

A nighttime aerial photograph of a city, likely Prague, featuring a multi-lane highway bridge with light trails from traffic. The city lights and buildings are visible in the background under a dark blue sky.

PRE

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PREdistribuce, a.s.
Annual Report

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

Basic information about the company

History of the company

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

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

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

Main object of activities of the company and main events in 2022

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

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

As a licensed operator of the distribution system, PREdi provides non-discriminatory services to all actors in the energy market. This approach is regularly emphasized in its Annual Report in the section devoted to the implementation of equal treatment measures aimed at eliminating all discriminatory practices of the operator of the distribution network. In 2022, all output and energy demands of both the existing and new customers and investors of development projects in the licensed territory were met.

The distribution system consists of 110 kV, 22 kV and 0.4 kV overhead and cable lines, 110/22 kV transformer stations and 22/0.4 kV distribution transformer stations. Its operations are overseen and managed by the Energy dispatcher control station. The continuity of electricity supply was not affected by any elemental supply failure throughout 2022. In early June, there was a major power outage in the HV network at the 400/110 kV Chodov nodal transformer station, which is owned and operated by the company ČEPS. The equipment failure caused a disruption in the supply of electricity to almost 2,000 PŘEdi distribution transformer stations. 40% of customers were affected by the power outage, and public transportation in the southeast part of Prague was also affected. The power supply was successfully restored within one hour. Throughout the year, PŘEdi ensured high-quality maintenance of the distribution network under the standards and requirements set forth in the Rules of preventive maintenance.

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

In 2022, the energy sector was influenced by a number of significant events. At the beginning of the year, PŘEdi had to deal with the effects of the subsiding covid-19 pandemic. Then, the world was taken by surprise by the Russian invasion of Ukraine, which has turned global geopolitics as well as the energy sector upside down. It has resulted in an extreme electricity and natural gas price hike. In light of this sudden change, the government of the Czech Republic was forced to take several austerity measures in the form of new energy tariffs and price capping for both electricity and natural gas for 2023. This surge in energy prices has led to a greater demand for small solar power plant units with accumulation systems and heat pumps. This year, strong emphasis was given to the topic of energy communities and a new legislative framework within which they operate.

Also, PŘEdi had to respond to an extraordinarily high number of regulatory amendments taken by the government in light of the changed international context and energy crisis. To tackle the dire situation and the overall disruption of the energy market, caused by the Russian's aggression against Ukraine, the European Commission drafted REPowerEU, an ambitious set of measures that aim to cut the EU's reliance on Russian fossil fuels as quickly as possible, well before 2030, fast forward the green transition, while increasing the resilience of the EU-wide energy system. The plan includes both financial and legal steps aimed at building new energy infrastructure and system to fit Europe's needs. Such a rapid development of European legislation and energy strategy illustrates the speed of change that the energy sector is undergoing.

Despite the above-mentioned challenges, the company managed to reach all of its economic goals and performance indicators. Its EBITDA reached CZK 3,203 million, which was CZK 157 million more than in 2021. At the end of 2022, more than 830 thousand consumption points were connected to the distribution network, which represents a 0.9% increase year-on-year. The highest peak load of the distribution system was recorded on 14 December 2022 amounting to 1,137 MW, which is more than in previous two years. In 2022, PŘEdi distributed 6,000 GWh of energy on all voltage levels, which was slightly more than the year before.

In 2022, PŘEdi invested CZK 1,956 million (including capitalisation) in the renovation and development of its distribution network, which is CZK 111 million more than in 2021. Its major construction projects implemented in 2022 include the continued construction of a cable tunnel between the 110/22 kV Karlín transformer station ('TR') and Hlávka bridge and the cable tunnel Invalidovna I, the completion of the construction of the Pražáčka TR, the continued restoration of the 110 kV distribution station and the control system of the Jih TR, the continued

construction of the new Slivenec TR as well as the launch of the construction of the 110 kV overhead lines between the Sever and Východ TRs in the area served by the Letňany TR. In line with its investment plan, the company also continued with the renovation of 22 kV switching stations and 22/0.4 kV distribution transformer stations and MV and LV cable lines. A significant portion of funding was allocated to projects aimed at smartening the MV and LV networks and to the construction of the connected telecommunication infrastructure. Smartening of the distribution network and the development of a smart infrastructure is carried out in line with the updated National Action Plan for Smart Grids adopted by the Czech government in 2019. Further works were done to expand the general rollout of AMM (Automated Meter Management) smart metering systems.

The company's objective is to achieve a high level of reliability and quality of its electricity supply while ensuring its networks' safety on all voltage levels that reflect the ever-changing context and needs of the energy sector. The implementation of modern technologies helps enhance the standard of living of Prague citizens, improve energy consumption savings and eliminate the environmental burden posed by the energy sector.

Subsidiary PREnetcom, a.s.

PREnetcom was founded on 27 November 2017 as a 100% subsidiary of PREdi and it started operating on 1 January 2018. Its main task is to fulfil the long-term strategic 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 a reliable transfer of network data and enable the remote control of the distribution network. Its role also includes the rollout of smart metering of the distribution system. Another task of the company lies in exploring the possibility of using the spare capacity of the newly created communication network for commercial purposes, such as Smart City and Smart Home features as well as wholesaling to third parties.

In 2022, it also continued in its successful strategy of improving its operational capacities as well as the maintenance and management of its passive communication infrastructure within the PRE Group. In order to reach operational synergies and draw on the current know-how of its employees, PREnetcom's operational team focused on bringing smart distribution transformer stations and pilot AMM into operation. Throughout 2022, it managed to smarten more than 100 distribution transformer stations. Also, the company used this new capacity to implement new small generation plants above 100 kW following a new procedure, it has successfully implemented a total of 5 new generation plants.

PREnetcom focused its attention on further developing the ESO system it uses for the planning, construction and operation of its passive communication infrastructure. The system has more than 65 active users, it is regularly developed and its processes, including its integration with selected surrounding systems, are gradually optimised.

The company completed a number of commercial pilot projects of different sizes (i.e., the number of consumption points or apartments) at various sites in Prague and with different layout of the surrounding buildings. It successfully completed the construction of a new passive optical network at the following sites in Prague: Chodov, Krč, Hostivař, Podolí, Kateřinky and Hodkovičky. As a result, the optical network has expanded with further 67 kilometres. PREnetcom installed more than 1,100 electrical boxes and prepared a functional connectivity infrastructure for more than 5,500 flats and family houses.

In 2022, PREnetcom's key task was to prepare and launch the construction of a power distribution system inside multi-family and family houses. Furthermore, in the second quarter of 2022, it started to implement the adopted long-term plan for the construction of a FTTH optical network ('Fibre to the Home') at a total of 7 sites in Prague.

The company also managed to foster its cooperation with property developers. After a long preparatory phase consisting in concluding agreements on cooperation, PREnetcom finally started to carry out first projects. Not only it sustained its fruitful collaboration with the FINEP company with a number of projects, but it also managed to implement several other projects with other property developers and it has been holding talks about other possible partnerships with a number of others.

In 2022, NETFIN Infrastructure, a.s. (NETFIN) a joint venture of FINEP HOLDING, SE, and PREnetcom was established. Its objective is to foster joint cooperation in the development of real estate projects carried out by the FINEP Group, especially in the area of electromobility and optical network connections, with other areas of cooperation being possible, too.

As a result, the company's teams – primarily its telecommunication teams – grew with several new members, thus meeting its current staffing needs.



PRE

We are an electricity
distributor in the
Prague and Roztoky
areas

830,000

At the end of 2022,
there were over
830,000 connection
points to our
distribution network.



PRE Group

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

It has a more than one-hundred-and-twenty-five-year long tradition of supplying electricity and developing the electricity system in Prague. Its history dates back to 1897, when the Electricity Works of the Royal Capital City of Prague (Elektrické podniky královského hlavního města Prahy) was founded. Aside from electricity distribution, the company also operated trams and provided street lighting. Today, with its more than 830 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. Last year, it distributed a total of 6 TWh of electricity on all voltage levels to end customers and generated 37.2 GWh of electricity from renewable sources.

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

In 2022, the PRE Group consisted of the parent company Pražská energetika, a.s., and its subsidiaries: PREdistribuce, a.s., PREměření, a.s., PREzákaznická, a.s., PREservisní, s.r.o., eYello CZ, k.s., KORMAK Praha a.s. and VOLTCOM, spol. s r.o.

The PRE Group also includes the 100% subsidiaries of PREměření, a.s.: SOLARINVEST – GREEN ENERGY, s.r.o., PRE FVE Světlík, s.r.o., FRONTIER TECHNOLOGIES, s.r.o., PRE VTE Částkov, s.r.o., and PRE FVE Nové Sedlo, s.r.o. In 2022, the PRE Group also included PREnetcom, a.s., a 100% subsidiary of PREdistribuce, a.s., which owns 50% shares in the company NETFIN Infrastructure, 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) holds an electricity distribution license in Prague, Roztoky and Žalov, and ensures electricity distribution in the licensed territory 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 central purchasing 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 distribution 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, such as air-conditioning units, heat pumps, etc.

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

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

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

PRE FVE Nové Sedlo, s.r.o., owns and operates a photovoltaic power plant based on a relevant licence.

NETFIN Infrastructure, a.s., (NETFIN) focuses on the development of real estate projects in the area of electromobility and optical network connections (as of 31 May 2022, PREnetcom here acquired 50% shares).

Foreword of the chairperson of the Board of Directors

Distinguished readers,

In 2022, the energy sector was influenced by a number of significant events. At the beginning of the year, we had to deal with the impact of the subsiding global pandemic of the covid-19 disease and the unexpected Russian invasion of Ukraine, which not only disturbed geopolitical relations, but also significantly affected the energy sector and caused a number of changes in the workings of our company. After two years heavily influenced by the measures taken to tackle the covid-19 epidemic, the collapse of a number of independent energy suppliers and the transfer of their customers to the so-called supplier of last resort, the already tense social climate escalated with the outbreak of the war, which led to extreme increases in electricity and gas prices. The entire Czech society had to get ready for yet another year marked by severe economic and social difficulties and a number of new challenges. All EU Member States, including the Czech government, had to take a number of measures to de-escalate the whole situation in the form of energy-saving tariffs and the setting of price ceilings for energy commodities. In the context of the energy crisis, the Czech Republic has had to adopt or amend a significant amount of legislation with a profound impact on our company's activities.

The difficult situation in Ukraine has shown us how important the safe and reliable supply of electricity is and how much influence customers and their high expectations have on the company's operations and services. Our customer centres and helplines were overloaded with enquiries and requests of all kinds. We have seen an enormous demand for the installation of photovoltaics or storage photovoltaics, heat pumps and charging stations for electric vehicles. The number of applications has increased by hundreds of percent year-on-year. The total capacity of newly requested photovoltaic power plants exceeded 17 GW, although according to the current national energy concept only units of GW were to be connected by 2030. Even in such difficult times, we proved that we can adapt swiftly and fully play our irreplaceable role in ensuring the safe and reliable supply of electricity to all of our customers.

According to a number of forecasts, the load of the capital city of Prague will grow quite rapidly as a result of the implementation of the Czech Climate and Energy Plan. This means that there will be a higher proportion of electrification in urban transport, a faster development of e-mobility, the construction of data centres and the installation of heat pumps. One of the planned major projects is the connection of a heat pump to the Central Wastewater Treatment Plant ("ÚČOV") in Prague, which could exceed 100 MW in power. Our task is to accelerate the construction of a new 400/110 kV TR and its cable connection to our Sever TR in cooperation with the Czech Transmission System Operator ("ČEPS"). Another equally important project is the renovation and increase in the total installed capacity of the transfer area in the Malešice TR, including the increase in the transmission capabilities of the overhead power lines between the Sever and Malešice TRs.

Investments are necessary to achieve the above objectives and our mission. In 2022, we invested in the distribution network, i.e., its renovation and development including the development of optical, control and measurement systems, a total of CZK 1,956 million. A further CZK 259 million was invested in renovation works from the operating funds, allowing us to extend the physical lifetime of the key distribution equipment.

The most important construction projects on the HV level include the completion of the new Slivenec TR to ensure sufficient power supply for the developing western part of Prague. In terms of renovation works, the most important construction was the modernisation of the HV switchgear of the key South TR, which included the deployment of a new control system. Further works were completed in the construction of the cable tunnel along the Vltava River in Prague 8. We also contributed to projects of the gradual smartification of networks at MV and LV levels and continued to build our own fibre-optic network in cooperation with our subsidiary PREnetcom. We managed to put into operation more than a further 100 smart distribution transformer stations on the MV/LV level, improving data transmission for dispatching and remote control. Our goal is to have 1,200 distribution transformer stations by 2030, of which we would like to have 500 in operation by 2023. We also implemented other preparatory projects to implement remote electricity readings for customers to prepare its infrastructure for the planned rollout of smart metering (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.

Economically speaking, 2022 was a successful year. PREdi managed to fulfil its performance indicators and economic plans and, to a large extent, contributed to the favourable results of the whole PRE Group. Its EBITDA reached CZK 3,203 million, which was CZK 3 million more than required in the plan and CZK 157 million more than in 2021.

The volume of electricity distributed reached 6,000 GWh, a slight increase of 16 GWh compared to 2021. We were last able to reach this level of distributed electricity in 2019. The 2022 results were impacted by the effects of the subsiding covid-19 pandemic, customer savings due to significant price increases and the impact of long-term energy savings programs. The highest load of the distribution network amounting to 1,137 MW was recorded on 14 December 2022, which is more than in the previous two years by tens of MW. At the end of 2022, more than 830 thousand consumption points were connected to the distribution system, which represents a 0.9% increase year-on-year.

In 2022, the distribution network was not affected by any natural event, but on 2 June there was a major outage on the HV network at the nodal 400/110 kV Chodov transformer station, which is owned and operated by ČEPS. This outage caused an interruption of electricity supply to almost 2,000 of our distribution transformer stations and a subsequent collapse of public transportation in the south-eastern part of Prague. 40% of customers were affected by the power outage. Our dispatchers managed to transfer all the consumption to the remaining two nodal transformers in Řeporyje and Malešice within one hour. Subsequently, ČEPS implemented measures at the 400/110 kV Chodov transformer station so that a similar outage would not occur again and the operation of the networks at lower voltage levels would not be affected in such a fundamental way. Throughout the year, the quality standards of electricity supply and related services were met with regard to the absolute majority of end customers connected to our distribution network in accordance with ERÚ Decree No. 540/2005 Sb. To maintain this positive trend, our task is to implement further technical measures, such as modernisation and the aforementioned smartening of the distribution network. Since 2015, we have been progressively implementing and operationally adjusting our investment strategy to help us realise our objectives.

We are preparing for new challenges and the overall transformation of the energy sector. In the years to come, we will keep building a modern and prestigious company, which pays special focus to improving its economic performance as well as its reliable, high-quality and safe supply of electric energy. PREdi will also continue to support the development of decentralised generation, digitising the distribution system and customer processes, and providing modern energy services. We want to assert ourselves as a reliable and indispensable actor in the energy sector.

Foreword of the chairperson of the Board of Directors

Even in such a challenging year as 2022 undoubtedly was, we were able to fulfil the key tasks of a distributor in the capital and actively participate in its planned development. I believe that although the prospects in the energy environment are not entirely optimistic due to the ongoing war in Ukraine, 2023 will be a successful year for our company and the entire PRE Group. Our aim is to remain the mainstay of PRE Group, to fulfil our shareholder's expectations and to do our best for the satisfaction of our customers and the quality of life in the capital city of Prague.

I would like to conclude by thanking our business partners and suppliers for their mutual cooperation, our customers for their goodwill and our employees for their high professionalism and work commitment.

I wish everyone good health and plenty of energy.

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 distribution of electricity to all its customers in the territory of the capital city of Prague, Rožtoky and Žalov by using a well-maintained distribution system.

Its main strategic goal is to continue optimising and modernising 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. This also includes continuing efforts to smarten its distribution system through the implementation of cutting-edge technologies and support of digitalisation.

In the European energy sector, the tendency is to promote decentralisation, electrification mainly through heat pumps, e-mobility and energy saving solutions. The emerging trends in the energy sector will be dictated by the implementation of energy and climate goals, i.e., new EU regulations applicable by 2030 and beyond. This involves especially the EU's Winter Energy Package "Clean Energy for all Europeans", approved by the European Parliament and the Council of the EU in 2019. This initiative was newly complemented by the Green Deal for Europe whose aim is to achieve complete carbon neutrality by 2050. This has strengthened the original ambition of increasing the part of renewable sources in the production of electricity in the EU from 22 to 32% by 2030. At the same time, this new strategy set another goal of reducing the greenhouse emissions by 2030 by at least 55% compared to 1990 levels. In the same vein, the EU introduced the Fit for 55 package, a suite of legislative initiatives across various climate-related sectors, such as energy and transport, whose aim is to harmonise the legislation currently in effect with its climate objectives for 2030 and 2050. To tackle the dire situation and the overall disruption of the energy market caused by the Russian's aggression against Ukraine, the European Commission drafted REPowerEU, an ambitious set of measures that aim to cut the EU's reliance on Russian fossil fuels as quickly as possible, well before 2030, fast forward the green transition, while increasing the resilience of the EU-wide energy system. The plan includes both financial and legal steps aimed at building new energy infrastructure and system to fit Europe's needs. This rapid development of European legislation and energy strategy illustrates the speed of change that the energy sector is undergoing.

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

PREdi devotes great attention to new trends and developments in the implementation of modern solutions. PREdi's strategic aim is to prepare in good time its distribution network to be able to respond to these changing conditions resulting from the expected increased requirements linked to the connection of new decentralised energy sources, especially renewable sources, and charging stations, to enhance the developing sector of electromobility, accumulation, AMM rollout and development of energy services. In light of this, in line with its investment strategy, the company allocates a major portion of funds to the renovation and development of its 22 kV and 1 kV networks. In line with the updated National Smart Grid Plan adopted by the Czech government in 2019, PREdi pays special attention to the smartening of its distribution system, especially the 22/0.4 kV distribution transformer stations. It also builds related telecommunication infrastructure with great potential to offer new services and create strong value added as part of smart home and smart city concepts. In 2022, the total amount of "smartened" distribution transformer stations operated by PREdi exceeded 10%. In line with its strategy, PREdi plans to further increase this share. The positive effects of "smartening" are felt in a number of areas, the most visible being the speed of restoration of electricity supply in case of faults in the MV cable network.

To further develop smart grids, the company is well aware that it is all-important to ensure a fast and safe transfer of data using optical data networks. That is why it promotes the deployment of a unique technology using combined optical and energy cables allowing it to better monitor, measure and control its distribution network. This has already proved beneficial in terms of assets' utilisation and reliability indicators. By implementing smart communication elements in its distribution network, the company gets ready for the deployment of AMM which is dictated by the new decree on efficiency measurement effective since 1 January 2021. The company's goal is to roll out AMM at approximately one third of its consumption points by 2027 and to continue with the remaining consumption points in the following years. In the design, construction and maintenance of its optical infrastructure, PREdi is assisted by its 100% subsidiary PREnetcom.

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

PREdi also cooperates with Prague City Council on the Smart Prague initiative aimed at implementing the world-known Smart Cities concept. They focus primarily on connecting new smart lamps, charging equipment for electric vehicles and other elements. 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 public purposes. The energy sector ranks among the top areas where the potential of smart grids can be fully harnessed. The company believes that these new topics will help make engineering more attractive in the eyes of students. PREdi plans to significantly intensify its cooperation with technical universities in order to attract new talent of the new generation to its ranks.

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

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

Main strategic constructions in 2023

The main strategic investments 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 will be carried out in line with PREdi's long-term strategy of distribution network development. All constructions in Prague have been duly coordinated with the planning departments of Prague City Council and respect the applicable urban plan.

In view of admissibility and complexity of construction, strategic constructions for 2023 and following years include:

- the finalisation of the construction of the cable tunnel between the new Karlín TR and the Hlávka bridge;
- the finalisation of the construction of the Slivenec TR;
- the finalisation of the construction of the 110 kV distribution system and the control system at the Jih TR;
- the continued construction of a new cable tunnel Invalidovna I;
- the completed renovation of the 110 kV cable connecting the Sever and Holešovice TRs; and,
- the launch of the reconstruction works of the premises and warehouse at the Sever TR.

An aerial night photograph of a city. In the foreground, a large, modern bridge with a white, curved structure spans a river. The bridge has multiple lanes for traffic, and light trails from vehicles are visible. In the background, a city skyline is visible with various buildings, some of which are brightly lit. The river reflects the city lights. The overall scene is a mix of urban infrastructure and natural elements.

PRE

We help
develop
a smart city

834

As part of the network
renovation, we have
laid over 834 km
of optical cables.



Subsidy schemes

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

PREdi participates in the following projects supported by state subsidies:

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

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

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

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

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

Corporate bodies of the company

Board of Directors as of 31 December 2022

Milan Hampl

Chairperson

Petr Dražil

Vice-chairperson

Tobias Mirbach

Member

Jan Sixta

Member

Supervisory Board as of 31 December 2022

Pavel Elis

Chairperson

Alexander Manfred Sloboda

Member

Karsten Krämer

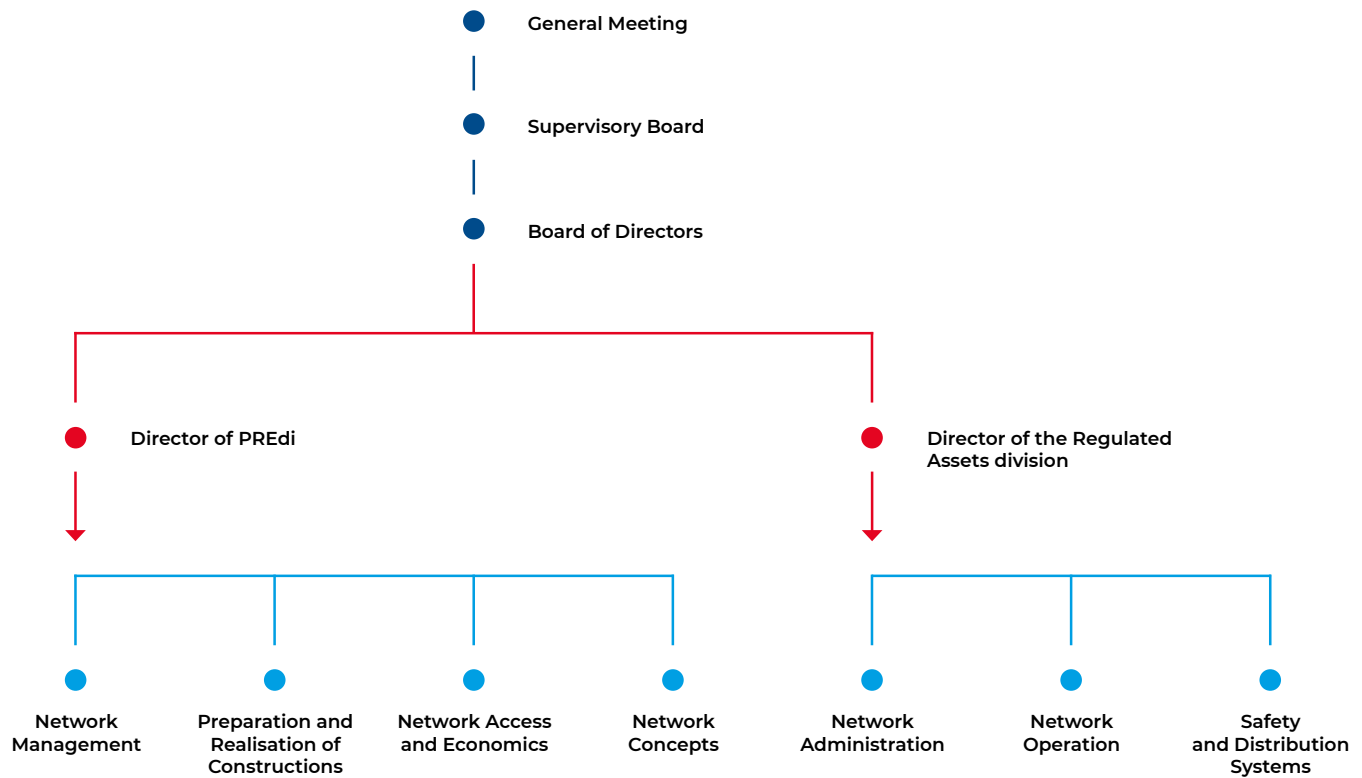
Member

Zdeněk Smetana

Member

In 2022, no members of the company bodies were subject to a conflict of interest or infringed prohibition of competition.

Company organisation chart





Milan Hampel



Petr Dražil



Tobias Mirbach



Jan Sixta

Overview of selected company indicators

Main financial indicators (MCZK)

	2022	2021	2020	2019	2018
Total assets	30,813	30,228	29,785	29,345	28,978
Distribution equipment	25,011	24,591	24,294	24,146	23,941
Other fixed assets	3,367	3,177	2,994	2,796	2,685
Cash pooling receivables within the Group	0	0	0	0	0
Trade receivables	65	112	105	119	106
Other assets	2,369	2,348	2,392	2,284	2,246
Total liabilities and equity	30,813	30,228	29,785	29,345	28,978
Equity	18,988	19,497	19,489	19,700	19,668
Deferred tax liability	3,147	3,107	3,081	3,059	3,038
Cash pooling payables within the Group	1,642	1,733	1,163	461	49
Trade payables	350	167	354	411	555
Deferred revenues	1,966	1,964	1,954	1,952	1,920
Provisions	175	200	230	272	326
Credits	3,700	2,700	2,700	2,700	2,700
Other liabilities	845	858	816	790	722
Gross profit from the sale of distribution services	5,167	4,905	4,802	4,904	4,917
Profit/loss from ordinary activity before tax	1,583	1,558	1,535	1,777	1,767
Profit/loss from ordinary activity after tax	1,280	1,259	1,250	1,443	1,429
EBIT	1,859	1,683	1,648	1,892	1,871
EBITDA	3,203	3,046	2,984	3,201	3,184
Total number of employees as of 31 December	478	472	467	456	501

Allocation of investments (MCZK, including capitalisation)

	2022	2021	2020	2019	2018
Total investment	1,956.0	1,844.9	1,729.5	1,643.0	1,700.5
HV distribution equipment	188.2	235.4	257.0	136.0	217.0
MV distribution equipment	808.4	681.4	652.9	689.2	862.3
LV distribution equipment	831.8	750.8	636.4	633.4	459.2
Electricity meters	127.6	177.3	183.2	184.4	162.0

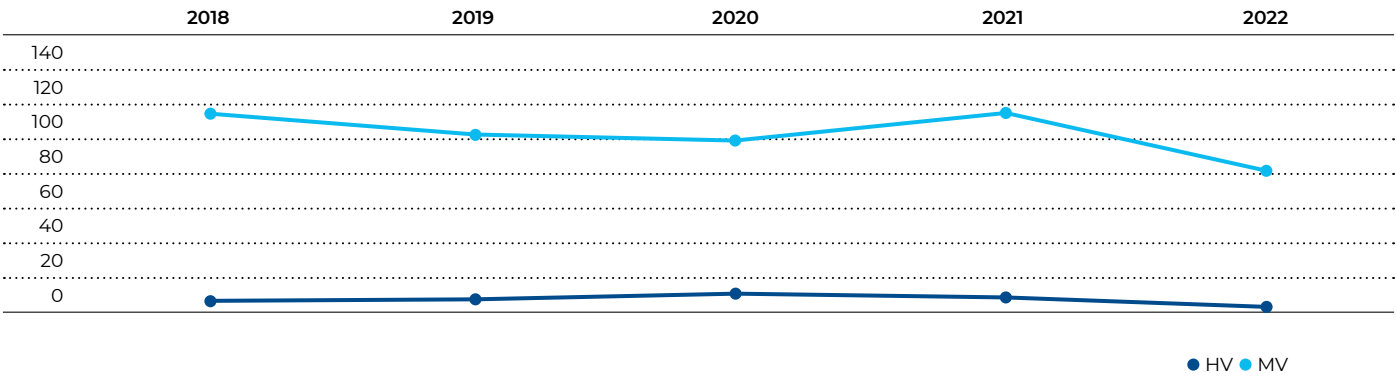
Selected network indicators

Measurement unit		2022	2021	2020	2019	2018
Maximum network load	MW	1,137	1,117	1,121	1,162	1,187
Total length of electricity networks	km	12,541	12,468	12,422	12,372	12,276
of which: HV	km	220	220	220	221	221
MV	km	3,937	3,914	3,906	3,899	3,881
LV	km	8,384	8,334	8,296	8,252	8,174
Number of HV/MV transformer stations	pieces	26	26	26	25	25
of which: owned by PREdi	pieces	25	25	25	24	24
owned by other entities	pieces	1	1	1	1	1
Number of MV/LV distribution transformer stations	pieces	3,272	3,253	3,237	3,221	3,214
Total number of MV/MV stations and MV/LV stations	pieces	5,001	4,968	4,934	4,906	4,876

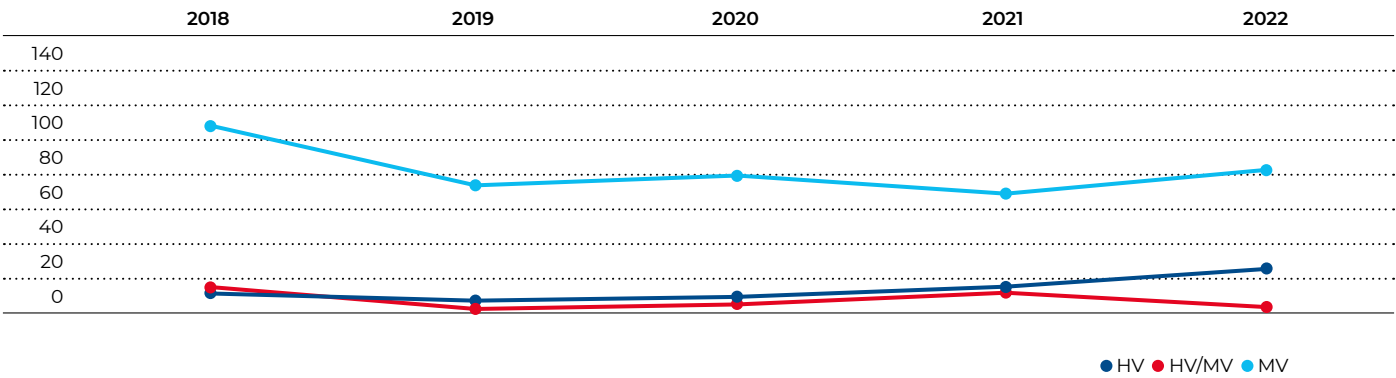
Distributed electricity

Measurement unit		2022	2021	2020	2019	2018
Supplied territory	km ²	504	504	505	505	505
Total distribution (procured)	GWh	6,000.0	5,984.4	5,864.0	6,296.4	6,326.5
Total number of consumption points	total number	830,656	823,612	816,979	809,807	802,164
of which: Wholesale – HV, MV networks	total number	2,115	2,096	2,077	2,060	2,044
Retail – small businesses – LV network	total number	126,640	126,151	126,641	126,734	126,223
Retail – households – LV network	total number	701,901	695,365	688,261	681,013	673,897

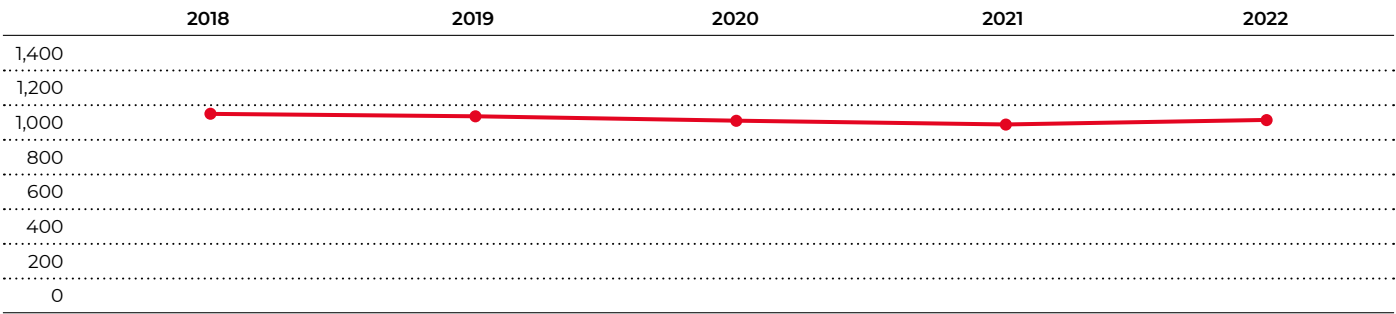
Number of HV and MV failures



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



Maximum achieved load (MW)





We increase
the volume
of distributed
electricity

6,000

In 2022, we distributed
over 6,000 GWh
of electricity through
our networks.



Trends in the electricity sector

2022 was the second year of the Vth regulatory period.

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

Overview of relevant legislation

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

- Act No. 458/2000 Sb., on Business Conditions and Public Administration in the Energy Sectors and Amendment to Other Acts (the Energy Act);
- Act No. 165/2012 Sb., on Promoted Energy Sources and Amendment to Other Acts;
- Act No. 406/2000 Sb., on Energy Management;
- Act No. 283/2021 Sb., the Building Act;
- Act No. 416/2009 Sb., on Acceleration in Construction of Transport, Water and Technical Infrastructure and Electronic Communication Infrastructure;
- Act No. 194/2017 Sb., on Measures to Reduce the Costs of Deploying High-Speed Electronic Communications Networks and on the Amendment to Other Acts;
- Decree No. 408/2015 Sb., on Rules on Electricity Market;
- Decree No. 16/2016 Sb., on Rules of Connecting to Electrification System;
- Decree No. 359/2020, Sb. on Electricity Metering;
- Decree No. 207/2021 Sb., on Supply Billing and Related Energy Sector Services;
- Decree No. 194/2015 Sb., on Price Regulation Methods and Price Regulation Procedures in the Electricity and Heating Sector;
- Decree No. 262/2015, Sb. on Regulation Reporting;
- Decree No. 540/2005 Sb., on Quality Standards of Electricity Supply and Related Energy Sector Services;
- Decree No. 80/2012 Sb., on Emergency State in the Electricity Sector and Procedural Requirement of Emergency Plans;
- Decree No. 8/2016 Sb., on Details of Granting Licences for Business Activity in Energy Sector Services; and,
- Decree No. 489/2021 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 2022

Decree No. 79/2022 Sb., from 29 March 2022, on Technical and Economic Parameters for the Determination of Feed-in Tariffs and Green Bonuses and for the Implementation of Certain Other Provisions of the Act on Supported Energy Sources (the Technical and Economic Parameters Decree) was published on 8 April 2022. The decree came into effect on 1 May 2022.

Act No. 143/2022 Sb., from 18 May 2022, which amends Act No. 165/2012 Sb., on Promoted Energy Sources and Amendment to Other Acts, and Act No. 382/2021 Sb., which amends Act No. 165/2012 Sb., on Promoted Energy Sources and Amendment to Other Acts, as amended, was published on 8 June 2022. The Act entered into force on the day following the date of its promulgation.

Decree No. 166/2022 Sb., from 17 June 2022, on Reporting Electricity Generated from Promoted Sources, was published on 24 June 2022. The decree came into effect on 1 July 2022.

Act No. 176/2022 Sb., from 15 June 2022, which amends Act No. 458/2000 Sb., on Business Conditions and Public Administration in the Energy Sectors and Amendment to Other Acts (the Energy Act), as amended, and Act No. 382/2021 Sb., which amends Act No. 165/2021 Sb., on Promoted Energy Sectors and Amendment to Other Acts, as amended, and other relevant acts, was published on 27 June 2022. The Act entered into force on the day following its promulgation.

Act No. 232/2022 Sb., from 27 July 2022, which amends Act No. 458/2000 Sb., on Business Conditions and Public Administration in the Energy Sectors and Amendment to Other Acts (the Energy Act), as amended, and Act No. 165/2021 Sb., on Promoted Energy Sources and Amendment to Other Acts, as amended, was published on 9 August 2022. The Act entered into force on the day following the date of its promulgation, with the exception of Article I(4), which enters into force on 1 July 2023.

Decree No. 271/2022 Sb., from 9 September 2022, which amends Decree No. 207/2021 Sb., on Supply Billing and Related Energy Sector Services, was published on 16 September 2022. The Act entered into force on the day following the date of its promulgation.

Act No. 287/2022 Sb., from 20 September 2022, which amends Act No. 458/2000 Sb., on Business Conditions and Public Administration in the Energy Sectors and Amendment to Other Acts (the Energy Act), as amended, and Act No. 265/1991 Sb., on the Competence of the Public Authorities in the Czech Republic, as amended, was published on 30 September 2022. The Act entered into force on the day following the date of its promulgation.

Decree No. 328/2022 Sb., on Guarantees of Origin, from 24 October 2022, was published on 3 November 2022. The decree came into effect on 1 January 2023.

Act No. 365/2022 Sb., from 24 November 2022, which amends Act No. 458/2000 Sb., on Business Conditions and Public Administration in the Energy Sectors and Amendment to Other Acts (the Energy Act), as amended, and other related acts, was published on 30 November 2022. The Act entered into force on the day following the date of its promulgation.

Decree No. 404/2022 Sb., from 6 December 2022, which amends Decree No. 408/2015 Sb, on Electricity Market Rules, as amended, was published on 16 December 2022. The decree came into effect on 1 January with the exception of Article I, subparagraphs 52 and 53, which enter into force on 1 May 2023, and subparagraphs 8 and 14 and, as regards Article 16/7 also paragraphs 35, 37 and 60, which shall enter into force on 1 July 2023.

Price decisions of the Energy Regulatory Office published in 2022

ERÚ Price Decision No. 6/2021, from 29 September 2021, which sets prices for related energy services for consumers from low voltage networks, and which was amended by Price Decision No. 4/2022 from 20 July 2022, came into effect on 1 January 2022. ERÚ Price Decision No. 11/2022 from 30 September 2022 was published and came into effect on 1 January 2023. It was later amended by Price Decision No. 15/2022 from 20 December 2022.

ERÚ Price Decision No. 8/2021, from 30 November 2020¹, which sets prices for related energy services and other regulated prices, and which was amended by Price Decision No. 1/2022, from 28 March 2022, came into effect 1 January 2022. This Price Decision was then amended by Price Decision No. 6/2022, from 9 August 2022, and Price Decision No. 8/2022 from 2 September 2022. In this area, ERÚ Price Decision No. 13/2022, from 14 November 2022, was published and came into effect on 1 January 2023.

ERÚ Price Decision No. 9/2021 from 30 November 2021, which sets prices for related energy services for consumers on low voltage levels, was published and came into effect on 1 January 2022. In this area, ERÚ Price Decision No. 14/2022 from 14 November 2022 was published and came into effect on 1 January 2023.

Report of the Board of Directors on Business Activities and Assets for 2022

PREdistribuce, a. s., is part of the thriving PRE energy group, within which it has been operating as an independent, stable and trustworthy distribution company for 17 years now. Its main activity is to provide electricity distribution services to natural and legal persons in the territory of the capital city of Prague, the town of Roztoky and the municipality of Žalov. The company manages the assets of the distribution system, the operation of which it controls through its Energy Dispatching Centre. It has been carrying out its operations in accordance with the Energy Act in the public interest, as it has held electricity distribution licence delivered by the ERÚ for an indefinite period of time. The distribution of electricity is subject to price and quality regulation by the ERÚ. The year 2022 was the second year of the fifth regulatory period, in which the new Principles of Price Regulation set for the regulatory period until 2025 were applied.

In recent years, the company's operations have been significantly affected by several important factors. The first one was the global pandemic of the covid-19 disease, the reverberations of which were still being felt during 2022. The second significant factor was the closure of several energy suppliers as a result of the increase in energy commodity prices and the necessary transfer of customer contracts to the supplier of last resort at the end of 2021. Another major factor was the tragic events in Ukraine, caused by the invasion of Russian troops in February 2022, which not only affected the geography but also significantly impacted the energy sector. It resulted in an extreme electricity and natural gas price hike. Following the price shock, the governments of the Member States of the European Union and the European Commission began to take steps to calm the situation. The Czech government adopted measures in the form of a 'savings tariff' and subsequently approved 'price caps' for electricity and natural gas for 2023. The surge in energy prices has led to a greater demand for small solar power plant units with accumulation systems and heat pumps. This year, strong emphasis was given to the topic of energy communities and a new legislative framework within which they operate. An extraordinary amount of legislation has been amended, which has an impact on the activities of PREdi and other PRE Group companies.

Despite all the pitfalls, the company managed to achieve all economic targets and performance indicators. Its EBITDA reached CZK 3,203 million, which was CZK 157 million more than in 2021. At the end of 2022, more than 830 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 14 December 2022 amounting to 1,137 MW, which is a higher value than in the previous two years marked by covid-19. During 2022, PREdi distributed 6,000 GWh of energy through the grid at all voltage levels, which was slightly more than the year before.

Throughout the year, the company managed to ensure a safe and reliable supply of electricity to all its customers. Only at the beginning of June 2022, the company had to deal with a major power outage that occurred in the HV network at the nodal 400/110 kV Chodov transformer station, owned and operated by ČEPS. The malfunction in ČEPS equipment significantly affected the supply of electricity in the capital. The equipment failure caused a disruption in

the supply of electricity to almost 2,000 distribution transformation stations of PRE, leaving 40% of customers without power and impacting public transportation in the southeastern part of Prague. The power supply was restored within an hour. Despite this, 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 2022, the quality standards of electricity supply and related services were met with regard to the absolute majority of the end customers connected to the company's distribution network in accordance with ERÚ Decree No. 540/2005 Sb. According to the assessment of the ERÚ quality standards, PREdi has been the most reliable electricity distributor in the Czech Republic in recent years.

The planned renewal and development of the distribution network, including the management and maintenance of the power equipment, contributes in particular to ensuring a smooth supply of electricity. All of the fundamental elements of the long-term plan of the renewal and development of the distribution network were met. In 2022, PREdi invested CZK 1,956 million in the renovation and development of its distribution network. One of the key portions of investment is strategic investment, primarily in the construction and modernisation of transformer stations and their mutual systemic connection by 110 kV overhead and cable lines. In line with its investment plan, the company also continued in the renovation of 22 kV switching stations and 22/0.4 kV distribution transformer stations and MV and LV cable lines.

In line with its motto "We are the energy of this town", the company's aim is to establish a reliable and also modern urban energy infrastructure to all Prague citizens. PREdi's key task is to radically advance in the areas of digitalization of customer-oriented processes, digitalization of the distribution system, efficiency of capital and operating expenditures, customer satisfaction and connection speed. In line with the updated National Action Plan for Smart Grids approved by the government, a significant portion of the resources was spent on grid smartification projects at MV and LV levels, in particular on smartening 22/0.4 kV distribution transformer stations and building related telecommunication infrastructure. Further works were done to expand the general rollout of AMM (Automated Meter Management) smart metering systems.

PREdi is well aware of the changing character of the distribution system, resulting from the increased requirements linked to the connection of new decentralised energy sources, especially renewable sources, and charging stations for electromobility, accumulation, the AMM rollout and further development of energy services. Through digitisation of the network, PREdi makes sure that it will be able to face these and future challenges.

Support of the company's sole shareholder, the parent company PRE and other Group companies, is among the important factors for the company's success. PREdi and other PRE Group companies follow strict ethical standards, which primarily include the responsible attitude towards society, the environment and their own employees. Its Code of Ethics reflects contemporary trends.

In its business activities, PREdi 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. To ensure growth of the company's value, the corporate culture accents constant improvement of internal efficiency, innovation, and the support of employee initiative and activities. The company founds its position on mutual trust with customers and partners, a proactive approach to business development and professionalism and attentiveness of all employees.

Its aims is to continue developing into a modern and stable distribution company cognizant of the importance to deploy innovative technologies in its distribution system. The company's employees are its greatest asset. All those who have contributed to the uninterrupted operation of the electricity infrastructure are acknowledged and thanked for their high level of professionalism and commitment.

Financial report

In terms of financial results, 2022 was a success for PREdi, as its EBITDA exceeded the planned value, reaching CZK 3,203 million. An important element of EBITDA and profit generation was the amount of distributed electricity reaching the 6,000 GWh mark, which was achieved for the last time in 2019, despite adverse weather conditions and the situation on the energy market affecting the 2022 results.

The company's operating profit reached CZK 1,859 million, which is an increase of CZK 176 million year-on-year. The most important operating revenue item was the revenue from distribution services; the most important operating expense item was the cost of transmission and distribution services. Both decreased in the year-on-year comparison.

In 2022, PREdi purchased services for a total of CZK 1,642 million, which was CZK 69 million more than in 2021. Purchasing services within the PRE Group constitutes the largest portion of its total expenses. Outside of the Group, the highest expenses were borne in relation to the repairs and inspections of its distribution assets, rental fees for non-residential premises and cable collectors.

The company's total personnel expenses increased by CZK 44 million year-on-year. The increase was mainly due to an increase in wage costs and the associated increase in social security and health insurance costs.

The adjustment of operating assets value decreased by CZK 11 million year-on-year. The reason for this was a decrease in the value of accounting depreciation due to the write-down of the valuation difference, for which a uniform depreciation period of 15 years was set at the company's foundation.

The year-on-year increase in the value of other operating income was mainly due to an increase in income from connection contributions and also income from unauthorised withdrawals.

The company's other operating expenses decreased due to the implementation of cost saving measures as well as a reduction in costs from the relocation of distribution assets.

The year-on-year change in PREdi's yearly financial results was entailed by an increase in the borrowing capital.

PREdi's total assets increased year-on-year by CZK 585 million, reaching CZK 30,813 million. This increase was higher than in previous years and was due to increasing capital expenditure on the construction and renewal of distribution assets. The overall increase was mainly due to an increase in the value of fixed assets, most notably cable lines. Conversely, the value of current assets fell due to a decrease in current receivables.

The value of liabilities increased year-on-year by a total of CZK 1,050 million, which is mainly due to the increase in long-term liabilities in the PRE Group. On the other hand, equity decreased due to the dissolution of profit funds.

In 2022, 61% of the company's funding came from equity, 32% from liabilities and 7% from other liabilities.

Investments

PREdi considers investment into the distribution network key to ensuring and further enhancing a reliable and high-quality supply of electric energy as well as the high level of safety of its networks. That is why every year it draws up and implements long-term, medium-term and yearly investment plans. All of the plans are submitted to the bodies of the company for approval and are also subject to control by the regulator, ERÚ. The latter carefully monitors if distributors duly plan and carry out 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 maintain 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.

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. Just as in the previous years, PREdi continued in 2019 with the necessary and carefully planned renovation and modernisation of the existing 110 kV and 22 kV networks and distribution equipment. All investment was made in accordance with the set financial framework of PREdi's investment plan approved by its sole shareholder PRE for 2022.

Continuous maintenance of the backbone 110 kV network and its operations and safety are key to prevent large-scale failures that could cause supply disruptions across a large territory and the collapse of transport and the city's operation. All construction in Prague has been duly coordinated with the planning and construction departments of Prague City Council 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 as well as contribute to further improving the network management systems. Furthermore, these projects create favourable conditions to absorb the expected future increased requirements of new connected customers, decentralised sources and charging stations for the expanding sector of electromobility.

In 2022, PREdi invested CZK 1,956 million (including capitalisation) in the renovation and development of its distribution network, which is CZK 111 million more than in 2021. Investments were made in the networks of all voltage levels.

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. The major strategic construction projects implemented in 2022 include:

- the continued construction of the cable tunnel between the new Karlín TR and the Hlávka bridge;
- the continued construction of a new cable tunnel Invalidovna I;
- the continued construction of the Slivenec TR;
- the finalisation of the reconstruction of the Pražáčka TR;
- the continued reinstruction of the 110 kV distribution and control systems at the Jih TR; and,
- the launch of the construction of the 110 kV overhead lines between the Sever and Východ TRs in the area of the Letňany TR – tap pole No. 20.

Aside from the main listed strategic constructions in the backbone 110 kV networks and 110/22 kV transformer stations, the company also continued with the renovation of 22 kV switching and 22/0.4 kV distribution transformer stations and MV and LV cable lines. At the same time, systematic construction and technological renewal of low-voltage 1 kV networks was underway.

In connection with the new trends in the energy sector in the area of the widespread introduction of state-of-the-art technologies, PREdi has been intensively involved in the last few years in the catching-up of the distribution system and in the preparation of the gradual deployment of smart metering AMM. The company's goal is to implement AMM at approximately one third of its consumption points by 2027 and to continue with the remaining consumption points in the following years. The company also focuses much of its attention on the development of electromobility, accumulation and related services, which are relevant for distribution networks in an urban agglomeration.

As part of the development of PREdi's smart grid, more than a hundred smart 22/0.4 kV distribution transformer stations were implemented in 2022, thus ensuring higher reliability of electricity supply. The company also continued to develop its fibre optic infrastructure. The creation of a sufficiently fast, robust and reliable telecommunications infrastructure is a key prerequisite for the future development of smart grids and thus the implementation of the measures set out in the National Action Plan for Smart Grids and the requirements of the National Energy Concept. 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. The development of the optical network will enable PREdi to cope with technological changes and challenges related to the growth of decentralized generation, the development of electromobility, increasing demands on the reliability of the distribution network and the expected increase in the volume of measured and transmitted data from smart metering systems.

In Prague, 13 April 2023

Signed by

Milan Hampel

Chairperson of the Board of Directors

Signed by

Petr Dražil

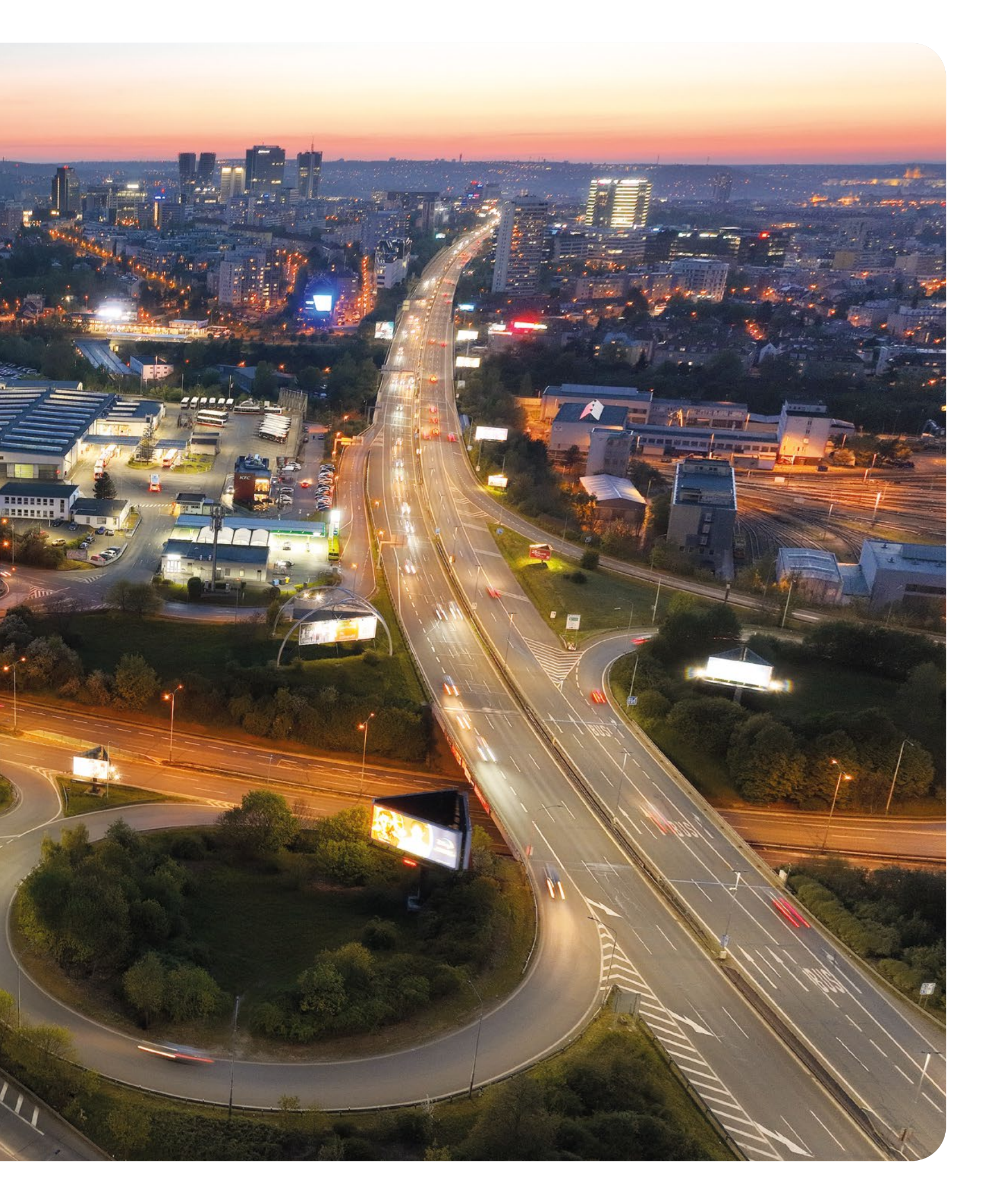
Vice-chairperson of the Board of Directors



We focus
on the quality
and safety
of the distribution
network

1,956

In 2022, we invested
CZK 1,956 million
in the renovation
and development
of the distribution
network.



Financial analysis

Level of productivity

	Unit	2022	2021	2020	Calculation formula
Total revenues	MCZK	9,290	9,720	9,630	Total revenue from the income statement
Sales margin from the sale of distribution	MCZK	5,167	4,905	4,802	Sales from the sale of distribution services – costs cost of transit and system services from the income statement
Profit after tax	MCZK	1,280	1,259	1,250	Profit after tax from the income statement

Level of profit from revenue

	Unit	2022	2021	2020	Calculation formula
Sales margin from the sale of distribution per CZK 1 of revenue	%	57.1	51.7	51.2	Sales margin from the sale of distribution / revenue from distribution services x 100
Profit before tax per CZK 1 of revenue	%	17.0	16.0	15.9	Profit/loss from ordinary activity before tax / total income x 100

Other indicators

	Unit	2022	2021	2020	Calculation formula
Current liquidity	%	88.7	90.8	109.1	Short-term assets / short-term liabilities x 100
Equity proportion to total invested capital	%	61.6	64.5	65.4	Equity / total invested capital x 100
Return on capital employed ROCE	%	7.2	6.6	6.5	ROCE = EBIT / (equity + long-term loans + deferred tax liability) x 100
Work productivity out of total revenue	TCZK / employee	19,765	20,725	20,889	Total revenue / average adjusted number of employees
EBIT – earnings before interest and taxes	MCZK	1,859	1,683	1,648	Earnings before interest and taxes
EBITDA – earnings before interest, taxes, depreciation and amortisation	MCZK	3,203	3,046	2,984	EBITDA = EBIT + depreciation

Human resources

Human resources management

The Human Resources department of the parent company PRE provides complete HR services for PREdi. Through its specialised units, PRE provides for PREdi the management of the entire HR agenda related to the employment relationship of employees, payroll calculations and other HR services and processes. Both tariff and negotiated wages are used in the company; specific applications of the remuneration system are provided for by relevant company standards. The SAP HR module is used for personnel administration.

The PRE Group's collective agreement – which is usually concluded for three years and to which PREdi is one of the contracting parties on behalf of the employer – covers the areas of labour law, social policy, health care and remuneration. These areas are dealt with in more detail in the internal regulations of the employer.

The area of occupational safety, environment and fire protection are also important for the company's smooth operation. All the agenda related to these is methodically managed by the parent company's Occupational Safety and Environmental Protection ('OSEP') department in close cooperation with PREdi and its specialised units. Together, they are involved in risk prevention, control and taking measures to achieve a safe working environment, eliminating identified deficiencies and thus reducing the accident rate, especially at the company's operational workplaces.

Training

PREdi considers the systematic and targeted training and development of its employees to be a key tool of its strategic HR management. PREdi's management strongly supports this agenda, thus helping its employees to achieve the required level of basic and managerial competences, knowledge, skills and abilities needed for stability and excellent performance in all positions across the company's structure.

It provides employees with development opportunities in the form of open courses, customized group training and a number of management development programs of the Human Resources department of the parent company. The latter manages the development and training of all PRE Group employees in line with a pre-approved Development and Training Plan. For this purpose, it uses all available methods and forms and cooperates with proven and market-recognised external training and consultancies. Some training programmes – especially management programmes – are supplemented by mentoring from internal experts from the ranks of HR, lawyers, IT specialists, etc., who expand the training topics with internal methodologies, regulations and rules within the PRE Group.

In 2022, the development of all PREdi employees, regardless of the position they hold, was focused on the following areas – legally mandated expert professional training, extra training and optimizing communication flows and information transfer within PREdi. The aim of expert professional training is to ensure that all employees can carry out their tasks and have sufficient qualification for future positions. An important legislative change occurred in 2022 – as of 1 July 2022, Decree No. 50/1978 Sb. was replaced by Regulation No. 194/2022 Sb. This regulation impacts, in particular, the form and organisation of the training required by the company for operational staff as part of their professional training.

PREdi has long been cooperating with secondary schools and universities, offering unpaid professional internships at its workplaces to electrical engineering students in their final year. The long-term shortage of workforce in the relevant technical fields demonstrates the importance of providing quality professional practice, especially for secondary school students, and from next year also a scholarship programme for students of the Faculty of Electrical Engineering and the Faculty of Information Technology of the Czech Technical University in Prague (‘ČVUT FEL and FIT’).

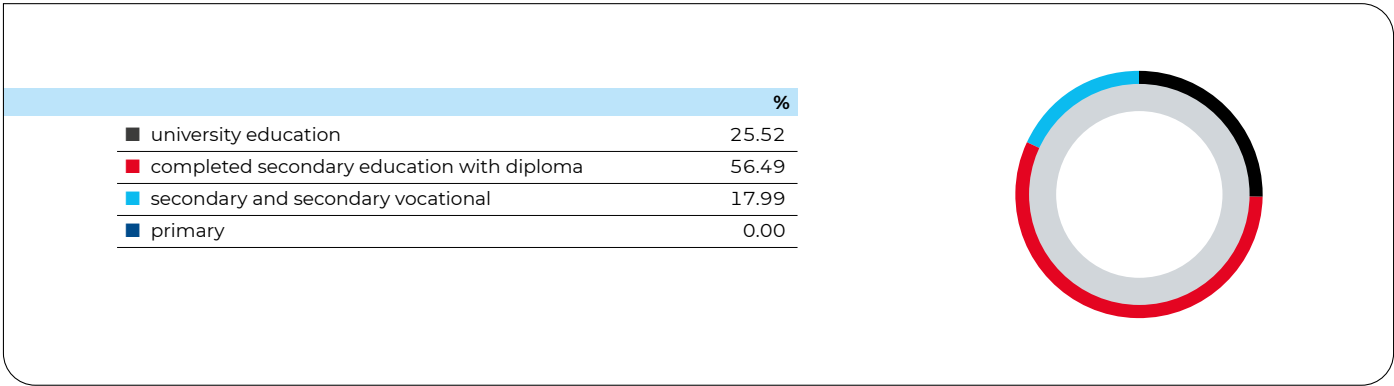
The PRE Group has sustained its Recruitment Programme continues, aiming to connect theoretical knowledge with practice for prospective employees, i.e., fresh graduates of technical fields. This has been a successful means of form of transferring experience and knowledge of the distribution network to new young employees from experienced professionals who will soon reach retirement age. As a result, over the 13 years of the existence of this programme, the company has gained many new, now experienced operational employees.

Social policy

PREdi’s social policy is based on a long-standing strong and stable social programme enshrined in the employer’s collective agreement. In all its aspects, it places particular emphasis on transparency and fairness for all employees.

The company views the collective agreement as one of the most important documents and tools for stabilising and motivating employees. PREdi has been consistently fulfilling all of its declared commitments toward employees. The document is thus seen as a reliable source of respected standards.

Qualification structure



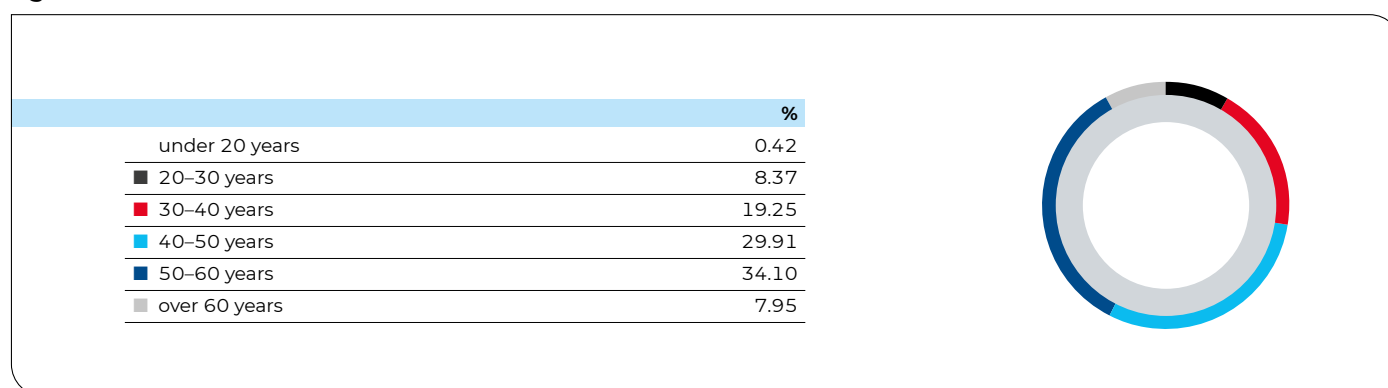
The social care programme is implemented in the form of blanket and optional employee benefits, which, in their scope and quality, meet a high standard of employee, especially in terms of improving their social conditions and standard of living, improving the working environment and healthcare.

With blanket benefits, employees can benefit from meal allowances, interest-free housing and social loans, pension and life insurance contributions, premium preventive health programmes, participation in sports and cultural events and as well as summer camp stays for their children.

Optional benefits on the other hand, can be used by employees via their personal accounts within a system of personal benefit points (PREkoruny), whose amount is defined per calendar year. They can be only used to cover for activities in such areas as are generally set out in the collective agreement.

Both blanket and optional benefits are provided for in the collective agreement and set out in more detail in internal regulations of the employer. The use of PRE's social benefit programme is regularly evaluated. When optional benefits are used more frequently, the structure of benefit programmes is redesigned to reflect the employees' real needs and priorities.

Age structure



Healthcare

PREdi considers healthcare of its employees as one of the top priorities of its social policy to which it allocates substantial funds. Recent years have shown that responsibility for health is not limited to our professions – it is now considered to be a responsibility and priority of the entire society.

In 2022, health care was provided to all employees of the company in the basic scope of occupational health care within the framework of the legislation in force in the office of the parent company PRE by the occupational health doctor of the POLIKLINIKA AGEL Praha Italská health care facility operated by the contractual partner Dopravní zdravotnictví, a.s. This includes regular, pre-employment, special and in some cases post-employment check-up of all PRE employees.

In addition to this, the occupational health professional cooperates closely with the OSEP department and PREdi's management, carrying out occupational health inspections at workplaces. Together, they then assess the situation and propose specific measures to remedy eventual deficiencies, thus reducing the risk of accidents and work-related sicknesses.

PRE provides to PREdi employees other supplementary healthcare services and free-of-charge preventive programmes. It cooperates with contracted medical facilities in the areas of dental care, urology, breast cancer prevention and endocrinology and provides this preventive care to its employees free of charge and on a voluntary basis.

Free regular vaccinations for field staff against seasonal diseases and, for those directly at risk, vaccinations against hepatitis A and tick-borne encephalitis also contribute to improving the health of employees.

Managers are provided with a premium preventive healthcare programme at the Na Homolce Hospital and Pavel Kolář's Centre for Musculoskeletal Medicine.

Environmental protection and OHS

The PRE Group has considered the environmental protection as well as the protection of the occupational health of its employees as one of its top long-term priorities. Considering the possible impact of its actions the group regards the environmental protection inextricably linked to energy efficiency, occupational health of its employees as well as third parties. In line with its Policy on environmental protection, safety and energy efficiency, the PRE Group has made efforts to fulfil its commitments and objectives provided for in the environmental management systems according to CSN EN ISO 50001:2019 and CSN EN ISO 14001:2016. The system also includes occupational health and safety managed in line with the 'Safe Enterprise' and 'Healthy Workplace' programmes.

The most notable steps taken by PREdi to promote environmental protection in 2022 include:

- calculating the organisation's carbon footprint for the previous year and establishing initiatives and identifying competences aimed at its long-term reduction;
- replacement of technological equipment to eliminate the risk of leakage of gases harmful to the Earth's atmosphere; and,
- implementing measures to improve the efficiency of stormwater drainage.

In terms of the occupational health and safety of its employees, PREdi has been implementing long-term preventive programmes aimed at the promotion of good health of its employees. The company considers the implementation of a contractor training programme for work in cable tunnels, including the setting up of regimes for independent work in cable tunnels, to be another important step taken in 2022.

The successful completion of the reconstruction of the Pražačka TR also contributed to a significant improvement in safety and environmental protection. PREdi managed to reduce emissions of gases damaging the atmosphere and thus significantly improved the working environment of its employees.

In terms of occupational safety, 2022 saw a number of important legislative changes dictated by the amendments to the legal requirements regarding operating specific technical devices. PREdi had to follow these changes by adopting a number of steps aimed at aligning its processes with the new legislative framework.

During the first half of the year, the company also took measures to tackle the effects of the subsiding covid-19 pandemic.

Risk management system

Risk management in PREdi draws on a common methodical framework shared by all the companies of the PRE Group. The primary objective of the risk management system is to eliminate or minimise the negative impacts of risks on the company and increase the company's value through facing acceptable risks and exploiting opportunities arising from risks. The system also serves to regularly assess the effectiveness of risk management tools and measures and ensures 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 of the risks are updated in regular periods determined by their respective severity and recorded in a list of risks of the company.

Special attention is paid to legislative-regulatory risks that could have the most profound on 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 a relevant methodology are based on the methods and procedures of the EnBW corporate group. The monitored risks are reported at regular intervals using a unified structure stipulated by the risk management standards of the EnBW corporate group.

Report on General Meetings

In 2022, four General Meetings were held in the form of resolutions issued by the parent company as the sole shareholder.

General Meeting held on 13 January

Agenda:

..... the election of members of the Board of Directors and approval of amendments to their contracts of office.

General Meeting held on 7 April

Agenda:

..... the assessment of the fulfilment of the objectives set by the Board of Directors' executive members for 2021; and,
..... the payment of the variable yearly bonus to the Board of Directors' executive members.

General Meeting held on 2 May

Agenda:

..... Report of the Board of Directors on Business Activities and Assets for 2021;
..... the Supervisory Board Report;
..... the separate financial statements for 2021, the proposal for the distribution of 2021 profit, including the determination of the amount of dividends and director's fees and the method of payment;
..... the company's business concept for 2022;
..... the Report on Relations for 2021;
..... designation of the auditing firm for 2022–2025; and,
..... the 2021 Annual Report.

General Meeting held on 1 July

Agenda:

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



PRE

We increase
the reliability
of electricity supply



100

Every year, we
smarten over
100 distribution
transformer stations.



Information required by law

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

No such facts have occurred.

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

The information is presented in the chapter "Company strategy" and "Report of the Board of Directors on Business Activities and Assets for 2022".

Information about activities in research and development

The company does not systematically conduct activities in these fields.

Information about acquisition of own shares

In 2022, 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.

Report on Relations of PREdistribuce, a.s., for 2022

("the Report on Relations") drawn up in accordance with Section 82 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives ("the Business Corporations Act") for the accounting period of 1.1.2022 to 31.12.2022. The relations are described in a manner respecting the provisions of Section 504 of Act No. 89/2012 Sb., the Civil Code, concerning trade secrets, and by analogy with the provisions of Section 359 of the Business Corporations Act concerning restrictions of information provision.

1. The structure of the relations between the controlled entity and the controlling entity, role of the controlled entity and the manner and means of control

Controlling entity (managing entity): **Pražská energetika, a.s.**, registered office Na Hroudě 1492/4, Prague 10, 100 05, ID No.: 60193913, registered with the Municipal Court in Prague, file ref. 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) and VOLTCOM, spol. s r.o. as managed entities, and Pražská energetika, a.s., as the managing entity, jointly constitute a corporate group Pražská energetika, a.s. ("the PRE Group"). The PRE Group also includes the 100% subsidiaries of PREměření, a.s. The following overview of the companies, including the control scheme, also includes the company NETFIN Infrastructure, a.s., in which PREnetcom, a.s., acquired a 50% share on 31 May 2022.

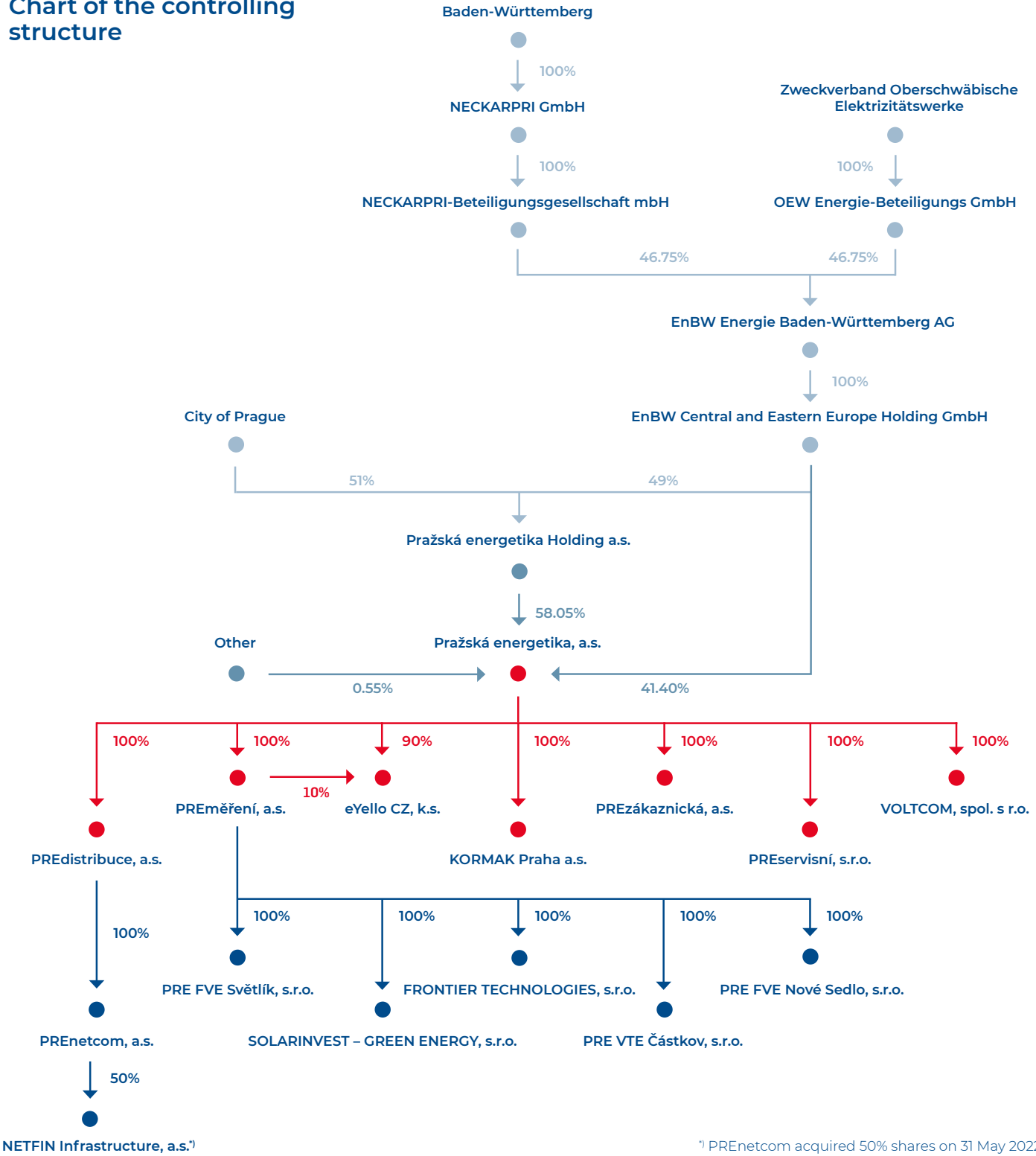
PREdi is a 100% subsidiary of PRE. PRE elects and removes members of the Board of Directors and the Supervisory Board of PREdi. PRE defines the strategic management of the PRE Group and also makes decisions about PREdi's business concept, including the rules of remuneration and the principles of collective 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 Roztoky. 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.

Overview of the companies forming the PRE Group together with the controlling and controlled entity:

- **PREměření, a.s.**, registered office Na Hroudě 2149/19, Prague 10, 100 05, ID No.: 25677063, registered with the Municipal Court in Prague, file ref. B 5433 (**PREm**);
- **PREzákaznická, a.s.**, registered office Na Hroudě 1492/4, Prague 10, 100 05, ID No.: 06532438, registered with the Municipal Court in Prague, file ref. B 22870 (**PREzak**);
- **eYello CZ, k. s.**, registered office Kubánské náměstí 1391/11, Prague 10, 100 00, ID No.: 25054040, registered with the Municipal Court in Prague, file ref. A 76596 (**eYello**);
- **KORMAK Praha a.s.**, registered office K Sokolovně 34, Prague 10, 104 00, ID No.: 48592307, registered with the Municipal Court in Prague, file ref. B 20181 (**KORMAK Praha**);
- **PREservisní, s.r.o.**, registered office Na Hroudě 1492/4, Prague 10, 100 05, ID No.: 02065801, registered with the Municipal Court in Prague, file ref. C 215222 (**PREs**);
- **VOLTCOM, spol. s r.o.**, registered office Otevřená 1092/2, Prague 6, 169 00, ID No.: 44794274, registered with the Municipal Court in Prague, file ref. C 7541 (**VOLTCOM**);
- **PREnetcom, a.s.**, (a 100% subsidiary of PREdi) registered office Na Hroudě 1492/4, Prague 10, 100 05, ID No.: 06714366, registered with the Municipal Court in Prague, file ref. B 23057 (**PREnetcom**);
- **PRE FVE Světlík, s.r.o.**, (a 100% subsidiary of PREm) registered office Na Hroudě 2149/19, Prague 10, 100 05, ID No.: 28080378, registered with the Municipal Court in Prague, file ref. C 287994;
- **SOLARINVEST – GREEN ENERGY, s.r.o.**, (a 100% subsidiary of PREm) registered office Na Hroudě 2149/19, Prague 10, 100 05, ID No.: 28923405, registered with the Municipal Court in Prague, file ref. C 153406;
- **FRONTIER TECHNOLOGIES, s.r.o.**, (a 100% subsidiary of PREm) registered office Na Hroudě 2149/19, Prague 10, 100 05, ID No.: 27234835, registered with the Municipal Court in Prague, file ref. C 106530;
- **PRE VTE Částkov, s.r.o.**, (a 100% subsidiary of PREm) registered office Na Hroudě 2149/19, Prague 10, 100 05, ID No.: 27966216, registered with the Municipal Court in Prague, file ref. C 327201;
- **PRE FVE Nové Sedlo, s.r.o.**, (a 100% subsidiary of PREm) registered office Na Hroudě 2149/19, Prague 10, 100 05, ID No.: 11911913, registered with the Municipal Court in Prague, file ref. C 356261;
- **NETFIN Infrastructure, a.s.**, (a 50% subsidiary of PREnetcom since 31 May 2022), registered office Na Hroudě 1492/4, Prague 10, 100 05, ID No.: 17093881, registered with the Municipal Court in Prague, file ref. B 27250.

Chart of the controlling structure



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 2022, 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

Lease contract – plastic advertising panels – 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

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

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

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

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

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

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

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

Contract on the lease of non-residential premises for business No. NV/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. NV/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, as amended

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

Operational cash transfer agreement No. PS20000017/009 – in effect from 17 February 2017 for an indefinite period of time

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

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

Contract on the sale of electricity in PREpoint charging stations No. 191600180/PS20000019/K/2017/045 – in effect from 20 February 2019

Contract of mandate to contract No. PS20000021/025 (services linked to damage-causing events) – in effect from 21 July 2021 for an indefinite period of time

Contract on long-term loan No. 1/2022 – in effect from 27 June 2022 to 15 July 2034

2 agreements on the conclusion of a future agreement on the establishment of an easement – in effect from 31 December 2030

2 contracts on the lease of a part of a land – in effect from 1 July 2021 to 30 June 2026

99 contracts in effect on the lease of a part of an immovable asset (buildings)

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. NO21110/004, 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. NO21110/005, 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

9 contracts on the cooperation on performing work on unmeasured parts of electricity consumption equipment

Contract on personal data processing No. PS27200021/007 – in effect from 9 August 2021 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 bikes)

3 orders on the installation of separator machines

Contract for work to perform construction No. IS/S24/2260927 – in effect from 21 November 2022 to 31 November 2022

Order for heating repairs – museum No. PO/S21/22/58072 – in effect from 5 April 2022 to 31 December 2022

Order for repair of charging cable holders – Karlov No. PO/S21/22/58397 – in effect from 27 April 2022

Order for rental of 2 electric bicycles No. PS20100022/001 – in effect from 21 April 2022

Order for repair of an electric bike No. PS21001022/068 – in effect from 1 May 2022

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, as amended

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, as amended

e) Contracts between 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, as amended

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. PS27200021/2019/008 – in effect from 17 December 2021 for an indefinite period of time

Contract on the cooperation on performing work on unmeasured parts of electricity consumption equipment No. PS27200022/002 – in effect from 11 January 2022 to 14 December 2026

Lease contract – supply contract No. NV/S24/1946371 – in effect from 11 July 2019 for an indefinite period of time

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. PS23330222/011 – in effect from 1 January 2022 to 31 December 2022

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

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

3 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

143 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

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

General contract on the OHS coordination and planning activities No. R/S24/2259536 – in effect from 1 July 2022 to 31 December 2022, including 5 sub-orders

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. PS27200019/012 – in effect from 16 December 2019 for an indefinite period of time

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

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

Contract for work No. PS23320121/012 – inspection and maintenance of a TS – in effect from 1 April 2021 to 31 December 2022

General contract for work No. PO/S21/2156296 – assembly, dismantling and disposal of transformers – in effect from 1 January 2022 to 31 December 2022

Contract for work No. PS21001022/081 – measures for environmental protection of TS No. 239 – in effect from 1 July 2022 to 31 August 2022

Contract on the provision of dispatcher control services and handling No. PS23330222/001 – in effect from 1 January 2022 to 31 December 2022

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

6 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

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

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

2 contracts for the sale of transformers

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

2 orders for calibration and pressurization of microtubes

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

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

2 contracts for work on carrying out repairs of distribution network

i) Contracts between PREdi, 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 2023

Signed by

Milan Hampel

Chairperson of the Board of Directors

Signed by

Petr Dražil

Vice-chairperson of the Board of Directors

Supervisory Board Report on Activities in 2022

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's business activities in compliance with the law and the Articles of Association.

In 2022, five meetings of the Supervisory Board were held. They were regularly attended by the chairperson and the vice-chairperson of the Board of Directors.

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

In 2022, the Supervisory Board, among other:

- debated and reviewed the Report on Relations for 2021 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 2021;
- debated and reviewed the consolidated and separate financial statements for 2021 including the auditor's reports; the Supervisory Board concluded that the financial report presented a true and fair view of the financial and economic situation of the Group as well as the results of its business activities;
- reviewed the proposal for the distribution of 2021 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 2021 Annual Report;
- debated the materials to be debated by the General Meeting of the company convened on 2 May 2022;
- debated and approved the fulfilment of the top management's objectives for 2021;
- debated and approved the investment plan for the project Areál Sever – renovation and expansion of the existing transformer service;
- debated and approved the investment plan for the project Areál Sever – distribution transformer warehouse;
- debated and approved the investment plan for the project Reconstruction of R 22 kV in the Východ TR;
- debated and approved the investment plan for the project Innovation of the 110 kV cable line Radlice K 110;
- debated and approved the investment plan for the project Connection of the 30 MW data centre in Dolní Chabry;
- debated and approved the investment plan for the project Partial expansion and renovation of the Běchovice TR;
- debated and approved the investment plan for the project Střed TR – renovation of R 22 kV and the control station;
- debated and approved the investment plan for the project 22 MW ČRA data centre;

..... debated and approved the sale of the company's real estate within the Group – the land of the Východ TR (excluding buildings and equipment located on the land) and their subsequent lease,
..... debated and approved the sale of the unused land No. 724/2 in Lochkov, Prague; and,
..... debated the economic plan for 2023 and the draft plan for 2024–2025.

The Supervisory Board declares that the company's economic results in 2022 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, 28 February 2023

Signed by

Pavel Elis

Chairperson of the Supervisory Board



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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 2022, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note "General information" to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, 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

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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.

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 2022. The responsibility for the preparation and factual accuracy of this report rests with the Company's statutory body. Our responsibility is to express our view on the report on relations based on our review.

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

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations of PREdistribuce, a.s. for the year ended 31 December 2022 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 2022, based on which this independent auditor's report has been prepared.

Prague
27 April 2023

Signed by

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

Signed by

Petr Kuna
Partner
Registration number 2476

Separate financial statements of PREdistribuce, a.s.

In full format as at 31 December 2022

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 Act No. 563/1991 Coll., 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	2022	2021
I.	Revenue from distribution services and other revenues	(1)	9,082,459	9,518,953
I. 1. 1.	Revenue from distribution services in the Group		5,573,906	5,827,938
I. 1. 2.	Revenue from distribution services outside the Group		3,483,065	3,667,182
I. 2.	Other revenues		25,488	23,833
A.	Cost of sales	(3)	(5,553,188)	(6,187,898)
A. 2. 1.	Cost of transit and system services and losses		(3,889,541)	(4,590,040)
A. 2. 2.	Consumed material and energy		(21,870)	(24,793)
A. 3.	Purchased services		(1,641,777)	(1,573,065)
D.	Personnel expenses	(2)	(519,868)	(476,012)
D. 1.	Wages and salaries		(367,954)	(341,373)
D. 2.	Social security and health insurance expenses and other expenses		(151,914)	(134,639)
D. 2. 1.	Social security and health insurance expenses		(129,159)	(120,409)
D. 2. 2.	Other expenses		(22,755)	(14,230)
E.	Adjustments relating to operating activities		(1,341,671)	(1,352,776)
E. 1.	Adjustments to intangible and tangible fixed assets		(1,343,896)	(1,363,949)
E. 1. 1.	Depreciation and amortisation of intangible and tangible fixed assets	(6, 7)	(1,343,896)	(1,363,949)
E. 3.	Adjustments to receivables	(9)	2,225	11,173

Income statement (TCZK)

Ident.	Text	Note	2022	2021
III.	Other operating revenues		207,222	201,105
III. 1.	Proceeds from disposals of fixed assets		1,619	838
III. 2.	Proceeds from disposals of raw materials		1,448	2,116
III. 3.	Other operating revenues	(1)	204,155	198,151
F.	Other operating expenses		(15,950)	(20,696)
F. 1.	Net book value of fixed assets sold		(1,267)	(381)
F. 3.	Taxes and charges		(2,865)	(2,581)
F. 4.	Provisions relating to operating activity and complex prepaid expenses		9,433	7,917
F. 5.	Other operating expenses		(21,251)	(25,651)
*	Operating profit (loss)		1,859,004	1,682,676
J.	Interest expense and similar expense	(4)	(275,705)	(124,209)
J. 1.	Interest expense and similar expense – group undertakings		(272,576)	(121,908)
J. 2.	Other interest expense and similar expense		(3,129)	(2,301)
VII.	Other financial revenue		16	17
K.	Other financial expense		(222)	(174)
*	Profit (loss) from financial operations		(275,911)	(124,366)
**	Profit (loss) before tax	(5)	1,583,093	1,558,310
L.	Income tax	(5)	(303,000)	(299,502)
L. 1.	Current income tax		(263,790)	(272,930)
L. 2.	Deferred income tax		(39,210)	(26,572)
**	Profit (loss) after tax		1,280,093	1,258,808
***	Profit/loss for the period		1,280,093	1,258,808
*	Net turnover for the period		9,289,697	9,720,075

Balance sheet (TCZK)

Ident.	ASSETS	Note	2022			2021
			Gross	Adjust.	Net	Net
	TOTAL ASSETS		61,337,390	(30,524,863)	30,812,527	30,227,592
B.	Fixed assets		58,853,966	(30,475,643)	28,378,323	27,767,598
B. I.	Intangible fixed assets	(7)	59,942	(51,981)	7,961	10,421
B. I. 1.	Research and development		39,509	(36,751)	2,758	3,553
B. I. 2. 1.	Software		19,692	(15,230)	4,462	5,961
B. I. 5. 2.	Intangible fixed assets under construction		741	-	741	907
B. II.	Tangible fixed assets	(6)	58,791,924	(30,423,662)	28,368,262	27,755,077
B. II. 1.	Land and buildings		42,698,970	(20,675,792)	22,023,178	21,645,218
B. II. 1. 1.	Land		722,856	-	722,856	713,758
B. II. 1. 2a.	Cables and overhead power lines		26,267,721	(11,734,395)	14,533,326	14,101,043
B. II. 1. 2b.	Power structures		15,708,393	(8,941,397)	6,766,996	6,830,417
B. II. 2.	Plant and equipment		13,117,730	(8,429,640)	4,688,090	4,540,124
B. II. 2. 2a.	Transformer station and distribution plant technology		10,264,984	(6,554,201)	3,710,783	3,659,222
B. II. 2. 2b.	Dispatching and control system equipment		2,545,137	(1,636,784)	908,353	817,484
B. II. 2. 2c.	Other equipment		307,609	(238,655)	68,954	63,418
B. II. 4.	Other tangible fixed assets		2,323,455	(1,318,230)	1,005,225	981,291
B. II. 4.3.	Other tangible fixed assets – electricity meters in the network		2,323,455	(1,318,230)	1,005,225	981,291
B. II. 5.	Advance payments for tangible fixed assets and tangible fixed assets under construction		651,769	-	651,769	588,444
B. II. 5. 1.	Advance payments for tangible fixed assets		21,230	-	21,230	21,360
B. II. 5. 2.	Tangible fixed assets under construction		630,539	-	630,539	567,084
B. III.	Long-term investments	(8)	2,100	-	2,100	2,100
C.	Current assets		2,482,150	(49,220)	2,432,930	2,458,300
C. I.	Inventories		6	-	6	-
C. I. 5.	Advance payments for inventories		6	-	6	-
C. II.	Receivables		2,480,350	(49,220)	2,431,130	2,456,581
C. II. 1.	Long-term receivables		68	-	68	68
C. II. 1. 1.	Trade receivables		63	-	63	63
C. II. 1. 5.	Receivables – other		5	-	5	5
C. II. 2.	Short-term receivables		2,480,282	(49,220)	2,431,062	2,456,513
C. II. 2. 1.	Trade receivables	(9)	114,595	(49,220)	65,375	95,316
C. II. 2. 2.	Receivables – group undertakings	(18)	40	-	40	16,831
C. II. 2. 4.	Receivables – other		2,365,647	-	2,365,647	2,344,366
C. II. 2. 4. 3.	Tax receivables		4,221	-	4,221	17,471
C. II. 2. 4. 4.	Short-term advances paid		803	-	803	66,009
C. II. 2. 4. 5.	Estimated receivables	(18)	2,359,837	-	2,359,837	2,259,965
C. II. 2. 4. 6.	Other receivables		786	-	786	921
C. IV.	Cash		1,794	-	1,794	1,719
C. IV. 1.	Cash on hand		1,794	-	1,794	1,719
D.	Deferrals		1,274	-	1,274	1,694

Balance sheet (TCZK)

Ident.	LIABILITIES AND EQUITY	Note	2022	2021
	TOTAL LIABILITIES AND EQUITY		30,812,527	30,227,592
A.	Equity	(10)	18,988,209	19,497,216
A. I.	Share capital		17,707,934	17,707,934
A. III.	Funds from profit		-	530,000
A. IV.	Retained profits		182	474
A. V.	Profit (loss) for the period		1,280,093	1,258,808
B. + C.	Liabilities		9,765,038	8,715,213
B.	Provisions		175,429	200,179
B. 4.	Other provisions	(11)	175,429	200,179
C.	Payables		9,589,609	8,515,034
C. I.	Long-term liabilities		6,846,556	5,807,346
C. I. 6.	Liabilities – group undertakings	(18)	3,700,000	2,700,000
C. I. 8.	Deferred tax liability	(12)	3,146,556	3,107,346
C. II.	Short-term payables		2,743,053	2,707,688
C. II. 3.	Short-term advances received		496,412	388,600
C. II. 4.	Trade payables	(13)	185,882	136,172
C. II. 6.	Liabilities – group undertakings	(18)	1,805,873	1,764,207
C. II. 8.	Liabilities – other		254,886	418,709
C. II. 8. 3.	Payables to employees		20,838	19,860
C. II. 8. 4.	Social security and health insurance liabilities	(5)	11,854	11,263
C. II. 8. 5.	Tax liabilities and subsidies	(5)	85,588	108,852
C. II. 8. 6.	Estimated payables		136,125	278,316
C. II. 8. 7.	Other payables		481	418
D.	Accruals		2,059,280	2,015,163
D. 1.	Accrued expenses		93,640	51,176
D. 2.	Deferred revenues	(14)	1,965,640	1,963,987

Cash flow statement (TCZK)

	Note	2022	2021
Cash and cash equivalents at the beginning of the period	(19)	(1,731,215)	(1,161,421)
Operating activity			
Accounting profit from ordinary activities before taxation		1,583,093	1,558,310
Depreciation and amortisation	(6, 7)	1,343,896	1,363,949
Write-off of doubtful receivables and other assets		1,910	5,885
Change in adjustments and provisions	(9, 11)	(26,974)	(40,648)
Investment contributions accounted for in revenues	(14)	(192,605)	(182,860)
Gains (losses) from sale and disposal of fixed assets		(263)	844
Interest	(4)	272,576	121,995
Net cash flow from operating activity before changes in working capital		2,981,633	2,827,475
Change in receivables from operating activity and deferrals		141,607	6,673
Change in short-term payables from operating activity and accruals		(109,877)	(146,325)
Change in inventories		(6)	-
Net cash flow from operating activity before taxation and interest		3,013,357	2,687,823
Interest paid	(4)	(230,112)	(116,189)
Income tax paid		(250,538)	(243,185)
Net cash flow from operating activity		2,532,707	2,328,449
Investment activity			
Cash paid for acquisition of fixed assets		(1,988,281)	(1,842,165)
Proceeds from investment contributions	(14)	334,258	193,184
Proceeds from sale of fixed assets		1,619	838
Net cash flow from investment activity		(1,652,404)	(1,648,143)
Financial activity			
Change in intercompany receivables and payables from financing		1,000,000	-
Dividends paid and directors' fees paid		(1,789,100)	(1,250,100)
Net cash flow from financial activity		(789,100)	(1,250,100)
Change in cash and cash equivalents		91,203	(569,794)
Cash and cash equivalents at the end of the period	(19)	(1,640,012)	(1,731,215)

General information

Establishment and description of the Company

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

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

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

Statutory and supervisory bodies as at 31 December 2022

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 divided into four sections: Network Management, Preparation of Constructions, Network Access and Economics, and Network Concepts. The Regulated Assets division is divided into three sections: Network Administration, Network Operation, and Security and Distribution Systems.

The PRE Group

The PRE Group consists of the parent company, Pražská energetika, a.s., which is the holder of licences for trading in electricity and gas in the Czech Republic, and its subsidiaries. These include PREdistribuce, a.s., PREměření, a.s., eYello CZ, k.s., KORMAK Praha a.s., PREservisní, s.r.o., PREzákaznická, a.s. and VOLTCOM, spol. s r.o. The following 100% subsidiaries of PREměření, a.s. also form part of the PRE Group: PRE FVE Světlík, s.r.o.,

SOLARINVEST – GREEN ENERGY, s.r.o., FRONTIER TECHNOLOGIES, s.r.o., PRE VTE Částkov, s.r.o. and PRE FVE Nové Sedlo, s.r.o. The PRE Group also includes PREnetcom, a.s., which is a 100% subsidiary of PREdistribuce, a.s., which has a 50% equity investment in NETFIN Infrastructure, a.s.

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

The consolidated financial statements of the narrowest group of entities to which the Company as a consolidated entity belongs are prepared by Pražská energetika, a.s., with its registered office at Na Hroudě 1492/4, Vršovice, 100 00 Prague. 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 Act No. 563/1991 Coll., 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	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	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 Company pays employee benefits pursuant to the Collective Agreement arising from bonuses paid to employees upon retirement and work and life jubilees. Provisions for these benefits are measured at the present value of anticipated future payments using actuarial models. To calculate the provision, a projected unit credit method is used - i.e. for each period worked, the employee is entitled to a proportion of the present value of the benefit. The calculation takes into account the probability that the benefit will not be paid out, i.e. the probability that the employee will stay in the Company until the benefit is paid out.

Short-term payables

Short-term payables are stated at their nominal value.

Revenue recognition

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

Expense recognition

Operating leases

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

Contents of the notes to the financial statements

1. Revenue recognition
2. Personnel expenses
3. Purchase of material, services and utilities
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5. Income tax
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8. Long-term investments
9. Trade receivables
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16. Fees payable to auditors
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20. Material subsequent events

(1) Revenues (TCZK)

Revenues relating to the supply of distribution services and other revenues	2022	2021
Sale of distribution and system services to B2B customers	2,972,200	3,290,873
Sale of distribution and system services to B2C (including low voltage B2B)	6,071,452	6,192,148
Other revenues	13,319	12,100
Revenues relating to the supply of distribution services	9,056,971	9,495,121
Revenues from services rendered in the Group	14,607	12,627
Revenues from services rendered outside the Group	10,881	11,205
of which: servicing and installation	3,824	4,969
leases	4,535	4,381
Other revenues	25,488	23,832
Total	9,082,459	9,518,953

Other operating revenues	2022	2021
Release of connection fees accruals	192,605	182,860
Compensation for unauthorised consumption	2,696	1,157
Other	8,854	14,134
Total	204,155	198,151

(2) Personnel expenses (TCZK)

	2022 Employees and executives	2021 Employees and executives
Average headcount	470	469
Salaries*	329,423	305,270
Salaries paid depending on the Company's goal performance	25,101	22,522
Insurance	129,159	120,409
Remuneration paid to members of the Company's bodies	13,430	13,581
Other social costs (according to the collective agreement)**	22,755	14,230
Total	519,868	476,012

* In 2022, salaries include a compensation of TCZK 929 received as part of the Antivirus programme (2021: TCZK 552).

** 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.

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

	2022	2021
Electricity consumption for grid losses*	325,651	297,816
Services of the parent company	434,275	430,766
Lease of non-residential premises	65,130	63,687
Lease of cars	21,727	20,385
Installation work and reading of meters	266,632	244,079
Customer service	247,022	231,464
IT support	30,560	43,902
Repairs of fixed assets	75,390	52,725
Other	37,544	38,629
Costs of purchase of material, services and utilities in the Group	1,503,931	1,423,453
Purchase of distribution and system services	3,563,890	4,292,225
Consumed material and energy	17,565	21,325
Repairs of fixed assets	224,427	206,602
Lease of cable tunnels	121,919	116,899
Lease of non-residential premises	39,082	36,727
Other	82,374	90,667
Costs of purchase of material, services and utilities outside the Group	4,049,257	4,764,445
Total	5,553,188	6,187,898

* 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 expense (TCZK)

	2022	2021
Interest expense: from cash pooling	(143,742)	(26,850)
from loans in the Group*	(128,822)	(95,058)
from employee benefits	(3,129)	(2,214)
others outside the Group	(12)	(87)
Total	(275,705)	(124,209)

* In addition to interest expense, part of the borrowing costs also included capitalised interest of TCZK 16,233 (2021: TCZK 13,273), which is included in the acquisition cost of assets.

(5) Income tax (TCZK)

Effective tax rate	2022		2021	
Profit/loss for the period	1,280,093		1,258,808	
Income tax	303,000		299,502	
Profit before tax	1,583,093		1,558,310	
Income tax using the applicable income tax rate	300,788	19.00%	296,079	19.00%
Impact of items that are never tax-deductible	2,422	0.15%	1,872	0.12%
Corrections of estimates of prior years' taxes	(210)	(0.01)%	1,551	0.10%
Total income tax / effective tax rate	303,000	19.14%	299,502	19.22%

The current income tax estimate for 2022 of TCZK 264,000 (2021: TCZK 271,300) was reduced by income tax prepayments of TCZK 268,221 (2021: TCZK 288,771) and the net receivable is recorded in tax receivables.

Payables to the state	2022	2021
Social security and health insurance liabilities	11,854	11,263
Tax liabilities	85,588	108,852

None of these liabilities are overdue.

(6) Tangible fixed assets (MCZK)

			Cables and overhead power lines	Telecommu- nication technology and information technologies	Electricity meters	Sundry	Assets under construction	Total
Acquisition cost								
Balance on								
31 December 2020	708.3	25,116.6	24,636.8	2,291.2	2,177.8	289.9	570.5	55,791.1
Additions	5.7	346.8	842.7	116.6	159.0	2.6	369.4	1,842.8
Disposals	(0.2)	(119.9)	(160.1)	(51.6)	(104.6)	(9.4)	-	(446.8)
Transfers	-	229.9	55.8	36.8	20.8	7.2	(351.5)	-
Balance on								
31 December 2021	713.8	25,573.4	25,375.2	2,393.0	2,253.0	290.3	588.4	57,187.1
Accumulated depreciation								
Balance as at								
31 December 2020	-	(14,651.5)	(10,807.9)	(1,564.0)	(1,272.8)	(223.9)	-	(28,520.1)
Depreciation expense	-	(551.8)	(626.4)	(63.1)	(103.4)	(12.3)	-	(1,357.0)
Disposals	-	119.5	160.2	51.6	104.5	9.3	-	445.1
Balance as at 31								
December 2021	-	(15,083.8)	(11,274.1)	(1,575.5)	(1,271.7)	(226.9)	-	(29,432.0)
Net book value as at								
31 December 2020	708.3	10,465.1	13,828.9	727.2	905.0	66.0	570.5	27,271.0
Net book value as at								
31 December 2021	713.8	10,489.6	14,101.1	817.5	981.3	63.4	588.4	27,755.1

		Power	Cables	Telecommu- nication technology and information technologies	Electricity meters	Sundry	Assets under construction	Total
	Land	structures	and overhead power lines					
Acquisition cost								
Balance as at								
31 December 2021	713.8	25,573.4	25,375.2	2,393.0	2,253.0	290.3	588.4	57,187.1
Additions	9.2	349.8	967.4	133.3	115.0	17.1	362.8	1,954.6
Disposals	(0.2)	(88.2)	(190.2)	(6.3)	(63.9)	(0.9)	-	(349.7)
Transfers	0.1	138.4	115.3	25.1	19.3	1.2	(299.4)	-
Balance as at								
31 December 2022	722.9	25,973.4	26,267.7	2,545.1	2,323.4	307.7	651.8	58,792.0
Accumulated depreciation								
Balance as at								
31 December 2021	-	(15,083.8)	(11,274.1)	(1,575.5)	(1,271.7)	(226.9)	-	(29,432.0)
Depreciation expense	-	(499.0)	(650.4)	(67.6)	(110.3)	(12.7)	-	(1,340.0)
Disposals	-	87.2	190.1	6.3	63.8	0.9	-	348.3
Balance as at								
31 December 2022	-	(15,495.6)	(11,734.4)	(1,636.8)	(1,318.2)	(238.7)	-	(30,423.7)
Net book value as at								
31 December 2021	713.8	10,489.6	14,101.1	817.5	981.3	63.4	588.4	27,755.1
Net book value								
as at 31 December 2022	722.9	10,477.8	14,533.3	908.3	1,005.2	69.0	651.8	28,368.3

None of the Company's assets are pledged or used as a guarantee. Additions to fixed assets as at 31 December 2022 and as at 31 December 2021, primarily related to the restoration and development of distribution networks.

(7) Intangible fixed assets (MCZK)

	Software	Sundry	Assets under construction	Total
Acquisition cost				
Balance as at 31 December 2020	17.8	38.5	0.1	56.4
Additions	1.1	0.1	0.9	2.1
Transfers	-	0.1	(0.1)	-
Balance as at 31 December 2021	18.9	38.7	0.9	58.5
Accumulated amortisation				
Balance as at 31 December 2020	(8.4)	(32.9)	-	(41.3)
Amortisation expense	(4.5)	(2.3)	-	(6.8)
Balance as at 31 December 2021	(12.9)	(35.2)	-	(48.1)
Net book value as at 31 December 2020	9.4	5.6	0.1	15.1
Net book value as at 31 December 2021	6.0	3.5	0.9	10.4

	Software	Sundry	Assets under construction	Total
Acquisition cost				
Balance as at 31 December 2021	18.9	38.7	0.9	58.5
Additions	0.4	0.3	0.7	1.4
Transfers	0.4	0.5	(0.9)	-
Balance as at 31 December 2022	19.7	39.5	0.7	59.9
Accumulated amortisation				
Balance as at 31 December 2021	(12.9)	(35.2)	-	(48.1)
Amortisation expense	(2.3)	(1.5)	-	(3.8)
Balance as at 31 December 2022	(15.2)	(36.7)	-	(51.9)
Net book value as at 31 December 2021	6.0	3.5	0.9	10.4
Net book value as at 31 December 2022	4.5	2.8	0.7	8.0

Low-value fixed assets

In line with the Company's accounting policies (refer to "Accounting principles"), low-value fixed assets are expensed upon acquisition. The acquisition cost of low-value tangible assets with the acquisition cost of up to TCZK 40 that were in use as of the balance sheet date amounts to TCZK 86,249 (2021: TCZK 86,295). The Company holds no low-value intangible fixed assets.

(8) Long-term investments (TCZK)

	Note	Share	2022	2021
PREnetcom, a.s.	Non-marketable	100%	2,000	2,000
Other*			100	100
Total			2,100	2,100

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

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

Other information about the subsidiary

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

Company name: PREnetcom, a.s.

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

	2022	2021
Registered office: Prague 10, Na Hroudě 1492/4		
ID No.: 06714366		
Average headcount	28	22
Financial data (TCZK)		
Share capital	2,000	2,000
Equity	57,417	39,088
Profit/loss after tax	19,229	15,967
Revenue from sale of products and services	91,325	84,512

(9) Trade receivables (TCZK)

Trade receivables	2022	2021
Up to 6 months past due	13,181	3,357
6 to 12 months past due	591	530
More than 12 months past due	47,845	49,230
Gross past-due trade receivables	61,617	53,117
Before due	52,978	93,644
Total gross trade receivables	114,595	146,761

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

Balance as at 31 Dec 2020	62,618
Additions and utilisation during the current period	(11,173)
Balance as at 31 Dec 2021	51,445
Additions and utilisation during the current period	(2,225)
Balance as at 31 Dec 2022	49,220

(10) Equity (TCZK)

Registered share capital and types of shares as at 31 December 2022

The Company's share capital comprises 21,549 registered shares in the certificate form (2021: 21,549 shares) with the nominal value of CZK 821,752 (2021: CZK 821,752).

Distribution of profit

The General Meeting will decide on the distribution of profit of TCZK 1,280,093 (2021: TCZK 1,258,808).

Statement of changes of equity

	Share capital	Fund from profit reserve fund	Profit/ loss	Retained earnings	Equity equity
Balance as at 31 December 2020	17,707,934	530,000	1,249,731	844	19,488,509
Dividend payments	-	-	(1,238,631)	(369)	(1,239,000)
Directors' fees paid	-	-	(11,100)	-	(11,100)
Net profit for 2021	-	-	1,258,808	-	1,258,808
Rounding	-	-	-	(1)	(1)
Balance as at 31 December 2021	17,707,934	530,000	1,258,808	474	19,497,216
Dividend payments	-	(530,000)	(1,247,708)	(292)	(1,778,000)
Directors' fees paid	-	-	(11,100)	-	(11,100)
Net profit for 2022	-	-	1,280,093	-	1,280,093
Balance as at 31 December 2022	17,707,934	-	1,280,093	182	18,988,209

(11) Other provisions (TCZK)

	Business risks	Salaries	Employee benefits	Total
Balance as at 31 December 2020	49,667	44,370	135,617	229,654
Additions to provisions in the current period	426	43,109	12,020	55,555
Utilisation/release of provisions in the current period	(8,343)	(44,370)	(32,317)	(85,030)
Balance as at 31 December 2021	41,750	43,109	115,320	200,179
Additions to provisions in the current period	230	49,601	10,387	60,218
Utilisation/release of provisions in the current period	(9,663)	(43,109)	(32,196)	(84,968)
Balance as at 31 December 2022	32,317	49,601	93,511	175,429
Long-term provisions	32,317	-	85,013	117,330
Short-term provisions	-	49,601	8,498	58,099
Total	32,317	49,601	93,511	175,429

Provisions are recognised in respect of the following:

- Business risks – arising from the operation of fixed assets;
- Salaries – include salaries paid depending on the fulfilment of the plan, charged to personnel expenses.
- Employee benefits – a provision for future liabilities arising from the collective agreement, principally retirement benefits, benefits for work and life anniversaries and unused optional benefits, charged to personnel expenses. The long-term portion of the liability was discounted at the balance sheet date.

(12) Deferred tax liability (TCZK)

Deferred tax assets and liabilities reported in the balance sheet

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

	2022	2021
Fixed assets	3,180,359	3,144,922
Receivables	(1,141)	(1,214)
Provisions	(15,564)	(15,262)
Liabilities arising from the collective agreement	(17,098)	(21,100)
Total	3,146,556	3,107,346

(13) Trade payables (TCZK)

The Company carries no trade payables past their due dates

(14) Temporary liabilities (TCZK)

Deferred revenues	
Balance as at 31 Dec 2020	1,953,663
Investment contributions received	193,184
Investment contributions accounted for in revenues*	(182,860)
Balance as at 31 Dec 2021	1,963,987
Investment contributions received	334,258
Investment contributions accounted for in revenues*	(192,605)
Correction factor of permitted revenues**	(140,000)
Balance as at 31 Dec 2022	1,965,640

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

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

(15) Leased assets (TCZK)

Operating leases

As disclosed in the accounting policies, assets held by the Company under operating leases predominantly include HV and MV cable conduits, non-residential premises for MV/LV distribution substations 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.

	2022	2021
Cable conduits	121,919	116,899
Non-residential premises	39,082	36,727
Administrative buildings	65,130	63,687
Lease of cars	22,773	21,290
Total	248,904	238,603

(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 2022 were TCZK 1,116 (31 December 2021: 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

	2022	2021
Number	8	8
Bonuses in TCZK	25,101	25,259

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

As at 31 December 2022, the Company recorded receivables from the members of the Board of Directors and the Supervisory Board in the aggregate amount of TCZK 20 (as at 31 December 2021: TCZK 7). These receivables were settled during January 2023.

As at 31 December 2022, the Company had incurred no pension liabilities to former members of management, supervisory and administrative bodies.

(18) Intra-company relations (TCZK)

	Receivables of PREdi		Payables of PREdi	
	as at 31 December		as at 31 December	
	2022	2021	2022	2021
Pražská energetika, a.s.	1,729,443	1,876,090	5,526,904	4,484,110
of which: trade receivables/payables	-	16,728	91,458	-
trade receivables/payables from cash pooling	-	-	1,641,806	1,732,934
accrued revenues/expenses from cash pooling	-	-	12,426	5,780
long-term loan*	-	-	3,700,000	2,700,000
accrued expenses (loan interest)	-	-	81,214	45,396
estimated amounts – unbilled distribution services**	1,729,443	1,859,362	-	-
eYello CZ, k.s.	9,327	8,609	10,601	8,650
of which: trade receivables/payables	-	-	63	279
advances received for distribution services	-	-	10,538	8,371
estimated amounts – unbilled distribution services	9,327	8,609	-	-
PREměření, a.s.	38	49	27,051	1,159
KORMAK Praha a.s.	9	12	3,326	980
PREzákaznická, a.s.	-	-	26,616	11,947
PREnetcom, a.s.	-	-	4,516	2,622
PREservisní, s.r.o.	-	-	11,101	12,349
FRONTIER TECHNOLOGIES, s.r.o.	-	-	-	2,079
VOLTCOM, spol. s r.o.	32	91	-	138
Total	1,738,849	1,884,851	5,610,115	4,524,034

* The long-term loan consists of four 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.; 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.; a loan of MCZK 1,000 maturing on 15 July 2034 that bears interest at 3Y CZK IRS + mark-up of 1.4% 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 2,359,837 (as at 31 December 2021: TCZK 2,259,965), of which TCZK 1,729,443 (as at 31 December 2021: TCZK 1,859,362) comprise unbilled distribution services provided to Pražská energetika, a.s.; TCZK 132,444 comprise unpaid compensation for the distribution system service price component and the transmission system service price component for electricity support from OTE, a.s. in accordance with Government Regulation No. 470/2022 Coll.; TCZK 9,327 (as at 31 December 2021: TCZK 8,609) comprise unbilled distribution services provided to eYello CZ, k.s.; TCZK 488,553 (as at 31 December 2021: TCZK 389,626) comprise unbilled distribution services and unbilled credit notes, if any, related to these services provided outside the PRE Group; and TCZK 69 (as at 31 December 2021: TCZK 2,368) comprise other unbilled services.

	PREdi revenues		PREdi expenses	
	2022	2021	2022	2021
Pražská energetika, a.s.	5,560,667	5,816,618	2,924,951	2,196,892
of which: distribution services	5,550,402	5,808,288	-	-
services, consumed material	10,241	8,330	532,503	524,895
electricity for grid losses and own consumption	-	-	325,651	297,816
other revenues	24	-	-	-
dividends	-	-	1,778,000	1,239,000
interest on cash pooling	-	-	143,742	26,850
interest on loans (including capitalised)	-	-	145,055	108,331
eYello CZ, k.s.	23,518	19,657	-	-
of which: distribution services	23,504	19,649	-	-
other revenues	14	8	-	-
PREměření, a.s.	1,398	1,354	395,139	422,237
of which: installation and supply of electricity meters	1,398	1,354	266,685	244,088
fixed assets	-	-	128,454	178,149
KORMAK Praha a.s.	91	101	214,228	181,902
of which: fixed assets	-	-	203,680	176,824
repairs of fixed assets	-	-	10,548	5,078
services	50	63	-	-
other revenues	41	38	-	-
PREzákaznická, a.s.	-	-	247,022	231,464
PREservisní, s.r.o.	-	-	434,327	391,696
of which: fixed assets	-	-	389,234	335,960
repairs of fixed assets	-	-	18,990	27,163
services	-	-	26,103	28,573
PREnetcom, a.s.	2,067	2,271	59,551	60,800
of which: services – IT support	2,067	2,271	30,633	43,902
fixed assets	-	-	28,918	16,898
FRONTIER TECHNOLOGIES, s.r.o.	-	-	678	2,332
of which: fixed assets	-	-	13	2,203
repairs of fixed assets	-	-	665	129
VOLTCOM, spol. s r.o.	1,546	950	134,770	106,676
of which: fixed assets	-	-	85,155	77,854
repairs of fixed assets	-	-	49,615	28,822
services	856	618	-	-
other revenues	690	332	-	-
Total	5,589,287	5,840,951	4,410,666	3,593,999

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

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

	Intra-company sales		Intra-company purchases	
	2022	2021	2022	2021
Relations with subsidiaries and associates	18,028	16,367	16,482	14,079
Capital City of Prague	18,028	16,367	16,482	14,079
Relations with other entities	457,118	488,162	133,398	124,373
Výstaviště Praha, a.s.	4,021	2,951	31	-
Technická správa komunikací hl. m. Prahy, a.s.	49	-	1,040	-
Prometheus, energetické služby, a.s., člen koncernu Pražská plynárenská, a.s.	3,193	2,779	-	-
Pražské služby, a.s.	453	1,225	270	236
Technologie Hlavního města Prahy, a.s.	16	1,365	2	-
RPC, a.s.	-	4,610	-	-
Dopravní podnik hl. m. Prahy, akciová společnost	368,167	387,438	4,069	1,868
Kolektory Praha, a.s.	-	-	121,694	116,647
Pražské vodovody a kanalizace, a.s.	73,112	79,231	6,280	5,610
TRADE CENTRE PRAHA a.s.	2,596	3,773	-	-
Pražská plynárenská, a.s.	5,511	4,790	12	12
Total	475,146	504,529	149,880	138,452

	Receivables		Payables	
	2022	2021	2022	2021
Relations with subsidiaries and associates	511	696	966	2,246
Capital City of Prague	511	696	966	2,246
Relations with other entities	32,076	22,309	7,752	16,885
Technologie Hlavního města Prahy, a.s.	-	-	1,830	-
Výstaviště Praha, a.s.	107	536	232	366
Dopravní podnik hl.m. Prahy, akciová společnost	5,467	20,474	150	386
Pražské vodovody a kanalizace, a.s.	410	339	2,257	2,805
Pražská plynárenská, a.s.	26,092	960	3,283	13,328
Total	32,587	23,005	8,718	19,131

(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:

	2022	2021
Cash	1,794	1,719
Cash pooling	(1,641,806)	(1,732,934)
Income tax paid	(1,640,012)	(1,731,215)

(20) Material subsequent events

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

In Prague, 27 April 2023

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 2022, 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, 27 April 2023

Signed by

Milan Hampl

Chairperson of the Board of Directors

Signed by

Petr Dražil

Vice-chairperson of the Board of Directors

List of abbreviations

AMM	Automatic metering management
B2B	big customers
B2C	small customers
ČEPS	Czech Transmission System Operator
ČSRES	Czech Association of the Regulated Power Supply Companies
ČVUT FEL	Faculty of Electrical Engineering of the Czech Technical University in Prague
ČVUT FIT	Faculty of Information Technology of the Czech Technical University in Prague
EnBW	EnBW Energie Baden-Württemberg AG
ERÚ	Energy Regulatory Office (Energetický regulační úřad)
EU	European Union
eYello	eYello CZ, k.s., a 90% subsidiary of PRE and a 10% subsidiary of PREm
FVE	photovoltaic power plant
GWh	Gigawatt hour
HV	high voltage
KORMAK Praha	KORMAK Praha a.s., a 100% subsidiary of PRE
kV	kilovolt
LV	low voltage
MV	medium voltage
MW	Megawatt
NETFIN	NETFIN Infrastructure, a.s., a 50% subsidiary of PREnetcom
OHS	occupational health and safety
OSEP	occupational safety and environmental protection
PRE	Pražská energetika, a.s.
PRE Group	PRE + PREdi + PREm + PREzak + PREs + eYello + KORMAK Praha + VOLTCOM + PREnetcom + PRE FVE Světlík, s.r.o. + SOLARINVEST – GREEN ENERGY, s.r.o. + FRONTIER TECHNOLOGIES, s.r.o. + PRE VTE Částkov, s.r.o. + PRVE FVE Nové Sedlo, s.r.o. + NETFIN
PREdi	PREdistribuce, a.s., a 100% subsidiary of PRE
PREm	PREměření, a.s., a 100% subsidiary of PRE
PREnetcom	PREnetcom, a.s., a 100% subsidiary of PREdi
PREs	PREservisní, s.r.o., a 100% subsidiary of PRE
PREzak	PREzákaznická, a.s., a 100% subsidiary of PRE
SAIDI/SAIFI	electricity supply reliability indicators
TFA	tangible fixed assets
TR	110/22 kV transformer station
TS	22/0.4 kV distribution transformer station
TWh	Terawatt hour
ÚČOV	Central Wastewater Treatment Plant
VOLTCOM	VOLTCOM, spol. s r.o., a 100% subsidiary of PRE
VTE	wind farm

Contact information

	Address	Postal code	Telephone
PREdistribuce, a.s. ID No.: 27376516	Prague 5, Svornosti 3199/19a www.predistribuce.cz e-mail: info@predistribuce.cz	150 00	800 550 055 For calls from abroad: +420 267 055 555
Distribution emergency line:	Praha 2, Kateřinská 1528/9 e-mail: poruchy@predistribuce.cz	120 00	Emergency line: 800 823 823
Pražská energetika, a.s. ID No.: 60193913	Prague 10, Na Hroudě 1492/4 www.pre.cz e-mail: pre@pre.cz	100 05	800 550 055 For calls from abroad: +420 267 055 555
Press relations	Prague 10, Na Hroudě, 1492/4	100 05	267 051 102
PREzákaznická, a.s. ID No.: 06532438	Prague 10, Na Hroudě 1492/4 www.prezakaznicka.cz e-mail: pre@pre.cz	100 05	800 550 055 For calls from abroad: +420 267 055 555
PRE Customer Centre	Prague 1, Jungmannova 36/31 Prague 4, Vladimírova 64/18	110 00 140 00	
PRE Call Centre	Prague 10, Kubánské náměstí 1391/11	100 00	800 550 055
PREměření, a.s. ID No.: 25677063	Prague 10, Na Hroudě 2149/19 www.premereni.cz e-mail: mereni@pre.cz	100 05	800 550 055 For calls from abroad: +420 267 055 555
Emergency line	for PRE customers in case of main circuit-breaker failures: www.premereni.cz/opravy		733 143 143
PRE Costumer Centre	Prague 1, Jungmannova 747/28 e-mail: centrum.sluzeb@pre.cz	110 00	
PREmobilita	e-mail: premobilita@pre.cz		
Orders of energy services	email: servis.premh@pre.cz		
eYello CZ, k.s. ID No.: 25054040	Prague 10, Kubánské náměstí 1391/11 www.yello.cz e-mail: yello@yello.cz	100 00	267 056 704
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VOLTCOM, spol. s r.o. ID No.: 44794274	Prague 6, Otevřená 1092/2 www.voltcom.cz e-mail: voltcom@voltcom.cz	169 00	267 051 635
PREnetcom, a.s. ID No.: 06714366	Prague 10, Na Hroudě 1492/4 www.prenetcom.cz e-mail: pre@pre.cz	100 05	800 550 055 For calls from abroad: +420 267 055 555
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SOLARINVEST – GREEN ENERGY, s.r.o. ID No.: 28923405	Prague 10, Na Hroudě 2149/19 www.solarinvest.cz e-mail: info@solarinvest.cz	100 05	724 981 004
PRE FVE Světlík, s.r.o. ID No.: 28080378	Prague 10, Na Hroudě 2149/19 www.premereni.cz e-mail: mereni@pre.cz	100 05	800 550 055 For calls from abroad: +420 267 055 555
PRE VTE Částkov, s.r.o. ID No.: 27966216	Prague 10, Na Hroudě 2149/19 www.premereni.cz e-mail: mereni@pre.cz	100 05	800 550 055 For calls from abroad: +420 267 055 555
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