

Annual Report 2013

13



Česká pošta



Česká pošta

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Introduction by Director General

On one side, introducing Czech Post is of no use, as it has such deep roots in the Czech Republic and, especially, in the more than four and half million households that use its services. On the other hand, it is still necessary. Things that become part of everyday life face the danger of becoming mundane. Chesterton made an excellent remark to this in one of his stories; In conversation between two friends, one is asking the other where is he packing his luggage for. His answer to his astonished visitor is that to Battersea, that although he lives there he does not even know it anymore. Therefore, he is going to travel to New York, New Zealand and many other places. Then he can return back to Battersea to rediscover it again. To come back to a city that will amaze him with its beauty and curiosities. This is something of an exaggeration, but there is a lot truth that lies within it. Czech Post does not have this opportunity. In the middle of the daily lives of its customers, it tries to keep up with the trends and to keep the customers satisfied.

2013 was very difficult for the company. As of the beginning of January, the postal market has been fully liberalised and the national postal service has found itself in a completely new position. Even though letter posting has been gradually disappearing from the world, with year-on-year decline ranging between 6 and 10 percent, at the end of 2012 letter post up to 50g was able to solely cover the cost attributed to operating Universal services. New rules regarding the financing of this service led to greater demands on running of the business, the backbone of the logistics network had to be quickly developed. Furthermore, greater emphasis was put on the optimisation of work processes. Sales activities also faced challenges, such as searching for new sources of revenue. The fact that Czech Post was able to further

strengthen its position in the parcel market is seen as a great accomplishment, especially considering that in the past decades the competition in this segment has been very strong. Defending first place in the only sector of postal and logistic services market that is growing has been a clear indicator that the company is able to react efficiently to ever growing customer requirements. In the financial services division, the company had confirmed its position as a reliable and stable partner, for any kind of cooperation in this area of service.

A very important factor in the development of the company in upcoming years, that was not part of last year's achievements and the benefits of which will only be seen in the long term, should also be mentioned here. By this I am referring to our most crucial partnership - that of providing services for the state. It is more and more obvious that the company has the right people and know-how to be able to continuously deliver higher quality services to its contractor; i.e. the state and then consequently to the citizens.

In 2013, by fulfilling the financial plan for the year, Czech Post has proved it can live up to its owners expectations. That they can deliver high quality services in commercial settings in an open market and, even in times of economic recession, the company can function without social disturbance.



Ing. Martin Elkán
Director General of Česká pošta, s.p.

Report of the supervisory board

During its regular meetings, the Supervisory Board of Czech Post concentrated on finance and the development of human resources, issues regarding safety and ICT service committee meetings. The audit committee meeting was held in 2013 regarding the Company's strategy.. The important topics were primarily activities of Czech Post during the first year in the fully liberalized market. It was therefore fulfilling its commitments as stated in Act No. 77/1977Sb., on state-owned enterprises as amended, by the founding charter and by its status of a state company.

The work of the Supervisory Board in 2013 was not merely about systematic control of the Company during the ongoing monitoring and evaluating partial results and other agendas related to the activities of its various committees. Special attention was paid to development plans of Czech Post, with a strong emphasis on the possible expansion of services provided for the state. Therefore, the maintaining of good relations with trade union partners, regulator of the postal market and other government bodies, was important.

The Supervisory Board had thoroughly reviewed the financial statements as at 31 December 2013, acknowledged the auditor's report issued by PricewaterhouseCoopers Audit, s.r.o., which is „without issues“, and recommended that the Founder approve the financial statements and the annual report. According to the proposal submitted by the management of the Company a decision on the allocation of the profit for the year 2013 was also recommended to the Founder.



Jan Mareš

Chairman of the Supervisory Board of Česká pošta, s.p.

Terms of office of current members of the Supervisory Board ("SB")

Name and surname	Function	Date of appointment/ election	Elected/ appointed	Current expiry of the term of office
Jiří Maceška	Chairman	1 July 2009	appointed	1 July 2015
Karel Koukal	Vice-Chairman	23 September 2009	elected	23 September 2015
Ivana Musilová	Member	23 September 2009	elected	23 September 2015
Štěpán Grochal	Member	23 September 2009	elected	23 September 2015
Soňa Lavičková	Member	23 September 2009	elected	23 September 2015
Lubomír Krejsa	Member	25 January 2012	appointed	25 January 2018
Jan Sixta	Vice-Chairman	12 March 2012	appointed	12 March 2018
Jiří Havlíček	Member	10 March 2014	appointed	10 March 2020
Jaroslav Strouhal	Member	10 March 2014	appointed	10 March 2020
Ľudovít Gulázi	Member	10 March 2014	appointed	10 March 2020

Changes in the Supervisory Board in 2013:

4 February 2013	Radek Šmerda appointed to the post of SB. The SB has 12 members
12 August 2013	Radek Šmerda recalled from the post of member of SB
28 August 2013	Ondřej Veselský appointed to the post of SB. The SB has 12 members

The Company's Members of the Supervisory Board as at 31 December 2013

Jiří Maceška	Chairman
Karel Koukal	Vice-Chairman
Jan Mládek	Vice-Chairman
Jan Sixta	Vice-Chairman
Jiří Řehola	Member
Vladimír Budinský	Member
Ivana Musilová	Member
Štěpán Grochal	Member
Soňa Lavičková	Member
Miroslava Oliveriusová	Member
Ondřej Veselský	Member
Lubomír Krejsa	Member



Profile

Mission and strategic goals

The mission of Czech Post (“the Company”, “the Post”) is to be a trustworthy provider of quality services in the area of mediating information, payments and goods via both traditional and electronic means.

Czech Post ensures the provision of universal postal services and seeks to make them as effective as possible. Its current activities are determined by the four key trends affecting the market and competitive environment, i.e. new technology, changes in ways of communicating due to booming internet services, changing customer needs and the liberalisation of postal services. Czech Post intends to continue to work closely with the government through both its dense network of branches as well as new channels. The Company intends to cooperate closely with the state administration via both its dense network of post offices and new channels. It has therefore been appointed as administrator of a unique system of data mailboxes and the Czech Interior Ministry’s data networks. The Company considers improvement of its image in the eyes of the public to be essential. Aware of its social role and social responsibility, it also wants to be seen as an attractive employer.

Legal status of the Company

The Company is a legal entity in the meaning of act no. 29/2012 Coll., the civil code, as amended. Its legal and ownership status is regulated by the state-owned enterprise act no. 77/1997 Coll., as amended. The Company was founded on 1 March 1999 by the Ministry of Economy of the Czech Republic in accordance with the state-owned enterprise act and incorporated by registration in the commercial register maintained by the district court for Prague 1, section a, file 7565. The present record is in the commercial register maintained by the municipal court in Prague, section a, file 7565. The Ministry of Transport and Communications issued a deed of foundation of the state-owned enterprise Czech Post, effective from 16 June 1997 which was later amended.

During 2013, amendments No. 28, 29, 31 and 32, were approved. These relate to personnel changes in membership of the Supervisory Board. Amendment No. 30 was also approved which extended the business activity of Czech Post to financial advisory, bookkeeping and keeping tax records.

As at 31 December 2013, the Interior Ministry of the Czech Republic acted as the Founder of Czech Post on behalf of the government.

Management and supervision of the Company

Director General

The Director General, as a statutory body of Czech Post, manages the Company's activities and acts on its behalf. The Director General decides on all matters that do not fall, by the operation of law, under the competences of the Founder (section 12 of the state-owned enterprise act and the deed of foundation of the state-owned enterprise Czech Post).

Supervisory Board

The Supervisory Board has twelve members. It supervises the performance of the activities of the Director General and the carrying out of the Company's business plan. Subject to the state-owned enterprise act no. 77/1997 Coll., as amended, eight members of the Supervisory Board are appointed and removed by the Founder; the remaining four members are elected and removed by the Company's employees. As at 31 December 2013, the Supervisory Board had all twelve members.

Committees of the Supervisory Board

The Supervisory Board establishes committees of the Supervisory Board as its working bodies. Members of individual committees meet mainly for preliminary and detailed examination of documentation that is to be submitted to the Supervisory Board as a whole for further examination. Members of individual committees are elected and removed by the Supervisory Board.

At present, the Committees of the Supervisory Board are as follows:

- Committee of the Supervisory Board for the Company's Strategy,
- Committee of the Supervisory Board for Finances and Audit,
- Committee of the Supervisory Board for Human Resources Development,
- Committee of the Supervisory Board for Classified Information,
- Committee of the Supervisory Board for ICT services provided to public administration.



Statutory body and Management Board of the Company

The bodies of Czech Post in the meaning of section 11 of the state-owned enterprise act no. 77/1997 Coll., as amended, are its director general and the Supervisory Board.

Members of the Management Board as at 31 December 2013

Members of the Management Board	Position	Position established on	Registered in the Commercial Register on
Petr Zatloukal	Director General	25 May 2011	30 June 2011
Martin Elkán	Deputy Director General and Chief Executive of Sales and Marketing	1 June 2011*	30 June 2011*
Miroslav Krejčík	Deputy Director General and Chief Executive of ICT and eGovernment	1 October 2013*	8 October 2013*
Richard Soldán	Deputy Director General and Chief Executive of Postal Operations and Logistics	13 February 2012*	11 April 2012*
Martin Horák	Deputy Director General and Chief Executive of Finance	1 December 2012*	10 January 2013*
Petr Řehák	Deputy Director General and Chief Executive of Property Management	10 June 2013*	11 July 2013*

* appointment to the position of Deputy Director General

During 2013, the following changes in the Management Board were recorded into the Commercial Register:

Members of the Management Board	Position	Position established on	Registered in the Commercial Register on	Position ceased on	Change recorded into the Commercial Register on
Ladislav Tomeš	Deputy Director General and Chief Executive of Property Management	13 February 2012*	11 April 2012*	24 June 2013	11 July 2013*
Tomáš Ječný	Deputy Director General and Chief Executive of ICT and eGovernment	13 February 2012*	11 April 2012*	30 September 2013	8 October 2013

* appointment to the position of Deputy Director General

Organisational structure as at 31 December 2013

Czech Post
Director General

Branch ICT Services
Executive Director

Internal Audit and Risk Management
Executive Director

Corporate Management
Executive Director

Security
Executive Director

Postal Technology and Supervision
Chief Director

Purchasing and Procurement
Chief Executive

Human Resources Management
Chief Executive

Communication Infrastructure
Executive Director

Legislation
Executive Director

Postal Security
Executive Director

Allocation and Payments
Executive Director

Public Contract Preparation
Executive Director

Collective and Social Relationship
Executive Director

Strategic Development and BI
Executive Director

Central Purchasing
Executive Director

Remuneration
Executive Director

sekce poštovní technologie a procesy
Ředitel odboru

Standardise and Promote Sales
Executive Director

Personal Information
Executive Director

Postal Technology
Executive Director

Sales Purchasing and Supply
Executive Director

FO for Corporate Entities
Executive Director

Complaints
Executive Director

SHR –front offices
Executive Director

HR Development
Executive Director

HR Processes
Executive Director

Finance Chief Executive	ICT and eGovernment Chief Executive	Sales and Marketing Chief Executive	Property Management Chief Executive	8 regions Chief Executive	Operations Support and Logistics and Procurement Chief Executive
Accounting and Taxes Executive Director	ICT Security Executive Director	Sales Coordinator Executive Director	Property Operations Executive Director		Logistics Network Architecture Executive Director
Controlling Executive Director	ICT Executive Director	Business Development Executive Director	Administration Executive Director		Regional Support to Logistics Network Executive Director
Treasury and Financing Executive Director	ICT Operations and Development Executive Director	Marketing Executive Director	BOZPPO, Energy and Environment Protection Executive Director		Investment Executive Director
	eGovernment Executive Director	Regional and International Sales Executive Director	Operations StC and PH Executive Director		Logistics Executive Director
	Business Development for eGOV and ICT Executive Director	Corporate Sales Executive Director	Operations Southwest Executive Director		Money Service Operations Executive Director
		Alliance Partners Executive Director	Operations Northeast Executive Director		
			Operations Moravia Executive Director		

Regulatory framework of postal services

NATIONAL LEGISLATION AND POSTAL LICENSE

In April 2005, the Czech Telecommunication office became the national regulator for postal services. The main piece of legislation governing the powers and duties of this national regulator is the Postal services act no. 29/2000 Coll., as amended.

The postal licence granted to Czech Post in 2008 expired as at 3 December 2012. Renewal of the licence for the period for 2013-2017 had been granted by CTO, by its decision no. 562/2013-610, dated on 22 February 2013, according with the amendment to Act no. 29/2000 Sb, regarding postal services. This licence endorses the duty to fulfil obligations to perform basic services, with amended range, availability and quality, which also includes the obligation to provide basic services to the blind free of charge. By the licence granted, Czech Post remains obliged to carry out all duties tied to the Czech Republic being a member of the Universal Postal Union.

The liberalisation of Czech postal market was finalised by the 3rd Postal Directive 2008/6/EC which aimed to gradually open the postal service market to all competition, this was dated on 20 February 2008. Also, Directives nr. 97/67/ES and 2002/39/ES are tied to the legislative framework for European liberalisation of postal services and the so-called 3rd Postal Directive adjoins to these Directives.

The Czech postal services market is fully liberalised as of 1 January 2013 on the basis of Amendments to Act nr. 29/2000 Sb., on postal services. The framework of liberalisation completes the set decrees issued by the CTO, in which this office sets the obligations of operators offering or providing postal services, the framework for reporting of costs and revenues and financing of basic services and conditions to ensure universal access to basic services. Further specifications have been stated in an amendment to Act nr. 29/2000 Sb., on 24 July, effective as at 1 October 2013.

AMENDMENT TO THE POSTAL SERVICES ACT

- abolition of Czech Post monopoly for domestic letter mail weighing less than 50 grams for the price below CZK 18
- demarcation of postal services market,
- determination of the scope of universal service and the mechanism for securing it,
- change in price regulation and financing of universal services (basic services),
- access to services and elements of postal infrastructure.

Selected responsibly of a postal licence holder:

- fulfil the postal obligation in a manner complying with the needs of the public and basic requirements of quality, including a permanent provision of information on basic services and the manner of their utilisation,
- offer postal services which are subject to the postal obligation, according to postal terms for affordable prices which allow the use of basic services to the extent reflected by common needs,
- giving unjustified preference to certain persons interested in basic services guaranteed by their postal licence or placing such persons at an unjustified disadvantage shall not be allowed,
- allow at least one posting and one delivery to any individual or legal entity's address each working day (exemptions are set out in the implementing decree),
- enable other operators to access the means of postal infrastructure and services connected with operating the postal infrastructure in a transparent and fair manner based on a written agreement.

Subsequent events

As at 31 December 2013, Richard Soldán resigned from the position of Chief Director of postal operations and logistics. Vít Bukvic was appointed to this position as at 1 January 2014. As at 31 March, Director General Petr Zatloukal resigned after agreement with the Ministry of Interior. Martin Elkán was appointed to this position as at 1 April.

As at 11 January 2014, Jiří Řehola was removed from his position as a member of the Supervisory Board. On 28 January 2014, Jan Mládek resigned as a member of the Supervisory Board. As at 25 February 2014, Ondřej Veselský resigned as a member of the Supervisory Board. As at 1 March 2014, Miroslava Oliveriusová resigned as a member of Supervisory Board. New members of the Supervisory Board were appointed on 10 March 2014. They were: Jiří Havlíček, Jaroslav Strouhal and Ľudovít Gulázsi. As at 15 April 2014, Vladimír Budinský resigned from his position as a member of the Supervisory Board. On 25 April 2014, the chairman of the Supervisory Board, Jiří Maceška, resigned.

As at 28 April 2014, Jan Mareš was appointed as a member of the Supervisory Board. The 151st meeting of the Supervisory Board unanimously elected Jan Mareš as the chairman of the Supervisory Board on 27 May 2014. As at the date of the statement, the Supervisory Board consists of 10 members.

As at 28 January 2014, Jan Mládek resigned from his position as Chairman of the audit committee and on, 1 March 2014, Miroslava Oliveriusová resigned as a member of the audit committee. As at the date of the statement, the committee is not quorate.

New Rules of procedure of Česká pošta, s.p. became effective on 23 May 2014, which in section 7 called off the Committee of the Supervisory Board for ICT services provided to public administration and merged the Committee of the Supervisory Board for finance and audit with the Committee of the Supervisory Board for company's strategy. The Supervisory Board has 2 committees: the

Committee of the Supervisory Board for company's strategy, finance and audit and the Committee of the Supervisory Board for human resources development. Both Committees are quorate as at the date of the statement.

In February 2014, there was a change in strategy related to holding of government bond in the fair value of CZK 402 million (as at 31 December 2013 recognised in line Other long-term securities and investments), this bond was subsequently sold.

As at 31 January 2014, the Police of Czech Republic has launched an investigation in relation to charges that a crime was committed regarding negotiating advantages in the procurement of public tenders and public auctions. In this situation, the Company is simultaneously the plaintiff and the accused. The Company has provided the police with all requested information and supporting documentation, and has started to take legal action which should lead to an acquittal. The financial statements therefore do not reflect any adjustments tied to these allegations. As at the date of approval of the financial statements, there were no known conclusions from the ongoing investigation or from the legal actions undertaken by the Company.

In 2014, the Company will comply with Act No. 221/2012 Coll. amending Act No. 29/2000 Coll. regarding postal services. It will also calculate the costs and will ask the Czech Telecommunication Office for compensation of net costs arising from providing basic services ("universal services"), which represent an unfair burden to the Company, as a holder of the postal licence. The Company's management is at the moment quantifying the costs of universal services for the year 2013. The deadline for claiming compensation is 31 August 2014.

No other material events occurred between the balance sheet date and the date of preparation of the financial statements which would affect the financial statements reported for the 2013 accounting period.

Activity report

Economic position

Even though Czech Post is now operating in a fully liberalised market, it was able to achieve positive operating results at more or less the same level as in the previous year. Profit before taxation was CZK 276 million (year-on-year CZK -30 million, 9.8%) and the profit after taxation was CZK 220 million (year-on-year CZK -41 million, 15.7%)

Revenues from postal operations decreased by CZK 528 million to CZK 19,797 million. The main reason for this decline is a decrease in revenues from domestic correspondence (traditional letters and registered letters), which amounted to CZK 662 million. The negative impact of higher usage of electronic forms of communication (emails, social networks, data messages, etc.) was intensified by the liberalisation of this market segment from 1 January 2013. Regardless of the fact that only a small amount correspondence moved to the competition, Czech Post has to react to activities of competitors offering better prices for their key customers.

The continuous higher usage of electronic forms resulted in a CZK 108 million decrease in profits from postal orders. Strong competitive pressure has led to a drop in sales of addressable direct mail and advertising delivery materials, but this was more than offset by an increase in revenues from the distribution of newspapers and magazines. Further, the company managed to exploit potential for revenue growth in international shipments and packages.

Income from procurement activities decreased by CZK 93 million, the main reason for which is the decline in royalties from pension funds. At the end of 2012, there was a significant increase in the number of concluded pension scheme agreements; as at 31 December 2012, the possibility of concluding insurance under the old conditions

has ended. The public's interest in pension insurance under the new conditions, i.e. pension savings, was significantly lower in 2013. The long-term negative impact on sales is also the gradual transition of citizens to cashless payments for pension payments.

There was also a decrease in electronic services (ICT), which amounted to CZK 97 million. The main cause was a CZK 154 million from decline in revenues from date boxes. This is the result of the transition to flat billing to public authorities for data reports. Furthermore, communication infrastructure revenues fell due to lower rebilling of telecommunication services for the Police and the Ministry Interior. Also, the completion of project DONEZ - Participation of the unemployed - in September 2013 had a negative impact. On the other hand, there was a significant increase in revenues from online services and projects for the State, which are provided by the ICT service branch of Czech Post.

The decrease in revenues was offset by cost savings. Operating expenses decreased year-on-year by CZK 543 million to CZK 19,549 million. The largest savings were achieved in personnel costs, including related reserves of CZK 355 million. The main reasons for this was the decrease in the number of employees, by 276 FTE, and a reduction in reserves for unused vacation. Another significant decrease was in the volume of purchased services, which was CZK 170 million, particularly due to the (already mentioned) lower rebilling of telecommunication services for communications infrastructure. Furthermore, the company managed to reduce operating costs for ISDS, consulting, marketing campaigns, etc.

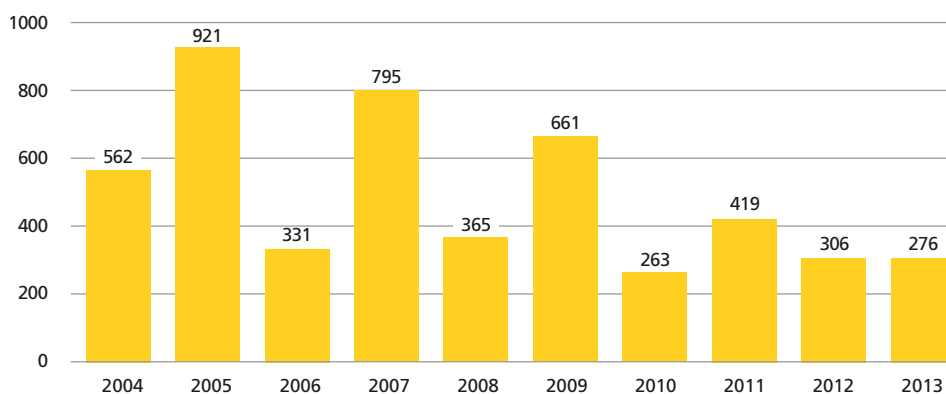
Pursuant the medium-term strategy of Czech Post, an acquisition of ABAS Management s.r.o. involved in transportation and processing of cash and valuables was

made in September 2012. This Company was renamed in April 2013 to Česká pošta Security, s.r.o. and in the second quarter of 2013, existing activities were expanded for physical security services, remote monitoring of objects and service, repair and installation of low voltage equipment.

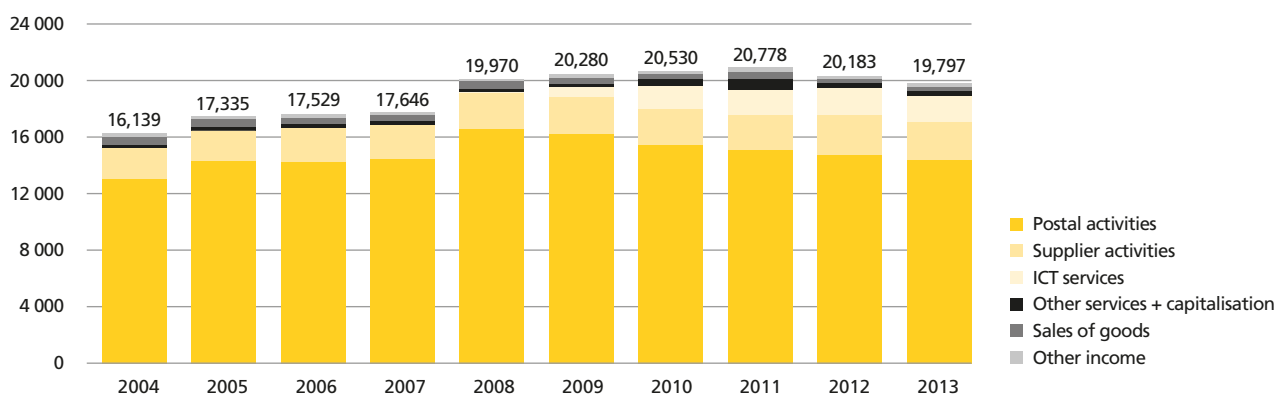
TRENDS IN KEY ECONOMIC INDICATORS

	2009	2010	2011	2012	2013
Assets (in CZK million)	22,726	21,308	21,775	26,766	26,719
Equity (in CZK million)	9,979	10,010	10,159	10,281	10,341
Operating income (in CZK million)	20,280	20,530	20,778	20,183	19,797
Out of which: Income from sale of own products and services (in CZK million)	19,627	19,942	20,076	19,646	19,235
Operating costs (in CZK million)	19,740	20,332	20,412	19,932	19,549
Out of which: Staff costs (in CZK million)	12,895	12,801	12,741	12,425	12,300
Profit before tax (in CZK million)	661	263	419	306	276
Net profit (in CZK million)	554	214	338	261	220
Employees – full-time equivalent	34,948	34,374	33,202	32,163	31,887
Average monthly salary (in CZK)	21,500	21,353	21,538	21,884	21,271
Profit before tax / Income from sale of own products and services	3.37%	1.32%	2.09%	1.56%	1.60%
Profit before tax / Assets	2.91%	1.23%	1.92%	1.14%	1.14%
Profit before tax / Employees – full-time equivalent (CZK)	18,923	7,655	12,632	9,526	9,688

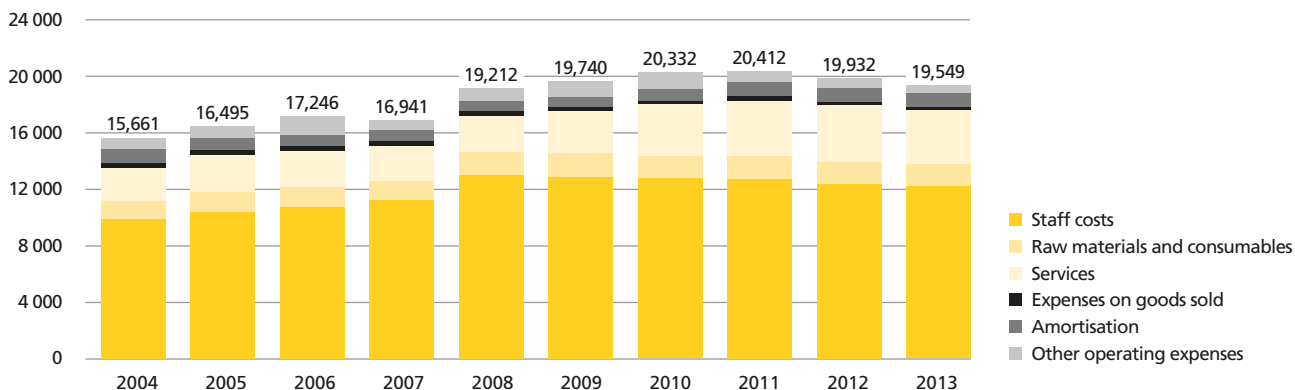
PROFIT BEFORE TAXATION (IN CZK MILLION)



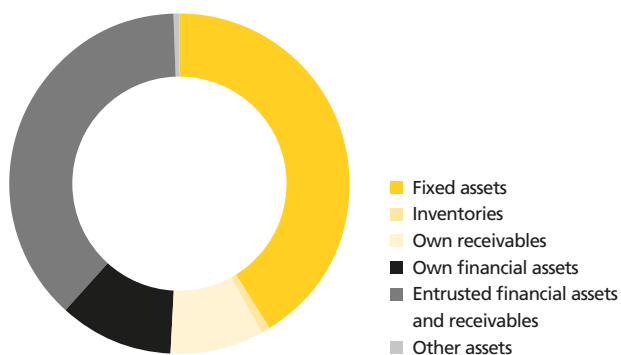
DEVELOPMENT OF OPERATING INCOME (IN CZK MILLION)



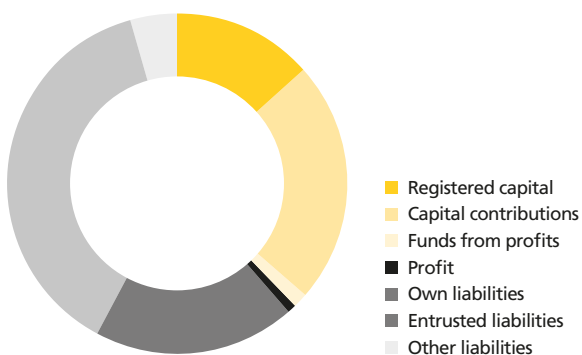
DEVELOPMENT OF OPERATING EXPENSES (IN CZK MILLION)



STRUCTURE OF ASSETS 2013 (IN CZK MILLION)



STRUCTURE OF LIABILITIES 2013 (IN CZK MILLION)



INVESTMENTS AND TECHNICAL DEVELOPMENT

In 2013, the Company continued to renew its extensive fleet. The Company bought 37 new vehicles, including 10 vehicles powered by natural gas (CNG). These vehicles were purchased as company assets. All these vehicles meet the Euro 5 emission standards. In the category of up to 3.5 tons vehicles, 416 big delivery trucks running on CNG and, out of which 150 CNG-powered trucks were acquired under operating lease agreements. Furthermore, the Company added 712 small delivery trucks, out of which 50 are CNG-powered. There were 300 passenger vehicles renewed under operating lease.

Mail handling technology within the logistic hubs (SPU)

A project launched in 2009, to feature four SPUs with new machines for automatic letter sorting, was completed in 2013. This was done by installing new technology and more frequent upgrades of existing technology in SPU Brno 02. Modernisation of the system allows for more detailed letter sorting, to reflect the delivery districts.

Parcel handling technology within the logistic hubs (SPU)

Operational technology problems arising from the current condition of automated parcel handling, such as a lack of space or inconsistent parameters of existing facilities (e.g. sorting mail with the same maximum weight), led to the need for standardisation and implementation of machine technology for sorting parcels with higher technical parameters.

In 2013, a project which aims to equip four SPUs with parcel sorting machines continued with the finalisation of a public tender for an equipment contractor and with installation of new technology in the logistics hub point, in SPU Prague 022. The new placement of a parcel sorting machine in the rail hall eliminates the need for parcels to be vertically transported between floors.

Equipping premises with some automation and handling equipment

The process of equipping premises such as post offices, depots, SPUs with some automation and handling equipment includes a phase of technical specifications, tendering stage and acquisition phase depending on the operational needs for reconstruction and development.

This limited automation includes: coin and banknote counters, banknote sorters, postage and stamp machines, strapping and packaging machines. Handling equipment includes: various types of hand trucks for handling shipments, crates, sack trucks and pallet trucks.

The acquisition of some automation with a qualitatively higher specification contributes to the improvement in the quality of labour, elimination of human error and ultimately to the reduction in the physical demand and increased speed of handling postal products.

Within the renewed logistics network in relation to bulk delivery and posting, another 18 depot units were opened in 2013:

- 2 in Central Bohemia (Kladno 70 – development of turnkey construction, Benešov u Prahy 70 – reconstructed former transport plant),
- 2 in South Bohemia (Třebíč 70 – purchase and renovation of the building, Jihlava 70- Construction and reconstruction in the area of a former parcel dispatching point)
- 2 in West Bohemia (Plzeň 72 – reconstructed former transport plant, Domažlice 70- purchase and renovation of the building),
- 2 in North Bohemia (Lovosice 70 – development of turnkey construction, Česká Lípa 70 – construction on own property)

- 3 in East Bohemia (Hradec Králové 70 – purchase and renovation of the building, Trutnov 70 – development of turnkey construction, Náchod 70 – development of turnkey construction)
- 3 in South Moravia (Znojmo 70 – development of turnkey construction, Boskovice 70 – Construction and reconstruction in the area of a former parcel dispatching point, Kroměříž 70 – development of turnkey construction)
- 4 in North Moravia (Prostějov 70 – development of turnkey construction, Přešov 70 – reconstructed former transport plant, Třinec 70 – development of turnkey construction, Šumperk 70 – development of turnkey construction)

In 9 cases, these are 'turnkey' objects, acquired by development on greenfield – they are built according to given parameters and subsequently transferred to the ownership of Česká pošta, s.p. This sort of acquisition is a new process in Česká pošta, s.p.

In 2013, there were contracts concluded with the successful bidders on tenders for the construction of 2 more 'turnkey' objects and subsequent transfer of ownership to Česká pošta, s.p. This relates to Depo Rychnov nad Kněžnou 70 (East Bohemia) and Vsetín 70 (South Moravia). These depots are expected to be launched in 2014.

At the end of 2013, 57 out of 71 planned depots were in operation which act or will act as both the centralised delivery outlets (replacing about 530 parcel dispatching points) and client sites for posting and processing bulk shipments from contract customers.

Furthermore, in 2013, Czech Post continued the reconstruction of transportation collection hubs in Ústí nad Labem and Prague Malešicích, with reconstruction of the railway hall and construction of a 109th track.

With the help of funds from the European Union, the headquarters of the Company in Prague, Olšanské ulice 38/9, were revitalised.

Sales activities

The year 2013 was marked as the first year to have market liberalisation and it was an important milestone on the Czech postal market. As at 1 January, the postal market was fully liberalised and the competition gained access to the last area – shipments up to 50g. Czech Post had a new challenge ahead of itself, to keep its position in the market and its most important clients. We are proud to say that Czech Post was able to rise to this task and maintain its position. During the year a couple significant customers tried the services of our competitors; however, in the end they have always decided to come back to Czech Post. In 2013, Czech Post did not lose one important client. On the contrary, we were able to deepen our cooperation with key customers. For Česká spořitelna, we are now servicing distribution and, as of the second half of the year, preparing packages, thus printing and enveloping, as well.

In the parcel market, we maintained the same market share. Even this segment was significantly affected by the price war between carriers. In the area of online shopping there is a substantial increase in personal pick-ups, which considerably reduces the number of delivered packages, therefore the volume of packages is growing at a slower rate than the online shops.

The corporate customer segment recorded annual growth again, thanks to the successful acquisition of the customer in the very competitive packages market, direct mail and international shipments. Delivery and the quality of the product is still in first place. To support corporate business, after preparation and implementation, a CRM system has been set in pilot mode. After the first months of testing, it is already clear that this was a step in the right direction.

Postal services

OBLIGATORY SERVICES

Domestic

Mail Ordinary Letters Mail for the blind Parcels up to 10kg	Money orders Cash – account Money order A
Registered Letters Mail for the blind Parcels	Account – cash Money order B
Insured Letters Parcels up to 10kg	Cash – Cash Money order C Money order D

Outbound

Mail Ordinary Mail Printed matter bag Mail for the blind Standard package	Money orders Cash – account Money order Z/A
Registered Mail Printed matter bag Mail for the blind	Cash – Cash Money order Z/C
Insured Letters Parcels	

NON-OBLIGATORY SERVICES

At post office

Domestic Postal services – letters Firm letter Registered firm letter Postfax	Outbound POSTFAX EMS Commercial Parcel Commercial letter
Direct mail Commercial letter RIPM EMS Press mail Press distribution	
Postal services – parcels Ordinary parcel above 10 kg Insured parcel above 10 kg Parcel delivery To hand Parcel delivery to Post office EMS Express Parcel Delivery Oversize Parcel Delivery	

Other

Geomarketing
Philately
Lotteries
PostServis and PostKomplet
Electronic services Czech POINT Certification authority Data boxes
Others

Agency

Pensions
Duty stamps
Highway stickers
SIPO
Betting, Lotteries
Consignment sale
Banking and insurance services
Radio and TV fees
Telecommunication services
Others

Parcels

The parcel portfolio of Czech Post in 2013 saw an improvement and expansion of its services that were introduced in line with the Great Parcel Revolution. The option "parcel delivery to hand" now offers the possibility for clients to send content up to 50kg. The option "oversize parcel delivery" has been adapted to customer demands to include additional services such as packages including more than one piece, responsible shipment, Pallet service or Complex delivery. Thanks to Complex delivery service, Czech Post is able to offer complete service in regards to the manipulation and installation of the transported appliances, with "oversize package" and "parcel delivery to hand" service types. Czech Post also improved the notification system of parcel deliveries and made the online change of delivery place simpler, with the use of a Czech Post mobile application. The changes resulted in 11.5% year-to-year growth in the segment of other parcel services. On the other hand, the number of parcels belonging to the category of basic postal services declined by 23.5%. Overall, however, Czech Post experienced the highest annual increase in domestic shipments packed-profit since 2010. International parcel shipment, together with international EMS service, has increased compared to 2012, with growth of 15.1%. This increase was mainly due to the development of a parcel Consignment in selected European countries.

The peak of the parcel services season was traditionally during Christmas time. Czech Post has not only once again surpassed the record for daily transported parcels, plus it managed to break the magical threshold of 300,000 pallets transported in a single day. In the pre-Christmas period, Czech Post supported its parcel services on the internet by using their communication campaigns including consumer contest, promotion of "parcel delivery to hand" and "parcel delivery to post office". To promote this campaign, the Company focused on the websites of its partnered internet shops and on advertising in its local branches.

Letters

The general downward trend in the volume of national letters continued in 2013.

In the case of ordinary written correspondence, the rate of decline was the same as last year at 8.5% annually and 5.6% for registered letters; valuable correspondence ("Cenné psaní) has seen a slight growth of 1.3%. On the other hand, there was a significant increase in international letter delivery, foremost due to a rise in ordinary letter delivery by 56.2% and a rise of 41.0% in consignment letter delivery. Overall, international letter delivery saw an increase of 50% in its category.

Direct Mail

Direct mail services declined in Commercial correspondence (by 10.5%) as well as in brochure distribution using RIPM service. Although the RIPM service has undergone qualitative changes (e.g. service delivery through geomarketing instruments, which helps optimise brochure distribution plans according to customer orders, has become a standard in RIPM), the company was not able to keep up with last year's growth and there was a decline of 4.3%. On the other hand, press mail continued its trend and even surpassed 2012's year-to-year growth, with an 18.3% increase in mail delivery.

Customer card and PostBox

The year 2013 was marked by the introduction of Czech Post's customer card. In the first half of the year, the blue customer card was presented exclusively for companies and the self-employed, who then could immediately begin to apply benefits at the time of shipment. The customer card allows their holders to submit mail without filling in a posting ticket, they are also entitled to free use of the "eDodejku" e-mail service. Contracted senders appreciated the elimination of the obligation to complete registration cards and decadal statements. Another important novelty introduced in the first half of 2013 was the service PostBox. With this service, intended solely for Customer Card holders of Czech Post, the users do not have to make a trip to the post office with regular daily correspondence. Up to 40 pieces of Ordinary and registered letters can be picked up daily by the postman directly at the client location at an agreed time. Together with the PostBox service, another new comfort method of payment was introduced with the use of Postbox - Credit PostBox. The principle of this payment is very simple – the owner of the Postbox charges cash at the counter or with the postman with his/her Credit at an amount determined by the customer. The Post office will deduct this amount for posted items and regularly inform the client of the credit balance. Submission of parcels through Postbox is extremely comfortable without having to constantly manipulate cash.

In the second half of the year the yellow Customer cards were introduced for individuals. Adding to the benefits at the time of shipment, discounts were added for ordinary, registered and valuable correspondence. Every card holder is entitled to a discount; however, the level is dependent on the total amount of submitted correspondence, or on meeting the minimum limit of submissions to qualify for the second degree of discounts.

Customer cards were immediately being issued to postal service users from business to citizens, and, by the end of the year, Czech Post had issued nearly a quarter million cards. Customer cards can be issued to any company or self-employed person registered in the Czech Republic or an individual over the age of 15 years. This can be done at any post office or by filling an electronic form on

www.zakaznicka-karta.cz. Issuance and management of Customer cards is handled by the customer cards centre of Czech Post.

Czech Post supported the newly launched customer program and PostBox service with a communication campaign in post offices and, at the end of the year, followed up with an extensive campaign in print media, on the Internet and outdoor surfaces, which, in addition to the above-mentioned services, promoted the Czech Post mobile application.

Money services

Postal money services

Postal money services are an integral and essential part of obligatory postal services provided by the Company. Volumes of postal money orders, or tools allowing the customer to send cash or transfer cash to an account are done by post vouchers. The volume of vouchers decreased by 11.9% in 2013 compared to the previous year.

SIPO

Volumes of SIPO transactions (multiple direct debit payments via the Company's payment system) have followed a steady downward trend. The total number of SIPO statements issued by the Company in 2013 was 1.7% lower than in 2012. The average number of items on a SIPO statement decreased by 0.3% to 4.27 items. The share of electronic SIPO transactions of the total number (electronic) of SIPO transactions was at 51.7% in 2013.

Electronic services

Czech Post smart phone application

For owners of smart phones running on either iOS (iPhone) or Android, the Company developed a second generation of its application in the second half of the year. The offer now includes three new and practical services that allow customers to change the delivery time or place of a parcel or post (change in disposition); find out if their addresses allow for afternoon delivery and evaluating Czech Post's services, from the point of view of a sender as well as receiver. Furthermore, a standalone version of the application for iPads was launched. Apart from the above-mentioned functions, the application was modified to make it more user friendly, faster and with more stable performance.

Services on behalf of alliance partners

In 2013, Czech post was not able to meet the planned profits from the sale of products to alliance partners and subsequent services. One of the reasons was the overall economic situation in the Czech Republic, the peak of the recession and decline of real domestic income. Not only were customers looking for savings, but the marketing budgets of alliance partners were also reduced. The upward trend that was present in the past couple years was replaced by a decline. This assessment of the situation only had one exception and that was in case of betting services where the sales of tickets and general interest in the lottery increased.

The beginning of 2013 was marked by pension reform in the Czech Republic, which meant major changes in the pension system. In addition to the ongoing first pillar (state pension) and voluntary III. pillar (formerly pension insurance with state contribution) a voluntary II. pillar was introduced (retirement savings). For Czech Post this period meant an increase in activity and expectation for an increase in sales revenues. CNB trained and certified more than 3000 Czech Post employees who prepared for the sale of new pension company products in the company environment. The actual sales however reached only a fraction of what was intended and planned in the revenues of Czech Post.



Selected post offices have been equipped and have gradually started the process of new specialised insurance counters of Česká pojišťovna and specialised banking counters of ČSOB Postal Savings. The project's aim is to develop new facilities with trained staff, increase the potential for the sale of financial products and overall professionalisation of sales.

In 2013, we began to accept the credit cards of Czechoslovak Commercial Bank, so that clients of this bank can use their credit cards to pay for services at Czech Post's counters.

At the end of 2013, specialised banking counters were introduced to offer mortgage loans from Postal Savings ČSOB. Before the overall implementation, a „pilot“ that achieved very good results was put in place in selected regions. Nationwide deployment took place in two stages, depending on the training of employees.

In 2013, there was a massive increase in the number of issues of lottery tickets sold by CP lottery partners of the instant lottery (especially SAZKA, TIPSPORT and FORTUNA). The year-to-year revenues from the sale of lottery tickets rose on average by 50% compared to 2012.

On two set dates in 2013 (with effect from May 6 and November 4) Czech Post was the sales point for new securities of government savings bonds issued by the Ministry Finance and continuously dealt with service for bondholders at all post offices with Czech POINT counters.

In addition, cooperation with the Všeobecná zdravotná pojišťovna České republiky was initiated. In July 2013, a pilot project was launched at selected post offices in Central Bohemia (Lysá nad Labem, Sádská Městec Králové, Březnice, Sedlec-Prčice and Dobříš). Insurees and customers of this company can make changes, registration and login actions and they can make requests relating to health insurance.

Featured post offices began negotiation for non-life insurance contracts and motor vehicle insurance in the on-line system for Česká pojišťovna in the fourth quarter of 2013. The range of on-line products offered will depend on the re-training of employees. In the first phase, 198 selected post offices will launch this service and, in 2014, depending on the training of the employees, the number will be gradually increased.

Quality of service

In 2012, the Company was supposed to provide its services at least at a level of quality stipulated by the regulator's requirements set by the CTO. Quality and customer satisfaction are monitored by means of regular surveys focusing on the quality of mail delivery. These are conducted both by the Company's internal inspection mechanism and by an independent subject. The results of independent measurement of the transit time of mail by weight up to 50g in 2013 are listed in the following table:

DELIVERY TIME FOR STANDARD LETTER MAIL IN 2013 (AS MEASURED BY AN INDEPENDENT AGENCY)

	Monitored sample volume (pcs)	Days lapsed after the day of posting (%)	
		1 day	2 days
Within the region	9,871	94.13	99.29
Outside the region	19,578	92.59	99.21
Total	29,449	93.11	99.24

COMPLAINTS

Complaints regarding the mail delivery:

For 1 million posted mail items and postal vouchers pertaining to basic postal services in 2013, there were 173 delivery complaints filed including those concerning failure to deliver confirmation. Of the 1 million complaints received, only 110 were judged to be justified.

Complaints regarding the damage or partial loss of mail:

As regards complaints about damaged or partial loss of mail, the Company recorded 53 claims of damage or loss per 1 million posted items, of which 40 complaints were considered justified.

Complaints regarding the delivery of mail or money orders per 1 million mail items/money orders:

Total number of complaints	173
Out of which: Justified complaints	100

Complaints regarding the damage or partial loss of mail per 1 million items

Total number of complaints	53
Out of which: Justified complaints	40

Postal network

As at the end of 2013, one outlet served 2,983 citizens (compared to 3,071 in 2012). The number of people served by one mail box decreased from 471 to 462 compared to 2012.

Postal terminals in 2013

Total outlets	3,408 (incl. Partners and service Points)
Post offices	3,249
Out of which: Specialised outlets	33
Postal agencies	14
Partners	33
Service Points	79
Remote counters	16
Mobile post offices	–
Mail boxes	22,106
P. O. boxes (rented)	32,548
Delivery areas (letter mail)	8,108
Out of which: Delivery areas with car service	3,511

21 post offices (incl. 17 depots) and 33 service Points/ Partners were set up and 36 post offices and 4 service points were closed down in 2013.

eGovernment services

CZECH POINT

Czech POINT services were provided by 979 outlets of the Company. They represent 14% of the overall number of all Czech POINT contact places. The Company's share in total volume of executed transactions exceeds 50%.

Czech Post's customers could obtain certified information from a range of public administration information systems at Czech POINT outlets. The largest demand was for extracts from the criminal register, real estate register and commercial register. Furthermore, services like statements on penalty points against drivers, list of qualified contractors, commercial and insolvency register as well as authorised conversion of documents are used. Czech POINT outlets also accepted applications and notices concerning the data mailbox information system (applications for a mailbox set-up, etc.).

Number of Czech POINT transactions

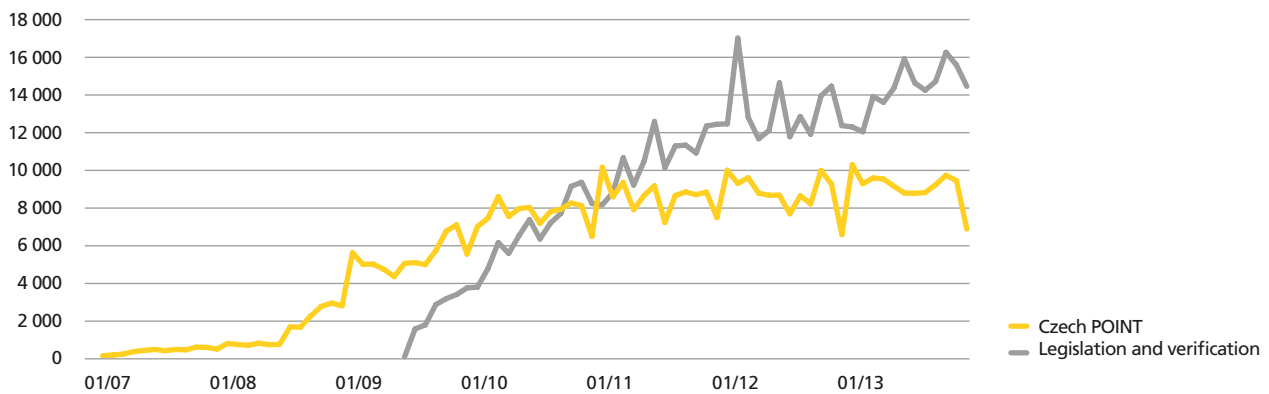
Altogether in 2013, contact points of Czech POINT at Czech post offices handled over 3 million transactions. The total number of transactions compared to the previous year decreased, which was due to the closure of Donez service (Attendance unemployed) in September 2013. Within Czech POINT services, a total of more than 1 million transactions were realised in 2013, an increase of more than 1% compared to previous year. A more significant increase was recorded in the case of verification of documents and signatures. Compared to 2012, the number of transactions increased by 11% to more than 1.7 million.

Verification of documents and signatures

In addition to traditional services available at many other Czech POINTs, the Company also offers official verification of the authenticity of the signatures (legalisation) and document authentication (verification). These services are extremely popular at Czech Post and the number of customers continues to grow.



MONTHLY CZECH POINT TRANSACTIONS (INCL. VERIFIATIONS AND LEGALISATIONS)

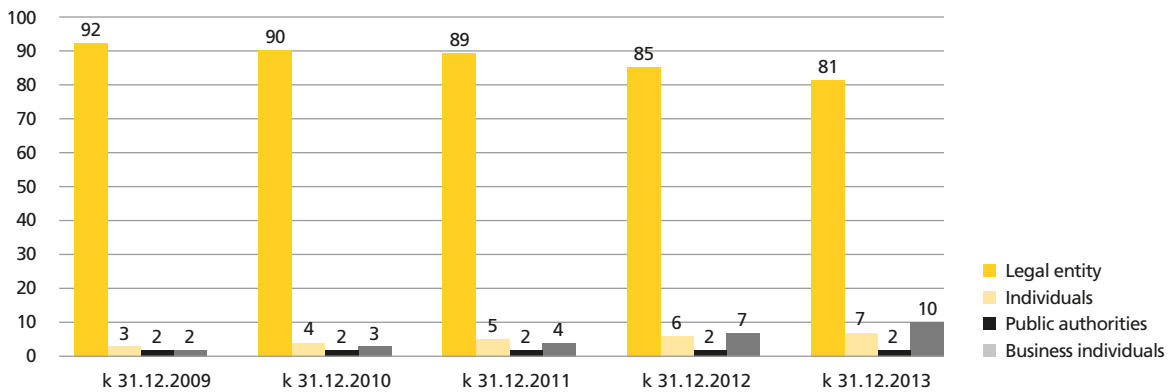


DATA MAILBOX INFORMATION SYSTEM

The main trend in the use of the Information System data boxes in 2013 was a continuous increase in the number individuals and entrepreneurs that use data boxes. The share of legal persons in the total the number of data boxes is declining but employed individuals have a growing share, (increase in the share from 2% in 2009 to 10% in 2013). It can be assumed that this trend will continue in 2014.

In the course of 2013 there were a total of about 56,000 new data boxes added. Since the launch of the Information system of data boxes in 2009 until the end of the year 2013, a total of 558,507 data boxes have been installed.

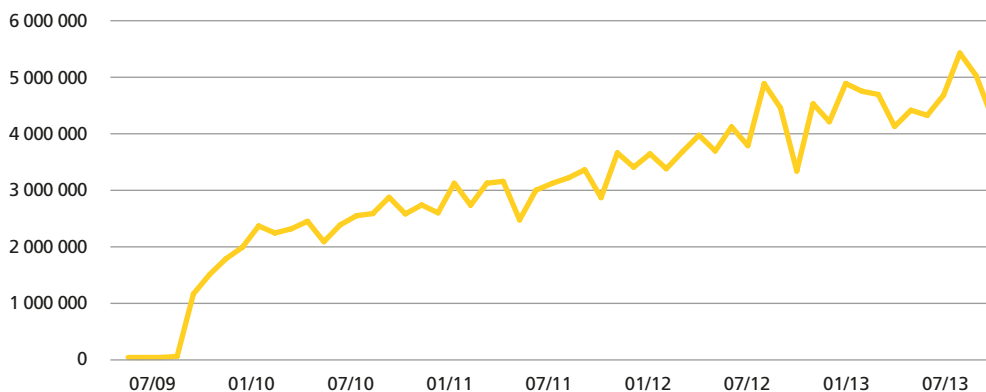
VOLUMES OF DATA MESSAGES BY SENDERS IN 2013



There is also increasing activity of users in terms of data box use. In 2013, the number of data messages sent increased by 20% to approximately 55 million. Out of total amount of data sent, the public authorities accounted for 82% and 15% was attributed to legal entities. The

remaining 3%, thus, about 1.6 million messages, fall to private individuals and business individuals. Although the proportion of messages sent by individuals and business individuals is still relatively small, the number has doubled compared to 2012.

NUMBER OF DATA MESSAGES SENT



ADDITIONAL DATA MAILBOX SERVICES

Credit System Information Data Box System

The Company offers a range of supplementary services to ISDS. Data mailbox users can use several additional services for increased security and ease of use when working with data messages.

An important innovative development in information data boxes system was the introduction of the credit system for data boxes in April 2013. Credit System presents a new on-line payment method that will be used for additional services to existing data accounts. Currently, these services are Postal Data Message and Data Safe. The new system, however, will not disturb the existing payment option for Postal Data Messages and Data Safe under existing contract (invoice payment).

Postal Data Message

Postal data message is a data mailbox information system service which can be used by individuals, entrepreneurs and legal entities for the purposes of communicating with each other. Postal data message suits any situation where the communicating parties need guaranteed and conclusive proof of document delivery. Postal data messages are a modern alternative to traditional postal services, with delivery having legal effects comparable to those of delivered registered mail with return receipt. Users can exchange all types of data messages with any other users, without limitation to the content of messages.

In 2013, a new payment channel was introduced. Users now have the option to pay the price of postal data messages through the credit system of Data box system using an on-line payment method. Another welcome change, according to the customers, was the lowering of prices of services, which took place in April 2013.

During 2013, there was a dramatic year-to-year increase in the number of letter data messages sent, by 126%. Almost 64,000 users of data boxes had permission to receive letter date messages at the end of the year, which means more than double the increase compared to the previous year.

Data Safe

Data safe is secure and guaranteed data storage for archiving incoming and outgoing messages more than 90 days old. The messages are automatically moved from the data mailbox to the data safe without the user needing to do anything.

In April 2013, there was significant change in the data safe service, which aimed to increase the comfort and usability of services for customers. In addition to the name change (formerly a service called long-term storage of data reports), there was an increase in the variability of services where users can choose up to 9 types of data safe by size. Another change is, as in the case of postal data messages, the option to use the credit system of the data box system for ordering and payment services. All new users of data boxes also have the option to use the Data Safe service for free and without any liabilities for 3 months. Finally, there was a significant price reduction for Data Safe.



The above changes reflected positively with the interest of customers for the Data Safe service. During 2013, the number of Data Safe service users quintupled to nearly four thousand.

Safe key

The Safe Key to Data Mailbox is a product enabling a higher degree security access to data mailboxes. It also allows its user to attach certified electronic signatures to electronic documents (data messages). It is an action pack containing a commercial and a qualified certificate issued by the Certification Authority PostSignum plus a USB token iKey 4000 including the service software for safe storage of private keys and certificates. A certificate saved on the USB token means increased safety against data being misused compared to saving it onto a personal computer. This device also blocks any attempt at copying the private key from the token if lost by the holder and a special code (PIN) is required for access.

SMS notification and authentication

The SMS notification service alerts are intended for users who do not check their mailboxes regularly. These notifications about incoming data messages are used primarily by individuals, independent traders and small legal entities who receive relatively fewer messages in their mailboxes and do not use the data mailboxes on a daily basis. In order to use this service, it is necessary to have a Czech mobile phone number with the Premium SMS.

The options users can use to log into their mailbox now include further solutions enhancing the security of access to data mailboxes via a web interface.

CZECH POST ELECTRONIC MARKETPLACE – PROCUREMENT CENTRE

The Procurement Centre is an online application, a so called 'e-marketplace', which enables electronic procurements in procurement procedures.

E-marketplace is a fully electronic system, where all actions taken by both the contracting authority and the suppliers are registered electronically.

Czech Post's e-procurement marketplace Centre was implemented on the basis of a concession procedure called "Operator selection to ensure the establishment and operation of electronic marketplaces of public administration". The concession contract ref 34060/2011-32 was concluded with the Ministry of Regional Development on 30 September 2011, where Czech Post as the operator is obliged to establish and ensure the normal operation of the e-marketplace. The system was launched on 1 November 2012.

In 2013, Czech Post's e-procurement marketplace received electronic tool certification and its environment by Decree No. 9/2011 Coll. and Decree No. 133/2012 Coll., from the RELSIE, spol. s r.o.,

CERTIFICATION AUTHORITIES – POSTSIGNUM

The scheme provides two types of certificate: commercial certificates that can be used for encryption and unscrambling or for user authentication, and qualified certificates that can be used for electronic communication with public authorities.

Another key product is a qualified time stamp which is a valuable addition to the electronic signature. It provides reliable information about the time the document was created and it allows the user to prove the existence of electronic data at a certain time.

65,004 commercial certificates and 163,297 qualified certificates were issued in 2013, which represents a 43% and 15% increase in the annual volume of commercial certificates and qualified certificates, respectively. The certificate authority issued the average of over seventeen million time stamps per month. The overall number of issued time stamps for 2013 was 204,238,226 pieces which means a year-to-year increase of 29%.

The total revenues in 2013 exceeded those generated in 2012, thus confirming the leading position of the Company on the market.

In 2013, some functions have been improved in the Customer portal, serving customers in order to manage applicants and an overall understanding of the certificates issued or timestamps. Customer service website was launched which facilitates the connection between customer information systems and certification authority. In 2013, there was intensive work done on new products and services, the introduction into operation is planned in 2014.

Apart from basic certification services, customers can purchase supplementary services and products via an on-line electronic purchase system. These include products for safe storage of private keys, SW products for electronically signing documents and their archiving.

ICT

Czech Post completed the restoration of central of communication infrastructure in 2013, where a brand new gateway to the Internet was build. The new gateway provides higher speed access to/from the Internet and higher level of security for all previously operated on-line services and enables further development of on-line services.

In 2013, Czech Post has launched a project for overall reconstruction of the central part of its data network. The project aim is to renew obsolete technologies and the possibility to use new better quality communications services, which will result in a great increase in the interconnection speed between Czech Post offices and the centre. This project is the base for accelerating client services at post offices, particularly in Czech POINT services, and for the planned development of self-services in the Czech Post offices.

Furthermore in 2013, consolidation of the data centre project was launched. This project aims to change the current operating mode of ICT systems in data centres. This change would be from an active-passive mode, where the backup centre operates as cold backup to primary centre, to an active-active mode. This operating mode will increase the availability of ICT services and will achieve higher utilisation of the technical platforms.

The operation of Information technology is done by the department of Operation and Development ICT with deployment of 215 operational staff in the field, who care for more than 25,200 computers spread across 3,348 locations. Of that number, 24,582 computers are used and operated out of the data centre. Post offices and technology operations directly supporting postal traffic have 5,791 servers and 12,222 workstations, which, inter alia, connect 22,444 printers and 18,875 shipments and transport object barcode scanners.

INFORMATION SECURITY IN CZECH POST

Ensuring information security is the fundamental mission of the Security Department. Czech Post handles a large amount of electronic information and protection is an integral part of projects and processes across Czech Post.

During 2013, information security dealt especially in the field of communication infrastructure and the area of cyber-attacks, which exploited the name of Czech Post at the failed attempts at phishing attacks which were primarily directed at electronic banking clients.

Gradually, there has been an upgrade and introduction of new security technologies. At the level of communication infrastructure in large locations, an operation system for secure remote connections was introduced and system

identity management was developed. In the fight against phishing, preventive measures were introduced and expanded. New rules for dealing with cyber security incidents were also introduced.

Development of a security policy system and security supervision has been successfully established. Surveillance of security is a priority task for the safety of information systems and technologies at Czech Post.

Safety management at Czech Post implements security policies in accordance with the standards of the series 2700x and works with the forthcoming legislation (bill on cyber security and related regulations NSA).

In the area of control activities, the Company was not able to fully meet the expected targets, where the quality and clarity of the message did not have a substantial contribution to the improvement of information security.

Prospective development of information and communication services and the ambitions of Czech Post as a provider of information and communication technologies and their service is a great challenge for the Department of ICT security. In 2014, a lot of emphasis will be placed on building safety monitoring, so that it is possible to provide this service for an external partner. Attention will be focused on the implementation of SAP security audit and APOST and to complete the system's security policy communications infrastructure and operating systems and database systems.

International operations and relations

THE COMPANY IN THE GLOBAL POSTAL NETWORK

The basic framework of the Company's international relationships results from the Czech Republic's membership in the Universal Postal Union (UPU). The Company is delegated by the Czech Republic to meet operational obligations ensuing from this membership. As a public postal operator, the Company must maintain and develop postal traffic interconnecting all 191 UPU member states.

In 2013, the Company paid a great deal of attention to the preparation of the 25th Universal Postal Union congress in Doha with the participation of business representatives. "New world, new strategies" this main theme of the congress appropriately reflects the huge changes in the current postal sector and the need for global postal operators to adapt to the new reality which is the change in communication.

The international postal network is interfaced with the Company's network via its exchange post offices in Prague, Břeclav and Cheb. International postal operations are

QUALITY OF SERVICE TARGETS IN TERMS OF DELIVERY PERFORMANCE (CROSS-BORDER PRIORITY LETTER MAIL WITHIN THE EU):

Time limit*	Target	Actual 2013 – inbound	Actual 2013 – outbound
D+3	85% of mail	91.3%	93.7%
D+5	97% of mail	98.0%	96,8%

* D means the day of posting, D+ 3 means delivery within three working days after the day of posting and D+5 means delivery within five working days after the day of posting

liberalised in the Czech Republic which means that other operators may enter the segment and create a competitive environment. Slovak Post has remained the most important foreign business partner of the Company in the long term.

SUCCESSSES IN INTERNATIONAL OPERATIONS

The EU membership of the Czech Republic has led to further duties of a public postal operator, i.e. the Company. The Company's duty is to ensure the general availability of high-quality basic services as stipulated by the amended Directive 97/67/EC of the European Parliament and of the Council. For cross-border priority letter mail within the Community, the directive sets the quality of service targets particularly in terms of delivery performance.

The international quality is evaluated by UNEX, an independent measurement system provided by the International Post Corporation for public postal operators in EU member states.

Marketing Communication

The aim of an extensive advertising campaign in 2012 was to strengthen the position of Czech Post as the market leader in both parcels segment and letter-segment shipments (since 2013, an already fully liberalised market). The Czech post office focused in 2013 mainly on promoting their new services. The biggest advertising campaigns of 2013 introduced the customer card of Czech Post, new services - PostBox, DINO (Debt collection population) and a new version of mobile applications.

Smaller-scale advertising campaigns were launched for the other services and products of the Company, such as verification of documents and signatures, additional services for data mailboxes, mobile applications, selected issues of postage stamps, new e-shop or the sale of vignettes, and stamp making, on issues of letter stamps dealing with World Cars and Czech Cars.

To support sending packages via Czech Post during the strongest Christmas period, Czech Post used customer competition and consumer campaigns in selected e-shops

to remind customers of the core services packages "parcel to hands" and "parcels to the post office".

As a provider of eGovernment services, Czech Post also actively participated in the two key industry conferences – ISSS 2014 (Internet in Public Administration) in Hradec Králové and eGovernment 20:10 in Mikulov.

Beyond reporting obligations under Decree No. 464/2012 Coll., establishing specifications for each basic services and basic quality requirements to provide their customers, all post offices had free subscriptions to leaflets with an overview of separate selected services for home, companies, and entrepreneurs. As always, customers will find information and promotional materials to other selected services and current offers at the post office.

In regards to the modernisation of its branch network, in 2013, Czech Post significantly increased the number of post offices with innovative the calling system. This is to better handle clients and they include, inter alia, an LCD screen, which serves as a one of the key media advertising points at post offices. The great advantage of this system is the relatively low production costs of advertising messages and the possibility of rapid succession.

Call centres

During 2013, there has been significant consolidation of the call centres position in Czech Post's information system department. Optimisation of technological processes and personnel stabilisation enabled, on one hand, an increase in the absolute number of processed calls to customers and information line, and to be able to significantly increase the quality of the information provided. Furthermore, two more customer lines were taken over, and they operate for publishing periodicals.

The absolute number of processed calls increased from 237,182 calls in 2012 to 397,309 calls in 2013, i.e. by almost 67%, while the percentage of calls processed within 30 seconds increased from 23% to 77%, which means that almost 80% of customers were served without undue waiting in line.

In the operation of electronic mail, the average monthly number of processed messages went from 7,715 to 9,582, i.e. a 24.20% increase. About a quarter of the increase was seen in the number of processed on-line applications for changing the delivery of shipments by using the form which is available to customers on the Czech Post website. They allow customers to apply for the service upon delivery of the item, by electronic means in a very simple manner.

An important task of the Call Centre, in addition to information service for customers, is the function of support of Czech Post in the field of APOST. Even in this section the company was able to manage continuous improvements in operators, better services to internal customers among counter workers, and especially small post offices. Moreover, regular monthly reporting published on the website intranet helped the management at Czech Post to identify weaknesses in this area.

Call Center department has the tough job of introducing new services and providing feedback for professional services. This activity, in addition to the role of information provider in the field of customer service, also acts as a „barometer“ of public reaction and their interest in these new services.

Human resources

SIGNIFICANT EFFECTS ON THE EMPLOYMENT

The year 2013 was a year of great challenges in the form of organisational changes implemented following the full liberalisation of the postal market, preparation for the separation of filing and delivery networks and the logistics network optimisation.

EMPLOYEE STRUCTURE

The average number of employees in 2013 reached 31,887 full-time personnel. Compared to 2012, this represents a reduction of about 276 full-time personnel. On the basis of the implementation of the approved business plan, the staff number was reduced by 954 full-time persons, especially in groups of messengers, counter staff and secondary and lower management (Head of Post and administrators mail), and conversely, an increase by 304 full-time equivalent persons - especially for drivers, IT support, operators, engineers and the coordinators (dispatchers and shift workers).

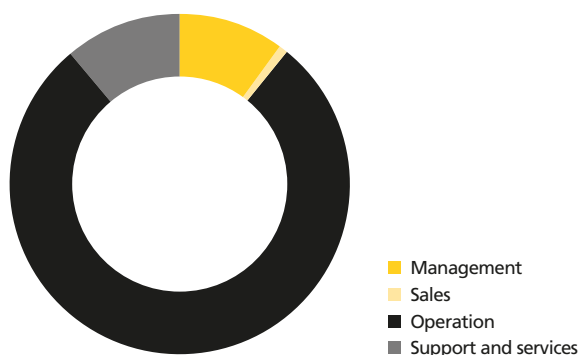
Structure of employees based on professional groups

On FTEs for all of Czech post, the group of service personnel (delivery staff, counter staff, drivers and maintenance) represents 78%. Employees who support the services provided (experts, coordinators, support – transport, IT, specialists, accountants, HR, warehouse staff, infrastructure support, customs officials) represent 11%, management 10% and sales representatives 1%.

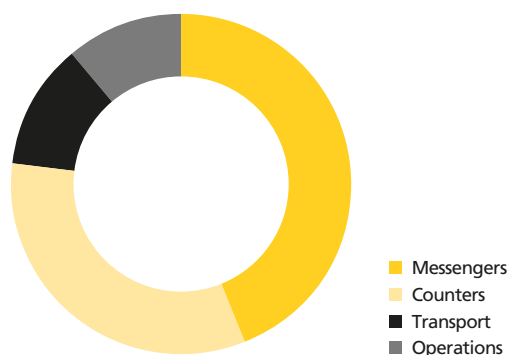
The number of employees in 2013 according to professional groups

Within the professional group of operations: 44% are messengers, 34% are at counters, 11% in transportation (drivers and postal transport workers) and 11% in operations.

THE NUMBER OF EMPLOYEES IN 2013 ACCORDING TO PROFESSIONAL GROUPS



THE NUMBER OF EMPLOYEES IN THE OPERATING SECTOR IN 2012 ACCORDING TO PROFESSIONAL GROUPS



SALARY AND SOCIAL POLICY

In 2013, the average monthly wage was CZK 21,271. Beyond wages for work performance, Czech Post provides its employees with employee benefits. In 2013, the monthly average for financial benefits was CZK 1,269 per person. These are financial contributions to pension schemes, life insurance, meal vouchers, recreation, rehabilitation, culture, etc. They are covered by the planned social costs and the created cultural and social fund needs (WF). In addition, employees draw additional Czech Post benefits in the form of benefits beyond what the law dictates, such as one extra week of vacation, working time shortened by 2.5 hours per week or refunds of wages in selected personal obstacles (time off paid during incapacitation, care for disabled person, child, etc.). The benefits amounted to CZK 1.2 billion in 2013.

In 2013, in the area of remuneration, the Company was focused on the following:

- a) Project on the Revision of Typical Positions (October 2011 – December 2013), which was completed in December 2013. Within this project, the following was realised:
 - examination of the application of position types in the organisational structure
 - setting of a transparent system for educational requirements
 - review of job description
 - evaluation of positions and setting of tariff grades
 - creation of a catalogue of main job activities of the different positions, this replaces the job description of about 90% of planned system places

Development of the types of positions is not finalised by the completion of this project. It will continue to run updates in accordance with changes in the organisational structure, changes in technology and in process changes.

- b) Management support in the implementation of incentive wages as a management tool of performance management:
 - remuneration, with a focus on providing reflective wages is shown in the newly created management minima tool, available on the intranet in the form of lessons for managers and a test,
 - beyond the normal support of HRBP from the front office LZ section, there were ongoing discussions with representatives of the Post and Depos (visits the workplace, participation in operational meetings) about the processes for evaluating KPIs, methods of processing payroll plan costs, or providing some wage components within the planned volume,
 - continuously preparing technical support for management on the agenda of evaluating KPIs, calculating team premiums and calculating the total amount of incentive wages.

Technical support for management in ensuring wages, as well as other HR processes, was due to the transfer of funds to other investments, on hold.

WORKING-MEDICAL SERVICES

The Act provided for implementing labor-medical services was fully utilised in 2013 to the maximum possible level of computerisation, from making appointments for employees to putting the necessary data into evidence. We managed to achieve a higher quality of security and employee health and eliminated a cost increase, that the new law provoked.

Czech Post supported in the past year the health of their female employees in a unique project „lets all get involved, it is not difficult,..“. The event was aimed at breast cancer prevention. 25,000 women were addressed of which 37%, or 9,400 women, had mammograms fully covered by public insurance, but this option is not used by more than half of the women. All employees have been advised of the possibility of disease prevention, received the maximum amount of information called „handheld“ and have the opportunity to participate in the workplace workshops with practical demonstrations and training in self-examination with the main goal - to initiate interest to regularly undergo screenings.

An important event was the free delivery of educational DVD which was supported by Euroclinicum, as, in cooperation with Foundation „Cancer is a Public Affair“. In this way, the cost was reduced to CZK 12.70 per employee. The event had a very positive response; employees praised the employer's attitudes to the subject. In the first three months nearly 200 women went for an examination.

Czech Post got effectively involved in finding a solution for the whole problem - reducing morbidity and mortality due to breast cancer. Through its workers, it is informally raising awareness beyond the environment of Czech Post - in families and the close circle of their loved ones, the project has reached almost 100,000 women.

WE SUPPORT EMPLOYER BRAND

Czech Post supports its employer brand consistently using personal marketing methods. The aim of these activities is to set up a new company image as a prospective and attractive employer, particularly for qualified potential employees from among the graduates of secondary „postal“ schools and selected universities. In 2013, the Post Office continued its activities of communicating with specific target groups – elementary and secondary schools, university students – through, for example, the traditional postal facility competition or by participating in job fairs. A new pilot programme using the concept of professional internship was launched for students in their 3rd year at University of Pardubice, in stream Management, Marketing and Logistics in Communications.

WE SUPPORT CORPORATE SOCIAL RESPONSIBILITY AND EQUAL OPPORTUNITIES

During 2013, Czech Post has launched, thanks to a 100% grant from ESF and the budget of the Czech Republic's, using the operational programme Human Resources and Employment, the implementation of a comprehensive project to assess the current state in terms of equal opportunities for women and men and reconciliation of work and family life. The purpose of the project is a comprehensive and systematic approach to these topics in the field of human resource management, which is to facilitate an easier return after maternity / parental leave to work. The programme also includes a new Web www.ceskapostarodicum.cz portal serving as a source of information not only about Czech Post and Post Offices, but also providing the possibility of completing the e-learning courses from home.

Czech Post declared that the programme was a responsible approach to equal opportunities – a campaign for employment support for persons with disabilities (PWD). In the form of posters, leaflets and articles released in the course of 2013, the campaign was launched to support employment of these employees. Czech Post strengthens its cooperation with the regional offices of the labour office and non-profit organisations, which clearly declared an openness to employing people with disabilities. We managed to reach candidates not only from external market work, but also from internal sources. Investments of energy in this program resulted in a significant increase in the employment of persons with disabilities and reduced payment to the state budget for 2013.

WE GIVE PEOPLE SPACE TO GROW

Due to the difficult market situation in which Czech Post is present, there was an adjusted in the amount of resources for training and staff development. Nevertheless, the total number of participants in full-time training for 2013 amounted to 66,828 employees. In 2013, 10,500 workers were trained in accordance with Act No. 136/2011 Coll., in the processing of domestic banknotes and coins as they assess the authenticity or return domestic and foreign banknotes and coins to circulation.

From autumn 2012 to spring 2013, Czech Post continued to realise “Aid for Trade at post offices; for the senior staff of independent management and major post offices”. There were workshops on the theme „Development of management skills in the management of the sales team.” Their goal was to assess specific situations in the management of sales team, and to improve the ability to motivate subordinates to higher performance in sales and in their communication with customers. Feedback from these managers confirmed the real improvement in management and business skills relative to baseline levels.

There were several new web trainings created in 2013, such as training for “Management skills for senior management” or a manual to aid employees when processing income tax bills.

SUPPORT FOR A SUCCESSFUL START IN CZECH POST

Since June 2012, an support process has been implemented throughout Czech Post. In the course of 2013, developed support materials for new employees, management staff and mentors were used. Statistics show that the adaptation process has a positive effect on the fluctuation of the probationary period, and confirms that the adaptation process is set based on the real needs of Czech Post.

EMPLOYEE EVALUATION – AN EFFICIENT TOOL FOR MANAGERIAL WORK

During January and February 2013, the second year of employee assessment was held. Evaluation of employees is primarily focused on dialogue between evaluators and the evaluated person with regards to ongoing performance throughout the previous year and to goals set for the upcoming season. As with the previous year, five criteria for professional behaviour were assessed: client access, performance, accountability, flexibility and cooperation. Rating employees is now an active tool used by the management of the company to assess the employees.

SOCIAL DIALOGUE

Dialogue with the social partners is an important part of Czech Post's communication. The content of the dialogue with business partners includes issues related to economics, society, wages, labour, safety and other conditions governing labour relations. The communication process is implemented on the basis of regular meetings and providing information in an agreed scope and ad hoc meetings on specific topics. An undeniable part of the cooperation between all parties to the social dialogue is the mutual decision on planning and using the FKSP, which in 2013 amounted to a total of CZK 178.5 million.

In February 2013, the Company signed amendment No. 3 of the Collective Agreement. The amendment, agreed with Trade Union, to pay out a special bonus in the amount of CZK 130 million to employees under tariff compensation. Furthermore, the content of the agreement has been modified to reflect the federal changes foremost in pension schemes. In December 2013, amendment No. 5 of Collective Agreement was signed, which prolongs the validity of annex No.5 of the Collective Agreement until 31 December 2013.

The activities of Czech Post in human resources were recognised by the expert public during the announcement of the HR personality at a national conference, co-organised by the Club of employers in October 2013.

Security

Within postal services, Czech Post offers financial services which are activities with higher risk exposure, which due to its diversity cannot be compared with any other financial institution. Providing basic safety requirements for the smooth operation of these services and protection of both workers and clients of Czech Post is the basic task of the Security Policy department.

Another important task that the security section deals with is the issue of crisis management and planning as well as the management of classified information within the service Czech Post.

INNOVATIONS IN SECURITY AT OFFICES

The Security Policy department deals with basic requirements for smoothly and better conducting security on the level of all subjects, operational offices and intangible assets.

There has to be continuous activity in security, as requirements are higher and higher due to increased criminal activity in the society. Protection of people and assets is the main priority of the Company's security department.

The main activity area for the year 2013:

- in 2013, time vault cashiers and mobile safes have been installed in the newly opened and refurbished premises, these contain a number of advanced security protection features.
- In 500 selected objects of Czech Post there has been an increased level of security by installing the security element „data network emergency.“
- Development and execution of a security project in all post weak-current technologies (PZTS) so that by the beginning of 2014, all postal facilities will be electronically secured.
- In 2013, a project was launched to increase safety of officers with motorized units by supplying emergency-GPS. There was a connection set up between the pilot group of 1,000 vehicles and a remote counter monitor.
- Ongoing safety assessment was conducted at post offices and depot establishments, which are planned to be reconstructed and built. These assessments are based on the trend towards the unification of technologies to effectively spend funds for security installations.
- Continues safety project of when, straight after a robbery of a post office, there is an immediate increase in the in security level (mechanical security, TDS, PZTS, CCTV).

CRISIS PLANNING

Management of activities, analysis and assessment of security risks as well as planning, organising, implementing and controlling activities performed in connection with the preparation for possible crisis situations (KS) described in Act No. 240/2000 Coll., Crisis Act, and Act No. 222/1999 Coll., on Ensuring Defence of the Czech Republic, have been performed:

- Within the prepared crisis plan (PKP) of the entity's critical infrastructure (CI), Czech Post has been finalising documentation of the newly rebuild elements of CI (depot). The updated documentation of the PKP body and CI elements with is in regard to organisational changes, changes in connection, determining which staff are responsible during the crisis, KI control elements of documentation, etc. The type of plans for dealing with individual KS and MU situations within individual regions are to ensure the protection of elements of KI.
- In the area of emergency planning, in accordance with law No. 240/2000 Coll. and following the RO 302/2012/GŘ „Rules for managing crisis situations“, a report was prepared and submitted for approval to the Director General of the „Statute Crisis Staff of the Czech Post, „and“ Rules of Procedure Crisis Staff of the Czech Post, s. p.“.
- The activities of the established crisis teams on the basis of the documents have been checked during the June floods in the region of Prague, Central Bohemia and North Bohemia, where these teams had regular meetings and addressed the impacts of flood operating activities on Czech Post.
- In the context of deepening cooperation with the federal government, regional government and the integrated rescue system in accordance with the legislation of the Czech Republic (Act No. 240/2000 Coll. 239/2000 Sb., 241/2000 Sb.), the directors of fire brigades were approached in each region. The purpose of the letters sent was to acquaint them with the content of KI, provide contact information for CP in crisis planning in a given territory and ultimately require listings of flood emergency plans and individual counties. Requested information will be included in the processed PKP SKI and documentation will also be the basis for specifying the processed plans for dealing with individual crisis situations and emergencies in those territories.
- On 20 and 21 November 2013, on behalf of the Minister of Industry and Trade negotiation No. 22607/13/01100/01000, there was a state audit plan for emergency preparedness and the protection of critical infrastructure elements of Czech Post. The inspection was carried out by controls of the Crisis Management of the Ministry of Industry and Trade. The physical state and administrative support elements of the critical infrastructure control group were found to be good.

The following extraordinary crisis events were noted in 2013. The occurrence did not exceed last year's number with the exception of the floods (June 2013):

- the event represented by technological failures related mostly to water network faults and faults in the electrical system.
- In the category of hazardous shipments, it was mainly related to explosives threats and damage to the packaging of chemical substances that leaked from parcels.
- an extraordinary incident was caused by weather conditions when heavy rain caused flooding (June 2013) which affected mainly the regions of Prague, Central Bohemia and North Bohemia. We participated mainly in how the flood was managed and dealing with the Czech Post crisis staffs of each region.

CLASSIFIED INFORMATION

Czech Post holds a certificate issued by the National Security Authority, which authorises Czech Post to access classified information up to the highest level of confidential. Based on this fact, Czech Post is required to:

- Notify the authority in writing on a yearly basis of data changes specified in the application for entrepreneurs. This obligation was met.
- They shall forthwith notify the authority in writing of data changes, which is then entered in the Commercial Register. This obligation is done continuously.
- Ensure that training on legislation in the field of classified information for Czech Post employees who have access to classified information is performed annually. In 2013, this duty was fulfilled by individual presentations (January-March 2013).
- Update the list of features and people that are assumed to have access to classified information. This obligation was satisfied by issuing Decision DG (RO-118/2013/GŘ).
- Verify that the conditions for access by individual persons to classified information classified as restricted were met. This obligation is fulfilled continuously.
- In the course of 2013, a new „Project information system security documentation for processing classified information“ was prepared and this was submitted to NBU for approval.

The system for guaranteeing the safety of employees of Czech Post, overall, is the cooperating system of responsible departments. Specifically, this is to ensure all aspects of security shared by the security section, allocation section and levies section (the area of transport cash and valuables), postal technology and inspection section, department of ICT security, health and safety department, PO, energy and environmental protection department and the legal department.

Internal audit

Internal audit performed well in 2013. Its role is to be an independent and objective consultant for management in accordance with binding international professional practice of internal auditing, which is issued by International Institute of Internal Audit, which the company is a proper member of. This document contains a definition of Internal Audit Code of Ethics and International Standards for the Professional Practice of Internal Auditing. The individual provisions from these are implemented by the Company with regards to the relevant control of documentation relating to internal audit. Compliance with these provisions is to ensure the required objectivity and quality of the implementation of audit activities.

The Internal Audit Committee – an advisory body to the General Director – monitored the activities and discussed the results of the audit. The quality of internal audit work has been assessed and evaluated in the framework of the approved Program for quality assurance and improvement of internal audit for 2013. Overall, the result of this Program supports the claim that the internal audit activity of the Company is in compliance with the International Standards for the Professional Practice of Internal audit in terms of the 1321 Declaration and showed that the internal audit is in line with international standards for professionals in internal audit, and that the quality of the work was evaluated by internal customers who judged it to be significant.

Internal audit activities were conducted primarily in line with the internal audit plan for 2013 which was approved after discussions by the Committee on Internal Audit, by the General Director and subsequently the Supervisory Board was informed of its content.

On the basis of this plan, a total of 26 audits have been carried out. It was both for audit processes related to achieving the priority objectives and targets based on the strategy and for compliance audit (compulsory audits) aimed at verifying the compliance management system quality and consistency of information security services of the company, certified according to DIN EN ISO 9001:2009 and ISO / IEC 27001:2006 or safety compliance by Decree No. 378/2006 Coll., of the procedures of the qualified certified providers of services.

Beyond the approved program of work of the internal audit for 2013 there were three other audits carried out at the request of the CEO, Chairman of the Supervisory Board or DR Committee for Human Resource Management.

The next scheduled internal audit activity was the quarterly performance monitoring tasks of the corrective action plans issued for the already completed Audits.

Apart from audit and monitoring services, the internal audit also provided consultancy and cooperation to other chief executives and organisational units and collaborated with the external auditor, mostly in the area of information in respect of the results of the audit activities that were conducted.

Overall, the internal audit activities carried out throughout 2013 contributed towards:

- securing functionality and quality of the services provided by the Company,
- improved the level of audited processes and activities,
- constant fulfilment of the quality and security requirements on certified services,
- preparing and meeting the conditions for obtaining a new certificate according to standard BS / ISO 15489:2001 Information and documentation - Document Management,
- better efficiency of the management activity and cooperation between organisational units of the Company,
- evaluation of the functionality and benefits of implemented changes in structures,
- identification of the causes of risks and measures leading to their elimination,
- stronger preventative measures against fraud and damage,
- assured guidance in control activities, and
- better efficiency of the managerial and professional control.

Risk management

Risk management has been done in 2013 in compliance with the risk management system which has an integral role in the management process of the Company.

In line with the global trend, the risk control system aimed toward creating a simpler and more understandable approach to the evaluation of risk and specifying the adapted relevant measures to reduce the impact of events. A process comprising a risk analysis of the relevant assets has been applied. This includes identification and review of risks, their description, and estimates of the impact, the expected frequency occurrences and assessing the level of significance from the perspective of the Company. The process also includes the selection of appropriate measures and decisions on their implementation, actual implementation and subsequent check of the effectiveness of the implemented measures and regular review of risks after the application of the measures was undertaken.

In 2013, the owners were upgraded in the context of organisational and personnel changes, to be in line with the objectives set by separating the risk management

of all risks. At the same time, revisions of assets were made and the various risks updated for individual assets. All the identified risks were then followed up to determine the effectiveness of the measures and their impact on the new assessment of risk.

The organisational units with certificates according to ISO/IEC 27001:2006, EN ISO 9001:2009

and ISO 15489:2001 were supported in analyses of risks and the results of these analyses were then used as the basis for establishing appropriate business risk.

Based on the year-long continuous updates of all the risks, the identification of new risks and their assessment in collaboration with the risk owners were prepared by risk management and the CEO has signed off on The Book of Risks for 2013. This document contains individual cards and maps of risks by categories. As at 31 December 2013, there were 56 risks identified and managed in the Company and the impact was from CZK 50 thousand to more than CZK 100 million and frequency of occurrence value was from very low to very high. Compared to 2012, there was a reduction in the number of significant risks due to measures adopted for their effective management. At the end of 2013, 14 remained at the risk level of residual risk, 41 on the level of acceptable risk and one risk fell to the level of significant risks. At the level of critical risk, there was no risk identified in the company in 2013, which is the same as in the previous year.

In 2013, the Company continuously planned further goals, which were:

- introduction and implementation of monitoring resources and development of the causes of risks and monitoring the impact on the causes of the risks,
- providing information to the new risk owners on the development of risks for which they are responsible and support for evaluating those risks,
- when a new risk occurs, aiding in its specification and evaluation.

Reports on the state of risk management and measures taken in particular with significant risks were presented during the year to the business management. The Supervisory Board was also informed.

Environmental protection

The operations of Czech Post only have a very slight impact on the environment. Emissions from the operation of trucks and passenger cars as well as from the operation of stationary combustion sources represent the main effects; therefore, these mainly represent emissions of nitrogen oxides, sulfur oxides, benzene and particulate matter.

The Company's strategy in respect of ecology primarily focuses on compliance with legislation in all areas of environmental protection with a view to precluding environmental hazards and minimising any ecological risks.

In order to reduce emissions from transportation in 2013, the company continued to purchase and implement CNG vehicles. For stationary machinery, heating sources were replaced in five buildings, where the modernisation of heating sources was applied; alternatively, there was a switch to more environmentally friendly fuels.

In terms of energy efficiency in buildings, and thus to reduce emissions, measures were implemented in 2013 in eight buildings, when the insulation of the buildings was upgraded or in some case windows have been replaced.

Real estate

Czech Post has the right to manage its extensive number of real estate properties throughout the Czech Republic: This is about 2,668 pieces of land and 1,471 buildings which together comprise 1,181 areas. The vast majority of the property is used to ensure the performance of the subject activities of Czech Post and they comprise post offices, depots and SPU. Czech Post continuously acquires property that it needs for its activities, whether by buying or building; however, the sale of real estate is considerably limited by the transformation process. Part of the property, which is not being actively used by Czech Post, is rented to third parties.

The portfolio of intangible assets is continuously changed based on the needs of the company. In 2013, 18 depots were started, half of which were created through a development project. The others were reconstructed or new buildings were built.



STAMPS IN 2013

In 2013, Czech Post, acting on behalf of the stamp issuer, i.e. the Ministry of Trade and Industry of the Czech Republic, issued a total of twenty-nine commemorative stamps with first day covers and commemorative handstamps. Furthermore, twelve postage stamps, nine occasional postcards and eight video postcards were issued. Altogether three stamps come in the form of sheets for certain occasions. These were traditional issues, which have been a permanent fixture in stamp design for several years. The names of these issues were: Tradition of Czech Stamp Design, Personalities, Beauties of Our Country, Europe, Prague Castle, For Children, and Works of Art on Postage Stamps. There was also a commemorative stamp issued about the president.

Commemorative stamps in 2013	(in CZK)
Tradition of Czech Stamp Design: Ivan Strnad	10
Personalities: Bertha von Suttner (1843–1914)	18
Steam The "Pěčko" Tugboat	25
Helicopter Aero HC2 - Heli Baby	25
Beauties of Our Country – 750th anniversary of foundation of monastery of Zlata Koruna	14
Personalities: George Orwell (1903–1950)	26
Europe – mail transport vehicles	25
Technical monuments: water work Flaje	14
Prague castle – Paolo Caliari, Veronese:	
Portrait of a goldsmith and antiquarian Jakob König	25
Závišův kříž – Vyšší Brod	26
Joint issue with Slovakia:	
1,150th anniversary of Cyril and Methodius	35
Motorcycle Bohemia 33 - Böhmerland	10
Passenger rail trolley Tatra 15/30	10
130 years of postal banking	20
Nature conservation – Karlštejnsko	10
Nature conservation – Karlštejnsko	14
Nature conservation – Karlštejnsko	18
Nature conservation – Karlštejnsko	20
Beauties of Our Country – 700 years of New Jičín	20
MS Water Slalom Racing 2013	10
Personality: Josef Bican, the legendary footballer (1913-2001)	13
Horses – Chlumecký buckskin	13
Horses – Chlumecký palomino	17
200th anniversary of the Battle of Leipzig	53
Personality: Otto Wichterle, Czech inventor of the contact lenses (1913-1998)	21
400 years old Bible Kralická	17
Works of Art on Postage Stamps: Giovanni Battista Piranesi (1720–1778)	25
Works of Art on Postage Stamps: Bohuslav Reynek (1892–1971)	30
Works of Art on Postage Stamps: Max Švabinský (1873–1962)	35

Definitive stamps and postal stationery

A total of twelve definitive stamps, nine commemorative postcards, eight picture cards and special New Year's envelope with prepaid stamp were issued by Czech Post in 2013.

Furthermore, the Czech Post issued stamp booklets on „Václav Zapadlík – Czech cars – Škoda I“ with the nominal value of A (real price CZK 13) which followed the 2011 issue of „Václav Zapadlík – World Cars“ and will continue to do so.

Personalised stamps

For those who want to have an original way of advertising, Czech Post provides personalized stamps. From September 2013, companies can choose another method of delivering personal stamps in the form of stamp booklets with eight custom stamps. For now, there are two forms offered – a sheet edition of 25 pieces with the motif being either horizontal or vertical with the „A“ and „E“ value, and a booklet edition with 8 horizontal stamps standing and the „A“ and „E“ values.

After completion of the pilot in 2013 there were 11 orders received and 123 Custom stamps delivered with a total value of CZK 3,183,888.

Own stamps were also issued in collaboration with other bodies to promote sporting events: RUN TOUR the Českou pojišťovnou, 100th anniversary of Prague Mayor's event with ČSOB Insurance Company and 120 years of Czech tennis with Soluna Jesenice. These custom stamps were distributed through selected post offices and sales from these three issues in 2013 amounted to CZK 6.5 million.

Commemorative handstamps

In 2013, Czech Post prepared and used a total of 56 commemorative handstamps. In addition to traditional handstamps such as Christmas, Easter, and Valentine's Day, commemorative handstamps to celebrations anniversaries and philatelic events were also issued. Last year's special postmark was dedicated to the first-ever direct election of the president of the Czech Republic.

The handstamp with a Boží Dar-Jesus with a dove motif designed by Maria Svobodová was the winner of the annual most beautiful commemorative handstamp for the fifth time. In addition, there were 31 R-labels with 29 additional printings for certain occasions and security labels APOST for additional printing occasions.

These sub-products significantly promote the purchase and use of postage stamps. The stamping of these stamps is mostly at the request of collectors and is done not as a regular service but as a favour to stamp collectors.

Postal Museum

It contributes to the Company's marketing activities, promotes stamp design and represents the Company both locally and internationally.

The Postal Museum is a member of the International Association of Transport and Communications Museums (IATM), is an active member of the Conference of European Communications Museums (CECOMM) and, as one of eleven selected postal museums worldwide, it belongs to the Club Elite de la Philatelie de Monte Carlo, Monaco.

In the Czech Republic, it participates in the work of the Association of Museums and Galleries, and collaborates with the Union of Czech Philatelists, including, among other things, within the framework of the Union of Czech Philatelists' Association of Friends of the Postal Museum. The museum has long-term exhibitions in Prague and in its branch in Vyšší Brod, where the history of post and telecommunications, from their very beginnings up until the present day, is presented in the abbey of the former Cistercian Monastery in a space of approximately 1,800 square meters.

Apart from temporary exhibitions, held in Prague as well as in Vyšší Brod, it participated in a number of exhibitions both in the Czech Republic and abroad.

By law, it is entrusted to approve the export of articles from the field of the history of the postal industry and stamp design, and serves as a Czech centre for stamp exchange within the framework of the UPU.

One of the museum's important functions is the provision of library and consultancy services to researchers, students and the Company's employees.

In 2013, the Postal Museum celebrated its 95th Anniversary.

PERSONAL MATTERS

In November 2013, there was a change in the position of Director of the Postal Museum. Mgr. Jan Galuška finished his active career at the end of 2013 after 37 years of work for the Postal Museum (of which more than 7 years were as Director of the Museum).

Temporary exhibitions at the Postal Museum

„KAMIL LHOTÁK – cycling, motorcycling, in the air“
28 November 2012 – 3 February 2013

Exhibition to mark the 100th anniversary of the birth of Kamil Lhoták was prepared in cooperation with the South Bohemian Gallery in Hluboké nad Vltavou and the Library of the National Museum. Postal Museum exceptionally issued to this exhibition a commemorative sheet bearing

the marks of the original engravings from 1975 according to Lhoták's draft – motorcycle Jawa 250.

„THE BEST OF SLOVAK STAMPS ENGRAVING“

7 February 2013 – 21 April 2013

On the occasion of the 20th anniversary of the creation of an independent Slovak stamp, the Postal Museum prepared a representative exhibition of engravings of postage stamps from the collections of Slovenská pošta, a.s., and shown in the Postal Museum in Banská Bystrica. Except for stamp engraving, engraving drafts of stamps, first day covers, but also multi-colored prints of engraving plates from the issue range of Art that are printed using a unique technique of steel stamping from flat plates were presented.

„VLADIMÍR SUCHÁNEK – Stamp design and small graphics“

24 April 2013 – 23 June 2013

Postal Museum presented the Master's creation on the occasion of his eightieth birthday, and so complement the exhibition, which took place in Prague Castle. The ideas for postage stamps created by V. Suchánek were the basis of the exhibition. Also on display were his legendary stamps based on the Signs of the zodiac.

„A BRIEF GREETING BY POST - from postcards to SMS“

26 June 2013 – 15 September 2013

The exhibition brought two forms of postal greetings closer - greeting cards and postcards or correspondence postcards. The exhibition presented both greetings as a form of communication that dominated written long-distance communication for more than a century, and thus creating a distinctive and multiform culture that included, for example, Christmas and Easter wishes, greetings from the front lines (e.g. World War II) and holidays or congratulations on name days and birthdays. The visitor can enjoy the excellent pieces illustrating the transformation of postcards of city, old war, and romance. Collectors and lovers of sport came into their own as well. They certainly appreciated the correspondence of sports commentator Josef Laufer with the original signatures of the silver hockey team from the Winter Olympics in St. Moritz in 1948 or Vice World Cup in 1962.

„95 YEARS OF THE POSTS BY CZECH SCOUTS“

18 September 2013 – 17 November 2013

Arranged in cooperation with the Junák Club of Scout Collectors. Materials of the Posts by Czech Scouts, as well as contemporary diaries and chronicles relating the dramatic events of the first days of Czechoslovak independence were introduced to the public. At the same time, a visitor could admire artefacts of the the contemporary world's scouting for boys and girls.

„EVA HAŠKOVÁ – JAN MAGET - Graphics, Illustration, Postage Stamp“

20 November 2013 – 23 February 2014

The exhibition followed on a regular cycle, which represents the famous author of postage stamps.

Temporary exhibition at the Postal Museum in Vyšší Brod
"22nd Exhibition of Artwork by Students at the Kaplice-Based Elementary School of Arts in Vyšší Brod" 20 June 2013 – 1 September 2013 Kaplice-Based Elementary School of Arts in cooperation with Česká pošta, s.p., a branch of the Postal Museum in Vyšší Brod and Cistercian monastery, held a traditional summer Exhibition of work by students of this school.

Participation by Postal Museum in the Czech-Austrian Provincial Exhibition 2013, South Bohemia – Upper Austria
Inauguration ceremony of Zavis Cross postage stamps in the Cistercian Monastery Vyšší Brod. Eighty „Blue Mercury stamps“ were presented in the branch of Postal Museum in Vyšší Brod. There was also a festive postal stagecoach ride of žambereckého (stagecoach) from Vyšší Brod to Bad Leonfeldenu. And a festive balloon flight of the Czech Post – Balloon Mail was available.

All events for the Provincial Exhibition 2013 were made in close cooperation with other specialised departments of the Company. From external participants, there were: City of Vyšší Brod (M. Zálešák) Cistercian Abbey of Vyšší Brod (J.J. Berka), Police of the Czech Republic ,South Bohemian Region (RERA - J. Vlach) , Kaplice-Based Elementary School of Arts (A. Opekarová) and the town of Bad Leonfelden (M. Birngruber). Graphic promotion (electronic banners, posters, external and internal billboards) and other visual (panels, bulletin, additional printing on a postcard to a ceremonial ride of a stagecoach, memorial list) materials of the Postal Museum to Provincial Exhibition were created in collaboration with the Department of PRM.

Exhibitions – external collaborations within the Czech Republic

The monarchy, the Historic Museum of the National Museum, New building of the National Museum, 13 December 2012 – 29 September 2013

Post history Kyšperk - Orličné – Letohrad on the occasion of the 150th Anniversary of Czech Post, Town Museum Letohrad (Letohrad castle), 4 May to 15 June 2013

Post in eyes of Tomáš Vosolsobě
New exhibitions by the Postal Museum in 2012: Linhartovy Castle, 25 May – 3 November 2013 the Carmelite Centre Mladá Boleslav, 15 April – 12 May 2013

Up to the heights, Central Bohemian Museum in Roztoky u Prahy, 17 May – 28 October 2013

Greetings from Santa Claus or the Colorful World of Christmas and New Year's cards, Museum Brněnska, Museum in Šlapanice, 11 December 2013 – 5 January 2014

Nine hipomobile vehicles lent (DP 16, 20, 55, 58, 60, 61, 84, 86, 87) to the Baroque stables of Castle Decin. Transport of carriages took place in July-September 2013 from the Postal Museum in Vyšší Brod, Postal Museum in Ostrovec and Kladruby nad Labem; the loan runs until 30 April 2015

OSTROPA 2013 Czech-German Stamp Exhibition, Regional Gallery of Vysočina, Jihlava, 18th to 28th April 2013

Bear Tracks, Museum of the Bohemian Karst in Beroun, 29 May – 1 September 2013

Vlasta Matoušová, State District Archive in Semily 5 March – 22 May 2013

Exhibition Castle photographic archive – continued cooperation with the Archive of the National Museum; exposition of the Central Bohemian Museum in Roztoky u Prahy

Authorial exhibition: Martin Srb - Adolf Absolon, Gallery of Litvínov, 26 April – 13 August 2013

Kamil Lhoták, Regional Museum in Vysoké Mýto, 17 May – 28 June 2013

Exhibition of Vladimír Suchánek - Graphics and stamp design, Krkonoše Museum in Jilemnice, 4 October – 10 November 2013

Exhibitions – external collaboration abroad

Fahren, Gleiten, Rollen. Mobil sein im Wandel der Zeit, Oberschlesisches Landesmuseum (Ratingen, North Rhine-Westphalia, Germany), 24 November 2013 – 5 October 2014

Martin Činovský, Gallery of Bratislava town, in cooperation with the Postal Museum of Slovak Post (Mgr. M. Vančo, PhD.) – searching for and lending of originals and trademark materials, provision of scans (in PTC) for the preparation of monography, 13 March – 18 April 2013

1,150th anniversary of the arrival of Cyril and Methodius to Great Moravia, Gallery of Nitra, 5 July – 30 September 2013

SOCIAL EVENTS IN THE POSTAL MUSEUM

Announcement of Česká pošta, s.p., Č survey, magazine Philately and daily news magazine Právo, on the most beautiful postage stamp of the Czech Republic in 2013, deadline: 28 March 2013.

Miniature sheet 800 years since the publication of the Golden Bull of Sicily (O. Kulhánek, M. Ondráček) won. Postal Museum arranged social course of the event and presentation frame

Prague Museum Night - „The most beautiful stamps in the world“, Saturday guided tour of the Museum and fun program as part of the Museum Night Festival of Association of Museums and Galleries, 14 September 2013

Event „95th Anniversary of the Postal Museum“, 18 December 2013, commemorative postal stamp counter with a PTM with additional printed postage stamps from the issue on Art in 1982 – Rudolf Kremlička

COLLABORATION WITH THE UNION OF CZECH PHILATELISTS

VII. Day of the Czech Philately, 28 November 2013

Inauguration and autographs of the publication Bibliographic List of articles related to the period of ČSR 1918-1939 (published in the local philatelic journals) Author: Ing. Josef Chudoba, PhD. The book was published as part of the 40th Monography of Czechoslovak and Czech stamps and postal history.

Inauguration of Famous Post Offices of Bohemia, Moravia and Silesia which was published in Foibos Books in 2013. Lecture „Counterfeits to the detriment of the mail“ Ing. JUDr. František Beneš, CSc.

Autograph masters of Czech Stamp Design.

Collaboration with dedicated Czech Post departments Marketing

Selection and scanning of background documents (photographs, maps, imprints of handstamps) for preparation of a new-style design of refurbished post offices

Intranet magazine DOMINO – regular updates of information on the Postal Museum's activities

Stamp Design and PostFila

Provision of outline art drawings and graphic designs prepared for new Czech stamps and commemorative postcards

Communication

Collaboration on the preparation of a media presentation for the accompanying program of the Provincial Exhibition in Vyšší Brod

Articles and visual documentation for Poštovní Noviny

COLLABORATION WITH MEDIA

Czech Television's ČT 24 – filming for the Retro program – year 1947, issue two-year economic plan

Czech Television's ČT 24 – filming of document – Finland – in eyes of Peter Voldán. ZT Department sought and prepared stamps and Christmas-themed postcards and stamps and commemorative of Boží Dar.

Czech Television's ČT 24 – shooting reports about stamps on the occasion of the presidential election

Search for stamps for elections from 1935 to 2008, provision of additional fingerprints. The report aired on Czech Television in the main news.

Regional radio Jizera, interview about the Post office exhibition – in eyes of Tomáš Vosolsobě and an invitation to the Postal Museum.

Czech Television's ČT 24 – filming for the Z metropolis program (editor Petr Sojka), opening of the Vladimír Suchánek - Stamp design and small graphics exhibition in the Postal Museum .

Czech Television's ČT 24 – Studio 6, live broadcast on the theme Post, postal mailboxes, sending postcards, invitations to the Postal Museum on the exhibition “A brief greeting through the post”.

Czech Television's ČT 24 – filming the show for the ceremony broadcast on 28 October. Invitation for exhibition in Postal Museum: 95 years of Czech Scouts' mail, Guided tour by Václav Nosek.

TV Metropol, Prague's expres, exhibition A brief greeting from post, guest in the studio

The main news TV Barrandov, report on the future of postcards and correspondence cards, pre-recorded in Prague's Postal Museum.

Czech Television's ČT 24 – Economy CT24, report on the prospects of postcards and correspondence cards, pre-recorded in Prague's Postal Museum.

TV Prima news. Balloon mail.

The show on Retro Television 24 on the introduction of ZIP codes in 1973.

Filming a documentary on Slovak post to mark the 20th anniversary of its establishment, branch of Postal Museum in Vyšší Brod

ČT 1, a guest in the studio Sunday morning on Christmas and New Year's greeting cards.

ČT 24, filming a program about the history of post and postal services in the cycle Historie.cs in the Czech Television studio in Kavčí hory.

ČT 1, filming for the Z metropolis program dedicated to the Postal Museum in Prague



ČRo 1, Comment on the establishment of the mailboxes in the Czech Republic in addition to reports on the anniversary of the British mail-boxes

ČRo 2, hour discussion on the topic of Postal Services yesterday and today.

ČRo plus – guest in the studio in a half-hour show Radioforum on Christmas and New Year's cards.

PUBLICATIONS

Jahoda, Martin: Jak pošta za první republiky informovala o svých službách? In: Filatelie, No. 12/2013, p. 14–16.

Kavka, Tomáš – Salnikova, Jelena: Muzejnj Glavnočtamt (in russian language). In: Panorama Čechija, No. 1/2013, p. 70–74.

Kavka, Tomáš: Mistři slovenské ocelorytiny v pražském Poštovním muzeu. In: Filatelie, No. 3/2013, p. 3–4 of cover.

Kavka, Tomáš – Říha, Martin: Výstava o poště 70. let minulého století putuje Českou republikou. In: Filatelie 4/2013, cover 3–4.

Kavka, Tomáš – Kramář, Jan: Za česko-rakouskou historií do Poštovního muzea. In: Filatelie, No. 6/2013, p. 12–13.

Kramář, Jan: Čechami a Moravou za starými poštami. In: PTN ECHO, No. 2/2013, p. 28–29.

Kramář, Jan: Historie poštovní stanice Jablonné v Podještědí aneb 200 let od Napoleonovy návštěvy. In: Filatelie, No. 7/2013, p. 38–39.

Kramář, Jan: Někdejší sídlo poštovní stanice na známce 700 let města Nový Jičín. In: Filatelie, No. 8/2013, p. 13.

Kavka, Tomáš: Dopisnice a pohlednice – kus historie krátkých poštovních sdělení. In: Filatelie, No. 8/2013, p. 46–47.

Kol.: Slavné pošty Čech, Moravy a Slezska. Foibos Books, Praha 2013 (spoluautoři z Poštovního muzea: J. Kramář, T. Kavka, M. Jahoda).

Kramář, Jan: Stručná historie poštovní stanice Cerhovice. In: Filatelie, No. 9/2013, p. 3–4 of cover.

Kramář, Jan: Stručná historie poštovní stanice Hořelice. In: Filatelie, No. 10/2013, p. 36–37.

Kavka, Tomáš: Skautská pošta se vrátila do Poštovního muzea. In: Filatelie, No. 11/2013, p. 17.

Kramář, Jan: Václav Dragoun – poštovní úředník, historik a muzejník. In: Z Českého ráje a Podkrkonoší –

supplementum 16. SOA Litoměřice, Semily – Turnov – Jičín 2013, p. 391–400.

Kramář, Jan: 200 let rozcestníku v Ohrazenicích u Turnova. In: Filatelie, No. 11/2013, p. 18–19.

Mach, Petr – Kramář, Jan: Známká České pošty vyhrála Grand Prix de l'exposition WIPA Vídeň 2012. In: Geodetický a kartografický obzor, roč. 58/100, 2013, No. 3, p. 66–67 (http://egako.eu/wp-content/uploads/2013/03/gako_2013_03.pdf).

Publications with various contribution from the Postal Museum

Fedele, Clemente (ed.): Evropský poštovní průvodce (itinerář) Compendio delle poste italského autora Ottavio Codogno (Milan 1623). Academia Italiana di Filatelia e Storia Postale. (J. Kramář)

Hoffman, Petr: Dějiny státní autobusové dopravy v Československu. Poštovní autobusy 1919–1932. Díl II. Andrej Hoffman, Nakladatelství dopravní literatury, Praha 2013. (J. Galuška, J. Kramář, T. Kavka, P. Tošnerová)

Jakubec, Pavel: Znamení dálek. Památky dopravního značení v Libereckém kraji. Národní památkový ústav – územní památková správa Sychrov 2013. (J. Kramář)

Muzea tří regionů: Jihočeský kraj, Horní Rakousko, Dolní Bavorsko. Pracovní skupina průvodce Muzea tří regionů – Jihočeský kraj – Horní Rakousko – Dolní Bavorsko 2013. (J. Kramář)

Padevět, Jiří: Průvodce protektorátní Prahou. Academia, Praha 2013. (J. Galuška, J. Kramář, M. Jahoda, T. Kavka)
Scheufler, Pavel: Osobnosti fotografie v českých zemích do roku 1918. Akademie múzických umění, Praha 2013. (J. Kramář)

LECTURES

Postal services and Postal museum, Senior club in a nursing home, U Studánky 15, Prague 7 – Holešovice, 29 May 2013.

Post in the history, Senior club in a nursing home, Tusarova 42, Prague 7, Holešovice, 30 May 2013.

From postcards to SMS. A brief greeting from post, Senior club in a nursing home, Tusarova 42, Prague 7, Holešovice, 19 September 2013.

Guided tours of the Postal Museum for students of primary and secondary schools and universities.

SERVICES FOR RESEARCHERS AND ADVISORY ACTIVITIES

Research in stamp design and philately

The researchers studying in the Postal Museum have access to 895 collection items, postage stamps from Czechoslovakia and the Czech Republic, including documentation of production processes (designs, color tests, engraving and printing plates, etc.).

Number of visits in 2013: 56

Consulting activities were also provided by e-mail and phone. Additional prints of commemorative stamps

Number: 81 pieces were sent to collectors by post.

Research in Post and Telecommunication History

Researchers could visit the Postal Museum's study room or contact Museum staff via email or by phone. Researchers in the study were provided with written and visual materials from the Postal Museum collection of book titles and phone books for library use.

Number of research visits: 50

The number of processed research questions (mail, telephone): 155

The number of research tasks in total: 205

POSTAL MUSEUM'S COLLECTION

New acquisition by the Postal Museum's

The records in the Central archives of the Ministry of Culture that cover the Postal Museum's collections were updated on 15 May and 15 November. Total registration numbers of entries increased as at 31 December 2013 to 225,161 recording items (collection objects and their files). Any new additions were duly registered pursuant to Directive No. 3/2009.

Donations

The Postal Museum's collection was enriched by a total of 98 gifts which were the subject deed of a gift. These were three-dimensional individual objects: e.g. medal of World postal exhibition PRAGA 88, receiving cross-country postman book or wooden case for mailings, as well as sets of objects: 4 pieces of maps of railway post offices in the Slovak Republic, 3 pieces of New Year postal books, collection of 27 documents relating to the person of postal employee Jozef Pajer, etc.

Purchases

In 2013, the Postal Museum drew investment funds in the amount of CZK 91,487 to purchase collection items. All purchases were discussed, suggested by the Commission for the purchase and disposal of collections of the Postal Museum (in records). The Commission was called by the Director of Postal Museum in March and in November.

In antique shops or directly from the owner, more than 140 items were purchased. Due to the large number of subjects, it is possible to only mention a small number of the acquisitions:

1/ 120 postcards of post office building from 1850 to 1950.

2/ View of the monastery Vyšší Brod, colored lithography, Author A. Haun, 19th century.

3/ Postcard sent by post pipeline on 28 March 1938.

4/ Set of 3 pieces of original non-approved proposals for telegraph letterheads from Czech painter Helen Bochoráková-Dittrich.

5/ Manual telephone switchboard from the post office in Jablonné v Podještědí, First Czechoslovak Republic.

Stock count

In total 14,556 recording items were stock counted.

In 2013, the ten-year cycle for conducting an inventory stock count of all inventory items in the Postal Museum's collections was administratively completed pursuant to Act No. 122/2000 Coll.

Restoration and conservation

Department of the History of Post and Telecommunications

Landauer carriage from 1889, inventory No. DP 87, Incremental No. 120/2000

Supplier: Reno, Coaches and lamps restoration, Zdeněk Zmydlený (Opuková 316/3, 163 00 Prague).

Mailbox, inventory SCH No. 110, incremental No. 12/2002

Metal mailbox of Zemánek type with side slot; at the forefront with the national emblem of Czechoslovakia (Czech white lion in red field) and underneath the opening time pad; blue body with red and white lines. Undated, after 1945.

Post shield, inventory No. ST 42, incremental No. 757/1923

Post oval metal shield, painted black background, in the upper part of the shield gilded imperial eagle with a mailing tube and below the gilded inscription: „C. k. postal and telegraph office in BECHYNĚ. Point of collection c.k. postal savings OFFICE.“

Undated, turn of the 19th and 20th centuries.

Post shield, inventory No. ST 50, incremental No. 2240/1930

Post shield - metal, oval, painted. In the upper with the Austrian eagle in a yellow oval field. Yellow writing on a black background: „K. K. Postall - AMT. OTT.“.

Undated, cca. 1860.

Supplier: Museum of South Bohemia in České Budějovice (Dukelská 1/242, 370 51 České Budějovice).

Post shield, inventory No. ST 32, incremental No. 677/1923

Post shield, oval painted. Text: „Post Office“ „Postamt“, red and black text on a white field.

Undated, around the year 1910.



Post shield, inventory No. ST 171, incremental No. 21/2010 Metal hanging shield double-sided with bilingual black inscription „Verschleiß von Postwertzeichen“ „Sale of postage stamps“, around the year 1900. The Shield was not used by the postal administration, but it is a testament of the retail sale of postal stamps, on which the production and issuing postal administration participated. Undated, turn of the 19th and 20th centuries.

Mailbox, inventory No. SCH 65, incremental No. 451/1967 Mailbox of Czechoslovakia, so-called 2nd size, metal, front slot, upper lid for the lock; in blue, white lettering under the slot, horizontal red stripe and two white lines at the level of slot. Undated, 20's to 30's of the 20th century. Vending machine for telegraph forms, inventory No. ME 7, incremental No. 190/1928

Vending machine for telegraph forms (Telegramblankette) in yellow, black linking. The former location was at the stations, post offices and other public places. Undated, early 20th century. Supplier: National Museum (Václavské náměstí 68, 115 79 Prague 1).

Documentation Stamp Design Department

9 original designs of the Dětem 1936 issue, 2 sketches by A. Mucha, Hradčany issue, 2 examples from A. Mucha and 2 examples of original designs by Jakub Obrovský (subcollection of NR - art designs and outline drawings). Supplier: Jarmila Procházková, restoration dept. of the Czech National Library.

250 pieces of engraving and printing plates damaged by floods in 2002, cleaning and preservation (TM - steel engraving, printing plates and extracts). Supplier: Hana Bělanská, restoration workshops of the National Heritage Institute.

AUDIT OF DEPARTMENT OF PROTECTION OF MOVABLE CULTURAL HERITAGE, MUSEUMS AND GALLERIES OF THE MINISTRY OF CULTURE OF THE CZECH REPUBLIC IN POSTAL MUSEUM

The subject of the audit in the Postal Museum was in compliance with the duties of the collections administrator under the provisions of paragraph 9, section 1 of Act No. 122/2000 Coll. In the report of the inspection results from 9 October 2013, ref. MK 47859/2013 OMG, it was stated that „the Postal Museum in managing its collections is in full compliance with statutory provisions.“

PERMISSION TO EXPORT ITEMS OF CULTURAL VALUE PURSUANT TO ACT NO. 71/1994 COLL., AS AMENDED

Based on the authorisation pursuant to the aforementioned law, in 2013, the Postal Museum issued 17 permits in total on the respective forms (out of which 16 were certificates to export for a set period of time).

VISITORS AND REVENUES

Attendance of Postal Museum

Postal Museum in Prague (paying visitors)	
Full ticket	917
Reduced ticket	1,754
Total	2,671
Visitors to the Postal Museum in Prague with free entry (Czech Post employees, AMG card holders, Ice Prague, Bambiriáda, Prague Museum Night – 879 visitors, visitors of art displays and social events, etc.)	
	1,700
Postal Museum in Vyšší Brod (paying visitors):	
Full ticket	2,667
Reduced ticket	7,980
Total	10,647
Total paying visitors	13,318

The number of visitors to the Postal Museum increased by 3,218 or 31.9% compared to 2012. A decrease by 3,094 or 30.6% compared to 2012 occurred at the Postal Museum in Vyšší Brod. In 2013, the number of visitors was positively affected by Provincial Exhibition accompanied by a series of events, the Postal Museum will also continue this trend in 2014.

Revenues of the Postal Museum amounted to CZK 2,523,000. The projected amount of revenues was exceeded by CZK 743,315.

Postal ombudsman

In 2013, the ombudsman was contacted by 1,529 customers of Czech Post.

This year, the ombudsman settled 140 appeals, of which 69 requested that the results of a previous complaint or claim handling procedure be examined. The ombudsman confirmed the previous decision of Czech Post in 63 cases, while, in the remaining 6 cases, she upheld the customer's view. A total of 71 appeals were about new cases without previous standard examination.

6 cases led to a recommendation being made to the Director General to provide the customer with additional compensation. The payment was then made from a special account dedicated to settling similar cases. The sum allocated to this account in 2013 was CZK 141,061, out of which CZK 48,966 (around 35%) was paid out in 2013.

Branch Enterprise

The Ministry of Interior of the Czech Republic as a founder of Česká pošta, s.p. defined the Strategic framework for the development of eGovernment 2014+ to ensure that the next stage of public administration modernisation, especially with regards to streamlining and quality improvement of public institutions in accordance with the strategic documents of the European Commission (Europe 2020) and the Czech government – International competitiveness strategy for 2012-2020 and 2012 National program of reforms of the Czech Republic. The strategy was prepared and presented by the Ministry of Interior of the Czech Republic based on delegation competence in the area of internal affairs in accordance with paragraph 12 of Authority Act No. 2/1969 Coll., as amended and within its role resulting from the implementation of Smart Administration Strategy. For the successful implementation of functioning eGovernment, two basic central services are required: central planning authority, which maintains, approves and develops unified ICT state architecture; and a central executive organisation that realises, implements and operates critical government projects.

With the growing importance of eGovernment and electronic communication in general, the importance of ICT projects in public administration is increasing. It is necessary that the projects be accessed from an architectonic as well as security point of view. A number of implemented projects and operating systems have a critical impact on the operation and safety of the state. For ICT projects and information systems working with special importance, as well as the projects affecting critical state infrastructure (pursuant to the Czech Republic Government Resolution No. 935 dated 22 December 2010, the Government approved the Draft of Government Regulation No. 432/2010 Coll. dated 22 December which establishes the criteria for determining the critical element infrastructure; Government Regulation No. 432/2010 Coll. see Appendix No. 9) therefore, when the implementation

is by a commercial entity it is always necessary to carefully weigh the ownership structure of the supplier (including potential change in the duration of the contract) to avoid threatening the interests of the Czech Republic.

Česká pošta, s.p. is a state-owned enterprise according to the Act on state enterprise No. 77/1997 Coll. And the Ministry of Interior of the Czech Republic acts as its founder. Following government resolution No. 224/2012, the Memorandum of Česká pošta, s.p. has changed. Based on further subsequent steps in accordance with the laws of the Czech Republic, Česká pošta, s.p. has to provide for state activities that cannot and must not be entrusted to the commercial subject, as it directly relates to the security of the republic and in providing essential services to the state. Based on the change to Memorandum of Česká pošta, s.p., a branch of Česká pošta, s.p. was established – ICT services Branch, whose activities are to provide the above-mentioned services, while the activities and processes of the Branch are strictly set apart from those performed by Česká pošta, s.p. The initial premise of the establishment of the ICT services Branch of Česká pošta, s.p. (hereinafter only “the Branch”) is the implementation of a model functioning in many EU countries (Finland, Austria, Denmark), where the central public administration authorities are set up by the state-owned organisation, which provides them with ICT services and functions as the above-mentioned central executive organisation, that realises, implements and operates critical state projects. The same trend is also implemented by large organisations in the commercial sector, i.e. ČSOB and KBC ICT Services, ČEZ and ČEZ ICT Services, etc.

Already, the Branch now performs many activities for the Ministry of Interior (as well as for Police of the Czech Republic and Fire Brigade of the Czech Republic) that relate to critical infrastructure and essential state services. There is no doubt that public administration services,

civil protection, national security, critical infrastructure protection and the implementation of all supporting work for the purposes mentioned is an essential function of the state (thus they are by their nature non-commercial activities). When contracting projects to Česká pošta, s.p., public administration authorities can use the procedure according to paragraph 18 Section 1 letter e) of Act on Public Contracts No. 137/2006 Coll., as amended (hereinafter "Act on Public Contracts").

The above-mentioned activities can be applied to projects assigned by the state in a manner pursuant to paragraph 18 section 1 letter e) of the Act on Public Contracts. In all so-assigned projects, the Branch performs as a general supplier. The Branch therefore acts as an organisational unit of the state with all the rights and obligations including strict compliance with regulations of the Act on Public Contracts and rules for drawing subsidies from structural funds. The procedure allows you to concentrate the resources in the branch that are required to carry out key projects of the state and to provide adequate security, interoperability, sustainability and transparency of the activities organised by the state subsidies from the Structural Funds. The above-mentioned procedure allows for the concentrating of resources required to carry out all key projects of the state in its branch, and to provide adequate security, interoperability, sustainability and transparency of the activities organised by the state for the benefit of the population.

In accordance with the principles enshrined in the Memorandum and the Statute of Česká pošta, s.p., rules ensuring the separation of the Branch's activities (provision of public ICT services) in objective, personal, material, financial, organisational and functional aspect from other activities performed by Česká pošta, s.p., especially activities of postal and other commercial nature were implemented. The above-mentioned measures ensure the operations of Česká pošta, s.p. and its economic activities in such a way that cross-financing or any other favouring of postal or any other services of a commercial nature provided by Česká pošta, s.p. in competition with other subjects from income derived from activities performed by the Branch is strictly restricted.

In 2013, dedicated processes within the Branch were separated from Czech Post and took place in full compliance with EC requirements. Foundations of a new organisational structure were anchored, which would subsequently allow the compact and independent functioning of the Branch. The personnel base of the Branch was also strengthened, where they managed to get qualified project management experts and specialists in various ICT fields. This year, the definition of the Branch's Strategy took place, where the base of further development was anchored and the strategic goals of the organisation were set.

In 2013, the Economic information system project of the Ministry of Interior successfully continued. It provides complete economic support to its founder in internal activities and is the basis for providing similar services across all of the state administration. Preparatory activities were realised and technological and legislative conditions for a successful project course within the project of Electronic Collection - Electronic legislation were analysed. As for the project on the Unified Level of Information Systems of the Operative Control and the Upgrade of Technologies for Receiving Emergency Calls from the Basic Units of the Integrated Rescue System - National Information System of Integrated Rescue System, major milestones of the project were achieved, the schedule of activities was specified, major risks were defined, and their possible solutions for the successful continuation of the project were suggested. Activities on the Central Place of Services project and integrated telecommunication network of the Ministry of Interior also continued successfully. In the area of ICT operation, the provision of comprehensive services to the Ministry of Interior within so-called Principal agreement continues.

The primary threat to all projects within the Branch is their schedule, which has been delayed for several years due to external influences. Currently, the Branch is making a maximum effort to correct the delays mentioned; although it cannot be ruled out that some key milestones will be realised with a significant delay from the original projects' schedule. For this reason, the Branch is actively involved in preparing ICT strategy implementation in public administration and is trying to prepare implementation models to apply their existing experience of implementing projects within central government administration with regard to the conditions of co-financing using the EU structural funds.

Financial part



Česká pošta, s.p.

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Independent auditor's report



Independent auditor's report

to the Founder of Česká pošta, s.p.

We have audited the accompanying financial statements of Česká pošta, s.p., identification number 47114983, with registered office at Politických vězňů 909/4, Praha 1 ("the Company"), which comprise the balance sheet as at 31 December 2013, the income statement and cash flow statement for the year then ended and notes, including a summary of significant accounting policies and other explanatory information ("the financial statements").

General Director's Responsibility for the Financial Statements

The General Director is responsible for the preparation of the financial statements that give a true and fair view in accordance with Czech accounting legislation, and for such internal control as the General Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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 Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the 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 the Company as at 31 December 2013, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

12 March 2014

PricewaterhouseCoopers Audit s.r.o.

PricewaterhouseCoopers Audit, s.r.o.
represented by partner

Věra Výtvarová

Věra Výtvarová
Statutory Auditor, Licence No. 1930

Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.

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PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No 021.

Financial statements

Balance sheet as at 31 December 2013

(CZK million)

Description	ASSETS			31.12.2013	31.12.2012
		Gross amount	Provision	Net amount	Net amount
a	b	1	2	3	3
	TOTAL ASSETS	39,520	12,841	26,679	26,766
	a - of which entrusted resources	10,099	-	10,099	9,905
B.	Fixed assets	23,690	12,668	11,022	10,572
B. I.	Intangible fixed assets	2,186	1,647	539	617
B. I. 1.	Software	1,800	1,501	299	295
	2. Royalties	2	1	1	1
	3. Other intangible fixed assets	174	145	29	36
	4. Intangible fixed assets in the course of construction	210	-	210	285
B. II.	Tangible fixed assets	20,866	11,014	9,852	9,315
B. II. 1.	Land	832	-	832	783
	2. Constructions	10,234	4,484	5,750	5,419
	3. Equipment	8,373	6,490	1,883	1,775
	4. Other tangible fixed assets	4	-	4	4
	5. Tangible fixed assets in the course of construction	1,418	40	1,378	1,329
	6. Advances paid for tangible fixed assets	5	-	5	5
B. III.	Long-term investments	638	7	631	640
B. III. 1.	Investments in subsidiaries	25	7	18	25
	2. Other long-term securities and investments	613	-	613	615
C.	Current assets	15,719	173	15,546	16,101
C. a	- of which entrusted resources	10,099	-	10,099	9,905
C. I.	Inventories	293	59	234	253
C. I. 1.	Raw materials	207	50	157	180
	2. Work in progress and semi-finished products	15	-	15	-
	3. Goods for resale	71	9	62	73
C. II.	Long-term receivables	16	-	16	14
C. II. 1.	Long-term advances paid	4	-	4	3
	2. Other receivables	12	-	12	11
C. III.	Short-term receivables	2,539	114	2,425	2,735
C. III. a	- of which entrusted resources	108	-	108	296
C. III. 1.	Trade receivables	1,492	83	1,409	1,626
	1. a - of which entrusted resources	108	-	108	296
	2. Receivables - subsidiaries/ controlling parties	25	-	25	18
	3. Receivables from shareholders and co-ventures	4	-	4	2
	4. Taxes – receivables from the state	77	-	77	145
	5. Short-term advances paid	148	-	148	124
	6. Estimated receivables	694	-	694	770
	7. Other receivables	99	31	68	50
C. IV.	Financial assets	12,871	-	12,871	13,099
C. IV. a	- of which entrusted resources	9,991	-	9,991	9,609
C. IV. 1.	Cash in hand	4,366	-	4,366	4,176
	1. a - of which entrusted resources	4,365	-	4,365	4,176
	2. Cash at bank	8,005	-	8,005	8,173
	2. a - of which entrusted resources	5,626	-	5,626	5,433
	3. Short-term investments	500	-	500	750
D. I.	Prepayments and accrued income	111	-	111	93
D. I. 1.	Prepaid expenses	62	-	62	91
	2. Accrued income	49	-	49	2

Description	LIABILITIES AND EQUITY	31.12.2013	31.12.2012
a	b	6	6
	LIABILITIES AND EQUITY	26,679	26,766
	a - of which entrusted resources	10,099	9,905
A.	Equity	10,365	10,281
A. I.	Share capital	3,588	3,588
A. I. 1.	Share capital	3,588	3,588
A. II.	Capital contributions	6,156	6,057
A. II. 1.	Other capital contributions	6,136	6,037
II. 2.	Assets and liabilities revaluation	20	20
A. III.	Reserve fund and other reserves	371	375
A. III. 1.	Legal reserve fund	359	359
2.	Statutory and other reserves	12	16
A. IV.	Retained earnings / Accumulated losses	250	261
B.	Liabilities	15,716	15,916
B. a	- of which entrusted resources	10,099	9,905
B. I.	Provisions	537	782
B. I. 1.	Other provisions	537	782
B. II.	Long-term liabilities	327	272
1.	Deferred tax liability	327	272
B. III.	Short-term liabilities	14,817	14,831
B. III. a	- of which entrusted resources	10,064	9,874
B. III. 1.	Trade payables	11,989	12,182
1. a	- of which entrusted resources	10,064	9,874
2.	Liabilities – subsidiaries/ controlling parties	-	1
3.	Liabilities to employees	556	544
4.	Liabilities for social security and health insurance	330	326
5.	Taxes and state subsidies payable	83	81
6.	Short-term advances received	55	44
7.	Estimated payables	1,427	1,232
8.	Other payables	377	421
B. IV.	Bank loans & overdrafts	35	31
B. IV. a	- of which entrusted resources	35	31
B. IV. 1.	Short-term bank loans and overdrafts	35	31
1. a	- of which entrusted resources	35	31
C. I.	Accruals and deferred income	598	569
C. I. 1.	Accrued expenses	-	3
2.	Deferred income	598	566

Income statement for the year ended 31 December 2013

(CZK million)

Description	TEXT	For the period ending	
		31.12.2013	31.12.2012
a	b	1	1
I.	Sales of goods	266	283
A.	Cost of goods sold	211	222
+	Gross profit	55	61
II.	Sales of production	19,144	19,663
II.	1. Sales of own products and services	19,113	19,646
II.	2. Changes in inventories of finished goods and work in progress	15	-
	3. Own work capitalised	16	17
B.	Cost of sales	5,399	5,585
B.	1. Raw materials and consumables used	1,574	1,518
	2. Services	3,825	4,067
+	Added value	13,800	14,139
C.	Staff costs	12,232	12,425
C.	1. Wages and salaries	8,978	9,092
	2. Emoluments of board members	11	12
	3. Social security and health insurance costs	2,902	2,988
	4. Other social costs	341	333
D.	Taxes and charges	97	106
E.	Depreciation and amortisation expense	1,008	976
III.	Sales of fixed assets and raw materials	21	6
III.	1. Sales of fixed assets	21	6
F.	Net book value of fixed assets and raw materials sold	2	2
F.	1. Net book value of fixed assets sold	2	2
G.	Changes in operating provisions and complex prepaid expenses	(309)	(143)
IV.	Other operating income	224	231
H.	Other operating expenses	749	759
*	Operating result	266	251
J.	VII. Income from long-term investments	6	11
VII.	1. Income from other long-term investments	6	11
VIII.	Income from short-term investments	6	14
L	Loss on revaluation of securities and derivatives	-	-
M.	Changes in financial provisions	7	-
X.	Interest income	37	45
N.	Interest expense	1	-
XI.	Other financial income	68	32
O.	Other financial expenses	70	47
*	Financial result	39	55
Q.	Tax on profit or loss on ordinary activities	55	45
Q.	1. - current	-	3
	2. - deferred	55	42
**	Profit or loss on ordinary activities after taxation	250	261
***	Net profit / (loss) for the financial period	250	261
***	Net profit / (loss) before taxation	305	306

Cash-flow statement Year ended 31 December 2013

(CZK million)

	2013	2012
Cash and cash equivalents as at the beginning of the financial period	13,099	8,650
- out of which entrusted resources	9,609	4,792
Net profit on ordinary activities before tax	305	306
A.1 Adjustments for non-cash movements:	679	803
A.1.1 Depreciation/amortisation of fixed assets and lost investment projects	1,030	995
A.1.2 Changes in provisions	(309)	(143)
A.1.3 Profit from disposal of fixed assets	(19)	(4)
A.1.4 Net interest expense/(income)	(36)	(45)
A.1.5 Other non-cash movements	13	-
Net cash flow from operating activities before tax, changes in working capital and extraordinary items	984	1,109
A.2 Working capital changes:	384	4,740
A.2 - out of which entrusted resources	382	4,817
A.2.1 Changes in receivables and prepayments and accrued income	227	67
A.2.1 - out of which entrusted resources	188	50
A.2.2 Changes in short-term payables, accrued expenses and deferred income	142	4,713
A.2.2 - out of which entrusted resources	194	4,767
A.2.3 Changes in inventories	15	(40)
A** Net cash flow from operating activities before tax and extraordinary items	1,368	5,849
A.** - out of which entrusted resources	382	4,817
A.3 Interest paid	(1)	-
A.4 Interest received	37	45
Income tax overpaid/(Income tax on ordinary activities paid and additional taxes for previous periods)	42	(24)
A*** Net cash flow from operating activities	1,446	5,870
- out of which entrusted resources	382	4,817
Cash flows from investing activities		
B.1 Acquisition of fixed assets	(1,520)	(1,246)
B.2 Proceeds from the sale of fixed assets	22	5
B.3 Loans to related parties	(11)	(14)
B*** Net cash flow from investing activities	(1,509)	(1,255)
Cash flows from financing activities		
C.1 Changes in long-term and short-term liabilities	(165)	(166)
C.1.1 Direct payments from reserves	(165)	(166)
C*** Net cash flow from financing activities	(165)	(166)
Net increase/(decrease) in cash and cash equivalents	(228)	4,449
- out of which entrusted resources	382	4,817
Cash and cash equivalents as at the end of the year	12,871	13,099
- out of which entrusted resources	9,991	9,609

Notes to the financial statements

1. General information

1.1. INTRODUCTORY INFORMATION ABOUT THE COMPANY

Česká pošta, s.p. ("the Company" or "Czech Post") is a state-owned enterprise. It is a legal entity conducting its business activities using the Czech government's assets under its own name and on its own account. The founder of the Company is the government of the Czech Republic. The Company was established on 1 January 1993 and the founder was then represented by the Ministry of Transportation and Communications of the Czech Republic. As at 31 December 2013 and 31 December 2012, the role of the founder of the Company under the government's name was carried out by the Ministry of Interior of the Czech Republic. As at 31 December 2013, the Company has its registered office at Prague 1, Politických vězňů 909/4, the Czech Republic. The Company's identification number is 471 14 983 and it is registered in the Commercial Register of the Municipal Court in Prague, section A, insert no. 7565. Czech Post is a business entity pursuant to the State-Owned Enterprise Act No. 77/1997 Coll., as amended.

The Company's activities are regulated by the Czech Telecommunication Office ("CTO").

The main business activities of the Company are as follows:

- a) provision of postal services,
- b) provision of international postal services,
- c) provision of services of central procurement place for government (public) administration.

The corporate bodies of the Company are the Director General and the Supervisory Board. The Director General is the Company's statutory body.

There were significant changes in the organisational structure of the Company during the year in order to improve the management system and to realise essential changes which would enable the implementation of line management and the centralisation of service activities. The organisational structure as at 31 December 2013 was as follows:

Organisational structure as at 31 December 2013

Czech Post
Director General

Branch ICT Services
Executive Director

Internal Audit and Risk Management
Executive Director

Corporate Management
Executive Director

Security
Executive Director

Postal Technology and Supervision
Chief Director

Purchasing and Procurement
Chief Executive

Human Resources Management
Chief Executive

Communication Infrastructure
Executive Director

Legislation
Executive Director

Postal Security
Executive Director

Allocation and Payments
Executive Director

Public Contract Preparation
Executive Director

Collective and Social Relationship
Executive Director

Strategic Development and BI
Executive Director

Central Purchasing
Executive Director

Remuneration
Executive Director

sekce poštovní technologie a procesy
Ředitel odboru

Standardise and Promote Sales
Executive Director

Personal Information
Executive Director

Postal Technology
Executive Director

Sales Purchasing and Supply
Executive Director

FO for Corporate Entities
Executive Director

Complaints
Executive Director

SHR –front offices
Executive Director

HR Development
Executive Director

HR Processes
Executive Director

Finance Chief Executive	ICT and eGovernment Chief Executive	Sales and Marketing Chief Executive	Property Management Chief Executive	8 regions Chief Executive	Operations Support and Logistics and Procurement Chief Executive
Accounting and Taxes Executive Director	ICT Security Executive Director	Sales Coordinator Executive Director	Property Operations Executive Director		Logistics Network Architecture Executive Director
Controlling Executive Director	ICT Executive Director	Business Development Executive Director	Administration Executive Director		Regional Support to Logistics Network Executive Director
Treasury and Financing Executive Director	ICT Operations and Development Executive Director	Marketing Executive Director	BOZPPO, Energy and Environment Protection Executive Director		Investment Executive Director
	eGovernment Executive Director	Regional and International Sales Executive Director	Operations StC and PH Executive Director		Logistics Executive Director
	Business Development for eGOV and ICT Executive Director	Corporate Sales Executive Director	Operations Southwest Executive Director		Money Service Operations Executive Director
		Alliance Partners Executive Director	Operations Northeast Executive Director		
			Operations Moravia Executive Director		

The top management of the Company as at 31 December 2013 were as follows:

Members of top management	Position	Appointed on	Registered in the Commercial Register on
Petr Zatloukal	Director General	25 May 2011	30 June 2011
Martin Elkán	Deputy of the Director General and Chief Director of Trade and Marketing Division	1 June 2011*	30 June 2011*
Miroslav Krejčík	Deputy of the Director General and Chief Director of ICT a e-Government Division*	1 October 2013*	8 October 2013*
Richard Soldán	Deputy of the Director General and Chief Director of Postal Operations and Logistics Division*	13 February 2012*	11 April 2012*
Martin Horák	Deputy of the Director General and Chief Director of Finance Division *	1 December 2012*	10 January 2013*
Petr Řehák	Deputy of the Director General and Chief Director of Property Management Division *	10 June 2013*	11 July 2013*

*date of appointment to the position of Deputy of the Director General

The following changes in top management of the Company were also registered in the Commercial Register in 2013:

Members of top management	Position	Appointed on	Registered in the Commercial Register on	Terminated on	Deleted from the Commercial Register on
Ladislav Tomeš	Deputy of the Director General and Chief Director of Property Management Division	13 February 2012*	11 April 2012*	24 June 2013	11 July 2013*
Tomáš Ječný	Deputy of the Director General and Chief Director of ICT a e-Government Division	13 February 2012*	11 April 2012*	30 September 2013	8 October 2013

* date of appointment to the position of Deputy of the Director General

Changes in the top management of the Company, which occurred between the balance sheet date and the date of preparation of the financial statements, are disclosed in Note 26 – Subsequent events.

Members of the Supervisory Board as at 31 December 2013 were as follows:

Name	Position
Jiří Maceška	Chairman
Karel Koukal	Vice-Chairman
Jan Mládek, CSc.	Vice-Chairman
Jan Sixta	Vice-Chairman
Ondřej Veselský	Member
Vladimír Budinský, MBA	Member
Soňa Lavičková	Member
Lubomír Krejsa	Member
Ivana Musilová	Member
Jiří Řehola	Member
Miroslava Oliveriusová	Member
Štěpán Grochal	Member

Members of the finance and audit committee of the Company as at 31 December 2013 were as follows:

Name	Position
Jan Mládek, CSc.	Chairman
Ivana Musilová	Member
Miroslava Oliveriusová	Member



Česká pošta, s.p.

The Company's mission is to perform the function of public postal operator involving a duty to provide and operate basic postal services in accordance with the Postal Services Act No. 29/2000 Coll., as amended ("the Postal Services Act"). The Company holds a postal licence in accordance with paragraph 19 of the Postal Services Act. The postal licence was granted to the Company by the CTO until 31 December 2017.

The holder of the postal licence has:

- a) a duty to secure the general availability of basic postal services on the whole territory of the Czech Republic,
- b) a right to operate postal services, i.e. deliver mail or money remitted by postal order.

The CTO, as the postal regulator, sets basic quality requirements for the Company, concerning, e.g. density of service points, opening hours of premises, methods of delivering to addressees, delivery speed, handling complaints, etc. These quality requirements are assessed on an annual basis in the Report on the fulfilment of tasks of Česká pošta, s.p. in the area of basic services published by the CTO ("the CTO Report"). The CTO Report for 2013 has not been published as at the date of the Company's financial statements.

The deficiencies identified in the CTO Report for 2012 (e.g. short opening hours, etc.) are being resolved by the Company on a continuous basis. No material financial claims of the CTO or other entities against the Company, which could be enforceable by law, were identified in the Report.

DESCRIPTION OF ICT SERVICES BRANCH

Based on Czech Government Resolution No. 224 dated 4 April 2012 relating to the provision of selected information and communication technologies services used by the administration, and based on the discussion of the Supervisory Board of Česká pošta, s.p., a decision of the Director General of the Company was released relating to the establishment of the branch within Česká pošta, s.p., in order to effectively ensure the provision of ICT services to the state administration of the Czech Republic.

The Branch of the Company was also established for the purpose of providing selected information and telecommunication technologies services to state authorities of the Czech Republic to the extent specified in the Memorandum in part „Regime of providing selected information and telecommunication technologies services to the Czech Republic, whose provision was given to Česká pošta, s.p. without use of a tendering process on the basis of exceptions for internal procurement according to § 18 paragraph 1 point e) of Act on Government Procurement No. 137/2006 Coll. (hereinafter referred to as „public ICT services“), called Česká pošta, s.p., ICT services Branch (hereinafter „ICT services Branch“ or „the Branch“). The head of the ICT services Branch is the Director of the Branch, who is registered in the Commercial Register.

In accordance with the principles enshrined in the Memorandum and the Statute of Czech Post it is part of the activities of the Branch and in relations between the Branch and other entities of the Company to implement rules ensuring that activities of the Branch (provision of public ICT services) are from material, personnel, material, financial, organisational and functional aspect separated from the other activities carried out by the Company, especially the activities of postal and other commercial nature. Measures mentioned ensure the operations of the Company and its economic activities in such a way as to consistently avoid cross-financing or any other favouring of postal services and other services of a commercial nature which Czech Post provides in competition with other entities, the revenue from activities performed by the Branch.

For the above-mentioned purpose, by the decision of the Company's Director General, assets, employees and other resources that are assigned exclusively to the Branch were set aside. The allocation mentioned is performed by the Company's Director General in such a way that the Branch was objectively able to ensure with its own resources the provision of relevant ICT supplies and services for the public administration in accordance with specified functional and qualitative parameters according to the relevant contracts with state authorities involved in the project.

For activities where, for objective reasons in exceptional cases, it is not possible to be separated, it is ensured within the Company that the revenue derived from the provision of public ICT services is in no way used to cover costs attributable to the postal or other commercial activities of the Company. For this purpose, activities or resources shared between public ICT services segments and other segments of the Company are limited. To the extent to which, for objective reasons in exceptional cases, it is not possible to avoid sharing, an economically justifiable allocation framework is created within the Company to ensure that costs of shared activities are allocated to the public ICT services segment only to the extent corresponding to the proportion in which the shared activities are really demonstrably used to ensure the relevant public ICT services to the state administration of the Czech Republic.

The director of the Branch ensures within the scope of his further authority that, during the provision of public ICT services, separate accounts are maintained at all times, and that the accounts prove the provision of public ICT services to the state administration on the one side and other activities of the Czech Post, in particular the activities of postal or other commercial nature, on the other side. Separation of accounts is ensured by maintaining the bookkeeping of the Branch in a separate accounting circuit. Operating accounts are separate for each activity (separating income and expenditure). The Branch has separate bank accounts, which are not (nor operationally) used by the other parts and entities of the Company. Access to available accounts is given to the Director of the Branch and persons he authorized. Making financial resources that are available to the Branch also available to other entities of the Company, for activities of a postal or other commercial nature, is not permitted without prior permission of the Director of the Branch.

With regard to the establishment of the ICT services Branch and the requirement for the creation of separate accounting circuit, there were individual technical and organisational requirements specified to ensure the maximum possible extent of the independence of the Branch in relation to Česká pošta, s.p.

The establishment of an ICT services Branch with registered office at Olšanská 1951/4, Prague 3 was written into the Commercial Register on 10 May 2012. The director of the Branch is Monika Jindrová, who commenced the function on 30 June 2013 (recorded on 15 July 2013). She replaced Ivo Rosypal (his function was terminated on 30 June 2013 (recorded on 15 July 2013)).

The ICT services Branch is part of Česká pošta, s.p.

The main business activities of the ICT services Branch are as follows:

- supply, development and operation of information and communication technology systems and related services, that is used for workload in state (public) administration;
- operation, supply and development of information and communication technology systems, that operate with sensitive data or restricted information, including data registers and data storages;
- operation, support and development of critical communication state infrastructure, including CMS, mainly according to the Information systems of public administration Act No. 365/2000 as amended and Electronic operations and authorised document conversion Act No. 300/2008;
- provision of services of central buyer place for government (public) administration.

The total balance sheet amount of ICT services Branch as at 31 December 2013 was CZK 558 million (as at 31 December 2012: CZK 331 million). Net profit for the financial period amounted to CZK 109 million for the year ended 31 December 2013 (year ended 31 December 2012: CZK 43 million).

The most significant part of assets are short-term receivables (2013: CZK 126 million, 2012: CZK 163 million), short-term financial assets (2013: CZK 326 million, 2012: CZK 111 million) and long-term assets (2013: CZK 40 million, 2012: CZK 55 million).

The most significant part of equity and liabilities are short-term liabilities (2013: CZK 368 million, 2012: CZK 276 million) and equity (2013: CZK 175 million, 2012: CZK 43 million).

The average number of employees was 280 as at 31 December 2013 (as at 31 December 2012: 245).



2. Basis of preparation

The financial statements have been prepared in accordance with Accounting Act No. 563/1991 Coll. and related Decree No. 500/2002 Coll. and pursuant to the Czech Accounting Standards for Businesses applicable for 2013. The financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the Czech Republic and have been prepared under the historical cost convention except as disclosed below.

3. Accounting policies

The valuation methods applied by the Company during preparation of the financial statements for 2013 were as follows:

3.1. INTANGIBLE FIXED ASSETS

Acquired intangible fixed assets are recorded at cost, which include costs of acquisition and related costs.

Intangible fixed assets with a unit cost more than CZK 60 thousand are amortised using the straight-line method over their estimated useful lives in accordance with the Company's amortisation plan, i.e. over 4 years.

Intangible fixed assets with a unit cost less than CZK 60 thousand are expensed upon acquisition and only carried in the operational evidence and off balance sheet.

The amortisation plan is updated during the useful life of the intangible fixed assets based on the expected useful life. The cost limit for the capitalisation of the technical improvements of intangible fixed assets is CZK 40 thousand. A provision for impairment is created when the carrying value of an asset is greater than its estimated recoverable amount. The estimated recoverable amount is determined based on expected future cash flows generated by the certain asset.

3.2. TANGIBLE FIXED ASSETS

Acquired tangible fixed assets are recorded at cost, which include costs of acquisition, transportation costs and other related costs. The Company does not include loan interest in the acquisition cost of tangible fixed assets.

Tangible fixed assets acquired free of charge are valued at their replacement cost and are recorded into other capital funds. The replacement cost of these assets is based on expert opinion or on market prices of comparable fixed assets in terms of their wear and tear and performance. The valuation of tangible fixed assets is decreased by subsidies for the acquisition of assets.

The depreciation plan is updated during the useful life of the tangible fixed assets based on the expected useful life.

A provision for impairment is established when the carrying value of an asset is greater than its estimated recoverable amount. The estimated recoverable amount is determined based on expected future cash flows generated by the specific asset.

A provision for impairment is established when the carrying value of a cash-generating unit is greater than its estimated recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash income significantly independent of cash income from other assets or asset groups.

A provision is created mainly in cases of projects whose realisation is uncertain or in cases of expected sales if the expected sales price net of transaction cost is lower than the book value disclosed in the records.

Technical improvement expenses of tangible fixed assets increase the costs if their expenses exceed the total amount of CZK 40 thousand and technical improvements are put into use in this year. Ordinary repairs and maintenance expenses are expensed as incurred.

Tangible fixed assets with a unit cost below CZK 40 thousand are treated as inventory and are expensed upon consumption and are only carried in the operational record. Tangible fixed assets with a unit cost above CZK 40 thousand are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives of tangible assets are as follows:

	Years
Buildings, halls and constructions	20 – 45
Plant, machinery and equipment	4 – 15
Motor vehicles	6 – 20
Furniture and fittings	10 – 20
Handling equipment	6 – 20
Computers and related equipment	3 – 5

3.3. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries represent ownership interests in enterprises that are controlled by the Company (“the subsidiary”).

3.4. LONG-TERM FINANCIAL ASSETS

Long-term financial assets consist of equity investments and other long-term securities and shares.

Equity investments in companies with controlling interest are valued at cost. Should it become necessary to take any reduction in value into account, the Company recognises a provision. Investments with the controlling interest (subsidiaries) is a company controlled by the Company whose financial and operating processes can be controlled by the Company to obtain benefits from its activities. Other long-term securities and shares, that are not considered equity investment, represent securities available for sale.

3.5. OTHER SECURITIES AND INVESTMENTS

The Company classifies securities and investments, other than investments in subsidiaries and associates, as held-to-maturity and available-for-sale.

Debt securities that the Company has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, unless the date of maturity falls within 12 months of the balance sheet date.

Securities and investments that the Company intends to hold for an indefinite period of time, which may be sold in response to the Company’s liquidity requirements, are classified as available-for-sale. These investments are included in non-current assets unless the Company’s management has the express intention of holding the investment for less than 12 months from the balance sheet date, in which case they are included in current assets. Management determines the appropriate classification of investments as at the time of purchase and the classification are reviewed on a regular basis.

All securities and investments are initially recorded at cost, including transaction costs. Held-to-maturity investments are subsequently accounted for at amortised cost. Other investments are subsequently accounted for at fair value. The fair value is determined as the market value of the securities as at the balance sheet date. Measurement of non-trading securities is based on the Company’s management estimates based on valuation techniques.

Gains and losses arising from changes in the fair value of trading instruments are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in fair value of available-for-sale investments are recognised as a movement in equity and recognised into the income statement on realisation or when permanently impaired.

A provision for impairment is established for held-to-maturity investments when their carrying value is greater than their estimated recoverable amount.

3.6. SHORT-TERM FINANCIAL ASSETS

Short-term financial assets consist of valuables, cash in hand and in the bank and securities available for sale. Short-term financial assets also include Entrusted resources – see also Note 3.9. – Entrusted resources.

Securities available for sale are securities held for the purpose of effecting transactions on the public market in order to make a profit from price fluctuations in the short-term, but with a maximum period of one year.



3.7. INVENTORIES

Purchased inventories are stated at the lower of cost and net realisable amount. Cost includes all costs related with its acquisition (mainly transport costs, customs, etc.). The weighted average cost method is applied by the Company for all disposals.

A provision is created for slow-moving and obsolete inventory based on an analysis of turnover and individual evaluation of inventories.

Long-term contracts also include the allocation of administrative overheads. Subcontracted supplies received and other direct costs are expensed and simultaneously recorded in work-in-progress against revenues. Subcontracted supplies are valued at cost. Work-in-progress is derecognised once the respective revenues are recognised.

3.8. RECEIVABLES

Receivables are stated at nominal value less a provision for doubtful amounts. A provision for doubtful amounts is created on the basis of an ageing analysis and individual evaluation of the credit worthiness of the customers.

3.9. ENTRUSTED RESOURCES

In some cases, the financial resources of third parties are temporarily entrusted to the Company in order to perform specific transactions (services for clients of Československá obchodní banka, a.s. ("ČSOB, a.s."), collection of radio and television licence fees, payment of pensions, collection of SIPO payments, betting games, sale of stamps, vignettes, postal payment services, services for the mobile operators, customs declarations, etc.). These resources are recorded in a separate accounting group apart from the Company's own financial resources, and are disclosed in separate rows in the balance sheet. The Company charges an agreed commission for performing the specific transactions, which is recognised in accruals within its own resources.

3.10. SHARE CAPITAL

The Company's financial position and funds are being managed in accordance with the State-Owned Enterprise Act No. 77/1997 Coll., as amended. Pursuant to this Act, the registered capital of a state-owned enterprise corresponds to the business capital to which the enterprise has a title on its establishment. The share capital includes both registered and non-registered capital in compliance with accounting legislation. Other capital funds are created in accordance with the accounting standards for entrepreneurs.

In addition, the Company creates a reserve fund from profit, which was created gradually up to 10% of the share capital.

The Company creates a cultural and social fund ("CSF"). The creation and use of this fund is being managed in accordance with paragraph 16 of Decree No. 114/2002 Coll., in connection with Decree No. 310/1995 Coll.

3.11. PROVISIONS AND LIABILITIES

Provisions are recognised when the Company has a present obligation, an outflow of resources is likely to be required to settle the obligation and a reliable estimate of the amount can be made.

The item "Provision for income tax" also includes advances paid for income tax, in case these advances are lower than the provision for income tax.

Long-term and short-term liabilities are recorded at their nominal values. Any proportion of long-term loan debt due within one year of the balance sheet date is recognised as short-term loan.

The Company recognises a provision for its future income tax payable which is presented net of advances paid for the income tax. If advances paid are higher than the estimated income tax payable the difference is recognised as a short-term receivable.

3.12. LEASES

The costs of assets held under both finance and operational leases are not capitalised to fixed assets. The leases are recorded as expenses evenly over the life of the lease. Amounts payable in future periods but not yet due are disclosed in the notes but not recognised in the balance sheet. The Company activates the respective value of leased asset in the period when the lease agreement is being concluded and the purchase option is exercised. Lease payments made in advance are accrued over the lease period.

3.13. FOREIGN CURRENCY TRANSLATION

Transactions denominated in a foreign currency are translated and recorded at the rate of exchange ruling as at the first day of the current calendar month as published by the Czech National Bank.

Cash, receivables and liabilities balances denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date. All exchange gains and losses on cash, receivables and liabilities balances are recorded in the income statement.

3.14. EXPENSES AND REVENUES RECOGNITION

Revenues and expenses are recognised on an accrual principle in the period to which they relate.

Sales are recognised as at the date the services are rendered (with the exceptions disclosed below) or goods are sold to customers and are stated net of discounts and value added tax.

Sales of postal services realised in cash through sales of postal stamps are recognised when the stamps are sold. The Company does not have the necessary information that would allow it to record income from these sales on an accrual basis in respect to the accounting periods in which customers actually use the purchased postal stamps. The Company's management believes that the costs of collecting such information relating to the time allocation needed for these services realised through sales of postal stamps would exceed the benefits of such information.

Revenues from agency services include the commission received for the services provided in the relevant accounting period on an accrual basis.

The Company records expenses related to provisions and allowances for any risks, losses and devaluation that are known as at the date of preparation of the financial statements.

3.15. INCOME TAX

The income tax expense is calculated, using the valid tax rate, from the accounting profit increased or decreased by the permanent or temporary non-deductible expenses and non-taxable income (e.g. non-deductible provisions and allowances, representation expenses, differences between accounting and tax depreciation, etc.).

Corporate income tax is recognised in the balance sheet as a part of the item "Taxes and state subsidies payable" if the tax liability exceeds the tax advances paid. Otherwise, the amount exceeding the tax liability as a result of the advances paid is recorded as "Taxes and state subsidies receivable". The tax expense is disclosed in the profit and loss account as tax from ordinary activities.

The tax expense is disclosed in the profit and loss as tax from ordinary activities.

3.16. DEFERRED TAX

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax asset is recognised if it is probable that sufficient future taxable profit will be available against which the asset can be utilised.

3.17. EMPLOYMENT BENEFITS

The Company has historically provided its employees with bonuses for significant work and life jubilees and employee retirement bonuses. A provision for employee benefits was created for these activities. Abolition of these bonuses was agreed with trade partners with effect from 1 January 2013 and provision of contributions from social costs for life and work jubilees as well as employee retirement during the collective bargaining in 2013. For this reason the provision for employee benefits in the total amount of CZK 171 million was released at the end of 2013.

The Company creates a provision for untaken holidays. The Company creates an estimated payable for rewards and bonuses to employees who became entitled to payment as at the balance sheet date. The Company creates a provision for the rewards and bonuses to employees who did not become entitled to payment as at the balance sheet date.



3.18. RELATED PARTIES

The Company's related parties are considered to be the following:

- the state represented by the Company's founder, government institutions, state-owned enterprises and companies, and other legal entities, where the state has significant influence, while the nature of the relationship is also decisive and not merely the legal form;
- members of the Company's statutory, supervisory bodies and management and related parties to these members, including companies or institutions or businesses, where these members and parties have a controlling, proportional or significant influence.

Material transactions and outstanding balances related to more than the main postal services with related parties are disclosed in Note 22 – Related party transactions.

3.19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, stamps and vouchers and cash in banks, including bank overdrafts.

Cash equivalents are short-term highly liquid investments that can be exchanged for a predictable amount of cash and no significant changes of value over time are expected. Cash equivalents are, for example, deposits with a maturity of less than 3 months from the date of acquisition and liquid debt securities traded in public markets.

The Company has prepared a cash-flow statement using the indirect method.

3.20. CHANGES OF THE ACCOUNTING METHODS AND ESTIMATES

In 2013, the Company changed its policies regarding employee benefits – see Note 3.17.

3.21. SUBSEQUENT EVENTS

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are recognised in the financial statements in the case that these events provide further evidence of conditions that existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves recognised in the financial statements.

4. Intangible and tangible fixed assets

4.1. INTANGIBLE FIXED ASSETS

Acquisition cost

(CZK million)	Opening balance	Additions *)	Disposals *)	Closing balance
Software	1,656	148	(4)	1,800
Royalties	2	-	-	2
Other intangible fixed assets	167	7	-	174
Intangible fixed assets in the course of construction	289	69	(148)	210
Total in 2013	2,114	224	(152)	2,186
Total in 2012	1,873	424	(183)	2,114

*) Additions and Disposals also include transfers of intangible fixed assets in the course of construction.

Accumulated amortisation and net book value

(CZK million)	Opening balance of accumulated amortisation	Additions	Disposals	Closing balance of accumulated amortisation	Impairment	Closing balance
Software	(1,361)	(144)	4	(1,501)	-	299
Royalties	(1)	-	-	(1)	-	1
Other intangible fixed assets	(131)	(14)	-	(145)	-	29
Intangible fixed assets in the course of construction	-	-	-	-	-	210
Total in 2013	(1,493)	(158)	4	(1,647)	-	539
Total in 2012	(1,357)	(136)	-	(1,493)	(4)	617

4.2. TANGIBLE FIXED ASSETS

Acquisition cost

(CZK million)	Opening balance	Additions *)	Disposals *)	Closing balance
Land	783	49	-	832
Buildings	9,698	559	(23)	10,234
Plant, machinery and equipment	4,604	492	(118)	4,978
Motor vehicles	2,266	175	(190)	2,251
Furniture and fixtures	647	41	(15)	673
Other movable assets	497	-	(26)	471
Works of art	4	-	-	4
Tangible fixed assets in the course of construction	1,423	1,329	(1,334)	1,418
Advances paid for tangible fixed assets	5	-	-	5
Total in 2013	19,927	2,645	(1,706)	20,866
Total in 2012	18,973	2,055	(1,101)	19,927

*) Additions and Disposals also include transfers of tangible fixed assets in the course of construction.

**) Disposals of tangible fixed assets in the course of construction also include depreciation of lost investments.

Accumulated amortisation and net book value

(CZK million)	Opening balance of accumulated amortisation	Additions	Disposals	Closing balance of accumulated amortisation	Impairment	Closing balance
Land	-	-	-	-	-	832
Buildings	(4,234)	(246)	9	(4,471)	(13)	5,750
Plant, machinery and equipment	(3,229)	(449)	122	(3,556)	(82)	1,340
Motor vehicles	(1,907)	(135)	187	(1,855)	-	396
Furniture and fixtures	(520)	(20)	14	(526)	-	147
Other movable assets	(497)	-	26	(471)	-	-
Works of art	-	-	-	-	-	4
Tangible fixed assets in the course of construction	-	-	-	-	(40)	1,378
Advances paid for tangible fixed assets	-	-	-	-	-	5
Total in 2013	(10,387)	(850)	358	(10,879)	(135)	9,852
Total in 2012	(9,832)	(832)	277	(10,387)	(225)	9,315

Based on the stock-taking performed, the Company has adjusted the carrying value of the tangible fixed assets for diminution in value through provisions (see Note 7 – Provisions).

In 2013 and 2012, respectively, the Company did not receive any material fixed assets free of charge.



In 2013 and 2012, besides the lien in favour of PCS – Praha Center s.r.o. created in relation to the post office building at Jindřišská, Prague 1 based on agreement dated 16 April 1997, which is in force until 31 March 2042, the Company has another 294 (2012: 277) liens, respectively rights similar to lien on tangible fixed assets (rights for sewage pipeline, water pipeline, power and gas connection, hot-water piping, right of entry, access, crossing, riding, parking of a company car, pre-emptive right and the right of use) mainly created in favour of the communal and municipal authorities, Telefónica O2 Czech Republic, a.s. and electricity producers and distributors.

In 2013, the Company received an investment subsidy in the amount of CZK 2 million (2012: CZK 2 million).

4.3. LONG-TERM FINANCIAL ASSETS

As at 31 December 2013 and 31 December 2012, the Company exercised a controlling interest in Poštovní tiskárna cenin Praha, a.s., with its registered office at Ortenovo náměstí 542/16, Prague 7 – Holešovice, in which it held 16,903 shares out of the total 33,124 shares of a nominal value of CZK 1 thousand.

	2013	2012
Share (%)	51.03%	51.03%
	(CZK million)	(CZK million)
Total assets	102	97
Equity	93	91
Profit for the financial period	2	1
Acquisition cost of the shares	18	18
Nominal value of the shares	17	17
Intrinsic value of the shares	47	46

Financial information for this company was taken from the financial statements not yet verified by the auditor. The Company did not provide the company over which it exercises significant influence with any loans or borrowings as at 31 December 2013 and 31 December 2012.

The Company also exercised a significant influence in Česká pošta Security, s.r.o. (before ABAS CiT Management s.r.o.) with its registered office at Gorkého 3037/3, Moravská Ostrava, in which it held 100% of the shares. The shares were transferred as at 31 August 2012.

	2013	2012
Share (%)	100%	100%
	(CZK million)	(CZK million)
Total assets	56	12
Equity	(53)	(14)
Profit for the financial period	(39)	(31)
Acquisition cost of the shares	7	7
Intrinsic value of the shares	-	(14)

The acquisition price of the share includes three instalments out of a total of five as at 31 December 2013, while the last instalment should be paid in 2016 at the latest. The fourth and fifth instalments are equal to 20% of Česká pošta Security, s.r.o. EBITDA.

Financial information for this company was taken from the financial statements not verified by the auditor. Loss for the financial period in the amount of CZK 39 million and negative equity of CZK 53 million are the highlights resulted from the financial statements of Česká pošta Security, s.r.o. as at 31 December 2013.

The Company provided Česká pošta Security, s.r.o. with a short-term purposeless loan as at 31 December 2013. This loan amounted to CZK 25 million as at 31 December 2013. As at 31 December 2013, Česká pošta Security, s.r.o. drew a loan in the full amount. Information concerning interest on the loan is disclosed in Note 22 – Related party transactions.

The intrinsic value of shares states the Company's share in the equity capital of the controlled company as at 31 December.

Other long-term securities and investments as at 31 December 2013 comprise:

- a) government bonds maturing in 2016, available-for-sale investments, valued at fair value of CZK 402 million (2012: CZK 403 million);
- b) government bonds maturing in 2023, available-for-sale investments, valued at fair value of CZK 211 million (2012: CZK 212 million).

The above-mentioned government bonds were issued by the Ministry of Finance of the Czech Republic.

The Company reclassified its investments of 233,630 shares of IPB, a.s. (currently IP Exit, a.s.) at a total nominal value of CZK 23 million, acquisition cost of CZK 40 million and nil net book value from long-term financial assets to the off-balance sheet records based on the probable permanent devaluation.

5. Inventories

The Company created a provision for inventories to adjust the value of inventory (see Note 7 – Provisions).

6. Receivables

As at 31 December 2013 and 31 December 2012, receivables due after more than 5 years amounted to CZK 4 million and CZK 2 million, respectively, and outstanding overdue receivables amounted to CZK 338 million and CZK 317 million, respectively. Outstanding overdue receivables are not secured. In 2013 and 2012, the Company wrote off its receivables in the amount of CZK 23 million and CZK 11 million, respectively, as expenses, due to their unrecoverable nature, the dismissal of a bankruptcy petition and the settlement or non-recovery of debts in bankruptcy proceedings.

Receivables from related parties are described in Note 22 – Related party transactions. The estimated receivables primarily comprise transactions related to international postal operations; balances of these transactions as at 31 December 2013 amounted to CZK 477 million and to CZK 496 million as at 31 December 2012. Operating records on incoming mail as yet not confirmed by individual postal offices were recorded as estimated receivables with the double entry in Sales of own products and services, based on operating statistics.

7. Provisions

Provisions reflect a temporary decrease in the value of assets (disclosed in Note 4 – Fixed assets, 5 – Inventories and 6 – Receivables).

Provisions as at: (CZK million)	Balance as at 1 January			Balance as at 31 December			Balance as at 31 December
	2012	Charge	Release/use	2012	Charge	Release/use	2013
Intangible fixed assets	-	4	-	4	-	(4)	-
Tangible fixed assets	231	6	(12)	225	1	(91)	135
Long-term financial assets	-	-	-	-	7	-	7
Inventories	56	3	(4)	55	7	(3)	59
Receivables - other	56	35	(29)	62	61	(42)	81
Total tax non-deductible provisions	343	48	(45)	346	76	(140)	282
Receivables - legal	20	18	(12)	26	20	(13)	33
Total tax deductible provisions	20	18	(12)	26	20	(13)	33
Total	363	66	(57)	372	96	(153)	315

Legal provisions are created pursuant to the Reserves Act and are deductible for tax purposes; other provisions are not deductible for tax purposes.



8. Short-term financial assets

The main bank used by the Company is Československá obchodní banka, a.s., in which the Company has two cash-pooling sets of accounts, a set of current accounts and a set of accounts with entrusted resources. An overdraft enabling the Company to have a negative balance is agreed for the set of accounts with both the Company's own and entrusted resources (see Note 14 – Bank loans and overdrafts).

The Company's deposits on saving accounts bearing market interest rates amounted to CZK 7,606 million and CZK 7,996 million as at 31 December 2013 and 31 December 2012, respectively.

The Company's guarantees/letters of credit, which are drawn under a general agreement on the provision of financial services made with Komerční banka, a.s. up to a limit of CZK 37 million and Československá obchodní banka, a.s. up to a limit of CZK 600 million as at 31 December 2013 were as follows:

Type of guarantee/ letter of credit	Guarantor	Creditor	Subject	Valid until	Amount (CZK million)
Payment	Komerční banka, a.s.	Customs Directorate in Prague	Customs debt	indefinite	4
Payment	Komerční banka, a.s.	HCEPP II Rudná s.r.o.	Rental agreement	10 May 2014	2
Payment	Komerční banka, a.s.	Czech Directorate of Highways and Roads	Fulfilment of obligations in respect of the electronic toll system	6 May 2014	7
Payment	Komerční banka, a.s.	CONTERA Investment III s.r.o.	The lease of rent for commercial space	14 August 2014	1
Payment	Komerční banka, a.s.	State Fund of Transport Infrastructure	Distribution and sales of vignettes proving the fee payment for highways and expressways use	16 March 2014	10
Payment	Československá obchodní banka, a.s.	Ministry of Interior of the Czech republic	Integrated rescue system of the Czech Republic	31 December 2013	40
Payment	Československá obchodní banka, a.s.	State Fund of Transport Infrastructure	Distribution and sales of vignettes proving the fee payment for highways and expressways use	16 March 2015	270
Payment	Československá obchodní banka, a.s.	Ministry of Interior of the Czech republic	NIS IZS (National information system of the Integrated Rescue System)	31 December 2014	15

Short-term securities and ownership interests as at 31 December 2013 and 31 December 2012 were as follows:

Issuer	Type	2013 (CZK million)	2012 (CZK million)
PPF banka a.s.	short-term depository notes	500	750
Total		500	750

9. Prepayments and accrued income

In 2013 and 2012, prepaid expenses consist mainly of rent and other prepaid services.

As at 31 December 2013 accrued income consist mainly of accrued income from IT projects in the Branch in the amount of CZK 43 million (as at 31 December 2012: CZK nil million) and income from securities in the amount of CZK 6 million (as at 31 December 2012: CZK 2 million).

10. Equity

As at 31 December 2013 and 31 December 2012, share capital amounted to CZK 3,588 million.

Other capital funds mainly comprise contributions from profit or gifts received.

The revaluation differences from the revaluation of assets and liabilities include the revaluation of available-for-sale securities at fair value.

The reserve fund has been created gradually up to the level of 10% of share capital.

Other funds from profit include the cultural and social fund.

The following changes in equity occurred in 2013 and 2012:

(CZK million)	Share capital	Other capital funds	Revaluation differences from revaluation of assets and liabilities	Statutory reserve fund	Other funds	Profit for the financial period	Total
As at 1 January 2012	3,588	5,868	(7)	359	13	338	10,159
Profit contribution and movements between funds		169	-	-	169	(338)	-
Revaluation difference	-	-	27	-	(166)	-	27
Fund utilisation	-	-	-	-	(166)	-	(166)
Profit for the current period	-	-	-	-	-	261	261
As at 31 December 2012	3,588	6,037	20	359	16	261	10,281
Profit contribution and movements between funds	-	99	-	-	161	(261)	(1)
Fund utilisation	-	-	-	-	(165)	-	(165)
Profit for the current period	-	-	-	-	-	250	250
As at 31 December 2013	3,588	6,136	20	359	12	250	10,365

Profit for 2012 was distributed on 27 March 2013 in accordance with the founder's approval during the meeting of the Supervisory Board. CZK 162 million was transferred to culture and social funds; CZK 99 million was transferred to other capital funds.

11. Provisions

(CZK million)	Balance as at 1 January 2012		Release/usage	Balance as at 31 December 2012		Release/usage	Balance as at 31 December 2013
Social and health insurance	154	138	(154)	138	105	(138)	105
Untaken holiday	169	196	(169)	196	53	(196)	53
Employee benefits	178	2	(9)	171	-	(171)	-
Provision for severance pay incl. competition clauses	124	78	(124)	78	186	(77)	187
Non-claimable component of salaries	236	181	(236)	181	173	(181)	173
Other	74	18	(74)	18	4	(3)	19
Total tax non-deductible provisions	935	613	(766)	782	521	(766)	537
Total	935	613	(766)	782	521	(766)	537

The provision for social and health insurance is created mainly for contributions to the unpaid part of contracted wages, profit-related bonuses, untaken holiday and other salary benefits.

The Company creates a provision for employee benefits resulting from a collective agreement. In this provision (as at 31 December 2012: CZK 171 million) work jubilee, life jubilee, retirement remuneration were taken into account. These provisions were, as at 31 December 2013, released following a change in the collective agreement.



A provision for compensation for severance pay and competition clauses was created in connection with the gradual reduction in the number of employees in subsequent years, which has been approved by the Groups' management and then communicated to the employees and trade unions.

Other provisions were primarily created to cover risks known as at 31 December 2013 and probable loss from ongoing litigations and out-of-court disputes and related obligations.

The Company also created a provision for the non-claimable component of salaries which is composed of expected extraordinary wage bonuses estimated by the Director General and an additional subjective component of salaries including individual agreed salary bonuses.

12. Long-term liabilities

Long-term liabilities are represented by the deferred tax liability as at 31 December 2013 and 31 December 2012, which is described in Note 16 – Income tax.

13. Short-term liabilities

The Company's overdue short-term liabilities as at 31 December 2013 and 31 December 2012 amounted to CZK 22 million and CZK 48 million, respectively.

The Company had no liabilities due after more than 5 years as at 31 December 2013 and 31 December 2012. The Company had no short-term or long-term liabilities bearing a security or lien in favour of a creditor as at 31 December 2013 and 31 December 2012.

Liabilities to related parties are described in Note 22 – Related party transactions.

Estimated payables particularly consist of costs associated with international postal operations, where balances of transactions as at 31 December 2013 amounted to CZK 525 million and to CZK 488 million as at 31 December 2012. Estimated payables also included un-invoiced operating deliveries of services and energy, and estimated staff bonuses.

Trade payables increased on a year-on-year basis mainly due to entrusted resources (see Note 24 – Entrusted resources).

Payables in respect of social insurance and health insurance amounted to CZK 330 million as at 31 December 2013 and to CZK 326 million as at 31 December 2012. These payables comprise unpaid wages for December 2013 and December 2012, respectively, which were paid at the beginning of 2014 and 2013.

The Company did not recognise any unpaid tax liabilities payable to the relevant tax authority as at 31 December 2013 and 31 December 2012.

14. Bank loans and overdrafts

14.1. DENOMINATED IN CZECH CROWNS

Bank	Terms and conditions	Account	Overall limit (CZK million)	31 December 2013 (CZK million)	31 December 2012 (CZK million)
KB, a.s.*	Global credit line effective interest rate: 0.46%	Own resources	37	-	-
ČSOB, a.s.	Bank overdraft effective interest rate: 0.34%	Own resources	100	-	-
ČSOB, a.s.	Loan effective interest rate: 0.4% (0.23% on guarantees)	Own resources	600	-	-
ČSOB, a.s.	Bank overdraft effective interest rate: 0.3%	Entrusted resources	1,600	-	-

*) it can be used in foreign currency in the appropriate consideration

The global credit line from Komerční banka, a.s. allows for overdrafts, short-term loans on the financial market, documentary letters of credit and different types of guarantees. As at 31 December 2013 and 31 December 2012, the overdraft from Komerční banka, a.s. was not used.

The bank overdraft on the account of entrusted funds at ČSOB, a.s. was provided to ensure sufficient financial liquidity of the Company.

The bank overdraft from ČSOB, a.s. was not used as at 31 December 2013 and 31 December 2012. This overdraft is secured by pledge on the Company's receivables from ČSOB, a.s. created under a contract for the provision of services by the Company to ČSOB, a.s.

14.2. DENOMINATED IN EUR

Bank	Terms/Conditions	Overall limit (EUR million)	2013 (EUR million)	2012 (EUR million)	2013 (CZK million)	2012 (CZK million)
ČSOB, a.s.	Bank overdraft EURIBOR 3M + 0.1% p.a. – entrusted resources	5	1,2	35	1,2	31

The above-mentioned bank overdraft is exclusively used for cash operations of the banking services provided at selected post-office counters in EUR. No collateral was required for the bank overdraft.

The Company complies with all the terms and conditions of the loan agreements.

15. Accruals and deferred income

Deferred income primarily includes prepaid postal fees for offsetting remote credit machines.

16. Income tax

Income tax expense can be analysed as follows:

(CZK million)	2013	2012
Current tax expense	2	3
Deferred tax expense	55	42
Adjustment of prior year tax expense based on final CIT return	(2)	-
Total income tax expense	55	45



The current income tax was calculated as follows:

(CZK million)	2013	2012
Net profit before taxation	305	306
Non-taxable income	(19)	(51)
Difference between accounting and tax depreciation	(19)	(105)
Tax non-deductible expenses	(202)	(83)
of which:		
– Changes of impairments	(64)	2
– Changes of provisions	(245)	(152)
– Other (e.g. previous prepaid expenses, representation expenses, shortages and losses)	107	67
Gifts	(2)	(2)
Taxable income	63	65
Income tax rate	19%	19%
Calculated income tax	12	12
Tax relief (persons with disability or partial disability)	(10)	(8)
Current tax	2	4
Underpayments from the previous period	-	(1)
Income tax expense	2	3
of which:		
– from ordinary activities	2	3

The deferred tax asset/ (liability) is calculated using the 19% tax rate (for both years) and quantified as follows:

Deferred tax item	2013			2012		
	Basis (CZK million)	Deferred tax asset (CZK million)	Deferred tax liability (CZK million)	Basis (CZK million)	Deferred tax asset (CZK million)	Deferred tax liability (CZK million)
Difference between accounting and tax net book value of fixed assets	(2,543)	-	(483)	(2,533)	-	(481)
Provisions	282	54	-	318	60	-
Other reserves	537	102	-	782	149	-
Total	(1,724)	156	(483)	(1,433)	209	(481)
Net deferred tax liability			(327)			(272)

17. Leases

The Company leases fixed assets, which are not recorded in the balance sheet accounts (see Note 3.12 – Leases and Note 18 Assets and liabilities not recorded in the balance sheet).

The assets leased by the Company in the form of operational leases amounted to CZK 142 million as at 31 December 2013 and to CZK 65 million as at 31 December 2012. The buildings leased by the Company amounted to CZK 237 million as at 31 December 2013 and to CZK 227 million as at 31 December 2012.

The Company recorded no financial leases as at 31 December 2013 and 31 December 2012.

18. Assets and liabilities not recorded in the balance sheet

The Company recognises particularly stamps, vignettes and lottery tickets, which are valuables in nature evidences (these items are recognised below in nominal value) in its operational evidence as at 31 December 2013 and 31 December 2012. Furthermore, the Company recognised low-value assets in operating evidence and leased assets in off-balance sheet evidence (recognised in acquisition costs), and all probably permanently devalued investments containing 233,630 shares of IPB, a.s. (currently IP Exit, a.s.) at total nominal value of CZK 23 million and the acquisition cost of CZK 40 million.

(CZK million)	2013	2012
Valuables incl. stamps and lottery tickets	13,522	10,121
Vignettes	3,699	4,109
Leased assets – operational lease	916	512
Securities	40	40
Low-value tangible assets	2,442	2,390
Low-value intangible assets	98	114

The structure of the contracted future obligations from operating leases is presented in the table below (CZK million):

	31 December 2013	31 December 2012
Due within 1 year	264	181
Due between 1 to 5 years	727	447
Due after 5 years	117	142
Total	1,108	770

19. Contingent liabilities

The Company's management is not aware of any material contingent liabilities of the Company as at 31 December 2013.

20. Revenue analysis

The Company's revenues from its main activities were as follows:

(CZK million)	2013			2012		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Sales from postal operations	12,816	1,437	14,253	13,451	1,198	14,649
Sales of agency services	2,691	-	2,691	2,768	-	2,768
Sales of goods without communication infrastructure	218	-	218	253	-	253
Other revenues from operating activities, incl. own work capitalised, communication infrastructure and data mailboxes	2,493	-	2,493	2,513	-	2,513
Total revenues from the ordinary activities	18,218	1,437	19,655	18,985	1,198	20,183

The main revenues include gross revenues related to services connected with management of communication infrastructure. Appropriate related costs are recorded as part of the item Other services.

In 2013 and 2012, the Company received subsidies for operating purposes in the amount of CZK 1 million and CZK 2 million, respectively. These revenues are part of Other operating revenues.



21. Employees

Breakdown of staff costs:

	2013		2012	
	Total number of employees	Out of which: Management and DG	Total number of employees	Out of which: Management and DG
Average number of employees	31,512	38	32,163	37
(CZK million)				
Wages and salaries	8,989	116	9,104	145
Social and health insurance	2,902	21	2,988	18
Social security costs	341	-	333	-
Total staff costs	12,232	137	12,425	163

In connection with changes in the organisational structure, as specified in Note 1.1, the Company's Management reviewed the definition of management of the Company, which now also includes the Director General and Executive Directors and members of the Supervisory Board, the Executive Directors, Directors of sectors and regions. Comparative figures for 2012 have been adjusted in accordance with the new definition.

22. Related party transactions

Apart from the bonuses disclosed in Note 21 – Employees, in 2013 and 2012, members and former members of the Company's statutory and supervisory bodies and the Company's managers did not receive any loans, guarantees, advance payments or other benefits besides the collective agreement. They did however have access to Company cars that are made available by management for both business and private purposes. During the year, the Company executed several transactions with related parties within its ordinary business activities. The transactions recognised in 2013 and 2012 and the related receivables from and liabilities to related parties are as follows:

2013	Sales (CZK million)	Purchases (CZK million)	Receivables (CZK million)	Payables (CZK million)
Subsidiaries				
Poštovní tiskárna cenin Praha a.s.	-	37	-	2
Česká pošta Security, s.r.o.	29	99	60	38
Other related parties				
Czech Television and Czech Radio	243	1	-	5
Government ministries	1,647	2	148	50
Czech Social Security Administration	492	2,090	6	8,084
Municipal and local authorities	306	69	15	245
State Fund of Transport Infrastructure	107	1	1	23
Total	2,824	2,299	230	8,447

2012	Sales (CZK million)	Purchases (CZK million)	Receivables (CZK million)	Payables (CZK million)
Subsidiaries				
Poštovní tiskárna cenin Praha a.s.	1	30	-	1
ABAS CÍ Management s.r.o.*	1	-	18	-
Other related parties				
Czech Television and Czech Radio	245	2	-	7
Government ministries	1,698	1	230	50
Czech Social Security Administration	524	2,156	-	7,237
Municipal and local authorities	286	67	17	241
State Fund of Transport Infrastructure	118	1	27	466
Total	2,873	2,257	292	8,002

*) The shares were transferred as at 31 August 2013.

Receivables/revenues to (from) Poštovní tiskárna cenin Praha a.s. relate mainly to the provision of rent and services. Liabilities/costs relate mainly to purchase/consumption of raw materials.

Receivables to Česká pošta Security, s.r.o. (ABAS CiT Management s.r.o.) are mainly related to the loan provided to this company. The interest rate corresponds to the weighted average interest rate for the revaluation of own funds back for the corresponding month in which the funds were provided.

23. Fees paid and payable to the audit company

Celkové náklady na odměnu auditorské společnosti za statutární audit činily v roce 2013 částku 1 mil. Kč a v roce 2012 částku 2 mil. Kč.

24. Entrusted resources

The entrusted resources analysis as at 31 December 2013 and 31 December 2012 is as follows:

(CZK million)	31 December 2013	31 December 2012
ASSETS		
Short-term receivables	108	296
Cash in hand	4,365	4,176
Cash at bank	5,626	5,433
Total assets	10,099	9,905

(CZK million)	31 December 2013	31 December 2012
LIABILITIES		
Short-term payables	10,064	9,874
Short-term bank loans	35	31
Total liabilities	10,099	9,905

Short-term receivables consist primarily of short-term receivables for agency services (e.g. card transactions, cheque transactions, etc.) provided to ČSOB, a.s.

At the end of 2013 and 2012, the Company received advance payments in the amount of CZK 8,000 million and CZK 6,900 million from the Czech Social Security Administration for 2013 and 2012 for pension payments, respectively.

All these liabilities in respect of entrusted resources were within the maturity period.

25. Cash-flow statement

As at 31 December 2013 and 31 December 2012, the Company did not consider the used overdraft facilities as cash equivalents for the purpose of the cash-flow statement (see Note 13 – Bank loans and overdrafts).

Cash and cash equivalents disclosed in the cash-flow statement can be analysed as follows:

(CZK'000)	31 December 2013	31 December 2012
Cash on hand	4,366	4,176
Cash at bank	8,005	8,173
Cash equivalents included in short-term investments	500	750
Total cash and cash equivalents	12,871	13,099



26. Subsequent events

As at 31 December 2013, Richard Soldán resigned from his position of Chief Director of Postal operations and the logistics division and, as at 1 January 2014, Vít Bukvic was appointed.

As at 28 January 2014, Jan Mládek resigned from his position of a Member of the Supervisory Board.

As at 11 January 2014, Jiří Řehola was recalled from his position of a Member of the Supervisory Board. As at 25 February 2014, Ondřej Veselský resigned from his position of a Member of the Supervisory Board. As at 1 March 2014 Miroslava Oliveriusová resigned from her position of a Member of the Supervisory Board. As at 10 March 2014, Jiří Havlíček, Jaroslav Strouhal and Ľudovít Gulácsi were appointed as new members of the Supervisory Board.

In February 2014, there was a change of strategy related to holding government bonds in the amount of CZK 402 million (as at 31 December 2013 - recognised in line item Other long-term securities and investments), these bonds were subsequently sold.

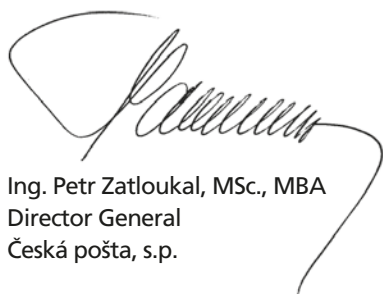
As at 28 January 2014, Jan Mládek resigned from his position of Chairman of the Audit Committee and as at 1 March 2014 Miroslava Oliveriusová resigned from her position of Member of the Audit Committee. At the date of the statement, the committee is not quorate.

On 31 January 2014, the Police of the Czech Republic started an investigation of the Company in relation to the charge of committing a crime involving negotiating advantages in procurements, public tenders or public auctions when the Company is both the aggrieved as well as defendant party. The Company provided the Police of the Czech Republic all requested available information and supporting documentation and has taken legal steps that should lead to exoneration. There are no adjustments made in connection with charges brought in the financial statements of the Company. As at the date of approval of the financial statements there were no findings known from the ongoing investigation or legal steps taken by the Company.

In 2014, the Company will continue to comply with Act No. 221/2012 Coll. amending Act on Postal Services No. 29/2000 Coll., will calculate net costs and ask the Czech Telecommunication Office for payment of net costs for provision of basic services („universal service“), which represent an unfair financial burden for the Company as a postal license holder. The management of the Company quantifies at this time costs of universal service for 2013. The deadline for applying for an entitlement is 31 August 2014.

No other material events have occurred between the balance sheet date and the date of preparation of the financial statements that would have a material impact on the financial statements as at 31 December 2013.

12 March 2014



Ing. Petr Zatloukal, MSc., MBA
Director General
Česká pošta, s.p.

Independent auditor's report



Independent auditor's report

to the Founder of Česká pošta, s.p.

We have audited the accompanying consolidated financial statements of Česká pošta, s.p., identification number 47114983, with registered office at Politických vězňů 909/4, Praha 1 ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated balance sheet as at 31 December 2013, the consolidated income statement and consolidated cash flow statement for the year then ended and notes, including a summary of significant accounting policies and other explanatory information ("the consolidated financial statements").

General Director's Responsibility for the Consolidated Financial Statements

The General Director is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Czech accounting legislation, and for such internal control as the General Director determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2013, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

20 March 2014

PricewaterhouseCoopers Audit s.r.o.
PricewaterhouseCoopers Audit, s.r.o.
represented by partner

Věra Výtvarová

Věra Výtvarová
Statutory Auditor, Licence No. 1930

Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.

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Consolidated financial statements

Consolidated balance sheet as at 31 December 2013

(CZK million)

Description	ASSETS			31.12.2013	31.12.2012
		Gross amount	Provision	Net amount	Net amount
a	b	1	2	0	4
	TOTAL ASSETS	39,675	12,956	26,719	26,766
	a - of which entrusted resources	10,099	-	10,099	9,905
B.	Fixed assets	23,811	12,783	11,028	10,572
B. I.	Intangible fixed assets	2,186	1,647	539	617
B. I. 1.	Software	1,800	1,501	299	295
2.	Royalties	2	1	1	1
3.	Other intangible fixed assets	174	145	29	36
4.	Intangible fixed assets in the course of construction	210	-	210	285
B. II.	Tangible fixed assets	21,014	11,137	9,877	9,315
B. II. 1.	Land	839	-	839	783
2.	Constructions	10,267	4,496	5,771	5,419
3.	Equipment	8,489	6,602	1,887	1,775
4.	Other tangible fixed assets	4	-	4	4
5.	Tangible fixed assets in the course of construction	1,418	40	1,378	1,329
6.	Advances paid for tangible fixed assets	5	-	5	5
7.	Revaluation difference of acquired assets	(8)	(1)	(7)	-
B. III.	Long-term investments	613	-	613	640
B. III. 1.	Investments in subsidiaries	-	-	0	25
2.	Other long-term securities and investments	613	-	613	615
B. IV.	Positive consolidation difference	9	-	9	-
B. V.	Negative consolidation difference	(11)	(1)	(10)	-
C.	Current assets	15,751	173	15,578	16,101
	a - of which entrusted resources	10,099	-	10,099	9,905
C. I.	Inventories	305	59	246	253
C. I. 1.	Raw materials	218	50	168	180
2.	Work in progress and semi-finished products	16	-	16	-
3.	Goods for resale	71	9	62	73
C. II.	Long-term receivables	16	-	16	14
C. II. 1.	Long-term advances paid	4	-	4	3
2.	Other receivables	12	-	12	11
C. III.	Short-term receivables	2,492	114	2,378	2,735
C. III. a	- of which entrusted resources	108	-	108	296
C. III. 1.	Trade receivables	1,471	83	1,388	1,626
1. a	- of which entrusted resources	108	-	108	296
2.	Receivables - subsidiaries/ controlling parties	-	-	-	18
3.	Receivables from shareholders and co-ventures	4	-	4	2
4.	Taxes – receivables from the state	80	-	80	145
5.	Short-term advances paid	144	-	144	124
6.	Estimated receivables	694	-	694	770
7.	Other receivables	99	31	68	50
C. IV.	Financial assets	12,938	-	12,938	13,099
C. IV. a	- of which entrusted resources	9,991	-	9,991	9,609
C. IV. 1.	Cash in hand	4,369	-	4,369	4,176
1. a	- of which entrusted resources	4,365	-	4,365	4,176
2.	Cash at bank	8,069	-	8,069	8,173
2. a	- of which entrusted resources	5,626	-	5,626	5,433
3.	Short-term investments	500	-	500	750
D. I.	Prepayments and accrued income	113	-	113	93
D. I. 1.	Prepaid expenses	64	-	64	91
2.	Accrued income	49	-	49	2

Description	PASIVA	31.12.2013	31.12.2012
a	b	6	7
	LIABILITIES AND EQUITY	26,719	26,766
	a - of which entrusted resources	10,099	9,905
A.	Equity	10,341	10,281
A. I.	Share capital	3,588	3,588
A. I. 1.	Share capital	3,588	3,588
A. II.	Capital contributions	6,173	6,057
A. II. 1.	Other capital contributions	6,153	6,037
2.	Assets and liabilities revaluation	20	20
A. III.	Reserve fund and other reserves	373	375
A. III. 1.	Legal reserve fund	361	359
2.	Statutory and other reserves	12	16
A. IV.	Retained earnings / Accumulated losses	(12)	-
A. IV. 1.	Liabilities	(12)	-
A. V.	- of which entrusted resources	219	261
B.	Provisions	15,735	15,916
B. a	Other provisions	10,099	9,905
B. I.	Long-term liabilities	537	782
B. I. 1.	Deferred tax liability	537	782
B. II.	Short-term liabilities	329	272
B. II. 1.	- of which entrusted resources	329	272
B. III.	Short-term liabilities	14,834	14,831
B. III. a	- of which entrusted resources	10,064	9,874
B. III. 1.	Trade payables	12,018	12,182
1. a	- of which entrusted resources	10,064	9,874
2.	Liabilities – subsidiaries/ controlling parties	-	1
3.	Liabilities to employees	560	544
4.	Liabilities for social security and health insurance	332	326
5.	Taxes and state subsidies payable	84	81
6.	Short-term advances received	51	44
7.	Estimated payables	1,412	1 232
8.	Other payables	377	421
B. IV.	Bank loans & overdrafts	35	31
B. IV. a	- of which entrusted resources	35	31
B. IV. 1.	Short-term bank loans and overdrafts	35	31
1. a	- of which entrusted resources	35	31
C. I.	Accruals and deferred income	598	569
C. I. 1.	Accrued expenses	-	3
2.	Deferred income	598	566
D.	Minority equity	45	-
D. I. 1.	Minority equity	16	-
2.	Minority other capital funds incl. reserve fund	19	-
3.	Minority retained earnings	9	-
4.	Minority profit for the current period	1	-

Consolidated income statement for the year ended 31 December 2013

(CZK million)

Description	TEXT	For the period ending	
		31.12.2013	31.12.2012
a	b	1	2
I.	Sales of goods	267	283
A.	Cost of goods sold	212	222
+	Gross profit	55	61
II.	Sales of production	19,265	19,663
II. 1.	Sales of own products and services	19,235	19,646
II. 2.	Changes in inventories of finished goods and work in progress	14	-
II. 3.	Own work capitalised	16	17
B.	Cost of sales	5,471	5,585
B. 1.	Raw materials and consumables used	1,574	1,518
2.	Services	3,897	4,067
+	Added value	13,849	14,139
C.	Staff costs	12,300	12,425
C. 1.	Wages and salaries	9,027	9,092
2.	Emoluments of board members	13	12
3.	Social security and health insurance costs	2,918	2,988
4.	Other social costs	343	333
D.	Taxes and charges	97	106
E.	Depreciation and amortisation expense	1,013	976
	Settlement of positive consolidation difference	-	-
	Settlement of negative consolidation difference	(1)	-
III.	Sales of fixed assets and raw materials	21	6
III. 1.	Sales of fixed assets	21	6
F. 1.	Net book value of fixed assets and raw materials sold	2	2
F.	Net book value of fixed assets sold	2	2
G.	Changes in operating provisions and complex prepaid expenses	(309)	(143)
IV.	Other operating income	244	231
H.	Other operating expenses	763	759
*	Consolidated operating result	248	251
V.	Income from long-term investments	6	11
V. 1.	Income from other long-term investments	6	11
VI.	Income from short-term investments	6	14
VII.	Interest income	37	45
I.	Interest expense	1	-
VIII.	Other financial income	50	32
J.	Other financial expenses	70	47
*	Consolidated financial result	28	55
K.	Tax on profit or loss on ordinary activities	56	45
K. 1.	- current	1	3
2.	- deferred	55	42
**	Consolidated profit or loss on ordinary activities after taxation	220	261
***	Consolidated net profit / (loss) for the financial period	220	261
***	Consolidated net profit / (loss) before taxation	276	306
**	Consolidated profit for the financial period attributable to:		
	Shareholders of the Company	219	-
	Minority interest	1	-

Consolidated Cash-flow statement Year ended 31 December 2013

(CZK million)

(CZK million)	2013	2012
Cash and cash equivalents as at the beginning of the financial period	13,099	8,650
– out of which entrusted resources	9,609	4,792
Net profit on ordinary activities before tax	276	306
A.1 Adjustments for non-cash movements:	729	803
A.1.1 Depreciation/amortisation of fixed assets and lost investment projects	1,035	995
A.1.2 Changes in provisions	(309)	(143)
A.1.3 Profit from disposal of fixed assets	(19)	(4)
A.1.4 Net interest expense/(income)	(36)	(45)
A.1.5 Other non-cash movements	58	-
A* Net cash flow from operating activities before tax, changes in working capital and extraordinary items	1,005	1,109
A.2 Working capital changes:	426	4,740
A.2 – out of which entrusted resources	382	4,817
A.2.1 Changes in receivables and prepayments and accrued income	268	67
A.2.1 – out of which entrusted resources	188	50
A.2.2 Changes in short-term payables, accrued expenses and deferred income	155	4,713
A.2.2 – out of which entrusted resources	194	4,767
A.2.3 Changes in inventories	3	(40)
A** Net cash flow from operating activities before tax and extraordinary items	1,431	5,849
A.** – out of which entrusted resources	382	4,817
A.3 Interest paid	(1)	-
A.4 Interest received	37	45
A.5 Income tax overpaid/(Income tax on ordinary activities paid and additional taxes for previous periods)	41	(24)
A*** Net cash flow from operating activities	1,508	5,870
– out of which entrusted resources	382	4,817
Cash flows from investing activities		
B.1 Acquisition of fixed assets	(1,525)	(1,246)
B.2 Proceeds from the sale of fixed assets	21	5
B.3 Loans to related parties	-	(14)
B*** Net cash flow from investing activities	(1,504)	(1,227)
Cash flows from financing activities		
C.1 Changes in long-term and short-term liabilities	(165)	(166)
C.1.1 Direct payments from reserves	(165)	(166)
C*** Net cash flow from financing activities	(165)	(166)
Net increase/(decrease) in cash and cash equivalents	(161)	4,449
– out of which entrusted resources	382	4,817
Cash and cash equivalents as at the end of the year	12,938	13,099
– out of which entrusted resources	9,991	9,609

Notes to the consolidated financial statements

1. General information

1.1. DESCRIPTION OF THE GROUP

The Group comprises Česká pošta, s.p. (controlling entity) and its subsidiaries. Subsidiaries as at 31 December 2013 and 31 December 2012:

Subsidiary	Registered office	Ownership interest
Poštovní tiskárna cenin Praha a.s.	Ortenovo náměstí 542/16, Prague 7 – Holešovice	51.03% (Česká pošta, s.p. owned 16,903 shares out of the total 33,124 shares in nominal value of CZK 1 thousand)
Česká pošta Security, s.r.o. (previously ABAS CÍ Management s.r.o.)	Politických vězňů 909/4, Prague 1	100.00%

Česká pošta, s.p. (“the Company”, “the Controlling entity” or “Czech Post”) is a state-owned enterprise. It is a legal entity conducting its business activities using the Czech government’s assets under its own name and on its own account. The founder of the Company is the government of the Czech Republic. The Company was established on 1 January 1993 and the founder was then represented by the Ministry of Transportation and Communications of the Czech Republic. As at 31 December 2013 and 31 December 2012, the role of the founder of the Company under the government’s name was carried out by the Ministry of Interior of the Czech Republic. As at 31 December 2013, the Company has its registered office at Prague 1, Politických vězňů 909/4, the Czech Republic. The Company’s identification number is 471 14 983 and it is registered in the Commercial Register of the Municipal Court in Prague, section A, insert no. 7565. Czech Post is a business entity pursuant to the State-Owned Enterprise Act No. 77/1997 Coll., as amended.

The Company’s activities are regulated by the Czech Telecommunication Office (“CTO”).

The Group did not prepare consolidated financial statements as at 31 December 2012 due to the immateriality of individual balances and transactions with companies in the Group.

The main business activities of the Group are as follows:

- provision of postal services,
- provision of international postal services,
- provision of services of central procurement for government (public) administration,
- manufacturing and trade activities in the area of the printing industry,
- printing of postage stamps, stamps and other stamped or secured printed materials,
- printing of publicly traded securities and other securities according to Act on securities,
- services of private detectives,
- security of property and persons,
- road transport - domestic freight, using vehicles with a maximum weight of up to 3.5 tons including international freight using vehicles with a maximum weight of up to 3.5 tons.

The corporate bodies of the Company are the Director General and the Supervisory Board. The Director General is the

Company's statutory body.

The Company's mission is to perform the function of public postal operator involving a duty to provide and operate basic postal services in accordance with the Postal Services Act No. 29/2000 Coll., as amended ("the Postal Services Act"). The Company holds a postal licence in accordance with paragraph 19 of the Postal Services Act. The postal licence was granted to the Company by the CTO and is valid until 31 December 2017.

The holder of the postal licence has:

- a) a duty to secure the general availability of basic postal services throughout the territory of the Czech Republic,
- b) a right to operate postal services, i.e. deliver mail or money remitted by postal order.

The CTO, as the postal regulator, sets basic quality requirements for the Company, concerning, e.g. density of service points, opening hours of premises, methods of delivering to addressees, delivery speed, handling complaints, etc. These quality requirements are assessed on an annual basis in the Report on the fulfilment of tasks of Česká pošta, s.p. in the area of basic services published by the CTO ("the CTO Report"). The CTO Report for 2013 has not been published as at the date of the Company's financial statements.

The deficiencies identified in the CTO Report for 2012 (e.g. short opening hours, etc.) are being resolved by the Company on a continuous basis. No material financial claims of the CTO or other entities against the Company, which could be enforceable by law, were identified in the Report.

Based on Czech Government Resolution No. 224 dated 4 April 2012 relating to the provision of selected information and communication technologies services used by the administration, and based on the discussion of the Supervisory Board of Česká pošta, s.p., a decision of the Director General of the Company was released relating to the establishment of the branch within Česká pošta, s.p., in order to effectively ensure the provision of ICT services to the state administration of the Czech Republic.

The Branch of the Company was also established for the purpose of providing selected information and telecommunication technology services to state authorities of the Czech Republic to the extent specified in the Memorandum in part „Regime of providing selected information and telecommunication technologies services to the Czech Republic, whose provision was given to Česká pošta, s.p. without the use of a tendering process on the basis of exceptions for internal procurement according to § 18 paragraph 1 point e) of Act on Government Procurement No. 137/2006 Coll. (hereinafter referred to as „public ICT services“), called Česká pošta, s.p., ICT services Branch (hereinafter „ICT services Branch“ or „the Branch“). The head of the ICT services Branch is the Director of the Branch, who is registered in the Commercial Register.

The establishment of the ICT services Branch with registered office at Olšanská 1951/4, Prague 3 was written into the Commercial Register on 10 May 2012. The ICT services Branch is part of Česká pošta, s.p.

The main business activities of the ICT services Branch are as follows:

- supply, development and operation of information and communication technology systems and related services, which are used for the state (public) administration workload;
- operation, supply and development of information and communication technology systems, which operate with sensitive data or restricted information, including data registers and data storage;
- operation, support and development of critical communication state infrastructure, including CMS, mainly according to the Information systems of public administration Act No. 365/2000 as amended and Electronic operations and authorised document conversion Act No. 300/2008;
- provision of services of central procurement for government (public) administration.



2. Accounting policies

Valuation methods applied by the Group during preparation of the financial statements for 2013 were as follows:

2.1. BASIC METHODS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of the Group have been prepared in accordance with Accounting Act No. 563/1991 Coll. and related Decree No. 500/2002 Coll. and pursuant to the Czech Accounting Standards for Businesses applicable for 2013. The consolidated financial statements have been prepared under the historical cost convention except as disclosed below.

2.2. SYSTEM OF CONSOLIDATION

Full consolidation method has been used for preparing the consolidated financial statements.

All mutual accounting transactions, balances and unrealised gains from accounting transactions between all companies of the consolidation unit are excluded from the consolidated financial statements. Unrealised losses from mutual transactions are also excluded.

Profit from the sale of assets between companies of the Group is fully excluded.

All financial statements entering into consolidation were prepared as at 31 December 2013. Due to the first year consolidation, comparable data in consolidated financial statements as at 31 December 2013 are presented only for Česká pošta, s.p.

There was a unification of significant accounting policies within the Group for the purpose of consolidation. These accounting policies, which are used by individual companies of the consolidation unit, are described below.

2.3. CONSOLIDATION DIFFERENCE

Consolidation difference is a difference between acquisition price of shares and deposits of consolidated companies and their valuation according to shareholding of the Controlling entity on equity valued at fair value at the date acquisition. The acquisition date is the date from which Controlling entity starts to effectively exercise its influence.

Consolidation difference is amortised applying the straight-line method for the period of 20 years, while the first amortisation is accounted for in the full amount in year of consolidation difference origin.

2.4. SUBSIDIARIES

For consolidation purposes, a subsidiary is a company in which the Controlling entity exercises a significant influence through:

- direct or indirect application of more than 50% of voting rights of controlled, managed company or
- demonstrable control of operating and strategic policies, while the Controlling entity is currently in the company shareholder or partner.

2.5. INTANGIBLE FIXED ASSETS

Acquired intangible fixed assets are recorded at cost, which include costs of acquisition and related costs.

Intangible fixed assets with a unit cost more than CZK 60 thousand are amortised using the straight-line method over their estimated useful lives in accordance with the Group's amortisation plan, i.e. over 4 years.

Intangible fixed assets with a unit cost less than CZK 60 thousand are expensed upon acquisition and carried only in the operational evidence and off balance sheet.

The amortisation plan is updated during the useful life of the intangible fixed assets based on the expected useful life. The cost limit for the capitalisation of the technical improvements of intangible fixed assets is CZK 40 thousand. A provision for impairment is created when the carrying value of an asset is greater than its estimated recoverable amount. The estimated recoverable amount is determined based on expected future cash flows generated by the certain asset.

2.6. TANGIBLE FIXED ASSETS

Acquired tangible fixed assets are recorded at cost, which include costs of acquisition, transportation costs and other related costs. Loan interest is not included by the Group in the acquisition cost of tangible fixed assets.

Tangible fixed assets acquired free of charge are valued at their replacement cost and are recorded into other capital funds. The replacement cost of these assets is based on an expert opinion or on market prices of comparable fixed assets in terms of their wear and tear and performance. Valuation of tangible fixed assets is decreased by subsidies for the acquisition of assets.

The depreciation plan is updated during the useful life of the tangible fixed assets based on the expected useful life.

A provision for impairment is established when the carrying value of an asset is greater than its estimated recoverable amount. The estimated recoverable amount is determined based on expected future cash flows generated by the certain asset.

A provision for impairment is established when the carrying value of a cash-generating unit is greater than its estimated recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash income significantly independent of cash income from other assets or asset groups.

A provision is created mainly in cases of projects whose realisation is uncertain or in cases of expected sales if the expected sales price net of transaction cost is lower than the book value disclosed in the records.

Technical improvement expenses of tangible fixed assets increase the costs if their expenses exceed the total amount of CZK 40 thousand and technical improvements are put into use in this year. Ordinary repairs and maintenance expenses are expensed as incurred.

Tangible fixed assets with a unit cost below CZK 40 thousand are treated as inventory and are expensed upon consumption and are only carried in the operational record. Tangible fixed assets with a unit cost above CZK 40 thousand are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives of tangible assets are as follows:

	Years
Buildings, halls and constructions	20 – 50
Plant, machinery and equipment	4 – 15
Motor vehicles	6 – 20
Furniture and fittings	10 – 20
Handling equipment	6 – 20
Computers and related equipment	3 – 5

2.7. LONG-TERM FINANCIAL ASSETS

Long-term financial assets of the Group consist of other long-term securities and investments, which represent securities available for sale.

The Group classifies securities and investments other than investments in subsidiaries or associates into following categories: securities held to maturity and securities available for sale.

Investments with a fixed maturity that the Group has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, unless the date of maturity falls within 12 months of the balance sheet date.

Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements, are classified as available-for-sale. These investments are included in non-current assets unless the Group has the express intention of holding the investment for less than 12 months from the balance sheet date, in which case they are included in current assets. The Group determines the appropriate classification of investments as at the time of purchase and the classification is reviewed on a regular basis.



All securities and investments are initially recorded at cost, including transaction costs. Held-to-maturity investments are subsequently accounted for at amortised cost. Other investments are subsequently accounted for at fair value. The fair value is determined as the market value of the securities as at the balance sheet date. Measurement of non-traded securities is based on Group estimates based on recognised models or valuation techniques.

Gains and losses arising from changes in the fair value of trading instruments are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in fair value of available-for-sale investments are recognised as a movement in equity and recognised into the income statement on realisation or when permanently impaired.

A provision for impairment is established for held-to-maturity investments when their carrying value is greater than their estimated recoverable amount.

2.8. SHORT-TERM FINANCIAL ASSETS

Short-term financial assets consist of valuables, cash in hand and in the bank and securities available for sale. Short-term financial assets also include Entrusted resources – see also Note 2.11. – Entrusted resources.

Securities available for sale are securities held for the purpose of effecting transactions on the public market in order to make a profit from price fluctuations in short-term, but in one-year period as a maximum.

2.9. INVENTORIES

Purchased inventories are stated at the lower of cost and net realisable amount. Cost includes all costs related with its acquisition (mainly transport costs, customs, etc.). The weighted average cost method is applied by the Group for all disposals.

A provision is created for slow-moving and obsolete inventory based on an analysis of turnover and individual evaluation of inventories.

Long-term contracts also include the allocation of administrative overheads. Subcontracted supplies received and other direct costs are expensed and simultaneously recorded in work-in-progress against revenues. Subcontracted supplies are valued at cost. Work-in-progress is derecognised once the respective revenues are recognised.

2.10. RECEIVABLES

Receivables are stated at nominal value less a provision for doubtful amounts. A provision for doubtful amounts is created on the basis of an ageing analysis and individual evaluation of the credit worthiness of the customers.

2.11. ENTRUSTED RESOURCES

In some cases, the financial resources of third parties are temporarily entrusted to the Company in order to perform specific transactions (services for clients of Československá obchodní banka, a.s. ("ČSOB, a.s."), collection of radio and television licence fees, payment of pensions, collection of SIPO payments, betting games, sale of stamps, vignettes, postal payment services, services for the mobile operators, customs declarations, etc.). These resources are recorded in a separate accounting group apart from the Company's own financial resources, and are disclosed in separate rows in the consolidated balance sheet. The Company charges an agreed commission for performing the specific transactions, which is recognised in accruals within its own resources.

2.12. SHARE CAPITAL

The Company's financial position and funds are being managed in accordance with the State-Owned Enterprise Act No. 77/1997 Coll., as amended. Pursuant to this Act, the registered capital of a state-owned enterprise corresponds to the business capital to which the enterprise has a title on its establishment. The share capital includes both registered and non-registered capital in compliance with accounting legislation. Other capital funds are created in accordance with the accounting standards for entrepreneurs.

In addition, the Company creates a reserve fund from profit, which has been created gradually up to 10% of the share capital.

The Company creates a cultural and social fund ("CSF"). The creation and use of this fund is being managed in accordance with paragraph 16 of Decree No. 114/2002 Coll., in connection with Decree No. 310/1995 Coll.

2.13. PROVISIONS

Provisions are recognised when the Group has a present obligation, an outflow of resources is likely to be required to settle the obligation and a reliable estimate of the amount can be made.

The Group recognises a provision for its future income tax payable which is presented net of advances paid for the income tax. If advances paid are higher than the estimated income tax payable the difference is recognised as a short-term receivable.

2.14. LOANS

Long-term and short-term liabilities, including loans are recorded at their nominal values. Any proportion of long-term loan debt due within one year of the balance sheet date is recognised as short-term loan.

2.15. LEASES

The costs of assets held under both finance and operational leases are not capitalised to fixed assets. The leases are recorded as expenses evenly over the life of the lease. Amounts payable in future periods but not yet due are disclosed in the consolidated notes but not recognised in the consolidated balance sheet. The Group activates the respective value of leased asset in the period when the lease agreement is being concluded and the purchase option is exercised. Lease payments made in advance are accrued over the lease period.

2.16. FOREIGN CURRENCY TRANSLATION

Transactions denominated in a foreign currency are translated and recorded at the rate of exchange ruling as at the first day of the current calendar month as published by the Czech National Bank.

Cash, receivables and liabilities balances denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date. All exchange gains and losses on cash, receivables and liabilities balances are recorded in the consolidated income statement.

2.17. EXPENSES AND REVENUES RECOGNITION

Revenues and expenses are recognised on an accrual principle in the period to which they relate.

Sales are recognised as at the date the services are rendered (with the exceptions disclosed below) or goods are sold to customers and are stated net of discounts and value added tax.

Sales of postal services realised in cash through sales of postal stamps are recognised when the stamps are sold. The Group does not have the necessary information that would allow it to record income from these sales on an accrual basis in respect to the accounting periods in which customers actually use the purchased postal stamps. The Company's management believes that the costs of collecting such information relating to the time allocation needed for these services realised through sales of postal stamps would exceed the benefits of such information.

Revenues from agency services include the commission received for the services provided in the relevant accounting period on an accrual basis.

The Group records expenses related to provisions and allowances for any risks, losses and devaluation that are known as at the date of preparation of the financial statements.

2.18. INCOME TAX

The tax expense is disclosed in the consolidated profit and loss account as tax from ordinary activities.



2.19. DEFERRED TAX

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax asset is recognised if it is probable that sufficient future taxable profit will be available against which the asset can be utilised.

2.20. EMPLOYMENT BENEFITS

The Company has historically provided its employees with bonuses for significant work and life jubilees and employee retirement bonuses. A provision for employee benefits was created for these activities. During the collective bargaining in 2013 abolition of these bonuses was agreed with trade partners with effect from 1 January 2013 and provision of contributions from social costs for life and work jubilees as well as employee retirement. For this reason the provision for employee benefits in the total amount of CZK 171 million was released as at 31 December 2013.

The Group creates a provision for untaken holidays. The Group creates an estimated payable for rewards and bonuses to employees who became entitled to payment as at the balance sheet date. The Group creates a provision for the rewards and bonuses to employees who did not become entitled to payment as at the balance sheet date.

2.21. RELATED PARTIES

The Group's related parties are considered to be the following:

- the state represented by the Company's founder, government institutions, state-owned enterprises and companies, and other legal entities, where the state has significant influence, while the nature of the relationship is also decisive and not merely the legal form;
- members of the Group's statutory, supervisory bodies and management and related parties to these members, including companies or institutions or businesses, where these members and parties have a controlling, proportional or significant influence.

Material transactions and outstanding balances related to more than the main postal services with related parties are disclosed in Note 22 – Related party transaction.

2.22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, stamps and vouchers and cash in banks, including bank overdrafts.

Cash equivalents are short-term highly liquid investments that can be exchanged for a predictable amount of cash and no significant changes of value over time are expected. Cash equivalents are, for example, deposits with a maturity of less than 3 months from the date of acquisition and liquid debt securities traded in public markets.

The Group has prepared a consolidated cash-flow statement using the indirect method.

2.23. SUBSEQUENT EVENTS

The effects of events, which occurred between the balance sheet date and the date of preparation of the consolidated financial statements, are recognised in the consolidated financial statements in the case that these events provide further evidence of conditions that existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the consolidated financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves recognised in the consolidated financial statements.

3. Fixed assets

3.1. CONSOLIDATION DIFFERENCE

Movement in positive consolidation difference can be analysed as follows:

(CZK million)	2013
Opening balance as at 1 January	-
Impact of consolidation	9
Settlement of positive consolidation difference	-
Closing balance as at 31 December	9

Movement in negative consolidation difference can be analysed as follows:

(CZK million)	2013
Opening balance as at 1 January	-
Impact of consolidation	(11)
Settlement of negative consolidation difference	1
Closing balance as at 31 December	(10)

3.2. INTANGIBLE FIXED ASSETS

Acquisition cost

(CZK million)	Opening balance	Additions *)	Disposals *)	Closing balance
Software	1,656	148	(4)	1,800
Royalties	2	-	-	2
Other intangible fixed assets	167	7	-	174
Intangible fixed assets in the course of construction	289	69	(148)	210
Total in 2013	2,114	224	(152)	2,186
Total in 2012	1,873	424	(183)	2,114

*) Additions and Disposals also include transfers of intangible fixed assets in the course of construction.

Accumulated amortisation and net book value

(CZK million)	Opening balance of accumulated amortisation	Additions	Disposals	Closing balance of accumulated amortisation	Impairment	Closing balance
Software	(1,361)	(144)	4	(1,501)	-	299
Royalties	(1)	-	-	(1)	-	1
Other intangible fixed assets	(131)	(14)	-	(145)	-	29
Intangible fixed assets in the course of construction	-	-	-	-	-	210
Total in 2013	(1,493)	(158)	4	(1,647)	-	539
Total in 2012	(1,357)	(136)	-	(1,493)	(4)	617



3.3. TANGIBLE FIXED ASSETS

Acquisition cost

(CZK million)	Opening balance	Impact of consolidation	Additions *)	Disposals *)	Closing balance
Land	783	7	49	-	839
Buildings	9,698	34	560	(25)	10,267
Plant, machinery and equipment	4,604	112	493	(118)	5,091
Motor vehicles	2,266	3	175	(190)	2,254
Furniture and fixtures	647	-	41	(15)	673
Other movable assets	497	-	-	(26)	471
Works of art	4	-	-	-	4
Tangible fixed assets in the course of construction	1,423	-	1,332	(1,337)	1,418
Advances paid for tangible fixed assets	5	-	-	-	5
Revaluation difference of acquired assets	-	(8)	-	-	(8)
Total in 2013	19,927	148	2,650	(1,711)	21,014
Total in 2012	18,973	-	2,055	(1,101)	19,927

*) Additions and Disposals also include transfers of tangible fixed assets in the course of construction. Disposals of tangible fixed assets in the course of construction also include depreciation of lost investments.

Accumulated amortisation and net book value

(CZK million)	Opening balance of accumulated amortisation	Impact of consolidation	Additions	Disposals	Closing balance of accumulated amortisation	Impairment	Closing balance
Land	-	-	-	-	-	-	839
Buildings	(4,234)	(11)	(246)	8	(4,483)	(13)	5,771
Plant, machinery and equipment	(3,229)	(106)	(452)	122	(3,665)	(82)	1,344
Motor vehicles	(1,907)	(3)	(135)	187	(1,858)	-	396
Furniture and fixtures	(520)	-	(20)	14	(526)	-	147
Other movable assets	(497)	-	-	26	(471)	-	-
Works of art	-	-	-	-	-	-	4
Tangible fixed assets in the course of construction	-	-	-	-	-	(40)	1,378
Advances paid for tangible fixed assets	-	-	-	-	-	-	5
Revaluation difference of acquired assets	-	1	-	-	(1)	-	(7)
Total in 2013	(10,387)	(119)	(853)	357	(11,002)	(135)	9,877
Total in 2012	(9,832)	-	(832)	277	(10,387)	(225)	9,315

Based on the stock-taking performed, the Group has adjusted the carrying value of the tangible fixed assets for diminution in value through provisions (see Note 6 – Provisions).

In 2013 and 2012, respectively, the Group did not receive any material fixed assets free of charge.

In 2013 and 2012, besides the lien in favour of PCS – Praha Center s.r.o. created in relation to the post office building at Jindřišská, Prague 1, based on the agreement dated 16 April 1997, which is in force until 31 March 2042, the Group has another 294 (2012: 277) liens, respectively rights similar to lien on tangible fixed assets (rights for sewage pipeline, water pipeline, power and gas connection, hot-water piping, right of entry, access, crossing, riding, parking of a company car, pre-emptive right and the right of use) mainly created in favour of the communal and municipal authorities, Telefónica O2 Czech Republic, a.s. and electricity producers and distributors.

In 2013, the Group received an investment subsidy in the amount of CZK 2 million (2012: CZK 2 million).

3.4. LONG-TERM FINANCIAL ASSETS

Other long-term securities and investments as at 31 December 2013 comprise:

(CZK million)	Quantity	Nominal value (CZK million)	Fair value (CZK million)	Maturity
Government bond (security available for sale)	40,000	400	402	2016
Government bond (security available for sale)	20,000	200	211	2023

Other long-term securities and investments as at 31 December 2012 comprised:

(CZK million)	Quantity	Nominal value (CZK million)	Fair value (CZK million)	Maturity
Government bond (security available for sale)	40,000	400	403	2016
Government bond (security available for sale)	20,000	200	212	2023

The above-mentioned government bonds were issued by the Ministry of Finance of the Czech Republic.

The Group reclassified its investments of 233,630 shares of IPB, a.s. (currently IP Exit, a.s.) at total nominal value of CZK 23 million, acquisition cost of CZK 40 million and nil net book value from long-term financial assets to the off-balance sheet records based on the probable permanent devaluation.

4. Inventories

The Group created a provision for inventories to adjust the value of inventory (see Note 6 – Provisions).

5. Receivables

As at 31 December 2013 and 31 December 2012, receivables due after more than 5 years amounted to CZK 4 million and CZK 2 million, respectively, and outstanding overdue receivables amounted to CZK 347 million and CZK 317 million, respectively. Outstanding overdue receivables are not secured. In 2013 and 2012, the Group wrote off its receivables in the amount of CZK 23 million and CZK 11 million, respectively, as expenses, due to their unrecoverable nature, the dismissal of a bankruptcy petition and the settlement or non-recovery of debts in bankruptcy proceedings.

Receivables from related parties are described in Note 22 – Related party transactions. The estimated receivables primarily comprise transactions related to international postal operations; balances of these transactions as at 31 December 2013 amounted to CZK 477 million and to CZK 496 million as at 31 December 2012 and fees charged based on the Agreement on provision of services for Československá obchodní banka in the amount of CZK 137 million as at 31 December 2013 (as at 31 December 2012: CZK 210 million). Operating records on incoming mail as yet not confirmed by individual postal offices were recorded as estimated receivables with the double entry in Sales of own products and services, based on operating statistics.



6. Provisions

Provisions reflect a temporary decrease in the value of assets (disclosed in Note 3 – Fixed assets, 4 – Inventories and 5 – Receivables).

Provisions as at: (CZK million)	Balance as at 1 January			Balance as at 31 December			Balance as at 31 December
	2012	Charge	Release/use	2012	Charge	Release/use	2013
Intangible fixed assets	-	4	-	4	-	(4)	-
Tangible fixed assets	231	6	(12)	225	1	(91)	135
Inventories	56	3	(4)	55	7	(3)	59
Receivables - other	56	35	(29)	62	61	(42)	81
Total tax non-deductible provisions	343	48	(45)	346	69	(140)	275
Receivables - tax	20	18	(12)	26	20	(13)	33
Total tax deductible provisions	20	18	(12)	26	20	(13)	33
Total	363	66	(57)	372	89	(153)	308

Tax provisions are created pursuant to the Reserves Act and are deductible for tax purposes; other provisions are not deductible for tax purposes.

7. Short-term financial assets

The main bank used by the Group is Československá obchodní banka, a.s., in which the Company has two cash-pooling sets of accounts, a set of current accounts and a set of accounts with entrusted resources. An overdraft enabling the Group to have a negative balance is agreed for the set of accounts with both the Group's own and entrusted resources (see Note 14 – Bank loans and overdrafts).

The Group's deposits on saving accounts bearing market interest rates amounted to CZK 7,606 million and CZK 7,996 million as at 31 December 2013 and 31 December 2012, respectively.

The Group's guarantees/letters of credit, which are drawn under a general agreement on the provision of financial services made with Komerční banka, a.s. up to a limit of CZK 37 million and Československá obchodní banka, a.s. up to a limit of CZK 600 million as at 31 December 2013 were as follows:

Type of guarantee/ letter of credit	Guarantor	Creditor	Subject	Valid until	Amount (CZK million)
Payment	Komerční banka, a.s.	Customs Directorate in Prague	Customs debt	indefinite	4
Payment	Komerční banka, a.s.	HCEPP II Rudná s.r.o.	Rental agreement	10 May 2014	2
Payment	Komerční banka, a.s.	Czech Directorate of Highways and Roads	Fulfilment of obligations in respect of the electronic toll system	6 May 2014	7
Payment	Komerční banka, a.s.	CONTERA Investment III s.r.o.	The lease of rent for commercial space	14 August 2014	1
Payment	Komerční banka, a.s.	State Fund of Transport Infrastructure	Distribution and sales of vignettes proving the fee payment for highways and expressways use	16 March 2014	10
Payment	Československá obchodní banka, a.s.	Ministry of Interior of the Czech republic	Integrated rescue system of the Czech Republic	31 December 2013	40
Payment	Československá obchodní banka, a.s.	State Fund of Transport Infrastructure	Distribution and sales of vignettes proving the fee payment for highways and expressways use	16 March 2015	270
Payment	Československá obchodní banka, a.s.	Ministry of Interior of the Czech republic	NIS IZS (National information system of the Integrated Rescue System)	31 December 2014	15

Short-term securities and ownership interests as at 31 December 2013 and 31 December 2012 were as follows:

Issuer	Type	2013 (CZK million)	2012 (CZK million)
PPF banka a.s.	short-term depository notes	500	750
Total		500	750

8. Prepayments and accrued income

In 2013 and 2012, prepaid expenses consist mainly of rent and other prepaid services.

As at 31 December 2013 accrued income consist mainly of accrued income from IT projects in the Branch of the Company in the amount of CZK 43 million (as at 31 December 2012: CZK 2 million).

9. Equity

As at 31 December 2013 and 31 December 2012, share capital amounted to CZK 3,588 million.

Other capital funds mainly comprise contributions from profit of the Company or gifts received.

The revaluation differences from the revaluation of assets and liabilities include the revaluation of available-for-sale securities at fair value.

The reserve fund has been created gradually up to the level of 10% of share capital. Other funds from profit include the cultural and social fund.

The following changes in equity occurred in 2013 and 2012:

(CZK million)	Share capital	Other capital funds	Revaluation differences from revaluation of assets and liabilities	Legal reserve fund	Other funds	Accumulated losses	Profit for the financial period without minority interest	Total
As at 1 January 2012	3,588	5,868	(7)	359	13	-	338	10,159
Profit contribution and movements between funds	-	169	-	-	169	-	(338)	-
Revaluation difference	-	-	27	-	-	-	-	27
Fund utilisation	-	-	-	-	(166)	-	-	(166)
Profit for the current period	-	-	-	-	-	-	261	261
As at 31 December 2012	3,588	6,037	20	359	16	-	261	10,281
Profit contribution and movements between funds	-	99	-	-	161	-	(261)	(1)
Fund utilisation	-	-	-	-	(165)	-	-	(165)
Profit for the current period	-	-	-	-	-	-	219	219
Impact of consolidation	-	17	-	3	-	(12)	-	7
As at 31 December 2013	3,588	6,153	20	361	12	(12)	219	10,341



10. Minority equity

Minority equity as at 31 December 2013 comprises the following (CZK million):

(CZK million)	Share capital	Other capital funds incl. reserve fund	Retained earnings	Profit for the current period	Total
Balance as at 1 January 2013	-	-	-	-	-
Impact of consolidation	16	19	9	-	44
Profit for the current period	-	-	-	1	1
Balance as at 31 December 2013	16	19	9	1	45

11. Provisions

(CZK million)	Balance as at 1 January 2012	Charge	Release/usage	Balance as at 31 December 2012	Charge	Release/usage	Balance as at 31 December 2013
Social and health insurance	154	138	(154)	138	105	(138)	105
Untaken holiday	169	196	(169)	196	53	(196)	53
Employee benefits	178	2	(9)	171	-	(171)	-
Provision for severance pay incl. competition clauses	124	78	(124)	78	186	(77)	187
Non-claimable component of salaries	36	181	(236)	181	173	(181)	173
Other	74	18	(74)	18	4	(3)	19
Total tax non-deductible provisions	935	613	(766)	782	521	(766)	537
Total	935	613	(766)	782	521	(766)	537

The provision for social and health insurance is created mainly for contributions to the unpaid part of contracted wages, profit-related bonuses, untaken holiday and other salary benefits.

The Group creates a provision for employee benefits resulting from a collective agreement. In this provision (as at 31 December 2012: CZK 171 million) work jubilee, life jubilee, retirement remuneration were taken into account. These provisions were, as at 31 December 2013, released following a change in the collective agreement.

A provision for compensation for severance pay and competition clauses was created in connection with the gradual reduction in the number of employees in subsequent years, which has been approved by the Groups' management and then communicated to the employees and trade unions.

Other provisions were primarily created to cover risks known as at 31 December 2013 and probable loss from ongoing litigations and out-of-court disputes and related obligations.

The Group also created a provision for the non-claimable component of salaries which is composed of expected extraordinary wage bonuses estimated by the Director General and an additional subjective component of salaries including individual agreed salary bonuses.

12. Long-term liabilities

Long-term liabilities are represented by the deferred tax liability as at 31 December 2013 and 31 December 2012, which is described in Note 16 – Income tax.

13. Short-term liabilities

The Group's overdue short-term liabilities as at 31 December 2013 and 31 December 2012 amounted to CZK 57 million and CZK 48 million, respectively.

The Group had no liabilities due after more than 5 years as at 31 December 2013 and 31 December 2012. The Group had no short-term or long-term liabilities bearing a security or lien in favour of a creditor as at 31 December 2013 and 31 December 2012.

Liabilities to related parties are described in Note 22 – Related party transactions.

Estimated payables particularly consist of costs associated with international postal operations, where balances of transactions as at 31 December 2013 amounted to CZK 525 million and to CZK 488 million as at 31 December 2012. Estimated payables also included un-invoiced operating deliveries of services and energy, and estimated staff bonuses.

Trade payables increased on a year-on-year basis mainly due to entrusted resources (see Note 24 – Entrusted resources).

Payables in respect of social insurance and health insurance amounted to CZK 332 million as at 31 December 2013 and to CZK 326 million as at 31 December 2012. These payables comprise unpaid wages for December 2013 and December 2012, respectively, which were paid at the beginning of 2014 and 2013.

The Group did not recognise any unpaid tax liabilities payable to the relevant tax authority as at 31 December 2013 and 31 December 2012.

14. Bank loans and overdrafts

14.1. DENOMINATED IN CZECH CROWNS

Bank	Terms and conditions	Account	Overall limit (CZK million)	31 December 2013 (CZK million)	31 December 2012 (CZK million)
KB, a.s.*	Global credit line effective interest rate: 0.46%	Own resources	37	-	-
ČSOB, a.s.	Bank overdraft effective interest rate: 0.34%	Own resources	100	-	-
ČSOB, a.s.	Loan effective interest rate: 0.4% (0.23% on guarantees)	Own resources	600	-	-
ČSOB, a.s.	Bank overdraft effective interest rate: 0.3%	Entrusted resources	1,600	-	-

*) it can be used in foreign currency in the appropriate consideration

The global credit line from Komerční banka, a.s. allows for overdrafts, short-term loans on the financial market, documentary letters of credit and different types of guarantees. As at 31 December 2013 and 31 December 2012, the overdraft from Komerční banka, a.s. was not used.

The bank overdraft on the account of entrusted funds at Československá obchodní banka, a.s. was provided to ensure sufficient financial liquidity of the Group.

The bank overdraft from Československá obchodní banka, a.s. was not used as at 31 December 2013 and 31 December 2012. This overdraft is secured by pledge on the Company's receivables from Československá obchodní banka, a.s. created under Contract on provision of services by the Company to Československá obchodní banka, a.s.



14.2. DENOMINATED IN EUR

Bank	Terms/Conditions	Overall limit (EUR million)	2013		2012	
			(EUR million)	(CZK million)	(EUR million)	(CZK million)
ČSOB, a.s.	Bank overdraft EURIBOR 3M + 0.1% p.a. – entrusted resources	5	1.2	35	1.2	31

Poskytnutý kontokorentní úvěr uvedený výše slouží výhradně na hotovostní obsluhu bankovních služeb poskytovaných na vybraných přepážkách pošt v měně EUR. Zajištění kontokorentního úvěru nebylo požadováno.

Skupina splňuje všechny podmínky, které jsou uvedeny v úvěrových smlouvách.

The above-mentioned bank overdraft is exclusively used for cash operations of the banking services provided at selected post-office counters in EUR. No collateral was required for the bank overdraft. The Group complies with all the terms and conditions of the loan agreements.

15. Accruals and deferred income

Deferred income primarily includes prepaid postal fees for offsetting remote credit machines.

16. Income tax

Income tax expense of the Group can be analysed as follows:

(CZK million)	2013	2012
Current tax expense	3	3
Deferred tax expense	55	42
Adjustment of prior year tax expense based on final CIT return	(2)	-
Total income tax expense	56	45

The current income tax was calculated as follows:

(CZK million)	2013	2012
Net profit before taxation	276	306
Non-taxable income	(20)	(51)
Difference between accounting and tax depreciation	(18)	(105)
Tax non-deductible expenses	(208)	(83)
of which:		
– Changes of impairments	(71)	2
– Changes of provisions	(245)	(152)
– Other (e.g. previous prepaid expenses, representation expenses, shortages and losses)	108	67
Gifts	(2)	(2)
Tax loss of subsidiaries	39	-
Taxable income	67	65
Income tax rate	19%	19%
Calculated income tax	13	12
Tax relief (persons with disability or partial disability)	(10)	(8)
Current tax	3	4
Underpayments from the previous period	-	(1)
Current income tax expense from ordinary activities and total	3	3

The deferred tax asset/ (liability) in the Group is calculated using the 19% tax rate (for both years) and quantified as follows:

Deferred tax item	2013			2012		
	Basis (CZK million)	Deferred tax asset (CZK million)	Deferred tax liability (CZK million)	Basis (CZK million)	Deferred tax asset (CZK million)	Deferred tax liability (CZK million)
Difference between accounting and tax net book value of fixed assets	(2,543)	-	(483)	(2,533)	-	(481)
Provisions	282	54	-	318	60	-
Other reserves	537	102	-	782	149	-
Total	(1,724)	156	(483)	(1,433)	209	(481)
Net deferred tax liability			(327)			(272)

As at 31 December 2013 the Group did not recognise potential deferred tax asset from tax losses of subsidiaries in the amount of CZK 20 million (as at 31 December 2012: CZK nil million) due to prudence principle.

17. Leases

The Group leases fixed assets, which are not recorded in the balance sheet accounts (see Note 2.15 – Leases and Note 18 Assets and liabilities not recorded in the balance sheet).

The assets leased by the Group in the form of operational leases amounted to CZK 159 million as at 31 December 2013 and to CZK 65 million as at 31 December 2012. The buildings leased by the Group amounted to CZK 238 million as at 31 December 2013 and to CZK 227 million as at 31 December 2012.

The Group recorded no financial leases as at 31 December 2013 and 31 December 2012.

18. Assets and liabilities not recorded in the balance sheet

The Group recognises particularly stamps, vignettes and lottery tickets, which are valuables in nature evidences (these items are recognised below in nominal value) in its operational evidence as at 31 December 2013 and 31 December 2012. Furthermore, the Group recognised low-value assets in operating evidence and leased assets in off- balance sheet evidence (recognised in acquisition costs), and all probably permanently devalued investments containing 233,630 shares of IPB, a.s. (currently IP Exit, a.s.) at total nominal value of CZK 23 million and the acquisition cost of CZK 40 million (see Note 3.4 – Long-term financial assets).

(CZK million)	2013	2012
Valuables incl. stamps and lottery tickets	13,522	10,121
Vignettes	3,699	4,109
Leased assets – operational lease	967	512
Securities	40	40
Low-value tangible assets	2,442	2,390
Low-value intangible assets	98	114



The structure of the contracted future obligations from operating leases is presented in the table below (CZK million):

	31 December 2013	31 December 2012
Due within 1 year	281	181
Due between 1 to 5 years	758	447
Due after 5 years	117	142
Total	1,156	770

19. Contingent liabilities

The management of the Group is not aware of any material contingent liabilities of the Group as at 31 December 2013.

20. Revenue analysis

The Group's revenues from its main activities were as follows:

	2013			2012		
	Domestic (CZK million)	Foreign (CZK million)	Total (CZK million)	Domestic (CZK million)	Foreign (CZK million)	Total (CZK million)
Sales from postal operations	12,816	1,437	14,253	13,451	1,198	14,649
Sales of agency services	2,691	-	2,691	2,768	-	2,768
Print (stamps, envelopes, valuables)	19	10	29	38	12	50
Sales of goods without communication infrastructure and print	219	-	219	253	-	253
Other revenues from operating activities, incl. own work capitalised, communication infrastructure and data mailboxes	2,604	-	2,604	2,513	-	2,513
Total revenues from the ordinary activities	18,349	1,447	19,796	18,985	1,198	20,183

The main revenues include gross revenues related to services connected with management of communication infrastructure. Appropriate related costs are recorded as part of the item Services.

In 2013 and 2012, the Group received subsidies for operating purposes in the amount of CZK 1 million and CZK 2 million, respectively. These revenues are part of Other operating revenues.

21. Employees

Breakdown of the Group's staff costs:

	2013		2012	
	Total number of employees	Out of which: Management of the Group and DG	Total number of employees	Out of which: Management of the Group and DG
Average number of employees	31,887	51	32,163	37
Wages and salaries (CZK million)	9,038	124	9,104	145
Social and health insurance (CZK million)	2,919	23	2,988	18
Social security costs (CZK million)	343	-	333	-
Total staff costs	12,300	147	12,425	163

Management of the Group includes Director General, Statutory Director, Managing Directors, Members of the Supervisory Board, Executive Directors, Directors of sectors and regions.

Apart from the bonuses disclosed in Note 21 – Employees, in 2013 and 2012, members and former members of the Group's statutory and supervisory bodies and the Group's managers did not receive any loans, guarantees, advance payments or other benefits besides the collective agreement. They did however have access to the Group's cars that are made available to management for both business and private purposes.

22. Related party transactions

During the year, the Group executed several transactions with related parties within its ordinary business activities. The transactions recognised in 2013 and 2012 and the related receivables from and liabilities to related parties are as follows:

2013	Sales (CZK million)	Purchases (CZK million)	Receivables (CZK million)	Payables (CZK million)
Czech Television and Czech Radio	243	1	-	5
Government ministries	1,647	2	148	50
Czech Social Security Administration	492	2,090	6	8,084
Municipal and local authorities	306	69	15	245
State Fund of Transport Infrastructure	107	1	1	23
Total	2,824	2,272	230	8,447

2012	Sales (CZK million)	Purchases (CZK million)	Receivables (CZK million)	Payables (CZK million)
Czech Television and Czech Radio	245	2	-	7
Government ministries	1,698	1	230	50
Czech Social Security Administration	524	2,156	-	7,237
Municipal and local authorities	286	67	17	241
State Fund of Transport Infrastructure	118	1	27	466
Total	2,873	2,257	292	8,002

23. Fees paid and payable to the audit company

Total fees paid and payable to the audit company for the statutory audit of consolidated financial statements for 2013 and 2012 amounted to CZK 1 million and CZK 2 million, respectively.

24. Entrusted resources

The entrusted resources analysis as at 31 December 2013 and 31 December 2012 is as follows:

(CZK million)	31 December 2013	31 December 2012
ASSETS		
Short-term receivables	108	296
Cash in hand	4,365	4,176
Cash at bank	5,626	5,433
Total assets	10,099	9,905

(CZK million)	31 December 2013	31 December 2012
LIABILITIES		
Short-term payables	10,064	9,874
Short-term bank loans	35	31
Total liabilities	10,099	9,905



Short-term receivables consist primarily of short-term receivables for agency services (e.g. card transactions, cheque transactions, etc.) provided to ČSOB, a.s.

At the end of 2013 and 2012, the Group received advance payments in the amount of CZK 8,000 million and CZK 6,900 million from the Czech Social Security Administration for 2013 and 2012 for pension payments, respectively.

All these liabilities in respect of entrusted resources were within the maturity period.

25. Cash-flow statement

As at 31 December 2013 and 31 December 2012, the Group did not consider the used overdraft facilities as cash equivalents for the purpose of the consolidated cash-flow statement (see Note 14 – Bank loans and overdrafts).

Cash and cash equivalents disclosed in the consolidated cash-flow statement can be analysed as follows:

(CZK'000)	31 December 2013	31 December 2012
Cash on hand	4,369	4,176
Cash at bank	8,069	8,173
Cash equivalents included in short-term investments	500	750
Total cash and cash equivalents	12,938	13,099

26. Subsequent events

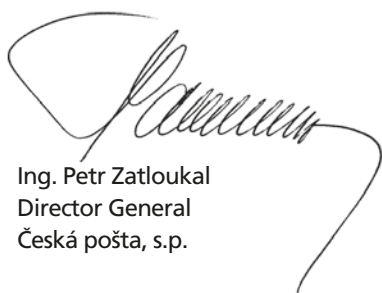
In February 2014, there was a change in strategy related to holding government bonds in the amount of CZK 402 million (as at 31 December 2013 recognised in line item Other long-term securities and investments), these bonds were subsequently sold.

In 2014, the Company will continue to comply with Act No. 221/2012 Coll. amending Act on Postal Services No. 29/2000 Coll., will calculate net costs and ask the Czech Telecommunication Office for payment of net costs for provision of basic services („universal service“), which represent unfair financial burden for the Company as a postal license holder. The management of the Company quantifies at this time costs of universal service for 2013. The deadline for applying for an entitlement is 31 August 2014.

On 31 January 2014, the Police of the Czech Republic started an investigation of the Company in relation to the charge of committing a crime involving negotiation advantages in procurement, public tender or public auction when the Company is both the plaintiff and the defendant. The Company provided the Police of the Czech Republic with all requested available information and supporting documentation and has taken legal steps that should lead to exoneration. There are no adjustments made in connection with charges brought in the financial statements of the Company. At the date of approval of the financial statements there were no findings known from the ongoing investigation or legal steps taken by the Company.

No other material events have occurred between the balance sheet date and the date of preparation of the consolidated financial statements that would have a material impact on the consolidated financial statements as at 31 December 2013.

20 March 2014



Ing. Petr Zatloukal
Director General
Česká pošta, s.p.

Independent auditor's report



Independent auditor's report

to the Founder of Česká pošta, s.p.

We have audited the financial statements and the consolidated financial statements of Česká pošta, s.p., identification number 47114983, with registered office at Politických vězňů 909/4, Praha 1 ("the Company") for the year ended 31 December 2013 disclosed in the annual report on pages 49 to 75 and 77 to 99 and issued the opinion dated 12 March 2014 and 20 March 2014 and disclosed on pages 48 and 76 (hereinafter "the financial statements").

Report on the Annual Report

We have verified that the other information included in the annual report of the Company for the year ended 31 December 2013 is consistent with the financial statements which are included in this annual report. The General Director is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements and based on our verification procedures.

Auditor's Responsibility

We conducted our verification procedures in accordance with the International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the verification procedures to obtain reasonable assurance about whether the other information included in the annual report which describes matters that are also presented in the financial statements, in all material respects, consistent with the relevant financial statements. We believe that the verification procedures performed provide a reasonable basis for our opinion.

Opinion

In our opinion, the other information included in the annual report of the Company for the year ended 31 December 2013 is consistent, in all material respects, with the financial statements.

5 June 2014

PricewaterhouseCoopers Audit s.r.o.

PricewaterhouseCoopers Audit, s.r.o.
represented by partner

Věra Výtvarová

Věra Výtvarová
Statutory Auditor, Licence No. 1930

Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.

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Contact details

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Registered office	Politických vězňů 909/4, Prague 1, 225 99
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Tax identification number	CZ 47114983
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Company's registration number	insert 7565, section A
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Region South Moravia	Orlí 655/30, 663 00 Brno
Region North Moravia	Poštovní 1368/20, 728 60 Ostrava

Abbreviations used

CE COMM	Conference of European Communications	ISDS	Data Mailbox Information System
Museums		ISO	International Organisation for Standardisation
CMS	Shared services centre	KI	Crisis infrastructure
CNG	Compressed natural gas	KS	Crisis situations
CRM	Customer relationship management	KŠ	Crisis committee
Czech POINT	National network of submitting and verifying information	LAN	Local area network
ČNB	Czech National Bank	LZ	Human resources
CP Branch	ICT services Branch of the Czech Post	MUKCH	Extraordinary event of crisis nature
CTO	Czech Telecommunication Office	NBU	National Security Office
D+3	Delivered by the third day after posting	OSVČ	Self-employed person
D+5	Delivered by the fifth day after posting	OZ	Branch
DONEZ	Sign-on system for job seekers	OZP	Persons with disabilities
SB	Supervisory Board	PDZ	Postal data message
DHM	Small-value tangible assets	CPP	Crisis Preparedness Plan
DINO	Debt collection of inhabitants	PM	Postal Museum
DNM	Small-value intangible assets	QCA	Qualified certification authority
VAT	Value added tax	PostEurop	Association of European postal operators
EC	European Commission	REP	Registered electronic post
EMS	Express Mail Service	RIPM	Distribution of information and promotional materials
ES	European directive	RZPS	Distribution of promotional and information materials
ESF	European Social Fund	SČF	Union of Czech Philatelists
EU	European Union	SSD	Government saving bond
EVO	Electronic bulletin board for municipalities	SIPO	Multiple direct debit payments via the Company's payment system
FKSP	Fund for cultural and social needs	SMS	Short message service
FTE	Full-time equivalent	SPU	Logistic hub
GPS	Global Positioning System	SW	Software
DG	Director General	USB	Universal serial bus
GDP	Gross domestic product	UNEX	International measurement of quality of postal services of public postal operators
HR	Human resources		
HRBP	Human resources business partner		
HW	Hardware		
ICT	Information and communication technologies		

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