

ANNUAL REPORT 2022



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PREPARED PURSUANT TO

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, 709 00 Ostrava - Mariánské Hory
The Company is entered in the public register – the Commercial Register
kept at the Regional Court of Ostrava, Section B, Entry 347.

Date of incorporation: 1 May 1992

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1. INTRODUCTION

DEAR SHAREHOLDER, LADIES, AND GENTLEMEN,

below please find the report with detailed information about our Company's performance and operation in 2022.

After two years affected by the COVID-19 pandemics which had touched all aspects of our professional and personal lives, the situation calmed down and we were generally expecting to resume the normal lives.

We regarded this period, which was challenging and tragic for many of us, as an opportunity to improve efficiency and to accelerate or simplify certain processes and activities. Step by step, we implemented the innovations.

In spite of the end of the covid pandemics, 2022 was not a calm year. Since the autumn 2021 we have been witnessing acceleration in inflation which was rather high for local conditions. In that period, the entire world witnessed panics on the global energy market which resulted in record prices of electricity and gas on the European market. There were different reasons and relevance of impacts might be discussed. The Russian invasion in Ukraine in February 2022 opened another question: Considering the prices and shares of Russian imports, are there enough electricity, oil products, and gas on the European market?

In 2022, the main topics that touched the society included, in general, the price increases for almost all commodities, unprecedented prices of energies, uncertain sufficiency/insufficiency for the heating season, hard-to-predict development of economy, and, of course, the war in Ukraine.

This general development affected also the water business and our company. Despite those complications we have managed to supply reliably the drinking water of top quality to all sites where we operate, and also managed to treat the discharged wastewater. We have been developing, extending, and improving the services in non-regulated business. On one hand, this helps the municipalities, individuals and businesses in water management. On the other hand, this represents an interesting business opportunity for us.

It should be pointed out that the water business as well as other industries are undergoing significant digital translation where smart technologies are implemented in regular operation. Our company is not an exception: We use an online tool, Leakage Monitoring, which helps reduce losses in water network. Thanks to this tool, we were awarded the prize in the competition, Smart Cities.

In the second half of 2022 we worked hard to implement a new customer system. We have managed to complete it, and beginning with 2023, our clients can use an advanced tool – this means the online communication can run on digital interfaces to a maximum possible extent. In order to improve the customer comfort we will continue developing the online tool and connecting it to other information systems.

Our water treatment plants produced 56.76 million m³ of top quality drinking water, the decrease being 0.79 million m³, if compared with the previous year. The reason for such drop was, in particular, the households (a drop by more than one million m³): after two years of pandemics restrictions, people went back to schools, offices and workplaces. The drop in consumptions seems to be linked to restrictions that result from unprecedented increase in energy prices. That

is why a particular attention should be paid to further development in 2023.

Thanks to competence and involvement of my colleagues who were facing problems in operation sites, we discharged and treated wastewater in 78 wastewater treatment plants in 81 municipalities for almost 0.49 million people.

Our sales in 2022 amounted to CZK 2.99 billion (+ CZK 113.2 million, if compared with 2021). The profit before taxation was CZK 543.14 million.

In 2022 we made record investments into water infrastructure. Investments amounting to CZK 765 million and repairs amounting to CZK 259.8 million are clear evidence that we pay a particular attention to company's assets so that the facilities could work reliably and smoothly in the future.

For many years, our company has been closely attached to the region where it operates. For two years, schools were closed for most of the school year. This gave us an opportunity to improve even more the educational programme which explains importance of water for people and nature: Tree of Life. The programme came back to schools in our region: More than 6,000 pupils have taken part in it since 2016. The children, schools and general public have been speaking highly about the programme.

We started focusing on bio-diversity in water facility areas. We started working with experts from the Czech Union for Nature Conservation, the goal being to develop the cooperation.

We also work closely with TRIANON - this is an association based in Český Těšín. Such cooperation is important in terms of social/economic/environmental aspects and covers digitising, or separation and recycling of disused technologies and units in our facilities where modernisation projects are in progress. Thanks to the project, people with handicaps are able to find employment on the labour market.

In 2022, for the seventh year running, we opened a programme for motivated employees who are involved in a non-profit sector: We are swimming together! We supported eighteen projects which improve quality of social life, environment or leisure time.

In 2022 we were a partner for major cultural programmes, sports event, or social activities in our region. And we are going to deepen those efforts.

Therefore, besides my colleagues, 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 2022. 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.



Anatol Pšenička
Managing Director



2.

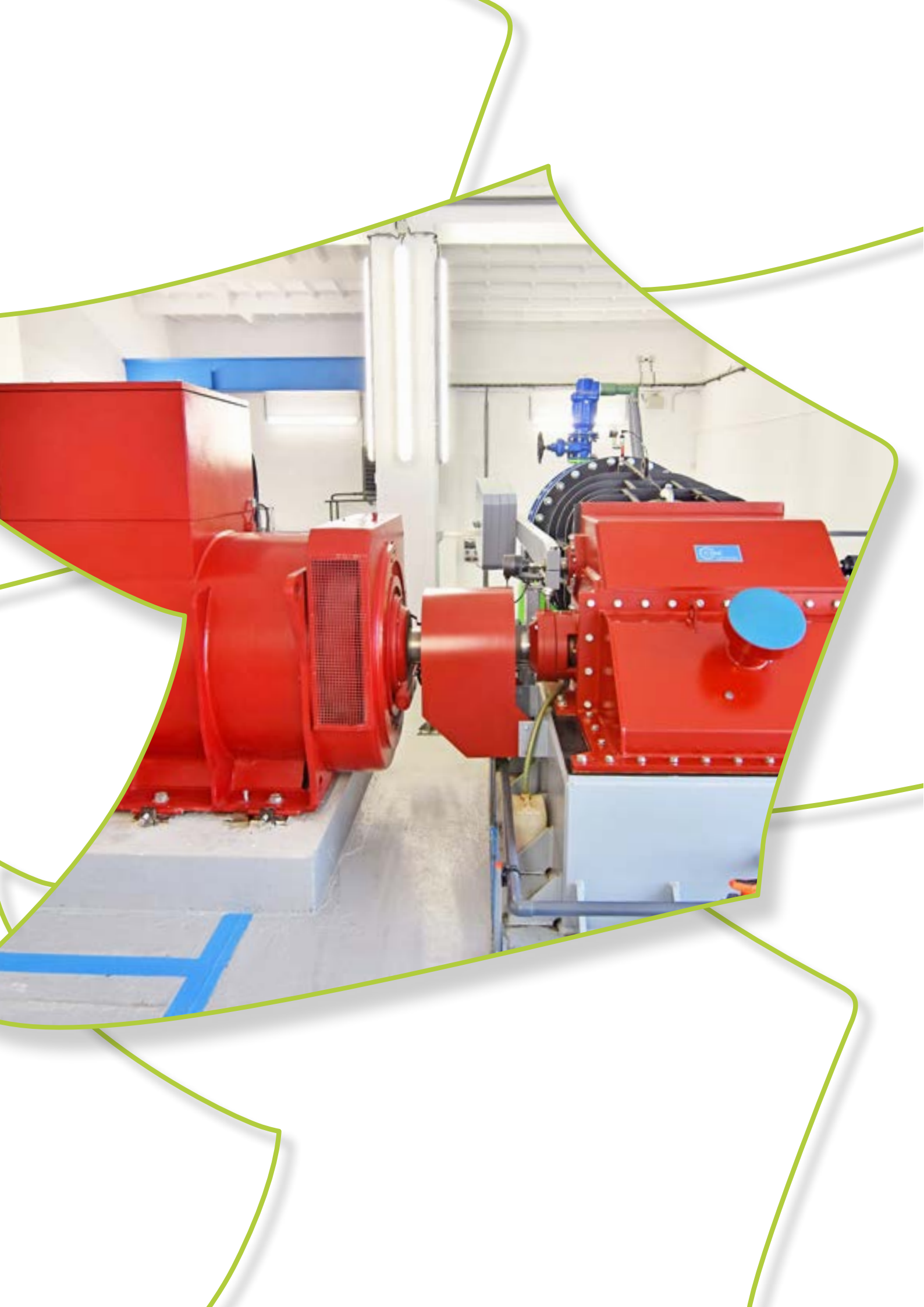
OBJECTS OF BUSINESS

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

- design activities in the investment phase of construction
- official metering
- inspections of electrical devices (under the 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
- plumbing
- 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
- operation of public water supply networks and sewage systems
- power generation
- production, trade and services not mentioned in Attachment 1 to 3 of the Trade Licence Act in 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
 - data processing automation
 - 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
 - services in the field of administrative management and financial services of an organizational character
 - research and development in the field of humanities or engineering sciences
 - storage
 - production, repair, and installation of meters and gauges.

During 2022, no modifications were made in the objects of business. The Company remains engaged in its business activities within the mentioned areas.

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 which is kept in the public Commercial Register.



3.

PROFILE

THIS ANNUAL REPORT DESCRIBES THE PERFORMANCE OF SEVEROMORAVSKÉ VODOVODY A KANALIZACE OSTRAVA A.S. ("the Company").

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

SmVaK Ostrava ranks among the leading water companies in the Czech Republic and is among the leaders in the Moravian-Silesian Region. It 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. SmVaK is also a supplier of drinking water for Ostrava, Hlučín, Studénka and other small towns. 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). In 2022 SmVaK Ostrava operated, on a contractual basis, the sewage systems and wastewater treatment plants in Vratimov, Dolní Lutyně, Mosty u Jablunkova, Neplachovice, Řepiště, and Velké Losiny in the Olomouc Region, but also in other towns in the Moravian-Silesian Region.

Using more than 142,000 water connection pipes with the total length of 770 km, it supplies drinking water to 711,000 people. SmVaK Ostrava also operates 78 wastewater treatment plants (76 mechanical-biological and 2 mechanical wastewater treatment plants) with the total capacity of 263,163 m³ per day (equivalent population: 958,324).

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.

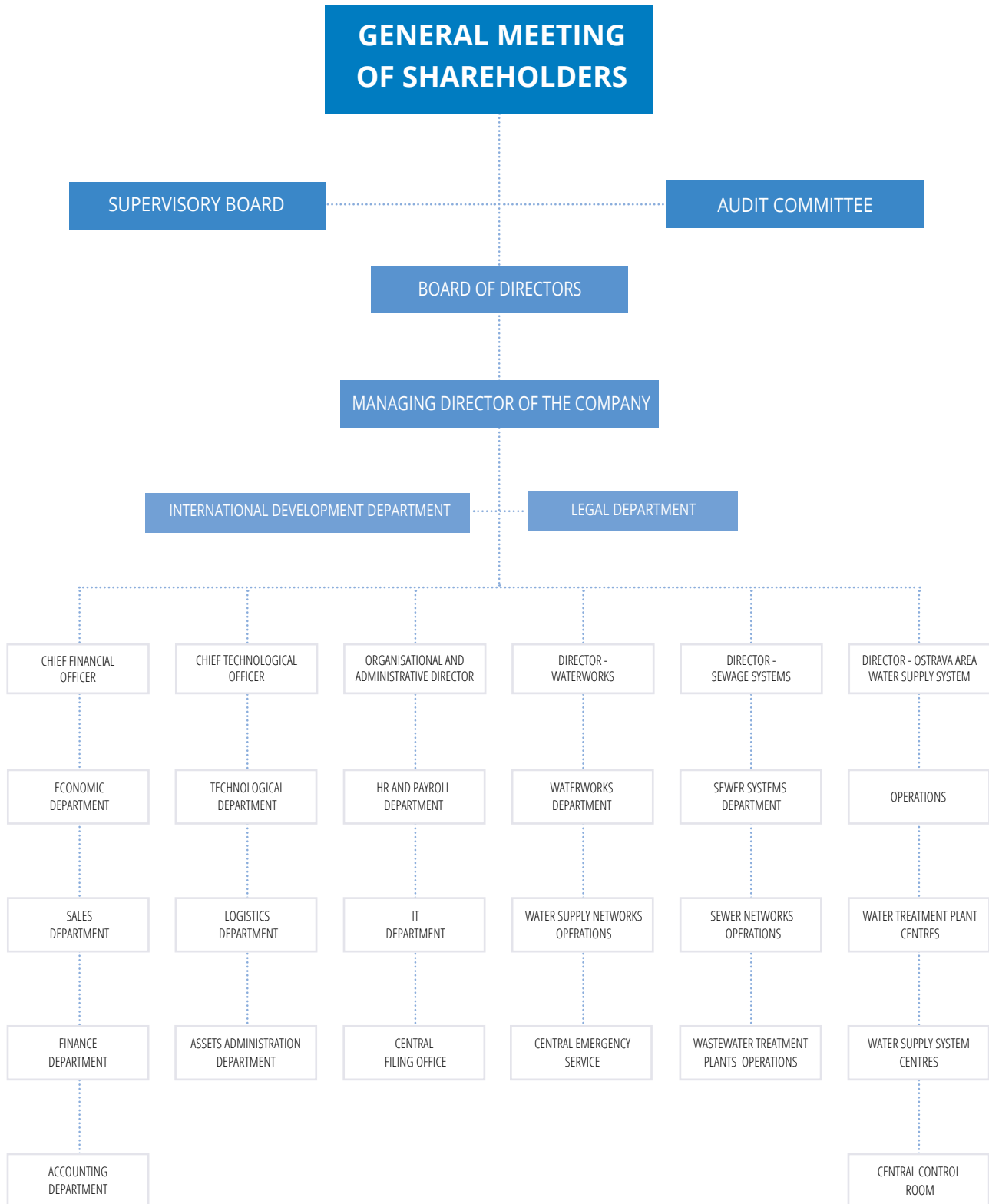
KEY EVENTS IN 2022

- The sole shareholder, AQUALIA CZECH, S. L. acting in the capacity of the General Meeting held on 20 May 2022, approved the 2021 Annual Report, the 2021 regular financial statements, as well as the distribution of profit generated in the 2021 reporting period.
- The sole shareholder decided in distribution of the profit made in the 2021 reporting period as follows: the total profit of CZK 454,659,852.94 will be transferred onto the account for retained profits of past years, where a part of this, CZK 116,114,121.27 will be used only for activities specified in the renewal financing plan.
- The sole shareholder decided to reduce the number of directors on the Board of Directors (from fifteen to eleven) and the number of members of the Supervisory Board (from twelve to nine). Now, the employees are represented in the Supervisory Board by three members (four, originally). A change was also introduced in the management team of the Board of Directors: there is a Chairman and two Vice-Chairmen (there were three Vice-Chairmen originally).
- In May 2022, the terms of office expired for most directors in the Board of Directors except for Guillermo Moya García-Renedo and Fernando Flores Gavala. On 24 May 2022 the sole shareholder elected nine directors for the Board of Directors. For details see the text below in this Annual Report. Luis Francisco de Lope Alonso was elected Chairman of the Board of Directors. Guillermo Moya García-Renedo was elected the First Vice-Chairman of the Board of Directors, and Miroslav Kyncl was elected the Second Vice-Chairman of the Board of Directors.
- In May 2022 the terms of office expired for some members of the Supervisory Board, including those who were elected by the employees. In elections, the employees elected three members to represent them in the Supervisory Board. They elected Lenka Kolářová, Petr Černoch and Ondřej Novák. The sole shareholder elected Lukáš Ženatý to be the member and Chairman of the Supervisory Board.
- On 29 June 2022, early repayment of the bonds was made. The finances for repayment were taken from the in-group loan that was granted by the parent company, AQUALIA CZECH S. L. After the bond repayment the company is no longer public entity.
- In accordance with IAS/IFRS adopted by the EU, the profit in 2022 made by SmVaK Ostrava before tax was CZK 543.141 million. The projected total expenditure for the year 2022 was based on expected needs, pricing implications and financial obligations.
- In 2022 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 765 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..
- In 2022 the Company had to adjust its performance in all aspects to the global coronavirus pandemics and energy crisis which resulted in increasing prices of energy, natural gas, fuel, and high inflation. 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 an authorised body is 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 2022

Sub-section 17 of the Company's Articles of Association stipulates that the Board of Directors has 11 members.

The Company's Board of Directors as of 31 December 2022	
Luis Francisco De Lope Alonso	Chairman of the Board of Directors
Guillermo Moya García-Renedo	First Vice-Chairman
Miroslav Kyncl	Second Vice-Chairman
Isidoro Antonio Marbán Fernández	member
Fernando Flores Gavala	member
Luis Carrero Bosch	member
José María Álvarez Oblanca	member
Vladimír Slivka	member
Iveta Vozňáková	member
Hana Staňková	member
Dalibor Bárta	member

In 2022, the number of directors sitting on the Board of Directors was reduced down to eleven members. In May 2022, the terms of office expired for all directors in the Board of Directors except for Guillermo Moya García-Renedo and Fernando Flores Gavala. The sole shareholder elected the members of the company body who are mentioned above where Luis Francisco De Lope Alonso was elected Chairman, Guillermo Moya García-Renedo the First Vice-Chairman, and Miroslav Kyncl the Second Vice-Chairman.

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.

DESCRIPTION OF PECUNIARY INCOME	
Luis Francisco De Lope Alonso	No income, based on remuneration waiver
Guillermo Moya García-Renedo	No income, based on remuneration waiver
Miroslav Kyncl	Compensation arising from the Board of Directors membership under a contract approved by the Company General Meeting for the performance of the authorised body's duties
Isidoro Antonio Marbán Fernández	No income, based on remuneration waiver
Fernando Flores Gavala	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
Vladimír Slivka	Compensation arising from the Board of Directors membership under a contract approved by the Company General Meeting for the performance of the authorised body's duties
Iveta Vozňáková	Compensation arising from the Board of Directors membership under a contract approved by the Company General Meeting for the performance of the authorised body's duties
Hana Staňková	Compensation arising from the Board of Directors membership under a contract approved by the Company General Meeting for the performance of the authorised body's duties
Dalibor Bárta	Compensation arising from the Board of Directors membership under a contract approved by the Company General Meeting for the performance of the authorised body's duties

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 entire amount of compensation to the members representing the sole shareholder is provided by the controlling party.

In 2022, the pecuniary income of the Board of Directors members totalled CZK 1.592 million (CZK 1.188 million in 2021). No in-kind compensation was provided. The above-mentioned Board of Directors members receive no remuneration for the performance of office in line with their remuneration waiver in writing.

THE 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 2022

Pursuant to the Company's Articles of Association, the Supervisory Board has 9 members where six of whom are elected by the General Meeting and three by the Company's employees.

The Supervisory Board as of 31 December 2022	
Lukáš Ženatý	Chairman
Pedro Miñarro Perete	Vice-Chairman
Lenka Kolářová	member elected by Company's employees
Ondřej Novák	member elected by Company's employees
Petr Černoch	member elected by Company's employees
Jan Malík	member
René Chrobok	member
Tomáš Navrátil	member
Antonio Parisi	member

The sole shareholder resolved on 24 May 2022 that Lukáš Ženatý would be a member of the Supervisory Board. The members of the Supervisory Board elected him Chairman. Lenka Kolářová, Petr Černoch, and Ondřej Novák were elected the Supervisory Board members by the employees. As of 25 May 2022 there are nine members of the Supervisory Board.

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 2022, none of the Supervisory Board members announced that they had lost the statutory competence to serve as members of the body.

	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 the authorised body's duties.	
Jan Malík	Compensation arising from the Supervisory Board membership under a contract approved by the Company's General Meeting for the performance of the authorised body's duties.	
Lenka Kolářová	Compensation arising from the Supervisory Board membership under a contract approved by the Company's General Meeting for the performance of the authorised body's duties. The reported income includes also income earned under the Agreement on Company Employee's Salary Compensation under the Collective Agreement.	Supplementary pension insurance under the Collective Agreement.
Ondřej Novák	Compensation arising from the Supervisory Board membership under a contract approved by the Company's General Meeting for the performance of the authorised body's duties. The reported income includes also income earned under the Agreement on Company Employee's Salary Compensation under the Collective Agreement.	Supplementary pension insurance under the Collective Agreement.
Petr Černoch	Compensation arising from the Supervisory Board membership under a contract approved by the Company's General Meeting for the performance of the authorised body's duties. The reported income includes also income earned under the Agreement on Company Employee's Salary Compensation 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.	
René Chrobok	Compensation arising from the Supervisory Board membership under a contract approved by the Company's General Meeting for the performance of the authorised body's duties.	
Antonio Parisi	Compensation arising from the Supervisory Board membership under a contract approved by the Company's General Meeting for the performance of the authorised body's duties.	
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 the authorised body's duties.	

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 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 2022, the pecuniary income of the Company's Supervisory Board members who are not employed with the Company totalled CZK 1.058 million (CZK 0.924 million in 2021).

The pecuniary income of the Company's Supervisory Board members – Company employees in 2022 were as follows:

- Employment income (Company employees) – CZK 7.688 million (CZK 5.023 million in 2021); and
- Income from holding the position of a member of the Supervisory Board – CZK 0.667 million (CZK 0.660 million in 2021).

Total in-kind and other compensation in connection with employment income in 2022 amounted to CZK 0.211 million (CZK 0.272 million in 2021).

AUDIT COMMITTEE

The Audit Committee was established by an amendment to 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, competences and decision making of the Audit Committee are specified in the Company's Articles of Association, Section D, Sub-sections 32 to 35.

The Audit Committee is a company's body even though the company is no longer public entity. Audit Committee is defined in the Articles of Association, which were updated in September 2022 based on sole shareholder decision prepared in notarial form.

MEMBERS OF THE AUDIT COMMITTEE AS OF 31 DECEMBER 2022

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

In 2022 there were not any changes among members of the Audit Committee.

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

In 2022, the pecuniary income of the Company's Audit Committee members amounted to CZK 0.459 million (CZK 0.396 million in 2021).

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 Financial 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
Petr Grzonka	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

	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 Studníčková, 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 Agreement on Salary (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 Agreement on Salary (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 Agreement on Salary (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 	Salary paid under the Agreement on Salary (basic salary, bonuses, compensation under the Collective Agreement)	Supplementary pension, company car for personal use
Petr Grzonka, 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 Agreement on Salary (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 Agreement on Salary (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 Agreement on Salary.

For the Managing Director, the amount of the monthly salary is determined by the Company's Board of Directors. For other top managers the monthly salary is determined 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.

The right to receive the bonuses and their payment depends 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.

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 percent, 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. The salaries are monitored and evaluated for each calendar year.

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

In the event 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 2022 the pecuniary income of managers totalled CZK 16.515 million (CZK 17.899 million in 2021); total in-kind and other compensation amounted to CZK 0.841 million (CZK 0.865 million in 2021).

Information about 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 2022.

	Number of the Company's shares or similar types of securities as of 1 January 2022	Number of the Company's shares or similar types of securities as of 31 December 2022	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	2020	2021	2022	ISIN No.
1. Registered capital	CZK million	1,296.909	1,296.909	1,296.909	-
Total shares	-	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 million	0	0	0	-
3. Retained profit	CZK million	635.405	806.900	1,243.244	-
EQUITY	CZK million	1,932.314	2,103.809	2,540.153	-



6.

INFORMATION ABOUT 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
Type:	dematerialised securities are registered with Centrální depozitář cenných papírů, a.s.
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
Type:	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 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 under Ref. 8/2019 of 28 August 2019 to remove the securities from the trading system as of 20 September 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:

All details relating to the securities issued by the Company had been published until 20 September 2019 in line with laws and Company's Articles of Association in the Commercial Register, Commercial Bulletin and in www.smvak.cz under 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 2022:

AQUALIA CZECH S. L.	100 %
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 shares
Nominal value:	CZK 3,000,000
Fixed interest yield:	2.625 % p. a.
Date of issue:	21 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 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/ČNB/570.

On 27 April 2022 the Board of Directors decided to make, on 29 June 2022, early prepayment of the bond principal and bond interest. The early prepayment has not been sanctioned.

As of 27 May 2022 the issued bonds were removed from the trading on the regulated trade on the basis of the decision made by the Managing Director of Burza cenných papírů Praha, a.s. on 18 May 2022 under Ref. No. B/081/2022/BE. The last trading day was 26 May 2022.

All facts relating to the securities are available in the headquarters of SmVaK Ostrava. The services of a fiscal and payment broker with respect to the payment of interest and bonds were 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 2022

In 2022, the 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.

Remuneration of the statutory auditor for the relevant period in CZK,000

Auditor	Amount included in audit costs for 2022	Other services	Other services - description
Ernst & Young Audit, s.r.o.	1,492	-	-



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.



8.

COMPANY MANAGEMENT AND ADMINISTRATION. COMPANY'S CONTROL TOOLS

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) The employees authorised to approve the economic transactions covered by the accounting documents are responsible for:

- Accuracy, admissibility and efficiency of recognised financial transactions;
- Checking of compliance of the data in the accounting documents with reality;
- 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) Following employees are appointed as responsible for the placing on accounts of the economic transactions:

- Head of the Accounting Department and
- General accountant.

The employees authorised to place on accounts the economic transactions covered by the accounting documents are responsible that:

- the apron is in accordance with the account classification, approved accounting procedures, and chart of accounts in force;
- 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;
- the economic transactions described in the accounting documents have been properly approved by the responsible employees;
- In terms of recognition approval, each accounting document must include two signatures of persons authorised to approve recognition of financial transactions, or needs to be approved electronically in the Economic Information System.

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.

SmVaK Ostrava a.s. 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.

Signing the 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. Random workplace inspections, reviews of internal accounting records, and reviews of activity progress are also conducted. Inspection reports are presented to the Managing Director. In line with the findings (if any), measures are taken by authorised employees to eliminate identified deficiencies.

Audit reports are assessed by the Managing Director. Members of the Audit Committee are informed about the results and findings of the internal audits performed.

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 the EIS system, 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.

Any change in salaries is 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 Financial Officer and the Managing Director.

THE SOLE SHAREHOLDER'S CONTROL

The main shareholder in SmVaK is AQUALIA CZECH S. L. which owns 100 % in the registered capital. It is the direct person controlling Severomora-vské 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 those companies are parts of the group which is controlled by FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S. A. with the registered office in Barcelona, Balmes 36, Kingdom of Spain.

More detailed information on the controlled and controlling persons is provided in this Annual Report. The Overview of the Group's Controlled and Controlling Persons is included in the Appendix thereto which is entitled the Report on Related Persons pursuant to Section 82 of the Business Corporations Act.

The sole shareholder (being the controlling person) controls through its representatives, the members of the Board of Directors, the annual business

plan and monthly performance, specifies and controls the targets and goals relating to business where such targets and goals are subject to regular assessment and any deviations need to be explain. The sole shareholder also controls and approves the performance under the investment plan.

The Company has drafted in-house rules which set forth clearly defined procedures and control mechanisms. These are, in particular, methodical guidelines with respect to ISO – they describe in detail processing of regular transaction incl. rules for elimination of fraud. The Company's internal audit controls adherence to the relevant rules. The sole 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

SmVaK Ostrava complies with the Code of Management and Administration of Czech Companies issued in 2018 ("the Code") which is based on OECD principles. SmVaK Ostrava follows the recommendations in order to improve quality of management, administration, responsibility and long-lasting prosperity, increasing thus the value, competitiveness and sustainability of its business.

The Company makes sure that its governance is transparent. That is why it provides all relevant data and information relating to its business, management and administration in the Annual Report and in the half-year report. 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 Supervisory Board towards the sole shareholder and third parties are in line with Chapters 5 and 6 in the Code as well as in accordance with the law and Articles of Association.

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.

Anytime where there had been more than one shareholder, the system of management and administration protected the rights of the shareholders, making it easy for the shareholders to exercise their rights, so that all shareholders could be given an equal opportunity and so that the minority shareholders could be involved in management of the company at general meetings. 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 2022, development and application of the programme continued. The programme introduces a comprehensive system of measures and procedures relating to all activities of all entities in FCC Group. The aim of the Compliance Programme is to define rules of conduct which apply in FCC Group and to introduce a corporate culture across all aspects of the operations of individual companies in order to eliminate, as much as possible, any criminal liability. As the FCC Group companies operate in the Czech Republic, the criminal liability results from the Act No. 418/2011 Coll. on Criminal Liability of Legal Persons and Procedures against Legal Persons, and the Application on § 8 (5) in the Act on Criminal Liability of Legal Persons and Procedures against Legal Persons which was issued by the Supreme Public Prosecutor.

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 ("the risk assessment"). At the same time, the applicability of the FCC Group's anti-corruption system in the Company was tested. Having analysed the data, a matrix of anticorruption controls was created. It defines the adopted actions which are monitored. Application of such actions is regularly validated by employees in charge.

All internal documents that were approved in past, including the matrix of anticorruption controls which is a part of the Compliance Management System, is updated regularly in order to be in line with the current situation in the Company and to be in line with the up-to-date text of samples which are in force in FCC Group.

In 2022 SmVaK Ostrava a.s. organised, pursuant to the compliance programme, a training for employees at all levels where such training focused on the Code of Ethics and related policies which are being under further development now. The employees were also introduced to the applicable laws on whistleblower protection and applicability of such laws for our Company. SmVaK Ostrava a.s. prepared a training plan for its employees in order to share and deepen knowledge about the compliance programme and the obligation to meet the ethical values in each Company's activity.

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

As of 28 April 2023, the Annual Report shall be also posted on www.smvak.cz under Media in the pdf format as well as in the Collection of Documents of the Commercial Register held by the Regional Court in Ostrava.

10.

THE CONTROLLED AND CONTROLLING PARTIES

The overview below shows the controlled and controlling parties within the FCC Group as of 31 December 2022.

1. CONTROLLED PERSON

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

Registered office: 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, File 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 entered in the Commercial Register kept in the Czech Republic.

3. DIRECTLY CONTROLLING PERSON

[AQUALIA CZECH S. L.](#)

Registered office: Madrid, Avda. del 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.](#)

Registered office: 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.](#)

Registered office: Jaselská 220/47, Předměstí, 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. [AqualiaIntech, S. A.](#)

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

ID: A-28849495

The company is registered in the Register of Companies kept in Madrid, sheet M-59467. The company is not registered in the Commercial Register in the Czech Republic.

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

Registered office: Madrid, Federico Salmon 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.

Registered office: 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.

Registered office:

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.

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 2022 and ending 31 December 2022.

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 2022 and ending 31 December 2022, 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 2022 Financial Statements and the 2022 Annual Report.

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



11.

BOARD OF DIRECTOR'S REPORT ON COMPANY'S BUSINESS ACTIVITIES 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 2022

- Severomoravské vodovody a kanalizace Ostrava a.s. generated profit before taxes of CZK 543.141 million in 2022.
- If compared with 2021, the water deliveries to water supply systems of third-party water companies increased slightly by 2.2% year-on-year, which represents a increase in 418,000 m³ against the previous year.
- In 2022, the drinking water delivered to households and businesses decreased, if compared with 2021, by 1.36% year-on-year, which represents 441,000 m³.
- The volume of drained wastewater (including the billed rainwater) recorded a decrease of 2.2% compared to the volume in 2021.
- Supplies of drinking water from central and local sources were uninterrupted throughout 2022 and so was the drainage and treatment of wastewater.
- The total income from water tariff and sewage charges amounted to CZK 2,839.327 million which is CZK 115.412 million more than in 2021.
- The Company's overall financial performance in 2022 can be described as favourable, despite the energy crisis and continuing society-wide situation caused by the novel coronavirus. The total volume of drinking water sold to final consumers amounted to 31.963 million m³, and the volume of drained wastewater for consideration totalled 26.397 million m³. A total of 14.856 million m³ of drinking water was delivered to the systems of Czech water management companies, and 4.273 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 2022 financial statements).

INCOME

In 2022, the total income from water tariffs and sewage charges amounted to CZK 2,987.911 million which is CZK 111.51 million more than in 2021.

Development of income in CZK ,000

Indicator	2020	2021	2022
Income from water tariff and sewage charges	2,571,437	2,723,915	2,839,327
Other operating income	96,104	151,798	133,984
Interest and other financial income	652	688	14,600
Total income	2,668,193	2,876,401	2,987,911
Profit before taxes	501,352	565,489	543,141
Profit after taxes	404,521	454,660	436,344

Key business operations

Indicator	2020	2021	2022
Billed water (thousand m ³)	32,304	32,404	31,963
Bulk water (thousand m ³)	18,461	18,711	19,129
Discharged wastewater (thousand m ³)	26,721	26,994	26,397

4.273 million m³ of water was supplied out of the Czech Republic. The volume of water supplied to Ostravské vodárny a kanalizace a.s. amounted to 10.272 million m³, and 2.072 million m³ of drinking water was supplied to Vodovody a kanalizace Přerov a.s. Other third party consumers were delivered 2.512 million m³ of drinking water.

EXPENSES

The total recognised expenses including taxes amounted to CZK 2,551.567 million in 2022.

Expenses in CZK ,000

Indicator	2020	2021	2022
Consumption of materials and energies	494,654	534,158	585,220
Personnel costs	531,486	557,041	587,534
Depreciation	443,652	463,220	489,977
Other operation costs	515,920	602,341	599,477
Increase/decrease in reserves and adjusting entries – net value	15,993	- 10,829	- 7,799
Interests and other financial expense	165,136	164,981	190,361
Income tax	96,831	110,829	106,797
Expenses in total	2,263,672	2,421,741	2,551,567

PROFIT/LOSS

Profit before tax		Profit after due income tax and deferred income tax	
2020	CZK 501.352 million	2020	CZK 404.521 million
2021	CZK 565.489 million	2021	CZK 454.660 million
2022	CZK 543.141 million	2022	CZK 436.344 million

PROPOSED DISTRIBUTION OF THE COMPANY'S ACCOUNTING PROFIT MADE IN 2022

Accounting profit	CZK 436,343,989.71
Proposed distribution of the Company's profit	
Net profit to be determined by the sole shareholder acting in the capacity of the General Meeting	CZK 436,343,989.71

PROFIT/LOSS. DIVIDEND PER SHARE.

	2020	2021	2022
Profit/loss per share in CZK	116.97	131.46	126.17
Dividend per share in CZK	81.88	0	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.

FINANCING

During the reported period, finances were managed in an optimum way, and security of cash and payment of liabilities (liquidity) was ensured. All these requirements were among key targets for successful financial management of SmVaK.

No movable or immovable assets of the Company were pledged as of 31 December 2022.

BORROWINGS

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 was 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 was 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 framework up to CZK 120 million. The loan is secured with the promissory note ("the blank bill"). In 2022 the credit line was used only for issue of bank warranties needed for concession contracts 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 in favour of	Purpose of issue	Validity	Amount of the bank warranty
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. 9. 2020 – 31. 12. 2022	CZK 675,000
3. 9. 2020	Municipality of Orlová	Operation of infrastructure owned by the Municipality of Orlová	7. 9. 2020 – 31. 12. 2022	CZK 100,000
3. 9. 2020	Municipality of Albrechtice	Operation of water assets owned by the Municipality of Albrechtice	21. 12. 2020 – 20. 12. 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. 12. 2020 – 20. 12. 2025	CZK 850,000
19. 12. 2018	Municipality of Opava	Due fulfilment of operator's obligations arising from the contract	1. 1. 2019 - 31. 12. 2023	CZK 400,000
19. 12. 2018	Municipality of Neplachovice	Due fulfilment of operator's obligations arising from the contract	1. 1. 2019 - 31. 12. 2023	CZK 150,000
9. 1. 2020	Municipality of Vratimov	Due fulfilment of operator's obligations arising from the contract	9. 1. 2020 – 31. 12. 2024	CZK 260,000
9. 1. 2020	Municipality of Řepiště	Due fulfilment of operator's obligations arising from the contract	9. 1. 2020 – 31. 12. 2024	CZK 114,000
21. 12. 2020	Municipality of Horní Suchá	Operation of water assets owned by the Municipality of Horní Suchá	1. 1. 2021 – 20. 12. 2025	CZK 230,000
21. 12. 2020	Municipality of Dolní Lutyně	Due fulfilment of operator's obligations arising from the contract	1. 1. 2021 – 20. 12. 2025	CZK 130,000
21. 12. 2020	Municipality of Štramberk	Due fulfilment of operator's obligations arising from the contract	1. 1. 2021 – 20. 12. 2025	CZK 106,500
7. 5. 2021	Municipality of Písečná	Due fulfilment of operator's obligations arising from the contract	10. 5. 2021 – 10. 5. 2026	CZK 68,500
20. 12. 2021	Municipality of Frenštát pod Radhoštěm	Due fulfilment of operator's obligations arising from the contract	1. 1. 2022 – 19. 12. 2026	CZK 200,000
30. 11. 2021	Municipality of Orlová	Due fulfilment of operator's obligations arising from the contract	1. 1. 2022 – 31. 12. 2026	CZK 210,000
30. 11. 2021	Municipality of Frýdek – Místek	Due fulfilment of operator's obligations arising from the contract	1. 1. 2022 – 31. 12. 2026	CZK 699,000
30. 11. 2021	Association of Municipalities in the Nový Jičín District	Due fulfilment of operator's obligations arising from the contract	1. 1. 2022 – 31. 12. 2024	CZK 1,200,000
02. 12. 2022	Municipality of Votice	Tender for operation of water assets owned by the Municipality of Votice	7. 12. 2022 – 31. 5. 2023	CZK 1,500,000

Liabilities as of 31 December 2022 in CZK thousand

	2020	2021	2022
Long-termed payables and unearned revenues	6,293,747	913,029	6,004,343
hereof: Bank loans and issued bonds	5,381,539	0	0
hereof: Payables - the controlling person	0	0	5,062,000
hereof: Deferred tax liability	567,222	590,270	614,568
hereof: Payables with respect to financial lease	315,674	297,642	308,060
hereof: Reserves	29,312	25,117	19,715
Short-termed payables and unearned revenues	728,016	6,243,088	838,885
hereof: Bank loans and issued bonds	64,575	5,458,726	0
hereof: Trade payables and other payables	628,792	743,063	800,134
hereof: Payables with respect to financial lease	28,882	29,142	36,369
hereof: Tax payables to the state	1,178	8,021	833
hereof: Reserves	4,589	4,136	1,549

In 2022, 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 2022. 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

	2020	2021	2022
Re-calculated total number of employees	855	861	872
hereof employees in water networks	404	406	408
hereof employees in sewage systems	297	299	303
hereof – other employees	154	156	161

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. Those topics are 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

All disputes which where former shareholders had taken the Company to the court have been closed.

LEGAL COURT DISPUTES WHERE THE COMPANY IS THE PLAINTIFF

I. CLAIMING OF TRADE RECEIVABLES

Active disputes in progress as of 31 December 2022	Number of cases	Amount in CZK
Receivables utilised in bankruptcy and insolvency proceedings	156	10,420,084.53
Actions filed	141	2,347,639.12
of which distraint	109	1,308,943.12
Receivables utilised in inheritance proceedings	10	78,339.00
Receivables utilised in liquidation proceedings	1	4,473.00
Cases where the Company is the plaintiff – before action	126	392,162.09
Total cases pending	424	13,164,358.74

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 awarded by the Metropolitan Court in Prague.
- The Supreme Administrative Court resolved the case for the benefit of SmVaK and referred the case back to the Metropolitan Court in Prague which cancelled the original decision made by Státní energetická inspekce.
- Státní energetická inspekce filed an appeal in cassation at the Supreme Administrative Court where such appeal was against the decision made by the Metropolitan Court in Prague.

BUSINESS OPERATIONS

In 2022, business operations were carried out by five customer centres (in Ostrava, Frýdek-Místek, Karviná, Nový Jičín and Opava). In the first half of 2022, covid measures were still in force: a booking system was used to prevent too many people from coming to the customer centres. The health protection rules changed the structure and approach, when dealing with requests presented by our customers. Typically, electronic communication or written contacts were preferred.

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 several tenths of services in nine basic areas without having to visit the Company's customer centres or operation sites in person.

In accordance with provisions of the Act No. 274/2001 Coll., implementing regulation No. 428/2001 Coll., and "Commercial Terms and Conditions for Supply of Water from Public Water Mains and Discharge of Wastewater through Public Sewers", SmVaK signs with consumers the contracts on water supplies and use of sewers in public water mains/sewage systems. Pursuant to an amendment to Act No. 274/2001 Coll. and the Civil Code, Act No. 89/2012 Coll., the 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.

As of 31 December 2022, SmVaK Ostrava had 137,242 customers. 61.3% contracts complied with requirements of the law (the New Civil Code of 2014 and Act No. 275/2013 Coll. which alters the Act No. 274/2001 Coll.). Those customers who signed their contracts prior to 1 January 2014 are sent drafts of a new contract which is compliant with the amended text in para. 8 (16) and (17).

In the second half of 2022, intensive works were carried out in connection with implementation of the new customer system which was planned to be launched on 1 January 2023.

Customers and contracts in force in 2022

	Number of customers	Contracts in line with the law pursuant to Act No. 275/2013 Coll.	Contracts of the compliant contracts / total number of customers
Residents	124,932	76,652	61.4 %
Corporate customers	12,310	7,436	60.4 %
Total	137,242	84,088	61.3 %

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. Recently (until 2021) there was a year-to-year increase in requests for statements.

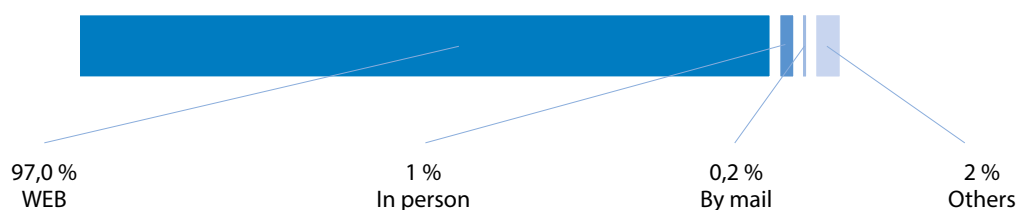
In 2022, the trend reversed and the number of requests for statements dropped by 16%, if compared with the previous year. 33,721 statements were issued. The reason for such decrease is external circumstances (such as higher mortgage rates, decrease in activities on the property market, decrease in construction projects...) and pro-customer changes in preparation of the statement (a new form of communication was introduced, if source data need to be added, or if mistakes in documentation need to be corrected).

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

Year	Processed	Year-to-year growth/decrease
	Number	%
2020	35,626	+ 5.5
2021	39,120	+ 9.8
2022	33,721	- 16

Similar to other utility organisations, the Company's web site allows for submitting requests for an opinion. In 2022, 96% of all requests were submitted by an electronic form.

Graph: Channels for submitting requests for a statement



In 2022, more than 50% of the requests for statements were processed by an automated system. Thanks to gradual improvements in accuracy and in the automated system, and thanks to more data being introduced into the GIS base, the number of the requests that were processed automatically increased slightly (45% in 2021). The automated system has been helping considerably to accelerate the statement process where high numbers of requests need to be processed.

PROJECTED BUSINESS DEVELOPMENT AND FINANCIAL POSITION IN 2023

In 2023, the Company plans to spend CZK 657 million on investment projects and CZK 318 million on repair projects. 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 2023 will be financed using the Company's own resources.

The plan for 2023 is to spend more by CZK 561.579 million more, against 2022, for energies, repairs, maintenance, salaries, material consumption and other services.

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 2023, the total expenses (not including the income tax) are planned to amount to CZK 3,013.165 million, income to CZK 3,562.076 million and profit before tax should reach CZK 548.911 million. The 2023 plan of total expenses is based on the anticipated needs and price development.

The draft business plan stipulates the following volume units for 2023: 31.747 million m³ of billed drinking water, 26.325 million m³ of discharged water, and 20,567 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 upstream 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 in the Beskydy Mountains 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 in the town of the same name in the Beskydy Mountains 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 Vyšší 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, Nová Ves and Vyšší 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)

		2022	WTP PODHRADÍ	WTP NOVÁ VES	WTP VYŠNÍ LHOTY
Quality of water	Unit	Limit value pursuant to Act 258/2000 Coll. and Decree 252/2004 Coll.	Treated water Average value	Treated water Average value	Treated water Average value
pH		6.5 – 9.5	7.73	7.77	7.85
KNK _{4,5}	mmol.l ⁻¹	-	0.90	0.71	0.63
ZNK _{8,3}	mmol.l ⁻¹	-	0.023	0.029	0.014
Colour	mg.l ⁻¹ Pt	20	4.05	1.22	0.14
Turbidity	ZF	5	0.19	0.19	0.057
COD _{Mn}	mg.l ⁻¹	3	1.75	1.05	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 2022 followed the trend of the preceding period. During the year, the Company produced 56.764 million m³ of drinking water, which represented a year-on-year decrease of 0.79 million m³.

The volume of drinking water production – time process

Water treatment plants – production of water ,000 m ³ /year	2016	2017	2018	2019	2020	2021	2022
Podhradí	29,723	27,468	28,704	28,016	28,244	28,142	26,934
Nová Ves	23,273	24,043	23,715	23,513	21,598	22,061	22,174
Vyšní Lhoty	5,800	5,705	5,167	5,376	4,860	4,867	4,747
Local sources	3,240	3,190	3,143	3,139	2,690	2,484	2,909
Total	62,036	60,406	60,729	60,042	57,392	57,554	56,764

DISTRIBUTION OF DRINKING WATER

Throughout the year 2022, the drinking water was supplied continuously, meeting the quality and quantity required by the customers for the drinking water. If compared with the last two years which were negatively affected by the COVID 19 pandemics, the operation ran almost in a normal way without any major restrictions.

As of 31 December 2022, SmVaK operated 5,141 water networks incl. 141,805 services pipes, 353 water reservoirs and 225 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 the previous year, the volume of billed water saw a decreased by 0.441 million m³ year-to-year. In case of households, the drop in consumption was rather considerable (down by 1.016 million m³ against the previous year). Regarding the other customers, the consumption increased (up by 0.575 million m³ against the previous year).

In case of bulk water, the quantity of water supplied to third-party water companies increased by 0.418 million m³ if compared with the same period in 2021. Households and other customers were sold 22.593 million m³ and 9.37 million m³ of drinking water, respectively.

Water production and supply in units of volume

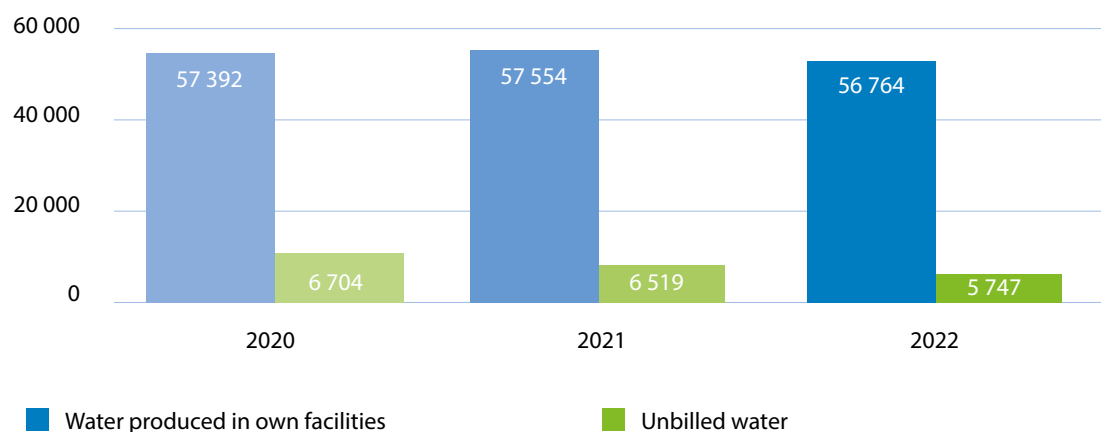
Indicator	Unit	2020	2021	2022
Water produced in own plants	thousand m ³	57,392	57,554	56,764
Bulk water taken from third-party water companies	thousand m ³	77	80	75
Bulk water supplied to third-party water companies	thousand m ³	18,461	18,711	19,129
Water produced for use by direct consumers	thousand m ³	39,008	38,923	37,710
Billed water	thousand m ³	32,304	32,404	31,963
of which: households		23,441	23,609	22,593
others	thousand m ³	8,863	8,795	9,370

In 2022, the volume of unbilled water decreased slightly from 6.519 million m³ down to 5.747 million m³, i.e. by 0.772 million m³.

The year 2022 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 sales amounted to CZK 90.127 million.

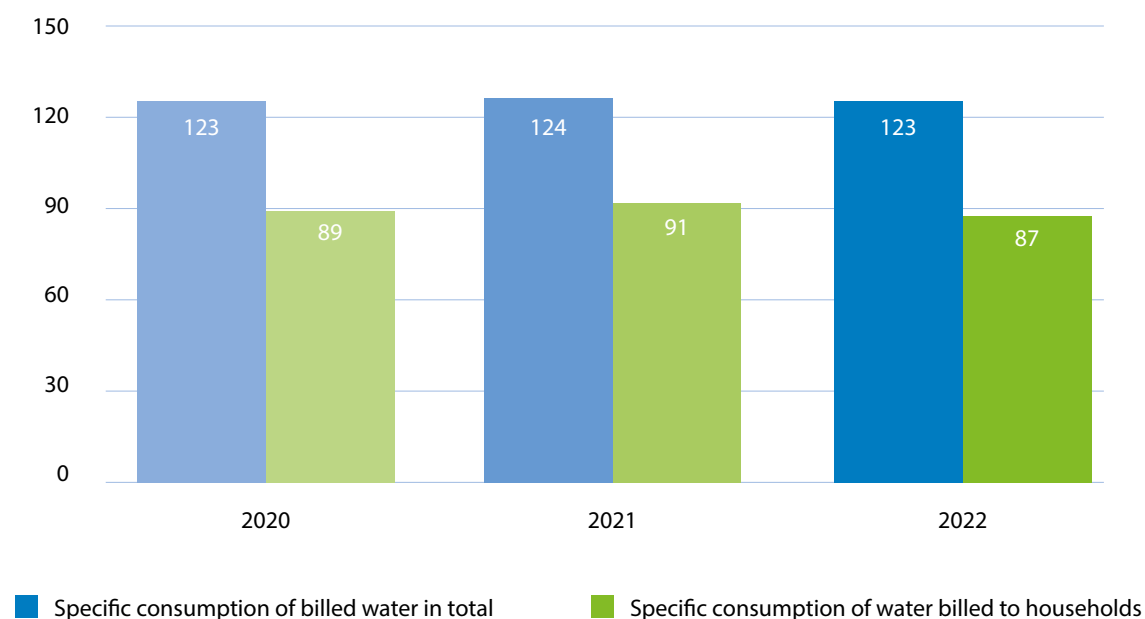
GENERAL INFORMATION ABOUT WATER NETWORKS

Production of water and related indicators in ,000 m³



Indicator	2020	2021	2022
Number of residents connected to Company's system	721,469	714,164	711,264
Number of water supply networks for public consumption	130	130	130
of which: group pipelines	55	55	55
Length of water supply network (km)	5,099	5,120	5,141
Number of water service pipes	138,350	140,030	141,805
Length of water service pipes (km)	770	770	770
Number of installed water meters	140,428	142,138	143,946
Number of water meters replaced per year	19,219	21,240	22,154
Number of fixed-tariff water off-takes	1,573	1 540	1,503
Number of pumping/re-pumping stations	221	223	225
Number of water treatment plants	46	47	44
Number of water reservoirs	358	357	353
Volume of water reservoirs (m ³)	389,424	388,124	385,214

Specific consumption of water (in litres per capita per day)



Specific water consumption per capita/day in 2022 amounted to 123 litres for total billed water and 87 litres for billed water supplied to households. Total specific billed water consumption decreased by 1 litre compared to 2021; specific water consumption billed to households increased by 4 litres per capita/day compared to 2021.

OPERATION OF SEWAGE SYSTEMS

In 2022, the Company operated sewage networks in 81 municipalities and cities in the Moravian-Silesian Region and in Velké Losiny in the Olomouc Region in the total length of 1,914 km. 478,685 people were connected through connection pipes to the sewage system.

The sewage network included 191 pumping stations transporting wastewater from low areas to gravitation sewage pipelines fitted with wastewater treatment plants at the end of each pipeline. In 2022, a total of 26.397 million 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 78 plants, of which 76 are mechanical/biological wastewater treatment plants and 2 mechanical wastewater treatment plants. Their overall capacity is 263,163 m³ per day, which means 958,324 population equivalents (PE).

The quantity of wastewater drainage from households and industry saw a slight decrease as compared to 2021. The proportion of wastewater treated in sufficient efficiency facilities did not change substantially. During the reviewed period, a total of 43.388 million m³ of wastewater was treated in all wastewater treatments plants, of which 43,372 million m³ was in sufficient efficiency facilities.

The operation of sewage networks and wastewater treatment plants continued smoothly in 2022 without any major breakdowns or accidents.

During 2022, a number of constructions were performed on sewage networks. The most significant are as follows:

- Třinec, the 1 máje street – reconstruction of the "A" sewer
- Jablunkov, the Sadová, Příčná, Školní streets – reconstruction of the "AO", "AO4", "AO5" sewers
- Jablunkov, Za Učilištěm street, building #416 - reconstruction of the "AO3"
- Vratimov, the Křivá, Ovocná street – reconstruction of the "BB2, BB21" sewers
- Karviná - Fryštát, the Karola Šliwky street – reconstruction of storm water chambers in "OK1 beta B", "OK1 beta C" and "OK1 beta E"
- Orlová, the Okružní, F. S. Tůmy, Ke Studánce, Žofinská streets – reconstruction of the sewage pumping station
- Karviná - Nové Město, the Erbenova and Haviřská streets - reconstruction of the sewage system
- Český Těšín, the Divadelní street reconstruction of the "Gd3" sewer
- Bohumín-Skrečoch, the Myslivecká street – reconstruction of the "betaAj5", "beta Aj6" and "beta Aj7" sewers
- Orlová-Poruba, the Sadová street, building #834 – reconstruction of the "AV" sewer
- Petřvald, the Závodní street – reconstruction of the "AIX" and "O1 AIX" sewers
- Haviřov-Město, the Na Nábřeží street – reconstruction of the "C" sewer
- Kopřivnice, the Bezručova, Masarykovo náměstí streets – reconstruction of the sewage system
- Štramberk, the Dolní, Zauličí street – reconstruction of the "A" and "AH" sewers
- Nový Jičín, the Dolní Brána, 5. května streets – reconstructions of the "AE-1" and "AE-1-7" sewers
- Nový Jičín, the Revoluční, Nerudova, and Zborovská streets - reconstruction of the sewage system
- Opava, the Otická, Vaškovo náměstí streets – reconstruction of the "AK" sewer
- Opava, the Mírová street – reconstruction of the "AK-6.5" sewer

The projects implemented and launched in the area of wastewater treatment in 2022 focused on the renovation of facilities, improving the safety of wastewater treatment facilities, and enhancing the optimisation of technology processes:

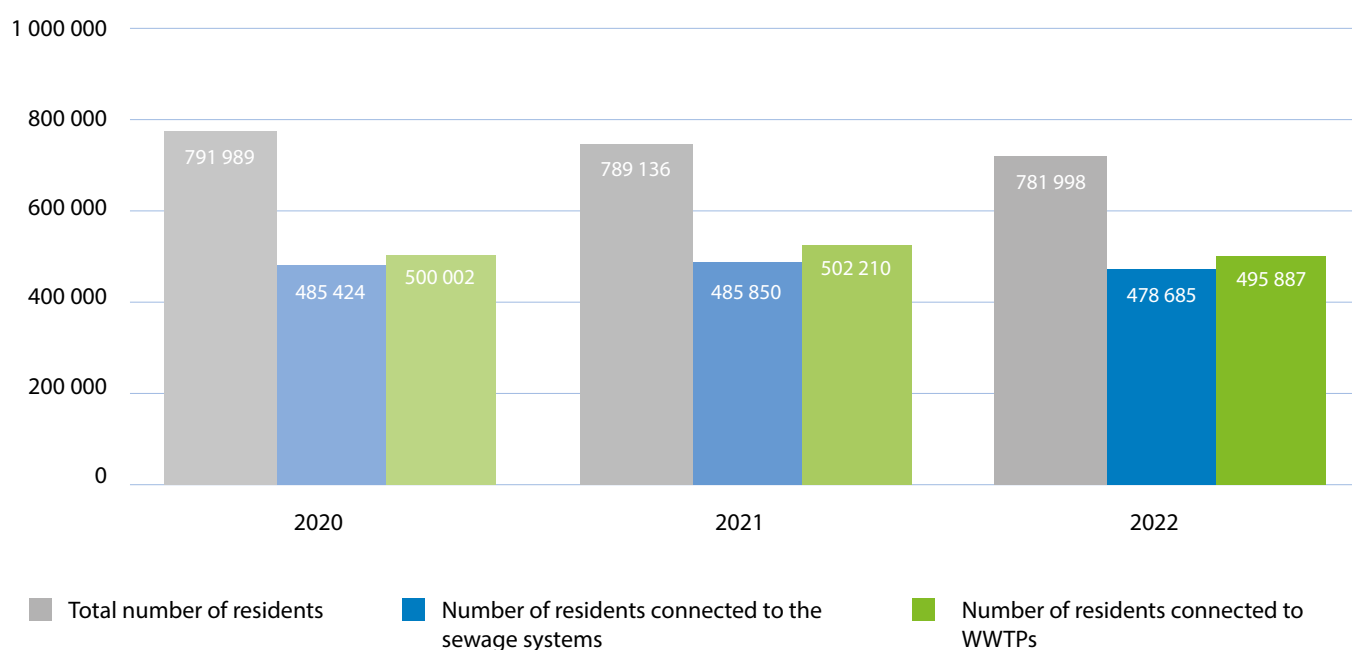
- WWTP Frýdek-Místek – improving the safety of the facility
- WWTP Třinec – improving the safety of the facility
- WWTP Frýdek-Místek – reconstruction of the automated station
- WWTP Haviřov – reconstruction of the dumping unit for stabilised sludge from the storage tank
- WWTP Karviná – reconstruction of roofs in the service building and garages
- WWTP Nový Jičín – improving the safety of the facility

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

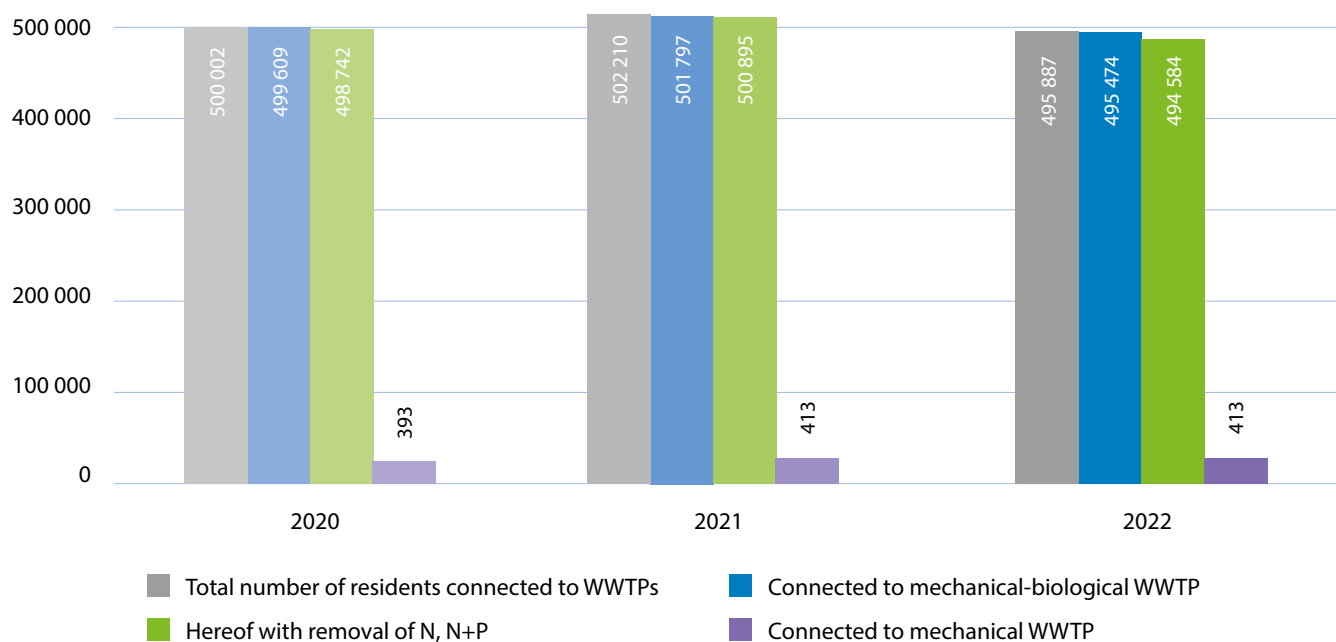
General information about sewage systems and wastewater treatment plants

Indicator	Unit	2020	2021	2022
Number of residents connected to sewage systems for public needs	Number	485,424	485,50	478,685
Number of municipalities where sewage system for public needs is available	Number	80	80	81
Wastewater treatment plants	Number	75	76	78
Capacity of wastewater treatment plants	m ³ .d ⁻¹	262,140	263,394	263,163
Length of sewage systems	km	1,872	1,912	1,914
Number of sewer connection pipes	Number	55,280	56,858	56,940
Quantity of wastewater discharged into sewage systems for public needs (excluding billed rain water)	thousand m ³	22,957	23,262	22,708
of which treated wastewater	thousand m ³	22,687	23,239	22,465
Quantity of treated wastewater (including rain water)	thousand m ³	55,180	50,800	43,388
Sludge produced in wastewater treatment plants per year (in 100% dry mass)	t.y ⁻¹	10,034	10,252	9,792

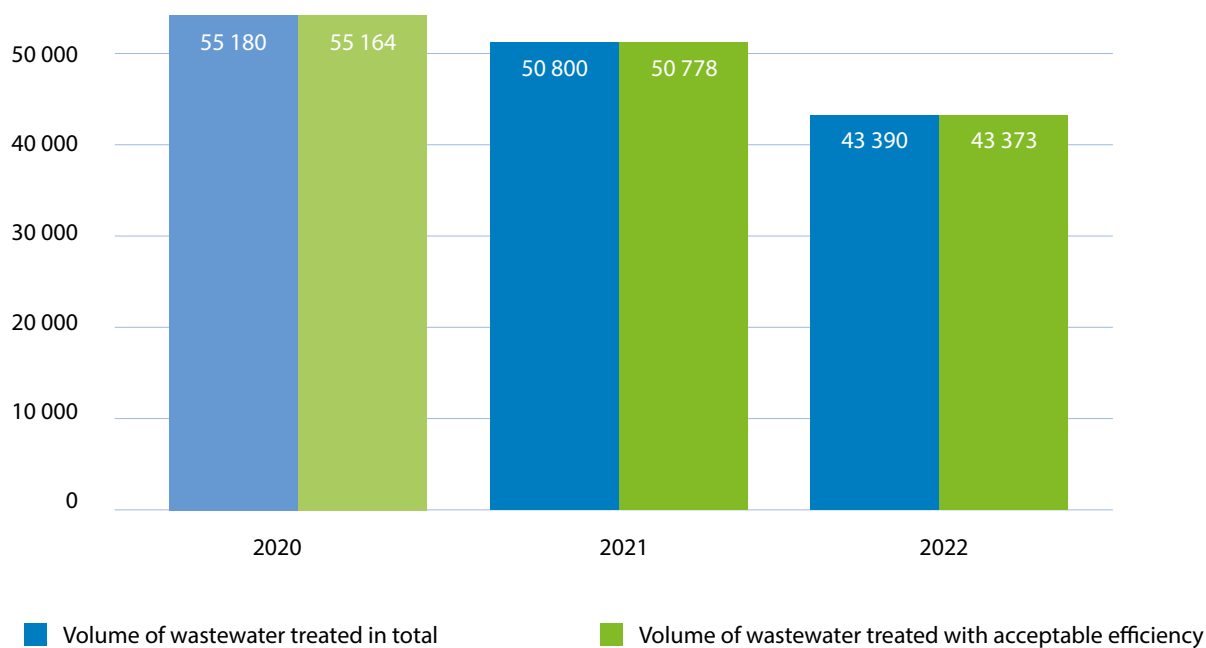
Number of residents connected to the sewage systems for public needs and to wastewater treatment plants



Number of residents connected to WWTPs by degree of wastewater treatment



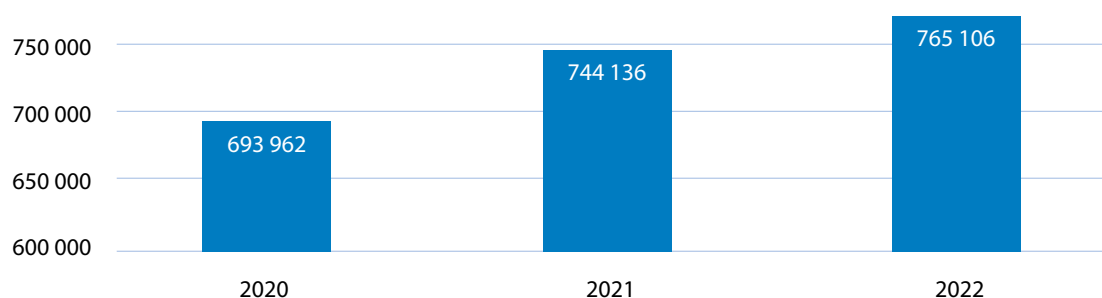
Volume of wastewater treated with acceptable efficiency (,000 m³/y)



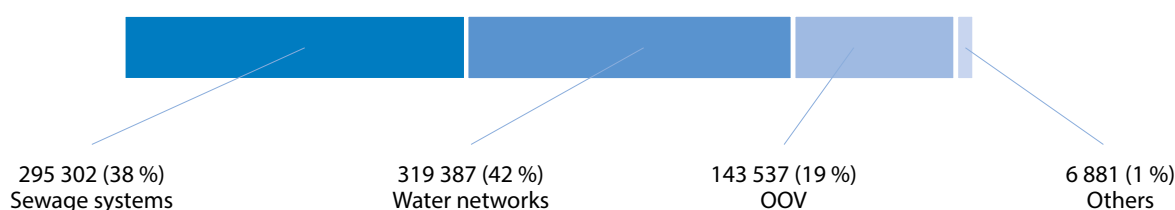
INVESTMENT PROJECTS AND REPAIR OF TANGIBLE ASSETS

The cost of investment projects and supplies in 2022 exceeded CZK 765 million.

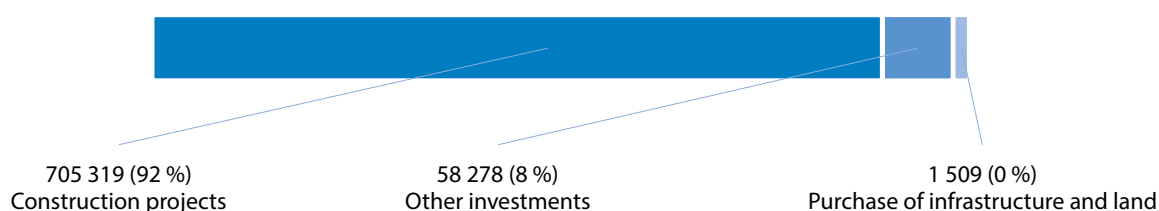
OVERVIEW AND STRUCTURE OF INVESTMENTS IN 2022, CZK ,000



Investments by industries, CZK ,000



Investments by categories, CZK ,000



SUMMARY AND STRUCTURE OF INVESTMENTS IN 2022

Major investment projects implemented and completed in 2022

Name of the investment project	Expenses in ,000 CZK
The water conduit from Krásné Pole to Karviná – securing the bridge steel structure across the Odra River in Antošovice	9,483
Deacidification station in Hněvošice – repairs of drill bores HV1 and HV2, reconstruction of telemetry and level measurement in drill bores	3,719
Raškovice – replacement of the water supply	5,889
Petřvald, the Vodárenská and Šumbarská streets – replacement of the water pipeline, stage 2	12,989
Odry, Ke Koupališti, Zahradní, and Hranická streets – replacement of the water pipeline	17,189
Podvihov, the Na Nové street – construction of the automated station and water supply	17,227
Podlesí – replacement of a water supply (stages 1 and 2)	19,057
Malé Hoštice, the Opavská, Sportovní, V Zátíši, Školní streets – reconstruction of the water pipeline	20,863
Vratimov, the Křivá, Ovocná street – reconstruction of the “BB2” and “BB21” sewers	9,256
Installation of measurements for relieve water in WWTP	32,593
Jablunkov, the Sadová, Příčná, Školní streets – reconstruction of the “AO”, “AO4”, “AO5” sewers	12,004
Petřvald, the Závodní street – reconstruction of the “AIX” and “O1 AIX” sewers	8,786
Nový Jičín, the Dolní Brána, 5. května streets – reconstructions of the “AE-1” and “AE-1-7” sewers	11,036
Nový Jičín, the Revoluční, Nerudova, and Zborovská streets – reconstruction of the sewage system	17,577
Opava, the Otická, Vaškovo náměstí streets – reconstruction of the “AK” sewer	19,022

Major investment projects commenced or implemented in 2022

Name of the investment project	Total in CZK ,000	2022 In CZK ,000	2023 onwards in CZK ,000
WTP in Nová Ves – repair of technology and automated control system	134,493	1,205	1,762
Water conduit, DN 500 Záhumenice - Bělá – reconstruction of a water pipeline, stage 2	88,413	37,780	50,633
Water treatment plant in Vyšní Lhoty – reconstruction of technologies and upgrade of the automated control system	130,670	5,997	124,673
Water treatment plant in Odry – repair and reconstruction of the building and technology	29,336	27,395	1,941
Water reservoir in Životice – repair and reconstruction of the storage tank and water reservoir – refurbishment of the reinforced concrete structure	20,675	10,019	10,656
Reconstruction of the Třinec Centre site	19,999	8,436	11,563
Bohumín - Skřečoň, the Myslivecká street – replacement of a water supply	9,425	8,064	1,361
Sedlnice - Bartošovice – replacement of a water pipeline	39,008	15,121	23,887
The Melč water supply system – replacement of water pipelines (stages 1 and 2)	39,950	25,903	14,047
Wastewater treatment plant in Kozlovice – reconstruction of the biological treatment unit and sludge processing facility	30,860	10,573	20,287
Bohumín-Skřečoň, the Myslivecká street – reconstruction of the "betaAj", "beta Ajl" and "beta Aj2" sewers	26,126	21,646	4,480
Wastewater treatment plant in Albrechtice – reconstruction and repair of the technology and structures	21,920	10,054	11,866
Opava, the Rolnická street – reconstruction of the "DD" sewer	20,878	11,600	9,278

Investments in operating assets in 2022

Name of the investment project	Investment made in 2020, CZK ,000	Investment made in 2021, CZK ,000	Investment made in 2022, CZK ,000
Cars and trucks (including leased vehicles)	35,219	32,635	19,836
Special vehicles, accessories, trailers	5,421	85	508
Pumps	2,257	2,849	4,668
Hand-held tools	398	165	0
Mechanisms	1,494	129	1,175
Water meters	4,633	9,109	8,439
IT	12,193	8,262	4,490
Others	10,609	18,863	19,162

MAJOR INVESTMENTS IN PAST YEARS

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, the important completed investments included the reconstruction of water mains in Stará Ves (Na Závodi 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 significantly reduced 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 the Kopřivnice WWTP and the extension of the degree of biological treatment and sludge management in the 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 was planned to be completed at the beginning of 2022, was the 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 the WWTP Kopřivnice and extension and intensification of the 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 in 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.

MAJOR PROJECTS COMMENCED OR COMPLETED IN 2022

The most important project commenced in Ostrava Area Water Supply Network that was completed in 2022 was the reconstruction of the pipe bridge that cross the Odra River in Antošovice. Other major investment projects included the completed reconstruction of technology units and automated control system in the water treatment plant in Nová Ves and ongoing reconstruction of technology units in the deacidification station in Jakubčovice.

Extensive reconstruction projects which were commenced in 2022 included the reconstruction of major water reservoirs in Karviná-Ráj and Havířov-Životice, reconstruction of the technology and automated control system in the water treatment plant in Vyšní Lhoty, reconstruction of the water treatment plant in Odry, and reconstruction of the feeder, Záhumenice-Bělá. Investments were also made into protection of the facilities.

Regarding the drinking water supplies, important projects included the reconstruction of the water pipeline in Raškovice and completion of the water supply in the Petřvaldská and Šumberská streets in Petřvald. In Odry, we completed reconstruction of the water pipeline in the Ke Koupališti, Zahradní and Hranická streets. In the Opava Region, we modernised the water supplies in Podvihov and Podlesí. Major construction projects that were started in 2022 and are planned to be completed in 2023 include reconstruction of the water supplies in Melč and Vítkov-Klokočov. Other major projects included reconstruction of the water supply in Sedlnice and reconstruction of the water reservoirs in Nový Jičín and Vítkov.

Regarding the discharge and treatment of wastewater, the most important project was installation of metering systems for relief water in wastewater treatment plants in locations where SMVaK Ostrava operates.

Major reconstructions of the sewage systems were carried out in Vratimov (the Křivá and Ovocná streets), in Nový Jičín (the Dolní Brána, Revoluční, Nerudova and Zborovská streets), and in Opava (the Otická and Vaškovo náměstí streets). In 2022, extensive reconstruction of the wastewater treatment plants started in Kozlovice and Albrechtice u Českého Těšína. Completion is scheduled in 2023.

In many locations the Company used synergies and coordinated its investment projects with other entities, in particular with the municipalities. For instance, a major part of renewal of the road after reconstruction of the water supply in Kopřivnice was paid by the Municipality of Kopřivnice.

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 2022, the modernisation of the technological part and the automated control system in the water treatment plant in Vyšní Lhoty was launched. This extensive construction project will be completed in 2025. In 2023 it is planned to complete the reconstruction of the technology and building structures of the water treatment plant in Odry.

Ensuring security in the premises of water treatment plants and components of water infrastructure is also of strategic importance. With regard to the feeders, the scheduled exchange of parts in an unsatisfactory technical condition continued. In 2022, reconstruction started in the water conduit (DN 500, Záhumenice – Bělá). It should be completed in 2023.

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 2023, the extensive reconstructions of water reservoirs in Vítkov and Puntík u Nového Jičína will continue.

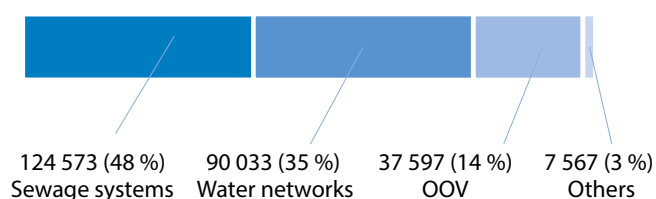
SEWAGE SYSTEM AND WASTEWATER TREATMENT PLANTS

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 2023, the Company will complete a project of the first of the planned sludge dryers in the region.

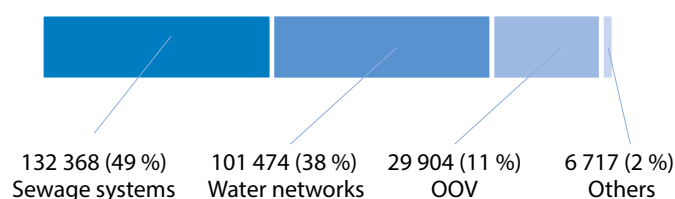
REPAIR OF TANGIBLE ASSETS

In 2022, 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. Repair and maintenance work performed by subcontractors amounted to CZK 259.77 million in 2022, which represents a decrease of 9.8% against the plan.

Repairs in 2022 in CZK ,000 by industries



Repairs in 2021 in CZK ,000 by industries



Key repairs performed in 2022

Name	Total in CZK ,000
Water reservoir in Životice – repair and reconstruction of the storage tank and water reservoir - refurbishment of the reinforced concrete structure	14,676
Water reservoir in Karviná-Ráj – repair and reconstruction of water proofing in the valve chamber storage chamber in the water reservoir	8,170
Water reservoir in Kojkovice – refurbishment of the structure	2,831
Water reservoir in Salaš 2 x 1500 m ³ – refurbishment of the facility	3,808
Water reservoir in Puntík - 2,500 m ³ – refurbishment of the structure	12,441
Water reservoir in Vítkov 200 m ³ – refurbishment of the structure	4,492
WWTP Havířov – repair of equipment in the digestion tank in VN-2	7,736

IMMOVABLE ASSETS

The Company owns immovable assets in the following values:

	2020 in CZK ,000	2021 in CZK ,000	2022 in CZK ,000
Buildings, net value	6,413,437	6 900,569	6, 944,283
Land	166,356	167,683	167,704

Most buildings owned by the Company are the fixed 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

In 2022, the key objectives included again improvements in security and reliability of information systems and compliance with cyber-security requirements in line with rules and regulations issued by NÚKIB (National Cyber and Information Security Agency).

IT Department continued working on a development project aimed at better protection of Company's facilities. Replacement of existing end equipment with new one continued: the new one meets all required technical parameters. A new Customer Information System was implemented. It meets the security requirements, provides an improved user interface for employees, and the customer can use options which are in line with up-to-date trends in customer care.

An archiving system was put into operation: it makes it possible to search for documents in file services and use full-text search there.

The Wi-Fi connection in the registered office in Ostrava-Mariánské Hory was modernised and updated.

The e-learning system for employees went live.

A tender was organised in order to prepare prerequisites for start of the Security Operations Centre ("SOC") which will provide security monitoring of the infrastructure in accordance with the NÚKIB recommendations.

Security services for the DNS servers was put into operation.

In the half of the year, there was a tender for a new phone service providers.

We have managed to complete the first significant steps towards digitised processes: we launched the first stage of the Document Management System ("DMS").

Since the autumn 2022 the service is used as protection against DDos attacks. The pilot project has been completed which should protect the technology systems.

Centralisation of data flow started between the offices/centres and the headquarters. Once the centralisation is completed, the security will improve.

We started preparing introduction of the general printing solution where the objective is to increase the quality and reduce the price. It is also requested to reduce the environment, energy, and carbon trace loads for operation of the printers.

In 2023, it is planned to modernise the server where security applications run and to replace key switches in Ostrava-Mariánské Hory as well as in regional centres and operation sites. The objective is increase availability, reliability and security. A new web interface is being developed now: it will include a new portal for employees and customers.

Every effort will be made to identify, analyse, evaluate and implement the solution that will reduce impacts of inflation on performance of the information and communication infrastructure so that the infrastructure could keep developing and increasing its quality.



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 aware of its responsibility for the region where it operates.

The concept of the social responsibility and sustainable development is an integral part of SmVaK Ostrava's existence – it passes through all its activities and it based on four piers: Corporate Governance, People, Environment and 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 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)

EN ISO 50001:2018 (Energy Management System)

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

In June 2022 SmVaK Ostrava passed successfully the recertification audit for the Energy Management System. It was also successful in the external surveillance audit for the Quality Management System, Environment Management System and Occupational Safety and Health Management System.

HUMAN RESOURCES

As the Company is fully aware of the significance of qualified and motivated employees for its operation and further development, it pays great attention to human resources. In 2022, labour relations were in compliance with the Labour Code and the applicable collective bargaining agreement (in force for the 2022-2024 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	2022
Blue collars	555	555	552	542	544	548	548
White collars	313	305	311	313	311	313	324
Total	868	860	863	855	855	861	872

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 2022, 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. Almost-incidents are identified and preventive measures are defined. 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 (or close to roads); 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 2022, six 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 (or work close to roads), 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 2022, 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. Managers organised talks with employees on occupational health and safety 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.

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 well in advance 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 2022 the Company launched new educational programmes, for instance, the individual plans that helped to educate and develop the talents inside the Company, and trainings relating to staff health. In line with the program of the Integrated Management System, the employees may choose to be vaccinated against hepatitis and tick encephalitis.

In 2022 the Company provided 4,753 hours of training. This represents 24.9 hours of training per employee per year (+3.4 hour per person). In the first half of the year, 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 (such as the Jánský medal or commemorative crosses for blood donors).

For employees who meet certain criteria, the Company pays the 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 reno-

vate 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 locations where the water tanks, water treatment plants and wastewater treatment facilities are located, 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.).

In 2022 we started working with the Nature Protection Agency, Levrekův ostrov, which operates in the Hlučín region. It focuses, among others, on nature-like recovery of sites which were affected by intensive industrial or agricultural activities, on revitalisation of orchards, and on introduction of bio-diversity components into the landscape. Locations have been mapped and identified which are owned by SmVaK Ostrava: in 2023, nature protection projects will be launched there.

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 ČSNISO 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 wishes 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 2022, the Company also passed successfully the another recertification audit. The implementation of this standard entails monitoring the energy management 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 regular monitoring of energy consumption, a pursuit of savings in energy consumption and a gradual optimisation of the efficient use of all types of energy in the Company.

In order to generate and use more electricity from renewable resources, in 2022 we started construction of a new photocell power plant on the roof the office building in Ostrava. Its output is 19.8 kWp and it will be put into operation in 2023. Everything produced by the photocell power plant will be consumed within the Company's office building.

Aiming at permanent reduction of the carbon trace and minimising the environmental impacts, five electric vehicles were bought in 2022 – they are used by the company employees, and electricity for vehicles will be taken, among others, from the photocell power plant.

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 2022, the Company's facilities using renewable energy sources generated 9,768 MWh of electricity.

Small hydroelectric power plants installed within the Ostrava Area Water Supply Networks generated 4,860 MWh, of which 1,746 MWh were sold to the ČEZ Distribuce distribution network and the Pražská energetika trader, and the remaining 3,063 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 4,908 MWh of electricity, of which 3,994 MWh were allocated for powering the operation of technological equipment, 79 MWh were supplied to the ČEZ Distribuce network, and 835 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 that work 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 past two years the 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. In the first half of 2022, the situation started coming back to normal and activities of the municipalities and non-profit organisations which the Company has been supporting for a long time could resume normally.

SmVaK Ostrava plans to support the non-profit sector in our region even more in the future.

The Company is a major employer in the region. Given that its annual investments in the water infrastructure is about one billion Czech Crown, the Company indirectly provides jobs for hundreds of employees of its contractors.

WE ARE IN THIS TOGETHER!

In 2022, the seventh year of the grant programme for active employees entitled "We are in this together" saw support provided to 18 projects of the non-profit organisations in which the Company's employees are involved in their free time and generally free-of-charge. The support amounted to CZK 0.25 million. Considering the economic situation (inflation and higher costs), it was decided to increase the amount up to CZK 0.3 for the year 2023.

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.

The Company continues to run the successful programme – in December 2022, it announced a call for proposals for projects to be implemented in 2023.

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 2020 and 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 situation got back to normal and the both games were organised in schools with the same intensity as in pre-coronavirus times. The time when the schools were operating in a limited scope was used to update the game programme.

PERSONS RESPONSIBLE FOR VERIFICATION OF FINANCIAL STATEMENTS:

In 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

In 2021 Ernst & Young Audit, s.r.o.
Auditor's name: Jiří Křepelka
Certificate No.: 2163
Audit date: 2021 Financial Statements, 13 April 2022

In 2022 Ernst & Young Audit, s.r.o.
Auditor's name: Jiří Křepelka
Certificate No.: 2163
Audit date: 2022 financial statements, 28 March 2023

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.

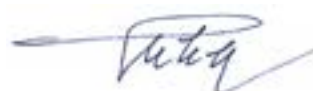
CLOSING STATEMENT

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 22 February 2023



Miroslav Kyncl
Vice-Chairman of the Board of Directors



Vladimír Slivka
Member of the Board of Directors

THE SUPERVISORY BOARD'S STATEMENT WITH RESPECT TO THE REGULAR FINANCIAL STATEMENTS FOR THE ACCOUNTING YEAR 2022, ANNUAL REPORT FOR THE ACCOUNTING PERIOD 2022 AND RESULTS OF THE REVIEW OF THE REPORT ON RELATIONS FOR THE ACCOUNTING YEAR 2022

Declaration of the Supervisory Board regarding the Financial Statements for 2022, Annual Report for 2022 and the result of the review of the Report on Relations for 2022

In accordance with Clause 24 (2) (a) and (b) of the Articles of Association the Supervisory Board of the Company reviewed the regular Financial Statements of the Company for the accounting period 2022. The report about the results of the review was discussed by the Supervisory Board at its meeting on 3 March of 2023 and within the decision per rollam,

The Supervisory Board states:

1. The Supervisory Board discussed and reviewed the regular Financial Statements of the Company for the accounting period 2022. When being reviewed no facts were revealed which would indicate that some data included in the regular Financial Statements for the accounting period 2022 might be incorrect or incomplete.
2. No conflict with generally binding legal regulations, Articles of Association or resolutions of the General Meeting was found in the activities of the Company.
3. The Supervisory Board did not identify any case where the Board of Directors would have acted contrary to the law, Articles of Association or resolutions adopted at the General Meeting.
4. The Report on Relations between Related Parties was correctly drawn up and is in line with the requirements of the Act on Business Corporations (Section 82). The data in the Report is based on information about related parties included in the regular Financial Statements of the Company for the accounting period 2022.

Based on these findings, the Supervisory Board submits to the General Meeting in accordance with Section 447 (3) of the Act no. 90/2012 Coll. this declaration with a recommendation for approval of the regular Financial Statements of the Company for the accounting period 2022.



Lukáš Ženatý
Chairman of the Supervisory Board

16.

AUDITOR'S REPORT



(Translation of a report originally issued in Czech - see Note 2 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

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

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 2022, 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 2022, 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.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, 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.

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 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 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.

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



Jiří Křepelka, Auditor
License No. 3163

28 March 2023
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 22 February 2023.



Miroslav Kyncl
Vice-Chairman of the Board of Directors



Anatol Pšenička
Managing Director



Vladimír Slivka
Member of the Board of Directors



Halina Studničková
Chief Financial Officer

FINANCIAL STATEMENTS

for the period of 2022
including the annex



1. BALANCE SHEET AS OF 31 DECEMBER 2022

Assets (in ,000 CZK)	See Chapter in the Annex	As of 31 Dec 2022 (in CZK ,000)	As of 31 Dec 2021 (in CZK ,000)
ASSETS IN TOTAL		9,383,381	9,259,926
Fixed assets		8,755,205	8,420,692
Intangible assets	4.1.1.	53,734	57,652
Property, plant and equipment	4.1.2.	8,367,865	8,034,005
Assets for sale	4.1.4.	0	4,924
Rights to use the assets	4.1.3.	333,606	324,111
Current assets		628,176	839,234
Inventory	4.2.1.	18,148	16,054
Other receivables	4.2.2.	25,025	28,377
Receivables relating to income tax	4.11.	2,018	0
Unbilled water and sewage tariffs	4.2.3.	335,700	271,046
Trade receivables	4.2.4.	120,626	117,163
Cash and bank accounts	4.2.5.	126,659	406,594

LIABILITIES (in ,000 CZK)		As of 31 Dec 2022 (in CZK ,000)	As of 31 Dec 2021 (in CZK ,000)
LIABILITIES IN TOTAL		9,383,381	9,259,926
Equity		2,540,153	2,103,809
Registered capital	4.3.	1,296,909	1,296,909
Retained profit		1,243,244	806,900
Long-term payables		6,004,343	913,029
Reserves	4.4.	19,715	25,117
Payables with respect to lease	4.6.	308,060	297,642
Payables - the controlling entity	4.8.	5,062,000	0
Deferred tax liability	4.9.2.	614,568	590,270
Short-term payables		838,885	6,243,088
Reserves	4.4.	1,549	4,136
Trade payables and other payables	4.5.	800,134	743,063
Payables with respect to lease	4.6.	36,369	29,142
Bank loans and issued bonds	4.8.	0	5,458,726
Payable income tax	4.11.	0	8,021
Payable value added tax		833	0

2. COMPLETE STATEMENT FOR THE YEAR ENDING 31.12.2022

	See Chapter in the Annex	2022 (in CZK ,000)	2021 (in CZK ,000)
Income from water tariffs and sewage charges	4.10.	2,839,327	2,723,915
Other operating income	4.11.	133,984	151,798
Consumption of materials and energies	4.12.	(585,220)	(534,158)
Personnel costs	4.13.	(587,534)	(557,041)
Depreciation	4.1.1, 4.1.2. a 4.1.3.	(489,977)	(463,220)
Other operation expenses	4.14.	(599,477)	(602,341)
Increase/decrease in reserves and temporary reduction in value of assets	4.15.	7,799	10,829
Income from operation		718,902	729,782
Interest and other financial income	4.16.	14,600	688
Interests and other financial expense	4.16.	(190,361)	(164,981)
Financial income	4.16.	(175,761)	(164,293)
Profit before taxation		543,141	565,489
Income tax	4.9.	(106,797)	(110,829)
Profit after taxation		436,344	454,660
Comprehensive profit after tax for Company owners		436,344	454,660
Profit per share (in CZK):	3.16.		
Elementary profit		126.17	131.46
Diluted profit		126.17	131.46

3. CHANGES IN OWN CAPITAL AS OF THE YEAR ENDING 31.12.2022

	Registered capital in CZK ,000	Retained profit in CZK ,000	Own equity in total in CZK ,000
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
Profit/loss from 2022	0	436,344	436,344
Comprehensive profit after tax made in 2022	0	436,344	436,344
As of 31.12. 2022	1,296,909	1,243,244	2,540,153

4. CASH FLOW FOR THE YEAR ENDING 31.12.2022

	Period until 31 Dec 2022 in CZK ,000	Period until 31 Dec 2021 in CZK ,000
Cash at beginning of the period	406,594	463,275
Cash flow from main business (from operation)		
Profit on ordinary activities before tax	543,141	565,489
Adjustments for non-monetary operations	642,954	592,115
Depreciation of fixed assets	489,977	463,220
Increase/decrease in temporary value of assets and reserves	(7,799)	(10,829)
Profit/loss from sale of fixed assets	(14,481)	(23,815)
Paid and received interests	169,408	151,282
Adjustments for other non-monetary operations	5,849	12,257
Net cash flow from operation before increase/decrease in working capital	1,186,095	1,157,604
Increase/decrease in working capital	(96,979)	25,352
Increase/decrease in receivables and accrued assets	(64,758)	(39,384)
Increase/decrease in payables and accrued liabilities	(30,009)	64,368
Increase/decrease in stock	(2,212)	368
Net cash flow from operation before tax	1,089,116	1,182,956
Interests paid	(229,376)	(141,750)
Interest with respect to lease	(10,262)	(9,543)
Interests received	13,799	11
Paid income tax on ordinary activities	(92,538)	(80,938)
Net cash flow from operation	770,739	950,736
Expenses on acquisition of fixed assets	(706,925)	(725,586)
Income from sale of fixed assets	18,653	27,255
Net cash flow from investment	(688,272)	(698,331)
Instalments with respect to lease payables	(24,402)	(25,921)
Paid shares in profit	0	(283,165)
Payment for issued bonds	(5,400,000)	0
Income from intra-company loan	5,062,000	0
Net cash flow from financial transactions	(362,402)	(309,086)
Net change in cash	(279,935)	(56,681)
Cash at the end of the period	126,659	406,594

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1. GENERAL INFORMATION

1.1. INCORPORATION AND CHARACTERISTICS OF THE COMPANY

Severomoravské vodovody a kanalizace Ostrava a.s. ("the Company") was founded by an entry into the Commercial Register on 1 May 1992. Company's ID is 45193665. It is a joint-stock company.

Below are the 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., issued the decision under Ref. 8/2019 on 28 August 2019, and the securities were removed from the trading system as of 20 September 2019.

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

Structure of shareholders as of 31 December 2022 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 AND CORPORATE CULTURE

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 2022 the Company does not own any share in any other company.

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

In 2022 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:

- **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 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)"** modifications of IFRS 1, IFRS 9, IFRS 16 and IAS 41,
- **Modifications of IFRS 9 Financial Instruments** – fees in the '10 per cent' test for derecognition of financial liabilities

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),
- **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 2023 or later),
- **Modifications of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** – definition of accounting policies and accounting estimates (in force for the reporting period starting 1 January 2023 or later),
- **Modifications of IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2** – disclosure of accounting policies (in force for the reporting period starting 1 January 2023 or later),

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 22 February 2023.

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 reporting 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	1.5 to 5.15
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 that standard, the Company distributed 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 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. INVENTORY

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 the 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, the 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 8 % of the nominal value of such receivable (5% in 2021). If the receivables are overdue for more than 180 days but less than 365 days, the temporary reduction in the value is 86% of the nominal value of such receivable (54% in 2021). 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 2021).

For the temporary reduction of the value the method above is used 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 AND IN-GROUP LOAN

The Company issued registered bond certificates. The bonds were traded in at the main market of Burza cenných papírů in Prague. Based on the Board of Directors' decision from 27 April 2022 the bonds and relating interest were in accordance with the prospectus repaid early, on 29 June 2022. The financial sources for repayment were provided by parent company AQUALIA CZECH S.L., based on agreement to provide an in-group loan signed on 12 May 2022. Pursuant to the agreement, the Company was provided on 14 June 2022 CZK 5.4 billion for repayment of the bond issue. In June and July 2022 a part of the loan (CZK 338 million) was repaid. As of 31 December 2022 the balance to be paid is CZK 5.062 billion. The loan matures on 12 May 2025. It bears a fixed interest rate of 3.67 per cent per annum. The loan is booked in nominal value of the amount due. The interest is paid quarterly.

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 similar situations. The 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 valuated 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 2022 the deferred tax was converted with respect to the tax rate applicable in 2023. This conversion was made for all temporary differences (19 % which is same as in 2021). 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 solidarity water tariff and sewage charge were set in line with the applicable price assessment issued by the Czech Republic's Ministry of Finances under Ref. 01/VODA/2022 on 12 July 2021 as No. 02/VODA/2022 of 23 November 2021.

Contingent assets with respect to the water tariff and sewage charge for water supplied or wastewater discharged in 2022 which will be billed in 2023 were calculated using the average data read off during the past invoicing period per day multiplied with the number of days when such services were provided from the last meter reading until 31 December 2022. For the purpose of contingent asset calculation, the actual development of water and sewage invoicing compared to last year as well as information about water production in 2022 were considered. 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. 1.9 % 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)	2022	2021
Profit made in the current period	436,344	454,660
Average number of shares during the period	3,458,425	3,458,425
Profit per share (basic and diluted profits)	126.17	131.46
Share in profit per 1 share	To be decided by the sole shareholder acting in the capacity of the general meeting	0

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. 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
Increase	10,630	4,723	6,440	21,793
Decrease	(171)	0	(15,354)	(15,525)
As of 31. 12. 2022	266,263	44,933	9,529	320,725
ADJUSTING ENTRIES				
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)
Depreciation per year	(8,682)	(1,675)	0	(10,357)
Eliminated upon retirement	171	0	0	171
As of 31. 12. 2022	(256,023)	(10,968)	0	(266,991)
BOOK VALUE				
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
As of 31. 12. 2022	10,240	33,965	9,529	53,734

In 2022 the Company acquired the non-tangible assets at CZK 128 thousand – they were posted directly as expenses (2021: CZK 99 thousand).

The reason for such increase in the non-tangible accounts is the extension of SW Moment, SW EIS, purchase of new software for GIST investment and DMS app.

In 2022, CZK 10.357 million was posted in the complete profit and loss account as depreciation of intangible assets (2021: CZK 11.846 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. 2020	166,356	14,306,517	2,527,452	867	608,462	17,609,654
Transfer into rights to use	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
Transfer into assets for sale						
Increase	246	379,274	165,505	0	810,459	1,355,484
Decrease	(225)	(10,541)	(28,386)	0	(568,155)	(607,307)
As of 31. 12. 2022	167,704	15,471,445	2,759,920	856	642,014	19,041,939
ADJUSTING ENTRIES AND REDUCTION IN VALUE						
Adjusting entries as of 31.12. 2020	0	(7,884,306)	(2,028,878)	0	0	(9,913,184)
Transfer into rights to use	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)
Transfer into assets for sale	0					
Depreciation per year	0	(333,711)	(110,725)	0	0	(444,436)
Eliminated upon retirement	0	8,805	21,393	0	0	30,198
Adjusting entries as of 31.12. 2022	0	(8,519,050)	(2,146,868)	0	0	(10,665,918)
Reduction in 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)
Transfer into assets for sale	0					
Creation	0	(113)	0	0	0	(113)
Withdrawal	0	0	34	0	0	34
Reduction in value as of 31. 12. 2022	0	(8,112)	(44)	0	0	(8,156)
BOOK VALUE						
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
As of 31. 12. 2022	167,704	6,944,283	613,008	856	642,014	8,367,865

Advances for acquisition of the fixed tangible assets are CZK 0.529 million (as of 31.12. 2021: CZK 0.902 million).

As of 31. 12. 2022, CZK 8.156 million was posted as the temporary reduction in value for fixed assets unused now and in the future (as of 31. 12. 2021: CZK 8.077 million).

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 2022, the tangible assets acquired by the Company which were posted directly as expenses were CZK 11.088 million (in 2021: CZK 10.328 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 2022, CZK 444.436 million was posted in the complete income statement as depreciation of the assets (in 2021: CZK 426.121 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 31.12.2022 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 this means CZK 184.276 million (as of 31.12.2021: CZK 196.287 million)). KAs of 31.12. 2022 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 2022. The subsidies received in previous years were posted as a decrease in acquisition price of Company's assets. In 2022, the depreciation is lower because the costs were reduced thanks to the received subsidy of CZK 9.44 million (in 2021: CZK 9.440 million).

Fixed assets under pledge

As of 31.12.2022, 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. 2022 (CZK ,000)	31. 12. 2021 (CZK ,000)
Buildings and constructions	291,298	259,668
Vehicles	41,956	59,260
Others	352	5,183
Total	333,606	324,111

	Buildings and constructions (CZK ,000)	Vehicles (CZK ,000)	Others (CZK ,000)	Total (CZK ,000)
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
Increase – new lease contracts	54,175	1,171		55,346
Terminated lease contracts			(10,667)	(10,667)
Depreciation	(22,545)	(18,475)	5,836	(35,184)
As of 31. 12. 2022 – IFRS 16	291,298	41,956	352	333,606

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.
- The water pipeline for Plzeňský Prazdroj (the brewery) is rented for 5 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. The recreational facility in Nová Ves was sold in 2022.

Recreational facility	Net book value as of 31. 12. 2022 (CZK ,000)	Net book value as of 31. 12. 2021 (CZK ,000)
Nová Ves	0	4,924
Total	0	4,924

4.2. CURRENT ASSETS

4.2.1. Inventory

The Company reduced the value of unused inventories: CZK 0.332 million (as of 31.12. 2021: 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 2022, it was CZK 157.670 mil. (as of 31.12. 2021: CZK 133.902 million).

4.2.2. Other receivables

Other receivables	(CZK ,000)	
	As of 31. 12. 2022	As of 31. 12. 2021
Other receivables	16,496	19,447
Prepaid expenses	8,529	8,930
Current receivables in total	25,025	28,377

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

4.2.3. Unbilled water charge and sewage tariff

Chapter 3.12 describes calculation of the unbilled water charge and sewage tariff (as of 31.12.2022: CZK 335.7 million, as of 31.12.2021: CZK 271.046 million).

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. 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
31. 12. 2022	Gross value	96,762	26,182	392	182	516	11,268	38,540	135,302
	Reduction in value	0	(2,657)	(172)	(154)	(510)	(11,183)	(14,676)	(14,676)
	Net value	96,762	23,525	220	28	6	85	23,864	120,626
2022	Year-to-year impact of reduction in value	0	1,672	(110)	(259)	(1,938)	627	(8)	(8)

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

Receivables after due date	As of 31.12.2022		As of 31.12.2021	
	Rate	Reduction in value (CZK ,000)	Rate	Reduction in value (CZK ,000)
Specific trade receivables		746		674
More than 365 days	99 %	11,654	99 %	12,965
180–365 days	86 %	154	54 %	254
Less than 180 days	8 %	2,122	5 %	791
Total		14,676		14,684

4.2.5. Cash

Cash and cash equivalents	(CZK ,000)	
	As of 31.12. 2022	As of 31.12. 2021
Cash in hand	409	401
Cash in banks	126,250	406,193
Current financial assets in total	126,659	406,594

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 CZK million 1,296.909. 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 2021, the profit after tax is CZK 454.660 million. It was approved and carried forward as a retained profit of past years by the decision made by the Company's sole shareholder on 20 May 2022 as follows:

	(CZK ,000)
	2021
Profit made in 2021	454,660
Profit carried forward as retained profits of past years	454,660

The Company uses the total debt indicator to monitor its capital structure. This indicator is the net debt to (own capital plus net debt). As of 31.12.2022 and 31.12.2021 the total debt indicators were 70.53% and 74.42%, respectively. See the table below.

	(CZK ,000)	
	As of 31.12. 2022	As of 31.12. 2021
Bank loans and issued bonds	0	5,458,726
Payables - the controlling entity	5,062,000	0
Trade payables and other payables	1,144,563	1,069,847
Cash in hand and cash in banks	(126,659)	(406,594)
Net debt	6,079,904	6,121,979
Equity	2,540,153	2,103,809
Own capital + net debt	8,620,057	8,225,788
Total debt indicator	70.53 %	74.42 %

4.4. RESERVES

	(CZK ,000)	
	Reserve for employee benefits	Reserves in total
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
Creation of reserves	0	0
Using of reserves	(7,989)	(7,989)
Balance as of 31.12. 2022	21,264	21,264

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.

	(.000 CZK)	
	Reserve for employee benefits	Reserves in total
Balance as of 31.12. 2021	29,253	29,253
Current reserves	4,136	4,136
Non-current reserves	25,117	25,117
Balance as of 31.12. 2022	21,264	21,264
Current reserves	1,549	1,549
Non-current reserves	19,715	19,715

4.5. TRADE PAYABLES AND OTHER PAYABLES

Current trade payables and other payables	(.000 CZK)	
	As of 31. 12. 2022	As of 31.12. 2021
Trade payables	658,366	612,458
Payables to employees	44,589	43,162
Social security insurance and health insurance to be paid	18,006	17,180
Other current payables	79,173	70,263
Current trade payables and other payables in total	800,134	743,063

In the Company, there were not any trade payables after maturity dates as of 31.12.2022 (as of 31.12. 2021: CZK 0).

The current payables included the payable fee for consumption of ground water and fee for pollution of wastewater (as of 31.12. 2022: CZK 10.053 million, as of 31. 12. 2021: CZK 11.108 million) and accrued liabilities (as of 31.12.2022: CZK 46.357, as of 31 December 2021: CZK 43.158 million).

4.6. LIABILITIES RESULTING FROM LEASE

	Minimum instalment with respect to rent (.000 CZK)		Current minimum instalment with respect to rent (.000 CZK)	
	As of 31.12. 2022	As of 31.12. 2021	As of 31. 12. 2022	As of 31.12. 2021
Payable within 1 year	45,023	37,887	36,369	29,142
Payable between 2 and 5 years	127,742	114,743	99,565	86,665
Payable after 5 years	263,165	268,938	208,495	210,977
Total	435,930	421,568	344,429	326,784
Minus unpaid financial payables (interest)	91,501	94,784	0	0
Minus payables due within 1 year (shown as current payables)	36,369	29,142	36,369	29,142
Payables due after 1 year	308,060	297,642	308,060	297,642
Lease-related payables in total	344,429	326,784	344,429	326,784

In 2022, 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 payables relating to the rent of the administrative building were CZK 236.994 million as of 31.12.2022 (CZK 235.372 million as of 31.12.2021).

The payables relating to the lease contracts for new cars was CZK 43.585 million as of 31.12.2022 (CZK 60.945 million as of 31.12.2021), The payables relating to the rent of the infrastructure assets were CZK 63.788 million as of 31.12.2022 (CZK 30.343 million as of 31.12.2021).

As of 31.12. 2022, the payables resulting from the operation contracts for water assets signed with the municipalities were CZK 62 thousand (as of 31.12.2021: CZK 123 thousand).

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)	
	2022	2021
Buildings and constructions	22,545	13,215
Vehicles	18,475	19,710
Others	(5,836)	(7,671)
Depreciation in total	35,184	25,254
Interest payable with respect to lease liabilities (included into the financial expenses)	10,262	9,543
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	29,267	34,875
Total lease-related expenses	74,713	69,672

Lease-related financial expenses	(.000 CZK)	
	2022	2021
Variable lease instalments	29,267	34,875
Fixed lease instalments	34,664	35,464

4.8. EXTERNAL FINANCING

On 17 July 2015 the Company issued the bonds at the nominal value of 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 was posted using the accrued value. The costs connected with the issuance were CZK 81,258,000 – these costs were included into the effective interest rate of 2.865 per cent per annum. The interest rate was fixed: 2.625 per cent per annum. Early repayment of the bonds was made on 29 June 2022. As of 31 December 2021, the accrued value of the bonds which was posted in the current liabilities was CZK 5.394151 billion. The current payables with respect to bank loans and bonds included bond interest of CZK 64.575 million which were related to the year 2021 but were paid up only in 2022.

The agreement to provide an in-group loan was signed on 12 May 2022. Pursuant to the agreement, the Company was provided CZK 5.4 billion for repayment of the bond issue. In June and July 2022, a part of the loan (CZK 338 million) was repaid. As of 31 December 2022, the balance to be paid is CZK 5.062 billion. The loan matures on 12 May 2025. It bears a fixed interest rate of 3.67 per cent per annum. The interest from in-group loan for 2022 amounts to CZK 102.857 million. In 2022 CZK 94.714 million was paid, part of the interest of CZK 8.143 million relating to 2022 will be paid in 2023.

As of 31 December 2022, there are not any payables with respect to the loans.

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. 2022	Interest rate	Less than 1 year	2–5 years	5 years and more
Trade payables and other payables	0	800,134	0	0
Liabilities resulting from lease	5.5	15,778	26,215	0
Payables with respect to lease	2.865	20,591	73,350	208,495
Payables - the controlling entity	3.67	0	5,062,000	0
Total		836,503	5,161,565	208,495

4.9. INCOME TAX

	As of 31. 12. 2022 (CZK ,000)	As of 31. 12. 2021 (CZK ,000)
Due income tax	82,499	87,781
Deferred income tax	24,298	23,048
Total	106,797	110,829

As of 31. 12. 2022 the due income tax was CZK 82.499 million (in 2021: CZK 87.781 million). During 2022, the advances paid were CZK 83.768 million (in 2021: CZK 80.573 million). As of 31.12. 2022 the receivable income tax was CZK 2.018 million (in 2021 the payable income tax: CZK 8.021 million).

4.9.1. Due tax

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

	2022 (CZK ,000)	2021 (CZK ,000)
Profit before taxes	543,141	565,489
Tax rate for the current year	19 %	19 %
Tax with the income tax rate applicable in the Czech Republic	103,197	107,443
Non-deductibles with respect to tax and revenues (balance)	4,348	4,199
Income tax for the current period	107,545	111,642
Income tax for the past period	(748)	(813)
Income tax in total	106,797	110,829
Effective tax rate	19.66 %	19.60 %

4.9.2. Deferred tax

As of 31.12. 2022 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 2021 the rate was same: 19 %.

In 2022, the deferred tax in the complete income statement was CZK 24.298 million (in 2021: CZK 23.048 million).

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

Deferred tax:	As of 31. 12. 2022 (CZK ,000)	rate in %	As of 31. 12. 2021 (CZK ,000)	rate in %
Difference between the net book value and tax residual value of the fixed assets	(617,170)	19.0	(592,753)	19.0
Temporary reduction in value of fixed assets	1,550	19.0	1,535	19.0
Temporary reduction in value of inventories	63	19.0	40	19.0
Temporary reduction in value of receivables	577	19.0	478	19.0
Unpaid insurance	412	19.0	430	19.0
Total	(614,568)		(590,270)	

4.10. INCOME FROM WATER TARIFFS AND SEWAGE CHARGES

	Until 31.12. 2022 (CZK ,000)			Until 31.12. 2021 (CZK ,000)		
	Czech Republic	Abroad	Total	Czech Republic	Abroad	Total
Production and distribution of drinking water	1,695,396	54,120	1,749,516	1,622,212	50,857	1,673,069
Disposal and treatment of wastewater	1,054,715	0	1,054,715	1,015,698	0	1,015,698
Related services	35,096	0	35,096	35,148	0	35,148
Total	2,785,207	54,120	2,839,327	2,673,058	50,857	2,723,915

4.11. OTHER OPERATING INCOME

	(CZK ,000)	
	Until 31.12.2022	Until 31.12. 2021
Income from building works	96,514	103,977
Income from rent	9,973	10,136
Revenues from sale of materials and assets (net)	14,481	23,816
Other operation revenues (payments from insurance companies, compensation of mining damage and such)	13,016	13,869
Total	133,984	151,798

4.12. CONSUMPTION OF MATERIALS AND ENERGIES

	(CZK ,000)	
	Until 31.12.2022	Until 31.12. 2021
Consumption of water, materials and chemicals	511,976	470,489
Gas, electricity and heat	79,611	78,111
Green Bonus paid for generation of environmental-friendly electricity	(6,367)	(14,442)
Total	585,220	534,158

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 2022 the Green Bonus was 6.367 million (in 2021: CZK 14.442 million). The green bonus is shown in the complete income statement as a decrease in costs of electricity consumed.

4.13. PERSONNEL COSTS

2022 (CZK ,000)	Number	Wages	Social security and health insurance	Other expenses	Personnel costs
Employees	854	401,890	136,910	22,329	561,129
Members of management bodies	7	16,515	4,778	60	21,353
Total	861	418,405	14,688	22,389	582,482
Supervisory Board/Audit Committee members	23	0	1,276	3,776	5,052
Total	884	418,405	142,964	26,165	587,534

2021 (CZK ,000)	Number	Wages	Social security and health insurance	Other expenses	Personnel costs
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

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 2022, 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:

2022 (CZK ,000)	Board of Directors	Supervisory Board / Audit Committee	Members of management bodies
Bonus for the office	1,592	2,184	0
Non-monetary and other income (bonus under the collective agreement and cars which can be used also for private purposes)	0	211	841

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

4.14. OTHER OPERATION EXPENSES

	(CZK ,000)	
	Period until 31. 12. 2022	Period until 31.12. 2021
Repairs	259,770	270,463
Travel costs	7,594	6,142
PR and entertainment costs	2,674	1,367
Transport	996	1,141
Telecommunication, mail	9,717	8,539
Mail expenses	10,650	7,316
Advisory and legal services	9,557	8,098
Collection, transport and disposal of sludge	38,938	39,908
Rent fee	32,563	38,048
Cleaning and guarding	19,760	18,862
Laboratory analyses and expertises	40,139	38,568
IT services	31,179	27,538
Technical improvement below limits for capitalisation	5,963	5,194
Training	2,207	1,522
Taxes and fees	3,343	4,361
Depreciation of receivables	479	146
Depreciation of investments in assets	382	1,175
Compensation of damage	290	305
Pollution fees	4,368	4,780
Premium	7,885	8,133
Meter reading, call centre	52,207	48,095
Works/services of material-nature	17,744	11,445
Other operation expenses (such as sub-supplies and other purchased works)	41,072	51,195
Total	599,477	602,341

Remuneration of the statutory auditor for the relevant period

Auditor	Amount included in audit costs for 2022 (in CZK ,000)	Other services (in CZK ,000)	Other services - description
Ernst & Young Audit, s.r.o.	1,492		

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

	(CZK ,000)	
	Until 31.12. 2022	Until 31.12. 2021
Reserves - increase/decrease	(7,989)	(4,647)
Temporary reduction in value of inventories – increase/decrease	119	0
Temporary reduction in value of assets – increase/decrease	79	(3,834)
Temporary reduction in value of receivables – increase/decrease	(8)	(2,348)
Total – increase/decrease in reserves and temporary reduction in value of assets	(7,799)	(10,829)

4.16. FINANCIAL REVENUES AND EXPENSES

	(CZK ,000)	
	Until 31.12. 2022	Until 31.12. 2021
Interest paid	(183,208)	(151,293)
Bank feed paid and exchange rate loss	(7,153)	(13,688)
Expenses in total	(190,361)	(164,981)
Interest received and other financial revenues	14,600	688
Total income	14,600	688
Net total	(175,761)	(164,293)

4.17. TRANSACTIONS WITH RELATED PERSONS

Persons in the Group:

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

- **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.**
- **OBSSED a. s.**
- **HIDROTEC, Tecnología del Agua, S. L. U.**
- **FCC AQUALIA, S.A., organizační složka v České republice**

The tables below list the transactions with the related persons in 2022 and 2021. These were the arm's length transactions.

All the companies above are parts of FCC Group.

Revenues made with the related persons

2022	(CZK ,000)			
Person	Relation to the Company	Services	Interest	Total
Vodotech, spol. s r.o.	Other related persons	1,581	0	1,581
Aqualia infraestructuras inženýring, s.r.o.	Other related persons	10,147	0	10,147
FCC Česká republika s.r.o.	Other related persons	170	0	170
FCC Aqualia, S. A., organizační složka ČR	Other related persons	3	0	3
Total		11,901	0	11,901

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

Purchases made with the related persons

2022	(CZK ,000)			
Person	Relation to the Company	Services	Other expenses	Total
Vodotech, spol. s r.o.	Other related persons	84,720	4	84,724
Aqualia infraestructuras inženýring, s.r.o.	Other related persons	146,565	0	146,565
Fomento de Construcciones y Contratas, S. A.	Other related persons	4,436	0	4,436
Aqualia Czech, S. L.	Parent company	104,880	0	104,880
FCC Aqualia, S. A.	Other related persons	4,444	0	4,444
FCC Česká republika s.r.o.	Other related persons	5,381	0	5,381
FCC Aqualia, S. A., organizační složka ČR	Other related persons	1,130	0	1,130
Hidrotec Tecnología del Agua, S. L. U.	Other related persons	7,910	0	7,910
OBSSED a. s.	Other related persons	25,383	0	25,383
Total		384,849	4	384,853

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 ČR	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 Agua, 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

Acquisition of fixed tangible assets from the related persons

Person	(CZK ,000)		
	Relation to the Company	2022	2021
Vodotech, spol. s r.o.	Other related persons	36,321	25,215
Aqualia infraestructuras inženýring, s.r.o.	Other related persons	646,047	623,428
FCC Aqualia, S. A., organizační složka ČR	Other related persons	5,500	5,048
Total		687,868	653,691

Related person receivables

Person	(CZK ,000)	
	As of 31. 12. 2022	As of 31. 12. 2021
Trade receivables		
Vodotech, spol. s r.o.	75	0
Aqualia infraestructuras inženýring, s.r.o.	4,370	6,942
FCC Aqualia, S. A., organizační složka ČR	34	58
FCC Česká republika s.r.o.	21	25
Total	4,500	7,025

Related person payables

Person	(CZK ,000)	
	As of 31. 12. 2022	As of 31. 12. 2021
Trade payables		
Vodotech, spol. s r.o.	38,319	34,044
Aqualia infraestructuras inženýring, s.r.o.	341,123	242,701
Fomento de Construcciones y Contratas, S. A.	858	474
FCC Česká republika s.r.o.	428	489
Hidrotec Tecnología del Agua, S. L. U.	7,235	563
OBSSED a.s.	1,628	3,391
FCC Aqualia, S. A.	295	290
Trade payables in total	389,886	281,952

IN-GROUP LOAN

Detail information is presented in point 4.8. External financing.

Transactions between the related persons were entered in books using prices typical of trade transactions.

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 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 in-group loan, the Company is sensitive to changes in the interest rates. If the increase is 1.0 per cent point, the real value of the liability with respect to the bonds will drop by CZK 50.62 million. In case of the unfavourable scenario when the decrease is 1.0 per cent point, the real value of the liability with respect to the bonds will increase by CZK 50.62 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 was **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 provided for the credit line up to CZK 120 million. The loan is secured with the promisory note ("the blank bill"). In 2022, the credit line was used for issue of bank warranties.

BANK WARRANTIES

As of 31.12. 2022, the Company issued the bank warranties amounting to CZK 6.929 million (in 2021: CZK 4.72 million). For the summary of bank warranties see the table below.

Date of issue	Issued in favour of	Purpose of issue	Validity	Amount of the bank warranty
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. 9. 2020 – 31. 12. 2022	CZK 675,000
3. 9. 2020	Municipality of Orlová	Operation of infrastructure owned by the Municipality of Orlová	7. 9. 2020 – 31. 12. 2022	CZK 100,000
3. 9. 2020	Municipality of Albrechtice	Operation of water assets owned by the Municipality of Albrechtice	21. 12. 2020 – 20. 12. 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. 12. 2020 – 20. 12. 2025	CZK 850,000
19. 12. 2018	Municipality of Opava	Due fulfilment of operator's obligations arising from the contract	1. 1. 2019 – 31. 12. 2023	CZK 400,000
19. 12. 2018	Municipality of Neplachovice	Due fulfilment of operator's obligations arising from the contract	1. 1. 2019 – 31. 12. 2023	CZK 150,000
9. 1. 2020	Municipality of Vratimov	Due fulfilment of operator's obligations arising from the contract	9. 1. 2020 – 31. 12. 2024	CZK 260,000
9. 1. 2020	Municipality of Řepiště	Due fulfilment of operator's obligations arising from the contract	9. 1. 2020 – 31. 12. 2024	CZK 114,000
21. 12. 2020	Municipality of Horní Suchá	Operation of water assets owned by the Municipality of Horní Suchá	1. 1. 2021 – 20. 12. 2025	CZK 230,000
21. 12. 2020	Municipality of Dolní Lutyně	Due fulfilment of operator's obligations arising from the contract	1. 1. 2021 – 20. 12. 2025	CZK 130,000
21. 12. 2020	Municipality of Štramberk	Due fulfilment of operator's obligations arising from the contract	1. 1. 2021 – 20. 12. 2025	CZK 106,500
7. 5. 2021	Municipality of Písečná	Due fulfilment of operator's obligations arising from the contract	10. 5. 2021 – 10. 5. 2026	CZK 68,500
20. 12. 2021	Municipality of Frenštát pod Radhoštěm	Due fulfilment of operator's obligations arising from the contract	1. 1. 2022 – 19. 12. 2026	CZK 200,000
30. 11. 2021	Municipality of Orlová	Due fulfilment of operator's obligations arising from the contract	1. 1. 2022 – 31. 12. 2026	CZK 210,000
30. 11. 2021	Municipality of Frýdek – Místek	Due fulfilment of operator's obligations arising from the contract	1. 1. 2022 – 31. 12. 2026	CZK 699,000
30. 11. 2021	Association of Municipalities in the Nový Jičín District	Due fulfilment of operator's obligations arising from the contract	1. 1. 2022 – 31. 12. 2024	CZK 1,200,000
02. 12. 2022	Municipality of Votice	Tender for operation of water assets owned by the Municipality of Votice	7. 12. 2022 – 31. 5. 2023	CZK 1,500,000

SECURITY

As of 31.12. 2022, the Company did not issue any securities (as of 31.12. 2021: CZK 0).

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 380.003 million (in 2021: CZK 58.3 million).

8. COURT DISPUTES

OVERVIEW OF COURT DISPUTES

Legal disputes where the Company is the Defendant

All disputes which where former shareholders had taken the Company to the court have been closed.

Legal court disputes where the Company is the plaintiff

1. SmVaK 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's petition on 22 September 2020 as it believed that there were no reasons for the petition. SmVaK filed an appeal in cassation against the judgement awarded by the Metropolitan Court in Prague. The appeal was filed at the Administrative Court.
3. The Supreme Administrative Court resolved the case for the benefit of SmVaK and referred the case back to the Metropolitan Court in Prague which cancelled the original decision made by Státní energetická inspekce.
4. Státní energetická inspekce filed an appeal in cassation at the Supreme Administrative Court where such appeal was against the decision made by the Metropolitan Court in Prague.

Severomoravské vodovody a kanalizace Ostrava a.s. is also a party to several court disputes regarding collection of payments for unpaid supplies of water and/or other services provided.

9. POST BALANCE SHEET EVENTS

As of 31 December 2022, 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 22 February 2023.



Miroslav Kyncl
Vice-Chairman of the Board of Directors



Anatol Pšenička
Managing Director



Vladimír Slivka
Member of the Board of Directors



Halina Studničková
Chief Financial Officer

REPORT ON RELATIONS

2022



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 2022 and ending 31 December 2022.

I. PERSONS IN THE GROUP

Severomoravské vodovody a kanalizace Ostrava a.s. is a member of FCC Group, 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 2022 until 31 December 2022.

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 registered 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 registered 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 registered 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 the registered office at 28. října 571/15, Mariánské Hory, 709 00 Ostrava

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

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 registered in the Commercial Register kept in the Czech Republic.

4.4. FCC AQUALIA, S.A.

with the 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 registered 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 registered 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 direct controlling person of Severomoravské vodovody a kanalizace Ostrava a.s. As of 31 December 2022 it owned 3,458,425 shares of Severomoravské vodovody a kanalizace Ostrava a.s. This represented 100% of the registered capital and 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 group named FCC Group.

Fomento Construcciones y Contratas, S.A. owns 41% in the registered capital of 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 of AQUALIA INTECH, S.
- 99.9999% in the registered capital of AQUALIA CZECH S. L.
- 49% in the registered capital of Aqualia infraestructuras inženýring, s.r.o.
- 100% in the registered capital of HITROTEC, Tecnología del Agua, S.L.U.

AQUALIA INTECH, S.A. owns:

- 51% in the registered capital of Aqualia infraestructuras inženýring, s.r.o.
- 100% in the registered capital of Vodotech, spol. s r.o.
- 0.0001% in the registered capital of 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.

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.

In the reporting period, no conduct have been observed upon request or in interests of the controlling persons and/or persons controlled by the controlling person where such conduct would be related to assets that exceed 10% of own equity of the controlled person as reported in the financial statements for the reporting period just before the reporting period that precedes the period for which this Report of Relations is drafted.

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

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 headquarters of the contractual partner, 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.

Upon a job order placed by the related person, SmVaK Ostrava a.s. sold the material.

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 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 a 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 was the rent of the non-residential areas in the water treatment plants in Vyšní Lhoty, Nová Ves u Frýdlantu nad Ostravicí, and Podhradí.
- The agreement No. 2/97 in effect since 30 September 1997 and its amendments. The subject was the rent of the non-residential areas in the 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 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 was the rent of the non-residential areas in the 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 continued on the basis of the following contracts to rent the movable property:

- The agreement 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 No. 3/97 of 30 September 1997 and amendments. The subject was the rent of movables - laboratory equipment and devices in WWTP Havířov and Water Operation Centre Karviná.
- The agreement No. 5/97 of 30 September 1997 and amendments. The subject was the rent of movables - laboratory equipment and devices in WWTP Opava.
- The agreement No. 6/97 of 30 September 1997 and amendments. The subject was the rent of movables - laboratory equipment and devices in the central laboratory in Ostrava.

The rent agreements were made for an indefinite period of time with a three-month period of notice. 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 each year on the basis of the inflation rate declared by the Czech Statistics Office for the previous calendar year.

In the reporting period, the supplies continues pursuant to the agreement to rent the movable – an automatic wastewater sample where SmVaK Ostrava a.s. was the lessor and Vodotech spol. s r.o. was the lessee. 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.

Aqualia infraestructuras inženýring, s.r.o.

The contractual relation continued during the reporting period on the basis of contract to provide consulting services 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 a 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.

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.

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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.

2. PURCHASE OF GOODS AND SERVICES

During the reporting period, SmVaK Ostrava a.s. was involved in the sale of goods/services and provision of consulting/other services where the other party was the following related person:

Vodotech, spol. s r.o.

In the reporting period, the contractual relationship continued under the contract 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, supplies continued pursuant to the contract on provision of services and its amendments. 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 was signed for an indefinite period with a three-month notice of termination where SmVaK Ostrava a.s. was entitled to 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.

In the reporting period, supplies continued pursuant to the contract to supply equipment for remote reading of water meters and electricity meters signed by SmVaK Ostrava a.s. The price 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.

In the reporting period, the contractual relationship continued under the contract on provision of services. Under the contract, the controlled 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 the basis of a job order placed by the controlled person, the related person sold the materials.

During the reporting period, the supplies continued pursuant to the framework service agreement. 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 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.

In the reporting period the contractual relation continued pursuant to the agreement 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 employed for processing of customer requirements and services. 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 where SmVaK Ostrava was the client and the related person was the supplier. The agreement also covered the training of employees with respect to operation of pressure equipment, lifting facilities and dedicated equipment. The agreement was signed for an indefinite period of time with a two month notice period. In case of serious violation of contractual terms and conditions a party may withdraw from the contract.

In the reporting period, supplies continued pursuant to the framework agreement on laboratory services and its amendment. The subject was to take and analyse samples of raw water and drinking water in OOV, to take and analyse samples of drinking water in water networks, and to take and analyse samples of waste water in wastewater treatment sludge.

The contract is concluded for an indefinite period of time with a three month notice period. The price of the sampling and analysing is that given in the related person's price list that is in force.

On the basis of contracts signed in 2022, the related person prepared during the reporting period the project documentation for the following construction projects:

Project No.	Name of the construction project
I2804	WWTP Lučina – chemical precipitation of phosphorus
I3919	Sewage pumping station Těrlicko (Zátiší) – reconstruction of the facility
I3920	Sewage pumping station Těrlicko (Chatová, Lipová, Průchodní, Rekreační) – reconstruction of technology
I50163	Opava, Krnovská – replacement of the heating in the building, Water Networks Centre in Opava

Aqualia infraestructuras inženýring, s.r.o.

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

Project No.	Name of the construction project
30186	Petřvald – installation of one water shaft at the Vodárenská street, modification of 2 water shafts at the Šumbarská and J. Rohla street
30193	Petrovice u Karviné, from the building # 80 to 116 – replacement of the water pipeline
40195	Bílovec, the Tkalcovská and Příkopní streets – 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
3903	Orlová-Poruba, the Zátiší street (the site where WWTP is situation) – reconstruction of the "B" sewer
3904	Horní Suchá, the Mlýnská street, # 991 – reconstruction of "A" sewer
30194	Dolní Lutyně, the Ďablova kolonie street - replacement of the water pipeline
4737	Kopřivnice, the Bezručova and 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 the "DD" sewer
20201	Staré Město, the Jamnická street – replacement of the water supply
30195	Nový Bohumín, the automated boosting station at Čáslavská, the Okružní street– replacement of water pipeline
30196	Dětmárovice, from the building # 789 to the building # 516 – replacement of the water pipeline, stage 1
20202	Hukvaldy – Rychaltice – replacement of the water supply
4739	WWTP in Kopřivnice - reconstruction of the final sludge facility
1750+O	Water reservoir in Kazníčov – repair and reconstruction of the building structure and installation of wiring
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
5703	Opava, the Anenská street - reconstruction of the "BI" sewer
30200	Dolní Lutyně, the Komenského, Na Farském streets – replacement of the water pipeline
40209	Kopřivnice, the Masarykovo square – replacement of the water pipeline
40208	Štramberk, the Dolní street – replacement of the water pipeline
1756+O	Facility in Bělá – replacement and reconstructions of structures, technologies and HVAC
1753+O	Water treatment plant in Třebom – replacement and reconstructions of structures, technologies and HVAC
1757	Water treatment plant in Oldřichovice – telemetry
20209+O	Water reservoir in Jablunkov- Alžbětinky, 1000 – rehabilitation of the facility
20210	Sviadnov, the Staříčská street – replacement of 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

Project No.	Name of the construction project
40213	Mniší – replacement of the water pipeline
1763	Water treatment plant in Strahovice – reconstruction of the facility
50149+O	Water reservoir in Opava, 500 – refurbishment 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, the Družstevní and Opavská streets – reconstruction of the water supply
20211	Třinec, Nový Borek – replacement of the water supply
50150 + O	Pumping station in Pustá Polom – rehabilitation of the facility
1773	Feeder, Záhumenice – Bělá, the pipe bridge across the Odra river – improving the protection for the right-bank pier
20215	Chlebovice, the Františka Prokopa street – replacement of the water supply
2800	WWTP Paskov – chemical precipitation of phosphorus
2801	WWTP Soběšovice – 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, and Zborovská streets - reconstruction of the sewage
4743	Wastewater treatment plant in Štamberk (Bařiny) - chemical precipitation of phosphorus

On the basis of contracts signed in 2022, the related person prepared during the reporting period the project documentation for the following construction projects:

Project No.	Name of the construction project
50148	Malé Hoštice, the U Statku and Opavská streets – reconstruction of the water pipeline
40212	Water reservoir in Janovice 30 m ³ – installation of a waste pipe
4744	Fulnek, the Sportovní, Tyršova streets – reconstruction of the sewage system
40211	Fulnek, the Sportovní, Tyršova, Lužní streets – replacement of the water pipeline
3910	WWTP Karviná – reconstruction of the raw sludge pumping station
3909	Haviřov (Hálkova, V Zátíší, U Nádraží), Horní Suchá (Kurkovec) – reconstruction of the sewage pumping station
1755	Water reservoir in Rybí – the high-pressure section – reconstruction of HVAC
1774 + O	Water reservoir in Krmelín – reconstruction and repair of the water reservoir, rehabilitation of reinforced concrete storage chamber (2 x 20,000 m ³)
1762	Water conduit, Vyšní Lhoty – Tošanovice – reconstruction of the sludge box stilling basin No. 1, 3, 7
1767	Water conduit, Tošanovice – Žukov, reconstruction of the sludge box stilling basin No. 13
1761	Water conduit, DN 600, Dobrá – Tošanovice – reconstruction of the sludge box stilling basin No. 15
1760	Water conduit, DN 300, Žukov – Mosty – reconstruction of the sludge box stilling basin No. 6
40223	Nový Jičín, the Hoblíkova street – replacement of the water pipeline
30205	Bohumín – Šunychl, the V Chalupkách, Větrná streets – replacement of water pipelines
4745	WWTP Nový Jičín – construction of the drying facility and equipment for thermic sludge treatment
50154	Opava-Malé Hoštice, the Janáčkova, Nová, Opavská streets – reconstruction of the water pipeline
O 1778	Water conduit, Záhumenice – Bělá, removal of a part of the inverted siphon and sludge shaft in the Odra River bed in Polanka nad Odrou
20217	Řepiště, the Na Hůře street – replacement of the water pipeline
50149	Water reservoir in Opava, 500 – a feasibility study
30207	Bohumín – Šunychl, the Ovocná street – replacement of water pipelines
30206	Nový Bohumín, the Šunychelská street – reconstruction of the water pipeline

Project No.	Name of the construction project
30204	Petřvald, the pumping station in Mariánka – adjustments in the network: cancellation of a part of the water pipeline, installation of a connecting piece
2781	WWTP Frýdek-Místek – reconstruction of a pumping station for the rainwater tank
50155	Opava, Stratilova – replacement of the water supply
50159	Hradec nad Moravicí, the Opavská street – replacement of the water supply
3914	Horní Suchá, the Červená, Poslední street – reconstruction of the "AVc", "AVc1", "AVc5" sewers
3913	Doubrava – Komendr, wooden houses #1093 - #1065 – reconstruction of the sewer, DN 300
3915	Horní Suchá, the Hornosuššská – reconstruction of "AIII" sewer
30211	The automated boosting station, Okrajová, in Havířov – construction/technical optimising
3912	Český Těšín, the Studentská street, building #1253 – reconstruction of the "Ge2" sewer
3917	Petřvald, the Panelová street, building #1578 – reconstruction of the "AVII" sewer
4747	Odry, the Dělnická street – reconstruction of the "BC" sewer
5706	Opava, the Ostrožná street - reconstruction of the "AK" sewer
2811	Jablunkov, the Sadová, Příčná, Školní streets– reconstruction of the "AO", "AO4", "AO5" sewers
2812	Jablunkov, the Za učilištěm street, building #416– reconstruction of the "AO3"
2810	Jablunkov, the Zahradní street, building #681 – reconstruction of the "AR", "AR1", "OS1AR" sewers
5708	Opava, the Mírová street – reconstruction of the "AK-6.5" sewer
4751	Frenštát pod Radhoštěm, the Příčnice street – reconstruction of the "AC" sewer
2797	Centre of sewage systems in Frýdek-Místek - construction of a hard surface area and garage doors

On the basis of contracts signed in 2022, the related person will prepare in 2023 the project documentation for the following construction projects:

Project No.	Name of the construction project
40221	Pumping station in Hůrka – reconstruction of the facility
40222	Nový Jičín, the Revoluční street – replacement of the water pipeline
4746	WWTP Frenštát pod Radhoštěm - reconstruction of the final sludge unit
4748	Nový Jičín, the Jeremenkova street – reconstructions of the "AE" and "AE-1" sewers
2808	Jablunkov, the Zahradní, Bukovecká streets – reconstruction of relief chambers in OK1AR a OK6A
40227	Heřmanice u Oder, Véska – reconstruction of the water pipeline
40228	Bernartice nad Odrou, the Lower End of the town – replacement of the water pipeline
2809	Brušperk, the Luční street – reconstruction of sewers and the relief chamber "OK4A"
2802	Brušperk, the Nábřeží street – extension of the relief sewer and installation of back valves
30215	Horní Suchá, the Červená, Poslední street – replacement of the water pipeline
30212	Dolní Lutyně, the Bezručova, U Stanoviště, U Kina streets – replacement of the water pipeline
4749	Frenštát pod Radhoštěm, the Nádražní street – reconstruction of the sewage system
20229	Sviadnov, the Na Drahách street – replacement of the water pipeline
30213	Dětmárovice, from the building # 516 to the water reservoir, pressure break chamber, Dětmárovice replacement of the water pipeline, stage 2
30217	Bohumín-Záblatí, the Bezručova street – replacement of the water pipeline
850060	WWTP Háj ve Slezsku – a service pipe for water supplies
30210	Water reservoir in Pacalůvka – modifications of the sewage and waste pipes
3911	Bohumín, the Bezručova street – removal of the sewage outlet pipe
3921	Nový Bohumín, the Šunychelská street – reconstruction of the "NBIII" sewer
3916	Orlová, the Žofinská street, building # 916 – reconstruction of the "A" and "O3A" sewers
2807	Vratimov, the Okružní street– reconstruction of the "AF2" sewer
20227	Paskov, the Smetanova and Janáčkova streets – replacement of water pipelines
4752	Štramberk, the Zauličí street – reconstruction of the "A" a "BK" sewers

Project No.	Name of the construction project
40230	Štramberk, the Zauličí street – replacement of the water pipeline
50167	Vitkov, the Komenského street – replacement of the water supply
2806	Třinec, the Frýdecká street – reconstruction of the “AB-3-9” sewer
2805	Třinec, the Růžová street, building #579 – reconstruction of the “AD” sewer
740080	Kopřivnice, the Záhumenní, Kpt. Jaroše streets – replacement of the water pipeline
750061	Jančí – replacement of the water supply
1783	Water conduit, Butovice – Studénka – reconstruction of the water conduit, water reservoir in Butovice – repair and reconstruction of constructions and technology facilities
730094	Karviná-Mizerov, the Studentská, Zahradnická streets – replacement of water pipelines
1789	Water treatment plant in Nová Ves – repair of the building, storage facility, water reservoir for treated water - remediation of the reinforced concrete sections
740083	Velké Albrechtice – replacement of the water pipeline
2803	Paskov, the Smetanova and Janáčkova streets – reconstruction of the “AE” and “AE-1” streets
40231	Fulnek, the Jelení, Nádražní streets – replacement of the water pipeline
1596	Water treatment plant in Vyšní Lhoty – repair and reconstruction of sludge thickening tank
740082	Příbor, the Mánesova, Alšova streets – replacement of the water pipeline
750062	Water reservoir in Nové Lublice 2x210 m ³ – rehabilitation of the facility
740081	Kopřivnice, the Husova street - reconstruction of the water pipeline
730095	Haviřov – Šumbark, the Školní, SNP, Sýkorova, U Nádraží streets – replacement of the water pipeline and modifications in the network
750065	Opava, the Úzká street – replacement of the water pipeline
750064	Komárovské Chaloupky, the Podvihovská street – reconstructin of the water pipeline
720035	Krmelín, the Světlovská street – replacement of the water supply

On the basis of the contracts signed in 2021, the related person completed during the reporting period 2022 the repair of the following infrastructure assets:

Project No.	Name of the construction project
R1637	Water treatment plant in Klokočůvek – repair and reconstruction of technologies and buildings
R1671	Water reservoir in Frenštát – repair and reconstruction of structures and wiring
R40103	Water reservoir in Salaš 2x1500 m ³ – refurbishment of the facility
R40111	Water reservoir in Puntík - 2,500 m ³ - refurbishment of the structure
R40135	Water tower in Albrechtický, 300 m ³ – refurbishment of the structure
R40217	Water reservoir in Skalky 2x1500 m ³ – repair of pipelines in the valve chamber, stage II
R50074	Water reservoir in Vitkov 650 m ³ – refurbishment of the structure
R2794	WWTP Frýdek Místek – repair of facilities for the digestion tank VN-2
8573-176	WWTP in Velké Hoštice - emergency repair of the service road
8572-187	WWTP Bílovec – emergency repair of a screw pump

On the basis of the contracts signed in 2022, the related person repaired during the reporting period the following infrastructure assets:

Project No.	Name of the construction project
R1712	Deacidification station in Hněvošice - repairs of drill bores HV1 and HV2, reconstruction of telemetry and level measurement in drill bores
R1730	Water reservoir in Butovice - repair and reconstruction of the outdoor transformer station
R1736	Water reservoir in Karviná-Ráj - repair and reconstruction of water proofing in the storage chamber and storage in the water reservoir
R40234	Premises of SmVaK Ostrava a.s., Suvorovova 538, Šenov u Nového Jičína - repair of the emergency failure of the roof at the garage building
R40235	Automated boosting station in Mniší 15 m ³ - repair and reconstruction of the facility
R50122	Water reservoir in Komárov 2x250 m ³ - refurbishment of the structure
R50164	Water reservoir in Bohučovice 2x50 m ³ - outside refurbishment of the facility
R3908	WWTP Havířov - repair of equipment in VN-2
8444-008	Havířov-Šumbark, the B. Němcové street, buildings #627-#629 - emergency repair of the "BIIa2.10a" sewer
8444-013	Havířov-Šumbark, the Dukelská street, building #624-#626 - repair of emergency in the "BIIa2.12a" sewer
8445-014	Karviná-Nové město, the Makareňkova street, building # 1333 - emergency repair of the "BVIc" sewer
8445-015	Karviná - Nové Město, Náměstí Budovatelů, building # 1421 - emergency repair of the "BVId" sewer
8443-017	Jablunkov, the Školní street, building #536- emergency reconstruction of the "AO3" sewer
8444-032	Havířov-Město, the Národní třída street, building # 665 - emergency repair of the "CXVII" sewer
8572-037	WWTP Frenštát pod Radhoštěm - repair of the storage tank, USN-1
8572-047	WWTP Kopřivnice - repair of technology equipment in the settling tank, DN-2
8445-048	Karviná - Nové Město, Náměstí Budovatelů, building # 1403 - emergency repair of the "BVId" sewer
8452-050	Šenov u Nového Jičína, the Jaselská street - emergency repair of the "AB" sewer
8452-051	Fulnek, the Palackého, Říční streets - emergency repair of the sewage system
8565-054	WWATP Bohumín - repair of technology facility in the settling tank, DN-1
8452-056	Frenštát pod Radhoštěm - emergency repair of the "AP" sewer
8445-058	Rychvald, the Stará kolonie street - emergency repair of the sewer
8444-068	Havířov-Město, the V Parku street, building # 193 - emergency repair of the "CVIa3" sewer
8444-075	Havířov-Šumbark, the Smetanova street, building #829 - repair of emergency in the "BIIa4.10" sewer
8452-081	Nový Jičín, the Sokolovská, Bezručova streets - emergency repair of the "AJ" sewer
8452-085	Opava, the Jurečkova street - emergency repair of inspection manholes in the sewage system
8443-095	Český Těšín, the Svojsíkova street, building #2047 - emergency repair of the "HIIa" sewer
8453-103	Budišov nad Budišovkou, the U Hlinišť street - emergency repair of the "AF-1-8" sewer
8445-104	Karviná-nové Město, the Zakladatelská 978 street - emergency repair of the "BXIIId" sewer
8562-115	WWTP Frýdek-Místek - repair of the cogeneration unit, Motorgas
8444-122	Havířov-Šumbark, the U Nádraží street, building #646--#650 - emergency repair or the "BIIb1" sewer
8444-123	Havířov-Šumbark, the Opletalova 596 street - emergency repair of the "BII" sewer
8444-124	Havířov-Město, the Karvinská 1256 street - emergency repair of the "DII" sewer
8444-127	Havířov-Šumbark, the Klimšova streets, building #633-#635 - emergency repair of the "BIIa2.6a" sewer
8444-131	Havířov-Město, the Mickiewiczova street, building #548 - emergency repair of the sewer
8573-147	WWTP Opava - emergency repair of the pipe for the anaerobic recycle, AN
8562-177	WWTP Frýdek-Místek - repair of a centrifuge, Flottweg

On the basis of the contracts signed in 2022, the related person will repair in 2023 the following infrastructure assets:

Project No.	Name of the construction project
R1635	De-acidification station, Jakubčovice- reconstruction of technologies
R1735	Water reservoir, Životice – repair and reconstruction of the storage tank and water reservoir - refurbishment of the reinforced concrete structure
R50092	Water reservoir in Vítkov 200 m ³ – refurbishment of the structure
730100	WWTP Karviná – replacement of windows and doors
750073	Ludgeřovice, Lipová – repair of the water pipeline
750066	Water reservoir in Markvartovice, 2x400 – repair of the right chamber ceiling
R3906	WWTP in Albrechtice – reconstruction and repair of the technology and structures
8573-146	WWTP in Vítkov – emergency repair of the aeration facility in the storage tank
8452-171	Příbor – emergency repair of the main "B" collector
8452-187	Kopřivnice, the Štefánikova street – emergency repair of the main "A" collector

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.

The related person removed and disposed the water source facilities in Staré Město u Karviné and an abandoned water reservoir in Životice. The work was performed in line with job contracts signed in the reporting period.

FCC Česká republika, s.r.o.

In the reporting period, the job contract was signed – its purpose was to supply and dispose the water treatment sludge from the water treatment plants in Podhradí, Nová Ves u Frýdlantu nad Ostravicí, and Vyšní Lhoty. The contract is in force until 31 December 2023.

In the reporting period, supplies continued under the contract where the subject was acceptance and disposal of sludge produced during wastewater treatment. The contract is in force until 31 December 2022.

OBSED a.s.

In the reporting period, supplies continued under the contract signed on 31 March 2021 between SmVaK Ostrava a.s. as a customer and the related person as a supplier. The subject was 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.

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 2021, the related person completed during the reporting period 2022 the following construction projects:

Project No.	Name of the construction project
1637	Water treatment plant in Klokočůvek – repair and reconstruction of technologies and buildings
1671	Water reservoir in Frenštát – repair and reconstruction of structures and wiring
1673	Water processing plant in Nová Ves – disposal of sanitary sewage
11690	WTP in Podhradí – replacement of a pipe section, DN 1000 – drainage from ozone reaction tanks - flocculation
30151	Petřvald, the Vodárenská and Šumbarská streets - replacement of the water pipeline, stage 2
40103	Water reservoir in Salaš 2x1500 m ³ – refurbishment of the facility
40135	Water tower in Albrechtický, 300 m ³ – refurbishment of the structure
50074	Water reservoir in Vítkov 650 m ³ – refurbishment of the structure
50102	Jančí – connection to the water supply in Větrkovice
12772-1	Extension of metering for relieve water in WWTP – phase 1
12772-2	Extension of metering for relieve water in WWTP – phase 2
2778	Vratimov, the U Mateřské školy and Na Vyhliďce streets – 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

On the basis of the job contracts signed in 2022, the related person completed during the reporting period the following construction projects:

Project No.	Name of the construction project
1608	Water source in Chlebičov – replacement of the drill bore JS-1 (a dry pipeline + pumping station)
1608	Water source in Chlebičov – replacement of the drill bore JS-1 - the bore.
1629	The water conduit from Krásné Pole to Karviná – securing the bridge steel structure across the Odra River in Antošovice
1712	Deacidification station in Hněvošice - repairs of drill bores HV1 and HV2, reconstruction of telemetry and level measurement in drill bores
1730	Water reservoir in Butovice - repair and reconstruction of the outdoor transformer station
20073	Třinec, the Bezručova street – replacement of the water supply
20116	Water reservoir in Kojkovice 2x50 m ³ – refurbishment of the structure
20164	Raškovice – replacement of the water supply
20178	Vratimov, the Křivá street – replacement of the water supply
20182	Sviadnov, the O. Kišové street – replacement of the water supply
20185	Frýdek-Místek, the U Nemocnice street – construction of a water shaft
20198	Kojkovice – modification of correction pressures
20202	Hukvaldy – Rychaltice – replacement of the water supply
20215	Chlebovice, the Františka Prokopa street – replacement of the water supply
30131	Orlová-Město, the Havlíčkova street – replacement of the water pipeline
30161	Havířov – Šumbark, the Jarošova and Okružní streets – replacement of the water pipeline
30166	Havířov-Bludovice, the Selská street – replacement of the water pipeline
30175	Orlová-Lutyně, the Na Stuchlíkovci street – replacement of the water pipeline

Project No.	Name of the construction project
30176	Havířov-Prostřední Suchá, the Hornická, the kpt. Jasioka street – replacement of the water pipeline
30177	Šenov, the Petřvaldská and Těšínská streets - replacement of the water pipeline
30188	Těrlicko, the Dlouhá, Školní, Zahradní, Střelniční streets – replacement of water pipelines
30191	Karviná-Mizerov, the Studentská, Zahradnická streets – replacement of the water supply
30209	Bohumín-Skrečůň, the Myslivecká street – SO 03 replacement of the water supply
40167	Odry, the Ke Koupališti, Zahradní, and Hranická streets - replacement of the water pipeline
40180	Kateřinice – replacement of the water supply bridge
40181	Trnávka – replacement of the water supply bridge
40183	Bílovec, the Za Nemocnicí street – replacement of the water pipeline
40193	Kopřivnice, the Štefánikova, Hanse Ledwinky streets – replacement of the water supply
40208	Štramberk, the Dolní street – replacement of the water pipeline
40209	Kopřivnice, the Masarykovo square – replacement of the water pipeline
40210	Hájov – replacement of the inverted water siphon
40213	Mniší – replacement of the water pipeline
50104	Branka, the Školní street – the bridge, replacement of the water supply
50105	Water reservoir in Bělá – connection of the low-voltage cable
50115	Ludgeřovice, the U Školky street – replacement of a water pipeline
50117	Podvihov, the Na Nové street – construction of the automated station and water supply
50122	Water reservoir in Komárov 2x250 m ³ – refurbishment of the structure
50130	Podlesí - replacement of the water supply (stages 1 and 2)
50131	Lhotka u Litultovic – replacement of the water supply
50137	Malé Hoštice, the Opavská, Sportovní, V zátíší, Školní streets – reconstruction of the water pipeline
2782	Vratimov, the Křivá, Ovocná streets – reconstruction of the "BB2" and "BB21" sewers
2811	Jablunkov, the Sadová, Příčná, Školní streets– reconstruction of the "AO", "AO4", "AO5" sewers
2812	Jablunkov, the Za učilištěm street, building #416– reconstruction of the "AO3" sewers
3879	WWTP in Havířov – the measuring unit for wastewater supplied by cistern trucks
3885	Bohumín-Skrečůň, the Cihelní, 1. máje streets – reconstruction of the "beta Aa" and "beta Ab" sewers
3892	Český Těšín, the Divadelní street – reconstruction of the Gd3 sewer
3898	Bohumín-Skrečůň, the Myslivecká street – reconstruction of the "betaAj5", "beta Aj6" and "beta Aj7" sewers
3899	Orlová-Poruba, the Sadová street, building #834 – reconstruction of the "AV" sewer
3900	Petřvald, the Závodní street – reconstruction of the "AIX" and "O1AIX" sewers
3905	Horní Bludovice (the Na těrlické spojce, U hospody, U obecního úřadu, Pod autobazarem streets) – reconstruction of the sewage pumping station
3907	Havířov-Město, the Na Nábřeží street – reconstruction of the "C" sewer
3915	Horní Suchá, the Hornosuššská street – reconstruction of "AIII" sewer
3917	Petřvald, the Panelová street, building #1578 – reconstruction of the "AVII" sewer
830097	WWTP Karviná – reconstruction of roofs in the service building and garages
4737	Kopřivnice, the Bezručova, Masarykovo náměstí streets – reconstruction of the sewage system
4740	Štramberk, the Dolní, Zauličí streets – reconstruction of the "A" a "AH" sewers
4741	Nový Jičín, the Dolní Brána, 5. května streets – reconstructions of the "AE-1" and "AE-1-7" sewers
4742	Nový Jičín, the Revoluční, Nerudova, and Zborovská streets - reconstruction of the sewage
5697	Opava, the Otická, Vaškovo náměstí streets – reconstruction of the "AK" sewer
5708	Opava, the Mírová street – reconstruction of the "AK-6.5" sewer

In the reporting period 2022, the following job contracts with the completion dates in 2023 were signed for construction projects with the related person:

Project No.	Name of the construction project
11579	WTP in Nová Ves – repair of technology and automated control system
1600	Water conduit, DN 500 Záhumenice - Bělá – reconstruction of the water pipeline
1619	Water treatment plant in Vyšní Lhoty - reconstruction of technologies and upgrade of the automated control system
1635	De-acidification station, Jakubčovice- reconstruction of technologies
1646	Water treatment plant in Odry- repair and reconstruction of the building and technology
1679	Water reservoir in Baška – repair and reconstruction of building structures in the storage tank and water reservoir
1735	Water reservoir in Životice – repair and reconstruction of the storage tank and water reservoir - refurbishment of the reinforced concrete structure
1736	Water reservoir in Karviná-Ráj - repair and reconstruction of water proofing in the storage chamber and storage in the water reservoir
20123	Reconstruction of the Třinec Centre site
30154	Bohumín-Skřečůň, the Myslivecká street – replacement of the water supply
30157	Petřvald, the Ludvíkova, Šenovská and K Ubytovnám streets - replacement of the water pipeline
40111	Water reservoir in Puntík - 2,500 m ³ - refurbishment of the structure
40165	Sedlnice - Bartošovice – replacement of a water pipeline
40203	Bílov – replacement of the water supply
50092	Water reservoir in Vítkov 200 m ³ – refurbishment of the structure
50124	The Melč water supply system – replacement of water pipelines (stages 1 and 2)
50134	Vítkov - Klokočov – replacement of the water pipeline
2786	Třinec, the 1. máje street – reconstruction of the "A" sewer
2788	Paskov, the Vodárenská street – reconstruction of the "A" sewer
2797	Centre of sewage systems in Frýdek-Místek - construction of the hard surface area and garage doors
3882	Bohumín-Skřečůň, the Myslivecká street – reconstruction of the "betaAj5", "beta Aj6" and "beta Aj7" sewers
3902	Rychvald, Finské domky - reconstruction of the "B" and "BI" sewers
3903	Orlová-Poruba, the Zátíší street (the site where WWTP is situation) – reconstruction of the "B" sewer
3906	WWTP in Albrechtice – reconstruction and repair of the technology and structures
4739	WWTP in Kopřivnice - reconstruction of the final sludge facility
5699	Opava, the Rolnická street - reconstruction of the "DD" sewer

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.

Based on the contracts signed in 2022, the related person completed, during the reporting period, the following construction projects:

Project No.	Name of the construction project
I2790	WWTP Frýdek-Místek - reconstruction of the automated station
I1731	OOV – reconstruction of telemetry in the water treatment plant and water reservoir
I3888	WWTP Havířov – reconstruction of the pumping unit for stabilised sludge from UNS
I1716	OOV – reconstruction of corrosion inhibition in the Kružberk water supply system
I1717	OOV – reconstruction of corrosion inhibition in the Beskydy water supply system
I1731	OOV – reconstruction of telemetry in the water treatment plant and water reservoir
I1754	Break chamber in Hýlov – reconstruction of ventilation
I1751	Water reservoir in Oldřichovice – installation of ventilation units
I2791	WWTP in Kozlovice – reconstruction of the biological treatment unit and sludge processing facility
I90002	Electromobility – installation of charging stations

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 dated 24 November June 2020 and its amendments.

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 separate contracts will be signed for each project.

Pursuant to the contract to provide IT services entered into by Fomento de Construcciones y Contratas, S.A and El corte inglés, S.A., SmVaK Ostrava a.s. billed the partner in the reporting period the provision of the services where the price was an aliquot part of the total price agreed for the services and the shares of the services consumed by each company.

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.

SmVaK Ostrava a.s. evaluated compliance with the conditions set forth in the Documentation on transfer prices used in transactions between the related persons and charged the related person with a part of the price for preparation of the Documentation.

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 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.

Pursuant to the contract to provide IT services entered into by Fomento de Construcciones y Contratas, S.A and El corte inglés, S.A., SmVaK Ostrava a.s. billed the partner in the reporting period the provision of the services where the price was an aliquot part of the total price agreed for the services and the shares of the services consumed by each company.

In the reporting period, joint use of the Labsystem 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.

SmVaK Ostrava a.s. evaluated compliance with the conditions set forth in the Documentation on transfer prices used in transactions between the related persons and charged the related person with a part of the price for preparation of the Documentation.

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 24 November 2020 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 construction works and final acceptance of the complete project where separate contracts will be signed for each project.

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.

FCC AQUALIA, S. A.

In the reporting period, the agreement on consulting services was signed 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 from the point of view of the best technology and economic solutions. The contract was signed for the period from 1 January 2022 until 31 December 2022. 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 services continued pursuant to the agreement to provide IT services as amended. The agreement was signed by the related party as a provider and SmVaK Ostrava as a client. 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 and Fomento de Construcciones y Contratas, S.A.

In the reporting period SmVaK Ostrava arranged the rent of an apartment for employees of the related person's branch 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, work clothes and work tools for employees of the related person's branch 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 branch a part of the space in Prague which SmVaK Ostrava has been renting. SmVaK Ostrava charged the related person with a proportional part of the rent and fee for services relating to use of the space.

AQUALIA CZECH S. L.

Severomoravské vodovody a kanalizace Ostrava a.s. as a debtor and AQUALIA CZECH S.L. as a creditor signed in May 2022 a credit agreement for repayment of the issued bonds.

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

In the reporting period, the 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.

Pursuant to the agreement signed by and between the SmVaK Ostrava a.s. and related person, the related person provided the consulting services and support within creation of a new customer system for SmVaK Ostrava a.s.

V. OTHER LEGAL CONDUCT

No legal acts out of the scope of typical legal acts performed by the controlling person exercising the powers of the shareholder in the controlled person were carried out during the accounting 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 Group.

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 and performance.

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

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, the 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 22 February 2023. This report was submitted for review to the Supervisory Board and to the auditors who are in charge of auditing the 2022 financial statements and confirming the compliance of the 2022 Annual Report with the 2022 financial statements in accordance with the Act on Auditors, Act on Business Corporations and Accounting Act.

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 financial statements for the year 2022.

The transactions with related persons were conducted under conditions typical of business and the prices were set on the basis of length-of-the-arm principle and documentation stipulating prices for transactions between the related persons

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 22 February 2023



Miroslav Kyncl
Vice-Chairman of the Board of Directors



Vladimír Slivka
Member of the Board of Directors

