



Česká pošta

Annual Report

20 14



Česká pošta

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Introduction by Director General


In 2014, Česká pošta positioned itself as a customer-oriented company, which is part of the key infrastructure, and as a partner of the Czech state carrying social and societal responsibility. We are fully aware of this fact, and so we set out the strategic development of Česká pošta with an outlook to 2017. This strategy includes preservation of the existing branch network to the extent required by the government, their modernization, increase in comfort for citizens and increase in the level of external and internal security and the internal environment of Česká pošta. Česká pošta wants to be hence forward the state's main partner for communication with its citizens, to become the central purchasing organization and its exclusive logistics partner throughout the whole Czech Republic.

The year 2014 meant also termination of the transformation process into a joint-stock company for Česká pošta, which had been running continuously since 2007 without the actual transformation of the state enterprise into a joint-stock company. However, questions of uncertainty about the future legal form or disposal of residual assets arose within this process. Termination of the transformation eliminates these uncertainties, and Česká pošta receives long-term security. In addition to saving the costs of completing the transformation and other costs related to the new legal form, the legal constraints arising from the ongoing transformation process also disappeared. From our perspective, this is the right decision, which is important for further growth and development as well as for the necessary investments.

In 2014, Česká pošta reached a profit of CZK 241 million, respectively CZK 213 million within the consolidated result. At the first glance, this seems to be a huge amount. Acknowledging that the turnover of Česká pošta was CZK 19 billion, it is clear that the profit reached is practically positive nil considering the employees, the necessary investments and the future of the business. If the new law on postal services had not been changed, 2014 would have probably been the last year when Česká pošta made a profit. In this case, we could not develop further, which in a competitive market would mean a significant deterioration

in the position of Česká pošta. From the aforementioned modifications of the Act on Postal Services, I expect mainly state guarantees to finance the net cost of universal services as a public service. Compensation of losses from universal services will allow Česká pošta to recover investments within modernization, development of the postal network and ultimately to its employees.

Finally, let me mention the most valuable asset of Česká pošta. It is our employees. We may have perfect sorting machines, perfect logistics, nice and transparent branches, but unless we have employees who are the direct representatives of the company to our customers, a good quality background will not help us. I am therefore pleased that we have succeeded in the past year to agree the wording of the collective agreement with union representatives for the next four years, maintaining a number of existing employee benefits. I take this newly signed collective agreement as a positive sign for employees who are priority for Česká pošta, and I appreciate the possibility to lead a company where personnel are professionals who make up the heart of the whole organism constituting Česká pošta.



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

Report of the Supervisory Board

During 2014, the Supervisory Board of Česká pošta, s.p. paid attention to many important issues at its regular meetings and regular meetings of the Committees. In all its activities, it fulfilled its mission as required by Act no. 77/1997 Coll., on state-owned enterprise, as amended, the Articles of Association and the Statute of the state-owned enterprise Česká pošta.

In 2014, as in previous years, the work of the Supervisory Board focused primarily on the systematic control of Česká pošta, s.p., as well as evaluating the partial economic results and other systems associated with the activities of its various committees. In collaboration with senior management and the company's founder, the Supervisory Board helped to define not only major strategic projects and activities up to 2017, but also suggested gradual steps to achieve these objectives. It has focused on the steps leading to the scope of Česká pošta in the field of financial services from 2018, after the completion of existing contracts with ČSOB. It also focused its attention on the amendment to the Act on Postal Services and issues relating to the reimbursement of the costs of universal services.

The Supervisory Board thoroughly reviewed the financial statements as at 31 December 2014, became acquainted with the auditor's report of PricewaterhouseCoopers Audit, s.r.o., which was „unqualified“, discussed the Annual Report of Česká pošta for 2014 and recommended the founder to approve the financial statements and the annual report. According to the proposal of the management of the company, the Supervisory Board recommended the allocation of the profit earned for 2014 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 of Česká pošta, s.p.

Name and surname	Function	Date of		Current expiry of the term of office
		appointment/election	Elected/appointed	
Jan Mareš	Chairman	28 April 2014	appointed	28 April 2020
Jiří Nováček	Vice-Chairman	20 February 2015	appointed	20 February 2021
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
Jiří Havlíček	Member	10 March 2014	appointed	10 March 2020
Jaroslav Strouhal	Member	10 March 2014	appointed	10 March 2020
Ludovít Gulázi	Member	10 March 2014	appointed	10 March 2020
Oldřich Černoč	Member	15 June 2014	appointed	15 June 2020
Jan Kasal	Member	28 July 2014	appointed	28 July 2020

Changes in the Supervisory Board in 2014

28 January 2014	Jan Mládek recalled
25 April 2014	Jiří Maceška recalled
25 February 2014	Ondřej Veselský recalled
1 March 2014	Miroslava Oliveriusová recalled
15 April 2014	Vladimír Budínský recalled
7 January 2014	Jiří Řehola recalled
10 March 2014	Jiří Havlíček appointed
10 March 2014	Jaroslav Strouhal appointed
10 March 2014	Ludovít Gulázi appointed
15 June 2014	Oldřich Černoč appointed
28 July 2014	Jan Kasal appointed
28 April 2014	Jan Mareš appointed

Changes in the Supervisory Board in 2015 (till audit date)

20 February 2015	Jiří Nováček appointed to the post of member of SB
27 January 2015	Jan Sixta recalled from the post of member of the SB

Members of the Supervisory Board as at 31 December 2014

Name and surname	Function	Date of		Current expiry of the term of office
		appointment/election	Elected/appointed	
Jan Mareš	Chairman	28 April 2014	appointed	28 April 2020
Jan Sixta	Vice-Chairman	12 March 2012	appointed	12 March 2018
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
Jiří Havlíček	Member	10 March 2014	appointed	10 March 2020
Jaroslav Strouhal	Member	10 March 2014	appointed	10 March 2020
Ludovít Gulázi	Member	10 March 2014	appointed	10 March 2020
Oldřich Černoč	Member	15 June 2014	appointed	15 June 2020
Jan Kasal	Member	28 July 2014	appointed	28 July 2020

Profile

Mission and strategic goals

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

Česká pošta 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. The Company intends to cooperate closely with the state administration via both its dense network of post offices and new channels. The Company considers the 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. 89/2012 Coll., the civil code, as amended. Its legal and ownership status is regulated by Act no. 77/1997 Coll., on state-owned enterprise, as amended. Česká pošta, s.p., was founded on 1 March 1993 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. Presently the Company is registered 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 Česká pošta, effective from 16 June 1997, which was later amended.

As at 31 December 2014, the Ministry of Internal Affairs of the Czech Republic acted as the Founder of Česká pošta on behalf of the government.

Management and supervision of the Company

Director General

The Director General, as a statutory body of Česká pošta, s.p., manages the Company's activities and acts on its behalf. The Director General decides on all matters that do not fall, by operation of the 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 Česká pošta, s.p.).

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, eight members of the Supervisory Board are appointed and recalled by the Founder; the remaining four members are elected and recalled by the Company's employees. As at 31 December 2014, the Supervisory Board had 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 examinations of documentation that is to be subsequently submitted to the Supervisory Board. Members of individual committees are elected and recalled by the Supervisory Board.

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

- Committee for the Company's Strategy, Finances and Audit
- Committee for Human Resources Development

Statutory body and Management Board of the Company

The bodies of Česká pošta in the meaning of section 11 of the State-owned Enterprise Act are its director general and the Supervisory Board.

Members of the Management Board as at 31 December 2014 and changes during 2014 (including changes up to the date of publication of the annual report):

Post	Name	Holding the post		Director General		Registered in the Commercial Register on	Deleted from the Commercial Register on
		from	till	in office since	in office till		
Director General	Petr Zatloukal	25 May 2011	31 March 2014	25 May 2011	31 March 2014	24 June 2011	14 April 2014
Director General	Martin Elkán	13 June 2014		13 June 2014		1 July 2014	

Post	Name	Holding the post		Director General		Registered in the Commercial Register on	Deleted from the Commercial Register on
		from	till	in office since	in office till		
Chief Executive of Finance	Marek Jánský	1 July 2014		1 July 2014		25 August 2014	
Chief Executive of Postal Operations and Logistics	Vít Bukvic	1 January 2014		1 January 2014		25 August 2014	
Chief Executive of Finance	Martin Horák	1 November 2012	31 March 2014	1 December 2012	31 March 2014	10 January 2013	14 April 2014
Chief Executive of ICT and eGovernment	Miroslav Krejčík	1 October 2013	30 June 2014	1 October 2013	30 June 2014	8 October 2013	17 July 2014
Chief Executive of ICT and eGovernment	Pavel Chyla	14 July 2014					
Chief Executive of Sales and Marketing	Martin Elkán	20 July 2010	12 June 2014	1 June 2011	13 June 2014	30 June 2011	1 July 2014
Chief Executive of Sales and Marketing	Jan Foubík	1 July 2014					
Chief Executive of Property Management	Petr Řehák	10 June 2013	30 June 2014	24 June 2013	30 June 2014	11 July 2013	17 July 2014
Chief Executive of Property Management	Oldřich Vytiska	17 July 2014	28 February 2015	Appointed as deputy of Property management			
Chief Executive of Property Management	Martin Gillar	1 March 2015					
Chief Executive of Postal Operations and Logistics	Richard Soldán	9 June 2011	31 December 2013	13 February 2012	31 December 2013	11 April 2012	22 January 2014

Organisational structure as at 31 December 2014

Czech Post

Director General

Branch ICT Services Executive Director	Internal Audit and Risk Management Executive Director	Corporate Management Ředitel úseku	Strategy and equity management Executive Director	Security Executive Director	Postal Technology and Supervision Chief Director	Purchasing and Procurement Chief Executive
System Integration and Projects Executive Director		Ombudsman Ombudsman	PS Strategy and Project Management Executive Director	Postal Security Executive Director	Allocation and Payments Executive Director	Public Contract and Preparation Executive Director
Purchase Management Executive Director		Communication Executive Director	Strategic Development and BI Executive Director		Supervision Executive Director	Central Purchasing Executive Director
Odbor ekonomika Executive Director		Legislation Executive Director			Operational Control and Complaints Executive Director	Standardise and Promote Sales Executive Director
Sekce komunikační infrastruktura Executive Director						Operational Logistics Support and Supply Executive Director
						Purchase Commodity Management Executive Director

Human Resources Management Chief Executive Executive Director	Finance Chief Executive	ICT and eGovernment Chief Executive	Sales and Marketing Chief Executive	Property Management Chief Executive	Branch Network South-Bohemia Branch Network Director	Postal Operation and Logistics Chief Executive
Remuneration Executive Director	Accounting and Taxes Executive Director	ICT Support Executive Director	Sales Coordination Executive Director	Investments Executive Director	Branch Network West-Bohemia Branch Network Director	Purchase Function Network South-Bohemia Purchase Function Network Director
HR Development Executive Director	Controlling Executive Director	ICT Security Executive Director	Business Development Executive Director	Operations Southwest Executive Director	Branch Network North-Bohemia Branch Network Director	Purchase Function Network West-Bohemia Purchase Function Network Director
Front Office Executive Director	Treasury and Financing Executive Director	ICT Operation and Development Executive Director	Corporate Marketing Executive Director	Operations Northeast Executive Director	Branch Network East-Bohemia Branch Network Director	Purchase Function Network North-Bohemia Purchase Function Network Director
HR Processes – Back Office Executive Director		eGovernment Executive Director	Stamp Production Executive Director	Operations Moravia Executive Director	Branch Network South-Moravia Branch Network Director	Purchase Function Network East-Bohemia Purchase Function Network Director
		Business Development for eGOV and ICT Executive Director	Corporate Business South-Bohemia Region Sales Director	Operations Prague Executive Director	Branch Network North-Moravia Branch Network Director	Purchase Function Network South-Moravia Purchase Function Network Director
			Corporate Business West-Bohemia Region Sales Director	Property Executive Director	Branch Network Prague Branch Network Director	Purchase Function Network North-Moravia Purchase Function Network Director
			Corporate Business North-Bohemia Region Sales Director			Purchase Function Network Prague Purchase Function Network Director
			Corporate Business East-Bohemia Region Sales Director			Delivery and Function Network Executive Director
			Corporate Business South-Moravia Region Sales Director			Logistics Executive Director
			Corporate Business North-Moravia Region Sales Director			Money Service Operation Executive Director
			Corporate Business Prague and Central-Bohemia Region Sales Director			
			Regional and International Sales Executive Director			
			Alliance Partners Executive Director			
			Product Marketing Executive Director			

Regulatory framework of postal services

National legislation and postal licence

Since April 2005, the Czech Telecommunications Office (hereinafter "CTO") has been the national regulator for postal services. The main piece of legislation governing the powers and duties of this national regulator is Act no. 29/2000 Coll., on postal services, as amended (hereinafter the "Postal Services Act").

Česká pošta holds a postal licence for the period 2013 – 2017, granted by the CTO, decision number 562/2013-610 dated 22 February 2013, pursuant to the Postal Services Act. 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. Under the licence granted, Česká pošta remains obliged to carry out all duties tied to the Czech Republic being a member of the Universal Postal Union.

The liberalisation of the European Union postal market was finalised by the so-called 3rd Postal Directive 2008/6/EC dated 20 February 2008, which aimed to gradually open the postal service market to all competition. Also, Directives no. 97/67/ES and 2002/39/ES are connected 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 the Postal Services Act. 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 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 the Postal Services Act on 24 July 2013, effective as at 1 October 2013.

In 2014, Česká pošta asked for reimbursement of the net costs of providing basic services for the year 2013 in the amount of CZK 1,774,645,468. The CTO verified the accuracy and completeness of the documentation presented and approved the net costs to be paid in a fixed amount of CZK 753,129,383. Česká pošta found this quantification unfair and appealed against the CTO's decision. Fulfilment of obligations to provide basic services under the current regulatory conditions and the existing network of premises is for Česká pošta a financial burden. If it were not an obligation, the postal services belonging to the basic services would be provided in a different extent or another, more cost-effective manner.

Selected responsibilities 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 the 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.
- Ensure that unjustified preferences or disadvantages to certain persons interested in basic services guaranteed by their postal licence do not occur.
- 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

On 17 March 2015, Česká pošta appealed against the decision of the CTO on determining the amount of the net cost of providing basic postal services, so-called universal services, for 2013. After studying the reasons for the CTO's decision, Česká pošta found grounds for filing the appeal.

At its meeting on 22 April 2015, the government took note of the material of Česká pošta, which describes the project Pošta Partner ("Post Partner"). As planned, the ten-year process starts this year, and by its end Česká pošta will operate 691 own branches. The remaining 2,526 branches will be operating in the form of a Post Partner. In 2015, it is planned to transform 60 branches into Post Partners. "The final state of this year is dependent on negotiations with potential contractors who will become operators of Post Partner", says the CEO of Česká pošta, Martin Elkan.

On 25 May 2015, the government approved amendments to the Postal Services Act. If the law is approved by the parliament and signed by the president in its present form, Česká pošta will obtain a guarantee that starting next year, the costs of providing universal services will be covered directly by the state budget. So far the financing was carried out by the compensation fund, which has never been operated. The amendment to the act sets the maximum reimbursement amount which Česká pošta can reach in particular years. The amount will diminish over time from the maximum CZK 700 million per year in 2015 to CZK 500 million in 2017.

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 2014 accounting period.

Activity report

Financial Performance – Consolidated Financial Results

Even though Česká pošta is experiencing decreasing market conditions, it was able to achieve positive operating results in 2014. Consolidated profit before taxation was CZK 213 million (year-on-year CZK -63 million, -23%) and the consolidated profit after taxation was CZK 179 million (year-on-year CZK -41 million, -19%).

Revenues from postal operations decreased by CZK 519 million to CZK 19,278 million. The main reason for this decline is a decrease in revenues from mailing operations by CZK 511 million. The amount of domestic correspondence (traditional letters and registered letters) decreased by 9.7% due to the negative impact of higher usage of electronic forms of communication (emails, social networks, data messages, etc.). Also, customer interest in print media, postal payments and SIPO decreased. Strong competitive pressure also led to a reduction in revenues from the delivery of promotional materials and business writing. This decrease in volume was partly compensated with a change in the prices of regular mail, registered mail and postal payments of A type from 1 August 2013 and SIPO from 1 December 2014. By contrast, we managed to increase the volumes and revenues in the highly competitive market for domestic parcels.

We successfully managed to compensate the decrease in income with savings in costs. Operating expenses decreased by CZK 437 million to CZK 19,112 million. The largest savings were achieved in personnel costs, CZK 395 million due to a reduction in the FTE by 4%. Furthermore, energy costs decreased by CZK 67 million. Saving measures resulted in a reduction in the cost of material consumed by CZK 101 million. Also, depreciation and amortisation decreased by CZK 99 million, which was caused by lower amount of IT assets depreciation and amortisation, mainly due to extension of the amortisation period of the selected HW and SW. On the other hand, apart from the above-mentioned increase in cost of goods sold, the costs of services increased by CZK 60 million.

Even though Česká pošta reached significant savings in consulting and marketing amounting to CZK 58 million, there has been a significant increase in the cost of terminal fees paid to foreign postal administrations for delivery of international shipments.

Income from procurement activities decreased by CZK 109 million. The main reason was the decline in sales of motorway coupons by CZK 52 million. From 2014, the sales of motorway coupons are no longer included in revenues and costs since the distribution of coupons for SFDI is provided by Česká pošta in association with external partners, while last year Česká pošta operated it by itself.

Income from the Postal Savings Bank also decreased due to the lower volume of bank operations performed. The public's interest in pension insurance was significantly lower. On the contrary, due to low interest rates, there was an increased interest in building savings. Citizens' gradual transition to cashless payments for pension payments and SIPO also has a long-term negative impact on sales.

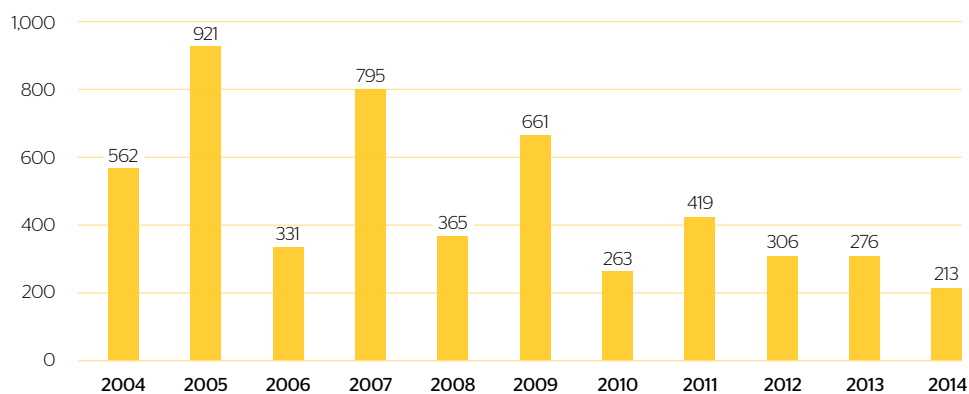
Revenues from sales of goods increased compared to last year by CZK 151 million due to the supplies of HW and SW, which was ensured by the ITC branch within the project for the Ministry of Internal Affairs. Together with income, costs of sold goods also increased.

There was also a decrease in revenue from electronic services (ICT) by CZK 26 million. Based on the agreement with the Ministry of Internal Affairs of the Czech Republic, on 1 January 2014 the prices for communication infrastructure services were adjusted and annual limits for invoicing particular services were set. This led to a decline in revenues from most of the services.

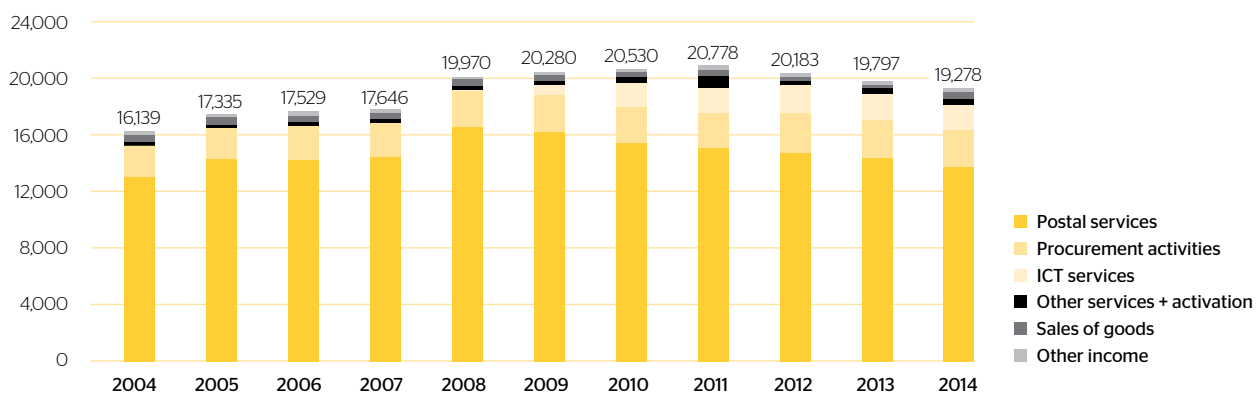
Trends in basic financial ratios – consolidated

(CZK millions)	2010	2011	2012	2013	2014
Assets	22,726	21,308	21,775	26,719	26,106
Share capital	9,979	10,010	10,159	10,341	10,349
operating income	20,280	20,530	20,778	19,797	19,278
Revenues from the sale of own products and services	19,627	19,942	20,076	19,235	18,553
operational expenses	19,740	20,332	20,412	19,549	19,112
of which staff costs	12,895	12,801	12,741	12,300	11,906
Profit before tax	661	263	419	276	213
Net profit	554	214	338	220	179

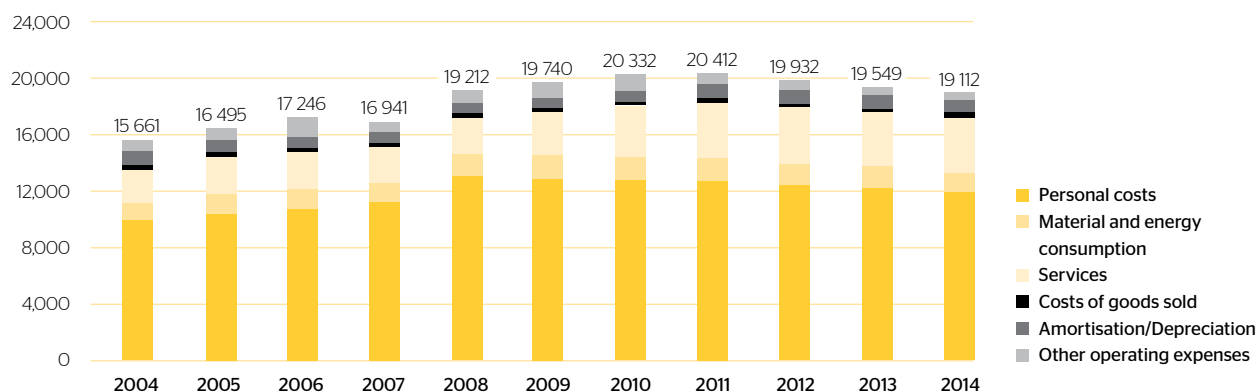
Profit before tax (CZK million)



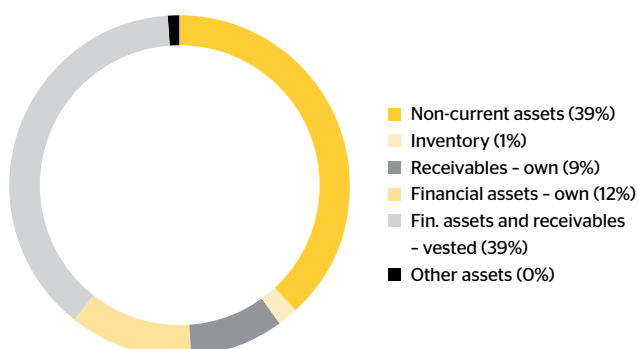
Development of international income (CZK million)



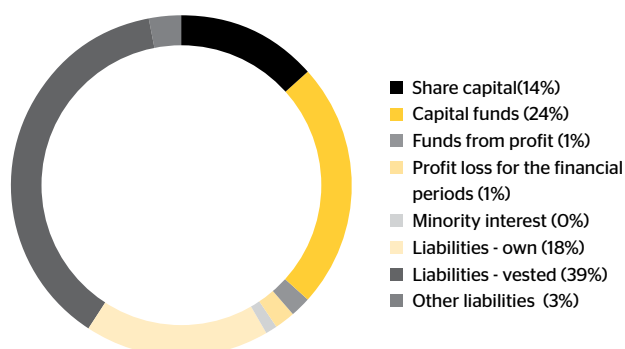
Changes in the operating costs (CZK million)



Structure of assets 2014 (CZK million)



Structure of liabilities and equity 2014 (CZK million)



Investments and technical development

Car fleet

In 2014, the Company continued to renew its car fleet. A total of 150 passenger cars and 50 big delivery trucks have been put into use. Those vehicles have been acquired under an operating lease. Thanks to a major fleet renewal, which according to contracts concluded will continue also in 2015, there has been a decrease in the average age of vehicles to roughly six years.

Parcel processing technology within the logistics hubs (SPU)

Also in 2014, automation of parcel processing continued with implementation of machine technology for sorting parcels with higher technical parameters. In particular, it related to parcel sorting machines in logistics hubs in Ostrava and Plzeň.

Logistics network

Within the reconstruction of the logistics network in relation to bulk delivery and posting, another six depot units were opened in 2014. This is described in detail in the section: Logistics network - Depots.

Also, smaller investments in the technical improvement of existing depots were completed.

At the end of 2014, 63 out of 71 planned depots were in operation which act or will act as both centralised delivery outlets (replacing about 530 parcel dispatching points) and client sites for posting and processing bulk shipments from contract customers.

In 2014, Česká pošta continued with the extensive reconstruction of the transportation collection hub in Ostrava, which will continue in 2015.

In 2014, 10 automatic parcel boxes - for collecting parcels - were installed for the pilot operation.

Branch network

Like every year, adaptations—mostly restorations—in the branch network also took place in 2014. They were aimed at improving the working environment of employees of Česká pošta, increasing clients' comfort or as a part of necessary care of immovable property.

Among the important adaptations of 2014 belongs the reconstruction of the branch office in Žďár nad Sázavou. Also, a number of adjustments were implemented in order to open branches for immobile citizens. Further, both electronic and mechanical security in the protection of employees and assets of Česká pošta were strengthened.

We should also mention the enhancements to the convenience and accessibility of services to customers, for example by opening branches with extended opening hours in shopping centres. In 2014, we opened branches in Olomouc in Šantovka centre and in Prague, Charles square.

By drawing the grant program of the European Union, the building on Prague Street in České Budějovice was insulated and revitalised.

IT

Information technology is becoming increasingly important in all activities of Česká pošta. In 2014, we reinforced data centres by purchasing servers, disk arrays and network elements. Multifunction copy and print devices were rebuilt on the side of the end user. Also, local servers and air-conditioners have been restored.

Among the largest investments in intangible assets are the adjustments of login applications for mail portals and the purchase of licences for a number of necessary applications.

Sales activities

The year 2014 was marked by continued market liberalisation within the letter segment, as in previous years Česká pošta has faced significant competitive pressure. With the high quality delivery of letters, we maintained and defended our market position.

In the parcel market, we maintained the trends from previous years. The increase in e-shop sales does not show in the same degree as in the increased volume of parcels. This is due to vendors' attempts to support their own, respectively shared, pick-up sites. The parcel market remains one of the markets with the strongest competition and largest competitors, yet Česká pošta maintained its market share.

The corporate customer segment recorded an annual decrease in letter mail by around 10%. The increase in electronic mail share is affecting the volume of letters more and more. Česká pošta has to compensate for this trend in other areas, and it has succeeded so far thanks to the massive acquisition activities in other products.

Postal services

Obligatory services

Domestic

Mail

Ordinary
Letters
Mail for the blind
Parcel up to 10kg

Registered
Letters
Mail for the blind
Parcel

Insured
Letters
Parcel up to 10kg

Postal Money orders

Cash - account
Money order A

Account - cash
Money order B

Cash - Cash
Money order C
Money order D

International

Mail

Ordinary
Mail
Printed matter bag
Mail for the blind
Standard package

Registered
Mail
Printed matter bag
Mail for the blind

Insured
Letters
Parcels

Postal Money orders

Cash - account
Money order Z/A

Cash - Cash
Money order Z/C

Optional services

Postal

Domestic

Letter
Company Letters
Registered Company letters
Postfax

Direct mail
Business letter
RIPM
Press mail
Press distribution

Parcel
Ordinary parcel over 10kg
Insured parcel over 10kg
Parcels to hand
Parcel to Post office
EMS
Express parcel
Oversize parcel

International

POSTFAX
EMS
Corporate parcel
Corporate letter

Other

Geomarketing

Philately

PostServis and PostKomplet

E-services

Czech POINT
Certifying authority
Data mailboxes

Other

Procurement

Retirement services

Duty stamps

Vignettes

SIPO

Lottery and betting services

Commissioner sales

Banking and insurance services

Radio and TV fees

Telecommunications services

Other

Parcels

Submission parcel development continues to grow. The total year-to-year increase of 0.57% was mainly due to online shopping (58.7% of parcels are made by e-shops), whose popularity is growing across segments of retail sales of goods. The very popular service packages "parcel delivery to hand" and "parcel delivery to post office" increased in volume by 6.8%.

Also in 2014, Česká pošta focused on improving quality and expanding the parcel services offer, especially in transport mode D+1 (delivery the next working day after sending), i.e. mostly for options "parcel delivery to hand" and "parcel delivery to post office". The main directions of innovation have become interconnecting the transport and e-services and emphasising customer comfort. Specifically, this included the development of electronic applications on the www.postaonline.cz portal and the mobile application Mail Online. For the increased comfort of retail customers, Česká pošta started to implement a new service, "Collection of parcels". The parcel is collected directly from the sender based on an online order on the Česká pošta portal. So customers can send parcels from the comfort of their own home from any address in the Czech Republic. Česká pošta aims to reward long-term customers with customer cards for using its services. In 2014, Česká pošta logically introduced a price advantage for customer card holders when sending parcels.

A convenient way to pick up parcels is now offered by "Balíkomat" (as well as automated parcel boxes). It is a self-service parcel terminal that offers customers comfortable and discreet pick-up of goods ordered from e-shops. The main advantage of Balíkomat is the fact that the terminals are placed in hot spots and are open non-stop, i.e. outside of post office opening hours. Balíkomat allows customers to pick up parcels based on a received message. Delivery can be paid at pick-up.

Česká pošta also strengthened visibly in oversized shipments. The "Oversize parcel" service year-to-year revenues increased by 62.3%. The number of parcels that fall into the category of basic postal services declined by 18.8%.

In the area of marketing communication, the most important action was the support for using Česká pošta's parcel services during Christmas time in the form of a parcel contest. Within this campaign, a new website www.vyhrajsbalikem.cz was launched, and the competition was supported by areal banner advertising and presentations in post offices. Smaller campaigns to introduce the new services "Collection of parcels" and "Balíkomat" took place in the second half of the year.

Letters

In the letter mail, there was an overall annual decline in the number of filed pieces of mail, which is reflected in the year-to-year decline in revenues. However, that was not so strong mainly because of adjustments to the pricing policy implemented in the second half of 2013. The total decrease was mostly caused by unregistered letters, mostly ordinary letters, which recorded an annual decrease in the number of filed pieces by 10.1%. Registered consignment letters also decreased by 1.5%. On the contrary, another product in the category of registered mail, Valuable Letter, recorded growth of 2.3%. In the category of international mail, there was a significant year-to-year decrease in ordinary letters, while the volume of registered letters increased by 3.9%.

Customer card and PostBox

The year 2014 was very important for the Česká pošta Customer card. The Customer card has become an established tool for retail and corporate clients of Česká pošta. Customers mostly appreciated two main benefits of this card: discounts on selected postal services and the possibility to submit mail without filling in a posting ticket. The most awaited novelty in 2014 has thus become the extension of the discount benefits for other groups of postal services. Since December 2014, clients are automatically entitled to a discount on the following services by presenting the Customer card: Parcel to hand, Parcel to post office and SIPO payments at the counter. Česká pošta introduced all those new benefits to the public through campaigns at the turn of the year 2014/2015 in print media, on the Internet and at post offices. Thanks to this, the number of Customer cards issued in 2014 increased by 74.6%.

Both corporate and self-employed card holders, i.e. holders of corporate Customer cards, increasingly began to discover the advantages of PostBox. PostBox allows clients to easily send common and consigned letters directly from the office. The postman picks up letters directly from the client at regular intervals and ensures their delivery. Corporate clients especially appreciated the convenient way of paying through the Credit PostBox. In November 2014, there was an advertising campaign to increase the number of PostBox users. It resulted in a 40% increase in the number of users.

Partner Customer Card

With regards to the built-up quality infrastructure for managing the members' club ensured by the Customer card centre, in April 2014 Česká pošta decided to introduce a follow-up service called Partner Customer Card. Through this service, Česká pošta offers its partners complex, turnkey administration of their members' club. This includes receiving and processing applications, issuing and sending cards, and maintaining the membership database, including effective options for addressing the members or collecting the membership fee.

Direct mail

Despite the popularity of Direct mail as a communication tool, there has been a downward trend of 9.7% in the volume of shipments submitted in the Business Letters service, as well as in brochure distribution using the RIPM service. With the RIPM service, the decrease in the volume of leaflets by 7.4% relates to the trend from the previous year and the increasing client demand for targeted leaflet campaigns while reducing costs. The press mail did not follow the set increase trend, and in 2014 the volume of deliveries decreased by 7.5%; however, compared to 2013, Česká pošta carried out 9.5% more shipments.

International mail

There was an overall volume growth in the field of international shipments both for International Trade packages service, EMS by 9% and for International Ordinary packages (Standard and Valuable) service by 9.3%. On the contrary, there was a decrease in the volume of shipments in the International Ordinary letters, where the volume declined by 33.9% compared to 2014.

Money services

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 2014 was 1.8% lower than in 2013. In December 2014, there was a price adjustment for selected SIPO statements. Also during this month, income increased by 36.2%. Simultaneously, Česká pošta introduced a discount for the SIPO service, when paying in cash on the counter for customer card holders.

Postal money services

Postal money orders are a traditional and integral part of postal financial services. The long-term decline tendency regarding the volume of items within the cash-account was significant. In 2014, the decline reached 15.8 % compared to 2013. For the account-cash there was a slight increase in the volume of transactions by 2.2%.

Electronic services

In 2014, Česká pošta significantly modernised and changed the layout of its website www.ceskaposta.cz. By modifying the graphical concept, it now offers customers not only a clear structure of the information provided, but also new and intuitive functionalities. The virtual branch at www.postaonline.cz has become an independent part of the website. Since 2014, it provides unified access to all electronic services of Česká pošta.

Following the launch of this unique platform for online services, the mobile application was also updated. Customers can use it from 2014, also under the name Mail Online. The application was transferred to the new technological background, and a special design was developed for the iOS7 operating system.

The virtual branch and mobile application Mail Online became the core technology base for the provision of advanced electronic services in 2014.

Services on behalf of alliance partners

Česká pošta was not able to meet the planned profits from the sale of products of alliance partners and subsequent services in 2014. One of the main reasons was the decline in interest rates for deposit products, which led to lower demand from financial institutions and customers. Also, client distrust in pension products continued due to the unclear situation surrounding the pension system.

In terms of banking products, Česká pošta included in its portfolio new, more sophisticated products such as mortgage loans, loan consolidation and the sale of investment products for the Postal Savings Bank. The direct sale of these products takes place at 150 specialised banking counters in cooperation with ČSOB. After a gradual rise, Česká pošta achieved very good results in the volume of mortgage loans and loan consolidations.

In order to increase the competitiveness of products offered at the post offices, Česká pošta integrated an online application into its ICT system for the non-life insurance products of Česká pojišťovna and building societies products, which have been put into operation at about 500 major post offices, and are one of the prerequisites for the fulfilment of revenue expectations for the next season.

There was a continuous increase in the number of issued lottery tickets of around 30% compared to 2013. It was caused by the increasing number of tickets sold in post offices, as well as innovations in visuals and prizes of individual companies. The increase in revenues for Sazka was positively influenced by Sazka's massive media campaign and the introduction of the new international game Eurojackpot.

In 2014, the collaboration with Všeobecná zdravotní pojišťovna was extended for other selected post offices in the Prague region, whereby VZP clients can handle basic tasks pertaining to the health insurance at 29 post offices.

The issue of the sale of goods

In 2014, Česká pošta started to significantly modify the sales of goods concept, which ultimately resulted in an overall reduction in the range of goods sold in the Česká pošta network by 500 items.

In 2014, Česká pošta also continued to modernise the sale of goods through PostShop and posts trading counter, and at the end of the year this system was provided in 72 post offices throughout the country.

Other services

Business contact points of VZP in Česká pošta, s.p. branches

Since 1 January 2014, within a pilot service, Česká pošta has offered administrative and consulting services at selected branches, such as collecting mail, forms and other documents sent by customers of VZP ČR, respectively other persons, aimed at handling VZP issues ("filing room" activity), offering selected products of VZP and providing information on these products to clients of VZP ČR ("information desk" activity). Total revenues exceeded CZK 1 million.

Development of DINO services

Within the DINO service, we managed to implement a number of new client contracts at the central and regional levels. Among the most significant are FIDENTIA - Dopravní podnik hlavního města Prahy, Pražská plynárenská, Česká podnikatelská pojišťovna, Český rozhlas, and Česká televize. In the banking sector, negotiations were concluded with ČSOB on finalising the contract. We expect the signing and implementation of the pilot operation to be launched in the first half of 2015, which would positively affect the access of other banking entities.

Government savings bonds at post offices

In 2014, this project continued the successful cooperation with alliance partner ČSOB at involving Česká pošta in the distribution network of government savings bonds. At more than 980 contact points, services related to securities accounts of government savings bonds holders were performed, which increases the overall availability and quality of the service. Česká pošta is looking for opportunities to further develop cooperation with the Ministry of Finance in this area, related mainly to technical services within its branch network. Revenues associated with the implementation of this service are around CZK 1.2 million.

Agenda of the state social support in Postservis

In 2014, we successfully developed cooperation with the ČSSZ and the Labour Office of the Czech Republic under the project which integrates the requirements for the mass processing letter mail agenda for social and health insurance. These services, which are based on the mandatory duty of the state to provide regular statements to natural and legal persons, contributed to an increase in revenues this year by CZK 3.8 million.

Outsourcing of mail rooms - new service for senders

The project of outsourcing registries services continued, whose aim was to ensure the administration of postal services for major clients of Česká pošta in 2014. Currently, the service is used for example by T-mobile, Komerční banka, and KB Pension Company. Total revenues amount to more than CZK 20 million.

Complex services for Chamber of executors in the Czech Republic

In January 2014, the project which allowed executors' offices to use the comprehensive solutions of the Hybrid Post service was fully launched. This service consolidates the filing of letter mail by executors and enabled a significant increase in the volume of submissions in this segment. It brought revenues exceeding CZK 7.9 million for HP services and CZK 0.9 million for certification authority services of Česká pošta.

Call centre

By further enhancing the utilisation of Cisco Call Manager, Cisco Reskill and online reporting CUCM that help dynamic traffic management, during 2014 the Call Centre continued the further increase in quantitative and qualitative indicators.

The absolute annual increase in incoming calls to customer line 840 111 244 and information line 800 104 244 was from 421,383 calls in 2013 to 450,736 calls, i.e. an increase of 6.97%, which shows growing customer interest in Česká pošta call centre services in the area of voice services. Management of operation using online reporting allowed better response during peak periods, thereby increasing the total number of calls serviced by 7.41%, and the number of call services within the 30-second limit increased by more than 14%.

Call centre operators continue to operate the 800 300 302 and 800 800 880 lines. Those free lines are operated by Česká pošta, s.p. based on contracts with publishers of periodicals, such as Borgis, a.s., Czech News Center a.s., etc. The decrease in the number of incoming calls by 20% on these lines is related to the overall decline in subscribers, who are replacing newspapers with other sources.

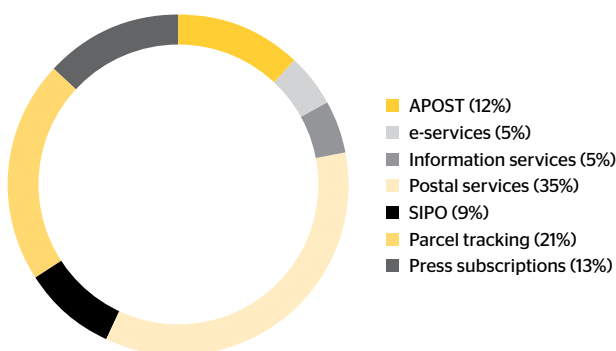
An integral part of the department's activities is the methodological and technological support of post offices, mainly APOST application. In relation to this application, the call centre handled 61,392 calls in 2014.

In the past year, customers continued to show great interest for the provision of information by electronic mail. Operators processed a total of 115,293 submissions, which were sent to the central mailbox address info@cpost.cz. The call centre works closely with other organisational units of Česká pošta, s.p. when contacting customers through the newest communication channel, which is the Facebook profile of the company. This is mainly used by younger clients.

An extraordinary increase in interest was recorded during the processing of online applications at delivery, where the operators handled 57,106 applications, i.e. 39% more than in 2013. Customers showed the greatest interest in the service „Request on sending an already submitted mail to a new address“ and „Application for an extension of time to pick up the deposit already shipped“.

Call centre services are required for virtually all new projects: „Poštomaty“, „Balíkomaty“, Sending shipments, ČP Cloud, Mail Online, etc. This involves telephone support and information provided by electronic mail. Close cooperation with the section of product marketing was launched at the end of year, and further expansion of services through active outreach of selected existing and potential customers of Česká pošta, s.p. is taking place.

Division of incoming calls according to individual services



Quality of services provided

In 2014, Česká pošta, s.p., was obliged 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 of Česká pošta, s.p., is regularly monitored through surveys of the quality of the transport of mail carried out by the internal control system of Česká pošta, s.p., and also by an independent entity.

Results of independent measurements of the transit time of mail weighing up to 50 g per 2014 are listed in the following table:

Delivery time for standard letter mail in 2014 (as measured by an independent agency)

	Monitored sample volume (pcs)	Number of items (in %) delivered	
		1 st day after posting	2 nd day after posting
Within the region	12,317	95.04	
Outside the region	17,296	93.24	99.32
Total	29,613	93.99	99.37

Complaints

Complaints regarding the mail delivery

For 1 million posted mail items and postal vouchers within basic postal services in 2014, there were 221 delivery complaints filed, including those concerning failure to confirm delivery. Of the 1 million complaints received, only 131 were judged to be justified.

Complaints regarding the damage or partial loss of mail:

Out of 1 million mails for which the Company is responsible for the damage or partial loss of mail, the Company recorded 41 claims of damage or loss. 30 complaints out of 1 million posted items were justified.

Complaints regarding the delivery of mail or money orders (pcs)	
Total number of complaints	221
Justified complaints	131

Complaints regarding the damage or partial loss of mail (pcs)	
Total number of complaints	41
Justified complaints	30

Postal network

At the end of 2014, one service point served 3,166 citizens (in 2013: 2,983).

The number of people served by one mail box increased compared to 2013 - from 462 to 480.

Overview of the distribution of endpoints of the postal network in 2014

	3,972 (incl. Partners, vending, postal agencies and other service points)
Total service points	
of which: Post offices	3,162
Specialised service points	656
Postal agencies	14
Partners	54
Vending points	86
Remote counters	13
Self-service machines	10
Mobile post offices	0
Mail boxes	21,971
P.O. Boxes (rented)	28,665
Delivery areas (mail)	7,742
Delivery areas with car service	3,600

Compared to 2013, 29 post offices (1 post office, 28 Partners and vending places) and 565 specialised service points (of which 552 delivery places, mail delivery places and displaced depot workplaces) were established. 31 post offices and 4 specialised service points were closed down.

Logistics

Parcel processing technology within the logistics hubs (SPU)

In 2013, a project which aims to equip four SPUs with parcel sorting machines was launched along with installation of new technology in the logistics hub point, in SPU Prague O22. Installation of new technology in SPU Plzeň O2 and SPU Ostrava O2 continued. The last installation has been postponed until the situation of SPU Pardubice O2 building is sorted out. Installation of the higher technical parameters passed its stress test mainly during Christmas 2014 and proved the correctness of the decision to deploy technology that will unite all SPU device parameters and that can better respond to market demands on processing.

Plant equipping with small automation and handling equipment

Like every year, we continued the necessary chain of small automation securing and material handling equipment for post offices, depots, and collective transport hubs, which always starts with a phase of technical specification, tendering and subsequent final acquisition according to operational needs for reconstruction and development. The process of acquiring small mechanisations with qualitatively higher specifications—which the current technological development is bringing—can contribute to improving the quality of work, eliminating the human factor errors and ultimately reducing physical demands and increasing the speed of processing postal products.

Logistics network – Depots

Within the renewed logistics network in relation to bulk delivery and posting, another six depot units were opened in 2014:

- 1x in North Bohemia Region (Mladá Boleslav 70)
- 2x in East Bohemia Region (Česká Třebová 70, Rychnov nad Kněžnou 70)
- 1x in South Moravia Region (Vsetín 70)
- 2x in North Moravia Region (Ostrava 71 - part of the SPU reconstruction, Ostrava 72)

By the end of 2014, we came closer to the planned 71 depots with 63 depots in operation. The irreplaceable function of depots is to ensure sufficient space to process shipments, the centralisation of service delivery, bringing mass (contract) senders and ultimately improving working conditions for our employees.

Logistics network – SPU

During the year, we optimised the stationary transport network. The operation of SPU Liberec O2 and Tabor O2 was finished, and their operation has been transferred to the collecting transportation hub Praha O22. Collective hub Česká Třebová O2 was moved to the new building, which meant involvement of this hub in the rail transport network.

International postal operations

The most important partners of Česká pošta in the area of international cooperation are national post operators in Slovakia, Germany, Great Britain, USA and China.

Properties

Česká pošta has the right to manage its extensive number of real estate properties throughout the Czech Republic. This includes about 2,689 pieces of land and 1,495 buildings which together comprise 1,205 sites. The vast majority of the property is used to ensure the performance of the subject activities of Česká pošta. The properties comprise post offices, depots and SPUs. Česká pošta continuously acquires property that it needs for its activities, whether by buying or building. Some of the properties which are not actively used by Česká pošta are rented to third parties. In connection with the termination of the transformation process, the sale of redundant property has been started. Based on the newly designed internal procedures, a pilot project to sell real estate was implemented.

eGovernment services and ICT

BICT

Information security in Česká pošta is carried out in accordance with the standards of ISO / IEC 27000 and internal regulations of Česká pošta to protect information. Ensuring the implementation of security measures is a fundamental mission of the ICT department.

In the course of 2014, the security policy of Česká pošta ICT was revised. ICT security is gradually being introduced in the process of project management through risk analysis. Contingency measures were drawn up against identified cyber-attacks and security incidents. In 2014, there was a slight decrease in the intensity of the abuse of the Česká pošta name in phishing attacks compared to 2013.

Within the preparation of the law on cybersecurity by the Czech Ministry of Internal Affairs, effective from 1 January 2015, Česká pošta intensely participated in professional discussions, commenting on the present wording of the act implementing regulations. It also conducted a preliminary analysis and assessed the potential impacts of the law on its cybersecurity systems.

In the area of technical safety, web firewalls have been gradually implemented, which is a system of continuous analysis of operating logs at the level of supervising and monitoring security events. Packet analysis (SIEM) was also modernised. The project of building a security operations centre (SOC) was terminated due to the preparation of the law on cybersecurity.

Licence management of the software used is continuous, and records are kept in the AW Caesar filing system.

In the future, the focus will be mainly on fulfilling the requirements of the law on cybersecurity, linking the security monitoring system of Česká pošta with the central supervision of the Ministry of Internal Affairs and complying with licensing agreements in the environment of Česká pošta.

Customer services

Operation of computer technology for end users is provided by the customer service section with 175 field staff who take care of more than 23,284 computers spread across 3,408 locations. Out of the total number of computers, 22,160 are located and operated outside the data centre, while at post offices and technical operation sites directly supporting postal traffic there are 5,079 servers and 11,830 workstations, to which 19,312 printers and 14,533 bar code scanners of mail and transport objects are connected.

Operation of ICT

In 2014, Česká pošta completed the first two parts of the overall reconstruction of the central part of its data network. 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 at the branches and further development of Česká pošta online services.

Within this programme, two brand-new internet gateways were built, which together with complete restoration of obsolete infrastructure enable higher speed access to/from the Internet and greater comfort of online services.

Furthermore, construction was completed on the new central part of the data network that underlies the use of new, better quality communications services to connect Česká pošta office branches, including the implementation of a higher level of security.

At the same time, in 2014 the migration of existing online connections with a substantial increase in speed and conversion of connections still using dial-up connections via Euro ISDN services was prepared and launched. Implementation of the migration of all branches of Česká pošta is planned between 2015 and 2016.

Czech POINT

Czech POINT services were provided by 979 branches 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%, which was the same in 2014.

Services provided within Czech POINT

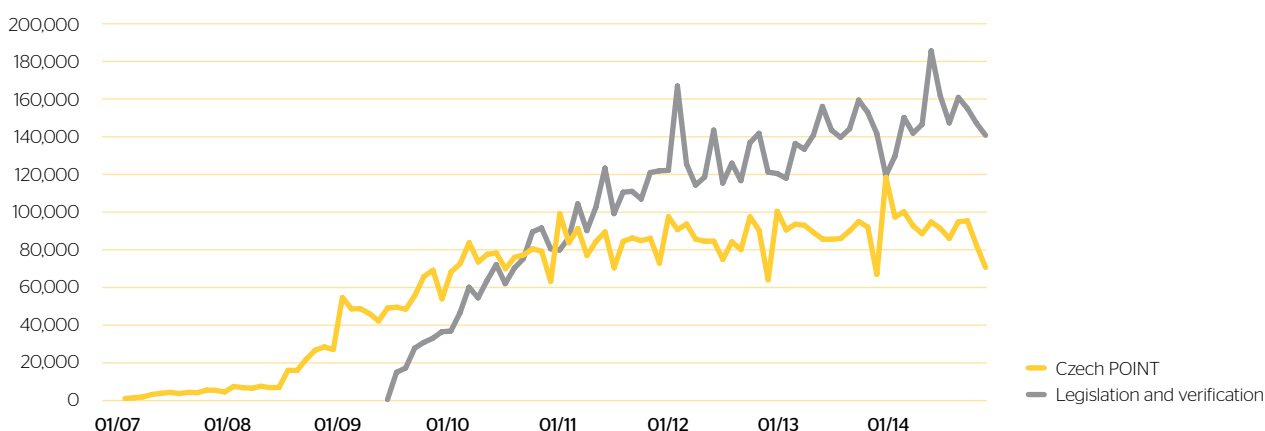
Customers of Česká pošta can obtain certified information from a range of public administration information systems at Czech POINT service points. The largest demand was for extracts from the criminal register, real estate register and commercial register. Furthermore, services like statements on drivers' penalty points, list of qualified contractors, commercial and insolvency registers as well as authorised conversion of documents or statements from basics registers are used. Through the Czech POINT system, applications and notifications regarding the information system of data boxes, for example a request for the establishment of a data mailbox, a request for invalidation of the access data to the data box and the issue of a new one, etc., can be submitted.

Authentication of documents and legalisation of signatures

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

Within the traditional services of Czech POINT, in 2014 more than 1.1 million transactions were performed. That means a 4% increase compared to the previous year. An even more visible increase was noted in verification of documents and signatures. Compared to 2013, the number of these transactions increased by 6% to 1.8 million.

Number of Czech POINT transactions and documents and signatures verified at Česká pošta branches

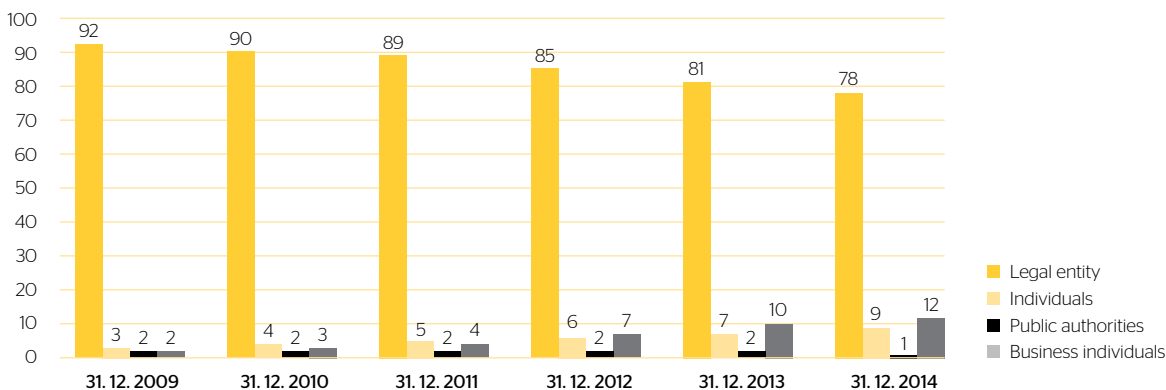


Data Mailbox Information System

The main trend in the use of the Information System data boxes in recent years was a continuous increase in the number of individuals and entrepreneurs that use data boxes. The share of legal entities in the total number of data boxes is declining, but self-employed individuals have a growing share (increase in the share from 2% in 2009 to 12% in 2014) as well as individuals (increase from 3% to 9%). It can be assumed that this trend will continue in the future.

During 2014, a total of about 67 thousand new data boxes were added. Since the launch of the Information system of data boxes in 2009 until the end of the year 2014, a total of around 625 thousand data boxes have been installed, out of which about 572 thousand were active as at 31 December 2014.

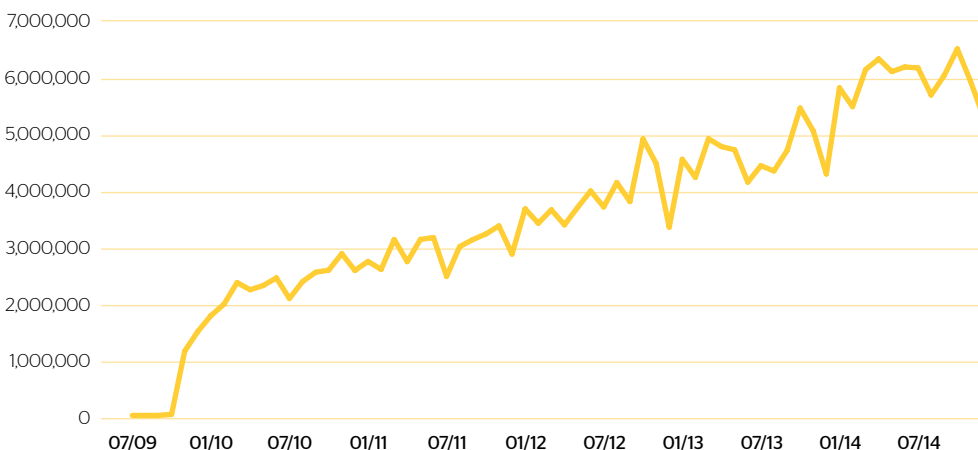
Volumes of data messages by senders (%)



User activity is also increasing in terms of data box use. In 2014, the number of data messages sent increased by 29% to approximately 71 million. Out of the total amount of data sent, the public authorities accounted for 78%, while their share in the total number of data boxes is only nearly 1.5%. Although

the proportion of messages sent by individuals and business individuals is still relatively small, the number increased by 61% compared to 2013.

Number of data messages sent



The Data Box Information System ("ISDS") is continuously being improved by the Ministry of Interior as its administrator and Česká pošta as its operator. A total of 78 ISDS amendments were realised in 2014. The new, improved way to find recipients when creating a data message on the website significantly increased user comfort and accelerated work in the use of data mailboxes.

Credit System

The Company offers a range of supplementary services to ISDS. Data box users can use several additional services for increased security and ease of use when working with data messages. An important innovative development in ISDS was the introduction of the credit system for data boxes. The credit system presents a new online 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 contracts (invoice payment).

Postal Data Message

Postal data message ("PDZ") is an ISDS service which can be used by individuals, entrepreneurs and legal entities to communicate with each other. PDZs suit any situation where the communicating parties need guaranteed and conclusive proof of document delivery. PDZs 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 on the content of messages.

In 2014, the number of PDZs doubled annually to around 47,000. But a barrier to even greater expansion of private communication remains the fact that the majority of data box users have not been enabled to receive PDZs yet. This can easily be done directly in the data box in the Settings tab. If not enabled, it is not possible to send a PDZ to a data box. At the end of 2014, almost 100,000 data boxes (cca 17%) were allowed to receive PDZs.

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.

Data box users can choose up to 9 types of Data Safe by capacity (the number of stored messages) ranging from 50 to 5,000 messages. For customers who have more messages in their data box, we offer Data Safe with higher capacities according to individual user needs. All new users of data boxes have the opportunity to try out the Data Safe service without any costs or obligations for three months.

Customer interest in Data Safe is constantly growing. At the end of 2014, the service has already been used by 5,177 customers, which is seven times more than two years ago.

Safe key

The safe key to the 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 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 on 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

SMS notifications 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 in to their mailbox now include further solutions enhancing the security of access to data mailboxes via a web interface.

The number of SMS notifications sent in 2014 reached cca 600,000.

Certification authority - Postsignum

The Certification authority - Postsignum 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.

Additional services and products can be purchased through the electronic ordering system on the website in addition to basic certification services. These include products for the secure storage of private keys and software products for electronically signing documents and archiving.

In 2014, the list of certification authority services was expanded with new products and services. A new type of certificate called „Domain Certificate“ has been introduced, which provides secure client communication with web applications and portals. These certificates are offered with a traditional one-year validity period, and new ones also with a three-year validity period. Another new service called „External registration authority“ allows contractual partners to sell certificates of Česká pošta on commission. This was put into operation together with the „OCSP“ service, which allows an online check of the validity of certificates issued by our certification authority.

68,827 commercial certificates and 171,945 qualified certificates were issued in 2014, which represents a 5.9% and 5.3% increase in the annual volume of commercial certificates and qualified certificates, respectively. The certification authority issued on average over 17 million time stamps per month. The overall number of issued time stamps for 2014 was 260,113,510 pieces, which means a year-to-year increase of 27.4%.

The total revenues in 2014 exceeded those generated in 2013, thus confirming the leading position of the Company on the market.

International operations and relations

The Company in the worldwide 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 2014, considerable attention was paid to the operational implementation of the updated version of the Universal Postal Union Acts, which were adopted by the congress in Doha. Company representatives actively participated in a series of working meetings with the Association of European Public Postal Operators (PostEurop) about terminal charges, e-commerce, customs services and air transport security.

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 liberalised in the Czech Republic, which means that other operators may enter the segment and create a competitive environment. The most important foreign business partners of Česká pošta are the public postal operators in Slovakia, Germany, Great Britain, USA and China.

Quality in international operations

The EU membership of the Czech Republic has led to further duties for 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.

Quality of service targets in terms of delivery performance cross-border priority letter mail within the EU

Time limit*	Target	Actual 2014 - inbound	Actual 2014 - outbound
D+3	85% of mail	89.5%	88.4%
D+5	97% of mail	97.9%	97.5%

* 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.

Marketing Communication

Česká pošta implemented several smaller campaigns to support new (e.g. Christmas gift collection of stamps and postcards) as well as existing products (vignettes, occasional postage stamps, Czech POINT, Vidimus and Legalization, Extracts from criminal records, Drivers' list of points, Extract from the cadastre or Data Safe).

In 2014, as in past years, Česká pošta as a provider of eGovernment services actively participated in the two key industry conferences – ISSS 2014 (Internet in Public Administration) in Hradec Králové and eGovernment 20:10 in Mikulov. In addition to these most prominent conferences, Česká pošta participated in several smaller ones, as e.g. The days of small communities in Prague and Prostějov and Egovernment seminars in Prague and Jihlava.

To optimise the cost of marketing communications, post offices' own advertising space (promotion at point of sale) acquired great importance at the expense of purchased media space.

In terms of marketing communication, the electronic means of communication continue to grow in importance. The ratio of investment in online advertising has significantly increased in the overall media mix compared to other media types. Web microsites (e.g. vlastniznamka.cz) were launched for the selected new services and products.

Corporate communications

In 2014, Česká pošta published the periodical Poštovní noviny (Postal newspapers), addressed to all employees and former employees. Semi-monthly periodical circulation is about 50,000 copies. It informs about all the latest news, important changes and future plans, and it is distributed directly to the mailboxes of the postal workers. It is also available on the Česká pošta website.

Various social media has been enjoying great popularity in recent years. For its promotion and communication, in the past year Česká pošta used mainly Facebook, where the number of people watching is constantly growing.

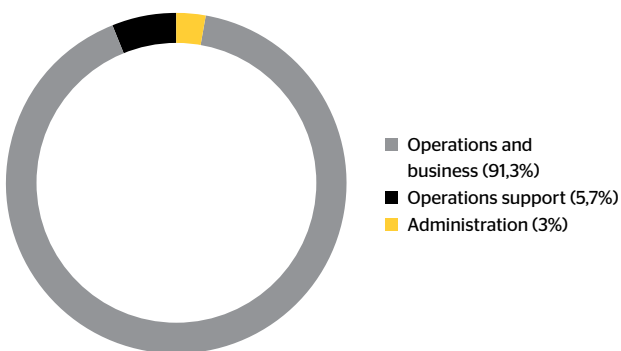
Human resources

Employment development and employee structure

In 2014, development in Česká pošta was greatly affected by the separation of administration and delivery processes. Implementation of these changes was also associated with the rationalisation of personnel capacity. Compared to 2013, this represents a reduction in average registered number of employees of 1,094 equivalent persons, especially in professional messengers' groups, counter staff and management (e.g. head of operations department, head of the managing post offices and district managers). The total average number of employees for the year 2014 amounted to 30,418 equivalent persons.

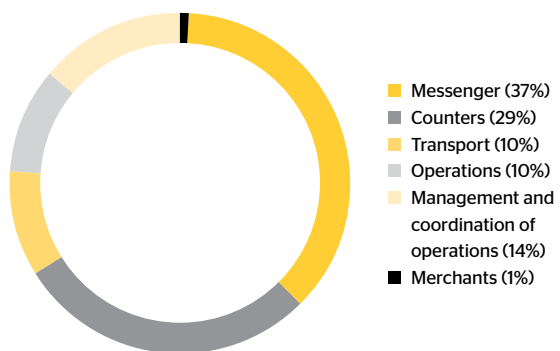
Organisational changes affected all professional groups throughout Česká pošta, but the professional structure has not changed much. The largest share of the total number of employees, in the amount of 91.3%, is represented by operations and sales (employees at post offices, depots, collection transport nodes, in payment services, PostServices, PostKomplets, etc.). Operations support (IT, transport, Call centre, supplies, warehouses, etc.) amounted to a share of about 5.7% of employees. Administration (accountants, property management, controlling, monitoring of postal operations, HR professionals, marketing, etc.) amounted to only 3% of the total number of employees.

Proportion of the total number of employees



The most numerous group within operations and business are messengers. They represent 37% of all operational staff. Another larger group is counter staff, who make up about 29% of all operational staff. The operations - as well as transport - represent about 10% of the number of operational staff.

Proportion of employees in the operating sector



The professional structure of employees significantly affects the personnel policy of Česká pošta, i.e. higher average wages, employee benefits, staff training, recruitment, adaptation process, etc.

Salary and social policy

In 2014, the average wage compared to 2013 increased by 1.18%, i.e. to CZK 21,523.

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

- a) Management support in the implementation of incentive wages as a management tool of performance management:
 - personal communication in the workplace and operational meetings with the heads of the relevant establishments,
 - organisation of seminars for executives at the depots, post offices and SPUs on the topic of HR processes,
 - preparation of technical management support for processing the agenda of ongoing evaluation indicators with output in the annual employee evaluation.
- b) preparation for changes in the remuneration for the following period in collaboration with representatives of specialised departments and operations.

Beyond wages for work performance, Česká pošta provides employment benefits to its employees, such as:

- from the statutory fund for cultural and social needs (FKSP) generated in the amount of 2% of wages under the law (gifts for important work and life anniversaries and contributions for recreation, rehabilitation camps, culture and sport)
- from the costs (financial contributions to meal vouchers, to pension and life insurance).

Systematic employee performance management

One of the essential management tools for performance management is the continuous evaluation of work performance. Management regularly evaluates indicators for the staff throughout the year. These indicators are established before the evaluation period in line with the objectives and strategies of Česká pošta. The so-called "performance wage", which is provided beyond the basic salary based on the results of the evaluation of individual indicators, is paid to employees.

In addition to the current assessment, which is used to evaluate short-term work performance in relation to the variable component of wages, Česká pošta also implemented an annual employee performance assessment. During February and March 2015, employee assessment was held for the fourth time. The aim was to assess the long-term work performance and professional conduct of employees on the basis of five criteria: client access, performance, accountability, flexibility and cooperation. In connection with the annual assessment, adjustments were made to employee wages. The annual employee evaluation provides assessors and evaluated employees space for dialogue on the historical performance and setting future goals.

Social dialogue

Dialogue with social partners is an important part of Česká pošta 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 2014 amounted to a total of CZK 169.156 million.

A culminating moment for social dialogue in Česká pošta was the successful two-month collective negotiation which ended by concluding Česká pošta's Collective Agreement for 2015 – 2018. The Collective Agreement preserves most of the existing benefits for employees and provides wage increases. For 2015, an increase in employees' wages is secured with a tariff-based wage by 3% annually. Standard benefits such as contributions to meal vouchers, life insurance and additional pension schemes were preserved. The new Collective Agreement signed for four years is a significant element of stability for Česká pošta.

As a responsible employer, Česká pošta also cares about the health of workers, gives them room to grow and educate themselves, deepens corporate social responsibility in the area of equal opportunities and supports the Česká pošta brand as a promising and attractive employer. These activities are described in more detail in the chapter on CSR.

Security

Within postal services, Česká pošta offers financial services which are activities with higher risk exposure. Due to its diversity, Česká pošta 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 Česká pošta is the basic task of the security department.

Another important task that the security department deals with is the issue of crisis management and planning as well as the management of classified information within the Česká pošta services. The broader concept of Česká pošta security also includes the corporate compliance program against corruption and other forms of misconduct.

The Postal Operations security

During 2014, the security department solved essential safety requirements for enhancing the security level of all buildings, premises and fixed assets.

The reason for the department's continuous action to raise the security level is the increasing rate of crime in society. Protection of people and assets is the main priority of the department.

The specific activities implemented during 2014 in the newly opened and renovated premises were ongoing installation of time vault cashiers and mobile safes, containing a variety of advanced security protection elements. At the beginning of 2014, a security alarm and emergency system were installed for the establishment's protection. Ongoing safety assessments were conducted at post offices and depot establishments that 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. The security project continued when, right after a robbery of a post office, there is an immediate increase in the security level by one degree. In 2014, systematic training to raise the level of knowledge of security agencies' employees who guard important buildings of Česká pošta and training to develop and update safety orders were initiated by the security department.

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., the Crisis Act, and Act No. 222/1999 Coll., on Ensuring Defence of the Czech Republic, have been performed.

Prepared crisis plan ("PKP") of the entity's critical infrastructure ("KI")

- Finalising the documentation of the newly rebuilt elements of KI (Post 50)
- The updated documentation of the PKP body and PKP KI elements were continuously carried out with regard to organisational changes in the security department.
- Finalising the documentation of the type of plans for dealing with individual KS and MU for all post offices.

Objects important for national defence

- Updates in cooperative conventions and processed draft agreements on guarding objects was carried out in the regions of Prague, Central Bohemia, North Bohemia, East Bohemia, South Moravia and North Moravia.

Other in area of emergency planning

- In accordance with Decision RO-150/2014/GŘ "Rules for managing crisis situations", the General Director approved the "Statute of the Crisis of Staff of Česká pošta, s.p." and the "Rules of Procedure Crisis Staff of Česká pošta, s.p." on 1 July 2014. Similarly, these documents were developed and approved in all regions.
- On an ongoing basis, the necessary data (Sec. 15 para. 3 of the Crisis Act) HZS were provided to crisis management bodies of cities to handle the flood plans for emergency plan processing to prepare and manage crisis situations and documents to targets of possible attack, and last but not least, the contact information for the Czech Social Security Administration.

Protection of employees regarding crisis planning

- A crisis card ("KK") is located in a visible place in every post office and in the PKI (Element of critical infrastructure). The head of the establishment is responsible for its processing and for updating the facility. In case of MU/KS emergence, employees will find a connection to the permanent operational service, direct supervisor, a section of security region representative and the Integrated Rescue System. The other side consists of general guidelines for managing the situation.
- Typical plans for dealing with anticipated crises and extraordinary events (hereinafter "TP"), with respect to a given territory, are displayed near the KK. Materials for processing that documentation (anticipated KS and MU to a given territory) were requested from headquarters by the security department through a letter to the Director of the Regional Fire and Rescue Service.
- In connection with the growing incidence of hazardous consignments addressed to government, deposition of TP to all post offices for early awareness and the initiative to correct reasoning and decision-making when solving KS/MU by postal employees including instructions for handling dangerous shipments were determined by the security department.

Extraordinary crisis events

- In October 2014, after the publication of the spread of the Ebola virus in the Czech Republic, the security department immediately responded by distributing information I on a potential attack of Česká pošta establishments and with notification for increased caution in the process.
- In November 2014, dangerous consignments addressed to the government were found. Simultaneously, Česká pošta's operation was attacked by an increase of hazardous shipments, which have been identified and handed over to the Integrated Rescue System ("IZS").
- The security department immediately issued an initial order of „Bulletin Board" Dangerous consignments, which set out basic information on how to identify a hazardous shipment and how to deal with it further, including links to the IZS and the permanent operational service of Česká pošta.
- Regions were continuously informed about the situation and given the necessary instructions to deal with KS in connection with the increase of hazardous shipments.
- Employees of Česká pošta followed the guidelines issued to help cope with the emergency situation.
- The security department actively cooperated with the Ministry of Interior, and the director of the security department attended a meeting of the central crisis staff.

Protection of classified information

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

- notify the NBU in writing on a yearly basis on the day which coincides with the date of the issue of the application for entrepreneurs (i.e. 12. 2.), changes in the data provided in the application for entrepreneurs (in accordance with § 68 point. d) of Act no. 412/2005 Coll., on protection of classified information and security capacity, as amended (hereinafter "Act") - *this obligation to NBU was met on 11 February 2015;*
- immediately notify the authority in writing of data changes, which is then entered in the Commercial Register - composition of the statutory body, changes in the composition of the supervisory board (§ 68 point. c) of the Act) - *this obligation is fulfilled on a regular basis;*
- ensure that training on legislation in the field of classified information for Česká pošta employees who have access to classified information is performed annually (§ 67 para. 1 point. b) of the Act) - *this obligation was met in 2014 in the form of two-hour workshops, where the listeners were acquainted with the system of the protection of classified information in the Czech Republic (realised February-April 2014);*

- update the list of features and people that are assumed to have access to classified information (§ 98 point. d) of the Act) – *this obligation was fulfilled by issuing Decision DG (RO-118/2013/GŘ from 30 April 2013). In 2014, there was a comprehensive examination of employees who have access to UI as there is reason to continue their access to essential UI (reflected job classification). Based on the disappearance of the reason, the access to classified information was removed for roughly 30 OZ ITC employees;*
- verify that the conditions for access by individual persons to information classified as restricted were met (§ 67 para. 1 point. c) of the Act) – *this obligation is fulfilled on a regular basis (in relation to the date of issuance of the notice of compliance with conditions for access to restricted classified information);*
- request the NBU for recurring certification of the information system (§ 48 par. 5 of the Act) – *in February 2014 the NBU was requested to approve the new "Project documentation of the information security system for processing classified information". Given the fact that Česká pošta used the information system for handling classified information which is outdated and inadequate from the information technology point of view, a change of HW and SW was performed. On 18 July 2014, the NBU approved "Project documentation of the information security system for processing classified information" and issued a certificate to the Company. Subsequently, based on the facts described above, the responsible post office approved the information system for operation – according to the provisions of § 34 para. 2 of the Act;*
- update "Safety entrepreneurs documentation" (§ 98 of the Act) – *this obligation was fulfilled at the end of 2014 – currently the document is ready for the approval procedure. Changes were made in terminology in the document in connection with the adoption of the recodification of private law; a change in the "safety director" and "responsible persons" function; adjustment in the chapter "notification obligation of entrepreneurs".*

Protection of classified information from the NBU was inspected in Česká pošta on 3-5 June 2014. No deficiencies were identified during the inspection. The protection of classified information is carried out by Česká pošta in accordance with the law.

Protection of personal data

In 2014, the security department conducted a pilot inspection focused on the protection of personal data in the operation of Česká pošta. The inspection will continue in 2015 on a wider scale under the methodological guidance of the legal department. As part of this inspection, the security department also provides consulting services and highlights the significance and the importance of protecting personal data in accordance with Act no. 101/2000 Coll., on data protection. Under this law, the internal regulations of Česká pošta, s.p. and procedures for handling personal data are being modified, in particular Directive 8/2013 "Privacy at Česká pošta, s.p." and Directive 7/2012 "The use of closed circuit television."

All organisational units and employees of Česká pošta, who as part of their duties are processing personal data of clients/ employees of Česká pošta are responsible for complying with obligations under the aforementioned regulations. Česká pošta is aware that it is required in each case to secure personal data so that they are protected against unauthorised or accidental access or other misuse and so that access is provided only to authorised persons, who processed the data in accordance with the purpose for which they were granted to Česká pošta.

The system for guaranteeing the safety of employees of Česká pošta, overall, is the cooperating system of responsible departments. Specifically, this is to ensure all aspects of security shared by the security department, postal technology and inspection department, department of ICT security, legal and compliance department and the legal department in BOZP.

Internal audit

Status and activities of internal audit were carried out in 2014 in accordance with the binding international professional practice of internal auditing, which is issued by the International Institute of Internal Audit, which the company is a proper member of. So as to ensure the required independence and objectivity in the performance of internal auditors, additional mandatory requirements for the implementation of the Standards of assurance and advisory services were secured by strict compliance with Internal Audit Charter, Code of Ethics and Guidelines for the Performance of Internal Audit in Enterprise.

The Internal Audit Committee – an advisory body answering to the General Director – monitored the activities and discussed the results of the audit. All fundamental materials of internal audit, in particular the results of individual audits were discussed by the Committee and then presented to the General Director.

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 2014. 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. The results of these evaluations are that audits carried out meet expectations and objectives, the quality and clarity of audit reports was very good and a significant contribution to the improvement of auditing and business venture was made.

Internal audit activities were conducted primarily in line with the internal audit plan for 2014, which was approved after discussions by the Committee on Internal Audit and by the General Director, and subsequently the Supervisory Board was informed of its content. The content of this plan was mainly process audits on key objectives and goals resulting from the strategy of the Company. The plan contained the

implementation of a series of so-called statutory 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., on the procedures of qualified certified providers of services and compliance of document management system – filing service according to BS/ISO 15489:2001. A total of 23 planned audits were carried out in 2014. Beyond the approved program of work of the internal audit for 2014, three other audits were carried out at the request of the General Director.

The next scheduled internal audit activity for 2014 was the quarterly performance monitoring tasks of the corrective action plans issued for the already completed Audits. The final report, including the auditors' recommendations, was always discussed in the Internal Audit Committee and subsequently approved by the General Director. Fulfilment of the tasks of the corrective action plans aims to improve the corporate governance, its processes and thus the quality of services provided. It also serves to improve the internal control system and risk management process.

Under the approved plan of operations, necessary capacity has been allocated for advisory services, to cooperate with the external auditor, for the evaluation of the internal control system and risk management levels.

Overall, the internal audit activities carried out throughout 2014 contributed towards:

- improved level of audited processes and activities,
- better efficiency of the management activity and cooperation between organisational units of the Company,
- securing functionality and quality of the new services provided by the Company,
- stronger preventative measures against fraud and damage,
- better efficiency of the managerial and professional control,
- identification of the causes of risks and measures leading to their elimination,
- ensuring the fulfilment of the requirements of ISO standards.

Risk management

Risk management has been an integral and permanent part of the process of corporate governance. It exists in an environment of conscious acceptance of all business risks which originate from a changing external business environment and an environment of intense internal changes.

In 2014, risk management was carried out in accordance with the Guideline for Risk Management, follow-up with methodological guideline recommendations and standards of series ČSN EN 30000 with the aim of reducing any negative impact on the performance of the Company and its business plans.

Being responsible for the strategy, the risk management framework and methodology department has established an internal audit and risk management, including the provision of aid to the risks in the process of analysis and valuation risks. Risk owners are executives at the level G-1 to G-3, responsible or mandated to manage the appropriate risk conferred sections of the activities specified by Organisational regulations of the Company.

For all risks, during 2014 not only were their owners updated but also the measures taken to control them were reviewed, or a re-evaluation based on risk level was performed. Assistance was provided to organisational units that have been certified according to ISO standards in the identification of the relevant assets and the performance of risk analyses. The results of these analyses were used to assess the specific risks of the Company.

Company leadership in 2014 approved a new group of so-called strategic risks, which are those risks that could endanger the fulfilment of strategic objectives, economic stability and reputation of the Company. Furthermore, these risks could negatively affect the availability of provided services, modernisation and development, particularly IT infrastructure and services, or even transparent management of state property.

As a result of the risk management process, the Book of Risks for 2014 was published. It comprises the identification and management of risks, including risk maps of individual categories and the distribution of risk in these categories depending on the level of impact and frequency. All the risks in the Book of Risks were assessed after measures had been implemented.

The Company continuously planned further goals in the area of risk management for the entire year, which were:

- updating the cards and risks owners in accordance with the organisational changes,
- providing information to the new risk owners on the development of risks for which they are responsible and support for evaluating those risks,
- analysing the impact of new legislative measures and their reflection in the risk portfolio of the Company,
- providing support to the organisational units with ISO standards certificates.

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

Social pillar

We care about the health of workers

Česká pošta ensured labour-medical services with the maximum possible level of computerisation. The quality of security and employee health steadily increased, and a cost increase that the new law provoked was eliminated.

Česká pošta supported the health of their female employees in a unique project "Let's all get involved, it is not difficult". The event was aimed at breast cancer prevention. 25,000 women were addressed. They received the maximum amount of information called "handheld" and had the opportunity to participate in workplace workshops with the main goal of initiating interest to regularly undergo screenings. An important part was the free delivery of an educational DVD which was supported by Euroclinicum, a.s., in cooperation with Foundation "Cancer is a Public Affair". Thanks to the synergy, the project was implemented with a minimal cost of CZK 12.70 per one female employee. One year after the launch of the campaign, 10,000 workers over age 45 who have a mammogram every two years, paid for by public health insurance, received a personal greeting card with a reminder of the need for preventive examinations.

The event was very positively evaluated not only by workers, but also as a way to solve this global societal problem. Reducing morbidity and mortality due to breast cancer was confirmed by awards received in the Czech Republic and abroad.

The project received the "Heart of the Jury" prize in the HREA Excellence Award competition. Then it was evaluated for outstanding contribution to social and ethical value in San Marino in the first year "CSR Coups de Cœur" Association of European Public Operators PostEurop. In autumn it received the award of HR 2014 HR Management Conference in Prague.

We give people space to grow

Internal transformation processes and a new strategic objectives venture make high demands on the knowledge and skills of employees. In addition to the security of all training, which is used to obtain and maintain permanent staff qualification requirements, the Company realised training to support the branch network in the field of development education.

In 2014, a total of over 60,000 participants went through trainings, especially in the field of professional preparation. In the field of development, the first part of the project to support the branch network in cooperation with ČSOB Poštovní spořitelna was implemented. In this project, nearly 500 executives and managers of separate post offices attended workshops. The workshops were aimed at the business-focused selection of counter staff and the identification of development needs, which followed a three-day training of managerial skills in conducting the sales team. The project will continue in 2015, not only for the branch, but also for the delivery and utility network.

As a part of the National Qualifications Framework and in accordance with Act no.179/2006 Coll., on verification and recognition of further education, eight new postal professional qualifications were approved.

We support corporate social responsibility and equal opportunities

Česká pošta's strategy in the social pillar of corporate social responsibility is fulfilled by many activities. For example, during 2014, thanks to a grant of 100% funded by the ESF through Operational Programme Human Resources and Employment the Czech state budget, a comprehensive project to assess the current state of equal opportunities for women and men and reconciling work and family life was successfully completed. The project resulted in a systemic approach to these issues in the field of human resource management of Česká pošta. This approach should facilitate the return to work after maternity/parental leave. The program includes a new web portal www.ceskapostarodicum.cz, which is serving not only as a source of information on the Company and from the Company, but also provides the opportunity to attend several new e-learning courses directly from home. The result is also a set of manuals for employees on maternity/parental leave as well as for managers.

Česká pošta subsequently participated in the contest Family Friendly Company, in which it received an honourable mention for the proactive approach to the issue of support for employees returning from parental leave.

As part of a responsible approach to equal opportunities, Česká pošta continued the employment of persons with disabilities (OZP). Recruitment of new employees with OZP was implemented in particular by working with regional branches of the Labour Office and non-profit organisations. We also continued to reach out to existing employees and raise employee population through internal communication tools. In comparison to last year, a combination of employing people with disabilities and indemnification again managed to reduce the payment to the state budget for 2014. Moreover, we won the award "Jumper of the year" for our approach to the employment of persons with disabilities, and one of our messengers won 2nd place in the competition for the best employees of OZP in the Usti Region, to which 38 employees from various companies were nominated.

We support employer brand

The Company continued activities aimed at strengthening the brand of Česká pošta as a prospective and attractive employer. Cooperating with partner secondary schools, the University of Pardubice and the Czech Technical University enables targeted communication to potential employees from among the students.

Of the activities realised in 2014, it is worth mentioning the presentation of Česká pošta at the job opportunities fair at the University of Pardubice, the traditional postal skills competition organised for pupils of secondary "postal" schools and the annual meeting of representatives of schools with the Česká pošta management.

Sponsorship

Česká pošta is well aware of its prominent position in society, so one of the pillars of its corporate social responsibility is sponsorship donations for charitable purposes. As a state enterprise, the Company is governed by Government Resolution no. 334/1999, defining which entities may be given a donation and for what specific purpose.

In 2014, Česká pošta decided to target its assistance to two groups of people who are unable to care for themselves alone - seniors in nursing homes and disabled or disadvantaged children. The three-member committee sponsorship of Česká pošta, in collaboration with the Social Welfare Department of the regional authorities, chose the most suitable financial donation recipient in each region from non-profit organisations. Česká pošta helped one entity caring for the elderly and one caring for physically or socially disadvantaged children in each region and endorsed these two non-profit organizations nationwide.

Over several years of collaboration, Česká pošta dedicated donations also to Chart 77 Foundation - "Barriers Account" and to the organisation "League Against Cancer".

The amount allocated in 2014 for donations to charity totalled CZK 2 million.

Environmental protection

The operations of Česká pošta 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, sulphur 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 by reducing pollutant emissions. In order to reduce emissions from transportation in 2014, the Company continued to purchase and implement CNG vehicles. CNG vehicles currently make up already 20% of the Česká pošta fleet. For stationary machinery, heating sources were exchanged, where in one source fossil fuels were replaced by gas, and the heating sources were modernised in another nine buildings. In terms of energy efficiency in buildings and thus to reduce emissions, measures were implemented in 2014 in 12 buildings, where the insulation of the buildings was upgraded or in some cases windows have been replaced.

Stamps in 2014

In 2014, Česká pošta, acting on behalf of the stamp issuer, i.e. the Ministry of Trade and Industry of the Czech Republic, issued a total of twenty-eight commemorative stamps with first day covers and commemorative handstamps. Four of these came in the form of occasional sheets.

Česká pošta also issued its own stamps, which have been a permanent fixture of stamp design for several years. The names of these 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. A further commemorative stamp was issued to mark the anniversary of 17 November, and two circular patterns of Custom stamps with the possible image of Jara Cimrman.

Definitive stamps and postal stationery

A total of eight definitive stamps, three commemorative postcards, eight picture cards and a special New Year's envelope with prepaid stamp were issued by Česká pošta in 2014.

Furthermore, Česká pošta issued stamp booklets on "Václav Zapadlík - Czech cars - Škoda II" with the nominal value of A (real price CZK 13), which followed up on last year's and pre-last year's edition and will proceed. Česká pošta also prepared new Christmas stamps with original drawings by Josef Lada. For stamps with coupons for additional prints the UTL office has prepared two new signs - For good luck and Bouquet.

Personalised stamps

For those who want to have an original way of advertising, Česká pošta provides personalised stamps. From November 2014, companies can choose another method of delivering personal stamps in a circular pattern in 25 pieces of personalised stamps on the print sheet.

Nine orders were received and 100 custom stamps delivered with a total value of CZK 2,432,486 in 2014.

Furthermore, Česká pošta has issued personalised stamps at its own cost with a nominal value "A" - Advent time, which were sold in a package of eight postcards with the same motifs as on stamps. These custom stamps were distributed through selected post offices.

Commemorative handstamps

In 2014, Česká pošta prepared and used a total of 44 commemorative handstamps. In addition to traditional handstamps such as Christmas, Easter and Valentine's Day, commemorative handstamps were used for Postcrossing, sporting achievements of our representatives, anniversaries and events of the Union of Czech Philatelists.

The handstamp with the "Easter post office Kraslice" designed by Pavel Sivko was the winner of the 22nd annual most beautiful commemorative handstamp competition. In addition, there were 35 R-labels with additional printings for certain occasions and 29 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.

Commemorative sheets

In 2014, a total of nine commemorative sheets (PLZ) were issued:

Postcrossing, 150 years of Czech volunteer fire department, Academic painter and graphic artist Jiří Bouda - 80th birthday, Exponet, Valeč in the Czech Republic - 500 years of small

town, Engraver Martin Srb - 60th birthday, 50th exhibition of Česká pošta stamp design, Anniversary of the 17th of November, Jára Cimrman on circular stamp.

In 2014, the stamp design store sold 9,019 pieces of commemorative sheets, revenues for this sale were CZK 270,570 (costs CZK 52,321.93).

Commemorative stamps in 2014	in CZK
The Tradition of Czech Stamp Design - Ladislav Jirka, engraver (1914-1986)	13
Winter Olympic Games in Sochi 2014	25
Winter Paralympic Games in Sochi 2014	13
Historical Vehicles: Eugen Čihák's airplane: Rapid, 1912	13
Historical Vehicles: prototype of the 1 st Czechoslovak car for the Prague Metro	13
150 Years of the Czech Firefighters	13
Personalities: Bohumil Hrabal (1914-1997)	17
Personalities: Prof. RNDr. Zdeněk Kopal (1914-1993)	21
Beauties of our country: Červená Lhota Chateau	17
Europa - National musical instruments - Chodsko Bagpipes	25
200 Years of Museology: Opava 1814	13
Technical Monuments: Handmade Paper Mill in Velké Losiny	13
Prague Castle - Assembly of Olympian Gods - Peter Paul Rubens	37
Historical Vehicles: Z4 car (Zbrojovka Brno)	25
Historical Vehicles: passenger paddle steamer	25
Victims of World War I	29
Victims of World War I	29
Nature conservation - The Beskid Mountains	13
Nature conservation - The Beskid Mountains	17
Nature conservation - The Beskid Mountains	21
Nature conservation - The Beskid Mountains	25
Personalities: Karel Older of Zierotin (1564-1636)	29
St. Vitus Cathedral	58
Personalities: Andreas Vesalius (1514-1564)	25
Works of Art on Postage Stamps: Jakub Schikaneder (1855-1924)	25
Works of Art on Postage Stamps: Jaromír Funke (1896-1945)	29
Works of Art on Postage Stamps: Salvador Dalí (1904-1989)	37
Anniversary of the 17th of November	13

Postal Museum

The Postal Museum contributes to the Company's marketing activities and promotes the tradition and history of the post office or postal services and stamp design.

It corresponds with activities related to 2014, when the Postal Museum managed to be incorporated into a consortium of leading memorial institutions of Prague and Brno. The consortium decided to jointly develop a project to commemorate the anniversary of the outbreak of the World War I. The result is the project The Great War 1914-1918, respectively exhibition "Post during the Great War. I am writing to you from the front...". These projects (and the Postal Museum's exhibition) met with unprecedented media feedback. It won the Czech Association of Museums and Galleries award - Gloria Musaealis 2014 in the Accomplishment of the Year section.

Synergic effect was the issue of a narrative memoir Post during the Great War, which is a unique achievement of Česká pošta, s.p. This is the first such comprehensive treatment of the subject in the given field.

Similarly good media resonant topic was the exhibitory project Post by one track, ready for the summer season in the Vyšší Brod Postal Museum and traveling exhibition of Adolf Born or how to create a stamp.

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 Universal Postal Union.

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

In 2014, the Postal Museum celebrated its 96th Anniversary.

Temporary exhibitions at the Postal Museum

Eva Hašková – Jan Mačet. Graphic, illustration, stamp – 20. 11. 2013 – 23. 2. 2014

From movie poster for a postage stamp. Legends of Applied Graphics – 26. 2. – 4. 5. 2014

Post during the Great War. I am writing to you from the front... – 14. 5. – 14. 9. 2014

Zdeněk Mězl – Ode to vanity – 24. 9. – 30. 11. 2014

Illustration for small and large – 10. 12. 2014 – 15. 3. 2015

Temporary exhibition at the Postal Museum in Vyšší Brod

Post by one track and On the Kamil Lhoták track – 21. 6. 2014 – 14. 9. 2014

XXIII Exhibition of works by students of the Elementary Art School in Kaplice – 12. 6. 2014 – 31. 8. 2014

Exhibitions – external collaborations within the Czech Republic

Post in the eyes of Tomáš Vosolsobě, photographs 1975–79 – 16. 1. – 9. 3. 2014. The Municipal Museum of Žatec.

Exhibition of proposed Olympic-themed postage stamps – 7. 2. – 23. 2. 2014. Share on exhibition for the Winter Olympics in Sochi at the National Museum.

Adolf Born or or how to create a stamp – January – September 2014. The exhibition prepared in cooperation with ČSOB, a.s. It travelled along Poštovní spořitelna branches, ERA and Česká pošta financial centers.

Prague Castle in Postage Stamp Art – April – October 2014. Linhartovy castle.

Hitching beauty – carriages, sleighs, stretcher 17th–19th century – 20. 8. – 19. 10. 2014. Prague Castle Riding Hall.

World War I in the view of artists – 3. 9. – 31. 12. 2014. Exhibition premises of Old Royal Palace at Prague Castle.

Bear tracks – June – November 2014. Museum of Czech Karst Beroun – Žebrák exposure.

Post during the Great War and Adolf Born or how to create a stamp – 25. 9. 2014 – 4. 1. 2015. Municipal museum and gallery in Svitavy.

Přeštice century ago – November 2014 – January 2015. The House of History of Přeštice.

Post by one track and On the Kamil Lhoták track – 7. 10. 2014 – 31. 1. 2015. The Museum of South Bohemia in České Budějovice.

Exposure of cartage vehicles from the PM Collection. The chateau Decin.

Mail train museum in Lužná u Rakovníka – 26. – 27. 7. 2014. Lužná u Rakovníka.

In 2014, the Postal Museum also organised social events. On 14 June 2014 it joined the “Prague Museum Night”, and on 18 December 2014 it recalled the 96th anniversary of the founding of the Postal Museum. Together with the Union of Czech Philatelists on 4 November 2014, it participated in the event “VIII. Day of Czech philately”.

As part of its publishing activities, the Postal Museum in 2014 was involved in the creation of three books and catalogues, 23 articles and papers and in varying degrees contributed to the establishment of six books.

Employees of the Postal Museum participated in lectures, organised guided tours of the museum for elementary, middle and high school students, provided services to researchers and provided consultancy, whether full-time, via email or by telephone.

Postal Museum's collection

The records in the Central archives of the Ministry of Culture that cover the Postal Museum's collections were updated within the regular deadline. Total registration numbers of entries increased as at 31 December 2014 to 227,703 recording items (collection objects and their files). Any new additions were duly registered pursuant to Directive No. 3/2009.

The Postal Museum's collection was enriched by a total of 92 gifts which were the subject deed of a gift. In 2014, the Postal Museum drew investment funds in the amount of CZK 96,510 to purchase collection items. All purchases were discussed, suggested by the Commission for the purchase and disposal of collections of the Postal Museum. 46 items were purchased in antique shops or directly from the owner.

In total 27,712 recording items were stock counted.

External restoration

In 2014, cleaning and preservation process of 82 pieces of engraving and printing plates damaged by floods in 2002, 100 pieces of original designs of Champion Max Švabinský on Czechoslovak postage stamps as well as 57 pieces of line drawings for Max Švabinský postage stamps from graphic Jindra Schmidt were restored together with common country buggy from 19th and 20th century and a portrait of Gustav Rettig, Litovel hereditary postmaster.

Entrance fee excluding VAT	CZK 314,751.73
Plan for 2014	CZK 310,000

Sales of PM for stamps and goods in 2014	CZK 1,599,466.30
Plan for 2014	CZK 1,500,000

Revenues of the Postal Museum amounted to CZK 1,914,218. The projected amount of revenues was exceeded by CZK 104,218.

Postal ombudsman

In 2014, the ombudsman was contacted by 2,882 customers of Česká pošta.

This year, the ombudsman settled 267 appeals, of which 104 requested that the results of a previous complaint or claim handling procedure be examined. The ombudsman confirmed the previous decision of Česká pošta in 71 cases, while in the remaining 33 cases she upheld the customer's view. A total of 163 appeals were about new cases without previous standard examination.

33 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 2014 was CZK 125,000, out of which CZK 80,157 (around 64%) was paid out in 2014.

Branch office of ICT services

The government resolution dated on 4 April 2012 No 224 on Information on the provision of selected services of information and communication technologies used by the administration ("Government Decree No. 224/2012") among other things approved the method of Uniform level of operating management information systems and technology upgrades for receiving an emergency call basic components of the Integrated Rescue System program implementation (Projects National Information System IZS - "NIS IZS" and regional standardised projects of regional fire rescue corps - "KSP HZS") and the projects Integrated telecommunications network of the Ministry of Interior ("ITS NGN") and Central place of services ("CMS 2.0") through Česká pošta, s.p., state-owned enterprise. In line with the recommendation of the Office for the Protection of Competition, made pursuant to paragraph II/1 of Government Resolution No. 224/2012 within Česká pošta, s.p., the Branch Office of ICT Services was established on 1 May 2012 ("ČP OZ"). To ČP OZ, the Ministry of Interior ("MV") and its subordinate elements implemented those projects and subsequently other tasks and activities based on the so-called in-house exemption according to paragraph 18 Section 1 letter e) of Act No. 137/2006 Coll., on public contracts, as amended.

During 2014, the implementation of the above-mentioned key projects in the field of critical information infrastructure of the state (NIS IZS, CMS 2.0, ITS NGN, KSP HZS) continued. At the same time, at the end of 2014, the MV commissioned two new projects for ČP OZ. The first of these projects is the MV network control centre for the operation of ICT systems and cyber security ("DCeGOV") which also includes a safety monitoring centre for cybersecurity MV ("SOCCR"). The second newly-commissioned project is the creation of the Information System for Public Service ("ISoSS") according to Act no. 234/2014 Coll., on civil service, under which the MV has a duty to ensure the position of the central government authority for state services. ČP OZ was tasked to build the

information system of the civil service and its subsystems embodied in Sections 179 to 184 of the Civil Service Act and the information system to ensure systemisation service posts under the Civil Service Act.

Besides the implementation of the above projects, ČP OZ ensures the central purchasing of data and voice services of Public administration communication infrastructure ("KIVS") for the MV in the years 2013-2017, which follows the plan approved by Government Resolution No. 385 dated 30 May 2012, on the concept of buying data and voice services of the Public administration communication infrastructure after 27 March 2013. The plan represents a centralised purchasing with the mandatory participation of all government bodies to purchase data connections KIVS to CMS and ensuring the separate purchase of other data and voice commodity telecommunications services. ČP OZ provides the MV with administrative, technical and consulting services in operating a Dynamic purchasing system through which KIVS is implemented. It also provides operating services of the KIVS applications portal and ensures operator migration to CMS.

ČP OZ provides support services and economic development of the MV information system ("EKIS"), which provides support for activities in the field of economic, personnel and salary administration and other operational support functions, important for the functioning of both the MV as well as its components and subordinate organisations. In 2014, there was a substantial expansion of the management information system, including secure connection of mobile devices. Within the SAP technology, it was the first implementation in the country.

In 2014, ČP OZ continued to provide ICT services for the MV and the Czech Police unit, according to the so-called framework agreement on the provision of communication support for the MV and designated authorities, respectively organisation concluded between the MV and ČP OZ ("Main Contract"). According to this agreement, services are provided, especially in ensuring the operation, maintenance and development of the PEGAS radiocommunication system and other specified voice and data technologies, including the development of MV transmission technologies in the communications infrastructure. The Main Contract also ensures the provision of communications support services in selected projects, e.g. KIVS, CMS, Visa Information System, the Schengen Information System and operations centres. The validity of the Main Contract ends based on the currently closed appendix at the end of 2015.

During the implementation of the above projects and all of its other activities, ČP OZ took care to ensure maximum transparency in the procurement of external supplies and services. Thus external supplies and services purchased by ČP OZ are transparently tendered in open tender procedures or in other appropriate modes of procurement procedures under the Public Procurement Act.

Nearly three years of activity of ČP OZ has demonstrated the necessity of the existence of an independent state body that provides services and support operations in the area of critical information infrastructure of the state. The legal form of the branch was chosen in 2012 after consultation with the Office for Protection of Competition as a temporary solution to prevent potential cross-financing and unauthorised state aid in project implementation according to Government Resolution no. 224/2012. As of the present, ČP OZ has reached a certain stability to be able to complete the process of its independence also in the legal field and the creation of an independent state enterprise (note: similarly, the Czech Ministry of Finance carried out the split of the State Treasury Shared Services Centre from the State Printing Works of Securities to form an independent state-owned enterprise on 1 January 2015).

The aim of the empowerment process, which will take place during 2015, will be establishing an independent and stable state company able to provide a wide spectrum of ICT services in accordance with current legislation. In this context, we can be inspired by foreign models of existing government agencies and state-owned companies in the EU countries that are providing ICT services to governmental bodies such as the agency Statens IT in Denmark, Bundesrechen Zentrum in Austria, the Netherlands Logius agency or government ICT agencies in individual German federal states.

According to Act no. 77/1997 Coll., on state-owned enterprise, as amended, prior government approval is necessary to split up a state enterprise and simultaneously establish a new state enterprise. For this purpose, during the upcoming period, material with appropriate parameters including a specific proposal for the transformation of the legal form will be submitted to the Government for approval through the founder, MV. The ČP OZ split into a new legal entity is expected as at 1 January 2016.

Financial part

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Independent auditor's report on the financial statements



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 Praha 1, Politických vězňů 909/4 ("the Company"), which comprise the balance sheet as at 31 December 2014, 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 2014, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

13 March 2015


represented by partner


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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Financial statements

Balance sheet as at 31 December 2014

(CZK million)

Description	ASSETS	31. 12. 2014			31. 12. 2013
		Gross amount	Provision	Net amount	Net amount
a	b	1	2	3	4
	TOTAL ASSETS	39,096	13,000	26,096	26,679
	a - of which entrusted resources	10,189	-	10,189	10,099
B.	Fixed assets	23,040	12,792	10,248	11,022
B. I.	Intangible fixed assets	2,133	1,675	458	539
B. I. 1.	Software	1,855	1,608	247	299
2.	Royalties	2	1	1	1
3.	Other intangible fixed assets	80	66	14	29
4.	Intangible fixed assets in the course of construction	196	-	196	210
B. II.	Tangible fixed assets	20,602	11,110	9,492	9,852
B. II. 1.	Land	857	1	856	832
2.	Constructions	11,246	4,761	6,485	5,750
3.	Equipment	8,192	6,319	1,873	1,883
4.	Other tangible fixed assets	4	-	4	4
5.	Tangible fixed assets in the course of construction	298	29	269	1,378
6.	Advances paid for tangible fixed assets	5	-	5	5
B. III.	Long-term investments	305	7	298	631
B. III. 1.	Investments in subsidiaries	79	7	72	18
2.	Other long-term securities and investments	217	-	217	613
3.	Intra-Group loans - Subsidiaries and Controlling parties	9	-	9	0
C.	Current assets	15,963	208	15,755	15,546
C. a	- of which entrusted resources	10,189	-	10,189	10,099
C. I.	Inventories	285	61	224	234
C. I. 1.	Raw materials	183	51	132	157
2.	Work in progress and semi-finished products	15	-	15	15
3.	Goods for resale	87	10	77	62
C. II.	Long-term receivables	20	-	20	16
C. II. 1.	Trade receivables	6	-	6	0
2.	Long-term advances paid	4	-	4	4
3.	Other receivables	10	-	10	12
C. III.	Short-term receivables	2,537	147	2,390	2,425
C. III. a	- of which entrusted resources	97	-	97	108
C. III. 1.	Trade receivables	1,355	89	1,266	1,409
1. a	- of which entrusted resources	97	-	97	108
2.	Receivables - subsidiaries/ controlling parties	0	-	0	25
3.	Receivables from shareholders and co-ventures	17	-	17	4
4.	Taxes - receivables from the state	2	-	2	77
5.	Short-term advances paid	197	-	197	148
6.	Estimated receivables	832	-	832	694
7.	Other receivables	134	58	76	68
C. IV.	Financial assets	13,121	-	13,121	12,871
C. IV. a	- of which entrusted resources	10,092	-	10,092	9,991
C. IV. 1.	Cash in hand	4,173	-	4,173	4,366
1. a	- of which entrusted resources	4,090	-	4,090	4,365
2.	Cash at bank	8,448	-	8,448	8,005
2. a	- of which entrusted resources	6,002	-	6,002	5,626
3.	Short-term investments	500	-	500	500
D. I.	Prepayments and accrued income	93	-	93	111
D. I. 1.	Prepaid expenses	52	-	52	62
2.	Accrued income	41	-	41	49

Description	LIABILITIES AND EQUITY	31. 12. 2014	31. 12. 2013
a	b	5	6
	LIABILITIES AND EQUITY	26,096	26,679
	a - of which entrusted resources	10,189	10,099
A.	Equity	10,402	10,365
A. I.	Share capital	3,588	3,588
A. I. 1.	Share capital	3,588	3,588
A. II.	Capital contributions	6,238	6,156
A. II. 1.	Other capital contributions	6,229	6,136
II. 2.	Assets and liabilities revaluation	9	20
A. III.	Reserve fund and other reserves	369	371
A. III. 1.	Legal reserve fund	359	359
2.	Statutory and other reserves	10	12
A. IV.	Profit / Loss for the current period	207	250
B.	Liabilities	15,150	15,716
B. a	- of which entrusted resources	10,189	10,099
B. I.	Provisions	357	537
B. I. 1.	Other provisions	357	537
B. II.	Long-term liabilities	382	378
1.	Trade Payables	26	51
2.	Deferred tax liability	356	327
B. III.	Short-term liabilities	14,376	14,766
B. III. a	- of which entrusted resources	10,154	10,064
B. III. 1.	Trade payables	11,456	11,938
1. a	- of which entrusted resources	10,057	10,064
2.	Liabilities - subsidiaries/ controlling parties	-	-
3.	Liabilities to employees	508	556
4.	Liabilities for social security and health insurance	313	330
5.	Taxes and state subsidies payable	71	83
6.	Short-term advances received	181	55
7.	Estimated payables	1,432	1,427
8.	Other payables	415	377
a. - of which entrusted resources		97	0
B. IV.	Bank loans & overdrafts	35	35
B. IV. a	- of which entrusted resources	35	35
B. IV. 1.	Short-term bank loans and overdrafts	35	35
1. a	- of which entrusted resources	35	35
C. I.	Accruals and deferred income	544	598
C. I. 1.	Accrued expenses	-	-
	Deferred income	544	598

Income statement for the year ended 31 December 2014

(CZK million)

Description	TEXT	For the period ending	
		31. 12. 2014	31. 12. 2013
a	b	1	1
I.	Sales of goods	417	266
A.	Cost of goods sold	361	211
+	Gross profit	58	55
II.	Sales of production	18,479	19,144
II. 1.	Sales of own products and services	18,464	19,113
II. 2.	Changes in inventories of finished goods and work in progress	-	15
3.	Own work capitalised	15	16
B.	Cost of sales	5,335	5,399
B. 1.	Raw materials and consumables used	1,400	1,574
2.	Services	3,935	3,825
+	Added value	13,200	13,800
C.	Staff costs	11,831	12,232
C. 1.	Wages and salaries	8,655	8,978
2.	Emoluments of board members	9	11
3.	Social security and health insurance costs	2,833	2,902
4.	Other social costs	334	341
D.	Taxes and charges	95	97
E.	Depreciation and amortisation expense	908	1,008
III.	Sales of fixed assets and raw materials	27	21
III. 1.	Sales of fixed assets	27	21
F.	Net book value of fixed assets and raw materials sold	4	2
F. 1.	Net book value of fixed assets sold	4	2
G.	Changes in operating provisions and complex prepaid expenses	(209)	(309)
IV.	Other operating income	253	224
H.	Other operating expenses	658	749
*	Operating result	193	266
VI.	Income from Sales of shares and securities	402	-
J.	Shares and securities sold	382	-
VII.	Income from long-term investments	4	6
VII. 1.	Income from other long-term investments	3	6
VII. 2.	Income from investments in subsidiaries and associates	1	-
VIII.	Income from short-term investments	3	6
L.	Loss on revaluation of securities and derivatives	-	-
M.	Changes in financial provisions	-	7
X.	Interest income	32	37
N.	Interest expense	1	1
XI.	Other financial income	48	68
O.	Other financial expenses	58	70
*	Financial result	48	39
Q.	Tax on profit or loss on ordinary activities	34	55
Q. 1.	- current	3	-
2.	- deferred	31	55
**	Profit or loss on ordinary activities after taxation	207	250
***	Net profit / (loss) for the financial period	207	250
***	Net profit / (loss) before taxation	241	305

Cash-flow statement Year ended 31 December 2014

(CZK million)

	2014	2013
Cash and cash equivalents as at the beginning of the financial period	12,871	13,099
- out of which entrusted resources	9,991	9,609
Net profit on ordinary activities before tax	241	305
A.1 Adjustments for non-cash movements:	633	679
A.1.1 Depreciation/amortisation of fixed assets and lost investments projects	909	1,030
A.1.2 Changes in operating provision	(209)	(309)
A.1.3 Profit from disposal of fixed assets	(43)	(19)
A.1.4 Dividend and profit share income	(1)	-
A.1.5 Net interest expense/(income)	(31)	(36)
A.1.6 Other non-cash movements	8	13
A* Net cash flow from operating activities before tax, changes in working capital and extraordinary items	874	984
A.2 Working capital changes:	132	384
A.2 - out of which entrusted resources	101	382
A.2.1 Changes in receivables and prepayments and accrued income	(32)	227
A.2.1 - out of which entrusted resources	11	188
A.2.2 Changes in short-term and long-term payables and deferred income	155	142
A.2.2 - out of which entrusted resources	90	194
A.2.3 Changes in inventories	9	15
A** Net cash flow from operating activities before tax and extraordinary items	1,005	1,368
A.** - out of which entrusted resources	101	382
A.3 Interest paid	(1)	(1)
A.4 Interest received	32	37
A.5 Income tax overpaid	25	42
A.7 Dividend and profit share received	1	-
A*** Net cash flow from operating activities	1,062	1,446
- out of which entrusted resources	101	382
Cash flows from investing activities		
B.1 Acquisition of fixed assets	(1,097)	(1,520)
B.2 Proceeds from the sale of fixed assets	429	22
B.3 Loans to related parties	15	(11)
B*** Net cash flow from investing activities	(653)	(1,509)
Cash flows from financing activities		
C.1 Changes in equity	(159)	(165)
C.1.1 Direct payments from reserves	(159)	(165)
C*** Net cash flow from financing activities	(159)	(165)
Net increase/(decrease) in cash and cash equivalents	250	(228)
- out of which entrusted resources	101	382
Cash and cash equivalents as at the end of the year	13,121	12,871
- out of which entrusted resources	10,092	9,991

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 responsibility. 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 2014 and 31 December 2013, 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 2014, the Company has its registered office in Prague, Politických vězňů 909/4, 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 7565. Czech post is a business entity pursuant to Act No. 77/1997 Coll., on State-Owned Enterprise, as amended.

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

The main business activities of the Company are as follow:

- 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 2014 was as follows:

Organisational structure as at 31 December 2014

Czech Post

Director General

Branch ICT Services Executive Director	Internal Audit and Risk Management Executive Director	Corporate Management Ředitel úseku	Strategy and equity management Executive Director	Security Executive Director	Postal Technology and Supervision Chief Director	Purchasing and Procurement Chief Executive
System Integration and Projects Executive Director Purchase Management Executive Director Odbor ekonomika Executive Director Sekce komunikační infrastruktura Executive Director		Ombudsman Ombudsman Communication Executive Director Legislation Executive Director	PS Strategy and Project Management Executive Director Strategic Development and BI Executive Director	Postal Security Executive Director	Allocation and Payments Executive Director Supervision Executive Director Operational Control and Complaints Executive Director	Public Contract and Preparation Executive Director Central Purchasing Executive Director Standardise and Promote Sales Executive Director Operational Logistics Support and Supply Executive Director Purchase Commodity Management Executive Director

Human Resources Management Chief Executive Executive Director	Finance Chief Executive	ICT and eGovernment Chief Executive	Sales and Marketing Chief Executive	Property Management Chief Executive	Branch Network South-Bohemia Branch Network Director	Postal Operation and Logistics Chief Executive
Remuneration Executive Director	Accounting and Taxes Executive Director	ICT Support Executive Director	Sales Coordination Executive Director	Investments Executive Director	Branch Network West-Bohemia Branch Network Director	Purchase Function Network South-Bohemia Purchase Function Network Director
HR Development Executive Director	Controlling Executive Director	ICT Security Executive Director	Business Development Executive Director	Operations Southwest Executive Director	Branch Network North-Bohemia Branch Network Director	Purchase Function Network West-Bohemia Purchase Function Network Director
Front Office Executive Director	Treasury and Financing Executive Director	ICT Operation and Development Executive Director	Corporate Marketing Executive Director	Operations Northeast Executive Director	Branch Network East-Bohemia Branch Network Director	Purchase Function Network North-Bohemia Purchase Function Network Director
HR Processes – Back Office Executive Director		eGovernment Executive Director	Stamp Production Executive Director	Operations Moravia Executive Director	Branch Network South-Moravia Branch Network Director	Purchase Function Network East-Bohemia Purchase Function Network Director
		Business Development for eGOV and ICT Executive Director	Corporate Business South-Bohemia Region Sales Director	Operations Prague Executive Director	Branch Network North-Moravia Branch Network Director	Purchase Function Network South-Moravia Purchase Function Network Director
			Corporate Business West-Bohemia Region Sales Director	Property Executive Director	Branch Network Prague Branch Network Director	Purchase Function Network North-Moravia Purchase Function Network Director
			Corporate Business North-Bohemia Region Sales Director			Purchase Function Network Prague Purchase Function Network Director
			Corporate Business East-Bohemia Region Sales Director			Delivery and Function Network Executive Director
			Corporate Business South-Moravia Region Sales Director			Logistics Executive Director
			Corporate Business North-Moravia Region Sales Director			Money Service Operation Executive Director
			Corporate Business Prague and Central-Bohemia Region Sales Director			
			Regional and International Sales Executive Director			
			Alliance Partners Executive Director			
			Product Marketing Executive Director			

The top management of the Company as at 31 December 2014 were as follows:

Members of top management	Position	Appointed on	Registered in the Commercial Register on
Martin Elkán	Director General	13 June 2014	1 July 2014
Marek Jánský	Deputy of the Director General, Chief Director of Finance Division	1 July 2014	25 August 2014
Vít Bukvic	Deputy of the Director General, Chief Director of Postal Operations and Logistics Division	1 January 2014	25 August 2014
Jan Foubík	Chief Director of Trade and Marketing Division	1 July 2014	
Pavel Chyla	Deputy of the Director General and Chief Director of ICT and e-Government Division	14 July 2014	
vacant	Chief Director of Property Management Division		

The following changes in the top management of the Company were also registered in the Commercial Register in 2014:

Members of top management	Position	Appointed on	Registered in the Commercial Register on	Terminated on	Deleted from the Commercial Register on
Petr Zatloukal	Director General	25 May 2011	30 June 2011	31 March 2014	14 April 2014
Martin Horák	Deputy of the Director General and Chief Director of Finance Division	1 December 2012	10 January 2013	31 March 2014	14 April 2014
Miroslav Krejčík	Deputy of the Director General and Chief Director of ICT and e-Government Division	1 October 2013	8 October 2013	30 June 2014	17 July 2014
Petr Řehák	Deputy of the Director General and Chief Director of Property Management Division	10 June 2013	11 July 2013	30 June 2014	17 July 2014
Richard Soldán	Deputy of the Director General and Chief Director of Postal Operations and Logistics Division	13 February 2012	11 April 2012	31 December 2013	22 January 2014

No changes have occurred in the top management of the Company between the balance sheet date and the date of preparation of the financial statements.

Members of the Supervisory Board as at 31 December 2014 were as follows:

Name	Position
Jan Mareš	Chairman (as a member since 28 April 2014, appointed Chairman since 27 May 2014)
Karel Koukal	Vice-Chairman
Jan Sixta	Vice-Chairman
Lubomír Krejsa	Member
Soňa Lavičková	Member
Ivana Musilová	Member
Jaroslav Strouhal	Member
Štěpán Grochal	Member
Jiří Havlíček	Member
Ľudovít Gulázi	Member
Oldřich Černoš	Member (since 15 June 2014)
Jan Kasal	Member (since 28 July 2014)

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

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

Members of the strategy, finance and audit committee of the Company as at 31 December 2014 were as follows:

Name	Position
Jan Mareš	Chairman
Ivana Musilová	Member
Štěpán Grochal	Member
Lubomír Krejsa	Member
Oldřich Černocho	Member

The Company's mission is to perform the function of public postal operator involving a duty to provide and operate postal and basic postal services in accordance with Act No. 29/2000 Coll., on Postal Services, as amended ("the Postal Services Act"). The Company holds a licence to provide postal services in accordance with paragraph 19 and the Company also holds the licence in accordance with paragraph 21 of the Postal Services Act. The postal licence was granted to the Company by the CTO until 31 December 2017.

The content of the postal licence establishes the duty to secure the general availability of basic postal services on the whole territory of the Czech Republic.

Based on Government Resolution No. 949 of 12 November 2014, the plan to transform Česká pošta, s.p. into a joint-stock company with the state equity investment was canceled. Also, the Steering Committee for the transformation of the Company into joint-stock company was dismissed.

The rights and obligations of the postal services and the postal licence holder are covered by Title V of the Postal Service Act. According to the law, the Company must annually publish and submit complete and truthful information to CTO about the results of providing and securing basic services and an evaluation of the fulfilment of quality parameters. The method, form and content of published information is determined by implementing legislation of CTO (decrees). Czech Telecommunication Office annually publishes a summary report on the fulfilment of obligations entrusted to the postal licence holder. The CTO Report for 2014 has not been published as at the date of the Company's financial statements.

The deficiencies identified in the CTO Report for 2013 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 state administration, and based on the discussion of the Supervisory Board of Česká pošta, s.p., a decision by 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 the section „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 factual, 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, the 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 authorised. 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 a 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 Jan Přerovský, who commenced the function on 1 August 2014 (recorded on 21 August 2014). He replaced Monika Jindrová (her function was terminated on 30 June 2014, recorded on 28 July 2014).

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 including infrastructure, 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 Act No. 365/2000, on Information systems of public administration, as amended and Act No. 300/2008, on Electronic operations and authorised document conversion;
- provision of services of central buyer place for government (public) administration.

The total balance sheet amount of ICT services Branch as at 31 December 2014 was CZK 628 million (as at 31 December 2013: CZK 558 million). Net profit for the financial period as at 31 December 2014 amounted to CZK 9 million (as at 31 December 2013: CZK 109 million).

The most significant part of assets are short-term receivables (2014: CZK 185 million, 2013: CZK 126 million), short-term financial assets (2014: CZK 341 million, 2013: CZK 326 million) and long-term assets (2014: CZK 36 million, 2013: CZK 40 million).

The most significant part of equity and liabilities are short-term liabilities (2014: CZK 424 million, 2013: CZK 393 million) and equity (2014: CZK 157 million, 2013: CZK 150 million).

The average number of employees was 345 as at 31 December 2014 (as at 31 December 2013: 280).

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 2014. 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 2014 were as follows:

3.1. Intangible fixed assets

Purchased intangible fixed assets are recorded at cost, which includes all costs related with its acquisition.

Intangible fixed assets with a unit cost more than CZK 60 thousand are amortised using the straight-line method over their estimated useful life in accordance with the Company's amortisation plan, i.e. over 4 years, in exceptional cases, the useful life is set for longer period (e.g. software for postal machines "balíkomat" (self-service terminal for picking up of parcels) over 15 years).

Intangible fixed assets with unit cost less than CZK 60 thousand are expensed upon acquisition and only carried in the operational evidence and, resp. 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 initially recorded at cost, which includes all costs related with its acquisition. 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 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 - 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 - 7

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 or available-for-sale.

Investments with a fixed maturity that management 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 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 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 securities and 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 management 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.

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 duty, etc.). The weighted average cost method is applied for all disposals.

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

For long-term contracts, the carrying value of work-in-progress also includes 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. Equity

The Company's financial position and funds are being managed in accordance with the Act No. 77/1997 Coll., on State-Owned Enterprise, 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 paragraph 3 of Decree No. 310/1995 Coll., on Cultural and Social Needs Fund, as amended (including changes under Decree No. 167/1997 Coll. and 314/1999 Coll.) and the use of CSF is governed by paragraph 4-10 of Decree No. 310/1995 Coll.

3.11. 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 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.

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 operating leases are not capitalised as fixed assets. Lease payments are expensed evenly over the life of the lease. Future lease payments 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

With regards to collective bargaining in 2014 and 2013, the Company stopped providing bonuses for significant and life jubilees and employee retirement bonuses, that is why no provision is created for these bonuses.

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 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 2014, the Company specified the method for calculating Estimate receivables/payables concerning the international operations - with regards to the nature of accounting of international consignments: from 1 January 2014, the estimates are taken into account based on actual weight data (according to the output from the IPS system) and preliminary tariffs for the relevant accounting period. This leads to a more accurate calculation of expected costs and revenues from international consignments in the relevant accounting period. The impact of this more accurate calculation increases the amount for Estimated receivables by CZK 82 million and Estimated payables by CZK 37 million. Given the volume of Estimated receivables/payables relating to international operation - see Note 6 Receivables and Note 13 Short-term liabilities - it is not a significant amount.

In 2014, the useful life of selected computers and related equipment assets was extended, which better reflects the economic useful life of the relevant assets. The impact of this change in useful life amounted to CZK 48 million, which is not a significant amount given the number and total cost of computers and related equipment, that the Company manages - see Note 4.2. Tangible fixed assets.

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. Fixed assets

4.1. Intangible fixed assets

Cost

(CZK million)	Opening balance	Additions *)	Disposals *)	Closing balance
Software	1,800	79	(24)	1,855
Royalties	2	-	-	2
Other intangible fixed assets	174	-	(94)	80
Intangible fixed assets in the course of construction	210	66	(80)	196
Total in 2014	2,186	145	(198)	2,133
Total in 2013	2,114	224	(152)	2,186

*) 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	Allowance	Closing balance
Software	(1,501)	(124)	17	(1,608)	-	247
Royalties	(1)	-	-	(1)	-	1
Other intangible fixed assets	(145)	(15)	94	(66)	-	14
Intangible fixed assets in the course of construction	-	-	-	-	-	196
Total in 2014	(1,647)	(139)	111	(1,675)	-	458
Total in 2013	(1,493)	(158)	4	(1,647)	-	539

4.2. Tangible fixed assets

Cost

(CZK million)	Opening balance	Additions *)	Disposals **)	Closing balance
Land	832	25	-	857
Buildings	10,234	1,029	(17)	11,246
Plant, machinery and equipment	4,978	366	(151)	5,193
Motor vehicles	2,251	10	(417)	1,844
Furniture and fittings	673	35	(7)	701
Other movable assets	471	-	(17)	454
Work of art	4	-	-	4
Tangible fixed assets in the course of construction	1,418	345	(1,465)	298
Advances paid for tangible fixed assets	5	-	-	5
Total in 2014	20,866	1,810	(2,074)	20,602
Total in 2013	19,927	2,645	(1,706)	20,866

*) 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 depreciation and net book value

(CZK million)	Opening balance of accumulated depreciation	Additions	Disposals	Closing balance of accumulated depreciation	Allowance	Closing balance
Land	-	-	-	-	(1)	856
Buildings	(4,471)	(260)	11	(4,720)	(41)	6,485
Plant, machinery and equipment	(3,556)	(357)	148	(3,765)	-	1,428
Motor vehicles	(1,855)	(119)	414	(1,560)	-	284
Furniture and fittings	(526)	(22)	8	(540)	-	161
Other movable assets	(471)	-	17	(454)	-	-
Work of art	-	-	-	-	-	4
Tangible fixed assets in the course of construction	-	-	-	-	(29)	269
Advances paid for tangible fixed assets	-	-	-	-	-	5
Total in 2014	(10,879)	(758)	598	(11,039)	(71)	9,492
Total in 2013	(10,387)	(850)	358	(10,879)	(135)	9,852

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 2014 and 2013, respectively, the Company did not receive any material fixed assets free of charge.

In 2014 and 2013, 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 308 (2012: 294) 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 2014, the Company received an investment subsidy in the amount of CZK 19 million (2013: CZK 2 million).

4.3. Long-term financial assets

As at 31 December 2014 and 31 December 2013, 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. In 2014, dividends paid were accounted to the revenues of the Company in the amount of CZK 1 million for 2013.

Poštovní tiskárna cenin Praha, a.s.	2014	2013
Share (%)	51.03	51.03
	(CZK million)	(CZK million)
Total assets	99	102
Equity	89	93
Profit for the financial period	(1)	2
Acquisition cost of the shares	18	18
Nominal value of the shares	17	17
Intrinsic value of the shares	47	47

Financial information for this company was taken from the financial statements 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 2014 and 31 December 2013.

The Company also exercised a significant influence as at 31 December 2014 and 2013 in Česká pošta Security, s.r.o. (formerly ABAS CiT Management s.r.o.) with its registered office at Politických vězňů 909/4, Prague 1, in which it held 100% of the shares. The shares were transferred as at 31 August 2012.

Česká pošta Security, s.r.o.	2014	2013
Share (%)	100.00	100.00
	(CZK million)	(CZK million)
Total assets	48	56
Equity	(26)	(53)
Profit for the financial period	(27)	(39)
Acquisition cost of the shares	7	7
Intrinsic value of the shares	-	-

The acquisition price of the share includes three instalments out of a total of five as at 31 December 2014, while the last instalment should be paid in 2016 at the latest. The third instalment was CZK nil due to the negative value of EBITDA, CIT division in 2013. The fourth instalment will be CZK nil due to the negative value of EBITDA, CIT division in 2014. The fifth instalment is equal to 20% of Česká pošta Security, s.r.o. EBITDA, CIT division in 2015. Based on the Company's management's decision, the Company provided surcharge outside share capital in the amount of CZK 54 million. At the same time, the value of investment to Česká pošta Security, s.r.o. was increased by this amount and the receivables and payables were offset between the Company and Česká pošta Security, s.r.o.

Financial information for this company was taken from the financial statements verified by the auditor. From the financial statements of Česká pošta Security, s.r.o. as at 31 December 2014, emphasis arises of a fact concerning the loss produced of CZK 27 million and negative equity in the amount of CZK 26 million, at the same time it contains information that as at 18 February 2015 the contract was signed, on transfer of part of the company - separate organisational unit of Česká pošta Security, s.r.o., providing CIT services (Cash-in-transit) to the subject in the Czech Republic.

The Company provided Česká pošta Security, s.r.o. with a short-term purposeless loan as at 31 December 2014. This loan amounted to CZK 35 million as at 31 December 2014. As at 31 December 2014, Česká pošta Security, s.r.o. drew in the amount of CZK 9 million. 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 2014 comprise: - government bonds maturing in 2023, available-for-sale investments, valued at fair value of CZK 217 million (2013: CZK 211 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 2014 and 31 December 2013, receivables due after more than 5 years amounted to CZK 2 million and CZK 4 million, respectively, and outstanding overdue receivables amounted to CZK 320 million and CZK 338 million, respectively. Outstanding overdue receivables are not secured. In 2014 and 2013, the Company wrote off its receivables in the amount of CZK 18 million and CZK 23 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 2014 amounted to CZK 590 million and to CZK 477 million as at 31 December 2013. 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. Allowances

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

Provisions for: (CZK million)	Balance as at 1 January			Balance as at 31 December			Balance as at 31 December
	2013	Charge	Release/use	2013	Charge	Release/use	2014
Intangible fixed assets	4	-	(4)	-	-	-	0
Tangible fixed assets	225	1	(91)	135	15	(79)	71
Long-term financial assets	-	7	-	7	-	-	7
Inventories	55	7	(3)	59	12	(10)	61
Receivables - other	62	61	(42)	81	53	(25)	109
Total tax non-deductible provisions	346	76	(140)	282	80	(114)	248
Receivables - legal	26	20	(13)	33	21	(16)	38
Total tax deductible provisions	26	20	(13)	33	21	(16)	38
Total	372	96	(153)	315	101	(130)	286

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 7,996 million and CZK 7,606 million as at 31 December 2014 and 31 December 2013, respectively.

Short-term securities and ownership interests as at 31 December 2014 and 31 December 2013 were as follows:

Issuer	Type	2014 (CZK million)	2013 (CZK million)
PPF banka a.s.	short-term depository notes	500	500

9. Accrued income

In 2014 and 2013, prepaid expenses consist mainly of rent and other prepaid services.

As at 31 December 2014 accrued income consist mainly of accrued income from IT projects in the Branch in the amount of CZK 33 million (as at 31 December 2013: CZK 43 million) and income from securities in the amount of CZK 1 million (as at 31 December 2013: CZK 6 million).

10. Equity

As at 31 December 2014 and 31 December 2013, 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 2014 and 2013:

(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 2013	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 contribution and movements between funds	-	107	9	-	157	(250)	23
Fund utilisation	-	(14)	(20)	-	(159)	-	(193)
Profit for the current period	-	-	-	-	-	207	207
As at 31 December 2014	3,588	6,229	9	359	10	207	10,402

Profit for 2013 was distributed on 25 March 2014 in accordance with the founder's approval during the meeting of the Supervisory Board. The amount of CZK 143 million was transferred to culture and social funds; CZK 107 million was transferred to other capital funds. The allocation to cultural and social funds in accordance with the legislation amounted to CZK 157 million; the amount of CZK 14 million was added from Other capital funds after approval by the founder.

11. Provisions

(CZK million)	Balance as at 1 January			Balance as at 31 December			Balance as at 31 December
	2013	Charge	Release/use	2013	Charge	Release/use	2014
Social and health insurance	138	105	(138)	105	77	(105)	77
Untaken holiday	196	53	(196)	53	33	(53)	33
Employee benefits	171	-	(171)	-	-	-	-
Provision for severance pay incl. competition clauses	78	186	(77)	187	90	(186)	91
Non-claimable component of salaries	181	173	(181)	173	86	(173)	86
Other	18	4	(3)	19	51	-	70
Total tax non-deductible provisions	782	521	(766)	537	337	(517)	357
Total	782	521	(766)	537	337	(517)	357

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.

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 Group's management and then communicated to the employees and trade unions.

Other provisions were primarily created to cover risks known as at 31 December 2014 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 2014 and 31 December 2013, which is described in Note 16 – Income tax and the amounts of trade payables, which have maturity longer than one year as at the balance sheet date, were as at 31 December 2014 and 31 December 2013, CZK 26 million and CZK 51 million, respectively. These are mainly part of liabilities concerning retentions – given items are recognised on the line B.II.1 Trade payables. Comparative figures for 2013 were adjusted in the Statements in accordance with this adjustment of recognition of long-term liabilities in 2014.

As at 31 December 2014 and 31 December 2013, the Company did not recognise liabilities that are due after more than 5 years.

13. Short-term liabilities

The Company's overdue short-term liabilities as at 31 December 2014 and 31 December 2013 amounted to CZK 12 million and CZK 22 million, respectively.

The Company had no short-term or long-term liabilities bearing a security or lien in favour of a creditor as at 31 December 2014 and 31 December 2013.

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 2014 amounted to CZK 655 million and to CZK 525 million as at 31 December 2013. Estimated payables also included quantity discounts, 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 313 million as at 31 December 2014 and to CZK 330 million as at 31 December 2013. These payables comprise unpaid wages for December 2014 and December 2013, respectively, which were paid at the beginning of 2015 and 2014.

The Company did not recognise any unpaid tax liabilities payable to the relevant tax authority as at 31 December 2014 and 31 December 2013.

14. Bank loans and overdrafts

14.1. Denominated in Czech crowns

Bank	Terms and conditions	Account	Overall limit (CZK million)	31 December 2014 (CZK million)	31 December 2013 (CZK million)
KB, a.s. *)	Global credit line effective interest rate: 0.46%	Own resources	37	-	-
ČSOB, a.s.	Bank overdraft effective interest rate: 0.30%	Own resources	100	-	-
ČSOB, a.s. *)	Multi-purpose credit line effective interest rate: 0.37%	Own resources	600	-	-
ČSOB, a.s.	Bank overdraft effective interest rate: 0.13%	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 2014 and 31 December 2013, the overdraft from Komerční banka, a.s. was not used.

As at 31 December 2014 and 31 December 2013, the overdraft from Československá obchodní banka, a.s. was not used. This overdraft is secured by pledge on the Company's receivables from Československá obchodní banka, a.s. created under a Contract for the provision of services by the Company to Československá obchodní banka, a.s.

A multi-purpose credit line from Československá obchodní 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 2014 and 31 December 2013, the loan 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 Company. The bank overdraft from Československá obchodní banka, a.s. was not used as at 31 December 2014 and 31 December 2013.

14.2. Denominated in EUR

Bank	Terms and conditions	Overall limit	2014		2013	
		(EUR million)	(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	35

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

Analysis of the income tax expense:

(CZK million)	2014	2013
Current tax expense	4	2
Deferred tax expense	31	55
Adjustment of prior year tax expense based on final CIT return	(1)	(2)
Total income tax expense	34	55

Analysis of current tax:

(CZK million)	2014	2013
Net profit before taxation	241	305
Non-taxable income	(58)	(19)
Difference between accounting and tax depreciation	24	(19)
Tax non-deductible expenses and changes in provisions	(132)	(202)
of which:		
- Changes of impairment	(34)	(64)
- Changes of provisions	(180)	(245)
- Other (e.g. previous prepaid expenses, representation expenses, shortages and losses)	82	107
Gifts	(2)	(2)
Taxable income	73	63
Income tax rate	19%	19%
Calculated income tax	14	12
Tax relief (persons with disability or partial disability)	(10)	(10)
Current tax	4	2
Underpayments from the previous period	-	-
Income tax expense	4	2
of which:		
- from ordinary activities	4	2

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

Deferred tax item (CZK million)	2014			2013		
	Basis	Deferred tax asset	Deferred tax liability	Basis	Deferred tax asset	Deferred tax liability
Difference between accounting and tax net book value of fixed assets	(2,466)	-	(471)	(2,543)	-	(483)
Provisions	248	47	-	282	54	-
Other reserves	357	68	-	537	102	-
Total	(1,861)	115	(471)	(1,724)	156	(483)
Net deferred tax liability			(356)			(327)

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 194 million as at 31 December 2014 (as at 31 December 2013: CZK 142 million). The buildings leased by the Company amounted to CZK 243 million (as at 31 December 2013: CZK 237 million).

The Company recorded no financial leases as at 31 December 2014 and 31 December 2013.

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 2014 and 31 December 2013. 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)	2014	2013
Valuables incl. stamps and lottery tickets	16,763	13,522
Vignettes	3,171	3,699
Leased assets - operational lease	875	916
Securities	40	40
Low-value tangible assets	2,440	2,442
Low-value intangible assets	82	98

The structure of the contracted future obligations from operating leases and rental of buildings is presented in the table below:

(CZK million)	31 December 2014	31 December 2013
Due within 1 year	285	264
Due between 1 to 5 years	594	727
Due after 5 years	127	117
Total	1,006	1,108

Received and provided bank guarantees/letters of credit for the Company, which are drawn under the frame agreements, on the provision of financial services, as at 31 December 2014 were as follows:

Type of guarantee/letter	Guarantor	Creditor	Subject	Valid until	Amount (CZK million)
Payment	Československá obchodní banka, a.s.	Customs Directorate for the South Bohemian Region	Customs debt	indefinite	4
Payment	Československá obchodní banka, a.s.	State Fund of Transport Infrastructure	Distribution and sale of vignettes for the year 2014 and following emissions	16 March 2015	120
Payment	Komerční banka, a.s.	General Directorate for National Roads and Motorways of the Czech Republic	Electronic Fee system	6 December 2015	8
Payment	Československá obchodní banka, a.s.	HCEPP II Rudná s.r.o.	Rental agreement	24 April 2016	3
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
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 2015	15
Payment	Československá obchodní banka, a.s.	State Fund of Transport Infrastructure	Distribution and sale of vignettes for the year 2014 and following emissions	16 March 2016	300
Payment	Československá obchodní banka, a.s.	CONTERA Investment III. s.r.o.	Rental agreement	14 August 2016	1
Payment	Československá obchodní banka, a.s.	Charles Square Center, s.r.o.	Rental agreement	18 September 2016	1
					467
Payment	Unicredit Bank, a.s.	PRONIX s.r.o.	Action - building data center	31 August 2017	6
Payment	Komerční banka, a.s.	SILBA-Elstav s.r.o.	Action - Depo Plzeň 72	11 April 2018	1
Payment	Komerční banka, a.s.	TRAWEKO 96 s.r.o.	Action - Depo Přerov 70	7 January 2018	1
Payment	Československá obchodní banka, a.s.	VÁHOSTAV-SK, a.s.	Action - Depo Benešov 70	15 February 2018	1
Payment	Československá obchodní banka, a.s.	Polabská stavební CZ, s.r.o.	Action - Depo Česká Lípa 70	18 April 2018	2
Payment	Komerční banka, a.s.	Středomoravské Stavby, s.r.o.	Action - Depo Prostějov 70	20 December 2017	1
Payment	Československá obchodní banka, a.s.	PSG-International a.s.	Action - dislocation of the post Praha 50 to SPU Malešice	28 August 2018	1
Payment	Česká spořitelna, a.s.	Synet s.r.o.	Action - Depo Kroměříž	14 August 2018	1
Payment	Komerční banka, a.s.	SAN-JV s.r.o.	Action - Depo Šumperk 70	3 June 2018	1
Payment	UniCredit Bank, a.s.	Kappenberger + Braun, Elektro-Technik spol s. ro.	Action - Depo Jihlava 70	5 October 2018	1
Payment	Komerční banka, a.s.	ABC Chomutov spol. s r.o.	Action - SPÚ Ústí nad Labem	31 August 2018	1
Payment	Raiffeisenbank, a.s.	STAEG Stavby, spol. s r.o.	Action - Depo Znojmo	21 December 2017	1
Payment	Československá obchodní banka, a.s.	IMOS Brno, a.s.	Action - insulation Praha 3, Olšanská	31 December 2018	4
Payment	Raiffeisenbank, a.s.	SKD Průmstav-stavby, a.s.	Action - SPU Ústí - completion	3 February 2019	4
Payment	UniCredit Bank, a.s.	PSG-International a.s.	Action - reconstruction SPU + Depo Ostrava 71	3 June 2019	1
					27

19. Contingent liabilities

The management of the Company is not aware of any significant unrecorded contingent liabilities as at 31 December 2014.

20. Revenue analysis

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

(CZK million)	2014			2013		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Sales from postal operations	12,262	1,480	13,742	12,816	1,437	14,253
Sales of agency services	2,582	-	2,582	2,691	-	2,691
Sales of goods without communication infrastructure	213	-	213	218	-	218
Other revenues from operating activities, incl. activation, communication infrastructure and data mailboxes	2,640	-	2,640	2,493	-	2,493
Total main revenues	17,697	1,480	19,177	18,218	1,437	19,655

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 2014 and 2013, the Company received subsidies for operating purposes in the amount of CZK 2 million and CZK 1 million, respectively. These revenues are part of Other operating revenues.

21. Employees

Breakdown of staff costs:

	2014		2013	
	Total number of employees	Out of which: Management and DG	Total number of employees	Out of which: Management and DG
Average number of employees (CZK million)	30,418	35	31,512	38
Wages and salaries	8,664	147	8,989	116
Social and health insurance	2,833	26	2,902	21
Social security costs	334	-	341	-
Total staff costs	11,831	173	12,232	137

In connection with changes in the organisational structure, as specified in Note 11, 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.

22. Related party transactions

Apart from the bonuses disclosed in Note 21 – Employees, in 2014 and 2013, 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 2014 and 2013 and the related receivables from and liabilities to related parties are as follows:

2014 (CZK million)	Sales	Costs	Receivables	Payables
Subsidiaries				
Poštovní tiskárna cenin Praha a.s.	-	25	-	5
Česká pošta Security, s.r.o.	15	153	34	29
Other related parties				
Czech Television and Czech Radio	243	1	-	5
Government ministries	1,746	1	207	28
Czech Social Security Administration	474	2,039	-	8,351
Municipal and local authorities	318	71	15	281
State Fund of Transport Infrastructure *)	-	1	-	-
Health Insurance of Ministry of Interior of the Czech Republic	16	-	1	2
ČD Cargo	-	57	3	5
Total	2,812	2,348	260	8,706

2013 (CZK million)	Sales	Costs	Receivables	Payables
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

*) In 2014, there was a change in the contractual relationship in the procurement of sales of vignettes; an association was established for the purpose of ensuring the provision of vignette sales-services. To the Company's accounts in 2014, only relevant share of commission from sales of vignettes as a part of settling of association's profit is entered.

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. 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. With regards to providing a surcharge to Česká pošta Security, s.r.o., the receivables and payables were offset - see Note 4.3. Long-term financial assets.

23. Fees paid and payables to the audit company

The total fees paid and payable for statutory audit of financial statements performed by the audit company PricewaterhouseCoopers Audit, s.r.o. for 2014 amounted to CZK 1 million (2013: CZK 1 million).

24. Entrusted resources

The entrusted resources analysis as at 31 December 2014 and 31 December 2013 is as follows:

(CZK million)	31 December 2014	31 December 2013
ASSETS		
Short-term receivables	97	108
Cash in hand	4,090	4,365
Cash at bank	6,002	5,626
Total assets	10,189	10,099

(CZK million)	31 December 2014	31 December 2013
LIABILITIES AND EQUITY		
Short-term payables	10,154	10,064
Short-term bank loans	35	35
Total liabilities and equity	10,189	10,099

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 2014 and 2013, the Company received advance payments in the amount of CZK 8,005 million and CZK 8,000 million from the Czech Social Security Administration for 2015 and 2014 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 2014 and 31 December 2013, the Company did not consider the used overdraft facilities as cash equivalents for the purpose of the cash-flow statement (see Note 14 – Bank loans and overdrafts).

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

(CZK million)	31 December 2014	31 December 2013
Cash on hand	4,173	4,366
Cash at bank	8,448	8,005
Cash equivalents included in short-term securities and investments	500	500
Total cash and cash equivalents	13,121	12,871

26. Subsequent events

As at 27 January 2015, Jan Sixta was terminated as a member of the Supervisory Board. As at 1 March 2015, Martin Gillar was appointed as Chief Director of Property Management Division.

In 2015, 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 2014. The deadline for applying for an entitlement is 31 August 2015. In March 2015, the CTO confirmed the amount of the net cost of providing universal service for 2013 in the amount of CZK 753 million, of which the Company has theoretically the right to receive an amount corresponding to the share of competition in the relevant market. The decision is not final.

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 2014.

13 March 2015



Martin Elkán
Director General
Česká pošta, s.p.

Independent auditor's report

on the consolidated financial statements



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 Praha 1, Politických vězňů 909/4 ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated balance sheet as at 31 December 2014, 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 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 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 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 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 2014, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

18 March 2015


represented by partner


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: 40785521, 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.

Consolidated financial statements

Consolidated balance sheet as at 31 December 2014

(CZK million)

Description	ASSETS	31. 12. 2014			31. 12. 2013
		Gross amount	Provision	Net amount	Net amount
a	b	1	2	3	4
	TOTAL ASSETS	39,217	13,111	26,106	26,719
	a - of which entrusted resources	10,189	-	10,189	10,099
B.	Fixed assets	23,098	12,905	10,193	11,028
B. I.	Intangible fixed assets	2,135	1,676	459	539
B. I. 1.	Software	1,857	1,609	248	299
	2. Royalties	2	1	1	1
	3. Other intangible fixed assets	80	66	14	29
	4. Intangible fixed assets in the course of construction	196	-	196	210
B. II.	Tangible fixed assets	20,748	11,229	9,519	9,877
B. II. 1.	Land	864	1	863	839
	2. Constructions	11,279	4,777	6,502	5,771
	3. Equipment	8,306	6,429	1,877	1,887
	4. Other tangible fixed assets	4	-	4	4
	5. Tangible fixed assets in the course of construction	298	29	269	1,378
	6. Advances paid for tangible fixed assets	5	-	5	5
	7. Revaluation difference of acquired assets	(8)	(7)	(1)	(7)
B. III.	Long-term investments	217	-	217	613
B. III. 1.	Investments in subsidiaries	-	-	0	0
	2. Other long-term securities and investments	217	-	217	613
B. IV.	Positive consolidation difference	9	1	8	9
B. V.	Negative consolidation difference	(1)	(1)	(1)	(1)
C.	Current assets	16,024	206	15,818	15,578
C. a	- of which entrusted resources	10,189	-	10,189	10,099
C. I.	Inventories	299	60	239	246
C. I. 1.	Raw materials	193	50	143	168
	2. Work in progress and semi-finished products	19	-	19	16
	3. Goods for resale	87	10	77	62
C. II.	Long-term receivables	20	-	20	16
C. II. 1.	Long-term advances paid	4	-	4	4
	2. Trade receivables	6	-	6	0
	3. Other receivables	10	-	10	12
C. III.	Short-term receivables	2,525	146	2,379	2,378
C. III. a	- of which entrusted resources	97	-	97	108
C. III. 1.	Trade receivables	1,343	88	1,255	1,388
1. a	- of which entrusted resources	97	-	97	108
	2. Receivables - subsidiaries/ controlling parties	-	-	-	-
	3. Receivables from shareholders and co-ventures	17	-	17	4
	4. Taxes - receivables from the state	4	-	4	80
	5. Short-term advances paid	193	-	193	144
	6. Estimated receivables	833	-	833	694
	7. Other receivables	135	58	77	68
C. IV.	Financial assets	13,180	-	13,180	12,938
C. IV. a	- of which entrusted resources	10,092	-	10,092	9,991
C. IV. 1.	Cash in hand	4,173	-	4,173	4,369
1. a	- of which entrusted resources	4,090	-	4,090	4,365
	2. Cash at bank	8,507	-	8,507	8,069
2. a	- of which entrusted resources	6,002	-	6,002	5,626
	3. Short-term investments	500	-	500	500
D. I.	Prepayments and accrued income	95	-	95	113
D. I. 1.	Prepaid expenses	54	-	54	64
	2. Accrued income	41	-	41	49

Description	LIABILITIES AND EQUITY	31. 12. 2014	31. 12. 2013
a	b	5	6
	LIABILITIES AND EQUITY	26,106	26,719
	a - of which entrusted resources	10,189	10,099
A.	Equity	10,349	10,341
A. I.	Share capital	3,588	3,588
A. I. 1.	Share capital	3,588	3,588
A. II.	Capital contributions	6,262	6,173
A. II. 1.	Other capital contributions	6,253	6,153
2.	Assets and liabilities revaluation	9	20
A. III.	Reserve fund and other reserves	371	373
A. III. 1.	Legal reserve fund	361	361
2.	Statutory and other reserves	10	12
A. IV.	Retained earnings / Accumulated losses	(52)	(12)
A. IV. 1.	Accumulated loss	(52)	(12)
A. V.	Consolidated Profit / Loss for the current period	180	219
B.	Liabilities	15,170	15,735
B. a	- of which entrusted resources	10,189	10,099
B. I.	Provisions	359	537
B. I. 1.	Other Provisions	359	537
B. II.	Long-Term liabilities	383	380
B. II. 1.	Trade payables	26	51
B. II. 2.	Deferred Tax Liability	357	329
B. III.	Short-term liabilities	14,393	14,783
B. III. a	- of which entrusted resources	10,154	10,064
B. III. 1.	Trade payables	11,485	11,967
1. a	- of which entrusted resources	10,057	10,064
2.	Liabilities to employees	512	560
3.	Liabilities for social security and health insurance	315	332
4.	Taxes and state subsidies payable	72	84
5.	Short-term advances received	177	51
6.	Estimated payables	1,417	1,412
7.	Other payables	415	377
7. a	- of which entrusted resources	97	0
B. IV.	Bank loans & overdrafts	35	35
B. IV. a	- of which entrusted resources	35	35
B. IV. 1.	Short-term bank loans and overdrafts	35	35
1. a	- of which entrusted resources	35	35
C. I.	Accruals and deferred income	544	598
C. I. 1.	Accrued expenses	-	-
2.	Deferred income	544	598
D.	Minority equity	43	45
D. I. 1.	Minority equity	16	16
2.	Minority other capital funds incl. reserve fund	19	19
3.	Minority retained earnings	9	9
4.	Minority profit for the current period	-1	1

Consolidated income statement for the year ended 31 December 2014

(CZK million)

Description	TEXT	For the period ending	
		31. 12. 2014	31. 12. 2013
a	b	1	1
I.	Sales of goods	418	267
A.	Cost of goods sold	362	212
+	Gross profit	56	55
II.	Sales of production	18,573	19,265
II. 1.	Sales of own products and services	18,553	19,235
II. 2.	Changes in inventories of finished goods and work in progress	4	14
II. 3.	Own work capitalised	16	16
B.	Cost of sales	5,363	5,471
B. 1.	Raw materials and consumables used	1,406	1,574
	2. Services	3,957	3,897
+	Added value	13,266	13,849
C.	Staff costs	11,906	12,300
C. 1.	Wages and salaries	8,707	9,027
	2. Emoluments of board members	11	13
	3. Social security and health insurance costs	2,851	2,918
	4. Other social costs	337	343
D.	Taxes and charges	95	97
E.	Depreciation and amortisation expense	914	1,013
	Settlement of positive consolidation difference	1	-
	Settlement of negative consolidation difference	(0)	(1)
III.	Sales of fixed assets and raw materials	28	21
III. 1.	Sales of fixed assets	28	21
F.	Net book value of fixed assets and raw materials sold	5	2
F. 1.	Net book value of fixed assets sold	5	2
G.	Changes in operating provisions and complex prepaid expenses	(206)	(309)
IV.	Other operating income	259	244
H.	Other operating expenses	672	763
*	Consolidated operating result	166	248
VI.	Income from Sales of shares and securities	402	0
J.	Shares and securities sold	382	0
V.	Income from long-term investments	3	6
V. 1.	Income from other long-term investments	3	6
VI.	Income from short-term investments	3	6
VII.	Interest income	32	37
I.	Interest expense	1	1
VIII.	Other financial income	48	50
J.	Other financial expenses	58	70
*	Consolidated financial result	47	28
K.	Tax on profit or loss on ordinary activities	34	56
K. 1.	- current	3	1
K. 2.	- deferred	31	55
**	Consolidated profit or loss on ordinary activities after taxation	179	220
***	Consolidated net profit / (loss) for the financial period	179	220
***	Consolidated net profit / (loss) before taxation	213	276
**	Consolidated profit for the financial period attributable to:		
	Shareholders of the Company	180	219
	Minority interest	-1	1

Consolidated Cash-flow statement Year ended 31 December 2014

(CZK million)

	2014	2013
Cash and cash equivalents as at the beginning of the financial period	12,938	13,099
- out of which entrusted resources	9,991	9,609
Net profit on ordinary activities before tax	213	276
A.1 Adjustments for non-cash movements:	627	729
A.1.1 Depreciation/amortisation of fixed assets and lost investments projects	915	1,035
A.1.2 Changes in operating provision	(206)	(309)
A.1.3 Profit from disposal of fixed assets	(43)	(19)
A.1.4 Net interest expense/(income)	(31)	(36)
A.1.5 Other non-cash movements	(8)	58
Net cash flow from operating activities before tax, changes in working capital and extraordinary items	840	1,005
A.2 Working capital changes:	121	426
A.2 - out of which entrusted resources	101	382
A.2.1 Changes in receivables and prepayments and accrued income	(41)	268
A.2.1 - out of which entrusted resources	11	188
A.2.2 Changes in short-term payables, accrued expenses and deferred income	157	155
A.2.2 - out of which entrusted resources	90	194
A.2.3 Changes in inventories	5	3
A** Net cash flow from operating activities before tax	961	1,431
A.** - out of which entrusted resources	101	382
A.3 Interest paid	(1)	(1)
A.4 Interest received	32	37
A.5 Income tax overpaid/(Income tax on ordinary activities paid and additional taxes for previous periods)	25	41
A*** Net cash flow from operating activities	1,017	1,508
- out of which entrusted resources	101	382
Cash flows from investing activities		
B.1 Acquisition of fixed assets	(1,046)	(1,525)
B.2 Proceeds from the sale of fixed assets	430	21
B*** Net cash flow from investing activities	(616)	(1,504)
Cash flows from financing activities		
C.1 Changes in long-term and short-term liabilities	(159)	(165)
C.1.1 Direct payments from reserves	(159)	(165)
C*** Net cash flow from financing activities	(159)	(165)
Net increase/(decrease) in cash and cash equivalents	242	(161)
- out of which entrusted resources	101	382
Cash and cash equivalents as at the end of the year	13,180	12,938
- out of which entrusted resources	10,092	9,991

Notes to the financial statement

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 2014 and 31 December 2013:

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 with the nominal value of CZK 1 thousand)
Česká pošta Security, 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 2014 and 31 December 2013, 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 2014, 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 Act No. 77/1997 Coll., on State-Owned Enterprise, as amended.

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

The main business activities of the Group are as follows:

- a) provision of postal services,
- b) provision of international postal services,
- c) provision of services of central procurement for government (public) administration,
- d) manufacturing and trade activities in the area of the printing industry,
- e) printing of postage stamps, stamps and other stamped or secured printed materials,
- f) printing of publicly traded securities and other securities according to Act on securities,
- g) services of private detectives,
- h) security of property and persons,
- i) road transport.

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 postal and basic postal services in accordance with Act No. 29/2000 Coll., on Postal Services, as amended ("the Postal Services Act"). The Company holds a licence to provide postal services in accordance with paragraph 19; the Company also holds the licence in accordance with paragraph 21 of the Postal Services Act. The postal licence was granted to the Company by the CTO until 31 December 2017.

In accordance with the postal licence, it is the duty of the Company to secure general availability of basic postal services throughout the whole territory of the Czech Republic.

The rights and obligations of the postal services and the postal licence holder are covered by Title V of the Postal Service Act. According to the law, the Company must annually publish and submit complete and truthful information to CTO about the results of providing and securing basic services and an evaluation of the fulfilment of the quality parameters. The method, form and content of published information are determined by implementing the legislation of CTO (decrees). Czech Telecommunication Office annually publishes the summary report on the obligations fulfilment entrusted to the postal licence holder. The CTO Report for 2014 has not been published as at the date of the Company's consolidated financial statements.

The deficiencies identified in the CTO Report for 2013 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 state 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 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 including infrastructure, 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 Act No. 365/2000, on Information systems of public administration, as amended and Act No. 300/2008, on Electronic operations and authorised document conversion;
- provision of services of central buyer place for government (public) administration.

2. Accounting policies

Valuation methods applied by the Group during preparation of the financial statements for 2014 were as follows:

2.1. Basis of 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 2014. 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 in the preparation of 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 2014.

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 the difference between the acquisition price of shares and deposits of the consolidated company and their valuation according to the shareholding of the Controlling entity on equity valued at fair value as at the date acquisition. The acquisition date is the date from which the 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 the year of the 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, at the same time, the Controlling entity is the company shareholder or partner.

2.5. Intangible fixed assets

Purchased intangible fixed assets are recorded at cost, which includes all costs related with its acquisition.

Intangible fixed assets with a unit cost more than CZK 60 thousand are amortised using the straight-line method over their estimated useful life in accordance with the Group's amortisation plan, i.e. over 4 years, in exceptional cases, the useful life is set for longer period (e.g. software for postal machines „balíkomat“ (self-service terminals for picking up of parcels) over 15 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, more specifically, 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 initially recorded at cost, which includes all costs related with its acquisition. The Group 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 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	3-7

2.7. Long-term financial assets

The Group's long-term financial assets consist of equity investments and other long-term securities, which represent realisable securities.

The Group classifies securities and investments, other than investments in subsidiaries and associates, as held-to-maturity or 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.

Securities and 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 and securities 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 the 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 duty, 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.

In the case of long-term contracts, the carrying value of work-in-progress also includes 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. Equity

The Company's financial position and funds are being managed in accordance with Act No. 77/1997 Coll., on State-Owned Enterprise, 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 paragraph 3 of Decree No. 310/1995 Coll., on Cultural and Social Needs Fund, as amended (including changes under Decree No. 167/1997 Coll. and 314/1999 Coll.) and the use of CSF is governed by paragraph 4-10 of 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 operating leases are not capitalised as fixed assets. Lease payments are expensed evenly over the life of the lease. Future lease payments 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 consolidated 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 consolidated 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

With regards to collective bargaining in 2014 and 2013, the Company stopped providing bonuses for significant and life jubilees and employee retirement bonuses, accordingly no provision is created for employment benefits.

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 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 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. Changes of the accounting methods and estimates

In 2014, the Company specified the method for calculating Estimated receivables/payables concerning the international operations – with regards to the nature of accounting of international consignments: from 1 January 2014, the estimates are taken into account based on actual weight data (according to the output from the IPS system) and preliminary tariffs for the relevant accounting period. This leads to a more accurate calculation of expected costs and revenues from international consignments in the relevant accounting period. The impact of this more accurate calculation increases the amount for Estimated receivables by CZK 82 million and Estimated payables by CZK 37 million. Given the volume of Estimated receivables/payables relating to international operation – see Note 5 Receivables and Note 13 Short-term liabilities – it is not a significant amount.

In 2014, the useful life of selected computers and related equipment assets was extended, which better reflects economic useful life of a relevant asset. The impact of the change in useful life amounted to CZK 48 million, which is not a significant amount given the number and total cost of computers and related equipment that the Group operates with – see Note 3.3. Tangible fixed assets.

2.24. 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.

3. Fixed assets

3.1. Consolidation difference

Movement in positive consolidation difference can be analysed as follows:

(CZK million)	2014
Opening balance as at 1 January	9
Settlement of positive consolidation difference	(1)
Closing balance as at 31 December	8

Movement in negative consolidation difference can be analysed as follows:

(CZK million)	2014
Opening balance as at 1 January	(10)
Settlement of negative consolidation difference	-
Closing balance as at 31 December	(10)

3.2. Intangible fixed assets

Cost

(CZK million)	Opening balance	Additions *)	Disposals *)	Closing balance
Software	1,800	81	(24)	1,857
Royalties	2	-	-	2
Other intangible fixed assets	174	-	(94)	80
Intangible fixed assets in the course of construction	210	66	(80)	196
Total in 2014	2,186	147	(198)	2,135
Total in 2013	2,114	224	(152)	2,186

*) 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	Allowance	Closing balance
Software	(1,501)	(125)	17	(1,609)	-	248
Royalties	(1)	-	-	(1)	-	1
Other intangible fixed assets	(145)	(15)	94	(66)	-	14
Intangible fixed assets in the course of construction	-	-	-	-	-	196
Total in 2014	(1,647)	(140)	111	(1,676)	-	459
Total in 2013	(1,493)	(158)	4	(1,647)	-	539

3.3. Tangible fixed assets

Cost

(CZK million)	Opening balance	Additions *)	Disposals **)	Closing balance
Land	839	25	-	864
Buildings	10,267	1,029	(17)	11,279
Plant, machinery and equipment	5,091	369	(153)	5,307
Motor vehicles	2,254	10	(420)	1,844
Furniture and fittings	673	35	(7)	701
Other movable assets	471	-	(17)	454
Work of art	4	-	-	4
Tangible fixed assets in the course of construction	1,418	347	(1,467)	298
Advances paid for tangible fixed assets	5	-	-	5
Revaluation difference of acquired assets	(8)	-	-	(8)
Total in 2014	21,014	1,815	(2,081)	20,748
Total in 2013	19,927	2,650	(1,711)	21,014

*) 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 depreciation and net book value

(CZK million)	Opening balance of accumulated depreciation	Additions	Disposals	Closing balance of accumulated depreciation	Allowance	Closing balance
Land	-	-	-	-	(1)	863
Buildings	(4,483)	(264)	11	(4,736)	(41)	6,502
Plant, machinery and equipment	(3,665)	(359)	149	(3,875)	-	1,432
Motor vehicles	(1,858)	(119)	417	(1,560)	-	284
Furniture and fittings	(526)	(22)	8	(540)	-	161
Other movable assets	(471)	-	17	(454)	-	-
Work of art	-	-	-	-	-	4
Tangible fixed assets in the course of construction	-	-	-	-	(29)	269
Advances paid for tangible fixed assets	-	-	-	-	-	5
Revaluation difference of acquired assets	1	-	6	7	-	(1)
Total in 2014	(11,002)	(764)	608	(11,158)	(71)	9,519
Total in 2013	(10,387)	(853)	357	(11,002)	(135)	9,877

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 6 - Provisions).

In 2014 and 2013, respectively, the Group did not receive any material fixed assets free of charge.

In 2014 and 2013, besides the lien in favour of PCS - Praha Centre 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 Group has another 308 (2012: 294) 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 2014, the Group received an investment subsidy in the amount of CZK 19 million (2013: CZK 2 million).

3.4. Long-term financial assets

Other long-term securities and investments as at 31 December 2014 comprise:

	No. pieces	Nominal value (CZK million)	Fair value (CZK million)	Maturity
Government bond (security available for sale)	20,000	200	217	2023

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

	No. pieces	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

Security available for sale with a nominal value of CZK 400 million was sold by the Company during 2014.

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 2014 and 31 December 2013, receivables due after more than 5 years amounted to CZK 2 million and CZK 4 million, respectively, and outstanding overdue receivables amounted to CZK 323 million and CZK 347 million, respectively. Outstanding overdue receivables are not secured. In 2014 and 2013, the Group wrote off its receivables in the amount of CZK 18 million and CZK 23 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 2014 amounted to CZK 590 million and to CZK 477 million as at 31 December 2013. 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. Allowances

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

Provisions for: (CZK million)	Balance as at 1 January			Balance as at 31 December			Balance as at
	2013	Charge	Release/ /use	2013	Charge	Release/ /use	31 December 2014
Intangible fixed assets	4	-	(4)	-	-	-	-
Tangible fixed assets	225	1	(91)	135	15	(79)	71
Inventories	55	7	(3)	59	11	(10)	60
Receivables - other	62	61	(42)	81	53	(26)	108
Total tax non-deductible provisions	346	69	(140)	275	79	(115)	239
Receivables - legal	26	20	(13)	33	21	(16)	38
Total tax deductible provisions	26	20	(13)	33	21	(16)	38
Total	372	89	(153)	308	100	(131)	277

Legal 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 7,996 million and CZK 7,606 million as at 31 December 2014 and 31 December 2013, respectively.

Short-term securities and ownership interests as at 31 December 2014 and 31 December 2013 were as follows:

Issuer	Type	2014 (CZK million)	2013 (CZK million)
PPF banka a.s.	short-term depository notes	500	500
Total		500	500

8. Accrued income

In 2014 and 2013, prepaid expenses consist mainly of rent and other prepaid services.

As at 31 December 2014 accrued income consist mainly of accrued income from IT projects in the Branch in the amount of CZK 33 million (as at 31 December 2013: CZK 43 million).

9. Equity

As at 31 December 2014 and 31 December 2013, share capital amounted to CZK 3,588 million.

Other capital funds mainly comprise contributions from profit of the Group 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 2014 and 2013:

(CZK million)	Share capital	Other capital funds	Revaluation differences from revaluation of assets and liabilities		Statutory reserve fund	Other funds from the profit	Accumulated losses	Profit for the financial period without minority interest	Total
As at 1 January 2013	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	-		2	-	(12)	-	7
As at 31 December 2013	3,588	6,153	20		361	12	(12)	219	10,341
Profit contribution and movements between funds	-	114	9		-	157	(40)	(219)	21
Fund utilisation	-	(14)	(20)		-	(159)	-	-	(193)
Profit for the current period	-	-	-		-	-	-	180	180
Impact of consolidation	-	-	-		-	-	-	-	-
As at 31 December 2014	3,588	6,253	9		361	10	(52)	180	10,349

10. Minority equity

Minority equity as at 31 December 2014 comprises the following (CZK million):

(CZK million)	Share capital	Other capital funds incl. reserve fund	Retained earnings	Loss for the current period	Total
Balance as at 1 January 2014	16	19	9	1	45
Dividends paid	-	-	-	(1)	(1)
Profit for the current period	-	-	-	(1)	(1)
Balance as at 31 December 2014	16	19	9	(1)	43

11. Provisions

(CZK million)	Balance as at 1 January 2013			Balance as at 31 December 2013			Balance as at 31 December 2014	
	2013	Charge	Release/use	2013	Charge	Release/use	2014	
Social and health insurance	138	105	(138)	105	77	(105)		77
Untaken holiday	196	53	(196)	53	33	(53)		33
Employee benefits	171	-	(171)	-	-	-		-
Provision for severance pay incl. competition clauses	78	186	(77)	187	90	(186)		91
Non-claimable component of salaries	181	173	(181)	173	88	(173)		88
Other	18	4	(3)	19	51	-		70
Total tax non-deductible provisions	782	521	(766)	537	339	(517)		359
Total	782	521	(766)	537	339	(517)		359

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.

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 2014 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 2014 and 31 December 2013, which is described in Note 16 – Income tax and by trade payables, which as at balance sheet date are due more than one year, were as at 31 December 2014 and 31 December 2013 they amounted to CZK 26 million and CZK 51 million, respectively. These are mainly part of liabilities concerning retentions – given items are recognised on the line B.II.1 Trade payables. Comparative figures for 2013 were adjusted in the Consolidated statements in accordance with this adjustment of recognition of long-term liabilities in 2014.

As at 31 December 2014 and 31 December 2013, the Group did not recognise liabilities that are due after more than 5 years.

13. Short-term liabilities

The Group's overdue short-term liabilities as at 31 December 2014 and 31 December 2013 amounted to CZK 32 million and CZK 57 million, respectively.

The Group had no short-term or long-term liabilities bearing a security or lien in favour of a creditor as at 31 December 2014 and 31 December 2013.

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 2014 amounted to CZK 655 million and to CZK 525 million as at 31 December 2013. Estimated payables also included quantity discounts, un-invoiced operating deliveries of services and energy, and estimated staff bonuses.

Payables in respect of social insurance and health insurance amounted to CZK 315 million as at 31 December 2014 and to CZK 332 million as at 31 December 2013. These payables comprise unpaid wages for December 2014 and December 2013, respectively, which were paid at the beginning of 2015 and 2014.

The Group did not recognise any unpaid tax liabilities payable to the relevant tax authority as at 31 December 2014 and 31 December 2013.

14. Bank loans and overdraft

14.1. Denominated in Czech crowns

Bank	Terms and conditions	Account	Overall limit (CZK million)	31 December 2014 (CZK million)	31 December 2013 (CZK million)
KB, a.s. *)	Global credit line effective interest rate: 0.46%	Own resources	37	-	-
ČSOB, a.s.	Bank overdraft effective interest rate: 0.30%	Own resources	100	-	-
ČSOB, a.s. *)	Multi-purpose credit line effective interest rate: 0.37%	Own resources	600	-	-
ČSOB, a.s.	Bank overdraft effective interest rate: 0.13%	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 2014 and 31 December 2013, the overdraft from Komerční banka, a.s. was not used.

As at 31 December 2014 and 31 December 2013, the overdraft from Československá obchodní banka, a.s. was not used. This overdraft is secured by pledge on the Group's receivables from Československá obchodní banka, a.s. created under a Contract for the provision of services by the Company to Československá obchodní banka, a.s.

A multi-purpose credit line from Československá obchodní 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 2014 and 31 December 2013, the loan was not drawn.

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 2014 and 31 December 2013.

14.2. Denominated in EUR

Bank	Terms and conditions	Overall limit (EUR million)	2014 (EUR million)	(CZK million)	2013 (EUR million)	(CZK million)
ČSOB, a.s.	Bank overdraft EURIBOR 3M +0.1 % p.a. - entrusted resources	5	1.2	35	1.2	35

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

Analysis of the income tax expense of the Group:

(CZK million)	2014	2013
Current tax expense	4	3
Deferred tax expense	31	55
Adjustment of prior year tax expense based on final CIT return	(1)	(2)
Total income tax expense	34	56

Analysis of current tax:

(CZK million)	2014	2013
Net profit before taxation	213	276
Non-taxable income	(64)	(20)
Difference between accounting and tax depreciation	27	(18)
Tax non-deductible expenses and changes in provisions	(130)	(208)
of which:		
- Changes of impairment	(34)	(71)
- Changes of provisions	(178)	(245)
- Other (e.g. previous prepaid expenses, representation expenses, shortages and losses)	82	108
Gifts	(2)	(2)
Tax loss of subsidiaries	29	39
Taxable income	73	67
Income tax rate	19 %	19 %
Calculated income tax	14	13
Tax relief (persons with disability or partial disability)	(10)	(10)
Current tax	4	3
Current income tax expense from ordinary activities and total	4	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 items (CZK million)	2014			2013		
	Basis	Deferred tax asset	Deferred tax liability	Basis	Deferred tax asset	Deferred tax liability
Difference between accounting and tax net book value of fixed assets	(2,476)	-	(472)	(2,543)	-	(483)
Provisions	248	47	-	275	52	-
Other reserves	357	68	-	537	102	-
Total	(1,871)	115	(472)	(1,731)	154	(483)
Net deferred tax liability			(357)			(329)

As at 31 December 2014 the Group did not recognise potential deferred tax asset from tax losses of subsidiaries in the amount of CZK 21 million (as at 31 December 2013: CZK 20 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 212 million as at 31 December 2014 (as at 31 December 2013: CZK 159 million). The buildings leased by the Group amounted to CZK 245 million (as at 31 December 2013: CZK 238 million).

The Group recorded no financial leases as at 31 December 2014 and 31 December 2013.

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 2014 and 31 December 2013. 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)	2014	2013
Valuables incl. stamps and lottery tickets	16,763	13,522
Vignettes	3,171	3,699
Leased assets - operational lease	938	967
Securities	40	40
Low-value tangible assets	2,442	2,444
Low-value intangible assets	82	98

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

(CZK million)	31 December 2014	31 December 2013
Due within 1 year	305	281
Due between 1 to 5 years	626	758
Due after 5 years	127	117
Total	1,058	1,156

Received and provided bank guarantees/letters of credit for the Group, which are drawn under the frame agreements on the provision of financial services, as at 31 December 2014 were as follows:

Type of guarantee/letter	Guarantor	Creditor	Subject	Valid until	Amount (CZK million)
Payment	Československá obchodní banka, a.s.	Customs Directorate for the South Bohemian Region	Customs debt	indefinite	4
Payment	Československá obchodní banka, a.s.	State Fund of Transport Infrastructure	Distribution and sale of vignettes for the year 2014 and following emissions	16 March 2015	120
Payment	Komerční banka, a.s.	General Directorate for National Roads and Motorways of the Czech Republic	Electronic Fee system	6 December 2015	8
Payment	Československá obchodní banka, a.s.	HCEPP II Rudná s.r.o.	Rental agreement	24 April 2016	3
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
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 2015	15
Payment	Československá obchodní banka, a.s.	State Fund of Transport Infrastructure	Distribution and sale of vignettes for the year 2014 and following emissions	16 March 2016	300
Payment	Československá obchodní banka, a.s.	CONTERA Investment III. s.r.o.	Rental agreement	14 August 2016	1
Payment	Československá obchodní banka, a.s.	Charles Square Centre, s.r.o.	Rental agreement	18 September 2016	1
					467
Payment	Unicredit Bank, a.s.	PRONIX s.r.o.	Action - building data centre	31 August 2017	6
Payment	Komerční banka, a.s.	SILBA-Elstav s.r.o.	Action - Depo Plzeň 72	11 April 2018	1
Payment	Komerční banka, a.s.	TRAWEKO 96s.r.o.	Action - Depo Přerov 70	7 January 2018	1
Payment	Československá obchodní banka, a.s.	VÁHOSTAV-SK, a.s.	Action - Depo Benešov 70	15 February 2018	1
Payment	Československá obchodní banka, a.s.	Polabská stavební CZ, s.r.o.	Action - Depo Česká Lípa 70	18 April 2018	2
Payment	Komerční banka, a.s.	Středomoravské Stavby, s.r.o.	Action - Depo Prostějov 70	20 December 2017	1
Payment	Československá obchodní banka, a.s.	PSG-International a.s.	Action - dislocation of the post Praha 50 to SPU Malešice	28 August 2018	1
Payment	Česká spořitelna, a.s.	Synet s.r.o.	Action - Depo Kroměříž	14 August 2018	1
Payment	Komerční banka, a.s.	SAN-JV s.r.o.	Action - Depo Šumperk 70	3 June 2018	1
Payment	UniCredit Bank, a.s.	Kappenberger + Braun, Elektro-Technik spol. s. r.o.	Action - Depo Jihlava 70	5 October 2018	1
Payment	Komerční banka, a.s.	ABC Chomutov spol. s r.o.	Action - SPU Ústí nad Labem	31 August 2018	1
Payment	Raiffeisenbank, a.s.	STAEG Stavby, spol. s r.o.	Action - Depo Znojmo	21 December 2017	1
Payment	Československá obchodní banka, a.s.	IMOS Brno, a.s.	Action - insulation Praha 3, Olšanská	31 December 2018	4
Payment	Raiffeisenbank, a.s.	SKD Průmstav-stavby, a.s.	Action - SPU Ústí - completion	3 February 2019	4
Payment	UniCredit Bank, a.s.	PSG-International a.s.	Action - reconstruction SPU + Depo Ostrava 71	3 June 2019	1
					27

19. Contingent liabilities

The management of the Group is not aware of any significant unrecorded contingent liabilities as at 31 December 2014.

20. Revenue analysis

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

(CZK million)	2014			2013		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Sales from postal operations	12,262	1,480	13,742	12,816	1,437	14,253
Sales of agency services	2,582	-	2,582	2,691	-	2,691
Print (stamps, envelopes, valuables)	27	17	44	19	10	29
Sales of goods without communication infrastructure	213	-	213	219	-	219
Other revenues from operating activities, incl. activation, communication infrastructure and data mailboxes	2,640	-	2,640	2,604	-	2,604
Total main revenues	17,724	1,497	19,221	18,349	1,447	19,796

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 2014 and 2013, the Group received subsidies for operating purposes in the amount of CZK 2 million and CZK 1 million, respectively. These revenues are part of Other operating revenues.

21. Employees

Breakdown of the Group's staff costs:

	2014		2013	
	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	30,600	46	31,887	51
Wages and salaries (CZK mil.)	8,718	158	9,040	124
Social and health insurance (CZK mil.)	2,851	30	2,918	23
Social security costs (CZK mil.)	337	-	343	-
Total staff costs	11,906	188	12,301	147

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

22. Related party transactions

Apart from the bonuses disclosed in Note 21 – Employees, in 2014 and 2013, 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 Group's cars that are made available by management for both business and private purposes.

During the year, the Group executed several transactions with related parties within its ordinary business activities. The transactions recognised in 2014 and 2013 and the related receivables from and liabilities to related parties are as follows:

2014 (CZK million)	Sales	Costs	Receivables	Payables
Czech Television and Czech Radio	243	1	-	5
Government ministries	1,746	1	207	28
Czech Social Security Administration	474	2,039	-	8,351
Municipal and local authorities	318	71	15	281
State Fund of Transport Infrastructure *)	-	1	-	-
Health Insurance of Ministry of Interior of the Czech Republic	16	-	1	2
ČD Cargo	-	57	3	5
Total	2,797	2,170	226	8,672

2013 (CZK million)	Sales	Costs	Receivables	Payables
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	2,795	2,163	170	8,407

*) In 2014, there was a change in contractual relationship in procurement of sales of vignettes; an association was established for the purpose of ensuring the provision of vignettes sales-services. To the Company's accounts in 2014, only relevant share of commission from sales of vignettes as a part of settling of association's profit is entered.

23. Fees paid and payable to the audit company

The total fees paid and payable for statutory audit of financial statements, including audit of consolidated financial statements, for 2014 amounted to CZK 2 million (2013: CZK 1 million).

24. Entrusted resources

The entrusted resources analysis as at 31 December 2014 and 31 December 2013 is as follows:

(CZK million)	31 December 2014	31 December 2013
ASSETS		
Short-term receivables	97	108
Cash in hand	4,090	4,365
Cash at bank	6,002	5,626
Total assets	10,189	10,099

(CZK million)	31 December 2014	31 December 2013
LIABILITIES AND EQUITY		
Short-term payables	10,154	10,064
Short-term bank loans	35	35
Total liabilities and equity	10,189	10,099

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 2014 and 2013, the Group received advance payments in the amount of CZK 8,005 million and CZK 8,000 million from the Czech Social Security Administration for 2015 and 2014 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 2014 and 31 December 2013, 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 million)	31 December 2014	31 December 2013
Cash on hand	4,173	4,369
Cash at bank	8,507	8,069
Cash equivalents included in short-term securities and investments	500	500
Total cash and cash equivalents	13,180	12,938

26. Subsequent events

In 2015, 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 2014. The deadline for applying for an entitlement is 31 August 2015. In March 2015, the CTO confirmed the net cost amount of universal service for 2013 in the amount of CZK 753 million. Out of this amount, the Company has theoretical right to receive an amount corresponding to competitive share on the relevant market. The decision is not in force.

On 18 February 2015, the contract on the transfer of part of the company – separate organisational unit of Česká pošta Security, s.r.o., providing CIT services (Cash-in-transit) to the subject in the Czech Republic was signed.

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 for the accounting period 2014.

18 March 2015



Martin Elkán
Director General
Česká pošta, s.p.

Independent auditor's report on the annual 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 Praha 1, Politických vězňů 909/4 ("the Company") for the year ended 31 December 2014 disclosed in this annual report and issued the opinions dated 13 March 2015 and 18 March 2015 and disclosed in this annual report.

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 2014 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 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 is, 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 2014 is consistent, in all material respects, with the financial statements.

30 June 2015


represented by partner


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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Tax identification number:	CZ 47114983
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Company's registration no.:	insert 7565, section A
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Abbreviations used

CE COMM	Conference of European Communications Museums	ICT	Information and communication technologies
CMS	Shared services centre	ISDS	Data Mailbox Information System
CNG	Compressed natural gas	ISO	International Organisation for Standardisation
CSSZ	Czech Social Security Administration	KI	Crisis infrastructure
Czech POINT information	National network of submitting and verifying	KS	Crisis situations
ČSOB	Československá obchodní banka, a. s.	LZ	Human resources
ČTÚ	Czech Telecommunication Office	NBU	National Security Office
D+3	Delivered by the third day after posting	MU/KS	Extraordinary crisis / Crisis situation
D+5	Delivered by the fifth day after posting	OSVČ	Self-employed person
SB	Supervisory Board	OZ	Branch
DINO	Debt collection of inhabitants	OZP	Persons with disabilities
VAT	Value added tax	PDZ	Postal data message
EC	European Commission	CPP	Crisis Preparedness Plan
EMS	Express Mail Service	PM	Postal Museum
ES	European directive	QCA	Qualified certification authority
EU	European Union	RIPM	Distribution of information and promotional materials
FKSP	Fund for cultural and social needs	SČF	Union of Czech Philatelists
DG	Director General	SIPO	Multiple direct debit payments via the Company's payment system
GDP	Gross domestic product	SMS	Short message service
HP	Hybrid mail	SPU	Logistic hub
HR	Human resources	SW	Software
HW	Hardware	USB	Universal serial bus
HZS	Fire Rescue Corps	UNEX	International measurement of quality of postal services of public postal operators

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