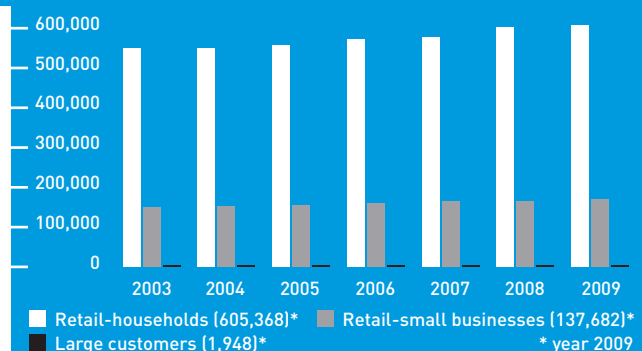
Note: The increase of average time of electricity supply disconnection in 2009 was caused by worse traffic conditions in Prague during repairs of failures in HV transformer stations.

Frequency of 22 kV cable failures



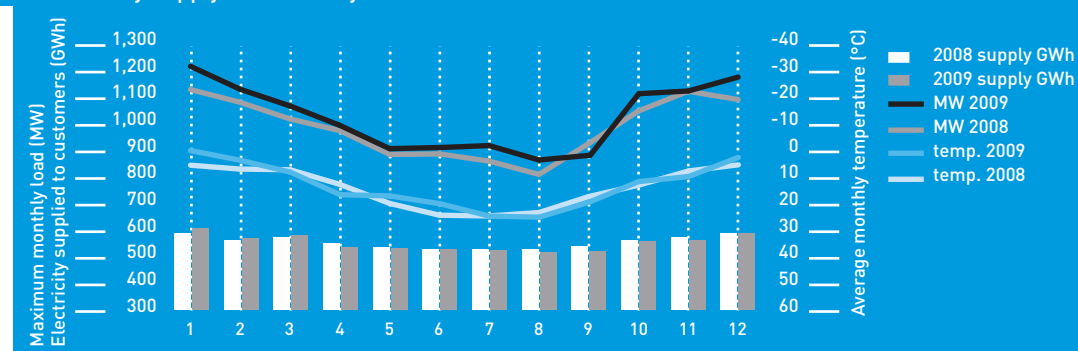
Note: Average frequency in 2000–2009 was 4.25 failure/100 km/year

Number of consumption points



* year 2009

Comparison of monthly maximum load values and average temperature in 2008-2009 and monthly supply of electricity to customers (distribution)





Milan Hampl
Chairman of the Board of Directors and CEO

Foreword of Chairman of the Board of Directors

Dear readers,


as a way of introduction, allow me on behalf of PREdistribuce, a.s. to wish you lots of health and success in 2010. It seems that most likely even in this year we will have to face the economic problems of the receding recession. 2009 signalled the start of the Czech presidency of the EU, as well as the chairmanship of PREdistribuce, a.s. in the association of Czech Regulated Electricity Companies (hereinafter referred to as "ČSRES"). All the large power distribution companies in the Czech Republic and ČEPS, a.s. rank among members of this association. It was not only shown in the EU but also in the Czech Republic how the society is affected by energy. Considering the problems with gas supplies, electricity remained a stable means for ensuring the basic needs of the company and its customers. I must state that the chairmanship of PREdistribuce, a.s. in the ČSRES was more fortunate than the Czech presidency of the EU. The third regulatory pack was approved under the partial Czech presidency with an impact on all of the Czech energy sector. During discussions of the ČSRES many technical problems were tackled, certain comparisons made and in its comments contribute to the issue of the new Energy Act and related decrees. According to the comparable statistics, PREdistribuce, a.s. was the most reliable energy supplier to its end customers. On average, customers living in Prague and Ržetávka were affected only by 44 minutes of loss of electricity supply during power failures in 2009, which is almost 8 times less than on territory outside Prague. I can promise that we will perform additional technical measures to maintain or improve this situation. However, we are anxiously following the onset of photovoltaic facilities and their connection to the network and thereby affecting the ČEPS, a.s. transmission network which could mean problems with the stability of supplies in coming years from the superior transmission systems which we will not be able to influence.

PREdistribuce, a.s. ended in 2009 with its fourth year of existence and provision of a high quality and constant power supply to its distribution customers. PREdistribuce, a.s. was founded as a 100% owned subsidiary of the sole shareholder Pražská energetika, a.s. Its main task is to distribute electricity to the territory of Prague and the town of Ržetávka u Prahy. Our company has held the electricity distributor licence for the abovementioned territory since 1 January 2006 which is in force until 16 January 2027. Electricity distribution as a regulated activity is subject to regulation by the Electricity Regulatory Office of the Czech Republic - the ERÚ. With the view of security, all the networks and operating facilities of PREdistribuce, a.s. are part of the critical infrastructure of Prague and of the entire Czech Republic.

The Company's main mission is to safeguard the reliable distribution of electricity from its facilities – delivery points within a transmission system – up to the consumption or delivery points of the individual customers through the maintained distribution system. This system consists of a system of 110 kV, 22 kV and 0.4 kV overhead and cable lines, 24 distribution stations with transformation of 110/22 kV and 4,796 22/0.4 kV network transformer stations of 22/0.4 kV.

A total of 514 employees took care of the Company's entire distribution system equipment in 2009. The administration of the distribution network is carried out by planned repairs and maintenance of the network in line with a series of preventive quality maintenance and in compliance with norms, besides the control of the operation and handling of breakdowns. The Company's employees also secured additional activities such as the planning of development and renovation of distribution equipment and management of network assets, connection of new customers, construction of investment energy structures and connections, metering of transmitted very high and high voltage electricity and data transfer for the settlement of distribution services and supplies to the Market Operator's system. I believe that all these activities were performed by the Company's employees on time and of a high professional standard. Besides these main activities, PREdistribuce, a.s. maintained controlled supervision over the activities of the subsidiaries PREměření, a.s., into which all activities connected with the metering of electricity at 0.4 kV level were concentrated in 2008.

I would like to present several basic data indicating the output and quantity of transmitted electricity on the licensed territory. The total network load reached a historic maximum of 1,207 MW on 14 January 2009; a total of 6,339.1 GWh of electricity was distributed through the networks in Prague and Ržetávka u Prahy, which covered the requirements of existing and new customers at all voltage levels. The volume of distributed electricity was only by 0.5% lower than in 2008, which was caused by a reduction in household consumption due to the impact of the recession. The quality standards of electricity supplies and associated services were met in compliance with the ERÚ Decree No. 540/2005 Coll. with regard to the absolute majority of end customers connected to the Company's distribution networks during the course of the year. The connection of customers took place throughout the period in compliance with the valid legislation – ERÚ Decree No. 51/2006 Coll.



In 2009 the distribution network in Prague and Roztoky u Prahy was not affected by any natural disaster; no extensive systemic technical accidents were reported on the lines, in 110/22 kV substations or 22/0.4 kV nodal transformer stations which would significantly (in a matter of hours) affect electricity supply to Prague residents. The only major breakdown to have an impact on the running of the city was reported on 30 September 2009 and was caused by a technical fault on the ČEPS, a.s. equipment at the 400/110 kV substation in Chodov. This accidental incident caused the total collapse of transport and activities of companies on a third of the City territory. The employees of PREdistribuce, a.s. managed to restore the full supply only after 50 minutes. This failure of supply again showed the substantial dependence of the distribution network on the delivery points fed by ČEPS, a.s. Currently the parent company endeavours, by improving the portfolio of resources, to build own production plant in Prague.

The operating results of the entire distribution system confirm the trend in the reduction of the failure rate of distribution in Prague in the number of cases of serious breakdowns and quality of supply despite the fact that foreign interventions are not on the decrease. The achieved values of the reliability of supplies at all voltage levels are highly positive in comparison with further operators in the Czech Republic and comparable operators in large cities in the EU. This positive trend was achieved over a long period enforced by highly rational planning of development and recovery from one centre carried out by recovery according to the approved corporate norms and implementation of modern technologies and features applied in the EU with high demands on reliability and safety.

A total of MCZK 1,632.2 was invested in 2009 in the distribution network, i.e. simple recovery and development of the network including the control, tele-mechanisation and metering systems; a further MCZK 213.9 was invested in repairs from operating funds. It must be added that in 2009 there continued the increased interest of investors in connecting new buildings giving rise to new consumption points in hitherto non-built-up areas of Prague. New large developer projects in the city centre and on the outskirts in the green belts were also being prepared for launch. We added 13 new 22/0.4 kV transformer stations due to the constant interest of investors in the construction of new projects. Likewise, we continued to restore the overhead 110 kV line in the north of the city between the Substation Sever and Červený Vrch and the 110 kV cable line between the Substation Malešice and Střed whereby we have secured the reliability of the backbone networks supply.

I believe that in 2009 PREdistribuce, a.s. employees duly fulfilled all the key tasks of the distributor in Prague and I would like to thank them all. Our Company proudly professes the traditions of the energy industry in the city and wants to continue to be inconspicuous, conservative as well as an indispensable part of life in Prague. PREdistribuce, a.s. remained the mainstay of the PRE Group in 2009 and contributed to the satisfaction of Prague residents and running of the city. I trust that by doing so, it also fulfilled the ideas of shareholders. Our objective for the future is to maintain this trend and continue to be one of the modern entities which are aware of their responsibility to the environment and endeavour to constantly improve the conditions for its protection.



Milan Hampl

Chairman of the Board of Directors and CEO

Company Strategy

PREdistribuce, a.s. was incorporated as of 1 January 2006 as a 100% subsidiary being a result of spin-off of the part of assets and employees of the Distribution Division from the parent company Pražská energetika, a.s. It was due to this fact that the basic tasks arose for the first year of its independent existence involving steps towards ensuring the organizational, procedural and economic stability of the newly incorporated Company; managing costs under the conditions of regulation, stabilization of relations with the parent company including the fulfilment of objectives assigned by the parent company in the sphere of cost management, in general and personnel costs in particular.

An important role was realizing the steps defined in the so-called "Compliance Programme" whose objective was to exclude as much as possible the possibility of discriminatory action in processes for which the distribution system operator is responsible towards all market participants.

Besides these tasks, the Company's long-term strategy is to raise distribution efficiency in the technical and operation area and in investment measures in the network as well as in the optimal structure of processes within the Company and with regard to external co-participating subjects. All these steps are also directed at the fulfilment of the standards of quality of supplies and associated services prescribed and guaranteed by legislation which are fully in the competence of the distribution licence holder. In view of the sphere of PREdistribuce, a.s. activity on the territory of Prague, in future more restrictive standards can be expected in accordance with the character of the territory and its sensitivity to possible faults in electricity distribution.

2009 continued to be affected by the economic recession which virtually had an impact on all global economic activities in many economic sectors. Due to this crisis a further fall in demand can be expected in future while customers may expect no increase in electricity prices albeit the price for distribution services will grow in view of the share in the support for renewable sources.

The responsibility of the PRE Group for the situation in supplying electricity to Prague is reflected, among other things, in the care for the distribution system which forms the city's critical infrastructure. Further feeding VHV/HV transformer stations Smíchov and Pankrác were put into operation, they are capable of supplying electricity to new or developing city locations. Work continued in putting into operation 110 kV connecting cable and overhead lines which will significantly increase the reliability of supplies. The 110 kV feeding network and linked lower voltage networks are being consistently complemented to meet the conditions for the function of the critical infrastructure and priorities of the development of Prague. In connection with this condition the operation is planned of a new control system for the distribution system which should replace the old one which is being put out of service.

The PRE Group is preparing a pilot project of the Smart Metering System for metering the electricity consumption by customers which, in line with the trends towards which leading European electricity suppliers are heading and which most end customers are calling for. It allowed monthly invoicing of electricity supplied to customers, contributes to optimising the coverage of the daily load diagram of the peak segment of end customers of the retail household and retail small businesses category and further to this also contributes to reducing the loss of electricity.

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

The principal mission of the Company is to ensure a reliable transmission of electricity from sources – delivery points from the transmission system – to the consumption or delivery points of individual customers through the maintained distribution system. The most important strategic objective is to optimize network assets and ensure their maximum utilization for electricity distribution in order to provide in cooperation with the other PRE Group companies high quality and non-discriminatory services for network customers.

Important Decisions

of the parent company Pražská
energetika, a.s. affecting
the Incorporation and Structure
of PREDistribuce, a.s.

- A. The decision on the formation of the Company was made at a meeting of the Board of Directors of the parent company Pražská energetika, a.s. on 16 August 2005 (**RP-82/2005**). This decision was made in accordance with the provisions of Section 171 (1) a) and Section 172 of the Commercial Code. The line of business of the newly formed Company was:
- ((lease of real estate, apartments and non-residential premises without the provision of other than basic services in accordance with Section 4 of the Trade Licensing Act,
 - ((electricity distribution.
- The Company was formed for an unlimited period.
- The Company registered capital was MCZK 2 being divided into 2 registered certificated shares, of which each had the nominal value of MCZK 1.
- The founder decided to subscribe and repay the entire registered capital himself as follows:
- ((Pražská energetika, a.s. subscribed 2 shares by a monetary investment contribution which was MCZK 2. The issue price of one share equalled its nominal value and was MCZK 1
 - ((the investment contributions repaid by the founder were administered by the founder, i.e. Pražská energetika, a.s. until the incorporation of the Company.
- B. At its meeting on 7 October 2005 (**RP-123/2005**) the Board of Directors of the parent company decided to change the line of business of PREDistribuce, a.s. as of 1 January 2006 to:
- ((electricity distribution,
 - ((installation, repairs, inspections and testing of selected electrical equipment,
 - ((production, installation and repair of electronic equipment,
 - ((inspection and testing of selected pressure equipment,
 - ((repair and installation of meters,
 - ((testing, measurement, analysis and checks,
 - ((review and testing of selected lifting equipment,
 - ((engineering work in investment construction,
 - ((installation, maintenance and service of telecommunication equipment,
 - ((graphic and drafting work,
 - ((real estate activity,
 - ((lease and hiring of movables.
- The possibility was also approved of the issue of shares as collective papers that will replace individual securities.
- C. At a meeting on 28 December 2005 (**RP-159/2005**) the Board of Directors of the parent company decided to increase the registered capital of PREDistribuce, a.s. with a subscription of shares and repayment of the issue price of the subscribed shares by a non-monetary investment contribution of part of the enterprise. The registered capital was increased by the sum of MCZK 21,547 which is the value of part of the enterprise for the investment contribution based on a valuation made by an expert as at 30 June 2005. The Board of Directors also approved the draft of Shares Subscription Contract (RP-160/2005) and the draft Contract on the Investment Contribution of part of the Enterprise of Pražská energetika, a.s. "Distribution Division" (**RP-161/2005**).
- Then:
- ((on 29 December 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 the Agreement on the Subscription of Shares to the value of the above stated increase.
- D. On 1 January 2006 PREDistribuce, a.s. was taken over with the signing of the Handover and Takeover Record between 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 the "Distribution Division" valued by an expert opinion at MCZK 21,549.
- The registered capital was increased based on a decision of the General Meeting of Pražská energetika, a.s. held on 28 December 2005.

- E. In June 2006 the Board of Directors took note of the approval of the organizational changes by the Board of Directors of PREdistribuce, a.s. applying to the transfer of 50 employees of PREdistribuce, a.s. ensuring the installation of electric meters on LV networks, including the transfer of rights and obligations to PREměření, a.s.
- F. At its meeting on 19 June 2006 (**RP-90/2006**) the Board of Directors of the parent company adopted the decision to reduce the registered capital of PREdistribuce, a.s. (this decision was made in view of the fact that the auditors of the subsidiary confirmed the reported accumulated losses from previous years in the value of CZK 3,841,085,719.68 as at 30 April 2006).
It was decided:
- (I) to reduce the Company's registered capital from the sum of CZK 21,549,000,000 by the sum of CZK 3,841,066,152 to the sum of CZK 17,707,933,848,
 - (II) the reason for reducing the Company's 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.,
 - (III) the sum of CZK 3,841,066,152 corresponding to the reduction in the Company's registered capital it was decided to compensate part of the Company's accumulated losses totalling CZK 3,841,085,719.68.
- The remaining part of the accumulated losses of CZK 19,567.68 will be left on the account of accumulated losses from previous years,
- (IV) 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 to transfer of activities related to meter reading services to a subsidiary PREměření, a.s.

Risk Management System

in the Company, in the PRE Group respectively

The risk management system within the Group is planned on a two-level arrangement where each company comes out from risk management principles stipulated on the Group level and applies a unified bounding methodical mechanism. Each company nominates its own Risk Management Committee which discusses risks of individual companies on a regular basis. The PRE Group Risk Management Committee then deals with impending risks based on a submitted Overall Consolidated Report on Risk Management and is concerned with the overall risk exposure of the Group.

The risk management system defines the roles and responsibilities of key players of the risk management system, namely the Risk Management Committee, the PRE Group Risk Manager, risk managers of individual companies and other persons involved in the risk management system. The risk management organizational structure is relatively independent of the line management structure. Namely identification processes, analysis, measuring, monitoring and reporting of individual risks form the basic pillars of the risk management system. The risk exposure detected during monitoring of individual risks then creates a framework for the PRE Group risk consolidation process.

Regular uniform structured reporting involves a current overview of the monitored risks and the monitoring of the most important measures serving to reduce risks. Summary risk reports are compiled in the companies of the Group in a uniform structure and systematic risk monitoring is performed in the market, financial, credit, legislative-regulatory categories, operating risk and other risk categories.

All monitored risks are projected with regard to their expected level of impact and relative frequency. The measurement of risks in the financial and market risk category are also regularly monitored by other specific indicators such as VaR, CFVaR, maximum risk of loss and the like. Binding limits are set for selected indicators. Currently, work is under way on specifying models for the measurement of these risks and subsequent modifications of risk management procedures in these areas.

Among the most important risks are changes in the currency exchange rate and further market and particularly price risks. These risks are significantly associated with trading activities on the Energetická burza Praha (Prague Energy Exchange) as its transactions are settled in euros and require daily balance of values of the fixed positions. The value of planned cash flow in foreign currency is secured according to set risk limits of these positions.

The task of the risk management processes is to also ensure the function of timely warnings and simultaneous assessment of the efficiency of remedial measures. The risk management system as a whole focuses above all on the main monitored risks the impact and probable incidence of which represents the greatest threat according to the assessment. The identification of monitored risks arises from risk assessment concentrated into a regularly updated risk list. Risk owners are regularly trained in new trends and methods of risk management in order to improve the quality of the risk management system output. Risk management activities cooperate with the functions of the PRE Group internal audit and thereby help to identify key interest areas.

Just as all entities in the economy, so the PRE Group is exposed to macro-economic risk which is now generally described as the financial crisis. Potential impact is carefully analysed and preventive type of measures are compiled to ensure necessary stability under turbulent conditions.

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

2007

- 19.4. [[the first ordinary General Meeting assessing economic results of the business year 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

- January** ((achieved historic maximum consumption of 1,207 MW on 14 January 2009,
- February** ((completion of construction and launching of high voltage transformer station 110/22 kV Pankrác,
- March** ((the move of the training centre completed from the Novovysočanská building to TR Malešice,
((the Fit for Future project was launched within the Group in cooperation with Facility, s.r.o.
- April** ((third ordinary General Meeting held which assessed the economic results of 2008,
((completion of the construction of stage II of 110/22 kV Smíchov TR (fully furnished with additional equipment),
- June** ((activation of the anti-flood measures on the territory of the Capital City, stage I of the flooding activity on the Vltava River,
- August** ((start of talks on the Collective Agreement for the period of 2010–2013,
((completion of stage II of the reconstruction of the 110/22 kV Střed substation under full operation of feeding the City centre with electricity without any failure in electricity supply,
((completion of the reconstruction of stage I of VV 2 x 110 kV TR Sever – Roztoky,
((completion of the replacement of the T 102 + T 103 transformers in TR Jinonice,
- September** ((completion of the reconstruction of building C in Novovysočanská street to which employees of the Network Operations department were relocated, apart from the existing TR Pražalka,
- October** ((completed laying of the 110 kV cable between TR Malešice and TR Střed,
- December** ((completed Zličín-Jih cable tunnel.

Report on General Meetings held during the Year

During the course of 2009 two general meetings were held (always in the form of a decision made by the parent company as the sole shareholder).

A. General Meeting on 16 April

The subject of the meeting was the approval of the Board of Directors report on the Company's economic results in 2008 and the state of its assets, Report on the relations between the related persons, the regular financial statements for 2008, distribution of profit, remuneration of members of the Company bodies and allocations made to funds, and the Annual Report for 2008. The General Meeting also approved (based on major amendments of the Trade Licensing Act, No. 455/1991 Coll.) the review of the Company's line of business. The scope of the Company activity was not changed only the name of individual trades was changed to comply with the Trades Licensing Act as amended.

B. General Meeting on 20 October

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

Company Bodies

Board of Directors as at 31.12.2009

Milan Hampl

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

Petr Dražil

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

Christian Franz-Josef Schorn

(45 years) | Member | Address: EnBW AG, Durlacher Allee 93, D-76131 Karlsruhe, Germany

Martin Langmajer

(45 years) | Member | Address: MHMP, Mariánské náměstí 2, 110 01 Prague 1

Supervisory Board as at 31.12.2009

Petr Hulinský

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

Hermann Lüschen

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

Drahomír Ruta

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

Pavel Elis

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

Karel Urban

(51 years) | Member | Address: PREdistribuce, a.s., Svornosti 3199/19a, 150 00 Prague 5 | ***He was re-elected for the next functional period (from 2.3.2010 to 2.3.2014) during the elections held in February 2010.***

Vladimír Přáda

(41 years) | Member ***(until 1.3.2010)*** | Address: PREdistribuce, a.s., Svornosti 3199/19a, 150 00 Prague 5

Radek Hanuš

(33 years) | Member (from 2.3.2010 to 2.3.2014) | Address: PREdistribuce, a.s., Sokolská 1264/7, 120 00 Prague 2

From left: P. Dražil, M. Hampl,
Ch. Schorn, M. Langmajer

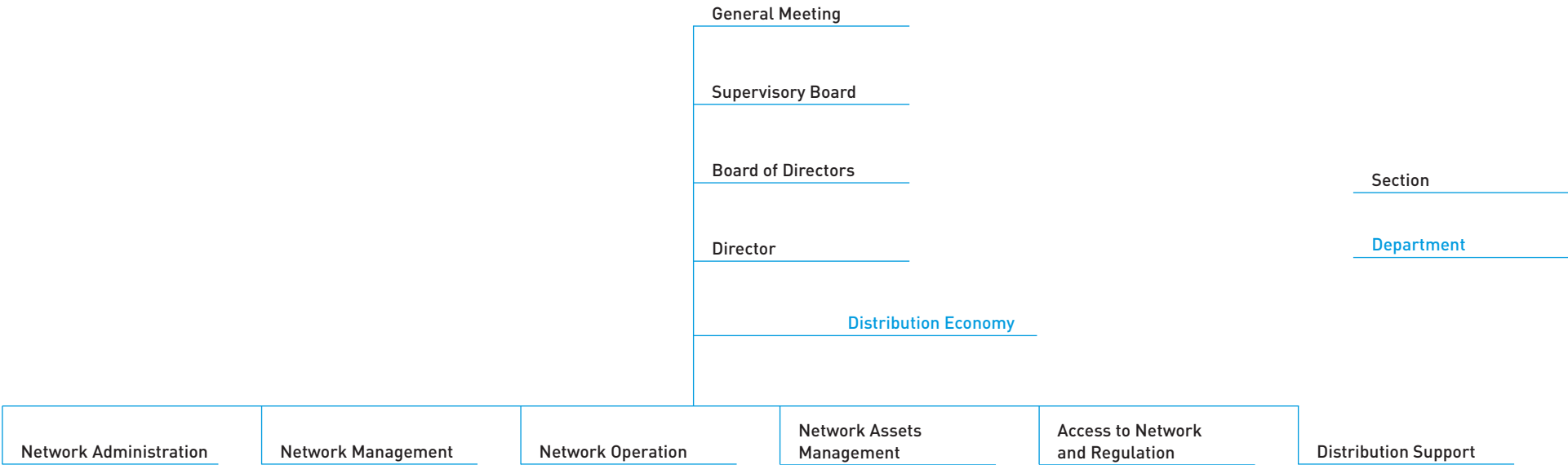


The PRE Group and Company Management

PREdi General Meeting
PREdi Supervisory Board
PREdi Board of Directors
PREdi Executive Management

PRE-H	J&T Finance Group a.s., (Honor Invest, a.s., - until 20.8.2009)	
	Khasomia Limited, Nicosia, Republic of Cyprus (from 20.8.2009)	
	<i>Energetický a průmyslový holding, a.s., Brno, Příkop 843/4, PCN 602 00 (from 3.2.2010)</i>	
	PRE-H	57.87%
	Honor Invest, a.s.	41.10%
	Natural persons	0.69%
	Legal entities	0.18%
	EnBW AG	0.16%
	PRE General Meeting	
	PRE Supervisory Board	
	PRE Board of Directors	
	PREdistribuce, a.s.	PREměření, a.s. PREleas, a.s.
	PRE Executive Management	

Company Organization Chart



The Company Line of business

As a consequence of major amendments to Trades Licensing Act No. 455/1991 Coll., as amended, a review was necessary of the line of business of PREdistribuce, a.s. The scope of the activities of PREdistribuce, a.s. has not changed, only the names of individual trades were changed, or the trades areas so they comply with the current wording of the Trades Licensing Act.

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

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 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 2009; overview of the relevant legal regulations

In 2009 all electricity customers could, as well as in previous years 2006–2008, select their own supplier according to their judgement (Act No. 458/2000 Coll.). This year was also the fifth year of the II. regulation period (2005–2009). In July 2009, the Energy Regulatory Office initiated a consultancy process regarding the strategy for III. regulatory period including determination of principles and methodology of the regulation which will be applied in the period from 1 January 2010 to 31 December 2014.

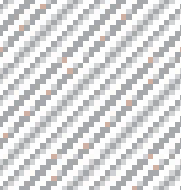
On 25 May 2009 the ERÚ Decree No. 140/2009 Coll. of 11 May 2009 came into force on the method of price regulation in the energy sectors and the procedures for price regulation which repeals ERÚ Decree No. 150/2007 Coll. This decree has set new conditions for the third regulatory period for 2010 to 2014. The selected regulation parameters which relate to the quality of electricity supplies and related services will apply for the first time from 2013.

On 4 June 2009 Act No. 158/2009 Coll. amended the Energy Act No. 458/2000 Coll., on the conditions of business and execution of state administration in the energy sectors and on the amendment of some laws (the Energy Act), as amended by Act No. 151/2002 Coll., Act No. 262/2002 Coll., Act No. 309/2002 Coll., Act No. 278/2003 Coll., Act No. 356/2003 Coll., Act No. 670/2004 Coll., Act No. 186/2006 Coll., Act No. 342/2006 Coll., Act No. 296/2007 Coll. and Act No. 124/2008 Coll. which came into effect on 4 July 2009.

The Prime Minister promulgated on 11 September 2009 under number 314/2009 Coll. the full wording of the Energy Act No. 458/2000 Coll., on the conditions of business and on the execution of state administration in the energy sectors and on the amendment of some laws (the Energy Act) as arises from amendments made by Act No. 151/2002 Coll., Act No. 262/2002 Coll., Act No. 309/2002 Coll., Act No. 278/2003 Coll., Act No. 356/2003 Coll., Act No. 670/2004 Coll., Act No. 186/2006 Coll., Act No. 342/2006 Coll., Act No. 296/2007 Coll., Act No. 124/2008 Coll. and Act No. 158/2009 Coll.

The Ministry of Industry and Trade Decree No. 344/2009 Coll. of 30 September 2009 on particulars of the method of determining electricity from highly effective combined heat and power production based on the demand for effective heat and determining electricity from secondary energy sources regulates assessment and accounting of electricity from combined heat and power production and secondary energy sources based on the EC regulation.

ERÚ Decree No. 358/2009 Coll. of 8 October 2009 Coll. amends Decree No. 426/2005 Coll. on the particulars of granting a licence for business in the energy sectors, as amended by Decree No. 363/2007 Coll.



ERÚ Decree No. 408/2009 Coll. of 25 November 2009 on the particulars and structure of regulatory reports including their models and rules for compiling regulatory reports accepted the impact of the amendment of the Energy Act and ERÚ Decree No. 140/2009 Coll. and repeal of ERÚ Decree No. 404/2005 Coll.

ERÚ Decree No. 409/2009 Coll. of 25 November 2009 amended Decree No. 475/2005 Coll. which enforces some provisions of the Act on the support of the utilisation of renewable sources, as amended by Decree No. 364/2007 Coll.

ERÚ Price Decision No. 4/2009 of 3 November 2009 was issued which defines support for the production of electricity from renewable energy sources, combined heat and power production and secondary energy sources (effective as of 1 January 2010), determines support for production of electricity from renewable energy sources, combined heat and power production and secondary energy sources for the calendar year of 2010.

ERÚ Price Decision No. 5/2009 of 23 November 2009 was issued which amends ERÚ Price Decision No. 4/2009 of 3 November 2009, which defines support for the production of electricity from renewable sources, combined heat and power production and secondary energy sources for the calendar year of 2010.

ERÚ Price Decision No. 7/2009 of 25 November 2009 was issued, which determines the price of electricity and related services for the calendar year of 2010.

ERÚ Price Decision No. 8/2009 of 25 November 2009 was issued, which determines fixed electricity distribution prices from the low voltage network for the 2010 calendar year.

ERÚ Price Decision No. 9/2009 of 21 December 2009 was issued, which amends ERÚ Price Decision No. 7/2009 of 25 November 2009 determining electricity prices and related services for the calendar year of 2010.

Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC was issued. This new Directive will launch unbundling according to the III EU energy package.

Human Resources

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

The targeted professional training as part of improving the employee qualifications continued for the narrow specialization of employees arising from the law (e.g. Decree No. 50/78 Coll.). Special employee training continued aimed at deepening professional knowledge, knowledge of new decrees and laws in the economic, legal and personnel field. Courses were also held on raising the qualification of employees. Selected employees continued in improving their professional knowledge by extramural studies at universities. In course of the year 27 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 head or manager.

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

The Company applies a Collective Agreement, which is valid for the period of 2010–2012.

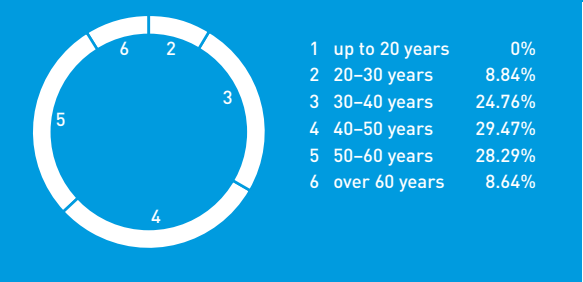
Comprehensive works health care, including dental care, is also ensured for employees as was the case in previous years. A health prevention care programme is taking place in the Company, which meets the requirements of the National Health Promotion Programme.

The following three projects are being carried out for employees beyond this scope: oncology programme aimed at prevention and treatment of breast cancer, preventive urology programme, vaccination against tick-borne encephalitis, hepatitis A and influenza.

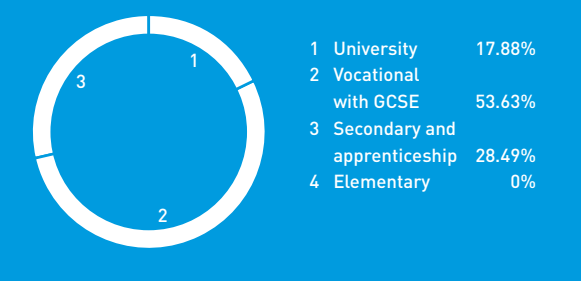
The concept of the Company’s social policy is based on the need to motivate employees both morally and in the form of financial contributions, remunerations and other forms of appraisal of their work. Great attention is paid to care of employees, improvement of their working and living conditions, housing,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

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

Age structure



Qualification structure



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 expected further trend in customer demand for new connections, or an increase in consumed output at already-existing connection points on already built-up area and in the developing city's locations. The predicted future trend is supported by the specific requirements of customers and the present development constantly recorded in the last few years in Prague and the town of Roztoky u Prahy. The increased activity of investors in Prague after the accession of the Czech Republic to the EU continues, but it may mean a greater degree of uncertainty in the estimates of future development. These starting points also show the further need to maintain a virtually constant speed and scope of investment activities for the future. The distribution of funds respects the slight shift in volume in favour of the HV and VHV levels which are very important for reliable operation of the distribution system because their failure would have a greater impact on the network customers.

Overview of investment funds allocations in 2006–2009 (MCZK)

	Total Investments	Distribution equipment			Electric meters
		VVN	VN	NN	
2006	1,282.2	398.2	452.4	271.7	159.9
2007	1,428.0	412.2	665.1	221.8	128.8
2008	1,723.6	851.3	438.9	341.5	91.9
2009 *	1,632.2	604.5	636.1	299.7	92.0

* Note: Without 2009 interest capitalization (MCZK 21,281).

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

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

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



The part of the investment programme dealing with the 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. An overview is stated further of those projects realized in 2009 or which are being prepared for implementation in next years.

Strategic Investments

In 2009 PREdistribuce, a.s. continued with the trend in extending new backbone networks and the careful renovation of existing VHV and HV networks which are part of the city's critical infrastructure. Maintaining the backbone network and its technical level is the best means of preventing large breakdowns which could result in large territorial supply cuts and could ensue in the collapse of part of the city. Extensive breakdowns will always result in great damage to the production or income of large companies and to personal property. In some cases the breakdowns may also indirectly endanger human lives (e.g. long-term lack of electricity supply to hospitals).

The biggest strategic construction of 2009 was the completion of the renovation of the 110 kV switchboard at the 110 kV Praha-Střed transformer station. Both sections of the 110 kV switchboard which had been operating for 35 years were completed successfully under full operation and without any breakdowns. This most loaded transformer station achieving a peak performance of 160 MW deserved a gradual modernisation of the 110 kV switchboard which is the real heart of Prague after several breakdowns in the last few years. The old 110 kV 7.5 km long oil cable leading from the Malešice transformer station was also replaced further to the replacement of part of the switchboard. This cable had also been operating for 35 years and had become an environmental risk in the cable tunnels and earth ditch requiring great demands on operation and maintaining operation. The oil cable was replaced by a cable with plastic insulation.

Another major construction completion in 2009 was the replacement of the 110 kV overhead line from the Sever transformer station across the Vltava River to the territory of Roztoky in the route of the original line of 1955. Some 5.5 km of the double line was replaced. The line was already showing signs of corrosion and wear and tear, and thus the security of supply to the north of Prague was endangered. The rest of this 110 kV line in Prague 6 will not be reconstructed until 2012-2013 in connection with the expected start of construction of the northern city traffic bypass and reconstruction of the transformer station Řeporyje.

The full 22 kV line feed was completed from the Pankrác transformer station newly built in 2009. This completed the enhancement of output for the entire Pankrác plain and the area around the Budějovické square. Likewise, it will also be possible to ensure the planned connection of new buildings in both these locations from the reserve power of this transformer station.

The main constructions in the 110 kV backbone networks or 110/22 substations continued in 2009 with work on the reconstruction of switching stations, distribution stations and HV cable networks. In 2009 work continued as part of the renovation of entry parts of 22/0.4 kV switching stations on the planned renovation of stations on the sites of large hospitals and waterworks which are neglected and not the property of PREdistribuce, a.s. and are also a weak link in the distribution system. There has always been a property settlement during reconstruction work on the system in the aim to own the initial section of a switching station.

In the next few years attention will focus on the continuity of supply as part of the completed automation of the operation of VHV/HV transformer stations and 22 kV switching stations with the option of using automatic substitutes made possible by state-of-the-art control and telemetric (tele-mechanisation) systems of distribution system stations, especially at large customers.



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

Overview of the development of selected network indicators

Indicator	Unit	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Achieved network load maximum	MW	1,207	1,147	1,141	1,090	1,086	1,065	1,029	1,055	1,036	994	952	1,057	1,003
Length of VHV network	km	202	206	196	196	196	196	194	194	202	181	174	174	174
Number of VHV/HV stations	unit	21/24	21/24	20/23	20/23	20/23	20/23	19/22	19/22	19/22	18/21	17/20	16/21	15/20
Length of HV lines	km	3,780	3,701	3,670	3,476	3,556	3,581	3,632	3,546	3,535	3,570	3,575	3,530	3,469
Total number of HV/LV stations	unit	4,796	4,783	4,750	4,693	4,656	4,635	4,578	4,626	4,640	4,522	4,500	4,562	4,398
Number of HV/LV distribution stations	unit	3,277	3,281	3,272	3,258	3,238	3,241	3,222	3,255	3,407	3,345	3,331	3,403	3,421
Length of LV network *	km	7,693	7,645	7,678	7,557	7,477	7,420	7,354	7,383	8,870	8,774	8,660	8,324	8,041

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

Financial Report

The trend on the main financial indicators in 2009 was affected by the economic recession. In line with the Company's expectations net profit came to MCZK 685. Gross profits from the sale of distribution services (trade margin) came to MCZK 4,695; it remained on the same level as in 2008.

The Company was consistent in the management of its costs. There was a year-on-year fall in costs for the purchased services and consumption of material, only energy costs rose significantly to cover the technical losses in the distribution system (+ MCZK 134) thanks to the development of electricity supply prices to the wholesale market. Traditionally the biggest cost items are purchased services for MCZK 1,330 (year-on-year decline by - MCZK 5) and depreciation of long-term assets of MCZK 1,206 (year-on-year increase by +MCZK 18). The value of total revenues of MCZK 7,086 increased as compared with 2008 by MCZK 189. These revenues consisted of 97% proceeds from distribution services MCZK 6,856.

The total value of the Company's assets came to MCZK 26,624, the biggest part are long-term assets of MCZK 24,126 (91%). Current assets of MCZK 2,490 reduced year-on-year by MCZK -90 (-3%), especially affected by a reduction of estimated accrued revenues due to the fall in invoiced distribution services caused by a fall in the volume of supply (an effect of the total slowdown of the economy). The year-on-year fall in profits caused a reduction in equity to MCZK 18,673 (-1%). The share of equity in the total invested capital was 70%.

The Company achieved a strong operating cash flow (MCZK 1,867) which together with income from investment contributions (MCZK 220) and the increase in payables to the parent company as part of the uniform financing of the PRE Group (MCZK 418) was due to the financing of an investment programme (MCZK 1,651) and dividends (MCZK 861).

	Unit	2009	2008	2007	2006	Index 2008/2009	Index 2007/2008	Calculation formula
Level of liquidity								
Total revenues	MCZK	7,086.2	6,897.1	6,513.6	6,128.5	1.03	1.06	Total revenues
Sales margin from the sale of electricity	MCZK	4,694.8	4,698.7	4,621.1	4,186.8	1.00	1.02	Sales margin from distribution
Profit after tax	MCZK	684.6	879.6	1,724.3	747.9	0.78	0.51	Profit after tax
Profit after tax without VOD*	MCZK	675.1	852.1	913.2	725.5	0.79	0.93	Profit after tax - deferred tax
Level of profitability of revenues								
Sales margin from the distribution sales per CZK 1	%	68.5	70.5	73.5	70.9	0.97	0.96	Sales margin from electricity sale: sale of electricity x 100
Added value per CZK 1 of revenue	%	34.0	36.7	41.5	41.1	0.93	0.89	Added value: total revenues x 100
Profit before tax per CZK 1 of revenue	%	12.0	15.7	19.9	17.2	0.76	0.79	Profit/loss from regular activity before tax: total revenues x 100
Profit without VOD* after tax per CZK 1 of revenue	%	9.5	12.4	14.0	11.8	0.77	0.88	Profit after tax: total revenues x 100
Level of liquidity								
Regular liquidity	%	594.4	234.1	376.4	313.6	2.54	0.62	Short-term assets: short-term payables x 100
Turnover of short-term receivables	Number of turnovers	2.8	2.7	4.0	4.1	1.06	0.67	Total revenues: status of short-term payables at the end of the year
Turnover of short-term payables	Number of turnovers	16.9	6.3	15.0	12.8	2.70	0.42	Total revenues: status of short-term payables at the end of the year
Equity interest in total invested capital	%	70.14	71.63	78.76	75.35	0.98	0.91	Equity: total invested capital x 100
Equity interest to foreign capital	%	234.8	253.0	370.8	305.6	0.93	0.68	Equity: foreign capital x 100
Level of return								
Sales margin from distribution per CZK 1 of long term x 100	%	19.9	19.8	18.9	17.4	1.00	1.05	Sales margin from distribution : (Equity + long-term payables)
Return on sale – ROS without VOD*	%	9.5	12.4	14.0	11.8	0.77	0.88	Profit after tax: total revenues x 100
Return on total assets – ROA without VOD*	%	2.5	3.2	3.7	3.0	0.78	0.88	Profit after tax: total assets x 100
Return on equity – ROE without VOD*	%	3.6	4.5	4.9	3.9	0.80	0.93	Profit after tax: equity x 100
Return on total invested capital	%	3.5	4.3	5.2	4.0	0.82	0.83	(Profit before tax + expense interest): total invested capital x 100
Turnover of total invested capital	number of turnovers	0.3	0.3	0.3	0.3	1.02	1.00	Total revenues: total invested capital
Added value labour productivity	TCZK/employee	4,684.7	4,917.5	4,869.2	4,199.1	0.95	1.01	Added value: average adjusted number of employees
Total revenues labour productivity	TCZK/employee	13,786.4	13,392.4	11,736.2	10,219.9	1.03	1.14	Total revenues: average adjusted number of employees
Average adjusted number of employees	persons	514	515	555	583	1.00	0.93	Number of employees

* Note: Without the impact of deferred tax.

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

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

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

In 2009, in accordance with the Act No. 185/2001 Coll., on wastes and the implementing regulation, tests of oil-filled power equipment to detect the lack of presence of PCB were finished. The presence of PCB has not been detected in any of the equipment.

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

The ISO 14 001 – EMS system has been introduced in PRE and PREdistribuce, a.s. In 2009 a recertification audit was carried out in both companies.

Environmental Care Policy

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

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

Safety and Protection of Health at Work Policy

PREdistribuce, a.s. as an independent entity was presented the "Safe Enterprise" award for the first time in 2007. The introduced occupational safety and health protection management system, responsibility of the employees to observe regulations and be responsible for their health resulted in a considerable fall in the rate of work injuries as early as 2005. Only one injury was registered resulting in work incapacity of more than three calendar days. In the year 2006 no injury was reported and in 2007 only one injury was registered. The number of injuries increased in 2008 as three were registered. Only one work injury was reported in 2009.

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

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

Information Required in accordance with legislation in force

Registered office of the organizational component contributing at least 10% to the Company's turnover

- registered office of the organizational component contributing at least 10% to the Company total turnover or production or services that the company's provides

The Company has no organizational component which would meet the prescribed criteria. The parent Company has an organizational component in Slovakia, its share in total parent Company turnover is less than 10% though.

Research and development policy

- the Company will state information on research or development policy of new products or procedures in the current accounting period should these be significant

In view of line of business, the Company does not conduct any new product research or development policy.

Information on the interruption of business

- information on the interruption of business, which may have or had a significant effect on the financial situation in the current period

The Company did not interrupt its business in 2009.

Significant change of the Company financial situation

- no significant change of 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 is found in following chapters of the Annual Report – "Foreword of the Chairman of the Board of Directors", "Company Strategy" and „Investments, or Strategic Investments“.

Report on Relations between the Controlling and Controlled Person

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).

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 at the Municipal Court in Prague, Section I B, File 2405.

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 at the Municipal Court in Prague, Section B, File 10158.

List of other Persons controlled by the same Controlling Person:

Controlled Person: PREměření, a.s.

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

Controlled Person: PREleas, a.s.

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

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

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

“Contract on Provision of Services” No. P200006/01 – in force as of 1.1.2006 for indefinite period

Amendment No. 1 – in force as of 28.12.2006

Amendment No. 2 – in force as of 31.12.2007

Amendment No. 3 – in force as of 31.12.2008

Amendment No. 4 – in force as of 1.4.2009

“Lease Contract” No. PS20000007/003 – in force as of 1.1.2007 for indefinite period

Amendment No. 1 – in force as of 1.1.2008

Amendment No. 2 – in force as of 1.3.2009

“Lease Contract” No. PS20000007/004 – in force as of 1.1.2007 for indefinite period

Amendment No. 1 – in force as of 1.1.2008

Amendment No. 2 – in force as of 1.3.2009

“Lease Contract” No. P200006/05 – in force as of 1.1.2006 for indefinite period

Amendment No. 1 – in force as of 1.9.2006

Amendment No. 2 – in force as of 1.3.2008

“Lease Contract” No. P200006/06 – in force as of 1.1.2006 for indefinite period

Amendment No. 1 – in force as of 1.9.2006

Amendment No. 2 – in force as of 1.4.2007

Amendment No. 3 – in force as of 31.12. 2007

"Contract on the Lease of Non-residential Premises" No. P200006/09 – in force as of 1.1.2006 for indefinite period
Amendment No. 1 – in force as of 1.12.2007
Amendment No. 2 – in force as of 1.9.2008
"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
"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
"Contract on the Lease of Parking Lot" No. P200006/13 – in force as of 1.1.2006 for indefinite period
"Contract on Electricity Supplies to cover Losses in the Distribution System for the Distribution System Operator Own Needs" No. P200006/14 – in force as of 1.1.2006 for indefinite period
"General Contract on Electricity Distribution to Consumption Points connected to VHV and HV Levels" No. P200006/15 – in force as of 1.1.2006 for indefinite period
"General Contract on Electricity Distribution to Consumption Points connected to LV Level" No. P200006/16 – in force as of 1.1.2006 for indefinite period
"Contract on Provision Short-term Loans" No. P200006/22 – in force as of 30.11.2005 for indefinite period
Amendment No. 1 – in force as of 25.1.2006
Amendment No. 2 – in force as of 17.6.2008
Amendment No. 3 – in force as of 25.6.2008
Amendment No. 4 – in force as of 13.10.2008
"General Mandate Contract for Construction of Telecommunication Equipment" No. P200006/27 – in force as of 2.5.2006 for indefinite period
"Sub-licence Contract" No. PS20000006/033 – in force as of 21.3.2006 for indefinite period
"Lease Contract" No. NO21106/015 – in force as of 2.1.2006 for indefinite period
Amendment No. 1 – in force as of 31.12.2008
Amendment No. 2 – in force as of 9.12.2009
"Lease Contract – Plastic Billboards" No. NO21106/001 – in force as of 30.12.2005 for indefinite period
"Lease Contract" No. PS21000107/010 – in force as of 1.1.2007 for indefinite period
"Administration, Operation and Maintenance of Optical Networks" No. PS23400206/002 – in force as of 1.1.2007 for indefinite period
"Contract for Work" No. PS23310209/012 – in force as of 1.1.2009 for indefinite period
"Lease Contract" No. PG3530/07/2008/22 – in force as of 1.8.2008 for indefinite period
Amendment No. 1 – in force as of 1.1.2009
"Contract on Loan No. 1/2009" No. PS20000009/017 – in force from 6.6.2009 until 30.6.2012
"Contract on Loan No. 2/2008" No. PS20000008/018 – in force as of 30.10.2008
Amendment No. 1 – in force as of 27.11.2008
Amendment No. 2 – in force as of 27.11.2009
"Contract on Loan" No. NO21109/001 – in force from 1.3.2009 until 31.12.2015
"Contract on Loan" No. NO21109/006 – in force as of 1.4.2009 for indefinite period
"Contract on Creation of Easement" No. 33200/3236/07/3065 – in force as of 26.1.2007 for indefinite period
"Contract on Creation of Easement" No. 33200/3502/07/4849 – in force as of 26.1.2007 for indefinite period



"Contract on Creation of Easement" No. 33200/3665/07/4394 – in force as of 29.11.2007 for indefinite period
"Contract on Creation of Easement" No. 33200/3938/08/5562 – in force as of 2.4.2008 for indefinite period
"Contract on Creation of Easement" No. 33200/4067/07/6065 – in force as of 12.11.2007 for indefinite period
"Contract on Creation of Easement" No. 33200/4295/08 – in force as of 5.2.2008 for indefinite period
"Contract on Creation of Easement" No. 33200/4449/08/5877 – in force as of 13.10.2008 for indefinite period
"Contract on Creation of Easement" No. 33200/4457/08 – in force from 2.4.2008 until 2.4.2048
"Agreement on a Future Purchase Contract" No. B276/6069/08 – in force as of 16.5.2008
"Contract on Creation of Easement" No. 33200/4793/08/5678 – in force as of 19.1.2009 for indefinite period
"Contract on Creation of Easement" No. 33200/5001/08 – in force as of 12.12.2008 for indefinite period
"Contract on Creation of Easement" No. PS20000009/010 – in force from 2.3.2009 until 3.3.2009

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

PREměření, a.s.

"Contract on provision of Services" No. S252007/002, C00270/07 – in force as of 1.1.2007 for indefinite period
Amendment No. 1 – in force as of 1.1.2008
Amendment No. 2 – in force as of 1.1.2009
"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 on Delivery of Metering Equipment" No. PS21000109/029, C00356/09 – in force as of 10.1.2009 for definite period until 31.12.2009
"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
"Agreement on a Future Contract on Creation of Easement" No. VB/S21/0904426, C00385/09 – in force as of 21.9.2009
"Agreement on a Future Contract on Creation of Easement" No. VB/S21/0904425, C00386/09 – in force as of 21.9.2009
"Agreement on a Future Contract on Creation of Easement" No. VB/S21/0904423, C00387/09 – in force as of 21.9.2009

PREleas, a.s.

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

III. Commentary of the Statutory Body

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

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

In Prague, 3 February 2010



Milan Hampl

Chairman of the Board of Directors



Petr Dražil

Vice Chairman of the Board of Directors

Supervisory Board Report

In 2009 the Supervisory Board performed tasks as laid down by the law and the Company's Articles of Association. In accordance with § 197–§ 201 of 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 2009 the Supervisory Board met six times altogether. 2009 was the fourth year of the Company's real activity.

The Supervisory Board at its meetings above all discussed its investment plans necessary for fulfilling the Company's objectives. This concerned namely: reconstruction of 110 kV substation in Letňany, reconstruction of 110 kV and ŘS Holešovice; reconstruction of 110 kV overhead lines between Řeporyje–TR Chodov, and others.

The Supervisory Board discussed and analyzed the regular financial statements for 2008 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 Section 66a, (9) of the Commercial Code.

Thereafter the Supervisory Board also approved:

- explicit tasks of the Company's Director,
- assessment of tasks stipulated by the Company's Director for 2008,
- text of the Annual Report for the year 2008.

At its meeting held in 2010 the Supervisory Board discussed and reviewed the regular financial statements for 2009 and became acquainted with the report of the auditor concerning these regular financial statements; it also approved the text of the Annual Report for 2009.

The Supervisory Board states that the Company's economic results in 2009 were very good and expresses its thanks to the members of the Company's Board of Directors and employees.

In Prague 21.4.2010



Petr Hulinský

Chairman of the Supervisory Board

Independent Auditor's Report

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

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

Report on the Financial Statements

Based upon our audit, we issued the following audit report dated 19 February 2010 on the financial statements which are included in this annual report on pages 45 to 64:

"We have audited the accompanying financial statements of PREdistribuce, a.s., which comprise the balance sheet as of 31 December 2009, 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 of 31 December 2009 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 2009 which is included in this annual report on pages 38 to 41. This related party transactions report is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the related party transactions report based on our review.

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require 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 2009 contains material factual misstatements.

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

Report on the Annual Report

We have also audited the annual report 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 is consistent, in all material respects, with the financial statements referred to above.

In Prague on 28 April 2010

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 2009

Income Statement (CZK thousand)

Line	Text	Note	2009	2008
I. 1.	Sales of distribution services in the Group		5,932,203	6,038,535
I. 2.	Sales of distribution services outside the Group		923,517	624,141
A.	Costs of distribution and system services		(2,160,894)	(1,963,955)
+	Gross margin	(1)	4,694,826	4,698,721
II.	Other income	(1)	32,107	42,684
II. 1.	Other income		27,664	38,515
II. 3.	Own work capitalised		4,443	4,169
B.	Purchased consumables and services	(3)	(2,318,979)	(2,208,904)
B. 1.	Consumed material and energy		(988,954)	(873,703)
B. 2.	Purchased services		(1,330,025)	(1,335,201)
+	Added value		2,407,954	2,532,501
C.	Staff costs	(2)	(390,487)	(372,521)
C. 1.	Payroll costs		(258,408)	(253,889)
C. 2.	Remuneration to members of statutory bodies		(3,222)	(2,976)
C. 3.	Social security and health instance costs		(91,113)	(91,430)
C. 4.	Social costs		(37,744)	(24,226)
D.	Taxes and fees		(8,412)	(5,700)
E.	Depreciation of tangible and intangible fixed assets	(7, 8)	(1,205,837)	(1,188,320)
III.	Sales of fixed assets and material	(4)	6,913	8,055
III. 1.	Sales of fixed assets		6,913	7,775
III. 3.	Sales of material		--	280
F.	Net book value of sold fixed assets	(4)	(44,731)	(17,332)
G.	Change in reserves and provisions		3,598	11,115
IV.	Other operating income	(1)	191,454	177,924
H.	Other operating expenses		(19,892)	(9,652)
*	Operating profit or loss		940,560	1,136,070
X.	Interest income	(5)	--	5,711
N.	Interest expenses	(5)	(92,946)	(61,918)
XI.	Other financial income		15	42
O.	Other financial expenses		(152)	(210)
*	Financial profit or loss		(93,083)	(56,375)
Q.	Income tax on ordinary activities	(6)	(162,908)	(200,103)
Q. 1.	- payable		(172,418)	(227,614)
Q. 2.	- deferred		9,510	27,511
**	Profit or loss on ordinary activities		684,569	879,592
***	Profit or loss for the current period		684,569	879,592

Balance Sheet (CZK thousand)

Line	Text	Note	2009			2008
			Gross	Adjustment	Net	Net
	TOTAL ASSETS		44,372,152	(17,747,720)	26,624,432	26,313,789
A.	Receivables for subscribed capital		--	--	--	--
B.	Fixed assets		41,859,522	(17,733,886)	24,125,636	23,717,986
B. I.	Intangible fixed assets	[8]	20,723	(4,371)	16,352	4,757
B. I. 2.	Research and development		11,460	(3,774)	7,686	1,491
3.	Software		597	(597)	--	--
7.	Intangible fixed assets under construction		8,666	--	8,666	3,266
B. II.	Tangible fixed assets	[7]	41,838,699	(17,729,515)	24,109,184	23,713,129
B. II. 1.	Land		358,825	--	358,825	347,563
2a.	Cable and external wiring		17,363,319	(6,441,465)	10,921,854	10,498,971
2b.	Power structures		12,345,001	(5,602,608)	6,742,393	6,995,725
3a.	Transformer station and switching station technologies		7,566,421	(3,241,419)	4,325,002	4,226,167
3b.	Logistics and management equipment/technology		1,512,156	(1,160,274)	351,882	338,402
3c.	Other fixtures and equipment		275,002	(166,495)	108,507	105,117
6.	Other tangible fixed assets – electricity meters in the network		1,999,872	(1,117,254)	882,618	943,128
7a.	Electricity meters in stock – tangible fixed assets under construction		--	--	--	7,524
7b.	Other tangible fixed assets under construction		413,771	--	413,771	224,171
8.	Prepayments for tangible fixed assets		4,332	--	4,332	26,361
B. III.	Non-current financial assets		100	--	100	100
C.	Current assets		2,503,987	(13,834)	2,490,153	2,580,203
C. II.	Long-term receivables		32	--	32	32
C. II. 1.	Trade receivables		32	--	32	32
C. III	Short-term receivables		2,502,193	(13,834)	2,488,359	2,578,204
C. III. 1.	Trade receivables	[10]	78,923	(13,834)	65,089	44,751
2.	Receivables – controlling entity	[19]	391,284	--	391,284	410,086
6.	State – tax receivables		119,001	--	119,001	78,053
7.	Short-term prepayments made		1,156	--	1,156	82
8.	Estimated receivables	[19]	1,910,764	--	1,910,764	2,043,040
9.	Other receivables		1,065	--	1,065	2,192
C. IV.	Current financial assets		1,762	--	1,762	1,967
C. IV. 1.	Cash on hand		1,762	--	1,762	1,967
2.	Cash at bank		--	--	--	--
D. I.	Deferred expenses and accrued income		8,643	--	8,643	15,600
D. I. 1.	Deferred expenses		8,643	--	8,643	15,600

Line	Text	Note	2009	2008
	TOTAL LIABILITIES		26,624,432	26,313,789
A.	Equity	(11)	18,673,197	18,849,828
A. I.	Share capital		17,707,934	17,707,934
A. I. 1.	Share capital		17,707,934	17,707,934
A. III.	Funds from profit		280,500	236,500
A. III. 1.	Statutory reserve fund		280,500	236,500
A. IV.	Profit or loss for prior periods		194	25,802
A. IV. 1.	Retained earnings		194	25,802
A. V.	Profit or loss for the current period		684,569	879,592
B.	Liabilities		6,114,983	5,714,221
B. I.	Reserves	(13)	157,682	157,366
4.	Other reserves		157,682	157,366
B. II.	Long-term payables		5,558,388	4,467,897
B. II. 2.	Payables to related parties	(19)	2,600,000	1,500,000
9.	Other payables		33	32
10.	Deferred tax liability	(9)	2,958,355	2,967,865
B. III.	Short-term payables		398,913	1,088,958
B. III. 1.	Trade payables	(14)	101,070	97,452
2.	Payables – controlling entity	(19)	215,144	909,116
5.	Payables to employees		16,987	13,295
6.	Social security and health instance payables		9,694	8,234
7.	State – tax payables and subsidies		31,303	25,101
8.	Short-term prepayments received		24,415	35,385
10.	Estimated payables		300	375
11.	Other payables		--	--
C. I.	Accrued expenses and deferred income		1,836,252	1,749,740
C. I. 1.	Accrued expenses		26,604	6,298
2.	Deferred income	(15)	1,809,648	1,743,442



Cash Flow Statement (CZK thousand)

	Note.	2009	2008
Opening balance of cash and cash equivalents		1,967	2,194
Operating activity			
Accounting profit from ordinary activity before tax		847,477	1,079,695
Amortisation and depreciation	(7, 8)	1,205,837	1,188,320
Write-off of bad debts and other assets		1,166	491
Non-monetary personnel expenses		5,530	(6,450)
Change in provisions, reserves and temporary accounts	(10, 13)	5,686	(3,184)
Release of investment contributions to income	(15)	(154,029)	(143,053)
Profit (loss) from the sale and disposal of fixed assets	(4)	37,836	11,366
Interest	(5)	90,052	53,770
Net cash flow from operating activity before changes in working capital		2,039,555	2,180,955
Change in trade receivables		149,118	(1,175,049)
Change in trade payables		(38,848)	40,023
Net cash flow from operating activity before tax and interest		2,149,825	1,046,929
Interest paid	(5)	(69,746)	(53,182)
Interest received	(5)	--	6,621
Income tax paid		(213,366)	(553,137)
Net cash flow from operating activity		1,866,713	446,231
Investment activity			
Expenditure related to the acquisition of fixed assets		(1,651,315)	(1,766,441)
Income from investment contributions	(15)	220,234	211,610
Income from the sale of fixed assets	(4)	6,913	7,775
Net cash flow from investment activity		(1,424,168)	(1,547,056)
Financial activity			
Change in interCompany's financial receivables and payables	(19)	418,450	2,712,598
Dividends paid		(861,200)	(1,612,000)
Net cash flow from financial activity		(442,750)	1,100,598
Change in cash and cash equivalents		(205)	(227)
Closing balance of cash and cash equivalents		1,762	1,967

Notes to the financial statements – for the year ended 31.12.2009

General Information

Establishment and Description of the Company

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

The Company's registered office is at Svornosti 3199/19a, Prague 5, 150 00, corporate ID 27376516.

The Company's principal activity is the distribution of electricity in the region of the City of Prague and Roztoky u Prahy, covering an area of 505 km², from which it derives most of its revenues.

The distribution of electricity is carried out in the public interest and the associated rights and obligations, with the exception of general legal regulations, are regulated by Energy Act No. 458/2000 Coll., as amended, and the related implementation guidance.

Statutory and Supervisory Bodies as of 31 December 2009

Board of Directors

Board of Directors		
Milan Hampl	Chairman and Managing Director	since 2 Nov 2006
Petr Dražil	Vice Chairman and Manager of the Network Administration section	since 2 Nov 2006
Christian Franz-Josef Schorn	Member, EnBW, Germany	since 6 Oct 2006
Martin Langmajer	Member of the Board of Directors, Capital City of Prague	since 6 Oct 2006
Supervisory Board		
Petr Hulinský	Chairman, the Capital City of Prague	since 20 April 2006
Hermann Lüschen	Vice Chairman, EnBW, Germany	since 20 April 2006
Karel Urban	Member, PREdi employee	since 1 March 2006
Vladimír Přáda	Member, PREdi employee	since 1 March 2006
Drahomír Ruta	Member, Chairman of the Board of Directors and CEO of Pražská energetika, a.s.	since 1 Feb 2006
Pavel Elis	Member, Vice Chairman of the Board of Directors and Director, Trading and Services, Pražská energetika, a.s.	since 1 Feb 2006

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

Organisational Structure:

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

- Network administration;
- Network management;
- Network operations;
- Network assets management; and
- Network access and regulation;
- Distribution support.

Accounting Policies

Statement of Compliance

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

Basis of the Preparation of Financial Statements

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

Foreign Currency Translation

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

Tangible and Intangible Fixed Assets

Assets Held by the Company

Purchased tangible and intangible fixed assets are stated at acquisition cost, which includes the purchase price and costs related to the acquisition. Tangible and intangible fixed assets costing more than CZK 40 thousand and CZK 60 thousand, respectively, with a useful life exceeding one year are recognised in the balance sheet. Acquisition cost does not include investment contributions (see below).

The Company used the possibility of capitalising interest in line with Section 47 of Regulation 500/2002 Coll., as amended.

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

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

Low Value Tangible and Intangible Assets

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

Improvements

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



Depreciation

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

Asset category	Depreciation period in years
Buildings and halls	50
Cable tunnels, cables and external wiring	40
Fibre-optics	30
Power structures	25, 30
Working machines and equipment	10, 12 and 20
Telecommunication equipment	15
Machinery and special technology equipment, communication cables	10
Electricity meters	10, 12 and 16
Furniture and fixtures	8
HW	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's reviews the carrying amounts of its assets (with the exception of deferred tax assets) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, provision is recorded to reflect the impairment of the asset.

Share Capital

Issued Shares

The Company issued registered ordinary shares (refer to the Note "Equity").

Dividends

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



Cash pooling

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

Reserves

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

Short-Term Payables

Short-term payables are stated at their nominal value.

Revenue Recognition

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

Expense Recognition

Operating Leases

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

Finance Leases

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

Income Tax

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

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

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

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

Significant Accounting Estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it.

Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates. In the Company's view, determination of the volume of unbilled electricity distribution is the crucial area which is subject to the use of estimates. Additions to it are determined using the balance method, i.e. as a difference between the aggregate electricity inputs and outputs including losses and internal consumption in the relevant period. The aggregate ultimate balance is further reviewed by a cross-check calculation in the client system.



Contents of the Notes to the Financial Statements

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

1. Revenue Recognition (CZK thousand)

Revenues and Expenses Relating to the Supply of Distribution Services	2009	2008
Sale of distribution and system services to wholesale customers	2,436,006	2,276,805
Sale of distribution and system services to retail customers	4,403,296	4,369,072
Other income	16,418	16,799
Total income	6,855,720	6,662,676
Costs of the purchase of distribution and system services	(2,160,894)	(1,963,955)
Total costs	(2,160,894)	(1,963,955)
Gross profit from the sale of distribution services	4,694,826	4,698,721

Other income	2009	2008
Income from services rendered in the Group *)	7,962	6,480
Income from services rendered outside the Group	19,702	32,035
of which: repair and assembly	11,993	17,126
lease of real estate	4,914	4,108
Capitalisation of fixed assets	4,443	4,169
Total	32,107	42,684

*) Primarily maintenance of fibre optics for the parent company (CZK 4,514 thousand and CZK 4,580 thousand in the years ended 31 December 2009 and 2008, respectively).

Other operating income	2009	2008
Connection fees	154,029	143,053
Compensation for unauthorised consumption	25,223	28,483
Sundry	12,202	6,388
Total	191,454	177,924

2. Personnel Expenses (CZK thousand)

	2009 Staff including management	2008 Staff including management
Average headcount	514	513
Payroll costs	234,509	225,087
Salaries paid depending on the Company's performance	23,899	28,802
Insurance	91,113	91,430
Remuneration of the members of the Company's bodies	3,222	2,976
Other social costs (according to the collective agreement) *)	37,744	24,226
Total	390,487	372,521

*) Including compensation paid as part of the plan to decrease the number of employees, meal contributions, electricity discounts for employees and benefits paid to employees in connection with their retirement, work and life anniversaries and other employee benefits defined by the Collective Agreement.

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

	2009	2008
Consumed electricity and losses	934,029	800,066
Services of the parent company	609,303	577,356
Operating lease of vehicles	22,096	21,253
Lease of equipment, vehicles and construction machinery	63,792	71,964
Lease of non-residential premises	70,978	64,854
Assembly work and reading of meters	190,427	200,235
Sundry	10,404	14,610
Costs of purchase of material, services and energies in the Group	1,901,029	1,750,338
Material and consumed energies	50,245	68,279
Repairs of fixed assets	203,018	212,865
Lease of cable tunnels	87,647	84,813
Lease of non-residential premises	31,647	29,663
Training, conferences	2,840	3,416
Sundry	42,553	59,530
Costs of purchase of material, services and outside of the Group	417,950	458,566
Total	2,318,979	2,208,904

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

	2009	2008
Sales of electricity meters	190	155
Sales of other assets and materials	--	1,417
Net book value of electricity meters	(1,993)	(3,339)
Net book value of other assets	--	(190)
Loss from the sale of assets within the Group	(1,803)	(1,957)
Sales of assets	6,723	6,233
Sales of material (primarily from metal waste)	--	250
Net book value of sold material	(42,738)	(13,803)
Loss from the sale of assets outside the Group	(36,015)	(7,320)
Total	(37,818)	(9,277)



5. Interest Expenses and Income (CZK thousand)

Interest income and expenses	2009	2008
Interest income arising from cash pooling	--	5,711
Interest expenses from cash pooling	(20,527)	(31,173)
Interest expenses from intercompany loans	(90,805)	(28,308)
Interest expenses from employee benefits *)	(2,895)	(2,437)
Interest expenses – capitalised interest	21,281	--
Total (net)	(92,946)	(56,207)

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

6. Income Taxes (CZK thousand)

Effective tax rate	2009		2008	
Profit or loss for the period after tax	684,569		879,592	
Income tax from ordinary activity	162,908		200,103	
Profit before tax	847,477		1,079,695	
Income tax using the applicable income tax rate	169,495	20.00%	226,736	21.00%
Impact of items that are never tax-deductible	(3,204)	(0.38%)	4,223	0.39%
Corrections of estimates of prior years' taxes	(3,383)	(0.40%)	(11,333)	(1.05%)
Impact of the change in the deferred tax rate	--	--	(19,523)	(1.81%)
Total income tax/effective tax rate	162,908	19.22%	200,103	18.53%

Payables to the State	2009	2008
Payables arising from social security and health insurance contributions	9,694	8,234
State - tax payables *)	31,303	25,101

*) Includes personal income tax and VAT.

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

7. Tangible Fixed Assets (CZK mil.)

	Land	Power structures	Cables and external wiring	Telecommuni- cation and information technologies	Electricity meters	Other	Assets under construction	Total
Cost								
Balance at 31 Dec 2007	344.2	18,634.9	15,893.1	1,358.4	1,971.2	285.9	531.9	39,019.6
Additions	3.6	733.9	656.6	91.0	84.4	7.3	139.4	1,716.2
Disposals	(0.4)	(53.2)	(50.2)	--	(98.6)	(32.7)	(1.5)	(236.6)
Reclassification	0.2	264.5	124.1	(25.1)	41.3	6.7	(411.7)	--
Balance at 31 Dec 2008	347.6	19,580.1	16,623.6	1,424.3	1,998.3	267.2	258.1	40,499.2
Accumulated depreciation								
Balance at 31 Dec 2007	--	(7,871.2)	(5,777.0)	(1,011.4)	(982.2)	(180.7)	--	(15,822.5)
Depreciation	--	(527.4)	(397.4)	(74.5)	(168.3)	(19.8)	--	(1,187.4)
Accumulated depreciation on disposals	--	40.4	49.8	--	95.3	38.4	--	223.9
Reclassification	--	--	--	--	--	--	--	--
Balance at 31 Dec 2008	--	(8,358.2)	(6,124.6)	(1,085.9)	(1,055.2)	(162.1)	--	(16,786.0)
Net book value at 31 Dec 2007	344.2	10,763.7	10,116.1	347.0	989.0	105.2	531.9	23,197.1
Net book value at 31 Dec 2008	347.6	11,221.9	10,499.0	338.4	943.1	105.1	258.1	23,713.2

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

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

8. Intangible Fixed Assets (CZK mil.)

	Software	Other	Investments under construction	Total
Cost				
Balance at 31 Dec 2007	0.7	3.8	2.4	6.9
Additions	--	--	7.5	7.5
Disposals	--	--	(6.5)	(6.5)
Reclassification	--	0.2	(0.2)	--
Balance at 31 Dec 2008	0.7	4.0	3.2	7.9
Accumulated amortisation				
Balance at 31 Dec 2007	(0.7)	(1.5)	--	(2.2)
Amortisation	--	(0.9)	--	(0.9)
Accumulated amortisation on disposals	--	--	--	--
Reclassification	--	--	--	--
Balance at 31 Dec 2008	(0.7)	(2.4)	--	(3.1)
Net book value at 31 Dec 2007	--	2.3	2.4	4.7
Net book value at 31 Dec 2008	--	1.6	3.2	4.8

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

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

Low value fixed assets (CZK thousand)	2009	2008
Low value tangible assets with a cost lower than CZK 40 thousand	75,535	77,153
Low value intangible assets with a cost lower than CZK 60 thousand	--	--
Total	75,535	77,153

9. Deferred Tax Liability (CZK thousand)

Deferred tax assets and liabilities recognised in the balance sheet:

Deferred tax assets (-) and liabilities (+) resulting from the temporary differences between the accounting and tax value relate to the following items:

	31 Dec 2009	Charging to profit or loss	31 Dec 2008	Charging to profit or loss	31 Dec 2007
Fixed assets	2,988,270	(6,227)	2,994,497	(29,688)	3,024,185
Receivables	(1,401)	(479)	(922)	(187)	(735)
Reserves	(14,992)	1,433	(16,425)	2,164	(18,589)
Liability arising from the collective agreement	(13,522)	(4,237)	(9,285)	200	(9,485)
Total	2,958,355	(9,510)	2,967,865	(27,511)	2,995,376

10. Trade Receivables (CZK thousand)

As of 31 December 2009, trade receivables amounted to CZK 78,923 thousand gross (2008: CZK 54,074 thousand), of which receivables of CZK 9,917 thousand (2008: CZK 8,522 thousand) were up to six months past due, receivables of CZK 10,915 thousand (2008: CZK 4,881 thousand) were 6-12 months past due and receivables of CZK 9,817 thousand (2008: CZK 6,685 thousand) were more than 12 months past due. A provision of CZK 13,834 thousand (2008: CZK 9,323 thousand) was created.

11. Equity (CZK thousand)

Share Capital and Types of Shares as of 31 December 2009

Share capital of the Company consists of 21,549 registered shares (2008: 21,549 registered shares) with a nominal value of CZK 821,752 (2008: CZK 821,752).

Registered Shares

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

Distribution of Profit

The General Meeting will decide on the distribution of profit of CZK 684,569 thousand (2008: CZK 879,592 thousand).

Statement of Changes in Equity (CZK thousand)

	Share capital	Reserve fund	Profit or loss	Retained earnings	Changes in equity
Balance at 31 Dec 2007	17,707,934	150,000	1,724,302	--	19,582,236
Creation of the reserve fund	--	86,500	(86,500)	--	--
Dividends paid	--	--	(1,600,000)	--	(1,600,000)
Directors' fees paid	--	--	(12,000)	--	(12,000)
Retained earnings	--	--	(25,802)	25,802	--
Net profit for 2008	--	--	879,592	--	879,592
Balance at 31 Dec 2008	17,707,934	236,500	879,592	25,802	18,849,828
Creation of the reserve fund	--	44,000	(44,000)	--	--
Dividends paid	--	--	(848,000)	--	(848,000)
Directors' fees paid	--	--	(13,200)	--	(13,200)
Retained earnings	--	--	25,608	(25,608)	--
Net profit for 2009	--	--	684,569	--	684,569
Balance at 31 Dec 2009	17,707,934	280,500	684,569	194	18,673,197

12. Earnings per Share (CZK thousand)

The calculation of earnings per share is based on net retained earnings of CZK 684,569 thousand (2008: CZK 879,592 thousand) attributable to 21,549 shares, i.e. earnings per share amount to CZK 32 thousand (2008: CZK 41 thousand).

13. Reserves (CZK thousand)

	Business risks*)	Severance pay	Employee benefits **)	Other	Total
Balance at 31 Dec 2007	88,538	6,293	70,365	10,400	175,596
Creation of reserves in the current period	--	--	7,811	--	7,811
Use of reserves in the current period	(3,817)	(5,096)	(6,728)	(10,400)	(26,041)
Balance at 31 Dec 2008	84,721	1,197	71,448	--	157,366
Creation of reserves in the current period	--	--	18,390	--	18,390
Use of reserves in the current period	(8,110)	1,093	(11,057)	0	(18,074)
Balance at 31 Dec 2009	76,611	2,290	78,781	--	157,682
Long-term reserves	76,611	--	61,072	--	137,683
Short-term reserves	--	2,290	17,709	--	19,999
Total	76,611	2,290	78,781	--	157,682

*) Reserve for risks arising from the operation of fixed assets.

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

14. Trade Payables (CZK thousand)

The Company records trade payables of CZK 101,070 thousand (2008: CZK 97,452 thousand), of which payables of CZK 60 thousand (2008: CZK 29 thousand) were past their due dates. All payables past their due dates were settled in January 2010.

15. Temporary Liabilities (CZK thousand)

Deferred income – investment contributions

Balance at 31 Dec 2007	1,674,885
Contributions received	211,610
Released to income	(143,053)
Balance at 31 Dec 2008	1,743,442
Contributions received	220,235
Released to income *)	(154,029)
Balance at 31 Dec 2009	1,809,648

*) Disclosed in "Other operating income" in the income statement.

16. Leased Assets (CZK thousand)

Operating Leases

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

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

	2009	2008
Administrative buildings	70,978	64,854
Cable conduits	87,647	83,169
Non-residential premises	31,647	29,663
Vehicles	22,096	21,253
Total	212,368	198,939

Finance Leases

Finance leases include technological equipment, vehicles and construction machinery. In the years ended 31 December 2009 and 2008, the Company paid CZK 63,792 thousand and CZK 71,964 thousand, respectively, in lease instalments.

17. Expenditure on Acquisition of Fixed Assets

The Company anticipates incurring total expenditure of CZK 1,653 million for the year ending 31 December 2010, of which approximately CZK 800 million has been contracted as of the balance sheet date. The Company is not involved in individual research and development but co-operates with other companies and institutions on innovation processes. It actively works to improve support operations (licence acquisition, know-how, maintenance, procurement, and IT systems).

18. Related Parties (CZK thousand)

The Company’s Managing Director and members of the Board of Directors are considered the executive management. The management contract contains a non-competition clause extending to 12 calendar months after the termination of employment. This fact is offset by cash compensation in the amount of the average monthly pay for each month of the obligation’s performance. Members of the Company’s Board of Directors and Supervisory Board entered into the Contract for the Terms and Conditions of the Job Performance for the period of the performance of their position. Remuneration is paid for the position’s performance as approved annually by the General Meeting – the sole shareholder. The Contract does not provide for any non-standard benefits. Members of the senior management can use company cars for private purposes.



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

	2009		2008	
	Executive management and Board of Directors	Supervisory Board	Executive management and Board of Directors	Supervisory Board
Number	5	6	5	6
Amounts received due to the existence of an employment *)	6,849	--	5,838	--
Amounts received due to the existence of the membership in statutory/ supervisory bodies) **)	7,956	8,523	7,240	7,776

*) Salaries and contribution to life insurance.

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

Transactions with the Members of Statutory Bodies and Executive Management

As of 31 December 2009, the Company recorded a receivable from the members of its Board of Directors and Supervisory Board totalling CZK 47 thousand (2008: czk 42 thousand). These receivables were settled during January 2010.

19. Group Relationships (CZK thousand)

	PREdi receivables as of 31 Dec		PREdi payables as of 31 Dec	
	2009	2008	2009	2008
Pražská energetika, a.s.	2,230,752	2,405,841	2,818,964	2,380,208
of which: Trade receivables/payables	391,263	410,075	--	--
Trade receivables/payables (cash pooling)	--	--	192,360	873,910
Accrued income/expenses (cash pooling)	--	--	372	2,238
Long-term loan*)	--	--	2,600,000	1,500,000
Accrued expenses (long-term loan)	--	--	26,232	4,060
Estimated receivables – unbilled distribution services	1,839,489	1,995,766	--	--
PREleas, a.s.	7,187	11,608	--	--
PREměření, a.s.	21	11	22,784	35,206
Total	2,237,960	2,417,460	2,841,748	2,415,414

	PREdi income		PREdi expenses/ costs	
	2009	2008	2009	2008
Pražská energetika, a.s.	5,940,285	6,052,266	(1,760,135)	(1,537,625)
of which: Distribution services	5,932,203	6,038,535	--	--
Other services, material consumed	7,962	6,480	(712,781)	(678,073)
Consumed electricity and losses	--	--	(934,029)	(800,066)
Fixed assets	--	888	(1,993)	--
Other expenses	--	--	--	(5)
Other income	120	652	--	--
Cash Pooling	--	5,711	(20,527)	(31,173)
Interest on loans	--	--	(90,805)	(28,308)
PREleas, a.s.	--	--	(63,793)	(71,965)
of which: Services - leases	--	--	(63,792)	(71,964)
Fixed assets	--	--	(1)	(1)
PREměření, a.s.	416	804	(290,291)	(303,411)
of which: Services	--	--	(190,427)	(200,236)
Electricity meters	190	155	(99,864)	(102,985)
Other assets	--	529	--	(190)
Contractual fines	226	120	--	--
Total	5,940,701	6,053,070	(2,114,219)	(1,913,001)

*) The loan in the amount of CZK 1,500 million provided by Pražská energetika, a.s., with maturity on 30 November 2011 and the interest rate equal to PRIBOR + 0.3% p.a., and a loan of CZK 1,100 million provided by Pražská energetika a.s. with a fixed interest rate of 4.8% for the financing of the debtor's operating and investment needs.

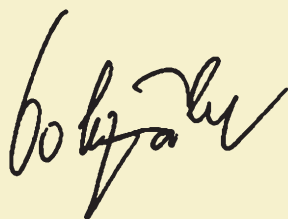
The Company's management believes that all transactions with Group entities were performed under arm's length conditions. The Company incurred no loss in connection with related-party transactions.

20. Post Balance Sheet Events

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

Affidavit

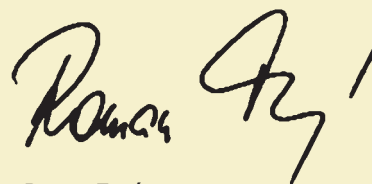
We hereby declare that data stated in the Annual Report for the year 2009 comply with the real facts and that no known circumstances which could affected the accurate and correct assessment of the Company PREdistribuce, a.s. were omitted.



Jan Doležálek

Date of birth: 23.2.1952

Responsible for the Annual Report
page 1-42, 65-68



Roman Tupý

Date of birth: 2.2.1963

Responsible for the Annual Report
page 43-64

List of Abbreviations

CEP	Energy Consulting Centre
ČSRES	České sdružení rozvodných energetických společností /Czech Association of Power Distribution Companies
DDZ	Daily load profile
DLHM	Tangible fixed assets
DLNHM	Intangible fixed assets
DR	Supervisory Board
DŘT	Dispatching control technology
DS	Distribution system
DTS	Distribution transformer station
ERÚ	Energetický regulační úřad/Energy Regulatory Office
ES ČR	Electrification system of the Czech Republic
ESČ	Elektrotechnický svaz český/Czech Electrotechnical Union
EU	European Union
FNM ČR	Fond národního majetku České republiky/National Property Fund of the Czech Republic
FVE	Photovoltaic power station
GIS	Geographical information system
GWh	Gigawatt-hour
HDO	Mass remote control
HMP	Capital City of Prague
Hz	Hertz
CHZ	Protected customer
KT	Cable tunnel
kV	Kilovolt
KVET	Combined generation of electricity and heating
MF ČR	Ministerstvo financí České republiky/Ministry of Finance of the Czech Republic
MHMP	Magistrát hlavního města Prahy/Prague City Council
MO	Small customer (small businesses and households)
M00	Small customer-households
MOP	Small customer-entrepreneurs
MPO ČR	Ministerstvo průmyslu a obchodu České republiky/Ministry of Industry and Trade of the Czech Republic
MPSV ČR	Ministerstvo práce a sociálních věcí ČR/Ministry of Labour and Social Affairs
MVE	Small hydroelectric power stations
MWh	Megawatt-hour
MW	Megawatt
MZ ČR	Ministerstvo zdravotnictví ČR/Ministry of Health of the Czech Republic
NN	Low voltage
NT	Low tariff

OC	Business centre
OK0	Organized short-term trade
OOPP	Personal protection work aids
OPM	Consumption delivery point
OSNE	System for electricity trading support
OK	Commercial centre
OTE, a.s.	electricity market operator
OZ	Eligible customer
OZE	Renewable resources
PDS	Provozovatel distribuční soustavy/Distribution system operator
PEAS	První energetická akciová společnost/First energy joint stock company
PIS	Poradenské a informační středisko/Advisory and information centre
PP	Board of Directors
PP, a.s.	Pražská plynárenská, a.s.
PP-H, a.s.	Pražská plynárenská Holding, a.s.
PRE	Pražská energetika, joint stock company
PREdi	PREdistribuce, a.s., 100 % subsidiary
PRE-H	Pražská energetika Holding a.s.
PREleas, a.s.	PREleas, a.s., 100% subsidiary
PS	Poradenské středisko/Advisory Centre
PS, a.s.	Pražské služby, a.s./Prague Services, joint stock company
PT, a.s.	Pražská teplárenská, a.s.
PT-H, a.s.	Pražská teplárenská Holding, a.s.
PXE	Pražská energetická burza/Prague Energy Stock Exchange
R	Distribution station
REAS	Rozvodné energetické akciové společnosti/Power Distribution joint stock companies
RS	Distribution station
ŘS	Controlling System
TDD	Standard daily profile
TPA	Third party access
TR	Transformer station
TWh	terawatt-hour
ÚED ČR	Ústřední energetický dispečink České republiky/Central Power Dispatching of the Czech Republic
ÚHOS	Úřad pro ochranu hospodářské soutěže/Office for Protection of Business Competition
VN	High voltage
VVN	Very high voltage
VO	Large customer



Address of the Joint Stock Company and its Workplaces

	Address	PCN	Telephone, fax
PREdistribuce, a.s.	Prague 5, Svornosti 3199/19a	150 00	267 051 111, 267 310 817
<p>The Company is registered in the Commercial Register maintained at the Municipal Court in Prague, Section B, File No. 10158.</p> <p>The Company was founded for an indefinite period in compliance with the legal order of the Czech Republic.</p> <p>The Company does not have any organizational unit abroad.</p> <p>web: www.pre.cz e-mail: pre@pre.cz, distribuce@pre.cz; poradce@pre.cz w@p: w@p.pre.cz</p> <p>ID No.: 27376516</p> <p>Tax No.: CZ27376516</p> <p>Bank details: ČSOB Praha-město Account No.: 17494043/0300</p>			
	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 2, Nitranská 2226/1	120 00	267 052 200
Network Operation	Prague 9, Novovysočanská 696/3	190 00	267 052 300
Network Assets Management	Prague 5, Svornosti 3199/19a	150 00	267 052 400
Access to Network and Regulation	Prague 2, Sokolská 1264/7	120 00	267 052 500
Distribution Support	Prague 10, Na Hroudě 1492/4	100 05	267 052 600
PRE Customer Centre	Prague 4, Vladimírova 18	140 00	267 054 230
	Prague 9, Ocelářská 5a	190 00	267 054 240
	Prague 1, Jungmannova 31	101 00	267 056 363
Emergency Services	Prague 2, Kateřinská 9	120 00	224 915 151
			e-mail: poruchy@pre.cz
Call Centre	Prague 10, Na Hroudě 19	100 05	267 055 555
Energy Consulting Centre	Praha 1, Jungmannova 28	101 00	267 055 555
Information for Press	Prague 10, Na Hroudě 1492/4	100 05	267 051 102

© 2010

PREdistribuce, a.s.

Design: Jan Jiskra

Consultancy and Production: ENTRE s.r.o.

