



CZECH POST

ANNUAL REPORT 2009



The world around us is changing from one day to the next. Familiar places recede into new ones, and certainty is rare. One thing remains the same though - we still strive to be part of everything, and we want to share these experiences, thoughts and feelings with others. We long to have our most distant loved ones within reach and we rely on the fact that we will hear all the news sent to us, whether it is good or bad. Above all, we trust that all we share with others will remain private. Fast and reliable contact with the world, whatever the circumstances, is of vital importance to us. That's what the Czech Post is here for.

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DIRECTOR GENERAL'S STATEMENT

In many ways, the year 2009 was truly a turning point for Czech Post. Its profit before tax of CZK 661 million fulfilled the plan, and was one of the highest profits in the modern history of Czech Post. Compared with the lengthy previous period, when (with a few exceptions) investments were directed towards simple renewal of operations, real preparations for the liberalisation of the postal market were initiated, which resulted in doubled investments in comparison with 2008 (mainly in technology, but partly also in development of the network of offices). The most fundamental event in 2009 for Czech Post was the launch of the Data Mailbox Information System. The statutory obligation with respect to data communication for individual state administrative components, as well as for legal entities when communicating with the state, precipitated an irreversible trend already during the first few months of real-time operation: if classic letter mail began to disappear gradually with the introduction of electronic communication in the 1990's, the Data Mailbox Information System has fully replaced official correspondence almost overnight. Although Czech Post became an administrator of the system due to its high credibility, and thus remained a fast and reliable means of communication in modern times, the marked decrease in letter mail at the end of the year indicated palpable future implications for the Company's business. If the belated introduction of data mailboxes positively influenced the 2009 profit, then the next year must, as a matter of necessity, represent a search for a way to preclude the anticipated drop in income. In addition to its high quality provision of universal and pension services, and its participation in eGovernment services in the form of Czech POINT offices, which was very positively rated by the public, Czech Post's problem-free operation of the data mailbox system also proves that it is a solid and credible partner of the state, above all in respect of communication with members of the public. It has a firm foundation for this in its extensive distribution network

spanning the entire Czech Republic, which will provide a significant competitive advantage even in the face of market liberalisation. In 2009, Czech Post also began providing ICT services for its founder, the Ministry of the Interior of the Czech Republic, and organisations determined by it. Today, Czech Post has everything necessary to develop its know-how from this type of cooperation and extend it to other areas of the state administration, and to become a stable, high-quality entity as eGovernment develops to full capacity, not just in respect of electronisation of the existing state administrative agenda but also in respect of the structural, procedural changes to it. Less than three years remain until liberalisation of the postal market. After the transformation from a state enterprise to a joint-stock company was stopped at the end of 2009, preparation of Czech Post for the open postal services market has become its founder's priority. Czech Post has a far-reaching tradition, but it can only sensibly be alluded to if we can continue that tradition by defending the Company's social significance for the future as well.

Ing. Marcela Hrdá
Director General
of Czech Post



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FOUNDER'S STATEMENT

The need to deliver and exchange various information and messages is deeply-rooted in the history of mankind. The very first messages appear to have been information needed for hunting or barter of goods and products and were spread by word of mouth; the most important messages later being put into writing. Therein, somewhere, can be found the beginnings of post. This institution has taken many forms on its journey through history. Its face and the character of its services, however, did not change only in the small beginnings, but have also undergone very marked changes in the recent past and during the present time. For example, today we no longer use telegrams, which for 160 years were the way to let anyone - even in places with no telephone lines - know what they needed to know in good time. The probability of the postman ringing a company's doorbell with a striped envelope in his hand is also becoming smaller by the day. The year 2009 was a year of fundamental changes for Czech Post, and the fact that the profit was higher than expected is clear proof that Czech Post has coped with these changes more than worthily.

How, then, does the Czech Post shape up at the turn of the first decade of the 21st century? It is a major partner of the state in the area of eGovernment. In 2009 it became an administrator of the communication system of the future: data mailboxes. I am aware that the real-time start-up of the system was accompanied by certain misgivings and concern. However, deliveries so far indicate that these were unfounded. Not only does the data mailbox system now convey on average 80-100 thousand data messages a day in a working week, but the number of messages conveyed is growing continuously.

Another significant change in the field of services provided by Czech Post relates to the Czech POINT project - an easily available network of public administration offices that should speed up the provision of services and make them more accessible to members of the public, in particular with respect to certified data kept in central registers such as the Criminal Register, the Commercial Register and the Trade Licences Register. What is important about 2009 with respect to

Czech Post (Czech POINT)? Clients may make use of Czech POINT services in one-quarter of post offices (almost one thousand). Last year, Czech POINT officers at post offices carried out 632 thousand transactions (458 thousand more than in 2008). Apart from the classic services available at other Czech POINT offices, Czech Post also offers so-called verification and legalisation, i.e., verification of signatures and documents, as well as registration and extracts from the IZIP electronic health record system. In 2009, a total of 159,015 purely "postal" transactions such as these were carried out. This numeric data proves without a trace of doubt that utilisation of the post offices as points of contact between state administrative bodies and members of the public was the right choice, and one that is already bearing fruit.

In conclusion, I would like to point out that eGovernment in the Czech Republic is becoming increasingly prestigious thanks to the partnership between the state and Czech Post. It is my wish for both the state and Czech Post that this partnership continue at least as long as the telegraph served, because I believe that it will be the catalyst for continued, significant simplification and ease of communication for members of the public and legal entities with the state administration, and that it will be of benefit to all parties involved. At the same time, this will open up opportunities for Czech Post to provide new services and products to the public.

Ing. Martin Pecina, MBA
Minister of the Interior



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TERM OF OFFICE OF CURRENT MEMBERS OF THE SUPERVISORY BOARD OF CZECH POST

Name and surname	Date of appointment/election	Original date of expiry of office	Current date of expiry of office
Vladimír Budinský	05.11.2004	05.11.2009	05.11.2010
Petr Kužel	01.11.2006	01.11.2011	01.11.2012
Petr Polák	31.07.2007	31.07.2012	31.07.2013
Jiří Řehola	01.09.2008	-	01.09.2014
Lubomír Krejsa	29.04.2009	-	29.04.2015
Jiří Maceška	01.07.2009	-	01.07.2015
Karel Koukal	23.09.2009	-	23.09.2015
Ivana Musilová	23.09.2009	-	23.09.2015
Štěpán Grochal	23.09.2009	-	23.09.2015
Soňa Lavičková	23.09.2009	-	23.09.2015
Jan Mládek	20.10.2009	-	20.10.2015
Jaroslav Chýlek	23.11.2009	-	23.11.2015

Changes in the Supervisory Board ("SB") in 2009:

29. 04. 2009 Lubomír Krejsa was appointed a Member of the SB
30. 06. 2009 Zdeněk Zajíček resigned from the post of Chairman of the SB
30. 06. 2009 Ján Dzvónik was removed from the post of Member of the SB
01. 07. 2009 Jiří Maceška was appointed Member of the SB
07. 07. 2009 Jiří Maceška was elected Chairman of the SB
07. 07. 2009 Zdeněk Zajíček was elected as Deputy Chairman of the SB
04. 09. 2009 The following individuals' mandate ended:
- Karel Koukal
 - Jiří Štráberger
 - Ivana Musilová
 - Jan Řezník
23. 09. 2009 election of employee representatives to the SB - the following representatives were elected:
- Karel Koukal
 - Ivana Musilová
 - Štěpán Grochal
 - Soňa Lavičková
7. 10. 2009 Zdeněk Zajíček was removed from the post of Member of the SB
20. 10. 2009 Jan Mládek was appointed a Member of the SB
23. 11. 2009 Daniel Rován was removed from the post of Member of the SB
23. 11. 2009 Jaroslav Chýlek was appointed a Member of the SB
24. 11. 2009 Jan Mládek was elected Deputy Chairman of the SB

SUPERVISORY BOARD'S REPORT

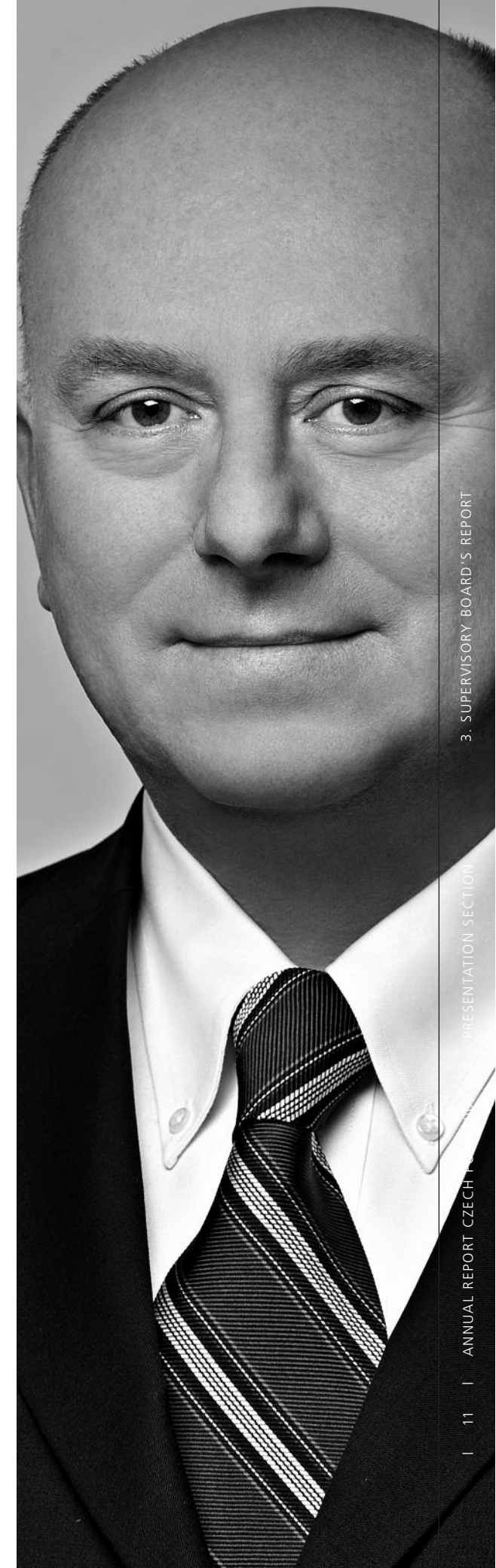
In all its activities, the Supervisory Board of Czech Post carries out its duties as defined by the State-Owned Enterprise Act No. 77/1997 Coll., as amended, the Deed of Foundation and the Statutes of the State-Owned Enterprise Czech Post. During 2009, members of the Supervisory Board assembled at twelve ordinary meetings.

The main point on the agenda of the meetings of the Supervisory Board this year was preparation for transformation of the Company, which was stopped by the founder in autumn. Another significant point was the focus of Czech Post's investment programme, with respect to the upcoming liberalisation of the European postal market, and the related regulation of the processes leading to adoption of the necessary European standards in all areas of Czech Post's operations. Apart from its regulatory activities, the Supervisory Board currently serves as a forum for the constructive exchange of opinions among its Members, particularly when seeking new suggestions for the management of Czech Post as to how to secure the Company's competitive strength and results. The Board also continuously monitored and evaluated the Company's financial performance while focusing on whether the results obtained complied with the approved financial plan.

The Supervisory Board examined in full detail Czech Post's financial statements for the year ended 31.12.2009 (prepared in accordance with Czech accounting standards); read the opinion of the auditor PricewaterhouseCoopers Audit, s.r.o. - "unqualified"; discussed Czech Post's annual report for 2009; and recommended that the founder approve the financial statements and the annual report. The Board also examined the proposed distribution of profits generated in 2009 and recommended that the founder approves it.

Ing. Jiří Maceška

Chairman of the Supervisory Board
of Czech Post



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PROFILE

4. 1. MISSION AND STRATEGIC GOALS

Czech Post's mission is to be a trustworthy provider of quality services in the area of mediating information, payments and goods via both traditional and electronic means. Czech Post provides general services focusing on efficient solutions.

It is conscious of its role in society and its social responsibility, and wishes to be an efficient and attractive employer. In its other activities it has responded to the four key trends influencing the market and the competitive environment. These are the following: new technologies, new ways of communication due to the expansion of the Internet, change in customers' needs, and liberalisation of postal services. Czech Post intends to cooperate closely with the state administration via both its dense network of post offices and new means. It has therefore been appointed as administrator of a unique system of "data mailboxes" and the Czech Ministry of the Interior's data networks. It considers improvement of its public image to be essential.

4. 2. LEGAL STATUS OF THE COMPANY

The Company is a legal entity in the meaning of Section 18 of Act No. 40/1964 Coll., the Civil Code, as amended. Its legal and ownership status is regulated by the State-Owned Enterprise Act No. 77/1997 Coll., as amended. The Company was founded on 1.3.1993 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.

The present record is in the Commercial Register maintained by the Municipal Court in Prague, Section A, File 7565. With effect from 1.6.2003, the Ministry of Informatics issued an amended Deed of Foundation of the State-Owned Enterprise Czech Post.



*So, our family has just added one more member.
His name is Luke
and he's already made us very happy.
When he yawns he looks like Uncle Paul,
but otherwise he's a beauty, just like Mom.*

The CTO is the regulator for basic postal services and international mail prices. The Ministry of Finance regulates prices of select domestic mail services.

As at 31.12.2009, the Ministry of the Interior of the Czech Republic acted on behalf of the government as the founder of Czech Post.

4. 3. MANAGEMENT AND SUPERVISION OF THE COMPANY

Director General

The Director General, as a statutory body of Czech Post, manages the Company's operations and acts on its behalf. The Director General decides on all matters which do not fall, by the operation of law, under the competences of the founder (Section 12 of the State-Owned Enterprise Act and the Deed of Foundation of the State-Owned Enterprise Czech Post).

Supervisory Board

The Supervisory Board has twelve members. It supervises performance of the activities of the Director General and implementation of the Company's business plan. Subject to the State-Owned Enterprise Act No. 77/1997 Coll., as amended, eight members of the Supervisory Board are appointed and removed by the founder; the remaining four members are elected and removed by the Company's employees. As at 31.12.2009, 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 are elected and removed by the Supervisory Board.

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

- Committee of the Supervisory Board for the Company's Strategy;
- Committee of the Supervisory Board for Finances and Audit;
- Committee of the Supervisory Board for Human Resources Development;
- Committee for Classified Information.

4. 4. STATUTORY BODY AND MANAGEMENT BOARD OF CZECH POST

The bodies of Czech Post (the "Company", "Post") in the meaning of Section 11 of the State-Owned Enterprise Act No. 77/1997 Coll., as amended, are its Director General and the Supervisory Board.

Members	Position	Position established on	Registered into the Commercial Register on
Ing. Petr Sedláček	Director General	1.10.2008	8.12.2008
Ing. Václav Hadač	Deputy Director General, Finance**	8.10.2009	-
Ing. Petr Zatloukal	Deputy Director General, Postal Operations and Logistics	20.8.2007	13.9.2007
Ing. Martin Elkán	Deputy Director General, Sales	1.10.2009	11.11.2009
Ing. Michal Pešek	Director, ICT *	1.10.2009	-
Ing. Josef Bajza	Director, Marketing *	1.9.2009	-
Ing. Ivan Feninec	Director, Human Resources *	2.6.2008	-
Ing. Pavel Janda	Director, Corporate Administration *	1.12.2008	-
Ing. Pavel Pulkráb	Director, Property Management *	1.12.2008	-

* Positions that are not registered in the Commercial Register.

** Ing. V. Hadač, Director of Controlling, was given the task of managing Finance; not registered in the Commercial Register.

OTHER CHANGES IN THE MANAGEMENT BOARD THAT OCCURRED IN 2009:

	Position	Registered in to the Commercial Register on	Position ceased on	Erased from the Commercial Register on
Ing. Petr Sedláček	Director General	8.12.2008	31.12.2009	3.2.2010
Ing. Petr Křeček	Deputy Director General	17.12.2008	30.9.2009	11.11.2009
Ing. Michal Vodrážka	Deputy Director General	16.8.2008	23.6.2009	30.7.2009

SUPERVISORY BOARD AS AT 31.12.2009

Position	
Ing. Jiří Maceška	Chairman
Karel Koukal	Deputy Chairman
Ing. Jan Mládek, CSc.	Deputy Chairman
Ing. Vladimír Budinský, MBA	Member
Štěpán Grochal	Member
Ing. Jaroslav Chýlek, MBA	Member
Ing. Lubomír Krejsa	Member
Petr Kužel	Member
Ing. Soňa Lavičková	Member
Ivana Musilová	Member
Petr Polák	Member
Ing. Jiří Řehola	Member

4. 5. ORGANISATIONAL STRUCTURE AS AT 31.12.2009

DIRECTOR GENERAL

DIRECTOR GENERAL SECTION	CORPORATE ADMINISTRATION	HUMAN RESOURCES	FINANCE	ICT	MARKETING	PROPERTY MANAGEMENT	POSTAL OPERATIONS AND LOGISTICS	SALES
Ombudsman	Security	Labour Legal	Accounting and Taxes	ICT Operation	Brand Marketing	Administration	Logistics	Marketing Segments
Programme Office	Postal Licence	HR - front office	Controlling	ICT Development	Segmentation and Market Analysis	Operations	Network Development and Operation	Alliance Partners
Communication	Legal	Benefits and Emoluments	Procurement	Communication Infrastructure	Postal Museum	Investments	Payment System Operation	Product Marketing
Internal Audit	Complaints	HR Development	Treasury and Financing	Shared Support Services		Project Management	Logistics Support	Sales Coordination
Director General's Office	Organisation and Administration	HR Processes - Back Office					Region Central Bohemia	Product and eGovernment Service Development
							Region South Bohemia	
							Region West Bohemia	
							Region North Bohemia	
							Region East Bohemia	
							Region South Moravia	
							Region North Moravia	
							Region Prague	

4. 6. REGULATORY FRAMEWORK OF POSTAL SERVICES

Czech legislation and postal licence

In April 2005, the Czech Telecommunication Office ("CTO") became the national regulator for postal services. The main piece of legislation governing the powers and duties of this national regulator is the Postal Services Act No. 29/2000 Coll., as amended.

By its decision No. 76 026/2008-608 dated 5.12.2008, the CTO granted a postal licence to Czech Post for a period from 1.1.2009 until 31.12.2012. The postal licence was granted on condition that the operator provides the basic postal services set in the annex to Statement II of the CTO decision No. 76 026/2008-608 of 5.12.2008. The decision also imposes the basic quality requirements on Czech Post as the licence holder. This decision, published in the Postal Bulletin on 31.12.2008, endorses, inter alia, the duty to fulfil the obligations of the Czech Republic as a member of the Universal Postal Union in the position of a party to international postal agreements in the meaning of Acts of the Universal Postal Union; obligations of the Czech Republic as a member of the European Union which apply to general service providers in the meaning of Directive 97/67/EC of the European Parliament and of the Council, on common rules for the development of the internal market of Community postal services and the improvement of the quality of service, as amended; obligations to provide basic services to the blind free of charge, and other obligations.

By its resolution No. 1565 of 7.12.2005, the Czech government approved the governmental decree defining the scope of postal licence effective as at 1.1.2006. This decree, published in the Collection of Laws under No. 512/2005 Coll., limits the postal monopoly of the licence holder to mail containing documents that weigh no more than 50 g and cost a maximum of CZK 18.

Hello from the beach!
The sun shines all day long
and the ocean is amazing. It's perfect!
How are you? How is the work?
Are you catching up without me?
Can't wait to see you all...

Mary



Liberalisation of postal markets within the European Union

Under Postal Directive 97/67/EC, the first stage of harmonising postal services in the EU was accomplished. The subsequent regulations led to further opening of postal markets to the competition. Currently, Czech Post operates within the liberalised environment with the exception of mail containing documents that weigh no more than 50 g and cost a maximum of CZK 18. In 2007, Postal Directive 97/67/EC was amended. The amended directive sets the deadlines for full liberalisation of the European postal market. The original deadline was extended by two years. Some EU member countries may extend it by a further two years. The primary reason for the extension was the member countries' concerns about securing the provision of general postal services. Under this directive, Czech Post will lose its limited monopoly over letter mail up to 50 g by 2013.

The present Directive 2008/6/EC of 20.2.2008 amends Directive 97/67/EC with regard to the full accomplishment of the internal market of Community postal services.

4.7. SUBSEQUENT EVENTS

The effects of events that 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.

The Company's management has stated that since that time no events of significance have occurred that would have an impact on the financial statements for 2009.

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ACTIVITY REPORT

5. 1. ECONOMIC POSITION

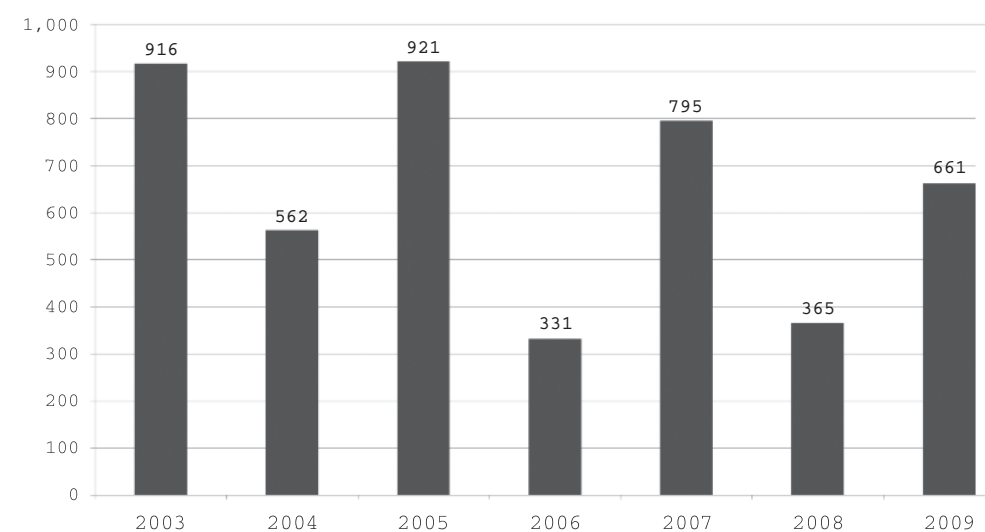
Despite the difficult economic situation, the year 2009 was a very successful one for Czech Post. The operating income grew year-on-year by 1.6% to in excess of CZK 20 billion. The downward trend in letter mail volumes was, for the most part, compensated by higher parcel mail revenues and development of new services, e.g., operation of the Data Mailbox Information System, administration of the communication infrastructure of the Ministry of the Interior, etc. These new services did, however, have a significant representation in increased costs. The profit before taxation in 2009 reached CZK 661 million. The same figure after taxation was CZK 554 million. These resources are the equity for future expenditures necessary in respect of Czech Post's preparation for full liberalisation of the postal market.

5. 1. 1. Trends in Key Economic Indicators

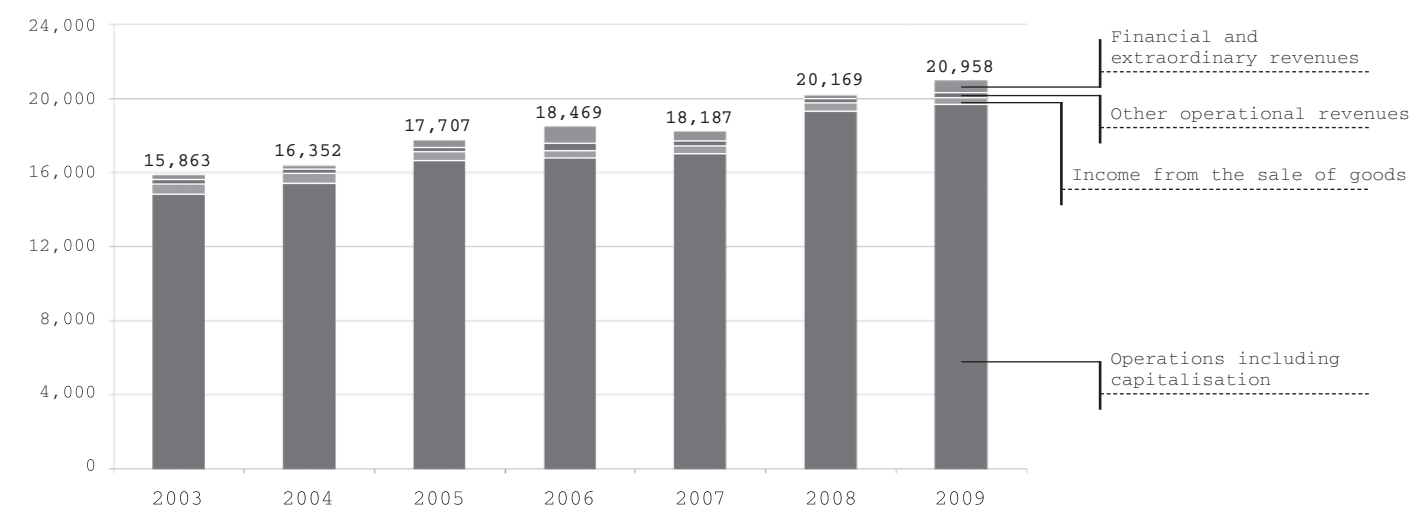
FINANCIAL AND OPERATING INDICATORS

	2009	2008	2007	2006
Assets (in CZK million)	22,726	22,442	22,388	22,412
Equity (in CZK million)	9,979	9,630	9,684	9,173
Operating income (in CZK million)	20,280	19,970	17,646	17,529
out of which: Income from sale of own products and services (in CZK million)	19,627	19,254	16,947	16,758
Profit before tax (in CZK million)	661	365	795	331
Net profit (in CZK million)	554	293	653	248
Employees - full-time equivalent	34,948	36,332	37,008	37,415
Average monthly salary (CZK)	21,500	20,565	17,452	16,584
Profit before tax / Income from sale of own products and services	3.37%	1.90%	4.69%	1.98%
Profit before tax / Assets	2.91%	1.63%	3.55%	1.48%
Profit before tax / Employees - full-time equivalent (CZK)	18,923	10,058	21,469	8,851

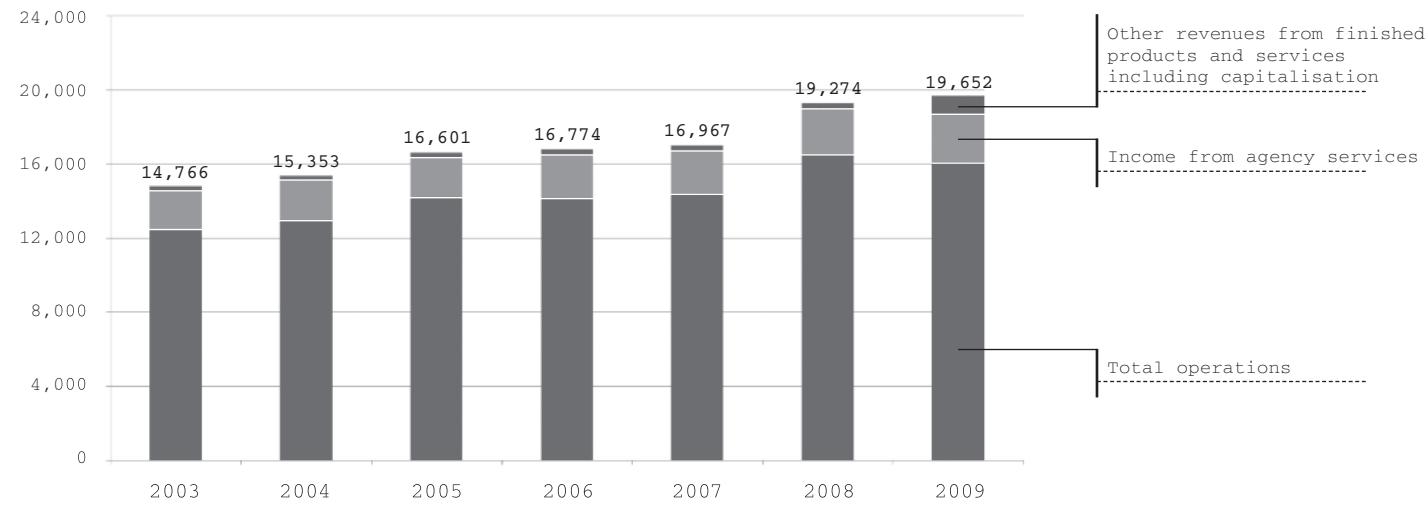
PROFIT BEFORE TAX (CZK million)



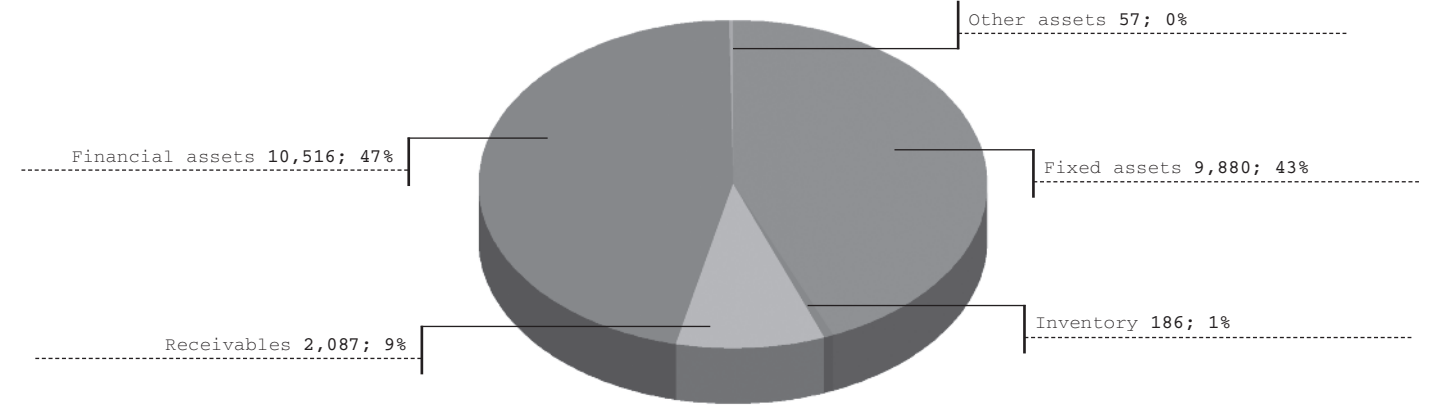
TOTAL INCOME (CZK million)



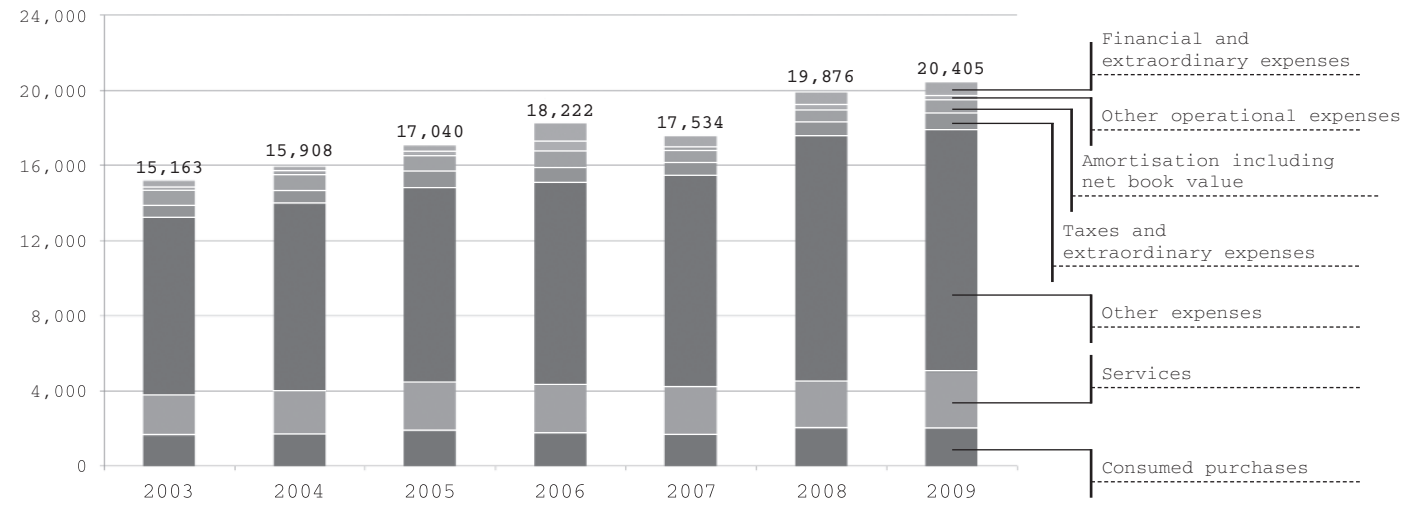
OPERATING INCOME (CZK million)



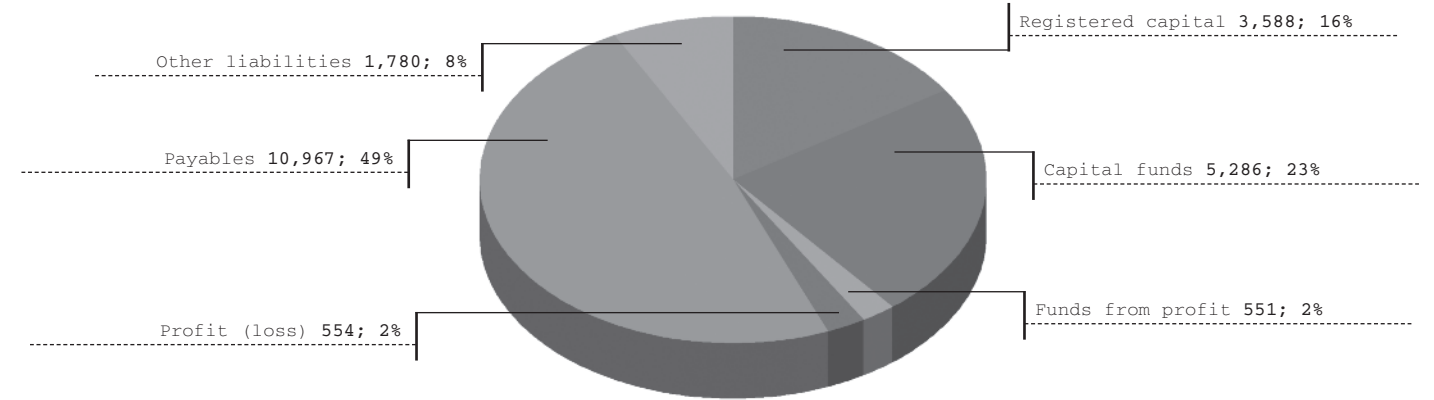
STRUCTURE OF ASSETS IN 2009 (CZK million)



TOTAL EXPENSES (CZK million)



STRUCTURE OF LIABILITIES AND EQUITY IN 2009 (CZK million)



5. 1. 2. Investments and Technical Development

Changes to the network of offices and the logistics network

The year 2009 was one of pilot projects in respect of comprehensive restructuring of Czech Post's network of offices and logistics network.

The area of the network of offices concerns the Partner project, i.e., commencement of strategic transformation of certain offices into so-called partner offices operated by another entity (cooperation with the municipal authorities takes priority). The first partner is the Boží Dar post office, which was started in December 2009.

Within the logistics network, systematic renovation of the letter sorting machines (renovation of the oldest letter sorting machine for CZK 98 million), including the necessary building alterations, has begun. They are modern machines capable of sorting the appropriate correspondence right down to the delivery area. Of course, this project is also to be continued in the years to come.

Preparation of the project documentation for renovation of the Praha-Malešice key hub has begun, and construction work is to commence in 2010. We expect to see the main benefits and optimisation of most of the SPU network primarily in 2011-2012. The tradition of the hubs is continued by way of delivery centres (depots), whose tally, location, size and technical equipment will undergo fundamental changes over the next two to three years. All these changes were tested in 2009 within the scope of the pilot depot in Břeclav, and testing is continuing this year in conjunction with construction of further target depots.

Czech Post also commenced renewal of its mobile park and purchased vehicles weighing over 7.5 t (primarily in the 13-18 t category). A total of 86 vehicles for CZK 173,060 million are earmarked for the regional and main transportation networks. Post also prepared an ecological operation project in respect of its mobile network. Electric bicycles were qualified as equipment for postmen. After evaluating the pilot project in 2010, there are plans to purchase some vehicles running on CNG.

The volume of investments doubled overall in comparison with 2008, which is a tremendous success considering the general underinvestment throughout the Company. Since the process of transforming the Company into a joint-stock company was not completed, it was not possible to commence property optimisation with respect to quantity and localities.

Development of Electronic Services

The public and qualified certification authority was rebuilt in 2009 to be ready for the introduction of updated safer cryptographic algorithms. This was accompanied with a project under which root certificates should become trustworthy certification authorities for Microsoft, Adobe, Mozilla, Opera and Apple.

Development of Professional Services

In the area of professional services development, Czech Post has been profiled as a provider of comprehensive ICT services since 2009. In 2009, it successfully participated in a tender for securing the Population Census in 2011, and commenced a test census project that will be implemented at the beginning of 2010.

Renewal of the ICT Infrastructure

As part of ongoing improvement of the quality and expediency of Czech POINT services, a project was commenced to renew continued Czech Post's communication network with a view to utilising new, modern communication technology and strengthening and updating the technical equipment in the post office network. During the course of 2009 almost CZK 148 million was invested in updated equipment for post offices and CZK 215 million in updating the data network. In connection with the focus on providing further professional services, the Czech Post commenced an extensive project for construction of a new data centre with the aim of responding more flexibly to the increasing demand for high-quality, accessible services. This project represents an investment in the ICT infrastructure of more than CZK 300 million, of which CZK 155 million was already invested in 2009.

ICT and Customer Orientation

Last year, Czech Post also continued with transformation of IT processes supporting customer orientation. Primarily, this took the form of the commencement of a project for construction of a single office to handle the requests and problems of both internal and external service users. Within the framework of this project, work has also begun on a catalogue of services as the sole source of consistent information on the provision of services, including definitions of quality and availability parameters.

Quality and security of ICT

In keeping with the aim to provide professional services, great emphasis is placed on the quality and security of the services provided, with a clearly defined policy of customer orientation, process-based approach, process efficiency measurement and continuous improvement. This policy is fulfilled by way of service certification in accordance with ISO 9001 (Quality Management System) and in accordance with ISO/IEC 27001 (Information Security Management System). In 2009, Czech Post upheld certification in accordance with the aforementioned standards, through supervisory and recertification audits, for PostSignum certification authority services, Registered Electronic Post, ICT system administration services, operation services in respect of Central Address and the public tenders information system, and other electronic services.

5. 2. SALES ACTIVITIES

Regional sales activities were standardised in 2008, when key customer service processes were set and described. In 2009, the corporate and SME clientèle sales teams were merged, thus eliminating any disproportion in the service provided to individual customers. Czech Post has a team of sales managers in every region to take care of our client's needs. It is also their task to monitor the competitive environment and win new customers. The Company also has centrally managed VIP and public administration customer segments that focus on providing high-quality, targeted bespoke customer solutions. These individual solutions help the Company win important customers for the comprehensive delivery of services, from manufacture right through to delivery.

The Data Mailbox Information System, which was established by the Ministry of the Interior and is operated by Czech Post, is the theme of the year. Data messages have replaced letter mail and are used by public authorities as a means of communicating with one another and with legal entities. In the space of two months, the sales managers familiarised approximately 8,500 public authorities with the functionality and basic attributes of data mailbox use. We also organised and participated in numerous seminars dealing with this topic. The subsequent launch of the system was successful, thus making Czech Post a long-standing strategic partner of the state. The international sales segment introduced a new international express parcel service at the end of 2009 that, for the first time, positively guarantees the delivery time to 21 countries in Europe while remaining affordable enough for a wide range of customers.

Honey,
this tour just never seems to end.
Our show starts in a while,
but I would rather be with you now.
As it is the Valentine's Day today,
I will be playing your favourite song
just for you.

It's about you, anyway :)

Zakk



5. 2. 1. Customers

As much as 20% of the Company's income comes from the VIP clientèle segment. In 2009, new key account managers were hired to optimise the number of customers. The VIP client base includes a wide spectrum of customers, from the most significant firms in terms of income to firms showing great potential for future growth (such as established Internet shops).

Corporate clients are ever more appreciative of user friendly services (hybrid mail, DopisOnline) that make it possible to send an electronic letter straight from the comfort of one's office or home. Thus, the customer can send letters without needing any paper, printer, envelopes or stamps.

In cooperation with public authorities, we are making an ever greater effort to improve the availability of certain services to members of the public via the Czech POINT project. Within the framework of this project, not only the number of offices offering this service but also the number of services offered (such as extracts from the Central Drivers' Register, extracts from the Insolvency Register and document conversion) have been expanded considerably.

The retail customer segment is important for Czech Post both from the income perspective and from the perspective of Post's public image. By expanding the portfolio of goods and services, post offices are becoming ever more universal customer service points. We have also launched the Partner project, which will make it possible to improve customer service in smaller locations through a contractual partner, primarily in cooperation with the municipal authorities. In December, a pilot project was launched in cooperation with the Municipality of Boží Dar.

5. 3. SERVICES AND OPERATIONS

STRUCTURE OF SERVICES PROVIDED

OBLIGATORY SERVICES

DOMESTIC		OUTBOUND	
MAIL	MONEY ORDERS	MAIL	MONEY ORDERS
ORDINARY	CASH - ACCOUNT	ORDINARY	CASH - ACCOUNT
Letters	Money order A	Mail	Money order Z/A
Parcels	ACCOUNT - CASH	Printed matter bag	CASH - CASH
Mail for the blind	Money order B	Mail for the blind	Money order Z/C
REGISTERED	CASH - CASH	REGISTERED	
Mail	Money order C/D	Mail	
Mail for the blind		Printed matter bag	
INSURED		Mail for the blind	
Letters		INSURED	
Parcels		Letters	
		Parcels	
		STANDARD	
		Parcels	

NON-OBLIGATORY SERVICES

AT POST OFFICE	OTHER	AGENCY	ON DELIVERY
Domestic	Sales	Express financial services	
Commercial parcel	POSTFAX	SIPO	
EMS	RPIM	Betting and lotteries	
Mail order parcel	Press mail	Highway stickers	
Commercial letter	Philately	Duty stamps	
Outbound	Lottery	Telecommunication services	
EMS	postservis	Banking services	
Express commercial parcel	Electronic services	Supplementary pension insurance schemes	
Additional	Certification authority	REP	
	REP	Building saving schemes	
	Hybrid mail	Insurance	
	Central address	Other	
	Czech POINT		
	Other		

OBLIGATORY SERVICES

AT POST OFFICE	INTERNATIONAL	ON DELIVERY	AGENCY
Domestic			Radio fees
Outbound			Television fees
Additional			Pensions

5. 3. 1. Traditional postal services

In connection with the introduction of data mailboxes in July 2009 and the consequent shift of a significant portion of mainly certified mail to electronic communication, a further sharp decrease in letter mail volumes was expected. Considering the relatively slow start with respect to the use of data mailboxes, this decrease was only partially evident, but represents less than 4% when compared year-on-year. The year-on-year drop in regular letter mail is 3% and relates to the anticipated trend, which was thus reflected in the business plan. When compared year-on-year, the number/volume of insured letters remains on the same level, indicating a stagnating trend but not a decline.

A more marked drop of almost 21% was seen in 2009 with respect to international letter mail, but even this trend was predicted in the business plan more or less precisely. International registered mail, on the other hand, showed a slight 4% growth that corresponds to predictions in the business plan.

In connection with the reduction in weight limits for regular letter mail at the beginning of 2009, there was a very sharp rise in regular parcel mail due to post that had previously qualified as letter mail being transferred to the parcel mail service. This targeted change was initiated in order to reduce the volume of letter mail that, due to its dimensions and weight, in fact falls within the category of parcel mail, and which was burdensome for Czech Post from the point of view of sorting and delivery. In partial compensation of this change, Czech Post introduced a new product in 2009 called Registered Parcel, which meets customer needs when sending large registered letter mail.

The volume of insured parcels grew by more than 18% year-on-year, surpassing the anticipated value by almost 6%. By contrast, the Commercial and Mail parcel products showed decreases of 4% and 8.5%, respectively, compared with the market trend, which clearly indicates a need to focus on these products in terms of customer retention and acquisition, as well as development and supplementation of related services for successful application on the very competitive market.

The volume of Express Mail Service (EMS) also dropped slightly (3%) both year-on-year and compared with the business plan.

International parcels and international EMS remain virtually level, according to year-on-year comparison. To increase posting of international parcels, at the end of 2009 Czech Post expanded its range of parcel mail services to include

international express commercial parcels with a guaranteed time limit for delivery. In so doing, it now ranks alongside those European states that already offer this modern service.

With a view to maintaining and increasing its market share in respect of traditional postal services, Czech Post invests primarily in the development of supplementary electronic services relating to posting, tracking and delivery of mail. These include electronic sorting of data and posting information, delivery of information and data for tracking mail and, last but not least, intensive work on introduction of electronic notification of addressees about arrival of mail. The ongoing transportation network optimisation and modernisation of sorting equipment also lend support to making the processing of this mail more efficient.

In the case of so-called non-obligatory services (Commercial Letter) and other services (Press Mail and RPIM), the impact of the ongoing economic slowdown and the cost-cutting trend could be seen relatively distinctively in 2009, because the typology of these very products reflect a dynamic market in the economic environment. While Commercial Letter income dropped by nearly 9% when compared year-on-year and kept abreast with anticipated values, Press Mail income was most seriously affected by cost-cutting, and this was apparent from the 24% drop year-on-year. RPIM income also decreased significantly and were 14% lower than in 2008. Both these products, then, did not achieve the anticipated income of 13% and 7%, respectively. The Company therefore focussed on these direct mail services, adjusting in particular the contractual customer parameters so as to ensure that anticipated volumes for the next period are met by means of demand blocking and client retention.

5. 3. 2. Electronic services

From the perspective of continued development, expansion of the portfolio of electronic services is one of the Company's key priorities. The electronic services supplement or, in some cases, completely replace those traditional services that are stagnant or weakening. The Company's mission, which is problem-free and safe intermediation of transfer of information, goods and funds, can be better fulfilled through provision of these modern services. In 2009, new electronic services were introduced on the market in addition to the traditional electronic services already offered (PostSignum public and qualified certification authority services, Central Address and Registered Electronic Post), in particular: eSIPO (electronic SIPO payments); PodáníOnline (electronic posting); and the Qualified Time Stamp service.

Certification authorities - PostSignum

This service provides two types of certificate 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.

In 2009, a total of 27,604 commercial certificates were issued, i.e., almost triple the number issued in 2008. A total of 112,346 qualified certificates were issued, which represents 132% growth compared with the previous year. The user friendliness of certification authority services was improved during 2009 through the introduction of the next certificate issue service, which enables users to get certificates issued for the following year through purely electronic means. In addition, in 2009, the sales network providing certification authority services was expanded significantly to total 850 sales points. In 2009, Czech Post became the leader on the Czech certification service market in respect of the total number of qualified certificates issued.

Time stamp

The time stamp service was launched on the market in July 2009, and this makes good on Czech Post's strategy to provide comprehensive certification services. This service links electronic data to a particular moment in time and serves as a trustworthy guarantee that that electronic data truly existed at that particular time. Thus the time stamp, which "stamps" the electronic document at a particular time, is appropriate for use in conjunction with an electronic signature. In 2009, a total of 3,779,897 time stamps were issued, primarily in connection with eGovernment services.

Central Address and public tenders information system

Within the framework of Central Address operation, the user friendliness of services was further expanded in 2009 in respect of the possibility to submit a public tender notice electronically. Of the total volume of 19,427 public tender notices, 75% were submitted electronically. Besides this, 5,622 public auction notices and 715 other offers were published in 2009.



We'd love to drop everything
and head out to see you right now.
Especially Teresa, who really misses you.
But we've been super busy,
even on weekends.
We will definitely come next month.
We miss you very much!

eSIPO

This service allows employees of contractual partners to have an on-line overview of monetary withdrawals from customers and to input new direct debits without needing to send encrypted files via e-mail. Direct debit notices are managed directly by the contractual partner's employees.

In 2009, Czech Post introduced an on-line connection for selected important organisations (SIPO drawers) so that they can make changes and submit new requests to set up notices using this modern method on the Czech Post portal. Czech Post expects to continue expanding on-line access for organisations as well as payers in 2010.

PodáníOnline

The PodáníOnline (online posting) service has been available since November 2009. It is intended for the on-line processing of the documentation necessary for posting mail, archiving data concerning mail posted and printing address labels. It has been designed in a way enabling quick and easy entry of individual address and mail details, or import of this information from files used for bulk mailing.

FakturaOnline

At the end of 2009, launch of an electronic invoicing pilot project was prepared as part of the FakturaOnline (online invoicing) service. During Phase 1, this service is aimed at specific contractual partners.

Postshop

Czech Post uses virtually its entire network of offices for selling goods primarily connected with its traditional postal services. Traditional goods include the so-called basic range, which comprises envelopes, postcards, forms, packages and packing material. An additional range of goods is also offered to customers and includes stationery, periodicals, telephone cards, chargeable coupons, highway stickers and philatelic products. In 2009, books and DVDs were added to this range. Czech Post intends to utilise its transportation and delivery potential to serve its own e-shop which, apart from the aforementioned goods, would also offer customers a broad portfolio of product-category goods that are searched for and most often purchased via the Internet.

5. 3. 3. eGovernment services

Czech Post is a strong partner of the state in respect of developing electronic communication between members of the public and state administration. In 2009, the Company increased the number of offices providing Czech POINT services, and expanded its portfolio of services. In July 2009, Czech Post became an operator of the Data Mailbox Information System.

Czech POINT

Dynamic development of the Czech POINT project continued in 2009. By the end of the year, over 850 Czech post offices were providing these services.

Czech Post's customers could obtain certified information from a range of public administration information systems at Czech POINT offices. The biggest demand was for extracts from the Criminal Register, the Real Estate Register and the Commercial Register. A total of 632 thousand Czech POINT transactions were carried out at post offices, which is 458 thousand more than in 2008.

Throughout the year, more services were progressively made available at the Czech POINT offices: extracts from the drivers' points system, extracts from the Qualified Vendors List (January), extracts from the Insolvency Register (May), the Register of traffic participants of the MA ISOH (June) and authorised document conversion (July). In connection with introduction of the Data Mailbox Information System, it has been possible since July 2006 to submit applications and notices concerning the Data Mailbox Information System, e.g., applications for mailbox set-up, etc., via the Czech POINT system.

Apart from the classic services available at other Czech POINT offices, Czech Post has also begun to offer verification and legalisation of signatures and documents, as well as registration and extracts from the IZIP electronic health record system. Customer interest in verification/legalisation of signatures and documents has grown considerably, and these services have shown the most dynamic growth among services provided at Czech POINT offices.

Data Mailbox Information System

The year 2009 was the year of the data mailbox. Launch of the Data Mailbox Information System, which is legally enshrined in Act No. 300/2008 Coll., on Electronic Transactions and Authorised Document Conversion, can be considered the start of a modern communication revolution.

Data messages are a guaranteed method of electronic communication, and their legal effect is comparable to that of registered mail. Getting used to the phenomenon of data mailboxes will definitely take some time. However, it is already clear that the advent of electronic delivery will serve as a catalyst for further internal changes at the level of the authorities and institutions that will ultimately lead to total destruction of inefficient paperwork processes. Real-time operation started fully on 1.11.2009 and it got off to a successful start, which is also proven by the fact that after just a few weeks the number of transferred data messages was close to 100 thousand a day. Moreover, in 2010, it will also be possible to use the new method of secure electronic communication for the purposes of physical and legal entities' commercial communication.

By the end of 2009, 336,996 data mailboxes has been set up and made accessible, and 2,623,910 data messages had been sent.

Additional data mailbox services

Since operation began in July 2009, Czech Post has made it possible for data mailbox users to use several additional services for increased security and ease of use when working with data messages.

When logging in to the data mailbox, the user may use one of the additional services: the so-called Security key. This product provides increased security when accessing data mailboxes or provide electronic documents (data messages) with a secure electronic signature. Security key is a package that contains a commercial and qualified certificate issued by a PostSignum certification authority as well as an iKey 4000 USB token, including service software to ensure secure storage of private keys and certificates. Storing certificates on the USB token is an essential way to protect them from misuse compared with storage on a personal computer. The user need not worry about losing the token, since the certificates cannot be copied from the USB token and a PIN code is requested upon use.

The SMS notification service is intended for users who do not check their mailboxes regularly. These notifications about incoming data messages are used primarily by individuals, sole traders and small legal entities that receive relatively few data messages and thus do not use their data mailboxes every day. In order to use this service, it is necessary to have a Czech mobile telephone number with the Premium SMS service activated.

Data mailboxes are not archives: all data messages are automatically deleted after 90 days. Users needing to archive data messages may use the Data safe service. Data safe is a secure and guaranteed data store 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.

Communication services

Since January 2009, Czech Post has been providing the operation and administration services of the communication infrastructures of the Ministry of the Interior of the Czech Republic and the Czech Police Force. Within the framework of a shared services centre, it provides professional communication services, in particular secure Internet access, access by KIVS subjects to the VPN customer network via the Internet, access to the EU S-Testa network, connection with other KIVS subjects, electronic post services, etc. In 2009, these services were provided to 11 Ministries, the Office of the Government of the Czech Republic and 23 other authorities and public organisations.

5.3.4. Information on the range of services and access to on-line services

In 2009, the area of presentation of Czech Post's services was developed significantly. A new website was launched containing a comprehensive overview of all the services provided, in a structure corresponding to the target customer segment. Access to certain on-line services can be gained directly via client zone services. Czech Post's new website placed first on the Transport professional ladder in the ČR WebTop100 competition.

Czech Post also provides its clients with a prompt information service via experienced telephone operators and via a toll-free information line at 800 104 410. Clients may also use the information service via e-mail and the electronic registry. All information about postal and other services is also available to customers in printed form and can be found at the information panel of the integrated information system at all post offices. In addition, Czech Post presents all information about its products and services in regularly updated brochures that are also available at all post offices and are delivered to mailboxes once per year. Customers are also informed about special and additional product and service ranges in pamphlets as appropriate.

5.3.5. Postal network

The network of post offices and other service points has remained stable in the long term. At the end of 2009, one service point served 3,104 persons (compared with 3,035 in 2008).

POSTAL TERMINALS IN 2009:

Total organisational units	3,377
	(including the Boží Dar partner)
of which - Post offices	3,353
Specialised offices	23
Postal agencies	15
Partner	1
Remote counters	16
Mobile post offices	0
Mail boxes	23,220
P.O. boxes (occupied)	42,538
Total delivery areas (letter mail)	10,430
of which - Delivery areas with car service	2,918
In comparison with 2008, two post offices were established and 19 were closed down.	

5. 4. QUALITY OF SERVICE

In 2009, Czech Post was supposed to provide its services on at least at the level stipulated by the CTO's requirements with respect to quality. The quality parameter for mail delivery was fulfilled in 2009 in respect of all the criteria monitored.

Czech Post's quality and customer satisfaction is monitored regularly by means of surveys focusing on the quality of mail delivery. The surveys are conducted both by the Company's internal inspection mechanism and by an independent agency. The following table illustrates the results of the independent surveys carried out in 2009.

DELIVERY TIME FOR STANDARD LETTER MAIL

(as measured by an independent agency)

Monitored sample volume (pcs)	Number of mail items delivered (%)	
	1 st day after posting	2 nd day after posting
Within the region	8,856 93.15	99.42
Outside the region	21,235 91.66	99.19
Total	30,091 92.09	99.26

Complaints

In 2009, 133 complaints were filed concerning delivery (including those concerning undelivered advice of delivery) per 1 million posted mail items and money orders handled within the basic postal services, of which only 70 complaints were considered justified. As regards complaints about damaged or partially lost mail, the Company recorded 55 claims per 1 million posted items, of which 44 complaints were considered justified.

NUMBER OF COMPLAINTS REGARDING THE DELIVERY OF MAIL OR A MONEY ORDER

Total number of complaints	133
Justified complaints	70

NUMBER OF COMPLAINTS REGARDING THE DAMAGE OR PARTIAL LOSS OF MAIL

Total number of complaints	55
Justified complaints	44

5. 5. CZECH POST AS A PROVIDER OF AGENCY SERVICES

The services provided on behalf of Czech Post's alliance partners appropriately supplement the Company's range of traditional postal services. The key alliance partners of the Company are the postal savings company Poštovní spořitelna (ČSOB, a.s.) with a broad range of banking services, Česká pojišťovna, a.s. with a portfolio of insurance products and ČMSS, a.s. with a portfolio of building savings schemes. Customers may also take out supplementary pension insurance schemes (Penzijní fond České pojišťovny, a.s. and ČSOB Penzijní fond Stabilita, a.s.), and use lottery terminals (Sazka, a.s.) as well as other additional services.

In 2009, the Company focussed mainly on increasing the competitive edge of the products provided on behalf of its alliance partners in comparison with those of other financial institutions. For example, obtaining an account number and executing a credit contract with Poštovní spořitelny is a while-you-wait service provided at post offices.

The Company also made preparations to expand its role in the area of communications between members of the public and other companies. The first firm next year to speed up its customer communication significantly and make it more efficient with the help of Czech Post's new service will be the Prague gas company Pražská plynárenská.

5. 6. INTERNATIONAL RELATIONS AND OPERATIONS

Czech Post in the global postal network

The basic framework of the Company's international relationships results from the Czech Republic's membership in the Universal Postal Union (UPU). Czech Post 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 2009, the Company paid a great deal of attention to implementing the conclusions arising from the 24th UPU Congress that was held in Geneva, Switzerland. Quite a number of changes were adopted at the Congress pertaining chiefly to quality of services, terminal dues, postal safety, philately, customs, electronic services and sustainable development.

The international postal network is interfaced with the Company's network via its exchange post offices in Prague, Břeclav and Cheb. International postal operation is liberalised in the Czech Republic. This means that other operators may enter the segment and create a competitive environment. Slovak Post has remained the most important foreign business partner of the Company in the long term.

Successes in international operation

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

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

Time limit*	Objective:	Actual 2009	
		- arrival in the Czech Republic	- departure from the Czech Republic
D+3	85% of mail	94.7%	93.7%
D+5	97% of mail	99.2%	98.6%

* 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.

As the above table shows, Czech Post was successful in fulfilling these requirements in 2009. The quality of service targets, set by the Directive, were accomplished both in terms of speed (delivery time D+3) and reliability (delivery time D+5). 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.

Czech Post was adequately appreciated for meeting the quality of service criteria set by the UPU for the EMS area in 2009. It received the second highest possible award, the "Silver Level", awarded by the global association of postal operators EMS to operators that have met the set criteria.

Dear Auntie,
Do you remember how you always used to tell me
that I should follow my heart when choosing love?
Well, the choice is made!!!
My wedding is coming up soon
and I would love to have you there...



5. 7. SECURITY

Security's fundamental and perpetual mission is constant improvement of the Czech Post's client and employee security, protection of property and ensuring safety in respect of postal operations. In 2009, investments were made mainly in securing individual postal premises. The prime mission was an effort to reverse the negative trend of assaults at small post offices.

Innovations in security

Security systems were installed at the small post offices that were objects of robberies. Time-lock cash registers are another innovation. These cash registers, which combine many advanced security elements, are installed at all open and newly constructed counters and this markedly increases employee security in the working environment as well as reducing the volume of stolen cash.

Centrally locked routes ("CLR")

In 2009, nationwide CLR coverage was completed. The principle of this system rests in locking post van cargo areas so as to prevent the crew from having uncontrolled access to them. This made it possible for us to preclude one of the most common methods of internal theft of post items, thus increasing postal operation security significantly. Introduction a similar system for external transporters is planned.

Crisis planning

The main attention with regard to crisis planning issues was paid to measures in connection with the vaccination of employees against the flu pandemic. An important step in the area of preventive measures for extraordinary incidents was the updating of the Company's crisis awareness policy.

Prevention

One of Security's priorities is to familiarise employees with the possible risks their work involves and systematically to instil in them the principles of security. Security has a set of three instructional films intended for the Post Office's internal training. In collaboration with Human Resources, it also provides professional care to employees who were involved in extraordinary incidents.

Expansion of activity

The new issue of personal data protection and IT safety became part of Security's activities in 2009. The prime goal within the scope of personal data protection was to coordinate all the Company's operations pertaining to personal data. This predominantly concerned communication with Complaints and Postal Operations as well as with the Office for the Protection of Personal Data. The IT Security Policy department participated significantly in the state administration projects, e.g., the Data Mailbox Information System.

Risk Management 2009

Risk management in the Company is based on the division of the roles, authority and responsibility of individual participants in the risk management process. A fundamental role in this process is played by the risk owners, i.e., senior managers liable for the Company's assets jeopardised by the risks. These owners are mainly liable for risk identification, proposed mitigation measures, regular quarterly control and assessment of effectiveness and efficiency of the adopted measures, as well as for the preparation of periodical reports on development of the risks in question.

The Company's risk management process in 2009 was managed administratively and methodologically by the Security Policy department. Apart from these activities, the Security Policy department secured and monitored, on a quarterly basis, the manner, effectiveness and efficiency of risk management by the risk owners and development of the level of each risk. In connection with the Company's ongoing transformation into a joint-stock company, the Security Policy department proposed systemic measures to improve risk management, including expert methodology and consultancy for all risk owners.

Czech Post's Book of Risks for 2009, prepared by the Security Policy department, reviews the Company's risks as at 31.12.2009. These cover all the Company's risks identified to date. In that document the risks are classified by significance, i.e., the level of risk expressed in CZK and the risk category. Within the risk management process, extraordinary attention is paid to significant risks, i.e., those risks that could potentially have a profoundly negative impact on the degree of the Company's success in achieving its priority goals and development trends.

The risks identified in the Book of Risks are classified into basic categories. The categories are made up of management risks, security risks, financial, operational and external risks. A Risk Information Sheet describes each specific risk, its owner, assessed significance for the Company, measures adopted to control it, and a number of other data.

5. 8. INTERNAL AUDIT

The Internal Audit Department of Czech Post has been pursuing its activities since the beginning of 2005. All its activities are carried out in compliance with internal audit professional standards, i.e., the International Professional Practices Framework and the Code of Ethics published by the Institute of Internal Auditors, and are governed by the Statutes approved by the Director General of the Czech Post. Internal Audit is independent of the Company's structures and reports directly to the Company's statutory body, the Director General.

As part of its independent, objective assurance and consulting activities, Internal Audit assisted Czech Post's Management in 2009 to perfect processes, improve the efficiency of the internal management and control system and risk management, and thus increase the overall level of the Company's administration and management, fulfil the overall strategy and meet objectives. Its activities focussed primarily on fulfilling the planned internal audit activities approved by the Director General, which were based on the suggestions and requests of the Company's Management Board as well as on the auditors' findings from their own auditing, advisory activities and identification of risk development. In compliance with this plan, the Internal Audit Department conducted 14 audits. During 2009, a total of six further audits were carried out at the request of the Director General or the Supervisory Board. The results of every audit were contained in the final audit report. They also contained Internal Audit's recommendations on how to remedy the defects found, i.e., recommendations in respect of improving the quality of of the Company's administration and management, the internal management and control system and the risk management process. Each report is accompanied by a Plan of Corrective Measures; the plans set concrete tasks with time limits and names of persons responsible for removing the defects found and once approved by the Director General, they become binding upon the relevant senior managers. Every audit result was discussed at the meeting of Czech Post's Management Board or Supervisory Board.

The planned audits focussed on fulfilling the tasks set in the Plans of Corrective Measures issued in respect of the audits, fulfilling the measures set based on the audit conducted by the SAO, the level and effectiveness of the risk management system and external assaults at post offices. The public procurement process was monitored as part of the requested audits.

In the area of collaboration with the external auditor, personal consultations were held and the required information concerning the outcomes of the auditing activities was provided.

Consulting services were an important part of the auditing activities in 2009. In this respect the internal auditors' general experience, know-how and knowledge (not just pertaining to the subjects of the audits conducted) were used to the benefit of the other organisational units and senior managers of Czech Post.

The auditing and consultancy services improved and made more effective a number of operational and management processes, certain cost savings, reduced risk significance in the areas audited, themes for improving service quality or organisation, and labour productivity for Czech Post's Management Board and other management in 2009. Internal Audit thus achieved its mission in 2009.

5. 9. HUMAN RESOURCES

Employee structure

Czech Post implemented organisational changes over several stages throughout 2009. At the beginning of March the organisational setup underwent a change with the aim of reducing the number of management levels. Although over 200 organisational units were closed down, no occupied positions were cancelled. In June, July, September and December, positions were gradually rationalised, leading to a headcount reduction of more than 500.

The full time equivalent of employees in 2009 was 34,948, i.e., 1,384 (3.81%) less than in 2008. Of the total number of employees, 29.36% were post office personnel (counter clerks, cashiers, internal service); 33.93% postmen, 9.23% logistics personnel, 7.83% administrative personnel and the remaining 19.65% accounted for other personnel.

Salary and social policy

Czech Post's salary policy in 2009 focussed on implementing a simplified remuneration system, and this was introduced after dissolution of the branch enterprises in 2008. At the same time, this system was evaluated as one of the tools for job performance management.

In connection with the organisational and technical changes, the system of individual types of positions was also updated. An assessment of job rating criteria, the required qualifications and skills is now used to create each type of position. A salary level is set for each type of position in keeping with the labour market and the Company's needs. Positions with the same or similar job description are classified into the same position type and receive the same salary range in order to ensure equal compensation for work. The salary amount within the set range is determined by the senior manager and reflects the performance evaluation results of his subordinates.

The average monthly salary in 2009 amounted to CZK 21,500, i.e., a CZK 935 (4.55%) year-on-year increase in comparison with 2008.

Average additional income of employees beyond the level of salary in 2009 amounted to CZK 1,264 per employee. This income includes supplementary pension insurance benefits, life insurance, meals, vacations, physical education, etc. These benefits were funded from social costs and the Company's fund for cultural and social needs. In addition to these financial benefits, employees also received other, non-monetary benefits. These included mainly an additional week of holiday beyond the level set by the Labour Code and a working week that is 2.5 hours shorter.

In 2009, amendment no. VII to the collective agreement was concluded between the Company and the trade unions; this amendment concerned mainly salaries. Negotiations with trade unions continued throughout the year, leading to conciliation in 2009.

5. 10. PROTECTION OF THE ENVIRONMENT

The Company's operations have only a very slight impact on the environment. The Company's strategy in respect of the ecology focusses on compliance with the legislation in all areas of environmental protection with a view to precluding environmental hazards and minimising any ecological risks. The Company's operations in 2009 were not affected by any emergencies that would have an impact on the environment. The public authorities found no flaws or defects in respect of the Company.

5. 11. OMBUDSMAN OF CZECH POST

Since November 2009, the rights of Czech Post's customers have been upheld by Czech Post's first ever Ombudsman, JUDr. Zuzana Kvášová. The Ombudsman of Czech Post generally handles those complaints that have already been through the whole complaint resolution system. However, she always welcomes an interesting subject.

In November and December 2009, 65 Czech Post customers appealed to the Ombudsman, who took over 20 cases for resolution and settled 11 within that time.

5. 12. PHILATELY

Stamp design in 2009

In 2009, Czech Post, acting on behalf of the postage stamp issuer, i.e., the Ministry of Trade and Industry of the Czech Republic, issued a total of 34 commemorative postage stamps with first day covers and commemorative cancellations, of which seven stamps came out in of sheets books of stamps.

The Company produced the traditional issues that have been part of the fixed stars of stamp design for a number of years now. Here we name some of the issues: Tradition of Czech Stamp Design, Personalities, Beauties of Our Country, Europa, For Children and Works of Art on Postage Stamps. In addition, a commemorative postage stamp was issued to celebrate the postage stamp issuer, the Ministry of Industry and Trade of the Czech Republic (the 75th anniversary of the building where the Ministry of Industry and Trade is located) and for the 150th anniversary of the Former Pardubice-Liberec South-North German Junction Line. At the end of the year, a postage stamp was issued in commemoration of significant dates in Czech history: 1939 and 1989. In the 17th poll on the most beautiful Czech postage stamp in 2009, the public voted for the postage stamp portraying a detail from František Ženíšek's painting, Oldřich and Božena, which was engraved by Bedřich Housa.

Commemorative postage stamps in 2009	CZK
Personalities - Louis Braille (1809 - 1852)	10
Personalities - Charles Darwin (1809 - 1882)	12
Tradition of Czech Stamp Design - Anna Podzemná	10
Nordic World Ski Championship Liberec 2009	18
Preserve the Polar Regions and Glaciers	35
Easter	10
Asian Arts - Immortal Lú Tung-Pin	18
Asian Arts - Mythological Scene	24
Reliquary of Saint Maur at Bečova nad Teplou	51
the 75th anniversary of the building of the Czech Ministry of Industry and Trade	10
150th anniversary of the Former Pardubice-Liberec South-North German Junction Line	10
Europa: Astronomy - the 400 th anniversary of Kepler's Laws	17
Beauties of Our Country: Cistercian Monastery in Vyšší Brod	12
Beauties of Our Country: Horšovský Týn	14
For Children - Spejbl and Hurvínek	10
Rabbi Judah Löw	21
400th anniversary of the Letter of Majesty issued by Rudolf II, Holy Roman Emperor	26
International CTIF Fire Brigades Competitions, Ostrava 2009	17
České středohoří mountain range - Tertiary volcanic landscape	43
Nature Protection - Křivoklátsko - UNESCO Biosphere Reserve - Eudia pavonia	10
Nature Protection - Křivoklátsko - UNESCO Biosphere Reserve - Aglia tau, Red Deer	12
Nature Protection - Křivoklátsko - UNESCO Biosphere Reserve - Eurasian Eagle-owl, Black Stork, Lunaria rediviva	14
Nature Protection - Křivoklátsko - UNESCO Biosphere Reserve - Barn Owl	17
Technical Monuments - Ruprechtov Windmill	10
Technical Monuments - Hoslovice Water Mill	12
Song "Where is my home?" (1834 - 2009) - Czech national anthem	10
Crafts - Historical Stoves: Empire	10
Crafts - Historical Stoves: Biedermeier	14
Travellers - Barbora Markéta Eliášová (1874 - 1957)	18
17 November - 1939-1989	14
Works of Art on Postage Stamps: Alfred Sisley (1839 - 1899)	24
Works of Art on Postage Stamps: Alfred Justitz (1879 - 1934)	26
Works of Art on Postage Stamps: František Ženíšek (1849 - 1916)	34
Christmas	10

Ordinary postage stamps

The Company did not issue any new ordinary postage stamps or postage stamps with an additional print in 2009. Likewise, no new stamp on a postcard was issued either. One commemorative postcard was issued for the 2009 National Exhibition of Postage Stamps in Jihlava.


As in 2008, in 2009 stamps with an empty coupon onto which customers may print anything they choose remained a very popular product.

Postage stamps for local as well as foreign customers

The Company sells philatelic goods to private firms through approximately 500 clubs of the Union of Czech Philatelists. It also offers goods at 67 philatelic counters throughout the Czech Republic and via a special mail order service. The Company also exports Czech postage stamps worldwide, and presents these small works of art at international sales exhibitions and contests. Czech Post's most important prize was the PRIX OLYMPIA 2009 silver medal, awarded by the International Olympic Committee in the international competition for the most beautiful Olympics stamp in commemoration of the XX Olympic Winter Games in Turin in 2006.

Commemorative handstamps

In 2009, Czech Post issued and approved a total of 49 commemorative handstamps. These included several handstamps to commemorate the publication ceremonies of postage stamps, e.g., the Křivoklátsko Reserve block, and for various philatelic events - the 2009 National Exhibition of Postage Stamps in Jihlava and Collector 2009. In 2009, two handstamps were also issued that pertain to our nationhood - the 175th anniversary of the Czech national anthem and 17 November 1989 - 2009. As it does every year, this year the Company issued handstamps commemorating Christmas, New Year; and Easter. One of the notable events in respect of which a commemorative handstamp was issued was the visit of Pope Benedict XVI to the Czech Republic. The Company also held a poll on the most beautiful 2009 handstamp, and the winner was the Boží Dar stamp for use on the extremely popular Santa Claus Post. The Company issued a total of 37 stickers, of which 12 were for registered letters and 25 APOST stickers with an additional print.



Dear Santa,
this year I have been a very, very good girl.
Can I get a real doggie for Christmas?
Pretty please!

Jane

5. 13. POSTAL MUSEUM

Postal museum

The Postal Museum, which houses almost 500 years of mementos of the organised postal industry in the Czech Republic, entered its 91st year of existence as a fixed, integral part of the Czech Post. It contributes to the Company's marketing activities, promotes stamp design and represents Czech Post both locally and internationally. The Postal Museum is a member of the International Association of Transport and Communications Museums (IATM), an active member of the Conference of European Communications Museums (CECOMM) and, as one of eleven selected Postal Museums worldwide, 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 Association of Friends of the Postal Museum SČF.

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 m². Apart from temporary exhibitions, which it holds both in Prague and in Vyšší Brod, it participates above all in a number of exhibitions both in the Czech Republic and abroad. By law it is entrusted to approve export of articles from the field of postal industry history and stamp design, and serves as a Czech centre for stamp exchange within the framework of the UPU. One of the museum's important functions is the provision of library and consultancy services to researchers, students and Czech Post employees.

EXHIBITIONS

Temporary exhibitions at the Postal Museum in Prague:

- "90th Anniversary of the Postal Museum"
26.11.2008 - 1.2.2009
- "The Post Through the Eyes of Children - Exhibition of Artwork by Students of Kaplice ZUŠ"
5.2.2009 - 5.4.2009
- "Jiří Bouda - Post, Trains, Routes"
8.4.2009 - 7.6.2009
- "For Children 1936 - Postage Stamp Design Competition"
10.6.2009 - 13.9.2009
- "Jan Kavan - Postage Stamps and Miniature Art"
16.9.2009 - 22.11.2009
- "Josef Provazník - Official Photographer of the Ministry of Post and Telegraph Offices"
25.11.2009 - 21.2.2010

A commemorative postcard with an additional print was issued for every exhibition, and a special postal counter with a commemorative handstamp was established.

Temporary exhibition at the Vyšší Brod branch:

- "18th anniversary of exhibitions of artwork by students of Kaplice ZUŠ in Vyšší Brod"
17.6.2009 - 1.9.2009

Exhibitions - external collaboration within the Czech Republic:

- "Christmas Greeting Wanderings", Český kras Museum, Beroun,
3.12.2008 - 11.1.2009
- "Travel and Tourism - Postal Industry Exhibition 2009",
Linhart Castle, Albrechtice, and the Association of Friends of Linhart Castle, 15.5.2009 - 6.11.2009
- Joint exhibition of Libuše and Jaromír Knotek, Aleš South Bohemian Gallery in České Budějovice, 3.9.2009 - 18.10.2009
- Exhibition "Castle Photographic Archive", National Museum - Vítkov Memorial, October 2009 - May 2010
- Exhibition of Radana Hamříková and Anna Podzemná - Cheb Art Gallery, preparation, opened in January 2010

Exhibitions - external collaboration abroad:

- Exhibition of M. R. Štefánik, Slovak National Museum, Bratislava, Slovak Republic, March 2009
- China 2009 World Stamp Exhibition, Peking - Luoyang, People's Republic of China, 10.4.2009 - 16.4.2009
- Exhibition "The Czech Republic and Croatia Through Philately", Zagreb, Republic of Croatia, 26.6.2009 - 2.7.2009
- Italia 2009 Stamp Exhibition, Rome, Republic of Italy, 21.10.2009 - 25.10.2009
- Exhibition of Dušan Kállay in the Postal Museum in Tokyo, Japan, in collaboration with Slovak Post Office, a.s., from November 2009

Social events in the Postal Museum

- Announcement of the results of the poll held by Czech Post, Filatelie magazine and the Právo daily magazine on the most beautiful Czech postage stamp in 2008: 22.4.2009, postage stamp from the Works of Art on Postage Stamps issue, J. J. Hartmann "Allegory of Water", engraving transposition Martin Srb
- Event to celebrate the 750th anniversary of the establishment of the Cistercian Abbey and the town of Vyšší Brod: 30.5.2009, publication ceremonies of postage stamps, commemorative postal counter with a commemorative handstamp, signings by J. Kavan and V. Fajta
- Event to celebrate the 91st anniversary of establishment of the Postal Museum: 18.12.2009, commemorative postal counter, commemorative print with an additional postage stamp print in commemoration of the birthday of K. H. Mácha

Collaboration with the Union of Czech Philatelists

- III Day of Czech Philately: 5.11.2009, publication ceremony of Christmas postage stamps and signing by authors, guided tours, presentations

Collaboration with the departments of the Czech Post

- Brand marketing - selection and preparation of collectable items for the "Friendly Post Office" project: photographs of collectable items, collaboration on the exhibition to celebrate the 20th anniversary of 17 November, Prague 1 Post Office
- Legal department - consultation in respect of the history of the postal trumpet as a symbol and logo
- Communication department - preparations for realisation of the "Summer post detective story" competition at the Vyšší Brod post office: selection of illustrations for columns in the Poštovní kurýr magazine entitled Burdened Travels, A Counter's No Stumbling Block, Postmasters and Airmail, guided tour of the museum for winners of the Czech Post's student competition

Collaboration with film and the media

- Advice provided for Dušan Klein's film "Journey to Brixen" about K. Havlíček Borovský; Makovice and Grapheon magazines; the radio programme Domino; interviews for Czech Radio, Czech Television, Nova Television and Prima Television

Research services

- Stamp design and philately:
1,176 postage stamp files were prepared; number of researchers - 32
- History of post and telecommunications, library:
number of researchers and research operations - 187
- Background papers for Jiří Kratochvíl's publication "The history of Prague Post offices"
consultation and selection of study materials for three Bachelor's and Master's theses

Collection of the Postal Museum

Additions: 7,122 items

Accounted for by way of inventory control as per

Act No. 122/2002 Coll.: 21,848 items

Registration of new sub-collections in the Central Register of Collections of the Ministry of Culture of the Czech Republic: telecommunications photo-documentation, stamp imprints in the records of the Postal Business Exchange (total sub-collections: 71)

Gifts: nine gifts (J. Sikorová, MVDr. Svoboda, Z. Simon, J. Bouda, P. Dillinger, H. Podporová, Czech Radio, C. Stuchlíková, T. Beštová)

Purchases: three pictures of the historic Litovel Postmasters (Jakob, Karl and Gustav Rettig) from the end of the 18th and first half of the 19th centuries

Restoration and conservation:

- three-dimensional collectable items: 17
- documentary materials: 101
- postage stamp designs and line drawings: 117
- siderography and printing plates: 148

Visitors and revenues

Prague Postal Museum (paying visitors): 3,032

Visitors with free entry: approximately 1,000 (openings, Czech Post employees, AMG card holders, social events)

Postal Museum Vyšší Brod branch: 5,505

Visitors with free entry: approximately 500

Total paying visitors: 8,537

Total visitors: approximately 10,000

Revenue from sales in the Prague Postal Museum and the Vyšší Brod branch shops: CZK 1,767 thousand. The originally projected amount was CZK 1,500 thousand.

FINANCIAL PART

ANNUAL REPORT 2009

6. 1. Independent Auditor's Report the financial statements

6. 2. Financial statements

6. 3. Notes to the financial statements

6

FINANCIAL PART

6. 1. INDEPENDENT AUDITOR'S REPORT TO 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 471 14 983, with registered office at Politických vězňů 909/4, Praha 1 ("the Company"), which comprise the balance sheet as at 31 December 2009, the income statement and cash flow statement for the year then ended and notes, including a summary of significant accounting policies ("the financial statements").

GENERAL DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The General Director is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors 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 whether the financial statements are free from material misstatement.

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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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 2009, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

29. March 2010

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

Věra Výtvarová
Ing. Věra Výtvarová
Statutory Auditor,
Licence No. 1930

Translation note

This version of our report is a translation from the original, which was prepared in Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.

6. 2. FINANCIAL STATEMENTS

BALANCE SHEET AS OF 31 DECEMBER 2009 (IN CZK MILLION)

Identification	ASSETS	31 December 2009		31 December 2008	
		Gross	Provision	Net	Net
a	b	1	2	3	4
	TOTAL ASSETS	33,208	10,482	22,726	22,442
a	out of which: entrusted resources	6,249	0	6,249	6,984
B.	Fixed assets	20,290	10,410	9,880	9,145
B. I.	Intangible fixed assets	1,482	1,200	282	177
B. I. 1.	Software	1,229	1,091	138	149
2.	Other intangible fixed assets	113	109	4	7
3.	Intangible fixed assets in the course of construction	140	0	140	21
B. II.	Tangible fixed assets	18,158	9,170	8,988	8,561
B. II. 1.	Land	759	2	757	754
2.	Buildings	9,233	3,592	5,641	5,690
3.	Movables and sets of movables	7,118	5,512	1,606	1,442
4.	Other tangible fixed assets	4	0	4	4
5.	Tangible fixed assets in the course of construction	1,038	64	974	659
6.	Advances paid for tangible fixed assets	6	0	6	12
B. III.	Long-term investments	650	40	610	407
B. III.1.	Investments in controlled entities/subsidiaries	18	0	18	18
2.	Other long-term investments in securities	632	40	592	389
C.	Current Assets	12,861	72	12,789	13,244
C. a	out of which: entrusted resources	6,249	0	6,249	6,984
C. I.	Inventories	212	26	186	207
C. I. 1.	Raw materials	154	25	129	143
2.	Goods for resale	58	1	57	64
C. II.	Long-term receivables	9	0	9	7
C. II. 1.	Other receivables	9	0	9	7
C. III.	Short-term receivables	2,124	46	2,078	1,683
C. III. a	out of which: entrusted resources	210	0	210	253
C. III.1.	Trade receivables	1,033	34	999	891
1.a	out of which: entrusted resources	210	0	210	253
2.	Taxes and state subsidies receivable	70	0	70	0
3.	Advances paid	287	0	287	233
4.	Anticipated assets	676	0	676	503
5.	Other receivables	58	12	46	56
C. IV.	Financial assets	10,516	0	10,516	11,347
C. IV. a	out of which: entrusted resources	6,039	0	6,039	6,731
C. IV. 1.	Cash in hand	4,450	0	4,450	4,742
1.a	out of which: entrusted resources	4,376	0	4,376	4,630
2.	Cash at bank	2,823	0	2,823	4,955
2.a	out of which: entrusted resources	1,663	0	1,663	2,101
3.	Short-term investments in securities	3,243	0	3,243	1,650
D. I.	Accruals and deferrals	57	0	57	53
D. I. 1.	Prepaid expenses	52	0	52	46
2.	Accrued income	5	0	5	7

Identification	LIABILITIES AND EQUITY	31 December 2009		31 December 2008	
		a	b	6	7
	TOTAL LIABILITIES AND EQUITY			22,726	22,442
a	out of which: entrusted resources	6,249	0	6,249	6,984
A.	Equity	9,979	0	9,979	9,630
A. I.	Registered capital	3,588	0	3,588	3,588
A. I. 1.	Registered capital	3,588	0	3,588	3,588
A. II.	Capital funds	5,286	0	5,286	5,353
A. II. 1.	Other capital funds	5,286	0	5,286	5,353
A. III.	Funds from profit	551	0	551	396
A. III.1.	Statutory reserve fund	359	0	359	359
2.	Statutory and other reserves	192	0	192	37
A. IV.	Retained earnings	554	0	554	293
B.	Liabilities	11,794	0	11,794	11,791
B. a	out of which: entrusted resources	6,249	0	6,249	6,984
B. I.	Provisions	764	0	764	615
B. I. 1.	Special statutory provisions	60	0	60	30
2.	Other provisions	704	0	704	585
B. II.	Long-term liabilities	246	0	246	144
1.	Deferred tax liability	246	0	246	144
B. III.	Short-term liabilities	10,721	0	10,721	10,995
B. III. a	out of which: entrusted resources	6,186	0	6,186	6,947
B. III.1.	Trade payables	8,080	0	8,080	8,334
1.a	out of which: entrusted resources	6,186	0	6,186	6,947
2.	Payables to controlled entities/subsidiaries	3	0	3	0
3.	Payables to employees	682	0	682	742
4.	Social security and health insurance payable	369	0	369	394
5.	Taxes and state subsidies payable	84	0	84	166
6.	Advances received	21	0	21	29
7.	Anticipated liabilities	1,123	0	1,123	957
8.	Other payables	359	0	359	373
B. IV.	Bank loans & overdrafts	63	0	63	37
B. IV. a	out of which: entrusted resources	63	0	63	37
B. IV. 1.	Short-term bank loans	63	0	63	37
1.a	out of which: entrusted resources	63	0	63	37
C. I.	Accruals and deferrals	953	0	953	1,021
C. I. 1.	Accrued expenses	371	0	371	488
2.	Deferred income	582	0	582	533

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009 (IN CZK MILLION)

Identification	Description	Financial period	
		2009	2008
a	b	1	1
I.	Sale of goods	403	506
A.	Cost of goods sold	292	368
+	Gross profit	111	138
II.	Sale of products	19,652	19,274
II. 1.	Sale of own products and services	19,627	19,254
	2. Own work capitalised	25	20
B.	Cost of sales	4,724	4,129
B. 1.	Raw materials and consumables	1,665	1,589
	2. Services	3,059	2,540
+	Added value	15,039	15,283
C.	Staff costs	12,895	13,081
C. 1.	Salaries	9,484	9,479
	2. Emoluments of board members	5	3
	3. Social security and health insurance costs	3,074	3,275
	4. Other social costs	332	324
D.	Taxes and charges	67	63
E.	Depreciation and amortisation of fixed assets	707	688
III.	Sale of fixed assets and raw materials	6	5
III.1.	Sale of fixed assets	6	5
F.	Net book value of fixed assets and raw materials sold	2	2
F. 1.	Net book value of fixed assets sold	2	2
G.	Change in operating reserves and provisions	156	101
IV.	Other operating income	219	185
H.	Other operating costs	897	779
*	Operating profit	540	759
VI.	Sale of securities	516	303
J.	Securities sold	490	300
VII.	Income from long-term financial assets	17	1
VII.1.	Income from shares in controlled entities/subsidiaries	0	1
VII.2.	Income from investments in other securities	17	0
VIII.	Income from short-term investments	55	113
IX.	Income from revaluation of securities and derivatives	3	4
L.	Cost of revaluation of securities and derivatives	0	23
X.	Interest income	43	127
N.	Interest cost	1	11
XI.	Other financial income	44	53
O.	Other financial costs	66	69
*	Financial profit	121	198
Q.	Tax on profit on ordinary activities	204	205
Q. 1.	- current	102	186
	2. - deferred	102	19
**	Profit on ordinary activities after taxation	457	752
XIII.	Extraordinary income	0	-403
R.	Extraordinary costs	0	189
S.	Tax on extraordinary profit	-97	-133
S. 1.	- current	-97	0
	2. - deferred	0	-133
*	Loss on extraordinary items after taxation	97	-459
***	Net profit for the financial period	554	293
***	Profit before taxation	661	365

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009 (IN CZK MILLION)

		2009	2008
P.	Cash and cash equivalents at the beginning of the year	11,269	11,302
P.	of which: entrusted resources	6,731	7,904
Z.	Net profit from ordinary activities before tax	661	957
A.1	Adjustments for non-cash movements:	838	689
A.1.1	Depreciation and amortisation of fixed assets	731	693
A.1.2	Change in provisions	156	101
A.1.3	Loss/Gain from sale of fixed assets	-4	-3
A.1.4	Dividend income	0	-1
A.1.5	Net interest income	-42	-116
A.1.6	Adjustments for other non-cash movements	-3	15
A.*	Net cash flows from ordinary activities before tax, changes in working capital and extraordinary items	1,499	1,646
A.2	Working capital changes:	-1,166	-243
A.2	of which: entrusted resources	-692	-1,173
A.2.1	Change in receivables and prepayments	-398	332
A.2.1	of which: entrusted resources	43	31
A.2.2	Change in short-term payables and accruals	-866	-471
A.2.2	of which: entrusted resources	-735	-1,204
A.2.3	Change in inventories	20	-4
A.2.4	Change in short-term financial assets	78	-100
A.**	Net cash flows from operating activities before tax and extraordinary items	333	1,403
A.**	out of which: entrusted resources	-692	-1,173
A.3	Interest paid	-1	-11
A.4	Interest received	43	127
A.5	Income tax on ordinary activities and additional taxes for previous periods, paid	-88	-99
A.7	Dividends received	0	1
A ***	Net cash flow from operating activities	287	1,421
A ***	out of which: entrusted resources	-692	-1,173
B.1	Acquisition of fixed assets	-839	-837
B.2	Income from sale of fixed assets	6	4
B***	Net cash flow from investment activities	-833	-833
C.1	Change in long-term and short-term liabilities	0	-274
C.2	Changes in equity	-207	-347
C.2.5	Cash contributions to funds	-207	-347
C***	Net cash flows from financial activities	-207	-621
F.	Net increase/decrease in cash and cash equivalents	-753	-33
F.	out of which: entrusted resources	-692	-1,173
R.	Cash and cash equivalents at the end of the year	10,516	11,269
R.	out of which: entrusted resources	6,039	6,731

6. 3. NOTES TO THE FINANCIAL STATEMENTS

1. DESCRIPTION OF THE COMPANY

Česká pošta, s.p. (hereinafter referred to as "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 in its own name and on its own account. The founder of the Company is the government. The Company was established on 1.1.1993 (the founder was then represented by the Ministry of Transportation and Communications of the Czech Republic). As at 31.12.2009, the Company's registered office is at Prague 1, Politických vězňů 909/4, Czech Republic. The Company is incorporated in the Commercial Register maintained by the Municipal Court in Prague, Section A, File 7565, under the Company's identification number 47114983. The Company is a business entity pursuant to the State-Owned Enterprise Act No. 77/1997 Coll., as amended. As at 31.12.2009 and 31.12.2008, the founder was represented by the Ministry of the Interior of the Czech Republic. The Company's operations are regulated by the Czech Telecommunication Office ("CTO"). The main business activities of the Company are as follows:

- a) Performance of postal operations,
- b) Performance of international postal operations.

Throughout the year, the Company made profound changes in its organisational structure to enable implementation of streamlined management and centralisation of operational and service activities. The process of restructuring is to continue in 2010 (for the organisational structure effective from 1.3.2010, see Note 27 - Subsequent events).

By Resolution No. 836 dated 18.7.2007, the Czech government delegated to the Minister of the Interior the task of drafting a project on the privatisation of the Company. The project, which was to be submitted to the Minister of Finance by 31.12.2008 at the latest, involved transformation of the state-owned enterprise into a joint-stock company wholly owned by the Ministry of Finance on a temporary basis. This project was submitted to the Ministry of Finance of the Czech Republic; however, during 2009, when the Company was to have been transformed into a joint-stock company, the transformation was postponed. A new date for transformation has not yet been set.

The Company's statutory bodies are the Director General and the Supervisory Board. The Director General also appoints his deputies who fully represent him during his absence. The Management Board of the Company (i.e.,

the Director General and deputies) as at 31.12.2009 is as follows:

Members	Position	Position established on	Registered into the Commercial Register on
Ing. Petr Sedláček	Director General	1.10.2008	8.12.2008
Ing. Václav Hadač	Deputy Director General, Finance*	8.10.2009	-
Ing. Petr Zatloukal	Deputy Director General, Postal Operations and Logistics	20.8.2007	13.9.2007
Ing. Martin Elkán	Deputy Director General, Sales	1.10.2009	11.11.2009
Ing. Michal Pešek	Director, ICT **	1.10.2009	-
Ing. Josef Bajza	Director, Marketing **	1.9.2009	-
Ing. Ivan Feninec	Director, Human Resources **	2.6.2008	-
Ing. Pavel Janda	Director, Corporate Administration **	1.12.2008	-
Ing. Pavel Pulkráb	Director, Property Management **	1.12.2008	-

* Ing. Václav Hadač, Director of Controlling, was given the task of managing Finance; not registered into the Commercial Register

** Positions which are not registered into the Commercial Register

The following changes in the Management Board of the Company were also registered in the Commercial Register in 2009:

		Position ceased on	Erased from the Commercial Register on
Ing. Michal Vodrážka	Deputy Director General, Sales and Services Development*	23.6.2009	30.7.2009
Ing. Petr Křeček	Deputy Director General, Finance**	30.9.2009	11.11.2009

* Ing. Martin Elkán was given the task of temporary management until 1.10.2009

** Ing. Václav Hadač was given the task of temporary management from 1.10.2009

Changes in the Management Board that took place between the balance sheet date and the date of preparation of the financial statements are set out in point 27 - Subsequent Events.

The Supervisory Board as at 31.12.2009 was as follows:

Name	Position
Ing. Jiří Maceška	Chairman
Karel Koukal	Deputy Chairman
Ing. Vladimír Budinský, MBA	Member
Ing. Soňa Lavičková	Member
Ing. Jaroslav Chýlek, MBA	Member
Petr Kužel	Member
Petr Polák	Member
Ing. Jan Mládek, CSc.	Member
Ivana Musilová	Member
Ing. Jiří Řehola	Member
Ing. Lubomír Krejsa	Member
Štěpán Grochal	Member

The Company's mission is to execute the functions of a public postal operator involving a duty to provide and operate basic postal services pursuant to the Postal Services Act No. 29/2000 Coll., as amended (the "Postal Services Act"). The Company holds a postal licence pursuant to Section 19 of the Postal Services Act. The postal licence was granted to the Company by the Czech Telecommunication Office for the period from 1.1.2009 to 31.12.2012.

The holder of a postal licence:

- a) is obliged to make the basic postal services generally available across the Czech Republic,
- b) is authorised to operate postal services, i.e., delivery of letters or monetary amounts remitted via postal money-order.

The CTO, as the postal regulator, sets basic quality requirements for the Company concerning, e.g., density of service points, opening hours for the public, methods of delivery to addressees, delivery speed, handling of complaints, etc. These requirements are assessed on an annual basis by the CTO. Results of the assessments are published in the annual CTO report on the fulfilment of tasks of the Czech Post in the area of basic services (the "CTO Report"). The CTO Report for 2009 has not been published as at the date release of the Company's financial statements for 2009.

The Company endeavours to eliminate discrepancies revealed in the CTO Report for 2008 (e.g., lengthy waiting time, short opening hours, etc.) on an ongoing basis. No material claims of the CTO or other entities against the Company which could be enforceable by law were identified

2. BASIS OF PREPARATION

The financial statements were prepared in accordance with the Accounting Act No. 563/1991 Coll. and the related Decree No. 500/2002 Coll., and pursuant to the Czech Accounting Standards for Businesses applicable for 2009. The financial statements were prepared under the historical cost convention except as disclosed below.

3. ACCOUNTING POLICIES

The accounting policies that the Company applied in preparing the financial statements for 2009 are as follows:

a) Intangible fixed assets

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

Intangible fixed assets with a unit cost above CZK 60 thousand are amortised using the straight-line method over their estimated useful lives in accordance with the Company's amortisation schedule (i.e. over four years).

Intangible fixed assets with a unit cost below CZK 60 thousand are expensed on acquisition and carried only in an off-balance sheet record.

The cost limit for the inclusion of technical appreciation of intangible fixed assets is CZK 40 thousand.

A provision for impairment is established when the carrying value of an asset is greater than the estimated recoverable amount.

b) Tangible fixed assets

Acquired tangible fixed assets are recorded at acquisition cost, which include costs of acquisition, transportation costs, customs duties and other related costs. Interest on loans is not included in the acquisition cost of tangible fixed assets.

Tangible fixed assets acquired free of charge are valued at their replacement cost and are recorded with a corresponding credit to the other capital funds account on the date of acquisition. The replacement cost of these assets is based on an expert opinion or on market prices of comparable fixed assets in terms of their wear and tear and performance.

A provision for impairment is established when the carrying value of an asset is greater than the estimated recoverable amount.

If the net book value of a cash-generating unit exceeds its estimated selling price, the net book value of the cash-generating unit shall be reduced by a provision to equal the estimated selling price. 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 group. The Company considers the entire accounting unit a cash-generating unit.

The Company creates provisions particularly in the case of projects the implementation of which, if any, is uncertain, or, in the event of a sale, if the estimated selling price (after having taken into account the sale-related costs) is lower than the net book value of the respective asset.

Government subsidies contributed towards the acquisition of tangible fixed assets are deducted from the cost of the related asset.

The costs of technical improvements are capitalised if the costs of such improvement per year exceed CZK 40 thousand and the technical improvements are put into use that 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 on consummation and carried only in an off-balance sheet record.

Tangible fixed assets with a unit cost above CZK 40 thousand are depreciated using the straight-line method over their estimated useful lives as follows:

	Number of years
Buildings, halls and constructions	20 - 45
Machinery and equipment	4 - 15
Vehicles	6 - 20
Furniture and fixtures	10 - 20
Handling equipment	6 - 20
Computers and related equipment	3

c) Long-term financial assets

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

Equity investments in subsidiaries are valued at cost less provision for diminution in value. A subsidiary is an enterprise that is controlled by the Company, i.e., the Company has the power to govern the financial and operating policies in order to obtain benefits from its activities. Other long-term securities, other than equity investments, are represented by investments held for a definite period of time and available-for-sale securities.

Investments which are intended to be held for a definite period of time are included in non-current assets unless the Company has the express intention of holding the investment for less than 12 months from the balance sheet date.

Investments which are intended to be held for an indefinite period of time, and which may be sold in response to liquidity requirements or changes in interest rates, are included in current assets unless the Company has the express intention of holding the investment for less than 12 months from the balance sheet date. In such a case, they are included in current assets. The Company determines the appropriate classification of investment on acquisition and the classification is reviewed on a regular basis.

Acquired securities are recorded at acquisition cost, which includes costs of acquisition and transaction-related costs. Investments held for a definite period of time are subsequently valued at cost and adjusted to reflect the aliquot part of interest income. Available-at-sale securities are recorded at their fair value. The Company determined the fair value using the market value of the available-for-sale securities as at the balance sheet date. The value of securities which are not publicly tradeable was determined by an expert or estimated by the Company's management as the current value of the expected cash flows from these securities. Increase or diminution in the fair value are recorded in the profit and loss account as incurred.

d) Inventories

Acquired inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in connection with acquisition (mainly transport, customs duty, etc.). The weighted average cost is applied to all disposals.

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

e) Receivables

Receivables are stated at the nominal value. A provision for bad debts is created on the basis of an ageing analysis and individual evaluation of the collectibility of the receivables as at the year-end.

f) Short-term financial assets

Short-term financial assets consist of valuables, cash in hand and in the bank and trading securities. Short-term financial assets also include entrusted resources (see Note 3g - Entrusted resources).

Trading securities are securities that are acquired principally for the purpose of performing transactions that generate profit from short-term (less than 12 months) fluctuations in price.

g) 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, postal payment services, etc.). These resources are recorded in a separate accounting group apart from the Company's own financial resources, and they are posted in separate rows in the accompanying financial statements. The Company charges an agreed commission for performing the specific transactions, which is recognised at the time of rendering the particular service.

h) Equity

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

In addition, the Company creates a reserve fund based on profit. On the establishment of the Company, the level of its reserve fund was set at 10% of the registered capital by the founder. The reserve fund is further increased with an allocated contribution of 10% of net profit annually, up to the set level pursuant to the Deed of Foundation.

The Company creates a cultural and social fund ("FKSP"). The creation and use of this fund is governed by Section 16 of the Decree No. 114/2002 Coll., reading Decree No. 310/1995 Coll.

i) Provisions and Liabilities

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

Long-term and short-term liabilities are recorded at their nominal values.

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

j) Leases

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

k) Foreign currency conversions

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

Monetary assets, receivables and liabilities denominated in foreign currencies have been converted at the year-end exchange rate as published by the Czech National Bank. All foreign exchange gains and losses from conversion of monetary assets, receivables and liabilities are recognised in the profit and loss account.

l) Recognition of expenses and income

In general, income and expenses are recognised on an accrual basis.

Sales are recognised on the rendering of services (with exceptions as mentioned below) or sale of goods to customers and are recognised net of discounts and VAT.

Income from postal services realised as cash through the sale of postage stamps is recognised at the time of sale of the stamp. The Company does not have the necessary information that would allow it to record income from these sales on a deferral basis in respect of the respective accounting periods in which customers actually use the postage stamps purchased. The Company believes that the costs of collecting such information relating to the time allocation needed for these services realised through the sale of postage stamps would exceed the benefits of such information.

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

The Company provides for any risks, losses or physical damage that is known as at the date of the financial statements.

m) Income tax

The corporate income tax expense is calculated, based on the statutory tax rate, from the accounting profit plus or minus the appropriate permanent and 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" in the event that the tax due exceeds the tax paid in advance. Otherwise, the amount exceeding the tax due as a result of the advance payments is recorded under the item "Taxes and state subsidies receivable". The tax expense is recorded in the profit and loss account as a tax related to ordinary activities in the current period.

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 assets are recognised if it is likely that sufficient future taxable profit will be available against which the assets can be utilised.

n) Employment benefits

The Company provides its employees with supplementary pension insurance and life insurance contributions according to the rules set out in the collective agreement. In addition, the Company pays regular contributions to the state pension system.

The Company creates a reserve for employee benefits, which covers the following types of employee benefits:

- long-service bonuses paid on the anniversary of the employee's hire date,
- jubilee bonuses paid on the anniversary of the employee's birth,
- bonuses paid on the employee's retirement.

The above-mentioned types of employee benefits are further classified as follows:

- long-service and jubilee bonuses are classified as other long-term employee benefits,
- bonuses on the employee's retirement are recognised as employee benefits incurred on the employee's retirement, that are paid pursuant to the Company's defined benefit plan.

Employees may claim these benefits on condition that they have worked for the Company for a certain period of time and, in the case of bonuses paid on the employee's retirement, reached the statutory retirement age, or, in the case of long-service or jubilee bonuses, reached an anniversary of their hire or birth date. The fixed amount paid on the employee's retirement depends on the number of years spent with the Company, but is independent of the growth of salary. The total amount of retirement payments equals to the long-term employee benefits as at the balance sheet date and is calculated using a method of planned annual appreciation of employee benefits, including the related social and health insurance costs. The calculation model and amount are set based on an expert's opinion. The gains or losses from adjustments and changes of the actuary's estimates are recognised in the profit and loss account.

o) Related parties

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

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

Material transactions with related parties are listed in Note 23 - Transactions with Related Parties.

p) Cash and Cash Equivalents

The Company prepared the cash flow statement using the indirect method. Cash equivalents are short-term liquid financial assets that are easy and ready to convert for a known amount of cash that is not likely to change substantially in future. Cash deposits redeemable at a period of notice up to three months and publicly tradeable liquid securities are considered to be cash equivalents.

q) Extraordinary Items

Extraordinary items are mainly due to the costs and income from operations that have a completely extraordinary character with respect to the Company's ordinary activities, as well as the costs and income from extraordinary and rare events including, but not limited to the following:

- changes of the accounting methods, including the principles of valuation of assets and liabilities;
- material changes in the costs and income of previous accounting periods;
- provisions for extraordinary costs.

r) Subsequent Events

The effects of events that 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 occurred subsequent to the balance sheet date but prior to the preparation of the financial statements, that 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.

s) Changes of the Accounting Methods in 2009 and 2008

In 2009 the Company improved accuracy when identifying transactions with related parties. All changes were carried out in order to provide a truer and more accurate picture of the financial statements. The data that is comparable was adjusted (see Note 23 - Transactions with Related Parties).

In 2008, the Company recognised a provision for employee benefits (see Note 3n - Employee Benefits). Employee benefits relating to previous periods were recorded as extraordinary expenses.

4. FIXED ASSETS

a) Intangible fixed assets

ACQUISITION COST

	Opening balance CZK mill.	Additions*) CZK mill.	Disposals*) CZK mill.	Reclassific- ation CZK mill.	Closing balance CZK mill.
Software	1,179	78	-31	3	1,229
Other intangible fixed assets	116	0	0	-3	113
Intangible fixed assets					
in the course of construction	21	197	-78	0	140
Total 2009	1,316	275	-109	0	1,482
Total 2008	1,253	150	-88	1	1,316

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

ACCUMULATED AMORTISATION

	Opening balance CZK mill.	Additions CZK mill.	Disposals CZK mill.	Reclassi- fication CZK mill.	Closing balance CZK mill.	Net book value CZK mill.
Software	-1,030	-89	31	-3	-1,091	138
Small and other intangibles	-109	-3	0	3	-109	4
Intangibles in progress	0	0	0	0	0	140
Total 2009	-1,139	-92	31	0	-1,200	282
Total 2008	-1,035	-108	5	-1	-1,139	177

b) Tangible fixed assets

ACQUISITION COST

	Opening balance CZK mill.	Additions*) CZK mill.	Disposals*) CZK mill.	Reclassific- ation CZK mill.	Closing balance CZK mill.
Land	756	3	0	0	759
Buildings	9,064	174	-5	0	9,233
Machinery and equipment	3,478	370	-271	0	3,577
Vehicles	2,213	182	-154	17	2,258
Furniture and fixtures	610	9	-6	0	613
Other tangible fixed assets	723	0	-53	0	670
Works of art	4	0	0	0	4
Tangible fixed assets in the course of construction	744	1,029	-735	0	1,038
Advances paid for tangible fixed assets	12	14	-20	0	6
Total 2009	17,604	1,781	-1,244	17	18,158
Total 2008	17,121	1,002	-522	3	17,604

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

ACCUMULATED AMORTISATION

	Opening balance CZK mill.	Additions CZK mill.	Disposals CZK mill.	Reclassi- fication CZK mill.	Closing balance CZK mill.	Provi- sionss CZK mill.	Net book value CZK mill.
Land	0	0	0	0	0	-2	757
Buildings	-3,354	-221	3	0	-3,572	-20	5,641
Machinery and equipment	-2,818	-177	271	0	-2,724	0	853
Vehicles	-1,555	-201	151	-17	-1,622	0	636
Furniture and fixtures	-485	-17	6	0	-496	0	117
Other tangible fixed assets	-723	0	53	0	-670	0	0
Works of art	0	0	0	0	0	0	4
Tangible fixed assets in the course of construction	0	0	0	0	0	-64	974
Advances paid for tangible fixed assets	0	0	0	0	0	0	6
Total 2009	-8,935	-616	484	-17	-9,084	-86	8,988
Total 2008	-8,464	-580	112	-3	-8,935	-108	8,561

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 2009 and 2008, the Company created statutory provisions equal to CZK 30 million for repairs of tangible fixed assets. As at 31.12.2009 these provisions totalled CZK 60 million.

In 2009, the Company acquired no tangible fixed assets free of charge. In 2008, the Company acquired free of charge land worth CZK 2 million.

As at 31.12.2009 and as at 31.12.2008, the Company did not intend to sell any significant item from tangible fixed assets. In 2009 and 2008, fixed assets worth CZK 6 million and CZK 5 million, respectively, were sold.

In 2009 and 2008, in addition to the easement in favour of PCS - Praha Center s.r.o. created in relation to the post office building at Jindřišská, Prague 1 under an agreement dated 16.4.1997, which is in force until 31.3.2042, the Company has another approximately 236 (2008: 241) easements (rights of sewage piping, water mains, power and gas piping 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 community and municipal authorities, Telefónica O2 Czech Republic, a.s. and power producers and distributors.

In 2009 and 2008, the Company received no investments subsidies.

c) Long-term financial assets

As at 31.12.2009 and 31.12.2008, the Company exercised a dominating influence in the postal stationery printing company Poštovní tiskárna cenin Praha, a.s., having its registered office at Ortenovo náměstí 542/16, Prague 7 - Holešovice.

Share (%)	2009	2008
	51.03%	51.03%
	CZK mill.	CZK mill.
Total assets	97	99
Equity	88	87
Profit for the current year	2	6
Acquisition cost of the shares	18	18
Nominal value of the shares	17	17
Intrinsic value of the shares*	45	44
Dividends received	0	1

* Company's share in equity capital of the controlled company as at 31 December.

Financial information on this company was retrieved from financial statements verified by an auditor.

As at 31.12.2009 or 31.12.2008, the Company did not provide any loan or credit to the company over which it exercises dominating influence.

Other long-term securities and investments comprise:

- A total of 233,630 shares of IPB, a.s. (currently IP Exit, a.s.) with a nominal value of CZK 23 million and with an acquisition cost of CZK 40 million; this equity investment was fully provided for, no changes occurred in comparison with 2008;
- a state debenture maturing in 2016, available-at-sale security, valued at actual value of CZK 390 million (2008: CZK 389 million);
- a state debenture maturing in 2012, held for a definite period of time, with a total acquisition cost of CZK 202 million; this debenture was acquired in 2009.

5. INVENTORIES

The Company used provisions to adjust the value of inventory (see Note 7 - Provisions).

6. RECEIVABLES

As at 31 December 2009 and 31 December 2008, receivables with maturity over five years amounted to CZK 1 million and CZK 2 million, respectively.

As at 31.12.2009 and 31.12.2008, outstanding overdue receivables amounted to CZK 162 million and CZK 110 million, respectively. Outstanding overdue receivables are not secured.

In 2009 and 2008, the Company wrote off receivables in the amount of CZK 7 million and CZK 69 million, respectively, due to irrecoverability, dismissal of bankruptcy petition and settlement or non-satisfaction of debts in bankruptcy proceedings.

Receivables from related parties are listed under Note 23 - Transactions with related parties.

The anticipated assets and liabilities primarily comprise accounting for international postal operations. Operating records on incoming and outgoing mail so far not confirmed by individual postal administrations were recorded as anticipated assets and liabilities with the double entry in operating expenses and income, based on operating statistics.

7. PROVISIONS

Provisions reflect a temporary reduction of the value of assets (specified under Notes 4 - Fixed assets, 5 - Inventory and 6 - Receivables).

Changes in the provisions accounts were as follows:

Provisions against: (CZK mill.)	Balance as at 1.1.2008	Creation	Dissolu- tion/ Usage	Balance as at 31.12.2008	Tvorba	Dissolu- tion/ Usage	Balance as at 31.12.2009
Tangible fixed assets	66	46	-4	108	2	-24	86
Long-term financial assets	40	0	0	40	0	0	40
Inventory	16	10	-2	24	2	0	26
Receivables - other	60	18	-69	9	26	-5	30
Total tax non-deductible provisions	182	74	-75	181	30	-29	182
Receivables - statutory	20	12	-21	11	6	-1	16
Total tax-deductible provisions	20	12	-21	11	6	-1	16
Total	202	86	-96	192	36	-30	198

Statutory provisions are created pursuant to the Act on Reserves and are tax-deductible; other provisions are tax non-deductible.

8. SHORT-TERM FINANCIAL ASSETS

The main bank used by the Company is ČSOB, 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 facility that enables the Company to have a negative balance is agreed for the set of accounts with entrusted resources - see Note 14 - Bank Loans and Short-term Notes.

The Company's time deposits equalled CZK 2,158 million and CZK 3,404 million as at 31.12.2009 and 31.12.2008, respectively. Time deposits have a short-term maturity period, and bear interest at the market interest rate.

The Company's guarantees as at 31.12.2009 are as follows:

Type of guarantee	Creditor	Subject	Valid until	Amount CZK mill.	Bank
Payment	State Fund for Transport Infrastructure	Distribution and sale of stickers proving payment of road and highway fees	16.3.2011	10	Komerční banka, a.s.
Payment	Czech Directorate of Highways and Roads	Fulfilment of obligations in respect of the electronic toll system	16.11.2011	4	Komerční banka, a.s.
Non-payment	Czech Statistical Office	Participation in public contract	23.3.2010	15	Komerční banka, a.s.

Short-term financial assets as at 31.12.2009 and 31.12.2008 are as follows:

Issuer	Type	2009	2008
		CZK mill.	CZK mill.
Komerční banka, a.s.	Depository note	400	600
ČSOB, a.s.	Depository note	345	560
Česká spořitelna, a.s.	Depository note	498	0
UniCredit Bank Czech Republic, a.s.	Depository note	800	0
PPF banka a.s.	Depository note	1,000	0
Raiffeisenbank a.s.	Depository note	200	0
Österreichische Volksbanken - AG	Short-term debenture	0	78
Ministry of Finance of the Czech Republic	State debenture	0	412
Total		3 243	1 650

9. ACCRUALS AND DEFERRALS

Prepaid expenses of 2009 and 2008 consist primarily of prepaid rent.

As at 31.12.2009 and 31.12.2008, respectively, accrued income consists primarily of deferred revenues from securities and time deposits.

10. EQUITY

As at 31 December 2009 and 31 December 2008, the registered capital of the Company is CZK 3,588 million.

Other capital funds comprise allocations from profit for investment purposes or gifts received.

The reserve fund has gradually been allocated 10% of profit after tax up to the level of 10% of the registered capital.

Other funds created from profit include the cultural and social fund.

The following changes in equity occurred in 2009 and 2008:

	Registered capital	Other capital funds	Statutory reserve fund	Other funds from profit	Profit in the current period	Retained profits	Total
	CZK mill.	CZK mill.	CZK mill.	CZK mill.	CZK mill.	CZK mill.	CZK mill.
Balance as at 1.1.2008	3,588	5,030	358	35	653	20	9,684
Allocation from profit and transfers between funds	0	501	1	171	-653	-20	0
Decrease	0	-178	0	-169	0	0	-347
Profit in the current period	0	0	0	0	293	0	293
Balance as at 31.12.2008	3,588	5,353	359	37	293	0	9,630
Allocation from profit and transfers between funds	0	-69	0	362	-293	0	0
Other increase	0	2	0	1	0	0	3
Decrease	0	0	0	-208	0	0	-208
Profit in the current period	0	0	0	0	554	0	554
Balance as at 31.12.2009	3,588	5,286	359	192	554	0	9,979

Profit in 2008 was distributed according to the founder's approval dated 30.4.2009.

Other equity increases in 2009 were primarily in respect of tangible fixed assets newly identified during inventory controls.

11. PROVISIONS

(CZK mill.)	Balance as at 1.1.2008	Creation	Disso- lution/ Usage	Balance as at 31.12.2008	Creation	Disso- lution/ Usage	Balance as at 31.12.2009
Social and health insurance	127	113	-127	113	99	-113	99
Unused holidays	134	166	-134	166	172	-166	172
Employee benefits	0	191	0	191	1	-2	190
Compensation of salary	0	65	0	65	144	-65	144
Other	54	1	-5	50	54	-5	99
Total tax non-deductible provisions	315	536	-266	585	470	-351	704
Repairs	0	30	0	30	30	0	60
Total tax-deductible provisions	0	30	0	30	30	0	60
Total	315	566	-266	615	500	-351	764

Provision for social and health insurance is created for unpaid contracted wages, profit-related bonuses in 2009 and 2008, unused holidays and other employee benefits.

In 2008, the Company provided for employee benefits in connection with a collective agreement (see also Note 3n - Employment benefits).

Provision for repairs was created in respect of the Company's buildings in Prague and Ostrava.

In 2009, the Company provided for salary compensations payable to employees who would have to leave in connection with the plan of gradual cuts in jobs approved by the Management Board and announced to the Company's employees.

Other provisions were created primarily to cover risks known as at 31.12.2009 and potential loss from pending litigations and out-of-court disputes and related obligations.

12. LONG-TERM LIABILITIES

The Company's long-term liabilities as at 31.12.2009 and 31.12.2008 comprised deferred tax due which is described under Note 16 - Income tax.

13. SHORT-TERM LIABILITIES

The Company's overdue short-term liabilities amounted to CZK 44 million and CZK 70 million as at 31.12.2009 and 31.12.2008, respectively.

As at 31.12.2009 and 31.12.2008, the Company had no liabilities with maturity over five years. As at 31.12.2009, the Company had no short-term or long-term liabilities bearing a security or lien in favour of a creditor.

Payables to related parties are disclosed under Note 23 - Transactions with related parties.

Anticipated liabilities comprise particularly accounting for costs associated with international postal operations, uninvoiced operating deliveries of services and utilities and estimated staff bonuses.

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

14. BANK LOANS AND OVERDRAFTS

a) In CZK

Bank	Terms and conditions	Account	Overall limit		31.12.2009	31.12.2008
			CZK mill.	CZK mill.	CZK mill.	CZK mill.
ČSOB, a.s.	Overdraft facility	Own resources	100		0	0
ČSOB, a.s.	Overdraft facility	Entrusted resources	1,600		28	0

The overdraft facility on the own resources accounts was provided in particular for the Company's operational financing. The variable interest rate is comprised of O/N PRIBOR plus a 0.15% p.a. margin. As at 31.12.2009 and 31.12.2008, the overdraft facility had not been used.

The overdraft facility on the entrusted resources accounts was provided in particular for financing cash in hand for banking operations. The variable interest rate is PRIBOR (2W) reduced by 0.1% p.a. within a debit range up to CZK 500 million and PRIBOR (2W) plus 1.3% p.a. within a debit range from CZK 500 million to CZK 1.6 billion.

As at 31.12.2009 the overdraft facility had been used in the amount of CZK 28 million. As at 31.12.2008 the overdraft facility had not been used. This overdraft facility is secured on a lien to the Company's receivables against ČSOB, a.s. that arise in connection with fulfilment of the Contract on Provision of Services for ČSOB, a.s.

b) in EUR

Bank	Terms and conditions	Overall limit			2009		2008	
		EUR mill.	EUR mill.	CZK mill.	EUR mill.	mil. Kč		
ČSOB, a.s.	Overdraft facility	5	1.3	35	1.4	37		
	EURIBOR 3months + 0.1% p.a.							
	- entrusted funds							

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

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

15. ACCRUED EXPENSES AND DEFERRED INCOME

Accrued expenses consist particularly of compensation for agency services recorded as expenses in the period in which they occurred.

Deferred income includes, particularly, prepaid postal fees for the set-up of remote credit machines and the easement in favour of PCS - Praha Center s.r.o. (see Note 4b - Tangible fixed assets). A one-off payment in the original amount of CZK 49 million is also included in these accruals (2009: CZK 35 million; 2008: CZK 36 million) and is gradually recognised as income, during the effective period of the agreement.

16. INCOME TAX

	2009	2008
	CZK mill.	CZK mill.
Profit before tax	661	365
Non-taxable income	-27	392
Difference between accounting and tax depreciations	-210	-137
Tax non-deductible expenses	180	302
Of which:		
- changes of provisions	1	-2
- Creation of reserves	119	270
- others (e.g. accrued expenses, entertainment expenses, shortages and losses)	60	34
Gifts	-1	-1
Taxable income	603	921
Income tax rate	20%	21%
Calculated income tax	121	193
Tax relief (persons with disability and partial disability)	-15	-15
Current tax	106	178
Underpayment (+) / overpayment (-) from the previous period	-4	8
Income tax expense - payable	102	186
Of which:		
- from ordinary activities	102	186

The deferred tax as at 31.12.2009 is calculated using a tax rate of 19%. The deferred tax as at 31.12.2008 was calculated using the following tax rates: 20% (tax rate for 2009) and 19% (tax rate for 2010 and the following periods) depending on the period in which the temporary difference adjustment is expected.

The Company quantified the deferred tax asset (+) / liability (-) as follows:

Deferred tax item	2009		2008	
	Deferred tax asset CZK mill.	Deferred taxes CZK mill.	Deferred tax asset CZK mill.	Deferred taxes CZK mill.č
Difference between net book value of fixed assets for accounting and for tax purposes	0	-397	0	-358
Provisions	27	0	12	0
Other provisions	124	0	105	0
Other temporary differences	0	0	97	0
Total	151	-397	214	-358
Net deferred tax liability		-246		-144

In 2009, the Company recorded a year-on-year increase of the deferred tax due by CZK 102 million.

17. LEASING

The Company leases fixed assets, which are not recorded in the balance sheet accounts (see Note 3j - Leases).

The lease payments from assets leased by the Company in the form of operational lease as at 31.12.2009 and 31.12.2008 are as follows:

Description	Lease payments	Lease payments
	in 2009 CZK mill.	in 2008 CZK mill.
Passenger vehicles	2	2
Other operational leases	13	17
Total	15	19

As at 31.12.2009 and 31.12.2008, the Company recognised no financial leases.

18. ASSETS AND LIABILITIES NOT RECOGNISED IN THE BALANCE SHEET

As at 31.12.2009 and 31.12.2008, the Company had third-party assets, in particular duty stamps, highway stickers and lottery tickets, which were placed on an off-balance sheet account. These items have the nature of valuables and the Company is liable for recovering their nominal value in case of loss or damage. No material loss or damage, for which the Company would have to pay, occurred in 2009 or 2008. In addition, the Company has leased and keeps low-value assets in its operational records that are not included in the balance sheet. As at 31.12.2009 and 31.12.2008, these items were quantified as follows:

	2009 CZK mill.	2008 CZK mill.
Valuables and lottery tickets	5,415	3,667
Highway stickers	2,986	2,756
Leased assets - operational lease	23	11
Assets leased free of charge	132	140
Low-value tangible assets	2,243	1,991
Low-value intangible assets	114	119

Contractual capital commitments in respect of constructions were as follows (CZK mill.):

	31.12.2009	31.12.2008
For a period of less than one year	141	130
For a period of one to five years	0	228
Total	141	358

Commitments related to rentals of non-residential premises were as follows (CZK mill.):

	31.12.2009	31.12.2008
For a period of less than one year	65	48
For a period of one to five years	138	99
For a period of more than five years	84	83
Total	287	230

19. CONTINGENT LIABILITIES

As at 31.12.2009, the Company had a provision amounting to CZK 86 million for pending litigations and out-of-court disputes and related liabilities.

The Company is a defendant in certain litigations related to its business activities. The Company's Management Board does not expect the results of these litigations to affect the financial position or profit of the Company in any material way.

The Management Board is not aware of any other material contingent liabilities of the Company as at 31.12.2009.

20. INCOME

Breakdown of the Company's income from its operations:

	2009			2008		
	Domestic CZK mill.	International CZK mill.	Total CZK mill.	Domestic CZK mill.	International CZK mill.	Total CZK mill.
Income from postal operations	14,545	1,523	16,068	14,814	1,655	16,469
Income from agency services	2,614	0	2,614	2,512	0	2,512
Income from the sale of goods	403	0	403	506	0	506
Income from the sale of fixed assets and material	6	0	6	5	0	5
Other income from operations (incl. capitalisation)	1,189	0	1,189	478	0	478
Total income from operations	18,757	1,523	20,280	18,315	1,655	19,970

In 2008, the Company improved its accuracy when identifying international income; comparable data in 2008 was adjusted.

In 2009 the Company received a subsidy of CZK 3 million from UPU's Quality Fund to finance a project to increase the availability of postal delivery boxes. This income is included in Other operational revenues.

21. STAFF COSTS

a) Staff costs

Breakdown of staff costs:

	2009		2008	
	Total employees	Of which: Company management	Total employees	Of which: Company management
Average headcount (CZK mill.)	34,948	240	36,332	141
Salaries	9,484	305	9,479	188
Social security and health insurance	3,074	86	3,275	58
Social expenses	332	2	324	1
Total staff costs	12,890	393	13,078	247

In addition to the above-mentioned amounts of staff costs, members and former members of statutory and supervisory bodies in 2009 and 2008 received bonuses in the total amount of CZK 5 million and CZK 3 million, respectively.

As at 31.12.2009 and 31.12.2008, social security and health insurance liabilities amounted to CZK 369 million and CZK 394 million, respectively. These unpaid liabilities related to salaries for December 2009 or December 2008 and were paid at the beginning of 2010 or 2009, respectively.

The Company recognised no tax arrears due to local tax authorities as at 31.12.2009.

b) Other costs

The Company paid CZK 4 million to the auditor PricewaterhouseCoopers Audit, s.r.o. for the statutory audit of the Company's financial statements for 2009.

22. EXTRAORDINARY INCOME AND COSTS

No extraordinary income was recognised by the Company in 2009. In 2008, the Company recorded CZK -403 million as extraordinary income. This amount relates to compensation for agency services rendered in previous periods and recognised as income for the period in which it was earned.

No extraordinary costs were recognised by the Company in 2009 apart from refunds in respect of income tax on extraordinary activity in the amount of CZK 97 million in relation to reduction of extraordinary income in 2008. Extraordinary costs in 2008, except for deferred income tax on extraordinary activities, amounted to CZK 189 million (see Note 3s - Changes in the accounting methods). This amount relates to outstanding employee benefits which are payable by the Company for previous periods. Deferred income tax on extraordinary activity amounted to CZK -133 million.

23. TRANSACTIONS WITH RELATED PARTIES

Apart from the bonuses mentioned under Note 21 - Staff costs, 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 over and above the scope of the collective agreement in 2009 and 2008, with the exception of the Company's managers who use the Company cars for their business and (paid) private use.

Throughout the year, the Company executed several transactions with related parties within its ordinary business activities. The transactions recognised in 2009 and 2008 plus the related receivables from and payables to related parties are as follows:

2009	Sales CZK mill.	Purchases CZK mill.	Receivables CZK mill.	Payables CZK mill.
Subsidiaries				
Poštovní tiskárna cenin Praha a.s.	1	33	0	3
Other related parties				
Czech Television and Czech Radio	252	2	0	5
Czech ministries	746	3	80	43
Czech Social Security Administration	586	2,191	0	4,075
Municipal and local authorities	497	61	11	321
State Fund for Transport Infrastructure	106	3	25	410
Total	2,188	2,293	116	4,857

2008	Sales CZK mill.	Purchases CZK mill.	Receivables CZK mill.	Payables CZK mill.
Subsidiaries				
Poštovní tiskárna cenin Praha a.s.	0	44	0	0
Other related parties				
Czech Television and Czech Radio	250	2	0	6
Czech ministries	190	1	1	83
Czech Social Security Administration	571	2,395	36	4,968
Municipal and local authorities	545	43	12	303
State Fund for Transport Infrastructure	92	3	22	349
Total	1,648	2,488	71	5,709

Transactions such as the purchase of heat, water, electricity, etc. that were carried out under usual market conditions are not stated here for 2009. Comparable data in 2008 were adjusted.

24. ENTRUSTED RESOURCES

Breakdown of entrusted resources as at 31.12.2009 and 31.12.2008:

	31.12.2009	31.12.2008
	CZK mill.	CZK mill.
ASSETS		
Short-term receivables	210	253
Cash	4,376	4,630
Cash at bank	1,663	2,101
Total assets	6,249	6,984
	31.12.2009	31.12.2008
	CZK mill.	CZK mill.
LIABILITIES		
Short-term liabilities	6,186	6,947
Short-term bank loans	63	37
Total liabilities	6,249	6,984

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

In December 2009 and December 2008, the Company received advance payments towards 2010 and 2009 pension payments from the Czech Social Security Administration in the amount of CZK 3,741 million and CZK 4,620 million, respectively.

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

25. CASH FLOW STATEMENT

As at 31.12.2009 and 31.12.2008, 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).

Breakdown of cash and cash equivalents recognised in the cash flow statements as at 31.12.2009 and 31.12.2008:

	31.12.2009	31.12.2008
	CZK mill.	CZK mill.
Cash in hand	4,450	4,742
Cash at bank	2,823	4,955
Cash equivalents in respect of short-term securities and ownership interests	3,243	1,572
Cash and Cash Equivalents	10,516	11,269

26. CURRENT VOLATILITY IN GLOBAL FINANCIAL MARKETS

The effects of the ongoing global economic recession which started in 2008 include low-level trading in capital markets, lower levels of liquidity in the banking sector and, occasionally, higher interbanking interest rates and a heavy instability of stock exchange.

The Company's Management Board assessed all available information and currently it does not expect the economic recession to have any material impact on the Company's operations, in particular its liquidity and financing. The Company's Management Board is convinced that all necessary measures to support sustainability and growth of the Company under the current circumstances are underway.

27. SUBSEQUENT EVENTS

The continuing changes in the Company's organisational structure will enable implementation of linear management and centralisation of operational and service activities. Upon the Director General's decision dated 22.2.2010, a new organisational scheme of the Company was set effective from 1.3.2010 to ensure streamlined management.

The Company's organisational structure is as follows:

DIRECTOR GENERAL

SALES AND MARKETING CHIEF EXECUTIVE			POSTAL OPERATIONS AND LOGISTICS CHIEF EXECUTIVE	PROPERTY MANAGEMENT CHIEF EXECUTIVE	CORPORATE SERVICES RESOURCE MANAGEMENT CHIEF EXECUTIVE	FINANCE AND LEGISLATION CHIEF EXECUTIVE	
SALES EXECUTIVE DIRECTOR		MARKETING EXECUTIVE DIRECTOR	LOGISTICS	Operations	HR MANAGEMENT EXECUTIVE DIRECTOR	CONTROLLING	Security
Firm and Retail Sales	Alliance Partners	Product Marketing	Network Development and Operation	Administration	ICT MANAGEMENT EXECUTIVE DIRECTOR	ACCOUNTING AND TAXES	Internal Audit
Firm Clientele	Sales Coordination	Brand Marketing	Cash Services	Investments	Purchasing	Treasury and Financing	Communication
Regional Sales	Product and eGovernment Service Development	Segmentation and Market Analysis	Logistics Support	Project Management	Project and Process Management	Legislature	Ombudsman
International Sales		Postal Museum	Region Central Bohemia	Organisation		Legal	Programme Office
VIP Clientele		Stamp design	Region South Bohemia			Complaints	Director General's Office
Public Administration		PostFila	Region West Bohemia			Postal Licence	
Postservis Sales			Region North Bohemia			Postal Information	
			Region East Bohemia				
			Region South Moravia				
			Region North Moravia				
			Region Prague				

Changes in the Management Board that took place between the balance sheet date and the date of preparation of the financial statements are as follows:

Members	Position	Position established on	Registered into the Commercial Register on
Ing. Marcela Hrdá	Director General	1.1.2010	3.2.2010
Ing. Petr Zatloukal	Chief Executive, Postal Operations and Logistics*	1.3.2010	-
Ing. Vladimír Měkota	Chief Executive, Corporate Services Resource Management*	8.3.2010	-
Ing. Pavel Janda	Chief Executive, Finance and Legislation	1.3.2010	-
Ing. Pavel Pulkráb	Chief Executive, Property Management	1.3.2010	-
Ing. Michal Kasal	Chief Executive, Sales and Marketing	1.3.2010	-

*) not yet registered into the Commercial Register

The following changes in the Management Board of the Company were also registered into the Commercial Register between the balance sheet date and the date of preparation of the financial statements:

		Position ceased on	Erased from the Commercial Register on
Ing. Petr Sedláček	Director General	31.12.2009	3.2.2010

No other material event occurred between the balance sheet date and the date of preparation of the accompanying financial statements that would affect the assets, liabilities and profit reported for the accounting period 2009.

29.3.2010


Ing. Marcela Hrdá
Director General


Ing. Pavel Janda
Chief Executive
Finance and Legislation

7

INDEPENDENT AUDITOR'S REPORT TO ANNUAL REPORT

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers Audit, s.r.o.
Kateřinská 10/166
120 00 Praha 2
Česká republika
Telefon +420 251 151 111
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INDEPENDENT AUDITOR'S REPORT

TO THE FOUNDER OF ČESKÁ POŠTA, S.P.

We have audited the financial statements of Česká pošta, s.p. ("the Company"), identification number 47114983, with registered office at Politických vězňů, Praha 1, for the year ended 31 December 2009 disclosed in the annual report in chapters 6.2 and 6.3 and issued the opinion dated 29 March 2010 and disclosed in chapter 6.1.

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 2009 is consistent with the financial statements referred to above. 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.

PricewaterhouseCoopers Audit, s.r.o., registered seat Kateřinská 40/466, 120 00 Prague 2, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No 021.
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PRICEWATERHOUSECOOPERS 

OPINION

In our opinion, the other information included in the annual report of the Company for the year ended 31 December 2009 is consistent, in all material respects, with the financial statements.

30 April 2010

PricewaterhouseCoopers Audit, s.r.o.
PricewaterhouseCoopers Audit, s.r.o.
zastoupená partnerem

Věra Výtvarová
Ing. Věra Výtvarová
Statutory Auditor,
Licence No. 1930

Translation note

This version of our report is a translation from the original, which was prepared in Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.

CONTACTS

Company name	Česká pošta, s. p.
Registered office	Politických vězňů 909/4, Prague 1, 225 99
Identification number	47114983
Tax identification number	CZ 47114983
Registration court	Municipal Court in Prague
Company's registration number	File 7565, Section A
Information line	800 10 44 10
Prague information centre	+420 221 132 113
E-mail	info@cpost.cz
Website	www.ceskaposta.cz
Region Prague	Holečkova 10, 150 00 Prague 5
Region Central Bohemia	Kafkova 102/19, 160 00 Prague 6
Region South Bohemia	Senovážné náměstí 240/1, 370 01 České Budějovice
Region West Bohemia	Solní 260/20, 301 00 Plzeň
Region North Bohemia	Berní 2/2119, 400 01 Ústí nad Labem
Region East Bohemia	Na Hrádku 105, 530 02 Pardubice 1
Region South Moravia	Orlí 655/30, 663 00 Brno
Region North Moravia	Poštovní 1368/20, 728 60 Ostrava

ABBREVIATIONS USED

Czech POINT	National network of submitting and verifying information terminals
ČNB	Czech National Bank
CNG	Compressed Natural Gas
CTO	Czech Telecommunication Office
D+3	Delivered by the third day after posting
D+5	Delivered by the fifth day after posting
DHM	Low-value tangible assets
DNM	Low-value intangible assets
VAT	Value added tax
EMS	Express Mail Service
ES	European directive
EU	European Union
FIGP	International Philatelic Federation
FKSP	Fund for cultural and social needs
GDP	Gross domestic product
ICT	Information and Communication Technologies
ISO	International Organisation for Standardisation
ISVS	Information system of the Czech public administration
IT	Information technologies
KIVS	Public administration communication infrastructure
SAO	Supreme Audit Office
MA ISOH	The Car Wreck Module of the Waste Management Information System
PES	Monitoring of operational and financial processes at post offices
QCA	Qualified certification authority
REP	Registered electronic post
RPIM	Distribution of information and promotional materials
SPU	Logistic hub
SIPO	System of collective payments of household bills
SME	Small and medium enterprises
EU S-TESTA	Secure Trans European Services for Telematics between Administrations
TP	Severe disability (applies to holders of extraordinary benefits card)
UNEX	Quality of service measurement system for public postal operators
VCA	Public certification authority
VIP	Very Important Person (selected customers)
ZPS	Partial occupational disability
ZUŠ	Elementary school of art

