

CZECH POST



ANNUAL REPORT 2008

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CONTENT

1. Director General's Statement	6
2. Founder's Statement	10
3. Supervisory Board's Report	12
4. Company Profile	14
4.1. Statutory body and management board of the Czech Post	14
4.2. Management and supervision of the Company	15
4.3. Regulatory framework of postal services	15
4.4. Legal status of the Company	16
4.5. Mission and strategic goals	16
4.6. Organisational structure as at 31 December 2008	17
4.7. Security management	18
4.8. Risk management	20
4.9. Internal audit	20
4.10. Trends in key economic indicators	21
5. Management Board's Report on the Company's Position	30
5.1. Macroeconomic situation in the Czech Republic	30
5.2. Economic position of the Company in 2008	31
5.3. Sales activities	31
5.4. Customers	33
5.5. Services and operations	34
5.6. International relations and operations	42
5.7. Investments and technical development	44
5.8. Stamp design and philately	46
5.9. Postal museum	49
5.10. Environmental relations	50
5.11. Human resources	51
6. Financial Part	53
6.1. Independent auditors' report to the founder of the Czech Post	54
6.2. Financial statements	56
6.3. Notes to the financial statements	60
Contacts	90
Abbreviations Used	91

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Dear colleagues, customers and business partners,

Let me present to you the annual report of the Czech Post for the year 2008.

I have become Director General of the state-owned enterprise Czech Post in the last quarter of the year. Therefore, it would be a good idea to start with a recapitulation of the Company's achievements made before my appointment. I joined the Company at the end of its partial restructuring which involved mainly the closing down of the seven regional 'Czech Posts' offices and the processes of partial centralisation and streamlining of management. Together with other measures, this opened the way for the transformation of the Company from a state-owned enterprise into a joint-stock company. The year 2008 will be recognised in the world history as a year when the global economy began to face a deep slowdown or, if you like, crisis. In the last months of the year, even the strong Czech Post felt some partial effects. In spite of this development, or possibly because of it, the Management Board has a clear task for the coming years: It is vital to start immediately with the process of real modernisation of the Company.

Although the weakening economy may have negative effects on a number of businesses, it can become a real challenge for the Czech Post. I am convinced that it can make the Company even stronger than it is today. The fast approaching end of liberalisation of the European postal market further intensifies the need for investments into the logistic network and its systemic restructuring, into ICT, modernisation of the car fleet, design and equipment of worksites at the Company's premises, etc. Another big task of the Czech Post is to change of its public image. Although the level of its service quality is fully comparable with the level achieved by postal operators in developed European countries, it will still take a lot of effort before it becomes a company unreservedly perceived by customers as one of the modern businesses in the Czech Republic. This involves a change not only of the image of Czech Post's branches but also of the approach of its employees to customers. This should help customers with the perception of the Czech Post as an actual national operator, a stable pillar of an efficient nation. This is the underlying deepest vision of the Czech Post for the coming years.



As I have already mentioned, the local economy is heading towards a slowdown, and the postal market is facing full liberalisation. Nevertheless, it is possible to turn the potential threat into an opportunity. Let me give you an actual example. In 2008, the Czech legislators decided that the public administration system should use electronic means (data mailboxes) instead of classic registered letters for communication between public authorities and legal entities. Although the lost income from registered letters poses a threat to the Czech Post, it also means a challenge. It gives us a chance to cooperate on the data mailbox system operation as its administrator. If we prove the ability to turn the threat into an opportunity, we will be witnessing the birth of a platform creating a completely new quality of communication. It is worth taking the opportunity and elaborating the new communication system into an even better service and business advantage. By changing the form, rather than the substance, we will not betray our traditional mission, i.e. fast and reliable mediation of messages. Finally, I would like to thank the founder, members of the Supervisory Board and other state representatives supporting the Management Board in the process of modernisation of the Czech Post. I would also like to thank all our employees who realize that their work is also their mission. Without their effort and personal involvement, the Czech Post would not be capable of any change.

cp 7

Ing. Petr Sedláček
DIRECTOR GENERAL
of the Czech Post

Another big task of the Czech Post is a change of its public image.

In 2009, the Czech Post will become a joint-stock company. The change of its legal status is a necessary step which should allow the state-owned enterprise to face the forthcoming end of the long-time liberalisation of the European postal market in a strong position.

In 2008, the Czech Post passed through an important stage on the path of its transformation into a modern, efficiently managed company. The main steps were the successful accomplishment of the process of a radical change of its organisational structure, centralisation of a number of activities and the beginning of the process of changing the obsolete system of management. These changes were necessary and essential for the coming year which is to become a turning point in the history of the Czech Post. The symbolic end of the stage of development was the change in the position of Director General. Having fulfilled his mission, JUDr. Karel Kratina resigned on 30 September 2008. His work must be appreciated, certainly for his ability to prepare the Czech Post for the which is místo as precondition for development in the fully competitive environment in the forthcoming time.

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On 1 October 2008, Ing. Petr Sedláček became the Czech Post's new Director General. In the process of seeking a new Director General for the second stage of transformation, the founder was looking for a candidate with management skills and international experience who would be able to make the most of them for succeeding in the turbulent times and making the Czech Post ready to face the new opportunities which will be emerging with a growing frequency in connection with the full opening of the European postal market to competition.

In 2008, the Czech Post continued to be a major partner of the public administration. Its cooperation on the extension of the CzechPOINT network led to a substantial improvement of the communication between citizens and public authorities. The 173,975 excerpts, provided by the Czech Post throughout the year, clearly prove that using post offices as contact points for public authorities and citizens within the CzechPOINT system was a good choice.

Act No. 300/2008 Coll., on electronic transactions and authorised conversion of documents, became another great challenge for the Czech Post. This legislation means a revolution not only in communication within the public administration itself but also in the communication between legal entities and citizens and public authorities.



Although it is rather demanding for the Czech Post to meet its requirements, it guarantees its potential long-time development in the area of electronic communication via the so-called data mailboxes. In this direction the Czech Republic sets an example for Europe. The Czech Post will enter European history as the first national postal operator able to use data mailboxes as a replacement for the gradually decreasing volumes of letter mail. In 2008, the key project of the government's eGovernment initiative, which is to cut the volume and increase the efficiency of public administration, became a symbol of the future of the Czech Post. It was also the year to beginning of the demanding process to prepare this system of modern communication whose operation is to start in the course of 2009. The Czech public administration and the Czech Post is a good partnership. I would like to thank the Management Board and the employees for all their efforts taken and work done to further develop the partnership and to achieve its common aim, i.e. citizen satisfaction, customer satisfaction.

cp 11

Mgr. MUDr. Ivan Langer
MINISTER OF THE INTERIOR

**The Czech public
administration and
the Czech Post is
a good partnership.**

Throughout the year, the Supervisory Board of the Czech Post carried out its duties in accordance with the status of this body 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. Members of the Supervisory Board assembled at ten ordinary meetings and one meeting of the Committee for Finances and Audit. The main points on the agenda of the meetings were the key themes of the Czech Post for the year: development and investment strategy of the Czech Post with respect to the upcoming liberalisation of the European postal market; its transformation into a joint-stock company; change of the organisational structure of the Czech Post; provision of postal services to small communities; administration and operation of the communication infrastructure of the Ministry of the Interior of the Czech Republic and the Police of the Czech Republic; and ways to

invest available finances. 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 the Czech Post's financial statements for the year ended 31 December 2008 (prepared in accordance with Czech accounting standards); read the opinion of the auditor PricewaterhouseCoopers Audit, s.r.o. – "unqualified"; discussed the Czech Post's annual report for 2008; and recommended to the founder to approve the financial statements and the annual report. The Board also examined the proposed distribution of profits generated in 2008 and recommended that the founder approve it.



Changes in the Supervisory Board in 2008

As at 15 June 2008, the founder removed Blanka Vysloužilová from the post of the Deputy Chairwoman of the Supervisory Board. On 31 August, Petr Polák stepped down from the Supervisory Board and was replaced with Jiří Řehola (1 September 2008). Since the removal of Blanka Vysloužilová the Supervisory Board has had 11 out of the 12 members.

The new wording of the Rules of Procedure of the Supervisory Board of the State-Owned Enterprise Czech Post came into force on 31 August 2008 under ref. number P-1116/2008.

cp 13

Mgr. Zdeněk Zajíček

CHAIRMAN OF THE SUPERVISORY BOARD
of the Czech Post

**The Supervisory Board recommended
to the founder to approve the financial
statements and the annual report.**

4.1. STATUTORY BODY AND MANAGEMENT BOARD OF THE CZECH POST

The bodies of the Company 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.

Management Board of the Czech Post as at 31 December 2008 were as follows:

Members	Position	Position established on	Registered into the Commercial Register on
Ing. Petr Sedláček	Director General	1.10.2009	8.12.2008
Ing. Petr Křeček	Deputy Director General, Finance	10.11.2008	8.12.2008
Ing. Petr Zatloukal	Deputy Director General, Logistics and IT Support**	20.8.2007	13.9.2007
Ing. Michal Vodrážka	Deputy Director General, Sales and Services Development**	16.11.2007	14.3.2008
Ing. Ivan Feninec	Director, Human Resources*	2.6.2007	–
Ing. Pavel Janda	Director, Corporate Administration*	1.12.2008	–
Ing. Pavel Pulkráb	Director, Property Management*	1.12.2008	–

* Positions which are not registered into the Commercial Register.

** A change in the position occurred in 2008.

Other changes in the Management Board which occurred in 2008:

Members	Position	Registered into the Commercial Register on	Position ceased on	Erased from the Commercial Register on
JUDr. Karel Kratina	Director General	18.9.2004	30.9.2008	20.11.2008
Ing. Rastislav Horáček	Deputy Director General, Operations	26.6.2007	31.5.2008	16.8.2008
Ing. Ladislav Musil	Deputy Director General, Finance	13.9.2006	7.11.2008	8.12.2008
Ing. Petr Angelis	Deputy Director General, International Relations	13.9.2006	1.3.2007	23.5.2008
Ing. Alois Těšitel	Deputy Director General, Sales	13.9.2006	15.11.2007	23.2.2008
Ing. Ladislav Musil	Charged with Managing the Deputy Director General Section, Human Resources	–	1.6.2008	–
Petr Stiegler	Deputy Director General, Public Administration	28.11.2007	31.5.2008	16.8.2008
Ing. Jan Balák	Deputy Director General, Technical Resources	20.12.2006	31.5.2008	16.8.2008
Ing. Petr Bodlák	Deputy Director General, Human Resources	22.8.2007	22.12.2007	23.2.2008

Supervisory Board as at 31 December 2008

Name	Position
Mgr. Zdeněk Zajíček	Chairman
Karel Koukal	Deputy Chairman
Ing. Vladimír Budinský, MBA	Member
Ing. Ján Dzvoník	Member
Mgr. Daniel Rován	Member
Petr Kužel	Member
Petr Polák	Member
Ing. Jiří Štráberger	Member
Ivana Musilová	Member
Ing. Jiří Řehola	Member
Jan Řezník	Member

4.2. MANAGEMENT AND SUPERVISION OF THE COMPANY

Director General

The Director General as a statutory body of the Czech Post manages the Company's activities 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 the performance of activities of Director General and the carrying out of the Company's business plan. Subject to the State-Owned Enterprise Act No. 77/1997 Coll., as amended, eight members of the Supervisory Board are appointed and removed by the founder; the remaining four members are elected and removed by the Company's employees. As at 31 December 2008, the Supervisory Board had eleven out of the 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.

4.3. 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 December 2008, the CTO granted a postal licence to the Czech Post for a period from 1 January 2009 until 31 December 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 December 2008. The decision also imposes the basic quality requirements on the Czech Post as the licence holder. This decision, published in the Postal Bulletin on 31 December 2008, endorses, *inter alia*, the duty to fulfil the obligations of the Czech Republic 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 December 2005, the Czech government approved the governmental decree defining the scope of postal licence effective as at 1 January 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 CZK 18.

Liberalisation of postal markets within the European Union

Under the Postal Directive 97/67/EC, the first stage of harmonising of postal services in the EU was accomplished. The subsequent regulations led to further opening of postal markets to the competition. Currently the 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 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 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 the Czech Post will lose its limited monopoly over letter mail up to 50 g by 2013.

The present Directive 2008/6/EC of 20 February 2008 amends Directive 97/67/EC with regard to the full accomplishment of the internal market of Community postal services.

4.4. 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 March 1993 by the Ministry of Economy of the Czech Republic in accordance with the State-Owned Enterprise Act and incorporated by registration in the Commercial Register maintained by the District Court for Prague 1, Section A, File 7565. The present record is in the Commercial Register maintained by the Municipal Court in Prague, Section A, File 7565.

With effect from 1 June 2003, the Ministry of Informatics issued an amended Deed of Foundation of the State-Owned Enterprise Czech Post. The amendment complies with the new State-Owned Enterprise Act and includes several modifications. 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 December 2008, the Ministry of the Interior of the Czech Republic acted as the founder of the Czech Post on behalf of the government.

4.5. MISSION AND STRATEGIC GOALS

The Czech Post serves the public, individuals and businesses as well as the Czech administration and its agencies. Its mission is to connect people – to be a trustworthy provider of quality services in the area of mediating information, payments and goods both via traditional and electronic means.

The Czech Post intends to be the provider of general services focusing on efficient solutions. At the same time, owing to its customer responsibility and good corporate citizenship, it will endeavour to further improve its public image.

The Czech Post intends to further develop its close cooperation with the state administration via both its dense network of post offices and new means. Its involvement in the area of operation and development of a network of Czech POINT national terminals for verification of registered information led to its appointment as administrator of the Czech Ministry of the Interior's data networks and a unique system of data mailboxes.

In reaction to changes due to the ongoing social transformation into an information society and social and political changes in general, the Czech Post has changed substantially to be able to embrace the upcoming challenges including, but not limited to:

- new technologies,
- new communication ways due to the expansion of the Internet,
- change in the customers needs, and
- ongoing liberalisation of postal services.

Last but not least, owing to its social responsibility the Czech Post will endeavour to be not only an attractive employer but also a solid and reliable partner to its employees.

4.7. SECURITY MANAGEMENT

Security management

The Czech Post has paid a maximum attention to the security of transported mail, with an emphasis on continuously improving the level of mail operations safety and security of postal premises.

The results obtained in 2008 underlined the necessity to make new investments into the area of security and prevention. In spite of all the measures taken, the number of external assaults at post offices, during transport and delivery substantially increased. The volume of damage incurred increased proportionally. Investments into improving the existing security system would not only cut the percentage of successful assaults – and the related volume of damage – but also improve the public image of the Czech Post.

External assaults at post offices or during transport, damage incurred

	2008	2007	2006	2005	2004
Total number of assaults	182	118	97	149	143
Damage (in millions of CZK)	10.2	6.2	4.9	4.3	5.4

The number of post office robberies during opening hours increased by approx. 35% against the 2007 figure. 27% of the attempted robberies failed. The number of post office robberies outside opening hours increased by almost 67% in comparison with 2007, out of which only 18.8% failed.

Investments in security

The average damage per assault in 2008 exceeded CZK 50 thousand. The total annual cash damage caused by external assaults (and covered by insurance) amounted to CZK 10.2 million. The reasons were lower investments and expenditures spent on technical facilities securing post offices. The primary aim of investments and expenditures spent on security was to maintain the necessary maintenance and to buy additional or new mechanical security systems for post offices in order to meet the EU standards for banks and entities dealing with payment systems.

As regards investments spent towards external and internal crime prevention in 2008, an ongoing project of installing camera systems at reloading premises was launched in 2008. The project, which is to continue in 2009, is intended to result into a massive cut in mail lost. Another project which is underway is the installation of electronic security elements connected to the Company's data network at small post offices where they have still been missing.

The project on a central registry of employee' cards was completed in 2008, together with a pilot project testing the possibility of each post office in the Czech Republic to check the validity of produced employee' cards throught a transaction in the APOST programme. The Czech Post also improved the details of its information system for emergency situations.

Education and prevention

The Czech Post puts a great emphasis on educating its employees in the area of preventing crimes against the Czech Post. Several new instruction films were created to help the Company's employees to avoid risky behaviour and to prevent dangerous situations.

New security image of the Czech Post

The Czech Post is ready to improve its image by opening some of its counters and removing the glass which separates (in many cases for security reasons) the Company's clerks from its customers. A new project, Post Offices Visibility, includes security proposals of opening some counters, first of all at shopping centres. The project was developed in accordance with the Company's Management Board requirements.

4.8. RISK MANAGEMENT

The responsibility for risk management in the Czech Post falls on the risk owners, i.e. on 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.

Activities necessary for risk control and analysis were controlled by the Internal Audit Department. Its members also monitored, on a quarterly basis, the manner, effectiveness and efficiency of risk control 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 Internal Audit Department proposed systemic measures to improve risk control, including workshops for all risk owners.

The Czech Post's Book of Risks for 2008, prepared by the Internal Audit Department, reviews the Company's risks as at 31 December 2008. These cover all the Company risks identified to date, including significant risks with a potential negative impact on the degree of the Company's success in achieving its priority goals and development trends. The latter were given an extraordinary attention. The risks identified are classified into categories; 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.

4.9. INTERNAL AUDIT

Set up in 2005, the Internal Audit Department of the Czech Post has been pursuing its activities and performing all of its tasks in strict compliance with binding international standards, i.e. the International Professional Practices Framework (IPPF) and the Code of Ethics published by the Institute of Internal Auditors, and its Statutes approved by the Director General of the Czech Post. The department is independent of the Company's structures and reports directly to the Company's statutory body, the Director General.

The primary aim of the Internal Audit Department's independent, objective assurance and consulting activities in 2008 was to assist the Company's Management Board in achieving the main tasks concerning the overall strategy, mission, transformation and organisational changes of the Company. Members of the department conducted 15 planned and 2 'upon request' audits. The plan was compiled upon the findings of auditors based on information obtained from their own auditing, advisory and consultation activities and monitoring the development in risk areas of the Company's activities. In addition, two audits were carried out on request from the Management Board and the Supervisory Board. The final audit reports contain the auditing results as well as the proposed recommendations on how to correct or remedy the defects found. Each report is accompanied with 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. The auditors continuously monitored performance of the tasks set.

Further tasks monitored in 2008 were those ensuing from the Conclusions of Audit No. 07/20 "State-Owned Property in the Economic Possession of the Czech Post" conducted by the Supreme Audit Office, or connected with the implementation of strategic measures in the area of the Company's sales, efficiency of the internal audit and control system, and some are from human resources.

The auditing and consulting activities as well as the proposed, passed and gradually implemented corrective measures made a considerable contribution to the securing of desirable changes in the audited or monitored areas, improved efficiency and quality of processes, decreased risk exposure, and to the prevention of any negative impact of the defects found on management and administration as well as the financial and operational results of the Company.

Set up in 2005,
the Internal Audit
Department of the
Czech Post has been
pursuing its activities
in strict compliance
with international
standards.

cp 21

4.10. TRENDS IN KEY ECONOMIC INDICATORS

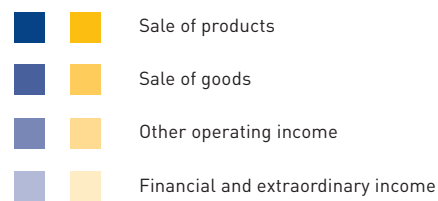
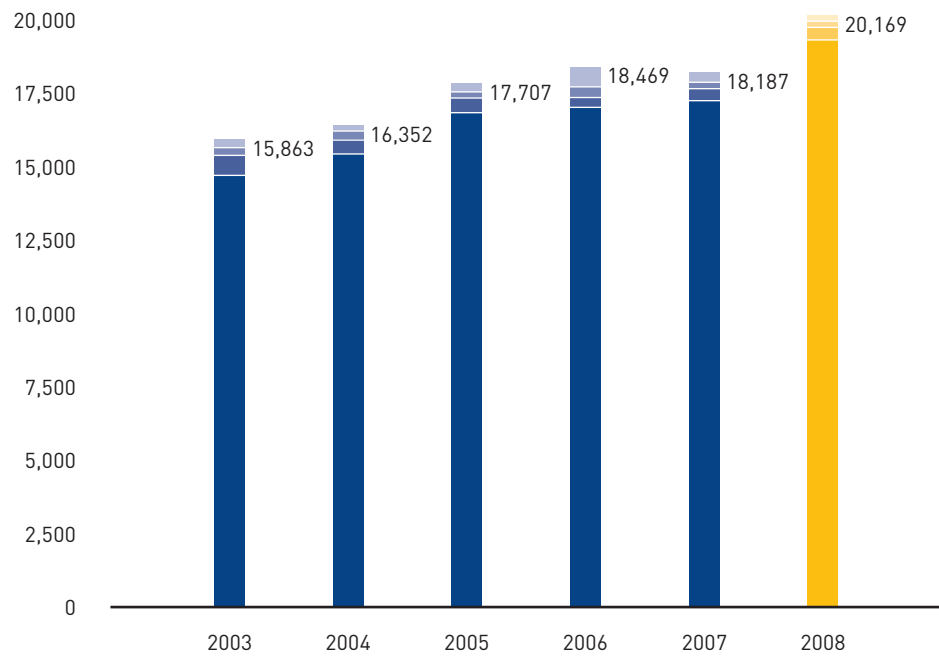
Financial and operating indicators

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

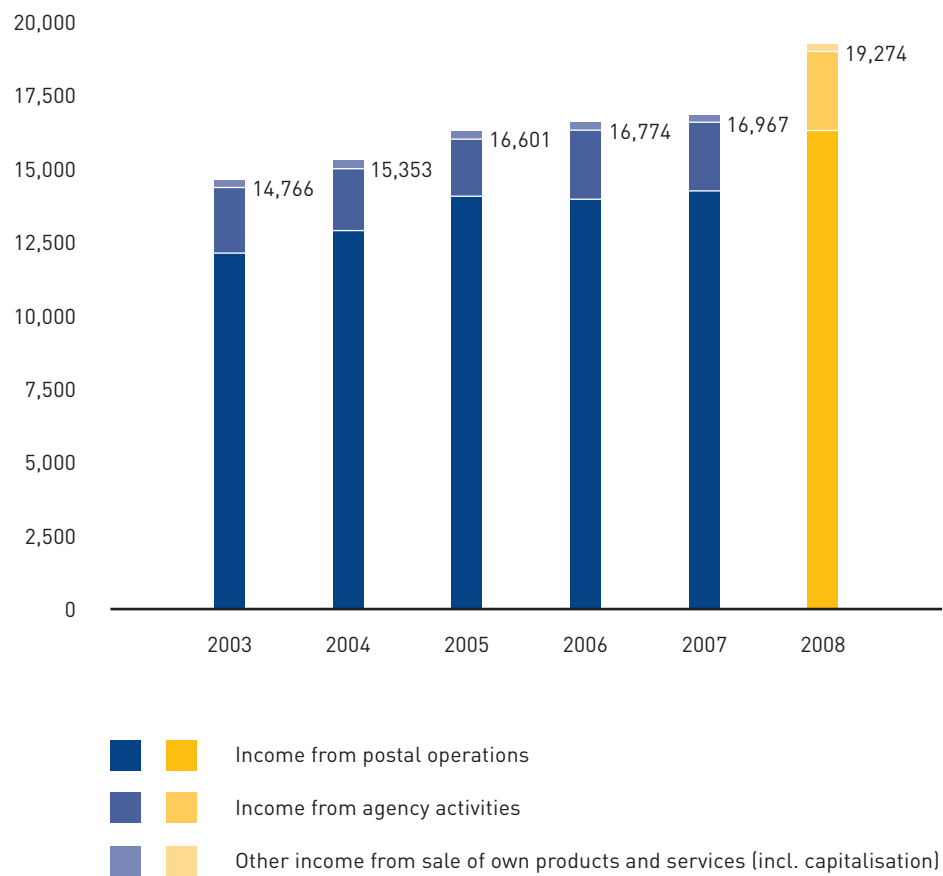
Profit before tax (in CZK million)



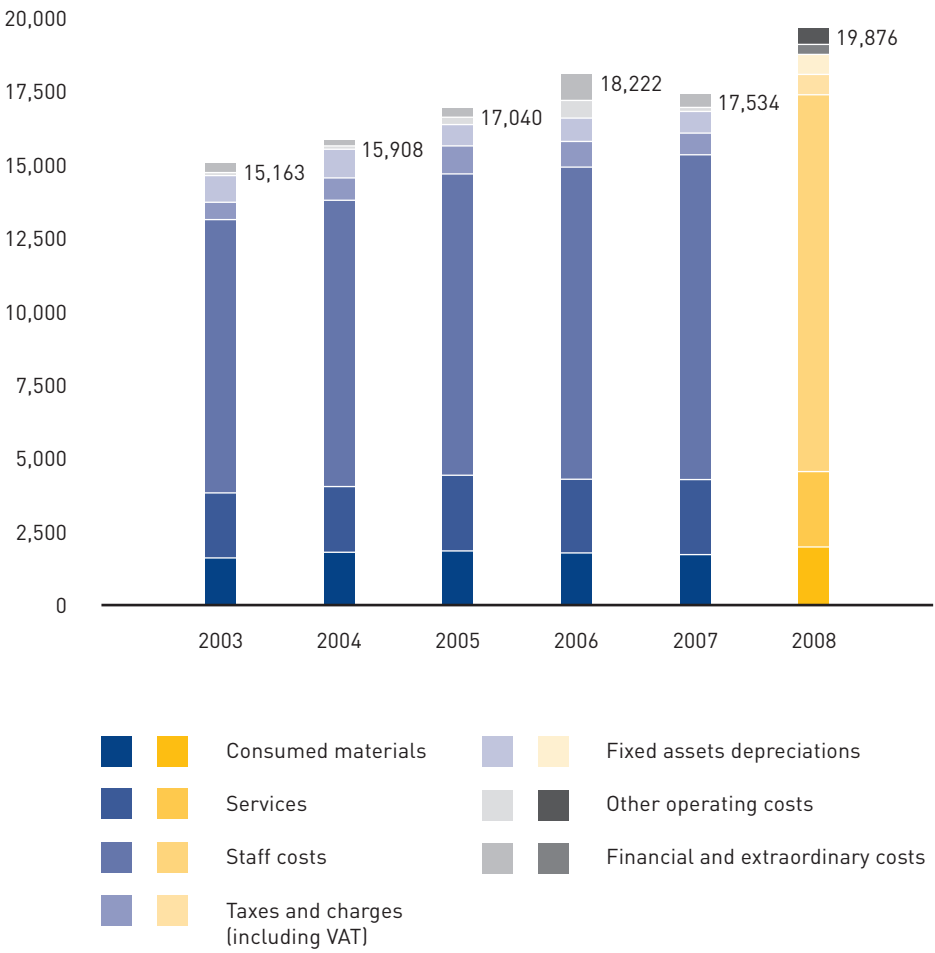
Total income (in CZK million)



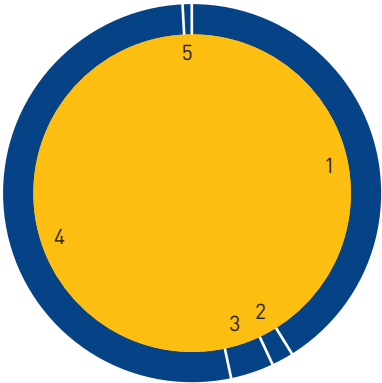
Operating income (in CZK million)



Total costs (in CZK million)

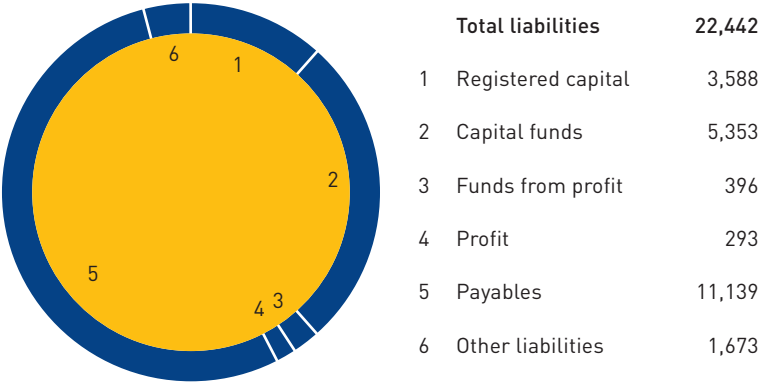


Assets structure 2008 (in CZK million)



Total assets	22,442
1 Fixed assets	9,145
2 Inventories	207
3 Receivables	1,690
4 Financial assets	11,347
5 Other assets	53

Liabilities and equity structure 2008 (in CZK million)



**In 2008 the Czech Post ac
all customers across the
the same quality of servic
regardless of their region.**

**hieved the level at which
Czech Republic receive
es and level of care**

5.1. MACROECONOMIC SITUATION IN THE CZECH REPUBLIC

In 2008, the results of the Company were also influenced by the macroeconomic environment of the Czech Republic. The following text describes the development of certain economic indicators.

Gross domestic product

In 2008, the annual growth of the gross domestic product (without the price, seasonal and calendar effects) reached 3.1%. However, the growth dynamics were slowing down throughout the year, with only a 0.7% growth in GDP in the fourth quarter (i.e. a decrease by 0.9% in comparison with the 3rd quarter).

Inflation rate

In 2008, the average inflation rate (equal to the increase in the consumer price index) increased by 6.3% against the average level of 2007. This was the highest increase in the past decade. The main drivers of this development included the increased VAT rate (from 5% to 9%) for some goods and services, increased prices of energy, fuel, regulated rent, food and other commodities, etc. The sharp year-to-year increase in prices in January 2008 (by 7.5%) which accelerated the inflation rate was disappearing very slowly throughout the year. The decreasing food and fuel prices in the last months of the year led to a substantial decrease in the inflation rate (a 3.6% year-to-year inflation rate in December 2008).

Fiscal changes

With effect from the beginning of 2008, some changes took place in the Czech fiscal system. These included the increase in the VAT rate from 5% to 9%, decrease in the corporate income tax rate from 24% to 21%, change in the individual income tax schedule from progressive to linear, and introduction of the so-called super-gross wage which is subject to a 15% tax.

Wages

In 2008, the average monthly nominal wage grew by 8.5% to CZK 23,542. Real wages grew by 2.1%, or the minimum increase of the past decade. In the business sector, the average wage increased by CZK 2,105 (9.6%) to CZK 23,961,

i.e. real wages reached a 3.1% increase. In the other sectors, the average wage increased by CZK 919 (4.4%) to CZK 22,037, i.e. real wages reached a 1.8% increase.

Unemployment rate

In late 2008, the unemployment rate decreased by 0.5bp to 4.4%. However, the decrease was slower throughout the year, with even a slight increase in the 4th quarter (+0.1% against Q3).

Interest rates

At the beginning of 2008, the basic Repo 2W interest rate and the discount rate were 3.50% and 2.50%, respectively. The rates rose by 0.25bp in February and decreased again by the same amount in August. Further cuts followed in November and December (by 0.75bp and 0.5bp, respectively). The ending Repo 2W rate and the ending discount rate were 2.25% and 1.25%, respectively.

Currency rates

Throughout the year, the development in the local currency followed movements different from major currencies (EUR, USD). At the beginning of 2008, the CZK/EUR and the CZK/USD exchange rates were 26.62 and 18.078, respectively. The substantial strengthening of CZK in July improved the rates up to 22.97 (against EUR) and 14.454 (against USD). The following weakening of CZK led to the ending values of 26.93 (against EUR) and 19.346 (against USD).

Profit before taxation reached CZK 365 million. The same figure after taxation was CZK 293 million.

cp 31

5.2. ECONOMIC POSITION OF THE COMPANY IN 2008

From the economic standpoint, the year 2007 was very successful.

The operating income reached almost CZK 20 billion (a year-to-year increase by 13%), mainly thanks to the income from postal operations and from agency activities.

As regards costs, staff costs played the dominant role. The year-to-year increase in staff costs by over 16% was due to the change in the salary setting rules (effective from 1 April 2008) and the conditions on the labour market. The extensive changes in the organisational structure of the Company with the resulting cuts in the number of jobs and the related compensation for salary paid to the employees who had to leave the Company also influenced the costs. Other categories of increasing costs included consumed materials, energy and fuel (due to a price increase). Costs related to services were stable.

The profit before taxation reached CZK 365 million. The same figure after taxation was CZK 293 million.

The economic results achieved in 2008 prove that the Czech Post has a good and stable financial position.

5.3. SALES ACTIVITIES

In 2008, the Company's restructuring was completed by finishing the process, started in 2007, of closing its regional branches. One of the aims of this process was standardisation of services provided to corporate and SME customers, i.e. removal of the existing regional disproportions in the services. In 2008 the Czech Post actually achieved the level at which all customers across the Czech Republic receive the same quality of services and level of care regardless of the circumstances and region.

The individual approach to each of the customers in the VIP and public sector segments further deepened in 2008, by delivering tailored customer solutions and adding further services to the value chain (e.g. printing and packaging services, evaluation of response, etc.).

International sales in 2008 recorded a significant increase in incoming mail volumes. The favourable Czech currency development in comparison with foreign currencies (especially USD and EUR) attracted a growing number of customers, mainly from the United States, using international on-line sales. This trend continued throughout the year despite the Czech currency weakening against the above mentioned currencies.

Ongoing projects of cooperation with public authorities include pension services, etc., and a growing number of Czech POINT national terminals.

5.4. CUSTOMERS

Unlike the previous Company's management structure which focused more on operations, the new structure puts more emphasis on sales. The transition process started in 2007 could be deemed finished as at April 2008 by which time all positions of regional sales directors, replacing the former regional branch directors, were occupied. The process substantially intensified the customer approach of postal staff and – due to the centralisation of many processes – also improved the system of monitoring and evaluating the quality parameters of the provided services.

cp 33

Postal services for all groups of customers

The VIP segment counts for almost a quarter of all income of the Company. In 2008 new key account managers were hired to oversee the growing number of key customers. The managers are newly in charge of select largest on-line customers whose importance has been steadily increasing due to their huge potential.

Public administration is another crucial segment, and a major partner of the Czech Post. The Company deals with public authorities via its newly set up specialised regional representative offices. The ongoing projects of cooperation with public authorities include pension services, distribution of highway stickers, and a growing number of Czech POINT national terminals.

New national care standards were set for the corporate and SME segments. The Czech Post now takes a uniform, same-quality approach to all small and medium enterprises across the Czech Republic, regardless of their place of business.

An ever growing portfolio of services was available to retail customers at post offices. For instance, the Czech Post's Retail Customer Care Department launched a pilot project of selling books and notebooks at post offices. The on-line track and trace system used mainly for international mail was further improved by allowing customers to follow their item up to the destination place in most of the EU and other developed countries.

5.5. SERVICES AND OPERATIONS

Obligatory Services			
At Post Office	International	On Delivery	Agency
Domestic			Radio fees
Outbound			Television fees
Additional			Pensions

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 C	Mail	
Mail for the blind	Money D	Printed matter bag	
Insured		Mail for the blind	
Letters		Insured	
Parcels		Letters	
		Parcels	
		Standard	
		Parcels	

Non-Obligatory Services			
At Post Office	Others	Agency	On Delivery
Domestic	Sales	Express financial services	
Commercial Parcel	POSTFAX	SIPO**	
Profi Parcel	RPIM*	Betting and lotteries	
EMS	Press Mail	Highway stickers	
Mail Order Parcel	Philately	Duty stamps	
Commercial Letter	Lottery	Telecommunication services	
Outbound	Postservis	Banking services	
Commercial Parcel	Electronic Services	Supplementary pension insurance schemes	
EMS	Certification authority	Building saving schemes	
Additional	REP – Registered Electronic Post	Insurance	
	Hybrid mail	Others	
	Central address		
	Czech POINT		
	Others		

* RPIM – Distribution of Information and Promotional Materials

** SIPO – System of Collective Payments of Household Bills

Traditional postal services

Although many analysts expected a sharp decrease in letter mail volumes in 2008, the volume of mail with as well as without price regulation remained at the level of 2007. Rather than massively eliminating the traditional forms of correspondence, electronic communication (e-mail and SMS) prevented them from further growing. Nevertheless, development of new electronic services (including those which are or will soon become part of the Czech Post's portfolio) still makes the anticipated fade-out of letter mail plausible.

Commercial Letter and Press Mail recorded a sharp increase in 2008, which corresponds mainly to the growing volume of commercial advertising on the market. In addition to these direct mail services, the Czech Post has also supported the RPIM service for unaddressed distribution of promotional and information materials. The Company's ability to meet the growing demand in this market segment can be seen as a successful step towards compensating the potential decrease in letter mail volumes.

Contrary to the rather stagnating letter mail segment, the of parcel mail segment further expanded in 2008. Mail Order Parcel and Commercial Parcel, used by on-line sellers, were the Czech Post's parcel products which achieved the highest annual increase (by up to 30%). With respect to how sharp the competitive environment is in the parcel segment, it is necessary to further follow customer needs and keep adjusting the offer in order to maintain the positive results.

The Company has followed a way of rationalisation and higher efficiency of mail processing in order to maintain and increase its market share in the area of traditional postal services. The main projects in this area are the ongoing optimisation of the Czech Post's transportation network and modernisation of its sorting facilities.

Hybrid services

In line with the general trend of creating documents in electronic form, customers increasingly demand provision of full services. Therefore, the Czech Post offers electronic posting of documents, their conversion into physical form and delivery

to addressees. However, the Company also offers the reverse process, i.e. converting physical documents into electronic form allowing for their backup. This mainly concerns undeliverable correspondence when the Czech Post provides senders with information about why their mail could not be delivered. These additional services are provided by Postservis centres as part of their extensive portfolio. In 2008, the demand for hybrid services recorded a year-to-year growth of 8.65%.

For retail customers, the Company launched an MMS Postcard service allowing the posting of a postcard via a mobile phone or e-mail and its delivery in a physical form. The service is paid via a PR SMS. The Czech Post as an exclusive provider of such services in the Czech Republic provides electronic posting services both for businesses (upon contract) as well as anonymous individuals.

A new project of electronic posting of letter mail, including registered letters, is underway. The users can choose from several payment channels (the SIPO System of Collective Payments of Household Bills, PR SMS, invoice) to pay for the service. The Company expects significant time savings on the part of its customers using this service.

Electronic services

Development of electronic services is one of the Company's priorities. The addition of advanced electronic services or their substitution for stagnating or weakening traditional services should allow the Czech Post to better fulfil its mission, i.e. mediating comfortable and safe transmission of information, goods and finances.

In addition to the already established Central Address (a web server publishing public tenders and auctions) and REP, Registered Electronic Post (registered letter in an electronic form), the Czech Post is a provider of public certification authority services at different security levels (via electronic signature and encryption). As a certification authority it issues a commercial certificate PostSignum VCA and a qualified certificate PostSignum QCA of general electronic communication and electronic communication with public authorities, respectively. Technology certificates, issued by the

Czech Post as an internal certification authority, are used for electronic communication between the Czech Post and some of its key customers.

The Czech Post as a certification authority

As an internal certification authority (since 2000) the Czech Post issues technology certificates securing sensitive data exchange between the Company and its customers using Crypta programme. In 2008, the Company issued 9,877 technology certificates used especially in payment systems. Since the ICA will expire in 2010, works are underway to develop scenarios supporting migration of customers to the public certification authority system.

As a public certification authority (PostSignum VCA, launched in late 2002), the Czech Post issues commercial certificates used for encoding/decoding and user authentication. Use of the certificates is no longer linked exclusively to communication with the Czech Post. In 2008, the Czech Post issued 9,391 certificates PostSignum VCA (a year-to-year increase by 202%) to users of Registered Electronic Post as well as to the Company's employees who need them in connection with the fulfilment of their tasks.

The qualified certification authority system (PostSignum QCA) represents the last step in the Czech Post's strategy to offer full certification services to its customers. Accredited by the Czech Ministry of Informatics in August 2005, the Company started issuing the PostSignum QCA qualified certificates of electronic communication with public authorities in September 2005. In 2008, it issued 48,522 certificates (a year-to-year increase by 52%).

As a provider of certification authority services for its CA and REP information systems, the Company greatly emphasizes the need for maintaining a high quality of its services and process information security. By the end of 2008, the certification authority systems PostSignum VCA and PostSignum QCA and the system of Registered Electronic Post were awarded a Quality Management System and Information Security Management System certificates ISO (ISO 9001:2001 and ISO 27001, respectively).

Registered Electronic Post – secure communication channel for the Penalty Points System (BODYS) of the Czech Police

Registered Electronic Post means registered letter in an electronic form. Contrary to classic e-mail, REP senders receive information about the time the mail is collected. Users of REP must have a PostSignum VCA certificate for secure communication. In addition to some health insurance companies the service is mainly used by the Czech Police for its Penalty Points System (BODYS). By the end of 2008, 629 active mailboxes were used in the REP system.

cp 37

The Czech Post as a Czech POINT partner

The successful Czech POINT project was launched at the beginning of 2008 within the government's eGovernment initiative. Like other eGovernment projects, Czech POINT, created as a national network of public administration contact points, is perceived by the Czech Post as an important element of its business strategy.

Based on a successful pilot project of 75 contact points, conducted in the second half of 2007, the Management Board decided to create a network of 1,000 Czech POINT offices (2,000 counters). In the course of 2008, Czech POINT services were gradually introduced at more than 800 post offices.

The Czech Post's counters marked Czech POINT offered excerpts from the Land Register, Commercial Register and Trade Licence Register from the beginning of 2008. In addition, Czech POINT e-shop – Excerpts by Post (introduced in March 2008) provides these excerpts via electronic ordering. Excerpts from the Criminal Register became available from 1 July. Czech POINT offices also accept documents submitted pursuant to the Trades Act (notifications of establishment or change of trade).

Czech POINT has proven to be a good step forwards. The possibility to simply register or obtain all official documents at a Czech POINT counter attracted increasing interest from Czech Post's customers. In 2008, the overall number of transactions was 173,975.

Data mailboxes

From 2009, Data Mailboxes are to be an obligatory communication channel between public authorities and companies registered in the Commercial Register. In accordance with the government's decision, passed in 2008, they will be administered by the Czech Post.

Postshop

The Czech Post uses its dense network of offices for selling goods in primary connection with its traditional postal services, such as postcards, envelopes, packages, forms, postal stationery, and, last but not least, philatelic products. Apart from these basic products, post offices also sell telephone cards, chargeable coupons and highway stickers. In 2008, select books, DVDs and some electronic products were put on the list of products available at post offices. An independent web portal project is underway which will allow the Czech Post's customers to shop comfortably from home or office.

Information about services offered

The Czech Post offers complete and consistent information about its services on its website at www.ceskaposta.cz. Here, customers may find a full description of all products and their prices as well as extensive additional information and services, such as downloading documents and data files, services for registered users as well as other on-line services. Experienced operators at the toll-free information line 800 104 410 provide callers with prompt information services. The same information may also be ordered via e-mail at info@post.cz or via the Czech Post's electronic filing office. Furthermore, all customers are free to use the post offices themselves, connected to the Uniform Information System and stocked up with information and promotional materials on the services provided. The duty to inform is also fulfilled via an annual Summary of Basic Services of the Czech Post distributed to all households.

Towards new trends

The Company adapts to the ever changing behaviour of its customers, the growing requirements on speed, the reliability of its services and customer satisfaction, as well as the

intensifying competitive efforts to satisfy the requirements. Customer view is the key factor in the Company's development of new products and services and adjusting the existing ones.

For instance, the Company flexibly responded to the increasing concentration of shopping malls and other similar centres offering services and entertainment in addition to shopping, by opening new branches directly in these types of places.

This also includes other changes in shopping behaviour. The massive boost in the volumes of Internet and mail order shopping proves how attractive remote shopping has recently become for the Czech population. The Company intends to keep its dominant position among carriers of the consignments via the ongoing long-time cooperation with some of the mail order businesses (e.g. a Czech Post's office established directly at the local premises of Quelle) as well as through the newly launched project of intensive cooperation between its VIP Customer Care Department and some of the largest Internet stores.

Simpler communication with public authorities is another trend in modern life. In 2008, the Czech Post further increased the number of post offices offering Czech POINT services while extending the portfolio of these services.

In addition, the Company developed new electronic services for the delivery of documents, dispatch/delivery advice, payment via PR SMS, new value-added products (hybrid mail), use of own payment terminals, and other on-line services.

Czech Post is aware that the key to its business success lies in its ability to predict such trends and adjust its products and services to the existing as well as future requirements of its customers.

**From 2009, Data Mailboxes
are to be an obligatory
communication channel
between public authorities
and companies registered
in the Commercial Register.
In accordance with the
government's decision,
passed in 2008, they will
be administered by
the Czech Post.**

Postal network

In 2008, the Company set up seven new post offices. As at the end of 2008, one service point served 3,035 persons (compared to 3,045 in 2007). The number of people served by one mail box increased slightly in comparison to 2007, rising from 435 to 437.

Postal terminals in 2008

Post offices	3,392
Postal agencies	15
Remote counters	14
Mobile post offices	0
Mail boxes	23,746
P.O. boxes (occupied)	42,283
Delivery areas (letter mail) total	10,453
<i>of which: Delivery areas with car service</i>	<i>2,942</i>

Quality of service

In 2008, the Czech Post was supposed to provide its services at least at a level of quality stipulated by the regulator's requirements set by the CTO. Considering the enormous annual volume of delivered mail, the Company almost fulfilled this requirement.

Quality and customer satisfaction is monitored by means of regular surveys focusing on the quality of mail delivery. These are conducted both by the Company's internal inspection mechanism and by an independent agency. The following table illustrates the results of the surveys carried out in 2008.

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

	Monitored sample volume (pcs)	Days lapsed after the day of posting (%)	
		1 day	2 days
Within the region	10,307	93.8	99.19
Outside the region	20,513	89.0	99.74
Total	30,820	90.6	98.88

Complaints

Complaints regarding the delivery of mail

In 2008, there were 162 complaints filed concerning delivery (including those concerning undelivered advice of delivery) per 1 million of posted mail items and money orders handled within the basic postal services, of which only 83 complaints were considered justified.

Complaints regarding the delivery of mail or money order per 1 million of mail items/money orders (pcs)

<u>Total number of complaints</u>	<u>162</u>
<u>out of which: Justified complaints</u>	<u>83</u>

Complaints regarding the damage or partial loss of mail

As regards complaints about damaged or partially lost mail, the Company recorded 48 claims per 1 million posted items, of which 24 complaints were considered justified.

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

<u>Total number of complaints</u>	<u>48</u>
<u>out of which: Justified complaints</u>	<u>24</u>

cp 41

The Czech Post as a provider of agency services

In addition to its own products and services, the Company also provided agency services on behalf of its alliance partners. The dense network of Company offices enables people in outlying areas to use postal as well as financial and other services at a level comparable to the level of services available at competitive as well as the partners' own offices.

The traditional key alliance partners of the Company are the postal savings company Poštovní spořitelna (ČSOB, a.s.) with a portfolio of banking services and the insurance company Česká pojišťovna, a.s. with a portfolio of insurance products. Customers may also use building savings schemes (ČMSS, a.s.), supplementary pension insurance schemes (ČSOB Penzijní fond Stabilita, a.s.), lottery terminals (SAZKA, a.s.) as well as other additional services.

5.6. INTERNATIONAL RELATIONS AND OPERATIONS

The 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). The 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 the 191 UPU member states.

In 2008, the Company paid a great deal of attention to the preparation for and sent a delegation to the 24th UPU Congress in Geneva. The basic themes discussed at the Congress included quality of service, 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 traffic is liberalised in the Czech Republic. This means that other operators may enter the segment and create a competitive environment. Clearly the most important foreign business partner of the Company is Slovak Post.

Successes in the international traffic

The EU membership of the Czech Republic leads to further duties of a public postal operator, i.e. the Czech Post. The 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. (In the following table, D means the day of posting, D+3 means delivery within three working days after the day of posting, etc.).

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

Delivery time	Target	Actual 2008	Actual 2008
		inbound	outbound
D+3	85% of mail	94.5%	93.1%
D+5	97% of mail	99.0%	99.1%

As the above table shows, the Company was successful in fulfilling these requirements in 2008. 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.

The Czech Post was adequately appreciated for meeting the quality of service criteria set by the Universal Postal Union for the EMS area in 2008. It has received the third highest possible award, the "Vermeil Level", awarded by the global association of postal operators EMS to operators that have met the set criteria.

Cooperation with foreign postal operators

The Czech Post maintains international relationships mainly with European public postal operators gathered in PostEurop. In Central Europe, the Company has very good relationships with public postal operators grouped in the "Visegrád Group", i.e. Slovakia, Poland, Hungary, Slovenia and Croatia. Discussion of the Visegrád Group representatives focus especially on maintaining and improving high-quality international traffic, exchange of postal experience and common business strategies.

5.7. INVESTMENTS AND TECHNICAL DEVELOPMENT

Investing in transport

In 2008, the Company purchased 384 vehicles at a total value of CZK 183.5 million, of which 292 vehicles were replacements and 92 vehicles were development.

As at 31 December 2008, the Company's fleet consisted of 4,519 vehicles.

The annual driving performance was 102.46 million km, which represents a 3.51% increase compared to 2007. The average number of kilometres driven per vehicle came to 23,633 km in 2008. The average age of vehicles was 7.05 years.

Changes in postal network

In 2008, the Company launched a project of complete and radical restructuring of its network in the area of transport and delivery. This involved the start of an extensive programme of restructuring the logistic network in the area of sorting centres and parcel delivery depots. The analytical part of the programme included audited calculation and compilation of an optimum model network based on medium and long time prognoses of development in key products and services. In 2009, the approximately three-year restructuring plan should continue with pilot projects further developing the above model network.

Development of electronic services

In 2008, the Czech Post won the public contract for providing contact offices of the Czech POINT system with certificates and USB tokens. It also applied for the Ministry of the Interior's accreditation of a new service, Qualified Time Stamp. Work is underway to update the certification authority systems PostSignum VCA and PostSignum QCA in order to meet the new criteria for implementing advanced cryptographic algorithms.

The Czech Post has further extended its electronic applications, e.g. by allowing its customers using the SIPO system of payments to issue on-line payment orders. In 2009, customers should be able to use an on-line system of entering invoices directly into their accounting systems.

Further services which are in the development process or planning include payment terminals, an Internet payment gateway or payment via SMS. The planned transition of the pension service to an on-line version (e.g. prepaid card for recipients of social allowances) is expected to boost the quality of service.

Changing IT into business ICT

In 2008, the Company transformed its IT Department from a unit merely providing IT services to a business-oriented ICT unit. The process also optimised the unit's operations and cut its costs.

The project involved a change in the internal processes and certification of operational processes, including the incident management system (ISO 20000), as well as a transformation of the ICT architecture and processes into a business concept. The key projects launched in this connection were implementation of ICT technologies at post offices in order to strengthen and modernise their operations, Czech POINT technological solutions and support systems and development of data services improving communication between logistics hubs. Other projects covered Activities linked to the first stage of installation of the improved software xAPOST at further post offices. The xAPOST system connects the post offices to the Czech POINT system and increases customer satisfaction.

In 2008, one of the priority projects was the Shared Service Centre for the Ministry of the Interior. The centre provides management and operational services in the area of communication infrastructure of the Ministry and the Czech Police. The project represented the real beginning of the new position of the Company's IT Department as a provider of commercial ICT services.

Quality and security of ICT

The Czech Post was granted ISO certificates for its Quality Management System (ISO 9001) and Information Security Management System (ISO/IEC 27001) in the area of operation and management of its central ICT systems.

The ISO 9001 certificate is a good basis for further improvement in the quality and efficiency of the Company's services. Together with the ISO/IEC 27001 certificate, it proves that the Company operates a complete system of quality and information security management. The system sets fresh new policies for all activities in management, daily administration and operation of the Czech Post's information systems, mainly with the application of the following rules:

- customer orientation,
- process-based approach,
- continuous improvement,
- inventory control, valuation and classification of own assets,
- information security risk reduction.

cp 45

In 2008, the Company launched a project of complete and radical restructuring of its network in the area of transport and delivery.

5.8. STAMP DESIGN AND PHILATELY

PRAGA 2008 – a global philatelic feast

In 2008, the Czech Post – together with the Union of Czech Philatelists and the partner company Progres Partners Advertising, spol. s r.o. – organised a global philatelic event, the World Stamp Exhibition PRAGA 2008. The exhibition, held on September 12-14, 2008 under the auspices of the International Philatelic Federation FIP, was attended by exhibitors from 61 countries worldwide. Precious objects from Queen Elizabeth II's Royal Philatelic Collection had a place of honour. The most attractive exhibit was the world famous Blue Mauritius. The Postal Museum of the Czech Post also displayed its precious exhibits. The event was visited by 45,000 local and foreign visitors. PRAGA 2008 was considered an extraordinary success by the FIP member unions.

Stamp design in 2008

In 2008, the Company, acting on behalf of the postage stamp issuer, i.e. the Ministry of Trade and Industry of the Czech Republic, issued 37 commemorative postage stamps altogether with first day covers and commemorative cancellations, of which nine stamps came out in blocks.

Stamps in the following traditional issues came out in accordance with the issue plan: Works of Art on Postage Stamps, Tradition of Czech Stamp Design, Personalities, Jan Ámos Komenský's Work, Beauties of Our Country, Nature Protection, For Children, etc. A new issue, Travellers, was designed. Two books of stamps, i.e. 1750 Vienna-Brno Express Mail (issued together with Austria) and Karel Plicka (a book of one stamp and two coupons, issued together with Slovakia), were issued in cooperation with foreign postal operators. Five stamps (one designed for credit machines) came out to promote and finance the World Stamp Exhibition PRAGA 2008. The postage stamp featuring a detail of J.J. Hartmann's Allegory of Water won the public award "The Most Beautiful Czech Postage Stamp 2008".

Commemorative postage stamps in 2008

Tradition of Czech Stamp Design – František Hudeček	CZK 10
Personalities – Karel Klostermann	CZK 11
Personalities – Josef Kajetán Tyl	CZK 14
International Year of the Planet Earth	CZK 18
Jiří of Poděbrady – 550 Years since Election as Czech King	CZK 12
Easter	CZK 10
PRAGA 2008 – Josef Navrátil: A Mural in the Postal Museum in Prague	CZK 10
Jan Ámos Komenský's Work – Orbis pictus, 350th Anniversary of Publication	CZK 10
Beauties of Our Country: Ještěd	CZK 12
Beauties of Our Country: Hradec Králové	CZK 15
100 th Anniversary of Foundation of the National Technical Museum in Prague: Astronomical Theodolite	CZK 10
100 th Anniversary of Foundation of the National Technical Museum in Prague: Sport Car JAWA	CZK 14
100 th Anniversary of Foundation of the National Technical Museum in Prague: Petrol Combustion Engine	CZK 18
100 Years of Czech Ice Hockey	CZK 17
EUROPA: Writing Letters	CZK 17
For Children – Josef Čapek: The Doggie's and the Pussy's Tales	CZK 10
PRAGA 2008: Ledeburk Garden in Prague	CZK 51
Nature Protection: Třeboňsko – An Area of Ponds and Pools – A UNESCO Biosphere Reserve. Kingfisher.	CZK 10
Nature Protection: Třeboňsko – An Area of Ponds and Pools – A UNESCO Biosphere Reserve. Otter, Spiraea Salicifolia.	CZK 12
Nature Protection: Třeboňsko – An Area of Ponds and Pools – A UNESCO Biosphere Reserve. White-Tailed Eagle.	CZK 14
Nature Protection: Třeboňsko – An Area of Ponds and Pools – A UNESCO Biosphere Reserve. Red-Crested Pochard, White Water Lilly.	CZK 18
Travellers – Ferdinand Stolička	CZK 12
Travellers – Alois Musil	CZK 21
The XXIXth Olympic Games in Beijing	CZK 18
Summer Paralympic Games 2008, Beijing	CZK 10
PRAGA 2008: The Emauzy Monastery in Prague	CZK 10
100 Years of the Applied Art Designers' Association Artěl	CZK 26
PRAGA 2008: 1750 Vienna-Brno Express Mail (common issue with Austria)	CZK 35
Karel Plicka (common issue with Slovakia)	CZK 35
Crafts – Historical Stoves: Baroque	CZK 10
Crafts – Historical Stoves: Rococo	CZK 17
Works of Art on Postage Stamps – Zdenka Braunerová: The Vltava River nearby Klecany	CZK 23
Works of Art on Postage Stamps – Otakar Nejedlý: Autumn Road	CZK 26
Works of Art on Postage Stamps – Jan Jakub Hartmann: Allegory of Water	CZK 30
Christmas Traditions	CZK 10
Třebechovice Bethlehem	CZK 30
Czech Republic's Presidency of the EU Council	CZK 17

Ordinary postage stamps in 2008

In addition to commemorative issues, the Company issued eight ordinary postage stamps, of which four stamps were for ordinary postal traffic, four stamps with coupons were for additional printing and one postcard was for additional printing ordered by customers. These issues were designed in connection with a change in postal prices. Further issues included two postage stamps used on postcards and six commemorative postcards, of which five postcards were issued to commemorate the World Stamp Exhibition PRAGA 2008 and one postcard came out to commemorate the 100th anniversary of the death of the architect and benefactor Josef Hlávka.

The Company also issued the ever-popular sheets of stamps with an empty coupon onto which customers may print anything they choose.

Postage stamps for local as well as foreign customers

Throughout the year, the Company continuously distributed philatelic items to philatelists organised in approximately 350 clubs of the Union of Czech Philatelists via the so-called "latest arrivals service". The collectors that are not formally members of such an organisation make use of specialised philatelic counters at post offices or the dedicated mail order service of the Czech Post. They can also use services provided by private enterprises selling philatelic items originally bought from the Company.

As for foreign customers, the Company handles the entire export of Czech postage stamps worldwide. The Company presented the Czech postage stamps at international stamp exhibitions.

Commemorative handstamps

Throughout 2008, different post offices used altogether 56 commemorative handstamps at different times and on various occasions. And, of course, what kind of Christmas would it be without the popular seasonal handstamps featuring Christmas themes at the Boží Dar Post Office and what would Easter be without Easter handstamps used at the Kraslice Post Office or what kind of Valentine's Day without the special handstamp at the Milostín Post Office. Apart from this, post offices used commemorative stickers on registered letters and APOST stickers with an additional promotional print.

5.9. POSTAL MUSEUM

The Postal Museum in Prague, with a branch in Vyšší Brod, is an integral part of the Company. Apart from its clear position as the "custodian of traditions", the Postal Museum also promotes and represents the 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 few public institutions, belongs to the Club Elite de la Philatelie de Monte Carlo, Monaco.

Apart from the regular exhibitions held in the museum's premises, the Postal Museum also cooperated on exhibitions organised by other entities, from the smallest Czech regional exhibitions up to the most prestigious international events. In addition, the museum employees published expert texts and, by helping popularise communications and postal history in media, contributed to the good public image of the Czech Post.

In 2008, the Postal Museum celebrated its 90th anniversary of its establishment as well as the 90 years of existence of the Czech Post. It also helped to prepare and smoothly run the largest philatelic meeting of the decade, i.e. the World Stamp Exhibition PRAGA 2008.

Throughout the year, over 14,000 visitors visited the expositions of the Postal Museum in Prague and Vyšší Brod.

Research services were provided to 243 persons, including search activities, written answers and cooperation in the compilation of expert texts.

Exhibitions at the Postal Museum in Prague

1. Karel Dvořák: Graphic Designer
2. Like to Like – Postcard as a National Identification Symbol in the Czech Lands
3. Adolf Absolon – Painter, Illustrator and Stamp Designer
4. Dušan Kállay – Graphic and Stamp Designer

5. Exhibition events held as part of the World Stamp Exhibition PRAGA 2008: From the Czech Postal History, Se-tenant Sheets of the First Czechoslovak Postage Stamps designed by Alfons Mucha, Graphic Design of Postage Stamps from the 1936 Annual Issue For Children, Philatelic and Postal History Literature, Commemorative Postage Stamps, Postcards and Handstamps Designed on the Occasion of the World Stamp Exhibition PRAGA 2008

6. 90 Years of the Czech Boy Scout Mail

7. 90 Years of the Postal Museum

On the occasion of individual exhibitions, the Postal Museum issued commemorative postcards with an additional print and established a temporary post office counter offering a commemorative cancellation. A commemorative etching print was issued on the 90th anniversary of the establishment of the Postal Museum.

Local and foreign expositions

In addition to its own expositions and cooperation on over a dozen local exhibitions (held at the Moravian Land Museum Brno, the Senate of the Czech Parliament, the Prague Castle, Měšťanská beseda in Plzeň, Wenceslas Square in Prague, Monastery of St. Agnes of Bohemia in Prague, etc.), the Postal Museum also displayed two expositions at prestigious foreign exhibition events, i.e. the NAPEX 2008 National Philatelic Exhibitions of Washington, DC and the World Stamp Exhibition EFIRO in Bucharest (both in June 2008).

Publications

Postal Industry in Bohemia, Moravia and Silesia (Knihy 555)
90 Years of the Postal Museum (POFIS)

Photograph Collection of the Ministry of Post and Telegraph Offices 1918–1948 (a study published in the collection of studies Historic Photography of the Czech National Archive and the East Bohemian Museum in Hradec Králové)

Postal Museum and Its Collection Activity 1918–1938 (a study published in the collection of studies Paginae historiae of the Czech National Archive)

Postal Museum as a shop window

Throughout 2008, the museum's employees made a number of professional as well as popular professional presentations on Czech Television and radio, provided expert consultations and published expert and other texts.

The presence at official events such as, e.g. the publication ceremony of the new postage stamp, the Czech Republic's Presidency of the EU Council, was one of the other Postal Museum's public events on behalf of the Company.

On 11 December 2008, the Postal Museum in cooperation with the Union of Czech Philatelists and the philatelic magazine *Filatelie* organised a Day of Czech Philately. The programme included the 90 Years of the Postal Museum publication ceremony, visits and lectures dedicated to the major anniversary of the Postal Museum.

Collection and library acquisitions

Throughout the year, the collection of the Postal Museum acquired 4,229 new items which were at the same time registered in the Central Register of Collections of the Ministry of Culture of the Czech Republic. As at 31 December 2008, the Postal Museum owned 211,530 collectable items and sets of collectable items in 70 sub-collections. An inventory control of 20,406 collectable items was carried out pursuant to Act No. 122/2000 Coll. and 78 collectable items were conserved and restored.

In 2008, photo-documentation of the sub-collections Postal Instrumentation and Operational Aids was digitalised. Digitalisation of documentation of the stamp graphic art sub-collection using the Muzis programme continued throughout the year.

Apart from standard acquisitions (expert periodicals, postal and official journals, telephone directories) the library acquired 60 expert publications.

5.10. ENVIRONMENTAL RELATIONS

In 2008, a complete environmental audit of all establishments of the Czech Post was conducted as a prerequisite of the Company's transformation from a state-owned enterprise into a joint-stock company. The Company intends to also use the results for the introduction of an environmental management system which should optimise costs in this area and prevent future risks and potential damage.

Inspections carried out by public authorities in the Czech Post's premises revealed no formal flaws or defects at the work sites. The Company's operation caused no environmental accident or material contamination of the environment.

As in the previous years, the Company was committed to identifying, mitigating and preventing any environmental risks. The Company reduced minor sources of air pollutions and replaced older vehicles with vehicles meeting more strict actual standards. All these measures decreased emissions.

The tasks stipulated by Act No. 477/2001 Coll. in the area of packaging management (packages introduced into the market) were properly fulfilled by the Company by joining the EKO-KOM system. The EKO-KOM system provides for collection and re-use of package waste via waste sorting systems run by municipalities and operation of waste management businesses.

In 2008, the Company also conducted energy audits and prepared project documentation seeking to reduce the amount of energy input into its buildings. The results should allow to cut the volume of greenhouse gas emissions and consumption, costs to be cut and enable the Company to use the government's national subsidies in this area.

5.11. HUMAN RESOURCES

Employment and structural changes

In 2008, substantial changes in the organisational structure of the Czech Post continued. These changes are intended to optimise the number of employees. The Company dissolved its branch enterprises, cancelled some of its sections and restructured the others. The management system was simplified by eliminating a number of management levels. As at 1 October 2008, the Company cut a significant number of jobs. 1,816 employees who had to leave the Company due to the changes received salary compensation.

In 2008, the full time equivalent of employees reached 36,332 (by 676 or 1.83% less than in 2007). The structure of the employees is as follows: post office personnel (counter clerks, cashiers, internal service) 30.48%, postmen 33%, logistics 8.71%, administration 7.63%, and others 20.18%.

Salary and social policy

The salary policy of the Company is based on fundamental simplification of the salary system in order to set a united system. As at 1 April 2008, the Company changed the salary setting rules and updated the system of individual types of positions. An assessment of job rating criteria, required qualifications and skills is now used to create each type of position. Types of positions with the same or similar job description receive the same salary range in order to ensure equal compensation for work. In connection with the new system of individual types of position, the Company changed the classification of employees into individual categories of professions.

In 2008, the average monthly salary amounted to CZK 20,565, i.e. CZK 3,113 (17.84%) year-to-year increase.

Average additional income of employees beyond the level of salary amounted to CZK 1,126 per employee. This income includes supplementary pension insurance benefits, life insurance, meals, vacations, physical education, etc. These funds came from the costs and the Company's fund for cultural and social needs.

In addition to the above financial benefits, employees received also other than financial benefits. These included mainly an additional week of holiday beyond the level set by the Labour Code.

In 2008, an amended collective agreement was concluded between the Company and the trade unions. The amendment concerned mainly salaries. Negotiations with representatives of the trade unions continued throughout the year. The regular meetings ended in conciliation.

6.1. INDEPENDENT AUDITORS' REPORT TO THE FOUNDER OF THE CZECH POST



English translation

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INDEPENDENT AUDITOR'S REPORT

TO THE FOUNDER OF ČESKÁ POŠTA, S.P.

We have audited the accompanying financial statements of Česká pošta, s.p. ("the Company"), which comprise the balance sheet as at 31 December 2008, the income statement and cash flow statement for the year then ended and notes, including a summary of significant accounting policies ("the financial statements"). Details of the Company are disclosed in note 1 to these 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.

AUDITOR'S RESPONSIBILITY (CONTINUED)

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 2008, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

31 March 2009

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

Petr Šobotník
Auditor, Licence No. 113

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 FOR THE YEAR ENDED 31 DECEMBER 2008 (in CZK million)

Identification	ASSETS	31 December 2008		31 December 2007	
		Gross	Provision	Net	Net
a	b	1	2	3	4
	TOTAL ASSETS	32,708	10,266	22,442	22,388
a	<i>out of which: entrusted resources</i>	6,984	–	6,984	8,188
B.	Fixed assets	19,367	10,222	9,145	8,827
B. I.	Intangible fixed assets	1,316	1,139	177	218
B. I. 1.	Software	1,179	1,030	149	175
2.	Other intangible fixed assets	116	109	7	6
3.	Intangible fixed assets in the course of construction	21	–	21	37
B. II.	Tangible fixed assets	17,604	9,043	8,561	8,591
B. II. 1.	Land	756	2	754	750
2.	Buildings	9,064	3,374	5,690	5,799
3.	Movables and sets of movables	7,024	5,582	1,442	1,525
4.	Other tangible fixed assets	4	–	4	4
5.	Tangible fixed assets in the course of construction	744	85	659	508
6.	Advances paid for tangible fixed assets	12	–	12	5
B. III.	Long-term investments	447	40	407	18
B. III. 1.	Investments in controlled entities/subsidiaries	18	–	18	18
2.	Other long-term investments in securities	429	40	389	–
C.	Current assets	13,288	44	13,244	13,444
C. a	<i>out of which: entrusted resources</i>	6,984	–	6,984	8,188
C. I.	Inventories	231	24	207	211
C. I. 1.	Raw materials	167	24	143	147
2.	Goods for resale	64	–	64	64
C. II.	Long-term receivables	7	–	7	10
3.	Other receivables	7	–	7	10
C. III.	Short-term receivables	1,703	20	1,683	1,921
C. III. a	<i>out of which: entrusted resources</i>	253	–	253	284
C. III. 1.	Trade receivables	909	18	891	1,034
1. a	<i>out of which: entrusted resources</i>	253	–	253	284
2.	Taxes and state subsidies receivable	–	–	–	34
3.	Advances paid	233	–	233	197
4.	Anticipated assets	503	–	503	446
5.	Other receivables	58	2	56	210
C. IV.	Financial assets	11,347	–	11,347	11,302
C. IV. a	<i>out of which: entrusted resources</i>	6,731	–	6,731	7,904
C. IV. 1.	Cash in hand	4,742	–	4,742	4,876
1. a	<i>out of which: entrusted resources</i>	4,630	–	4,630	4,753
2.	Cash at bank	4,955	–	4,955	4,613
2. a	<i>out of which: entrusted resources</i>	2,101	–	2,101	3,151
3.	Short-term investments in securities	1,650	–	1,650	1,813
D. I.	Accruals and deferrals	53	–	53	117
D. I. 1.	Prepaid expenses	46	–	46	40
2.	Accrued income	7	–	7	77

Identification	LIABILITIES AND EQUITY	31 December 2008	31 December 2007
a	b	6	7
	TOTAL LIABILITIES AND EQUITY	22,442	22,388
a	<i>out of which: entrusted resources</i>	<i>6,984</i>	<i>8,188</i>
A.	Equity	9,630	9,684
A. I.	Registered capital	3,588	3,588
A. I. 1.	Registered capital	3,588	3,588
A. II.	Capital funds	5,353	5,030
A. II. 1.	Other capital funds	5,353	5,030
A. III.	Funds from profit	396	393
A. III. 1.	Statutory reserve fund	359	358
2.	Statutory and other reserves	37	35
A. IV.	Retained profits	-	20
A. IV. 1.	Retained profits	-	20
A. V.	Profit from the current period	293	653
B.	Liabilities	11,791	11,972
B. a	<i>out of which: entrusted resources</i>	<i>6,984</i>	<i>8,188</i>
B. I.	Provisions	615	315
B. I. 1.	Special statutory provisions	30	-
2.	Other provisions	585	315
B. II.	Long-term liabilities	144	258
1.	Deferred tax liability	144	258
B. III.	Short-term liabilities	10,995	11,095
B. III. a	<i>out of which: entrusted resources</i>	<i>6,947</i>	<i>8,158</i>
B. III. 1.	Trade payables	8,334	8,625
1. a	<i>out of which: entrusted resources</i>	<i>6,947</i>	<i>8,158</i>
2.	Payables to controlled entities/subsidiaries	-	5
3.	Payables to employees	742	597
4.	Social security and health insurance payable	394	314
5.	Taxes and state subsidies payable	166	88
6.	Advances received	29	28
7.	Anticipated liabilities	957	1,116
8.	Other liabilities	373	322
B. IV.	Bank loans & overdrafts	37	304
B. IV. a	<i>out of which: entrusted resources</i>	<i>37</i>	<i>30</i>
B. IV. 1.	Long-term bank loans	-	177
2.	Short-term bank loans	37	127
2. a	<i>out of which: entrusted resources</i>	<i>37</i>	<i>30</i>
C. I.	Accruals and deferrals	1,021	732
C. I. 1.	Accrued expenses	488	165
2.	Deferred income	533	567

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008 (in CZK million)

Identification	Description	Financial period	
		2008	2007
a	b	1	2
I.	Sale of goods	506	464
A.	Cost of goods sold	368	348
+	Gross profit	138	116
II.	Sale of products	19,274	16,967
II. 1.	Sale of own products and services	19,254	16,947
	2. Own work capitalised	20	20
B.	Cost of sales	4,129	3,875
B. 1.	Raw materials and consumables	1,589	1,344
	2. Services	2,540	2,531
+	Added value	15,283	13,208
C.	Staff costs	13,081	11,248
C. 1.	Salaries	9,479	8,071
	2. Emoluments of board members	3	3
	3. Social security and health insurance costs	3,275	2,848
	4. Other social costs	324	326
D.	Taxes and charges	63	55
E.	Depreciation and amortisation of fixed assets	688	778
III.	Sale of fixed assets and raw materials	5	19
III. 1.	Sale of fixed assets	5	19
F.	Net book value of fixed assets and raw materials sold	2	6
F. 1.	Net book value of fixed assets sold	2	6
G.	Change in operating reserves and provisions	101	-126
IV.	Other operating income	185	196
H.	Other operating costs	779	756
*	Operating profit	759	706
VI.	Sale of securities	303	373
J.	Securities sold	300	371
VII.	Income from long-term financial assets	1	1
VII. 1.	Income from shares in controlled entities/subsidiaries	1	1
VIII.	Income from short-term investments	113	33
IX.	Income from revaluation of securities and derivatives	4	-
L.	Cost of revaluation of securities and derivatives	23	-
X.	Interest income	127	93
N.	Interest cost	11	25
XI.	Other financial income	53	40
O.	Other financial costs	69	55
*	Financial profit	198	89
Q.	Tax on profit on ordinary activities	205	142
Q. 1.	- current	186	100
	2. - deferred	19	42
**	Profit on ordinary activities after taxation	752	653
XIII.	Extraordinary income	-403	-
R.	Extraordinary costs	189	-
S.	Tax on extraordinary profit	-133	-
	1. - deferred	-133	-
*	Loss on extraordinary items after taxation	-459	-
***	Net profit for the financial period	293	653
***	Profit before taxation	365	795

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008 (in CZK million)

	2008	2007
P. Cash and cash equivalents at the beginning of the year	11,302	11,176
P. <i>out of which: entrusted resources</i>	7,904	8,396
Z. Net profit from ordinary activities before tax	957	795
A.1 Adjustments for non-cash movements:	689	577
A.1.1 Depreciation and amortisation of fixed assets	693	785
A.1.2 Change in provisions	101	-126
A.1.3 Loss/Gain from sale of fixed assets	-3	-13
A.1.4 Dividend income	-1	-1
A.1.5 Net interest income	-116	-68
A.1.6 Adjustments for other non-cash movements	15	-
A.* Net cash flows from ordinary activities before tax, changes in working capital and extraordinary items	1,646	1,372
A.2 Working capital changes:	-243	59
A.2 <i>out of which: entrusted resources</i>	-1,173	-492
A.2.1 Change in receivables and prepayments	332	-42
A.2.1 <i>out of which: entrusted resources</i>	31	164
A.2.2 Change in short-term payables and accruals	-471	140
A.2.2 <i>out of which: entrusted resources</i>	-1,204	-656
A.2.3 Change in inventories	-4	-39
A.2.4 Change in short-term financial assets	-100	-
A.** Net cash flows from operating activities before tax and extraordinary items	1,403	1,431
A.** <i>out of which: entrusted resources</i>	-1,173	-492
A.3 Interest paid	-11	-24
A.4 Interest received	127	93
A.5 Income tax on ordinary activities and additional taxes for previous periods, paid	-99	-148
A.7 Dividends received	1	-
A*** Net cash flow from operating activities	1,421	1,352
A*** <i>out of which: entrusted resources</i>	-1,173	-492
B.1 Acquisition of fixed assets	-837	-872
B.2 Income from sale of fixed assets	4	19
B*** Net cash flow from investment activities	-833	-853
C.1 Change in long-term and short-term liabilities	-274	-231
C.2 Changes in equity	-347	-142
C.2.5 Cash contributions to funds	-347	-142
C*** Net cash flows from financial activities	-621	-373
F. Net increase/decrease in cash and cash equivalents	-33	126
F. <i>out of which: entrusted resources</i>	-1,173	-492
R. Cash and cash equivalents at the end of the year	11,269	11,302
R. <i>out of which: entrusted resources</i>	6,731	7,904

6.3. NOTES TO THE FINANCIAL STATEMENTS

1. DESCRIPTION OF THE COMPANY

Česká pošta, s.p. (hereinafter referred to as "the Company" or "the 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 January 1993 (the founder was then represented by the Ministry of Transportation and Communications of the Czech Republic). As at 31 December 2008, 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 December 2008 and 31 December 2007, the founder was represented by the Ministry of the Interior of the Czech Republic. The Company's activities 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 2009 (for the organisational structure effective from 1 March 2009, see Note 27 – Subsequent events).

By Resolution No. 836 dated 18 July 2007, the Czech government delegated to the Minister of the Interior the task of drafting a project of privatisation of the Company. The project, which was to be submitted to the Minister of Finance at the latest by 31 December 2008, involved transformation of the state-owned enterprise into a joint-stock company wholly owned by the Ministry of Finance on a temporary basis. The submitted draft project is now being modified by the Ministry of Finance.

At the 76th meeting held on 30 October 2007, the Supervisory Board approved the time schedule of the above transformation.

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 as at 31 December 2008 are as follows:

Members	Position	Position established on	Registered into the Commercial Register on
Ing. Petr Sedláček	Director General	1.10.2009	8.12.2008
Ing. Petr Křeček	Deputy Director General, Finance	10.11.2008	8.12.2008
Ing. Petr Zatloukal	Deputy Director General, Logistics and IT Support**	20.8.2007	13.9.2007
Ing. Michal Vodrážka	Deputy Director General, Sales and Services Development**	16.11.2007	14.3.2008
Ing. Ivan Feninec	Director, Human Resources*	2.6.2007	–
Ing. Pavel Janda	Director, Corporate Administration*	1.12.2008	–
Ing. Pavel Pulkráb	Director, Property Management*	1.12.2008	–

* Positions which are not registered into the Commercial Register.

** A change in the position occurred in 2008.

In addition, the following changes in the Management Board occurred in 2008:

	Registered into the Commercial Register on	Position ceased on	Erased from the Commercial Register on
JUDr. Karel Kratina	Director General	18.9.2004	30.9.2008
Ing. Rastislav Horáček	Deputy Director General, Operations	26.6.2007	31.5.2008
Ing. Ladislav Musil	Deputy Director General, Finance	13.9.2006	7.11.2008
Ing. Petr Angelis	Deputy Director General, International Relations	13.9.2006	1.3.2007
Ing. Alois Těšitel	Deputy Director General, Sales	13.9.2006	15.11.2007
Ing. Ladislav Musil	Charged with Managing the Deputy Director General Section, Human Resources	–	1.6.2008
Petr Stiegler	Deputy Director General, Public Administration	28.11.2007	31.5.2008
Ing. Jan Balák	Deputy Director General, Technical Resources	20.12.2006	31.5.2008
Ing. Petr Bodlák	Deputy Director General, Human Resources	22.8.2007	22.12.2007

Other changes recorded in the Commercial Register in 2008 were as follows:

■ Change in the body representing the Company's founder, i.e. from the Ministry of Informatics (from 19 June 2003 until 31 May 2007) to the Ministry of the Interior of the Czech Republic; registered on 23 February 2008.

■ Appointment of the Czech Post as the holder of postal licence pursuant to Act No. 29/2000 Coll., on postal services and a change of some laws ("the Postal Services Act"), as amended, made by the Czech Telecommunication Office's Decision No. 40106/05-608 dated 24 November 2005; registered on 20 November 2008.

■ Erasure of the registered offices of the Czech Post's regional branches (upon the Director General's Decision dated 31 January 2008, all regional branches of the Czech Post were dissolved); registered on 29 February 2008.

Further records in the Commercial Register included all the other changes in the Company's organisational structure and Management Board effective as at 31 December 2008.

The Supervisory Board as at 31 December 2008 is as follows:

Name	Position
Mgr. Zdeněk Zajíček	Chairman
Karel Koukal	Deputy Chairman
Ing. Vladimír Budinský, MBA	Member
Ing. Ján Dzvoník	Member
Mgr. Daniel Rován	Member
Petr Kužel	Member
Petr Polák	Member
Ing. Jiří Štráberger	Member
Ivana Musilová	Member
Ing. Jiří Řehola	Member
Jan Řezník	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 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 January 2006 to 31 December 2008. Throughout 2008, no changes occurred in the licence conditions. The Company applied for, and was granted renewal of the licence for the period from 1 January 2009 to 31 December 2012.

The Czech Post, as a holder of postal licence in the public interest,

- a) has a monopoly over delivery of mail containing documents than weigh no more than 50 g and cost a maximum CZK 18 ("postal monopoly"),
- b) is obliged to provide basic postal services,
- c) is obliged to make the basic postal services, to which the postal monopoly relates, generally available across the Czech Republic.

The CTO, as the postal regulator, sets basic quality requirements for the Company. These requirements concerning, e.g. density of service points, opening hours for the public, methods of delivery to addressees, delivery speed, handling of complaints, etc., are assessed on an annual basis by the CTO. Results of the assessments are published in the annual CTO reports on the fulfilment of tasks of the Czech Post in the area of basic services. The CTO report for 2007 identified the poor performance of the Company in terms of delivery speed and deposition of mail at deposit post offices without attempted delivery to the addressee. No material claims of the CTO or other entities against the Company which could be enforceable by law were identified. The CTO report for 2008 has not been published as at the date of the Company's financial statements for 2008.

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 2008. 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 2008 are as follows:

a) Intangible fixed assets

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

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 4 years).

cp 63

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 its 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 as well as income generated on the operation of such assets before they are put in use are deducted from the cost of the related asset.

The costs of technical improvements are capitalised. 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
<u>Buildings, halls and structures</u>	20–45
<u>Machinery and equipment</u>	4–15
<u>Transport vehicles</u>	6–20
<u>Furniture and fixtures</u>	10–20
<u>Handling equipment</u>	6–20
<u>Computers and related equipment</u>	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 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 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 include costs of acquisition and transaction-related costs. 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 of 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.

cp 65

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 aging 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., 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. 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 calendar quarter as published by the Czech National Bank.

All monetary assets, receivables and liabilities denominated in foreign currencies have been translated 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 off 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 postal 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 prepaid postal services (use of remote credit machines) has been realised since 2006 at the moment of provision of the postal service.

Income from agency services include 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) Pension plans

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

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;
- 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; and
- companies that share a common member of management with the Company.

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 3 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; and
- all transactions related to the sale of a part of the enterprise.

r) Subsequent events

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

Where significant events 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 2008, the Company recognised a provision for employee benefits. Employee benefits relating to previous periods were recorded as extraordinary expenses.

The types of employee benefits covered by the above provision are as follows:

- 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.

cp 69

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. The method of calculation of each employee's retirement payment is as follows: A plan of monthly payments to a given employee is created using the expected parameters (employee fluctuation rate, probability of death, probability of invalidity retirement, principles of old-age retirement).

The value of other long-term employee benefits is calculated using the incremental method. The market value of the government debentures as of the balance sheet date is applied as the discount rate.

The respective portion of the current value of liabilities allocated to the given employee as of the evaluation date is calculated as the ratio of the number of months spent in service from the evaluation date and the total number of months spent in service until the benefit payment date.

The model considers development in the future 50 years. The expected parameters used in the calculation are demographic data published by the Czech Statistical Office, principles of retirement enacted in the Czech Republic, and information on employee fluctuations in the period of 2004-2006. The total average retirement rate used as of 31 December 2006 was applied because of no significant changes in the fluctuation rates in 2007 and 2008.

In 2008, the Company improved accuracy when identifying transactions with related parties. All changes were carried out in order to provide a truer and accurate picture of the financial statements. The data that are comparable were adjusted.

The Company also changed the method of reporting of remote credit operations in the financial statements. The amounts received from customers in the previous accounting period (CZK 187 million received in 2007 and recorded as accrued income) but credited in the current accounting period are now recognised as other payables.

As of 1 January 2008, the Company changed the way of recording advance payments to the cultural and social fund as future contributions to the fund. The procedure that was difficult to interpret was abandoned by the Company.

4. FIXED ASSETS

a) Intangible fixed assets

Acquisition cost

(in CZK million)	Opening balance	Additions*	Disposals*	Reclassific- ation	Closing balance
Software	1,106	77	-5	1	1,179
Other intangible fixed assets	110	6	-	-	116
Intangible fixed assets in the course of construction	37	67	-83	-	21
Total 2008	1,253	150	-88	1	1,316
Total 2007	1,184	119	-50	-	1,253

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

Accumulated amortisation

(in CZK million)	Opening balance	Additions	Disposals	Reclassific- ation	Closing balance	Net book value
Software	-931	-103	5	-1	-1,030	149
Other intangible	-104	-5	-	-	-109	7
Intangible fixed assets in the course of construction	-	-	-	-	-	21
Total 2008	-1,035	-108	5	-1	-1,139	177
Total 2007	-867	-176	7	-	-1,036	218

The total value of low-valued intangible fixed assets, which are not reflected in the accompanying balance sheet, was CZK 119 million in acquisition costs as at 31 December 2008 and CZK 116 million as at 31 December 2007.

b) Tangible fixed assets

Acquisition cost

(in CZK million)	Opening balance	Additions*	Disposals*	Reclassific- ation	Closing balance
Land	752	5	-1	-	756
Buildings	8,951	110	-	3	9,064
Machinery and equipment	3,494	56	-72	-	3,478
Vehicles	2,017	211	-15	-	2,213
Furniture and fixtures	604	11	-5	-	610
Other tangible fixed assets	743	-	-20	-	723
Works of art	4	-	-	-	4
Tangible fixed assets in the course of construction	551	586	-393	-	744
Advances paid for tangible fixed assets	5	23	-16	-	12
Total 2008	17,121	1,002	-522	3	17,604
Total 2007	16,823	1,909	-1,611	-	17,121

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

Accumulated amortisation

(in CZK million)	Opening balance	Additions	Disposals	Reclassific- ation	Closing balance	Provisions	Net book value
Land	-	-	-	-	-	-2	754
Buildings	-3,132	-219	-	-3	-3,354	-20	5,690
Machinery and equipment	-2,736	-154	72	-	-2,818	-	660
Vehicles	-1,380	-190	15	-	-1,555	-1	657
Furniture and fixtures	-473	-17	5	-	-485	-	125
Other tangible fixed assets	-743	-	20	-	-723	-	-
Works of art	-	-	-	-	-	-	4
Tangible fixed assets in the course of construction	-	-	-	-	-	-85	659
Advances paid for tangible fixed assets	-	-	-	-	-	-	12
Total 2008	-8,464	-580	112	-3	-8,935	-108	8,561
Total 2007	-8,010	-603	149	-	-8,464	-66	8,591

The total value of low-valued tangible fixed assets, which are not reflected in the accompanying balance sheet, were CZK 1,991 million as at 31 December 2008 and CZK 1,742 million as at 31 December 2007.

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 2008, the Company created statutory reserves equal to CZK 30 million for repairs of tangible fixed assets. In 2007, the Company did not create statutory reserves for repairs of tangible fixed assets.

In 2008, the Company acquired free of charge land worth CZK 2 million. In 2007, the Company acquired no tangible fixed assets affecting the equity free of charge.

As at 31 December 2008 and as at 31 December 2007, the Company did not intend to sell any item from tangible fixed assets. In 2008 and 2007, fixed assets worth CZK 5 million and CZK 19 million, respectively, were sold.

In 2008 and 2007, 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 April 1997, which is in force until 31 March 2042, the Company has another approximately 241 (2007: 158) minor 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 2008 and 2007, the Company received no investments subsidies.

c) Long-term financial assets

As at 31 December 2008 and 31 December 2007, 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.

	2008	2007
Share (%)	51.03%	51.03%
Total assets	99	95
Equity	87	84
Profit for the current year	6	3
Acquisition cost of the shares	18	18
Nominal value of the shares	17	17
Intrinsic value of the shares*	44	43
Dividends received	1	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 December 2008 or 31 December 2006 2007, 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) 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;
- b) a state debenture maturing in 2016, intended for trading, valued at actual value of CZK 389 million.

5. INVENTORY

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

cp 73

6. RECEIVABLES

As at 31 December 2008 and 31 December 2007, receivables with maturity over 5 years amounted to CZK 2 million and CZK 4 million, respectively.

As at 31 December 2008 and 31 December 2007, outstanding overdue receivables amounted to CZK 110 million and CZK 156 million, respectively. Outstanding overdue receivables are not secured.

In 2008 and 2007, the Company wrote off receivables in the amount of CZK 69 million and CZK 47 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.

As at 31 December 2008, the Company recorded no receivables resulting from the creation of the cultural and social fund by advance payments (see Note 3s – Changes of the accounting methods). As at 31 December 2007, receivables resulting from the creation of the fund by advance payments amounted to CZK 171 million.

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:	Balance as at 1 January	Creation	Dissolution/ Usage	Balance as at 31 December	Creation	Dissolution/ Usage	Balance as at 31 December
(in CZK million)	2007			2007			2007
Tangible fixed assets	33	39	-6	66	46	-4	108
Long-term financial assets	40	-	-	40	-	-	40
Inventory	5	12	-1	16	10	-2	24
Receivables – statutory	17	9	-6	20	12	-21	11
Receivables – other	99	15	-54	60	18	-69	9
Total	194	75	-67	202	86	-96	192

Statutory provisions are created pursuant to Act on Reserves and are tax-deductible, other provisions are tax not-deductible.

8. SHORT-TERM FINANCIAL ASSETS

The main bank used by the Company is Československá obchodní banka, a.s. in which the Company has two cash-pooling sets of accounts, a set of current accounts and a set of accounts with entrusted resources. An overdraft facility that enables the Company to have negative balance is agreed for the set of accounts with entrusted resources.

No funds were withdrawn from the overdraft facility as at 31 December 2008 and 31 December 2007.

The Company's time deposits equalled to CZK 3,404 million and CZK 3,703 million as at 31 December 2008 and 31 December 2007, respectively. A time deposit with an individual interest rate of Komerční banka, a.s. in the amount of CZK 10 million has been used from 17 March 2005 as a security for the loan provided by this bank according to the requirements of the Czech Ministry of Finance in relation to the sale of highway stickers (see Note 18 – Assets and liabilities not recognised in the balance sheet). The time deposit was prolonged until 16 March 2010. In addition, the Company provided to the Czech directorate of highways and roads Ředitelství silnic a dálnic ČR a cash security amounting to CZK 3 million and valid until 20 November 2009 for the performance of obligations related to the electronic toll system.

Other time deposits have a maturity period of approximately 5 days or of 1 day, and bear interest at the market interest rate.

Short-time securities and ownership interests as at 31 December were as follows:

Bank (in CZK million)	Type	2008	2007
Komerční banka, a. s.	Depository note	600	400
Československá obchodní banka, a. s.	Depository note	560	815
Česká spořitelna, a. s.	Depository note	–	598
Deutsche Bank, a. s.	Short-term debenture	78	–
Deutsche Bank, a. s.	State debenture	412	–
Total		1,650	1,813

cp 75

9. ACCRUALS AND DEFERRALS

Prepaid expenses of 2008 and 2007 particularly consist of prepaid rent.

As at 31 December 2007, accrued income consists of contractual compensation for agency services in the amount of CZK 72 million recorded as income in the period in which it occurred. Due to the fact that the above-mentioned amount of accrued compensation was not approved by the other party, a portion amounting to CZK 25 million was transferred to Anticipated assets as of 31 December 2008.

10. EQUITY

As at 31 December 2008 and 31 December 2007, 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 2008 and 2007:

	Registered capital	Other capital funds	Statutory reserve fund	Other funds from profit	Profit in the current period	Retained profits	Total
(in CZK million)							
Balance as at 1 January 2007	3,588	4,722	358	19	248	238	9,173
Allocation from profit and transfers between funds	-	308	-	158	-248	-218	-
Decrease	-	-	-	-142	-	-	-142
Profit in the current period	-	-	-	-	653	-	653
Balance as at 31 December 2007	3,588	5,030	358	35	653	20	9,684
Allocation from profit and transfers between funds	-	501	1	171	-653	-20	-
Decrease	-	-178	-	-169	-	-347	-
Profit in the current period	-	-	-	-	293	-	293
Balance as at 31 December 2008	3,588	5,353	359	37	293	-	9,630

Profit in 2007 was distributed according to the founder's approval dated 30 June 2008.

11. PROVISIONS

	Balance as at 1 January 2007	Creation	Dissolution/ Usage	Balance as at 31 December 2007	Creation	Dissolution/ Usage	Balance as at 31 December 2008
(in CZK million)							
Social and health insurance	115	127	-115	127	113	-127	113
Unused holiday	112	134	-112	134	166	-134	166
Prepaid postal services	197	-	-197	-	-	-	-
Employee benefits	-	-	-	-	191	-	191
Repairs	-	-	-	-	30	-	30
Compensation of salary	-	-	-	-	65	-	65
Other	24	54	-24	54	1	-5	50
Total	448	315	-448	315	566	-266	615

Provision for social and health insurance is created for unpaid contracted wages, profit-related bonuses in 2008 and 2007, unused holiday and other employee benefits.

In 2008, the Company provided for employee benefits in connection with a collective agreement (see also Note 3s – Changes of the accounting methods).

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

In 2008, the Company provided for compensations of salary 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 December 2008 and potential loss from pending litigations and out-of-court disputes and related obligations.

12. LONG-TERM LIABILITIES

The Company's long-term liabilities amounted to CZK 144 million and CZK 258 million as of 31 December 2008 and 31 December 2007, respectively. The amounts 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 70 million and CZK 61 million as at 31 December 2008 and 31 December 2007, respectively.

As at 31 December 2008 and 31 December 2007, the Company had no liabilities with maturity over 5 years.

As at 31 December 2008, 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 and income associated with international postal operations (see Note 6 – Receivables), uninvoiced operating deliveries of services and utilities and estimated staff bonuses.

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

14. BANK LOANS AND OVERDRAFTS

a) In CZK

Bank	Terms and conditions	Overall limit 31 December 2007	
(in CZK million)			
Česká spořitelna, a. s.	1 February 2006-31 August 2013 3.68% p.a. no collateral	708	274
Balance			274
out of which:			
payable in one year			97
maturity period 1 to 5 years			177
maturity period 5 and more years			-

In December 2008, a long-term loan from Česká spořitelna, a.s. was paid by the Company before maturity.

b) In EUR

Bank	Terms and conditions	Overall limit	2008		2007	
		(in EUR million)	(in EUR million)	(in CZK million)	(in EUR million)	(in CZK million)
Československá obchodní banka, a. s.	Overdraft facility EURIBOR 3months + 0.1% p.a.	5	1	37	1	30

The above-mentioned overdraft facility is used solely for cash operations (in EUR) of the banking services provided at selected post-office counters.

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 rent of office premises, safes, payments received for apartments sold, and is recognised as income for the period in which it was earned. In 2008 and 2007, the Company was also encumbered with an 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 (2008: CZK 36 million; 2007: CZK 37 million) and is gradually recognised as income, during the effective period of the agreement.

16. INCOME TAX

	2008 (in CZK million)	2007 (in CZK million)
Profit before tax	365	795
Non-taxable income	392	-8
Difference between accounting and tax depreciations	-137	-217
Tax non-deductible expenses	302	-11
Out of which:		
changes of provisions	-2	6
changes of provisions for liabilities	270	-134
others (e.g. accrued expenses, entertainment expenses, shortages and losses)	34	117
Gifts	-1	-
Taxable income	921	559
Income tax rate	21%	24%
Calculated income tax	193	134
Tax relief (persons with disability and partial disability)	-15	-17
Current tax	178	117
Underpayment (+) / overpayment (-) from the previous period	8	-17
Income tax expense – payable	186	100
Out of which:		
from ordinary activities	186	100

The deferred tax as of 31 December 2008 is calculated using the following tax rates: 20% (tax rate for 2009), 19% (tax rate for 2010 and the following periods) depending on the period in which the temporary difference adjustment is expected. The deferred tax as of 31 December 2007 was calculated using the following tax rates: 21% (tax rate for 2008), 20% (tax rate for 2009) and 19% (tax rate for 2010 and the following periods).

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

(in CZK million)	2008		2007	
Deferred tax item	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between net book value of fixed assets for accounting and for tax purposes		-358		-332
Provisions	12	-	18	-
Other provisions	105		56	-
Other temporary differences	97	-	-	-
Total	214	-358	74	-332
Net deferred tax liability	-144			-258

In 2008, the Company recorded a year-to-year decrease of the deferred tax due by CZK 114 million.

17. LEASING

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

The assets leased by the Company in the form of operational lease as at 31 December 2008 and 31 December 2007 are as follows:

Description	Lease payments in 2008	Owner's acquisition cost as of 31 December 2008	Lease payments in 2007	Owner's acquisition cost as of 31 December 2007
(in CZK million)				
Passenger vehicles	2	–	5	1
Other operational leases	17	11	20	81

The assets leased by the Company in the form of finance lease as at 31 December 2008 and 31 December 2007 are as follows:

Description	Terms and conditions	Sum of lease payments over the period of the expected lease	Actually paid finance lease payments		Schedule of future payments according to Actual maturity as at 31 December 2008	
			For the year ended 31 December 2008	From the start of the lease until 31 December 2008	Payable within 1 year	Payable within period longer than 1 year
(in CZK million)						
KERN inserting lines	Lease contracts of 2004 for 48 months	49	9	49	–	–

18. ASSETS AND LIABILITIES NOT RECOGNISED IN THE BALANCE SHEET

As at 31 December 2008 and 31 December 2007, 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 2008 or 2007. 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 December 2008 and 31 December 2007, these items were quantified as follows:

<u>Duration (in CZK million)</u>	<u>2008</u>	<u>2007</u>
Valuables and lottery tickets	3,667	2,958
Highway stickers	2,756	2,676
Leased assets – operational lease	11	82
Leased assets – financial lease	–	49
Assets leased free of charge	140	140
Low-value tangible assets	1,991	1,742
Low-value intangible assets	119	116

Assets leased free of charge mainly consist of office and computer equipment (e.g. card readers) and supplies necessary for the performance of agency services.

Contractual capital commitments as at 31 December 2008 and 31 December 2007 were as follows:

<u>Duration (in CZK million)</u>	<u>31 December 2008</u>	<u>31 December 2007</u>
For a period of less than 1 year	130	63
For a period of 1 to 5 years	228	159
For a period of more than 5 years	–	–
Total	358	222

Commitments related to rentals of non-residential premises as at 31 December 2008 and 31 December 2007 were as follows:

<u>Duration (in CZK million)</u>	<u>31 December 2008</u>	<u>31 December 2007</u>
For a period of less than 1 year	48	32
For a period of 1 to 5 years	99	83
For a period of more than 5 years	83	75
Total	230	190

19. CONTINGENT LIABILITIES

As at 31 December 2008, the Company created a provision amounting to CZK 49 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.

Starting from August 2007, the Company has been subject to an audit carried out by the Supreme Audit Office to review the Company's management of the state-owned assets. The audit was closed in March 2008. The auditors reviewed assets and costs amounting to approximately CZK 2.5 billion and disclosed by the Company in the period from 2005 to 30 June 2007 (or later in the case of information connected with the period under review). In addition to imperfect record-keeping in the management of the Postal Museum's collections, defects revealed by the auditors include primarily faults in acquisition, reconstruction and repairs of the Company's real property and in choice of contractors. Companies were contracted to prepare project documentation and carry out construction works without a clear concept on the part of the Company, construction work these started without sufficient preparation, contracts were executed without a clearly defined subject-matter or entered into with building contractors without sufficient financial resources. The Company adopted measures to remove the defects and provides full cooperation to the Czech antimonopoly office Úřad na ochranu hospodářské soutěže, based on the final report.

The Management Board is not aware of any other material contingent liabilities of the Company as of 31 December 2008.

20. INCOME

Breakdown of the Company's income from its operations:

(in CZK million)	2008		2007	
	Domestic	International	Domestic	International
Income from postal operations	15,160	1,309	13,007	1,354
Income from agency services	2,512	–	2,585	–
Income from the sale of goods	506	–	464	–
Subtotal of income from ordinary activities	18,178	1,309	16,056	1,354
Income from the sale of fixed assets and material	5	–	19	–
Other income from operations (incl. capitalisation)	478	–	217	–
Total income from operations	18,661	1,309	16,292	1,354

Income from postal operations also includes, in addition to the basic postal products (letters and parcels and money orders), income from services provided by the Czech Post's Postservis centres (packaging and labelling) and income from IT work associated with postal services.

In 2008, the Company improved accuracy when recording income from international operations, particularly income from credit operations that is now included in individual product accounts. The data that are comparable were adjusted.

In 2008, the Company received no subsidies for operating purposes.

21. STAFF COSTS

a) Staff costs

Breakdown of staff costs:

	2008		2007	
	Total	Out of which: Company employees	Total	Out of which: Company employees
		management		management
Average headcount (in CZK million)	36,332	141	37,008	86
Salaries	9,479	188	8,071	100
Social security and health insurance	3,275	58	2,848	46
Social expenses	324	1	326	1
Total staff costs	13,078	247	11,245	147

In 2008, the Company's organisational structure was changed to implement centralisation of operational and service activities and linear management. The definition of management was extended to include top management and controlling management. Comparative data was adjusted accordingly.

In addition to the above-mentioned amounts of staff costs, members and former members of statutory and supervisory bodies in 2008 and 2007 received bonuses in the total amount of CZK 3 million.

As at 31 December 2008 and 31 December 2007, social security and health insurance liabilities amounted to CZK 394 million and CZK 314 million, respectively. These unpaid liabilities related to salaries for December 2008 or December 2007 were paid at the beginning of 2009 or 2008, respectively.

The Company recognised no tax arrears due to local tax authorities as at 31 December 2008.

b) Other costs

The Company paid CZK 6 million to the auditor PricewaterhouseCoopers Audit, s.r.o. for the statutory audit of the Company's financial statements for 2008.

22. EXTRAORDINARY INCOME AND COSTS

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 income was recognised by the Company in 2007.

Extraordinary costs amounted to CZK 189 million in 2008 (see Note 3s – Changes of the accounting methods). This amount relates to outstanding employee benefits which are payable by the Company for previous periods. No extraordinary costs were recognised by the Company in 2007.

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 in 2008 and 2007, 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. These transactions were done under the terms and conditions customary on the market. The transactions recognised in 2008 and 2007 plus the related receivables from and payables to related parties are as follows:

2008 (in CZK million)	Sales	Purchases	Receivables	Payables
Subsidiaries				
Poštovní tiskárna cenin Praha, a. s.	–	44	–	–
Other related parties				
Czech Television and Czech Radio	250	2	–	6
Suppliers of electricity, heat and water	253	191	65	57
Czech ministries	190	1	1	83
Tax authorities	155	97	3	334
Czech Social Security Administration	571	2,395	36	4,968
Health insurance company (VZP)	89	488	–	95
Municipal and local authorities	545	43	12	303
Carriers and freight forwarders	15	68	4	15
State Fund for Transport Infrastructure	92	3	22	349
Other	612	48	6	112
Total	2,772	3,380	149	6,322

2007

(in CZK million)	Sales	Purchases	Receivables	Payables
Subsidiaries				
Poštovní tiskárna cenin Praha a.s.	–	45	–	5
Other related parties				
Czech Television and Czech Radio	243	1	–	6
Suppliers of electricity, heat and water	240	182	66	42
Czech ministries	127	1	3	74
Tax authorities	131	169	36	366
Czech Social Security Administration	503	2,082	24	5,548
Health insurance company (VZP)	71	466	9	69
Municipal and local authorities	428	47	12	285
Carriers and freight forwarders	17	71	2	13
State Fund for Transport Infrastructure	75	3	20	345
Other	483	38	7	96
Total	2,318	3,105	179	6,849

cp 85

In 2008, the Company improved its accuracy when identifying related parties. The comparable data in 2007 was adjusted.

Cash transactions relating to postal services provided to related parties are not recorded separately because the cost of determining them would exceed their evidentiary value. These postal services were rendered to related parties under customary market conditions.

24. ENTRUSTED RESOURCES

Breakdown of entrusted resources as at 31 December 2008 and 31 December 2007:

(in CZK million)	31 December 2008	31 December 2007
ASSETS		
Short-term receivables	1,683	1,921
out of which: entrusted resources	253	284
Cash	4,742	4,876
out of which: entrusted resources	4,630	4,753
Bank accounts	4,955	4,613
out of which: entrusted resources	2,101	3,151
Total assets	22,442	22,388
out of which: entrusted resources	6,984	8,188

(in CZK million)	31 December 2008	31 December 2007
LIABILITIES		
Short-term liabilities	10,995	11,095
out of which: entrusted resources	6,947	8,158
Short-term bank loans	37	127
out of which: entrusted resources	37	30
Total liabilities	22,442	22,388
out of which: entrusted resources	6,984	8,188

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 2008 and December 2007, the Company received advance payments towards 2009 and 2008 pension payments from the Czech Social Security Administration in the amount of CZK 4,620 million and CZK 5,285 million, respectively.

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

25. CASH FLOW STATEMENT

As at 31 December 2008 and 31 December 2007, 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 of 31 December 2008 and 31 December 2007:

(in CZK million)	31 December 2008	31 December 2007
Cash in hand and cash in transit	4,742	4,876
Cash at bank	4,955	4,613
Cash equivalents in respect of short-term securities and ownership interests	1,572	1,813
Total cash and cash equivalents	11,269	11,302

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 does not expect the economic recession to have any material impact on the Company's operations, in particular its liquidity and financing, presently. 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 20 February 2009, a new organisational scheme of the Company was set effective from 1 March 2009 to ensure streamlined management.

Director General							
Director General Section	Corporate Administration	Human Resources	Finance	Logistics and ICT	Property Management	Sales and Postal Operations	
Communication	Organisation and Administration	Labour Legal	Treasury and Financing	Shared Support Services	Investments	Regional Management	Region Central Bohemia
Internal Audit	Security	HR – Front Office	Accounting	IT Operation	Administration	Sales	Region South Bohemia
Risk Management	Legal	Benefits and Emoluments	Controlling	ICT Development	Operations	Administrative Support	Region West Bohemia
Director General's Office	Complaints	HR Development	Procurement	Logistic Process and Project Analysis	Project Management	Alliance Partners	Region North Bohemia
		HR Processes – Back Office		Payment System Operation		Operations	Region East Bohemia
		Logistics				Marketing	Region South Moravia
		Communication Infrastructure				eGovernment	Region North Moravia

cp 87

No material event occurred between the balance sheet date and the date of preparation of the accompanying financial statements, which would affect the assets, liabilities and profit reported for the accounting period 2008.

31 March 2009


Ing. Petr Sedláček
Director General


Ing. Petr Křeček
Deputy Director General, Finance

English translation

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cp 88

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"] for the year ended 31 December 2008 disclosed in the annual report in chapters 6.2 and 6.3 and issued the opinion dated 31 March 2009 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 2008 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.

OPINION

In our opinion, the other information included in the annual report of the Company for the year ended 31 December 2008 is consistent, in all material respects, with the financial statements.

30 April 2009

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

Petr Šobotník
Auditor, Licence No. 113

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, 225 99 Praha 1
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, 225 07 Praha 5
Region Central Bohemia	Kafkova 19, 225 91 Praha 6
Region South Bohemia	Senovážné náměstí 240/1, 370 01 České Budějovice
Region West Bohemia	Solní 259/20, 301 00 Plzeň
Region North Bohemia	Berní 2/2119, 400 01 Ústí nad Labem
Region East Bohemia	Na Hrádku 105, 530 01 Pardubice 1
Region South Moravia	Orlí 655/30, 663 00 Brno
Region North Moravia	Poštovní 1368/20, 728 60 Ostrava

ABBREVIATIONS USED

BODYS	Penalty Points System of the Czech Police
bp	Basis point
ČNB	Czech National Bank
ČSOB	Československá obchodní banka, a.s.
CTO	Czech Telecommunication Office
Czech POINT	National network of submitting and verifying information terminals
CZK	Czech crown
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
EMS	Express mail services
ES	European directive
EU	European Union
FIP	International Philatelic Federation
GDP	Gross domestic product
ICA	Internal certification authority
ISO	International Organization for Standardization
ISVS	Information system of the Czech public administration
IT	Information technologies
pcs	Pieces
PES	Monitoring of operational and financial processes at post offices
QCA	Qualified certification authority
REP	Registered electronic post
RPIM	Distribution of promotional and information materials
SIPO	System of collective payments of household bills
SME	Small and medium enterprises
s.p.	State-owned enterprise
TP	Severe disability (applies to holders of extraordinary benefits card)
UNEX	Quality of service measurement system for public postal operators
UPU	Universal Postal Union
VAT	Value added tax
VCA	Public certification authority
ZPS	Partial occupational disability
ZUŠ	Elementary school of art

