







# Table of contents

Basic information about the company	2
PRE Group	6
Foreword of the chairperson of the Board of Directors	8
Company strategy	10
Corporate bodies of the company	12
Overview of selected company indicators	16
Trends in the electricity and energy sector	19
Report of the Board of Directors on Business Activities and Assets for 2020	21
Financial analysis	26
Human resources	27
Environmental protection and OHS	30
Risk management system	31
Report on General Meetings	32
Information required by law	33
Report on Relations of PREdistribuce, a.s., for 2020	36
Supervisory Board Report on Activities in 2020	43
Independent Auditor's Report to the Shareholder of PREdistribuce, a.s.	44
Separate financial statements of PREdistribuce, a.s.	48
Affidavit	76
List of abbreviations	77
Contact information	78

# Basic information about the company

## HISTORY OF THE COMPANY

PREdistribuce, a.s., (PREdi) was established as a separate company on 1 January 2006 following its separation from the parent company, Pražská energetika, a.s. (PRE).

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 there (the Distribution division – i.e., the distribution network). 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 ACTIVITY OF THE COMPANY

PREdi owns and operates the distribution system in the capital city of Prague, in Roztoky and in Žalov covering a total area of 505 km<sup>2</sup>. It carries out its operations in accordance with the Energy Act in the public interest, as it holds electricity distribution licence No. 120504769 from the Energy Regulatory Office (ERÚ), in effect from 1 January 2006 for an indefinite period of time.

Its main mission lies in providing a reliable and safe supply of electric energy to all its customers in the licensed territory. The key processes and activities to ensure a reliable energy supply include primarily the renovation and development of the distribution network, connection of new customers, buildings and structural units, optimal operation control and resolution of failures, maintenance and repairs of the network, measurements and other services related to electricity distribution.

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. The operations of the distribution system are overseen and managed by the Energy dispatcher control station. The continuity of electricity supply was not affected by any major supply failure throughout 2020. PREdi ensured high-quality maintenance of the distribution network in line with 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 as well as the quality of its services. Regarding all customers connected to the distribution system, the quality standards of electricity supply were met throughout the year in accordance with 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 2020, almost 817 thousand consumption points were connected to the distribution system, which represents a 0.9% increase year-on-year. The highest peak load of the distribution system was recorded on 24 January 2020 amounting to 1,121 MW, which is a 3.5% decrease compared to the last year. Throughout 2020, PREdi distributed a total of 5,864 GWh of energy on all voltage level, which represents a 6.9% decrease year-on-year. 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. All output and energy requirements of both the existing and new customers and development projects in the licensed territory were met.

In order to provide a highly reliable and safe energy network, every year PREdi draws up medium-term, long-term and year-long investment plans based on the results of analyses examining the technological state of the network, new trends and regulatory requirements, the transmission capacity and actual reliability of its networks, the actual physical lifetime of individual network components as well as the possibilities of their efficient maintenance. PREdi also takes into account the expected evolution of the demand of households, developers and other business entities for new connections, which have been steadily on the rise. At the same time, it addresses the need to increase output based on the consumption in already existing connection points. In 2020, PREdi invested

CZK 1,729.5 million (including capitalisation) in the distribution network. The most significant strategic construction projects implemented in 2020 include the continued construction of the cable tunnel between the 110/22 kV Karlín transformer station and the Hlávka bridge and the cable tunnel Invalidovna I, the continued restoration of the 110/22 kV Pražská transformer station, the launch of the construction of the 110/22 kV Slivenec transformer station and others.

In view of the steadily growing demand for a continuous and quality energy supply, as well as the increasing requirements on the use of new technologies in the energy sector, such as electromobility, AMM and accumulation, PREdi commits itself to preparing its distribution network in good time to absorb these new trends. Smartening of the distribution network and development of a smart infrastructure is carried out in line with the National action plan for smart grids voted by the Czech government. PREdi has been focusing primarily on smartening its MV/LV distribution transformer stations and developing the optical infrastructure. In 2020, the company constructed dozens of 22/0.4 kV smart distribution transformer stations, which constitutes a step further in achieving a safe and reliable electricity supply.

In the development of smart grids, PREdi is assisted by its 100% subsidiary PREnetcom, a.s., (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 strategy of development 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 together with the distribution network to achieve monitoring, management and operation control of smart grids.

#### **100% SUBSIDIARY PREnetcom, a.s.**

PREnetcom, a.s., founded on 27 November 2017 as a 100% subsidiary of PREdi, started operating on 1 January 2018. Its main task is to fulfil the long-term strategic goals of PREdi – i.e., to implement smart grids by designing and constructing communication infrastructure to connect individual components of the distribution network, which will ensure reliable transfer of network data and enable remote control

of the distribution network. In the future, it is also likely to rollout smart metering within its distribution system. Another aim of the company lies in exploring the possibility of using the spare capacity of the created communication network for commercial purposes, such as Smart City and Smart Home features as well as wholesaling to third parties.

In 2020, PREnetcom took part in the construction and administration of data infrastructure and the preparation of strategic steps needed to promote the digitalisation of the distribution network. These activities were undertaken also in relation to the legal requirement to roll out smart meters across the network. Furthermore, the company continued implementing pilot projects for potential commercial use of the temporarily spare capacity of the communication infrastructure. In 2020, it successfully implemented its first pilot project in the Prague neighbourhood of Chodov with family houses and it started to provide end services through wholesale business partners. In the Prague neighbourhood of Chodov, it also launched the preparations of the largest-ever pilot project intended for the area of high-rise blocks as well as the pilot implementation in Skalka II area, Nusle and Vinohrady.

In 2020, the PRE Group started the construction of a household infrastructure for AMM and commercial purposes. Also, the PRE Group successfully completed the acquisition of the first houses in Skalka II area. Before the end of the year, it managed to build optical household infrastructure in the majority of the apartments in this area.

Within its Nusle project, PREnetcom next ambition is to carry out the implementation of passive optical network, using the internal capacities of its team of seasoned experts. The company also successfully finished its first pilot project of passive optical infrastructure in Nusle and, by the end of 2020, it had carried out the majority of its external network.

Apart from these activities, it also continued its successful recruitment of new experts, primarily to its telecommunication teams, and, as a result, met its current staffing needs.



# #Smart stations

PREdi smartens its stations to enhance the quality and reliability of its supply and be ready for e-mobility, renewable energies and other challenges.





# SMART STATION



# LV TECHNOLOGIES



# OPERATION AND MV PARTS



# 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.

PRE has a more than one-hundred-and-twenty-year long history of supplying electricity and developing the electricity system in Prague, Roztoky and Žalov. 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 almost 817 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 2020, PRE distributed a total of 5.9 TWh of electricity to its end-customers on all voltage level, which represents a 6.9% decrease compared to the last year. This decrease is primarily due to the COVID-19 pandemic. At the same time, it generated 35.8 GWh of electricity from renewable sources.

In 2020, 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., WINDING WE NORTH a.s. (until 20 July 2020) and its 100% subsidiary PRE VTE Částkov, s.r.o. (until 20 July 2020) and PRE VTE Částkov, s.r.o. (from 21 July 2020). 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 generation of electricity 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.).

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

**WINDING WE NORTH a.s.**\* focuses primarily on electricity generation.

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

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

\* WINDING WE NORTH a.s. was dissolved as of 21 July 2020 as a result of a merger with PRE VTE Částkov, s.r.o.

\*\* PRE VTE Částkov, s.r.o., was until 20 July 2020 a 100% subsidiary of WINDING WE NORTH a.s. As a result of a merger with WINDING WE NORTH a.s., it became as of 21 July 2020 a 100% subsidiary of PREměření, a.s.

# Foreword of the chairperson of the Board of Directors

## Distinguished readers

First of all, I would like to wish all of you, on behalf of PREdi, good health and a successful 2021, especially in times when our country has been facing the long-term effects of the global COVID-19 pandemic with its harsh economic and social effects and a number of difficult choices. Needless to say, the energy sector has been also severely affected by the effects of the pandemic. In 2020, the load of the network as well as the volume of distributed electricity across the whole Czech Republic saw a decrease. We have come to realise the importance of a continuous and high-quality electricity supply to all end consumption points, ranging from hospitals, through the seats of government offices and emergency infrastructure to households. Moreover, the majority of citizens started to work, receive education, etc., directly at their homes. We are fully aware of the importance of our mission, and that is why we adopted preventive measures at the very beginning of the spread of COVID-19 as early as in March 2020 beyond what was required by the government.

Despite the above-mentioned coronavirus pandemic, I am pleased to say that PREdi managed to nearly fulfil its planned economic results and, to a large extent, contributed to the generally favourable results of the whole PRE Group. Its EBITDA reached CZK 2,984 million, which is CZK 135 million fewer than required in the plan. I still consider it a great success, given the situation. The PREdi networks distributed a total of 5,864 GWh of electricity across Prague and Rožtoky, which was enough to meet the demands of both PREdi's existing and new customers on all voltage levels. In view of the COVID-19 pandemic, its effects and the decrease of electricity consumption during the declared state of emergency, the volume of distributed electricity decreased by 6.9% compared to 2019 levels. This drop was mainly due to the decline in electricity consumption in Prague's transportation, where all the metro and tram systems use electricity, the restricted operations of the Václav Havel airport, the closure or restricted operations of shopping centres, office and administrative buildings, business entities as well as cultural and sport facilities. While in the previous years, the city of Prague was visited by up to 7.5 million tourists annually, in 2020, the number of visitors declined sharply, which translated into decreased electricity consumption due to the suspended operations of hotels, restaurants, bars and galleries. As a result, the maximum network load was lower last year, with its peak

value reaching 1,121 MW on 24 January 2020 prior to the declaration of the state of emergency. During the pandemic, the highest network load was recorded on 3 December 2020, amounting to 1,066 MW.

In 2020, the distribution network of the company was not affected by any natural disaster, no extensive systemic technical failures occurred on medium voltage levels, in 110/22 kV transformer stations or 22/0.4 kV nodal distribution transformer stations that would have affected in a significant manner the electricity supply in Prague households for several hours.

During 2020, almost 817 thousand consumption points were connected to distribution network, which represents a 0.9% increase year-on-year. 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 the company's distribution network in accordance with ERÚ Decree No. 540/2005 Sb.

PREdi, as the operator of the distribution network in the capital ranging from 110 kV to 1 kV voltage levels, occupies a specific position in the Czech energy industry and has to face extraordinary challenges and demands for high quality and reliability of supply. In terms of security, some of its network elements are a part of the critical infrastructure of Prague and the Czech Republic. According to comparative statistical analyses, last year PREdi operated as the most reliable electricity distributor in relation to its end-customers in Prague and Rožtoky, as, on average, all of them encountered only a 33-minute-long electricity interruption. This is value is 10 times lower than with other distributors operating on the Czech market. We are determined to continue in this trend and we will implement more technical measures to maintain and even further improve the current level of quality of our electricity supply.

All of the distribution equipment was maintained by a total of 467 employees in 2020. Along with the operation control and resolution of failures, our employees are also bound to conduct planned repairs and maintenance works of the network elements in compliance with the company's internal standards, namely its Rules of preventive maintenance. The company's employees also completed other important



activities, such as planning of the development and renovation of the distribution equipment, management of network assets, connection of new customers, construction of investment energy constructions and connection points, measurement of the supplied electricity at HV and MV levels as well as transfer of network data for the purposes of settling payments for distribution services and supplies within the system of the market operator (the company OTE, a.s.).

PREdi's distribution system consists of 110 kV, 22 kV and 0.4 kV overhead lines and cable lines measuring 12,422 km, 26 110/22 kV transformer stations and 4,934 22/0.4 kV network transformer stations. In 2020, 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 1,729.5 million. A further CZK 237 million was invested from the operating funds. The most significant constructions of the HV level included the termination of the restoration of the 110/22 kV Pražská transformer station, the launch of the construction of the 110/22 kV Slivenec transformer station, 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 110/22 kV Sever and 110/22 kV Východ transformer stations. The company further developed its activities aimed at the smartening of its MV and LV networks to enable the transmission of data for dispatcher centres and remote operation control. It also conducted other preparatory projects to implement remote readings of electricity of customers to prepare its infrastructure for the planned rollout of smart metering (so-called AMM) by 2024. These projects were carried out by PREdi technicians in cooperation with their colleagues from the subsidiary PREnetcom and its sister company PREm.

Throughout 2020, PREdi representatives participated in a series of important meetings with the Energy Regulatory Office regarding the new parameters of the fifth regulatory period for the years 2021–2025. The ERÚ's decision determined the financial possibilities and operating procedures of the energy sector in the given period. 2021 will be the first year of the fifth regulatory period. In 2021, PREdi will take on the presidency of the Czech Association of the Regulated Power Supply Companies which brings together all major distribution companies in the Czech Republic as well as the transmission system operator, ČEPS, a.s. The association addresses the

questions that are jointly dealt with by its members: resolution of technical failures, implementation of new regulatory demands in practice, leading expert and knowledge-based dialogue with the ERÚ and the Ministry of Industry and Trade and other government bodies regarding the impact on prices for end-customers and the Czech energy sector's future direction.

In the years to come, the company 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 modern technologies and the expect onset of electromobility, decentralised electricity generation and accumulation.

To conclude, let me express my thanks to all of you, our customers and partners, as well as our employees. Thanks to them, PREdi met all of the key tasks of electricity distributor in the capital city of Prague. They were disposed to work without a break to maintain the smooth operation of the distribution network throughout the COVID-19 pandemic and I deeply appreciate that. Thanks to the arduous work of us all, PREdi managed to secure good results, remain a mainstay of its parent company PRE and ensure satisfaction of all our customers. Our company proudly follows in the tradition of energy related activities in the capital and wants to remain an irreplaceable part of Prague's life.

Signed by

**Milan Hampl**

Chairperson of the Board of Directors

## Company strategy

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

Its main strategic goal is to continue optimising the 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 members of the PRE Group.

In the European energy sector, the tendency is to promote decentralisation, renewable sources as well as energy saving solutions. The future sector trends will also be dictated by 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. The European Council set the goal to increase the share of consumed energy from renewable sources by 2030 to at least 32% across the whole EU.

The Czech government approved the National Plan of the Czech Republic in the Energy Sector and Climate, the objective of which is to increase the part of renewable sources in the production of electricity to 22% by 2030. As a result, we can reasonably expect an increase in the deployment of decentralised electricity sources, where generation is difficult to predict, as well as a gradual increase in the deployment of new technologies, such as electric vehicles, AMM and accumulation. In connection to the strengthening of the requirements for car emissions reduction, stipulated in the newly voted regulation of the European Parliament and the Council of the EU, electromobility in particular will gain in importance. The city of Prague has also increased its environmental objectives. It established a Committee for Sustainable Energy and Climate within the Council of the Capital City of Prague, whose mission is to draft specific measures aimed at fulfilling the identified objectives. As a distribution system operator, PREdi will continue to support these efforts while fulfilling its own obligations. Despite the changing conditions, PREdi's mission will still be to maintain a high level of reliability and safety of electricity supply and its required quality, 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 cyber-attacks, but also due to the instability of sources and the overload of some transmission network components by huge transfers of electricity.

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 end-customers. The network's reliability will be further enhanced when the new nodal point of the 400/110 kV system is built at the existing 110/22 kV Sever transformer station. It is expected to start operating in 2025.

PREdi devotes great attention to new trends and developments in the introduction of modern solutions. Its strategic aim is to prepare in good time its distribution system to be able to absorb the expected increased requirements linked to the connection of new decentralised energy sources, especially renewable sources and charging stations constructed in relation to the developing sector of electromobility, accumulation, AMM rollout and enhanced energy services. PREdi must be prepared in good time for the changes that are susceptible to profoundly transform the way its distribution system operates.

This is why a major portion of its investment funds was allocated to the development of the 22 kV and 1 kV networks, which are expected to see an increase in the number of connected decentralised sources and the introduction of new network management and operation technology. The only way to maintain the high reliability and security of the distribution system is the right combination of strengthening the system with modern elements, their interconnecting and introducing adequate communication streams with dispatcher control centres. Good communication and interconnection with the lower levels of the distribution system will enable better monitoring, measuring and managing of the system, which will have a positive effect on the utilisation of our assets and reliability indicators. The transfer of the investments to lower voltage levels will be offset by slowing down the renovation of some parts of the backbone HV networks and by postponing new strategic constructions, transformer stations, until it is really necessary to provide or strengthen supply to a particular area.

In line with the National action plan for smart grids voted by the Czech government in 2019, PREdi will focus on smartening its distribution system. It has been focusing primarily on smartening its MV/LV distribution transformer stations and developing optical infrastructure through implementing a number of pilot projects and, in the long-run, an across-the-board deployment of cutting-edged technologies of smart grids. In the development of smart



grids, PREdi is assisted by its 100% subsidiary PREnetcom, which focuses on the use and operation of metallic cables and especially the development of optical communication cables that are installed together with the distribution system to achieve monitoring, management and operation control of smart grids. The aim of optical networks is to develop an adequate infrastructure for high-speed internet connection.

PREdi also cooperates with the Council of the Capital City on the Smart Prague initiative aimed at implementing the world-known Smart Cities concept. The implementation of modern technologies enhances the standard of living of Prague citizens, improve energy consumption savings, reduce the environmental burden posed by the energy sector and provide shared data for the public interest. 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 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 modern 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.

#### MAIN STRATEGIC CONSTRUCTIONS IN 2021

The main strategic investments of the planned distribution network development will be made in construction and modernisation of 110/22 kV transformer stations and 110 kV overhead lines and cables lines 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 departments of Council of the Capital City and respect the applicable urban plan.

In view of admissibility and complexity of constructions, strategic constructions for 2021 and the following years include:

..... continued construction of the cable tunnel between the 110/22 kV Karlín transformer station and the Hlávka bridge;

..... continued construction of the cable tunnel Invalidovna I;  
 ..... preparations of the construction of the cable tunnel Invalidovna II;  
 ..... continued construction of the 110/22 kV Slivenec transformer station;  
 ..... launch of the construction of the 110 kV distribution station and the control system at the 110/22 kV Jih transformer station;  
 ..... finalisation of the reconstruction of the 110/22 kV Pražka transformer station;  
 ..... preparations for the construction of the 110 kV overhead lines between the 110/22 kV Sever and 110/22 kV Východ transformer stations; and,  
 ..... finalisation of the construction of the 110 kV cable lines between the 110/22 kV Malešice, 110/22 kV Zahradní Město and 110/22 kV Jih transformer stations.

#### SUBSIDY SCHEMES

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

PREdi participates in:

..... the state-funded project "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 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 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. PREdi participates in this subsidised project, but does not draw any state support. The project is provided by the Technology Agency of the Czech Republic within its THETA Programme aimed at supporting applied research, experimental development and innovation. The project was launched on 1 July 2020 and is due to expire on 30 June 2023.

## Corporate bodies of the company

### BOARD OF DIRECTORS AS OF 31.12.2020

**Milan Hampel**  
Chairperson

**Petr Dražil**  
Vice-chairperson

**Tobias Mirbach**  
Member

**Jan Sixta**  
Member

### SUPERVISORY BOARD AS OF 31.12.2020

**Pavel Elis**  
Chairperson

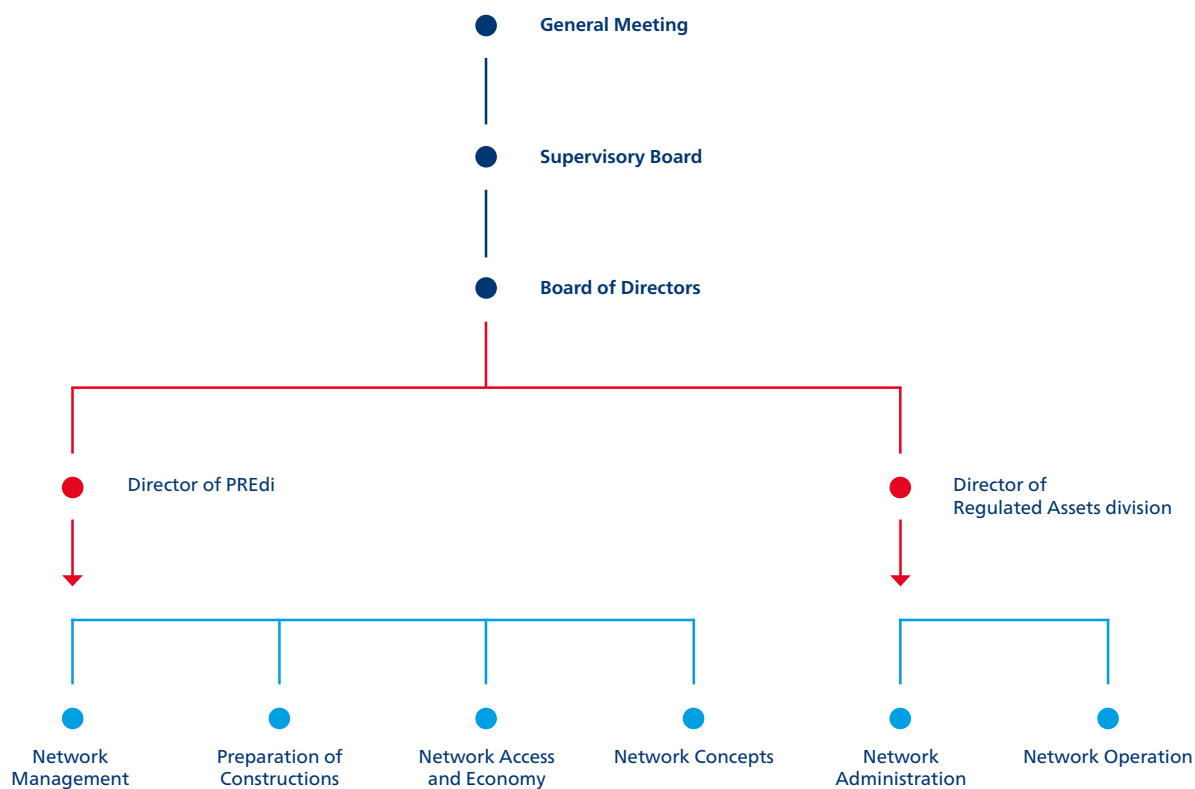
**Alexander Manfred Sloboda**  
Member

**Karsten Krämer**  
Member

**Zdeněk Smetana**  
Member

In 2020, no members of the company bodies were subject to a conflict of interest or infringed prohibition of competition.

### COMPANY ORGANISATION CHART







MILAN HAMPL



PETR DRAŽIL

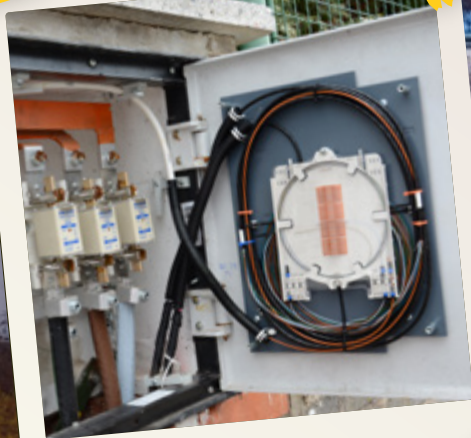


TOBIAS MIRBACH



JAN SIXTA

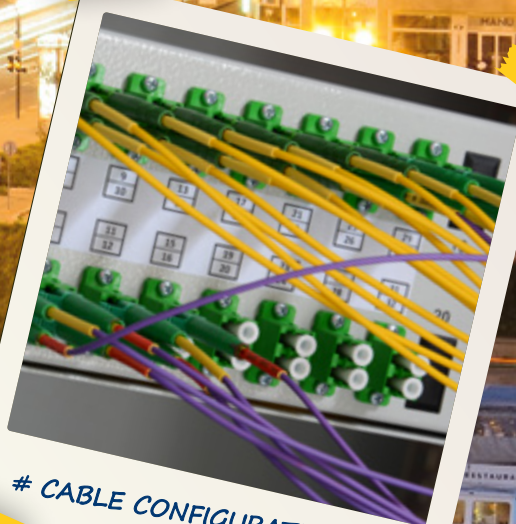




# FIBRE OPTICS IN LV



# OPTICAL CABLE END CAPS



# CABLE CONFIGURATION





# #Fibre optics

Optical infrastructure is the backbone communication infrastructure of the distribution network. PREdi modernises its components and cable lines.



# Overview of selected company indicators

## MAIN FINANCIAL INDICATORS (MCZK)

	2020	2019	2018	2017	2016
<b>Total assets</b>	<b>29,785</b>	<b>29,345</b>	<b>28,978</b>	<b>28,649</b>	<b>28,336</b>
Distribution equipment	24,294	24,146	23,941	23,700	23,624
Other fixed assets	2,994	2,796	2,685	2,542	2,325
Cash pooling receivables within the Group	0	0	0	0	106
Trade receivables	105	119	106	152	127
Other assets	2,392	2,284	2,246	2,255	2,153
<b>Total liabilities and equity</b>	<b>29,785</b>	<b>29,345</b>	<b>28,978</b>	<b>28,649</b>	<b>28,336</b>
Equity	19,489	19,700	19,668	19,579	19,379
Deferred tax liability	3,081	3,059	3,038	3,009	2,984
Cash pooling payables within the Group	1,163	461	49	13	0
Trade payables	354	411	555	607	550
Deferred revenues	1,954	1,952	1,920	1,790	1,763
Provisions	230	272	326	298	306
Credits	2,700	2,700	2,700	2,700	2,700
Other liabilities	816	790	722	652	654
<b>Gross profit from the sale of distribution services</b>	<b>4,802</b>	<b>4,904</b>	<b>4,917</b>	<b>4,717</b>	<b>4,636</b>
<b>Profit/loss from ordinary activity before tax</b>	<b>1,535</b>	<b>1,777</b>	<b>1,767</b>	<b>1,659</b>	<b>1,431</b>
<b>Profit/loss from ordinary activity after tax</b>	<b>1,250</b>	<b>1,443</b>	<b>1,429</b>	<b>1,341</b>	<b>1,141</b>
<b>EBIT</b>	<b>1,648</b>	<b>1,892</b>	<b>1,871</b>	<b>1,745</b>	<b>1,515</b>
<b>EBITDA</b>	<b>2,984</b>	<b>3,201</b>	<b>3,184</b>	<b>3,043</b>	<b>2,853</b>
<b>Total number of employees as of 31.12.</b>	<b>467</b>	<b>456</b>	<b>501</b>	<b>509</b>	<b>518</b>

## ALLOCATION OF INVESTMENTS (MCZK, INCLUDING CAPITALISATION)

	2020	2019	2018	2017	2016
<b>Total investment</b>	<b>1,729.5</b>	<b>1,643.0</b>	<b>1,700.5</b>	<b>1,594.2</b>	<b>1,583.8</b>
HV distribution equipment	257.0	136.0	217.0	319.9	329.8
MV distribution equipment	652.9	689.2	862.3	686.3	815.8
LV distribution equipment	636.4	633.4	459.2	459.5	328.2
Electricity meters	183.2	184.4	162.0	128.5	110.0

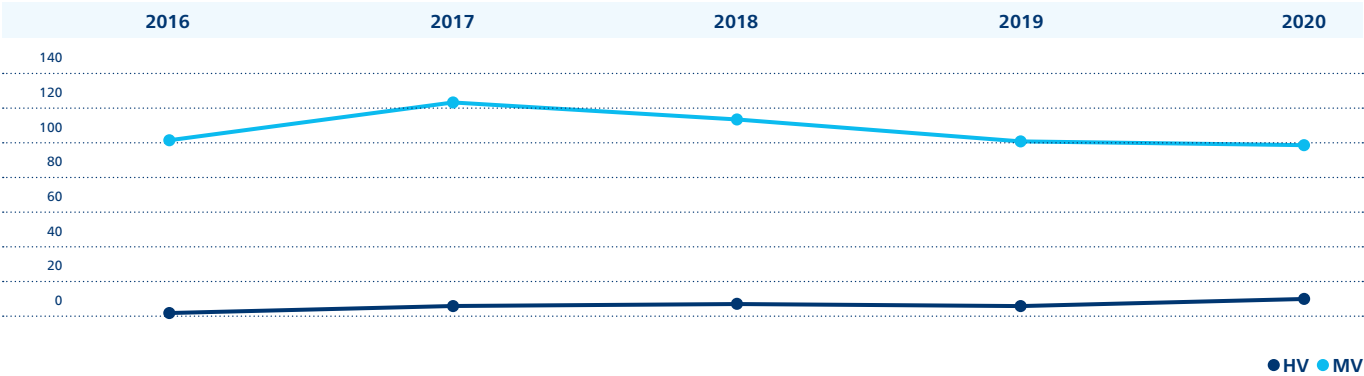
## SELECTED NETWORK INDICATORS

	Unit	2020	2019	2018	2017	2016
Maximum network load	MW	1,121	1,162	1,187	1,196	1,172
Total length of electricity networks	km	12,422	12,372	12,276	12,104	12,054
of which: HV	km	220	221	221	214	207
MV	km	3,906	3,899	3,881	3,864	3,872
LV	km	8,296	8,252	8,174	8,026	7,975
Number of HV/MV transformer stations	pieces	26	25	25	24	23
of which: owned by PREdi	pieces	25	24	24	23	22
owned by other entities	pieces	1	1	1	1	1
Number of MV/LV transformer stations	pieces	3,237	3,221	3,214	3,218	3,229
Total number of MV/MV stations and MV/LV stations	pieces	4,934	4,906	4,876	4,863	4,858

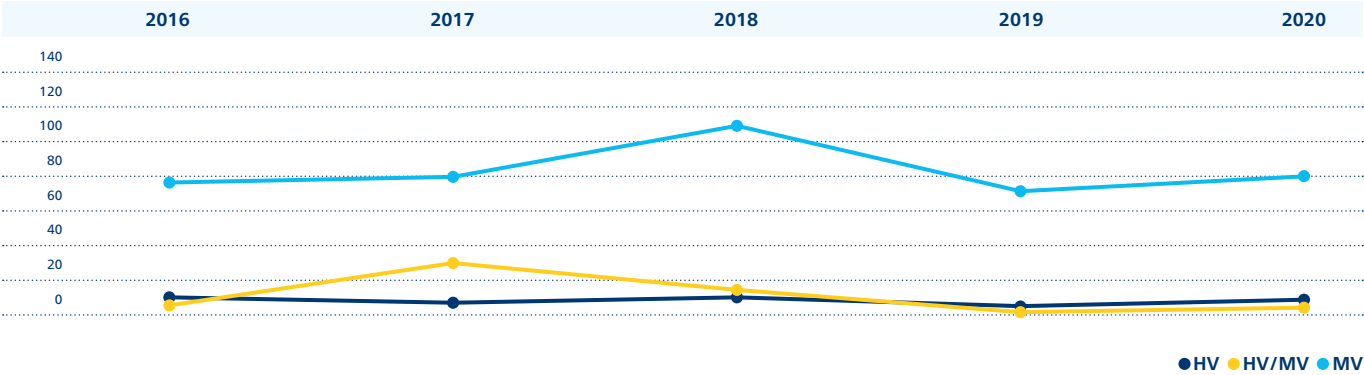
## DISTRIBUTED ELECTRICITY

	Unit	2020	2019	2018	2017	2016
Supplied territory	km <sup>2</sup>	505	505	505	505	505
Total distribution (procured)	GWh	5,864.0	6,296.4	6,326.5	6,287.6	6,241.0
Total number of consumption points	pieces	816,979	809,807	802,164	795,025	786,267
of which: wholesale – HV, MV networks	pieces	2,077	2,060	2,044	2,025	2,019
retail – small businesses – LV network	pieces	126,641	126,734	126,223	127,279	127,367
retail – households – LV network	pieces	688,261	681,013	673,897	665,721	656,881

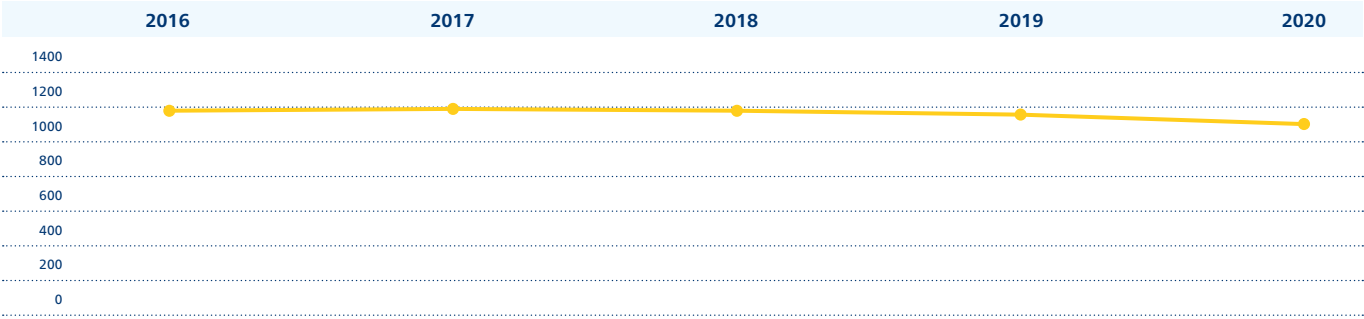
Number of HV and MV failures



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



Maximum network load (MW)





# Trends in the electricity and energy sector

2020 was the fifth and final year of the fourth regulatory period.

The originally three-year long fourth regulatory period (1.1.2016 – 31.12.2018) was extended until 31 December 2020. The regulations continued to follow the main principles established in the previous period and reflected the latest changes in the energy legislation of the Czech Republic and the European Union.

On 9 June 2020, the Energy Regulatory Office adopted the regulatory requirements for the fifth regulator period from 1 January 2021 to 31 December 2025, and published them in the document titled Principles of price regulation for the regulatory period 2021–2025 in the energy sector, gas sector, activities of the energy and gas sector operator and statutory purchasers.

## OVERVIEW OF RELEVANT LEGISLATION

The legislative framework for the electricity distribution sector 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. 416/2009 Sb., on Fast-tracking the Construction of Transportation, Water and Energy Infrastructure and E-communication Infrastructure (the Line Constructions 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. 194/2017 Sb., on Measures to Reduce the Costs of Deploying High-Speed Electronic Communications Networks and on the Amendment to Other Acts;
- ..... Act No. 183/2006 Sb., on Town and Country Planning and Building Code (the Building Act);
- ..... Decree No. 408/2015 Sb., on Rules on Electricity Market;
- ..... 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. 70/2016 Sb., on Supply Billing 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;
- ..... Decree No. 16/2016 Sb., on Rules of Connecting to Electrification System;
- ..... Decree No. 359/2020 Sb., on Electricity Metering; 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 2020

Act No. 1/2020 Sb. from 11 December 2019, which amends Act No. 383/2012 Sb., on Terms of Greenhouse Gas Emission Allowance Trading, as amended, and 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, was published on 3 January 2020. It will become effective on 1 January 2021 with the exception of certain provisions of Paragraph I. which become effective on the date of the publication in the Journal of Laws and International Treaties.

Act No. 3/2020 Sb., from 11 December 2019, which amends Act No. 406/2000 Sb., on Energy Management, as amended, was published on 10 January 2020. It became effective on 25 January 2020.

Decree No. 302/2020 Sb., from 23 June 2020, which amends Decree No. 408/2015 Sb., on Electricity Market Rules, as amended by Decree No. 127/2017 Sb., was published on 30 June 2020. It became effective on 1 July 2020.

Decree No. 359/2020 Sb., on Electricity Metering, from 13 August 2020, was published on 4 September 2020. It will become effective on 1 January 2021 with the exception of certain provisions which become effective on 1 July 2024 and 1 July 2027.

Decree No. 554/2020 Sb., from 15 December 2020, which amends Decree No. 262/2015 Sb., on Regulation Reporting, as amended by Decree No. 50/2017 Sb., was published on 23 December 2020. It will become effective on 1 January 2021

Decree No. 591/2020 Sb., from 22 December 2020, which amends Decree No. 387/2012 Sb., on State Authorisation to Set Up Electricity Generation Sites, was published on 31 December 2020. It will become effective on 1 January 2021.

### ERÚ price decisions published in 2020

ERÚ Price Decision No. 5/2019 from 26 November 2019, which set prices for related energy services and other regulated prices, came into effect on 1 January 2020. To regulate prices in this field during 2021, ERÚ Price Decision No. 9/2020 from 27 November 2020 was published on 30 November 2020.

ERÚ Price Decision No. 8/2019 from 20 December 2019, which amends ERÚ Price Decision No. 3/2019, which sets support for promoted energy sources, came into effect on 1 January 2020. To regulate prices in this field during 2021, ERÚ Price Decision No. 7/2020 from 30 September 2020 was published on 30 September 2020.

ERÚ Price Decision No. 6/2019 from 26 November 2019, which sets prices for related energy services to customers from low voltage level networks, came into effect on 1 January 2020. To regulate prices in this field during 2021, ERÚ Price Decision No. 10/2020 from 27 November 2020 was published on 30 November 2020.

# Report of the Board of Directors on Business Activities and Assets for 2020

PREdistribuce, a.s., owns and operates the distribution system in the capital city of Prague, in Roztoky and in Žalov. Its main mission lies in providing a reliable and safe supply of electric energy to all its customers including the renovation and development of the distribution network. Other key processes include the management and maintenance of energy services equipment. At the end of 2020, PREdi employed a total of 467 employees who dutifully took care of the smooth operations of the entire distribution system.

As it holds electricity distribution licence, PREdi manages and operates the distribution system in accordance with the Energy Act in public interest. It carries out its business activities as a regulated entity within the applicable regulatory framework and price decisions published by the ERÚ.

2020 saw no large-scale technical breakdowns of lines, which would have impacted the electricity supply to customers in the licensed territory in a major way. The operational performance of the entire distribution system proves the trend of decreasing internal distribution failure rate in Prague. The monitored electricity supply reliability indicators SAIDI/SAIFI were kept at the required levels set forth by the ERÚ. Throughout 2020, 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 distribution company in the Czech Republic in recent years. The highest peak load of the distribution system was recorded on 24 January 2020 amounting to 1,121 MW, which is a 3.5% decrease compared to the last year. The decrease is mainly due to the effects of the COVID-19 pandemic.

The cooperation with and support of the company's sole shareholder, its parent company PRE, constitute key factors of PREdi's success. PREdi ensures the high level of electricity supply's reliability while ensuring its networks' safety on all voltage levels and respecting the environmental aspects. It abides by strict ethical standards, enhances occupational health and safety as well as the development and training of all its 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 standards of living in the capital city of Prague.

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 end-customers. The network's reliability will be further enhanced when the new nodal point of the 400/110 kV system is built at the existing 110/22 kV Sever transformer station. It is expected to be put into operation in 2025.

## FINANCIAL REPORT

PREdi's financial results for 2020 can be described as extraordinary. The volume of distributed electricity, which constitutes the major portion of its financial results, was very notably affected by the global COVID-19 pandemic. The company distributed a total of 5,864 GWh of electricity, its profit amounted to CZK 1,250 million and its EBITDA reached CZK 2,984 million. All the above-mentioned values decreased year-on-year.

The company's operating profit decreased by CZK 245 million year-on-year. The greatest segment of its income was generated by its sales of distribution services, the amount of which depended on the volume of distributed services, which shrank as a result of the COVID-19 pandemic. The largest portion of PREdi's expenses in its total profit/loss was born in relation to its transmission and distribution services.

In 2020, PREdi purchased services for a total of CZK 1,514 million, which was CZK 46 million more than in 2019. The purchase of services within the PRE Group constitutes the largest portion of its total expenses. Outside of the PRE Group, the highest expenses were born in relation to the repairs and inspections of its distribution assets and rental fees.

The company's total personnel expenses increased by CZK 25 million year-on-year due to a blanket wage increase in accordance with the collective agreement.

Depreciation (the adjustment of operating assets value) increased by CZK 27 million year-on-year owing to the higher total value of the depreciated assets.



The year-on-year changes in the values of other forms of operational income were primarily affected by the decrease in the income from unauthorised readings as well as the reduction of the yearly contributions paid by the entities connected to the distribution system.

The total value of other forms of operational expenses increased due to the transfer of unimplemented planned investments into expenses.

The year-on-year change in PREdi's yearly financial results was entailed by the adjustment of interest capitalisation.

PREdi's total assets increased year-on-year by CZK 440 million, reaching CZK 29,785 million. The increase in total assets was particularly driven by the growth in tangible fixed assets following company's investments. In 2020, PREdi invested CZK 1,729.5 million (including capitalisation) in the development and renovation of the distribution equipment. The volume of investments corresponds to the company's long-term plan of development and renovation of assets.

The value of liabilities increased year-on-year by CZK 650 million, which is mainly due to the increase in short-term liabilities towards other PRE Group companies. Contrastingly, the company's equity decreased year-on-year as a result of its decreased financial results compared to 2019.

In 2020, 65% of the company's funding came from equity, 28% from liabilities and 7% from other liabilities.

## INVESTMENTS

Every year, PREdi draws up and implements long-term, medium-term and year-long investment plans. Thanks to these responsibly designed investment plans, the company succeeds in ensuring the high reliability and safety of its networks. In accordance with the company's Articles of Associations, 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 based on adequate plans network renovation 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 high quality of distribution and related services, the company needs to be able to carry out adequate modernisation and development of 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 licensed 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.

As in the previous years, in 2020 PREdi continued with the necessary and carefully planned renovation and modernisation of the existing 110 kV and 22 kV networks and equipment which is part of Prague's 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 2020.

In 2020, PREdi invested CZK 1,729.5 million (including capitalisation) in the distribution network. The individual investment plans and 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 physical lifetime of individual network components and the possibilities of their effective maintenance.

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

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 will help absorb the expected increased requirements of newly connected customers, decentralised sources and charging stations that are being built for the purposes of the expanding electromobility sector.

The major strategic constructions implemented in 2020 include:

- ..... continued construction of the cable tunnel between the 110/22 kV Karlín transformer station and the Hlávka bridge;
- ..... continued construction of the cable tunnel Invalidovna I;
- ..... continued reconstruction of the 110/22 kV Pražáčka transformer station;
- ..... launch of the construction of the 110/22 kV Slivenec transformer station;
- ..... finalisation of the construction of the 110 kV cable lines between the 110/22 kV Malešice, 110/22 kV Zahradní Město and 110/22 kV Jih transformer stations;
- ..... construction of the 110/22 kV Zahradní Město wholesale transformer station – 110 kV network;
- ..... repairs and dismantling of 110 kV overhead lines between the 110/22 kV Sever and 110/22 kV Východ transformer stations, especially in Prague 9, the Prosek housing estate; and,
- ..... preparations for the construction of the 110 kV distribution station and the control system at the 110/22 kV Jih transformer station.

Aside from the main listed strategic constructions in the 110 kV backbone networks and the 110/22 kV transformer stations, the company also continued with the renovation of 22/0.4 kV switching and distribution 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 construction and technological renovation of distribution transformer stations.

In line with new trends in the energy sector, the implementation of smart technologies and its new 2015 investment strategy adopted by the shareholder PRE, PREdi also works intensively on responding to new energy sector trends and on preparing its networks and equipment for the gradual implementation of

smart grids including intelligent AMM metering. The company also focuses on the development of electromobility, accumulation and related services, which are relevant for distribution networks in an urban agglomeration.

As part of building smart grids, in 2020 PREdi implemented dozens of 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. 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 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 National action plan for smart grids voted 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 MW.

In the forthcoming period, PREdi's main objective is to continue meaningfully 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 its objectives, the company also acts with the greatest possible consideration for the environment.

In Prague, 12 April 2021

Signed by

**Milan Hampl**  
Chairperson of the  
Board of Directors

Signed by

**Petr Dražil**  
Vice-chairperson of the  
Board of Directors



# #EV ready lamps

As part of the synergic renovation of its distribution network and public lighting systems, PREdi works on the construction of EV ready charging lamps for e-vehicles.





# WALLBOX ACTIVATION



# ACCESSIBLE CHARGING



# EV READY LAMP POST



# Financial analysis

## LEVEL OF PRODUCTIVITY

	Unit	2020	2019	2018	Calculation formula
Total revenue	MCZK	9,630	9,901	9,887	Total revenue from the income statement
Sales margin from the sale of distribution	MCZK	4,802	4,904	4,917	Sales from the sale of distribution services – cost of transit and system services from the income statement
Profit after tax	MCZK	1,250	1,443	1,429	Profit after tax from the income statement

## LEVEL OF PROFIT FROM REVENUE

	Unit	2020	2019	2018	Calculation formula
Sales margin from the sale of distribution per CZK 1 of revenue	%	51.2	50.9	51.4	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	%	15.9	17.9	17.9	Profit/loss from ordinary activity before tax / total income x 100

## OTHER INDICATORS

	Unit	2020	2019	2018	Calculation formula
Current liquidity	%	109.1	149.4	184.4	Short-term assets / short-term liabilities x 100
Equity proportion to total invested capital	%	65.4	67.1	67.9	Equity / total invested capital x 100
Return on capital employed ROCE	%	6.5	7.4	7.4	ROCE = EBIT / (equity + long-term loans + deferred tax liability) x 100
Work productivity out of total revenue	TCZK/employee	20,889	21,760	19,735	Total revenue / average adjusted number of employees
EBIT – earnings before interest and taxes	MCZK	1,648	1,892	1,871	Earnings before interest and taxes
EBITDA – earnings before tax, interest and depreciation	MCZK	2,984	3,201	3,184	EBITDA = EBIT + depreciation

# Human resources

## HUMAN RESOURCES MANAGEMENT

All of the personnel administration 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 services primarily include all personnel administration, calculations of both tariff and negotiated wages using the SAP HR module, services of social protection of employees and, last but not least, all services related to occupational safety, environmental protection and fire safety which are provided centrally by the parent company's Occupational health, safety and environmental protection division in close cooperation with PREdi.

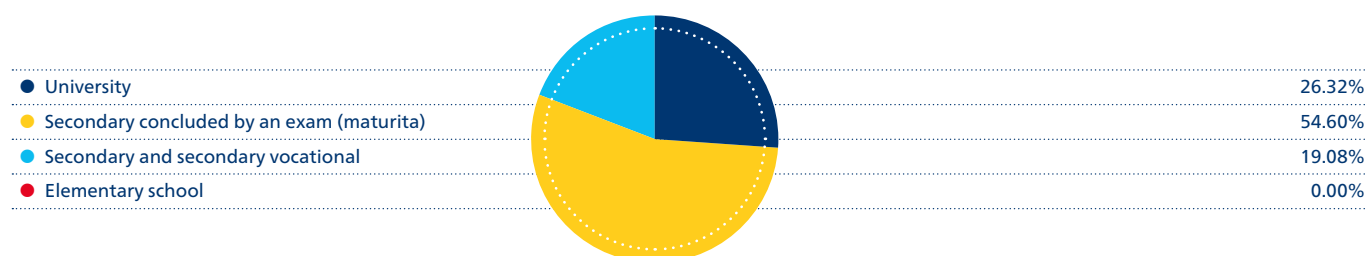
Thanks to the conclusion of a new collective agreement in late 2020 for the period of the three upcoming years 2021–2023, legally binding provisions of the employment law were updated, in particular in the fields of remuneration, social and health care services. Together with the new collective agreement, at the end of 2020 all internal rules regulating the personnel administration were reviewed and updated, including all related forms and templates. At the end of 2020, selected processes related to the provision of personnel services were significantly updated through digitisation.

## TRAINING

PREdi's management considers the training and development of its employees to be a key tool of its HR management policies. Although the services of the training and development of employees are provided for PREdi centrally by the parent company, PRE, the content of the individual development programmes, professional training and courses is always prepared in partnership with competent divisions of PREdi.

The aim of the systematic development programme for employees is to match the personnel structure and candidates for specific job positions with the qualification requirements for all planned positions, with the aim of achieving a stable and high level of employees' skills, abilities and managerial competences across the entire company. The high level of PREdi employees' expertise is at the heart of the employer's strategy to maintain the company's competitiveness within the electricity distribution sector. PREdi provides professional training to its employees above its statutory obligations with the aim of allowing the majority of them to continuously acquire and maintain their expertise in electrical engineering in compliance with Decree No. 50/1978 Sb., the Building Act, and other related legally binding measures providing for the activities of a distribution company.

## QUALIFICATION STRUCTURE

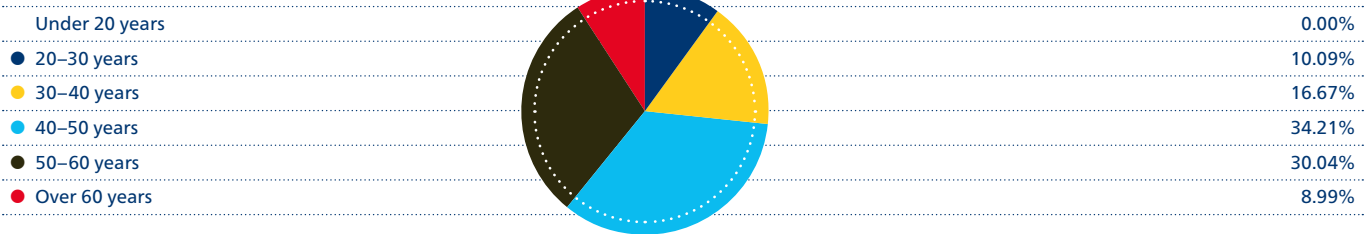


Due to the measures taken to halt the spread of COVID-19, PREdi was forced to cancel some of the planned training programmes and courses focused primarily on soft skills. The majority of professional courses, training and workshops were moved online using the Microsoft Teams platforms and, in some cases, other tools. This newly acquired experience has shown that even though the online format greatly differs from on-site training, e-learning can be used for the vast majority of development and training programmes in the future. Despite the unfavourable situation caused by the pandemic, all necessary courses and training programmes were implemented without curtailing the operations of individual distribution divisions and related support services in PREdi.

In 2020, the anti-epidemic measures had a major impact on PREdi's traditional and long-term cooperation with vocational schools. Last year, the company was unable to organise student internships at selected workplaces because of the restricted scope of online schooling. Nevertheless, PREdi maintains its contacts and cooperation with selected schools of secondary and tertiary education in the field of electrical engineering. In the years to come, and if the situation allows it, PREdi is determined to resume its activities of free student internships for secondary vocational schools and it will do its utmost to

support internships for university students, especially from the Faculty of Electrical Engineering of the Czech Technical University in Prague (ČVUT FEL). The long-standing cooperation between the company and selected schools has enabled many graduates to successfully enter the electrical engineering job market thanks to the high-quality professional experience gained at PREdi and to personal contacts with PREdi experts who consulted on their Bachelor's and Master's theses.

AGE STRUCTURE





## SOCIAL POLICY

In PREdi, social policy is traditionally viewed as one of the most important motivational and stabilisation tools. Its commitment to constantly improving its employees' social conditions, economic situation and living standards shows clearly that social policy is among PREdi's core values.

The social care programme is aimed at the improvement of the employees' working environment, the provision of interest-free housing loans and social loans designed as assistance to manage emergency and unexpected precarious situations faced by the employees. The programme also aims to improve employees' wellbeing, providing legally mandated and additional preventive programmes. Moreover, it promotes leisure and free-time activities for employees, their children and families.

The PRE Group social programme has the form of blanket and optional benefits which are offered to all of its employees and, as a result, it can clearly be considered as just and transparent. Its scope is enshrined in the collective agreement and detailed in relevant provisions of company law.

## HEALTHCARE

Comprehensive occupational healthcare is provided at PRE's premises by a medical professional from POLIKLINIKA AGEL Praha Italská, a healthcare facility operated by the contractual partner Dopravní zdravotnictví a.s. This legally mandated healthcare mostly includes routine, pre-employment, special and in some cases post-employment check-ups. The occupational healthcare programme is closely coordinated by a medical professional of the Occupational health, safety and environmental protection division of the parent company who ensures inspections at individual workplaces. If safety deficiencies are identified, specific measures are taken to prevent an increase in work-related accidents, correct unsuitable working conditions and improve inadequate work ergonomics at PREdi workplaces.

In addition to the legal requirements, all PREdi employees have access to free preventive healthcare programmes which extend the occupational healthcare programme to premium preventive and medical treatment. It most notably includes breast cancer preventive screening and treatment, urological and thyroid preventive screening, as well as comprehensive dental care provided by a contractual dental care facility at the PRE premises. Managers of PREdi are also provided with a preventive healthcare programme at the Na Homolce Hospital and Pavel Kolář's private Centre for Musculoskeletal Medicine

## Environmental protection and OHS

Environmental protection constitutes an integral part of PREdi business activities. As a result, the company makes constant efforts to create favourable conditions for environmental protection in compliance with the applicable legislation. Considering the possible impact of its actions, PREdi regards the environmental protection inextricably linked to energy efficiency and the occupational health of its employees as well as third parties. The PRE policy on environmental protection, safety and energy efficiency has been the mainstay of the company's action, defining specific commitments taken in order to meet the environmental protection and occupational health and safety goals.

The company uses environmental management systems according to CSN (Czech Standardisation Norm) EN ISO 50001:2019 and CSN EN ISO 14001:2016. In 2020, PREdi centred its environmental protection policies on the following areas:

- ..... promotion of electromobility through the development of the PRE Group's own fleet of electric cars;
- ..... monitoring of its own carbon footprint and the implementation of programmes aimed at its reduction;
- ..... re-greening and the installation of new electrotechnical equipment which is better proofed against the leakage of dangerous substances; and,
- ..... programme aimed at reducing the mortality of birds through collision with power overhead lines.

In terms of the occupational health and safety of its employees, PREdi has been taking preventive measures in order to minimise adverse health effects of their work activity and implementing programmes aimed at the promotion of good health condition of its employees. In this regard, in 2020 PREdi participated in the competition Healthy Workplace (Podnik podporující zdraví) and retained the award in the 3<sup>rd</sup> level category. It also participated, like every year, in the programme Safe Enterprise (Bezpečný podnik). Furthermore, it implemented risk-reducing technologies, including those aimed at eliminating the contact of its employees with hazardous substances, and focused on collecting feedback related to preventive measures taken to deal with emergencies.

All the above-mentioned programmes were significantly impacted by the measures against the spread of COVID-19. To minimise the effects of the pandemic on the health of employees and business operations, PREdi secured and repeatedly allocated personal protective equipment and disinfectants through the parent company. It also put in place monitoring and tracing schemes at workplaces and established a communication strategy vis-à-vis local authorities of public health protection. Furthermore, it arranged free RT-PCR tests for its employees and established and implemented financial programmes and organisational measures to curb the social impact of self-isolation on employees.

# Risk management system

Risk management in PREdi draws on a common methodical framework shared by all of 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 the absorption of acceptable risks. The system also serves to regularly assess the effectiveness of risk management tools and measures and to ensure timely warning. The main focus are 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 and specification of controls and other measures aimed at mitigating 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 risks are updated at regular periods determined by their respective potential impact and recorded in a list of risks.

Special attention is paid to legislative-regulatory risks that could have the most profound effect on the company's economic results. These risks monitor and assess the probability of (non)fulfilment of the company's expected economic 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 economic results.

The risk management system and 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 2020, four General Meetings were held (in the form of resolutions issued by the parent company as the sole shareholder).

## GENERAL MEETING HELD ON 31 MARCH

### Agenda:

- ..... the assessment of the objectives set by the Board of Directors' executive members for 2019; and,
- ..... the payment of the variable yearly bonus to the Board of Directors' executive members.

## GENERAL MEETING HELD ON 7 MAY

### Agenda:

- ..... Report of the Board of Directors on Business Activities and Assets for 2019;
- ..... the Supervisory Board Report;
- ..... the separate financial statements for 2019, the proposal for the distribution of 2019 profit, including the determination of the amount of dividends and director's fees and the method of payment;
- ..... the company's business concept for 2020;
- ..... the Report on Relations for 2019; and,
- ..... the 2019 Annual Report.

## GENERAL MEETING HELD ON 2 JULY

### Agenda:

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

## GENERAL MEETING HELD ON 16 DECEMBER

### Agenda:

- ..... the approval of the management's objectives for 2021.



## 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 annual report**

No such facts have occurred.

### **Information about the projected development of 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 2020".

### **Information about activities in research and development**

The company does not systematically conduct activities in these fields.

### **Information about acquisition of own shares or own interests**

In 2020, 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**

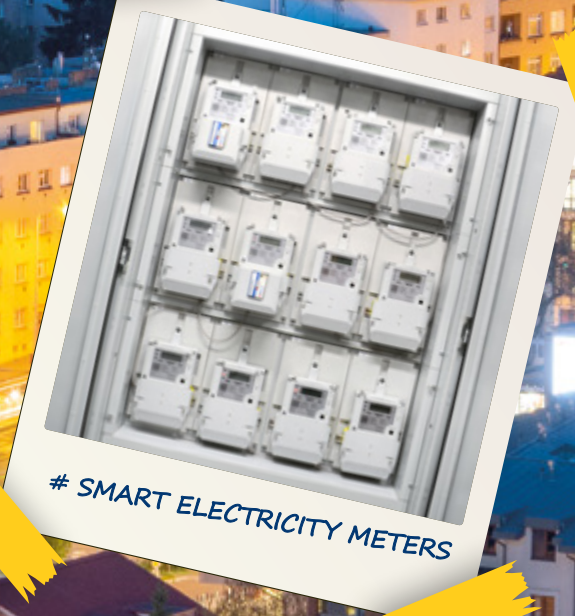
The company did not interrupt its business during the year.



# DATA CONCENTRATOR UNIT



# AMM COMMUNICATIONS



# SMART ELECTRICITY METERS





# #Smart metering

The roll-out of smart metering is an important step by which PREdi also enables to implement other functionalities of smart grids and achieve savings.



# Report on Relations of PREdistribuce, a.s., for 2020

("the Report on Relations") drawn up in accordance with Section 82 of Act No. 90/2012 Sb., on Business Corporations and Cooperatives ("the Business Corporations Act") for the accounting period of 1.1.2020 to 31.12.2020. 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. STRUCTURE OF THE RELATIONS BETWEEN THE CONTROLLED ENTITY AND THE CONTROLLING ENTITY, THE 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. 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. (also jointly referred to as "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 and in the city of Ržetok. 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 PREnetcom's Supervisory Board, 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 náměstí Bratří Jandusů 34/34, 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;

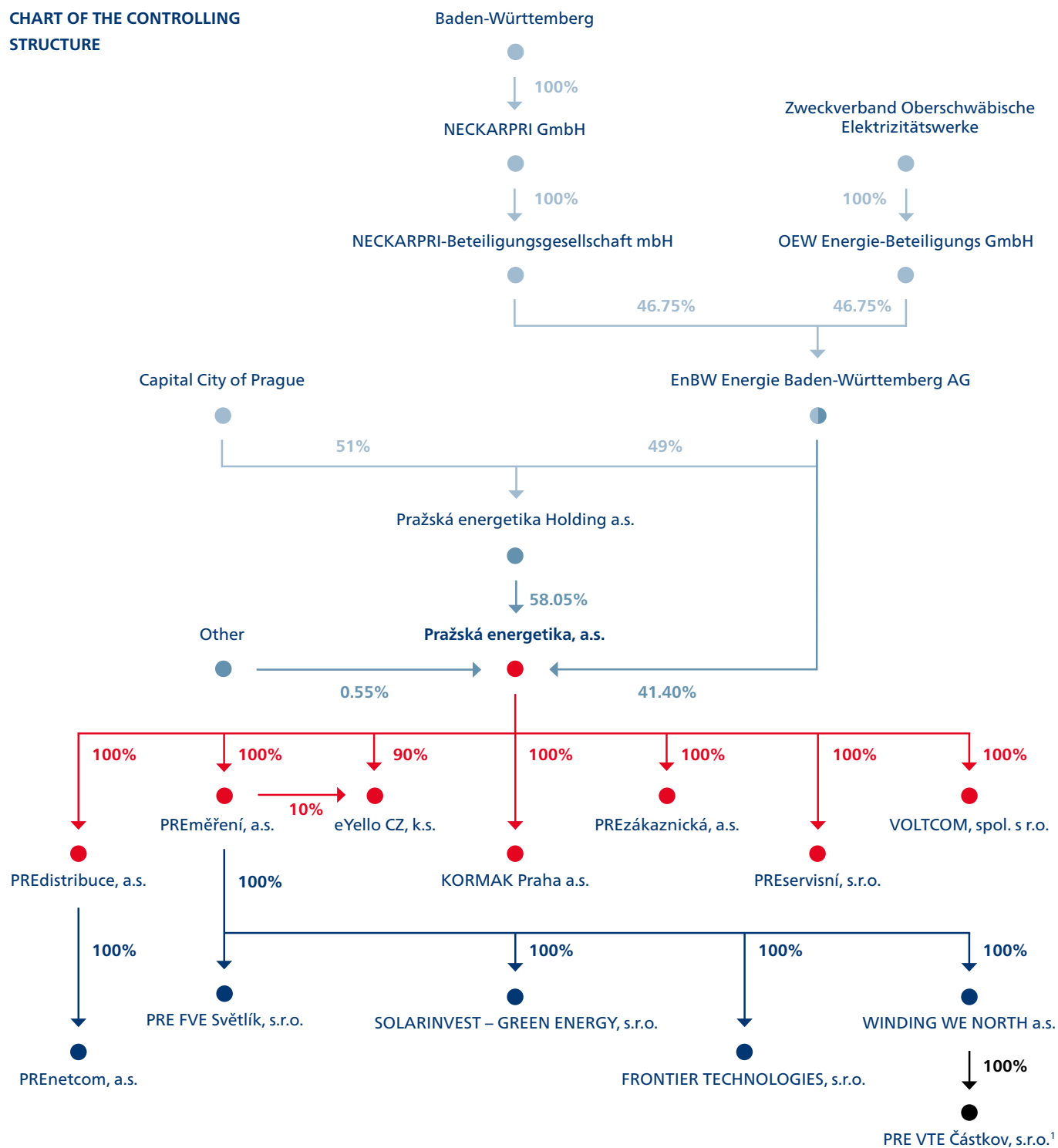
..... **SOLARINVEST – GREEN ENERGY, s.r.o.**, (a 100 % subsidiary of PREm) registered office Na Hroudě 2149/19, Prague 10, 100 05, ID No.: 28923405, registered with the Municipal Court in Prague, file ref. C 153406;

..... **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;

..... **WINDING WE NORTH a.s.**, (100% subsidiary of PREm) registered office Na Hroudě 2149/19, Prague 10, 100 05, ID No.: 27831248, registered with the Municipal Court in Prague, file ref. B 14766 (was dissolved as of 21 July 2020 as a result of a merger with PRE VTE Částkov, s.r.o.);

..... **PRE VTE Částkov, s.r.o.**, (since 21 July 2020 a 100% subsidiary of PREm as a result of a merger with WINDING WE NORTH a.s.) registered office Na Hroudě 2149/19, Prague 10, 100 05, ID No.: 27966216, registered with the Municipal Court in Prague, file ref. C 327201.

# CHART OF THE CONTROLLING STRUCTURE



<sup>1</sup> A 100% subsidiary of PREm since 21 July 2020 – merger with WINDING WE NORTH a.s.



## 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 2020, 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 between PREdi and 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

Contract on the provision of services 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

Contract on the provision of services No. PS20000013/033 – in effect from 25 October 2013 for an indefinite period of time

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

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

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

Contract on join 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 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

27 contracts on the lease of a part of an immovable

Contract on the sale of electricity in PREpoint charging stations No. 191600180 – in effect from 20 February 2019

Purchase contract on immovable assets No. KV/G33/14631/2052088 – in effect from 9 December 2020

**b) Contracts between PREdi and 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. PS20000013/038, C00627/13 – in effect from 1 March 2013 for the time of the effect of the above-listed contracts

Contract on the provision of distribution system services from MV and HV with the operator of local distribution system No. 80003131 (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 – in effect from 9 April 2018 for an indefinite period of time

2 contracts on the purchase of movable assets (electric bike)

6 orders on the installation of separator machines

Contract for work to construct the 110/22 kV Karlov transformer station – renovation of a parking lot No. IS/S24/2050544 – in effect since 20 July 2020, as amended

**c) Contracts between PREdi and PREzak**

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

**d) Contracts between PREdi and 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

**e) Contracts PREdi and 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 for an indefinite period of time

Contract on the cooperation on performing work on unmeasured parts of electricity consumption equipment – in effect from 29 February 2016 to 2023, or until the cooperating partner's certificate expires

Lease 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. PS23330220/011 – in effect from 1 January 2020 to 31 December 2020

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

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

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

**f) Contracts between PREdi and PREs**

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

**g) Contracts between PREdi and 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 – earthing measurements No. PS23320119/009 – in effect from 2 January 2019 to 31 December 2020

Contract on work – provision of design and engineering services No. 99/S24/PR/1946936 – in effect from 25 October 2019 to 30 March 2020 for a relocation project for HV

Contract for work No. PO/S21/2050990 – repairs of the placing and anchoring of 110 kV cables of the entire Jih cable tunnel – in effect from 23 September 2020 to 15 December 2020

Contract for work No. PO/S21/2049186 – repairs of communications structure of the 110/22 kV Smíchov transformer station – in effect from 9 April 2020 to 30 April 2020

Contract for work No. PO/S21/2048450 – repairs of earthing of distribution equipment – in effect from 24 February 2020 to 31 December 2020, as amended

Contract for work No. PO/S21/2048410 – repairs of earthing of a 110/22 kV transformer station – in effect from 24 February 2020 to 30 September 2020, as amended

Contract for work No. PS23320120/001 – inspection of 1 kV cables within the Rules of preventive maintenance – in effect from 2 January 2020 to 31 December 2020

Contract for work No. PS23320120/008 – corrective repairs of electronical and locking structures of 22/0.4 kV distribution transformer stations, transmission stations and 110/22 kV transformer stations – in effect from 2 January 2020 to 31 December 2020

Long-term contract on the provision of dispatcher control services and handling No. PS23330220/001 – in effect from 1 January 2020 to 31 December 2020

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

24 contracts for work on carrying out repairs of distribution network

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

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

**h) Contracts between PREdi and PREnetcom**

Contract on the assignment of contract No. PS20000019/021 – in effect from 1 February 2019 (contract for work No. 8237/98 – service from 28 July 1998, as amended)

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

Contract on work - provision of design and engineering services No. IP/S24/2050928 – Optical network, Nusle pilot project – in effect from 10 September 2020 to 30 September 2020

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

**i) Contracts between PREdi and PRE and 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; INFORMATION ON THE POTENTIAL SETTLEMENT OF DAMAGE INFORMATION ON THE POSSIBLE 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, 1 March 2021

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 2020

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 2020, 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 activities of the company 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 the materials were debated by the Supervisory Board.

In 2020, the Supervisory Board, amongst others:

- ..... debated and reviewed the Report on Relations for 2019 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 2019;
- ..... debated and reviewed the separate financial statements for 2019 and acquainted itself with the auditor's report on the separate financial statements;
- ..... reviewed the proposal for the distribution of 2019 profit, including determination of the amount of profit shares (dividends) and directors' fees and the method of payment; it recommended its adoption by the General meeting;
- ..... debated the 2019 Annual Report;
- ..... debated the materials to be debated by the General Meeting of the company convened on 7 May 2020;
- ..... debated and approved the fulfilment of the top management's objectives for 2019;
- ..... debated the top management's objectives for 2021;
- ..... debated and approved an investment project involving the renovation of the 110/22 kV Měcholupy transformer station;

- ..... debated and approved an investment project involving the provision of electricity supply for further development of the Prague Airport, phase zero;
- ..... debated and approved an investment project involving the renovation and strengthening of the 22 kV cable lines from the 110/22 kV Západ transformer station to the Prague Airport;
- ..... debated and approved an investment project involving the implementation of new 110 kV cable lines between the 110/22 kV Holešovice – 110/22 kV Pražáčka transformer stations; and,
- ..... debated the economic plan for 2021 and the draft plan for 2022–2023.

The Supervisory Board declares that, in spite of the crises entailed by the COVID-19 pandemic, the company's economic results in 2020 were 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, 16 March 2021

Signed by

**Pavel Elis**

Chairperson of the Supervisory Board



**KPMG Česká republika Audit, s.r.o.**

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Czech Republic  
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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 2020, and the income statement, the statement of changes of 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 2020, 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.

Recorded in the Commercial 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 2020. The responsibility for the preparation and factual accuracy on 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 this provided 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 2020 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 2020, based on which this independent auditor's report has been prepared.

Prague  
22 April 2021

Signed by

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

Signed by

Petr Kuna  
Director  
Registration number 2476



# Separate financial statements of PREdistribuce, a.s.

In full format as of 31 December 2020

Separate financial statements prepared in accordance with Act No. 563/1991 Coll., the Accounting Act, as amended; Regulation No. 500/2002 Coll., 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	2020	2019
<b>I.</b>	<b>Revenue from distribution services and other revenues</b>	<b>(1)</b>	<b>9,400,253</b>	<b>9,665,005</b>
I. 1. 1.	Revenue from distribution services in the Group		5,752,101	5,803,368
I. 1. 2.	Revenue from distribution services outside the Group		3,623,902	3,822,440
I. 2.	Other revenues		24,250	39,197
<b>A.</b>	<b>Cost of sales</b>	<b>(3)</b>	<b>(6,123,015)</b>	<b>(6,223,150)</b>
A. 2. 1.	Cost of transit and system services and losses		(4,574,280)	(4,721,783)
A. 2. 2.	Consumed material and energy		(35,019)	(33,210)
A. 3.	Purchased services		(1,513,716)	(1,468,157)
<b>D.</b>	<b>Personnel expenses</b>	<b>(2)</b>	<b>(491,155)</b>	<b>(466,433)</b>
D. 1.	Wages and salaries		(333,139)	(316,726)
D. 2.	Social security and health insurance expenses and other expenses		(158,016)	(149,707)
D. 2. 1.	Social security and health insurance expenses		(117,681)	(111,265)
D. 2. 2.	Other expenses		(40,335)	(38,442)
<b>E.</b>	<b>Adjustments relating to operating activities</b>		<b>(1,338,287)</b>	<b>(1,311,713)</b>
E. 1.	Adjustments to intangible and tangible fixed assets		(1,336,688)	(1,308,942)
E. 1. 1.	Depreciation and amortisation of intangible and tangible fixed assets	(6, 7)	(1,336,688)	(1,308,942)
E. 3.	Adjustments to receivables		(1,599)	(2,771)

<b>III.</b>	<b>Other operating revenues</b>		<b>229,520</b>	<b>234,768</b>
III. 1.	Proceeds from disposals of fixed assets		18,677	15,376
III. 2.	Proceeds from disposals of raw materials		2,571	4,408
III. 3.	Other operating revenues	(1)	208,272	214,984
<b>F.</b>	<b>Other operating expenses</b>		<b>(29,500)</b>	<b>(5,944)</b>
F. 1.	Net book value of fixed assets sold		(19,449)	(16,069)
F. 3.	Taxes and charges		(2,193)	(1,055)
F. 4.	Provisions relating to operating activity and complex prepaid expenses		43,372	32,973
F. 5.	Other operating expenses		(51,230)	(21,793)
<b>*</b>	<b>Operating profit (loss)</b>		<b>1,647,816</b>	<b>1,892,533</b>
VI.	Interest revenue and similar revenue	(4)	9	934
J.	Interest expense and similar expense	(4)	(113,124)	(116,626)
J. 1.	Interest expense and similar expense - group undertakings		(111,803)	(122,160)
J. 2.	Other interest expense and similar expense		(1,321)	5,534
VII.	Other financial revenue		4	5
K.	Other financial expense		(160)	(204)
<b>*</b>	<b>Profit (loss) from financial operations</b>		<b>(113,271)</b>	<b>(115,891)</b>
<b>**</b>	<b>Profit (loss) before tax</b>	<b>(5)</b>	<b>1,534,545</b>	<b>1,776,642</b>
L.	Income tax	(5)	(284,814)	(333,685)
L. 1.	Current income tax		(263,413)	(312,428)
L. 2.	Deferred income tax		(21,401)	(21,257)
<b>**</b>	<b>Profit (loss) after tax</b>		<b>1,249,731</b>	<b>1,442,957</b>
<b>** *</b>	<b>Profit (loss) for the period</b>		<b>1,249,731</b>	<b>1,442,957</b>
<b>*</b>	<b>Net turnover for the period</b>		<b>9,629,786</b>	<b>9,900,712</b>

## Balance sheet (TCZK)

Ident.	ASSETS	Note	2020		2019
			Gross	Adjust.	Net
	<b>TOTAL ASSETS</b>		<b>58,408,989</b>	<b>(28,623,845)</b>	<b>29,785,144</b>
<b>B.</b>	<b>Fixed assets</b>		<b>55,849,508</b>	<b>(28,561,227)</b>	<b>27,288,281</b>
B. I.	Intangible fixed assets	(7)	56,394	(41,262)	15,132
B. I. 1.	Research and development		38,410	(32,816)	5,594
B. I. 2. 1.	Software		17,886	(8,446)	9,440
B. I. 5. 2.	Intangible fixed assets under construction		98	-	98
B. II.	Tangible fixed assets	(6)	55,791,014	(28,519,965)	27,271,049
B. II. 1.	Land and buildings		40,608,797	(19,335,050)	21,273,747
B. II. 1. 1.	Land		708,235	-	708,235
B. II. 1. 2a.	Cables and overhead power lines		24,636,904	(10,807,944)	13,828,960
B. II. 1. 2b.	Power structures		15,263,658	(8,527,106)	6,736,552
B. II. 2.	Plant and equipment		12,433,832	(7,912,081)	4,521,751
B. II. 2. 2a.	Transformer station and distribution plant technology		9,852,857	(6,124,257)	3,728,600
B. II. 2. 2b.	Dispatching and control system equipment		2,291,117	(1,563,965)	727,152
B. II. 2. 2c.	Other equipment		289,858	(223,859)	65,999
B. II. 4.	Other tangible fixed assets		2,177,878	(1,272,834)	905,044
B. II. 4. 3.	Other tangible fixed assets – electricity meters in the network		2,177,878	(1,272,834)	905,044
B. II. 5.	Advance payments for tangible fixed assets and tangible fixed assets under construction		570,507	-	570,507
B. II. 5. 1.	Advance payments for tangible fixed assets		11,267	-	11,267
B. II. 5. 2.	Tangible fixed assets under construction		559,240	-	559,240
B. III.	Long-term investments	(8)	2,100	-	2,100
<b>C.</b>	<b>Current assets</b>		<b>2,557,305</b>	<b>(62,618)</b>	<b>2,494,687</b>
C. II.	Receivables		2,555,854	(62,618)	2,493,236
C. II. 1.	Long-term receivables		91	-	91
C. II. 1. 1.	Trade receivables		86	-	86
C. II. 1. 5.	Receivables – other		5	-	5
C. II. 2.	Short-term receivables		2,555,763	(62,618)	2,493,145
C. II. 2. 1.	Trade receivables	(9)	154,270	(62,618)	91,652
C. II. 2. 2.	Receivables – group undertakings	(18)	12,887	-	12,887
C. II. 2. 4.	Receivables – other		2,388,606	-	2,388,606
C. II. 2. 4. 3.	Tax receivables		47,220	-	47,220
C. II. 2. 4. 4.	Short-term advances paid		13,306	-	13,306
C. II. 2. 4. 5.	Estimated receivables	(18)	2,327,375	-	2,327,375
C. II. 2. 4. 6.	Other receivables		705	-	705
<b>C. IV.</b>	<b>Cash</b>		<b>1,451</b>	<b>-</b>	<b>1,451</b>
C. IV. 1.	Cash on hand		1,451	-	1,451
<b>D.</b>	<b>Deferrals</b>		<b>2,176</b>	<b>-</b>	<b>2,176</b>



Ident.	LIABILITIES AND EQUITY	Note	2020	2019
	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>29,785,144</b>	<b>29,345,405</b>
<b>A.</b>	<b>Equity</b>	<b>(10)</b>	<b>19,488,509</b>	<b>19,699,878</b>
A. I.	Share capital		17,707,934	17,707,934
A. III.	Funds from profit		530,000	530,000
A. IV.	Retained profits		844	18,987
A. V.	Profit (loss) for the period		1,249,731	1,442,957
<b>B. + C.</b>	<b>Liabilities</b>		<b>8,297,602</b>	<b>7,647,341</b>
<b>B.</b>	<b>Provisions</b>		<b>229,654</b>	<b>272,430</b>
B. 2.	Income tax provision		-	11,513
B. 4.	Other provisions	(11)	229,654	260,917
<b>C.</b>	<b>Payables</b>		<b>8,067,948</b>	<b>7,374,911</b>
C. I.	Long-term liabilities		5,780,774	5,767,372
C. I. 6.	Liabilities – group undertakings	(18)	2,700,000	2,700,000
C. I. 8.	Deferred tax liability	(12)	3,080,774	3,059,372
C. I. 9.	Liabilities – other		-	8,000
C. II.	Short-term payables		2,287,174	1,607,539
C. II. 3.	Short-term advances received		565,304	543,700
C. II. 4.	Trade payables	(13)	277,599	303,887
C. II. 6.	Liabilities – group undertakings	(18)	1,239,016	568,074
C. II. 8.	Liabilities – other		205,255	191,878
C. II. 8. 3.	Payables to employees		17,464	16,718
C. II. 8. 4.	Social security and health insurance liabilities	(5)	11,333	10,357
C. II. 8. 5.	Tax liabilities and subsidies	(5)	99,657	98,720
C. II. 8. 6.	Estimated payables		76,420	66,070
C. II. 8. 7.	Other payables		381	13
<b>D.</b>	<b>Accruals</b>		<b>1,999,033</b>	<b>1,998,186</b>
D. 1.	Accrued expenses		45,370	46,658
D. 2.	Deferred revenues	(14)	1,953,663	1,951,528

## Cash flow statement (TCZK)

	Note	2020	2019
Cash and cash equivalents at the beginning of the period	(19)	(458,991)	(47,101)
<b>Operating activity</b>			
<b>Accounting profit from ordinary activities before taxation</b>		<b>1,534,545</b>	<b>1,776,642</b>
Depreciation and amortisation	(6, 7)	1,336,688	1,308,942
Write-off of doubtful receivables and other assets		2,526	2,111
Change in adjustments and provisions	(9, 11)	(29,664)	(33,042)
Investment contributions accounted for in revenues	(14)	(184,501)	(187,779)
Gains (losses) from sale and disposal of fixed assets		28,342	1,470
Interest	(4)	111,794	114,305
<b>Net cash flow from operating activity before changes in working capital</b>		<b>2,799,730</b>	<b>2,982,649</b>
Change in receivables from operating activity and deferrals		(48,336)	(55,096)
Change in short-term payables from operating activity and accruals		(23,994)	(67,293)
<b>Net cash flow from operating activity before taxation and interest</b>		<b>2,727,398</b>	<b>2,860,260</b>
Interest paid	(4)	(113,091)	(114,593)
Interest received	(4)	9	994
Income tax paid		(322,147)	(330,577)
<b>Net cash flow from operating activity</b>		<b>2,292,169</b>	<b>2,416,084</b>
<b>Investment activity</b>			
Cash paid for acquisition of fixed assets		(1,743,326)	(1,635,961)
Proceeds from investment contributions	(14)	191,150	203,711
Proceeds from sale of fixed assets		18,677	15,376
<b>Net cash flow from investment activity</b>		<b>(1,533,499)</b>	<b>(1,416,874)</b>
<b>Financial activity</b>			
Dividends paid and directors' fees paid		(1,461,100)	(1,411,100)
<b>Net cash flow from financial activity</b>		<b>(1,461,100)</b>	<b>(1,411,100)</b>
Change in cash and cash equivalents		(702,430)	(411,890)
<b>Cash and cash equivalents at the end of the period</b>	<b>(19)</b>	<b>(1,161,421)</b>	<b>(458,991)</b>

## 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 505 km<sup>2</sup>, 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 Coll., the Energy Act, as amended, and the related implementation guidance.

### Statutory and supervisory bodies as of 31 December 2020

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

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

In 2020, the PRE Group consisted 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 formed part of the PRE Group: PRE FVE Světlík, s.r.o., SOLARINVEST – GREEN ENERGY, s.r.o., FRONTIER TECHNOLOGIES, s.r.o., WINDING WE NORTH a.s. and its 100% subsidiary PRE VTE Částkov, s.r.o.

Based on a project of merger by acquisition prepared by the participating companies WINDING WE NORTH a.s., as the dissolving company, and PRE VTE Částkov, s.r.o., as the successor company, WINDING WE NORTH a.s. ceased to exist without liquidation on 21 July 2020, and its assets and liabilities were transferred to PRE VTE Částkov, s.r.o., the successor company, with the decisive date of the merger set as 1 January 2020 pursuant to Section 10 of Act No. 125/2008 Coll. on Conversions of Business Companies and Cooperatives, as amended up to the date of preparation of the project of merger. Until 20 July 2020, PRE VTE Částkov, s.r.o. was a 100% subsidiary of WINDING WE NORTH a.s. By merging with WINDING WE NORTH a.s., it has become a 100% subsidiary of PREměření, a.s., since 21 July 2020.

The PRE Group also includes PREnetcom, a.s., which is a 100% subsidiary of PREdistribuce, a.s.

Pražská energetika, a.s., prepares the consolidated financial statements, which include the financial statements of the Company and its subsidiaries. The consolidated financial statements form a part of the Annual Report, which is available in the Collection of Deeds of the parent company. These consolidated financial statements represent the financial statements of the narrowest group of entities.

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.

## **ACCOUNTING PRINCIPLES**

### **Statement of compliance**

The financial statements were prepared in accordance with Act No. 563/1991 Coll., the Accounting Act, as amended; Regulation No. 500/2002 Coll., 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 Coll., 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 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 structures	15, 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, 6, 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 Coll., and Regulation No. 16/2016 Coll., 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.

**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 provision for defined benefits represents liabilities pursuant to the Collective Agreement arising from bonuses paid to employees at retirement and work or life jubilees. The Company provides other bonuses under the Collective Agreement (the defined benefit plan, refer to the note "Provisions"). Provisions for these benefits are measured at the present value of anticipated future payments using actuarial assumptions. 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. In addition, the calculation takes into account the time value of money and the probability that the benefit will not be paid out, i.e. the probability of the employee remaining in the Company until the moment of payment.

**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 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.

**Significant accounting events**

As of 1 January 2019, activities from the Support Services section were separated from Pražská energetika, a.s., and activities of the Construction Management department and the Diagnostic and Measurement department were separated from the Company and contributed to PREservisní, s.r.o. The first impetus for these changes was the development of legislation, the external environment and the need to effectively comply with regulatory requirements of the relevant legislation. The side-effect of these changes is the optimisation of selected activities and processes as part of customer service or in case of network construction.

## CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

1. Revenue recognition
2. Personnel expenses
3. Purchase of material, services and utilities
4. Interest expense
5. Income tax
6. Tangible fixed assets
7. Intangible fixed assets
8. Long-term investments
9. Trade receivables
10. Equity
11. Provisions
12. Deferred tax liability
13. Trade payables
14. Temporary liabilities
15. Leased assets
16. Fees payable to auditors
17. Related parties
18. Intra-company relations
19. Cash flow statement
20. Impacts and risks arising from the COVID-19 pandemic
21. Material subsequent events



**(1) Revenues (TCZK)**

Revenues relating to the supply of distribution services and other revenues	2020	2019
Sale of distribution and system services to B2B customers	3,184,630	3,429,422
Sale of distribution and system services to B2C (including low voltage B2B)	6,179,929	6,185,145
Other revenues	11,444	11,241
<b>Revenues relating to the supply of distribution services</b>	<b>9,376,003</b>	<b>9,625,808</b>
Revenues from services rendered in the Group	13,017	21,070
Revenues from services rendered outside the Group	11,233	18,127
of which: servicing and installation	4,803	12,104
leases	4,624	3,966
<b>Other revenues</b>	<b>24,250</b>	<b>39,197</b>
<b>Total</b>	<b>9,400,253</b>	<b>9,665,005</b>

Other operating revenues	2020	2019
Release of connection fees accruals	184,501	187,779
Compensation for unauthorised consumption	5,895	11,565
Sundry	17,876	15,640
<b>Total</b>	<b>208,272</b>	<b>214,984</b>

**(2) Personnel expenses (TCZK)**

	2020	2019
	Employees and executives	Employees and executives
Average headcount	461	455
Salaries**	292,542	277,300
Salaries paid depending on the Company's goal performance	26,828	25,986
Insurance	117,681	111,265
Remuneration paid to members of the Company's bodies	13,769	13,440
Other social costs (according to the collective agreement)*	40,335	38,442
<b>Total</b>	<b>491,155</b>	<b>466,433</b>

\* 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.

\*\* In 2020, salaries include a compensation of TCZK 926 received as part of the Antivirus programme.

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

	2020	2019
Electricity consumption for grid losses*	442,011	402,280
Services of the parent company	465,421	436,490
Lease of non-residential premises	63,625	63,672
Lease of cars	20,508	20,727
Installation work and reading of meters	234,905	229,081
Customer service	180,345	179,537
IT support	39,071	45,923
Repairs of fixed assets	65,355	70,771
Other	37,088	25,044
<b>Costs of purchase of material, services and utilities in the Group</b>	<b>1,548,329</b>	<b>1,473,525</b>
Purchase of distribution and system services	4,132,269	4,319,503
Consumed material and energy	32,158	30,079
Repairs of fixed assets	187,722	177,767
Lease of cable tunnels	112,842	110,019
Lease of non-residential premises	35,509	34,520
Other	74,186	77,737
<b>Costs of purchase of material, services and utilities outside the Group</b>	<b>4,574,686</b>	<b>4,749,625</b>
<b>Total</b>	<b>6,123,015</b>	<b>6,223,150</b>

\* 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)**

	2020	2019
Interest income from cash pooling	9	934
Interest expense from cash pooling	(8,515)	(8,158)
from loans in the Group*	(103,288)	(107,081)
from employee benefits	(1,321)	(1,387)
<b>Total (net)</b>	<b>(113,115)</b>	<b>(115,692)</b>

\* In addition to interest expense, part of the borrowing costs also included capitalised interest of TCZK 9,962 for 2019 (2019: TCZK 6,921), which is included in the acquisition cost of assets.

**(5) Income tax (TCZK)**

<b>Effective tax rate</b>	<b>2020</b>		<b>2019</b>	
Profit (loss) for the period	1,249,731		1,442,957	
Income tax	284,814		333,685	
<b>Profit before tax</b>	<b>1,534,545</b>		<b>1,776,642</b>	
Income tax using the applicable income tax rate	291,564	19.00%	337,562	19.00%
Impact of items that are never tax-deductible	(6,363)	(0.41)%	(3,806)	(0.21)%
Corrections of estimates of prior years' taxes	(387)	(0.03)%	(71)	0.00%
<b>Total income tax/effective tax rate</b>	<b>284,814</b>	<b>18.56%</b>	<b>333,685</b>	<b>18.79%</b>

The current income tax estimate for 2020 of TCZK 263,800 (2019: TCZK 312,500) was reduced by income tax prepayments of TCZK 311,020 (2019: TCZK 300,987) and the net receivable is reported in tax receivables (2019: the net payable was recorded in the income tax provision).

<b>Payables to the state</b>	<b>2020</b>	<b>2019</b>
Social security and health insurance liabilities	11,333	10,357
Tax liabilities	99,657	98,720

None of these liabilities are overdue.

**(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
<b>Acquisition cost</b>								
Balance on 31.12.2018	690.9	24,526.9	23,083.5	2,107.2	2,033.8	322.1	547.1	53,311.5
Additions	4.3	257.3	843.4	79.7	155.3	7.9	293.4	1,641.3
Disposals	(0.1)	(64.9)	(135.3)	(19.2)	(110.9)	(48.0)	(0.6)	(379.0)
Transfers	0.5	204.4	42.5	35.2	26.8	0.4	(309.8)	-
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
<b>Accumulated depreciation</b>								
Balance on 31.12.2018	-	(13,776.6)	(9,893.1)	(1,485.5)	(1,315.2)	(233.8)	-	(26,704.2)
Depreciation expense	-	(554.9)	(587.0)	(63.9)	(83.6)	(12.7)	-	(1,302.1)
Adjustments	-	-	-	-	-	-	-	-
Disposals	-	64.7	135.2	19.2	110.9	32.1	-	362.1
Transfers	-	-	-	-	-	-	-	-
Balance on 31.12.2019	-	(14,266.8)	(10,344.9)	(1,530.2)	(1,287.9)	(214.4)	-	(27,644.2)
<b>Net book value</b>								
on 31.12.2018	690.9	10,750.3	13,190.4	621.7	718.6	88.3	547.1	26,607.3
<b>Net book value</b>								
on 31.12.2019	695.6	10,656.9	13,489.2	672.7	817.1	68.0	530.1	26,929.6



	Land	Power structures	Cables and overhead power lines	Telecommunication technologies and information technologies	Electricity meters	Sundry	Assets under construction and advances	Total
<b>Acquisition cost</b>								
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
<b>Accumulated depreciation</b>								
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)
Adjustments	-	-	-	-	-	-	-	-
Disposals	-	174.4	145.7	17.8	113.9	2.1	-	453.9
Transfers	-	-	-	-	-	-	-	-
Balance on 31.12.2020	-	(14,651.5)	(10,807.9)	(1,564.0)	(1,272.8)	(223.9)	-	(28,520.1)
<b>Net book value</b>								
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

None of the Company's assets are pledged or used as a guarantee.

**(7) Intangible fixed assets (MCZK)**

	Software	Sundry	Assets under construction	Total
<b>Acquisition cost</b>				
<b>Balance on 31.12.2018</b>	<b>11.0</b>	<b>32.3</b>	<b>0.3</b>	<b>43.6</b>
Additions	-	1.8	(0.2)	1.6
Disposals	-	-	-	-
Transfers	-	-	-	-
<b>Balance on 31.12.2019</b>	<b>11.0</b>	<b>34.1</b>	<b>0.1</b>	<b>45.2</b>
<b>Accumulated amortisation</b>				
<b>Balance on 31.12.2018</b>	<b>(2.6)</b>	<b>(25.0)</b>	<b>-</b>	<b>(27.6)</b>
Amortisation expense	(2.8)	(4.0)	-	(6.8)
Disposals	-	-	-	-
Transfers	-	-	-	-
<b>Balance on 31.12.2019</b>	<b>(5.4)</b>	<b>(29.0)</b>	<b>-</b>	<b>(34.4)</b>
Net book value on 31.12.2018	8.4	7.3	0.3	16.0
Net book value on 31.12.2019	5.6	5.1	0.1	10.8

	Software	Sundry	Assets under construction	Total
<b>Acquisition cost</b>				
<b>Balance on 31.12.2019</b>	<b>11.0</b>	<b>34.1</b>	<b>0.1</b>	<b>45.2</b>
Additions	6.8	4.3	0.1	11.2
Disposals	-	-	-	-
Transfers	-	0.1	(0.1)	-
<b>Balance on 31.12.2020</b>	<b>17.8</b>	<b>38.5</b>	<b>0.1</b>	<b>56.4</b>
<b>Accumulated amortisation</b>				
<b>Balance on 31.12.2019</b>	<b>(5.4)</b>	<b>(29.0)</b>	<b>-</b>	<b>(34.4)</b>
Amortisation expense	(3.0)	(3.9)	-	(6.9)
Disposals	-	-	-	-
Transfers	-	-	-	-
<b>Balance on 31.12.2020</b>	<b>(8.4)</b>	<b>(32.9)</b>	<b>-</b>	<b>(41.3)</b>
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

#### 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 87,505 (2019: TCZK 87,579). The Company holds no low-value intangible fixed assets.

**(8) Long-term investments (TCZK)**

	Note	Share	2020	2019
PREnetcom, a.s.	Non-marketable	100%	2,000	2,000
Sundry*			100	100
<b>Total</b>			<b>2,100</b>	<b>2,100</b>

\* 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.

	2020	2019
Registered office: Prague 10, Na Hroudě 1492/4		
ID No.: 06714366		
Average headcount	16	13
<b>Financial data (TCZK) – unaudited</b>		
Share capital	2,000	2,000
Equity	23,991	12,711
Profit (loss) after tax	11,980	9,615
Revenue from sale of products and services	65,236	62,886

**(9) Trade receivables (TCZK)**

Trade receivables	2020	2019
Up to 6 months past due	6,238	24,337
6 to 12 months past due	1,588	4,703
More than 12 months past due	56,016	54,821
<b>Gross past-due trade receivables</b>	<b>63,842</b>	<b>83,861</b>
Before due	90,428	96,343
<b>Total gross trade receivables</b>	<b>154,270</b>	<b>180,204</b>



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

<b>Balance on 31.12.2018</b>	<b>58,248</b>
Additions and utilisation during the current period	2,771
<b>Balance on 31.12.2019</b>	<b>61,019</b>
Additions and utilisation during the current period	1,599
<b>Balance on 31.12.2020</b>	<b>62,618</b>

#### (10) Equity (TCZK)

##### Registered share capital and types of shares as of 31 December 2020

The Company's share capital comprises 21,549 registered shares in the certificate form (2019: 21,549 shares) with the nominal value of CZK 821,752 (2019: CZK 821,752).

##### Distribution of profit

The General Meeting will decide on the distribution of profit of TCZK 1,249,731 (2019: TCZK 1,442,957).

##### Statement of changes of equity

	Share capital	Fund from profit reserve fund	Profit/ loss	Retained earnings	Total equity
<b>Balance on 31.12.2018</b>	<b>17,707,934</b>	<b>530,000</b>	<b>1,428,972</b>	<b>1,115</b>	<b>19,668,021</b>
Additions to the reserve fund	-	-	-	-	-
Dividend payments	-	-	(1,400,000)	-	(1,400,000)
Directors' fees paid	-	-	(11,100)	-	(11,100)
Retained earnings	-	-	(17,872)	17,872	-
Net profit for 2019	-	-	1,442,957	-	1,442,957
<b>Balance on 31.12.2019</b>	<b>17,707,934</b>	<b>530,000</b>	<b>1,442,957</b>	<b>18,987</b>	<b>19,699,878</b>
Additions to the reserve fund	-	-	-	-	-
Dividend payments	-	-	(1,431,857)	(18,143)	(1,450,000)
Directors' fees paid	-	-	(11,100)	-	(11,100)
Retained earnings	-	-	-	-	-
Net profit for 2020	-	-	1,249,731	-	1,249,731
<b>Balance on 31.12.2020</b>	<b>17,707,934</b>	<b>530,000</b>	<b>1,249,731</b>	<b>844</b>	<b>19,488,509</b>

**(11) Other provisions (TCZK)**

	Business risks	Salaries	Employee benefits	Total
<b>Balance on 31.12.2018</b>	<b>126,012</b>	<b>46,499</b>	<b>124,219</b>	<b>296,730</b>
Additions to provisions in the current period	680	47,900	4,236	52,816
Utilisation/release of provisions in the current period	(33,653)	(46,499)	(8,477)	(88,629)
<b>Balance on 31.12.2019</b>	<b>93,039</b>	<b>47,900</b>	<b>119,978</b>	<b>260,917</b>
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)
<b>Balance on 31.12.2020</b>	<b>49,667</b>	<b>44,370</b>	<b>135,617</b>	<b>229,654</b>
Long-term provisions	49,667	-	121,546	171,213
Short-term provisions	-	44,370	14,071	58,441
<b>Total</b>	<b>49,667</b>	<b>44,370</b>	<b>135,617</b>	<b>229,654</b>

Provisions are recognised in respect of the following:

- ..... business risks – arising from the operation of fixed assets;
- ..... salaries – include salaries paid in dependence on the fulfilment of the plan, charged to personnel expenses; and,
- ..... defined 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:

	2020	2019
Fixed assets	3,124,353	3,100,325
Receivables	(2,458)	(1,897)
Provisions	(16,151)	(16,949)
Liabilities arising from the collective agreement	(24,970)	(22,107)
<b>Total</b>	<b>3,080,774</b>	<b>3,059,372</b>

**(13) Trade payables (TCZK)**

The Company carries no trade payables past their due dates.

**(14) Temporary liabilities (TCZK)**

<b>Deferred revenues</b>	
<b>Balance on 31.12.2018</b>	<b>1,919,885</b>
Investment contributions received	203,711
Investment contributions accounted for in revenues*	(187,779)
Correction factor of permitted revenues**	15,711
<b>Balance on 31.12.2019</b>	<b>1,951,528</b>
Investment contributions received	191,150
Investment contributions accounted for in revenues*	(184,501)
Correction factor of permitted revenues**	(4,514)
<b>Balance on 31.12.2020</b>	<b>1,953,663</b>

\* 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 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:

	<b>2020</b>	<b>2019</b>
Cable conduits	112,842	110,019
Non-residential premises	35,509	34,520
Administrative buildings	63,625	63,672
Vehicles	21,341	21,473
<b>Total</b>	<b>233,317</b>	<b>229,684</b>

**(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 2020 were TCZK 990 (31.12.2019: 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:**

	2020	2019
Number	8	8
Bonuses in TCZK	25,293	24,975

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

As of 31 December 2020, the Company recorded receivables from the members of the Board of Directors and the Supervisory Board in the aggregate amount of TCZK 9 (2019: TCZK 8). These receivables were settled during January 2021.

As of 31 December 2020, the Company had incurred no pension liabilities to former members of management, supervisory and administrative bodies.



**(18) Intra-company relations (TCZK)**

	Receivables of PREdi as at 31.12.		Payables of PREdi as at 31.12.	
	2020	2019	2020	2019
<b>Pražská energetika, a.s.</b>	<b>1,736,550</b>	<b>1,692,144</b>	<b>3,908,242</b>	<b>3,242,020</b>
of which: trade receivables/payables	12,794	-	-	34,807
trade receivables/payables from cash pooling	-	-	1,162,872	460,555
accrued revenues/expenses from cash pooling	-	-	915	1,139
long-term loan*	-	-	2,700,000	2,700,000
accrued expenses (loan interest)	-	-	44,455	45,519
estimated amounts – unbilled distribution services**	1,723,756	1,692,144	-	-
<b>eYello CZ, k.s.</b>	<b>15,462</b>	<b>12,518</b>	<b>14,728</b>	<b>11,266</b>
of which: trade receivables/payables	359	606	-	-
advances received for distribution services	-	-	14,728	11,266
estimated amounts – unbilled distribution services	15,103	11,912	-	-
<b>PREměření, a.s.</b>	<b>3,074</b>	<b>-</b>	<b>29,785</b>	<b>42,508</b>
of which: trade receivables/payables	52	-	29,785	37,513
estimated amounts – unbilled services	3,022	-	-	4,995
<b>KORMAK Praha a.s.</b>	<b>3</b>	<b>1</b>	<b>1,627</b>	<b>2,318</b>
<b>PREzákaznická, a.s.</b>	<b>-</b>	<b>-</b>	<b>20,128</b>	<b>18,920</b>
of which: trade receivables/payables	-	-	17,967	18,073
estimated amounts – unbilled services	-	-	2,161	847
<b>PREnetcom, a.s.</b>	<b>-</b>	<b>-</b>	<b>9,098</b>	<b>2,658</b>
<b>PREservisní, s.r.o.</b>	<b>2,109</b>	<b>2,201</b>	<b>17,666</b>	<b>10,935</b>
of which: trade receivables/payables	-	-	17,666	10,935
estimated amounts – unbilled services	2,109	2,201	-	-
<b>FRONTIER TECHNOLOGIES, s.r.o.</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>860</b>
<b>VOLTCOM, spol. s r.o.</b>	<b>90</b>	<b>23</b>	<b>-</b>	<b>355</b>
<b>Total</b>	<b>1,757,288</b>	<b>1,706,887</b>	<b>4,001,274</b>	<b>3,331,840</b>

\* 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 2,327,375 (31 December 2019: TCZK 2,279,595), of which TCZK 1,723,756 (31 December 2019: TCZK 1,692,144) represents unbilled distribution services provided to Pražská energetika, a.s., TCZK 15,103 represents unbilled distribution services provided to eYello CZ, k.s. (31 December 2019: TCZK 0), and TCZK 580,847 (31 December 2019: TCZK 582,725) represents unbilled distribution services and unbilled credit notes, if any, related to these services provided outside the PRE Group, and TCZK 7,669 represents other unbilled services (31 December 2019: TCZK 4,726).

	PREdi revenues		PREdi expenses	
	2020	2019	2020	2019
<b>Pražská energetika, a.s.</b>	<b>5,731,939</b>	<b>5,811,045</b>	<b>2,571,964</b>	<b>2,493,000</b>
of which: distribution services	5,707,222	5,784,623	-	-
services, consumed material	7,816	11,070	558,189	530,165
electricity for grid losses and own consumption	-	-	442,011	402,280
material	-	-	-	38,346
fixed assets	16,845	14,410	-	-
other expenses	-	-	-	49
other revenues	47	8	-	-
dividends	-	-	1,450,000	1,400,000
interest on cash pooling	9	934	8,514	8,158
interest on loans (including capitalised)	-	-	113,250	114,002
<b>eYello CZ, k.s.</b>	<b>44,878</b>	<b>18,753</b>	<b>-</b>	<b>-</b>
of which: distribution services	44,878	18,745	-	-
other revenues	-	8	-	-
<b>PREměření, a.s.</b>	<b>1,303</b>	<b>1,309</b>	<b>418,151</b>	<b>413,437</b>
of which: installation and supply of electricity meters	1,303	1,309	234,905	229,081
fixed assets	-	-	183,246	184,356
<b>KORMAK Praha a.s.</b>	<b>1,046</b>	<b>1,446</b>	<b>201,241</b>	<b>232,520</b>
of which: fixed assets	-	-	189,949	209,682
repairs of fixed assets	-	-	11,292	22,838
services	93	197	-	-
other revenues	953	1,249	-	-
<b>PREzákaznická, a.s.</b>	<b>-</b>	<b>-</b>	<b>180,345</b>	<b>179,537</b>
of which: customer and other services	-	-	180,345	179,537
<b>PREservisní, s.r.o.</b>	<b>-</b>	<b>6,832</b>	<b>342,286</b>	<b>288,010</b>
of which: fixed assets	-	-	45,987	49,410
repairs of fixed assets	-	-	17,606	30,759
services	-	5,098	28,454	16,222
material	-	1,264	250,239	191,619
other revenues	-	470	-	-
<b>PREnetcom, a.s.</b>	<b>3,008</b>	<b>3,681</b>	<b>39,071</b>	<b>45,923</b>
of which: services – IT support	3,008	3,681	39,071	45,923
<b>FRONTIER TECHNOLOGIES, s.r.o.</b>	<b>-</b>	<b>-</b>	<b>1,103</b>	<b>942</b>
of which: fixed assets	-	-	273	860
repairs of fixed assets	-	-	830	82
<b>VOLTCOM, spol. s r.o.</b>	<b>1,198</b>	<b>562</b>	<b>127,780</b>	<b>75,415</b>
of which: fixed assets	-	-	92,153	58,695
repairs of fixed assets	-	-	35,627	16,590
services	797	545	-	130
other revenues	401	17	-	-
<b>Total</b>	<b>5,783,372</b>	<b>5,843,628</b>	<b>3,881,941</b>	<b>3,728,784</b>

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

The Company also registers transactions with and balances from/to companies that are related parties through a relationship with a shareholder of the PRE Group, i.e., Capital City of Prague.

	Inter-company sales		Intra-company purchases	
	2020	2019	2020	2019
<b>Relations with controlling entities or entities holding significant influence</b>	<b>15,148</b>	<b>16,286</b>	<b>9,664</b>	<b>7,251</b>
Capital City of Prague	15,148	16,286	9,664	7,251
<b>Relations with other entities</b>	<b>391,670</b>	<b>424,634</b>	<b>114,646</b>	<b>113,115</b>
Výstaviště Praha, a.s.	3,822	5,227	24	-
Dopravní podnik hl. m. Prahy, a.s.	379,385	408,843	2,029	2,659
Kolektory Praha, a.s.	-	-	112,571	109,749
TRADE CENTRE PRAHA, a.s.	3,733	5,810	10	2
Pražská plynárenská, a.s.	4,730	4,754	12	705
<b>Total</b>	<b>406,818</b>	<b>440,920</b>	<b>124,310</b>	<b>120,366</b>

	Receivables		Payables	
	2020	2019	2020	2019
<b>Relations with controlling entities or entities holding significant influence</b>	<b>153</b>	<b>759</b>	<b>734</b>	<b>545</b>
Capital City of Prague	153	759	734	545
<b>Relations with other entities</b>	<b>16,773</b>	<b>27,087</b>	<b>50,007</b>	<b>46,800</b>
Výstaviště Praha, a.s.	58	415	207	478
Dopravní podnik hl. m. Prahy, a.s.	16,715	21,358	46,205	46,322
Pražská plynárenská, a.s.	-	5,314	3,595	-
<b>Total</b>	<b>16,926</b>	<b>27,846</b>	<b>50,741</b>	<b>47,345</b>

**(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:

	<b>Balance on 31.12.</b>	
	<b>2020</b>	<b>2019</b>
Cash	1,451	1,563
Cash pooling	(1,162,872)	(460,555)
<b>Total</b>	<b>(1,161,421)</b>	<b>(458,992)</b>

**20) Impacts and risks arising from the COVID-19 pandemic**

In 2020, the outbreak of the COVID-19 pandemic and the Czech government's measures to contain the outbreak had a negative impact on the Company's activities. The most significant part of the Company's revenues is generated from the distribution of electricity to customers in the Capital City of Prague.

The biggest impact of the pandemic has been the reduced volume of distributed electricity by 7%, and the resulting impairment of reserved capacity from major customers. The gross margin on sale and distribution thus decreased year-on-year by 2%.

During the year, the Company adopted measures to directly mitigate the risks relating to the effects of the pandemic, and at the same time, established a provision for an increased credit risk that can be realised later.

The Company's total EBITDA reached 96% of the planned value.

The Company's management expects that it has adequate resources to be able to continue in its activities in the foreseeable future. In preparing these financial statements, the Company thus applied the going concern assumption.

**(21) Material subsequent events**

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

Prague, 22 April 2021

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 2020, 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, 22 April 2021

Signed by

**Milan Hampl**

Chairperson of the Board of Directors

Signed by

**Petr Dražil**

Vice-chairperson of the Board of Directors

# List of abbreviations

<b>AMM</b>	automatic metering management	<b>SAIDI/SAIFI</b>	electricity supply reliability indicators
<b>B2B</b>	big customers	<b>TFA</b>	tangible fixed assets
<b>B2C</b>	small customers	<b>TWh</b>	Terawatt hour
<b>EnBW</b>	EnBW Energie Baden-Württemberg AG	<b>VOLTCOM</b>	VOLTCOM, spol. s r.o., a 100% subsidiary of PRE
<b>ERÚ</b>	Energy Regulatory Office (Energetický regulační úřad)	<b>VTE</b>	wind farm
<b>EU</b>	European Union		
<b>EV ready</b>	Electric Vehicle ready		
<b>eYello</b>	eYello CZ, k.s., a 90% subsidiary of PRE and a 10% subsidiary of PREm		
<b>FEL ČVUT</b>	Faculty of Electrical Engineering of the Czech Technical University in Prague		
<b>FVE</b>	photovoltaic power plant		
<b>GWh</b>	Gigawatt hour		
<b>HV</b>	high voltage		
<b>KORMAK Praha</b>	KORMAK Praha a.s., a 100% subsidiary of PRE		
<b>kV</b>	Kilovolt		
<b>LV</b>	low voltage		
<b>MV</b>	medium voltage		
<b>MW</b>	Megawatt		
<b>OHS</b>	occupational health and safety		
<b>PRE</b>	Pražská energetika, a.s.		
<b>PRE Group</b>	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. + WINDING WE NORTH a.s. (until 20 July 2020) + PRE VTE Částkov, s.r.o.		
<b>PREdi</b>	PREdistribuce, a.s., a 100% subsidiary of PRE		
<b>PREm</b>	PREměření, a.s., a 100% subsidiary of PRE		
<b>PREnetcom</b>	PREnetcom, a.s., a 100% subsidiary of PREdi		
<b>PREs</b>	PREservisní, s.r.o., a 100% subsidiary of PRE		
<b>PREzak</b>	PREzákaznická, a.s., a 100% subsidiary of PRE		

## Contact information

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