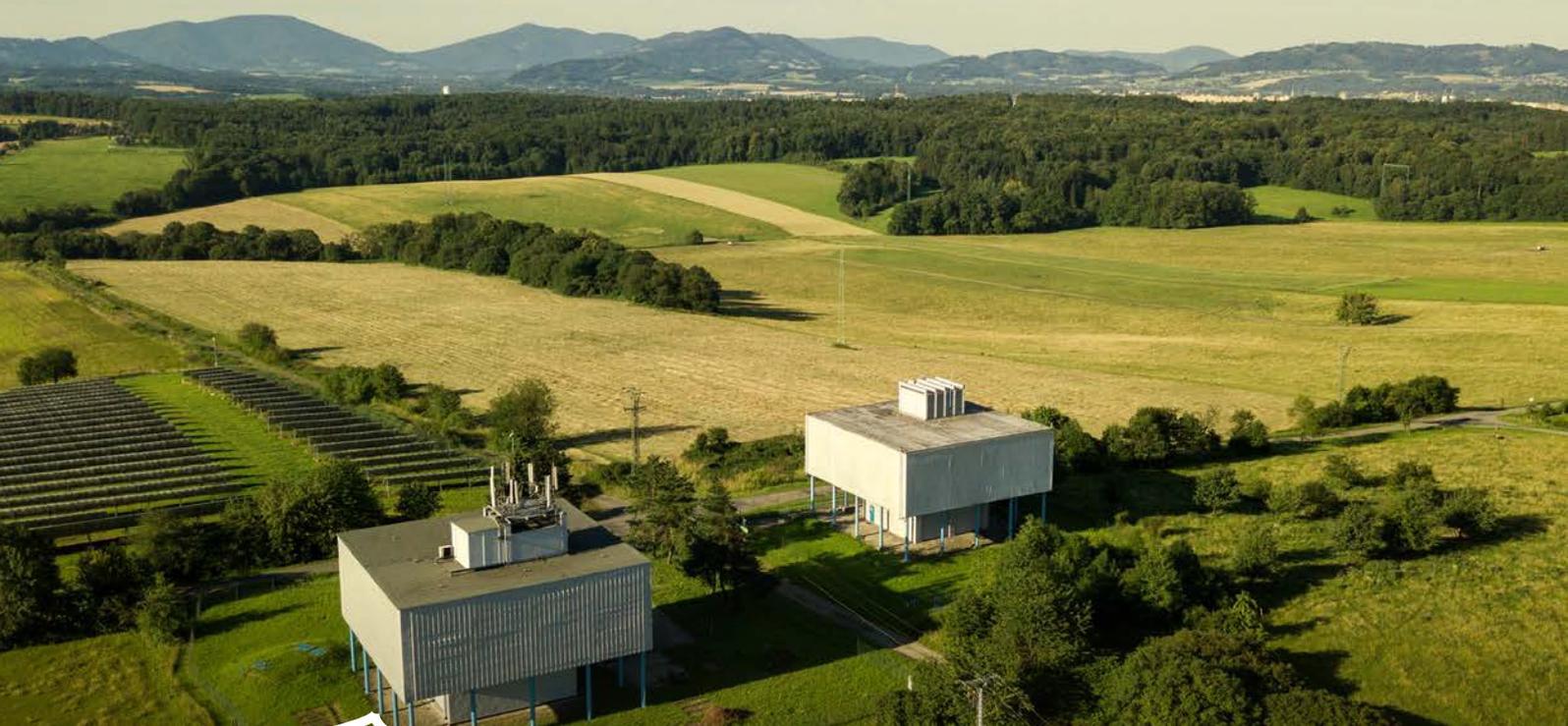




ANNUAL REPORT

2021



Severomoravské vodovody a kanalizace Ostrava a.s.



2021 ANNUAL REPORT

PURSUANT TO

Act No. 256/2004 Coll., on Business on the Capital Market as amended
Act No. 563/1991 Sb., on Accounting as amended
Act No. 90/2012 Coll. on Business Corporations

Severomoravské vodovody a kanalizace Ostrava a.s.

Registered office: 28. října 1235/169, Mariánské Hory, 709 00 Ostrava
The Company is entered in the public register – the Commercial Register kept
at the Regional Court in Ostrava, Section B, Entry 347.

Date of incorporation: 1 May 1992

ID: 45193665

Tax ID: CZ45193665

Phone: 596 697 111

Fax: 596 624 205

E-mail: smvak@smvak.cz

Website: www.smvak.cz



CONTENTS

1.	INTRODUCTION	4
2.	OBJECTS OF BUSINESS	6
3.	PROFILE	8
	Key events in 2021	9
4.	ORGANISATIONAL STRUCTURE	10
5.	DEVELOPMENT OF THE COMPANY'S REGISTERED CAPITAL AND EQUITY	19
6.	SECURITIES	20
7.	RIGHTS ARISING FROM OWNERSHIP OF SECURITIES	23
8.	MANDATORY INFORMATION PURSUANT TO THE ACT ON CAPITAL MARKET BUSINESS	24
	Corporate Control Instruments	25
	Company Codes	26
	Compliance Programme	27
	Decision-making processes and scope of powers of the General Meeting	27
9.	ACCESS TO THE ANNUAL REPORT	28
10.	THE CONTROLLED AND CONTROLLING PARTIES	29
11.	THE BOARD OF DIRECTOR'S REPORT ON COMPANY'S BUSINESS OPERATIONS AND ASSETS	32
	Key financial figures for 2021	33
	Income	33
	Expenses	34
	Profit/loss	34
	Financing	34
	Organisation and human resources	36
	Profit/loss. Dividend per share.	36
	Anti-bribery and anti-corruption measures	37
	Respect for human rights	37
	Court, administrative, and arbitration proceedings	37
	Proposed distribution of the Company's accounting profit made in 2021	39
	Business operations	39
	Projected business development and financial position in 2022	40
12.	CORE BUSINESS	41
	Water resources	42
	Production of drinking water	42
	Operation of sewage systems	46
	Investment projects and repair of tangible assets	49
13.	INFORMATION TECHNOLOGIES	53
14.	SUSTAINABLE DEVELOPMENT	54
	Corporate Governance	55
	Human Resources	55
	Environment	57
	Region	58
15.	DECLARATION OF THE SUPERVISORY BOARD REGARDING THE FINANCIAL STATEMENTS FOR 2021, ANNUAL REPORT FOR 2021 AND THE RESULT OF THE REVIEW OF THE REPORT ON RELATED PARTY TRANSACTIONS FOR 2021	60
16.	AUDITOR'S REPORT	62
17.	POST BALANCE SHEET EVENTS	69
18.	APPROVAL OF THE FINANCIAL STATEMENTS	69

1. INTRODUCTION



DEAR SHAREHOLDER, LADIES, AND GENTLEMEN.

We hereby present a report that comprehensively documents the activities and operations of our Company in 2021.

This was the second year affected by the coronavirus pandemics. It touched all aspects of our professional and personal lives.

SmVaK Ostrava had to tackle the situations at operative and strategic levels every day. In certain moments of the year, the situation was critical in many locations in the Czech Republic. Those challenges did not affect negatively fulfilment of key goals, in particular, thanks to the professional approach of our employees and thanks to reliability of our suppliers.

We faced unprecedented restrictions and challenging moments. This resulted in absolutely new situations which required a flexible approach in new, often uncharted territories. In spite of the fact that the employees of water companies were not, unlike health staff and other rescue team members, among those presented often in TV, radio broadcasts or mass media, in critical pandemics moments the community would not be able perform, if not them.

Reliable supplies of drinking water, and discharge and treatment of wastewater are absolutely necessary so that the health system could help those who are in need. With all due respect to those who were saving lives and cared for the ill in hospitals and emergency centres, we launched the campaign with the motto #vodavprvnilinii (water in the first line), drawing attention to services which are, unfortunately, taken by all people for granted. Everyone takes for granted that the water system operates smoothly and provides perfect services for the general public: each day, each hour, each minutes and each second in the year. And often no attention is paid to involvement and competences of those who are helping this to happen.

First of all, I would like to express thanks to my colleagues. It is really an honour for me to lead the Company where all employees have managed, thanks to their skills and involvement, to tackle all those challenging and complicated moments without any negative impacts on our customers.

I would also like to thank to our suppliers because we could rely on them all the time. They were reliable even during the second half of 2021, which resulted in absolutely unexpected problems in supplier-customer chains and increases in prices.

I would like to point out that our Company has managed to supply reliably the drinking water of top quality to all sites where we operate, and also managed to treat the discharged waste water. The Company fulfilled its main tasks it is facing in the long term. And it fulfilled them also in other areas, such as in human resources, investments, and business and customer relationships.

The key driver towards success is now the speed, flexibility and ability to provide a flexible response to new reality. We have succeeded thanks to more intensive computerisation and launch of new IT tools, the implementation of which might, in quiet times, take considerably more time. The new paradigm puts more pressure on removal of unnecessary and non-productive activities, supporting, in turn, the efficiency and flexibility.

Despite all the difficulties, the Company managed to fulfil or exceed the planned figures in investments where we allocated an all-time-high amount of CZK 744 million (+ CZK 51 million, if compared with 2020). In case of repairs, the increase is 11 % as we allocated more than CZK 270.5 million. This is the first time in the history of our Company when more than CZK 1 billion was invested into modernisation, development and repair of Company's assets. Our ambitions for the year 2022 are even more challenging. And this is the answer to those who, without referring to any facts, spread in public the information that water companies owned by foreign entities do not take care af-

ter the assets and are indifferent to quality of customer services. Our answers are results of our work.

Our answers are opinions of those who are of key importance for successful performance of our Company: our customers. In the autumn 2021, we have carried out, after two years, a detailed survey into customer satisfaction, and the results were really a pleasant surprise for us. Despite certain nervousness which was evident in the Czech Republic in times of the pandemics, just before the parliamentary election and intense election campaign, with the increasing inflation and weeks when prices of energy skyrocketed and alternative energy suppliers went bankrupt, our customers spoke very highly about our work. We really welcomed that opinion, but we cannot be complacent – this should encourage us to work more and improve quality of our services.

From the point of view of production and supplies of drinking water, and discharge and treatment of waste water, the second pandemics year was very much the same as the first one. The production of drinking water went up by 0.16 million m³, reaching 57.5 million m³. We supplied 32.4 million m³ of drinking water to our customers (0.1 million m³ more than in 2020). Regarding the bulk water supplied to third party water companies, we supplied 18.7 million m³ of drinking water (0.25 million m³ more than in 2020). We treated 27 million m³ of wastewater – the quantity is same as in 2019, but more by 0.27 million m³ than in 2020.

And all this was achieved in strict accordance with health protection measures in order to minimise transmission of covid-19 among our employees.

Our sales in 2021 amounted to CZK 2.88 billion (+ CZK 208 million, if compared with 2020). The profit before taxation was CZK 565.5 million.

For many years, our Company has been closely attached to the region where it operates. And the past two years, which were affected by the coronavirus pandemics, made the attachment even stronger. The sense of belonging to the public, business and civic sectors, has fundamentally helped the Company, as a whole, to manage the critical situation.

Most events which have been supported for a long time by our Company were cancelled. Many non-profit organisations which we support had to change their plans, cancel some projects, and focus on other activities. They focused mostly on those in need. And our Company became often their partner for those projects.

Even in those challenging times, we supported the non-profit organisations where our employees are involved and helped them thanks to the donation-based programme "We are in this together!"

And those groups of volunteers went often to help those who needed it because of pandemics. The region can take it for granted that we will be a reliable partner for non-profit and public sectors in the future.

Therefore, besides our employees, whom I have already thanked above, I would like to thank representatives of the municipalities in which we operate, state and public administration representatives, all our suppliers, business partners, and customers for their support in 2021. It was only thanks to the support of all involved that we managed to successfully overcome the challenges of the past year and enter this year with a clear vision.



Ing. Anatol Pšenička
Managing Director



2. OBJECTS OF BUSINESS

OBJECTS OF BUSINESS OF SEVEROMORAVSKÉ VODOVODY A KANALIZACE OSTRAVA A.S.

- design work for capital construction
- official metering
- inspections of electrical devices (according to authorisation issued by IBP Ostrava on 25 March 1991 under Ref. 1841/10.00/91-EZ-R-S)
- civil engineering construction projects, including residential compounds
- business management services except for annexes to Act No. 455/91 Coll.
- road traffic
- water system plumbing services
- metal machining
- production, repair and installation of meters and gauges
- production and distribution of hot water
- building works in construction and repair of water supply and sewage systems
- cleaning of sewage systems and sewage system connections
- hazardous waste management
- tax advisory, bookkeeping and maintaining of tax-related records documentation
- operation of public water supply networks and sewage systems
- power generation
- production, trade and services not included in Annexes 1 to 3 of the Trade Licence Act in the following areas:
 - operation of public water supply networks and sewage systems
 - waste management /excluding hazardous wastes/
 - testing, metering, analyses and inspections
 - consultancy and advisory services, preparation of expert opinions and studies
 - whole sale and retail
 - trade and service brokering
 - rental of other equipment and devices
 - automated data processing
 - accommodation services
 - lease of movable and immovable property, including services
 - lease of equipment and devices
 - provision of technical services
 - property broker services, property management and property maintenance
 - administration services and organisational and business services
 - research and development in the field of humanities or engineering science
 - storage
 - production, repair, and installation of meters and gauges.

During 2021, no modifications were made in the objects of business. The Company remains engaged in its business activities within the mentioned areas.

The objects of business of the organisational branch in Poland which operated under the trade name Severomoravské vodovody a kanalizace Ostrava a.s., oddział w Polsce with its registered office in Cieszyn, Bobrecka 27 and was cancelled as of 5 March 2021:

The objects of business of the branch in Poland were identical with the objects of business of SmVaK Ostrava in the Czech Republic which is entered in the Commercial Register.

In addition to laws in force, the Company is governed by its Articles of Association. The Articles of Association were deposited in the Collection of Deeds in the public Commercial Register.

3. PROFILE



THIS ANNUAL REPORT INCLUDES THE RESULTS OF THE COMPANY WHICH COMPRISES:

- Severomoravské vodovody a kanalizace Ostrava a.s. ("the Company" or "SmVaK")
- Severomoravské vodovody a kanalizace Ostrawa a.s., oddział w Polsce (the organisational branch in Poland which was cancelled as of 5 March 2021)

Severomoravské vodovody a kanalizace Ostrava a. s. is the largest water supply company in the Moravian-Silesian region and has been among long-standing leaders in the Czech water supply market. Its core business is production and supply of drinking water as well as discharge and treatment of wastewater.

The Company is one of the top water management companies in the Czech Republic and retains a strong position among major business entities in the Moravian-Silesian Region. SmVaK Ostrava introduced the integrated management system which has been proved by five ISO certificates.

SmVaK Ostrava operates predominantly in following districts: Frýdek-Místek, Karviná, Nový Jičín and Opava. It is also a supplier of drinking water for Ostrava, Hlučín, Studénka and other small municipalities. The Company also supplies drinking water to the border area with Poland (Jastrzębie-Zdrój) and a part of the Olomouc region (Hranice na Moravě, Lipník nad Bečvou, and Přerov). On a contractual basis, in 2021, SmVaK Ostrava operated the sewage systems and wastewater treatment plants in Vratimov, Dolní Lutyně, Mosty u Jablunkova, Řepiště and Velké Losiny in the Olomouc Region, but also in other towns in the Moravian-Silesian Region.

Using more than 140,000 water connection pipes with the total length of 770 km, the Company supplies drinking water to 714,000 people. It also operates 76 wastewater treatment plants (74 mechanical-biological and 2 mechanical wastewater treatment plants) with the total capacity of 263,394 m³ per day (equivalent population: 959,523).

Since foundation of SmVaK Ostrava in 1992, when the local municipalities became the majority shareholders, several changes have been made to the structure of Company's ownership. As of 20 September 2019, the sole shareholder of the Company has been AQUALIA CZECH S.L., whose owners are FCC Aqualia, S.A with a 99.9999% ownership interest, and Aqualia Intech, S. A with a 0.0001% ownership interest.

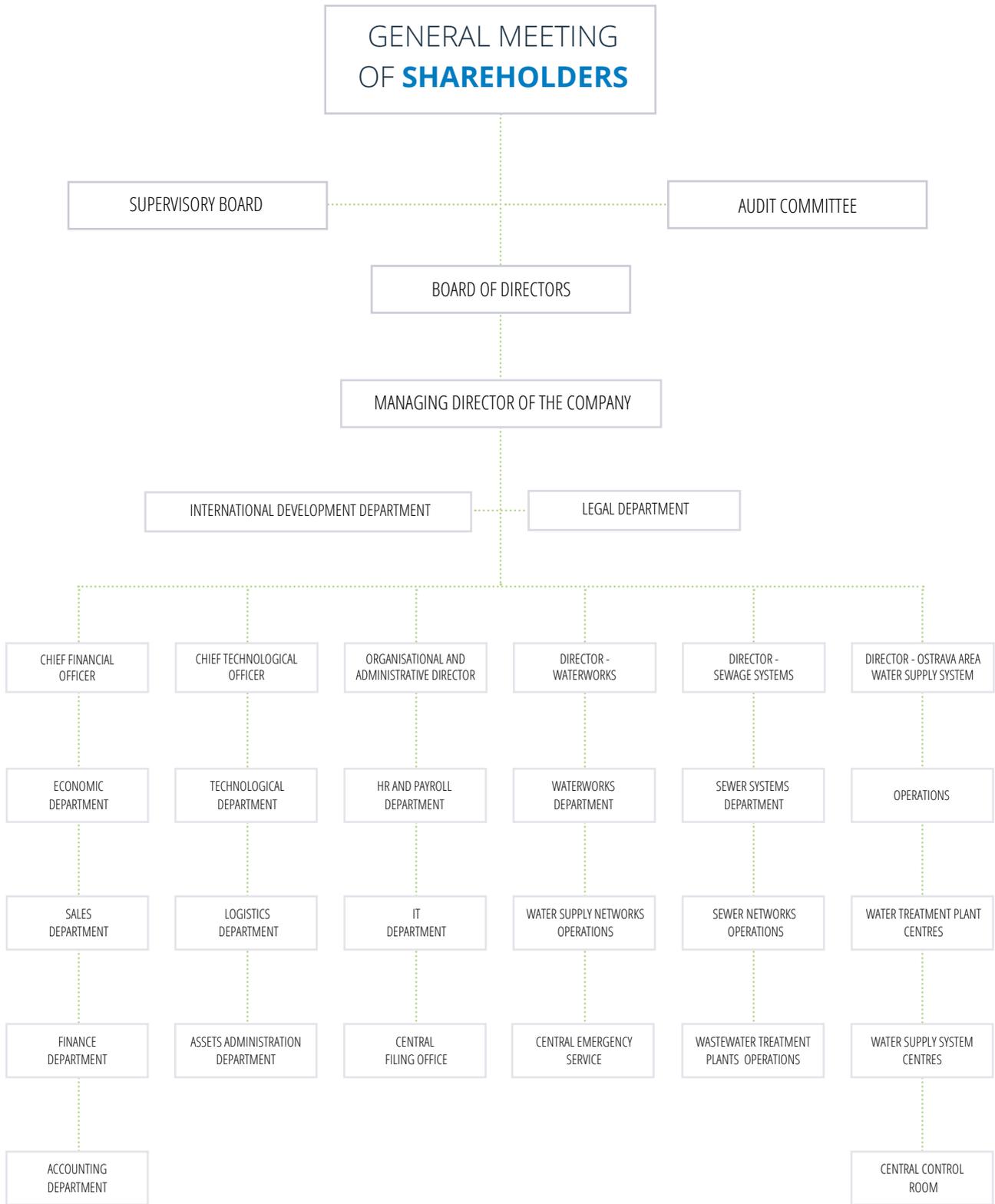
The Company does not hold any ownership interest in subsidiaries or any other companies. SmVaK Ostrava is a member of the group controlled by FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S. A. with its registered office in Spain.

KEY EVENTS IN 2021

- The District Court in Bielsko – Biala resolved ex officio under Ref. BB.VIII NS-REJ. KRS 4570/20/038 to dissolve without liquidation the organisational branch in Poland that had operated under the trade name Severomoravské vodovody a kanalizace Ostrava a. s., oddział v Polsce.
- The organisational branch was deleted from the Register of Companies on 3 February 2021 and the decision on dissolution entered into force on 5 March 2021.
- The sole shareholder, AQUALIA CZECH, S. L. acting in the capacity of the General Meeting held on 7 May 2021 approved the 2020 Annual Report, the 2020 ordinary financial statements, as well as the distribution of profit generated in the 2020 reporting period.
- The sole shareholder decided to distribute the profit made in the 2020 reporting period as follows: CZK 283,164,872 will be taken out of the profit after tax, CZK 404,521,245.37, and will be paid to the sole shareholder as a share in profit, and the remaining part, CZK 121,356,373.37 will be transferred onto the account for retained profits of past years, where a part of this, CZK 104,099,887.80 will be used only for activities specified in the renewal financing plan.
- Pursuant to § 17 (1) in the Act 93/2009 Coll, the sole shareholder delegated Ernst & Young Audit, s.r.o., residing at Na Florenci 2116/15, Nové Město, 110 00 Praha 1, ID 267 04 153, to audit the financial statements for the 2021-2023 reporting periods, including the Annual Reports for the 2021-2023 reporting periods.
- On 7 May 2021 the sole shareholder resolved to re-elect Pedro Miñarro Perete a member of the Supervisory Board. The resolution entered into force on 26 May 2021. On 24 June 2021 the Supervisory Board elected him by correspondence voting its Vice-chairman.
- On 7 May 2021 the sole shareholder re-elected, as of 26 May 2021, Petr Šobotník, Otakar Hora and Renáta Hótová to be members of the Audit Committee. On 22 June 2021 the Audit Committee elected, at its meeting, Otakar Hora to be the Chairman and Petr Šobotník to be the Vice-Chairman.
- In accordance with IAS/IFRS adopted by the EU, the profit made by SmVaK Ostrava before tax was CZK 565.489 million. The projected total expenditure for the year 2021 was based on expected needs, pricing implications and financial obligations.
- In 2021 the Company' investment policy was based on its business development needs, in line with the approved long-term plan. The Company met investment needs amounting to almost CZK 744 million. The Company fulfilled its aim to invest in water management infrastructures in the municipalities of the region which is subject to the Company's supplies.
- Pursuant to Section 19a (1) of Act No. 563/1991 Coll., the Company, in its capacity as a business entity issuing investment securities, i.e. bonds listed on a regulated securities market in the EU Member States, maintains its accounts and prepares its financial statements in accordance with International Financial Reporting Standards as adopted by the EU (see Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of International Accounting Standards).
- Throughout the year 2021 the Company had to react accordingly to the global pandemic of the novel coronavirus across all areas of its operation. The Company was successful in this and throughout the year, the exceptionally difficult situation did not negatively affect steady supplies of drinking water in the appropriate quality and quantity to all customers; wastewater removal and treatment were also problem-free.

4. ORGANISATIONAL STRUCTURE





DECISION-MAKING PROCESS AND MEMBERS OF THE COMPANY BODIES

BOARD OF DIRECTORS

The decision-making process and the powers of the Board of Directors as the authorised body are specified in the Company's Articles of Association, Section B – Board of Directors, Sub-sections 16 to 22.

MEMBERS OF THE BOARD OF DIRECTORS AS OF 31 DECEMBER 2021

Sub-section 17 of the Company's Articles of Association stipulates that the Board of Directors has 15 members.

The Company's Board of Directors as of 31 December 2021	
Félix Parra Mediavilla	Chairman of the Board
Luis Francisco De Lope Alonso	First Vice-Chairman
Guillermo Moya García-Renedo	Second Vice-Chairman
prof. Dr. Ing. Miroslav Kyncl	Third Vice-Chairman
Isidoro Antonio Marbán Fernández	member
Fernando Flores Gavala	member
Luis Carrero Bosch	member
José María Álvarez Oblanca	member
Francisco José Araque Padilla	member
Mark Muller Aguirre	member
Václav Holeček	member
Věra Palková	member
Ladislav Šinčl	member
Miroslav Šrámek	member
Zdeněk Trejbal	member

In 2021 there were not any changes among members of the Board of Directors.

DETAILS OF THE BOARD OF DIRECTORS

All members of the Board of Directors confirmed in a statutory declaration before the election that they were qualified to be members of the Company's authorised body and that there were no obstacles for the performance of the office in line with applicable regulations. During the discharge of the functions, none of the Board members announced that they had lost the statutory competence to serve as members of the body.

Information pursuant to Section 118 (4) (f) of Act 256/2004 Coll.

Description of pecuniary income	
Félix Parra Mediavilla	No income, based on remuneration waiver
prof. Dr. Ing. Miroslav Kyncl	Compensation arising from the Board of Directors membership under a contract approved by the Company General Meeting for the performance of authorised body obligations
Fernando Flores Gavala	No income, based on remuneration waiver
Luis Francisco de Lope Alonso	No income, based on remuneration waiver
Isidoro Antonio Marbán Fernández	No income, based on remuneration waiver
Guillermo Moya García-Renedo	No income, based on remuneration waiver
Luis Carrero Bosch	No income, based on remuneration waiver
José María Álvarez Oblanca	No income, based on remuneration waiver
Věra Palková	Compensation arising from the Board of Directors membership under a contract approved by the Company General Meeting for the performance of authorised body obligations
Zdeněk Trejbal	Compensation arising from the Board of Directors membership under a contract approved by the Company General Meeting for the performance of authorised body obligations
Václav Holeček	Compensation arising from the Board of Directors membership under a contract approved by the Company General Meeting for the performance of authorised body obligations
Miroslav Šrámek	Compensation arising from the Board of Directors membership under a contract approved by the Company General Meeting for the performance of authorised body obligations
Ladislav Šinčl	Compensation arising from the Board of Directors membership under a contract approved by the Company General Meeting for the performance of authorised body obligations
Francisco José Araque Padilla	No income, based on remuneration waiver
Mark Muller Aguirre	No income, based on remuneration waiver

PRINCIPLES OF REMUNERATION

The General Meeting approves remuneration to the Board of Directors members for the duration of their four-year term pursuant to the Agreement on the Performance of Office. The remuneration is a fixed monthly amount, regardless of the member's specific position within the Board of Directors, without any variable component. The Board of Directors members receive no other form of compensation. The Company made no agreement with any member on the provision of any benefits upon the termination of membership in the Board of Directors. The entire amount of compensation to the members representing the sole shareholder is provided by the controlling party.

In 2021, the pecuniary income of the Board of Directors members totalled CZK 1.188 million (same as in the previous period). No in-kind compensation was provided.

The above-mentioned Board members receive no remuneration for the performance of office in line with their remuneration waiver in writing.

SUPERVISORY BOARD

The decision-making process and the powers of the Supervisory Board as a controlling body are specified in the Company's Articles of Association, Section C – Supervisory Board, Sub-sections 24 to 31.

MEMBERS OF THE SUPERVISORY BOARD AS OF 31 DECEMBER 2021

Pursuant to the Company's Articles of Association, the Supervisory Board has 12 members, eight of whom are elected by the General Meeting and four by the Company's employees.

Supervisory Board as of 31 December 2021	
Lukáš Ženatý	Chairman
Pedro Miñarro Perete	Vice-Chairman
Raúl Martí Segura	member
Lenka Kolářová	member elected by Company's employees
Zbyněk Skyba	member elected by Company's employees
Markéta Rosmarinová	member elected by Company's employees
Roman Gúber	member elected by Company's employees
Jan Malík	member
René Chrobok	member
Tomáš Navrátil	member
Vladimír Slivka	member
Antonio Parisi	member

On 7 May 2021 the sole shareholder resolved to re-elect Pedro Miñarro Perete a member of the Supervisory Board. The resolution entered into force on 26 May 2021. On 24 June 2021 the Supervisory Board elected him by correspondence voting its Vice-Chairman.

DETAILS OF THE SUPERVISORY BOARD

All members of the Supervisory Board confirmed in a statutory declaration before the election that they were qualified to be members of the Company's body and that there were no obstacles for the performance of the office in line with effective regulations. During 2021, none of the Supervisory Board members announced that they had lost the statutory competence to serve as members of the body.

Information pursuant to Section 118 (4) (f) of Act 256/2004 Coll.

	Description of pecuniary income	Description of income in kind
Lukáš Ženatý	Compensation arising from the Supervisory Board membership under a contract approved by the Company's General Meeting for the performance of supervisory body obligations.	
Jan Malík	Compensation arising from the Supervisory Board membership under a contract approved by the Company's General Meeting for the performance of supervisory body obligations.	
Lenka Kolářová	Compensation arising from the Supervisory Board membership under a contract approved by the Company's General Meeting for the performance of supervisory body obligations. The reported income includes also income earned under the Agreement on Company Employee's Wage Compensation under the Collective Agreement.	Supplementary pension insurance under the Collective Agreement.
Roman Gúber	Compensation arising from the Supervisory Board membership under a contract approved by the Company's General Meeting for the performance of supervisory body obligations. The reported income includes also income earned under the Agreement on Company Employee's Wage Compensation under the Collective Agreement.	Supplementary pension insurance under the Collective Agreement.
Zbyněk Skyba	Compensation arising from the Supervisory Board membership under a contract approved by the Company's General Meeting for the performance of supervisory body obligations. The reported income includes also income earned under the Agreement on Company Employee's Wage Compensation under the Collective Agreement.	Supplementary pension insurance under the Collective Agreement.
Pedro Miñarro Perete	Compensation arising from the Supervisory Board membership under a contract approved by the Company's General Meeting for the performance of supervisory body obligations. Compensation under the Collective Agreement.	
Raúl Martí Segura	Compensation arising from the Supervisory Board membership under a contract approved by the Company's General Meeting for the performance of supervisory body obligations. Compensation under the Collective Agreement.	
René Chrobok	Compensation arising from the Supervisory Board membership under a contract approved by the Company's General Meeting for the performance of supervisory body obligations. Compensation under the Collective Agreement.	
Vladimír Slivka	Compensation arising from the Supervisory Board membership under a contract approved by the Company's General Meeting for the performance of supervisory body obligations. Compensation under the Collective Agreement.	
Markéta Rosmarinová	Compensation arising from the Supervisory Board membership under a contract approved by the Company's General Meeting for the performance of supervisory body obligations. The reported income includes also income earned under the Agreement on Company Employee's Wage Compensation under the Collective Agreement.	Supplementary pension insurance.
Antonio Parisi	Compensation arising from the Supervisory Board membership under a contract approved by the Company's General Meeting for the performance of supervisory body obligations. Compensation under the Collective Agreement.	
Tomáš Navrátil	Until 20 September 2019, no compensation pursuant to Section 5 (2) of Act No. 159/2006 Coll., on Conflict of Interest, as amended, since 21 September 2019, compensation arising from the Supervisory Board membership under a contract approved by the Company's General Meeting for the performance of supervisory body obligations.	

PRINCIPLES OF REMUNERATION

The General Meeting approves remuneration to members for the duration of their four-year term. The remuneration is a fixed monthly amount, regardless of the member's position within the Supervisory Board, without any variable component. The Supervisory Board members receive no other form of compensation. The Company made no agreement with any member on the provision of any benefits upon the termination of membership in the Supervisory Board.

In 2021, the pecuniary income of the Company's Supervisory Board members who are not employed at the Company totalled CZK 0.924 million (CZK 0.924 million in 2020).

The pecuniary income of the Company's Supervisory Board members – Company employees in 2021 were as follows:

- Employment income (Company employees) – CZK 5.023 million (CZK 5.057 million in 2020); and
- Income from holding the position of a member of the Supervisory Board – CZK 0.66 million (also CZK 0.66 million in 2020).

Total in-kind and other compensation in connection with employment income in 2021 amounted to CZK 0.272 million (CZK 0.221 million in 2020).

AUDIT COMMITTEE

The Audit Committee was established by a change in the Articles of Association as another body of the Company based on a decision of the General Meeting held on 25 May 2017 subsequent to Section 44 (12) of Act No. 93/2009 Coll., as amended. The status, authority and decision making of the Audit Committee are specified in the Company's Articles of Association, Section D, Sub-sections 32 to 35.

COMPOSITION OF THE AUDIT COMMITTEE AS OF 31 DECEMBER 2021

Pursuant to Article 33 of the Articles of Association, the Audit Committee has three members: Otakar Hora, Chairman of the Committee Petr Šobotník, Vice-Chairman of the Committee Renáta Hótová, member of the Committee

On 7 May 2021 the sole shareholder re-elected, as of 26 May 2021, Petr Šobotník, Otakar Hora and Renáta Hótová to be members of the Audit Committee. On 22 June 2021 the Audit Committee elected, at its meeting, Otakar Hora to be the Chairman and Petr Šobotník to be the Vice-Chairman.

Information on the members of the Audit Committee is available at the Company's website www.smvak.cz under 'Bodies of the Company'.

In 2021, the pecuniary income of the Company's Audit Committee members amounted to CZK 0.396 million (CZK 0.396 million in 2020).

Information about persons responsible for the Annual Report and Financial Statement Audit

Name and surname	Position Employer
Anatol Pšenička	Managing Director Severomoravské vodovody a kanalizace Ostrava a.s., 28. října 1235/169, Mariánské Hory, 709 00 Ostrava
Halina Studničková	Chief Finance Officer Severomoravské vodovody a kanalizace Ostrava a.s., 28. října 1235/169, Mariánské Hory, 709 00 Ostrava
Martin Veselý	Technical Director Severomoravské vodovody a kanalizace Ostrava a.s., 28. října 1235/169, Mariánské Hory, 709 00 Ostrava
Milan Koníř	Director of Water Supply Networks Severomoravské vodovody a kanalizace Ostrava a.s., 28. října 1235/169, Mariánské Hory, 709 00 Ostrava
Jan Tlodka	Director of Sewage Systems Severomoravské vodovody a kanalizace Ostrava a.s., 28. října 1235/169, Mariánské Hory, 709 00 Ostrava
Jiří Komínek	Director of Ostrava Area Water Supply Network Severomoravské vodovody a kanalizace Ostrava a.s., 28. října 1235/169, Mariánské Hory, 709 00 Ostrava
Petr Šváb	Administration Director Severomoravské vodovody a kanalizace Ostrava a.s., 28. října 1235/169, Mariánské Hory, 709 00 Ostrava

COMPANY'S MANAGERS AND EXECUTIVES

Information pursuant to Section 118 (4) (f) and (h) of Act 256/2004 Coll.

	Description of responsibilities	Description of pecuniary income	Description of income in kind
Anatol Pšenička, Managing Director	<ul style="list-style-type: none"> Ensures execution of the Company bodies' resolutions; Acts on behalf of the Company within the scope of the written authorisation granted by the Board of Directors; Acts on behalf of the Company within the scope of management of Company's activities; Is in charge of the Company's crisis management; Represents the Company's management for the integrated management system; Organises the Company's relations with the public; and Is responsible for the provision of legal services in the Company. 	Salary paid under the Agreement on the Appointment of the Managing Director (basic salary, bonuses, compensation under the Collective Agreement).	Company car for personal use.
Halina Studničková, Chief Financial Officer	<ul style="list-style-type: none"> Is responsible for the effectiveness of economic and financial transactions, drafting of the Company's economic and financial plan and ensuring that its targets are met; Ensures ongoing financial management; Is in charge of Company business operations and devising marketing strategy; Is responsible for pricing policy; and Acts on the Company's behalf within the scope of written authorisation by the Board of Directors. 	Salary paid under the Wage Contract (basic salary, bonuses, compensation under the Collective Agreement).	Supplementary pension, company car for personal use.
Martin Veselý, Technical Director	<ul style="list-style-type: none"> Ensures drafting of technology strategy; Is responsible for preparation and effectiveness of the Company's investment projects; Ensures meeting corporate energy and transport related targets; Is in charge of occupational health and safety and fire protection policies; and Is responsible for the central procurement system. 	Salary paid under the Wage Contract (basic salary, bonuses, compensation under the Collective Agreement).	Supplementary pension, company car for personal use.
Petr Šváb, Administration Director	<ul style="list-style-type: none"> Is responsible for meeting the Company's reporting obligations, as securities issuer, ensuing from generally binding regulations and internal rules; Ensures archive activities across the Company; Is in charge of human resources, payroll policy and payroll agenda; and Is responsible for IT operation and development. 	Salary paid under the Wage Contract (basic salary, bonuses, compensation under the Collective Agreement).	Supplementary pension, company car for personal use.
Milan Koníř, Director of Water Supply Networks	<ul style="list-style-type: none"> Is responsible for all water supply networks operations; Is responsible for uninterrupted drinking water supply; Is responsible for the quality of supplied water and the quality control of supplied water; Is in charge of contacts with municipalities in water supply operations; Is in charge of metrology within the scope of water supply; and Acts on behalf of the Company within the scope of the written authorisation granted by the Board of Directors. 	Salary paid under the Wage Contract (basic salary, bonuses, compensation under the Collective Agreement).	Supplementary pension, company car for personal use.
Jan Tlodka, Director of Sewage Systems	<ul style="list-style-type: none"> Is responsible for all sewage networks operations; Is responsible for wastewater drainage and treatment; Is responsible for the quality of discharged wastewater and quality control of discharged wastewater; Is in charge of waste management across the Company; Is in charge of metrology within the scope of wastewater drainage and treatment; and Acts on behalf of the Company within the scope of the written authorisation granted by the Board of Directors. 	Salary paid under the Wage Contract (basic salary, bonuses, compensation under the Collective Agreement).	Supplementary pension, company car for personal use.
Jiří Komínek, Director of Ostrava Area Water Supply Network	<ul style="list-style-type: none"> Is in charge of OOV management and all operations; Is responsible for drinking water production in water treatment plants and water sources across the Company; Is responsible for the quality of water supplied from water treatment plants, water sources and water supply networks and for quality control of supplied water; Is responsible for uninterrupted drinking water supply within the Ostrava Area Water Supply Networks; and Is responsible for metrology within the scope of water treatment operations. 	Salary paid under the Wage Contract (basic salary, bonuses, compensation under the Collective Agreement).	Supplementary pension, company car for personal use.

PRINCIPLES OF REMUNERATION

The Company's managers with managing powers (hereinafter the "managers") are paid a fixed basic salary and a variable component (bonuses) on the basis of their Wage Contract.

For the Managing Director, the amount of the monthly salary is determined by the Company's Board of Directors, and for other top managers by the Managing Director, based on an authorisation issued by the Board of Directors.

The managers' bonuses are variable, depending on whether the managers meet pre-defined criteria. Entitlement for bonuses and their payment depend on meeting the criteria set for individual managers.

The key criteria for bonus payments are:

- The total volume of the Company's operational production;
- Operating profit before taxes, without extraordinary gains;
- Available cash-flow;
- Compliance with the Company's investment plan;
- Acquisition activities of the Company.

The amount of approved bonuses is based on evaluation of meeting the required criteria as follows:

- No bonus is paid when less than 90 percent of the criteria are met;
- The bonus is reduced when the criteria are met at 90-100 %, based on the evaluation of meeting each specific criterion.

The Board of Directors assesses meeting the pre-defined criteria by the Managing Director, and the Managing Directors assesses meeting the criteria by other managers, based on an authorisation of the Board of Directors.

No Remuneration Committee has been set up by the Company. Wages are monitored and evaluated for each calendar year.

Bonus payments (money transfers) are subject to approval by the Company's Chief Finance Officer and Managing Director.

In case of termination of the manager's employment, a competition clause has been signed pursuant to Section 310 of the Labour Code for one year, which guarantees severance pay of the employee's 12 average salaries provided the terms of the competition clause have been met.

In 2021 the pecuniary income of managers totalled CZK 17.899 million (CZK 15.599 million in 2020); total in-kind and other compensation amounted to CZK 0.865 million (CZK 0.82 million in 2020).

Information pursuant to Section 118 (4) (g) of Act No. 256/2004 Coll., on the Company's shares or similar types of securities and option or comparable investment instruments, the value of which pertains to the Company's shares or similar types of securities in the ownership of members of the Board of Directors and/or the Supervisory Board members and other Company managers and executives as of 31 December 2021.

	Number of the Company's shares or similar types of securities as of 1 January 2021	Number of the Company's shares or similar types of securities as of 31 December 2021	Option or comparable investment instruments, the value of which pertains to the Company's shares or similar types of securities
Board of Directors members in total	0	0	None
Supervisory Board members in total	0	0	None
Company managers and executives	0	0	None



5. DEVELOPMENT OF THE COMPANY'S REGISTERED CAPITAL AND EQUITY

Indicator	UNIT	2019	2020	2021	ISIN No.
1. Registered capital	CZK thousand	1,296,909	1,296,909	1,296,909	-
Total shares	piece	3,458,425	3,458,425	3,458,425	-
of which the bearer shares	piece	421,385	421,385	421,385	CS0008435251
of which the registered shares	piece	3,037,040	3,037,040	3,037,040	CS0009031166
2. Reserves	CZK thousand	0	0	0	-
3. Retained profit	CZK thousand	518,770	635,405	806,900	-
EQUITY	CZK thousand	1,815,679	1,932,314	2,103,809	-

6. SECURITIES



SECURITIES ISSUED

A) STOCK

Issuer:	Severomoravské vodovody a kanalizace Ostrava a.s.
Type of security:	Shares
Class:	Registered shares
Total amount:	CZK 1,138,890,000
Number of shares:	3,037,040 shares
Nominal value per share:	CZK 375
Form:	Book-entered, records of holders are maintained by Centrální depozitář cenných papírů, a.s. (Central Depository of Securities)
ISIN:	CS 0009031166
Issuer:	Severomoravské vodovody a kanalizace Ostrava a.s.
Type of security:	Shares
Class:	Bearer shares
Total amount:	CZK 158,019,375
Number of shares:	421,385 shares
Nominal value per share:	CZK 375
Form:	Book-entered, records of holders are maintained by Centrální depozitář cenných papírů, a.s. (Central Depository of Securities)
ISIN:	CS 0008435251

On 23 July 2019 the General Meeting resolved pursuant to § 375 et seq. in the Act on Business Corporations on the forced transfer of ownership rights to all participating securities to the main shareholder, and the shares were removed from trading on the multilateral trading system, RM-SYSTÉM, česká burza cenných papírů a.s. (Czech Stock Exchange) effective from 20 September 2019, based on the decision of the director of RM-SYSTÉM No. 8/2019 of 28 August 2019.

Dividend payments:

Payments of dividends in previous years were effected under the rules passed by the respective General Meeting's resolution through the banker Československá obchodní banka, a.s., Radlická 333/150, 150 57 Praha 5.

Instructions for exercising of shareholders' rights:

Until 20 September 2019, all information pertaining to securities issued by the Company were published pursuant to its Articles of Association and the applicable legislation in the Commercial Register, in the Commercial Bulletin and on the website www.smvak.cz in section Shareholders and Investors/Published Documents and Notices and Calls.

Shareholders holding at least a 5% interest in the Issuer's registered capital or voting rights as of 31 December 2021:

AQUALIA CZECH S. L.	100.00 %
Madrid, Avda. del Camino de Santiago 40, Kingdom of Spain	

The Company's shares are fully transferable and bear no first option.

B) BONDS ISSUED ON 17 JULY 2015 MATURING ON 17 JULY 2022

Issuer:	Severomoravské vodovody a kanalizace Ostrava a.s.
Type of security:	Bonds
Class:	Book-entered bearer securities
Total amount:	CZK 5,400,000,000
Number of bonds:	1,800
Nominal value:	CZK 3,000,000
Fixed interest yield:	2.625 % p. a.
Date of issue:	17 July 2015
ISIN:	CZ 0003512824

The bond issue was approved by the Board of Directors in its resolution on 21 April 2015.

The Company issued the bonds in the aggregate nominal amount of CZK 5,400,000,000 (in words: five billion four hundred million Czech crowns) with a fixed interest rate: 2.625% p.a. The bonds mature in 2022. The issuer's prospectus and the terms and conditions of the issue were approved by Česká národní banka on 14 July 2015 under ref. No. 2015/078294/CNB/570.

The issuer's prospectus is available at www.smvak.cz in section "Shareholders and Investors/Bonds".

As of 17 July 2015 the issued bonds were accepted for trading on the regulated market based on the decision made by the Managing Director of Burza cenných papírů Praha, a.s. on 13 July 2015 under Ref. No. B/102/2015/KB. The bonds began to be traded on 17 July 2015, when all of 1,800 bonds were sold.

Bond holders as of 31 December 2021:	
Number of bonds held by foreign corporate entities	34
Number of bonds held by Czech corporate entities (CZ)	1,660
Number of bonds held by individuals (CZ)	106
Bonds in total	1,800

All facts relating to the securities are available at the Company's registered office. The services of a fiscal and payment broker with respect to the payment of interest and bonds are provided by Komerční banka, a.s. with the registered office in Praha 1, Na Příkopě 33, 114 07 Praha 1, P. O. BOX 839, Czech Republic.

Information on the trade in shares or similar securities pertaining to the Company conducted in 2021

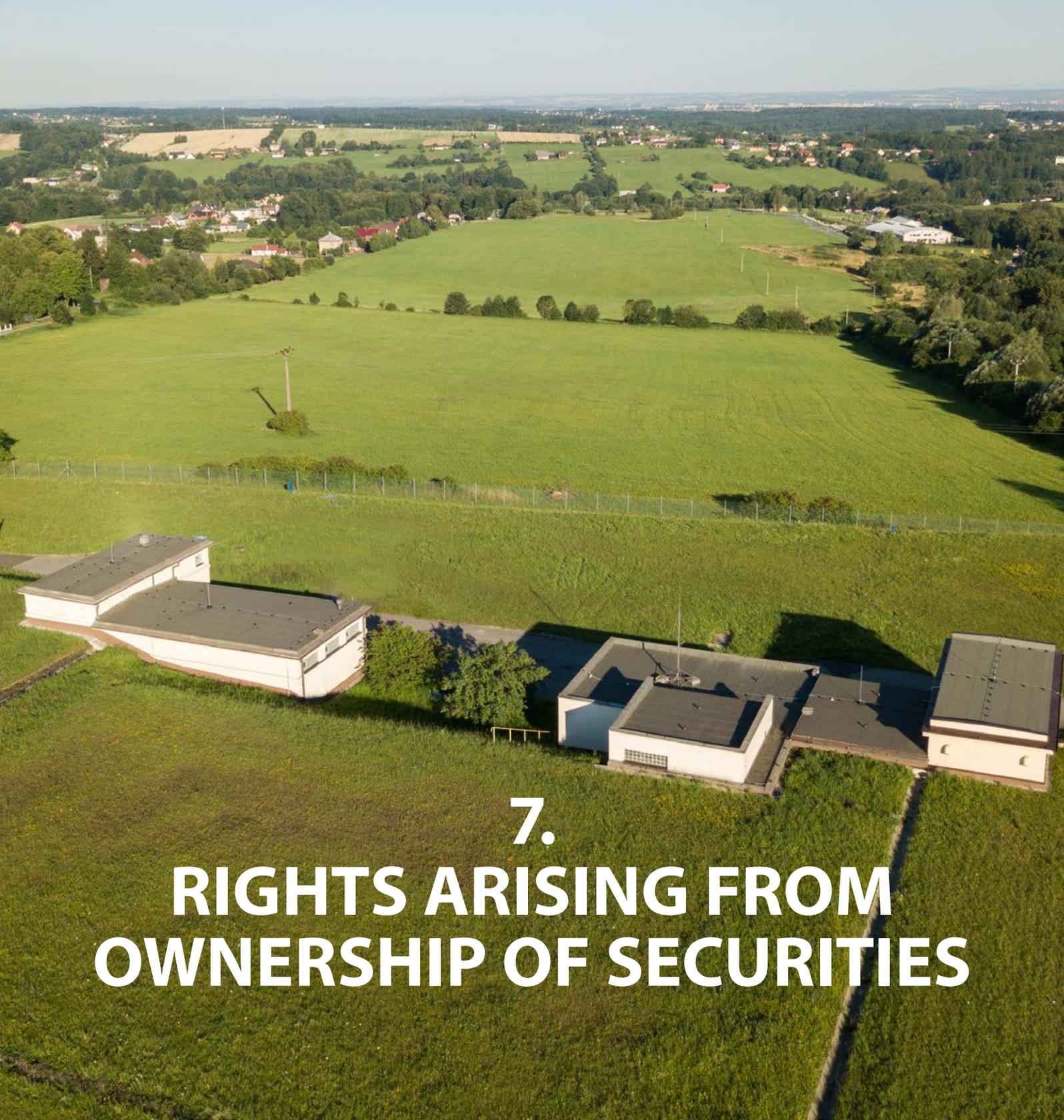
In 2021, members of the Board of Directors or the Supervisory Board, the Company's managers and their close relatives did not trade any shares or similar securities pertaining to the Company. Due to the decision of the General Meeting on the forced transfer of all shares to the majority shareholder, the ownership rights to shares of members of the Supervisory Board were transferred.

Members of the Board of Directors or the Supervisory Board and the Company's managers received no loans or borrowings, nor did they receive any liability, collateral or performance. The Company's employees do not have an opportunity to hold a share in the Company's registered capital.

The Company did not conclude any contracts with the members of the Board of Directors or the Supervisory Board, the managers or their close relatives.

Costs of remuneration of the statutory auditor for the relevant period (in CZK ,000)

Auditor	Amount included in audit costs for 2021	Other services	Other services - description
Deloitte Audit s.r.o.	4	-	-
Deloitte Advisory s.r.o.	-	254	Insolvency test
Ernst & Young Audit, s.r.o.	1,296	-	-



7. RIGHTS ARISING FROM OWNERSHIP OF SECURITIES

RIGHTS ARISING FROM OWNERSHIP OF SHARES

The shareholders' rights are governed by Act No. 90/2012 Coll., on Business Corporations, and by the Company's Articles of Association.

RIGHTS ARISING FROM THE OWNERSHIP OF BONDS

The bond holders' rights are governed by generally binding regulations, namely the Act on Business Corporations; Act No. 190/2004 Coll., on Bonds; the terms and conditions of bond issue; and the Issuer's Offering Circular, which is published on the website www.smvak.cz under 'Shareholders and Investors/Bonds'.

8.

MANDATORY INFORMATION PURSUANT TO THE ACT ON CAPITAL MARKET BUSINESS



CORPORATE CONTROL INSTRUMENTS

CONTROL PROCEDURES AND AUTHORISATION FOR ACCOUNTING TRANSACTIONS

Pursuant to the provisions of the Accounting Act, separate methodology guidelines, which are part of the ISO standardisation, define specific positions and persons responsible for accounting transactions, persons responsible for their recognition, as well as the payment terms applied.

Payments arising from all accounting documents and their recognition may be approved and signed solely by persons responsible for specific accounting transactions and persons responsible for recognition of the specific accounting transactions.

a) Employees authorised to approve financial transactions in accounting documents are responsible for:

- Accuracy, admissibility and efficiency of recognised financial transactions;
- Ensuring control as regards compliance of the data reported in accounting documentation with actual data;
- Correctness, accuracy and completeness (including numerical control) of the financial amounts recognised above;
- Adherence to financial limits determined for respective authorised persons;
- Observing the premise that the limited value of a financial transaction means the sum of all values of specific items that are mutually inter-connected in terms of purpose, contents or personnel.

The authorised employee approves financial transactions by his/her signature which must be identical with the signature specimen. During DMS implementation, the system for electronic circulation of accounting documents and vouchers is being introduced. Transactions in DMS are approved in the digital environment which exists in Mail Registry and Economic Information System.

b) Employees authorised to approve recognition of financial transactions within the Company hold the following positions:

- Head of the Accounting Department and
- General accountant.

The employees authorised to approve the recognition of financial and accounting transactions are responsible for the following:

- Accounting records comply with the chart of accounts, approved recognition procedures and the valid accounting plan;
- Accounting documentation meets all requirements pursuant to Act No. 563/1991 Coll., in the case of tax documents also the requirements pursuant to Act No. 235/2004 Coll. On Value-Added Tax, as amended;
- Financial transactions reported in the accounting documents have been duly approved by the authorised employees;
- In terms of recognition approval, each accounting document must include two signatures of persons authorised to approve recognition of financial transactions.

Circulation of all accounting documents is ensured to maintain a steady flow of all documents (from issuance, approval and payment to recognition) in a rational and continuous manner and within reasonable deadlines.

The Company has appointed and authorised employees responsible for reviewing accuracy, completeness, admissibility and legitimacy of financial transactions and persons authorised to approve these transactions. Their powers are defined in accordance with the amounts/prices determined for specific (separate) financial transactions. For transactions under CZK 3 million incl. VAT, three authorised employees jointly approve any such transaction; for transactions between CZK 3 million and CZK 27 million incl. VAT, three authorised employees and three authorised members of the Company's body (Board of Directors) jointly approve any such transaction. For transactions exceeding CZK 27 million incl. VAT, three authorised employees and five authorised members of the Company's body (Board of Directors) jointly approve any such transaction.

Entering into supply contracts and ordering material and services is performed within the scope of authorisations granted by the Company's Board of Directors to senior managers and authorisations arising from the Company's internal policies.

INTERNAL AUDIT

Internal audit within the integrated management system involves an ongoing and systematic review and evaluation of operations of internal organisational units in the areas of quality, energy management, environment, occupational health and safety and fire protection management. Records of internal audits are submitted to the Company's management team. The purpose is to check compliance with occupational safety and work rules by employees as well as compliance with internal regulations and documents. Random workplace inspections, reviews of internal accounting records, and reviews of activity progress are also conducted.

Inspection reports are assessed by the Managing Director. Results and findings from internal audits are communicated to members of the Audit Committee.

PAYMENT CONTROL

The Company ensures control of all payments executed by authorised employees within the Economic Information System (EIS) in terms of the legitimacy of specific financial transactions and the amount of payment.

The employees executing payments print out a list of payment orders from EIS, review and sign it together with respective tax documents (invoices). They submit the payment orders for review to the authorised employee of the finance department, who checks the data for reconciliation and verifies it by signing the accuracy of the issued payment orders. A protocol is prepared on the required payments.

Prior to the execution of payments, a Protocol for Approval of the Financial Transaction is prepared and subsequently submitted for a review and approval to the authorised employees who permit the execution of the payments by signing the Protocol. After sending the payment orders to the respective bank, the authorised employee signs a control protocol that is filed with a control copy for a compatible medium, a dispatch label for non-document exchange of data carriers, a protocol on successful completion of data transfer, and a list of payment orders.

ELIMINATION OF POTENTIAL RISKS

The detailed business and financial plan for the current year includes identification of potential risks and their elimination in the given environment. The Company effectively eliminates all risks.

PAYROLL CONTROL MANAGEMENT

Access to the payroll and personnel files is granted by the system administrator, following a consultation with the head of the Human Resources and Payroll department, and approval by the Administration Director. The payroll system can be accessed by Human Resources Payroll officers processing the payroll agenda, the head of the Human Resources and Payroll department and the Administration Director.

All wage modifications are subject to the approval of the Managing Director. Payroll outputs are subject to inspection by the heads of the Human Resources department and the Administrative Director and, subsequently, approved by the Chief Finance Officer and the Managing Director.

THE SOLE SHAREHOLDER'S CONTROL

The Company's sole shareholder is AQUALIA CZECH S.L., which holds 100.00% of share capital and is the entity directly controlling Severomrávské vodovody a kanalizace Ostrava a.s.

FCC Aqualia S. A. holds 99.9999% of the share capital of AQUALIA CZECH S.L., an interest of 0.0001% is held by Aqualia Intech S.A.

All of the aforementioned companies are part of the Group controlled by FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A., with its registered office in Balmes 36, Barcelona, Kingdom of Spain.

More detailed information on the controlled and controlling entities is provided in this Annual Report. The overview of the Group's controlled and controlling entities is included in the Appendix thereto entitled the "Report on Related Party Transactions pursuant to Section 82 of the Business Corporations Act".

The sole shareholder (the controlling party) controls, through its representatives – i.e. the members of the Board of Directors, the annual business plan and monthly economic results, sets and reviews business goals and objectives that are assessed on an ongoing basis and discussed in the event of any discrepancies. In addition, the sole shareholder reviews and approves meeting the targets of the investment plan.

The Company has drafted in-house rules which set forth clearly defined procedures and control mechanisms. These are primarily methodological regulations in the ISO documentation system, which in detail describe procedures of processing common transactions, including fraud prevention rules. The Company's internal audit controls adherence to the relevant rules. The majority shareholder in no way influences or interferes with the Company's internal policies.

No other measures beyond the scope of the statutory obligations have been adopted.

COMPANY CODES

The Company publicly complies with and performs its activity in line with the Czech Corporate Governance Code 2018 (the "Code") based on the OECD Principles. It fully complies with its principles in order to improve its governance, corporate responsibility and long-term prosperity, increase its value, competitiveness and sustainability of its activities.

The Company makes sure that its governance is transparent. To this purpose, it publishes all relevant information regarding its activities and governance in its annual and semi-annual reports. The main features of the Company's system of internal controls and risk management in relation to financial reporting are disclosed in subchapter Corporate Control Instruments of this Annual Report.

Responsibilities of the Board of Directors and the Supervisory Board to the sole shareholder and to third parties are in compliance with Chapter 5 and 6 of the Code, the Articles of Association and applicable legislation.

Members of the Board of Directors and the Supervisory Board are able to exercise objective independent judgment on corporate affairs and they have access to accurate, relevant and timely information in order to ensure due performance of duties. The composition of corporate bodies of the Company is disclosed in Chapter 4 of this Annual Report. The composition of elected bodies reflects the requirements put on the Company with regard to its business activities and its further development.

For the entire time when the Company had more than one shareholder, the governance system protected and facilitated the exercise of shareholders' rights in a way that ensured equal rights for all shareholders, including minority ones, with the possibility to participate in the management of the Company through the General Meeting. Shareholders' rights in the Company were exercised within the scope of Chapter 1 of the Code. Presently, when the Company has a sole shareholder, the framework for the exercise of the shareholder's rights is defined by both applicable legislation and the Company's Articles of Association.

The Company is in full compliance with the Code of Conduct of the FCC Group, of which it forms part, and has implemented the Code into its corporate management system. The full wording of the Code of Conduct is available on the Company's Intranet and website.

COMPLIANCE PROGRAMME

During 2020, a corporate compliance programme was implemented and developed in the FCC Group. In 2021, development of the programme continued. The programme introduces a comprehensive system of measures and procedures relating to all activities of all entities in the Group. The compliance programme aims at setting internal operating rules in both the parent company of the FCC Group and its subsidiaries and affiliates. The aim is to define rules of conduct in relation to third parties and introduce a corporate culture across all aspects of the operations of individual entities.

When introducing the compliance programme, an analysis of the activities performed in the Company was conducted in order to identify risks and their consequences for the Company with regard to the prevention of possible criminal liability of the Company. At the same time, the applicability of the FCC Group's anti-corruption system in the Company was tested. No deficiencies were found in the conducted risk analysis that would pose a risk to the Company in terms of potential criminal liability.

In relation to the implementation of the FCC Group's compliance programme, the Board of Directors of the Company approved the Anti Corruption Control Matrix which is a part of the Compliance Management System. Following policies were updated: FCC Code of Ethics, Anti-Corruption Policy, Manual on Criminal Liability Prevention, Protocol on Preventing and Combating Harassment, Human Rights Protection Policy, Gift Acceptance Policy, Commercial Agents Relationships Policy, Policy of Participation in Tenders for the Supply of Goods and Services, and Policy of Business Partner Relations in connection with Compliance.

Updated were also made in documents describing whistle-blower processes, suggestion management rules and rules governing the work of the Compliance Committee in FCC Group. The documents above are based on the FCC Code of Ethics, give more details and focus on specific aspects. The documents are available on the Company's intranet and available for consultation in locations accessible to all Company's employees.

DECISION-MAKING PROCESSES AND SCOPE OF POWERS OF THE GENERAL MEETING

The status and power of the General Meeting are defined in Section A – General Meeting in the Company's Articles of Associations.

Starting from 20 September 2019, when the forced transfer of all shares to the sole shareholder became effective, the powers of the General Meeting are exercised by the sole shareholder.

9. ACCESS TO THE ANNUAL REPORT



1. The Company's Annual Report for 2021 is available both in paper form and on a USB stick to be distributed free of charge and available from 30 April 2022 at the Company's registered office on business days from 9:00 a.m. to 3:00 p.m. In addition, the Annual Report can be accessed at the registered offices of all parties that are recipients of the Annual Report pursuant to Act No. 256/2004 Coll., i.e. Česká národní banka a.s. (Czech National Bank), Burza cenných papírů Praha (Prague Stock Exchange), and ING Bank N.V., organizační složka.
2. As of 29 April 2022, the Annual Report will be also posted as pdf on www.smvak.cz in the section Shareholders and Investors/ Published documents.

An aerial photograph of a wastewater treatment plant. The facility includes several large circular clarifiers, a series of rectangular aeration basins with visible white foam on the water surface, and three large cylindrical storage tanks in the foreground. Various industrial buildings and a parking lot are also visible. The surrounding area includes a residential neighborhood with houses and a cemetery.

**10.
THE CONTROLLED AND
CONTROLLING PARTIES**

The overview below shows the controlled and controlling parties within the FCC Group as of 31 December 2021.

1. CONTROLLED PARTY

[Severomoravské vodovody a kanalizace Ostrava a. s.](#)

Registered office: 28. října 1235/169, Mariánské Hory, 709 00 Ostrava

ID: 45193665

The company is registered in the Commercial Register kept at the Regional Court of Ostrava, Section B, Entry 347.

2. ULTIMATE CONTROLLING PARTY OF THE GROUP

[Fomento de Construcciones y Contratas, S. A.](#)

Registered office: Barcelona, Balmes 36

ID: A-28037224

The company is registered in the Commercial Register kept in Barcelona, Section 21.736, File 1, Page B-26.947.

The company is not registered in the Commercial Register kept in the Czech Republic.

3. DIRECTLY CONTROLLING PARTY

[AQUALIA CZECH S. L.](#)

Registered office: Madrid, Avda. del Camino de Santiago 40, Kingdom of Spain

ID: B-85794931

The company is registered in the Commercial Register kept in Madrid on the page M-488820.

The company is not registered in the Commercial Register kept in the Czech Republic.

4. OTHER PARTIES IN THE GROUP WITH WHICH THE CONTROLLED PARTY HAD CONTRACTUAL RELATIONSHIPS OR PERFORMED LEGAL ACTS

4.1. [Aqualia infraestructuras inženýring, s. r. o.](#)

Registered office: Slavníkovců 571/21, Mariánské Hory, 709 00 Ostrava

ID: 64608042

The company is registered in the Commercial Register kept at the Regional Court of Ostrava, Section C, Entry 14055.

4.2. [Vodotech, spol. s r.o.](#)

Registered office: Jaselská 220/47, Předměstí, 747 07 Opava

ID: 64086348

The company is registered in the Commercial Register kept at the Regional Court of Ostrava, Section C, Entry 8486.

4.3. [Aqualia Intech, S. A.](#)

Registered office: Madrid, Avda. del Camino de Santiago 40, Kingdom of Spain

ID: A-28849495

The company is registered in the Commercial Register kept in Madrid on the page M-59467.

The company is not registered in the Commercial Register kept in the Czech Republic.

4.4. [Tratamiento industrial de aguas, S. A.](#)

Registered office: Madrid, Federico Salmon 13, Kingdom of Spain

ID: A-28525723

The company is registered in the Commercial Register kept in Madrid on the page M-20467.

4.5. [FCC AQUALIA, S. A.](#)

Registered office: Madrid, Federico Salmon 13, Kingdom of Spain

The company is registered in the Commercial Register kept in Madrid on the page M-58878.

The organisational branch of the foreign legal entity is recorded in the Commercial Register kept by the Municipal Court in Prague, Section A, Entry 69960 under the name FCC AQUALIA, S.A., organizační složka v České republice, ID: 27788318.

4.6. [FCC Česká republika, s.r.o.](#)

Registered office: Ďáblická 791/89, Ďáblice, 182 00 Praha 8

ID: 45809712

The company is registered in the Commercial Register kept at the Municipal Court of Prague, Section B, Entry 12401.

4.7. [OBSED a. s.](#)

Registered office: Nemocniční 998/14, Moravská Ostrava, 702 00 Ostrava

ID: 27454045

The company is registered in the Commercial Register kept at the Regional Court of Ostrava, Section B, Entry 3265.

4.8. [HIDROTEC, Tecnología del Agua, S. L. U.](#)

Registered office: Sevilla, c. Kansas City 9, Kingdom of Spain

ID: B-91033621

The company is registered in the Register of Companies kept in Sevilla, sheet SE 395, section 8 folio 71. The company is not registered in the Commercial Register in the Czech Republic.

The Report on Related Party Transactions specifies all members of the Group with which the controlled party had contractual relations or with which legal acts were performed in the reporting period beginning 1 January 2021 and ending 31 December 2021.

The Report on Related Party Transactions between the Controlling Party and the Controlled Parties and between the Controlled Parties and other Parties Controlled by the Same Controlling Party for the reporting period beginning 1 January 2021 and ending 31 December 2021, prepared pursuant to Section 82 of Act No. 90/2012 Coll., on Business Corporations, is an integral part of this Annual Report.

The Company declares that it conducts its business operations independently of the other Group companies as its activities are not dependent on any other Group member.

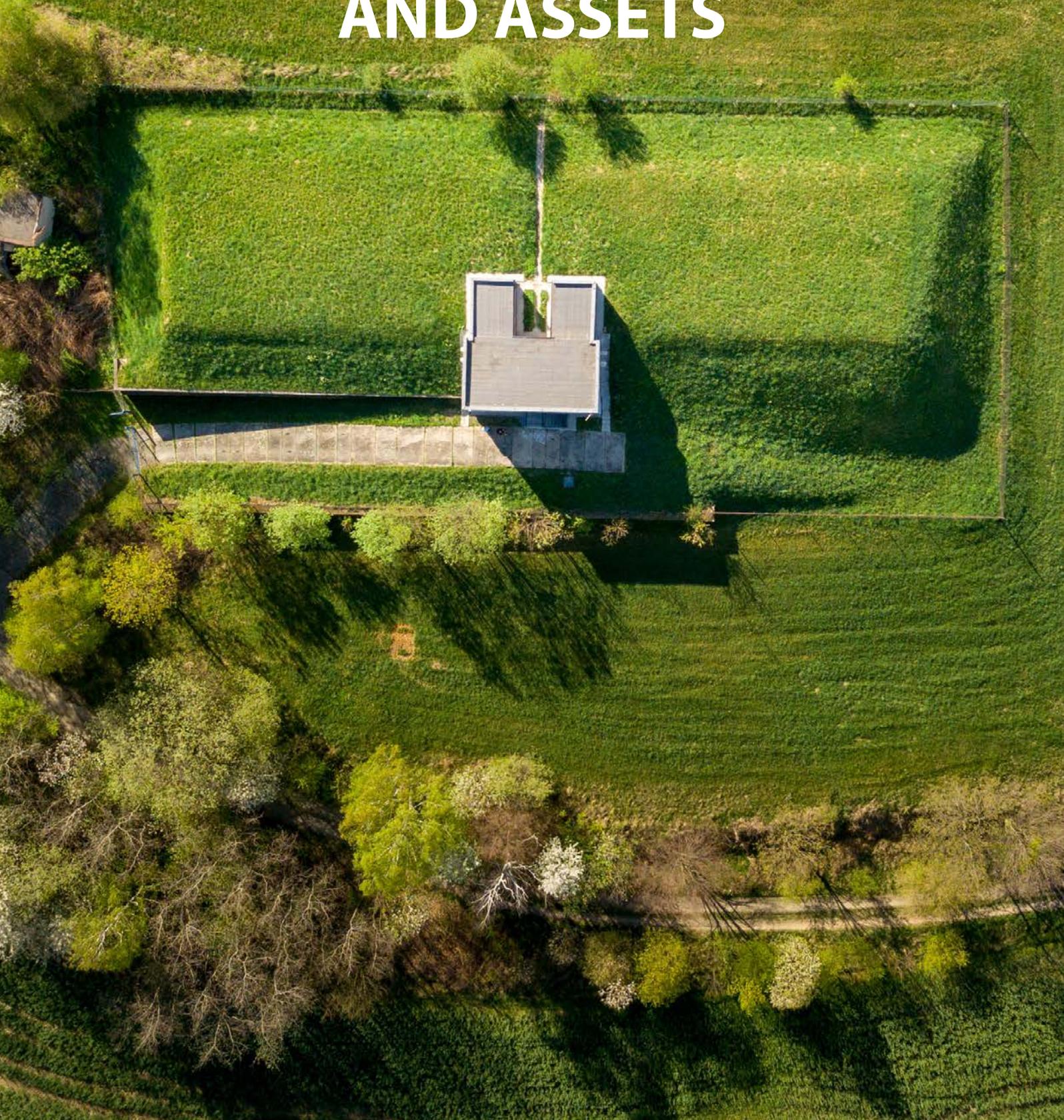
Severomoravské vodovody a kanalizace Ostrava a.s. is the Controlled Party. It is directly controlled by the Controlling Party, particularly through decisions of the sole shareholder acting in the capacity of the General Meeting as part of business management through the representatives of the sole shareholder in the Board of Directors and executive management.

The Company is not a Controlling Party or a partner in any other company which is a part of FCC Group.

The level of the Company's compliance with selected chapters of the Code of Corporate Governance, based on the OECD Principles, is subject to regular analyses; application of the principles to the Company's specific conditions is included in the documents related to the preparation of the annual Financial Statements and the 2021 Annual Report.

The Company is not aware of any risk factors arising from its dominant market position in the regions of its operation.

11. THE BOARD OF DIRECTOR'S REPORT ON COMPANY'S BUSINESS OPERATIONS AND ASSETS



All figures disclosed in this report comply with International Financial Reporting Standards IAS/IFRS (hereinafter "IFRS"), as adopted by the EU.

KEY FINANCIAL FIGURES FOR 2021

- Severomoravské vodovody a kanalizace Ostrava a.s. generated profit before taxes of CZK 565.489 million in 2021.
- In 2020, water deliveries to water supply systems of third-party water companies increased slightly by 1.4 % year-on-year, which represents an increase in 250,000 m³ against the previous year.
- Drinking water delivered to households and businesses in 2021 increased by 0.3 % year-on-year, which represents 100,000 m³ against 2020.
- The volume of drained wastewater (including the billed rainwater) recorded a minor increase of 1% compared to the volume in 2020.
- Supplies of drinking water from central and local sources were uninterrupted throughout 2021 and so was the drainage and treatment of wastewater.
- The total income from water tariff and sewage charges amounted to CZK 2,723.915 million which is CZK 152.478 million more than in 2020.
- The Company's overall financial performance in 2021 can be described as favourable, despite the society-wide situation caused by the novel coronavirus. The total volume of drinking water sold to final consumers amounted to 32.404 million m³, and the volume of drained wastewater for consideration totalled 26.994 million m³. A total of 14.498 million m³ of drinking water was delivered to the systems of Czech water management companies, and 4.213 million m³ was delivered to water supply systems in Poland.
- In compliance with applicable legislation and IAS/IFRS as adopted by the EU, the Company's asset stock-taking included special procedures to apply the respective standards (hereinafter "IAS") to the Company's specific conditions (refer to the Notes to the annual financial statements).

INCOME

In 2021, the total income from water tariffs and sewage charges amounted to CZK 2,876.401 million which is CZK 208.208 million more than in 2020.

Development of income in CZK ,000

Indicator	2019	2020	2021
Income from water tariffs and sewage charges	2,503,692	2,571,437	2,723,915
Other operating income	101,680	96,104	151,798
Interest and other financial income	1,103	652	688
Total income	2,606,475	2,668,193	2,876,401
Profit before taxes	473,934	501,352	565,489
Profit after taxes	379,496	404,521	454,660

Key business operations

Indicator	2019	2020	2021
Billed water (thousand m ³)	33,269	32,304	32,404
Bulk water (thousand m ³)	20,257	18,461	18,711
Discharged wastewater (thousand m ³)	26,993	26,721	26,994

4.213 million m³ of water was supplied to consumers outside the territory of the Czech Republic. The volume of water supplied to Ostravské vodárny a kanalizace a.s. amounted to 9.854 million m³, and 2.05 million m³ of drinking water was supplied to Vodovody a kanalizace Přešov a.s.

Other third party consumers were delivered 2.594 million m³ of drinking water.

EXPENSES

The total recognised expenses including taxes amounted to CZK 2,421.741 million in 2021.

Expenses in CZK ,000

Indicator	2019	2020	2021
Consumption of materials and energies	497,298	494,654	534,158
Personnel costs	508,058	531,486	557,041
Depreciation	509,661	443,652	463,220
Other operating expenses	472,367	515,920	602,341
Increase/decrease in reserves and adjusting entries – net value	(18,921)	15,993	(10,829)
Interests and other financial expense	164,078	165,136	164,981
Income tax	94,438	96,831	110,829
Expenses in total	2,226,979	2,263,672	2,421,741

PROFIT/LOSS

Profit before tax	
Year 2019	CZK 473,934 thousand
Year 2020	CZK 501,352 thousand
Year 2021	CZK 565,489 thousand

Profit after due income tax and deferred income tax	
Year 2019	CZK 379,496 thousand
Year 2020	CZK 404,521 thousand
Year 2021	CZK 454,660 thousand

FINANCING

As one of the key goals of successful financial management, the Company's financial assets, cash security and settlement of liabilities (hereinafter "liquidity") were managed in an optimum manner throughout the entire reporting period.

No movable or immovable assets of the Company were pledged as of 31 December 2021.

BORROWINGS

To ensure financial stability for the coming years, in 2015, the Company entered into a framework loan agreement for CZK 120 million with ING Bank N.V., a joint-stock company incorporated under the laws of the Netherlands, with its registered office at Bijlmerplein 888, 1102 MG under no. 33031431, represented in the Czech Republic through ING Bank N.V., branch Prague, with its registered office at Českomoravská 2420/15, Libeň, 19000 Praha 9, the Czech Republic, ID: 492 79 866. The loan is secured by a promissory note ("blank bill"). In 2021, this loan was used solely for the issuance of bank guarantees related to the operation of licence agreements and participation in tenders.

Within the scope of licensing tenders for operating the water supply infrastructure by certain cities and municipalities, the following bank guarantees were provided as security:

Date of issue	Issued to the benefit of	Purpose of issue	Validity	Coverage
3. 9. 2020	Association of Municipalities in the Nový Jičín District	Operation of the water infrastructure - sewage systems owned by the Association of Municipalities in the Nový Jičín District	7 Sep 2020 – 31 Dec 2022	CZK 675,000
3. 9. 2020	Municipality of Orlová	Operation of infrastructure owned by the Municipality of Orlová	7 Sep 2020 – 31 Dec 2022	CZK 100,000
3. 9. 2020	Municipality of Albrechtice	Operation of water assets owned by the Municipality of Albrechtice	21 Dec 2020 – 20 Dec 2024	CZK 36,000
21. 12. 2020	Municipality of Velké Losiny	Operation of a sewage system and wastewater treatment plant for public needs: in Velké Losiny and in its suburbs - Maršíkov and Bukovice.	21 Dec 2020 – 20 Dec 2025	CZK 850,000
19. 12. 2018	Municipality of Opava	Due fulfilment of operator's obligations arising from the contract	1 Jan 2019 – 31 Dec 2023	CZK 400,000
19. 12. 2018	Municipality of Neplachovice	Due fulfilment of operator's obligations arising from the contract	1 Jan 2019 – 31 Dec 2023	CZK 150,000
9. 1. 2020	Municipality of Vratimov	Due fulfilment of operator's obligations arising from the contract	9 Jan 2020 – 31 Dec 2024	CZK 260,000
9. 1. 2020	Municipality of Řepiště	Due fulfilment of operator's obligations arising from the contract	9 Jan 2020 - 31 Dec 2024	CZK 114,000
21. 12. 2020	Municipality of Horní Suchá	Operation of water assets owned by the Municipality of Horní Suchá	1 Jan 2021 – 20 Dec 2025	CZK 230,000
21. 12. 2020	Municipality of Dolní Lutyně	Due fulfilment of operator's obligations arising from the contract	1 Jan 2021 – 20 Dec 2025	CZK 130,000
21. 12. 2020	Municipality of Štramberk	Due fulfilment of operator's obligations arising from the contract	1 Jan 2021 – 20 Dec 2025	CZK 106,500
7. 5. 2021	Municipality of Písečná	Due fulfilment of operator's obligations arising from the contract	10 May 2021 – 10 May 2026	CZK 68,500
29. 9. 2021	Municipality of Říčany	Tender for operation of the water infrastructure owned by the Municipality of Říčany	11 Oct 2021 – 31 Mar 2022	CZK 600,000
29. 9. 2021	Municipality of Němčice nad Hanou	Tender for operation of water distribution, sewage discharge and wastewater treatment facilities	4 Oct 2021 – 30 Apr 2022	CZK 1,000,000

Liabilities as of 31 December 2021 in CZK ,000

	2019	2020	2021
Long-termed payables and unearned revenues	6,210,194	6,293,747	913,029
hereof: Bank loans and issued bonds	5,369,282	5,381,539	0
hereof: Deferred tax payable	548,116	567,222	590,270
hereof: Payables with respect to financial lease	275,785	315,674	297,642
hereof: Reserves	17,011	29,312	25,117
Short-termed payables and unearned revenues	722,340	728,016	6,243,088
hereof: Bank loans and issued bonds	64,575	64,575	5,458,726
hereof: Trade payables and other payables	604,545	628,792	743,063
hereof: Payables with respect to financial lease	21,173	28,882	29,142
hereof: Tax payables to the state	25,614	1,178	8,021
hereof: Reserves	6,433	4,589	4,136

In 2021, the Company settled all of its liabilities in a due and timely manner.

ORGANISATION AND HUMAN RESOURCES

Labour relations in the Company were governed by the Labour Code and the Collective Agreement signed for 2021. The Company has not set up any Remuneration Committee.

In its day-to-day activities, the Company strictly adheres to the principle of equal opportunities (diversity policy) in hiring, employing and evaluating employees and maintaining the principle of fair remuneration. The Company actively supports the education and training of employees on all management levels.

Number of employees

	2019	2020	2021
Re-calculated total number of employees	855	855	861
hereof employees in water networks	403	404	406
hereof employees in sewage systems	298	297	299
hereof – other employees	154	154	156

PROFIT/LOSS. DIVIDEND PER SHARE

	2019	2020	2021
Profit/loss per share in CZK	109.73	116.97	131.46
Dividend per share in CZK	84.91	81.88	To be decided by the sole shareholder

The dividend policy is subject to decisions of the sole shareholder in relation to the distribution of profits generated in the respective year.

ANTI-BRIBERY AND ANTI-CORRUPTION MEASURES

Measures against corruption and bribery are defined in the Company's internal documents – mainly in the Working Rules of SmVaK Ostrava. Each employee must acquaint themselves with the contents of the Working Rules upon employment commencement and confirm their understanding by appending their signature. This issue is also addressed by the Code of Ethics of the FCC Group of which employees are informed and which is available on the Company's intranet and on the website www.smvak.cz in the section About us. The Board of Directors approved the principles of the Anti-Corruption Policy valid in the FCC Group.

The Board of Directors decided to apply the Code of Ethics of the FCC Group as well as other documents from the Compliance Management System in SmVaK Ostrava and to issue a public announcement on www.smvak.cz about the Company's commitment to observe the rules specified in the Code of Ethics.

RESPECT FOR HUMAN RIGHTS

The Company fully respects the human rights of all entities which it has encountered as part of its business and other activities. In terms of its business activity, the Company is aware that situations with possible impacts on human rights may emerge. Therefore, the Company uses efficient mechanisms providing fair solutions to these situations. This principally involves the process of handling objections, complaints and protection of rights in terms of the General Data Protection Regulation (GDPR). Essential principles are set up within these processes; specifically: transparency, legitimacy and fair solutions. In order to address potential complaints concerning tap water supplies and the draining of wastewater through the sewage system, the Company has published its Complaints Procedure on its website www.smvak.cz; in terms of personal data protection, the Company has also published the Privacy Policy on its website including the form for exercising the rights of data subjects. The Company has adopted the Human Rights Protection Policy applied in the FCC Group.

Respect for human rights is subject to internal governance documentation and employee training. The Company pays attention to human rights compliance by means of an internal control system and the Code of Ethics of the FCC Group.

COURT, ADMINISTRATIVE, AND ARBITRATION PROCEEDINGS

LEGAL DISPUTES WHERE THE COMPANY IS THE DEFENDANT

- I. The petition that requires that the resolution adopted at the General Meeting on 22 May 2017 with respect to the decrease in the registered capital and distribution of the profit made in 2016 should be declared invalid
 - Because the final and binding judgement exists that the General Meeting resolution to decrease the registered capital of 30 July 2015 is invalid and because the judgement on the extraordinary appeal filed at the Supreme Court of the Czech Republic in 2017 has not been awarded yet, the General Meeting resolved to decrease its registered capital in the same scope as in 2015.
 - Two minority shareholders (an individual who is also the authorised body of the other minority shareholder) filed on 15 August 2017 at the Regional Court in Ostrava the petition requiring that the General Meeting resolution of 22 May 2017 should be declared invalid with respect to the decrease in the registered capital and distribution of the profit made during the accounting period of the year 2016.
 - The Regional Court in Ostrava awarded on 4 December 2017 under Ref. 28 Cm 221/2017-68 the judgement that the General Meeting resolution was invalid with respect to distribution of the profit made during the accounting period 2016 and with respect to the decrease in the registered capital.
 - On 12 January 2018 SmVaK Ostrava filed an appeal against the judgement with the High Court in Olomouc.
 - On 16 October 2018 the High Court in Olomouc dismissed the Regional Court judgement under Ref. 5 Cmo 38/2018-125. Namely, it dismissed the judgement for the shareholder who is the legal entity with respect to both distribution of the profit made in 2016 and decrease in the registered capital, and it dismissed the judgement to the shareholder who is the individual with respect to the profit made in 2016. Regarding the decrease in the registered capital, it dismissed the resolution and referred the case back to the Regional Court in Ostrava that should consider it again on the basis of the judgement awarded by the Supreme Court of the Czech Republic on 17 July 2018.
 - On 15 March 2019 the both minority shareholders filed an extraordinary appeal with the Supreme Court of the Czech Republic where such extraordinary appeal was against the judgement awarded by the High Court in Olomouc. The minority shareholders believed that the High Court in Olomouc had incorrectly interpreted the entire process and contents of the general meeting resolutions adopted at the general meeting – the did not consider violation of shareholders' right to receive information about the company and information contained in protests filed at the general meeting.
 - The Company's principal argument points were that the Company provided the shareholders with each available information relating to individual items on the agenda and that the Company answered all requests for information. The Company also mentioned in its statement that the subject of the extraordinary appeal was considered in the Supreme Court's judgement to be unfounded and proposed to dismiss it in full.
 - On 9 March 2021 the Supreme Court awarded the following judgement: it dismissed the extraordinary appeal in the part requiring invalidity of the resolution to distribute the profit, and it referred the case back to the High Court for review in the part requiring invalidity of the resolution to decrease the registered capital. In its resolution, the Supreme Court addressed, in particular, the process legitimacy of the plaintiff: was the plaintiff authorised to file a petition even if he did not take part in the General Meeting? The Supreme Court of the Czech Republic concluded that the plaintiff was authorised to file a petition and that is why the case was referred back to the High Court in Olomouc. The Supreme Court did not deal with the decrease of the registered capital.
 - The High Court in Olomouc dismissed in its judgement under Ref. 5 Cmo 38/2018-202 a part of the original judgement awarded by the Regional Court in Ostrava, and referred the case back to the latter court within the scope of judgement awarded by the Supreme Court of the Czech Republic.
 - The Regional Court in Ostrava dismissed the petition, reasons being, among others, absence of procedural legitimacy of the plaintiffs.
 - The judgement was awarded under Ref. 28 Cm 221/2017-244.

LEGAL COURT DISPUTES WHERE THE COMPANY IS THE PLAINTIFF

I. CLAIMING OF TRADE RECEIVABLES

Court disputes in progress as of 31 December 2021 where the Company is the plaintiff	Number of cases	Amount in CZK
Receivables utilised in bankruptcy and insolvency proceedings	155	11,119,519.36
Actions filed	138	2,106,525.00
of which distraint	125	1,364,007.22
Receivables utilised in inheritance proceedings	13	78,923.00
Receivables utilised in liquidation proceedings	1	4,473.00
Cases where the Company is the plaintiff – before action	119	1,213,303.76
Total cases pending	413	14,443,821.12

II.

- SmVaK Ostrava filed at the Metropolitan Court in Prague an administrative petition against the decision made by Státní energetická inspekce, No. 904047515, dated 10 December 2015, Ref. 0813029a14/1576/15/90.220/Kr. The matter was heard at the Metropolitan Court of Prague under Ref. 3 Af 16/2016 where SmVaK Ostrava had received a fine for incorrect application and use of a higher price for the green bonus for electricity generated by combustion of sludge gas from wastewater treatment plants.
- The Metropolitan Court in Prague dismissed the SmVaK Ostrava's petition on 22 September 2020 as it believed that there were no reasons for the petition. SmVaK Ostrava brought an appeal in cassation with the Supreme Administrative Court of the Czech Republic against the judgement.

Proposed distribution of the Company's accounting profit made in 2021

	CZK
Accounting profit	454,659,852.94
Proposed distribution of the Company's profit	
Net profit to be determined by the sole shareholder acting in the capacity of the General Meeting	454,659,852.94

BUSINESS OPERATIONS

In 2021, business operations were carried out by five customer centres (in Ostrava, Frýdek-Místek, Karviná, Nový Jičín and Opava). Due to the epidemiological situation in the Czech Republic, points of sale were closed for the whole of the year. In reaction to the state of emergency declared by the government and the resulting anti-epidemic measures, customer centres were closed to the public in specific parts of the year as well. In most cases, their activities were ensured without the need for personal contact, i.e. electronically, by phone or in writing.

In the periods of eased anti-epidemic measures (as of spring 2021), under strict preventive hygiene conditions, the customer centres were open, enabling personal contact with customers. An online booking system was introduced for scheduling personal appointments at the customer centres.

In customer centres, normally when there is not a state of emergency and/or related restrictions, customers may enter into contracts and amendments to contracts for supplying drinking tap water and wastewater drainage services, make changes relating to water tariffs and sewage charges, discuss invoicing matters, request payment schedules in the event of inability to pay financial liabilities arising from drinking water supplies and wastewater drainage, make complaints, request statements on potential conflicts with the Company's engineering networks, request for a permit to establish water and sewage lines, place orders for construction or renovation of a line, order special services, such as cesspit or septic tank pumping or delivery of drinking water in a tank.

Priority activities of customer centres include making contracts with customers for water supply and wastewater drainage services.

More requests can be handled without personal visits of customers which, in turn, resulted in more such requests.

In 2017, an application was launched at www.smvak.cz, allowing clients to order almost 50 types of service in nine basic areas without having to visit the Company's customer centres or plants in person.

Pursuant to Act No. 274/2001 Coll., Implementing Decree No. 428/2001 Coll., and the Business Terms and Conditions of Water Supply from the Water Supply Network and Drainage of Wastewater through the Sewage System, the Company enters into contracts with customers for the supply of drinking water from public water supply networks and provision of services pertaining to drainage of wastewater through public sewage networks. Pursuant to an amendment to Act No. 274/2001 Coll. and the Civil Code, Act No. 89/2012 Coll., contracts for public water supply and wastewater drainage concluded with customers meet the requirements of the aforementioned amendment. At the same time, the Company has started the process of making the existing customer contracts compliant with valid legislation.

A total of 134,203 contracts were signed as of 31 December 2021, which accounts for 99.1% of the total number of customers amounting to 135,423.

Customers and contracts in force in 2021

	Number of customers	Number of contracts in force	Contracts in force in total/number of customers ratio
Households	123,143	122,120	99.17 %
Corporate customers	12,280	12,083	98.4 %
Total	135,423	134,203	99.1 %

STATEMENTS

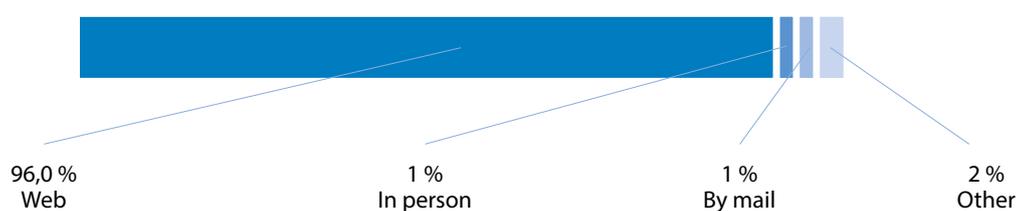
The provision of statements with respect to construction plans of investors (both on the existence of networks and project documentation) is among the basic supporting services provided by the Company. Since 2019, the number of requests for statements has been increasing. Following a slight increase in 2019 and 2020 (about 6 %) the year-on-year growth was 9.8 % in 2021. 39,120 requests for statements were processed in 2021.

Number of processed requests and the year-on-year growth/decrease

Year	Processed	Year-to-year growth/decrease
	Number	%
2019	33,771	+ 6.5
2020	35,626	+ 5.5
2021	39,120	+ 9.8

Similar to other utility organisations, the Company's web site allows for submitting requests for an opinion. More than 96 % of all requests lodged in 2021 were filed in this manner, also due to the fact that it was often impossible to file a request in person in a customer centre.

Channels for submitting requests for a statement



In 2021, more than 45 % of all requests for a statement were processed via the automatic system launched in 2016. Thanks to further improvements made in the automatic statement processing system in 2019, the number of requests processed automatically is same as in 2020. This means the system helps considerably to manage a high number of requests.

PROJECTED BUSINESS DEVELOPMENT AND FINANCIAL POSITION IN 2022

The Company plans to spend CZK 753 million on investment projects in 2022. Similarly to prior years, the Company aims to base its investment policy on the need for the ongoing improvement and development of business activities. It focuses primarily on renewal, upgrades and reconstruction of water supply and sewage networks and projects aimed at compliance with legislative requirements for both drinking water purification and deliveries and wastewater drainage and treatment. The Company will continue to support and finance development projects pertaining to water supply infrastructure in the municipalities of the region in which the Company operates. All investments in 2022 will be financed using the Company's own resources.

The plan for 2022 is to spend more by CZK 151.279 million, against 2021, for repairs, maintenance, material consumption and other operating costs.

The Company will develop its activities and react to opportunities for boosting its further growth, in particular through acquisitions of target water management companies and tenders for the operation of water management infrastructure in the individual parts of the Czech Republic. In 2022, total expenses (not including the income tax) are planned to amount to CZK 2,442.783 million, income to CZK 2,981.862 million and profit before tax should reach CZK 539.079 million. The 2022 plan of total expenses is based on the anticipated needs and price development.

The draft business plan stipulates the following volume units for 2022: 33.02 million m³ of billed drinking water, 27.068 million m³ of discharged water, and 19.422 million m³ of bulk water.

The Company is not aware of any risk factors arising from its dominant market position in the regions in which it operates.



12.
CORE BUSINESS

WATER RESOURCES

96 % of the Company's production of drinking water is ensured by the treatment of raw water that comes from central sources – the Kružberk, Šance and Morávka water reservoirs managed by the state-owned Povodí Odry ("Odra Basin") enterprise.

The water reservoir on the Moravice River by Kružberk at the foothills of the Jeseníky Mountains was built as the first valley dam in the Odra basin in 1948-1955. Following the completion of the higher-lying Slezská Harta reservoir, which Kružberk closely cooperates with as part of the cascade, its tasks are to ensure the supply of raw water for the Podhradí Water Treatment Plant, to enhance watercourse flow rates and to enable industrial offtake from them. An important function of the cascade is flood protection.

The Šance dam on the Ostravice River above the town of the same name was built in 1964-1969 according to the original notions about the need for flood protection, which was later supplemented with a plan to supply the region with drinking water. It supplies untreated water to the Nová Ves Water Treatment Plant.

The valley dam on the Morávka River was, as a water source, built between 1961-1967 due to the growing requirements to ensure the supply of drinking water. Besides enhancing flow rates below the dam, reducing flood flow rates and the continuous use of the flow for energy purposes, the purpose of the facility was, in particular, to supply drinking water. Untreated water is supplied to the Vyšní Lhoty Water Treatment Plant.

Pursuant to the current reservoir water quality, the manager may choose to offtake raw water for treatment to produce drinking water out of several offtake altitudes, which ensures the optimum set-up of the treatment process. Turbines thanks to which the available energy potential of the transported water may be exploited are placed at the inflow to each of the three main water treatment plants.

In order to protect the quality and safety of raw water, water resource protection zones are demarcated in the catchment areas of all reservoirs, where special conditions apply to business and the performance of possible activities so that the quality and capacity of water in water reservoirs are not compromised.

PRODUCTION OF DRINKING WATER

The majority of the production takes place at water treatment plants in Podhradí by the town of Vítkov, Nová Ves by the town of Frýdlant nad Ostravicí and Vyšní Lhoty close to the town of Frýdek-Místek. The remaining part of drinking water production takes place at another 41 local sources of ground and surface water.

Three central water treatment plants are interconnected by means of a system of feeder mains, creating a backbone production and distribution system of the Ostrava Area Water Supply System, which is operated mainly as a gravitational one with large-capacity accumulations of drinking water. This, together with the possibility to interconnect and substitute central sources, ensures a highly-reliable and continuous supply of drinking water to the consumption points supplied. The drinking water production process and product quality are monitored in compliance with valid legislation and in the frequency and scope necessary for reviewing the correct set-up of technology processes. Besides laboratory sample analyses, the quality of drinking water is monitored using a number of continuous analysers, with the health limits thereon set by Decree No. 252/2004 Coll., which stipulates the safety requirements for drinking water and hot water, including the frequency and scope of reviews.

Legislative water samples are analysed in an accredited laboratory, with analyses of operational water tests provided by operational laboratories at the Podhradí Water Treatment Plant and the Nová Ves Water Treatment Plant. In the long term, the Company has succeeded in maintaining a high quality of drinking water supplies.

Quality of drinking water – central water treatment plants (WTPs)

Quality of water	Unit	2021	WTP PODHRADÍ	WTP NOVÁ VES	WTP VYŠNÍ LHOTY
		Limit value pursuant to Act No. 258/2000 Coll. And Decree No. 252/2004 Coll.	Treated water Average value	Treated water Average value	Treated water Average value
pH		6.5 – 9.5	7.63	7.71	7.91
ANC _{4,5}	mmol.l ⁻¹	-	0.85	0.64	0.56
BNC _{8,3}	mmol.l ⁻¹	-	0.027	0.024	0.010
Colour	mg.l ⁻¹ Pt	20	3.69	1.60	0.14
Turbidity	ZF	5	0.18	0.064	0.042
COD _{Mn}	mg.l ⁻¹	3	1.86	1.03	0.55
Iron	mg.l ⁻¹	0.2	< 0.05	< 0.05	< 0.05
Manganese	mg.l ⁻¹	0.05	< 0.025	< 0.025	< 0.025
Nitrites	mg.l ⁻¹	0.5	< 0.01	< 0.01	< 0.01
Aluminium	mg.l ⁻¹	0.2	0.03	0.04	0.01

The volume of drinking water production in 2021 followed the trend of the preceding period. During the year, the Company produced 57.554 million m³ of drinking water, which represented a year-on-year increase of 0.162 million m³.

The volume of drinking water production – time process

Water treatment plants – production of water, thousand m ³ /year	2015	2016	2017	2018	2019	2020	2021
Podhradí	32,614	29,723	27,468	28,704	28,016	28,244	28,142
Nová Ves	22,941	23,273	24,043	23,715	23,513	21,598	22,061
Vyšní Lhoty	5,694	5,800	5,705	5,167	5,376	4,860	4,867
Local sources	3,198	3,240	3,190	3,143	3,139	2,690	2,484
Total	64,448	62,036	60,406	60,729	60,042	57,392	57,554

Despite the exceptionally challenging society-wide impact of the COVID-19 pandemic throughout 2021, the Company was able to ensure smooth supplies of drinking water, fully satisfying customer requirements for the quality and amount of supplied drinking water thanks to sufficient capacities and flexibly adjusted organisation of activities. Certain operating activities were regularly governed by rules defined in the internal Pandemics Plan, and a flexible approach made it possible to use available capacities of plants and centres, in line with updated measures declared by the Government of the Czech Republic.

As of 31 December 2021, the Company operated a 5,120-km water supply network, including 140,030 water service connections, 357 water tanks and 223 pumping stations. The supply of top quality drinking water, which ranks among the best in the Czech Republic, is among the Company's long-term goals that it has succeeded in meeting.

In comparison to 2020, the volume of billed water saw a slight increase: by 100,000 m³. Consumption of drinking water in households increased (by 168 thousand m³ year-on-year); however, the amount of water supplied to other customers saw a decrease (68 thousand m³ year-on-year). The amount of bulk water decreased by 250 thousand m³ compared to 2020. A total of 23,609 thousand m³ of drinking water was delivered to households, and 8,795 thousand m³ to other customers.

Water production and supply in units of volume

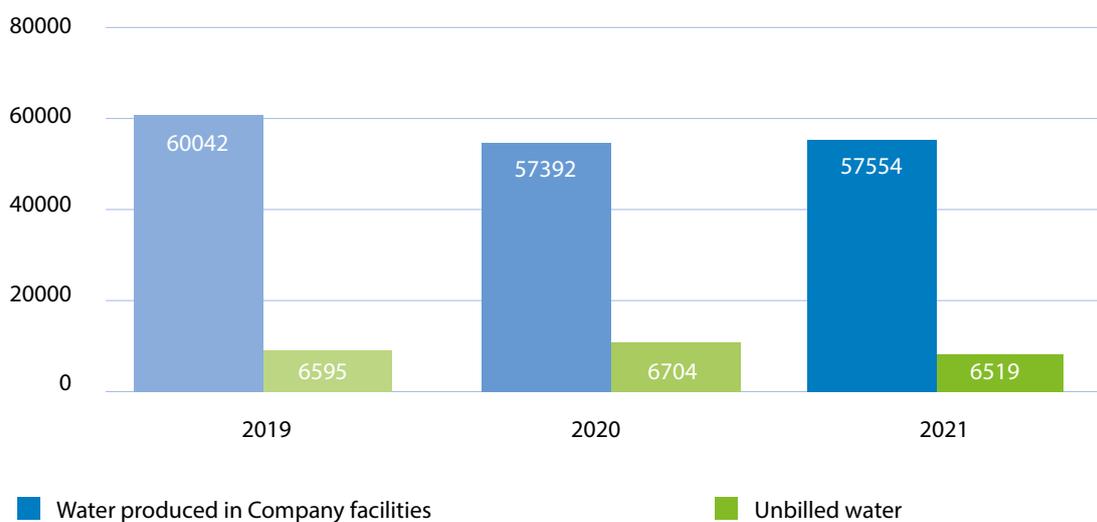
Indicator	Unit	2019	2020	2021
Water produced in own plants	thousand m ³	60,042	57,392	57,554
Bulk water taken from third-party water companies	thousand m ³	79	77	80
Bulk water supplied to third-party water companies	thousand m ³	20,257	18,461	18,711
Water produced for use by direct consumers	thousand m ³	39,864	39,008	38,923
Billed water	thousand m ³	33,269	32,304	32,404
Of which: households	thousand m ³	23,029	23,441	23,609
others	thousand m ³	10,240	8,863	8,795

In 2021, the volume of unbilled water decreased slightly from 6,704 thousand m³ down to 6,519 thousand m³, i.e. by 185 thousand m³.

The year 2021 was yet again marked by increased efforts in respect of the construction and assembly activities provided by the Central Emergency Service and individual emergency centres. The recorded revenue amounted to CZK 101.46 million.

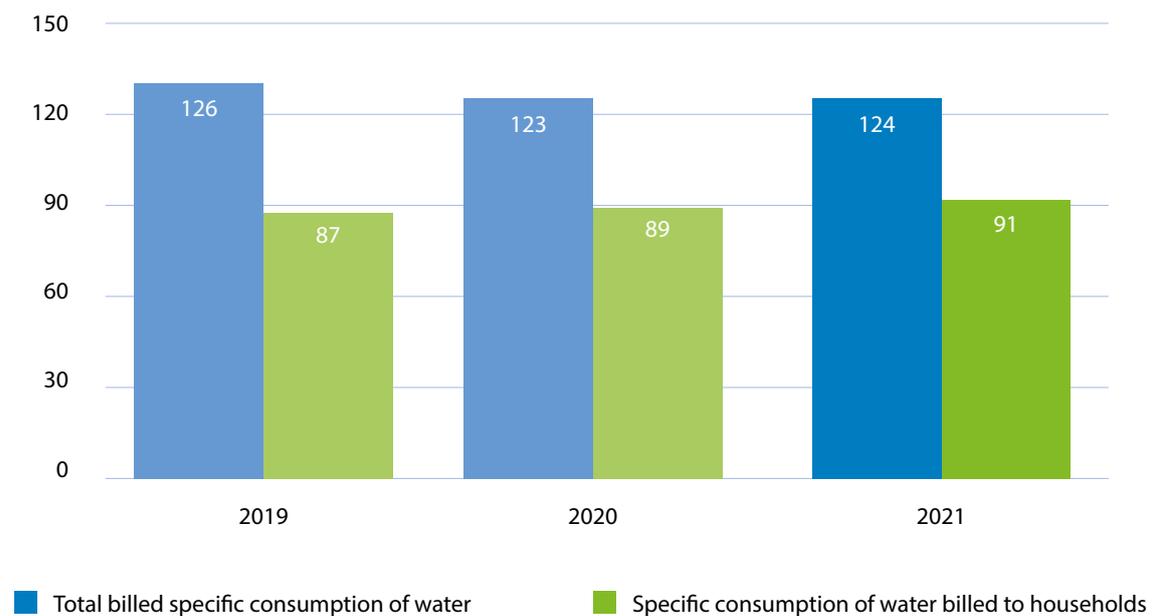
GENERAL INFORMATION ABOUT WATER NETWORKS

Development of water production and related indicators in thousand m³



Indicator	2019	2020	2021
Number of residents connected to Company's system	721,491	721,469	714,164
Number of water supply networks for public consumption	130	130	130
of which: group pipelines	55	55	55
Length of water supply network (km)	5,072	5,099	5,120
Number of water service pipes	136,510	138,350	140,030
Length of water service pipes (km)	770	770	770
Number of installed water meters	138,552	140,428	142,138
Number of water meters replaced per year	18,955	19,219	21,240
Number of fixed-tariff water off-takes	1,589	1,573	1,540
Number of pumping/re-pumping stations	219	221	223
Number of water treatment plants	45	46	47
Number of water reservoirs	359	358	357
Volume of water reservoirs (m ³)	389,649	389,424	388,124

Specific consumption of water (per liter per capita per day)



Specific water consumption per capita/day in 2021 amounted to 124 litres for total billed water and 91 litres for billed water supplied to households. Total specific billed water consumption decreased by 1 litres compared to 2020; specific water consumption billed to households increased by 2 litres per capita/day compared to 2020.

OPERATION OF SEWAGE SYSTEMS

In 2021, the Company operated sewage networks in 80 municipalities and cities in the Moravian-Silesian Region and in Velké Losiny in the Olomouc Region in the total length of 1,912 km. A total of 485,850 inhabitants were connected to the network through sewage service connections. The sewage network included 187 pumping stations transporting wastewater from low areas to gravitation sewage pipelines fitted with wastewater treatment plants at the end of each pipeline.

In 2021, a total of 26,994 thousand m³ of wastewater was drained (including billed rainwater drainage) in the municipalities within the Company's scope of operation.

Wastewater treatment operations were carried out in 76 plants, of which 74 are mechanical/biological wastewater treatment plants and 2 mechanical wastewater treatment plants.

Their overall capacity is 263,394 m³ per day, which means 959,523 population equivalents (PE).

The quantity of wastewater drainage from households and industry saw a slight increase as compared to 2020. The proportion of wastewater treated in sufficient efficiency facilities did not change substantially. During the reviewed period, a total of 50,800 thousand m³ of wastewater was treated in all wastewater treatment plants, of which 50,778 thousand m³ was in sufficient efficiency facilities.

Throughout the year, the operation of the sewage systems and wastewater treatment plants was trouble-free with no major interruptions or failures, despite the fact that it was necessary to cope with the strict measures introduced during the COVID-19 pandemic, which affected day-to-day operating activities.

During 2021, a number of constructions were performed on sewage networks. The most significant are as follows:

- Frýdlant nad Ostravicí, the Hukvaldská street – increasing the capacity of the "AC" sewer and installation of the rainwater reservoir
- Frýdek-Místek, Pionýrů, the Ostravská street – reconstruction of the "AN" sewer
- Třinec, the Žižkova and Lipová streets – reconstruction of the "AD" sewer
- Karviná - Fryštát, the Ostravská street – reconstruction of the "alfa" sewer (Š12-Š17)
- Rychvald, the Středová street – reconstruction of the sewage system
- Český Těšín, the Kpt. Jaroše street – reconstruction of the "EVla" sewer
- Karviná-Nové Město, the Erbenova and Havířská streets - reconstruction of the sewage system
- Nový Jičín, K nemocnici street - reconstruction of the "AJ" sewer
- Odry, the Mendlova street - reconstruction of the sewage system
- Frenštát pod Radhoštěm, the Příčnice and Školská čtvrt streets – reconstruction of the "AC" sewer
- Nový Jičín, the Žižkova and Nábřežní streets – reconstruction of the "AH-1" sewer
- Sewage pumping station, Opava (the Fügnerova street) – repair of the pumping sump and pumping facility
- Bohumín, the Nová street – reconstruction of the sewage system
- Opava, the Nádražní okruh street – reconstruction of inspection shafts in the "AH" sewer
- Opava, the Otická, náměstí Svobody and Sady Svobody streets – reconstruction of the sewage system

The projects implemented and launched in the area of wastewater treatment in 2021 focused on the renovation of facilities, enhancing the optimisation of technology processes and reducing the discharge of residual pollution, in order to meet limit values stipulated by laws, were as follows:

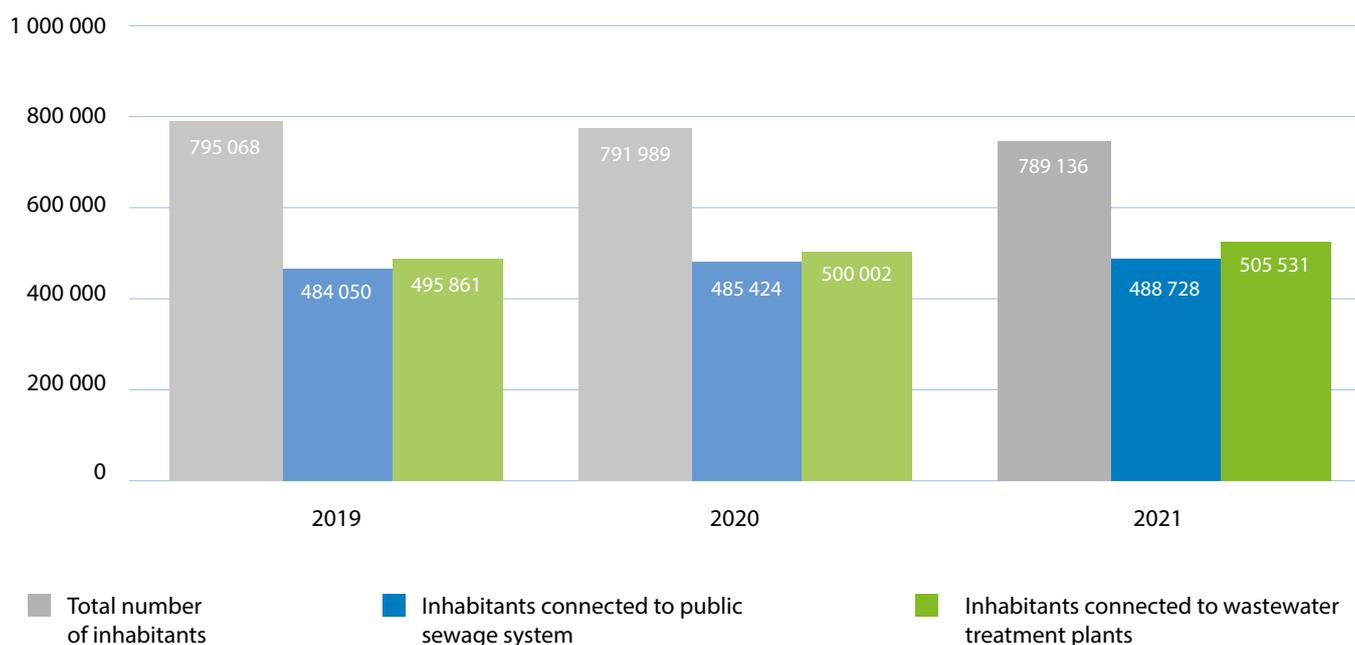
- WWTP Frýdek-Místek – reconstruction of the service building (completion of construction works)
- WWTP Frýdek Místek – repair of facilities for the digestion tank VN-2
- WWTP Havířov – reconstruction of the primary sludge pumping station
- WWTP Havířov – reconstruction of the dumping unit for stabilised sludge from the storage tank
- WWTP Kopřivnice – completion of construction works at the settling tank DN-3 (completion of works)
- WWTP Bílovec – increasing the capacity (completion of works)
- Installation of measurements for relieve water in WWTP

All mechanical/biological wastewater treatment plants owned by the Company comply with the requirements of the EU and Government Regulation No. 401/2015 Coll.

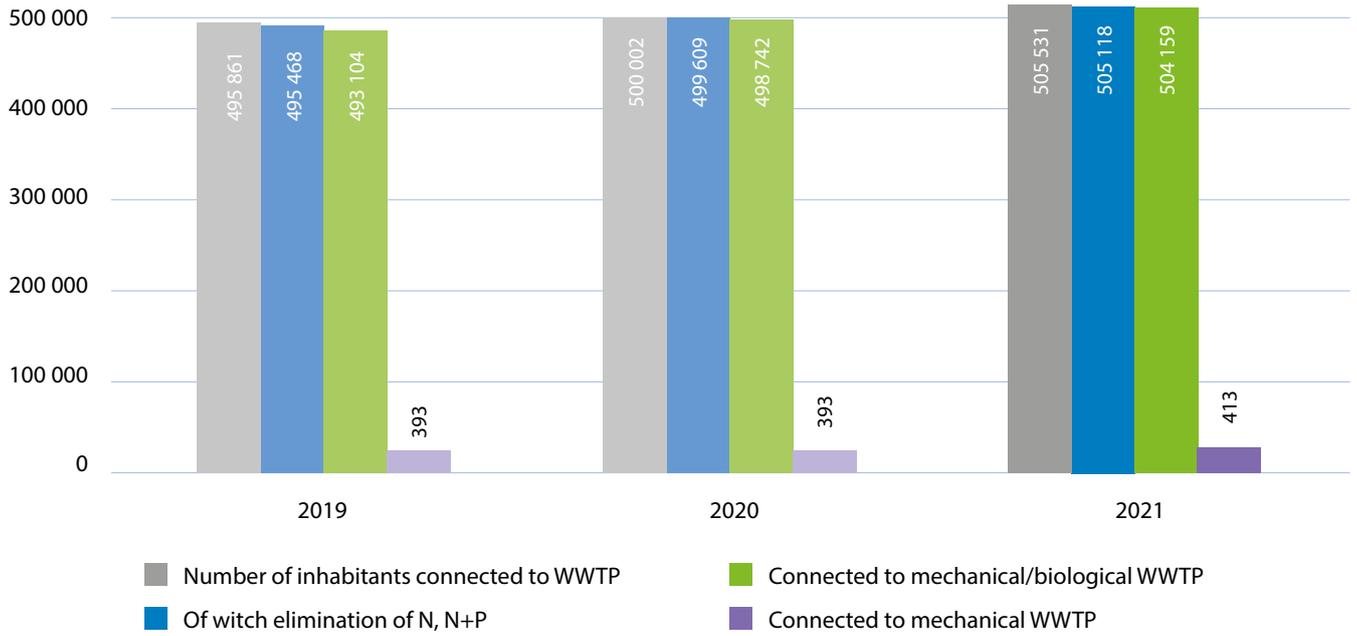
General information about sewage systems and wastewater treatment plants

Indicator	Unit	2019	2020	2021
Number of residents living in houses connected to sewage systems for public needs	number	484,050	485,424	488,728
Number of municipalities where sewage system for public needs is available	number	79	80	80
Wastewater treatment installations	number	72	75	76
Capacity of wastewater treatment plants	m ³ .day ⁻¹	261,759	262,140	263,394
Length of sewage systems	km	1,842	1,872	1,912
Number of sewer connection pipes	number	54,219	55,280	56,858
Quantity of wastewater discharged into sewage systems for public needs (excluding billed rain water)	thousand m ³	23,305	22,957	23,262
of which treated wastewater	thousand m ³	23,251	22,687	23,027
Quantity of treated wastewater (including rain water)	thousand m ³	48,284	55,180	50,798
Sludge produced in wastewater treatment plants per year (in 100% dry mass)	t.year ⁻¹	10,214	10,034	10,252

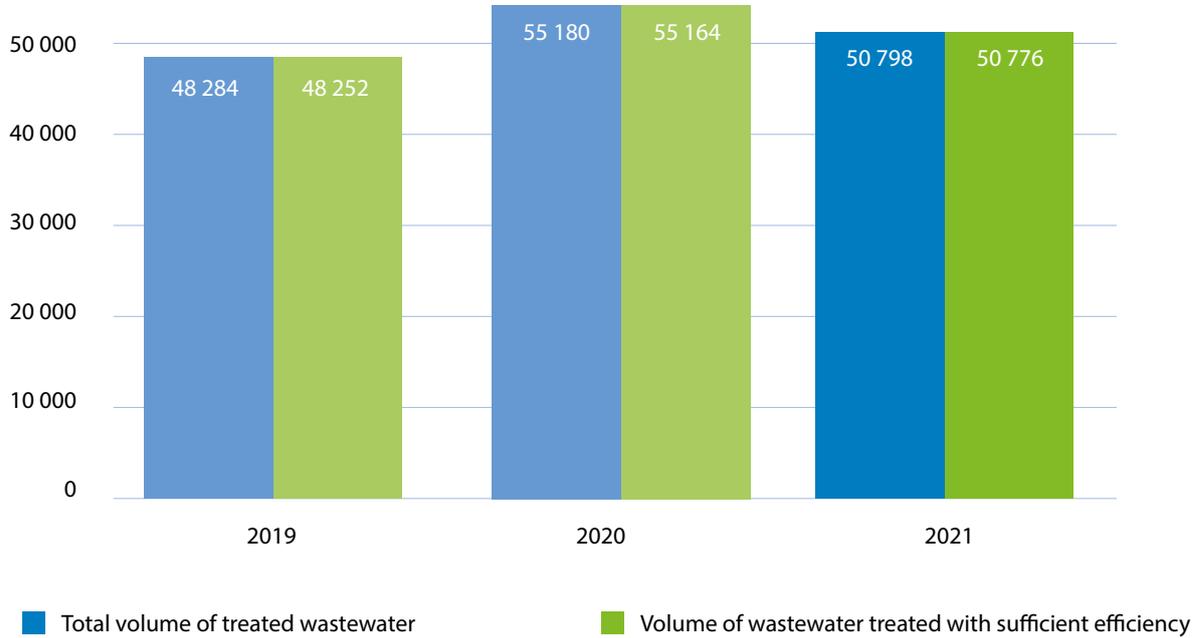
Inhabitants connected to public sewage system and wastewater treatment plants



Inhabitants connected to wastewater plants broken down by treatment level



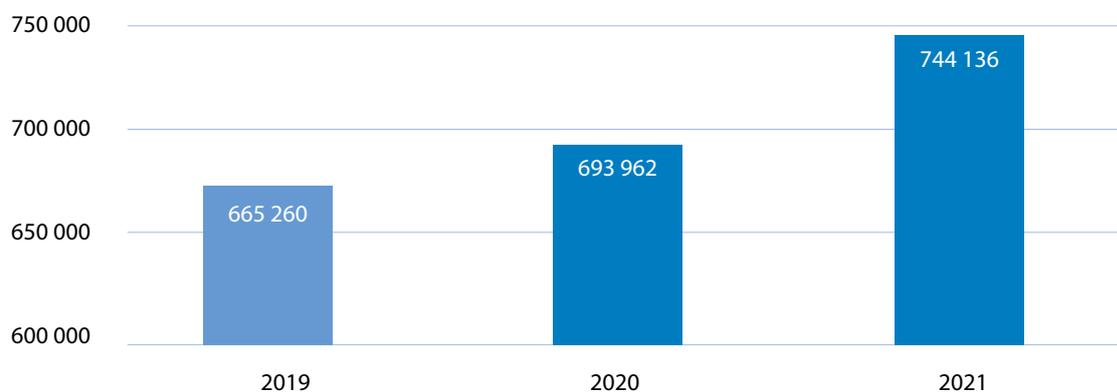
Volume of wastewater treated with sufficient efficiency (in thousand m³ r-1)



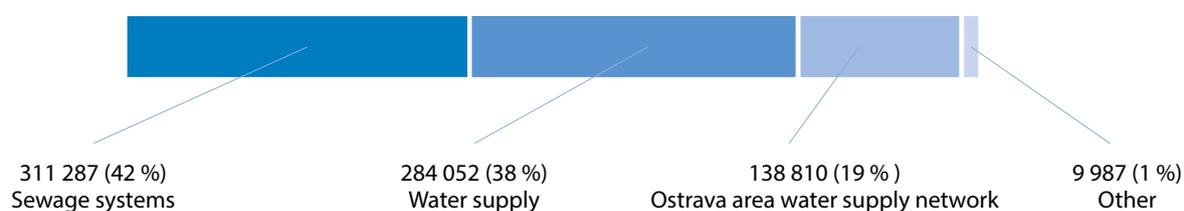
INVESTMENT PROJECTS AND REPAIR OF TANGIBLE ASSETS

The cost of investment projects and supplies in 2021 exceeded CZK 744 million.

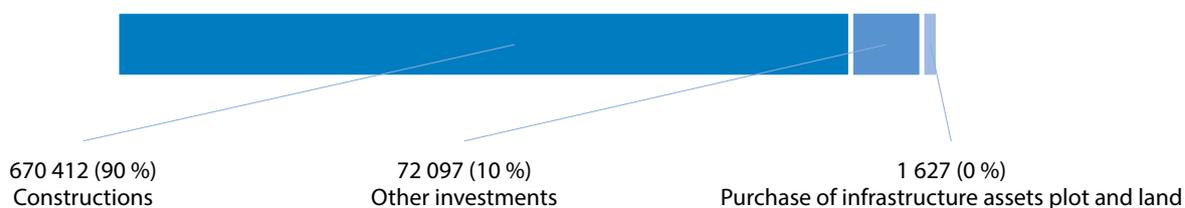
Summary and structure of investments in 2021 (in CZK thousand)



Investment summary by field (in CZK thousand)



Investment summary by category (in CZK thousand)



Major investment projects implemented and completed in 2021

Name of the investment project	Total costs in CZK ,000
Water supply conduit DN 500 Chlebovice-Staříč-Bělá, reconstruction	146,501
Water reservoir in Mniší – repair and reconstruction of building structures in the storage tank and water reservoir	11,265
Karviná-Fryštát, the Máchova, Ostravská, Alšova, Husova, Na Běldle streets—replacement of water pipelines	27,228
Haviřov - Šumbark, the Odboje and Dukelská street – replacement of water pipelines	14,453
Mniší – replacement of a water pipeline	15,051
Nový Jičín, the K Nemocnici street – replacement of a water pipeline	6,815
Žimrovice, Meleček - reconstruction of a water pipeline	11,501
Opava, the Mostní and Sadová streets – replacement of water pipelines	24,650
Frýdlant nad Ostravicí, the Hukvaldská street – increasing the capacity of the “A” sewer	33,825
WWTP Frýdek–Místek – reconstruction of the service building	18,377
Třinec, the Žižkova and Lipová streets – reconstruction of the “AD” sewer	12,143
Karviná - Fryštát, the Ostravská street- reconstruction of the “alfa” sewer (Š12-Š17)	19,074
WWTP in Koprivnice - reconstruction of settling tank, DN-3	38,223
WWTP Bílovec - increasing the capacity	60,741
Nový Jičín, K nemocnici street - reconstruction of the “AJ” sewer	10,634
Bohumín, the Nová street – reconstruction of the sewage system	16,500
Opava, the Otická, náměstí Svobody and Sady Svobody streets – reconstruction of the sewage system	13,113

Major investment projects commenced or implemented in 2021

Name of the investment project	Total in CZK ,000	2021 in CZK ,000	2022 onwards in CZK ,000
WTP in Nová Ves – repair of technology and automated control system	132,528	6,100	1,200
WTP in Podhradí – replacement of a pipe section, DN 1000 – drainage from ozone reaction tanks - flocculation	20,067	14,400	4,390
Petřvald, the Vodárenská and Šumbarská streets - replacement of a water pipeline	12,989	1,800	7,665
Water reservoir in Salaš 2 x 1500 m ³ – refurbishment of the facility	10,726	7,187	3,533
Water tower in Albrechtický, 300 m ³ – refurbishment of the structure	7,413	7,321	92
Jančí – connection to the water supply in Větrkovice	14,883	11,520	1,957
Extension of metering for relieve water in WWTP – 1st phase, 2nd phase	32,793	19,406	786
Vratimov, the U Mateřské školy and Na Vyhliďce streets – reconstruction of the sewage system	9,286	4,267	4,462

Investments in operating assets in 2021

Name of the investment project	Investment made in 2019, CZK ,000	Investment made in 2020, CZK ,000	Investment made in 2021, CZK ,000
Cars and trucks (including leased vehicles)	17,000	35,219	32,635
Special vehicles, accessories, trailers	15,277	5,421	85
Pumps	3,970	2,257	2,849
Hand-held tools	348	398	165
Mechanisms	1,131	1,494	129
Water meters	5,473	4,633	9,109
IT	5,140	12,193	8,262
Others	6,280	10,609	18,863

MAJOR INVESTMENTS IN PAST YEARS

MAJOR PROJECTS COMMENCED OR COMPLETED IN 2019

The most significant construction project in 2019 was commencement of reconstruction of the DN 500 feeder (Chlebovice – Staříč – Bělá) and continuing reconstruction of technology units and automated control system in WTP Nová Ves.

Regarding the drinking water supplies, major investment projects included reconstruction of the water supply in Bohumín (the 5. května, Kosmonautů, Čs. legií, J. Koczura and Okrajní streets) where works were coordinated with owners of other utilities and networks (Gridservices, CETIN) and Municipality of Bohumín which was reconstructed there its sewage system. Another significant investment was reconstruction of the water supply system in Starý Jičín – Vlčnov, the reason being too many failures and poor technical condition of the infrastructure.

Regarding the discharge and treatment of wastewater, the significant investment projects included the ongoing construction of the sewage system and wastewater treatment plant in Dobroslavice, Doubrava and Petřvald. The purpose of the construction projects was to discharge waste water in a controlled manner into new wastewater treatment plants or the existing sewage system. At the same time, sewer outlets were cancelled there.

MAJOR PROJECTS COMMENCED OR COMPLETED IN 2020

The most important project commenced in Ostrava Area Water Supply Networks was the reconstruction of the Mniší Water Reservoir and Frýdek Water Reservoir, the replacement of part of the DN 1000 drainage piping from the ozone reaction tanks in Podhradí WTP, and the ongoing reconstruction of the DN 500 feeder Chlebovice – Staříč – Bělá.

In the area of supplies of drinking water, important completed investments included the reconstruction of water mains in Stará Ves (Na Závodí Street, U Vody Street and Petřvaldská Street), Chlebovice – Lysůvky, Bohumín – Záblatí (Sokolská Street, Bezrušova Street, Na Pískách Street), Nový Jičín (Máchova Street, Nábřeží Street, Msgr. Šrámka Square, Komenského Street, Novosady Street), and Opava (Mostní Street, Sadová Street – to be finished in 2021). Further, the reconstruction of the building of the intervention centre in Orlová was completed, which will significantly reduce the operating costs of the building.

In the area of wastewater drainage and treatment, constructions were completed that removed the existing sewer outfalls without treatment facilities and wastewater is now being drained to the new wastewater treatment plants in Dobroslavice and Doubrava. In a similar construction in Petřvald – Podlesí, wastewater is newly drained to Havířov WWTP through a sewage pumping station. Other initiated projects include a construction of a settling tank in the area of Kopřivnice WWTP and the extension of the degree of biological treatment and sludge management in Bílovec WWTP.

MAJOR PROJECTS COMMENCED OR COMPLETED IN 2021

The most important project commenced in Ostrava Area Water Supply Network that was completed in 2021 was the reconstruction of the DN 500 feeder (Chlebovice – Staříč – Bělá) which started in 2018. Other major investment projects include the reconstruction of technology units and automated control system in the water treatment plant in Nová Ves, reconstruction of technology units in the deacidification station in Jakubčovice, reconstruction of the water treatment plant in Klokočůvek, and refurbishment of some small-size water reservoirs. Investments were also made into protection of the facilities.

Regarding the drinking water supplies, the major construction projects included the reconstruction of water pipelines in Karviná – Fryštát (the Máchova, Ostravská, Alšova, Husova, and Na Bělidle streets) and in Havířov – Šumbark (the Odboje and Dukelská streets). In Nový Jičín, the water supply pipe was replaced at the K Nemocnici street. Water supply networks were reconstructed in Mniší, Žimrovice (the Meleček street), and in Vítkov (the Nová street). A major construction project, which started in 2021 and is planned to be completed at the beginning of 2022, is connection of Jančí to the water supply network in Větrkovice. Major investments were also made in reconstruction of water reservoirs in Salaš, Vítkov, and Albrechtický.

Regarding the wastewater discharge and wastewater treatment, the most significant projects were construction of the settling tank in WWTP Kopřivnice and extension and intensification of WWTP Bílovec. Major reconstruction of sewers were carried out in Nový Jičín (the K Nemocnici street), and Opava (the Nádražní okruh, Otická and náměstí Svobody streets). In Frýdlant nad Ostravicí, the capacity of the sewer was increased and a storm tank was installed at the Hukvaldská street.

In many locations the Company used synergies and coordinated its investment projects with other entities and municipalities. Such projects include reconstruction of the sewage and water supply networks in Karviná – Fryštát where our Company helped to renew surface of the road, or the reconstruction of the water supply network in Kopřivnice Mniší. Works were coordinated with the Municipality of Kopřivnice, which constructed there a sewage network. In Orlová, the Municipality repaired the entire road surface, once the reconstruction of the water pipeline was completed.

INVESTMENT STRATEGY AND LONG-TERM INVESTMENT PLAN

OSTRAVA AREA WATER SUPPLY NETWORK

The long-term investment plan for the 2022–2030 period is supported by projects that are ready design-wise or the design solution of which is currently still being worked on. In the area of water treatment plants, continuous modernisation of technological equipment is planned in order to ensure high quality of produced water, as well as reliability of the system. In 2018, the modernisation of the technological part and the automated management system in the Nová Ves water treatment plant was launched. This extensive construction project will be completed in spring 2022. In 2022, it is planned to start extensive reconstruction of the water treatment plant in Vyšní Lhoty.

Ensuring security in the premises of water treatment plants and related facilities is also of strategic importance. That is why in 2019, building security modernisation projects were launched in the water treatment plants in Nová Ves and Podhradí. These projects were completed at the end of 2021.

With regard to the feeders, the scheduled exchange of parts in an unsatisfactory technical condition continued. In 2019, the reconstruction of the DN 500 Chlebovice – Staříč – Bělá feeder was launched; the works were finished in 2021. In the second stage, the reconstruction of the DN 500 Záhumenice – Bělá feeder will continue in 2022.

WATER SUPPLY SYSTEMS

Major resources are directed at the restoration of the water supply network. In the 2022–2030 period, the length of the water mains under restoration is planned to be gradually increased. Further resources are put into the reconstruction of water tank facilities or pumping stations, including the technological equipment, management system, and improvement of building security. In 2022, the extensive reconstructions of water reservoirs in Albrechtický, Vítkov, Salaš and Puntík will continue. Connection of the Jančí facility to the water supply network in Větrkovice will be completed.

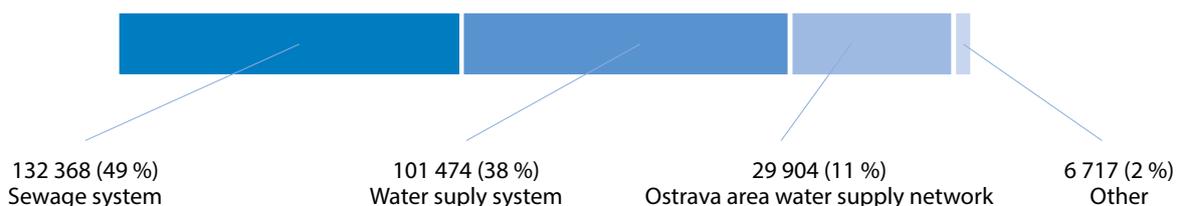
SEWAGE SYSTEM AND WASTEWATER TREATMENT PLANTS

In the next period, most of the resources will be directed at the restoration of the sewage network, including the finalization of the liquidation of sewer outlets without treatment facilities. Further significant resources will be allocated to the reconstruction of the technological equipment of wastewater treatment plants and, pursuant to the legislative requirements, to equipping the relief chambers with devices to measure the volume and quality of relieved water. The Company is also preparing for changes in legislation regarding sludge management. A study on sludge disposal for the upcoming period was carried out and in 2022, the Company will complete a project of the first of the planned sludge dryers in the region.

REPAIR OF TANGIBLE ASSETS

In 2021, repairs were carried out on water supply facilities (water treatment plants, water tanks, pumping stations, wastewater treatment plants), and on water supply and sewage networks. All failures were resolved in a prompt and efficient manner. The volume of repair and maintenance work performed by subcontractors amounted to CZK 270,463 thousand in 2021, which represents an increase of 11 % against the plan.

Repair volumes in in CZK thousand – by fields



Key repairs performed in 2021

Name	Total in CZK ,000
Deacidification station in Jakubčovice – reconstruction of technology units	3,222
Water treatment plant in Klokočůvek – repair and reconstruction of technologies and buildings	3,306
Automated station in Stará Ves nad Ondřejnicí – reconstruction of the facility	2,097
Water reservoir in Salaš 2 x 1500 m ³ – refurbishment of the facility	10,302
Water tower in Albrechtický, 300 m ³ – refurbishment of the structure	7,482
Water reservoir in Vítkov 650 m ³ – refurbishment of the structure	6,124
WWTP Frýdek Místek – repair of facilities for the digestion tank VN-2	9,503

IMMOVABLE ASSETS

The Company owns immovable assets in the following values:

(in CZK ,000)	2019	2020	2021
Buildings, net value	6,350,945	6,413,437	6,900,569
Land	164,839	166,356	167,683

Most buildings owned by the Company are long-term tangible assets used primarily for production of water, for providing the residents and other consumers with drinking water, and for discharge and treatment of wastewater.

13. INFORMATION TECHNOLOGIES



One of the main tasks in 2021 was to further increase the security and reliability of information systems and ensure suitable technical means for working from home during the coronavirus pandemic. As increased mobility and improved security of communication were required, all employees were provided smart cell phones and development of in-house mobile applications started.

IT Department was involved in a development project aimed at better protection of Company's facilities.

The backbone IT network was modernised and new, fast, and secured technologies were installed. Desktop PCs were replaced with laptops that can be used for home offices.

The server room was modernised and its security has improved: the central back-up source was modernised, efficient fire protection measures were taken, A/C was upgraded and the server room is now monitored by the safety and security system.

In each site, the key active network elements were replaced, the objective being to increase the transmission rate and improve cyber-attack resistance. Key systems are covered now by 24x7 support from suppliers.

Within IS implementation in 2021, the DMS launch project continued: employees can access now a training portal and e-learning provides cyber security courses. The platform is ready for gradual transfer of most in-house training and courses into a digital form. Mobile apps are used now for work planning and mobile wage tickets. A security app is available, which analyses vulnerability of the IT infrastructure by third parties. At the end of 2021, NÚKIB (National Cyber Information and Security Agency) classified SmVaK Ostrava as a provider of "the basic service" which, in turn, results in other organisational, technical and procedural obligations and tasks for the oncoming years.

In 2022, the archiving system is planned to be launched, a supplier for SOS (Security Operation Center) should be chosen and the centre is expected to be put into operation. And the Company will continue development and security of its information and communication infrastructure.

14. SUSTAINABLE DEVELOPMENT



With respect to its activities, the Company influences the lives of the majority of the people in the region, be it through its customers to whom it supplies drinking water and provides wastewater drainage, its employees or suppliers of material, technologies and services.

The Company is fully aware of its responsibility for the region in which it operates and has thus incorporated the principles of social responsibility and sustainable growth into all its activities. The Company's philosophy is based on four pillars, namely Corporate Governance, People, the Environment and the Region.

CORPORATE GOVERNANCE

The Company voluntarily abides by the selected Chapters of the Code of Corporate Governance based on the OECD principles compiled by the Czech Securities Commission.

Being a member of the FCC Group, the Company also adopted the FCC Group Code of Ethics which it implemented and adjusted in line with its specific conditions. In line with the compliance programme of the FCC Group, the Company also adopted the Policies that supplement the FCC Code of Ethics where the policies are included in the Compliance Management System. For more details see Chapter 8 in this Annual Report. The documents relating to the Compliance Management System were published on the Company's intranet, Company's website and in locations accessible to all employees.

In 2021, the policies were implemented into day-to-day reality of the Company.

The Company is a holder of five quality management certificates, namely:

ČSN EN ISO 9001: 2016 (Quality Management System).

ČSN EN ISO 14001: 2016 (Environmental Management System)

ČSN ISO 45001: 2018 (Occupational Safety and Health Protection Management System)

ČSN ISO 50001:2018 (Energy Management System)

ČSN ISO 14064-1 (Measuring and Reporting Greenhouse Gas Emissions – Carbon Footprint)

In June 2021 the Company successfully completed a recertification audit extending the validity of three certificates (the occupational safety and health protection management system, quality management system and environmental management system). The Company also successfully completed an external surveillance audit of the energy management system. The recertification is due in 2022.

HUMAN RESOURCES

As the Company fully realises the significance of qualified and motivated employees for its operation and further development, it pays great attention to human resources. In 2021, labour relations were in compliance with the Labour Code and the applicable collective bargaining agreement (in force for the 2020-2021 period), which is signed on a yearly basis. The Company has not established a special remuneration committee.

Recalculated headcount – development over time

	2016	2017	2018	2019	2020	2021
Blue collars	555	555	552	542	544	548
White collars	313	305	311	313	311	313
Total	868	860	863	855	855	861

OCCUPATIONAL SAFETY

The Company continuously pays particular attention to its occupational safety and health protection management system in all aspects of its operation. In line with the ISO standards, it has therefore implemented an integrated occupational safety and health protection management system under the new ČSN ISO 45001 standard. In June 2021, the Company successfully completed another supervisory audit and together with quality management and environmental protection succeeded in extending the validity of the certificate under the ČSN ISO 45001 standard.

As a result of implementing the ČSN ISO 45001, the entire Company employs occupational health and safety and fire safety standards with the objective to enhance the level of health and safety of the Company's employees.

New risks are regularly being identified and implemented in the risk register.

Effective measures are adopted to mitigate the potential impact on employees' health, such as modifying personal protective work equipment and replacing individual protection measures with collective employee protection measures. The implementation and maintenance of the integrated management system affects all areas of occupational safety, such as compliance with safe work procedures in the operation and maintenance of water management facilities or performing employee tasks on roads and movement thereon; enforcing conditions regarding compliance with occupational safety upon the conclusion of contractual relations with suppliers; issuing of entry permits within the Company's facilities; performing worksite supervision; performing controls as part of reconstruction of buildings and technical facilities; staff training; worksite sanitation standards; continuous use of personal protection aids; provision of prophylactic drinks to employees, prevention of occupational injuries, etc.

In 2021, eight light occupational injuries were recorded, none of them resulting in permanent health damage. The investigation of their causes did not identify any violation of regulations on the employer's part. In view of the demanding and versatile nature of jobs performed by Company employees and the impact of climatic conditions, a high frequency of groundwork and road work, this record shows that the implementation of the ČSN ISO 45001 standard and its continuous improvement has a long-lasting positive effect on the occupational safety and health protection of the Company's employees.

In 2021, the Company continued with the health and safety at work project focused on the culture of prevention which includes four tools for mutual communication between employees and the employer. In the course of the project, the management team visited the worksites, refresher employee training was organised, and the activities were observed from the perspective of occupational health and safety. Talks with employees on occupational health and safety were organised on a regular basis at the facility centres. The aforementioned tools were brought to the Company's employees' notice and they fulfil their purpose as further means of communication between the employees and the management of the Company.

In relation to the COVID-19 pandemics in 2021, increased requirements were placed on equipping all employees with personal protective equipment, which served as a preventive protection against the spread of COVID-19 (masks, respirators, anti-COVID disinfectants, disposable gloves etc.). This equipment was adequately provided to all employees with regard to their job classification.

Because of the pandemics, it was necessary to take several organisational measures, the purpose being to eliminate potential risks and spread of infection among the employees.

EDUCATION AND TRAINING

The training system is based on the relevant regulations and laws related to individual activities. A training plan is prepared for each year and approved in line with the methodology instruction. The training plan is based on the records of work activities and health checks of employees, which subsequently form the basis for training and medical examination frequency.

It is possible to assign training in the human resources information system. The system subsequently evaluates whether the prerequisites for the performance of a specific activity are met, i.e. whether the training or relevant health checks have been realised. The system also informs the relevant department heads and human resources officers about any training or health checks whose due date is approaching. The training sessions are organised based on their nature, location of the operation and the number of employees signed up for the training, in cooperation with the relevant department heads and human resources officers. In line with the program of the Integrated Management System, the employees may choose to be vaccinated against hepatitis and tick encephalitis.

In 2021 the Company provided 4,311 hours of training. This represents 21.5 hours of training per employee per year (+2.6 % per employee). The Company focused on organising only training that was absolutely necessary, especially training required by law and activities available online.

BENEFITS

The Company provides its employees with a number of benefits, such as meal vouchers for employees working at least four and a half work hours a day. The Company covers 60 % of the value of the employee meal vouchers. Providing that certain criteria are met, the employees are also entitled to vouchers for cultural, sports and social events.

In compliance with Section 212 of the Labour Code, all employees have an additional week of vacation. Employees who are engaged in particularly hard work (e.g. in the sewage system operation and wastewater treatment plants) are entitled to another additional week of vacation. The Company provides contributions to employees and their family members for child camps, package tours, medical and wellness therapies in line with the regulations approved in the collective bargaining agreement.

In extreme cases of social need, the Company offers employees (or their bereaved family members) a one-off non-repayable benefit amounting to CZK 15,000. Upon a written request, the Company may provide a re-payable interest-free loan amounting to CZK 20,000/CZK 50,000 as appropriate. The Company's employees receive rewards on special work and life anniversaries, or merit rewards (e.g. Jánůvův medal or commemorative crosses for blood donors).

Employees who meet certain criteria receive contributions to pension funds.

ENVIRONMENT

The ongoing objective of the Company's operations is to ensure long-term protection of the environment in regions where the Company conducts business, with an increased focus on sustainable development. Investments in wastewater drainage and treatment aim primarily to renovate the existing sewage networks and upgrade the facilities housing sewage pumping stations and wastewater treatment plants. The Company was awarded the ČSN EN ISO 14001: 2016 certification. Investments in wastewater drainage and treatment focus primarily on the renovation of the existing sewage networks and upgrade of wastewater treatment plants and of the facilities housing sewage pumping stations.

The Company continued to expand and improve services provided to municipalities in the operation of sewage systems and wastewater treatment plants and in meeting related legislative environmental requirements, including advisory services, particularly in respect of projects co-funded from EU grants or from national sources. The Company operates sewage systems and wastewater treatment plant facilities in numerous municipalities and cities under license contracts entered into with these entities, and also provides related professional technical support.

The Company introduces elements of biodiversity in its premises where it makes sense environmentally, technologically, and economically. In water tank areas, WTP and WWTP areas, flower meadows are being introduced on a larger scale, as well as bug hotels. The Company plans to continue with these activities in the future, intending to expand biodiversity in suitable areas by introducing new elements (pools etc.).

CARBON FOOTPRINT MONITORING

The Company decided to carry out a comprehensive analysis of how its activities affect the surrounding environment in terms of greenhouse gas emissions. For this reason, it described its carbon footprint in great detail in line with the ČSN ISO 14064-1 standard. Its calculation entailed creating a methodology, the correctness and completeness of which was verified by an independent audit company. Simultaneously, the calculation of the Company's carbon footprint in 2014 was verified, which was selected to be the reference year and which serves as a benchmark for comparing the carbon footprint in the subsequent years. The Company intends to continue in the activities leading to the reduction of its carbon footprint.

SYSTEM FOR ENERGY EFFICIENCY IMPROVEMENT

In 2016, the Company became the second water management company in the Czech Republic to implement the ČSN ISO 50001 standard. In June 2021, the Company also successfully underwent the surveillance audit. The implementation of this standard entails monitoring energy handling with a view to improving the energy efficiency of operations and technology facilities. Measurable objectives and targets have been set as to what savings may be achieved in handling energies and in which areas.

The introduction of the ISO 50001 system represents an addition to and expansion of the existing integrated management system, which will consequently lead to a constant monitoring of energy consumption, a pursuit of savings in energy consumption and a gradual optimisation of the use of all types of energy in the Company.

SMALL HYDROELECTRIC POWER PLANTS AND COGENERATION UNITS

In addition to producing drinking water and facilitating wastewater treatment, modern water management facilities use their capacity to generate clean renewable electricity or heat. In 2021, the Company's facilities using renewable energy sources generated 10,025 MWh of electricity.

Small hydroelectric power plants installed within the Ostrava Area Water Supply Networks generated 4,923 MWh, of which 1,834 MWh were sold to the ČEZ Distribuce distribution network and the Pražská energetika trader, and the remaining 3,038 MWh were used to operate the technological equipment of the Ostrava Area Water Supply Networks. Transmission losses (low/high voltage) amounted to 51 MWh.

Co-generation units in the wastewater treatment plants generated 5,102 MWh of electricity, of which 4,128 MWh were allocated for powering the operation of technological equipment, 65 MWh were supplied to the ČEZ Distribuce network, and 909 MWh were consumed by the operation of the co-generation units.

The methodology guidelines for waste management, chemical substances management, air protection and wastewater discharge were updated to comply with the relevant legislative changes and reflect the actual conditions in respective Company centres.

REGION

The Company supports activities of non-profit organisations working with children, teenagers, people with disabilities and the elderly. SMVAK Ostrava is a partner to numerous cultural, social, sports and educational events organised in the region, organised principally by local towns and municipalities.

In 2021, activities in this area were substantially limited due to the epidemic situation and the resulting restrictions, which affected the organisation of events in the aforementioned areas. Many projects which were supported in past were cancelled.

Due to this fact, the Company supported organisations that joined the fight against the novel coronavirus, whether by providing material or financial support.

The Company is a major employer in the region. Given that its annual investments in the renovation of the water management infrastructure amount to hundreds of millions of Czech crowns, the Company indirectly provides jobs for hundreds of employees of its contractors.

WE ARE IN THIS TOGETHER! ("PLAVEME V TOM SPOLU!")

In 2021, the sixth year of the grant programme for active employees entitled "We are in this together!" saw support provided to 22 projects of the non-profit organisations in which the Company's employees are involved in their free time and generally free-of-charge.

The total support to projects amounted to approximately CZK 250 thousand (+ CZK 50 thousand, if compared with 2020).

Assistance was directed at events for people with disabilities, cultural events, projects for the conservation of the environment, children's events or activities of sports clubs and voluntary fire brigades. In order for the supported projects to take place, a number of them had to be modified during the year due to the restrictions resulting from the epidemic situation.

The Company continues to run the successful programme – in January 2022, it announced a call for proposals for projects to be implemented in 2022.

CUSTOMER SATISFACTION SURVEY

In autumn 2021, a customer satisfaction survey was run again after two years in locations where the Company provides its services. 900 households, 100 municipalities and 100 corporate representatives took part in the survey.

Despite globally sensitive situation, results are very good for the Company. Since the last survey, most indicators have shown a positive trend. 95 % of households regarded Company's performance as positive, and 97 % of those who were contacted in the survey were satisfied with water quality. 88 % of municipalities and 98 % of corporate representative spoke perceived the Company positively.

EDUCATION

There has been long-term cooperation between the Company and Technical University Ostrava, namely the Faculty of Mining and Geology. Thanks to this, a number of the university's alumni specialising in water management have found employment in the Company. Both institutions have also cooperated in the field of scientific research over the long term.

In cooperation with experts on modern and innovative forms of education, the Company prepared a programme for secondary school pupils entitled The Tree of Life (Strom života). The project has been implemented in schools since April 2016. Using an experience-based approach, the educational programme explains the significance of water for humans and the environment. As a game that addresses the issue in a comprehensive way, it is the first of its kind in the Czech Republic. For its innovativeness, it won an award both from the general public and the professionals.

The coronavirus pandemic and the resulting closure of schools meant that in 2021, the programme was implemented only in certain periods of time when schools were not closed and lockdown measures did not exist. In 2022, the Company is planning to continue with the Tree of Life programme, as well as the Oxidian Planet programme, aimed at pupils in the senior years of primary schools and students of freshman years of multi-annual grammar schools.

PERSONS RESPONSIBLE FOR VERIFICATION OF FINANCIAL STATEMENTS:

2019 Deloitte Audit s.r.o.
Karolínská 654/2, 186 00 Praha
Auditor's name: Petr Michalík
Certificate No.: 2020
Audit date: 2019 Financial Statements, 2 March 2020

2020 Deloitte Audit s.r.o.
Karolínská 654/2, 186 00 Praha
Auditor's name: Petr Michalík
Certificate No.: 2020
Audit date: 2020 Financial Statements, 30 March 2021

2021 Ernst & Young Audit, s.r.o.
Auditor's name: Jiří Křepelka
Certificate No.: 2163
Audit date: 2021 financial statements, April 13th, 2022

Pursuant to Section 17 of Act No. 93/2009 Coll., the auditor was appointed on 7 May 2021 by the Company's sole shareholder, AQUALIA CZECH, S. L., acting in the capacity of the General Meeting.

CLOSING STATEMENT

We hereby declare that to the best of our knowledge the Annual Report gives a true and fair view of the financial position, business activities and results of operations of the Company for the past reporting period and of the projected financial position, business activities and results of operations.

Ostrava, dated 17 February 2022



prof. Dr. Ing. Miroslav Kyncl
Vice-Chairman of the Board of Directors



Ing. Miroslav Šrámek
Member of the Board of Directors

15.

**DECLARATION OF THE SUPERVISORY BOARD REGARDING THE
FINANCIAL STATEMENTS FOR 2021, ANNUAL REPORT FOR 2021
AND THE RESULT OF THE REVIEW OF THE REPORT ON RELATED
PARTY TRANSACTIONS FOR 2021**



The Supervisory Board's statement with respect to the regular financial statements for the accounting year 2021, Annual Report for the accounting period 2021 and results of the review of the Report on Relations for the accounting year 2021

In accordance with Clause 24 (2) (a) and (b) in the Articles of Association the Supervisory Board reviewed the regular financial statements for the accounting period 2021. Results of the review were discussed by the Supervisory Board at its meeting on 25 February 2022.

The Supervisory Board confirms the following:

1. The Supervisory Board discussed and reviewed the regular financial statements for the accounting period 2021. No facts have been revealed when reviewing the regular financial statements which would suggest that some data included in the financial statements for the accounting period 2021 might be incorrect or incomplete.
2. No conflict has been revealed between SmVaK's activities and generally binding legal regulations, Articles of Associations and/or resolutions adopted by the General Meeting.
3. The Supervisory Board has not identified any case where the Board of Directors would be acting contrary to law, Articles of Association or resolutions adopted at the General Meeting.
4. The Report on Relations was correctly drafted and signed and is in line with provisions of the Act on Business Corporations (§ 82). Information in the Report is based on information about the related persons which is a part of the regular financial statements for the accounting period 2021.

Considering the findings above, the Supervisory Board submits at the General Meeting in line with provisions of the Clause 447 (3) of the Act 90/2012 Co., this statement and recommends that the General Meeting should approve the regular final financial statements for the accounting period 2021.

Ostrava, 25 February 2022



Lukáš Ženatý
Chairman of the Supervisory Board

An aerial photograph of a white, single-story building with blue trim around the windows and roofline. The building is situated on a grassy hillside, with a dirt road leading to it. The surrounding landscape is lush green, with various trees and a clear blue sky with light clouds. In the background, there are rolling hills and a small village with houses and a church.

16. AUDITOR'S REPORT

(Translation of a report originally issued in Czech)

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Severomoravské vodovody a kanalizace Ostrava a.s.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Severomoravské vodovody a kanalizace Ostrava a.s. (hereinafter also the "Company") prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Severomoravské vodovody a kanalizace Ostrava a.s. as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU").

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the key matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Unbilled revenue relating to water and sewerage charges

Water and sewerage charges are billed on the basis of signed contracts. The contracts are generally concluded for an indefinite period of time and the prices are set on the basis of a valid price list that is updated on an annual basis and approved by the Company's Board of Directors. The determination of the amount of unbilled water and sewerage revenue, which accounts for a significant portion (approx. 10%) of the current period's revenue, is an important step in the preparation of the financial statements. The Company calculates unbilled water and sewerage revenue based on the prior period's average daily consumption, taking into account other factors that the Company considers relevant in specific cases.

Given the significance of the amount of unbilled revenue and the estimation factor in determining unbilled revenue, we consider the determination of the Company's unbilled revenue relating to water and sewerage charges to be a key audit matter.

As part of the audit procedures performed, we evaluated the assumptions and methodologies used by the Company in determining the estimated quantity of unbilled water supplied. On a selected sample, we also evaluated the mathematical accuracy of the calculations and the accuracy of the input data and the assumptions used, such as the use of correct prices based on the current price list approved by the Company's Board of Directors.

We evaluated the system of internal controls over sale of water and recording of water consumption, including the determination of the quantity of water supplied, yet unbilled, and we assessed the effectiveness of these controls.

We tested a selected sample to determine the average sewerage and water consumed by each measured customer for the most recent billing period and compared these values with the data contained in the most recent invoices. For the sample selected, we also confirmed the correct determination of the unbilled period as well as the application of the correct water and/or sewerage prices for the relevant period. Where the Company has taken into account other factors affecting the determination of the amount of unbilled revenue, we assessed the assumptions used to make the estimates. We also tested the completeness and accuracy of the estimates recorded at the end of the previous accounting period and focused on assessing the impact of any inaccuracies in the previous accounting period's unbilled revenue on the current accounting period.

We assessed whether the information provided by the Company in the notes to the financial statements, specifically in Note 3.12 'Revenue' and Note 3.17 'Significant accounting estimates', complies in all material respects with IFRS EU.

Other Matters

The financial statements of the Company as at 31 December 2020 have been audited by another auditor who expressed an unqualified opinion on those financial statements on 31 March 2021.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors 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 law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these 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 the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

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 Company's Board of Directors and Supervisory Board and Audit Committee for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors 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 Board of Directors 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and the Audit Committee are 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 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 law or regulation, 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 Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 the Supervisory Board and the Audit Committee 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and other potential safeguards applied.

From the matters communicated with the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 7 May 2021 and our uninterrupted engagement has lasted for 1 years.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 13 April 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the financial statements.

Statutory auditor responsible for the engagement

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

Report on Compliance with the ESEF Regulation

We have performed a reasonable assurance engagement on the compliance of the financial statements included in the Annual Report with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single reporting electronic format (the "ESEF Regulation"), applicable to the financial statements.

Responsibilities of the Board of Directors

The Company's Board of Directors is responsible for the preparation of the financial statements in accordance with the ESEF Regulation. In particular, the Company's Board of Directors is responsible for:

- The design, implementation and maintenance of internal control relevant to the application of the ESEF Regulation;
- The preparation of the financial statements included in the Annual Report in the applicable XHTML format.

Auditor's Responsibilities

Our responsibility is to express, based on the evidence obtained, an opinion on whether the financial statements included in the Annual Report comply, in all material respects, with the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (revised) - "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("ISAE 3000").

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high level of assurance, but is not a guarantee that an assurance engagement performed in accordance with ISAE 3000 will always detect any existing material non-compliance with the ESEF Regulation.

Our selected procedures included mainly the following:

- Obtaining an understanding of the requirements of the ESEF Regulation;
- Obtaining an understanding of the Company's internal control relevant to the application of the ESEF Regulation;
- Identifying and assessing the risks of material non-compliance with the ESEF Regulation, whether due to fraud or error; and
- Based on the above, designing and performing procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.



The objective of our procedures was to evaluate whether the financial statements included in the Annual Report were prepared in the applicable XHTML format.

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

Conclusion

In our opinion, the Company's financial statements for the year ended 31 December 2021 included in the Annual Report are, in all material respects, in compliance with the ESEF Regulation.

Ernst & Young Audit, s.r.o.
License No. 401



Jiří Křepelka, Auditor
License No. 2163

13 April 2022
Prague, Czech Republic

17. POST BALANCE SHEET EVENTS

No post Balance Sheet events exist that would be significant for purposes of the Annual Report.

18. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved for disclosure by the Board of Directors on 17 February 2022.



Miroslav Kyncl
Vice-Chairman of the Board of Directors



Anatol Pšenička
Managing Director



Miroslav Šrámek
Member of the Board of Directors



Halina Studničková
Chief Financial Officer

FINANCIAL STATEMENTS

for the period of 2021
including the annex



1. BALANCE SHEET AS OF 31.12.2021

Assets (in ,000 CZK)	See Chapter	As of 31 Dec 2021 CZK ,000	As of 31 Dec 2020 CZK ,000
ASSETS IN TOTAL		9,259,926	8,954,077
Fixed assets		8,420,692	8,099,526
Intangible assets	4.1.1.	57,652	54,752
Property, plant and equipment	4.1.2.	8,034,005	7,687,581
Assets for sale	4.1.3.	4,924	4,376
Rights to use the assets	4.1.4.	324,111	352,817
Current assets		839,234	854,551
Inventories	4.2.1.	16,054	16,423
Other receivables	4.2.2.	28,377	27,193
Unbilled water and sewage tariffs	4.2.3.	271,046	249,197
Trade receivables	4.2.4.	117,163	98,463
Cash and bank accounts	4.2.5.	406,594	463,275

LIABILITIES (in ,000 CZK)		As of 31 Dec 2021 CZK ,000	As of 31 Dec 2020 CZK ,000
LIABILITIES IN TOTAL		9,259,926	8,954,077
Equity		2,103,809	1,932,314
Registered capital	4.3.	1,296,909	1,296,909
Retained profit		806,900	635,405
Long-term liabilities		913,029	6,293,747
Reserves	4.4.	25,117	29,312
Liabilities with respect to lease	4.6.	297,642	315,674
Bank loans and issued bonds	4.8.	0	5,381,539
Deferred tax liability	4.9.2.	590,270	567,222
Short-term liabilities		6,243,088	728,016
Reserves	4.4.	4,136	4,589
Trade payables and other payables	4.5.	743,063	628,792
Liabilities with respect to lease	4.6.	29,142	28,882
Bank loans and issued bonds	4.8.	5,458,726	64,575
Payable income tax	4.11.	8,021	1,178

2. COMPLETE STATEMENT FOR THE YEAR ENDING 31.12.2021

	See Chapter	Year 2021 CZK ,000	Year 2020 CZK ,000
Income from water tariffs and sewage charges	4.10.	2,723,915	2,571,437
Other operating income	4.11.	151,798	96,104
Consumption of materials and energies	4.12.	(534,158)	(494,654)
Personnel costs	4.13.	(557,041)	(531,486)
Depreciation	4.1.1, 4.1.2. & 4.1.3.	(463,220)	(443,652)
Other operating expenses	4.14.	(602,341)	(515,920)
Increase/decrease in reserves and temporary reduction in value of assets	4.15.	10,829	(15,993)
Income from operation		729,782	665,836
Interest and other financial income	4.16.	688	652
Interests and other financial expense	4.16.	(164,981)	(165,136)
Financial income	4.16.	(164,293)	(164,484)
Profit before taxation		565,489	501,352
Income tax	4.9.	(110,829)	(96,831)
Profit after taxation		454,660	404,521
Comprehensive profit after tax for Company owners		454,660	404,521
Profit per share (in CZK):	3.16.		
Elementary profit		131,46	116,97
Diluted profit		131,46	116,97

3. CHANGES IN OWN CAPITAL AS OF THE YEAR ENDING 31.12.2021

	Registered capital ,000 CZK	Retained profit ,000 CZK	Own equity in total ,000 CZK
As of 31. 12. 2019	1,296,909	518,770	1,815,679
Payment of the share in profit based on the sole shareholder's decision of 7 May 2020	0	(293,665)	(293,665)
Statute-barred unpaid shares in profit	0	2,027	2,027
Statute-barred unpaid registered capital	0	3,128	3,128
Statute-barred unpaid reserves	0	624	624
Profit/loss from 2020	0	404,521	404,521
Comprehensive profit after tax made in 2020	0	404,521	404,521
As of 31. 12. 2020	1,296,909	635,405	1,932,314
Payment of the share in profit based on the sole shareholder's decision of 7 May 2021	0	(283,165)	(283,165)
Profit/loss from 2021	0	454,660	454,660
Comprehensive profit after tax made in 2021	0	454,660	454,660
As of 31. 12. 2021	1,296,909	806,900	2,103,809

4. CASH FLOW FOR THE YEAR ENDING 31.12.2021

	Period until 31 Dec 2021 CZK ,000	Period until 31 Dec 2020 CZK ,000
Cash at beginning of the period	463,275	556,976
Cash flow from main business (from operation)		
Profit on ordinary activities before tax	565,489	501,352
Adjustments for non-monetary operations	592,115	619,910
Depreciation of fixed assets	463,220	443,652
Increase/decrease in temporary value of assets and reserves	(10,829)	15,993
Profit/loss from sale of fixed assets	(23,815)	(2,360)
Paid and received interests	151,282	150,368
Adjustments for other non-monetary operations	12,257	12,257
Net cash flow from operation before increase/decrease in working capital	1,157,604	1,121,262
Increase/decrease in working capital	25,352	(17,360)
Increase/decrease in receivables accrued assets	(39,384)	(10,420)
Increase/decrease in payables and accrued liabilities	64,368	(6,335)
Increase/decrease in stock	368	(605)
Net cash flow from operation before tax	1,182,956	1,103,902
Interests paid	(141,750)	(141,750)
Interest with respect to lease	(9,543)	(9,244)
Interests received	11	626
Paid income tax on ordinary activities	(80,938)	(93,168)
Net cash flow from operation	950,736	860,366
Expenses on acquisition of fixed assets	(725,586)	(638,787)
Income from sale of fixed assets	27,255	2,352
Net cash flow from investment	(698,331)	(636,435)
Instalments with respect to lease payables	(25,921)	(23,967)
Paid shares in profit	(283,165)	(293,665)
Net cash flow from financial transactions	(309,086)	(317,632)
Net change in cash	(56,681)	(93,701)
Cash at the end of the period	406,594	463,275

CONTENTS

1. GENERAL INFORMATION	75	4.12. CONSUMPTION OF MATERIALS AND ENERGIES	90
1.1. INCORPORATION AND CHARACTERISTICS OF THE COMPANY	75	4.13. PERSONNEL COSTS	90
1.2. ORGANISATION STRUCTURE	75	4.14. OTHER OPERATION EXPENSES	91
1.3. IDENTIFICATION OF THE GROUP	75	4.15. CREATION OF RESERVES AND TEMPORARY REDUCTION IN VALUE OF THE ASSETS	91
2. USING THE NEW AND AMENDED INTERNATIONAL FINANCIAL STATEMENTS REPORTING STANDARDS	76	4.16. FINANCIAL REVENUES AND EXPENSES	91
3. IMPORTANT ACCOUNTING RULES AND PROCEDURES	77	4.17. TRANSACTIONS WITH RELATED PERSONS	91
3.1. INTANGIBLE ASSETS	77	5. RISKS RELATING TO THE FINANCIAL STATEMENTS	95
3.2. PROPERTY, PLANT AND EQUIPMENT	77	6. SENSITIVITY ANALYSIS	95
3.3. CASH AND CASH EQUIVALENTS	78	7. CONDITIONAL LIABILITIES	95
3.4. INVENTORIES	78	8. COURT DISPUTES	97
3.5. RECEIVABLES	78	9. POST BALANCE SHEET EVENTS	98
3.6. TRADE PAYABLES	78	10. APPROVAL OF THE FINANCIAL STATEMENTS	98
3.7. BONDS	78		
3.8. RESERVES	79		
3.9. CONVERSION OF FOREIGN CURRENCY INTO CZK	79		
3.10. LEASE	79		
3.11. TAXES	80		
3.12. INCOME	80		
3.13. SEGMENTS	81		
3.14. REAL VALUE OF THE FINANCIAL INSTRUMENTS	81		
3.15. LOAN EXPENSES	81		
3.16. PROFIT PER SHARE AND DIVIDEND	81		
3.17. SIGNIFICANT ESTIMATES	81		
4. ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS AND COMPLETE STATEMENT	82		
4.1. FIXED ASSETS	82		
4.1.1. Intangible assets	82		
4.1.2. Property, plant and equipment	83		
4.1.3. Assets with respect to the right to use	84		
4.1.4. Fixed assets held for sale	84		
4.2. CURRENT ASSETS	85		
4.2.1. Inventory	85		
4.2.2. Other receivables	85		
4.2.3. Unbilled water and sewage tariffs	85		
4.2.4. Age of trade receivables	85		
4.2.5. Cash	85		
4.3. EQUITY	86		
4.4. RESERVES	86		
4.5. TRADE PAYABLES AND OTHER PAYABLES	87		
4.6. LIABILITIES RESULTING FROM LEASE	87		
4.7. LEASE-RELATED AMOUNTS IN THE REPORTING PERIOD	88		
4.8. BANK LOANS AND ISSUED BONDS	88		
4.8.1. Analysis of maturity dates for financial payables	88		
4.9. INCOME TAX	89		
4.9.1. Due tax	89		
4.9.2. Deferred tax	89		
4.10. INCOME FROM WATER TARIFFS AND SEWAGE CHARGES	89		
4.11. OTHER OPERATING INCOME	90		

1. GENERAL INFORMATION

1.1. INCORPORATION AND CHARACTERISTICS OF THE COMPANY

Severomoravské vodovody a kanalizace Ostrava a.s. ("SmVaK") was incorporated on 1 May 1992 under ID 45193665.

It is a joint-stock company.

Below are main objects of Company's business:

- Production and distribution of drinking water and service water
- Discharge and treatment of wastewater
- Construction of water facilities

On 23 July 2019 the General Meeting resolved pursuant to § 375 et seq. in the Act on Business Corporations on forced transfer of the title to all securities onto the main shareholder. This means the director of the multilateral trading system, RM-SYSTÉM, česká burza cenných papírů a.s, decided in his decision No. 8/2019 of 28 August 2019 to remove the securities from the trading system as of 20 September 2019.

The Company is based in Ostrava, 28. října 1235/169, Mariánské Hory, 709 00 Czech Republic.

Structure of shareholders as of 31 December 2021 is as follows:

Shareholder	Share in the registered capital
AQUALIA CZECH S.L.	100 %
Total	100 %

Figures in these financial statements are in CZK ,000 (thousands Czech Crown) except for the profits per share which are in CZK.

1.2. ORGANISATION STRUCTURE

The Company is divided into four internal organisational units:

1. Headquarters
 - 1.1. Managing Director's Division
 - 1.2. Chief Finance Officer's Division
 - 1.3. Technical Director's Division
 - 1.4. Administration Director's Division
 - 1.5. International Development Department
2. Water Networks Director's Division
3. Sewage Systems Director's Division
4. OOV Director's Division (Ostrava Area Water System).

1.3. IDENTIFICATION OF THE GROUP

Directly controlling person:

[AQUALIA CZECH, S. L.](#)

As of 31 December 2021 the Company does not own any share in any other company.

2. USING THE NEW AND AMENDED INTERNATIONAL FINANCIAL STATEMENTS REPORTING STANDARDS

In 2021 the Company was using the new and amended standards and interpretation issued by the International Accounting Standards Board ("IASB") and the International Financial Statements Reporting Interpretation Committee ("IFRIC") in IASB which regulate business.

STANDARDS AND INTERPRETATION IN FORCE DURING THE REGULAR REPORTING PERIOD

The reporting year saw the first year of force of modification of the following standards issued by the International Accounting Standards Board ("IASB") approved for application in EU:

- **Modification of IFRS 4 Insurance Contract** – extension of the temporary exception with respect to application of IFRS 9 – adopted by EU on 15 December 2020 (in force for the reporting period starting 1 January 2021 or later).
- **Modification of IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases** – Reform of reference interest rates – phase 2 – adopted by EU on 13 January 2021 (in force for the reporting period starting 1 January 2021 or later).

Introduction of the modified standards did not have any significant impacts on Company's accounting rules.

New standards and modifications of the existing standards which have not been applied by the Company yet

As of the date of approval of the Financial Statement, the following new standards were issued and the existing standards were modified but have not entered into force yet:

- **IFRS 17 Insurance Contracts* and modifications of IFRS 17** (in force for the reporting period starting 1 January 2023 or later),
- **Modifications of IFRS 3 Business Combinations*** – Reference to the Conceptual Framework (in force for the reporting period starting 1 January 2022 or later),
- **Modification of IFRS 10 Consolidated Financial Statements, IAS 28 Investments in Associates and Joint Ventures*** – Sale of assets between the investor and an associate or joint venture (the date when the modification enter into force has been postponed until the equivalency method project is completed),
- **Modification of IAS 1 Presentation of Financial Statements*** – Classification of short-term and long-term liabilities, and postponement of the date when the modification enters into force (in force for the reporting period starting 1 January 2024 or later),
- **Modification of standard IAS 16 Property, Land and Equipment*** – Income before intended use (in force for the reporting period starting 1 January 2022 or later),
- **Modification of IAS 37 Provisions, Contingent Liabilities and Contingent Assets*** – Onerous Contracts – costs of fulfilling a contract (in force for the reporting period starting 1 January 2022 or later),
- **Modifications of various standards „Improvements in IFRS (2018–2020)“** * resulting from the project aimed at year improvements in IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41), the objective being to remove inconsistencies between standards and to clarify the text. (Modifications of IFRS 1, IFRS 9 and IAS 41 become effective for the period starting 1 January 2022 or later. Modification of IFRS 16 relate only to the generic case so the date when it enters into force has not been set yet.)

*not approved yet for application in the European Union

The Company has made decision not to apply the standards and modifications of the existing standards prior the date when they enter into force. The Company's management team has analysed the situation and believes that the first adoption of the standards and modifications of the existing standards will not have any significant impact on the Company's financial statement.

3. IMPORTANT ACCOUNTING RULES AND PROCEDURES

The financial standards are prepared in accordance with the International Financial Reporting Standards, IFRS adopted by EU on the principle of historical costs.

The financial statements were prepared pursuant to laws and regulations of the Czech Republic and were approved by the Board of Directors on 17 February 2022.

3.1. INTANGIBLE ASSETS

The intangible assets which were acquired as separate assets are posted in acquisition prices after deduction of cumulated amortisation and loss from reduced value. Normal amortisation and depreciation is used throughout the expected service life of the assets. The expected service life and amortisation/depreciation methods are validated always by the end of each accounting period where impacts of any changes in estimates are posted retrospectively.

Should the net book value of the asset exceed the estimated value, an estimated entry is used to make the net book value be in line.

Straight-line depreciation of fixed intangible assets is used, considering the expected service life as follows:

	%
Software	25
Valuable rights	10 to 20

3.2. PROPERTY, PLANT AND EQUIPMENT

The cost including acquisition expenses minus adjustments minus the posted loss from reduced value are applied for the property, plant and equipment used for provision of services or for administrative purposes.

Company's assets include particularly waste treatment plants, water supply pipelines, wastewater treatment plants and sewage pipelines.

The costs of the assets, except for land and investments in progress, are depreciated for the estimated service line. Straight-line depreciation is used as follows:

	%
Buildings	1 to 5
Production equipment – plants and devices	4 to 25
IT and IS	17 to 25
Transport vehicles - motor vehicles	4 to 25
Inventory	4 to 12
Fixed tangible assets where the acquisition price is between CZK 30,000 and CZK 40,000	25
Water meters	17

Assets acquired by financial lease are depreciated for the estimated service life where the depreciation method is same as that used for the assets that are owned by the Company.

Any loss or profit made from sale or retirement of an asset is the difference between revenue from sale and the net book value of such asset as of the date of the sale. Such loss/profit is posted in the complete income statement.

When taking stock, the net book values of the assets and their service lives are evaluated pursuant to IAS 36 – Impairment of Assets. Pursuant to IAS 36 the Company divided its assets into groups which could be regarded as separate cash-generating units: the water networks, sewage systems and the other assets. In each such group of assets, the impairment was considered using the following indications of impairment:

- External indications: market value decline for the group of assets, negative changes in markets, increases/decreases in market interest rates, disproportion between market capitalisation and valuation of net assets in accounts.
- Internal indications: obsolescence or physical damage, asset is held for disposal, asset is held for sale, asset does not generate sufficient income, asset is not used sufficiently, the asset's purpose of use has changed.

Having evaluated the assets, no indications have been revealed for impairment of the asset groups. Only internal indications have been revealed for certain items in the asset groups. Impairment of the assets is the difference between the net book value of the asset and the recoverable amount from such asset. The recoverable amount from such asset is either the net selling price of the asset or the value from use of such asset, whichever is higher. Such decrease in the value of assets is posted using the temporary reduction in the value of assets.

3.3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash in hand and cash in banks. The cash and cash equivalents can be immediately exchanged for the known sum in cash and a negligible risk of exchange is typical of them. The real value of the cash and cash equivalents is not different from their net book value.

3.4. INVENTORIES

The stock is posted either at the acquisition price or at the net realisable cost, whichever is lower. The acquisition price includes the price of acquisition of such asset including transport costs and overheads and direct wages, if any, relating to maintaining the stock in the current condition. The Company has been using the weighed arithmetic average method for stocktaking. The net realisable value is the estimated net selling price minus all estimated costs for completion, and costs relating to marketing, sale and distribution of such asset.

3.5. RECEIVABLES

First, receivables are posted using the real values. Then, estimates and adjustments are made if any receivables are bad and/or can not be recovered. Such temporary reduction of the value is calculated using the model of expected credit loss. Bad debts are written off once debtor's insolvency procedure is closed. Because maturity terms for receivables are short, the real value of the receivable is almost the book value.

Creation of temporary reduction of the value with respect to the receivables depends on the analysed maturity date of the receivable. The reduced value is determined in the debt recovery test.

If the receivables are overdue for less than 180 days, the temporary reduction in the value is 5 % of the nominal value of such receivable (6 % in 2020). If the receivables are overdue for more than 180 days but less than 365 days, the temporary reduction in the value is 54 % of the nominal value of such receivable (65 % in 2020). If the receivables are overdue for more than 365 days, the temporary reduction in the value is 99 % of the nominal value of such receivable (99 % in 2020).

The temporary reduction of the value is created using the method above because the differences in credit risks for the receivables are very small. If there is a specific credit risk (for instance, a debtor faces a bankruptcy), an individual approach is used to the temporary reduction of the value.

3.6. TRADE PAYABLES

Trade payables are primarily evaluated in their real values. Because such payables are short-termed, the real value is almost the book value.

3.7. BONDS

The Company issued registered bond certificates. The bonds are traded in at the main market of Burza cenných papírů v Praze. Initially, issuance of the bonds is posted in the real value minus transaction costs (in long-termed payables).

Then, after initial recognition, the Company evaluates the issued bonds using the net book value (the accrued value) and the effective interest rate.

The accrued interest payable in 2022 is posted as the short-termed payables.

3.8. RESERVES

Reserves are created if the Company reports a payable because of a past event and such payment is estimated to result probably in outflow of economic advantages. The Company has been creating reserves for future employee benefits (benefits paid for old age retirement, anniversaries in their personal lives), for changes in the Company's organisational structure, and for other reserves. Reserves are posted using the best estimates by the Company management team which should estimate probable costs to be incurred by the Company in the future in order to settle such payable.

The reserves are long-termed or short-termed. The long-termed reserves are discounted based to the current value.

3.9. CONVERSION OF FOREIGN CURRENCY INTO CZK

The financial statements are in the currency of the primary economic environment where the entity carries on its business (in CZK).

Transactions in books made in any other currency than CZK are posted using the exchange rate applicable as of the date of the transaction. Cash, receivables and payables in foreign currency are converted as of the date of the financial statements using the exchange rates applicable as of that date. Non-cash items which are evaluated in historic costs in foreign currency are not converted. Losses or profits made from such conversion are posted in the complete income statement for the reported period.

3.10. LEASE

The lessee posts the asset consisting in the right to use, as well as the liability resulting from the lease. The asset consisting in the right to use is posted similarly as fixed tangible assets. Depreciation is similar as well. In the first entry, the lease liabilities represent the current value of the liabilities resulting from lease instalments throughout duration of the lease and the discounted implicit rate of lease, if it can be determined easily. If the lease rate cannot be determined easily, the lessee will use its incremental lease interest rate. In the first entry of the lease liability, only the following is posted: the fixed lease instalments and variable instalments which depend on development of the rate/index. The variable lease fee which does not depend on the index/rate is not included into valuation of the lease liability and asset consisting in the right to use. The lease fee is posted in the complete income statement as "other operating expenses" for the period when the situation or circumstance occurred, which resulted in such expenses.

The Company posts the leased assets as the right to use the assets, and the related liabilities as of the date when the lease assets became fit for use. Each lease instalment consists of the liability instalment and financial expense. The financial expense is posted as an expenses and is reported as "interest and other financial expense" throughout duration of the lease. The liability is paid up using a constant interest rate for the remaining liability in each reporting period.

The Company shall re-valuate the lease liability and post necessary changes in the assets with respect to the right to use if:

- there is a change in lease duration,
- there are changes in lease payments because of changes in the reference index,
- the lease contract was modified.

First, the assets are evaluated using the current value of the lease payments. When valuating the assets, following items should be included:

- all lease instalments paid as of the start of the lease or earlier, minus all incentives received with respect to the lease,
- any initial direct expenses,
- expenses needed for reaching the required condition of the asset at the end of the lease.

Then, the assets which represent the right to use are posted in the balance sheet as the right to use the asset. The assets are valued using the cost of asset minus adjusting entries and cumulated loss from the reduced value. Adjustments are also made in case of re-valuation and modifications of lease contracts. Assets that represent the rights to use are depreciated using straight-line depreciation throughout the service life or the assets or throughout duration of the lease, whichever is shorter.

Payments made with respect to short-term rent and lease of all low-value assets are posted evenly as an expense in the complete income statement under "other operating expenses".

Short-time rent is lease with duration of 12 months or less.

3.11. TAXES

The final tax in the complete income statement is the payable tax for the accounting period and increase/decrease in the deferred tax.

The tax payable for the accounting period depends on the taxable profit and tax base. The tax base is different from the profit before taxation which is shown in the complete income statement because the tax base does not include earnings and expenses which are taxable or recognised in other periods. Furthermore, the tax base does not include items which are not taxable and those which are not tax deductible. The tax payable is calculated using the tax rate applicable as of the date of the financial statements.

Deferred tax payables and tax receivables which result from differences between the tax assets and tax liabilities in the financial statements and which correspond to the tax base of such assets and liabilities used for calculation of the taxable profit, are posted using the balance sheet payable approach. The deferred tax payables are posted for each temporary difference, while the deferred tax receivables are posted in the scope in which it is likely that the taxable profit will exist against which the deductible temporary difference could be set off. In case of lease contracts where the Company/Group is the lessee, the temporary differences are determined as a total for the right to use and the lease liability arising from the lease contract.

The book value of the deferred receivable is evaluated as of each balance day and is reduced in the scope in which it is likely that no sufficient taxable profit would exist which would make it possible to set off the receivable or a part of such receivable.

The deferred tax is calculated using the tax rates which are expected to apply in the period when the assets will be realised, or when the liabilities will be settled. In 2021 the deferred tax was converted with respect to the tax rate applicable in 2022. This conversion was made for all temporary differences (19 % - same as in 2020). The deferred tax is shown in the complete income statement.

The deferred tax receivables and deferred tax payables are set off with each other if a legally enforceable claim exists for offsetting of the tax receivable for the regular period against the tax payable for the regular period, if such tax is collected by the same revenue authority and if the Company intends to settle its tax receivables and the tax payables in the regular period in the same amount.

3.12. INCOME

The income is posted using the real value at the moment of the supply from past or supply to be supplied in the future. Such income is the income from sale of goods and services within ordinary business of the Company, minus discounts, value added tax and other taxes relating to the sale.

The Company posts the income from contracts signed with the customers if:

- the contract is identified,
- the liability to provide a supply is identified,
- the price of transaction is quoted,
- The transaction prices are allocated to each liability to provide a supply,
- the income is accepted upon fulfilment of the liability to provide a supply.

Income from water tariffs and those from sewage charges are posted at the moment when drinking water is supplied in the water network or when wastewater is discharged in sewage systems. The solidary water tariff and sewage charge were determined pursuant to the applicable Decree issued by the Czech Republic Ministry of Finance under No. 01/2021 on 7 December 2020.

Contingent assets with respect to the water tariff and sewage charge for water supplied or wastewater discharged in 2021 which will be billed in 2022 were calculated using the average data read from gauges during the past billing period per day multiplied with the number of days when such services were provided from the last meter reading until 31 December 2021. Such contingent items are shown in the balance sheet as non-billed water tariff and sewage charge.

3.13.SEGMENTS

Pursuant to IFRS 8 – Operation Segments, the Company regards its activities as one segment only. Revenues generated from other activities are negligible and are regarded as non-core business. From the point of view of geography, the Company serves in particular the Moravian-Silesian region, which for purposes of income reporting comprises also certain close-to-border regions in Poland. Drinking water supplied to Poland represents ca. 1.8 % of total revenues from water tariff, sewage charged and bulk water. None of the customers generate more than 10 % of the revenues.

3.14.REAL VALUE OF THE FINANCIAL INSTRUMENTS

The Company does not own any financial instruments which would be evaluated using the real value after initial recognition. The real value of the financial instruments is almost same as their book value, unless stated otherwise.

3.15.LOAN EXPENSES

The loan expenses which are directly related to acquisition, construction or production of an eligible asset are capitalised using a portion of the acquisition costs for that asset until the moment when the asset is prepared to a considerable extent for the intended use of sale. Any other loan expenses are shown in the complete profit and loss account for the period where such cost occurred. No part of the loan expenses in these financial statements is related to acquisition of fixed assets and fulfills requirements for capitalisation of the loan expenses in the acquisition price of the asset.

3.16.PROFIT PER SHARE AND DIVIDEND

The calculated basic profit and diluted profit per share are same. The profit per share is calculated as follows:

(In CZK ,000 except for the profit per share in CZK)	2021	2020
Profit made in the current period	454,660	404,521
Average number of shares during the period	3,458,425	3,458,425
Profit per share (basic and diluted profits)	131.46	116.97
Share in profit per 1 share	To be resolved by the General Meeting	81.88

Decisions on dividends are made by the authorised bodies of the Company within distribution of the profit made by the Company during the reported period.

3.17. SIGNIFICANT ESTIMATES

When applying the accounting rules, the management team is required to make certain guesses and to prepare estimates and assumptions with respect to the assets and liabilities if such information is not now available from other sources. The estimates, guesses and assumptions are based on experience from past periods and on other factors which are regarded as relevant. Real figures may be different from such estimates. The estimates, guesses and assumptions are subject to regular validation. Corrections in such accounting estimates are made in the period when such correction was made (if the correction affects that period only) or in the period when such correction was made as well as in the future periods (if the correction affects both the current and future periods).

Estimates for non-billed water tariffs and sewage charges are made on the basis on experience from past periods and on other factors which are regarded as relevant. The real figures can be different from the estimated income from water tariffs and sewage charges. The estimates, guesses and assumptions are subject to regular validation.

4. ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS AND COMPLETE STATEMENT

4.1. FIXED ASSETS

4.1.1. Intangible assets

	Software (,000 CZK)	Valuable rights (,000 CZK)	Intangible assets in progress (,000 CZK)	Total (,000 CZK)
COSTS				
As of 31. 12. 2019	239,442	29,300	14,412	283,154
Increase	9,152	6,525	18,163	33,840
Decrease	(101)	0	(15,677)	(15,778)
As of 31. 12. 2020	248,493	35,825	16,898	301,216
Increase	8,816	4,385	14,746	27,947
Decrease	(1,505)	0	(13,201)	(14,706)
As of 31. 12. 2021	255,804	40,210	18,443	314,457
ADJUSTING ENTRIES				
As of 31. 12. 2019	(228,202)	(6,385)	0	(234,587)
Depreciation per year	(10,622)	(1,356)	0	(11,978)
Eliminated upon retirement	101	0	0	101
As of 31. 12. 2020	(238,723)	(7,741)	0	(246,464)
Depreciation per year	(10,294)	(1,552)	0	(11,846)
Eliminated upon retirement	1,505	0	0	1,505
As of 31. 12. 2021	(247,512)	(9,293)	0	(256,805)
BOOK VALUE				
As of 31. 12. 2019	11,240	22,915	14,412	48,567
As of 31. 12. 2020	9,770	28,084	16,898	54,752
As of 31. 12. 2021	8,292	30,917	18,443	57,652

In 2021, the Company acquired the non-tangible assets at CZK 99 thousand – they were posted directly as expenses (2020: CZK 155 thousand).

The value of intangible assets increased in particular thanks to extension of SW Monet and extension of the web application used for planning of works and encumbrances.

In 2021, the Company posted CZK 11.846 million as depreciation of intangible assets in the complete income statement (2020: CZK 11.978 million).

4.1.2. Property, plant and equipment

	Land (,000 CZK)	Plant (,000 CZK)	Equipment and devices (,000 CZK)	Other assets (,000 CZK)	Tangible assets under construction, including advances (,000 CZK)	Total (,000 CZK)
COSTS						
As of 31. 12. 2019	164,839	13,947,706	2,467,952	867	434,760	17,016,124
Transfer into rights to use	0	(14,351)	(2,541)	0	0	(16,892)
Increase	1,764	380,257	104,934	0	713,138	1,200,093
Decrease	(247)	(7,095)	(42,893)	0	(539,436)	(589,671)
As of 31. 12. 2020	166,356	14,306,517	2,527,452	867	608,462	17,609,654
Transfer into assets for sale	0	4,933	927	0	0	5,860
Increase	2,125	818,747	168,467	0	760,231	1,749,570
Decrease	(798)	(27,485)	(74,045)	(11)	968,983	(1,071,322)
As of 31. 12. 2021	167,683	15,102,712	2,622,801	856	399,710	18,293,762
ADJUSTING ENTRIES AND REDUCTION IN VALUE						
Adjusting entries as of 31.12. 2019	0	(7,585,048)	(1,973,407)	0	0	(9,558,455)
Transfer into rights to use	0	7,112	2,382	0	0	9,494
Depreciation per year	0	(313,022)	(90,118)	0	0	(403,140)
Eliminated upon retirement	0	6,652	32,265	0	0	38,917
Adjusting entries as of 31.12. 2020	0	(7,884,306)	(2,028,878)	0	0	(9,913,184)
Transfer into assets for sale	0	(2,469)	(917)	0	0	(3,386)
Depreciation per year	0	(329,417)	(96,704)	0	0	(426,121)
Eliminated upon retirement	0	22,048	68,963	0	0	91,011
Adjusting entries as of 31.12. 2021	0	(8,194,144)	(2,057,536)	0	0	(10,251,680)
Reduction in value as of 31. 12. 2019	0	(11,713)	(258)	0	0	(11,971)
Transfer into assets for sale	0	2,944	78	0	0	3,022
Creation	0	(5)	0	0	0	(5)
Withdrawal	0	0	65	0	0	65
Reduction of value as of 31. 12. 2020	0	(8,774)	(115)	0	0	(8,889)
Transfer into assets for sale	0	(2,944)	(78)	0	0	(3,022)
Creation	0	0	0	0	0	0
Withdrawal	0	3,719	115	0	0	3,834
Reduction in value as of 31. 12. 2021	0	(7,999)	(78)	0	0	(8,077)
BOOK VALUE						
As of 31. 12. 2019	164,839	6,350,945	494,287	867	434,760	7,445,698
As of 31. 12. 2020	166,356	6,413,437	498,459	867	608,462	7,687,581
As of 31. 12. 2021	167,683	6,900,569	565,187	856	399,710	8,034,005

Advances for acquisition of the fixed tangible assets are CZK 0.902 million (as of 31.12. 2020: CZK 8.150 million).

As of 31. 12. 2021, CZK 8.077 million was posted as the temporary reduction in value for fixed assets unused now and in the future (as of 31. 12. 2020: CZK 11.911 million). The temporary reduction in value was posted in particular with regards to buildings and structures.

Increase/decrease in the temporary reduction in the value is posted in the complete income statement as creation and withdrawal of reserves and temporary reduction in value of the assets.

In 2021, the tangible assets acquired by the Company which were posted directly as expenses were CZK 10.328 million (in 2020: CZK 10.499 million). These are small and short-term tangible assets which include other movables and sets of movables, the usable life of which is more than one year where such assets are not shown among the fixed assets.

In 2021, CZK 426.121 million was posted in the complete income statement as depreciation of the assets (in 2020: CZK 403.140 million).

The reason for increase in the fixed tangible assets is mainly acquisition of new assets because of reconstruction of water networks, sewage systems and facilities and equipment in water treatment plants and wastewater treatment plants.

The net book value of the fixed tangible assets as of 31.12. 2021, this means CZK 196.287 million (as of 31.12. 2020: CZK 211.118 million) includes the net book value of the assets which were acquired as contribution from the municipalities into own capital of the Company (in 1998 and 1999). As of 31.12. 2021, the Company properly filed all applications to enter the right to property at the Land Registry.

Received subsidies

The Company did not receive any subsidies for acquisition of fixed assets in 2021. The subsidies received in previous years were posted as a decrease in acquisition price of Company's assets. In 2021, the depreciation is lower because the costs were reduced thanks to the received subsidy of CZK 9.440 million (in 2020: CZK 9.440 million).

Fixed assets under pledge

As of 31.12.2021, no Company's assets are under pledge.

4.1.3. Assets with respect to the right to use

The financial statement includes a separate item for the asset with respect to the right to use:

Assets – the right to use (classified by asset classes)	31. 12. 2021 (CZK ,000)	31. 12. 2020 (CZK ,000)
Buildings and constructions	259,668	264,331
Vehicles	59,260	75,719
Other	5,183	12,767
Total	324,111	352,817

	Buildings and constructions (CZK ,000)	Vehicles (CZK ,000)	Other (CZK ,000)	Total (CZK ,000)
As of 31. 12. 2019 – IFRS 16	234,856	61,092	15,176	311,124
Increase – new lease contracts	41,124	31,741	0	72,865
Terminated lease contracts	0	(60)	(2,578)	(2,638)
Depreciation	(11,649)	(17,054)	169	28,534)
As of 31. 12. 2020 – IFRS 16	264,331	75,719	12,767	352,817
Increase – new lease contracts	8,552	3,251	0	11,803
Terminated lease contracts	0	0	(15,256)	(15,256)
Depreciation	(13,215)	(19,710)	7,672	(25,253)
As of 31. 12. 2021 – IFRS 16	259,668	59,260	5,183	324,111

The Company leases properties (the office building), vehicles, and infrastructure assets. The lease is negotiated individually and contains a wide range of terms and conditions (including the rights to terminate and renew the lease).

Below is a general summary of lease features:

- The office building is rented for 20 years. The rent agreement can be extended.
- Lease instalments are increased pursuant to the define formula.
- The rain water tank in Karviná is rented for 10 years.
- Vehicles are rented for a fixed period of time: 3 to 6 years.
- Infrastructure assets are used by the Company pursuant to operation contracts that were followed by agreements to purchase the assets.

4.1.4. Fixed assets held for sale

As of 23 July 2020 the Company's Board of Directors resolved to sell its recreational facilities. As of 31 December 2020 the recreational facility in Nová Ves was not sold.

Recreational facility	Net book value as of 31. 12. 2021 (CZK ,000)
Nová Ves	4,924
Total	4,924

4.2. CURRENT ASSETS

4.2.1. Inventory

The Company reduced the value of unused inventories: CZK 0.212 million (as of 31.12. 2020: CZK 0.212 million). The inventories are mostly chemical agents and small water components in warehouses. Consumption of materials at stock is shown within consumption of water, materials and chemical. In 2021, it was CZK 133.902 mil. (as of 31.12. 2020: CZK 125.875 million).

4.2.2. Other receivables

Other receivables	(CZK ,000)	
	As of 31. 12. 2021	As of 31. 12. 2020
Other receivables	19,447	19,845
Prepaid expenses	8,930	7,348
Current receivables in total	28,377	27,193

Other receivables are the advances paid for the rent with respect to operation of the rented infrastructure assets.

4.2.3. Unbilled water and sewage tariffs

Calculation of the amounts (as of 31.12.2021: CZK 271.046 million, as of 31.12. 2020: CZK 249.197 million) is described in Chapter 3.12.

4.2.4. Age of trade receivables (CZK ,000)

Year	Category	Before due date	After due date					After due date in total	Total
			0 - 90 days	91 - 180 days	181 - 360 days	1 - 2 years	2 and more years		
31. 12. 2020	Gross value	83,766	17,039	964	1,096	2,802	9,828	31,729	115,495
	Reduction in value	0	(2,739)	(779)	(1,013)	(2,776)	(9,725)	(17,032)	(17,032)
	Net value	83,766	14,300	185	83	26	103	14,697	98,463
31. 12. 2021	Gross value	102,434	15,270	563	472	2,475	10,633	29,413	131,847
	Reduction in value	0	(985)	(282)	(413)	(2,448)	(10,556)	(14,684)	(14,684)
	Net value	102,434	14,285	281	59	27	77	14,729	117,163
2021	Year-to-year impact of reduction in value	0	(1,754)	(497)	(600)	(328)	831	(2,348)	(2,348)

Having tested the collectability and receivables, the following reduction in value of overdue receivables was posted:

Receivables after due date	As of 31. 12. 2021		As of 31. 12. 2020	
	Rate	Reduction in value (CZK ,000)	Rate	Reduction in value (CZK ,000)
Specific trade receivables		674		2,749
More than 365 days	99 %	12,965	99 %	12,492
180–365 days	54 %	254	65 %	711
Less than 180 days	5 %	791	6 %	1,080
Total		14,684		17,032

4.2.5. Cash

Cash and cash equivalents	(CZK ,000)	
	As of 31.12. 2021	As of 31.12. 2020
Cash in hand	401	416
Cash in banks	406,193	462,859
Current financial assets in total	406,594	463,275

The balance of the current financial assets is the total balance of cash and cash equivalents in the cash flow statement.

4.3. EQUITY

Own capital comprises the registered capital and retained profit.

The Company's registered capital is 1,296,909 ths. CZK. It has been fully paid up and consists of 3,037,040 registered shares with the nominal value of CZK 375 each, and 421,385 bearer shares with the nominal value of CZK 375 each.

In 2020, the profit after tax is CZK 404.521 million. It was approved and distributed by the decision made by the Company's sole shareholder on 7 May 2021 as follows:

	(CZK ,000)
	2021
Profit made in 2020	404,521
Shares in profit	283,165
Profit carried forwarded among retained profits of past years	121,356

The Company uses the total debt indicator to monitor its capital structure. This indicator is the net debt to (own capital plus net debt). It included the registered capital as of 31.12. 2020 and the net debt. As of 31.12. 2021, the total debt indicator is 74.42 % (as of 31. 12. 2020: 75.50% - see the table below).

	(CZK ,000)	
	As of 31.12. 2021	As of 31.12. 2020
Bank loans and issued bonds	5,458,726	5,446,114
Trade payables and other payables	1,069,847	973,348
Cash in hand and cash in banks	(406,594)	(463,275)
Net debt	6,121,979	5,956,187
Equity	2,103,809	1,932,314
Own capital + net debt	8,225,788	7,888,501
Total debt indicator	74.42	75.50 %

4.4. RESERVES

	(CZK ,000)	
	Reserve for employee benefits	Reserves in total
Balance as of 31.12. 2019	23,444	23,444
Creation of reserves	13,053	13,053
Using of reserves	(2,596)	(2,596)
Balance as of 31.12. 2020	33,901	33,901
Creation of reserves	0	0
Using of reserves	(4,648)	(4,648)
Balance as of 31.12. 2021	29,253	29,253

The reserve for employee benefits is used for employees who celebrate their work anniversaries or retire from work. The sum in the reserve depends on the collective agreement and is based on the age of employees and expected use of the reserve for employees/groups of employees. The value of value in the course of time is also considered there.

In the balance sheet, the reserves are divided into current and non-current reserves by the expected time of use.

	(CZK ,000)	
	Reserve for employee benefits	Reserves in total
Balance as of 31.12. 2020	33,901	33,901
Current reserves	4,589	4,589
Non-current reserves	29,312	29,312
Balance as of 31.12. 2021	29,253	29,253
Current reserves	4,136	4,136
Non-current reserves	25,117	25,117

4.5. TRADE PAYABLES AND OTHER PAYABLES

Current trade payables and other payables	(CZK ,000)	
	As of 31. 12. 2021	As of 31.12. 2020
Trade payables	612,458	530,193
Payables to employees	43,162	34,944
Social security insurance and health insurance to be paid	17,180	14,116
Other current payables	70,263	49,539
Current trade payables and other payables in total	743,063	628,792

In the Company, there were not any trade payables after maturity dates as of 31.12.2021 (as of 31.12. 2020: CZK 0).

The current payables included the payable fee for consumption of ground water and fee for pollution of wastewater (as of 31.12. 2021: CZK 11.108 million, as of 31. 12. 2020: CZK 19.506 million) and accrued liabilities (as of 31.12.2021: CZK 43.158 million, as of 31. 12. 2020: CZK 19.452 million).

4.6. LIABILITIES RESULTING FROM LEASE

	Minimum instalment with respect to rent (CZK ,000)		Current minimum instalment with respect to rent (CZK ,000)	
	As of 31. 12. 2021	As of 31.12.2020	As of 31. 12. 2021	As of 31.12. 2020
Payable within 1 year	37,887	38,147	29,142	28,882
Payable between 2 and 5 years	114,743	126,298	86,665	100,253
Payable after 5 years	268,938	282,592	210,977	215,421
Total	421,568	447,037	326,784	344,556
Minus unpaid financial payables (interest)	94,784	102,481	0	0
Minus payables due within 1 year (shown as current payables)	29 142	28 882	29 142	28 882
Payables due after 1 year	297,642	315,674	297,642	315,674
Lease-related payables in total	326,784	344,556	326,784	344,556

In 2021, the Company posted payables with respect to the rent of the office building, infrastructure assets, lease liabilities with respect to new vehicles, and lease liabilities with respect to agreements to operate municipal water infrastructure.

The liabilities with respect to the rent of the office building were as of 31.12. 2021: CZK 235.372 million (as of 31. 12. 2020: CZK 234.719 million).

As of 31.12. 2021 the payables with respect to contracts signed with lease companies for vehicles were CZK 60.945 million (as of 31. 12. 2020: CZK 77.133 million).

As of 31.12.2021, the liabilities with respect to rent of infrastructure were CZK 30.343 million (as of 31.12. 2020: CZK 32.523 million).

As of 31.12. 2021, the payables resulting from the operation contracts for water assets signed with the municipalities were CZK 0.123 million (as of 31. 12. 2020: CZK 0.182 million).

4.7. LEASE-RELATED AMOUNTS IN THE REPORTING PERIOD

The amounts below are posted in the complete income statement and cash flow statement:

Depreciation of assets with respect to the right to use, by asset classes	, 000 CZK	
	2021	2020
Buildings and constructions	13,215	11,649
Vehicles	19,710	17,054
Others	(7,671)	(169)
Depreciation in total	25,254	28,534
Interest payable with respect to lease liabilities (included into the financial expenses)	9,543	9,244
The expenses relating to the variable lease instalments which are not included into the lease liabilities include the rent fee paid based on m ³ taken during the reported year	34,875	31,500
Total lease-related expenses	69,672	69,278

Lease-related financial expenses	, 000 CZK	
	2021	2020
Variable lease instalments	34,875	31,500
Fixed lease instalments	35,464	32,257

4.8. BANK LOANS AND ISSUED BONDS

As of 31 December 2021, there are not any payables with respect to loans.

On 17 July 2015 the Company issued the bonds at CZK 5.4 billion which were accepted for trading on the main market of the Stock Exchange (Burza cenných papírů). The issuance of the bonds is posted using the accrued value. The expenses relating to the issuance are CZK 81.258 million. The expenses are a part of the effective interest rate of 2.865 % p.a. The interest rate is fixed: 2.625 % p.a..

As of 31.12.2021, the accrued value of the bonds which is posted in the current liabilities is CZK 5.394151 billion (as of 31. 12. 2020: CZK 5.381539 billion).

The real value of the bonds was calculated using the coupon-free revenue curve and credit risk surcharge. As of 31.12. 2021 the real value of bonds was CZK 5.521254 billion (as of 31.12. 2020: CZK 5.521254 billion).

The fair value of bonds as at 31.12.2021 does not significantly differ from the accounting value. The fair value of bonds using the model of the coupon-free yield curve and interest rate risk mark-up was CZK 5.521254 billion as at 31.12.2020.

The current payables with respect to bank loans and bonds include bond interest of 64.575 million which are related to the year 2021 but will be paid up only in 2022 (in 2020: CZK 64.575 million).

For the purpose of bonds repayment, the Company is planning to use intragroup loan provided by the sole shareholder of the Company, even though other financing alternatives have not been discarded to date. Legal and tax advisors from Deloitte were engaged to support the company in the process.

4.8.1. Analysis of maturity dates for financial payables

The table below shows the remaining time of the maturity dates for the financial payables. The table is based on non-discounted cash flow for the financial payables. It takes into account the earliest possible dates when payment of such payables can be required. The table includes the cash flow with respect to the interest and principal.

As of 31. 12. 2021 (, 000 CZK)	Interest rate	Less than 1 year	2-5 years	5 years and more
Trade payables and other payables	0	743,063	0	0
Liabilities resulting from lease	5.5	17,711	41,841	152
Liabilities resulting from lease	2.865	11,431	44,824	210,825
Bonds (nominal value: CZK 5.4 bln.) with the effective interest rate	2.865	5,476,895	0	0
Total		6,249,100	86,665	210,977

Real value

In the hierarchy of real values, the bonds are at the third level. The reason for this classification is that the real value is calculated using a valuation model. The real value is calculated as the present value of future cash-flow arising from ownership of the bonds. Discount rates used in the calculation are derived from the market coupon-free revenue curve adjusted to include a credit margin resulting from the issuer's credit risk.

As of 31.12 2021, the Company did not hold any financial instruments, the real value of which would be different from the net book value except for the bonds which are specified in sub-section 4.8 above.

4.9. INCOME TAX

	As of 31. 12. 2021 (CZK ,000)	As of 31. 12. 2020 (CZK ,000)
Due income tax	87,781	77,724
Deferred income tax	23,048	19,107
Total	110,829	96,831

As of 31. 12. 2021, the due income tax was CZK 87.781 million (in 2020: CZK 77.724 million). During 2021, the advances paid were CZK 80.573 million (in 2020: CZK 77.829 million). As of 31.12. 2021 the payable income tax was CZK 8.021 million (in 2020: CZK 1.178 million).

4.9.1. Due tax

The tax per year is based on the profit in the complete income statement:

	2021 (CZK ,000)	2020 (CZK ,000)
Profit before taxes	565,489	501,352
Tax rate for the current year	19 %	19 %
Tax with the income tax rate applicable in the Czech Republic	107,443	95,057
Non-deductibles with respect to tax and revenues (balance)	4,199	2,857
Income tax for the current period	111,642	98,114
Income tax for the past period	-813	-1,283
Income tax in total	110,829	96,831
Effective tax rate	19.60 %	19.31 %

4.9.2. Deferred tax

As of 31.12. 2021, the deferred tax was calculated pursuant to the Act on Income Tax and applicable tax rates. The deferred tax is calculated for all temporary differences between the assets and liabilities in books and those for taxes. The rate is 19 %. In 2020 the rate was same: 19 %.

In 2021, the deferred tax in the complete income statement was CZK 23.048 million (in 2020: CZK 19.107 million).

The deferred tax to be paid can be analysed as follows:

Deferred tax	As of 31. 12. 2021 (CZK ,000)	rate in %	As of 31. 12. 2020 (CZK ,000)	rate in %
Difference between the net book value and tax residual value of the fixed assets	(592,753)	19.0	(570,966)	19.0
Temporary reduction in value of fixed assets	1,535	19.0	2 242	19.0
Temporary reduction in value of inventories	40	19.0	40	19.0
Temporary reduction in value of receivables	478	19.0	1 134	19.0
Unpaid insurance	430	19.0	328	19.0
Total	(590,270)		(567,222)	

4.10. INCOME FROM WATER TARIFFS AND SEWAGE CHARGES

	Until 31.12. 2021 (CZK ,000)			Until 31.12. 2020 (CZK ,000)		
	Czech Republic	Abroad	Total	Czech Republic	Abroad	Total
Production and distribution of drinking water	1,622,212	50,857	1,673,069	1,535,734	49,513	1,585,247
Disposal and treatment of wastewater	1,015,698	0	1,015,698	954,490	0	954,490
Related services	35,148	0	35,148	31,700	0	31,700
Total	2,673,058	50,857	2,723,915	2 521,924	49,513	2,571,437

4.11. OTHER OPERATING INCOME

	(CZK ,000)	
	Until 31.12. 2021	Until 31.12. 2020
Income from building works	103,977	69,293
Income from rent	10,136	10,989
Revenues from sale of materials and assets (net)	23,816	2,359
Other operation revenues (payments from insurance companies, compensation of mining damage and such)	13,869	13,463
Total	151,798	96,104

4.12. CONSUMPTION OF MATERIALS AND ENERGIES

	(CZK ,000)	
	Until 31.12. 2021	Until 31.12. 2020
Consumption of water, materials and chemicals	470,489	431,278
Gas, electricity and heat	78,111	80,129
Green Bonus paid for generation of environmental-friendly electricity	(14,442)	(16,753)
Total	534,158	494,654

The Company has been using renewable sources for generation of electricity from biogas produced in wastewater treatment plants. In 2008 the Company signed a contract with the electricity distributor ČEZ Distribuce a.s. for support of the environmentally-friendly electricity generated without use of the operator's distribution grid. Under the contract the Company receives a bonus for the electricity which it generates. In 2021 the Green Bonus was 14.442 million (in 2020: CZK 16.753 million). The green bonus is shown in the complete income statement as a decrease in costs of electricity consumed.

4.13. PERSONNEL COSTS

2021 (CZK ,000)	Number	Wages	Social security and health insurance	Other expenses	Personnel costs in total
Employees	862	380,158	130,296	19,788	530,242
Members of management bodies	7	17,899	4,584	71	22,554
Total	869	398,057	134,880	19,859	552,796
Supervisory Board/Audit Committee members	30	0	1,077	3,168	4,245
Total	899	398,057	135,957	23,027	557,041

2020 (CZK ,000)	Number	Wages	Social security and health insurance	Other expenses	Personnel costs in total
Employees	859	364,651	122,786	18,859	506,296
Members of management bodies	7	15,599	5,304	42	20,945
Total	866	380,250	128,090	18,901	527,241
Supervisory Board/Audit Committee members	30	0	1,077	3,168	4,245
Total	896	380,250	129,167	22,069	531,486

Other expenses include an extra voluntary insurance for old age pension. This is, in fact, a pension scheme with a fixed fee. No other obligations exist for the Company except for payment of that fee.

Donations, loans and other supplies

In 2021, the Board of Directors members, the Supervisory Board members, and the members of the company management bodies received following bonuses and payments in addition to their regular wage packages where such bonuses were posted as other personnel expenses:

2021 (CZK ,000)	Board of Directors	Supervisory Board / Audit Committee	Members of management bodies
Bonus for the office	1,188	1,980	0
Non-monetary and other income (bonus under the collective agreement and cars which can be used also for private purposes)	0	272	865

2020 (CZK ,000)	Board of Directors	Supervisory Board / Audit Committee	Members of management bodies
Bonus for the office	1,188	1,980	0
Non-monetary and other income (bonus under the collective agreement and cars which can be used also for private purposes)	0	221	821

4.14. OTHER OPERATION EXPENSES

	(CZK ,000)	
	Until 31. 12. 2021	Until 31.12. 2020
Repairs	270,463	217,152
Travel costs	6,142	6,592
PR and entertainment costs	1,367	1,194
Transport	1,141	1,258
Telecommunication, mail	8,539	7,069
Mail charges	7,316	7,221
Advisory and legal services	8,098	6,104
Collection, transport and disposal of sludge	39,908	31,224
Rent	38,048	34,796
Cleaning and guarding	18,862	18,437
Laboratory analyses and expertises	38,568	36,079
IT services	27,538	25,539
Technical betterment	5,194	4,199
Training	1,522	1,514
Taxes and fees	4,361	4,630
Depreciation of receivables	146	279
Depreciation of investments in assets	1,175	13
Compensation of damage	305	226
Pollution fees	4,780	17,104
Premium	8,133	7,444
Meter reading, call centre	48,095	43,892
Works/services of material-nature	11,445	11,939
Other operation expenses (such as sub-supplies and other purchased works)	51,195	32,015
Total	602,341	515,920

Remuneration of the statutory auditor for the relevant period

Auditor	Amount included in audit costs for 2021 (in CZK ,000)	Other services (in CZK ,000)	Other services - description
Deloitte Audit s.r.o.	4		
Deloitte Advisory s.r.o.		254	Solvency test
Ernst & Young Audit, s.r.o.	1,296		

4.15. CREATION OF RESERVES AND TEMPORARY REDUCTION IN VALUE OF THE ASSETS

	(CZK ,000)	
	Until 31.12. 2021	Until 31.12. 2020
Reserves - increase/decrease	(4,647)	10,457
Temporary reduction in value of inventories – increase/decrease	0	60
Temporary reduction in value of assets – increase/decrease	(3,834)	(60)
Temporary reduction in value of receivables – increase/decrease	(2,348)	5,536
Total – increase/decrease in reserves and temporary reduction in value of assets	(10,829)	15,993

4.16. FINANCIAL REVENUES AND EXPENSES

	(CZK ,000)	
	Until 31.12. 2021	Until 31.12. 2020
Interest paid	(151,293)	(150,994)
Bank feed paid and exchange rate loss	(13,688)	(14,142)
Expenses in total	(164,981)	(165,136)
Interest received and other financial revenues	688	652
Total income	688	652
Net total	(164,293)	(164,484)

4.17. TRANSACTIONS WITH RELATED PERSONS

Persons in the Group:

Fomento de Construcciones y Contratas, S. A. is the controlling person in FCC Grupo:

- AQUALIA CZECH, S. L.
- AQUALIA INTECH, S. A.
- Aqualia infraestructuras inženýring, s.r.o. (the majority share: AQUALIA INTECH, S. A.)
- Vodotech, spol. s r.o. (the subsidiary of AQUALIA INTECH, S. A.)
- FCC Aqualia, S. A.
- FCC Česká republika, s.r.o.
- OBSED a. s.
- HIDROTEC, Tecnología del Agua, S. L. U.

The tables below list the transactions with the related persons in 2021 and 2020. These were the arm's length transactions.

All the companies above are parts of FCC Group.

Income made with the related persons

2021	(CZK ,000)			
Person	Relation to the Company	Services	Interest	Total
Vodotech, spol. s r.o.	Other persons in the Group	1,555	0	1,555
Aqualia infraestructuras inženýring, s.r.o.	Other persons in the Group	19,184	0	19,184
FCC Česká republika s.r.o.	Other persons in the Group	203	0	203
Total		20,942	0	20,942

2020	(CZK ,000)			
Person	Relation to the Company	Services	Interest	Total
Vodotech, spol. s r.o.	Other persons in the Group	1,501	0	1,501
Aqualia infraestructuras inženýring, s.r.o.	Other persons in the Group	9,141	0	9,141
FCC Česká republika, s.r.o.	Other persons in the Group	427	0	427
FCC Aqualia, S. A., organizační složka, cz	Other persons in the Group	12	0	12
Total		11,081	0	11,081

Purchases made with the related persons

2021	(CZK ,000)			
Person	Relation to the Company	Services	Other expenses	Total
Vodotech, spol. s r.o.	Other persons in the Group	79,849	22	79,871
Aqualia infraestructuras inženýring, s.r.o.	Other persons in the Group	147,467	0	147,467
Fomento de Construcciones y Contratas, S. A.	Other persons in the Group	4,334	0	4,334
Aqualia Czech, S. L.	Parent company	4,027	0	4,027
FCC Aqualia, S. A.	Other persons in the Group	3,037	0	3,037
FCC Aqualia, S. A., organizační složka ČR	Other persons in the Group	1,037	0	1,037
FCC Česká republika s.r.o.	Other persons in the Group	4,300	0	4,300
Hidrotec Tecnología del Agua, S. L. U.	Other persons in the Group	1,014	0	1,014
OBSSED a. s.	Other persons in the Group	26,520	0	26,520
Total		271,585	22	271,607

2020	(CZK ,000)			
Person	Relation to the Company	Services	Other expenses	Total
Vodotech, spol. s r.o.	Other persons in the Group	73,592	14	73,606
Aqualia infraestructuras inženýring, s.r.o.	Other persons in the Group	106,502	0	106,502
Fomento de Construcciones y Contratas, S. A.	Other persons in the Group	4,288	0	4,288
Aqualia Czech, S. L.	Parent company	3,913	0	3,913
FCC Aqualia, S. A.	Other persons in the Group	2,926	0	2,926
FCC Česká republika s.r.o.	Other persons in the Group	3,982	0	3,982
Hidrotec Tecnología del Agua, S. L. U.	Other persons in the Group	433	0	433
OBSSED a. s.	Other persons in the Group	22,074	0	22,074
Total		217,710	14	217,724

Acquisition of the fixed tangible assets from the related persons

Person	(CZK ,000)		
	Relation to the Company	2021	2020
Vodotech, spol. s r.o.		25,215	4,994
Aqualia infraestructuras inženýring, s.r.o.	Other persons in the Group	623,428	575,869
FCC Aqualia, S. A., organizační složka ČR	Other persons in the Group	5,048	5,301
Total		653,691	586,164

Related person receivables

Person	(CZK ,000)	
	As of 31. 12. 2021	As of 31. 12. 2020
Trade receivables		
Vodotech, spol. s r.o.	0	50
Aqualia infraestructuras inženýring, s.r.o.	6,942	2,163
FCC Aqualia, S. A., organizační složka ČR	58	58
FCC Česká republika s.r.o.	25	0
Total	7,025	2,271

Related person payables

Person	(CZK ,000)	
	As of 31. 12. 2021	As of 31. 12. 2020
Trade payables		
Vodotech, spol. s r.o.	34,044	10,577
Aqualia infraestructuras inženýring, s.r.o.	242,701	275,149
Fomento de Construcciones y Contratas, S. A.	474	484
FCC Česká republika s.r.o.	489	445
Hidrotec Tecnologia del Aqua, S. L. U.	563	417
OBSSED a.s.	3,391	2,193
FCC Aqualia, S. A.	290	239
Trade payables in total	281,952	289,504

Transactions between related persons were entered in books using the prices typical in the place of performance on a length-of-arm basis.

Sums which have not been paid yet are not secured and will be paid by bank transfers. No warranties were granted or received. No temporary reduction in value was posted for the related person receivables.

5. RISKS RELATING TO THE FINANCIAL STATEMENTS

The capital structure is managed in such a way so that the Company could reach, in a long term, a stable financial position and so that it could generate maximum profits for the shareholder.

Company's business involves credit risk, liquidity risk and market risks. The market risk includes currency risk and interest rate risk.

CREDIT RISK

A credit risk is a risk of default on a debt that may arise from a party failing to pay the requirement payment which causes the Company to suffer a loss. The Company's management body introduced rules in order to manage the credit risk, and the credit risk is being monitored now. Trade receivables are highly diversified and the Company does not face any major credit risk with respect to an individual entity or a group of entities. The credit risk with respect to liquid financial means is minimum because the partners are top rating banks.

CURRENCY RISK

The group carries out most transactions in CZK and is not subject to significant currency risk.

INTEREST RATE RISK

A fixed interest rate bears interest with respect to the main liability. The risk, if any, of changes in the real value is not secured.

LIQUIDITY RISK

The management body created a reasonable framework in order to manage the liquidity risk and short-term, medium-term and long-term finances. The Company manages the liquidity by maintaining a reasonable reserve and long-term credit tools. It monitors the planned and real cash flows and adjusts the maturity dates for payables and receivables. The company fulfills its commitments duly and in time.

6. SENSITIVITY ANALYSIS

SENSITIVITY TO MARKET CHANGES

The Company is the dominant producer and supplier of drinking water and the main provider of wastewater discharge services in the Moravian-Silesian Region. It has been monitoring and evaluating behaviour on its market. The Company is not sensitive to changes on the market because the water tariff and sewage charge are subject to price regulation, and the Company includes all justified costs into tariffs.

SENSITIVITY TO CHANGES IN INTEREST RATE

Because of the issued bonds, the Company is sensitive to changes in the interest rates. If the increase is 1.0 p.p., the real value of the liability with respect to the bonds will drop by CZK 54.000 million. In case of the unfavourable scenario when the decrease is 1.0 p.o. the real value of the liability with respect to the bonds will increase by CZK 54.000 million.

SENSITIVITY TO THE CURRENCY EXCHANGE RISK

The Company carries out most transactions in CZK and is not subject to significant current risk.

7. CONDITIONAL LIABILITIES

BILLS OF EXCHANGE

In July 2015 the Company signed a contract in order to secure its financial stability for the future period. The other party to the contract is ING Bank N.V., a joint-stock company established under the law of the Netherlands with the registered office at Bijlmerplein 888, 1102 MG under 33031431 which is represented in the Czech Republic by ING Bank N.V., the branch in Prague with the registered office at Českomoravská 2420/15, Libeň, 19000 Praha 9, Czech Republic ID: 492 79 866. The contract provides for the credit line up to CZK 120 million. The loan is secured with the promisory note ("the blank bill"). In 2021, the credit line was used for issue of bank warranties.

BANK WARRANTIES

As of 31.12. 2021, the Company issued the bank warranties amounting to CZK 4.72 million (in 2020: CZK 5.252 million). For the summary of bank warranties see the table below.

Date of issue	Issued in favour of	Purpose of issue	Validity	Bank warranty amount
03.09.2020	Union of Municipalities in the region of Nový Jičín, Masarykovo náměstí 1, 741 01 Nový Jičín	Operation of the water infrastructure/sewage system owned by the Association of Municipalities in the Nový Jičín District	7. 9. 2020 - 31. 12. 2022	675,000.00
03.09.2020	Municipality of Orlová, Osvobození 796, 735 14 Orlová-Lutyně	Operation of infrastructure owned by the Municipality of Orlová	7. 9. 2020 - 31. 12. 2022	100,000.00
03.09.2020	Municipality of Albrechtice, Obecní 186, 735 43 Albrechtice	Operation of water assets owned by the Municipality of Albrechtice	7. 9. 2020 - 31. 12. 2024	36,000.00
21.12.2020	Municipality of Velké Losiny, Rudé Armády 321, 788 15 Velké Losiny	Operation of a sewage system and wastewater treatment plant for public needs: in Velké Losiny and in its suburbs - Maršíkov and Bukovice.	21. 12. 2020-20. 12. 2025	850,000.00
19.12.2018	Municipality of Opava, Horní náměstí 69, 746 26 Opava	Due fulfilment of operator's obligations arising from the contract	1. 1.2019-31.12.2023	400,000.00
19.12.2018	Municipality of Neplachovice, Na Návsi 16, 747 74 Neplachovice	Due fulfilment of operator's obligations arising from the contract	1. 1. 2019-31. 12. 2023	150,000.00
09.01.2020	Municipality of Vratimov, Frýdecká 853/57, 739 32 Vratimov	Due fulfilment of operator's obligations arising from the contract	9. 1. 2020-31. 12. 2024	260,000.00
09.01.2020	Municipality of Řepiště, Mírová 178, 739 31 Řepiště	Due fulfilment of operator's obligations arising from the contract	9. 1.2020-31. 12. .2024	114,000.00
21.12.2020	Municipality of Horní Suchá, Sportovní 3/2, 735 35 Horní Suchá	Operation of water assets owned by the Municipality of Horní Suchá	1. 1. 2021-20. 12. 2025	230,000.00
21.12.2020	Municipality of Dolní Lutyně, Trnovského čp.10, 735 53 Dolní Lutyně	Due fulfilment of operator's obligations arising from the contract	1. 1. 2021-20. 12. 2025	130,000.00
21.12.2020	Municipality of Štramberk, Náměstí č.9, 742 66 Štramberk	Due fulfilment of operator's obligations arising from the contract	1. 1.2021-20. 12. 2025	106,500.00
07.05.2021	Municipality of Písečná, Písečná čp.262, 739 91 Písečná	Due fulfilment of operator's obligations arising from the contract	10. 5. 2021-10. 5. 2026	68,500.00
29.09.2021	Municipality of Říčany, Masarykovo náměstí 53/40, 251 01 Říčany	Tender for operation of the water infrastructure owned by the Municipality of Říčany	11. 10. 2021-31. 3. 2022	600,000.00
29.09.2021	Municipality of Němčice nad Hanou, Palackého nám. 3, 798 27 Němčice nad Hanou	Tender for operation of water distribution, sewage discharge and wastewater treatment facilities	4. 10. 2021-30. 4. 2022	1,000,000.00

SECURITY

As of 31.12.2021, the Company did not issue any securities (as of 31.12. 2020: CZK 0 million).

LIABILITIES WITH RESPECT TO CONSTRUCTION AND ACQUISITION OF ASSETS (INCLUDING THE FINANCIAL ASSETS)

As of the date of the financial statements, the future liabilities with respect to capital expenditure under contracts are CZK 58.3 million (in 2020: CZK 218.51 million).

8. COURT DISPUTES

OVERVIEW OF COURT DISPUTES

Legal disputes where the Company is the Defendant

Currently, one court procedure is in process. It is based on a petition filed by minority shareholders regarding invalidity of the General Meeting resolutions.

I. The petition that requires that the resolution adopted at the General Meeting on 22 May 2017 with respect to the decrease in the registered capital and distribution of the profit made in 2016 should be declared invalid

1. Because the final and binding judgement exists that the General Meeting resolution to decrease the registered capital of 30 July 2015 is invalid and because the judgement on the extraordinary appeal filed at the Supreme Court of the Czech Republic in 2017 has not been awarded yet, the General Meeting resolved to decrease its registered capital in the same scope as in 2015.
2. Two minority shareholders (an individual who is also the authorised body of the other minority shareholder) filed on 15 August 2017 at the Regional Court of Ostrava the petition requiring that the General Meeting resolution of 22 May 2017 should be declared invalid with respect to the decrease in the registered capital and distribution of the profit made during the accounting period of the year 2016.
3. The Regional Court in Ostrava awarded on 4 December 2017 under Ref. 28 Cm 221/2017-68 the judgement that the General Meeting resolution was invalid with respect to distribution of the profit made during the accounting period 2016 and with respect to the decrease in the registered capital.
4. On 12 January 2018 SmVaK Ostrava filed an appeal against the judgement with the High Court in Olomouc.
5. On 16 October 2018 the High Court of Olomouc dismissed the Regional Court judgement under Ref. 5 Cmo 38/2018-125. Namely, it dismissed the judgement for the shareholder who is the legal entity with respect to both distribution of the profit made in 2016 and decrease in the registered capital, and it dismissed the judgement to the shareholder who is the individual with respect to the profit made in 2016. Regarding the decrease in the registered capital it dismissed the resolution and referred the case back to the Regional Court of Ostrava that should consider it again on the basis of the judgement awarded by the Supreme Court of the Czech Republic on 17 July 2018.
6. On 15 March 2019 the both minority shareholders filed an extraordinary appeal with the Supreme Court of the Czech Republic where such extraordinary appeal was against the judgement awarded by the High Court in Olomouc. The minority shareholders believed that the High Court in Olomouc had incorrectly interpreted the entire process and contents of the general meeting resolutions adopted at the general meeting – the did not consider violation of shareholders' right to receive information about the company and information contained in protests filed at the general meeting.
7. The Regional Court in Ostrava asked the Company to send its opinion on the extraordinary appeal. The Company prepared its statement with respect to the extraordinary appeal in July. Its main argumentation was that SmVaK had provided its shareholders at the general meeting with all available information relating to each item on the agenda and that the Company answered all requests for information. SmVaK also mentioned in its statement that the subject of the extraordinary appeal had been resolved earlier in judgement awarded by the Supreme Court of the Czech Republic which had declared it to be illegal. That is why SmVaK proposed that the extraordinary appeal should be dismissed fully.
8. On 9 March 2021 the Supreme Court awarded the following judgement: it dismissed the extraordinary appeal in the part requiring invalidity of the resolution to distribute the profit, and it referred the case back to the High Court for review in the part requiring invalidity of the resolution to decrease the registered capital. In its resolution, the Supreme Court addressed, in particular, the process legitimacy of the petitioner: was the petitioner authorised to file a petition even if he did not take part in the General Meeting? The Supreme Court concluded that the petitioner was authorised to file a petition and that is why the case was referred back to the High Court. The Supreme Court did not deal with the decrease of the registered capital.
9. The High Court in Olomouc dismissed in its judgement under Ref. 5 Cmo 38/2018-202 a part of the original judgement awarded by the Regional Court in Ostrava, and referred the case back to the latter court within the scope of judgement awarded by the Supreme Court of the Czech Republic.
10. The Regional Court in Ostrava dismissed the petition, reasons being, among others, absence of procedural legitimacy of the plaintiffs. The Regional Court in Ostrava awarded the judgement under Ref. 28 Cm 221/2017-244.

Legal court disputes where the Company is the plaintiff

1. SmVaK Ostrava filed at the Metropolitan Court in Prague an administrative petition against the decision made by Státní energetická inspekce, No. 904047515, dated 10 December 2015, Ref. 0813029a14/1576/15/90.220/Kr. The process was heard at the Metropolitan Court of Prague under Ref. 3 Af 16/2016 where SmVaK had been imposed the penalty for incorrect application and use of a higher price for the green bonus for electricity generated by combustion of sludge gas from wastewater treatment plants.
2. The Metropolitan Court in Prague dismissed the SmVaK Ostrava's petition on 22 September 2020 as it believed that there were no reasons for the petition. SmVaK Ostrava brought an appeal in cassation with the Supreme Administrative Court of the Czech Republic against the judgement awarded by the Metropolitan Court in Prague.

9. POST BALANCE SHEET EVENTS

As of 31 December 2021, no circumstances occurred which would have a significant impact on the financial statements.

10. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved for disclosure by the Board of Directors on 17 February 2022.



Miroslav Kyncl
Vice-Chairman of the Board of Directors



Anatol Pšenička
Managing Director



Václav Holeček
Member of the Board of Directors



Halina Studničková
Chief Financial Officer



REPORT ON RELATIONS

2021

SmVaK

Severomoravské vodovody a kanalizace Ostrava a.s.

 **aqualia**

CONTENT

I.	PERSONS IN THE GROUP	101
1.	CONTROLLED PERSON	101
2.	CONTROLLING PERSON IN THE GROUP	101
3.	DIRECTLY CONTROLLING PERSON	101
4.	OTHER PERSONS IN THE GROUP	101
II.	THE STRUCTURE OF RELATIONS AMONG THE PERSONS IN THE GROUP	102
1.	WAY OF CONTROL	102
2.	STRUCTURE OF THE RELATIONS IN THE GROUP	102
3.	POSITION OF THE CONTROLLED PERSON	102
III.	THE LIST OF CONDUCTS PERFORMED DURING THE LAST REPORTING PERIOD	103
IV.	OVERVIEW OF AGREEMENTS ENTERED INTO BY AND BETWEEN THE PERSONS IN THE GROUP	103
1.	SALE OF PRODUCTS, GOODS AND SERVICES	103
2.	PURCHASE OF GOODS AND SERVICES	105
3.	SUPPLIES OF CAPITAL WORKS	112
4.	OTHER CONTRACTUAL RELATIONS	115
V.	OTHER LEGAL CONDUCT	117
VI.	OTHER ACTIONS	117
VII.	SUPPLIES AND CONSIDERATIONS	117
VIII.	ADVANTAGES, DISADVANTAGES AND RISKS RESULTING FROM THE PERSONS IN THE GROUP	117
IX.	INFORMATION ABOUT HARM	117
X.	CONCLUSION	117

REPORT ON RELATIONS

Pursuant to § 82, Act No. 90/2012 Coll. on Business Corporations as amended, the Board of Directors of Severomoravské vodovody a kanalizace Ostrava a.s. prepared the Report on Relations between the controlling person and the controlled person and on relations between the controlled person and persons controlled by the same controlling person ("the Report on Relations") for the reporting period starting 1 January 2021 and ending 31 December 2021.

I. PERSONS IN THE GROUP

Severomoravské vodovody a kanalizace Ostrava a.s. is a member of FCC Grupo where the controlling person of which is FOMENTO DE CONTRUCCIONES Y CONTRATAS, A.S.

This report lists all members of the Group with whom the controlled person had any contractual relationship or with whom any legal conduct existed from 1 January 2021 until 31 December 2021.

1. CONTROLLED PERSON

Severomoravské vodovody a kanalizace Ostrava a.s.

with the registered office at 28. října 1235/169, Mariánské Hory, 709 00 Ostrava
ID: 45193665

The company is entered in the Commercial Register kept at the Regional Court of Ostrava, Section B, Entry 347

2. CONTROLLING PERSON IN THE GROUP

Fomento de Construcciones y Contratas, S. A.

with the registered office in Barcelona, Balmes 36, Kingdom of Spain
ID: A-28037224,

The company is entered in the Commercial Register kept in Barcelona on the page B-26.947.

The company is not entered in the Commercial Register kept in the Czech Republic.

3. DIRECTLY CONTROLLING PERSON

AQUALIA CZECH S. L.

with the registered office in Madrid, Avda. Camino de Santiago 40, Kingdom of Spain
ID: B-85794931

The company is entered in the Commercial Register kept in Madrid on the page M-488820.

The company is not entered in the Commercial Register kept in the Czech Republic.

4. OTHER PERSONS IN THE GROUP WITH WHOM THE CONTROLLED PERSON WAS INVOLVED IN A CONTRACTUAL RELATION OR CONTRACTUAL CONDUCT

4.1. Aqualia infraestructuras inženýring, s.r.o.

with the registered office at Slavníkovců 571/21, Mariánské Hory, 709 00 Ostrava
ID: 64608042

The company is entered in the Commercial Register kept at the Regional Court of Ostrava, Section C, Entry 14055

4.2. Vodotech, spol. s r.o.

with its registered office at Jaselská 220/47, 747 07 Opava
ID: 64086348

The company is entered in the Commercial Register kept at the Regional Court of Ostrava, Section C, Entry 8486.

4.3. Aqualia Intech, S.A

with the registered office in Madrid, Avd. Camino de Santiago 40, Kingdom of Spain
ID: A -28849495

The company is entered in the Commercial Register kept in Madrid on the page M-59467.

The company is not entered in the Commercial Register kept in the Czech Republic.

4.4. FCC AQUALIA, S.A.

with its registered office in Madrid, Federico Salmón 13, Kingdom of Spain

The company is entered in the Commercial Register kept in Madrid on the page M-58878.

The branch of the foreign legal person is entered in the Commercial Register kept at the Municipal Court of Prague, Section A, Entry 69960 under the name FCC AQUALIA, S.A., organizační složka v České republice („the organisational unit in the Czech Republic“).

ID: 27788318

4.5. FCC Česká republika, s. r.o.

with the registered office at Ďáblická 791/89, Ďáblice, 182 00 Praha 8
ID: 45809712

The company is entered in the Commercial Register kept at the Municipal Court of Prague, Section C, Entry 12401.

4.6. OBSED a.s.

with the registered office at Nemocniční 998/14, Moravská Ostrava, 702 00 Ostrava

ID: 27454045

The company is entered in the Commercial Register kept at the Regional Court of Ostrava, Section B, Entry 3265.

4.7. HIDROTEC, Tecnología del Agua, S.L.U.

with the registered office in Sevilla, avenida de Kansas City 6, Kingdom of Spain

ID: B-91033621

The company is entered in the Commercial Register kept in Sevilla on the page SE 39514.

The company is not entered in the Commercial Register kept in the Czech Republic.

II. THE STRUCTURE OF RELATIONS AMONG THE PERSONS IN THE GROUP

1. WAY OF CONTROL

AQUALIA CZECH S.L. is the directly controlling person of Severomoravské vodovody a kanalizace Ostrava a.s. On 31 December 2021 it owned 3,458,425 shares of Severomoravské vodovody a kanalizace Ostrava a.s. This represented 100% of the registered capital and the same share in voting rights.

The controlling is performed by the directly controlling person, in particular by exercising directly the powers of the General Meeting.

The controlling person is represented by its directors who sit on the controlled person's Board of Directors and Supervisory Board.

2. STRUCTURE OF THE RELATIONS IN THE GROUP

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. is the controlling person in the entire group named FCC Grupo.

Fomento Construcciones y Contratas, S.A. owns 41 % in the registered share in FCC AQUALIA S.A.

FCC MIDCO, S.A. that is entered in the Commercial Register kept at Luxemburg and residing at Boulevard Grande-Duchesse Charlotte 48, Luxemburg, owns 10% in the registered capital of FCC AQUALIA, S.A.

GLOBAL INFRACO SPAIN, S.L. that is a Spanish company residing at the Principe de Vergara 131, entered in the Commercial Register in Madrid, in the file 34 584, page 40 under M – 622180, owns 49 % in the registered capital of FCC AQUALIA, S.A.

FCC AQUALIA, S.A. owns:

- 99.9995 % in the registered capital in AQUALIA INTECH, S.A.,
- 99.9999 % in the registered capital in AQUALIA CZECH S.L.
- 49 % in the registered capital in Aqualia infraestructuras inženýring, s.r.o.
- 100 % in the registered capital in HITROTEC, Tecnología del Agua, S.L.U.

AQUALIA INTECH, S.A. owns:

- 51 % in the registered capital in Aqualia infraestructuras inženýring, s.r.o.
- 100 % in the registered capital in Vodotech, spol. s r.o.
- 0.0001 % in the registered capital in AQUALIA CZECH S.L.

100 % share in the registered capital in FCC Česká republika s. r.o. is owned by FCC Environment CEE GmbH which is owned at 100 % by FCC Austria Abfall Service AG.

FCC Česká republika s. r. o. owns 100 % in the registered capital of OBSED a.s.

Severomoravské vodovody a kanalizace Ostrava a.s. is the controlled person and is not a controlling person or owner in any company which would be a company from FCC Grupo or any other company out of the Group.

3. POSITION OF THE CONTROLLED PERSON

The controlled person is a corporation which runs its own business and such business does not depend on activities performed by other FCC Grupo companies/corporations.

The controlled person is an independent and autonomous business entity with respect to the controlling and related persons.

III. THE LIST OF CONDUCTS PERFORMED DURING THE LAST REPORTING PERIOD

The list of conducts performed during the last reporting period upon request or in interest of the controlling person or persons controlled by the controlling person if such conduct was related to assets exceeding 10 % of the controlled person's registered capital specified in the last financial statements.

The sole shareholder exercising the power of the General Meeting resolved on 7 May 2021 to distribute the profit made during the reporting period 2020 as follows: The profit after taxation is CZK 404,521,245.37. A part of the profit, CZK 283,164,872 will be paid out as a share in the profit.

Based on the decision made by the sole shareholder exercising the powers of the General Meeting to distribute the profit made during the reporting period 2020 and based on the insolvency test prepared pursuant to § 40 (1) in the Act No. 90/2012 Coll. on Business Corporations, the Board of Directors resolved to distribute the share in profit.

IV. OVERVIEW OF AGREEMENTS ENTERED INTO BY AND BETWEEN THE PERSONS IN THE GROUP

Financial amounts in transactions between the related persons are listed in Article X below.

In the reporting period, the controlling person and the controlled person ("Severomoravské vodovody a kanalizace Ostrava a.s." or "SmVaK Ostrava") and/or persons controlled by the same controlling person and/or other persons in the Group signed the following agreements/contracts and/or provided the services/supplies on the basis of new agreements or the agreements signed in the previous periods:

1. SALE OF PRODUCTS, GOODS AND SERVICES

a) Sale of products

During the reporting period, SmVaK Ostrava a.s. sold its products and goods to the following related persons:

Vodotech, spol. s r.o.

During the reporting period the contractual relations continued in accordance with the contract No. 396/95 of 21 August 2008. The subject of the contract and its amendments is the supply of water from water mains, removal of wastewater through sewage systems to the related person's facilities, and removal of rain water from rented areas. The contract was made pursuant to Act No. 274/2001 Coll. as amended.

During the reporting period, the contractual relations continued in accordance with the contract of 24 February 2005: the related person was buying back the non-functioning and rejected water meters from SmVaK Ostrava. The contract is concluded for an indefinite period of time with a three month notice period.

Based on a purchase order placed by the related person, SmVaK Ostrava washed, cleaned and repaired personal protective equipment for the related person's personnel.

b) Sale of services

During the reporting period, SmVaK Ostrava a.s. provided its services to the following related persons:

Vodotech, spol. s r.o.

The contractual relations continued during the reporting period on the basis of the contract as amended to administer and maintain SW and HW dated 10 August 2009. The contract is made for an indefinite period of time with a three month notice of termination. The price of the consulting service was based on the transfer prices.

The contractual relation continued during the reporting period on the basis of a contract to provide consulting services of 26 January 2018 where SmVaK Ostrava was the service provider and the related person was the client. The subject was the consulting with respect to client's corporate matters as well as the consulting services regarding the PR, mass media and marketing. The contract is concluded for an indefinite period of time with one-month notice period. The price of the consulting service was based on the transfer prices.

The contractual relationship continued during the reporting period on the basis of the contract to rent non-residential spaces – the business area and operational areas in Opava of 31 August 1995, and its amendments.

In the reporting period, the contractual relationships existed on the basis of the following agreements to rent non-residential areas for business purposes:

- The agreement No. 1/97 in effect since 30 September 1997, and its amendments. The subject of the agreement was the rent of the non-residential premises in the WTP Vyšní Lhoty, WTP Nová Ves and WTP Podhradí.
- The agreement No. 2/97 in effect since 30 September 1997, and its amendments. The subject of the agreement was the rent of the non-residential areas in WWTP Frýdek-Místek and WWTP Třinec.

- The agreement No. 3/97 in effect since 30 September 1997, and its amendments. The subject of the agreement was the rent of the non-residential areas in the WWTP Havířov.
- The agreement No. 4/97 in effect since 30 September 1997, and its amendments. The subject of the agreement was the rent of the non-residential areas in the WWTP Šenov u Nového Jičína.
- The agreement No. 5/97 in effect since 30 September 1997, and its amendments. The subject of the agreement was the rent of the non-residential areas at WWTP Opava.

The contracts/agreements were signed for an indefinite period of time where a three month notice of termination should be given. The rent is specified in line with the length of arm's principle pursuant to the documentation on transfer prices in transactions made by and between the related persons. The rent is adjusted on the basis of the inflation rate declared by the Czech Statistics Office for the previous calendar year.

In the reporting period, the contractual relationships existed on the basis of the following contracts to rent movable property:

- The agreement on rent of movables No. 1/97 of 30 September 1997, and its amendments. The subject was the rent of movables - laboratory equipment and devices in WTP Podhradí and WTP Nová Ves u Frýdlantu nad Ostravicí.
- The agreement on rent of movables No. 3/97 of 30 September 1997, and its amendments. The subject was the rent of movables - laboratory equipment and devices in WWTP Havířov and Water Operation Centre in Karviná.
- The agreement on rent of movables No. 5/97 of 30 September 1997, and its amendments. The subject was the rent of movables - laboratory equipment and devices in WWTP Opava.
- The agreement on rent of movables No. 6/97 of 30 September 1997, and its amendments. The subject was the rent of movables - laboratory equipment and devices in the central laboratories in Ostrava.

The rent agreements were made for an indefinite period of time with a three-month period of notice. The rent to be paid is specified in line with the length of arm's principle pursuant to the documentation on transfer prices in transactions made by and between the related persons. The rent is adjusted each year on the basis of the inflation rate declared by the Czech Statistics Office for the previous calendar year.

Aqualia infraestructuras inženýring, s.r.o.

The contractual relation continued during the reporting period on the basis of the contract to provide consulting services of 26 January 2018 where SmVaK Ostrava was the service provider and the related person was the client. The subject was the consulting with respect to client's corporate matters as well as the consulting services regarding the PR, mass media and marketing. The contract is concluded for an indefinite period of time with one-month notice period. The price of the consulting service was based on the transfer prices.

SmVaK Ostrava a.s. being the contractor and the related person being the client entered into the contract for work where the subject was construction and repair of water infrastructure with respect to the client's construction project for a third party. In these contracts, the price was set on the basis of the budget and SmVaK Ostrava's pricelist of works and services. All works were completed properly and in time and were handed over to the client in accordance with the contract.

The contractual relationship continued during the reporting period on the basis of the contract to rent non-residential spaces – the business area in Šenov u Nového Jičína. The contract is concluded for an indefinite period of time with a three month notice period. The rent was set on the basis of the length of arm's principle pursuant to the documentation on transfer prices in transactions made by and between the related persons.

FCC Česká republika s. r. o.

On the basis of the contract on wastewater treatment, SmVaK Ostrava a.s. treated the wastewater for the related person. The price of the work was based on the applicable SmVaK Ostrava's pricelist.

c) Provision of other services

SmVaK Ostrava a.s. provided services to the following related persons:

Vodotech, spol. s r. o.

On 21 December 2021 SmVaK Ostrava as the lessor and the related person Vodotech, spol. S r.o. as the lessee signed an agreement to lease the automatic wastewater samplers. The contract is concluded for an indefinite period of time with a three month notice period. The rent was set on the basis of the length of arm's principle pursuant to the documentation on transfer prices in transactions made by and between the related persons. The rent is adjusted each year according to the inflation rate declared by the Czech Statistics Office for the previous calendar year.

2. PURCHASE OF GOODS AND SERVICES

During the reporting period, SmVaK Ostrava a.s. purchased goods and was provided consulting/other services where the supplier/provider was the following related person:

Vodotech, spol. s r.o.

In the reporting period, the contractual relationship continued under the contract No. 01/2009 of 24 February 2009 where the purpose of the contract was to repair and maintain the water meters for cold water and hot water and to verify whether the water meters are correct. The client was SmVaK Ostrava a.s. The contract is concluded for an indefinite period of time with a three month notice period. The price for the services was specified in line with the length of arm's principle pursuant to the documentation on transfer prices in transactions made by and between the related persons. The price is adjusted on the basis of the inflation rate declared by the Czech Statistics Office for the previous calendar year.

In the reporting period, the contract on provision of services of 27 August 2009 as amended was terminated by agreement. The purpose of the contract was provision of services connected with the reading of water meters for SmVaK Ostrava's customers.

On 2 March 2021 the contract on provision of services was signed. The subject was to read water meters and to validate data relating to the SmVaK Ostrava's customers for needs of the customer service department upon its requests, and to provide smart-metering services using NB-IOT for reading of water meters and electricity meters. The contract is made for an indefinite period of time whereby the three month notice of termination must be given. SmVaK Ostrava may withdraw from the contract. The price for the supply was set in line with laws and length of arm's principle pursuant to the documentation on transfer prices in transactions made by and between the related persons.

On 31 March 2021 SmVaK Ostrava as a client and the related person as a seller signed a framework service agreement on supplies of remote reading units for water meters and electricity meters. The contract was signed for the period ending 31 December 2021. The price for the services provided was specified in line with laws and length of arm's principle pursuant to the documentation on transfer prices in transactions made by and between the related persons.

In the reporting period, the contractual relationship continued under the contract on provision of services of 30 June 2008, and its amendments. The related person operated a call centre for SmVaK Ostrava a.s. The contract is concluded for an indefinite period of time with a three month notice period. The price for the supply was set in line with laws and length of arm's principle pursuant to the documentation on transfer prices in transactions made by and between the related persons. On 22 March 2021 the Amendment No. 13 was signed – it provided more details regarding the subject of supply, and its quality indicators. It also specified the price of the services to be provided during the year 2021.

The related person sold, on the basis of the controlled person's purchase order, materials necessary for installation of the water meters.

SmVaK Ostrava a.s. placed a purchase order and the related person modified the client's guidelines with respect to the framework agreement on official inspection of gas, pressure, and lifting equipment dated 18 May 2019, and its amendments.

SmVaK Ostrava a.s. placed a purchase order and Vodotech, spol. s r.o. carried out an extraordinary inspection of gas, pressure, and lifting equipment that was not included into the time schedule for the year 2021.

During the reporting period, the supplies continued pursuant to the framework service agreement that was signed on 7 June 2017, and its amendments. The subject was provision of specialised services, namely, the regular inspection of sites and installation/replacement of water meters including the equipment for remote reading of water meters. The contract is made for an indefinite period of time whereby the three month notice of termination must be given. SmVaK Ostrava being the client may withdraw from the contract. The contract price was fixed upon agreement of the both parties, in compliance with the length of arms' principle as the price typical of that time and that place. On 16 March 2021 the amendment No. 3 to this agreement was signed. The amendment specified the price for the year 2021.

Based on an order placed by SmVaK Ostrava a.s., the related person trained SmVaK's employees in operation of pressurised, lifting, and special equipment.

In the reporting period the contractual relation continued pursuant to the agreement signed on 21 August 2018 where the related person is a provider and SmVaK Ostrava is a user. The purpose is the use of the software CRM LEONARDO CALL CENTRUM which is installed for processing of customer requirements and services. The contract is made for an indefinite period of time whereby a two month notice of termination must be given. The price is specified based on transfer prices.

In the reporting period, supplies continued in line with the framework service agreement on official inspection of gas, pressure, and lifting equipment of 18 May 2019 where SmVaK Ostrava was the client and the related person was the supplier. The price of the services is given in the related person's pricelist in force. The agreement was signed for an indefinite period of time with a two month notice period. On 10 March 2021 the amendment No. 2 was signed. It included a new time schedule of services and an updated price list. On 24 May 2021 the amendment No. 3 was signed - it extended the subject of supplies.

On 1 March 2021 a framework agreement on laboratory services was signed with the related party. The subject was sampling and analysing of the drinking water and raw water samples taken in the OOV systems, the drinking water samples taken in water networks, and the waste water and waste water sludge samples. The contract is made for an indefinite period of time whereby a three month notice of termination must be given. The price of the sampling and analysing is based on the related person's price list which is in force now. The price can be reduced thanks to a quantity discount.

On the basis of contracts signed in 2021, the related person prepared, during the reporting period, the project documentation for the following construction projects:

Project No.	Name of the construction project
11731	OOV – reconstruction of telemetry in the water treatment plant and water reservoir
12790	Wastewater treatment plant in Frýdek-Místek – reconstruction of the automated unit
12791	Wastewater treatment plant in Kozlovice – reconstruction of the biological treatment unit and sludge processing facility
11749	Water treatment plant in Nová Ves – modifications for alternative dosing of polyaluminum chloride (PAX) in raw water/waste water

Aqualia infraestructuras inženýring, s.r.o.

On the basis of contracts signed in 2020, the related person prepared, during the reporting period, the project documentation for following investment projects:

Project No.	Name of the construction project
1687	OOV – refurbishment of collectors in the Sviadnov plant
50117	Podvihov, Na Nové – construction of the automated station and water supply
3885	Bohumín - Skřečoň, the Cihelní, 1. máje streets – reconstruction of the sewers (“beta Aa”, beta Ab”)
1689	Water reservoir, Písečná - 2 x 75 m ³
2780	Třinec, the Žižkova and Lipová streets - reconstruction of the sewer („AD”)
3891	Karviná -Nové Město, the Erbenova and Havířská street – reconstruction of the sewage system
30165	Havířov-Město, U Motelu - replacement of the water pipeline
20178	Vratimov, the Křivá street - replacement of a water supply
40168	Příbor, the nábřeží Rudoarmějců, 9. května, and Vrchlického streets – replacement of the water pipeline
50123	Opava, the Čajkovského street - replacement of a water supply
40167	Odry, the Ke Koupališti, Zahradní, and Hranická streets - replacement of the water pipeline
30176	Havířov-Prostřední Suchá, the Hornická, kpt. Jasioka streets – replacement of the water pipeline
30175	Orlová - Lutyně, the Na Stuchlíkovci street - reconstruction of the water pipeline
2781	Wastewater treatment plant in Frýdek-Místek – reconstruction of a pumping station for the rainwater tank
1701	Water reservoir in Lichnov – a low voltage connection cable, repair/reconstruction of the structure
3893	Wastewater treatment plant in Horní Bludovice – repair of the access road
1712	Deacidification station in Hněvošice - repairs of drill bores HV1 and HV2, reconstruction of telemetry and level measurement in drill bores
1713	Deacidification station in Hněvošice – repair and reconstruction of structures and technology units
1716	OOV – reconstruction of corrosion inhibition in the Kružberk water supply system
1717	OOV – reconstruction of corrosion inhibition in the Beskydy water supply system
20073	Třinec, the Bezručova street - replacement of a water supply
50124	The Melč water supply system – replacement of water pipelines (stages 1 and 2)
50131	Lhotka u Litultovic – replacement of a water supply
1569	Reconstruction of the water conduit, DN 500, Dobrá - Nové Dvory - Frýdek
20182	Sviadnov, the O Kišové street – replacement of a water supply
30177	Šenov, the Petřvaldská, Těšínská streets - replacement of the water pipeline
30178	Dětmárovice, from the building # 680 to the building # 872 – replacement of the water pipeline
20185	Frýdek-Místek, the U Nemocnice street – construction of a water meter manhole
50130	Podlesí – replacement of a water supply (stages 1 and 2)
1729	Pumping station in Petrovice – reconstruction of a control system

Project No.	Name of the construction project
20123	Reconstruction of the Třinec Centre site
30181	Orlová - Lutyně, the 17. listopadu street – replacement of the water pipeline and modifications of the water network
30179	Rychvald, the Školní – construction of a water metering shaft
3707	Wastewater treatment plant in Rychvald (Václavka) – reconstruction of the Imhoff tank
40181	Trnávka – replacement of a water supply bridge
40183	Bílovec, the Za Nemocnicí street – replacement of the water pipeline
40182	Kopřivnice, the Obránců míru street – replacement of the water pipeline
50105	Water reservoir in Bělá – connection of a low voltage cable

On the basis of contracts signed in 2021, the related person prepared, during the reporting period, the project documentation for the following construction projects:

Project No.	Name of the construction project
30188	Těrlicko, the Dlouhá, Školní, Zahradní, Střelniční street – replacement of water pipelines
40184	Kopřivnice, the street – replacement of the water pipeline
30187	Haviřov-Prostřední Suchá, the Dělnická, U Hřiště streets - replacement of the water pipeline
40189	Changes in supply for the consumption area in Trojanovice – the automated high-pressure boosting station
40180	Kateřinice – replacement of a water supply bridge
50134	Vítkov - Klokočov – replacement of the water pipeline
40190	Lubina, the site where the reduction shaft #1 is located – replacement of the water pipeline
1677	Pressure break chamber in Červený Kámen – repair and reconstruction of structures and wiring
1735	Water reservoir in Životice – repair and reconstruction of the storage chamber and water reservoir – repair of the reinforced concrete structure
1736	Water reservoir in Karviná – Ráj – repair and reconstruction of waterproofing in the valve chamber and storage chambers in the water reservoir
1734	Changes in supply for the consumption area in Trojanovice – modification in operation of the WTP in Bystré
40193	Kopřivnice, the Štefánikova, Hanse Ledwinky streets – replacement of a water supply
20198	Kojkovice – modification of correction pressures
20196	Český Těšín, the Svojsíkova, U Mlékárny, Jablunkovská streets – replacement of water pipelines
40192	Bílovec, the Na Samotě street – replacement of the water pipeline
30191	Karviná-Mizerov, the Zahradnická street – replacement of the water pipeline
40195	Bílovec, the Tkalcovská, Příkopní streets – replacement of the water pipeline
4736	Nový Jičín, the Žižkova and Nábřeží streets – reconstruction of the "AH-1" sewer
50137	Malé Hoštice, the Opavská, Sportovní, V zátiší, Školní streets – reconstruction of the water pipeline
1737	Pressure break chamber, Bílov – repair and reconstruction of structures in the boosting chamber
2787	Frýdek-Místek, the Heydukova street (next to the community centre) - reconstruction of the sewage system
3902	Rychvald, Finské domky - reconstruction of the "B" and "BI" sewers
3898	Bohumín - Skřečoň, the Myslivecká street reconstruction of the "beta Aj5", "beta Aj6", and "beta Aj7" sewers
3900	Petřvald, the Závodní street - reconstruction of the "AIX" and "O1AIX" sewers
20197	Staříč, at the community centre – replacement of the water supply
3899	Orlová - Poruba, the Sadová 834 – reconstruction of the "AV" sewer
3903	Orlová - Poruba, the Zátiší street (WWTP site) – reconstruction of the "B" sewer
5697	Opava, the Otická, Vaškovo náměstí streets – reconstruction of the "AK" sewer
3901	Horní Suchá, the Lipová street, building #982 – reconstruction of the "Ae"
1608	Water source in Chlebičov – replacement of the bore drill, JS-1 – temporary supply of drinking water

Project No.	Name of the construction project
5698	Wastewater treatment plant in Dolní Benešov – reconstruction of facilities in the plant
2789	Kozlovice – reconstruction of relief chambers for the sewage system
2788	Paskov, the Vodárenská street street – reconstruction of the “A” sewer
3905	Horní Bludovice (the Na těrlické spojce, U hospody, U obecního úřadu,
3906	Pod autobazarem streets) – reconstruction of the facility
2794	Wastewater treatment plant in Albrechtice – reconstruction and repair of technology facilities and building structures
3907	Wastewater treatment plant in Frýdek-Místek – repair of equipment in the VN-2 digestion tank
50140	Haviřov - Město, the Na Nábřeží street – reconstruction of the “C” sewer
4740	Opava, the U Synagogy street – replacement of the water supply
1763	Štramberk, the Dolní, Zauličí streets – reconstruction of the “A” and “AH” sewers

On the basis of contracts signed in 2021, the related person will prepare in 2022 the project documentation for the following construction projects:

Project No.	Name of the construction project
30186	Petřvald – construction of a water shaft at the Vodárenská street – construction of 2 water shaft at the Šumbarská and J. Rohla streets
30193	Petrovice u Karviné, from the building # 80 to the building # 116 – replacement of the water pipeline
2786	Třinec, the 1. máje street – reconstruction of the “A” sewer
2785	Třinec, the Závodní street – reconstruction of rakes in the „Šancer“ collector
3904	Horní Suchá, the Mlýnská street, building # 991 – reconstruction of the “A” sewer
30194	Dolní Lutyně, the Ďablova kolonie street - replacement of the water pipeline
4737	Kopřivnice, the Bezručova, Masarykovo náměstí streets – reconstruction of the sewage system
50143	Chvalíkovice – replacement of the water pipeline and inspection manhole
5699	Opava, the Rolnická street - reconstruction of “DD” sewer
20201	Staré Město, the Jamnická street - replacement of a water supply
30195	Nový Bohumín, automated pumping station, the Čáslavská and Okružní streets – replacement of water pipelines
30196	Dětmarovice, from the building # 789 to the building # 516 – replacement of the water pipeline, stage 1
20202	Hukvaldy – Rychaltice – replacement of the water supply
3908	Wastewater treatment plant in Haviřov – repair of equipment in the VN-2 digestion tank
4738	Wastewater treatment plant in Nový Jičín – construction of a gravel trap facility
4739	Wastewater treatment plant in Kopřivnice – construction of the sludge end facility
1750+O	Water reservoir in Kazníčov– repair and reconstruction of construction parts, installation of power supply
50147	Opava, the Anenská street – reconstruction of the water pipeline
50146	Opava, the Polní street - reconstruction of the water pipeline
40202	Bílovec, the 17. listopadu, 1. máje, Nad Přehradou streets – replacement of the water pipeline
40203	Bílov – replacement of the water pipeline
1751	Water reservoir in Oldřichovice – installation of HVAC and air filter
1684	Spring area in Tichá – repair of structures in water withdrawal facilities
5703	Opava, the Anenská street reconstruction of the “BI” sewer
30200	Dolní Lutyně, the Komenského, Na Farském streets – replacement of the water pipelines
40209	Kopřivnice, the Masarykovo square – replacement of the water pipeline
40208	Štramberk, the Dolní street – replacement of the water pipeline
1756	Facility in Bělá – replacement and reconstructions of structures, technologies and HVAC
1753	Water treatment plant in Třebom – replacement and reconstructions of structures, technologies and HVAC
1757	Water treatment plant in Oldřichovice – reconstruction of telemetry

Project No.	Name of the construction project
20209	Water reservoir in Jablunkov- Alžbětinky, 1000 – rehabilitation of the facility
20210	Sviadnov, the Staříčská street – replacement of the water supply
40206	Vlčovice – replacement of the water pipeline
4741	Nový Jičín, the Dolní Brána, 5. května streets – reconstructions of the “AE-1” and “AE-1-7” sewers
40207	Nový Jičín, the Slovanská street – replacement of the water pipeline
40213	Mniší – replacement of the water pipeline
50149	Water reservoir in Opava 500 – reconstruction of the facility
1764	Water treatment plant in Radvanov – optimising the filter facilities
1768	Water source in Chlebičov – replacement of the new drill bore
20213	Český Těšín-Horní Žukov, the Frýdecká street – replacement of the water supply
40210	Hájov – replacement of the inverted water siphon
40204	Kopřivnice, the Česká street – cancellation of a redundant water supply
50151	Otice, Družstevní and Opavská streets – reconstruction of the water supply
20211	Třinec, Nový Borek – replacement of the water supply
50150	Pumping station in Pustá Polom – rehabilitation of the facility
1773	Feeder, Přivaděč Záhumenice – Bělá, the pipe bridge across the Odra river – enhancing protection for the right-bank pier
20215	Chlebovice, the Františka Prokopa street – replacement of the water supply
2800	Wastewater treatment plant in Paskov - chemical precipitation of phosphorus
2801	Wastewater treatment plant in Soběšice - chemical precipitation of phosphorus
5705	Opava, the Horní schody, Stratilova, Jánská streets – reconstruction of the “AG” sewer
5704	Opava, the Polní street – reconstruction of inspection manholes for the “B” sewer
4742	Nový Jičín, the Revoluční, Nerudova, Zborovská streets – reconstruction of the sewage system
4743	Wastewater treatment plant in Štramberk (Bařiny) - chemical precipitation of phosphorus

On the basis of the contracts signed in 2020, the related person completed, during the reporting period 2021, the repair of the following infrastructure assets:

Project No.	Name of the construction project
R1563	Water treatment plant in Nová Ves – repair and reconstruction of buildings – the filter hall, the power supply building, chlorine storage building, dosing building, auxiliary operation building, workshop and garages
R1606	Pressure-break chamber in Raduň - repair and reconstruction of the boosting chamber, rehabilitation of the pressure-break chamber
R1607	Reconstruction and repair of outdoor lighting for 8 wastewater and water treatment plant - capital works in wastewater treatment plants (2 water treatment plants – OOV)
R40129	Water reservoir, Bilov 2 x 250 m ³ – reconstruction of the facility
R40131	Water reservoir in Fulnek, 2 x 750 m ³ – reconstruction of the facility
8562-136	Wastewater treatment plant in Paskov – emergency repair of service tanks
8573-196	Wastewater treatment plant in Opava – emergency repair of the sludge pumping station and storm water overflow chute

On the basis of the contracts signed in 2021, the related person repaired, during the reporting period, the following infrastructure assets:

Project No.	Name of the construction project
R1641	Reduction station in Poruba - repair and reconstruction of the building and technology
R1653	Water reservoir in Palkovice - Hůrky – repair and reconstruction
R1664	Water reservoir in Pstruží – repair and reconstruction of building structures in the storage tank and water reservoir
R1678	Water reservoir in Rohovec - rehabilitation of the reinforced concrete structure - repair
R20133	Water reservoir in Hrádek 50m ³ – rehabilitation of the facility
R20153	Automated boosting station in Stará Ves nad Ondřejnicí – rehabilitation of the facility
R30201	Repair of the façade and plinth on the eastern, western and southern sides of the pumping facility in the water reservoir, Orlová Lutyně
R40196	Water reservoir in Skalky 2x1500m ³ – repair of pipelines in the valve chamber, stage 1
R40214	SmVaK Ostrava's offices - repair of the garage facade, Water Networks Centre in Nový Jičín
R40216	Pressure break chamber in Rybí 400 m ³ – repair of building structures and ground apron
8445-003	Rychvald, Červená kolonie 1816 – emergency repair of the "B" sewer
8445-011	Karviná -Nové Město, the Makarenkova street, building #1333 - emergency repair of the "BVI" sewer
8572-047	Wastewater treatment plant in Nový Jičín – emergency repair of a return sludge pumping station, DN-1
8453-050	Opava, the Sadová street – emergency repair of the "BV" sewer
8572-053	Wastewater treatment plant in Odry – emergency repair of the inlet pumping station
8445-064	Rychvald, the Stará kolonie, building #414 – emergency repair of the "BXI" sewer
8445-067	Nový Bohumín, the Okružní street, building #1208 – emergency repair of the "Aj" sewer
8445-068	Nový Bohumín, the Nádražní street – emergency repair of the "BVI" sewer
8444-069	Petřvald, the Nížká street, building #633 - emergency repair of the "D6" sewer
8445-080	Nový Bohumín, the Jateční street, building #382 – emergency repair of the "AH" sewer
8444-088	Petřvald, the Nížká street, building # 632 – emergency repair of the "D6" sewer
8445-089	Nový Bohumín, the ČSA street, building #690 – emergency repair of the "BI" sewer
8572-094	Wastewater treatment plant in Bílovec - emergency repair of the pumping station
8445-095	Karviná-Nové město, the Makarenkova street, building # 1242 - emergency repair of the "BIdI" sewer
8445-096	Karviná-Mizerov, the Stavbařů street, building # 2203 - emergency repair of the "HIII" sewer
8444-098	Petřvald, the Krajní street, building # 577 - emergency repair of the "D6" sewer
8452-104	Nový Jičín, the G. Hladě, Žilinská streets - emergency repair of inspection manholes in the sewage system
8445-109	Karviná - Nové Město, Náměstí Budovatelů, building # 1426 - emergency repair of the "BVIId" sewer
8445-113	Nový Bohumín, the Krátká street, building # 717 - emergency repair of the "BIIa2" sewer
8573-115	Wastewater treatment plant in Opava – repair of secondary metering in service nodes
8573-116	Wastewater treatment plant in Opava - emergency repair of pipes in the anaerobic cycle in the tank
8444-120	Orlová - Poruba, the Žofinská street, building # 913 - emergency repair of the "C" sewer
8564-127	Wastewater treatment plant in Havířov – emergency repair of the cogeneration unit, Motorgas
8445-133	Karviná -Nové Město, the Družby street, building # 1397 - emergency repair of the "BIVc" sewer
8573-137	Wastewater treatment plant in Opava – repair of the outlet tower in digestion tanks, VN III and boiler house II.
8564-139	Havířov wastewater treatment in Havířov – repair of the annex to the settling tank, DN-1
8563-140	Wastewater treatment plant in Třinec – emergency repair of the raking facility, DN-1
8452-147	Nový Jičín, the Bezručova street emergency repair of the sewer, DN 700/1050
8452-156	Nový Jičín, the Sokolovská – emergency repair of the "AH-3.1" sewer
8452-174	Kopřivnice, the Štramberská street - emergency repair of the "AL-1" sewer
8445-175	Nový Bohumín, the Šunychelská street, building # 816 – emergency repair of the "NBIII" sewer

Project No.	Name of the construction project
8564-188	Wastewater treatment plant in Orlová – removal of the original digestion tank structure
8452-194	Štramberk, the Nádražní street – emergency repair in the sewage system
8452-201	Příbor, the Na Kamenci street – emergency repair of the main "B" sewer

On the basis of the contracts signed in 2021, the related person will repair in 2022 the following infrastructure assets:

Project No.	Name of the construction project
R1635	De-acidification station, Jakubčovice- reconstruction of technologies
R1637	Water treatment plant in Klokočůvek – repair and reconstruction of technologies and buildings
R1671	Water reservoir in Frenštát – repair and reconstruction of construction parts and wiring
R40103	Water reservoir in Salaš 2 x 1500 m ³ – reconstruction of the facility
R40111	Water reservoir in Puntík 2500 m ³ – remediation of the facility
R40135	Water reservoir in Albrechtický - the 300 m ³ tower – reconstruction of the facility
R40217	Water reservoir in Skalky 2x1500 m ³ – repair of pipelines in the valve chamber, stage 2
R50074	Water reservoir in Vítkov 650 m ³ – reconstruction of the facility
R2794	Wastewater treatment plant in Frýdek-Místek – repair of equipment in the VN-2 digestion tank
8573-176	Wastewater treatment plant in Velké Hoštice - emergency repair of the service road
8572-187	Wastewater treatment plant in Bílovec – emergency repair of a screw pump

The subject of the contracts above was preparation of project documentation, complete engineering, supply of construction materials, construction works, the construction process, and geodetic surveying for integration into client's GIS. The contract price of the work was specified for each project in line with the Act on Prices and in line with the documentation on transfer prices in transactions made by and between the related persons. Payment terms and conditions, warranty for quality and contract penalties were set forth in the Framework Agreement on General Construction Projects dated 29 June 2015 and amendments to the Framework Agreement.

Pursuant to the job contract signed in 2020 the related party removed and disposed, in 2021, for SmVaK Ostrava the abandoned water treatment plant in Holotovec.

FCC Česká republika, s.r.o.

During the reporting period, supplies continued pursuant to the contract dated 4 January 2019. The subject of the contract was acceptance and disposal of water treatment sludge from the water treatment plants in Podhradí, Nová Ves u Frýdlantu nad Ostravicí and Vyšní Lhoty. The amendment No. 1 to the contract extended validity of the contract until 31 December 2021.

On 6 May 2021 the parties signed a contract for acceptance and disposal of water treatment sludge from the water treatment plant. The contract is in force until 31 December 2022.

Based on a purchase order placed by SmVaK Ostrava a.s., the related person provided rental of a waste container. The rent fee was specified using the related person's price list.

OBSED a.s.

On 31 March 2021 SmVaK Ostrava as a client and the related person signed a contract for acceptance and disposal of sludge from treatment of municipal wastewater in wastewater treatment plants. The contract was signed for the period until 31 December 2028. The contract was awarded in the tender pursuant to the Act No. 134/2016 Coll. as amended as a public tender contract which exceeded the limit.

Based on the orders sent by SmVaK Ostrava, the related person organised transport of sludge in addition to the scope of the contract above.

3. SUPPLIES OF CAPITAL WORKS

During the reporting period SmVaK Ostrava a.s. was provided the investment project services from the following related persons:

Aqualia infraestructuras inženýring, s.r.o.

On the basis of the contracts signed in 2020, the related person completed, during the reporting period 2021, the following construction projects:

Project No.	Name of the construction project
1513	Reconstruction of the water supply conduit, DN 500 Chlebovice - Staříč - Stará Bělá
1563	Water treatment plant in Nová Ves – repair and reconstruction of buildings – the filter hall, the power supply building, chlorine storage building
11606	Pressure-break chamber in Raduň - repair and reconstruction of the boosting chamber, rehabilitation of the pressure-break chamber
1607	Reconstruction and repair of outdoor lighting for 8 wastewater and water treatment plant - capital works in wastewater treatment plants (2 water treatment plants – OOV)
11630	Water reservoir in Mniší – repair and reconstruction of building structures in the storage tank and water reservoir
11645	Water treatment plant in Nová Ves - reconstruction of wiring and socket installation
11654	Water reservoir in Frýdek – repair and reconstruction of construction parts and wiring
20141	Vratimov, the Popinecká street – replacement of the water supply
130135	Karviná-Ráj, the Haškova street – replacement of the water pipeline
130140	Havířov - Město, the U Školky, Gogolova, Majakovského and Matušková streets – replacement of water pipelines
130150	Karviná -Nové Město, the Janáčkova, nám. Budovatelů, Erbenova streets – replacement of water pipelines
130152	Havířov - Šumbark, the Odboje and Dukelská streets – replacement of the water pipeline
140114	Fulnek, the Masarykova, Fučíkova and Kostelní streets – reconstruction of the water pipeline
140129	Water reservoir, Bílov 2 x 250 m ³ – reconstruction of the facility
140131	Water reservoir in Fulnek, 2 x 750 m ³ – reconstruction of the facility
140133	Ženkla, from the Municipality building to the building # 208 – replacement of the water pipeline
150047	Velká Polom, the low pressure range - reconstruction of the water supply
150072	Water reservoir in Nové Těchanovice Lhotka 250 – rehabilitation of the facility
150082	Opava, the Mostní, Sadová streets - replacement of water pipelines
12774	Wastewater treatment plant in Brušperk – reconstruction of the sludge dewatering unit
12775	Wastewater treatment plant in Frýdek-Místek – reconstruction of the service building
13858	Havířov-Bludovice, the Rodinná street - reconstruction of the "AXL" sewer
13874	Karviná -Nové Město, the Janáčkova and Erbenova streets – reconstructions of the "BV1b5" and "BV1e" sewers
13875	Těrlicko, the Hornická street – reconstruction of the sewer, DN 300
14724	Wastewater treatment plant in Kopřivnice – reconstruction of the settling tank, DN-3
14726	Wastewater treatment plant in Bílovec – increasing the capacity of the plant
15678	Sewage pumping station, Opava (the Fügnerova street) – repair of the pumping sump and pumping facility
15684	Opava, the Sadová street - reconstruction of inspection manholes in the sewage system

Based on the contracts signed in 2021, the related person completed, during the reporting period, the following construction projects:

Project No.	Name of the construction project
1641	Reduction station in Poruba - repair and reconstruction of the building and technology
1653	Water reservoir in Palkovice - Hůrky – repair and reconstruction
1658	Water treatment plant in Vyšní Lhoty – reconstruction of the chlorine oxide facility
1664	Water reservoir in Pstruží – repair and reconstruction of building structures in the storage tank and water reservoir
1675	The water conduit DN 1200 Šance - Nová Ves and the water conduit DN 600 Nová Ves - Čeladná - Červený Kámen – reconstruction of the water pipe bridge across the Ostravice River
1678	Water reservoir in Rohovec - rehabilitation of the reinforced concrete structure - repair
1715	De-acidification station in Odry – reconstruction of the low-voltage cable, replacement of the transformer and power supply cable
1731	OOV, water treatment plant in Velké Hoštice – reconstruction of telemetry in the water treatment plant and water reservoir
20153	Automated boosting station in Stará Ves nad Ondřejnicí – rehabilitation of the facility
20159	Český Těšín, the Hlavní třída, Viaduktová, Sokola Tůmy and Ostravská streets– replacement of water pipelines, stage 1
20161	Třinec, the Žižkova and Lipová streets – replacement of the water supply
20165	Těrlicko, Horní Těrlicko, Na Výsluní – replacement of the water supply
20169	Vratimov-Horní Datyně, the Souběžná street, replacement of the water supply
20180	Vratimov, the U Mateřské školy street - reconstruction of the water supply
20197	Staříč, at the community centre – replacement of the water supply
30124	Karviná–Fryštát, the Máchova, Ostravská, Alšova, Husova, Na Bělidle streets—replacement of water pipelines
30144	Dětmarovice, from the building # 576 to the building # 1153 – replacement of the water pipeline
30150-II	Karviná -Nové Město, the Havířská street, buildings # 1187-1189 – replacement of the water pipeline
30156	Rychvald, the Orlovská, U Pošty, Michálkovičká streets – replacement of the water pipeline
30160	Orlová - Poruba, the Václavská street – replacement of the water pipeline
30162	Těrlicko, the Slezská, Kosmonautů streets – replacement of water pipelines
30183	Pumping station in Orlová – reconstruction of telemetry
30189	Karviná, the Havířská street - replacement of the water pipeline
40106	Mniší – replacement of the water pipeline
40120	Nový Jičín, the Gen. Hlaďo street – replacement of the water pipeline
40143	Nový Jičín, the K nemocnici street – replacement of the water pipeline
40153	Heřmánky – replacement of the water pipeline under the railway line and Odra River
40168	Příbor, the nábreží Rudoarméjců, 9. května, Vrchlického streets - replacement of the water pipeline
40182	Kopřivnice, the Obránců míru street - replacement of the water pipeline
50069	Žimrovice, Meleček - reconstruction of the water pipeline
50107	Vítkov, the Nová street - replacement of the water supply
50112	Opava, the Nádražní okruh, náměstí Svobody streets – replacement of the water supply
50114	Opava, the U Švédské kaple street – replacement of the water pipeline
50116	Háj ve Slezsku – reconstruction of the feeder pipe bridge
2773	Frýdlant n. O., the Hukvaldská street – increasing the capacity of the “AC” sewer and installation of the rainwater reservoir
2779	Frýdek-Místek, the Pionýrů, Ostravská streets – reconstruction of the “AN” sewer
2780	Třinec, the Žižkova and Lipová streets – reconstruction of the “AD” sewer
3861	Karviná–Fryštát, the Ostravská street – reconstruction of the “alfa” sewer (Š12 - Š17)
3889	Rychvald, the Středová street - reconstruction of the sewage system
3890	Český Těšín, the Kpt. Jaroše street – reconstruction of the “EVla” sewer
3893	Wastewater treatment plant in Horní Bludovice – repair of the access road
4728	Nový Jičín, the K Nemocnici street – reconstruction of the “AJ” sewer

Project No.	Name of the construction project
4730	Odry, the Mendlova street - reconstruction of the sewage system
4733	Frenštát pod Radhoštěm, the Příčnice, Školská čtvrť streets – reconstruction of the "AC" sewer
4736	Nový Jičín, the Žižkova and Nábřežní streets – reconstruction of the "AH-1" sewer
5689	Vítkov, the Nová street – reconstruction of the sewage system
5693	Opava, the Nádražní okruh street – reconstruction of inspection manholes in the "AH" sewer
5696	Opava, the Otická, náměstí Svobody and Sady Svobody streets – reconstruction of the sewage system

In the reporting period 2021, the following job contracts with the completion dates in 2022 were signed for construction projects with the related person:

Project No.	Name of the construction project
1579	Water treatment plant in Nová Ves – reconstruction of technology and automated control system
1635	De-acidification station, Jakubčovice- reconstruction of technologies
1637	Water treatment plant in Klokočůvek – repair and reconstruction of technologies and buildings
1671	Water reservoir in Frenštát – repair and reconstruction of construction parts and wiring
1673	Water processing plant in Nová Ves – disposal of sanitary sewage
11690	Water treatment plant in Podhradí – replacement of a pipe section, DN 1000 – drainage from ozone reaction tanks - flocculation
30151	Petřvald, the Vodárenská and Šumberská streets - replacement of the water pipeline, stage 2
40103	Water reservoir in Salaš 2 x 1m500 m ³ – rehabilitation of the facility
40111	Water reservoir in Puntik 2,500 m ³ – rehabilitation of the facility
40135	Water reservoir in Albrechtičky - the 300 m ³ tower – rehabilitation of the facility
50074	Water reservoir in Vítkov 650 m ³ – rehabilitation of the facility
50102	Jančí – connection to the water supply in Větřkovice
12772-1	Extension of metering for relieve water in WWTP – stage 1
12772-2	Extension of metering for relieve water in WWTP – stage 2
2778	Vratimov, the U Mateřské školy and Na Vyhliďce – reconstruction of the sewage system
3873	Karviná–Fryštát, the Karola Šliwky street – reconstruction of storm water chambers in "OK1 beta B", "OK1 beta C" and "OK1 beta E"
3876	Orlová – the Okružní, F.S.Tůmy, Ke Studánce, Žofinská streets – reconstruction of the sewage pumping station
3891	Karviná, the Erbenova and Havířská streets – reconstruction of the sewage system

The subject of the contracts above was the supply of construction materials and technology units, engineering, and construction works. The contract price was specified for each project in line with the Act on Prices and in line with the documentation on transfer prices in transactions made by and between the related persons. Payment terms and conditions, warranty for quality and contract penalties were set forth in the Framework Agreement on General Construction Projects dated 29 June 2015 and amendments to the Framework Agreement.

Vodotech, spol. s r.o.

Based on the contracts signed in 2021, the related person completed during the reporting period the following construction projects:

Project No.	Name of the construction project
1674	Reduction corrosion inhibition – cathode protection in Stonava and Velká Polom
3887	Wastewater treatment plant in Havířov – reconstruction of the primary sludge pumping station
3888	Wastewater treatment plant in Havířov – reconstruction of the pumping system for stabilised sludge from the storage tank
1747	Water treatment plant in Vyšní Lhoty – emergency replacement of PCU and SCU control for water disinfection dosing
1729	Boosting pumping station in Petrovice - reconstruction of the control system

The subject of the contracts above was the supply of materials and technology units, engineering, and construction works. The contract price was specified for each project in line with the Act on Prices and in line with the documentation on transfer prices in transactions made by and between the related persons. Payment terms and conditions, warranty for quality and contract penalties were set forth in the Framework Agreement on General Construction Projects of 24 November June 2020.

4. OTHER CONTRACTUAL RELATIONS

Related person:

Aqualia infraestructuras inženýring, s.r.o.

Supplies under the Framework Agreement on General Organisation of Investment Construction Projects as amended continued during the reporting period. The Framework Agreement was signed on 29 June 2015 by and between SmVaK Ostrava as the client and the related person as the contractor. The purpose of the Framework Agreement is general organisation of construction projects, including engineering, preparation of project documentation and supply of all data which are essential for issuance of master zoning permits, building permits and final acceptance of completed construction projects where a separate contract should be signed for each project. The price of services provided under such the contracts was set on the basis of the length of arm's principle pursuant to the documentation on transfer prices in transactions made by and between the related persons. The contract is concluded for an indefinite period of time with a three month notice period. According to the contract, the client, this means SmVaK Ostrava, may withdraw from the contract in case of gross violation of contractor's obligations.

Because Fomento de Construcciones y Contratas, S.A. and El Corte Inglés, S. A. signed the agreement to provide IT services, SmVaK Ostrava charged the related person for such services where the amount was based on the total agreed price of the service and proportions of such services which were used by the companies.

In the reporting period, supplies continued pursuant to the data processing agreement that was signed on 9 May 2019 between SmVaK Ostrava a.s. as a data controller and the related person as a data processor. The subject was protection of personal data provided by individuals in connection with contracts signed by the mentioned parties.

Vodotech, spol. s r.o.

In the reporting period, supplies continued pursuant to the data processing agreement that was signed on 23 May 2018 between the related person as a data processor and SmVaK Ostrava as a data controller. The agreement was based on changes in law governing personal data protection (GDPR). The agreement specifies obligations of the parties with respect to the service agreement - reading of data and the service agreement - operation of the call centre. On 2 March 2021 the Amendment No. 1 to the contract was signed. It specified more details about supplies.

Because Fomento de Construcciones y Contratas, S.A. and El Corte Inglés, S. A. signed the agreement to provide IT services, SmVaK Ostrava charged in the reporting period the related person for such services where the amount was based on the total agreed price of the service and proportions of such services which were used by the companies.

In the reporting period, joint use of the Labssystem software continued pursuant to the contract that was signed between SmVaK Ostrava as and the related person. SmVaK Ostrava pays the servicing and repair of the software and charges a proportional part of its costs to the related person.

Supplies under the Framework Agreement on General Organisation of Investment Construction Projects continued during the reporting period. The Framework Agreement was signed on 24 November 2020 between SmVaK Ostrava as the client and the related person as the contractor. The purpose of the Framework Agreement is general organisation of construction projects, including engineering. For each construction project a separate contract is signed. The price of services provided under such the contracts was set on the basis of the length of arm's principle pursuant to the documentation on transfer prices in transactions made by and between the related persons. The contract is concluded for an indefinite period of time with a three month notice period. According to the contract, the client, this means SmVaK Ostrava, may withdraw from the contract in case of gross violation of contractor's obligations. On 23 November 2021 an amendment to the contract was signed. The amendment specifies formation of prices for supplies in 2022.

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S. A.

In the reporting period, supplies continued through Fomento de Construcciones y Contratas, S.A. This company agreed to provide IT services for all companies in FCC Group, the other party to the contract is El Corte Inglés, S.A. with the registered office at C/ Hermosilla, 112. 2800920 Madrid, Kingdom of Spain. Under that agreement, each company from the Group is provided the IT services, and the related person charges the controlled person for such services. The price is based on the total price agreed for the services and the proportions of the services which are used by the companies. Thanks to the agreement which was made for the whole of the Group, the controlled person obtained advantages such as high quality and a good price of services.

FCC AQUALIA, S. A.

In the reporting period, the agreement on consulting services was signed on 28 January 2021 by and between the related person as the service provider and SmVaK Ostrava as the client. The subject of the contract was preparation of offers for tenders where operators should be found for water networks and sewage systems in the Czech Republic and abroad, supervision over and check of construction projects, preparation of optimising measures for other than core business carried on by SmVaK Ostrava, and the consulting and advisory in preparation of the investment plan for 2022 and 2023 from the point of view of the best technology and economic solutions. The contract was signed for the period from 1 January 2021 until 31 December 2021. The price for the services provided was specified in line with laws and length of arm's principle pursuant to the documentation on transfer prices in transactions made by and between the related persons.

In the reporting period, services continued pursuant to the agreement to provide IT services of 6 December 2019 as amended. The agreement was signed by the related party as a provider and SmVaK Ostrava as a client. The contract was signed for a limited period of time. If any party fails to deliver at least 20 days prior to termination of the contract a written notice of termination to the other party where such notice informs about the intention to discontinue the contract, validity of the contract will be extended by another calendar year. The fee for the services was specified in line with the agreement to provide the IT services which was entered into by FCC Aqualia, S. A a Fomento de Construcciones y Contratas, S.A. on 28 September 2018.

The related party provided compliance advisory services based on an order placed by SmVaK Ostrava.

In the reporting period, SmVaK Ostrava arranged the rent of an apartment for an employee of the related person's organisational unit in the Czech Republic. The rent and services relating to the use of the apartment were charged fully by the controlled person to the related person.

In the reporting period SmVaK Ostrava arranged the meal vouchers for an employee of the related person's organisational unit in the Czech Republic. Costs incurred were charged fully to the related person.

In the reporting period SmVaK Ostrava provided for use to the related person's organisational unit parts of business space in Prague which SmVaK Ostrava has been renting for the Department of Organisational Development. SmVaK Ostrava charged the related person with a proportional part of the rent and fee for services relating to use of the space.

HIDROTEC, Tecnologia del Agua, S. L. U.

In the reporting period, services were provided pursuant to the agreement on software licences, technical support and update of software products signed by and between FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. and Microsoft. All members of FCC Group may use the services under the licence. The related person is charged the fees for use of the licence which are paid to Microsoft. The fee depends on the number of licences used by SmVaK Ostrava a.s., Vodotech, spol. s r.o., and Aqualia infraestructuras inženýring, s.r.o.

V. OTHER LEGAL CONDUCT

No legal conduct which would differ from typical legal conduct performed by the controlling person exercising the powers of the shareholder in the controlled person occurred during the reporting period in favour of the controlling person, persons controlled by the same controlling person and/or other persons from within the Group.

The Board of Directors of SmVaK Ostrava a.s. represents that it is not aware of any legal conduct between the controlled person, controlling persons and other related persons in the Group that would result in entering into other contracts/agreements than those mentioned above. The Board of Directors also represents that it is not aware of any conduct between the controlled person, controlling person and other persons in the Group which would be made upon request or in interest of the controlling person or the main person in the Group.

VI. OTHER ACTIONS

No legal acts in addition to those which are typical legal acts performed by the controlling person exercising the powers of the shareholder in the controlled person were carried out during the reporting period in favour of the controlling person, persons controlled by the same controlling person and/or other persons from within the Group.

VII. SUPPLIES AND CONSIDERATIONS

No other considerations and/or values out of the scope of typical considerations and/or values provided by the controlled person in relation to the controlling person being the shareholder in the controlled person were provided or adopted during the reporting period in favour of, or upon initiative of, the controlling person and persons controlled by the same controlling person or other persons from within the group on part of the controlled person.

VIII. ADVANTAGES, DISADVANTAGES AND RISKS RESULTING FROM THE PERSONS IN THE GROUP

The Board of Directors is not aware of any fact that would cause a controlled person to suffer a damage because of being a part of FCC Grupo.

The controlled person has following advantages thanks to being part of the Group:

- It uses warranties provided by the controlling person from the Group.
- It uses public relation of the Group.
- It uses the licence for know-how which comprises the experience and expertise as well as operational and commercial knowledge gained throughout operation of water networks and sewage systems.
- It uses best prices for services, works and licences on the basis of contracts signed by the controlling person for companies from the Group.

The controlled person does not face any risks because of being a part of the Group as its business does not depend on other companies from the Group and is not influenced by activities carried by the others from the Group.

IX. INFORMATION ABOUT HARM

It follows from the audit and evaluation of the contractual relations and legal conduct existing between the controlled person, controlling person and other persons in the Group that the controlled person has not suffered any harm. All above listed contracts and contract relationships were concluded and all legal acts were performed under terms and conditions and at prices typical of commercial dealings for that place of performance.

Transactions between the related persons were entered in books using the standard market prices.

Sums which have not been paid yet are not secured and will be paid by bank transfers. No warranties were granted or received.

X. CONCLUSION

Severomoravské vodovody a kanalizace Ostrava a.s. represents that it has not been involved, during the reporting period, in any other contract relations and did not provide any other service/supply/performance except for those mentioned above with respect to the controlled person, persons controlled by the same controlling person or other persons from the group.

This report was prepared by the Board of Directors of Severomoravské vodovody a kanalizace Ostrava a.s. and approved at its meeting on 17th February 2022. This report was submitted for review to the Supervisory Board and to the auditors who are in charge of auditing the 2021 financial statements and confirming the compliance of the 2021 Annual Report with the 2021 financial statements in accordance with the Act on Auditors, Act on Business Corporations and Accounting Act.

Because Severomoravské vodovody a kanalizace Ostrava a.s. is required pursuant to the Act No. 256/2006 Coll. on Capital Market Transactions to prepare the Annual Report, this report will be attached to as an annex.

The financial scope of considerations provided between the controlling person, controlled person, the persons controlled by the same controlling person, and other companies from the Group pursuant to data given in this report is defined in the attachment to the 2021 financial statements and in the overview below.

Transactions with the related persons in 2021 are listed in the tables below. The transactions were conducted under conditions typical of business contacts and the prices were set on the basis of length-of-the-arm principle and documentation stipulating prices for transactions between related persons

Revenues made with the related persons

2021	(CZK ,000)			
Person	Relation to the Company	Services	Interest	Total
Vodotech, spol. s r.o.	Other related persons	1,555	0	1,555
Aqualia infraestructuras inženýring, s. r.o.	Other related persons	19,184	0	19,184
FCC Česká republika s.r.o.	Other related persons	203	0	203
Total		20,942	0	20,942

2020	(CZK ,000)			
Person	Relation to the Company	Services	Interest	Total
Vodotech, spol. s r.o.	Other related persons	1,501	0	1,501
Aqualia infraestructuras inženýring, s. r.o.	Other related persons	9,141	0	9,141
FCC Česká republika s.r.o.	Other related persons	427	0	427
FCC Aqualia, S. A., organizační složka, cz	Other related persons	12	0	12
Total		11,081	0	11,081

Purchases made with the related persons

2021	(CZK ,000)			
Person	Relation to the Company	Services	Other expenses	Total
Vodotech, spol. s r.o.	Other related persons	79,849	22	79,871
Aqualia infraestructuras inženýring, s.r.o.	Other related persons	147,467	0	147,467
Fomento de Construcciones y Contratas, S. A.	Other related persons	4,334	0	4,334
Aqualia Czech, S. L.	Parent company	4,027	0	4,027
FCC Aqualia, S. A.	Other related persons	3,037	0	3,037
FCC Aqualia, S. A., organizační složka, cz	Other related persons	1,037	0	1,037
FCC Česká republika s.r.o.	Other related persons	4,300	0	4,300
Hidrotec Tecnología del Aqua, S. L. U.	Other related persons	1,014	0	1,014
OBSSED a.s.	Other related persons	26,520	0	26,520
Total		271,585	22	271,607

2020	(CZK ,000)			
Person	Relation to the Company	Services	Other expenses	Total
Vodotech, spol. s r.o.	Other related persons	73,592	14	73,606
Aqualia infraestructuras inženýring, s.r.o.	Other related persons	106,502	0	106,502
Fomento de Construcciones y Contratas, S. A.	Other related persons	4,288	0	4,288
Aqualia Czech, S. L.	Parent company	3,913	0	3,913
FCC Aqualia, S. A.	Other related persons	2,926	0	2,926
FCC Česká republika s.r.o.	Other related persons	3,982	0	3,982
Hidrotec Tecnología del Aqua, S. L. U.	Other related persons	433	0	433
OBSSED a.s.	Other related persons	22,074	0	22,074
Total		217,710	14	217,724

Acquisition of fixed tangible assets from the related persons

Person	Relation to the Company	2021	2020
Vodotech, spol. s r.o.	Other related persons	25,215	4,994
Aqualia infraestructuras inženýring, s.r.o.	Other related persons	623,428	575,869
FCC Aqualia, S. A., organizační složka, cz	Other related persons	5,048	5,301
Total		653,691	586,164

Related person receivables (CZK ,000)

Person	As of 31. 12. 2021	As of 31. 12. 2020
Trade receivables		
Vodotech, spol. s r.o.	0	50
Aqualia infraestructuras inženýring, s.r.o.	6,942	2,163
FCC Aqualia, S. A., organizační složka, cz	58	58
FCC Česká republika s.r.o.	25	0
Total	7,025	2,271

Related person payables (CZK ,000)

Person	As of 31. 12. 2021	As of 31.12.2020
Trade payables		
Vodotech, spol. s r.o.	34,044	10,577
Aqualia infraestructuras inženýring, s. r.o.	242,701	275,149
Fomento de Construcciones y Contratas, S. A.	474	484
FCC Česká republika s.r.o.	489	445
Hidrotec Tecnologia del Aqua, S. L. U.	563	417
OBSSED a.s.	3,391	2,193
FCC Aqualia, S. A.	290	239
Trade payables in total	281,952	289,504

The Board of Directors of Severomoravské vodovody a kanalizace Ostrava a.s. represents that this report has been prepared with due and professional care and that it comprises all facts which have been known and available as of the date of preparation.

Ostrava, dated 17th February 2022

Signatures of the authorised Board of Directors' members



Miroslav Kyncl
Vice-Chairman of the Board of Directors



Václav Holeček
Member of the Board of Directors

SmVaK

www.smvak.cz