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Changes that occurred between the end of the accounting period (31 December 2021) and the closing date of the Annual Report (21 April 2022) are marked in italics.

This document is an unsigned English translation of the Czech Annual Report. Only the Czech version of the Annual Report is legally binding.

Basic information about the company

HISTORY OF THE COMPANY

PREdistribuce, a.s., (PREdi) was established in September 2005 following its separation from the parent company Pražská energetika, a.s. (PRE). It started operating on 1 January 2006. PREdi is a stable and prosperous energy company ensuring the distribution of electricity to all its customers. It is one of the PRE Group companies and a 100% mother company of PREnetcom, a.s. (PREnetcom).

In 2004, its creation was preceded by the amendment of the Czech Energy Act, which followed the transposition of Directive 2003/54/ES of the European Parliament and the Council of the EU concerning common rules for the internal market in electricity. It started the process of unbundling aimed at separating the distribution of electricity from trading in electricity and ensuring that an electricity distribution licence is held by a separate company.

That is why, on 7 September 2005, PRE established a 100% subsidiary PREdi and transferred a part of its business (the Distribution division – i.e., the distribution system) to it. As a result, PREdi assumed all rights and obligations of PRE related to securing and operating the distribution system in Prague, in Roztoky and in Žalov; it also became the owner of the technical equipment and some of the immovable assets used for electricity distribution in this territory.

MAIN OBJECT OF ACTIVITIES OF THE COMPANY AND MAIN EVENTS IN 2021

PREdi owns and operates the distribution system in the capital city of Prague, in Roztoky and in Žalov covering an area of 504 km². It has been carrying out its operations in accordance with the Energy Act in the public interest, as it has held electricity distribution licence No. 120504769 from the Energy Regulatory Office (ERÚ) in effect since 1 January 2006 for an indefinite period of time. Electricity distribution is subject to price and quality regulation by the ERÚ.

Its main mission lies in providing a high-quality, efficient, reliable and safe supply of electric energy to all its customers in the licensed territory. Its key processes and activities aimed at ensuring a continuous energy distribution include efficient renovation, development and modernisation of the distribution network, connection of new customers, buildings and structural units to the network, optimal operation control and resolution of failures, maintenance and repairs of the network, measurements and other services related to distributing electricity especially to customers on low and medium voltage levels and electricity producers.

As a licensed operator of the distribution network, PREdi provides non-discriminatory services to all actors in the energy market. This approach is regularly emphasized in its Annual Report in the section devoted to the implementation of equal treatment measures aimed at eliminating all discriminatory practices of the operator of the distribution system. In 2021, all output and energy demands of both the existing and new customers and investors of development projects in the licensed territory were met.

The distribution system consists of 110 kV, 22 kV and 0.4 kV overhead lines and cable lines, 110/22 kV transformer stations and 22/0.4 kV distribution transformer stations. Its operations are overseen and managed by the Energy dispatcher control station. The continuity of electricity supply was not affected by any major failure throughout 2021. PREdi ensured high-quality maintenance of the distribution network under the standards and requirements set forth in the Rules of Preventive Maintenance.

The company continuously monitors and evaluates all indicators of the quality and reliability of electricity distribution and related services. With regard to all customers connected to the distribution system, in 2021 the quality standards of electricity supply were met in accordance with the SAIDI/SAIFI reliability indicators and the quality standards of related services complied with ERÚ Decree No. 540/2005 Sb., as amended.

At the end of 2021, more than 823 thousand consumption points were connected to the distribution system, which represents a 0.8% increase year-on-year. The maximum peak load of the distribution system was recorded on 10 February 2021 amounting to 1,117 MW, which is comparable to 2020, yet by almost 4% fewer than in the previous years. Throughout 2021, PREdi distributed a total of 5,984.4 GWh of energy on all voltage levels, which represents a 2% increase when compared to last year, but it is still a decrease of more than 5% when compared to the previous years. This sustained decrease in the load of the network and in the volume of distributed electricity is due mainly to the effects of the second year of the covid-19 pandemic.

Despite the adverse ongoing pandemic, all of the fundamental elements of the long-term plan of the repairs and development of the distribution network were met. In order to provide highly reliable and safe networks, every year PREdi draws up medium- and long-term, and year-long investment plans based on the results of analyses examining the technical state of the network, new trends and regulatory requirements, the transmission capacity and achieved reliability of its networks, the actual physical lifetime of individual network components as well as the possibilities of their efficient maintenance. One of the key elements is strategic investment, primarily in the construction and modernisation of 110/22 kV transformer stations (TS) and their mutual systemic connection by 110 kV overhead and cable lines. In 2021, PREdi invested a total of CZK 1,844.9 million (including capitalisation) in the distribution network. The major strategic construction projects implemented in 2021 include the continued construction of the cable tunnel between the Karlín TS and the Hlávka bridge, the construction of the cable tunnel Invalidovna I, the continued restoration of the Pražáčka TS, the launch of the construction of the 110 kV distribution station and the control system at the Jih TS, the continued construction of the Slivenec TS, the completion of the construction of the 110 kV overhead cables between the Malešice, Zahradní Město and Jih TSs and many more. In line with its investment plan, the company also continued with the renovation of 22 kV switching stations and 22/0.4 kV distribution transformer stations and MV and LV cable lines.

PREdi must respond to emerging trends in the energy sector dictated by new EU regulations, especially its Winter Package Clean Energy for all Europeans, approved by the European Parliament and the Council of the EU in 2019. The aim of this initiative is to increase the share of consumed energy from renewable sources by 2030 to at least 32%. Its implementation is expected to lead to the emergence of new trends in the energy market, such as an increase in the deployment of decentralised electricity sources as well as a gradual increase in the roll-out of new technologies, such as electric vehicles, AMM and accumulation. As part of its newly adopted Green Deal for Europe, the EU decided to increase its climate ambition, setting a new goal of reaching complete carbon neutrality by 2050. As one of the steps to achieve that, it committed itself to reducing greenhouse gas emissions by at least 55% by 2030.

In view of the steadily growing demand for a continuous and high-quality energy supply as well as the increasingly more stringent requirements for the use of new technologies in the energy sector, PREdi commits itself to preparing its distribution network in good time to absorb these modern energy trends.

It makes considerable investment in the development and digital transformation of its distribution network, while also striving to build related telecommunications infrastructure. Through the so-called smartening of the network, PREdi makes sure that it will be able to face future challenges, including the expected growth of local generation units and the onset of electromobility. PREdi has been focusing primarily on smartening its 22/0.4 kV distribution transformer stations, for their construction helps enhance the reliability of electricity supply. It also develops optical infrastructure through implementing a number of pilot projects and, in the long run, a widespread roll-out of cutting-edge technologies. To further develop smart grids, it is all-important to ensure a fast and safe transfer of data using optical data networks. In the development of smart grids, PREdi is assisted by its 100% subsidiary PREnetcom, which can rely on its vast know-how in the construction, operation and use of optical data networks. PREnetcom assists PREdi in drawing up a development strategy and coordination of the construction and maintenance of its optical infrastructure. It focuses primarily on the operation and use of metallic and especially optical communication cables that are installed

/ Basic information about the company

together with the distribution network to ensure monitoring, management and operation control of smart grids. Smartening of the distribution network and the development of a smart infrastructure is carried out in line with the updated National Action Plan for Smart Grids adopted by the Czech government.

PREdi's objective is to achieve a high level of reliability of its electricity supply while ensuring its networks' safety on all voltage levels and respecting the environmental aspects. The company naturally also supports occupational health and safety as well as the development and training of all its employees.

Subsidiary PREnetcom, a.s.

PREnetcom, a.s., was founded on 27 November 2017 as a 100% subsidiary of PREdi and it started operating on 1 January 2018. Its main task is to fulfil the long-term strategic goal of PREdi – to implement smart grids by designing and constructing communication infrastructure to connect individual components of the distribution network, which will ensure a reliable transfer of network data and enable remote control of the distribution network. It also includes the roll-out of smart metering of the distribution network. Another task of the company consists in exploring the possibility of using the spare capacity of the newly created communication network for commercial purposes, such as smart city and smart home features as well as wholesaling to third parties.

In 2021, PREnetcom completed a number of new commercial pilot projects of different sizes (i.e., the number of consumption points or apartments) at various sites in Prague and with different layouts of the surrounding buildings. The first pilot site Skalka I was expanded in 2021 with the construction of a new part of the project, Skalka II. The PRE Group managed to complete the wiring to connect households to automatic smart metre reading equipment. Further works were done to get the households ready for further telecommunication services.

The company followed up with its successful pilot project of family houses at the Chodov site. In early 2021, it started to acquire the consent of the house owners to build energy infrastructure. It resulted in the largest project of apartment houses to date, including mainly high-rise blocks of more than 5,000 units. At the same time, the company launched preparatory works at a different area in Chodov to start building an external communication network serving 2,400 apartments and houses.

Important pilot projects continued at the site in Vinohrady, including the implementation of energy and optical infrastructure for the AMM connection of up to three different telecommunication operators. At this pilot site, PREnetcom operated as the supplier of an external communication network and completed the construction of passive optical infrastructure according to the specification of the project titled Smart neighbourhood of Vinohrady. This project will bring forth a comprehensive set of services, ranging from standard telecommunication services to the connection of AMM electricity metres, smart lamps, etc.

Apart from these pilot projects, the company continued to plan more projects at other Prague sites, such as in Krč, Kunratice, Old Town and many more.

Furthermore, the company started to hold talks with several property developers active mainly in Prague, as it looked to extend its portfolio of projects related to the construction and operation of communication networks. In 2021, it managed to complete its first collaboration titled Elektra with the company FINEP.

PREnetcom also continued in its successful strategy of improving its operational capacities as well as the maintenance and management of its passive communication infrastructure. In order to reach operational synergies and draw on the current know-how of its employees, PREnetcom focused on bringing smart distribution stations and pilot AMM projects into operation. Throughout 2021, it managed to smarten a total of 128 distribution stations.

It also managed to complete the implementation of the ESO system, which is crucial for the planning, construction and operation of the passive communication infrastructure. Following data migration and a series of functionality tests, the system became fully operational and started to generate and fill in all relevant data.

Last but not least, PREnetcom focused on its own projects of strategic development, deepening its know-how in the field of telecommunication technologies. These most notably included a vast roll-out of AMM, which is being prepared in accordance with the applicable regulatory framework.



**Safe and
reliable energy
for you**

...for 125 years



Where suitable, cables are nowadays installed in cable tunnels. This enables to install more cables in one place, ensure easier maintenance, repairs and a safe and reliable distribution of electric energy.

Installing high-voltage cables underground in the 1920s.





PRE Group

Pražská energetika, a.s., (PRE) and its subsidiaries are a modern integrated energy corporate group, whose principal activities include electricity and gas sales and trading, electricity distribution, the generation of electricity from renewable sources and the provision of energy services in the capital city of Prague and the entire Czech Republic.

It has a one-hundred-and-twenty-five-year long tradition of supplying electricity and developing the electricity system in the capital city of Prague. Its history dates back to 1897, when the Electricity Works of the Royal Capital City of Prague (Elektrické podniky královského hlavního města Prahy) was founded. Aside from electricity distribution, the company also operated trams and provided street lighting. Today, with its more than 823 thousand consumption points, the PRE Group is the third largest electricity supplier in the Czech Republic, operating a high-quality and reliable distribution network. As part of its activities, it supports state-of-the-art technological solutions and provides consultancy on the implementation of innovative technologies and energy savings. In 2021, PRE distributed a total of 6 TWh of electricity on all voltage levels, which is comparable to last year, but it is still a decrease of 5% when compared to the previous years. This decrease is primarily due to the ongoing covid-19 pandemic. At the same time, PRE generated 34.2 GWh of electricity from renewable sources.

In their activities, all of the PRE Group companies follow strict ethical standards, which primarily include a responsible attitude towards society, the environment and their own employees. In its business activities, PRE proudly embraces the principles of sustainable development and strives to contribute to the improvement of the standards of living in the region it operates in.

In 2021, the PRE Group consisted of the parent company Pražská energetika, a.s., and its subsidiaries: PREdistribuce, a.s., PREměření, a.s., PREzákaznická, a.s., PREservisní, s.r.o., eYello CZ, k.s., KORMAK Praha a.s. and VOLTCOM, spol. s r.o.

The PRE Group also includes the 100% subsidiaries of PREměření, a.s.: SOLARINVEST – GREEN ENERGY, s.r.o., PRE FVE Světlík, s.r.o., FRONTIER TECHNOLOGIES, s.r.o., PRE VTE Částkov, s.r.o., and a newly established company PRE FVE Nové Sedlo, s.r.o. The PRE Group also includes PREnetcom, a.s., a 100% subsidiary of PREdistribuce, a.s.

PRE GROUP COMPANIES

Pražská energetika, a.s., (PRE) holds licences for electricity and gas trading in the Czech Republic and its main business activity is trading in electricity and gas.

PREdistribuce, a.s., (PREdi) ensures electricity distribution in Prague, Roztoky and Žalov as well as the planning of the distribution system renovation and development and the construction, operation, administration and maintenance of the distribution system equipment.

PREměření, a.s., (PREm) carries out readings, repairs and installation of electricity metres in the PREdi supplied territory and provides energy services, servicing, and electricity generation from renewable sources.

PREzákaznická, a.s., (PREzak) provides complete customer services to the clients of PRE, PREdi, PREm and eYello.

PREservisní, s.r.o., (PREs) provides services to the PRE Group, including technical monitoring on behalf of the investor, diagnostics and measurements, property administration, etc.

eYello CZ, k.s., (eYello) sells electricity and gas to households and small businesses.

KORMAK Praha a.s. (KORMAK Praha) provides a complete range of engineering, design, and construction services in the field of electricity infrastructure and transformer stations.

VOLTCOM, spol. s r.o., (VOLTCOM) focuses on the design of constructions and their execution, installations, repairs, inspections, and testing of electrical equipment.

PREnetcom, a.s., (PREnetcom) develops communication infrastructure within the distribution network in connection with the implementation of smart grids.

SOLARINVEST – GREEN ENERGY, s.r.o., carries out installations of solar and thermal systems (air-conditioning units, heat pumps, etc.).

PRE FVE Světlík, s.r.o., owns and operates a photovoltaic power plant under a relevant licence.

FRONTIER TECHNOLOGIES, s.r.o., develops, produces and supplies indoor and outdoor smart lighting solutions.

PRE VTE Částkov, s.r.o., focuses primarily on electricity generation.

PRE FVE Nové Sedlo, s.r.o., was established with the purpose of building and operating a new photovoltaic power plant (it became part of the PRE Group on 6 October 2021).

Foreword of the chairperson of the Board of Directors

Ladies and gentlemen,

We have all experienced a very difficult year affected by the ongoing global covid-19 pandemic. For two years now, all of Czech society has faced severe economic and social difficulties and a number of new challenges. Needless to say, the energy sector, including electricity distribution, has also been severely affected by the effects of the pandemic. While adopting stringent health safety and sanitary measures, our company had to find its own way of fulfilling all its tasks related to the operation and development of the distribution system. Controlling an important part of the national critical infrastructure, PREdi did its best to continue to ensure a safe and reliable supply of electricity to all its customers. This would not be possible if it weren't for the company's employees, who showed their responsibility and discipline by abiding by all of the newly-adopted measures.

In 2021, a total of 472 employees took care of the entire system of distribution equipment, which represents a significant decrease when compared to 2006 when the company was established. Along with the operational control and resolution of failures, our employees conducted necessary maintenance works of the distribution equipment and control systems in compliance with the company's Rules of Preventive Maintenance. The employees also engaged in other important activities, such as the planning of the development and renovation of the distribution equipment, the management of network assets, connection of new customers, the construction of investment energy constructions and connection points, the measurement of the supplied electricity on HV and MV levels as well as the transfer of network data for the purposes of settling payments for distribution services and supplies within the system of the market operator (company OTE, a.s.).

Despite the numerous measures and limitations imposed to halt the spread of covid-19, PREdi managed to fulfil its performance indicators and economic objectives and, to a large extent, contributed to the favourable economic results of the whole PRE Group. Its EBITDA reached CZK 3,046 million, which is CZK 0.6 million more than required in the plan and CZK 62 million more than in 2020. The total volume of distributed electricity reached 5,984 GWh in 2021. Even though this is more than 300 GWh fewer than before the pandemic in 2019, it represents a moderate increase of 120 GWh when compared to 2020. These lower economic results from the past years are due to the effects of the pandemic, but they can also be explained by the company's long-term austerity programmes aimed at investing in new technologies, equipment as well as state-promoted technologies aimed at fighting energy losses. In spite of everything, I am convinced that the economy will rebound and growth in the Prague region will return. The market will be stimulated by new development projects and the onset of electromobility. It can thus be expected that from 2022 onwards peak load values and electricity consumption will return to growth. The highest peak load of the distribution system of 1,117 MW was recorded on 10 February 2021 under the state of emergency, which is comparable to last year, when the company was already affected by the effects of the covid-19 pandemic. At the end of 2021, almost 824 thousand consumption points were connected to the distribution system, which represents a 0.8% increase year-on-year.

PREdi, as the operator of the distribution network in the capital ranging from 110 kV to 1 kV voltage levels, has a specific position in the Czech energy industry and has to face extraordinary challenges and demands for the quality and reliability of its supply. In 2021, the distribution network of the company was not affected by any natural disaster. No extensive systemic technical failures occurred on its distribution equipment that would have affected the company's supply of electric energy in a significant manner. I can confirm that, throughout the year, the quality standards of electricity supply and related services were met with regard to the absolute majority of the end customers connected to our distribution network in accordance with ERÚ Decree No. 540/2005 Sb. According to comparative statistical analyses, last year PREdi operated as the most reliable electricity distributor in relation to its end customers in the Czech Republic. The task that lies before us is to implement further technical measures to maintain this favourable trend. Modernisation and smartening of the distribution network constitute our main development tool.

PREdi's distribution system consists of 110 kV, 22 kV and 0.4 kV overhead lines and cable lines measuring 12,468 km, 26 110/22 kV transformer stations and 4,968 22/0.4 kV network transformer stations. In 2021, the company invested in the distribution network, i.e.,

its renovation and development including the development of optical, management and measurement systems, a total of CZK 1,845 million. A further CZK 227.5 million was invested from the operating funds, allowing us to extend the physical lifetime of our key distribution equipment. The most significant constructions of the HV level include the termination of the restoration of the Pražáčka TS, the launch of the modernisation of the key Jih TS, the continued construction of the new Slivenec TS, the implementation of the cable tunnel along the Vltava River in Prague 8 as well as the repair and dismantling of 110 kV overhead lines between the Sever and Východ TSs. The company further developed its activities aimed at smartening its MV and LV networks to enable the transmission of data to dispatch centres and remote operation control. It also conducted other preparatory projects to implement remote electricity readings for customers to prepare its infrastructure for the planned roll-out of smart metering (AMM) by 2024. These preparatory works were carried out by PREdi technicians in cooperation with their colleagues from the subsidiary PREnetcom and its sister company PREm.

In 2021, PREdi takes on the presidency of the Czech Association of the Regulated Power Supply Companies (ČSRES), which addresses the most current questions that are jointly dealt with by all actors of the Czech energy industry. These include their joint resolution of emergencies, the implementation of new regulatory demands in practice, leading professional discussion with the ERÚ and the Ministry of Industry and Trade (MPO) and other government bodies regarding the impact on prices for end customers and the Czech energy sector's future direction. PREdi specialists were also actively involved in the discussions related to the steps that need to be taken in line with the updated version of the National Action Plan for Smart Grids adopted by the Czech government in 2019.

In late 2021, the Czech energy sector faced an unprecedented situation resulting from the shutdown of a number of independent energy suppliers whose customers had to be taken on by the so-called suppliers of the last resort. In PREdi's licensed territory, more than 65 thousand customers connected mostly to low-voltage levels were affected. To respond to this unexpected and unprecedented situation, a series of discussions were held between the representatives of the ERÚ, the MPO and the suppliers of the last resort. The aim was to come up with adequate and immediate solutions to minimise the adverse effects on customers and to stipulate a framework for their transfer to other energy providers. The underlying priority was to avoid in 2022 a large-scale disconnection of customers who would fail to conclude new contracts with new electricity providers. Given its presidency of ČSRES, PREdi's involvement in the talks with the ERÚ and the MPO was instrumental.

In the years to come, PREdi will keep building its reputation of a modern and prestigious company, which pays special attention to increasing its economic performance as well as its reliable, high-quality and safe supply of electric energy. It will also continue to support decentralisation, promote digitalisation of the distribution system and grow its portfolio of modern energy services.

In 2021, the PREdi company managed to fulfil all the key tasks of energy distributor in the capital city and contributed actively to its planned development. I believe that PREdi will remain the mainstay of the PRE Group and will continue to fulfil the expectations of the shareholder. It fully acknowledges its responsibility towards the environment and that is why it keeps improving the efficiency of its operations, reducing their environmental burden and enhancing its environmental commitments.

To conclude, let me express my thanks to all of our customers, suppliers and partners as well as our employees for their excellent work. They were disposed to work as committed professionals without a break to maintain the smooth operation of the distribution network throughout the covid-19 pandemic. I am deeply grateful for that.

On behalf of the PREdi company, I wish all of you good health, sufficient energy and a successful 2022.

Signed by

Milan Hampl

Chairperson of the Board of Directors

Company strategy

The strategic focus of PREdi is defined by its mission to ensure a reliable and safe supply of electricity to all its customers in the capital city of Prague, Ržtoky and Źalov by using a well-maintained distribution system.

Its main strategic goal is to continue optimising and modernising its network assets, ensuring their maximum utilisation for electricity distribution and providing high-quality and non-discriminatory services to network customers in cooperation with the other PRE Group companies. This also includes continuing efforts to smarten its distribution system through the implementation of cutting-edge technologies and support of digitalisation.

In the European energy sector, the tendency is to promote greater decentralisation, electrification mainly through e-mobility as well as energy saving solutions. The emerging trends in the energy sector stem from the implementation of energy and climate goals, i.e., new EU regulations by 2030, especially its Winter Energy Package Clean Energy for all Europeans, approved by the European Parliament and the Council of the EU in 2019. This initiative was newly complemented by the Green Deal for Europe whose aim is to achieve complete carbon neutrality by 2050. This has strengthened the original goal of increasing the part of renewable sources in the production of electricity to 32% by 2030. At the same time, this new ambition set another goal of reducing the greenhouse gas emissions by 2030 by at least 55% compared to 1990 levels. In the same vein, the EU introduced the Fit for 55 package, a suite of legislative initiatives across various climate-related sectors, such as energy and transport, whose aim is to harmonise the legislation currently in place with its climate objectives for 2030 and 2050.

In this regard, the company will draw funds from the Modernisation Fund, the Just Transition Fund and the National Recovery Fund to increase the deployment of decentralised electricity sources, where generation is difficult to predict. This will also lead to a gradual increase in the deployment of new technologies, such as electric vehicles, AMM and accumulation. In connection to more stringent requirements for car emissions reduction, stipulated in the newly-adopted regulation of the European Parliament and the Council of the EU, electromobility in particular will gain in importance. To review its ambition, Prague adopted its Climate Plan, which reflects the capital's climate objectives and puts in place a number of specific measures aiming at achieving climate neutrality in Prague. A new initiative, titled Prague Society for Renewable Energy, was established as part of this plan. As the distribution system operator, PREdi will continue to support these efforts while fulfilling its own obligations stemming from its role. Despite the changing conditions, PREdi's mission will still be to maintain a high level of reliability, safety and quality of electricity supply, and to guarantee the supply even in crisis scenarios. There is a growing danger of abnormal operating conditions and blackouts, not only due to possible terrorist attacks and newly also cyberattacks, but also due to the instability of sources and the overload of some transmission network components by huge transfers of electricity.

PREdi devotes great attention to new trends and developments in the introduction of modern solutions. PREdi's strategic aim is to prepare its distribution system in good time to be able to respond to these changing conditions resulting from the expected increased requirements linked to the connection of new decentralised energy sources, especially renewable sources, and charging stations to enhance the developing sector of electromobility, accumulation, AMM roll-out and further development of energy services. In light of this, the company commits a major portion of funds, in line with its investment strategy, to the renovation and development of 22 kV and 1 kV networks. In line with the updated National Act Plan for Smart Grids adopted by the Czech government in 2019, PREdi pays special attention to the smartening of its distribution system, especially the 22/0.4 kV distribution transformer stations. It also builds related telecommunication infrastructure with great potential to offer new services and create strong value added as part of smart home and smart city concepts. To further develop smart grids, the company is well aware that it is all-important to ensure a fast and safe transfer of data using optical data networks. That is why it promotes the deployment

of a unique technology using combined optical and energy cables allowing it to better monitor, measure and control its distribution network. This has already proved beneficial in terms of assets' utilisation and reliability indicators. By implementing smart communication elements in its distribution network, the company gets ready for the deployment of AMM which is dictated by the new decree on efficiency measurement effective from 1 January 2021. The company's goal is to implement AMM at approximately one third of its consumption points by 2027 and to continue with the remaining consumption points in the following years. In the design, construction and maintenance of its optical infrastructure, PREdi is assisted by its 100% subsidiary PREnetcom.

Despite the onset of new trends, the company still carefully restores and maintains its existing 110 kV networks and 110/22 kV transformer stations. They are still an integral part of the system and some of their elements are part of the national critical infrastructure. Continuous maintenance of the 110 kV backbone network, its operations and safety is key to prevent large-scale failures that could cause supply disruptions across a large territory and the collapse of the city's operation. Close cooperation with the transmission system operator, ČEPS, a.s., remains an important part of PREdi's strategy, ensuring adequate input for the development of the supplied territory as well as the high reliability of the electricity supply to all customers. In its efforts to increase the reliability of its electricity supply to end customers, PREdi plans to build a new nodal point of the 400/110 kV distribution system to connect it with the existing 110/22 kV Sever transformer station. This project is scheduled to be fully operational by 2027.

PREdi also cooperates with the Prague City Council on the Smart Prague Initiative aimed at implementing the world-renowned smart cities strategy. They focus primarily on connecting new smart lamps, charging equipment for electric vehicles and other elements. The implementation of modern technologies will help enhance the standard of living of Prague citizens, improve energy consumption savings, eliminate the environmental burden posed by the energy sector and provide shared data for public purposes. The energy sector ranks among the top areas where the potential of smart grids can be fully harnessed.

PREdi wants to remain a stable and prosperous energy company, a reliable electricity distributor for its customers and a trusted partner in solving their problems with electricity distribution to their consumption points. In the years to come, it will strive to meet the challenge of increasing the reliability, quality and safety of electricity supply to all of its customers in light of the ever-growing presence of state-of-the-art technologies.

It also wants to continue to play a key role in achieving the objectives of its shareholder, PRE, and remain a source of security and a trusted social partner to its loyal employees. PREdi also wishes to continue in its successful cooperation with other PRE subsidiaries, namely PREs, which ensures technical monitoring on behalf of the investor and diagnostics of cable routes, PREm, which ensures data measurements and readings for customers on low-voltage levels, and KORMAK Praha and VOLTCOM, which both ensure investment construction works, including their design, engineering, construction, but also renovation, modernisation and repairs of the distribution system equipment.

MAIN STRATEGIC CONSTRUCTIONS IN 2022

The main strategic investments will be made in the construction and modernisation of 110/22 kV transformer stations and 110 kV overhead lines and cables in the PREdi supplied territory. Individual projects are carried out in line with the company's long-term strategy of distribution network development. All constructions in Prague have been duly coordinated with the planning and building departments of the Prague City Council and respect the urban plan currently in force.

In view of admissibility and complexity of construction, strategic constructions for 2022 and following years include:

- the finalisation of the reconstruction of the Pražáčka TS;
- the continued construction of the cable tunnel between the Karlín TS and the Hlávka bridge;
- the finalisation of the construction of the Slivenec TS;
- the continued construction of the Invalidovna I cable tunnel;
- the continued construction of the 110 kV distribution system and the control system at the Jih TS; and,
- the launch of the construction of the 110 kV overhead lines between the Sever and Východ TSs.

Subsidy schemes

The PRE Group participates in nationwide development projects, especially in the fields of e-mobility and electricity network management. It draws subsidies in accordance with the specific rules set out for individual subsidy schemes.

PREdi participates in the following projects supported by state subsidies:

..... The project titled "Improvement of the region's resistance to risk of vast blackout using new technologies and crisis management procedures" registered under No. VI20192022124 in the Central Register of Projects (Centrální evidence projektů). The primary recipient of the state subsidy is the Czech Technical University in Prague. PREdi also participates in the project and draws money from the state subsidy scheme in line with the project's conditions. The project is provided by the Ministry of the Interior of the Czech Republic under the Security Research Programme of the Czech Republic realised in the years 2015–2022 (BV III/1 – VS). It was launched on 1 July 2019 and it is due to expire on 30 June 2022.

..... The project titled "Pilot project of using the spare capacity of large battery systems for support services (Eflex)" registered under No. TK03020118 in the Central Register of Projects. The project's objective is to define how the "spare capacity" for support services can be used. The primary beneficiary of the state subsidy is ČEPS, a.s. PREdi is also participating in this scheme, but in this case is not drawing any resources. The project is provided by the Technology Agency of the Czech Republic within its THÉTA Programme aimed at supporting applied research, experimental development and innovation. It was launched on 1 July 2020 and it is due to expire on 30 June 2023.

..... The project titled "Distribution system load management in the energy sector" registered under No. TK04020195 in the Central Register of Projects. The project aims to design HW and SW technologies that will allow for a decentralised management of the operations of distribution networks and consumption points in the current modern energy sector. The primary beneficiary of the state subsidy is ZPA Smart Energy a.s. PREdi is also participating in this scheme, but in this case is not drawing any resources. The project is provided by the Technology Agency of the Czech Republic within its THÉTA Programme aimed at supporting applied research, experimental development and innovation. It was launched on 1 January 2022 and it is due to expire on 31 December 2024.

..... The project titled "Optimisation of AMM roll-out based on pilot projects and testing value-added communication systems" registered under No. TK04020157 in the Central Registry of Projects. The project's aim is to explore new possibilities of communication technologies and to analyse their roll-out in a complex ICT network. The primary recipient of the state subsidy is the Czech Technical University in Prague. PREdi is also participating in the project and is drawing money from the state subsidy scheme in line with the project's conditions. The project is provided by the Technology Agency of the Czech Republic within its THÉTA Programme aimed at supporting applied research, experimental development and innovation. It was launched on 1 January 2022 and it is due to expire on 31 December 2024.

..... The project titled "Design, development and practical testing of the IT system for the optimisation of spare capacity of the distribution network for electric vehicles charging using the public charging network and the testing of dynamic management of charging using V2G feature" registered under No. TK04020147 in the Central Registry of Projects. The project aims to offer a solution for the operators of the distribution network that will help save investment costs paid by the operators and will help accelerate the development of the charging infrastructure. The primary beneficiary of the state subsidy is Unicorn Software Factory a.s. PREdi is also participating in this scheme, but in this case is not drawing any resources. The project is provided by the Technology Agency of the Czech Republic within its THÉTA Programme aimed at supporting applied research, experimental development and innovation. It was launched on 1 January 2022 and it is due to expire on 30 June 2024.



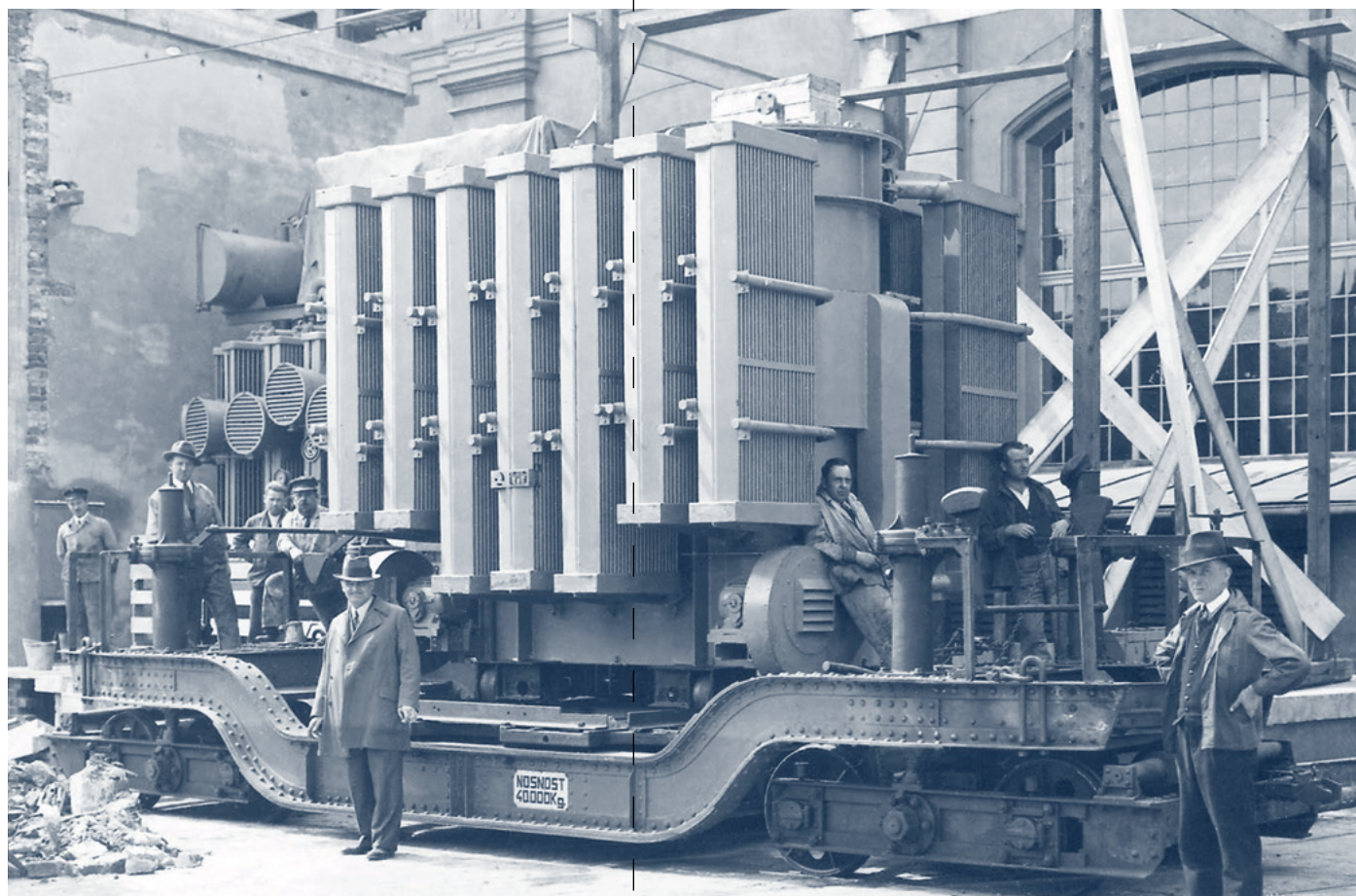
**We've been
experts in the
energy sector**

...for 125 years



While the design and operating principle of transformers have largely remained the same, today's transformers using advanced technology and materials produce low noise, eliminate losses and operate with great reliability and long life-time.

A transformer from 1934 operating in the 110/22 kV Sever transformer station, the first of its kind in Prague, at the Holešovice power plant in operation between 1926 and 1980.





Corporate bodies of the company

BOARD OF DIRECTORS AS OF 31 DECEMBER 2021

Milan Hampl
Chairperson

Petr Dražil
Vice-chairperson

Tobias Mirbach
Member

Jan Sixta
Member

SUPERVISORY BOARD AS OF 31 DECEMBER 2021

Pavel Elis
Chairperson

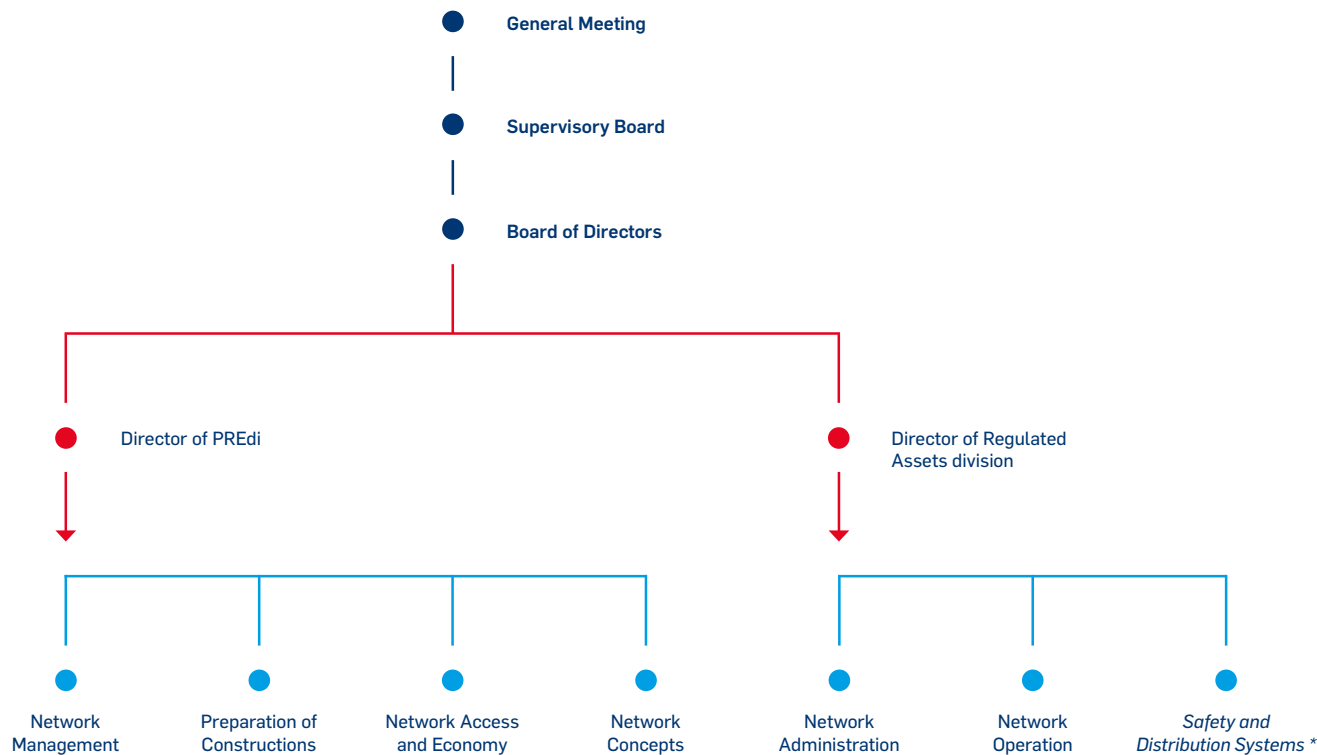
Alexander Manfred Sloboda
Member

Karsten Krämer
Member

Zdeněk Smetana
Member

In 2021, no members of the company bodies were subject to a conflict of interest or infringing prohibition of competition.

COMPANY ORGANISATION CHART



* Since 1 January 2022



Milan Hampl



Petr Dražil



Tobias Mirbach



Jan Sixta

Overview of selected company indicators

Main financial indicators (MCZK)

	2021	2020	2019	2018	2017
Total assets	30,228	29,785	29,345	28,978	28,649
Distribution equipment	24,591	24,294	24,146	23,941	23,700
Other fixed assets	3,177	2,994	2,796	2,685	2,542
Cash pooling receivables within the Group	0	0	0	0	0
Trade receivables	112	105	119	106	152
Other assets	2,348	2,392	2,284	2,246	2,255
Total assets	30,228	29,785	29,345	28,978	28,649
Equity	19,497	19,489	19,700	19,668	19,579
Deferred tax liability	3,107	3,081	3,059	3,038	3,009
Cash pooling payables within the Group	1,733	1,163	461	49	13
Trade payables	167	354	411	555	607
Deferred revenues	1,964	1,954	1,952	1,920	1,790
Provisions	200	230	272	326	298
Credits	2,700	2,700	2,700	2,700	2,700
Other assets	858	816	790	722	652
Gross profit from the sale of distribution services	4,905	4,802	4,904	4,917	4,717
Profit/loss from ordinary activity before tax	1,558	1,535	1,777	1,767	1,659
Profit/loss from ordinary activity after tax	1,259	1,250	1,443	1,429	1,341
EBIT	1,683	1,648	1,892	1,871	1,745
EBITDA	3,046	2,984	3,201	3,184	3,043
Total number of employees as of 31 December	472	467	456	501	509

Allocation of investments (MCZK, including capitalisation)

	2021	2020	2019	2018	2017
Total investment	1,844.9	1,729.5	1,643.0	1,700.5	1,594.2
HV distribution equipment	235.4	257.0	136.0	217.0	319.9
MV distribution equipment	681.4	652.9	689.2	862.3	686.3
LV distribution equipment	750.8	636.4	633.4	459.2	459.5
Electricity metres	177.3	183.2	184.4	162.0	128.5

Selected network indicators

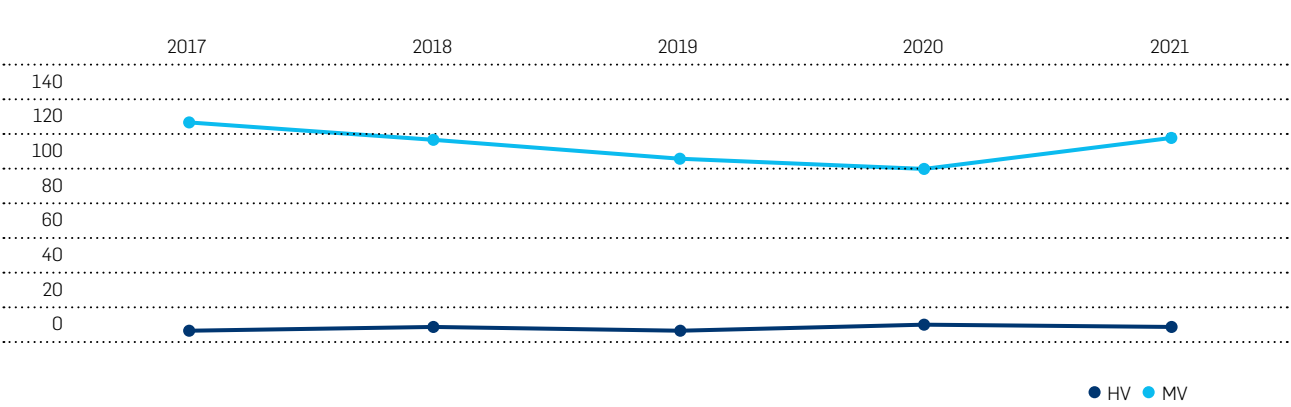
	Measurement unit	2021	2020	2019	2018	2017
Maximum network load	MW	1,117	1,121	1,162	1,187	1,196
Total length of electricity networks	km	12,468	12,422	12,372	12,276	12,104
of which: HV	km	220	220	221	221	214
MV	km	3,914	3,906	3,899	3,881	3,864
LV	km	8,334	8,296	8,252	8,174	8,026
Number of HV/MV transformer stations	pieces	26	26	25	25	24
of which: owned by PREdi	pieces	25	25	24	24	23
owned by other entities	pieces	1	1	1	1	1
Number of MV/LV distribution transformer stations	pieces	3,253	3,237	3,221	3,214	3,218
Total number of MV/MV stations and MV/LV stations	pieces	4,968	4,934	4,906	4,876	4,863

Distributed electricity

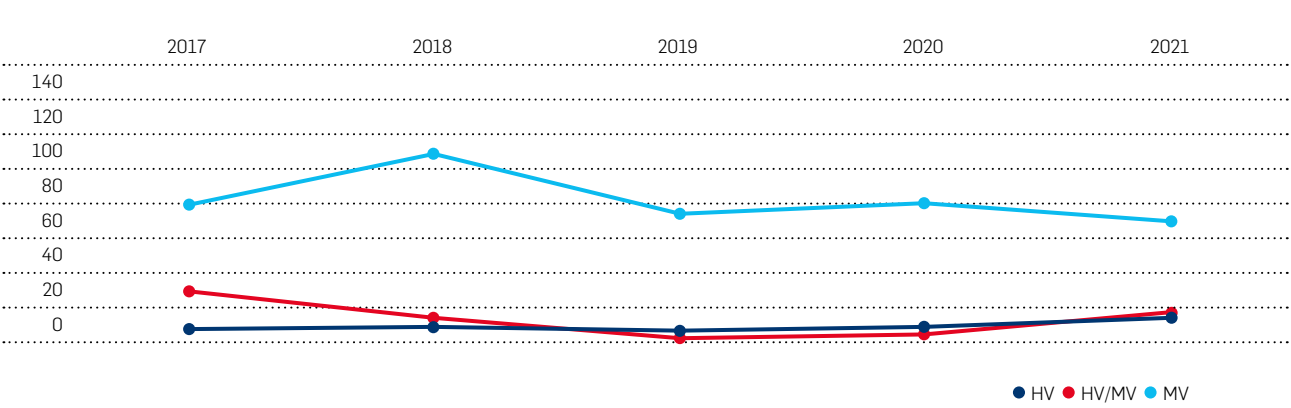
	Measurement unit	2021	2020	2019	2018	2017
Supplied territory	km ²	504	505	505	505	505
Total distribution (procured)	GWh	5,984.4	5,864.0	6,296.4	6,326.5	6,287.6
Total number of consumption points	pieces	823,612	816,979	809,807	802,164	795,025
of which: wholesale – HV, MV networks	pieces	2,096	2,077	2,060	2,044	2,025
retail – small businesses – LV network	pieces	126,151	126,641	126,734	126,223	127,279
retail – households – LV network	pieces	695,365	688,261	681,013	673,897	665,721

/ Overview of selected company indicators

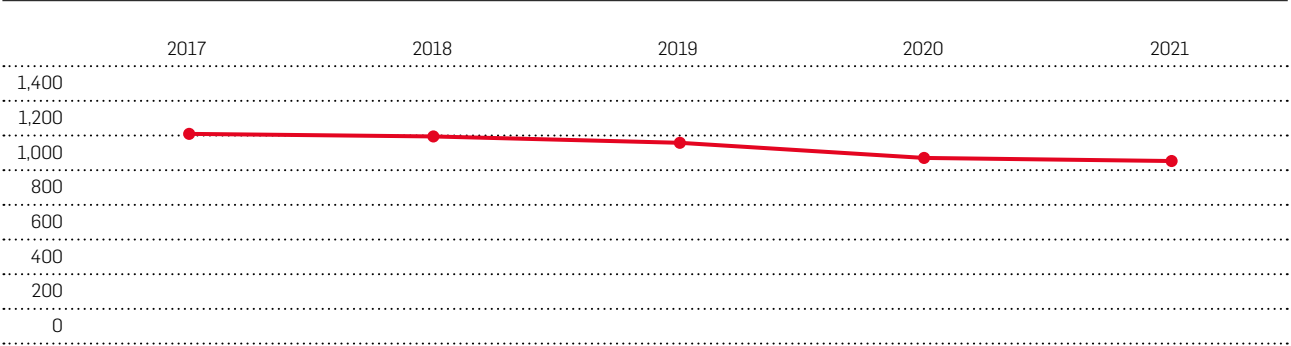
Number of HV and MV failures



Average length of electricity supply disruption on HV, HV/MV and MV equipment (min.)



Maximum achieved load (MW)



Trends in the electricity and energy sector

2021 was the first year of the fifth regulatory period.

The regulation rules and process will follow the main principles established for the fifth regulatory period, which will last from 1 January 2021 to 31 December 2025. They were published in the document titled Principles of price regulation for the regulatory period 2021–2025 in the energy sector, gas sector, activities of the energy sector and gas sector operator and statutory purchasers.

OVERVIEW OF RELEVANT LEGISLATION

The legislative framework for the sector of electricity distribution primarily consists of the following regulations as amended:

- Act No. 458/2000 Sb., on Business Conditions and Public Administration in the Energy Sectors and Amendment to Other Acts (the Energy Act);
- Act No. 165/2012 Sb., on Promoted Energy Sources and Amendment to Other Acts;
- Act No. 406/2000 Sb., on Energy Management;
- Act No. 183/2006 Sb., on Town and Country Planning and Building Code (the Building Act);
- Act No. 416/2009 Sb., on Acceleration in Construction of Transport, Water and Technical Infrastructure and Electronic Communication Infrastructure (the Infrastructure Act);
- Act No. 194/2017 Sb., on Measures to Reduce the Costs of Deploying High-Speed Electronic Communications Networks and on the Amendment to Other Acts;
- Decree No. 408/2015 Sb., on Rules on Electricity Market;
- Decree No. 16/2016 Sb., on Rules of Connecting to Electrification System;
- Decree No. 359/2020, Sb. on Electricity Metering;
- Decree No. 70/2016 Sb., on Supply Billing and Related Energy Sector Services;
- Decree No. 194/2015 Sb., on Price Regulation Methods and Price Regulation Procedures in the Electricity and Heating Sector;
- Decree No. 262/2015, Sb. on Regulation Reporting;
- Decree No. 540/2005 Sb., on Quality Standards of Electricity Supply and Related Energy Sector Services;
- Decree No. 80/2010 Sb., on Emergency State in the Electricity Sector and Procedural Requirement of Emergency Plans;
- Decree No. 8/2016 Sb., on Details of Granting Licences for Business Activity in Energy Sector Services; and,
- Decree No. 9/2016 Sb., on Procedures of Registering Supports within Market Operator and Implementation of some Other Provision of the Act on Promoted Energy Sources (the Registering Decree).

Acts and decrees published in 2021

Decree No. 125/2021 Sb., from 9 March 2021, which amends Decree No. 408/2015 Sb, on Electricity Market Rules, as amended, was published on 17 March 2021. The decree came into effect on 1 January 2022, with certain exceptions which came into effect on 1 April 2021.

Decree No. 207/2021 Sb., from 18 May 2021, on Supply Billing and Related Energy Sector Services, was published on 26 May 2021. The decree came into effect on 1 January 2022.

Act No. 284/2021 Sb., from 13 July 2021, which amends certain acts following the adoption of the Building Act, whose part No. 25 is related to the amendment to the Energy Act, was published on 29 July 2021. The decree will come into effect on 1 July 2023, with

/ Trends in the electricity and energy sector

the exceptions which came into effect on the day of its official publication and with the exceptions (including one part of the Energy Act) which came into effect on 1 January 2022.

Act No. 362/2021 Sb., from 14 September 2021, which amends Act No. 458/2000 Sb., on Business Conditions and Public Administration in the Energy Sectors and Amendment to Other Acts (the Energy Act), as amended, and other related acts, was published on 8 October 2021. It came into effect on 1 January 2022, with the exceptions which come into effect on 1 July 2022 and on 1 January 2027.

Act No. 367/2021 Sb., from 15 September 2021, on Measures of Pertaining to Carbon Neutral Economy Transition and on the Amendment to Act No. 165/2012 Sb., on Promoted Energy Sources, as amended, was published on 8 October 2021. It came into effect on 1 January 2022.

Act No. 382/2021 Sb., from 15 September 2021, which amends Act No. 165/2012 Sb., on Promoted Energy Sources and on Amendments to Other Acts, as amended, and other related acts, was published on 18 October 2021. It came into effect on 1 January 2022, with certain exceptions which come into effect on 1 January 2023.

Decree No. 487/2021 Sb., from 10 December 2021, which amends Decree No. 16/2016 Sb., on the Rules of Connecting to Electrification System, was published on 23 December 2021. It came into effect on 1 January 2022.

Decree No. 489/2021 Sb., from 10 December 2021, on Procedures of Registering Supports within Market Operator and Implementation of Other Provision of the Act on Promoted Energy Sources (the Registering Decree), was published on 23 December 2021. It came into effect on 1 January 2022.

Decree No. 490/2021 Sb., from 10 December 2021, which amends Decree No. 408/2015 Sb, on Electricity Market Rules, as amended, was published on 23 December 2021. It came into effect on 1 January 2022, with certain exceptions which come into effect on 1 April 2022 and on 1 January 2024.

Decree No. 513/2021 Sb., from 14 December 2021, which amends Decree No. 262/2015 Sb., on Regulation Reporting, as amended, was published on 23 December 2021. It came into effect on 1 January 2022.

ERÚ price decisions published in 2021

ERÚ Price Decision No. 7/2020 from 30 September 2020, which sets support for promoted energy sources, came into effect on 1 January 2021. To regulate prices in this field during 2022, ERÚ Price Decision No. 6/2021 was published and started to be effective on 29 September 2021.

ERÚ Price Decision No. 9/2020 from 27 November 2020, which sets prices for related energy services for consumers from low voltage networks, came into effect on 1 January 2021. To regulate prices in this field for 2022, ERÚ Price Decision No. 8/2021 was published and started to be effective on 30 November 2021.

ERÚ Price Decision No. 10/2020 from 27 November 2020, which sets prices for related energy services for consumers from low voltage networks, came into effect on 1 January 2021. To regulate prices in this field during 2022, ERÚ Price Decision No. 9/2021 was published and started to be effective on 30 November 2021.

Report of the Board of Directors on Business Activities and Assets for 2021

PREdistribuce, a.s., owns and operates the distribution system in the capital Prague, in Roztoky and in Žalov. It has been carrying out its operations in accordance with the Energy Act in the public interest, as it has held an electricity distribution licence delivered by the ERÚ for an indefinite period of time. The distribution of electricity is subject to price and quality regulation by the ERÚ. 2021 was the first year of the fifth regulatory period, which defines clearly the planning as well as investment and cost assessment for all regulated entities and distribution systems in particular.

Its main mission lies in providing a reliable and safe supply of electric energy to all its customers. Its key processes and activities ensuring a continuous energy supply include executing planned renovation and development of the distribution network as well as the management and maintenance of relevant energy equipment. In 2021, a total of 472 employees took dutiful care of the entire system of the distribution equipment.

For the past two years, the company has had to address the effects of the ongoing global covid-19 pandemic and it has been faced with a number of new challenges. Nonetheless, it managed to respond to the pandemic in a timely manner by implementing appropriate measures to sustain an uninterrupted supply of electric energy to all end-customers and also to maintain a safe and failure-free operation of the distribution network, which is part of the critical infrastructure.

Despite the many measures and limitations resulting from the pandemic, PREdi managed to fulfil its performance indicators and economic goals. Its EBITDA reached CZK 3,046 million, which is CZK 62 million more than in 2020. At the end of 2021, more than 823 thousand consumption points were connected to the distribution system, which represents a 0.8% increase year-on-year. The highest peak load of the distribution system was recorded on 10 February 2021 amounting to 1,117 MW, which is comparable to 2020, yet almost 4% fewer than in the previous years. Throughout 2021, PREdi distributed a total of 5,984 GWh of energy on all voltage levels, which represents a 2% increase when compared to last year, but it is still a decrease of more than 5% when compared to the years before. The decrease in the load of the network and in the volume of distributed electricity is due mainly to the effects of the covid-19 pandemic.

2021 saw no large-scale technical breakdowns of the distribution network which would have impacted the electricity supply to customers in the licenced territory in a major way. The operational performance of the entire distribution system proves the trend of a decreasing internal distribution failure rate in Prague. The monitored electricity supply reliability indicators SAID/SAIFFI were kept at the required levels set forth by the ERÚ. Throughout 2021, the quality standards of electricity supply and related services were met with regard to the absolute majority of the end customers connected to the company's distribution network in accordance with ERÚ Decree No. 540/2005 Sb. According to the assessment of the ERÚ quality standards, PREdi has been the most reliable electricity distributor in the Czech Republic in recent years.

Despite the unfavourable conditions of the last year, all of the fundamental elements of the long-term plan of the repairs and development of the distribution network were met. One of the key portions of investment is strategic investment, primarily in the construction and modernisation of transformer stations and their mutual systemic connection by 110 kV overhead and cable lines. In line with its investment plan, the company also continued with the renovation of 22 kV switching stations and 22/0.4 kV distribution transformer stations and MV and LV cable lines. Furthermore, it made considerable investment in the development and digital transformation of its distribution network in Prague and it also strives to build a related telecommunication infrastructure.

/ Report of the Board of Directors on Business Activities and Assets for 2021

PREdi's strategic aim is also to prepare in good time its distribution system to be able to respond to its changing character resulting from the expected increased requirements linked to the connection of new decentralised energy sources, especially renewable sources, and charging stations for electric cars, accumulation, the AMM roll-out and further development of energy services. Through the so-called smartening of the network, PREdi makes sure that it will be able to face these future challenges. In line with the updated National Action Plan for Smart Grids adopted by the Czech government. PREdi pays special attention to the smartening of its 22/0.4 kV distribution transformer stations. It also builds related telecommunication infrastructure.

In 2021, PREdi takes on the presidency of the Czech Association of the Regulated Power Supply Companies (ČSRES) and addresses the questions that are jointly dealt with by all actors of the Czech energy industry. In late 2021 the Czech energy sector faced an unprecedented situation resulting from the shutdown of a number of independent energy suppliers whose customers had to be taken on by the so-called suppliers of the last resort. To respond to this unprecedented situation, a series of discussions were held between the representatives of the ERÚ, the MPO and the suppliers of the last resort. The aim was to come up with adequate and immediate solutions to minimise the adverse effects on customers and to stipulate a framework for their transfer to other energy providers. Given its presidency of ČSRES, PREdi's involvement in the talks with the ERÚ and the MPO was instrumental.

The cooperation with and support of the company's sole shareholder, its parent company PRE, constitute key factors of PREdi's success. PREdi and other PRE Group companies follow strict ethical standards, which primarily include their responsible attitude towards society, the environment and their own employees.

In its business activities, it proudly embraces the principles of sustainable development and through its activities it strives to contribute to the improvement of the living standards in the capital city of Prague. The company bases its position on mutual trust with customers and partners, a proactive approach to business development and professionalism. Its aim is to continue developing into a modern and stable distribution company cognizant of the importance of deploying innovative technologies within its distribution system.

FINANCIAL REPORT

In terms of financial results, 2021 was a success for PREdi, as its EBITDA reached the planned CZK 3,046 million, even though the major value-creating activities were significantly affected by the global covid-19 pandemic. The volume of distributed electricity, which constitutes the main portion of the company's EBITDA and financial results, amounted to a total of 5,984 GWh. Despite the ongoing nationwide pandemic-related limitations of the first half of the year, this represents an increase of 120 GWh year-on-year.

The company's operating profit reached CZK 1,683 million, which is an increase of CZK 35 million year-on-year. The most important operating revenue item was the revenue from distribution services; the most important operating expense item was the cost of transit and distribution services. Both items increased in the year-on-year comparison.

In 2021, PREdi purchased services for a total of CZK 1,573 million, which was CZK 59 million more than in 2020. The purchase of services within the PRE Group constituted the largest portion of its total expenses. Outside of the PRE Group, the highest expenses were born in relation to the repairs, maintenance and inspections of its distribution assets, rental fees for commercial premises and cable collectors.

The company's total personnel expenses decreased by CZK 15 million year-on-year. This decrease is due to the settlement of commitments towards the company's employees within their benefit scheme in line with IAS 19 accounting requirements.

/ Report of the Board of Directors on Business Activities and Assets for 2021

The adjustment of operating assets value increased by CZK 14 million year-on-year owing to the higher total value of the depreciated assets which, in turn, was due to the rising total value of assets. To compensate for this, loss allowances against receivables were transferred into expenses.

The year-on-year decrease in the values of other forms of operational revenue results from the decrease in the income from unauthorised readings as well as some exceptional revenue generated in 2020.

Other forms of operational expenses of the company decreased as a result of cost savings.

The year-on-year change in PREdi's yearly financial results was due to the increased cost of loans.

PREdi's total assets increased year-on-year by CZK 442 million, reaching CZK 30,228 million. This increase was particularly driven by the growth in tangible fixed assets, especially cable lines and cable tunnels. The increase in the value of total assets was then driven by planned investment in new construction projects and renovation of the company's assets.

The value of liabilities increased year-on-year by a total of CZK 418 million, which is mainly due to the increase in short-term liabilities towards other PRE Group companies. Both the company's equity and accruals followed a growing trend, mainly owing to the year-on-year increase in the total revenue, the increase in the amount of connection fees of new customers and the increase in the value of future expenses.

In 2021, 64% of the company's funding came from equity, 29% from liabilities and 7% from other liabilities.

INVESTMENTS

PREdi considers investment into the distribution network key to ensuring a reliable and high-quality electricity supply as well as the safety of its networks. That is why, every year it draws up and implements long-term, medium-term and yearly investment plans. All of the plans are submitted to the bodies of the company for approval and are also subject to control by the regulator, ERÚ. The latter carefully monitors if distributors duly plan and carry out network renovation based on adequate plans in view of write-offs and if the distribution network is developed based on end customers' legitimate demands for new connections and increasing input. To ensure the required operational reliability and quality of distribution and related services, the company needs to be able to carry out adequate modernisation and development of its energy equipment as well as planned repairs. As a result, the planned operational reliability and required level of distribution services expected by customers in the licence can be met. Any non-compliance with the guaranteed legally mandated standards is financially penalised in accordance with ERÚ Decree No. 540/2005 Sb., as amended.

Just as in the previous years, PREdi continued in 2021 with the necessary and carefully planned renovation and modernisation of the existing 110 kV and 22 kV networks and distribution equipment which is part of the Prague critical infrastructure. All investment was made in accordance with the set financial framework of PREdi's investment plan approved by its sole shareholder PRE for 2021.

In 2021, PREdi invested CZK 1,844.9 million (including capitalisation) in the distribution network, which is by CZK 115.4 million more than in 2020. The individual investment plans and subsequent allocation of funds draw on the analyses of the network's technical condition, the load development in the supplied areas, transmission ability and actual operation reliability, the real

/ Report of the Board of Directors on Business Activities and Assets for 2021

physical lifetime of individual network components and the possibilities of their effective maintenance. The main objective is to continuously increase the quality, reliability and safety of the electricity supply by PREdi.

One of the key elements of PREdi's investment programme is strategic investments, primarily in the construction and modernisation of 110/22 kV transformer stations and their systemic connection by 110 kV overhead and cable lines.

Strategic investments

Continuous maintenance of the backbone 110 kV network and its operations and safety are key to preventing large-scale failures that could cause large-scale supply disruptions across a large territory and the collapse of transport and the city's operation. All construction in Prague has been duly coordinated with the planning and construction departments of the Prague City Council and respects the urban plan currently in force. This active cooperation ensures the most favourable living and business conditions in the capital.

Investments were made in the networks of all voltage levels. The investment constructions included construction that will enhance the reliability and safety of electricity supply to customers and contribute to further improving the network management systems. Furthermore, these projects create favourable conditions to absorb the expected future increased requirements of new connected customers, decentralised sources and charging stations for the expanding sector of electromobility.

The major strategic construction projects implemented in 2021 include:

- the finalisation of the construction of the 110 kV cable lines between the Malešice, Zahradní Město and Jih TSs;
- the continued construction of the cable tunnel between the Karlín TS and the Hlávka bridge;
- the continued construction of the cable tunnel Invalidovna I;
- the continued construction of the Slivenec TS;
- the continued reconstruction of the Pražáčka TS;
- the launch of the construction of the 110 kV distribution system and the control system at the Jih TS; and,
- the dismantling of a part of the 110 kV overhead lines between the Sever and Východ TSs.

Aside from the main listed strategic constructions in the backbone 110 kV networks and the 110/22 kV transformer stations, the company also continued with the renovation of 22 kV switching and 22/0.4 kV distribution transformer stations and MV and LV cable lines. As in the previous years, the systematic renovation of the 1 kV low voltage networks continued, including the renovation of construction and technological parts of distribution transformer stations.

In light of new trends in the energy sector, the implementation of smart technologies and its investment strategy adopted by the shareholder PRE, PREdi also works intensively on preparing its networks and equipment for the gradual implementation of smart grids including smart AMM metering. The company also focuses on the development of electromobility, accumulation and energy services which are relevant for distribution networks in an urban agglomeration.

As part of smartening its network, in 2021 PREdi implemented more than a hundred 22/0.4 kV smart distribution transformer stations, which constitutes a step further in achieving customer satisfaction while ensuring a safe and reliable electricity supply and telecommunication infrastructure. In the development of the optical infrastructure, PREdi is assisted by its 100% subsidiary PREnetcom, which focuses on the use and operation of metallic cables and especially the development of optical communications

/ Report of the Board of Directors on Business Activities and Assets for 2021

cables that are installed together with the distribution system to achieve monitoring, metering, data transfer and remote management and operation control of smart grids. Digitalisation of the distribution network and development of a smart infrastructure is carried out in line with the updated National Action Plan for Smart Grids adopted by the Czech government.

Given the expected expansion of decentralised energy generation and electromobility, smart grids constitute an indispensable condition for reliable operations of distribution systems. Especially in light of the onset of electromobility, the network load is expected to soar by tens or even hundreds of MW. By implementing smart communication elements in its distribution network, the company gets ready for the deployment of AMM which is dictated by the new decree on efficiency measurement effective from 1 January 2021. The company's goal is to implement AMM at approximately one third of its consumption points by 2027 and to continue with the remaining ones in the following years.

In the forthcoming period, PREDi's main objective is to continue meaningfully and dutifully fulfilling the tasks of a distributor in terms of network renovation and adequate development in order to timely modernise the distribution system equipment in the capital which is nearing the end of its physical and accounting lifetime, thus ensuring a high level of reliability and security of the networks. While pursuing our objectives, we also act with the greatest possible consideration for the environment.

In Prague, 6 April 2022

Signed by

Milan Hampl

Chairperson of the Board of Directors

Signed by

Petr Dražil

Vice-chairperson of the Board of Directors

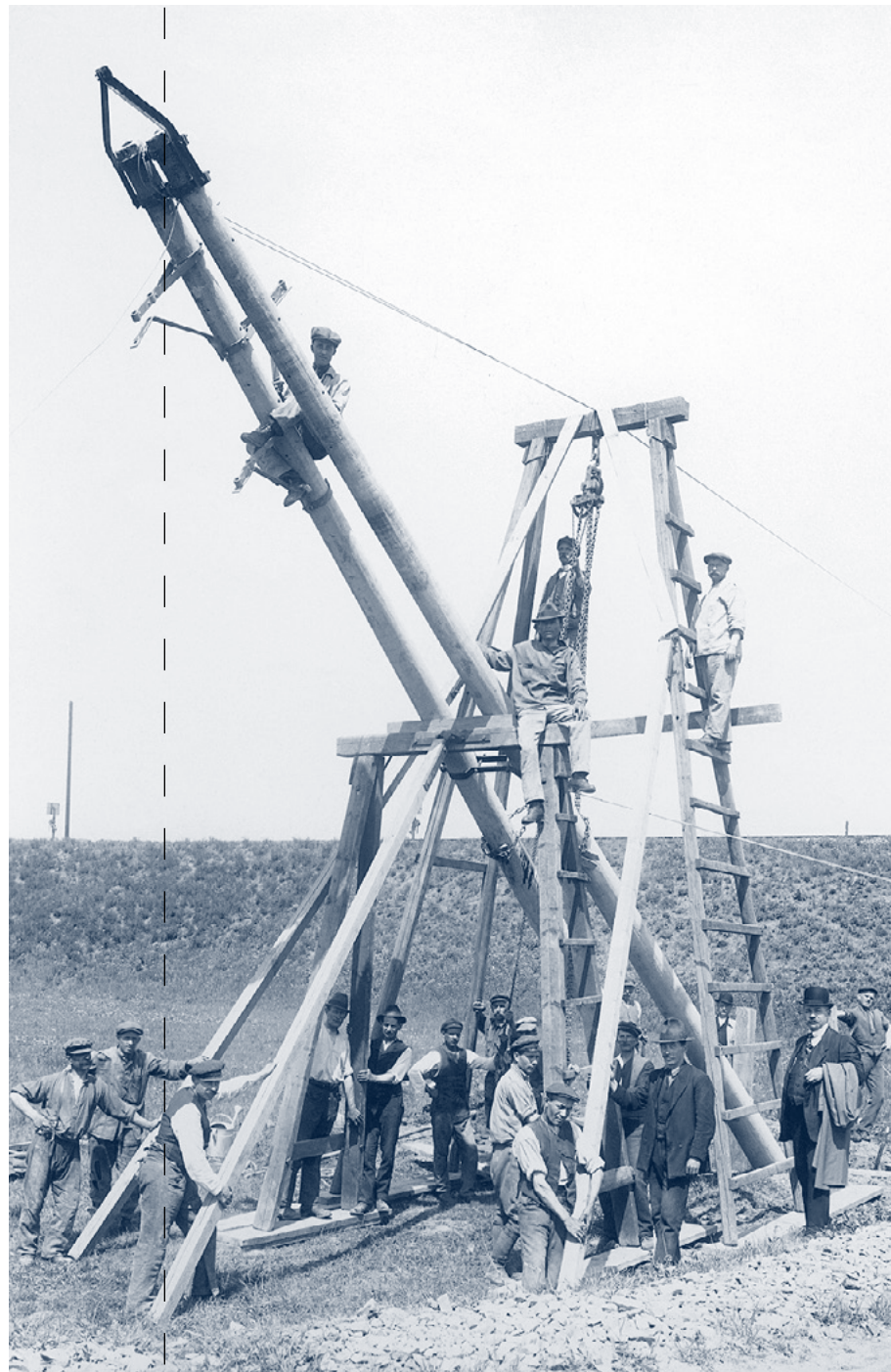


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the energy
of this city**

...for 125 years



A modern 28-meter-high transmission pole merging a 2x110 kV overhead transmission line into a 110 kV two-system transmission line.



The traditional process of constructing high voltage transmission lines around 1922.





Financial analysis

Level of productivity

	Unit	2021	2020	2019	Calculation formula
Total revenues	MCZK	9,720	9,630	9,901	Total revenue from the income statement
Sales margin from the sale of distribution	MCZK	4,905	4,802	4,904	Sales from the sale of distribution services – costs cost of transit and system services from the income statement
Profit after tax	MCZK	1,259	1,250	1,443	Profit after tax from the income statement

Level of profit from revenue

	Unit	2021	2020	2019	Calculation formula
Sales margin from the sale of distribution per CZK 1 of revenue	%	51.7	51.2	50.9	Sales margin from the sale of distribution / sales margin from the sale of distribution services x 100
Profit before tax per CZK 1 of revenue	%	16.0	15.9	17.9	Profit/loss from ordinary activity before tax / total income x 100

Other indicators

	Unit	2021	2020	2019	Calculation formula
Current liquidity	%	90.8	109.1	149.4	Short-term assets / short-term liabilities x 100
Equity proportion to total invested capital	%	64.5	65.4	67.1	Equity / total invested capital x 100
Return on capital employed ROCE	%	6.6	6.5	7.4	ROCE = EBIT / (equity + long-term loans + deferred tax liability) x 100

Human resources

HUMAN RESOURCES MANAGEMENT

All of the personnel administration, including wage calculations, and related personnel services for PREdi are carried out by the Human Resources department of the parent company, PRE, and its specialised divisions. All personnel services are provided in accordance with the applicable legislation and laws in all relevant fields. The management of the personnel administration and wage calculations are ensured using the SAP HR module. In 2021, selected personnel administration processes and services were subjected to large-scale digitalisation, improved and streamlined in consideration of the company's employees.

All agenda related to occupational safety, environmental protection and fire safety is provided centrally by the parent company's Occupational Safety and Environment Protection division in close cooperation with PREdi.

Employment-related issues, remuneration, healthcare and social policy are enshrined in a collective agreement concluded between PRE and PREdi and the subsidiaries of PREm, PREzak and PREs. All these areas are set out in more detail in the internal regulations of the employer.

TRAINING

PREdi considers the systematic and targeted training and development of its employees to be a key tool of its strategic HR management. Every year, the company's training programmes aim to achieve required knowledge, skills and competences through a variety of professional training programmes, open courses, on-demand courses and programmes of managerial competences, which are provided for PREdi centrally by the Human resources department of the parent company PRE. In 2021, the company has been facing the covid-19 pandemic for the second year in a row. As a result, it had to adapt its training programmes and change the form of its development activities. In many cases, onsite training moved online using Microsoft Teams or other platforms supported by the PRE Group networks.

In 2021, the development of employees focused primarily on legally mandated and additional professional training and the optimisation of information sharing within the company. The aim of professional training, which is viewed as key to the company's operation, is to ensure that all employees can carry out their professional duties and have sufficient qualifications for future positions. This entails gaining and maintaining the qualification mandated by Decree No. 50/1978 Sb. and other qualifications for electrical engineering professionals. To maintain a high level of expertise and knowledge potential of its employees, the company has been focusing on hard skills in the fields of economy, HR management, applicable legislation and laws required to carry out the tasks of a distribution operator. Many employees of PREdi must necessarily have a good knowledge of the Energy and Building Acts and their amendments.

The company has continuously supported the further education of its employees at electrical engineering secondary schools and universities. It has a close and long-term cooperation with the Faculty of Electrical Engineering at the Czech Technical University in Prague (ČVUT FEL) and František Křižík Secondary Vocational School and College of Electrical Engineering (VOŠ and SPŠE Františka Křižíka). It offers unpaid professional internships at its workplaces to electrical engineering students. The PRE Group is also proud of its Recruitment Programme, which constitutes yet another way of linking theoretical knowledge of fresh graduates with professional practice. It aims to facilitate a smooth transfer of knowledge and experience related to distribution networks from seasoned employees on to new employees and graduates with no previous professional experience.

SOCIAL POLICY

In PREdi, social policy is traditionally viewed as one of the most important motivational and stabilisation tools and one of its core values. Key principles of the social policy and its strategy attest to a long-standing tradition and commitment of PRE as an employer to improve the economic situation and living standards of its employees.

The social policy programme is enshrined in the collective agreement which conforms to the long-term and current needs for a social care programme that will respond to the current trends of a high-quality, transparent and pro-active social policy. The social programme has the form of blanket and optional benefits, whose scope is detailed in relevant internal regulations of the employer.

The blanket benefits include meal allowances, legally mandated occupational healthcare and additional preventive healthcare programmes, the provision of interest-free housing loans, social loans and social welfare benefits, the payment of bonuses to mark personal and work-related anniversaries, the payment of bonuses related to old-age pensions, the provision of complementary old-age pension savings or life insurance.

The selection of optional benefits follows the interests and needs of individual employees, and thus includes health care services, sporting activities, family holidays, activities for children, cultural events, out-of-work personal development, transport or insurance services. Employees frequently use their optional benefits to cover utilities or to purchase selected products and services offered by the subsidiary PREm.

Qualification structure



University	26.69%
Secondary concluded by an exam (maturita).....	55.51%
Secondary and secondary vocational.....	17.80%
Primary	0.00%

HEALTHCARE

The occupational health of employees is one of the company's top priorities. All employees are provided with comprehensive healthcare beyond what is required by law and all of them have access to a free preventive healthcare programme that meets the highest requirements for health promotion programmes of premium quality.

Occupational healthcare is provided by a medical professional from POLIKLINIKA AGEL Praha Italská, a healthcare facility operated by the contractual partner Dopravní zdravotnictví, a.s. This includes the regular, pre-employment, special and in some cases post-employment check-ups legally mandated to all PREdi employees. Regular occupational health inspections are conducted at workplaces. The occupational health professional identifies, in cooperation with the Occupational Safety and Environmental Protection department of the parent company PRE and competent PREdi managers, risk factors and proposes specific preventive measures to reduce work-related accidents, diseases and stress of all employees.

PREdi provides other supplementary healthcare services and preventive programmes and examinations, which are deemed important for the wellbeing of its employees. They are provided completely free-of-charge and most notably include preventive urological programme and thyroid preventive screening, breast cancer preventive screening and treatment, skin pigmentation screening and birthmark control, and free vaccination against seasonal diseases, tick-borne encephalitis and hepatitis A for selected employees. Since May 2021, PREdi employees have access to full-scale dental care and prevention at more favourable prices provided by THE CLINIC, PRE's new contractual partner.

Age structure



○ Under 20 years.....	0.00%
▬ 20–30 years.....	9.11%
■ 30–40 years	19.07%
▤ 40–50 years.....	31.36%
▬ 50–60 years.....	33.26%
▣ Over 60 years	7.20%

Environmental protection and OHS

PREdi has considered environmental protection as well as the protection of the occupational health of its employees as one of its top long-term priorities. It makes a great effort to meet its commitments and goals set in line with the PRE Group policy on environmental protection, safety and energy savings. Its business activities are governed by the environmental management systems according to CSN EN ISO 50001:2019 and CSN EN ISO 14001:2016, with its systems certified according to these standards. The system also includes occupational health and safety managed in line with the Safe Enterprise and Healthy Workplace programmes. All of the PRE Group's activities to protect the environment and occupational health are aimed both at its employees and suppliers.

The most notable steps taken by PREdi to promote environmental protection in 2021 include:

- monitoring its carbon footprint and the implementation of programmes aimed at its reduction;
- increasing the part of electric cars in its own fleet of vehicles; and,
- replacement of technological equipment of transformer stations to eliminate the risk of leakage of gases harmful to the Earth's atmosphere.

In terms of the occupational health and safety of its employees, PREdi has been implementing programmes aimed at the promotion of good health of its employees. In this respect, 2021 saw the implementation of the following projects:

- adjusting the company's training programmes;
- drafting the programme of occupational health and safety for suppliers of works tied to the operations of cable tunnels; and,
- implementation of measures aimed at increasing the safety of employees working at heights at selected workplaces.

2021 was also heavily impacted by the spread of the covid-19 disease. In view of current developments of the health situation in the Czech Republic, the company adopted and implemented measures to minimise the effects of the pandemic on the health of its employees, while making efforts to keep the company fully operational. In this regard, the implementation and roll-out of regular rapid antigen detection tests with all the employees constituted an important step.

Risk management system

Risk management in PREdi draws on a common methodical framework shared by all the companies of the PRE Group. The primary objective of the risk management system is to eliminate or minimise the negative impacts of risks on the company and increase the company's value through facing acceptable risks. The system also serves to regularly assess the effectiveness of risk management tools and measures taken to manage the risks and it also ensures timely warning. The main focus is the risks that could present the biggest threat given the assessment of their potential impact.

The process of risk management includes the identification and assessment of risks and the definition of controls and other measures aimed at mitigating the risks and reporting specific risks. The monitored risks are assessed in terms of their potential impact and likelihood using three scenarios of possible development.

Risks are systematically monitored in the following categories specified in a map of risks: strategic risks, financial risks, operational risks and compliance risks. All of the risks are updated in regular periods determined by their respective severity and recorded in a list of risks to the company.

Special attention is paid to legislative-regulatory risks that could have the most profound effect on the company's expected financial results. Depending on their nature, operational risks are usually managed in a decentralised way by individual organisational units; the most significant operational risks and their management are assessed by internal audits.

The key body of the risk management system is the Risk Management Committee, which regularly debates summary risk management reports and formulates management strategies for the most important risks in view of the company's risk exposures. The committee evaluates the total possible impact of risks on the company's financial results.

The risk management system and a relevant methodology are based on the methods and procedures of the EnBW corporate group. The monitored risks are reported at regular intervals using a unified structure stipulated by the risk management standards of the EnBW corporate group.

Report on General Meetings

In 2021, five General Meetings were held (in the form of resolutions issued by the parent company as the sole shareholder).

GENERAL MEETING HELD ON 11 MARCH

Agenda:

- the assessment of the fulfilment of the objectives set by the Board of Directors' executive members for 2020; and,
- the payment of the variable yearly bonus to the Board of Directors' executive members.

GENERAL MEETING HELD ON 6 MAY

Agenda:

- Report of the Board of Directors on Business Activities and Assets for 2020;
- the Supervisory Board Report;
- the separate financial statements for 2020, the proposal for the distribution of 2020 profit, including the determination of the amount of dividends and director's fees and the method of payment;
- the company's business concept for 2021;
- the Report on Relations for 2020; and,
- the 2020 Annual Report.

GENERAL MEETING HELD ON 1 JULY

Agenda:

- the approval of an advance payment of the variable yearly bonus to the Board of Directors' executive members.

GENERAL MEETING HELD ON 3 NOVEMBER

Agenda:

- changes to the organisational structure – an entirely new division S 28 000 Safety and distribution systems was established.

GENERAL MEETING HELD ON 16 DECEMBER

Agenda:

- the approval of the management's objectives for 2022;
- the amendment of the statutes of the company; and,
- invitation to adopt the Code of Ethics.

Information required by law

Information about facts which occurred after the balance sheet day and are significant for the fulfilment of the purpose of the present report

The information is available in the text of the Annual Report and it is marked in italics.

Information about the projected developments in the accounting unit's activities

The information is presented in the chapter Company strategy and Report of the Board of Directors on Business Activities and Assets for 2021.

Information about activities in research and development

The company does not systematically conduct activities in these fields.

Information about acquisition of own shares

In 2021, the company did not acquire its own shares. Since 1 January 2018, the company has been a 100% shareholder in PREnetcom, a.s.

Information about activities in the field of environmental protection and labour law relations

The information is presented in the chapters Environmental protection and OHS and Human resources.

Information about whether the accounting unit has an organisation unit abroad

The company has no branch and no organisational unit abroad.

Information about risk management objectives and methods in the company

The information is presented in the chapter Risk management system.

Information about price, credit, liquidity and cash flow risks the accounting unit is exposed to

The information is presented in the chapter Separate financial statements of PREdistribuce, a.s.

Information about interruption of business

The company did not interrupt its business during the year.

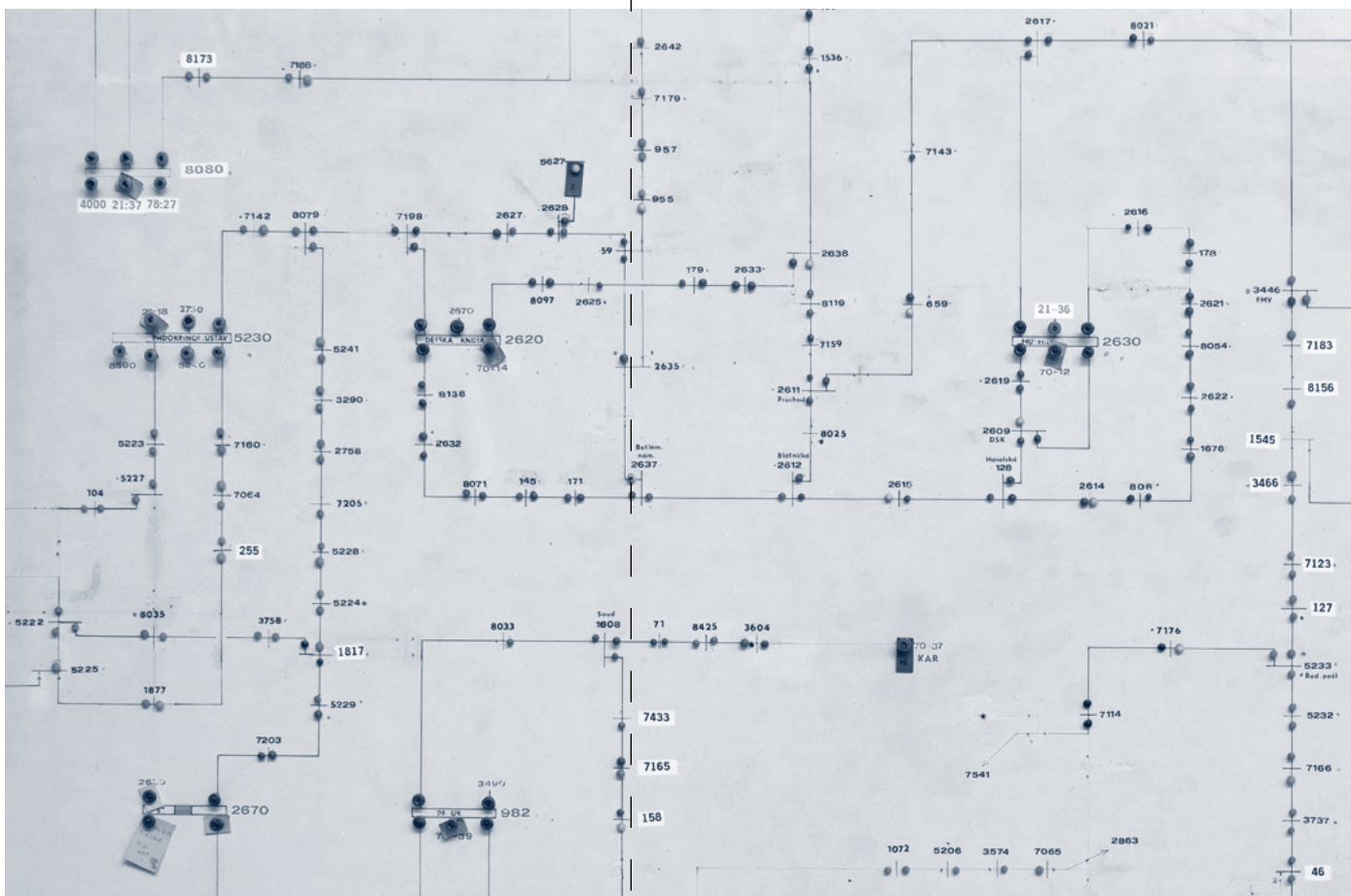


**We've kept
pace with the
capital**

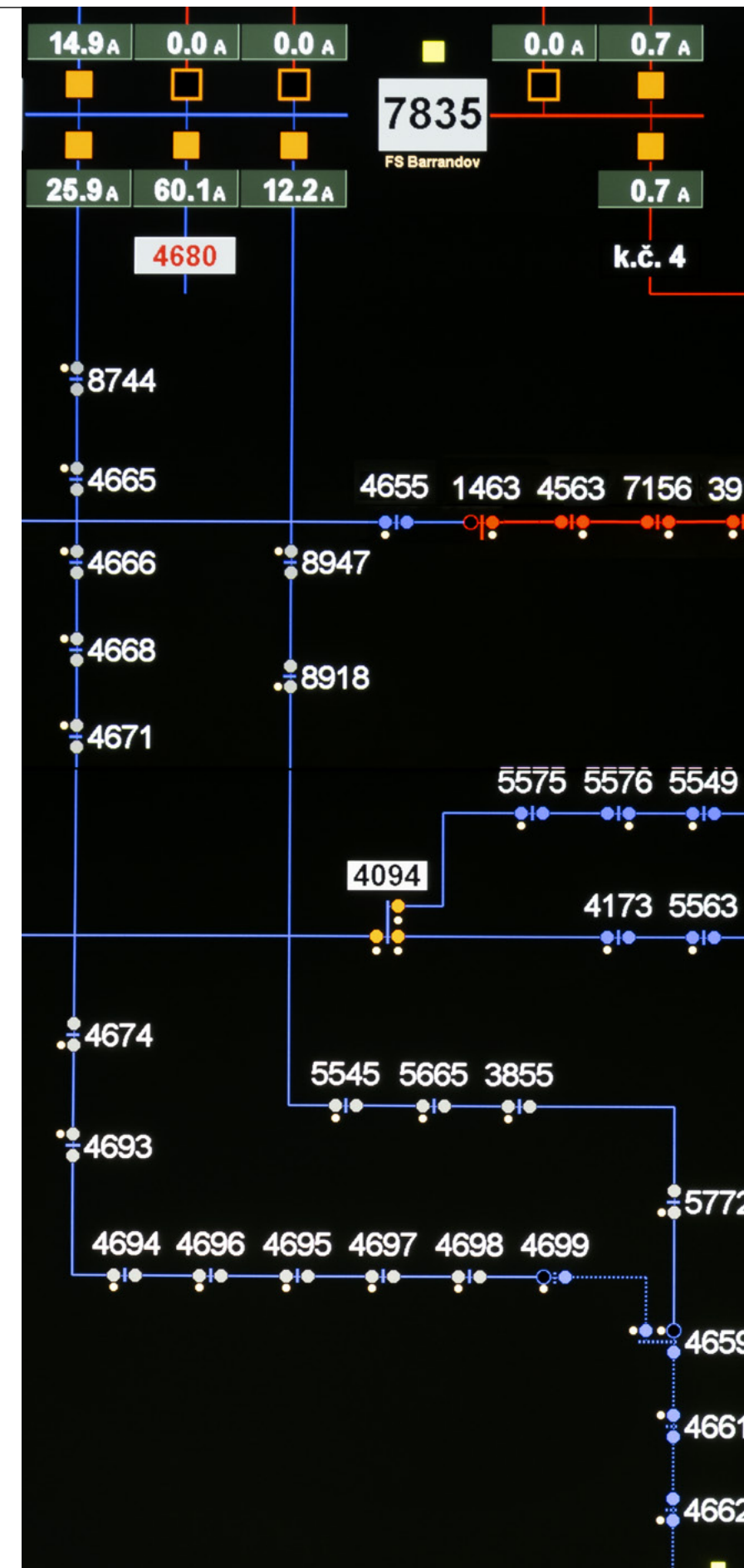
...for 125 years

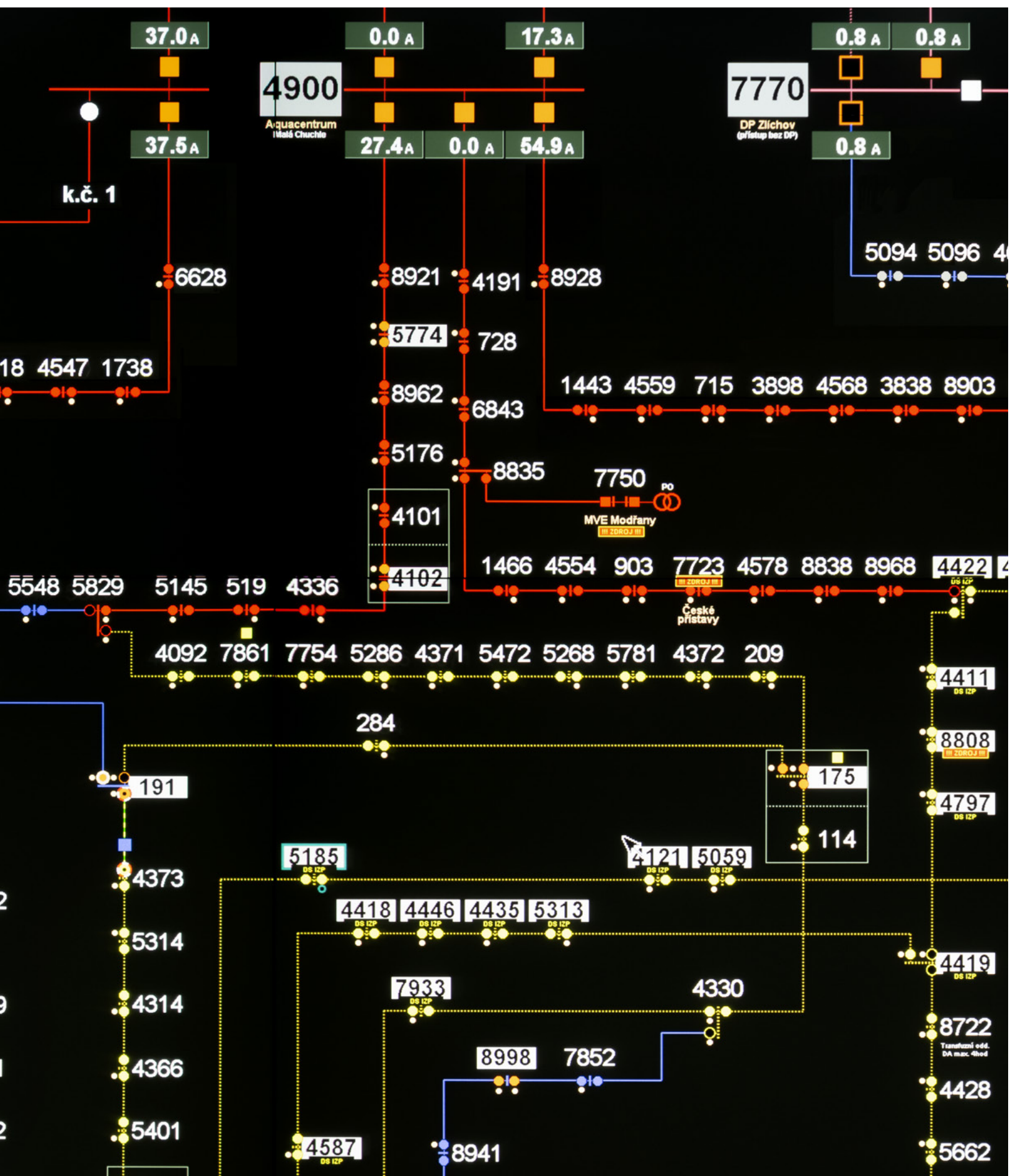


The old node diagram of the high-voltage network used to control the energy transmission system until 2004.



Today's dispatch control system uses the SCADA system architecture for the monitoring and control of the electric energy distribution. It is used across all voltage levels and communicates online with other applications.





Report on Relations of PREdistribuce, a.s., for 2021

("the Report on Relations") drawn up in accordance with Section 82 of Act No. 90/2021 Sb., on Business Corporations and Co-operatives ("the Business Corporations Act") for the accounting period of 1.1.2021 to 31.12.2021. The relations are described in a manner respecting the provisions of Section 504 of Act No. 89/2012 Sb., the Civil Code, concerning trade secrets, and by analogy with the provisions of Section 359 of the Business Corporations Act concerning restrictions of information provision.

1. THE STRUCTURE OF THE RELATIONS BETWEEN THE CONTROLLED ENTITY AND THE CONTROLLING ENTITY, ROLE OF THE CONTROLLED ENTITY AND THE MANNER AND MEANS OF CONTROL

Controlling entity (managing entity): **Pražská energetika, a.s.**, registered office Na Hroudě 1492/4, Prague 10, 100 05, ID No.: 60193913, registered with the Municipal Court in Prague, file ref. B 2405 (**PRE**).

Controlled entity (managed entity): **PREdistribuce, a.s.**, registered office Svornosti 3199/19a, Prague 5, 150 00, ID No.: 27376516, registered with the Municipal Court in Prague, file ref. B 10158 (**PREdi**).

The companies PREdistribuce, a.s., PREměření, a.s., eYello CZ, k.s., KORMAK Praha a.s., PREservisní, s.r.o., PREzákaznická, a.s., PREnetcom, a.s. (a 100% subsidiary of PREdi) as managed entities, and Pražská energetika, a.s., as the managing entity, jointly constitute a corporate group Pražská energetika, a.s. ("the PRE Group"). The PRE Group also includes the 100% subsidiaries of PREměření, a.s., a 100% subsidiary of PRE, and VOLTCOM, spol. s r.o. Below is the overview of the companies including the chart of their relationships.

PREdi is a 100% subsidiary of PRE. PRE elects and removes members of the Board of Directors and the Supervisory Board of PREdi. PRE defines the strategic management of the PRE Group and also makes decisions about PREdi's business concept, including the rules of remuneration and the principles of collective bargaining. PRE formulates, assesses and supervises the objectives of the executive management of PREdi. PRE also gives PREdi's Board of Directors strategic instructions and defines strategic principles. PREdi follows the internal group guidelines of PRE. PREdi is a part of the consolidation PRE Group. The above-described management of PREdi by PRE is carried out within the scope defined by applicable law, especially Section 25a of Act No. 458/2000 Sb., the Energy Act. The role of PREdi within the PRE corporate group is to be a stable and reliable operator of the distribution system in the capital Prague and in the city of Rožtoky. PREdi meets the requirements and expectations of the distribution network users by using state-of-the-art technologies and procedures.

PREdi is at the same time the controlling entity of its 100% subsidiary PREnetcom, a.s. As such, PREdi elects and removes members of the Supervisory Board of PREnetcom, a.s., approves its business concept and gives strategic instructions to its Board of Directors.

Other entities controlled/managed by PRE as the controlling/managing entity:

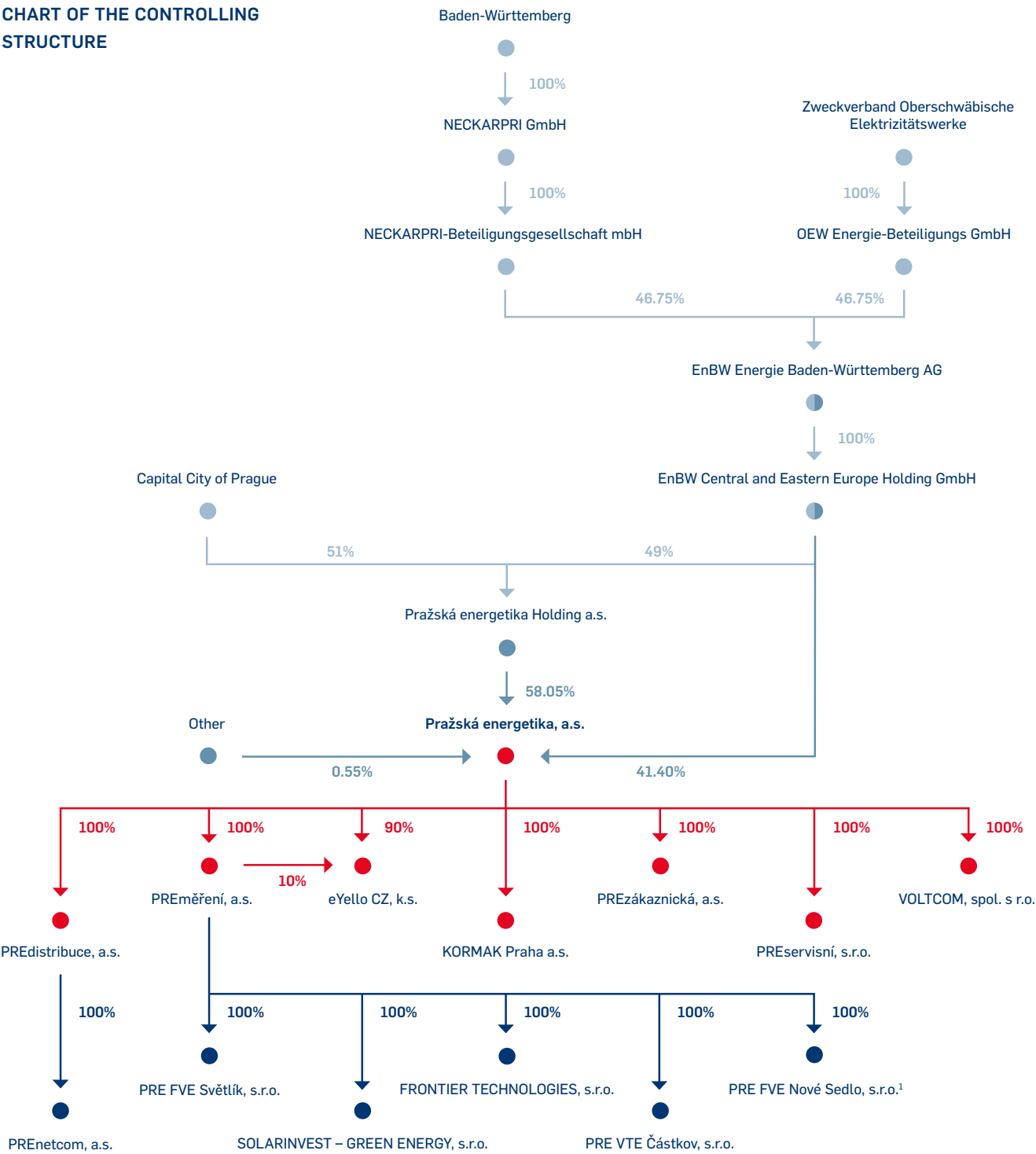
..... **PREměření, a.s.**, registered office Na Hroudě 2149/19, Prague 10, 100 05, ID No.: 25677063, registered with the Municipal Court in Prague, file ref. B 5433 (**PREm**);

..... **PREzákaznická, a.s.**, registered office Na Hroudě 1492/4, Prague 10, 100 05, ID No.: 06532438, registered with the Municipal Court in Prague, file ref. B 22870 (**PREzak**);

..... **eYello CZ, k.s.**, registered office Kubánské náměstí 1391/11, Prague 10, 100 00, ID No.: 25054040, registered with the Municipal Court in Prague, file ref. A 76596 (**eYello**);

- **KORMAK Praha a.s.**, registered office K Sokolovně 34, Prague 10, 104 00, ID No.: 48592307, registered with the Municipal Court in Prague, file ref. B 20181 (**KORMAK Praha**);
- **PREservisní, s.r.o.**, registered office Na Hroudě 1492/4, Prague 10, 100 05, ID No.: 02065801, registered with the Municipal Court in Prague, file ref. C 215222 (**PREs**);
- **VOLTCOM, spol. s r.o.**, registered office Otevřená 1092/2, Prague 6, 169 00, ID No.: 44794274, registered with the Municipal Court in Prague, file ref. C 7541 (**VOLTCOM**);
- **PREnetcom, a.s.**, (a 100% subsidiary of PREdi) registered office Na Hroudě 1492/4, Prague 10, 100 05, ID No.: 06714366, registered with the Municipal Court in Prague, file ref. B 23057 (**PREnetcom**);
- **PRE FVE Světlík, s.r.o.**, (a 100% subsidiary of PREm) registered office Na Hroudě 2149/19, Prague 10, 100 05, ID No.: 28080378, registered with the Municipal Court in Prague, file ref. C 287994;
- **SOLARINVEST – GREEN ENERGY, s.r.o.**, (a 100% subsidiary of PREm) registered office Na Hroudě 2149/19, Prague 10, 100 05, ID No.: 28923405, registered with the Municipal Court in Prague, file ref. C 153406;
- **FRONTIER TECHNOLOGIES, s.r.o.**, (a 100% subsidiary of PREm) registered office Na Hroudě 2149/19, Prague 10, 100 05, ID No.: 27234835, registered with the Municipal Court in Prague, file ref. B 106530;
- **PRE VTE Částkov, s.r.o.**, (a 100% subsidiary of PREm) registered office Na Hroudě 2149/19, Prague 10, 100 05, ID No.: 27966216, registered with the Municipal Court in Prague, file ref. C 327201;
- **PRE FVE Nové Sedlo, s.r.o.**, (since 6 October 2021, a 100% subsidiary of PREm) registered office Na Hroudě 2149/19, Prague 10, 100 05, ID No.: 11911913, registered with the Municipal Court in Prague, file ref. C 356261.

CHART OF THE CONTROLLING
STRUCTURE



¹ A 100% subsidiary PREm since 6 October 2021

2. OVERVIEW OF THE ACTIONS CARRIED OUT DURING THE LAST ACCOUNTING PERIOD ON THE INSTIGATION OR IN THE INTEREST OF THE CONTROLLING ENTITY OR ITS CONTROLLED ENTITIES IF SUCH ACTIONS CONCERNED ASSETS EXCEEDING 10% OF THE EQUITY OF THE CONTROLLED ENTITY AS IDENTIFIED IN THE LAST FINANCIAL STATEMENTS

In 2021, no actions concerning assets exceeding 10% of PREdi's equity were carried out on the instigation or in the interest of the managing entity or its controlled entities.

3. OVERVIEW OF MUTUAL CONTRACTS BETWEEN THE CONTROLLED ENTITY AND THE CONTROLLING ENTITY AND BETWEEN THE CONTROLLED ENTITIES

a) Contracts PREdi x PRE

Contract on the provision of services No. PS20000019/014 – in effect from 1 January 2019 to 31 December 2022

Contract on electricity supply to cover losses in the distribution system and for the own needs of the distribution system operator No. P200006/14 – in effect from 1 January 2006 for an indefinite period of time

Contract on the provision of short-term loans No. P200006/22 – in effect from 30 November 2005 for an indefinite period of time

Licence contract No. PS20000011/029 – in effect from 3 January 2011 for an indefinite period of time

Lease contract No. NO21106/015 – in effect from 2 January 2006 for an indefinite period of time, as amended

Lease contract – plastic advertising billboards No. NO21106/001 – in effect from 30 December 2005 for an indefinite period of time, as amended

Lease contract No. NO21109/006 – in effect from 1 April 2009 for an indefinite period of time

11 contracts on the establishment of easement to place PREdi's distribution system equipment in PRE's immovable assets, concluded for an indefinite period of time

Contract on the establishment of easement No. VV/G33/04457/08 – in effect from 31 March 2008 to 2 April 2048

Lease contract No. NO21111/011 – in effect from 1 April 2011 for an indefinite period of time

General contract on the provision of services regarding the GPRS module installation No. PS20000013/033 – in effect from 25 October 2013 to 31 December 2021

Contract on long-term loan No. 1/2014 PS20000014/021 – in effect from 18 June 2014 to 18 June 2026

Contract on long-term loan No. 2/2014 PS20000014/030 – in effect from 26 November 2014 to 28 November 2026

Contract on long-term loan No. 1/2015 PS20000015/021 – in effect from 29 June 2015 to 29 June 2027

Contract on joint gas supply services No. PS21001015/015 – in effect from 1 November 2014 for an indefinite period of time

Contract on the lease of non-residential premises for business No. NV/S21/1633025 – in effect from 1 March 2016 for an indefinite period of time

Contract on the lease of non-residential premises for business No. NV/S21/1633226 – in effect from 1 March 2016 for an indefinite period of time, as amended

Contract on the lease of non-residential premises for business No. NV/S21/1633022 – in effect from 1 March 2016 for an indefinite period of time, as amended

Contract on the lease of non-residential premises for business No. S21/1633026 – in effect from 1 March 2016 for an indefinite period of time, as amended

Contract on the lease of non-residential premises for business No. S21/1633021 – in effect from 1 March 2016 for an indefinite period of time

Contract on the lease of non-residential premises for business No. NV/S21/1633024 – in effect from 1 March 2016 for an indefinite period of time, as amended

Contract on the lease of non-residential premises for business No. NV/S21/1633027 – in effect from 1 March 2016 for an indefinite period of time, as amended

Contract on the lease of garage parking spaces No. NV/S21/1634181 – in effect from 1 April 2016 for an indefinite period of time

General contract on electricity distribution to consumption points of the electricity trader's No. PS20000011/011 – in effect from 1 January 2011 for an indefinite period of time

Contract on the provision of short-term loans No. PS20000017/009 – in effect from 17 February 2017 for an indefinite period of time

Contract on the execution of construction alterations No. PS20000017/046 – in effect from 18 May 2017 for an indefinite period of time

Contract on the cooperation on the construction of charging stations No. PS21001018/036 – in effect from 14 June 2018 to 31 December 2028

Contract on the sale of electricity in PREpoint charging stations No. PS20000019/045 – in effect from 20 February 2019 for an indefinite period of time

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Contract of mandate to contract No. PS20000021/025 (services linked to damage-causing events) – in effect from 21 July 2021 for an indefinite period of time
2 contracts on the lease of a part of a land in effect from 1 July 2021 to 30 June 2026
66 contracts in effect on the lease of a part of an immovable asset (buildings)

b) Contracts PREdi x PREm

Contract on the provision of services No. PS20000019/006, M5000/O/2019/0001 – in effect from 18 December 2018 to 31 December 2022
Contract on the supply of defunct metering equipment No. S252007/003, C00261/06 – in effect from 30 December 2006 for an indefinite period of time
Contract on the supply of used metering equipment No. S252007/004, C00260/06 – in effect from 30 December 2006 for an indefinite period of time
Contract for work No. P20006/19, C00203/06 – in effect from 1 March 2006 for an indefinite period of time, as amended
Contract on the lease of land No. N21110/016, C00418/10 – in effect from 1 April 2010 to 31 December 2030
Contract on the lease of land No. N021110/004, C00438/10 – in effect from 1 September 2010 to 31 December 2030
Contract on the lease of land No. N21110/039, C00436/10 – in effect from 1 October 2010 to 31 December 2035, as amended
Contract on the lease of a part of real estate No. N021110/005, C00439/10 – in effect from 1 October 2010 to 31 December 2035, as amended
Contract on the supply of metering equipment No. KV/S25/1843480, M5400/RS/2018/0005 – in effect from 1 January 2019 to 31 December 2022
10 contracts on the cooperation on performing work on unmeasured parts of electricity consumption equipment
Contract on the lease of a part of real estate No. PS27200021/007, M6100/O2021/151 – in effect from 9 August 2021 for the time of the effect of the above-listed contracts
Contract on the lease of a part of real estate No. PS20000013/038, C00627/13 – in effect from 1 March 2013 to 8 August 2021
Contract on the provision of distribution system services from MV and HV with the operator of local distribution system No. 8000313, M6100/E/2016/0126 – in effect from 15 November 2016 for an indefinite period of time
Contract on the establishment of easement No. VV/G33/12987/1841915, M5000/VV/12824/1840868 – in effect from 9 April 2018 for an indefinite period of time
Contract for work to construct the Karlov TS – renovation of parking places No. IS/S24/2050544, M6100/P/2020/105 – in effect since 20 July 2020, as amended
4 contracts on the purchase of movable assets (electric bike)
3 orders on the installation of separator machines
Order to supply of movable assets No. IS/S24/2152317 – following the completion of the Karlov TS – renovation of parking places – dated 6 January 2021
Order to repair the cable of the Karlov charging station No. PO/S21/2155818 – dated 20 September 2021
Order to recondition a rechargeable battery No. PS25000121/004 – dated 9 November 2021

c) Contracts PREdi x PREzak

Contract on the provision of services No. PS20000019/013 – in effect from 1 January 2019 to 31 December 2022, as amended

d) Contracts PREdi x eYello

General contract on electricity distribution to consumption points of the electricity trader's customers No. SOD/10390 – in effect from 16 November 2012 for an indefinite period of time, as amended

e) Contracts PREdi x KORMAK Praha

Contract on work – provision of expert services in the network of PREdistribuce, a.s., No. PS23000117/002 - in effect from 1 February 2017 for an indefinite period of time
Contract of mandate to contract No. PS23000117/002 – in effect from 1 December 2017 for an indefinite period of time
Contract for work – graphic and drawing documentation No. PS21002012/004 – in effect from 15 February 2012 for an indefinite period of time

Contract on personal data processing No. PS27200018/010 – in effect from 6 January 2009 for an indefinite period of time

Contract on data protection (execution) No. PS27200019/011 – in effect from 7 October 2019 to 16 December 2021

Contract on personal data processing No. PS27200021/2019/008 – in effect from 17 December 2021 for an indefinite period of time

Contract on the cooperation on performing work on unmeasured parts of electricity consumption equipment No. PS27200018/012 – in effect from 20 February 2019 to 17 December 2021

Lease contract – supply contract No. NV/S24/1946371 – in effect from 11 July 2019 to 16 September 2022

General contract on the provision of services No. PS20000019/012 – in effect from 1 January 2019 to 31 December 2022

Contract on the provision of dispatcher control services and handling No. PS23330221/011 – in effect from 1 January 2021 to 31 December 2021

General purchase contract to supply SG5 boxes including orders No. V 4010/PREdi/2021/001 – in effect from 30 March 2021 for an indefinite period of time

1 contract for work on the provision of design and engineering services for the repairs of distribution system equipment

2 contracts for work on carrying out repairs of distribution network

103 contracts for work on the provision of design and engineering services for the construction of distribution system equipment

131 contracts for work on carrying out construction of distribution system equipment

f) Contracts PREdi x PREs

Contract on the provision of services No. PS20000019/015 – in effect from 1 January 2019 to 31 December 2022

Order to recondition lifting equipment No. PS/S21/2156143 – dated 2 November 2021

g) Contracts PREdi x VOLTCOM

General contract on work and contract on the provision of services No. PS20000019/046 – in effect from 1 May 2019 to 31 December 2023

Contract on personal data processing No. PS27200019/2019/012 – in effect from 16 December 2019 for an indefinite period of time

Contract on the cooperation on performing work on unmeasured parts of electricity consumption equipment No. PS27200019/013 – in effect from 17 December 2019 to 20 November 2024, or until the cooperating partner's certificate expires

Contract on the provision of maps No. PS21002011/005 – in effect from 21 December 2010 for an indefinite period of time

Contract for work No. PO/S21/2152703 – repairs of the earthing structure of a distribution station – in effect from 8 February 2021 to 31 December 2021

Long-term contract on the provision of dispatcher control services and handling No. PS23330221/001 – in effect from 1 January 2021 to 31 December 2021

Contract for work No. PO/S21/2154643 – repairs of a cable tunnel – in effect from 2 July 2021 to 15 December 2021

Order to complete work No. PO/S21/2155845 – dated 4 October 2021

Contract for work No. PS23320121/012 – inspection of a 110/22 kV transformer station – in effect from 1 April 2021 to 31 December 2022

3 contracts on work to perform a job in effect from 4 January 2021 to 31 December 2022

5 contracts for work on the provision of design and engineering services for the construction of distribution system equipment

13 contracts for work on carrying out repairs of distribution network

105 contracts for work on the provision of design and engineering services for the construction of distribution system equipment

83 contracts for work on carrying out construction of distribution system equipment

h) Contracts PREdi x PREnetcom

Contract on the assignment of contract No. PS20000019/021 – in effect from 1 February 2019 (contract for work No. 8237/98 – servicing – dated 28 July 1998 as amended) for an indefinite period of time

Contract for work No. PS20000019/028 – in effect from 24 April 2019 to 30 June 2022, as amended

Contract on personal data processing No. PS20000019/051 – in effect from 24 April 2019 to 31 December 2022

Lease contract No. NO/S21/1943803 – in effect from 1 January 2019 for an indefinite period of time

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Contract on work No. IS/S24/2051815 – optical network – Nusle pilot project – in effect from 11 November 2020 to 15 August 2021

Contract on the lease of non-residential premises for business No. NO/S21/2153642 – in effect from 1 May 2021 for an indefinite period of time

4 contracts for work on the provision of design and engineering services for the repairs of distribution system equipment

4 contracts for work on carrying out repairs of the distribution system

i) Contracts PREdi x PRE x PREnetcom

General contract on the provision of services No. PS20000019/010 – in effect from 1 January 2019 to 31 December 2048

The PRE Group and PREdi have concluded contracts on the conclusion of a contract on the connection to the distribution system for all PRE's consumption points.

The PRE Group and PREdi have concluded contracts on the connection to the distribution system for all PRE's consumption points.

4. REVIEW OF WHETHER THE CONTROLLED ENTITY INCURRED DAMAGE AND A REVIEW OF ITS SETTLEMENT

PREdi has not incurred any damage from the relation with the controlling entity or the entities controlled by the managing entity or from the above-mentioned contractual relationships. Transactions arising from the above-mentioned contractual relationships are agreed in prices usual at the place and time; no preferential treatment was provided to one party or the other.

5. ADVANTAGES AND DISADVANTAGES ARISING FROM THE RELATIONS BETWEEN THE CONTROLLED ENTITY AND THE CONTROLLING ENTITY AND BETWEEN THE CONTROLLED ENTITY AND THE ENTITIES CONTROLLED BY THE CONTROLLING ENTITY, AND THE RISKS THAT ARISE FROM THEM AND INFORMATION ON THE POTENTIAL SETTLEMENT OF DAMAGE

PREdi has not incurred any damage or faced any risks beyond the degree usual in business relations between independent entities resulting from the relation with the managing entity or the entities controlled by the managing entity, or from the above-mentioned contractual relationships.

Cooperation between PREdi and PRE and the companies of the PRE Group, respectively, brought considerable advantages to PREdi thanks to the acquired know-how. Owing to its affiliation with the corporate group, PREdi has, in particular, access to the corporate group's knowledge and experience, as well as to the technology used, the real estate and all the advantages and synergies it brings.

The Board of Directors, as the statutory body of PREdi, declares that the data contained in this Report on Relations are correct and complete and that the procedure of drawing up the Report on Relations according to Section 82 et seq. of the Business Corporations Act made full use of all the information and data which the statutory body has at its disposal and which it has ascertained acting with due diligence.

In Prague, 24 February 2022

Signed by

Milan Hampl

Chairperson of the Board of Directors

Signed by

Petr Dražil

Vice-chairperson of the Board of Directors

Supervisory Board Report on Activities in 2021

In accordance with the Articles of Association, the Supervisory Board consists of four members. As a supervisory body it oversees the performance of the company business activities in compliance with the law and the Articles of Association.

In 2021, four meetings of the Supervisory Board were held. They were regularly attended by the chairperson and the vice-chairperson of the Board of Directors.

The Supervisory Board continuously monitored the company's activities and the key decisions of the Board of Directors. The Board of Directors regularly informed the Supervisory Board about the current developments in the company, its economic results, the implementation of the investment plan, and the company's financial situation. To this end, the Board of Directors submitted written materials and its members commented on them when they were debated by the Supervisory Board.

In 2021, the Supervisory Board, among other:

- debated and reviewed the Report on Relations for 2020 and did not identify any irregularities with regard to the requirements of the Act on Business Corporations, including the review of whether any damage was incurred and settled in accordance with Sections 71 and 72;
- debated the Report of the Board of Directors on Business Activities and Assets for 2020;
- debated and reviewed the separate financial statements for 2020 and acquainted itself with the auditor's report on the separate financial statements;
- reviewed the proposal for the distribution of 2020 profit, including determination of the amount of profit shares (dividends) and directors' fees and the method of payment and it recommended its adoption by the General Meeting;
- debated the 2020 Annual Report;
- debated the materials to be debated by the General Meeting of the company convened on 6 May 2021;
- debated and approved the fulfilment of the top management's objectives for 2020;
- debated the top management's objectives for 2022;
- debated and approved the investment project Renovation of the Východ TS;
- debated and approved the investment project Connection of the Běchovice data centre;
- debated and approved the investment project Connection of the Uhřetěves data centre;
- debated and approved the investment project Sever TS – connection of a new 400/110 kV transformer station; and,
- debated the economic plan for 2022 and the draft plan for 2023–2024.

The Supervisory Board declares that the company's economic results in 2021 were despite the crisis entailed by the covid-19 pandemic very good and expresses its thanks for them to the members of the Board of Directors as well as the company's employees.

In Prague, 29 March 2022

Signed by

Pavel Elis

Chairperson of the Supervisory Board



KPMG Česká republika Audit, s.r.o.

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This document is an unsigned English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholder of PREdistribuce, a.s.

Opinion

We have audited the accompanying financial statements of PREdistribuce, a.s. ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2021, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note "General information" to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs), which may be supplemented and amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

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Register kept by the Municipal
Court in Prague, Section C,
Insert No. 24185

Identification No. 49619187
VAT No. CZ699001996
ID data box: 8h3gtra



Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body and Supervisory Board for the Financial Statements

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

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Report on relations

We have reviewed the factual accuracy of the information disclosed in the report on relations of PREdistribuce, a.s. ("the Company") for the year ended 31 December 2021. The responsibility for the preparation and factual accuracy of this report rests with the Company's statutory body. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the report on relations is free of material misstatement. A review is limited primarily to inquiries of the Company's personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the report on relations and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations of PREdistribuce, a.s. for the year ended 31 December 2021 contains material factual misstatements.

Statutory Auditor Responsible for the Engagement

Petr Kuna is the statutory auditor responsible for the audit of the financial statements of PREdistribuce, a.s. as at 31 December 2021, based on which this independent auditor's report has been prepared.

Prague
21 April 2022

Signed by

KPMG Česká republika Audit, s.r.o.
Registration number 71

Signed by

Petr Kuna
Associate Partner
Registration number 2476

Separate financial statements of PREdistribuce, a.s.

In full format as of 31 December 2021

Separate financial statements prepared in accordance with Act No. 563/1991 Sb., the Accounting Act, as amended; Regulation No. 500/2002 Sb., which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended; and the Czech Accounting Standards for Businesses, as amended.

Income statement (TCZK)

Ident.	Text	Note	2021	2020
I.	Revenue from distribution services and other revenues	(1)	9,518,953	9,400,253
I. 1. 1.	Revenue from distribution services in the Group		5,827,938	5,752,101
I. 1. 2.	Revenue from distribution services outside the Group		3,667,182	3,623,902
I. 2.	Other revenues		23,833	24,250
A.	Cost of sales	(3)	(6,187,898)	(6,123,015)
A. 2. 1.	Cost of transit and system services and losses		(4,590,040)	(4,574,280)
A. 2. 2.	Consumed material and energy		(24,793)	(35,019)
A. 3.	Purchased services		(1,573,065)	(1,513,716)
D.	Personnel expenses	(2)	(476,012)	(491,155)
D. 1.	Wages and salaries		(341,373)	(333,139)
D. 2.	Social security and health insurance expenses and other expenses		(134,639)	(158,016)
D. 2. 1.	Social security and health insurance expenses		(120,409)	(117,681)
D. 2. 2.	Other expenses		(14,230)	(40,335)
E.	Adjustments relating to operating activities		(1,352,776)	(1,338,287)
E. 1.	Adjustments to intangible and tangible fixed assets		(1,363,949)	(1,336,688)
E. 1. 1.	Depreciation and amortisation of intangible and tangible fixed assets	(6, 7)	(1,363,949)	(1,336,688)
E. 3.	Adjustments to receivables		11,173	(1,599)

/ Separate financial statements of PREdistribuce, a.s.

III.	Other operating revenues		201,105	229,520
III. 1.	Proceeds from disposals of fixed assets		838	18,677
III. 2.	Proceeds from disposals of raw materials		2,116	2,571
III. 3.	Other operating revenues	(1)	198,151	208,272
F.	Other operating expenses		(20,696)	(29,500)
F. 1.	Net book value of fixed assets sold		(381)	(19,449)
F. 3.	Taxes and charges		(2,581)	(2,193)
F. 4.	Provisions relating to operating activity and complex prepaid expenses		7,917	43,372
F. 5.	Other operating expenses		(25,651)	(51,230)
*	Operating profit (loss)		1,682,676	1,647,816
VI.	Interest revenue and similar revenue	(4)	-	9
J.	Interest expense and similar expense	(4)	(124,209)	(113,124)
J. 1.	Interest expense and similar expense – group undertakings		(121,908)	(111,803)
J. 2.	Other interest expense and similar expense	(4)	(2,301)	(1,321)
VII.	Other financial revenue		17	4
K.	Other financial expense		(174)	(160)
*	Profit (loss) from financial operations		(124,366)	(113,271)
**	Profit (loss) before tax	(5)	1,558,310	1,534,545
L.	Income tax	(5)	(299,502)	(284,814)
L. 1.	Current income tax		(272,930)	(263,413)
L. 2.	Deferred income tax		(26,572)	(21,401)
**	Profit (loss) after tax		1,258,808	1,249,731
***	Profit (loss) for the period		1,258,808	1,249,731
*	Net turnover for the period		9,720,075	9,629,786

/ Separate financial statements of PRedistribuce, a.s.

Balance sheet (TCZK)

Ident.	ASSETS	Note	2021		2020
			Gross	Adjust.	Net
	TOTAL ASSETS		59,759,126	(29,531,534)	30,227,592
B.	Fixed assets		57,247,687	(29,480,089)	27,767,598
B. I.	Intangible fixed assets	(7)	58,548	(48,127)	10,421
B. I. 1.	Research and development		38,771	(35,218)	3,553
B. I. 2. 1.	Software		18,870	(12,909)	5,961
B. I. 5. 2.	Intangible fixed assets under construction		907	-	907
B. II.	Tangible fixed assets	(6)	57,187,039	(29,431,962)	27,755,077
B. II. 1.	Land and buildings		41,641,645	(19,996,427)	21,645,218
B. II. 1. 1.	Land		713,758	-	713,758
B. II. 1. 2a.	Cables and overhead power lines		25,375,249	(11,274,206)	14,101,043
B. II. 1. 2b.	Power structures		15,552,638	(8,722,221)	6,830,417
B. II. 2.	Plant and equipment		12,703,982	(8,163,858)	4,540,124
B. II. 2. 2a.	Transformer station and distribution plant technology		10,020,781	(6,361,559)	3,659,222
B. II. 2. 2b.	Dispatching and control system equipment		2,392,935	(1,575,451)	817,484
B. II. 2. 2c.	Other equipment		290,266	(226,848)	63,418
B. II. 3.	Other tangible fixed assets		2,252,968	(1,271,677)	981,291
B. II. 3. 3.	Other tangible fixed assets – electricity meters in the network		2,252,968	(1,271,677)	981,291
B. II. 5.	Advance payments for tangible fixed assets and tangible fixed assets under construction		588,444	-	588,444
B. II. 5. 1.	Advance payments for tangible fixed assets		21,360	-	21,360
B. II. 5. 2.	Tangible fixed assets under construction		567,084	-	567,084
B. III.	Long-term investments	(8)	2,100	-	2,100
C.	Current assets		2,509,745	(51,445)	2,458,300
C. II.	Receivables		2,508,026	(51,445)	2,456,581
C. II. 1.	Long-term receivables		68	-	68
C. II. 1. 1.	Trade receivables		63	-	63
C. II. 1. 5.	Receivables – other		5	-	5
C. II. 2.	Short-term receivables		2,507,958	(51,445)	2,456,513
C. II. 2. 1.	Trade receivables	(9)	146,761	(51,445)	95,316
C. II. 2. 2.	Receivables – group undertakings	(18)	16,831	-	16,831
C. II. 2. 4.	Receivables – other		2,344,366	-	2,344,366
C. II. 2. 4. 3.	Tax receivables		17 471	-	17 471
C. II. 2. 4. 4.	Short-term advances paid		66,009	-	66,009
C. II. 2. 4. 5.	Estimated receivables	(18)	2,259,965	-	2,259,965
C. II. 2. 4. 6.	Other receivables		921	-	921
C. IV.	Cash		1,719	-	1,719
C. IV. 1.	Cash on hand		1,719	-	1,719
D.	Deferrals		1,694	-	1,694

/ Separate financial statements of PREdistribuce, a.s.

Ident.	LIABILITIES AND EQUITY	Note	2021	2020
	TOTAL LIABILITIES AND EQUITY		30,227,592	29,785,144
A.	Equity	(10)	19,497,216	19,488,509
A. I.	Share capital		17,707,934	17,707,934
A. III.	Funds from profit		530,000	530,000
A. IV.	Retained profits		474	844
A. V.	Profit (loss) for the period		1,258,808	1,249,731
B. + C.	Liabilities		8,715,213	8,297,602
B.	Provisions		200,179	229,654
B. 4.	Other provisions	(11)	200,179	229,654
C.	Payables		8,515,034	8,067,948
C. I.	Long-term liabilities		5,807,346	5,780,774
C. I. 6.	Liabilities – group undertakings	(18)	2,700,000	2,700,000
C. I. 8.	Deferred tax liability	(12)	3,107,346	3,080,774
C. II.	Short-term payables		2,707,688	2,287,174
C. II. 3.	Short-term advances received		388,600	565,304
C. II. 4.	Trade payables	(13)	136,172	277,599
C. II. 6.	Liabilities – group undertakings	(18)	1,764,207	1,239,016
C. II. 8.	Liabilities – other		418,709	205,255
C. II. 8. 3.	Payables to employees		19,860	17,464
C. II. 8. 4.	Social security and health insurance liabilities	(5)	11,263	11,333
C. II. 8. 5.	Tax liabilities and subsidies	(5)	108,852	99,657
C. II. 8. 6.	Estimated payables		278,316	76,420
C. II. 8. 7.	Other payables		418	381
D.	Accruals		2,015,163	1,999,033
D. 1.	Accrued expenses		51,176	45,370
D. 2.	Deferred revenues	(14)	1,963,987	1,953,663

/ Separate financial statements of PRedistribuce, a.s.

Cash flow statement (TCZK)

	Note	2021	2020
Cash and cash equivalents at the beginning of the period	(19)	(1,161,421)	(458,991)
Operating activity			
Accounting profit from ordinary activities before taxation		1,558,310	1,534,545
Depreciation and amortisation	(6, 7)	1,363,949	1,336,688
Write-off of doubtful receivables and other assets		5,885	2,526
Change in adjustments and provisions	(9, 11)	(40,648)	(29,664)
Investment contributions accounted for in revenues	(14)	(182,860)	(184,501)
Gain (losses) from sale and disposal of fixed assets		844	28,342
Interest	(4)	121,995	111,794
Net cash flow from operating activity before changes in working capital		2,827,475	2,799,730
Change in receivables from operating activity and deferrals		6,673	(48,336)
Change in short-term payables from operating activity and accruals		(146,325)	(23,994)
Net cash flow from operating activity before taxation and interest		2,860,260	2,727,398
Interest paid	(4)	(116,189)	(113,091)
Interest received	(4)	-	9
Income tax paid		(243,185)	(322,147)
Net cash flow from operating activity		2,416,084	2,292,169
Investment activity			
Cash paid for acquisition of fixed assets		(1,842,165)	(1,743,326)
Proceeds from investment contributions	(14)	193,184	191,150
Proceeds from sale of fixed assets		838	18,677
Net cash flow from investment activity		(1,648,143)	(1,533,499)
Financial activity			
Dividends paid and directors' fees paid		(1,250,100)	(1,461,100)
Net cash flow from financial activity		(1,250,100)	(1,461,100)
Change in cash and cash equivalents		(569,794)	(702,430)
Cash and cash equivalents at the end of the period	(19)	(1,731,215)	(1,161,421)

GENERAL INFORMATION

Establishment and description of the Company

PREdistribuce, a.s., ("PREdi" or the "Company") was established as a joint-stock company on 16 August 2005 and was entered in the Commercial Register of the Municipal Court in Prague on 7 September 2005.

The Company's registered office is located at Svornosti 3199/19a, Prague 5, 150 00, ID No.: 27376516.

The Company's principal activities include the distribution of electricity in the capital Prague, in Roztoky and in Žalov, covering an area of 504 km², from which it derives most of its revenues. The distribution of electricity is carried out in the public interest and the associated rights and obligations, with the exception of general legal regulations, are governed by Act No. 458/2000 Sb., the Energy Act, as amended, and the related implementation guidance.

Statutory and supervisory bodies as of 31 December 2021

Board of Directors

Milan Hampl	Chairperson of the Board of Directors
Petr Dražil	Vice-chairperson of the Board of Directors
Tobias Mirbach	Member of the Board of Directors
Jan Sixta	Member of the Board of Directors

Supervisory Board

Pavel Elis	Chairperson of the Supervisory Board
Alexander Manfred Sloboda	Member of the Supervisory Board
Karsten Krämer	Member of the Supervisory Board
Zdeněk Smetana	Member of the Supervisory Board

The Company's sole shareholder is Pražská energetika, a.s., with its registered office at Na Hroudě 1492/4, Prague 10, 100 05.

Organisational structure of the Company

The Company has two divisions, the Managing Director's division and the Regulated Assets division. The Managing Director's division is further organised into four sections including Network Management, Preparation of Constructions, Network Access and Economics, and Network Concepts. The Regulated Assets division is organised into Network Administration and Network Operation.

The PRE Group

The PRE Group consists of the parent company, Pražská energetika, a.s., which is the holder of licences for trading in electricity and gas in the Czech Republic, and its subsidiaries. These include PREdistribuce, a.s., PREměření, a.s., eYello CZ, k.s., KORMAK Praha a.s., PREservisní, s.r.o., PREzákaznická, a.s. and VOLTCOM, spol. s r.o. The following 100% subsidiaries of PREměření, a.s. also form part of the PRE Group: PRE FVE Světlík, s.r.o., SOLARINVEST – GREEN ENERGY, s.r.o., FRONTIER TECHNOLOGIES, s.r.o., PRE VTE Částkov, s.r.o. and PRE FVE Nové Sedlo, s.r.o. (established on 6 October 2021). The PRE Group also includes PREnetcom, a.s., which is a 100% subsidiary of PREdistribuce, a.s.

/ Separate financial statements of PREdistribuce, a.s.

The consolidated financial statements of the widest group of entities to which the Company as a consolidated entity belongs are prepared by EnBW Energie Baden-Württemberg AG, with its registered office at Durlacher Allee 93, 76131 Karlsruhe, Germany. These consolidated financial statements are available at the consolidating entity's registered office.

The consolidated financial statements of the narrowest group of entities to which the Company as a consolidated entity belongs are prepared by Pražská energetika, a. s., with its registered office at Na Hroudě 1492/4, Vršovice, 100 00 Prague 10. These consolidated financial statements are available at the consolidating entity's registered office.

ACCOUNTING PRINCIPLES

Statement of compliance

The financial statements were prepared in accordance with Act No. 563/1991 Sb., the Accounting Act, as amended; Regulation No. 500/2002 Sb., which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended; and the Czech Accounting Standards for Businesses, as amended.

Basis of the preparation of the financial statements

These financial statements are presented in thousands of Czech crowns (TCZK) and millions of Czech crowns (MCZK). The accounting records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis, the accruals principle, the prudence concept and the going concern assumption.

Foreign currency translation

During the year, assets and liabilities denominated in a foreign currency are translated using the daily foreign exchange rate announced by the Czech National Bank. During the year, foreign exchange gains and losses are only recognised when realised. At the balance sheet date, foreign currency assets and liabilities are translated at the Czech National Bank's official rates for that date. Unrealised foreign exchange gains and losses are recognised in the income statement.

Tangible and intangible fixed assets

Assets owned by the Company

Purchased tangible and intangible fixed assets are stated at acquisition cost, which includes the purchase price and costs related to the acquisition. Tangible and intangible fixed assets costing more than TCZK 40 and TCZK 60, respectively, with a useful life exceeding one year are recognised in the balance sheet. Acquisition cost does not include investment contributions (see below). The Company used the possibility of capitalising interest in line with Section 47 of Regulation No. 500/2002 Sb., as amended.

Assets acquired through the contribution to the Company and assets that were used by other entities before the acquisition by the Company are valued based on an expert appraisal. As of the acquisition date of these assets, the Company recognises the acquisition cost and wear and tear resulting from the use of the acquired assets by prior entities.

The cost of internally produced tangible and intangible assets includes direct and indirect costs related to the production of the asset.

Low-value tangible and intangible assets

Tangible assets costing between TCZK 2 and TCZK 40 with an individual useful life exceeding one year are classified as low-value tangible assets and software equipment costing less than TCZK 60 is classified as low-value intangible assets. The acquisition costs of these assets are charged to expenses and their physical balances are maintained in off-balance sheet records, the only exception being electricity meters that are recognised and depreciated as tangible fixed assets.

Technical improvements

Major expenses incurred to replace parts of individual items of fixed assets increase the carrying value of the related assets. Other subsequent costs are capitalised only if they result in the increase in the future economic value of the related asset. All costs related to routine repairs and maintenance are charged to expenses.

Depreciation and amortisation

Fixed assets are depreciated for accounting purposes using the straight-line method over the following depreciation periods:

Asset category	Depreciation and amortisation period in years
Buildings, halls and other structures	20, 50, 70
Cable tunnels, cables and overhead power lines	30, 40, 70
Fibre optics	30
Power equipment	30
Working machines and equipment	4, 5, 8, 10, 12, 20, 29, 30
Telecommunication equipment	4, 8, 15
Machinery and special technology equipment, communication cables	4, 8, 10
Electricity meters	15
Vehicles	4
Furnitures and fixtures	4, 6, 8
Hardware and software	4, 8, 15
Other intangible assets	4

Short-term receivables

Short-term receivables are stated at their nominal value less adjustments.

Investment contributions

Customers pay part of the cost incurred reasonably by the Company upon being connected to the required power supply. The customers' obligation to pay this fee is stipulated in Act No. 458/2000 Sb., and Regulation No. 16/2016 Sb., as amended. The payment is accounted for as deferred income over 20 years.

Cash and cash equivalents

Cash and cash equivalents include cash, cash in transit, current bank accounts and other current highly liquid financial assets whose value can be easily determined and are easily convertible into cash. Cash pooling is regarded as a cash equivalent for the cash flow purposes.

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Adjustments to the value of assets

At each balance sheet date, the Company reviews the carrying amounts of its assets (with the exception of deferred tax assets) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, an adjustment is recorded to reflect the impairment of the asset.

Share capital

Issued shares

The Company issued registered ordinary shares (refer to the note on equity).

Dividends

Dividends are recognised as payable in the period when the distribution of profit was approved.

Cash pooling

The Company participates in the parent company's cash pooling. Interest arising from cash pooling is recorded as interest income or interest expense as appropriate. The remaining balance of cash pooling is reported as a receivable from or a payable to the parent company. Cash pooling is regarded as a cash equivalent for the cash flow purposes.

Provisions

Provisions are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and an outflow of cash is likely.

The Company pays employee benefits pursuant to the collective agreement arising from bonuses paid to employees upon retirement and work and life jubilees. Provisions for these benefits are measured at the present value of anticipated future payments using actuarial models. To calculate the provision, a projected unit credit method is used - i.e. for each period worked, the employee is entitled to a proportion of the present value of the benefit. The calculation takes into account the probability that the benefit will not be paid out, i.e. the probability that the employee will stay in the Company until the benefit is paid out.

Short-term payables

Short-term payables are stated at their nominal value.

Revenue recognition

Revenue from provided services is recognised in the income statement when the services are rendered.

Expense recognition

Operating leases

Operating lease payments are recognised in the income statement evenly over the lease period. Operating leases mostly comprise leases of administrative buildings, cable tunnels and non-residential premises where MV/LV distribution transformer stations are placed.

Finance leases

Instalments for leased assets are accrued and expensed. Assets acquired after the termination of the lease are carried at acquisition or replacement cost.

Income tax

Income tax is recognised in the income statement and includes current income tax and the deferred tax.

Current income tax comprises the tax payable arising from the Company's performance in the current year and additional payments (or excessive payments) from prior periods arising from the difference between the estimated and actual tax in prior periods.

Deferred tax is accounted for using the balance sheet liability method. Deferred tax arises from all temporary differences between the accounting and tax carrying amounts of all assets and liabilities using the tax rate that is expected to apply when the assets are realised or the liabilities are settled.

A deferred tax asset is recognised only to the extent that it is probable that it will be utilised in the following accounting periods.

Cash flow statement

The Company prepares its cash flow statement using an indirect method. Cash pooling is regarded as a cash equivalent for the cash flow purposes.

Significant accounting estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates. The Company considers the determination of the unbilled distribution of electricity the key area which is subject to the use of estimates. The increase in unbilled distribution is determined using the balance sheet approach as equal to the difference between the aggregate electricity input and output including losses and actual consumption for the relevant period. The total closing level is additionally reviewed by making a control calculation in the customer system.

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(1) Revenues (TCZK)

Relating to the supply of distribution services and other revenues	2021	2020
Sale of distribution and system services to B2B customers	3,290,873	3,184,630
Sale of distribution and system services to B2C (including low-voltage B2B)	6,192,148	6,179,929
Other revenues	12,100	11,444
Revenues relating to the supply of distribution services	9,495,121	9,376,003
Revenue from services rendered in the Group	12,627	13,017
Revenue from services rendered outside the Group	11,205	11,233
of which: servicing and installation	4,969	4,803
leases	4,381	4,624
Other revenues	23,832	24,250
Total	9,518,953	9,400,253

Other operating revenues	2021	2020
Release of connection fees accruals	182,860	184,501
Compensation for unauthorised consumption	1,157	5,895
Sundry	14,134	17,876
Total	198,151	208,272

(2) Personnel expenses (TCZK)

	2021	2020
	Employees	Employees
	and executives	and executives
Average headcount	469	461
Salaries*	305 270	292 542
Salaries paid depending on the Company's goal performance	22,522	26,828
Insurance	120,409	117,681
Remuneration paid to members of the Company's bodies	13,581	13,769
Other social costs (according to the collective agreement)**	14,230	40,335
Total	476,012	491,155

* In 2021, salaries include a compensation of TCZK 552 received as part of the Antivirus programme (2020: TCZK 926).

** This primarily includes the costs of severance payments and employee benefits defined in the collective agreement. Specifically, the benefits include catering contributions, bonuses paid to employees in relation to work and life anniversaries and retirement leaves and contributions to pension insurance.

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(3) Purchase of material, services and utilities (TCZK)

	2021	2020
Electricity consumption for grid losses*	297,816	442,011
Services of the parent company	430,766	465,421
Lease of non-residential premises	63,687	63,625
Lease of cars	20,385	20,508
Installation work and reading of meters	244,079	234,905
Customer service	231,464	180,345
IT support	43,902	39,071
Repairs of fixed assets	52,725	65,355
Other	38,629	37,088
Costs of purchase of material, services and utilities in the Group	1,423,453	1,548,329
Purchase of distribution and system services	4,292,225	4,132,269
Consumed material and energy	21,325	32,158
Repairs of fixed assets	206,602	187,722
Lease of cable tunnels	116,899	112,842
Lease of non-residential premises	36,727	35,509
Other	90,667	74,186
Costs of purchase of material, services and utilities outside the Group	4,764,445	4,574,686
Total	6,187,898	6,123,015

* Electricity grid losses and own electricity consumption are technologically related. These costs cannot be reliably separated and are therefore presented on an aggregate basis in "Electricity consumption for grid losses".

(4) Interest income and expense (TCZK)

	2021	2020
Interest income: from cash pooling	-	9
Interest expense: from cash pooling	(26,850)	(8,515)
from loans in the Group*	(95,058)	(103,288)
from employee benefits	(2,214)	(1,321)
others outside the Group	(87)	-
Total (net)	(124,209)	(113,115)

* In addition to interest expense, part of the borrowing costs also included capitalised interest of TCZK 13,273 (2020: TCZK 9,962), which is included in the acquisition cost of assets.

(5) Income tax (TCZK)

Effective tax rate	2021		2020	
Profit (loss) for the period	1,258,808		1,249,731	
Income tax	299,502		284,814	
Profit before tax	1,558,310		1,534,545	
Income tax using the applicable income tax rate	296,079	19.00%	291,564	19.00%
Impact of items that are never tax-deductible	1,872	0.12%	(6,363)	(0.41)%
Corrections of estimates of prior years' taxes	1,551	0.10%	(387)	(0.03)%
Total income tax/effective tax rate	299,502	19.22%	284,814	18.56%

The current income tax estimate for 2021 of TCZK 271,300 (2020: TCZK 263,800) was reduced by income tax prepayments of TCZK 288,771 (2020: TCZK 311,020) and the net receivable is recorded in tax receivables.

Payables to the state	2021	2020
Social security and health insurance liabilities	11,263	11,333
Tax liabilities	108,852	99,657

None of these liabilities are overdue.

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(6) Tangible fixed assets (MCZK)

	Land	Power structures	Cables and overhead power lines	Telecommu- nication technologies and information technologies	Electricity meters	Sundry	Assets under construction and advances	Total
Acquisition cost								
Balance on 31.12.2019	695.6	24,923.7	23,834.1	2,202.9	2,105.0	282.4	530.1	54,573.8
Additions	27.8	302.7	843.0	66.8	164.6	8.6	304.8	1,718.3
Disposals	(15.4)	(178.4)	(145.7)	(17.8)	(114.1)	(2.1)	(27.5)	(501.0)
Transfers	0.3	68.6	105.4	39.3	22.3	1.0	(236.9)	-
Balance on 31.12.2020	708.3	25,116.6	24,636.8	2,291.2	2,177.8	289.9	570.5	55,791.1
Accumulated depreciation								
Balance on 31.12.2019	-	(14,266.8)	(10,344.9)	(1,530.2)	(1,287.9)	(214.4)	-	(27,644.2)
Depreciation expense	-	(559.1)	(608.7)	(51.6)	(98.8)	(11.6)	-	(1,329.8)
Disposals	-	174.4	145.7	17.8	113.9	2.1	-	453.9
Balance on 31.12.2020	-	(14,651.5)	(10,807.9)	(1,564.0)	(1,272.8)	(223.9)	-	(28,520.1)
Net book value								
on 31.12.2019	695.6	10,656.9	13,489.2	672.7	817.1	68.0	530.1	26,929.6
Net book value								
on 31.12.2020	708.3	10,465.1	13,828.9	727.2	905.0	66.0	570.5	27,271.0

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	Land	Power structures	Cables and overhead power lines	Telecommunication technologies and information technologies	Electricity meters	Sundry	Assets under construction and advances	Total
Acquisition cost								
Balance on 31.12.2020	708.3	25,116.6	24,636.8	2,291.2	2,177.8	289.9	570.5	55,791.1
Additions	5.7	346.8	842.7	116.6	159.0	2.6	369.4	1,842.8
Disposals	(0.2)	(119.9)	(160.1)	(51.6)	(104.6)	(9.4)	-	(446.8)
Transfers	-	229.9	55.8	36.8	20.8	7.2	(351.5)	-
Balance on 31.12.2021	713.8	25,573.4	25,375.2	2,393.0	2,253.0	290.3	588.4	57,187.1
Accumulated depreciation								
Balance on 31.12.2020	-	(14,651.5)	(10,807.9)	(1,564.0)	(1,272.8)	(223.9)	-	(28,520.1)
Depreciation expense	-	(551.8)	(626.4)	(63.1)	(103.4)	(12.3)	-	(1,357.0)
Disposals	-	119.5	160.2	51.6	104.5	9.3	-	445.1
Balance on 31.12.2021	-	(15,083.8)	(11,274.1)	(1,575.5)	(1,271.7)	(226.9)	-	(29,432.0)
Net book value								
on 31.12.2020	708.3	10,465.1	13,828.9	727.2	905.0	66.0	570.5	27,271.0
Net book value								
on 31.12.2021	713.8	10,489.6	14,101.1	817.5	981.3	63.4	588.4	27,755.1

None of the Company's assets are pledged or used as a guarantee. Additions to fixed assets as of 31 December 2021 and 31 December 2020 primarily related to the restoration and development of distribution networks.

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(7) Intangible fixed assets (MCZK)

	Software	Sundry	Assets under construction	Total
Acquisition cost				
Balance on 31.12.2019	11.0	34.1	0.1	45.2
Additions	6.8	4.3	0.1	11.2
Transfers	-	0.1	(0.1)	-
Balance on 31.12.2020	17.8	38.5	0.1	56.4
Accumulated amortisation				
Balance on 31.12.2019	(5.4)	(29.0)	-	(34.4)
Amortisation expense	(3.0)	(3.9)	-	(6.9)
Balance on 31.12.2020	(8.4)	(32.9)	-	(41.3)
Net book value on 31.12.2019	5.6	5.1	0.1	10.8
Net book value on 31.12.2020	9.4	5.6	0.1	15.1

	Software	Sundry	Assets under construction	Total
Acquisition cost				
Balance on 31.12.2020	17.8	38.5	0.1	56.4
Additions	1.1	0.1	0.9	2.1
Transfers	-	0.1	(0.1)	-
Balance on 31.12.2021	18.9	38.7	0.9	58.5
Accumulated amortisation				
Balance on 31.12.2020	(8.4)	(32.9)	-	(41.3)
Amortisation expense	(4.5)	(2.3)	-	(6.8)
Balance on 31.12.2021	(12.9)	(35.2)	-	(48.1)
Net book value on 31.12.2020	9.4	5.6	0.1	15.1
Net book value on 31.12.2021	6.0	3.5	0.9	10.4

Low-value fixed assets

In line with the Company's accounting policies (refer to "Accounting principles"), low-value fixed assets are expensed upon acquisition. The acquisition cost of low-value tangible assets with the acquisition cost of up to TCZK 40 that were in use as of the balance sheet date amounts to TCZK 86,295 (2020: TCZK 87,505). The Company holds no low-value intangible fixed assets.

(8) Long-term investments (TCZK)

	Note	Share	2021	2020
PREnetcom, a.s.	Non-marketable	100%	2,000	2,000
Sundry*			100	100
Total			2,100	2,100

* Sundry investments include a member's share in the Czech Association of Regulated Power Supply Companies.

PREnetcom, a.s., was established on 27 November 2017 and commenced its activities on 1 January 2018. The Company is its sole shareholder.

Other information about the subsidiary

Information about the subsidiary derives from the separate financial statements of this company, prepared under the Czech Accounting Standards.

Company name: PREnetcom, a.s.

The company was established for the purpose of meeting the PRE Group's long-term goals with respect to the communication between individual distribution network components to ensure safe transfer of network data and its remote control. It cooperates with the Company on the designing, planning and coordination of optical infrastructure construction and maintenance.

	2021	2020
Registered office: Prague 10, Na Hroudě 1492/4		
ID No.: 06714366		
Average headcount	22	16
Financial data (TCZK) – unaudited		
Share capital	2,000	2,000
Equity	39,088	23,991
Profit (loss) after tax	15,967	11,980
Revenue from sale of products and services	84,512	65,236

(9) Trade receivables (TCZK)

Trade receivables	2021	2020
Up to 6 months past due	3,357	6,238
6 to 12 months past due	530	1,588
More than 12 months past due	49,230	56,016
Gross past-due trade receivables	53,117	63,842
Before due	93,644	90,428
Total gross trade receivables	146,761	154,270

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The Company recorded the following adjustment to past-due receivables:

Balance on 31.12.2019	61,019
Additions and utilisation during the current period	1,599
Balance on 31.12.2020	62,618
Additions and utilisation during the current period	(11,173)
Balance on 31.12.2021	51,445

(10) Equity (TCZK)

Registered share capital and types of shares as of 31 December 2021

The Company's share capital comprises 21,549 registered shares in the certificate form (2020: 21,549 shares) with the nominal value of CZK 821,752 (2020: CZK 821,752).

Distribution of profit

The General Meeting will decide on the distribution of profit of TCZK 1,258,808 (2020: TCZK 1,249,731).

Statement of changes of equity

	Share capital	Fund from profit – reserve fund	Profit (loss)	Retained earnings	Total equity
Balance on 31.12.2019	17,707,934	530,000	1,442,957	18,987	19,699,878
Dividend payments	-	-	(1,431,857)	(18,143)	(1,450,000)
Directors' fees paid	-	-	(11,100)	-	(11,100)
Net profit for 2020	-	-	1,249,731	-	1,249,731
Balance on 31.12.2020	17,707,934	530,000	1,249,731	844	19,488,509
Dividend payments	-	-	(1,238,631)	(369)	(1,239,000)
Directors' fees paid	-	-	(11,100)	-	(11,100)
Net profit for 2021	-	-	1,258,808	-	1,258,808
Rounding	-	-	-	(1)	(1)
Balance on 31.12.2021	17,707,934	530,000	1,258,808	474	19,497,216

(11) Other provisions (TCZK)

	Business risks	Salaries	Employee benefits	Total
Balance on 31.12.2019	93,039	47,900	119,978	260,917
Additions to provisions in the current period	539	44,370	18,258	63,167
Utilisation/release of provisions in the current period	(43,911)	(47,900)	(2,619)	(94,430)
Balance on 31.12.2020	49,667	44,370	135,617	229,654
Additions to provisions in the current period	426	43,109	12,020	55,555
Utilisation/release of provisions in the current period	(8,343)	(44,370)	(32,317)	(83,030)
Balance on 31.12.2021	41,750	43,109	115,320	200,179
Long-term provisions	41,750	-	103,980	145,730
Short-term provisions	-	43,109	11,340	54,449
Total	41,750	43,109	115,320	200,179

Provisions are recognised in respect of the following:

..... Business risks – arising from the operation of fixed assets.

..... Salaries – include salaries paid depending on the fulfilment of the plan, charged to personnel expenses.

..... Employee benefits – a provision for future liabilities arising from the collective agreement, principally retirement benefits, benefits for work and life anniversaries and unused optional benefits, charged to personnel expenses. The long-term portion of the liability was discounted at the balance sheet date.

(12) Deferred tax liability (TCZK)

Deferred tax assets and liabilities reported in the balance sheet

Deferred tax assets (-) and liabilities (+) arising from the temporary differences between the accounting and tax values are attributable to the following items:

	2021	2020
Fixed assets	3,144,922	3,124,353
Receivables	(1,214)	(2,458)
Provisions	(15,262)	(16,151)
Liabilities arising from the collective agreement	(21,100)	(24,970)
Total	3,107,346	3,080,774

(13) Trade payables (TCZK)

The Company carries no trade payables past their due dates.

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(14) Temporary liabilities (TCZK)

Deferred revenues	
Balance on 31.12.2019	1,951,528
Investment contributions received	191,150
Investment contributions accounted for in revenues*	(184,501)
Correction factor of permitted revenues**	(4,514)
Balance on 31.12.2020	1,953,663
Investment contributions received	193,184
Investment contributions accounted for in revenues*	(182,860)
Balance on 31.12.2021	1,963,987

* Investment contributions accounted for in revenues are part of "Other operating revenues" in the income statement.

** This involves accrued/deferred correction factor for the distribution activity.

(15) Leased assets (TCZK)

Operating leases

As disclosed in the accounting policies, assets held by the Company under operating leases predominantly include HV and MV cable conduits, non-residential premises for MV/LV distribution transformer stations and administrative buildings. The lease contracts have been concluded for an indefinite period of time.

The table below shows the aggregate annual costs of these leases.

	2021	2020
Cable conduits	116,899	112,842
Non-residential premises	36,727	35,509
Administrative buildings	63,687	63,625
Vehicles	21,290	21,341
Total	238,603	233,317

(16) Fees payable to auditors (TCZK)

Fees payable to auditors for a statutory audit of the financial statements for the period ended on 31 December 2021 were TCZK 990 (31 December 2020: TCZK 990).

(17) Related parties (TCZK)

Persons having managing authority include the members of the Board of Directors, the Company's management and the members of the Supervisory Board.

Some of the members who have managing authority use company cars for both business and private purposes.

Total bonuses for the members of the statutory and supervisory bodies and the senior management

	2021	2020
Number	8	8
Bonuses in TCZK	25,259	25,293

Transactions with the members of the statutory bodies and the executive management

As of 31 December 2021, the Company recorded receivables from the members of the Board of Directors and the Supervisory Board in the aggregate amount of TCZK 7 (2020: TCZK 9). These receivables were settled during January 2022.

As of 31 December 2021 the Company had incurred no pension liabilities to former members of management, supervisory and administrative bodies.

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(18) Intra-company relations (TCZK)

	Receivables of PREdi as at 31.12.		Payables of PREdi as at 31.12.	
	2021	2020	2021	2020
Pražská energetika, a.s.	1,876,090	1,736,550	4,484,110	3,908,242
of which: trade receivables/payables	16,728	12,794	-	-
trade receivables/payables from cash pooling	-	-	1,732,934	1,162,872
accrued revenues/expenses from cash pooling	-	-	5,780	915
long-term loan*	-	-	2,700,000	2,700,000
accrued expenses (loan interest)	-	-	45,396	44,455
estimated accounts – unbilled distribution services**	1,859,362	1,723,756	-	-
eYello CZ, k.s.	8,609	15,462	8,650	14,728
of which: trade receivables/payables	-	359	279	-
advances received for distribution services	-	-	8,371	14,728
estimated accounts – unbilled distribution services**	8,609	15,103	-	-
PREměření, a.s.	49	3,074	1,159	29,785
of which: trade receivables/payables	49	52	1,159	29,785
estimated accounts – unbilled services	-	3,022	-	-
KORMAK Praha a.s.	12	3	980	1,627
PREzákaznická, a.s.	-	-	11,947	20,128
of which: trade receivables/payables	-	-	11,947	17,967
estimated accounts – unbilled services	-	-	-	2,161
PREnetcom, a.s.	-	-	2,622	9,098
PREservisní, s.r.o.	-	2,109	12,349	17,666
of which: trade receivables/payables	-	-	12,349	17,666
estimated accounts – unbilled services	-	2,109	-	-
FRONTIER TECHNOLOGIES, s.r.o.	-	-	2,079	-
VOLTCOM, spol. s r.o.	91	90	138	-
Total	1,884,851	1,757,288	4,524,034	4,001,274

* The long-term loan consists of three parts: a loan of MCZK 600 maturing on 18 June 2026 that bears interest at 3Y CZK IRS + mark-up of 3.1% p.a.; a loan of MCZK 700 maturing on 28 November 2026 that bears interest at 3Y CZK IRS + mark-up of 3.0% p.a.; and a loan of MCZK 1,400 maturing on 29 June 2027 that bears interest at 3Y CZK IRS + mark-up of 2.5% p.a. The loans serve for financing the operating and investment needs of the debtor.

** Estimated receivables reported in the balance sheet amount to TCZK 2,259,965 (31 December 2020: TCZK 2,327,375), of which TCZK 1,859,362 (31 December 2020: TCZK 1,723,756) represents unbilled distribution services provided to Pražská energetika, a.s., TCZK 8,609 (2020: TCZK 15,103) represents unbilled distribution services provided to eYello CZ, k.s., and TCZK 389,626 (31 December 2020: TCZK 580,847) represents unbilled distribution services and unbilled credit notes, if any, related to these services provided outside the PRE Group, and TCZK 2,368 represents other unbilled services (31 December 2020: TCZK 7,669).

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	PREdi revenues		PREdi expenses	
	2021	2020	2021	2020
Pražská energetika, a.s.	5,816,618	5,731,939	2,196,892	2,571,964
of which: distribution services	5,808,288	5,707,222	-	-
services, consumed material	8,330	7,816	524,895	558,189
electricity for grid losses and own consumption	-	-	297,816	442,011
fixed assets	-	16,845	-	-
other revenues	-	47	-	-
dividends	-	-	1,239,000	1,450,000
interest on cash pooling	-	9	26,850	8,514
interest on loans (including capitalised)	-	-	108,331	113,250
eYello CZ, k.s.	19,657	44,878	-	-
of which: distribution services	19,649	44,878	-	-
other revenues	8	-	-	-
PREměření, a.s.	1,354	1,303	422,237	418,151
of which: installation and supply of electricity meters	1,354	1,303	244,088	234,905
fixed assets	-	-	178,149	183,246
KORMAK Praha a.s.	101	1,046	181,902	201,241
of which: fixed assets	-	-	176,824	189,949
repairs of fixed assets	-	-	5,078	11,292
services	63	93	-	-
other revenues	38	953	-	-
PREzákaznická, a.s.	-	-	231,464	180,345
of which: customer and other services	-	-	231,464	180,345
PREservisní, s.r.o.	-	-	391,696	342,286
of which: fixed assets	-	-	335,960	45,987
repairs of fixed assets	-	-	27,163	17,606
services	-	-	28,573	28,454
material	-	-	-	250,239
PREnetcom, a.s.	2,271	3,008	60,800	39,071
of which: services – IT support	2,271	3,008	43,902	39,071
fixed assets	-	-	16,898	-
FRONTIER TECHNOLOGIES, s.r.o.	-	-	2,332	1,103
of which: fixed assets	-	-	2,203	273
repairs of fixed assets	-	-	129	830
VOLTCOM, spol. s r.o.	950	1,198	106,676	127,780
of which: fixed assets	-	-	77,854	92,153
repairs of fixed assets	-	-	28,822	35,627
services	618	797	-	-
other revenues	332	401	-	-
Total	5,840,951	5,783,372	3,593,999	3,881,941

All transactions with the Group entities were performed on the basis of arm's length conditions.

/ Separate financial statements of PREdistribuce, a.s.

Moreover, the Company records transactions and balances with the companies that are related parties via their relation to the PRE Group's shareholder, i.e. the Capital City of Prague.

	Inter-company sales		Intra-company purchases	
	2021	2020	2021	2020
Relations with subsidiaries and associates	16,367	15,148	14,079	9,664
Capital City of Prague	16,367	15,148	14,079	9,664
Relations with other entities	488,162	391,670	124,373	114,646
Výstaviště Praha, a.s.	2,951	3,822	-	24
Prometheus, energetické služby, a.s., člen koncernu Pražská plynárenská, a.s.	2,779	-	-	-
Pražské služby, a.s.	1,225	-	236	-
Technologie hlavního města Prahy, a.s.	1,365	-	-	-
RPC, a.s.	4,610	-	-	-
Dopravní podnik hl. m. Prahy, a.s.	387,438	379,385	1,868	2,029
Kolektory Praha, a.s.	-	-	116,647	112,571
Pražské vodovody a kanalizace, a.s.	79,231	-	5,610	-
TRADE CENTRE PRAHA, a.s.	3,773	3,733	-	10
Pražská plynárenská, a.s.	4,790	4,730	12	12
Total	504,529	406,818	138,452	124,310

	Receivables		Payables	
	2021	2020	2021	2020
Relations with subsidiaries and associates	696	153	2,246	734
Capital City of Prague	696	153	2,246	734
Relations with other entities	22,309	16,773	16,885	50,007
Výstaviště Praha, a.s.	536	58	366	207
Dopravní podnik hl. m. Prahy, a.s.	20,474	16,715	386	46,205
Pražské vodovody a kanalizace, a.s.	339	-	2,805	-
Pražská plynárenská, a.s.	960	-	13,328	3,595
Total	23,005	16,926	19,131	50,741

(19) Cash flow statement

For the purposes of the cash flow statement, cash and cash equivalents are defined to include cash in hand, cash in transit, cash at the bank and other financial assets whose valuation can be reliably determined and that can be readily converted to cash. Receivables and payables from cash pooling that are reported in "Short-term receivables – group undertakings" and "Short-term payables – group undertakings" are also deemed cash and cash equivalents for the cash flow statement purposes. The balances of cash and cash equivalents as at the year-end are as follows:

	Balance on 31.12.	
	2021	2020
Cash	1,719	1,451
Cash pooling	(1,732,934)	(1,162,872)
Total	(1,731,215)	(1,161,421)

(20) Material subsequent events

No events have occurred since the balance sheet date that would have any material impact on the financial statements.

In Prague, 21 April 2022

Signed by

Milan Hampl

Chairperson of the Board of Directors

Signed by

Petr Dražil

Vice-chairperson of the Board of Directors

Affidavit

To the best of our knowledge, the Annual Report, in exercising all reasonable due diligence, presents a true and honest picture of the financial situation, business activities and economic results of PREdistribuce, a.s., in 2021, and of the prospects for the company's future development. No facts have been deliberately omitted from or distorted in the Annual Report which could have altered its meaning.

In Prague, 21 April 2022

Signed by

Milan Hampl

Chairperson of the Board of Directors

Signed by

Petr Dražil

Vice-chairperson of the Board of Directors

List of abbreviations

AMM	Automatic metering management
B2B	Big customers
B2C	Small customers
OHS	Occupational health and safety
ČSRES	Czech Association of the Regulated Power Supply Companies
EnBW	EnBW Energie Baden-Württemberg AG
ERÚ	Energy Regulatory Office (Energetický regulační úřad)
EU	European Union
eYello	eYello CZ, k.s., a 90% subsidiary of PRE and a 10% subsidiary of PREm
FEL ČVUT	Faculty of Electrical Engineering of the Czech Technical University in Prague
FVE	Photovoltaic power plant
GWh	Gigawatt hour
HV	High voltage
KORMAK Praha	KORMAK Praha a.s., a 100% subsidiary of PRE
kV	Kilovolt
LV	Low voltage
MPO	Ministry of Industry and Trade
MV	Medium voltage
MW	Megawatt
PRE	Pražská energetika, a.s.
PREdi	PREdistribuce, a.s., a 100% subsidiary of PRE
PREm	PREměření, a.s., a 100% subsidiary of PRE
PREnetcom	PREnetcom, a.s., a 100% subsidiary of PREdi
PREs	PREservisní, s.r.o., a 100% subsidiary of PRE
PREzak	PREzákaznická, a.s., a 100% subsidiary of PRE
PRE Group	PRE + PREdi + PREm + PREzak + PREs + eYello + KORMAK Praha + VOLTCOM + PREnetcom + PRE FVE Světlík, s.r.o. + SOLARINVEST – GREEN ENERGY, s.r.o. + FRONTIER TECHNOLOGIES, s.r.o. + PRE VTE Částkov, s.r.o. + PRE FVE Nové Sedlo, s.r.o.
SAIDI/SAIFI	Electricity supply reliability indicators
Sb.	sbírka zákonů (equivalent of "Collection of Laws" in the official name of Czech legal acts)
TS	110/22 kV transformer station
TWh	Terawatt hour
VOLTCOM	VOLTCOM, spol. s r.o., a 100% subsidiary of PRE
VOŠ a SPŠE Františka Křížíka	František Křížík Secondary Vocational School and College of Electrical Engineering
VTE	Wind farm

Contact information

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PREdistribuce, a.s. ID No.: 27376516	Prague 5, Svornosti 3199/19a www.predistribuce.cz e-mail: info@predistribuce.cz	150 00	800 550 055 For calls from abroad: +420 267 055 555
Distribution emergency line	Prague 2, Kateřinská 1528/9 e-mail: poruchy@predistribuce.cz	120 00	Emergency line: 800 823 823
Pražská energetika, a.s. ID No.: 60193913	Prague 10, Na Hroudě 1492/4 www.pre.cz e-mail: pre@pre.cz	100 05	800 550 055 For calls from abroad: +420 267 055 555
Press relations	Prague 10, Na Hroudě, 1492/4	100 05	267 051 102
PREzákaznická, a.s. ID No.: 06532438	Prague 10, Na Hroudě 1492/4 www.prezakaznicka.cz e-mail: pre@pre.cz	100 05	800 550 055 For calls from abroad: +420 267 055 555
PRE Costumer Centre	Prague 1, Jungmannova 36/31 Prague 4, Vladimírova 64/18	110 00 140 00	
PRE Call Centre	Prague 10, Kubánské náměstí 1391/11	100 00	800 550 055
PREměření, a.s. ID No.: 25677063	Prague 10, Na Hroudě 2149/19 www.premereni.cz e-mail: mereni@pre.cz	100 05	800 550 055 For calls from abroad: +420 267 055 555
Emergency line	for PRE customers in case of main circuit-breaker failures: www.premereni.cz/opravy		733 143 143
PRE Costumer Centre	Prague 1, Jungmannova 747/28 e-mail: centrum.sluzeb@pre.cz	110 00	
PREmobilita Orders of energy services	e-mail: premobilita@pre.cz email: servis.premh@pre.cz		
eYello CZ, k.s. ID No.: 25054040	Prague 10, Kubánské náměstí 1391/11 www.yello.cz e-mail: yello@yello.cz	100 00	267 056 704
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VOLTCOM, spol. s r.o. ID No.: 44794274	Prague 6, Otevřená 1092/2 www.voltcom.cz e-mail: voltcom@voltcom.cz	169 00	267 052 547
PREnetcom, a.s. ID No.: 06714366	Prague 10, Na Hroudě 1492/4 www.prenetcom.cz e-mail: pre@pre.cz	100 05	800 550 055 For calls from abroad: +420 267 055 555
FRONTIER TECHNOLOGIES, s.r.o. ID No.: 27234835	Prague 10, Na Hroudě 2149/19 www.frontier-technologies.eu E-mail: info@frontier-technologies.eu	100 05	277 002 333
SOLARINVEST – GREEN ENERGY, s.r.o. ID No.: 28923405	Prague 10, Na Hroudě 2149/19 www.solarinvest.cz E-mail: info@solarinvest.cz	100 05	724 981 004
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