

ANNUAL REPORT

2010





THE CZECH POST HAS BOTH A DEEP TRADITION AND MODERN PRESENCE. IT HAS BEEN TRANSFORMING TO MEET THE DEMAND OF THE TIME AND CUSTOMERS. THE PRESENT PROCESS OF ITS PREPARATION FOR LIBERALISATION OF THE EUROPEAN POSTAL MARKET INCLUDES INVESTMENTS IN NEW TECHNOLOGY AND AN IMPROVED LOGISTIC NETWORK AS WELL AS MODERNIZATION OF THE PRODUCT PORTFOLIO AND POST OFFICES. THE COMPANY HAS REMAINED CLOSE TO PEOPLE, ALMOST AT ARM'S LENGTH, DESPITE THE CHANGES IN LONG-TERM HABITS CAUSED BY ELECTRONIC COMMUNICATION AND SERVICES.

A STAMP IS ONE OF THE TRADITIONAL SYMBOLS ACCOMPANYING POST THROUGHOUT ITS ENTIRE HISTORY. CZECH STAMP DESIGN HAS DEEP ROOTS AND A GREAT REPUTATION WORLDWIDE. A STAMP IS NOT ONLY A PIECE OF POSTAL STATIONERY BUT ALSO A UNIQUE PIECE OF ART. STAMP DESIGN HAS ATTRACTED REAL MASTERS – GRAPHIC ARTISTS, SCULPTORS, PHOTOGRAPHERS AND MASTERS OF THE WORLD FAMOUS CZECH SCHOOL OF ENGRAVERS.

STILL, STAMPS HAVE BEEN LOSING THEIR ATTRACTIVENESS IN RECENT DECADES, LETTER MAIL VOLUMES HAVE BECOME SMALLER AND SMALLER, AND PHILATELY HAS FOUND ITSELF IN THE POSITION OF A DISAPPEARING, THOUGH NOBLE HOBBY.

THIS TREND WAS SUDDENLY BROKEN IN 2010: THE ISSUE OF THE FIRST SELF-ADHESIVE LETTERS, IDENTIFIED WITH A LETTER AND DEPICTING CHARACTERS FROM THE ČTYŘLÍSTEK COMICS, BROUGHT A REAL RENAISSANCE. THESE STAMPS VIRTUALLY FASCINATED THE GENERAL PUBLIC AND BECAME AN IMMEDIATE BLOCKBUSTER.

WE ALWAYS OFFER SOMETHING MORE



EXPO 2010 – THIS UNIQUE EVENT OF WORLDWIDE SIGNIFICANCE HAS DESERVED THE ISSUE OF THIS COMMEMORATIVE MINIATURE SHEET WITH A MOTIF OF THE CZECH EXPOSITION IN SHANGHAI. THE ISSUE INCLUDED A FIRST-DAY COVER WITH SPECIAL HANDSTAMP COMMEMORATING THE DAY AND TIME OF THE UNVEILING CEREMONY HELD IN THE LOBBY OF THE MAIN POST OFFICE IN PRAGUE: 10.02.2010 AT 20:10

EXPO 10.02
2010 20:10
PRAHA 1 10. 2. 2010



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1. DIRECTOR GENERAL'S STATEMENT

From the Company's point of view, the year 2010 can be evaluated in one word only, i.e. as a success. The Company achieved a very positive profit; the process of negotiation with its social partners, which resulted in a collective agreement for the period until 2013, was valuable; further development in both operations and sales secured the Company's future position.

What I consider as very important is the fact that the Company was able to recompense the continuing decline in income from the letter mail segment with both a significant increase in its share in the parcel mail segment and development of electronic services. The Company also managed to re-set the conditions of contracts with some of its alliance partners, which should lead to a higher remuneration for the services provided by the Company, especially in the period to come.

Despite the austerity measures in 2010, the Company continued its restructuring plans mainly in the logistics network and made investments in new technologies. The changes in the Company's operations had a direct impact on the efficiency of many of its services and created important conditions for the launch of a number of projects, which have confirmed that the Company is able to meet the contemporary requirements. The changes made in the second half of 2010 included a pilot test of afternoon delivery of parcels in 72 cities and their satellite locations, with an improvement of the already successful delivery rate from 55 to 92%; pilot tests of same-day delivery of mail exchanged between Prague and other regional capitals and of delivery of bulky mail weighing up to 1,000 kg, both started in the end of the year. The changes in logistics and the process of preparation for the consistent use of the network of post offices led to the creation of a new concept of the product portfolio, which fully reflects the contemporary customer's demand.

The Company has been a strong partner of the state in the area of electronic communication. In recent years, it has administered the Data Mailbox Information System, the communication infrastructure of the state administration system. The high quality of services provided in this area and the increasing customer's demand for services provided by the Company as part of the Czech POINT network mark the high level of social responsibility of the Company, already proven by its long record as a provider of universal postal and pension services. The Company is a trustworthy partner of the state. In the year 2010, the Company therefore boosted the quality and scope of the necessary technological background in order to further improve the level of communication with citizens and extend the range of provided services.

The year 2010 was also marked with preparations for the national census, planned by the Czech Statistical Office for the year to come. The unprecedented settings of the entire system required from the Company a maximum level of consistency, operability and reliability. The way in which the Company prepared and secured the project proved its ability to carry out atypical jobs and its readiness to fully employ its technical, technological and especially human resources.



Ing. Petr Zatloukal
Director General of Česká pošta, s.p.



WE WERE PRESENT WHEN THE HISTORY OF
THE CZECHOSLOVAK STATE WAS BEING WRITTEN



1918



THE FIRST CZECHOSLOVAK STAMP WITH THE SYMBOL
OF PRAGUE CASTLE, DESIGNED BY ALFONS MUCHA



MODERN HISTORY AFTER 1989



Václav Havel

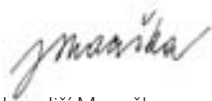


2. REPORT OF THE SUPERVISORY BOARD

Throughout 2010, the Supervisory Board of 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. Over the course of 2010, the Supervisory Board of Czech Post met at eleven ordinary and one extraordinary meetings.

The key point on the Supervisory Board's agenda in 2010 was to supervise whether the Company's profits were consolidated and that investments were made in an efficient way. All investments were directed towards areas that had to be prepared for the forthcoming liberalisation of the European postal market. Members of the Supervisory Board also paid a great deal of attention to the processes of optimising the logistic network, preparing a changed product portfolio, and improving the parameters of the existing service schemes for customers, implemented in order to improve the Company's competitive position on the market. Another point dealt with intensively by the Supervisory Board throughout the year was a project on the transformation of the network of CP branches: the six-year transformation should reflect the current population distribution over the territory of the Czech Republic and provide customers of Czech Post with a higher-density network of service points. Throughout 2010, the Supervisory Board examined and assessed the regular financial reports of the Company for their compliance with the approved financial plan.

The Supervisory Board also discussed Czech Post's Notes to the Financial Statements for 2010, examined the financial statements as at 31 December 2010 (prepared in accordance with Czech accounting standards) in great detail, read the opinion of the auditor PricewaterhouseCoopers Audit, s.r.o. – "unqualified" – and recommended that the Founder approve the financial statements and the Annual Report. Based on the proposal provided by the Company's Management Board, the Supervisory Board also recommended that the Founder make a decision about 2010 profit distribution.



Ing. Jiří Maceška
Chairman of the Supervisory Board



3. PROFILE OF THE COMPANY

TERMS OF OFFICE OF CURRENT MEMBERS OF THE SUPERVISORY BOARD

			Extension of the term of office to six years subject to the new Rules of Procedure of the Supervisory Board of 29 August 2009
Name and surname	Date of appointment/election	Expiry of the term of office – original	Expiry of the term of office – current
Petr Kužel	01 November 2006	01 November 2011	01 November 2012
Jiří Řehola	01 September 2008	–	01 September 2014
Jiří Maceška	01 July 2009	–	01 July 2015
Karel Koukal	23 September 2009	–	23 September 2015
Ivana Musilová	23 September 2009	–	23 September 2015
Štěpán Grochal	23 September 2009	–	23 September 2015
Soňa Lavičková	23 September 2009	–	23 September 2015
Jan Mládek	20 October 2009	–	20 October 2015
Michal Moroz	25 November 2010	–	25 November 2016
Jiří Franc	25 November 2010	–	25 November 2016
Jaroslav Mráz	25 November 2010	–	25 November 2016
Vladimír Budinský	25 November 2010	–	25 November 2016

Changes in the Supervisory Board (“SB”) in 2010:

23 July 2010	Jaroslav Chýlek removed from the post of member of SB
26 July 2010	Miroslav Zahálka appointed to the post of member of SB
05 November 2010	Vladimír Budinský’s term of office expired
25 November 2010	Petr Polák removed from the post of member of SB
25 November 2010	Lubomír Krejsa removed from the post of member of SB
25 November 2010	Miroslav Zahálka removed from the post of member of SB
25 November 2010	Michal Moroz appointed to the post of member of SB
25 November 2010	Jiří Franc appointed to the post of member of SB
25 November 2010	Jaroslav Mráz appointed to the post of member of SB
25 November 2010	Vladimír Budinský appointed to the post of member of the SB

3.1. Mission and strategic goals

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

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

3.2. Legal status of the Company

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

The Company was founded on 1 March 1993 by the Ministry of Economics 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.

As at 16 June 1997, the Ministry of Transport and Communications issued a 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 2010, the Ministry of the Interior of the Czech Republic acted as the founder of Czech Post on behalf of the government.



3.3. Management and supervision of the Company

Director General

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

Supervisory Board

The Supervisory Board has twelve members. It supervises the performance of the activities of the Director General and the carrying out of the Company's business plan. Subject to the State-Owned Enterprise Act No. 77/1997 Coll., as amended, eight members of the Supervisory Board are appointed and removed by the founder; the remaining four members are elected and removed by the Company's employees. As at 31 December 2010, the Supervisory Board had all twelve members.

Committees of the Supervisory Board

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

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

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

3.4. Statutory body and Management Board of the Company

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

MEMBERS OF THE MANAGEMENT BOARD OF THE COMPANY AS AT 31 DECEMBER 2010:

Member	Position	Position established on	Registered into the Commercial Register on
Ing. Marcela Hrdá	Director General (GD)	01 January 2010	03 February 2010
Ing. Petr Zatloukal	Chief Executive, Postal Operations and Logistics, Deputy DG	01 June 2008	12 April 2010
Ing. Vladimír Měkota	Chief Executive, Corporate Services and Human Resources, Deputy GD	01 March 2010	09 June 2010
Ing. Martin Elkán	Chief Executive, Sales and Marketing *	20 July 2010	-
Ing. Pavel Janda	Chief Executive, Finance and Legislation*	01 December 2008	-
Mgr. Filip Bouček	Chief Executive, Property Management*	01 September 2010	-

* Positions that are not registered in the Commercial Register.

OTHER CHANGES IN THE MANAGEMENT BOARD THAT OCCURRED IN 2010:

	Position	Registered into the Commercial Register	Position ceased on	Erased from the Commercial Register
Ing. Václav Hadač*	Deputy DG	-	28 February 2010	-
Ing. Martin Elkán	Deputy DG	11 November 2009	01 March 2010	12 April 2010
Ing. Michal Kasal**	Chief Executive	-	30 June 2010	-

* Ing. V. Hadač, Director of Controlling, was given the task of managing Finance.
** Ing. M. Kasal was in the position of Chief Executive for Sales and Marketing from 1 March 2010.

As at 1 March 2010, the following positions were removed from the top management of the Company due to the systemisation of Czech Post's organisation:

Ing. Michal Pešek – ICT, Executive Director
Ing. Josef Bajza, MBA – Marketing, Executive Director
Ing. Ivan Feninec, MBA – HR Management, Executive Director
Ing. Pavel Pulkráb – Property Management, Chief Executive

MEMBERS OF THE SUPERVISORY BOARD OF THE COMPANY AS OF 31 DECEMBER 2010

	Position
Ing. Jiří Maceška	Chairman
Karel Koukal	Deputy Chairman
Ing. Jan Mládek, CSc.	Deputy Chairman
Ing. Vladimír Budinský, MBA	Member
Ing. Jiří Franz, MBA	Member
Štěpán Grochal	Member
Petr Kužel, MBA	Member
Ing. Soňa Lavičková	Member
Ing. Jaroslav Mráz	Member
Mgr. Michal Moroz	Member
Ivana Musilová	Member
Ing. Jiří Řehola	Member



3. 5. Organisational structure as at 31 December 2010

ČESKÁ POŠTA S.P. DIRECTOR GENERAL						
OMBUDSMAN Ombudsman	CORPORATE SERVICES AND RESOURCE MANAGEMENT Chief Executive	FINANCE AND LEGISLATION Chief Executive		SALES AND MARKETING Chief Executive	PROPERTY MANAGEMENT Chief Executive	POSTAL OPERATIONS AND LOGISTICS Chief Executive
COMMUNICATION Executive Director	ORGANISATION Executive Director	ACCOUNTING AND TAX Executive Director		SALES COORDINATION Executive Director	ADMINISTRATION Executive Director	LOGISTICS Executive Director
INTERNAL AUDIT Executive Director	ICT Executive Director	CONTROLLING Executive Director		DEVELOPMENT OF EGOVERNMENT PRODUCTS AND SERVICES Executive Director	OPERATIONS Executive Director	POSTAL NETWORK DEVELOPMENT AND OPERATION Executive Director
SECURITY Executive Director	HR MANAGEMENT Executive Director	LEGISLATION Executive Director		MARKETING Executive Director		MONEY SERVICES OPERATION Executive Director
DIRECTOR GENERAL'S OFFICE Executive Director	PURCHASING Executive Director	TREASURY AND FINANCING Executive Director		REGIONAL SALES Executive Director		LOGISTICS SUPPORT Executive Director
	PROJECT AND PROCESS MANAGEMENT Executive Director			CORPORATE SALES Executive Director		8 REGIONS Regional Executive Director
	BUILDING PROJECT DOCUMENTATION SUPPORT AND REPORTING Executive Director			ALLIANCE PARTNERS Executive Director		



3. 6. Regulatory framework of postal services

Czech legislation and postal license

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 Czech Post for a period from 1 January 2009 until 31 December 2012. The postal licence was granted on the condition that the operator provides the basic postal services set in the annex to Statement II of CTO’s decision No. 76 026/2008-608 of 5 December 2008. The decision also imposes the basic quality requirements on Czech Post as the licence holder.

This decision, published in the Postal Bulletin on 31 December 2008, endorses, inter alia, the duty to fulfil the obligations of the Czech Republic as a member of the Universal Postal Union in the position of a party to international postal agreements in the meaning of Acts of the Universal Postal Union; obligations of the Czech Republic as a member of the European Union, which apply to general service providers in the meaning of Directive 97/67/EC of the European Parliament and of the Council, on common rules for the development of the internal market of Community postal services and the improvement of the quality of service, as amended; obligations to provide basic services to the blind free of charge, and other obligations.

By its resolution No. 1565 of 7 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 of CZK 18.

Liberalisation of postal markets within the European Union

The Postal Services Directive of 1997 (97/67/EC) marked the completion of the first stage of postal service harmonisation within the EU. The subsequent regulations led to further opening of postal markets to the competition. The Company currently operates within the liberalised environment with the exception of mail containing documents that weigh no more than 50 g and cost a maximum of CZK 18.

In 2007, the European Commission and Council Directive No. 97/67/EC was amended. The amended directive sets the deadlines for full liberalisation of the European postal market. The original deadline was extended by two years. Some EU member countries may extend it by a further two years. The primary reason for this extension was the concerns of member states about adequate provision of general postal services. Under this Directive, the Company will lose its limited monopoly over letter mail weighing up to 50 g by 2013.

The present Directive 2008/6/EC of 20 February 2008 amends Directive No. 97/67/EC with regard to the full accomplishment of the internal market of Community postal services.

The Company has been actively involved in the process of amending the Postal Services Act No. 29/2000 Coll., which is being prepared by the Ministry of Trade and Industry in connection with full liberalisation of the Czech postal market in 2013. The involvement includes membership in committees working on a draft of the amendment to be presented for consideration to the relevant ministries.

3. 7. Subsequent events

Ing. Jana Vošická was appointed as the person in charge of the Finance and Legislation division as at 1 January 2011. She replaced Ing. Pavel Janda who resigned as at 31 December 2010.

As at 28 February 2011, Ing. Marcela Hrdá was removed from the position of Director General. Subject to the State-Owned Enterprise Act No. 77/1997 Coll., an appointed deputy director general, with priority given by the date of registration in the Commercial Register, fully replaces the director general in the absence of the latter. Ing. Petr Zatloukal and Ing. Vladimír Měkota were appointed as first deputy director general and second deputy director general, respectively.

As at 31 March 2011, Mgr. Filip Bouček resigned from the position of Chief Executive for Property Management. Bc. Andrea Vítková was charged with managing the division.

As at 31 March 2011, Ing. Vladimír Měkota resigned from the position of Chief Executive for Corporate Services and Human Resources.

As at 25 May 2011, Ing. Petr Zatloukal was appointed as Director General of Česká pošta, s.p.

No other material events occurred between the balance sheet date and the date of preparation of the consolidated financial statements, which would affect the assets, liabilities and profit reported for the accounting period 2010.

WE BELONG TO THE TOP STAMP
DESIGNERS WORLDWIDE



TITIAN'S YOUNG WOMAN AT HER TOILET:
THE FIRST PRINTING FROM FLAT PLATES IN FIVE COLOURS
WITH A UNIQUE SE-TENANT



A BREAKTHROUGH WORK: ENGRAVED
VERSION OF PICASSO'S GUERNICA



MOST BEAUTIFUL STAMPS
IN THE WORLD

4. ACTIVITY REPORT

4.1. Economic position of the Company in 2010

Throughout 2010, despite the downward trend in revenues from the traditional postal operations (mainly letters and money orders), the Company successfully maintained an upward trend in its operating revenues: the operating income grew year-on-year by CZK 250 million to CZK 20,530 million. The reason behind this growth were the expanding eGovernment services administered by the Company, such as the Data Mailbox Information System, communication infrastructure of the Ministry of the Interior, and the Czech POINT network.

The changes in the income structure were reflected in the accompanying change in the structure of costs, i.e. significant growth in the volume of contracted external services related to the expansion of eGovernment services and a reduction in staff numbers and costs as well as other austerity measures due to the downward trend in mail volumes.

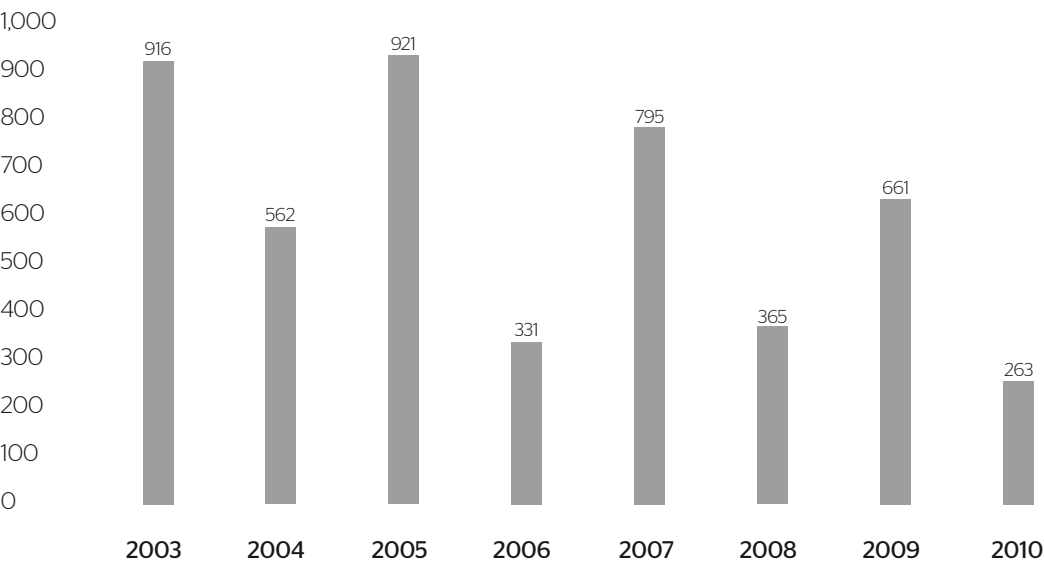
In 2010, the Company generated profits equal to CZK 263 million before or CZK 214 million after taxation. These resources are the equity for future expenditures towards upgrading the Company's logistics network and network of branches and ICT infrastructure.

4.1.1. Trends in key economic indicators

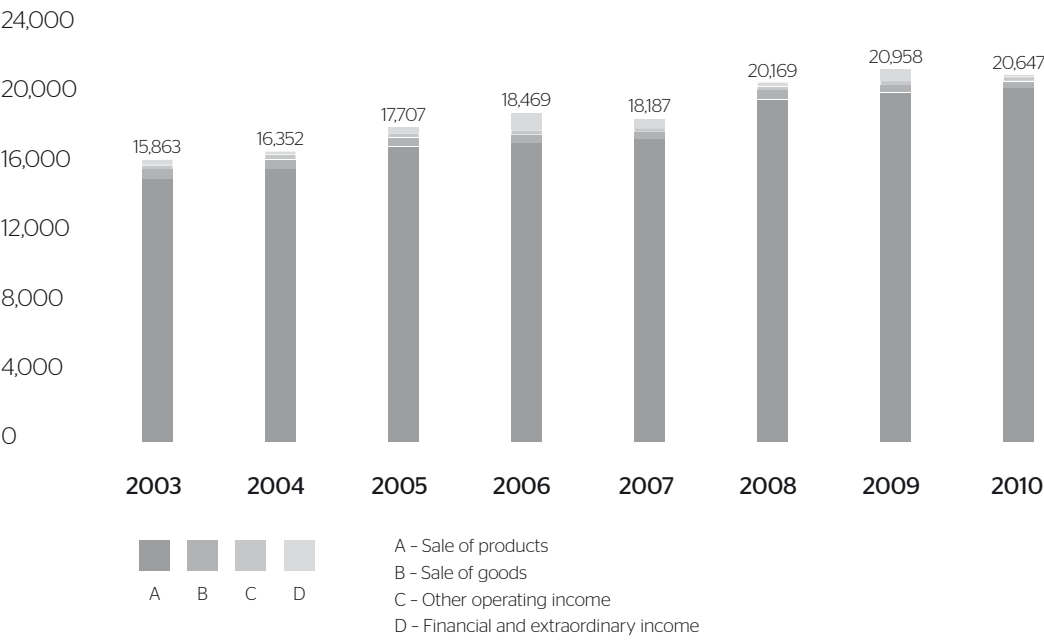
FINANCIAL AND OPERATING INDICATORS

	2010	2009	2008	2007	2006
Assets (in CZK million)	21,308	22,726	22,442	22,388	22,412
Equity (in CZK million)	10,010	9,979	9,630	9,684	9,173
Operating income (in CZK million)	20,530	20,280	19,970	17,646	17,529
Out of which: Income from sale of own products and services (in CZK million)	19,942	19,627	19,254	16,947	16,758
Profit before tax (in CZK million)	263	661	365	795	331
Net profit (in CZK million)	214	554	293	653	248
Employees – full-time equivalent	34,374	34,948	36,332	37,008	37,415
Average monthly salary (in CZK)	21,353	21,500	20,565	17,452	16,584
Profit before tax / Income from sale of own products and services	1.32%	3.37%	1.90%	4.69%	1.98%
Profit before tax / Assets	1.23%	2.91%	1.63%	3.55%	1.48%
Profit before tax / Employees – full-time equivalent (in CZK)	7,655	18,923	10,058	21,469	8,851

PROFIT BEFORE TAX (in CZK million)

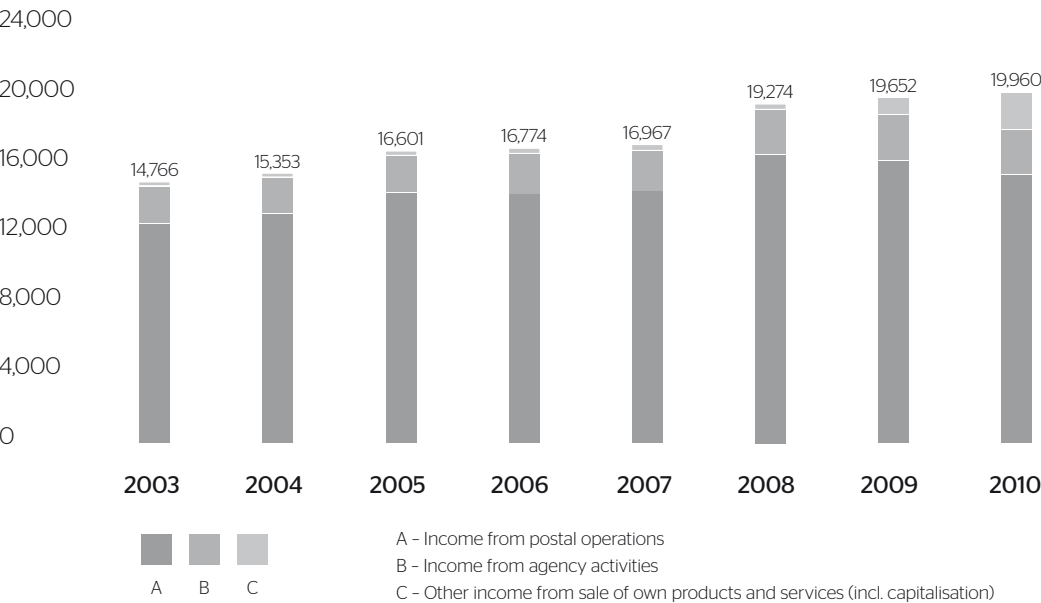


TOTAL INCOME (in CZK million)

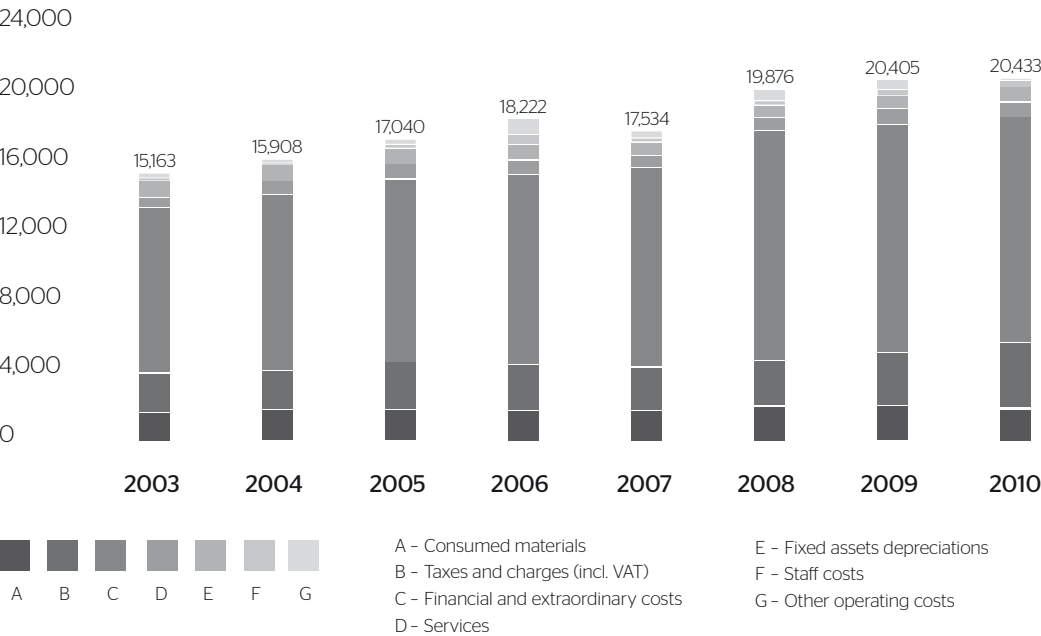




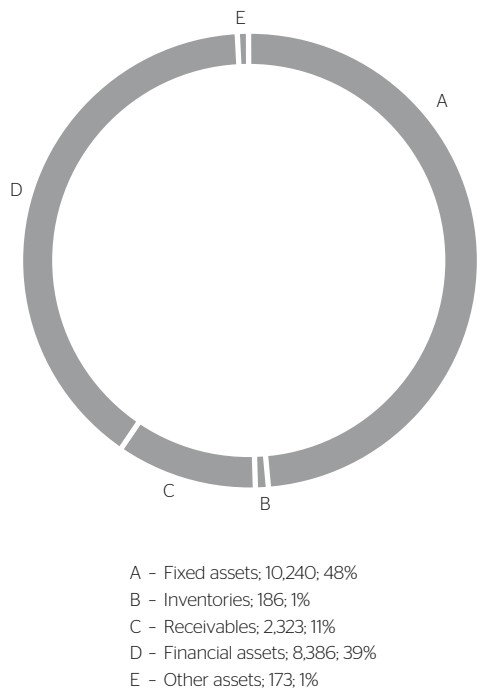
OPERATING INCOME (in CZK million)



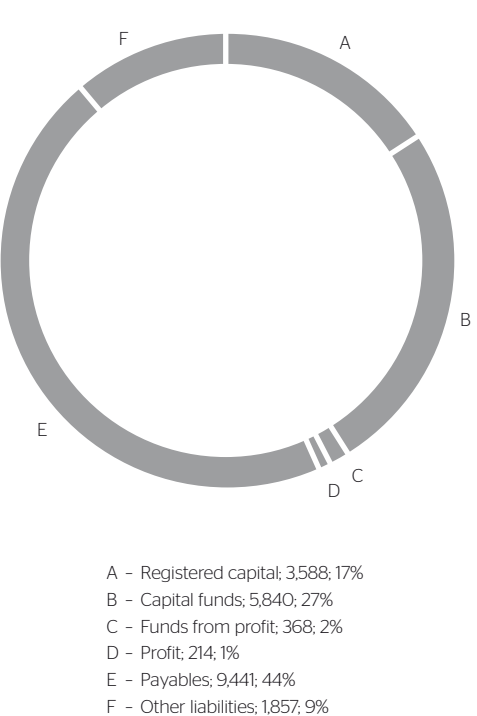
TOTAL COSTS (in CZK million)



STRUCTURE OF ASSETS IN 2010
(in CZK million)



STRUCTURE OF LIABILITIES AND EQUITY
IN 2010 (in CZK million)



4. 1. 2. Investments and technical development

Changes to Czech Post's logistics network and network of offices

Throughout 2010, the Company continued its comprehensive restructuring project of its network of offices and logistics network. The offices in Czech Post's network were divided into categories offering different portfolios of services based on customer criteria. Offices in low-ranking areas cooperate with car service units to provide basic services (posting mail, delivering notified mail). These offices operate under the trade name "Výdejní místo" (Service Point). Business points operated under the trade name "Partner" (Partner) provide a wider scope of services. Both kinds of offices are operated under a contract of mandate, with the Company bearing the liability and costs. Services are provided for a fee based on the number of hours spent and frequency of transactions executed by the office. The service technology, system of control and audits are an integral part of the internal corporate processes.



Postal network

As at the end of 2010, one service point served 3,083 persons (compared to 3,104 in 2009). The number of people served by one mail box increased in comparison with 2009, rising from 452 to 467.

POSTAL TERMINALS IN 2010:

Total organisational units	3,385	(incl. Partners and Service Points)
Out of which Post offices	3,322	
Specialised offices	24	
Postal agencies	15	
Partners	1	
Service points	38	
Remote counters	16	
Mobile post offices	0	
Mail boxes	22,560	
P.O. boxes (occupied)	42,695	
Delivery areas (letter mail) total	10,154	
Out of which Delivery areas with car service	2,928	

In 2010, 52 business points (14 Depots and 38 Service Points) were set up and 21 post offices were closed.

Projects developed throughout 2010 in the area of the logistics network included completion of the first stage of renovation of the hub in Praha-Malešice (new generation of letter sorting machines) and beginning of the next stage (implementation of new reading task enabling the machines to read all address details with the exception of the addressee's name and transition to letter mail sorting at a deeper level). The system was installed with respect to future developments, optimisation of the required space, and high-efficiency performance (42,000 sorted items per hour).

The project of modernisation of the hub in Plzeň started in 2010, which is to end in March 2011, consists of an upgrade of the parcel sorting machine and should allow continuous transfer of parcels to the entry point, improved output and sorting of parcels at a deeper level (right down to the level of delivery areas) at the newly established depot in the premises of the hub.

Modernisation within the logistics network runs in several stages, some of which (purchase of GPS and evaluating SW for cars used by the Czech Post; preparation of project documentation for reconstruction of existing or construction of new hubs in Pardubice, Prague, Ostrava; deliveries of parcel sorting technology) are already under way and others are in the stage of preparation. The aim is to reduce, as much as possible, the number of operational limitations due to the projects.

The Company continued replacing its vehicle fleet and purchased 179 vehicles worth CZK 36.315 million in the M1 category, 79 vehicles worth CZK 18.907 million in the N1 category, 9 vehicles worth CZK 8.607 million in the N2 category, and 26 vehicles worth CZK 35.890 million in the N3 category. A pilot project testing CNG vehicles suggested that the Company could save some 25 percent on fuel costs. However, these vehicles have not been purchased yet.

Development of professional services

In 2010, the Company's profile in the area of the development of professional services was that of a provider of complete ICT services. Throughout the year, it was actively involved in the preparation for the national census of population and dwellings in 2011.

Renewal of ICT infrastructure

Throughout 2010, the amounts of money invested by the Company in updated equipment for post offices and in updating the data network was CZK 98 million and CZK 33.5 million, respectively. In connection with the project on consolidating and updating the data centre, the Company created a basis for a new consolidated and optimised computing environment. A new data centre was built and equipped with state-of-the-art infrastructure. This new computing environment provides computing performance for the Company's strategic projects, such as the national census, and serves as a necessary background for further expansion of existing applications and the implementation of new applications in terms of space and energy. The amount of money invested by the Company into the new computing environment in 2010 was CZK 207 million.

ICT and customer orientation

In 2010, the Company launched further ITSM activities with the aim of obtaining an ISO 20000 certificate by the end of 2011. The main project within this area has been the construction of a single point of contact (SPOC) to handle the request and issues of both internal and external users of the Company's services, which included last year's implementation of a SW tool to support these processes. A uniform platform of office SW was installed on the side of end users (clerks) and different versions of operational systems used at different work stations were consolidated. The Company started using graphic environment at many of its operation points, which considerably improved user comfort.

WE ARE MAPPING THE KEY EVENTS
AT EACH TIME



WE ARE SUPPORTING OUR CHAMPIONS



WE ARE RECORDING THE HISTORY

Quality and security of ICT

In keeping with the aim of providing professional services, great emphasis is placed on the quality and security of the services provided, with a clearly defined policy of customer orientation, a process-based approach, process efficiency measurement and continuous improvement. This policy is fulfilled by way of service certification in accordance with ISO 9001 (Quality Management System) and in accordance with ISO/IEC 27001 (Information Security Management System). In 2010, the Company upheld certification in accordance with the above-mentioned standards, through supervisory and recertification audits, for PostSignum certification authority services, Time Stamp authority services, ICT system management and administration services.

4.2. Sales Activities

In 2010, the Company further optimised its customer services in the area of sales management. A sales management team of key account managers for corporate clients was set up at the central level, separately from regional sales teams (providing care to both corporate and retail customers).

The central sales team manages not only VIP but also key public administration segments. This change created the preconditions necessary for an individual approach to these customers and for a more flexible response to their specific requirements. Given the intention of the Company to become a strategic partner to the government in many areas, this was a rational step.

A methodology for sales activities, published as at 1 July 2010, provided for methods to standardise most sales processes and set clear definitions of competences and liabilities as well as so-called minimum sales performance for each sales team member.

4.2.1. Customers

In 2010, the VIP customer segment was still feeling the effects of the bad global economic situation, which was characterised by businesses trying to cut costs (greater emphasis on replacing paper communication by electronic means, such as electronic statements, invoices) and by their customers showing less willingness to order goods. The segment mostly affected by this trend was mail order businesses (already marked by the closure of Quelle). On the other hand, the volume of online shopping largely expanded. The Company used a good sales policy to strengthen its position on the market of distribution of goods purchased online - the strong Czech currency boosted volumes of shopping online at foreign websites.

The Company expanded its portfolio of high-quality standard services provided to corporate customers by afternoon delivery of Commercial Parcels, provided in the last quarter of 2010 under a pilot project. Together with the strongly pro-active acquisition policy of the Company, the pilot turned the stagnating trend in volumes of mail posted in the first half of the year into marked growth.

The Company further pursued its intention of providing its customers with more than mere final delivery of mail. It wants to help them enjoy its further services, such as mail production, evaluation of campaigns, etc.

Retail customers were able to appreciate further improvement in services available at post offices. Throughout the year, the existing offer of standard postal services was extended to also cover additional and non-postal services. Once at a post office, customers cannot only post letters to authorities but also get a legalised copy of the documents they need. Thus the customer not only has access to more complete services, but also saves time.





4.3. Services and operations

STRUCTURE OF THE SERVICES PROVIDED

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



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

NON-OBLIGATORY SERVICES			
AT POST OFFICE	OTHER	AGENCY	ON DELIVERY
DOMESTIC	SALES	EXPRESS FINANCIAL SERVICES	
Commercial parcel	POSTFAX	SIPO	
EMS	RIPM	BETTING AND LOTTERIES	
Mail order parcel	Press mail	HIGHWAY STICKERS	
Commercial letter	PHILATELY	DUTY STAMPS	
OUTBOUND	LOTTERY	TELECOMMUNICATION SERVICES	
EMS	POSTSERVIS	BANKING SERVICES	
Express commercial parcel	ELECTRONIC SERV.	SUPPLEMENTARY PENSION INSURANCE SCHEMES	
ADDITIONAL	Certification authority	BUILDING SAVING SCHEMES	
	REP	INSURANCE SCHEMES	
	Hybrid mail	OTHERS	
	Central address		
	Czech POINT		
	OTHERS		



Prodloužit odběrní lhůtu
na 15 dnů

4. 3. 1. Traditional postal services

Letters

In 2010, the general anticipation of a downward trend in volumes of traditional letter mail, predicted to decrease in the categories of Ordinary Letters and Registered Mail to 97% and 82% of the figures in 2009, respectively, was delivered in the case of the former but not the latter of the two categories: the volume of ordinary mail decreased to 95%, while the registered mail volume registered a drop to only 88%. This was likely due to a slower rate of increase in the number of data mailbox users than expected.

A slight decline by less than two percent was also predicted for Insured Letters. The actual volume equalled this expectation, which was projected in the business plan.

The expected substantial growth in the volume of Registered Packets was achieved, with the actual figure of 78% even exceeding the planned 60% increase.

The business plan for 2010 included slight growth in so-called non-obligatory postal services (Commercial Letter) and other services (Press Mail and RIPM or Distribution of Information and Promotional Materials) due to the anticipated easing of the economic recession of the year before. While the actual volume of Commercial Letters matched the plan, the actuals in the Press Mail category did not reach the expectation but ended less than six % below the plan. On the other hand, the RIPM category ended one % above the seven % increase predicted for the period of 2010.

Price changes

Throughout 2010, the Company introduced more marked changes in the price of some of its services than in 2009. The price changes were discussed and approved by the regulatory authorities (Finance Ministry and the CTO). The major changes included an increase in the price of the additional services Return Receipt and Reply Mail, cancellation of the price- and weight-based category 50g Non-Standard, and zone-based reclassification of prices for rented P.O. Boxes together with an increase in the rental prices. A strong emphasis was also put on regular contracts for non-cash payment for posted mail, with the aim of cutting the administrative burden on the Company and making posting easier for customers. Other adjustments affected framework contracts with customers, where the price-setting parameter was changed from calendar to standard year to ensure customer retention.

Cancellations and revision of services

In 2010, the little-used telegram service was closed down and replaced by the alternative Postfax service and electronic services, such as LetterOnline, thus cutting the burden on the Company.

Throughout the year, the Company agreed with the CTO on a revision of the document containing basic quality requirements. The resulting reduction in so-called obligatory information materials helped the Company cut administrative and production costs in relation to materials and information distributed among the public in order to maintain the quality of required information service.

New services and products in the letter and direct mail segments

The Company launched a PPF Media project with PPF setting the logistics and delivery services necessary for daily newspaper and magazine delivery in agreed districts and for potential nationwide delivery. Although PPF left the project in September 2010, the Company used the experience gained in this project and returned to the newspaper and magazine distribution market under the following joint project with the publishers Vltava-Labe-Press.

Simpler administration on the side of both the customer and Czech Post on posting of registered mail was the aim of introducing barcodes for this segment, with the first two stages of the project finalised in 2010. The service quality was further improved by the possibility of posting (the Posting Online scheme) and track (T&T) items online. Preparations for the third and fourth stages were also underway in 2010, with the aim of starting these improvements on a nationwide basis in 2011. Barcoding of registered mail helps the Company save hundreds of millions of crowns a year.

In 2010, the Company tested concepts of so-called new services on delivery, aimed at improving the comfort of mail recipients. Based on the results of these tests, the Company chose new additional services to be introduced to customers throughout 2011. These services include e-mail and SMS alerts on the arrival of mail deposited in P. O. Boxes, the possibility to use holiday (temporary) P. O. Box, verification of the content of posted documents by recipients (the recipient signs the documents on delivery, and the signed documents are returned back to the sender).

Parcel mail

While Insured Parcel registered a more than 16% year-on-year decrease in posted volumes, the actual figure was only 11% lower than planned by.

Commercial Parcel followed the upward market trend and grew by 10% to fully meet the predicted values. EMS (Express Mail Service) also registered a slight decrease in posted volumes, at two % against the plan, although the number of posted EMS parcels did not change year-on-year.



International parcels and international EMS products ended the year at virtually the same levels as 2009.

Throughout 2010, the Company started several projects aimed at maintaining and improving its market share in domestic parcel segment. The goals included improving the quality of the already existing services and expanding the product portfolio with new ones.

Afternoon Delivery was the main service contributing to the year-on-year improvement in quality of domestic parcel delivery services. Private customers at locations so served can use this scheme to ask for delivery of their parcel in the afternoon or early evening hours (up to 7 p.m. or 9 p.m.). The successful scheme was introduced in response to a marketing polling event, which clearly identified customer interest in parcel delivery in the early evening hours. At the end of the year, the scheme was available at more than 72 locations, with a successful delivery rate growing to nearly 90 percent.

E-mail or SMS alerts was another service launched together with Afternoon Delivery. The delivery post office sends an e-mail or SMS message to the addressee with advance information about the time of delivery.

New products started in 2010 included trial delivery of mail weighing between 30 and 1,000 kg. Another pilot program tests express mail transportation with same-day delivery between Prague and regional capitals (both ways included). A commercial presentation of these products together with a new presentation of older services is planned for the second quarter of 2011.

The Company wants to maintain and increase its market share in the segment of traditional postal services. It had therefore directed its investments mainly into development of additional electronic services available on the posting, tracking and delivery of mail, such as acceptance of data and posting details in electronic formats, providing information and details necessary to track mail, and, last but not least, intensive work on the introduction of an electronic system alerting the addressee on the arrival of their mail. The Company further boosts the efficiency of processing these products by the ongoing optimisation of the logistics network and updating the sorting facilities.

Postal money services

Postal money services (i.e. payment system of Czech Post) are an integral and essential part of its obligatory postal services. Domestic money services is the key segment in this area, which also significantly contributes to the Company's main income. The money services system also includes digitisation centres whose priority task is conversion of money orders into digital form ready for further automated processing in the next stages of the payment system. These centres (RZPS in Prague and Ostrava) also offer services, such as large-scale digitisation, data utilisation and verification, to external customers. Activities relating to these centres throughout 2010 included HW updates, certification of the RZPS centre in Ostrava according to the norms and standards of ISO 9001 and ISO 27 001, and preparation to relocate the RZPS centre in Prague to the premises of the Praha-Malešice logistics hub. The relocation, which is to be finalised in 2011, is to be followed by an ISO certification process.

SIPO

Preparation works on the revision of conditions of the SIPO scheme (multiple direct debit payments via the Company's payment system), which started in 2010, are to achieve compliance of this scheme with the harmonised Czech legislation (Act No. 284/2009 Coll., on payment systems, as amended) transforming EU directives on payment systems into the Czech environment. The legislation requires that the Company make an obligatory and rather extensive revision of the internal processes relating to the SIPO task, followed by changes in the accompanying contracts. The bulk of the revision works is to be carried out in 2011 to 2012.

Postshop

The Company uses its nationwide network of offices to sell goods primarily connected with its traditional postal services. Traditional goods include both so-called basic range (envelopes, postcards, forms, packages and packing materials) and additional range, such as stationeries, periodicals, telephone cards, chargeable coupons, highway stickers, first-aid kits, philatelic products, books and DVDs). The Company intends to use its logistics and delivery potential to serve its own e-Shop. Apart from the above-mentioned goods, the electronic version would also offer a broad portfolio of categories of products containing attractive highlights for online shoppers.

4. 3. 2. Electronic services

Massive development in the area of ICT combined with gradually oncoming electronic delivery services will mean a considerable reduction in the Company's income from its traditional letter mail business. Modern electronic services are therefore seen as a new business, capable of compensating for this reduction. The Company has all the key competences as well as knowhow for this area. Throughout 2010, the portfolio of electronic services underwent further major expansion and development.

Certification authorities - PostSignum

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

In 2010, a total of 36,710 commercial certificates were issued, i.e. nearly 30% more than the number issued in 2009. A total of 147,849 qualified certificates were issued, which represents 31.6% growth compared with the previous year. The sales network providing certification authority services was further expanded in 2010, to a total of 950 sales points.

The Company increased its market share of the market of qualified certificates, up to 64.9% in 2010, thus maintaining its leading position on the Czech certification services market.

WE SEE THE CONTINUITY OF LIFE

WE ARE NOT INDIFFERENT



WE ARE GLOBAL



WE ARE SUPPORTING THE CZECH BRAND





Time Stamp

In 2010, the Company ran its Time Stamp scheme as part of its strategy of being a provider of full certification services. This service links electronic data to a particular moment in time and serves as a trustworthy guarantee that that electronic data truly existed at that particular time. Thus the time stamp, which “stamps” the electronic document at a particular time, is appropriate for use in conjunction with an electronic signature. In 2010, an average of four million time stamps were issued every month.

Central Address (CADR) and Official Site of Public Contracts (IS VZ)

The two electronic schemes, Central Address (CADR) and Official Site of Public Contracts - Publishing Subsystem (IS VZ US), are part of the spectrum of eGovernment services provided by the Company under governmental Decree No. 168/2000 Coll., on central address, and license No. 90560-039.06/15804/2006-42 (CES code 3727) for web mastering the IS VZ US publishing subsystem (subject to the Collection of Laws No. 130/2007 Notice by the Ministry for Regional Development of the Czech Republic of 28 May 2007 concerning the appointment of a webmaster of the Official Site of Public Contracts – Publishing Subsystem made in accordance with Act No. 137/2006 Coll., on public contracts).

In 2010, the modules run within the Central Address (CADR) information system were as follows: public auctions (information published under the Act No. 26/2000 Coll., as amended), other bids (information about transfers and sale of state-owned property), other public contracts (OVZ module), and electronic bulletin board for municipalities (EVO module). Modules used for publishing information about under-limit contracts and small-scale public contracts were revised in 2010. The EVO module used as an electronic bulletin board for information about municipal contracts also provides access to other options, such as processing and publishing information of community or municipal importance, defined by Czech legislation, in a space defined by the user. This part is mainly intended for communities that are not able, for various reasons, to run this agenda on an independent basis. Both modules – OVZ and EVO – are linked together, allowing the user to display the corresponding information in both modules at the same time.

The information system Official Site of Public Contracts – Publishing Subsystem (IS VZ US) is the main part of the entire CADR – IS VZ system in terms of both the volume and content of processed data. In 2010, both systems (CADR and IS VZ) were recertified for compliance with the norms and standards of ISO 9001 and ISO 27 001. The granted recertification marked the beginning of preparation for the re-licensing process on the part of the Company that has to apply for a renewed license in 2011. Should the license be renewed, the Company plans to extend the segment by further services (electronic marketplace and eProcurement).

The high-quality and problem-free administration of both information systems (CADR and IS VZ) rank the Company among the major local webmasters of information systems. It also contributed to the level of transparency and evidentiary force of how public contracts, public auctions and transfers of state-owned property are administred.

eSIPO

eSIPO for Businesses is an online version of the traditional SIPO scheme, developed by the Company as a modern information tool enabling the business user to get an online overview of monetary withdrawals from customers and to input new direct debits online through an electronic interface on the Company's website.

After a stabilisation process, accomplished in 2010, this website application is ready for full operation. The aim is to create better access and comfort for businesses using this service by implementing new functions required by the users and by further simplifying the entire system.

Posting Online

Throughout 2010, the Posting Online scheme was further extended to cover new products, such as multiple or bulky mail. Further services newly available with Posting Online include input of data necessary for outpayment B money orders, viewing the status of mail, and data export to senders.

The service performance was regularly assessed and work has been underway to improve the user comfort and robustness of the environment in which the scheme is provided.

4. 3. 3. eGovernment services

The Company is a strong partner of the state in respect of developing eGovernment services as part of electronic communication between members of the public and public administration. In 2010, the Company further increased the number of offices providing Czech POINT services. Throughout the year, the Company worked together with the Ministry of the Interior to develop further functions and increase comfort of users of the Data Mailbox Information System, based on the experiences to date with its administration. It has also paid a great attention to the mapping of new areas where the Company's services could be used for further development of eGovernment services.

Czech POINT

By the end of 2010, 955 offices of the Company were providing Czech POINT services. In doing so, they were highly efficient: the Company executed every other transaction while holding less than 15% of the overall number of all Czech POINT contact places.

Czech Post's customers could obtain certified information from a range of public administration information systems at Czech POINT offices. The stable biggest demand was for extracts from the Criminal Register, the Real Estate Register and the Commercial Register.

Czech POINT offices also accepted applications and notices concerning the Data Mailbox Information System (applications for mailbox set-up, etc.).

Apart from the classic services available at other Czech POINT offices, the Company also offered verification and legalisation of signatures and documents. These services have shown the most dynamic growth among services provided at Czech POINT offices.

Further services available at Czech POINT offices included the obtaining of qualified or commercial certificates, registration and extracts from the IZIP electronic health record system, and acceptance of orders for the Company's Data Safe service.

A total 1.707 million transactions were executed in 2010, nearly one million more than in the previous year. Czech POINT contact places executed 904,983 of these transactions. The other 802,109 transactions were verifications and legalisations.

Data Mailbox Information System

The primary ambition of the Data Mailbox Information System is to be a useful tool. In 2010, this was the reason for the largest modifications and improvements made since the system was launched.

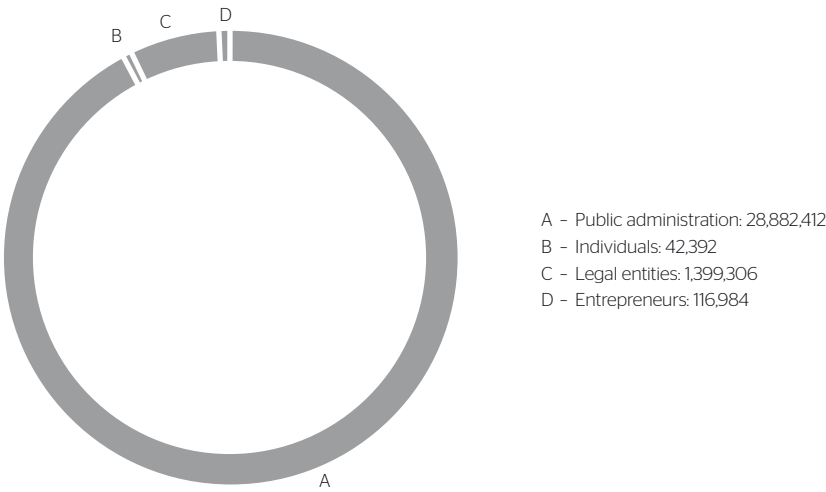
Many of these changes were initiated by the users, both on the side of public administration and that of legal entities, entrepreneurs and individuals.

The new, most significant functions of the system include passwords with time-unlimited validity, message previews, downloading attachments without the need of installation of the 602XML Filler application.

By the end of 2010, 405,942 data mailboxes had been set up and 30,441,094 messages had been sent.

Public administration bodies sent almost 29 million, and legal entities 1.4 million of the messages out of the overall volume of messages. The rest was sent by entrepreneurs or individuals.

VOLUMES OF DATA MESSAGES BY SENDERS



Postal Data Message

Since 1 January 2010, the Data Mailbox Information System can also be used by legal entities and individuals for the purposes of commercial communication (e-mailing invoices and similar notices to pay). This new way of secured electronic commercial communication, fully available since 1 July 2010, enables users to exchange all types of data messages with any other users, without limitation to the content of messages. E-mails sent as Postal Data Message are a modern alternative to traditional postal services, with delivery having legal effects comparable to those of delivery of registered mail with return receipt. Postal Data Message suits any situation where the communicating parties need guaranteed and provable delivery of documents. By the end of 2010, nearly ten thousand data mailbox users have enabled receipt of e-mails under the Postal Data Message scheme.

Additional data mailbox services

Data mailbox users can use several additional services for increased security and ease of use when working with data messages.

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

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

Data mailboxes are not archives: all data messages are automatically deleted after 90 days. Users needing to archive data messages may use the Data Safe service. Data safe is secure and guaranteed data storage for archiving incoming and outgoing messages more than 90 days old. The messages are automatically moved from the data mailbox to the data safe without the user needing to do anything.

4. 3. 4 Communication services

In 2010, the Company continued to provide services as webmaster of the communication infrastructures of the Ministry of the Interior of the Czech Republic and the Czech Police. Within the framework of a shared services centre, which is a key element of the entire communication infrastructure of the public administration system, it provides professional communication services, in particular services for the exchange of data and services between individual public information systems, a single point of access to the Internet and specific non-public networks, such as the EU network. In 2010, these services were provided to 52 bodies in the state and public administration system.

4. 3. 5. Information on the range of services, access to online services

Simplified access to electronic services for registered customers

The Company wants to constantly improve the quality of products it offers to its customers. With this in mind, it has been coming out with electronic versions of classic letter and parcel services as well as new, purely electronic services. Within the concept of a new website, the Company developed a client zone application providing registered customers with direct access to these services. The zone includes a range of useful functions and settings, which have been regularly improved and extended to enable the user to deal with most issues online without the need of visiting an office in person. Customers can already use the electronic registration and online deactivation services for some products, and work has been underway to improve the registration data editing process, handling of electronic complaints, communication and single-sign-on access allowing the user to immediately use all electronic services.

Marketing communication

The year 2010 was quite unique in terms of services-related communication. The Company launched a massive marketing campaign to promote its new self-adhesive stamps identified with a letter and the series of stamps featuring characters from the popular Čtyřlístek comics attracted an unprecedented amount of interest across all age categories of the Czech population, although it is a philatelic rather than postal product.

Equal emphasis was put on communicating services, such as Czech POINT, Data Mailbox Information System, additional data mailbox services, provided on the platform of a unique partnership with the state administration.

Apart from using traditional communication channels, such as media advertising, the Company was also actively involved in professional conferences and workshops. Microsites, or independent websites with new, attractive and fresh-looking designs dedicated to selected products (e.g. stamps identified with a letter at www.pismenoveznamky.cz, Postal Data Message at www.postovnidatovazprava.cz) were set up to better communicate novel products and their benefits.

The Company offers complete information about all services including prices on its website at www.ceska-posta.cz and via its information system panels and brochures with a catalogue of services, which are available at any post office.



Following the introduction of a new visual style in 2009, the Company started changing the face of its offices. The post office in Dolní Břežany, open in October 2010, was the first real product of cooperation between an architect and the Company's marketing team. The cost-efficient design is based on modules of furniture and equipment, which can be used in all newly opened post offices. This solution enabled the Company to direct a part of the cost saved on equipment to customers, such as children's corners, benches and desks where customers may fill out documents. The new design combined with the functionality of individual elements in the new type of offices resulted into an environment that is friendly to both customers and staff.

Website

Czech Post's website ranked first in the WebTop100 competition for best company website in 2010. It also defended its victory on the Transport professional ladder. The WebTop100 competition, which was already in its ninth year, invites companies active in the Czech Republic to compete not only between each other but also across the entire Internet. The board of professional judges compared 211 company websites in terms of their usability, graphic design, technical solution, marketing approach and most of all, their overall benefit for users.

Call centre

Operators at the toll-free information line 800 104 410 provide callers with prompt information about basic postal services. Answers to other queries, especially those concerning electronic services, can be obtained at the customer line 840 111 244. Operators at the toll-free sales line 800 300 302 accept orders of magazines distributed by the Company.

Customers who prefer communication by e-mail can use either of the two central mailboxes. Applications for delivery of mail or assistance for immobile customers in connection with any post office can be submitted via the eFiling service on the Company's website.

All customers are free to make full use of information about postal and other services available in printed form and displayed on information panels installed at all post offices connected to the Company's Uniform Information System. Furthermore, customers can visit any post office to get a regularly updated summary of services, products and prices; its annual version is also distributed to all households. Pamphlets distributed to households as appropriate provide current information about special events and additional products and services.

4. 4. Quality of service

In 2010, the Company was supposed to provide its services at least at a level of quality stipulated by the regulator's requirements set by the CTO. The quality parameter for mail delivery was fulfilled in 2010 in respect of all the criteria monitored.

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 2010.

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	8,124	94.46	99.46
Outside the region	22,645	92.74	99.32
Total	30,769	93.19	99.35

Complaints

Complaints regarding the delivery of mail

In 2010, there were 117 complaints filed concerning delivery (including those concerning failure to deliver confirmation) per 1 million posted mail items and money orders handled within the basic postal services, of which only 74 complaints were considered justified.

Complaints regarding the damage or partial loss of mail

As regards complaints about damaged or partially lost mail, the Company recorded 58 claims per 1 million posted items, of which 44 complaints were considered justified.

COMPLAINTS REGARDING THE DELIVERY OF MAIL OR MONEY ORDERS PER 1 MILLION MAIL ITEMS/MONEY ORDERS

Total number of complaints	117
out of which: Justified complaints	74

COMPLAINTS REGARDING THE DAMAGE OR PARTIAL LOSS OF MAIL PER 1 MILLION ITEMS

Total number of complaints	58
out of which: Justified complaints	44

4. 5. Services on behalf of Alliance Partners

The key alliance partners of the Company are the postal savings company Poštovní spořitelna (a division of ČSOB, a.s.) with a broad range of banking services, Česká pojišťovna, a.s. with a portfolio of insurance products, Českomoravská stavební spořitelna, a.s. with a portfolio of building savings schemes, and two supplementary pension insurance schemes (ČSOB Penzijní fond Stabilita, a.s. and Penzijní fond České pojišťovny, a.s.). In the second half of 2010, the Company entered into intensive negotiations with these partners with the aim of increasing the overall benefits for the Company. By the end of 2010, these negotiations were successfully finalised in part, leaving the negotiations open on the side of ČSOB, a.s. as at 31 December 2010.

The range of services is made complete by appropriate services provided on behalf of other alliance partners, such as Western Union (PES, s.r.o.) with an offer of money transfers, Home Credit, a.s. with a portfolio of credit products, and Pražská plynárenská, a.s. with customer services provided on behalf of this Prague-based gas company.

Obtaining any of the above-mentioned range of additional services provided by the Company on behalf of its alliance partners, which includes a broad portfolio of banking to insurance products, is a while-you-wait service available at one spot. In 2010, the Company focused on increasing the ease of use of its services by introducing online products and sales applications, which enable the customer to get concrete information they need, and by increasing sales skills of post-office clerks.

4. 6. International operations and relations

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 Company is delegated by the Czech Republic to meet operational obligations ensuing from this membership. As a public postal operator, the Company must maintain and develop postal traffic interconnecting all 190 UPU member states.

In 2010, the Company paid a great deal of attention to implementing the amended version of the UPU Acts adopted at the UPU Congress in Geneva. Members of the Company were actively involved in a number of work meetings of the association of European Public Postal Operators (PostEurop) in the area of postal market liberalisation, application of VAT to postal services, customs services and air traffic security.

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

Successes in international operations

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

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

Time limit*	Target	Actual 2010 inbound	Actual 2010 outbound
D+3	85% of mail	92.7	91.0
D+5	97% of mail	98.0	97.6

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

As the above table shows, Czech Post was successful in fulfilling these requirements in 2010. 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.

4. 7. Security

Money services provided by the Company within the range of postal services carry a higher degree of risk. The diversity of these services cannot be compared with those provided by any other financial institution. With this in mind, Security's key mission is to fulfil the basic security requirements necessary for the fluid operation of these services and protection of the Company's employees and customers.

Innovations in security at offices

In 2010, the smallest post offices accounted for 93 percent of all assaults at the Company's premises. Innovations in security at these offices included the installation of emergency buttons, connected to a central security desk of the Company, under an "Emergency in Data Network" project, and the installation of time-lock cash registers, which combine many security elements, at all newly opened and refurbished offices. These projects markedly increased employee security in the working environment)

Nationwide CLR coverage

In 2010, nationwide CLR coverage was completed, which resulted into a smaller number of lost transported items. The system of centrally locked routes, whose principle rests in locking letter and parcel post van cargo areas and installing security boxes so as to prevent the crew from having uncontrolled access to the mail, proved to be the right step towards improving the quality of services provided. Given the success of this system at post vans, Security intends to introduce a CLR system for railway transporters, still used by the Company.

Money laundering

Security was given the task of supervising the observation of the Act No. 253/2008 Coll., on certain measures against money laundering and financing of terrorism, as amended, within the conditions of the Company. The main activity in this context is registration of all suspected deals and their immediate reporting to Czech Ministry of Finances' Financial and Analytical section..

National census 2011

In 2010, Security cooperated with the Czech Statistical Office on a pilot census, testing a range of proposed security measures in order to obtain experience and use them in preparation of a real national census. Security considered the pilot to be the key project in the year.

Crisis planning

The main attention with regard to crisis planning issues was paid to a Crisis Preparedness Plan (CPP) update for the Company's headquarters and to preparation of Extracts from CPP for each region. These contain solutions to potential critical situations and Crisis Cards precision processes for individual offices.

Security improvements in other areas

The Security Policy department is responsible for wide-ranging activities connected to security improvement and compliance with security principles within the Company. The main activities include compliance with legal obligations in the area of personal data protection, methodological guidance for the risk management process, and a range of activities in the dynamically developing area of ICT security.

ICT security is required for all major projects in which the Company is involved, such as a Risk Analysis for the PostingOnline scheme or the national census 2011. The ICT Security department plays an important role in the area of security control over the Data Mailbox Information System and Central Point of Service projects.

Within the area of personal data protection, Security focused on elimination of cases of potential non-compliance with the Act No. 101/2000 Coll., on personal data protection, as amended, including signing or drafting of contracts for personal data processing. Concrete projects included SMS Alerts, Afternoon Delivery, Monitoring of Czech Post's Cars, etc.

Apart from the above-mentioned participation in projects and supervision over the Company's activities, Security also examined forms used by Human Resources from the viewpoint of personal data protection.

Risk management

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

The Company's risk management process in 2010 was managed methodologically by the Security Policy department. Apart from these activities, the Security Policy department secured and provided consultancy for all risk owners. A great deal of attention was paid to educating the risk owners who attended training sessions provided by risk managers.

The Security Policy Department monitored, on a quarterly basis, the manner, effectiveness and efficiency of risk management by the risk owners and the development of the level of each risk.

The Company's Book of Risks for 2010 reviews the Company's risks as at 31 December 2010. These cover all the Company's risks identified to date. In that document the risks are classified by significance, i.e. the level of risk expressed in CZK and the risk category. Within the risk management process, extraordinary attention is paid to significant risks, i.e. those risks that could potentially have a profoundly negative impact on the degree of the Company's success in achieving its priority goals and development trends. Newly identified risks in 2010 are accompanied by a data model enabling to make a relatively exact valuation of their significance in CZK.

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

4. 8. Internal audit

Internal Audit was established in compliance with the applicable international audit professional standards as a Company's department directly reporting to Director General as the Company's statutory body. This position in the organisational structure warrants the required and necessary independence of internal auditors from the audited organisational units and the activities of the Company. The objectivity of audit activities that are conducted is also guaranteed by strict compliance with all provisions of the Internal Audit Statutes and the Code of Ethics newly published in 2010 and binding on the Company's internal auditors.

In 2010, its activities focused primarily on fulfilling the planned internal activities, examined by the Management Board and approved by the Director General, which were based on the suggestions and requests of the Management Board as well as on the auditors' findings from their own auditing, advisory activities and identification of risk development. The plan also included so-called compulsory audits required to audit the harmonisation between the quality management system and the security management system used in respect of the security of information about the Company's services (certified according to ČSN EN ISO 9001:2009 and ČSN ISO/IEC 27001:2006). A total of 17 planned audits and two audits requested by the Management Board were carried out throughout the year.

The results of every audit were contained in the final audit report, submitted for examination to the Management Board. Each report contained adequate recommendations on how to remedy the defects found, i.e. recommendations in respect of improving the quality of the Company's administration and management, the internal management and control system and the risk management process. Each report is accompanied by a Corrective Measures Plan; the plan sets concrete tasks with time limits and the names of persons responsible for removing the defects found.



Apart from audit and monitoring services rendered to the Company's headquarters and Management Board, Internal Audit also provided consultancy and cooperation to the external auditor, mostly in the area of consultancy and information in respect of the results of the audit activities that were conducted. In relation to the reading of international standards, Internal Audit also performed other activities, such as assessments of the management and control systems, levels of risk control, evaluation and communication of the results of audit services, implementation of the Internal Audit Quality Assurance and Improvement Programme, professional education of auditors, etc.

Overall, the Internal Audit activities carried out throughout 2010, particularly its audits and monitoring events, strict analyses of the findings, formulation of the recommended corrective measures, identification and evaluation of risks established during audits and monitoring events, consultancy services rendered to the Management Board in various areas, chiefly contributed towards:

- Better efficiency of the management activity at individual levels of management,
- Stronger functions in linear and managerial control in the audited areas,
- Stabilisation of the control environment in the Company,
- A range of updated and improved audited processes and activities,
- Efficient management and gradual removal of concrete risks,
- Improved level and quality of the Company's services,
- Constant fulfilment of the quality and security requirements on certified services,
- Obtaining or maintaining relevant certificates,
- Cost-cutting in respect of compulsory audits and certain other activities,
- Further strengthening in the area potential damage or fraud prevention.

4. 9. Human resources

Employee structure

Throughout 2010, Human Resources implemented two projects on reducing the number of personnel with the aim of cost restructuring and cutting, improving the efficiency of activities and better labour productivity. These included the employer's amicable invitation to voluntarily leave jobs and cutting the number of administrative positions.

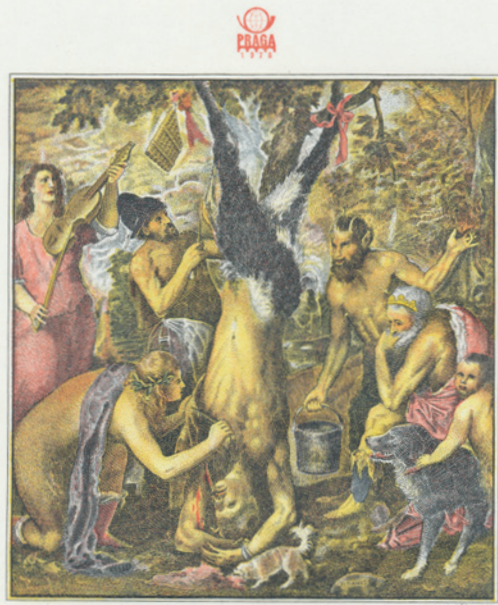
Within the first project, i.e. employer's invitation to voluntarily leave jobs, 230 employees left the Company between September and November 2010. 199 jobs were cancelled between October and December 2010 under the latter project, i.e. cutting the volume of administrative jobs by introducing a more rational organisational structure.

The full-time equivalent number of employees in 2010 was 34,374, i.e. 574 (1.6%) less than in 2009. Jobs were cut in all professional categories except the sales force. The greatest (11.5%) reduction occurred in so-called administrative jobs (managers with the exception of operational managers and specialists).

WE HAVE INTRODUCED BEAUTY INTO EVERYDAY
LIFE - THROUGH THE ART OF STAMP



SOME WERE DECLARED AS MOST
BEAUTIFUL - BUT ALL OF THEM
ARE SPLENDID



APOLLÓN TRESTÁ MARSYA (PO 1570)
TIZIANO VECELLI MEZI 1488/90-1576
ZÁMECKÁ OBRAZÁRNA V KROMĚŘÍŽI

Of the total number of employees, 34.27% were postmen; 29.76% post-office personnel (counter clerks, cashiers, internal service); 8.98% logistics personnel; 7.13% administrative personnel, and the remaining 19.86% accounted for other personnel.

Salary and social policy

The Company's salary policy in 2010 focused on creating a new system of remuneration. A pilot, spanning the entire year 2010, tested the idea of a system of remunerating employees according to their job performance. The system will be implemented starting 1 April 2011, with gradual introduction of an annual job performance assessment system during the year. The new remuneration system is intended to boost the motivation component of salary and relate it to concrete indicators of job performance. The new remuneration system and job performance assessment system have both been approved by the relevant trade unions.

In connection with the organisational and technical changes, the system of individual types of positions was also updated. A so-called analytical job assessment based on job rating criteria, including how demanding the work was, the required qualifications and skills and personality criteria, is now used to create each type of position. A salary level is set for each type of position in keeping with the labour market and the Company's needs.

The average monthly salary in 2010 amounted to CZK 21,353. Average additional monthly income of employees beyond the level of salary in 2010 amounted to CZK 1,226 per employee. This income includes supplementary pension insurance benefits, life insurance, meals, vacations, physical education, etc. These benefits were funded from social costs and the Company's fund for cultural and social needs. In addition to these financial benefits, employees also received other, non-monetary benefits. These included mainly an additional week of holiday beyond the level set by the Labour Code, compensation for salary beyond the level set by the Labour Code (e.g. leave due to caring for a child aged less than 15 years of age) and a work week that is 1-2 hours shorter for certain operations jobs.

In 2010, a collective agreement for the period 2011-2013 was concluded between the Company and the trade unions as an important step towards securing social reconciliation in the forthcoming periods.

4. 10. Environmental protection

The Company's operations only have a very slight impact on the environment. The Company's strategy in respect of the ecology primarily focuses on compliance with the legislation in all areas of environmental protection with a view to precluding environmental hazards and minimising any ecological risks. The Company's operations in 2010 were not affected by any emergencies that would have an impact on the environment. The public authorities found no flaws or defects in respect of the Company.



Within the context of energy management, the Company successfully completed two key above-limit contracts, one for electricity supplies, and the other for natural gas supplies. The winning contracts meant not only better prices (by 5.2% in the case of electricity and by 15.6% in the case of natural gas in comparison to the previous prices; the agreed prices apply to a 3-year period) but also other benefits for the Company.

At the end of 2010, beginning of 2011, a document regulating energy management control was published. It defines the basic terms and duties of the Company's employees, especially those necessary to encourage energy-saving behaviour. One of its tasks is to minimise energy consumption costs in view of the predicted costs of electricity, natural gas and heating in 2011 equal to nearly CZK 450 million.

4. 11. Postal ombudsman

In 2010, 425 customers appealed to the Ombudsman of Czech Post, who settled 128 within that time. 90 of these appeals requested examination of the results of a previous complaint or claim handling procedure. The Ombudsman confirmed the previous decision in 71 cases, while in the remaining 19 cases upheld the customer's view. A total of 38 appeals concerned new cases.

18 cases led to the recommendation to provide the customer with additional compensation. The payment was then made from a special account dedicated to settling similar cases. The sum allocated to this account in 2010 was CZK 165,000, out of which CZK 77,040.12 (47%) was paid out in 2010.

4. 12. Philately

In 2010, the Company introduced a new, breakthrough product in its stamp design. For the first time, it offered so-called books of definitive stamps, each containing a set of 10 stamps (for domestic service) or 6 stamps (for international service). The new stamps on self-adhesive paper featured characters from the Čtyřlístek cult comics series, created by Jaroslav Němeček and already well-known to four generations, created enormous interest among the general public. The new and handy books of stamps led to impulse buying of the stamps, especially on the side of non-philatelists. A side bonus of this issue was the virtually immediate familiarity of the public with the new notion of "stamps identified with a letter", or stamps identified, not at face value, but with the letter A (for domestic service), E (for European service) or Z (for non-European service). The volumes sold were larger than normal. The income from the sale of the Čtyřlístek stamps was CZK 53 million in the period from 28 April until 31 December 2010, with over 530 thousand books of stamps sold. The great success of the Čtyřlístek series led to its subsequent product placement in the animated movie "Čtyřlístek in the Service of the King" prepared for 2011.



The new books of definitive stamps dedicated to the 150th anniversary of Alfons Mucha's birth marked a similar success. Each book contained 6 self-adhesive E- or Z-stamps. The nominal value of these stamps is higher and they are intended mostly for the less frequented international letter mail. However, sales of these stamps between the end of May and the end of December 2010 were worth of CZK 14.5 million.

Throughout the year, little used old or quite new forms of stamp design were also utilised by the Company. It took only 8 weeks to prepare a single-colour stamp printed from a steel plate, designed to commemorate the co-production exhibition event "Prague Castle in the Art of the Postage Stamp". A new way of using a non-traditional technology of outline drawing was tested. Outline drawing was originally intended only for the preparation of an engraved version. This time, it was printed using a high-quality offset printing machine (the Old Town Astronomical Clock and Postal Museum stamps).

Stamps issued in 2010

In 2010, the Company, acting on behalf of the stamp issuer, i.e. the Ministry of Trade and Industry of the Czech Republic, issued a total of 35 commemorative stamps with first day covers and commemorative handstamps, of which four stamps came out as souvenir sheets.

The Company produced the traditional issues that have old favourites of stamp design for a number of years now, designs such as: Tradition of Czech Stamp Design, Personalities, Beauties of Our Country, Europa, For Children and Works of Art on Postage Stamps. In addition, a commemorative stamp was issued to mark the gold medals won by Martina Sáblíková at the Winter Olympic Games in Vancouver and by the ice hockey team at the men's World Championship in 2010. In the 18th opinion poll on the most beautiful Czech stamp in 2010, the public voted for the CZK 10 stamp portraying Papilio machaon (swallowtail butterfly) from the issue Nature Protection: UNESCO – Biosphere Reserve Lower Morava. The stamp was designed by Libuše and Jaromír Knotek and engraved by Martin Srb. Zdeněk Ziegler's stamp portraying Zodiac by Alfons Mucha ranked second, Slovak designer Dušan Kállay's stamp dedicated to Postal Museum Prague and engraved by Miloš Ondráček ranked third in the poll.

COMMEMORATIVE STAMPS IN 2010 (IN CZK)

Tradition of Czech Stamp Design – Vladimír Kovářík	10
Magdalena Dobromila Rettigová (1785-1845) – Supporter of young women's education as well as the art of cooking	12
XXI Winter Olympic Games Vancouver 2010	18
Winter Paralympic Games Vancouver 2010	18
Expo 2010 Shanghai China	35
Happy Easter	10
Karel Hynek Mácha and His Region – 200th anniversary of birth	43

XXI Winter Olympic Games – Gold Medals in Speed Skating	10
Traveller Enrique Stanko Vráz (1860-1932)	24
Transcaucasian Carpets	21; 24
Prague Castle in the Art of Postage Stamp	17
EUROPA: Children's Book: Karel Čapek's Dášeňka	17
FOR CHILDREN – Helena Zmatlíková	10
Common issue with Luxembourg: 700 Years since the Succession of the Luxembourgs to the Czech Throne	17
Beauties of Our Country: Klatovy; Štramberk	12; 14
Protected Landscape Area Žďárské Hills	10
600 Years of Prague's Old Town Astronomical Clock	21
Ice Hockey World Championship Germany 2010 – Gold Medals	10
FIBA Basketball Championship for Women – Czech Republic 2010	10; 12; 14; 18
Nature Protection: UNESCO – MAB Biosphere Reserve Lower Morava	17
Personalities: Adolf Branald (1910-2008); Karel Zeman (1910-1989)	10; 12
Technical monuments: Cable-stayed bridge in Ústí nad Labem; Historic bridge in Písek	10; 12
Crafts: Historical Stoves – Art Nouveau, Art Deco	10; 17
Works of Art on Postage Stamps: Karel Škréta (1610-1674); Miloš Jiránek (1875-1911); Karel Špillar (1871-1939)	24; 26; 30
Christmas – Žlutice Hymn Book	10

Ordinary stamps

While no definitive stamp for ordinary use came out in 2009, a total of eight definitive stamps, five commemorative postcards, eight picture cards, one postcard for operational purposes, one postcard for additional prints and six postcards with prepaid stamp identified with a letter were issued in 2010. The above-mentioned new self-adhesive stamps of the Čtyřlístek series and the one commemorating the 150th anniversary of birth of Alfons Mucha accounted for most of the above category of definitive stamps.

Stamps with an empty coupon onto which customers may print anything they choose remained a very popular product in 2010, as in 2009. In the year 2010, the Company prepared and offered three new themes.

Praga 1988



THE TRADITION OF
INTERNATIONAL EXHIBITIONS
WAS OVERCOME IN 1962 WITH
THE FIRST WORLD EXHIBITION
HELD IN PRAGUE



Praga 1962

INSPIRATION BY VINTAGE
POSTCARDS. THE GOLDEN ERA
OF POST, FROM TODAY'S POINT OF
VIEW FULL OF ROMANTICISM

Praga 2008



A PERFECT
COMBINATION OF
OFFSET PRINTING
AND PRINTING FROM
A FLAT PLATE

Praga 1955



Commemorative handstamps

In 2010, the Company prepared and used a total of 60 commemorative handstamps. As it does every year, this year the Company issued handstamps commemorating Easter, Christmas and Valentine’s Day. Special events were commemorated by the others, such as three handstamps marking nationwide transition to digital television broadcasting; handstamps celebrating new stamps (Magdalena Dobromila Rettigová, Čtyřlístek stamps portraying Fifinka and Myšpulín) and a range of philatelic events. The Company also held a poll on the most beautiful 2010 handstamp, and the winner was Pavel Sivko’s Boží Dar handstamp for use on the extremely popular Christmas Post. The Company issued a total of 41 stickers, of which 15 were for registered letters (R-stickers) and 26 APOST stickers with an additional print.

4. 13. Postal Museum

Postal Museum

The Postal Museum, which houses almost 500 years of mementos of the organised postal industry in the Czech Republic, entered its 92nd year of existence as a fixed, integral part of Czech Post. It contributes to the Company’s marketing activities, promotes stamp design and represents Czech Post both locally and internationally. The Postal Museum is a member of the International Association of Transport and Communications Museums (IATM), an active member of the Conference of European Communications Museums (CECOMM) and, as one of eleven selected postal museums worldwide, belongs to the Club Elite de la Philatelie de Monte Carlo, Monaco. In the Czech Republic, it participates in the work of the Association of Museums and Galleries, and collaborates with the Union of Czech Philatelists, including, among other things, within the framework of the Association of Friends of the Postal Museum SČF.

The museum has long-term exhibitions in Prague and in its branch in Vyšší Brod, where the history of post and telecommunications, from their very beginnings up until the present day, is presented in the abbey of the former Cistercian Monastery in a space of approximately 1,800 square meters. Apart from temporary exhibitions, which it holds both in Prague and in Vyšší Brod, it participates above all in a number of exhibitions both in the Czech Republic and abroad. By law, it is entrusted to approve the export of articles from the field of the history of the postal industry and stamp design, and serves as a Czech centre for stamp exchange within the framework of the UPU. One of the museum’s important functions is the provision of library and consultancy services to researchers, students and the Company’s employees.

Exhibitions

Temporary exhibitions at the Postal Museum in Prague

- Josef Provazník – Official Photographer of the Ministry of Post and Telegraph Offices
25 November 2009–21 February 2010
- Oldřich Kulhánek – Stamps and Small Graphics
24 February 2010–25 April 2010
- First Slovak EURO Stamps
29 April 2010–20 June 2010
- Adolf Born – At Home & Abroad, Graphic Design and Postage Stamps
23 June 2010–12 September 2010
- Applied Graphics in the Service of the Post – Decorative Telegram Forms
15 September 2010–21 November 2010
- Philately as a View into the Past – an exhibition event organized by the Association of Friends of the Postal Museum SČF KF 0065 Apollofila
23 November 2010–27 February 2011

A commemorative postcard with additional print marked each of these events, and a commemorative handstamp was available at a temporary post-office counter set up to mark the occasion.

Temporary exhibition at the Postal Museum in Vyšší Brod

- 19th Annual Exhibition of Artwork by Students at the Kaplice-Based Elementary School of Arts in Vyšší Brod
8 June 2010–1 September 2010

Exhibitions - external collaboration within the Czech Republic

- Prague Castle in the Art of Postage Stamp; Teresian Wing of Prague Castle,
12 May 2010–1 August 2010
- Highlights of Czech Stamp Design 1993–2009; premises of Law Firm Kříž a Bělina, Prague 1,
24 June 2010–20 October 2010
- Mushrooms in the History of Mankind; Museum of Vysočina Region in Havlíčkův Brod,
4 August 2010–5 September 2010
- Dušan Kállay Exhibition; Krkonoše Museum in Jilemnice,
7 October 2010–29 November 2010
- Academic Painter Bedřich Housa – Graphic Artist, Painter, Engraver; Vysočina Regional Gallery in Jihlava,
14 December 2010–28 February 2011
- Postal Industry in the Kaplice Area; Culture and Information Centre Kaplice,
31 May 2010–29 September 2010

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Exhibitions – external collaboration abroad

- Dušan Kállay Exhibition in Tokyo, Japan, held in collaboration with Slovak Post, November 2009–April 2010
- Albín Brunovský – Illustrations and Stamp Design, Gallery of the City of Bratislava, Slovakia, 28 May 2010–30 September 2010
- Prague Castle Photo Archive, Slovak National Museum Bratislava in collaboration with Prague National Museum’s Archive, October 2010–March 2011
- Awards Ceremony for the Most Beautiful Czech Stamp 2008 Poll of the organisers Czech Post, magazine Filatelie, Právo daily magazine, held on 22 April 2009 (stamp from the Works of Art on Postage Stamps issue: J.J. Hartmann’s Allegory of Water engraved by Martin Srb)
- Event to Celebrate the 750th Anniversary of the Foundation of the Cistercian Abbey and the Town of Vyšší Brod, held on 30 May 2009 (commemorative stamp unveiling ceremony, commemorative hand-stamp available at a temporary post office counter, signings by J. Kavan and V. Fajt)
- Event to Celebrate the 91th Anniversary of Establishment of the Postal Museum, held on 18 December 2009 (temporary post office counter, souvenir sheet with an additional print of the commemorative stamp dedicated to the anniversary of K.H. Mácha’s birthday)

Social events in the Postal Museum

- Zdeněk Netopil and Miloš Ondráček’s XXI Winter Olympic Games Vancouver 2010 stamp unveiling ceremony, 10 February 2010
- Announcement of the results of the poll held by Czech Post, magazine Filatelie and the Právo daily magazine on the most beautiful Czech stamp in 2009, 23 February 2010
- Ivan Jilemnický’s “A Tribute to Postage Stamp” sculpture unveiling ceremony in front of the Postal Museum building at Nové Mlýny 2, Prague 1, 25 May 2010 (accompanying event: temporary post office with a commemorative handstamp and postcard, designed by I. Jilemnický), 29 May 2010
- Postal Museum joins the Prague Museum Night 2010 organised by the National Museum, Association of Museums and Galleries and the Prague Public Transit Company (an event including guided tours, special postcards, a range of promotional products for the visitors and attended by 790 visitors), 7 p.m. 12 June 2010–1:30 a.m. 13 June 2010
- Event to celebrate the 92th anniversary of establishment of the Postal Museum, 18 December 2010

Collaboration with the Union of Czech Philatelists

- 4th Day of Czech Philately; 10 November 2010 (L. Vybíralová and J. Tvrdof’s Chistmas stamp unveiling ceremony and signings, guided tours, presentations)

Collaboration with dedicated Czech Post departments

Marketing

- Selection and scanning of background documents (photographs, maps, imprints of handstamps) for preparation of a new-style design of refurbished post offices.
- Creation of a new visual style for the Postal Museum, including a new logo. Subsequent preparation of graphic solutions in the new visual style for a promotional pamphlet, invitation cards to openings, vouchers for visitors to the Prague Museum in Vyšší Brod, navigation and orientation system for the area of the Cistercian Monastery in Vyšší Brod, orientation system for the premises of the Postal Museum in Prague and Vyšší Brod, sign plates for buildings at the Postal Museum in Prague and Vyšší Brod, postal stationeries and business cards for employees of the Postal Museum. The result had an extraordinary impact in respect of increased visitor rates.

POSTFILA

- Selection of graphic documents and drafting of the text for a commemorative postcard on the 40th Anniversary of the Establishment of ARGE Tschechoslowakei with an additional print.

Stamp Design

- Handover of outline drawings and graphic designs for a prepared publication on the most beautiful stamps of the Czech Republic.

Legal

- Consultancy and finding data on the history of the use of the postal horn as a symbol and logo in the Czech lands.

Communication

- Collaboration on the preparation and holding of a Summer Postal Detective Competition announced by the Poštovní kurýř magazine and held on 1 July–31 August 2010 (about 2,700 visitors).
- Collaboration on the preparation of texts and graphic attachments for Postal Museum pages on Czech Post’s new website.
- Photographs documenting Postal Museum events published in the Poštovní kurýř magazine
- Articles published in the Poštovní kurýř magazine.



Collaboration outside the Company

- The Postal Museum used the invitation of the Association of Travel Agencies to apply for a so-called associated membership and obtained non-profit organisation status with full rights in the Association (application filed on 2 March 2010 and approved by the Association's general meeting on 10 March 2010). As a member of the Association, the Postal Museum can figure as a tourist point in the offers of incoming tourist agencies.
- Society of Friends of the Museum of Applied Arts Prague – guided tour through the Postal Museum for members of the society.
- High school for logistic services – guided tours through the Postal Museum in Prague for students of the school.
- G-design, Karel Scherzer – start of collaboration on the preparation of a monograph Oldřich Kulháněk and Stamp Design.
- European Project Athena – start of collaboration on presentation of selected Postal Museum's artifacts on the National Museum's website www.esbirky.cz (joint presentation of European museums on a shared portal).

Film and media collaboration

- Czech Television – collaboration on the film Sama v čase normálnosti (consultancy, lending of a 1980s mailbox for exterior settings).
- Květy – Moje země magazine ed. 1/2010 – consultancy and illustrations for the article Krása má zoubky edited by PhDr. Ivo Podskalský.
- Přísně tajné magazine ed. 2/2010 – text and illustrations by MgA. M. Říha for the article Holčička v náručí T.G.M. edited by PhDr. M. Martínek, CSc.
- Film Ve stínu koně directed by David Ondříček, screenplay by M. Epstein – photographs documenting interior setting of 1950s post offices (for the purposes of architectural design), consultancy.
- Czech Radio and Czech Television – interviews for news programmes on the history of telegrams in connection with the closure of Czech Post's telegraph service as at 1 April 2010.
- Czech Radio's ČRo 2 – interview with moderator S. Dufková on stamps portraying John Huss and SS Cyril and Methodius (Postal Museum in Prague).
- Czech Television – shooting in the premises of the Postal Museum in Prague for the programme Barvy života (editor V. Hájková).
- MF Dnes Sedmička weekly – information on photographs related to the history of street telephone boxes.
- Květy magazine – pictures and consultancy for an article on postal uniforms.
- Mateřídouška magazine – pictures and consultancy for an article on mailboxes.
- Nedělní Blesk newspaper – delivery of imprints of Boží Dar's Christmas Post commemorative hands-tamps.
- Filatelie magazine – regular updates on temporary exhibitions.

Services for researchers

Research in Stamp Design and Philately

- A total of 1,098 sets of Czechoslovak and Czech Republic stamps including documentation related to production processes (graphic designs, engraved transpositions, printing plates, colour test stamps, etc.) were available for study by visiting researchers in the Postal Museum's study room.
- Number of visits: 21
- Consultancy was also provided by means of electronic mail and phone.
- Additional imprints of commemorative handstamps on cards: 163

Research in Post and Telecommunication History

- Researchers could visit the Postal Museum's study room or contact museum staff via e-mail or by phone. The study room offered documents and photographs from the museum's collections, books and telephone directories.
- Number of visiting researchers and research activities: 174

Postal Museum Collections

New acquisitions: 2,649 inventory numbers
Total inventory according to the Act No. 122/2002 Coll.: 17,441 units (inventory numbers)

Donations

12 donations (J. Vašků, J. Bouda, A. Klančíková, O. Jašková, J. Kratochvíl, J. Macek, Linde Praha, a. s., and others)

Purchases

- 1) A set of 10 New Year Post-Office Books, 1869-1948
- 2) Metal post-office sign "Sale of Stamps and Postal Stationery", around 1900
- 3) So-called French model cap belonging to post-office employee's service uniform, 1940-1945
- 4) Gerard Valcek's survey of distances between European capitals, approx. 1700-1726
- 5) Lot weights, 19th century
- 6) Candle wick scissors, 19th century
- 7) Metal letter scale, 1st half of the 19th century
- 8) Tinted engraving of an English stage coach, engraved by H. Papprill, drawn by C. C. Henderson
- 9) Small Jawa 550 motorbike used by cross-country postmen, around 1957

MIRACLES DO HAPPEN: IN 2010 THE FIRST SELF-ADHESIVE STAMPS IDENTIFIED WITH A LETTER BROKE ALL-TIME RECORDS

2010



2011



AIR MAIL

IN 2010, THE COMPANY CAME TO A REVOLUTIONARY CHANGE IN THE AREA OF STAMP DESIGN; THE CHANGE, CONSISTING OF REPLACEMENT OF THE FACE VALUE WITH A LETTER IN CERTAIN DEFINITIVE STAMPS, MET WITH A GREAT RESPONSE AMONG CUSTOMERS. THESE SELF-ADHESIVE STAMPS ALSO LOST THEIR TYPICAL TASTE. THE VOLUME OF THESE STAMPS, PRODUCED BY THE PRAGUE POSTAL STATIONERY PRINTING HOUSE USING HIGH QUALITY OFFSET PRINTING TECHNOLOGY WITH A RANGE OF SECURITY FEATURES, REACHED MILLIONS OF PIECES IN 2010, WITHOUT LOSING THEIR ATTRACTIVENESS FOR BUYERS IN THE FIRST MONTHS OF 2011.

THE SELF-ADHESIVE STAMPS WERE AIRED DURING PRIMETIME ON ALL CZECH TELEVISION STATIONS AND FREQUENTLY APPEARED IN NEWSPAPERS AND ON NEWS SERVERS. THEY ARE PRACTICAL AND HANDY. YOU CAN GET THESE ALMOST INDESTRUCTABLE STAMPS IN BOOKS, AND YOU DON'T NEED TO LICK THEM. CUSTOMERS ALSO APPRECIATE THE IDENTIFICATION OF THEIR VALUE WITH A LETTER: THOSE WHO BUY A STOCK OF THESE STAMPS CAN USE THEM AS A GOOD INVESTMENT IN CASE THEIR VALUE GROWS. THEY WILL GET THE SAME POSTAL SERVICE FOR THE ORIGINAL PRICE PAID FOR THE STAMPS. THE MOTIFS DEPICTED ON THE STAMPS WERE ESSENTIAL FOR ATTRACTING CUSTOMERS: THE ČTYŘLÍSTEK COMICS HAVE BEEN A CULT PHENOMENON FOR SEVERAL GENERATIONS, AND ALFONS MUCHA'S ART NOUVEAU PAINTINGS HAVE ALWAYS BEEN AN ATTRACTION FOR FOREIGN TOURISTS. IN ANY CASE IT HAS BEEN AN UNPRECEDENTED MARKETING SUCCESS FOR THE COMPANY, ALL THE MORE VALUABLE WITH THE DECLINE IN LETTER MAIL VOLUMES GROWING LARGER EVERY YEAR.

Restoration and conservation

Three-dimensional collectable items: 10
Documentary materials: 23
Stamp designs and outline drawings: 38
Steel engravings and printing plates: 428

Digitisation

Telecommunications: 160 inventory numbers.
Promotional products and banners: 120 inventory numbers.

Visitors and revenues

Postal Museum in Prague (paying visitors): 3,764
Visitors with free entry: approximately 1,850 (openings, Czech Post employees, AMG card holders, social events, Prague Museum Night)
Postal Museum in Vyšší Brod: 8,510
Visitors with free entry: approximately 600
Total paying visitors: 12,274
Total visitors: 14,724

Marketing measures taken in 2010 boosted the number of visitors to a record level since 2000. In comparison with 2009, visitor rates increased by 43.7% and 54% in the Postal Museum in Prague and Vyšší Brod, respectively.

Revenues from sales in the Postal Museum's shops in Prague and Vyšší Brod were CZK 2,560 thousand. The originally projected amount was CZK 2,352 thousand.

5. FINANCIAL PART



INDEPENDENT AUDITOR’S REPORT ON
THE FINANCIAL STATEMENTS



Independent auditor’s report

To the Founder of Česká pošta, s. p.

We have audited the accompanying financial statements of Česká pošta, s. p., identification number 471 14 983, with registered office at Politických vězňů 909/4, Praha 1 (“the Company”), which comprise the balance sheet as at 31 December 2010, the income statement and cash flow statement for the year then ended and notes, including a summary of significant accounting policies (“the financial statements”).

General Director’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

PricewaterhouseCoopers Audit, s.r.o., Kateřinská 40/466, 120 00 Prague 2, Czech Republic
Phone: +420 251 151 111, fax: +420 251 156 111, www.pwc.com/cz

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Founder of Česká pošta, s.p.
Independent auditor’s report

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 of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2010, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

14 March 2011

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

Věra Výtvarová
Statutory Auditor, Licence No. 1930

Translation note:

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

FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 DECEMBER 2010

(in CZK milion)

Identification	ASSETS	31 December 2010		31 December 2009	
		Gross	Provision	Net	Net
a	b	1	2	3	4
	TOTAL ASSETS	31,994	10,686	21,308	22,726
	a out of which: entrusted resources	4,778	0	4,778	6,249
B.	Fixed assets	20,820	10,580	10,240	9,880
B. I.	Intangible fixed assets	1,560	1,252	308	282
B. I. 1.	Software	1,287	1,142	145	138
	2. Royalties	2	1	1	0
	3. Other intangible fixed assets	111	109	2	4
	4. Intangible fixed assets in the course of construction	160	0	160	140
B. II.	Tangible fixed assets	18,641	9,328	9,313	8,988
B. II. 1.	Land	771	1	770	757
	2. Constructions	9,415	3,836	5,579	5,641
	3. Equipment	6,983	5,390	1,593	1,606
	4. Other tangible fixed assets	4	0	4	4
	5. Tangible fixed assets in the course of construction	1,463	101	1,362	974
	6. Advances paid for tangible fixed assets	5	0	5	6
B. III.	Long-term investments	619	0	619	610
B. III. 1.	Investments in controlled entities/subsidiaries	18	0	18	18
	2. Other long-term investments in securities	601	0	601	592
C.	Current assets	11,001	106	10,895	12,789
C. a	out of which: entrusted resources	4,778	0	4,778	6,249
C. I.	Inventories	235	49	186	186
C. I. 1.	Raw materials	181	41	140	129
	2. Goods for resale	54	8	46	57
C. II.	Long-term receivables	11	0	11	9
	1. Long-term advances paid	2	0	2	0
	2. Other receivables	9	0	9	9
C. III.	Short-term receivables	2,369	57	2,312	2,078
C. III. a	out of which: entrusted resources	240	0	240	210
C. III. 1.	Trade receivables	1,191	41	1,150	999
	1. a out of which: entrusted resources	240	0	240	210
	2. Taxes receivables	150	0	150	70
	3. Short-term advances paid	170	0	170	287
	4. Estimated receivables	796	0	796	676
	5. Other receivables	62	16	46	46
C. IV.	Financial assets	8,386	0	8,386	10,516
C. IV. a	out of which: entrusted resources	4,538	0	4,538	6,039
C. IV. 1.	Cash in hand	4,086	0	4,086	4,450
	1. a out of which: entrusted resources	3,959	0	3,959	4,376
	2. Cash at bank	2,160	0	2,160	2,823
	2. a out of which: entrusted resources	579	0	579	1,663
	3. Short-term investments	2,140	0	2,140	3,243
D. I.	Other assets	173	0	173	57
D. I. 1.	Prepaid expenses	171	0	171	52
	2. Accrued income	2	0	2	5

(in CZK milion)

Identification	LIABILITIES AND EQUITY		31 December 2010	31 December 2009
a	b		6	7
	TOTAL LIABILITIES AND EQUITY		21,308	22,726
	a out of which: entrusted resources		4,778	6,249
A.	Equity		10,010	9,979
A. I.	Share capital		3,588	3,588
A. I. 1.	Share capital		3,588	3,588
A. II.	Capital contributions		5,840	5,286
A. II. 1.	Other capital contributions		5,840	5,286
A. III.	Reserve fund and other reserves		368	551
A. III. 1.	Legal reserve fund		359	359
	2. Statutory and other reserves		9	192
A. IV.	Profit / (loss) for the current period (+/-)		214	554
B.	Liabilities		10,414	11,794
B. a	out of which: entrusted resources		4,778	6,249
B. I.	Provisions		937	764
B. I. 1.	Tax-deductible provisions		60	60
	2. Other provisions		877	704
B. II.	Long-term liabilities		225	246
	1. Deferred tax liability		225	246
B. III.	Short-term liabilities		9,216	10,721
B. III. a	out of which: entrusted resources		4,742	6,186
B. III. 1.	Trade payables		6,465	8,080
	1. a out of which: entrusted resources		4,742	6,186
	2. Liabilities - controlling entities / subsidiaries		3	3
	3. Liabilities to employees		686	682
	4. Liabilities for social security and health insurance		355	369
	5. Taxes and state subsidies payable		85	84
	6. Short-term advances received		17	21
	7. Estimated payables		1,248	1,123
	8. Other liabilities		357	359
B. IV.	Bank loans & overdrafts		36	63
B. IV. a	out of which: entrusted resources		36	63
B. IV. 1.	Short-term bank loans and overdrafts		36	63
	1. a out of which: entrusted resources		36	63
C. I.	Accruals and deferrals		884	953
C. I. 1.	Accruals		253	371
	2. Deferred income		631	582

PROFIT AND LOSS ACCOUNT

(in CZK million)

Identification	DESCRIPTION	Accounting period	
		2010	2009
I.	Sales of goods	328	403
A.	Cost of goods sold	225	292
	+	103	111
II.	Sales of products	19,960	19,652
II.	1. Sales of own products and services	19,942	19,627
	2. Own work capitalised	18	25
B.	Cost of sales	5,303	4,724
B.	1. Raw materials and consumables	1,605	1,665
	2. Services	3,698	3,059
	+	14,760	15,039
C.	Staff costs	12,801	12,895
C.	1. Wages and salaries	9,349	9,484
	2. Emoluments of board members	9	5
	3. Social security and health insurance costs	3,099	3,074
	4. Other social costs	344	332
D.	Taxes and charges	82	67
E.	Depreciation of fixed assets	800	707
III.	Sale of fixed assets and raw materials	3	6
III.	1. Sale of fixed assets	3	6
F.	Net book value of fixed assets sold	1	2
F.	1. Net book value of material sold	1	2
G.	Increase / (decrease) in operating provisions	268	156
	IV. Other operating income	239	219
H.	Other operating charges	852	897
	* Operating result	198	540
	VI. Income from sales of securities and shares	0	516
J.	Securities and shares sold	0	490
	* Operating result	198	540
	VI. Income from sales of securities and shares	0	516
J.	Securities and shares sold	0	490
	VII. Income from long-term investments	13	17
	VII. 1. Income from investments in controlled entities / subsidiaries and associates	13	17
	VIII. Income from short-term investments	35	55
	IX. Gain on revaluation of securities and derivatives	9	3
M.	Increase / (decrease) in financial provisions	(40)	0
	X. Interest income	24	43
N.	Interest expense	0	1
	XI. Other financial income	36	44
O.	Other financial expenses	92	66
	* Financial result	65	121
Q.	Tax on profit or loss on ordinary activities	49	204
Q.	1. - current	70	102
	2. - deferred	(21)	102
	** Profit from ordinary activities after taxation	214	457

Identification	DESCRIPTION	Accounting period	
		2010	2009
S.	Tax on extraordinary profit or loss	0	(97)
S.	1. - current	0	(97)
	2. - deferred	0	0
*	Profit from extraordinary activities after taxation	0	97
***	Net profit / (loss) for the financial period	214	554
***	Net profit / (loss) before taxation	263	661

CASH FLOW STATEMENT

(CZK million)

	2010	2009
P. Cash and cash equivalents as at the beginning of the year	10,516	11,269
P. out of which: entrusted resources	6,039	6,731
Z. Net profit from ordinary activities before tax	263	661
A.1 Adjustments for non-cash movements:	1,040	838
A.1.1 Depreciation and amortisation of fixed assets	807	731
A.1.2 Change in provisions	228	156
A.1.3 Loss from sale of fixed assets	(2)	(4)
A.1.4 Net interest income	(24)	(42)
A.1.5 Adjustments for other non-cash movements	31	(3)
A.* Net cash flows from ordinary activities before tax, changes in working capital and extraordinary items	1,303	1,499
A.2 Working capital changes:	(1,640)	(1,166)
A.2 out of which: entrusted resources	(1,501)	(692)
A.2.1 Change in receivables and prepayments	315	(398)
A.2.1 out of which: entrusted resources	(29)	43
A.2.2 Change in short-term payables and accruals	(1,302)	(866)
A.2.2 out of which: entrusted resources	(1,472)	(735)
A.2.3 Change in inventories	(23)	20
A.2.4 Change in short-term financial assets	0	78
A.** Net cash flows from operating activities before tax and extraordinary items	(337)	333
A.** out of which: entrusted resources	1,501	(692)
A.3 Interest paid	0	(1)
A.4 Interest received	24	43
A.5 Income tax on ordinary activities and additional taxes for previous periods, paid	(118)	(88)
A *** Net cash flow from operating activities	(431)	287
A *** out of which: entrusted resources	(1,501)	(692)
B.1 Acquisition of fixed assets	(1,519)	(839)
B.2 Income from sale of fixed assets	3	6
B*** Net cash flow from investment activities	(1,516)	(833)
C.1 Changes in equity:	(183)	(207)
C.1.1 Cash contributions to funds	(183)	(207)
C*** Net cash flows from financial activities	(183)	(207)
F. Net increase/decrease in cash and cash equivalents	(2,130)	(753)
F. out of which: entrusted resources	(1,501)	(692)
R. Cash and cash equivalents as at the end of the year	8,386	10,516
R. out of which: entrusted resources	4,538	6,039

NOTES TO THE FINANCIAL STATEMENTS

1. DESCRIPTION OF THE COMPANY

Česká pošta, s.p. (hereinafter referred to as "the Company" or "Czech Post") is a state-owned enterprise. It is a legal entity conducting its business activities using the Czech government's assets in its own name and on its own account. The founder of the Company is the government of the Czech Republic. 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 2010, 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 2010 and 31 December 2009, 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.

By Resolution No. 836 dated 18 July 2007, the Czech government delegated the task to the Minister of the Interior of drafting a project on the 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 Ministry of Finance received a draft project, but decided to postpone the transformation process until a date not yet known.

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

Throughout the year, the Company made essential changes in its organisational structure in order to enable the implementation of streamlined management and the centralisation of operational and service activities. The organisational structure as at 31 December 2010 is as follows:

Organisational structure of the Company as at 31 December 2010

ČESKÁ POŠTA S.P. DIRECTOR GENERAL						
OMBUDSMAN Ombudsman	CORPORATE SERVICES AND RESOURCE MANAGEMENT Chief Executive	FINANCE AND LEGISLATION Chief Executive		SALES AND MARKETING Chief Executive	PROPERTY MANAGEMENT Chief Executive	POSTAL OPERATIONS AND LOGISTICS Chief Executive
COMMUNICATION Executive Director	ORGANISATION Executive Director	ACCOUNTING AND TAX Executive Director		SALES COORDINATION Executive Director	ADMINISTRATION Executive Director	LOGISTICS Executive Director
INTERNAL AUDIT Executive Director	ICT Executive Director	CONTROLLING Executive Director		DEVELOPMENT OF EGOVERNMENT PRODUCTS AND SERVICES Executive Director	OPERATIONS Executive Director	POSTAL NETWORK DEVELOPMENT AND OPERATION Executive Director
SECURITY Executive Director	HR MANAGEMENT Executive Director	LEGISLATION Executive Director		MARKETING Executive Director		MONEY SERVICES OPERATION Executive Director
DIRECTOR GENERAL'S OFFICE Executive Director	PURCHASING Executive Director	TREASURY AND FINANCING Executive Director		REGIONAL SALES Executive Director		LOGISTICS SUPPORT Executive Director
	PROJECT AND PROCESS MANAGEMENT Executive Director			CORPORATE SALES Executive Director		8 REGIONS Regional Executive Director
	BUILDING PROJECT DOCUMENTATION SUPPORT AND REPORTING Executive Director			ALLIANCE PARTNERS Executive Director		

The top management of the Company, i.e. the Director General and her deputies, as at 31 December 2010 are as follows:

Members of the top management	Position	Position established on	Registered into the Commercial Register on
Ing. Marcela Hrdá	Director General	1 January 2010	3 February 2010
Ing. Vladimír Měkota	Chief Executive, Corporate Services and Resource Management	1 March 2010	9 June 2010
Ing. Petr Zatloukal	Chief Executive, Postal Operations and Logistics	1 June 2008	12 April 2010
Ing. Martin Elkán	Chief Executive, Sales and Marketing*	20 July 2010	-
Ing. Pavel Janda	Chief Executive, Finance and Legislation*	1 December 2008	-
Mgr. Filip Bouček	Chief Executive, Property Management*	1 September 2010	-

* Position not registered into the Commercial Register.

The following changes in the top management of the Company were also recorded in the Commercial Register as at 31 December 2010:

Members of the top management	Position	Position established on	Registered into the Commercial Register on
Ing. Petr Sedláček	Director General	3 December 2009	3 February 2010
Ing. Martin Elkán	Deputy Director General, Sales	1 March 2010	12 April 2010

Changes in the top management of the Company, which occurred between the balance sheet date and the date of preparation of the financial statements, are described in Note 27 – Subsequent events.

Members of the Supervisory Board as at 31 December 2010 were as follows:

Name	Position
Ing. Jiří Maceška	Chairman
Karel Koukal	Deputy Chairman
Ing. Jan Mládek, CSc.	Deputy Chairman
Ing. Vladimír Budinský, MBA	Member
Ing. Soňa Lavičková	Member
Ing. Jaroslav Mráz	Member
Petr Kužel, MBA	Member
Mgr. Michal Moroz	Member
Ivana Musilová	Member
Ing. Jiří Řehola	Member
Ing. Jiří Franc, MBA	Member
Štěpán Grochal	Member

The Company's mission is to execute the functions of a public postal operator involving a duty to provide and operate basic postal services pursuant to the Postal Services Act No. 29/2000 Coll., as amended. The 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 2009 to 31 December 2012.

The Czech Post, as holder of the postal licence:

- a) is obliged to make the basic postal services, to which the postal monopoly relates, generally available within the entire territory of the Czech Republic,
- b) is licensed to operate postal services, i.e. deliver mail and/or money remitted by money order.

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 delivering to addressees, delivery speed, handling complaints, etc., are assessed on an annual basis by the CTO. The results of the assessments are published in the annual CTO reports on the fulfilment of tasks by Czech Post in the area of basic services.

Shortcomings identified in the CTO report for 2009 (e.g. short opening hours) have been solved on a continuous basis. No material claims of the CTO or other entities against the Company, which could be enforceable by law, were identified. The CTO report for 2010 has not been published as at the date of the Company's financial statements for 2010.

2. BASIS OF PREPARATION

The accompanying financial statements were prepared in accordance with the Accounting Act No. 563/1991 Coll. and related Decree No. 500/2002 Coll., and pursuant to the Czech Accounting Standards for Businesses applicable for 2010. The financial statements were prepared under the historical cost convention except as disclosed below.

3. ACCOUNTING POLICIES

The policies that the Company applied in preparing the 2010 financial statements are as follows:

a) Intangible fixed assets

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

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

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

The cost limit for the inclusion of the 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 a provision 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, which are put in use in the year of improvement and whose total value exceeds CZK 40 thousand per year, 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 are only carried 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:

Tangible fixed assets	Number of years
Buildings, halls and structures	20-45
Machinery and equipment	4-15
Transport vehicles	6-20
Furniture and fixtures	10-20
Handling equipment	6-20
Computers and related equipment	3

c) Long-term financial assets

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

Equity investments in subsidiaries are valued at cost less provision for diminution in value. A subsidiary is an enterprise that is controlled by the Company, i.e. the Company has the power to govern the financial and operating policies in order to obtain benefits from its activities. Other long-term securities, other than equity investments, are represented by 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 non-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 includes costs of acquisition and transaction-related costs. Investments, which are intended to be held for an indefinite period of time, are subsequently recognised at acquisition cost plus the aliquot interest income. Available-at-sale securities are recorded at their fair value. The Company determined the fair value using the market value of the available-for-sale securities as at the balance sheet date. The value of securities, which are not publicly tradable, 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 recorded at acquisition cost, which includes all costs incurred in connection with acquisition (mainly transport, etc.). The weighted average cost is applied to all disposals.

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

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 collectability 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 which generate profit from short-term (less than 12 months) fluctuations in price.

g) Entrusted resources

In some cases, financial resources of third parties are temporarily entrusted to the Company in order to perform specific transactions (services for clients of Československá obchodní banka, a.s. (ČSOB, a.s.), collection of radio and television licence fees, payment of pensions, collection of SIPO payments, betting games, sale of duty stamps, highway stickers, postal payment services, etc.). These resources are recorded in a separate accounting group apart from the Company's own financial resources, and in the accompanying financial statements they are posted in separate rows. The Company charges an agreed commission for performing the specific transactions, which is recognised at the time of rendering the particular service (see Note 24 – Entrusted resources).

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 by the founder at 10% of the registered capital. 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 Decree No. 114/2002 Coll., in connection with 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 as at the first day of the calendar month 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 the stamp is sold. 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 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 are 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.

The Company provides for the following types of employee benefits:

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

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

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

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

o) Related parties

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

- the state represented by the founder of the Company, government institutions, state-owned enterprises and companies, and other legal entities, if any, where the government has a significant or dominating influence; it is also the nature of the relationship, rather than the legal status, that decides;
- members of statutory, supervisory and management bodies and entities related to these parties, including companies or institutions or businesses where these members and parties have a significant or dominating influence.

Material transactions with related parties and their balances 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 easily and readily convertible for a known amount of cash that is not likely to change substantially in the future. Cash deposits redeemable at a period of notice up to 3 months and publicly tradable 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:

- material changes in the costs and income of previous accounting periods;
- damages and compensation for damaged property paid by the Company in respect of events with an entirely extraordinary cause, such as natural disasters and the accompanying compensations.

r) Subsequent events

The effects of events, which occurred between the balance sheet date and the date of preparation of the accompanying 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 and estimates

In 2010 and 2009, there was no significant change in the accounting methods. In 2010, the Company changed, on a prospective basis, the method of estimating the useful life of movables and sets of movables. The impact of this change in the accounting estimates amounted to a CZK 30 million increase in depreciations in 2010. No significant change in the accounting estimates occurred in 2009.

4. FIXED ASSETS

a) Intangible fixed assets

ACQUISITION COST

(CZK million)

	Opening balance	Additions*)	Disposals*)	Closing balance
Software	1,229	82	(24)	1,287
Royalties	0	2	0	2
Other intangible fixed assets	113	0	(2)	111
Intangible fixed assets in the course of construction	140	104	(84)	160
Total 2010	1,482	188	(110)	1,560
Total 2009	1,316	275	(109)	1,482

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

ACCUMULATED AMORTISATION AND NET BOOK VALUE

(CZK million)

	Opening balance	Additions	Disposals	Closing balance	Net book value
Software	(1,091)	(75)	24	(1,142)	145
Royalties	0	(1)	0	(1)	1
Other intangible fixed assets	(109)	(2)	2	(109)	2
Intangible fixed assets in the course of construction	0	0	0	0	160
Total 2010	(1,200)	(78)	26	(1,252)	308
Total 2009	(1,139)	(92)	31	(1,200)	282

b) Fixed assets

ACQUISITION COST

(CZK million)

	Opening balance	Additions*)	Disposals*)	Closing balance
Land	759	12	0	771
Buildings	9,233	195	(13)	9,415
Machinery and equipment	3,577	348	(459)	3,466
Vehicles	2,258	120	(79)	2,299
Furniture and fixtures	613	20	(8)	625
Other tangible fixed assets	670	0	(77)	593
Works of art	4	0	0	4
Tangible fixed assets in the course of construction	1,038	1,120	(695)	1,463
Advances paid for tangible fixed assets	6	0	(1)	5
Total 2010	18,158	1,815	(1,332)	18,641
Total 2009	17,604	1,798	(1,244)	18,158

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

ACCUMULATED AMORTISATION AND NET BOOK VALUE

(CZK million)

	Opening balance	Additions	Disposals	Closing balance	Provisions	Net book value
Land	0	0	0	0	(1)	770
Buildings	(3,572)	(225)	6	(3,791)	(45)	5,579
Machinery and equipment	(2,724)	(278)	459	(2,543)	0	923
Vehicles	(1,622)	(202)	77	(1,747)	0	552
Furniture and fixtures	(496)	(19)	8	(507)	0	118
Other tangible fixed assets	(670)	0	77	(593)	0	0
Works of art	0	0	0	0	0	4
Tangible fixed assets in the course of construction	0	0	0	0	(101)	1,362
Advances paid for tangible fixed assets	0	0	0	0	0	5
Total 2010	(9,084)	(724)	627	(9,181)	(147)	9,313
Total 2009	(8,935)	(633)	484	(9,084)	(86)	8 988

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 2010, the Company did not create statutory reserves for repairs of tangible fixed assets. In 2009, the Company created statutory reserves of CZK 30 million for repairs of tangible fixed assets. The total amount of these reserves, created for the year ended 31 December 2010 and 31 December 2009, respectively, is CZK 60 million.

The Company received no significant tangible fixed assets free of charge in 2010 and 2009.

As at 31 December 2010 and as at 31 December 2009, the Company did not intend to sell any larger item from tangible fixed assets. In 2010 and 2009, fixed assets of the Company, worth CZK 3 million and CZK 6 million, respectively, were sold.

In 2010 and 2009, 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 253 (2009: 236) 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 2010 and 2009, the Company received no investments subsidies.

c) Long-term financial assets

As at 31 December 2010 and 31 December 2009, 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, in which it held 16,903 out of the total 33,124 shares of the nominal value of CZK 1 thousand each.

(CZK million)

	2010	2009
Share (%)	51.03%	51.03%
Total assets	98	97
Equity	90	88
Net profit for the financial period	2	2
Acquisition cost of the shares	18	18
Nominal value of the shares	17	17
Intrinsic value of the shares*	46	45
Dividends received	0	0

* 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 2010 or 31 December 2009, the Company did not provide the company over which it exercises dominating influence with any loan or credit.

Other long-term securities and investments comprise:

- a) a state debenture maturing in 2016, intended for trading, valued at actual value of CZK 399 million (2009: CZK 390 million);
- b) a state debenture maturing in 2012, held for a definite period of time (until mature), with the total acquisition cost of CZK 202 million; no change occurred as compared with 2009.

In 2010, the Company reclassified its long-term investment in 233,630 shares in IPB, a.s. (presently IP Exit, a.s.) of the total nominal value of CZK 23 million, purchased at the acquisition cost of CZK 40 million, having zero net book value. The investment is now carried only in an off-balance sheet record.

5. INVENTORIES

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

6. RECEIVABLES

As at 31 December 2010 and 31 December 2009, receivables with maturity over 5 years amounted to CZK 2 million and CZK 1 million, respectively. As at 31 December 2010 and 31 December 2009, outstanding overdue receivables amounted to CZK 180 million and CZK 162 million, respectively. Outstanding overdue receivables are not secured.

In 2010 and 2009, the Company wrote off as expenses receivables in the amount of CZK 2 million and CZK 7 million, respectively, due to the unrecoverable nature thereof, dismissal of bankruptcy petition and settlement or non-satisfaction of debts in bankruptcy proceedings.

Receivables from related parties are listed under Note 23 – Transactions with related parties. The anticipated assets and liabilities primarily comprise accounting for international postal operations. Operating records on incoming and outgoing mail so far not confirmed by individual postal administrations were recorded as anticipated assets and liabilities with the double entry in operating expenses and income, based on operating statistics.

7. PROVISIONS

Provisions reflect a temporary reduction of the value of assets (specified under Note 4 – Fixed assets, 5 – Inventories and 6 – Receivables).

(CZK million)

Provisions against:	Balance as at 1 January 2009	Creation	Dissolution/ Usage ¹	Balance as at 31 December 2009	Creation	Dissolution/ Usage	Balance as at 31 December 2010
Tangible fixed assets	108	2	(24)	86	71	(10)	147
Long-term financial assets	40	0	0	40	0	(40)	0
Inventories	24	2	0	26	23	0	49
Receivables – other	9	26	(5)	30	18	(13)	35
Total tax non-deductible provisions	181	30	(29)	182	112	(63)	231
Receivables – statutory	11	6	(1)	16	9	(3)	22
Total tax deductible provisions	11	6	(1)	16	9	(3)	22
Total	192	36	(30)	198	121	(66)	253

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

8. SHORT-TERM FINANCIAL ASSETS

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

The Company's time deposits equalled to CZK 2,051 million and CZK 2,760 million as at 31 December 2010 and 31 December 2009, respectively. These time deposits or deposits on saving accounts have a short maturity period and bear interest at the market interest rate.

As at 31 December 2010, guarantees for the Company, which have been drawn under a general agreement on the provision of financial services up to a CZK 430 million limit made with Komerční banka, a.s., were as follows:

Type of guarantee	Creditor	Subject	Valid until	Amount (CZK million)
Payment	State Fund for Transport Infrastructure	Distribution and sale of highway stickers	16 March 2012	10
Payment	Czech Directorate of Highways and Roads	Fulfilment of obligations in respect of the electronic toll system	16 November 2011	5
Payment	Customs Directorate Prague	Customs debt for operations other than transit	29 September 2011	2
Non-payment	Ministry of Justice CR	Guarantee for public bid	31 December 2010	10

Short-time securities and ownership interests as at 31 December 2010 and 31 December 2009 were as follows:

(CZK million)

Bank	Type	2010	2009
Komerční banka, a.s.	Short-term depository notes	0	400
ČSOB, a.s.	Short-term depository notes	140	345
ČEZ, a. s.	Short-term depository notes	0	498
UniCredit Bank Czech Republic, a.s.	Short-term depository notes	500	800
PPF banka a.s.	Short-term depository notes	1,000	1,000
Raiffeisenbank a.s.	Short-term depository notes	500	200
Total		2,140	3,243

9. ACCRUALS AND DEFERRALS

Prepaid expenses of 2010 and 2009 particularly consist of prepaid rent and other prepaid services.

As at 31 December 2010 and 31 December 2009, accrued income particularly consists of accrued income from securities and time deposits.

10. EQUITY

As at 31 December 2010 and 31 December 2009, the registered capital of the Company is CZK 3,588 million.

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

The reserve fund has been allocated gradually 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 2010 and 2009:

(CZK million)						
	Share capital	Other capital contributions	Legal reserve fund	Statutory and other reserves	Net profit for the financial period	Total
Balance as at 1 January 2009	3,588	5,353	359	37	293	9,630
Allocation from profit and transfers between funds	0	(69)	0	362	(293)	0
Other increases	0	2	0	1	0	3
Decrease	0	0	0	(208)	0	(208)
Net profit for the financial period	0	0	0	0	554	554
Balance as at 31 December 2009	3,588	5,286	359	192	554	9,979
Allocation from profit and transfers between funds	0	554	0	0	(554)	0
Decrease	0	0	0	(183)	0	(183)
Net profit for the financial period	0	0	0	0	214	214
Balance as at 31 December 2010	3,588	5,840	359	9	214	10,010

Profit in 2009 was distributed in 2010 according to the founder’s approval.

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

11. PROVISIONS

(CZK million)							
Provisions against:	Balance as at 1 January 2009	Creation	Dissolution/ Usage	Balance as at 31 December 2009	Creation	Dissolution/ Usage	Balance as at 31 December 2010
Social and health insurance	113	99	(113)	99	95	(99)	95
Unused holiday	166	172	(166)	172	140	(172)	140
Employee benefits	191	1	(2)	190	2	(2)	190
Compensation for salary	65	144	(65)	144	421	(229)	336
Others	50	54	(5)	99	43	(26)	116
Total tax non-deductible provisions	585	470	(351)	704	701	(528)	877
Repairs	30	30	0	60	0	0	60
Total tax deductible provisions	30	30	0	60	0	0	60
Total	615	500	(351)	764	701	(528)	937

Provision for social and health insurance is created for unpaid contracted wages, profit-related bonuses in 2010 and 2009, unused holiday and other employee benefits.

In 2010, the Company provided for employee benefits in connection with a collective agreement (see also Note 3n – Pension plans).

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

In 2010, the Company provided for compensation for salaries payable to employees who would have to leave in connection with the plan of gradual cuts in jobs. This plan was approved by the Management Board and announced to the Company’s employees and trade unions.

Other provisions were primarily created to cover risks known as at 31 December 2010 and potential loss from pending litigations and out-of-court disputes and related obligations.

12. LONG-TERM LIABILITIES

As at 31 December 2010 and 31 December 2009, long-term liabilities comprised deferred tax due, which is described under Note 16 – Income tax.

13. SHORT-TERM LIABILITIES

As at 31 December 2010 and 31 December 2009, the Company’s overdue short-term liabilities amounted to CZK 43 million and CZK 44 million, respectively.

As at 31 December 2010 and 31 December 2009, the Company had no liabilities with maturity over 5 years. As at 31 December 2010, 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, uninvoiced operating deliveries of services and utilities and estimated staff bonuses.

Trade payables decreased on a year-on-year basis mainly due to entrusted resources (see Note 23 – Entrusted resources).

As at 31 December 2010 and 31 December 2009, liabilities in respect of social and health insurance amounted to CZK 355 million and CZK 369 million, respectively. They comprise unpaid wages for December 2010 (December 2009), which were paid in early 2011 (2010).

As at 31 December 2010 and 31 December 2009, the Company recognised no due tax underpayments with local tax authorities.

14. BANK LOANS AND OVERDRAFTS

a) In CZK

(CZK million)					
Bank	Terms and conditions	Account	Overall limit	31 December 2010	31 December 2009
ČSOB, a.s.	Overdraft facility	Own resources	100	0	0
ČSOB, a.s.	Overdraft facility	Entrusted resources	1,600	0	28

The overdraft facility on the Company’s own resources accounts was primarily provided for operational financing. The variable interest rate is derived from O/N PRIBOR plus a 0.15% p.a. margin. As at 31 December and 31 December 2009, the facility was not used.

The overdraft facility on the Company’s entrusted resources was primarily provided for financing cash in hand for banking operations. The variable interest rate is derived from PRIBOR (2W) minus 0.1% p.a. or plus 1.3% p.a. within a debit range up to CZK 500 million and from CZK 500 million to CZK 1.6 billion, respectively.

As at 31 December 2010, this overdraft facility was not used. The amount used as at 31 December 2009 was CZK 28 million. The overdraft facility is secured by a lien on the Company's claims against ČSOB, a.s. created under a contract for provision of services by the Company on behalf of ČSOB, a.s.

b) In EUR

Bank	Terms and conditions	Overall limit (EUR million)	2010		2009	
			EUR million	CZK million	EUR million	CZK million
ČSOB, a.s.	Overdraft facility EURIBOR 3M+0,1% p.a. – entrusted resources	5	14	36	1.3	35

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

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

15. ACCRUED EXPENSES AND DEFERRED INCOME

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

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

16. INCOME TAX

(CZK million)		
	2010	2009
Net profit before taxation	263	661
Non-taxable income	(24)	(27)
Difference between accounting and tax depreciation	(140)	(210)
Tax non-deductible expenses	307	180
Out of which:		
- Changes of provisions	48	1
- Creation of provisions for liabilities	174	119
- Other (e.g. accrued expenses, entertainment expenses, shortages and losses)	85	60
Gifts	(2)	(1)
Taxable income	404	603
Income tax rate	19%	20%
Calculated income tax	77	121
Tax relief (persons with disability or partial disability)	(10)	(15)
Current tax	67	106
Overpayments / (underpayments) from the previous period	3	(101)
Income tax expense – payable	70	5
Out of which:		
- from ordinary activities	70	102
- from extraordinary activities	0	(97)

The deferred tax asset / (liability) is calculated using the 19% tax rate (for both 2009 and 2010) and quantified as follows:

(CZK million)						
Deferred tax item	2010			2009		
	Base	Deferred tax asset	Deferred tax liability	Base	Deferred tax asset	Deferred tax liability
Difference between net book value of fixed assets for accounting and for tax purposes	(2,225)	0	(423)	(2,089)	0	(397)
Provisions	230	44	0	142	27	0
Other provisions	812	154	0	654	124	0
Total	(1,183)	198	(423)	(1,293)	151	(397)
Net deferred tax liability			(225)			(246)

In 2010, the Company recorded a year-on-year decrease of CZK 21 million in the deferred tax due.

17. LEASES

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

As at 31 December 2010 and 31 December 2009, the assets leased by the Company in the form of operational lease were CZK 18 million and CZK 15 million, respectively.

As at 31 December 2010 and 31 December 2009, the Company recorded no financial leases.

18. ASSETS AND LIABILITIES NOT RECOGNISED IN THE BALANCE SHEET

At 31 December 2010 and 31 December 2009, 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. In addition, the Company has leased and low-value assets in its operational records that are not included in the balance sheet. The investment into 233,630 shares in IPB, a.s. (presently IP Exit, a.s.) with the total nominal value of CZK 23 million, purchased at the acquisition cost of CZK 40 million, which has likely become permanently impaired, was also carried on an off-balance sheet account.

(CZK million)		
	2010	2009
Valuables and lottery tickets	7,056	5,415
Highway stickers	2,862	2,986
Leased assets - operational lease	8	23
Securities	40	0
Low-value tangible assets	2,382	2,243
Low-value intangible assets	110	114

Contractual capital commitments as at 31 December 2010 and 31 December 2009 were as follows:

(CZK million)		
	31 December 2010	31 December 2009
For a period of less than 1 year	68	141
For a period of 1 to 5 years	0	0
Total	68	141

Commitments related to rentals of non-residential premises as at 31 December 2010 and 31 December 2009 were as follows:

(CZK million)		
	31 December 2010	31 December 2009
For a period of less than 1 year	72	65
For a period of 1 to 5 years	124	138
For a period of more than 5 years	89	84
Total	285	287

19. CONTINGENT LIABILITIES

As at 31 December 2010, the Company created a provision amounting to CZK 110 million (out of the overall sum of CZK 877 million in other provisions) for pending litigations and out-of-court disputes and related liabilities.As at 31 December 2009, the Company created a provision amounting to CZK 86 million (out of the overall sum of CZK 704 million in other provisions).

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

The Management Board is not aware of any other material contingent liabilities of the Company as at 31 December 2010.

20. INCOME

Breakdown of the Company's income from its operations:

(CZK million)						
	2010			2009		
	Domestic	International	Total	Domestic	International	Total
Income from postal operations	14,162	1,168	15,330	14,545	1,523	16,068
Income from agency services	2,521	0	2,521	2,614	0	2,614
Income from the sale of goods	328	0	328	403	0	403
Other income from operations (incl. capitalisation and data mailboxes)	2,351	0	2,351	1,195	0	1,195
Total income from operations	19,362	1,168	20,530	18,757	1,523	20,280

In 2010, the Company received a subsidies wotht operating purposes. In 2009, the Company received a subsidy worth CZK 3 million from UPU's Quality Fund to finance a project to increase the availability of postal delivery boxes. This income is included in Other operational income.

21. EMPLOYEES AND STAFF COSTS

a) Staff costs

Breakdown of staff costs:

	2010		2009	
	Total employees	Out of which: Company management	Total employees	Out of which: Company management
Average headcount	34,374	6	34,948	7
CZK million				
Wages and salaries	9,349	27	9,484	33
Social security and health insurance costs	3,099	4	3,074	3
Other social costs	344	0	332	0
Total staff costs	12,792	31	12,890	36

In addition to the above-mentioned amounts of staff costs, members and former members of statutory and supervisory bodies in 2010 and 2009 received bonuses in the total amount of CZK 9 million and CZK 5 million, respectively.

b) Other costs

The Company paid CZK 2 million and CZK 4 million to the auditor company for the statutory audit or audit in compliance with the IFRS of the Company's financial statements for 2010 and 2009, respectively.

22. EXTRAORDINARY INCOME AND COSTS

In 2010 and 2009, the Company recognised no extraordinary income.

In 2010, the Company recognised no extraordinary costs. In 2009, the Company recorded an extraordinary cost relating to refunds in respect of income tax on extraordinary activities worth CZK 97 million. This amount relates to compensation for agency services rendered in previous periods and recognised as income for the period in which it was earned.

23. TRANSACTIONS WITH RELATED PARTIES

Apart from the bonuses mentioned under Note 21 – Employees and 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 2010 and 2009, with the exception of the Company's managers who use the Company cars for their business and (paid) private use.

Throughout the year, the Company executed several transactions with related parties within its ordinary business activities. The transactions recognised in 2010 and 2009 and the related receivables from and payables to related parties are as follows:

(CZK million)				
2010	Sales	Purchases	Receivables	Payables
Subsidiary				
Poštovní tiskárna cenin Praha a.s.	1	34	0	3
Other related parties				
Czech Television & Czech Radio	249	2	0	5
Government ministries	1,565	1	154	44
Czech Social Security Administration	560	2,235	0	2,511
Municipal and local authorities	440	69	16	329
State Fund for Transport Infrastructure	103	1	25	407
Total	2,918	2,342	195	3,299

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

24. ENTRUSTED RESOURCES

Breakdown of entrusted resources as at 31 December 2010 and 31 December 2009 is as follows:

(CZK million)		
31 December 2010 31 December 2009		
ASSETS		
Short-term receivables	240	210
Cash in hand	3,959	4,376
Bank accounts	579	1,663
Total assets	4,778	6,249

(CZK million)		
31 December 2010 31 December 2009		
LIABILITIES		
Short-term payables	4,742	6,186
Short-term bank loans	36	63
Total liabilities	4,778	6,249

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

In late 2010 and 2009, the Company received advance payments in the amount of CZK 2,147 million and CZK 3,741 million towards 2011 and 2010 pension payments, respectively. These payments came from the Czech Social Security Administration.

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

25. CASH-FLOW STATEMENT

As at 31 December 2010 and 31 December 2009, the Company did not consider the used overdraft facilities as cash equivalents for the purpose of the cash-flow statement (see Note 14 – Bank loans and overdrafts).

Breakdown of cash and cash equivalents recognised in the cash-flow statements as at 31 December 2010 and 31 December 2009 is as follows:

(CZK million)		
31 December 2010 31 December 2009		
Cash in hand	4,086	4,450
Cash at bank	2,160	2,823
Cash equivalents in respect of short-term securities and ownership interests	2,140	3,243
Total cash and cash equivalents	8,386	10,516

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 inter-banking interest rates and a great instability in the 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 following material events occurred between the balance sheet date and the date of preparation of the accompanying financial statements:

Ing. Jana Vošická was appointed as the person in charge of the Finance and Legislation division as at 1 January 2011. She replaced Ing. Pavel Janda who resigned as at 31 December 2010.

As at 28 February 2011, Ing. Marcela Hrdá was removed from the position of Director General. Subject to the State-Owned Enterprise Act No. 77/1997 Coll., an appointed deputy director general, with priority given by the date of registration in the Commercial Register, fully replaces director general in the absence of the latter. Ing. Petr Zatloukal and Ing. Vladimír Měkota were appointed as first deputy director general and second deputy director general, respectively.

No other material events 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 2010.

14 March 2011



Ing. Petr Zatloukal
Deputy Director General
Česká pošta, s.p.





Independent auditor’s report

to the Founder of Česká pošta, s.p.

We have audited the financial statements of Česká pošta, s.p., identification number 471 14 983, with registered office at Politických vězňů 909/4, Praha 1 (“the Company”) for the year ended 31 December 2010 disclosed in the annual report on pages 78 and 83 and issued the opinion dated 14 March 2011 and disclosed on page 76.

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 2010 is consistent with the financial statements referred to above. The General Director is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements based on our verification procedures.

Auditor’s Responsibility

We conducted our verification procedures in accordance with the International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the verification procedures to obtain reasonable assurance about whether the other information included in the annual report which describes matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that the verification procedures performed provide a reasonable basis for our opinion.

PricewaterhouseCoopers Audit, s.r.o., Kateřinská 40/466, 120 00 Prague 2, Czech Republic
Phone: +420 251 151 111, fax: +420 251 156 111, www.pwc.com/cz

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Founder of Česká pošta, s.p.
Independent auditor’s report

Opinion

In our opinion, the other information included in the annual report of the Company for the year ended 31 December 2010 is consistent, in all material respects, with the financial statements.

31 May 2011

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

Věra Výtvarová
Statutory Auditor, Licence No. 1930

6. CONTACTS

Company name	Česká pošta, s.p.
Registered office	Politických vězňů 909/4, Prague 1, 225 99
Identification number	47114983
Tax identification number	CZ 47114983
Registration court	Municipal Court in Prague
Company's registration number	File 7565, Section A
Information line	800 10 44 10
Prague information centre	+420 221 132 113
E-mail address	info@cpost.cz
Website	www.ceskaposta.cz
Region Prague	Bystřická 9, 140 00 Prague 4
Region Central Bohemia	Kafkova 102/19, 160 00 Prague 6
Region South Bohemia	Senovážné náměstí 240/1, 370 01 České Budějovice
Region West Bohemia	Solní 259/20, 301 00 Plzeň
Region North Bohemia	Berní 2/2119, 400 01 Ústí nad Labem
Region East Bohemia	Na Hrádku 105, 530 02 Pardubice 1
Region South Moravia	Orlí 655/30, 663 00 Brno
Region North Moravia	Poštovní 1368/20, 728 60 Ostrava

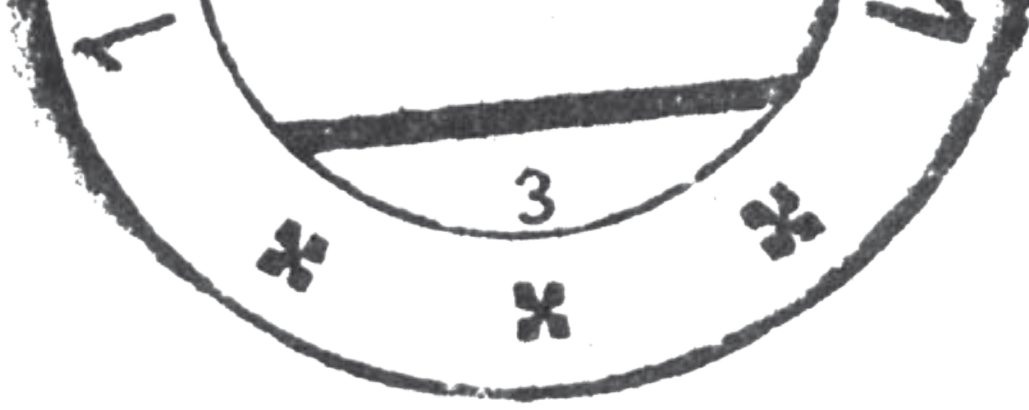
7. ABBREVIATIONS USED

CADR – IS VZ	Central Address – Official Site of Public Contracts
GECOMM	Conference of European Communications Museums
CMS	Central Point of Service
CNG	Compressed Natural Gas
CLR	Centrally locked routes
Czech POINT	National network of submitting and verifying information terminals
ČNB	Czech National Bank
CTO	Czech Telecommunication Office
D+3	Delivered by the third day after posting
D+5	Delivered by the fifth day after posting
SB	Supervisory Board
VAT	Value added tax
EMS	Express Mail Service
ES	European directive
EU	European Union
EVO	Electronic bulletin board for municipalities
FKSP	Fund for cultural and social needs
GPS	Global positioning system
DG	Director General
GDP	Gross domestic product
HW	Hardware
IATM	International Association of Transport and Communications Museums
ICT	Information and Communication Technologies
ISDS	Data Mailbox Information System
ISO	International Organisation for Standardisation
ISVS	Information system of the Czech public administration
ITSM	IT service management
IZIP	Electronic health record system
MS	World championship
OVZ	Other public contracts
PES	Monitoring of operational and financial processes at post offices
CPP	Crisis Preparedness Plan
PM	Postal Museum
QCA	Qualified certification authority
PostEurop	Association of European public postal operators
REP	Registered electronic post
RIPM	Distribution of information and promotional materials
RZPS	Distribution of promotional and information materials
SČF	Union of Czech Philatelists
SIPO	Multiple direct debit payments via the Company's payment system
SME	Small and medium enterprises
SPU	Logistic hub
SW	Software

NOTES

TP	Severe disability (applies to holders of extraordinary benefits card)
UNEX	Quality of service measurement system for public postal operators
VCA	Public certification authority
UPU	Universal Postal Union

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