



ANNUAL REPORT 2023

Severomoravské vodovody a kanalizace Ostrava a.s.

ANNUAL REPORT

FOR THE YEAR 2023 PREPARED PURSUANT TO

the Act No. 563/1991 Coll., on Accounting as amended
the 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 in Ostrava, Section B, Entry 347

Date of incorporation: 1 May 1992
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INTRODUCTION

DEAR SHAREHOLDERS, LADIES, AND GENTLEMEN.

Below please find the report which describes in detail our Company's performance in 2023. Though the year was, in many aspects, a challenging, turbulent, and specific one, we have managed to reach the set operational, economic, and HR targets.

Czech water companies, similarly to other businesses and households, had to face a high level of inflation. This has influenced all segments of our activities: prices of energy, costs of construction and repair projects, costs of supplied technologies, equipment, and materials, as well as costs of human resources. We had to take certain measures in order to ensure reliable and top quality supplies and to provide all customers with other services, this being a long-termed priority for our Company.

The inflation and, in turn, the higher costs, resulted in another increase in water charges and sewage fees in considerably more locations than in past. In 2023, the community paid, in general, much attention to the Government's consolidation package, while the economic sector, including the water businesses, was quite uncertain how the final package would influence performance in terms of taxes, energy costs, or HR costs. Requirements resulting from new laws should be now, in 2024, implemented in all spheres of Company's performance.

We have managed to supply reliably the drinking water of top quality to our customers, and also managed to treat the discharged wastewater. The services provided in a non-regulated business were developed, extended, and improved. Those services are a symbol of quality for us, and represent an interesting business opportunity. For instance, our sales thanks to our efforts in the construction and installation business reached CZK 86.6 million.

In the second half of 2022, we worked hard in order to launch the new customer system at the beginning of 2023. This target was achieved. Now, the customer can use an advanced online tool which meets the current trends with respect to user experience, improving thus efficient communication with our Company. In 2023, we kept on developing the tool, extending its functionalities, improving the customer experience, and connecting it to other information systems deployed in our Company. We will continue this work so that the customers could handle most of their requests and requirements online and comfortably using their individual customer accounts.

Our water treatment plants produced 56.595 million m³ of top quality drinking water, the decrease being 0.169 million m³, if compared with the previous year. The quantity of water supplied to third party water businesses increased by 1.23 million m³, compared with 2022, while

the quantity of water supplied to other businesses remained almost unchanged (decrease by 118,000 m³). A rather significant drop is reported for households: by almost one million m³ of drinking water. Consequently, the specific consumption per capita/day was 84 litres and 87 in households in 2023 and 2022, respectively.

Thanks to competence and involvement of my colleagues who were dealing with operational issues, we were able to discharge and treat the wastewater in 77 wastewater treatment plants in 79 municipalities for 0.476 million people.

Our sales in 2023 reached CZK 3.56 billion, the profit before taxation being CZK 576.03 million.

We pay a particular attention to Company's assets so that the facilities could work reliably and smoothly in the future. In 2023, CZK 1.14 billion was invested into water infrastructure and related repairs.

Our Company understands it is also accountable for development of the region where its presence is dominant. We continue being involved in social responsibility and sustainable development. We keep on extending our activities: ecology and increased bio-diversity, health care and social projects, and support for educational, social and cultural activities and projects. Those activities will continue and we will be working with companies that have the competent expertise and have completed successfully several projects.

I would like to thank all my colleagues for work done in 2023. We would not be able to succeed if not for their involvement, skills and expertise. Our colleagues are the most precious asset in our Company. I would like to thank the representatives of the municipalities in which we operate, the state and public administration representatives, all our suppliers, business partners, and customers. I appreciate their constructive support and the will to look for the win-win solution in situations which require such an approach.



Anatol Pšenička
Managing Director



OBJECTS OF BUSINESS

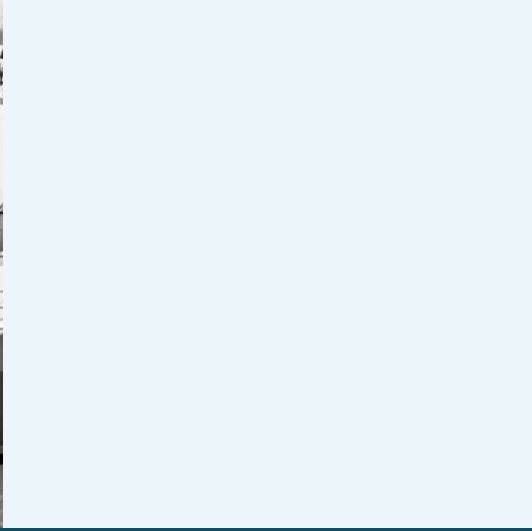


OBJECTS OF BUSINESS OF SEVEROMORAVSKÉ VODOVODY A KANALIZACE OSTRAVA A.S.:

- design work for capital construction
- official metering
- inspections of electrical devices (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
- water system plumbing services
- metal machining
- production, repair, and installation of meters and gauges
- production and distribution of hot water
- building works in construction, and repair of water supply and sewage systems
- cleaning of sewage systems and sewage system connections
- hazardous waste handling
- 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 included in Annexes 1 to 3 of the Trade Licence Act in the following areas:
 - operation of public water supply networks and sewage systems
 - waste management /excluding hazardous wastes/
 - testing, metering, analyses and inspections
 - consultancy and advisory services, preparation of expert opinions and studies.
 - whole sale and retail
 - trade and service brokering
 - rental of other equipment and devices
 - 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
 - administration services and organisational and business services
 - research and development in the field of humanities or engineering science
 - storage
 - production, repair, and installation of meters and gauges.

Objects of business did not change in 2023. The Company remains engaged in its business activities within the mentioned areas.

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



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. SmVaK Ostrava introduced the integrated management system which has been proved by five ISO certificates.

SmVaK Ostrava operates mostly in the districts of Frýdek-Místek, Karviná, Nový Jičín, and Opava, with water also being delivered as per contract to the cities of Ostrava, Hlučín, Studénka, and other small towns. It also supplies drinking water to the border area in Poland (Jastrzębie-Zdrój) and a part of the Olomouc region (including Hranice na Moravě, Lipník nad Bečvou, and Přerov). In 2023, SmVaK Ostrava operated, pursuant to the contracts, the sewage system 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.

SmVaK Ostrava supplies the drinking water for more than 708,000 people through 143,000 service pipes (total length: 770 km). SmVaK Ostrava also operates 77 wastewater treatment plants (75 mechanical-biological and 2 mechanical wastewater treatment plants) with the total capacity of 263,997 m³ per day (equivalent population: 962,466).

Since foundation of SmVaK in 1992, when municipalities in the region became the majority shareholders, several changes have occurred to the structure of 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.

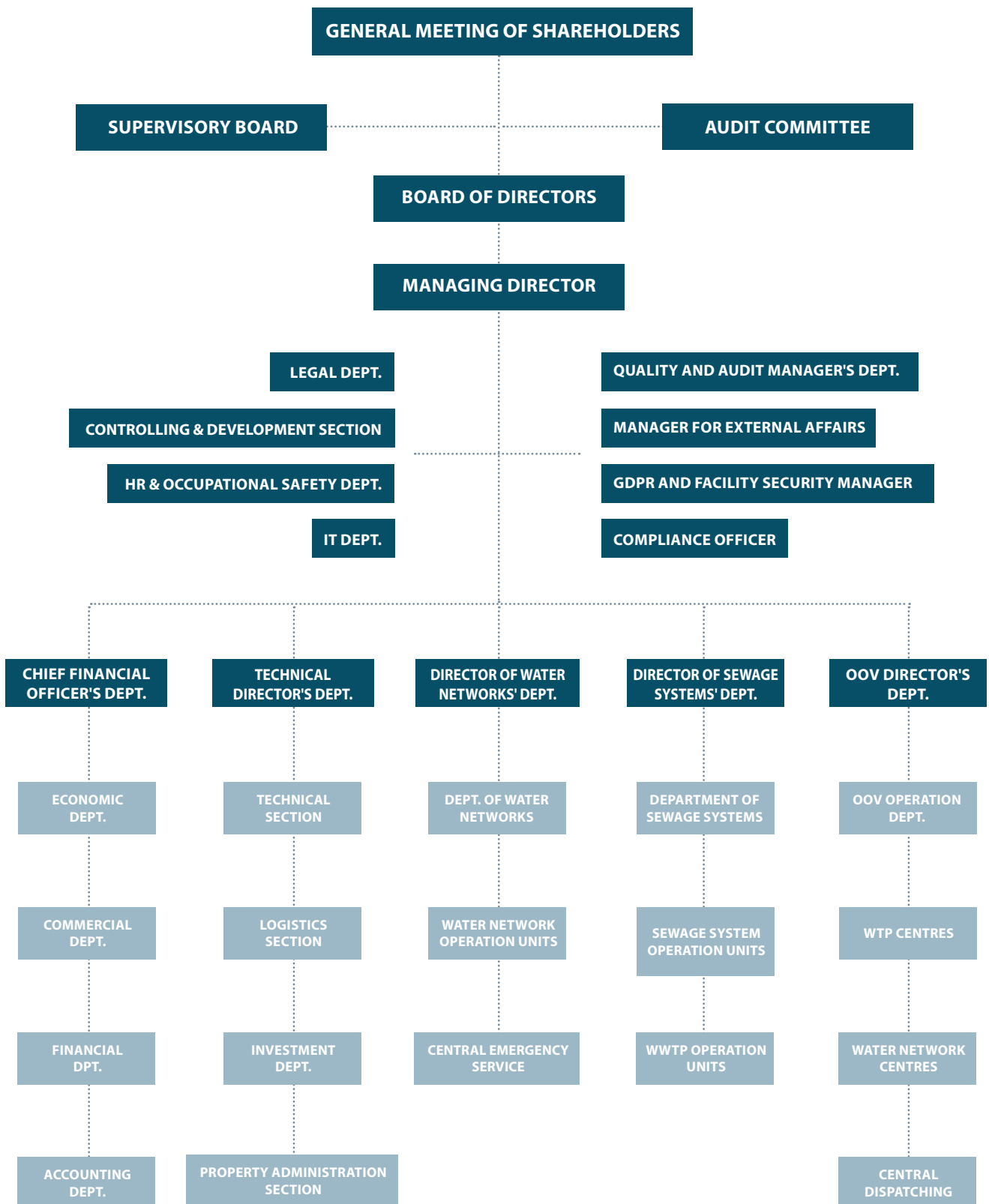
The Company does not own any shares in subsidiaries or in any other company. The Company is a member of the Group where the controlling person is FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. with the registered office in the Kingdom of Spain.

KEY EVENTS IN 2023

- The sole shareholder, AQUALIA CZECH, S. L. acting in the capacity of the General Meeting held on 17 May 2023, approved the 2022 Annual Report, the 2022 regular financial statements, as well as the distribution of profit generated in the 2022 reporting period.
- The sole shareholder decided to distribute the profit made in the 2022 reporting period as follows: the total profit of CZK 436,343,989.71 will be transferred onto the account for retained profits of past years, where a part of this, CZK 95,600,164.14 will be used only for activities specified in the renewal financing plan.
- In July 2023 the first Vice-Chairman of the Board of Directors Guillermo Moya García–Renedo resigned and left the Board of Directors. Guillermo Moya García–Renedo’s membership ceased to exist on 20 July 2023.
- Because of Guillermo Moya García–Renedo’s resignation, the Board of Directors elected at its meeting on 20 July 2023 a new first Vice-Chairman of the Board of Directors: the existing member of the Board of Directors Isidoro Antonio Marbán Fernández.
- In August 2023 the sole shareholder elected Mark Muller Aguirre to be a new member of the Board of Director who should replace Guillermo Moya García–Renedo. In 2023 the terms of office expired for some members of the Supervisory Board. This was the case of Tomáš Navrátil, Jan Malík, René Chrobok, and Antonio Parisi. In May 2023 the sole shareholder re-elected Tomáš Navrátil, Jan Malík, and René Chrobok the members of the Supervisory Board. In July 2023 the sole shareholder elected Antonio Parisi a member of the Supervisory Board.
- In 2023, the profit made by SmVaK before tax was CZK 576.03 million pursuant to books kept in IAS/IFRS. The projected total expenditure for the year 2023 was based on expected needs, pricing implications and financial obligations.
- In 2023, the Company led the investment policy on the basis of needs of further development of business activities in accordance with the approved long-termed plan. The Company invested almost CZK 660 million. The Company fulfilled its aim to invest in water management infrastructures in the municipalities in the region where it has been providing its services.
- In 2023 the Company managed to supply reliably the drinking water of top quality and quantity and also managed to treat the discharged wastewater in all its locations.



ORGANISATIONAL STRUCTURE





DECISION-MAKING PROCESS AND MEMBERS OF THE COMPANY BODIES

BOARD OF DIRECTORS

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

MEMBERS OF THE BOARD OF DIRECTORS AS OF 31 DECEMBER 2023

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 2023	
Luis Francisco De Lope Alonso	Chairman of the Board of Directors
Isidoro Antonio Marbán Fernández	the first Vice-Chairman of the Board of Directors
Miroslav Kyncl	the second Vice-Chairman of the Board of Directors
Mark Muller Aguirre	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 2023 Guillermo Moya-García Renedo resigned as the first Vice-Chairman of the Board of Directors. In July 2023, Isidoro Antonio Marbán Fernández was elected to be the first Vice-Chairman of the Board of Directors, and Mark Muller Aguirre to take the vacancy as a member of the Board of Directors.

DETAILS OF THE BOARD OF DIRECTORS

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

Description of pecuniary income	
Luis Francisco De Lope Alonso	No income, based on remuneration waiver
Isidoro Antonio Marbán Fernández	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
Mark Muller Aguirre	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 who represent the sole shareholder is provided by the controlling person.

In 2023, the pecuniary income of the Board of Directors members totalled CZK 1.398 million (CZK 1.592 million in 2022). 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 2023

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

Supervisory Board as of 31 December 2023	
Lukáš Ženatý	Chairman
Pedro Miñarro Perete	Vice-Chairman
Lenka Kolářová	member elected by Company's
Ondřej Novák	member elected by Company's
Petr Černocho	member elected by Company's
Jan Malík	member
René Chrobok	member
Tomáš Navrátil	member
Antonio Parisi	member

The sole shareholder resolved to re-elect Tomáš Navrátil, Jan Malík, René Chrobok, and Antonio Parisi the 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 2023, none of the Supervisory Board members announced that they had lost the statutory competence to serve as a member 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 Černoš	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 supervisory 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 Company made no agreement with any member on the provision of any benefits upon the termination of membership in the Supervisory Board.

In 2023, the pecuniary income of the Company's Supervisory Board members who are not employed with the Company totalled CZK 1.457 million (CZK 1.058 million in 2022).

The pecuniary income of the Company's Supervisory Board members who were the Company employees in 2023 were as follows:

- Employment income (Company employees) – CZK 4.666 million (CZK 7.688 million in 2022). The reason for the difference above is a change among Supervisory Board members.
- Income from holding the office as a member of the Supervisory Board: CZK 0.728 million (CZK 0.667 million in 2022).

Total in-kind and other compensation in connection with employment income in 2023 amounted to CZK 0.2 million (CZK 0.221 million in 2022).

AUDIT COMMITTEE

The Audit Committee was established by a change in the Articles of Association as another body of the Company based on a decision of the General Meeting held on 25 May 2017 subsequent to Section 44 (12) of Act No. 93/2009 Coll., as amended.

The status, authority and decision making of the Audit Committee is specified in the Company's Articles of Association, Section D, Sub-sections 32 to 35.

The Audit Committee remains to be a company body even if it is not a public interest entity anymore. The status of the Audit Committee is defined in the Company's Articles of Association.

MEMBERS OF THE AUDIT COMMITTEE AS OF 31 DECEMBER 2023

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 2023 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 2023, the pecuniary income of the Company's Audit Committee members amounted to CZK 0.546 million (CZK 0.459 million in 2022).

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 Koniř	Director of Water 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

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 (the basic salary, bonuses, compensation under the Collective Agreement)	Company car for personal use
Halina Studničková, Chief Financial Officer	<ul style="list-style-type: none"> Is responsible for the effectiveness of economic and financial transactions, drafting of the Company's economic and financial plan and ensuring that its targets are met; Ensures ongoing financial management; Is in charge of Company business operations and devising marketing strategy; Is responsible for pricing policy; and Acts on the Company's behalf within the scope of written authorisation by the Board of Directors. 	Salary paid under the Salary Package Contract (the 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 Salary Package Contract (the basic salary, bonuses, compensation under the Collective Agreement)	Supplementary pension Company car for personal use
Milan Koníř, Director of Water Supply Networks	<ul style="list-style-type: none"> Is responsible for all water supply networks operations; Is responsible for uninterrupted drinking water supply; Is responsible for the quality of supplied water and the quality control of supplied water; Is in charge of contacts with municipalities in water supply operations; Is in charge of metrology within the scope of water supply; and Acts on behalf of the Company within the scope of the written authorisation granted by the Board of Directors. 	Salary paid under the Salary Package Contract (the 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 Salary Package Contract (the 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 Salary Package Contract (the basic salary, bonuses, compensation under the Collective Agreement)	Supplementary pension Company car for personal use

PRINCIPLES OF REMUNERATION

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

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

The top managers' bonuses are variable, depending on whether the top managers meet pre-defined criteria. Entitlement for bonuses and their payment depends on meeting the criteria set for individual top 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 %, based on the evaluation of meeting each specific criterion.

The Board of Directors assesses meeting the pre-defined criteria by the Managing Director, while 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 top 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 2023 the pecuniary income of managers totalled CZK 17.414 million (CZK 16.515 million in 2022); total in-kind and other compensation amounted to CZK 0.07 million (CZK 0.084 million in 2022).

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 executives as of 31 December 2023.

	Number of the Company's shares or similar types of securities as of 1 January 2023	Number of the Company's shares or similar types of securities as of 31 December 2023	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
Top managers and company executives	0	0	None



DEVELOPMENT OF THE COMPANY'S REGISTERED CAPITAL AND EQUITY

Indicator	UNIT	2021	2022	2023	ISIN No.
1. Registered capital	CZK thousand	1,296,909	1,296,909	1,296,909	-
Total shares	number	3,458,425	3,458,425	3,458,425	-
of which the bearer shares	number	421,385	421,385	421,385	CS0008435251
of which the registered shares	number	3,037,040	3,037,040	3,037,040	CS0009031166
2. Reserves	CZK thousand	0	0	0	-
3. Retained profit	CZK thousand	806,900	1,243,244	1,648,361	-
EQUITY	CZK thousand	2,103,809	2,540,153	2,945,270	-



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
Description: Book-entered, records of holders are maintained by Centrální depozitář cenných papírů, a.s. (Central Depository of Securities)
ISIN: CS 0009031166

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

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

Dividend payments:

Payments of dividends in previous years were effected under the rules passed by the respective General Meeting's resolution.

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 2023:

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.



Information on the Trade in Shares or Similar Securities Pertaining to the Company Conducted in 2023

The members of the Board of Directors or the Supervisory Board, the Company's top managers and executives, 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 executives 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 top managers and executives, or their close relatives.

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

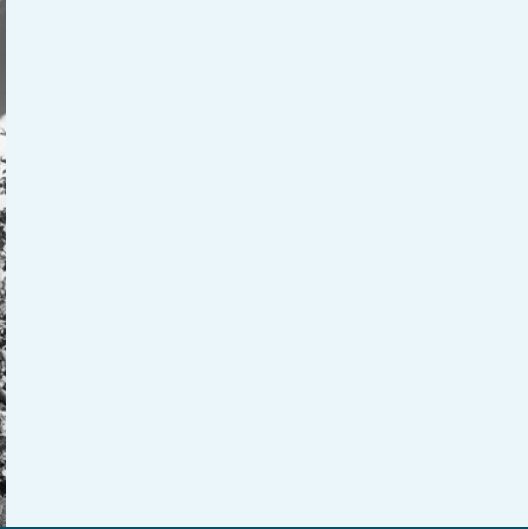
Auditor	Amount included in audit costs for 2023	Other services	Other services - description
Ernst & Young Audit, s.r.o.	1,608	-	Other services were not provided



RIGHTS ARISING FROM OWNERSHIP OF SECURITIES

RIGHTS ARISING FROM OWNERSHIP OF SHARES

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



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

The authorised employee approves financial transactions by his/her signature which must be identical with the signature specimen. During DMS implementation, the system for electronic circulation of accounting documents and vouchers is being introduced.

Transactions in DMS are approved in the digital e-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 approve the recognition of financial and accounting transactions are responsible for the following:

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

The Company has appointed and authorised employees responsible for reviewing accuracy, completeness, admissibility and legitimacy of financial transactions and persons authorised to approve these transactions. Their powers are defined in accordance with the amounts/prices determined for specific (separate) financial transactions.

For transactions under CZK 3 million incl. VAT, three authorised employees jointly approve any such transaction; for transactions between CZK 3 million and CZK 27 million incl. VAT, three authorised employees and three authorised members of the Company's body (the Board of Directors) jointly approve any such transaction.

For transactions exceeding CZK 27 million incl. VAT, three authorised employees and four authorised members of the Company's body (the 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

The internal audit is carried out as a part of the Integrated Management System. Activities of internal organisational units are systematically checked and evaluated in quality management, environment management, occupational safety management and fire prevention. 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. Random workplace inspections, reviews of internal accounting records, and reviews of activity progress are also conducted.

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 who make payments print out a list of payment orders from EIS, review and sign it together. 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 OSH department. The payroll system can be accessed by Human Resources Payroll officers processing the payroll agenda, and the head of Human Resources and OSH department.

Any change in salaries is subject to the approval of the Managing Director. Payroll outputs are subject to inspection by the head of Human Resources and OSH department.

Subsequently, they are approved by the Chief Financial Officer and the Managing Director.

THE SOLE SHAREHOLDER'S CONTROL

The sole shareholder in SmVaK is AQUALIA CZECH S.L. which owns 100 % in the registered capital. It is the direct person controlling Severomoravské vodovody a kanalizace Ostrava a.s.

FCC Aqualia S. A. owns 99.9999 % in the registered capital of AQUALIA CZECH, S. L. where 0.0001 % is owned by Aqualia Intech S. A.

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

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

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 primarily methodological regulations in the ISO documentation system, which in detail describe procedures of processing common transactions, including fraud prevention rules. The Company's internal audit controls adherence to the relevant rules. The 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.

Now, there is a sole shareholder where the exercising of the powers is given both in law and in the 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 subject to updates each year and 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 2023, development and application of the programme continued. The programme introduces a comprehensive system of measures and procedures relating to all activities of all persons 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. During the evaluation process in 2023, new monitoring areas were added. Now, 34 regular checks are carried out.

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 2023 SmVaK Ostrava a.s. organised, in line with 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.

As the Act on Protection of Whistleblowers was adopted and entered into force, a whistleblower channel was created and a person was appointed who will address information in line with the Act.

Such person is the Compliance Office who meets requirements of the law. The process of handling the information is governed by laws in force as well as by internal group policies.

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 a sole shareholder.



ACCESS TO THE ANNUAL REPORT

As of 30 April 2024 the Annual Report will be available as a pdf at www.smvak.cz under Media and in the collection of Commercial Register deeds which is kept by the Regional Court of Ostrava.



THE CONTROLLED AND CONTROLLING PERSONS

The overview below shows the controlled and controlling persons within the FCC Group as of 31 December 2023.

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

2. ULTIMATE CONTROLLING PERSON OF THE GROUP

Fomento de Construcciones y Contratas, S. A.

Registered office: Barcelona, Balmes 36

ID: A-28037224

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

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

3. DIRECTLY CONTROLLING PERSON

AQUALIA CZECH S. L.

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

ID: B-85794931

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

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

4. OTHER 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 registered in the Commercial Register kept at the Regional Court of Ostrava, Section C, Entry 8486.

4.3. Aqualia Intech, S. A.

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

ID: A-28849495

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

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

4.4. FCC AQUALIA, S. A.

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

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

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

4.6. OBSED a. s.

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

ID: 27454045

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

4.7. 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 Relations specifies all members of the Group with which the controlled person had contractual relations or with which legal acts were performed in the reporting period beginning 1 January 2023 and ending 31 December 2023.

The Report on Relations between the controlling person and the controlled persons and between the controlled persons and other persons controlled by the same controlling person for the reporting period beginning 1 January 2023 and ending 31 December 2023, 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 person. It is directly controlled by the controlling person, 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 person 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 regular Financial Statements for 2023 and the 2023 Annual Report.

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



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

KEY FINANCIAL FIGURES FOR 2023

- The book profit of Severomoravské vodovody a kanalizace Ostrava a.s. was CZK 576.03 million in 2023.
- If compared with 2022, the water deliveries to water supply systems of third-party water companies (bulk water) increased by 6.4 % year-on-year, which represents an increase by 1.229 million m³ against the previous year.
- Drinking water delivered to households and businesses in 2023 dropped by 3.3 %, this means 1.041 million m³, if compared with the previous year.
- The volume of drained wastewater (including the billed rainwater) recorded a decrease by 1.1 %, if compared to the volume reported in 2022.
- Supplies of drinking water from central and local sources were uninterrupted throughout 2023 and so was the drainage and treatment of wastewater.
- The total income from water tariff and sewage charges amounted to CZK 3,433.328 million which is by CZK 591.001 million more than in 2022.
- Generally, the financial figures of Severomoravské vodovody a kanalizace Ostrava a.s. in 2023 can be regarded as satisfactory. The total volume of drinking water sold to final consumers amounted 30.922 million m³, and the volume of drained wastewater for consideration totalled 26.112 million m³. 16.107 million m³ of drinking water were delivered to the systems of Czech water management companies, and 4.251 million m³ were 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 in the annex the annual financial statements for 2023).

INCOME

In 2023, the total income from water tariffs and sewage charges amounted to CZK 3,561.510 million which is by CZK 573.599 million more than in 2022.

Development of income in CZK ,000

Indicator	2021	2022	2023
Income from water tariffs and sewage charges	2,723,915	2,839,327	3,433,328
Other operating income	151,798	133,984	126,237
Interest and other financial income	688	14,600	1,945
Total income	2,876,401	2,987,911	3,561,510
Profit before taxes	565,489	543,141	576,030
Profit after taxes	454,660	436,344	405,117

Key business operations

Indicator	2021	2022	2023
Billed water (thousand m ³)	32,404	31,963	30,922
Bulk water (thousand m ³)	18,711	19,129	20,358
Discharged wastewater (thousand m ³)	26,994	26,397	26,112

4.251 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 11.531 million m³, and 2.06 million m³ of drinking water was supplied to Vodovody a kanalizace Přerov a.s. Other third party consumers were delivered 2.516 million m³ of drinking water ("bulk water").

EXPENSES

The total recognised expenses including taxes amounted to CZK 3,156.393 million in 2023.

Expenses in CZK ,000

Indicator	2021	2022	2023
Consumption of materials and energy	534,158	585,220	706,124
Personnel costs	557,041	587,534	697,838
Depreciation	463,220	489,977	503,996
Other operation expense	602,341	599,477	872,122
Increase/decrease in reserves and adjusting entries – net value	-10,829	-7,799	5,862
Interests and other financial expense	164,981	190,361	199,538
Income tax	110,829	106,797	170,913
Expenses in total	2,421,741	2,551,567	3,156,393

PROFIT/LOSS

Profit before tax	
2021	CZK 565.489 million
2022	CZK 543.141 million
2023	CZK 576.03 million

Profit after due income tax and deferred income tax	
2021	CZK 454.66 million
2022	CZK 436.344 million
2023	CZK 405.117 million

PROPOSED DISTRIBUTION OF THE COMPANY'S ACCOUNTING PROFIT MADE IN 2023

Accounting profit	CZK 405,117,339.78
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 405,117,339.78

PROFIT/LOSS. DIVIDEND PER SHARE

	2021	2022	2023
Profit/loss per share in CZK	131.46	126.17	117.14
Dividend per share in CZK	0	0	To be decided by the sole shareholder

Decisions on dividends are made by the Company's sole shareholder resolution within distribution of the profit made by the Company during the reporting period.

FINANCING

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

No movable or immovable assets of the Company were pledged as of 31 December 2023.

BORROWINGS

In 2015 the Company signed a contract in order to secure its financial stability for the future period. The other party to the contract is **ING Bank N.V.**, a joint-stock company established under the law of the Netherlands with the registered office at Bijlmerplein 888, 1102 MG under 33031431 which is represented in the Czech Republic by ING Bank N.V., the branch in Prague with the registered office at Českomoravská 2420/15, Libeň, 19000 Praha 9, Czech Republic ID: 492 79 866. The contract provides for the credit framework up to CZK 120 million. The loan is secured with a promisory note ("the blank bill"). In 2023, this loan was used solely for the issuance of bank guarantees related to the operation of licence agreements and participation in tenders and to cover a short-lasting unbalance between Company's income and expenses.

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

Date of issue	Issued to the benefit of	Purpose of issue	Validity	Bank warranty in CZK
4. 9. 2020	Municipality of Albrechtice, Obecní 186, 735 43 Albrechtice	Operation of water assets owned by the Municipality of Albrechtice	7.9.2020-31.12.2024	36,000.00
21. 12. 2020	Municipality of Velké Losiny, Rudé Armády 321, 788 15 Velké Losiny	Operation of a sewage system and wastewater treatment plant for public needs: in Velké Losiny and in its suburbs - Maršíkov and Bukovice.	21.12.2020-20.12.2025	850,000.00
19. 12. 2018	Municipality of Opava, Horní náměstí 69, 746 26 Opava	Due fulfilment of operator's obligations arising from the contract	1.1.2019-31.12.2023	400,000.00
19. 12. 2018	Municipality of Neplachovice, Na Návsí 16, 747 74 Neplachovice	Due fulfilment of operator's obligations arising from the contract	1.1.2019-31.12.2023	150,000.00
9. 1. 2020	Municipality of Vratimov, Frýdecká 853/57, 739 32 Vratimov	Due fulfilment of operator's obligations arising from the contract	9.1.2020-31.12.2024	260,000.00
9. 1. 2020	Municipality of Řepiště, Mírová 178, 739 31 Řepiště	Due fulfilment of operator's obligations arising from the contract	9.1.2020-31.12.2024	114,000.00
21. 12. 2020	Municipality of Horní Suchá, Sportovní 3/2, 735 35 Horní Suchá	Operation of water assets owned by the Municipality of Horní Suchá	1.1.2021-20.12.2025	230,000.00
21. 12. 2020	Municipality of Dolní Lutyně, Třanovského 10, 735 53 Dolní Lutyně	Due fulfilment of operator's obligations arising from the contract	1.1.2021-20.12.2025	130,000.00
21. 12. 2020	Municipality of Štramberk, Náměstí 9, 742 66 Štramberk	Due fulfilment of operator's obligations arising from the contract	1.1.2021-20.12.2025	106,500.00
7. 5. 2021	Municipality of Písečná, Písečná 262, 739 91 Písečná	Due fulfilment of operator's obligations arising from the contract	10.5.2021-10.5.2026	68,500.00
20. 12. 2021	Municipality of Frenštát pod Radhoštěm, nám. Míru 1, 744 01 Frenštát pod Radhoštěm	Due fulfilment of operator's obligations arising from the contract	1.1.2022-19.12.2026	200,000.00
30. 11. 2021	Municipality of Orlová, Osvození 796, 735 14 Orlová-Lutyně	Due fulfilment of operator's obligations arising from the contract	1.1.2022-31.12.2026	210,000.00
30. 11. 2021	Municipality of Frýdek-Místek, Radniční 1148, 738 01 Frýdek-Místek	Due fulfilment of operator's obligations arising from the contract	1.1.2022-31.12.2026	699,000.00
30. 11. 2021	Union of Municipalities in the region of Nový Jičín, Masarykovo náměstí 1, 741 01 Nový Jičín	Due fulfilment of operator's obligations arising from the contract	1.1.2022-31.12.2024	1,200,000.00

Date of issue	Issued to the benefit of	Purpose of issue	Validity	Bank warranty in CZK
20. 12. 2022	Municipality of Krmelín, Kostelní 70, 739 24 Krmelín	Due fulfilment of operator's obligations arising from the contract	1.1.2023-20.12.2027	324,000.00
21. 12. 2022	Municipality of Rychvald, Orlovská 678, 735 32 Rychvald	Due fulfilment of operator's obligations arising from the contract	1.1.2023-31.12.2027	43,000.00
21. 12. 2022	Municipality of Albrechtice, Obecní 186, 735 43 Albrechtice	Due fulfilment of operator's obligations arising from the contract	1.1.2023-31.12.2027	50,000.00
29. 6. 2023	Municipality of Opava, Horní náměstí 382/69, 746 01 Opava-Město	Due fulfilment of operator's obligations arising from the contract	1.7.2023-29.6.2028	955,000.00
03. 8. 2023	Municipality of Příbram, Tyršova 108, 261 19 Příbram, Příbram I	Concession procedure with respect to operation of water infrastructure owned by the Municipality of Příbram	8.8.2023-31.1.2024	10,000,000.00

Payables as of 31 December 2023 in CZK ,000

	2021	2022	2023
Long-termed payables and unearned revenues	913,029	6,004,343	5,803,390
hereof: Bank loans and issued bonds	0	0	0
hereof: Payables - the controlling person	0	5,062,000	4,722,000
hereof: Deferred tax liability	590,270	614,568	698,661
hereof: Payables with respect to financial lease	297,642	308,060	360,405
hereof: Reserves	25,117	19,715	22,324
Short-termed payables and unearned revenues	6,243,088	838,885	944,390
hereof: Bank loans and issued bonds	5,458,726	0	0
hereof: Trade payables and other payables	743,063	800,134	858,751
hereof: Payables with respect to financial lease	29,142	36,369	33,124
hereof: Payables - the controlling person	0	0	44,217
hereof: Tax payables to the state	8,021	833	6,520
hereof: Reserves	4,136	1,549	1,778

In 2023, 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 2023. 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

	2021	2022	2023
Re-calculated headcount	861	872	882
hereof employees in water networks	406	408	409
hereof employees in sewage systems	299	303	308
hereof – other employees	156	161	165

ANTI-BRIBERY AND ANTI-CORRUPTION MEASURES

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

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

RESPECT FOR HUMAN RIGHTS

The Company fully respects the human rights of all persons 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

Legal disputes against the Company initiated by the former shareholders have been closed.

LEGAL COURT DISPUTES WHERE THE COMPANY IS THE PLAINTIFF

I. CLAIMING OF TRADE RECEIVABLES

Court disputes in progress as of 31 December 2023 where the Company is the plaintiff	Number of cases	Amount in CZK
Receivables utilised in bankruptcy and insolvency proceedings	148	10,490,576.04
Actions filed:	120	2,364,208.64
of which distraint	97	1,328,257.49
Receivables utilised in inheritance proceedings	18	83,165.00
Receivables utilised in liquidation proceedings	2	4,688.00
Cases where the Company is the plaintiff – before action	151	449,538.49
Total cases pending	421	13,309,011.17

II.

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 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.
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 a cassation complaint at the Supreme Administrative Court against the decision made by the Metropolitan Court in Prague because it did not agree with the dismissing judgement awarded by the Metropolitan Court in Prague and did not agree with cancellation of the original decision made by Státní energetická inspekce.
5. On 9 July 2023 the Supreme Administration Court awarded its judgement and cancelled the judgement awarded by the Metropolitan Court in Prague on 30 March 2022. It referred the case back to the Metropolitan Court in Prague which should re-hear the case.
6. On 11 August 2023 the Metropolitan Court in Prague resolved to dismiss the claim filed by SmVaK Ostrava.
7. 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.

BUSINESS OPERATIONS

In 2023, business operations were carried out by five customer centres (in Ostrava, Frýdek-Místek, Karviná, Nový Jičín, and Opava). 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. Customer centres and their services have been changing thanks to digitizing processes. A customer can submit more and more requests without a physical visit to the customer centre: they can enter the request directly in the customer account, or they can send the request by e-mail.

At www.smvak.cz there is an online application where the clients can order several dozens of services in nine areas – it is not necessary to visit the customer centres or operation sites.

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/sewing systems. Pursuant to an amendment to Act No. 274/2001 Coll. and the Civil Code, Act No. 89/2012 Coll., contracts for public water supply and wastewater drainage concluded with customers meet the requirements of the aforementioned amendment. As of 31 December 2023, 141,675 customers are provided services from SmVaK Ostrava. In accordance with the law (New Commercial Code of 2014 and the Act No. 275/2013 Coll. which changes the Act No. 274/2001 Coll.) we contacted in 2023 all customers who had signed their contracts prior to 1 January 2014 and asked them to sign the contract draft which met all essentials required by the amended § 8 (16) and (17).

As of 1 January 2023, the Company has been running a new Customer Information System. It introduced many changes in registry of customers, reading and registration of water meters, billing methods, and such. It is also possible to use there actively an online customer account which improves the comfort experienced in the customer self-service.

In 2024, other services will be extended and provided in the customer accounts.

Customers and contracts in force in 2023

	Number of customers
Residents	127,835
Corporate customers	13,840
Total	141,675

STATEMENTS

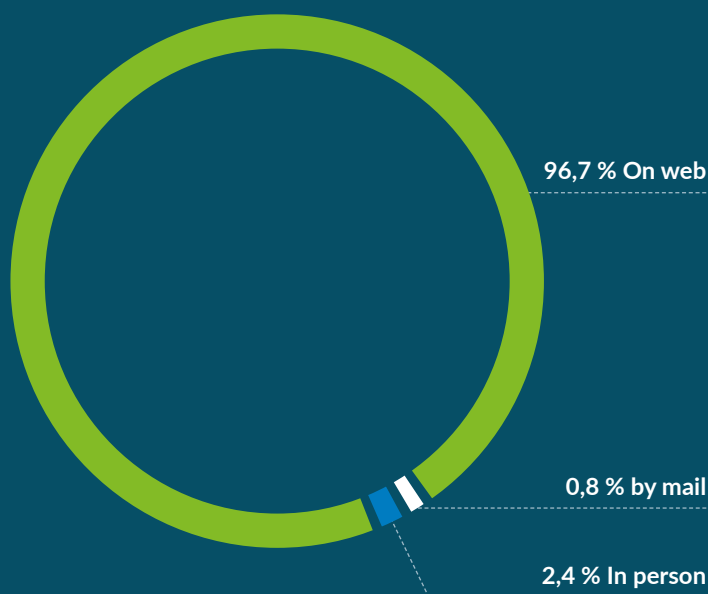
The provision of statements with respect to construction plans of investors (both on the existence of networks and project documentation) is among the basic supporting services provided by the Company. Recently (until 2021) there was a year-to-year increase in requests for statements. In 2022 the trend reversed and the number of requests for statements dropped. Such decrease continued in 2023. The drop was 10 %, if 2023 is compared with 2022. One of significant reasons for such decrease is the new system of communication used with the customers. If a request for statement is incomplete or contains minor errors, the applicant can add information or make corrections within The customer regard this form of communication as a positive change.

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

Year	Processed	Year-to-year increase/decrease
	Number	%
2021	39,120	+ 9.8
2022	33,721	-16
2023	30,367	-10

Similar to other utility organisations, the Company's web site allows for submitting requests for an opinion. In 2023, almost 97 % of requests were delivered using an electronic application form.

Channels for submitting requests for a statement



In 2023, more than 53 % requests for statement were addressed 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 (50 % in 2022). 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 2024

In 2024, the Company plans to spend CZK 618 million on investment projects and CZK 426 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 2024 will be financed using the Company's own resources.

The plan for 2024 is to spend more by CZK 260.138 million on operation expenses. The reason for such growth in expenses is, in particular, an increase in costs of repairs/maintenance, material consumption, personnel costs, 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 2024, the total expenses (excluding the income tax) are planned to reach CZK 3,236.7 million, the planned income is CZK 3,820.465 million and the profit before tax should reach CZK 583.765 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 2024: 30.623 million m³ of billed drinking water, 26.525 million m³ of discharged water, and 18.901 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.



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. After the completion of the higher-lying Slezská Harta reservoir, which Kružberk closely cooperates with as part of the cascade, its tasks are to ensure the supply of raw water for the Podhradí Water Treatment Plant, to enhance watercourse flow rates and to enable industrial offtake from them. An important function of the cascade is flood protection.

The Šance dam on the Ostravice River above the town of the same name 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 Vyšní Lhoty Water Treatment Plant.

Pursuant to the current reservoir water quality, the water basin manager (Povodí Odry) 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 water treatment plants.

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

PRODUCTION OF DRINKING WATER

The majority of the production takes place at water treatment plants in Podhradí by the town of Vítkov, Nová Ves by the town of Frýdlant nad Ostravicí and Vyšní Lhoty close to the town of Frýdek-Místek. The remaining part of drinking water production takes place at another 40 local sources of ground and surface water.

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

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

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

Quality of water	Unit	2023	WTP PODHRADÍ	WTP NOVÁ VES	WTP VYŠNÍ LHOTY
		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	7.83	7.82	7.82
ANC _{4,5}	mmol.l ⁻¹	-	0.90	0.73	0.85
BNC _{8,3}	mmol.l ⁻¹	-	0.020	0.032	0.016
Colour	mg.l ⁻¹ Pt	20	3.70	2.21	2.01
Turbidity	ZF	5	0.15	0.27	0.24
COD _{Mn}	mg.l ⁻¹	3	1.65	1.05	0.65
Iron	mg.l ⁻¹	0.2	< 0.05	< 0.05	< 0.05
Manganese	mg.l ⁻¹	0.05	-	< 0.025	< 0.025
Nitrites	mg.l ⁻¹	0.5	< 0.01	< 0.01	< 0.01
Aluminium	mg.l ⁻¹	0.2	0.02	0.02	0.01

The volume of drinking water production in 2023 followed the trend of the preceding period. During the year, the Company produced 56.595 million m³ of drinking water, which represented a year-on-year decrease by 0.169 million m³.

The volume of drinking water production – time process

Water treatment plants – production of water ,000 m ³ /year	2017	2018	2019	2020	2021	2022	2023
Podhradí	27,468	28,704	28,016	28,244	28,142	26,934	27,814
Nová Ves	24,043	23,715	23,513	21,598	22,061	22,174	21,994
Vyšní Lhoty	5,705	5,167	5,376	4,860	4,867	4,747	4,394
Local sources	3,190	3,143	3,139	2,690	2,484	2,909	2,393
Total	60,406	60,729	60,042	57,392	57,554	56,764	56,595

DISTRIBUTION OF DRINKING WATER

Throughout the year 2023, the drinking water was supplied continuously, meeting the quality and quantity required by the customers for the drinking water. Operation ran in a standard mode without any significant restrictions.

As of 31 December 2023 SmVaK operated 5,172 km of water networks incl. 143,209 service pipes, 345 water reservoirs and 229 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 decrease by 1.041 million m³ in 2023. The decrease was a rather considerable for households (0.923 million m³ year-on-year), while other customers saw a not-so-steep decrease (0.118 million m³). In case of bulk water, the quantity of water supplied to third-party water companies increased by 1.229 million m³ if compared with the same period in 2022. Households and other customers were sold 21.67 million m³ and 9.252 million m³ of drinking water, respectively.

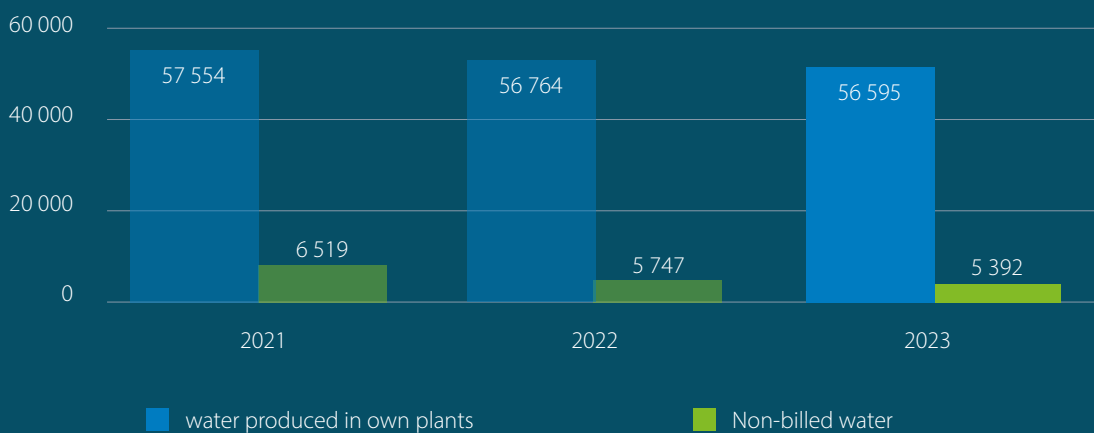
Water production and supply in units of volume

Indicator	Unit	2021	2022	2023
Water produced in own plants	thousand m ³	57,554	56,764	56,595
Bulk water taken from third-party water companies	thousand m ³	80	75	77
Bulk water supplied to third-party water companies	thousand m ³	18,711	19,129	20,358
Water produced for use by direct consumers	thousand m ³	38,923	37,710	36,314
Billed water	thousand m ³	32,404	31,963	30,922
of which: households	thousand m ³	23,609	22,593	21,670
others	thousand m ³	8,795	9,370	9,252

In 2023, the volume of unbilled water decreased from 5.747 million m³ down to 5.392 million m³, i.e. by 0.355 million m³.

The year 2023 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 reached CZK 86.6 million.

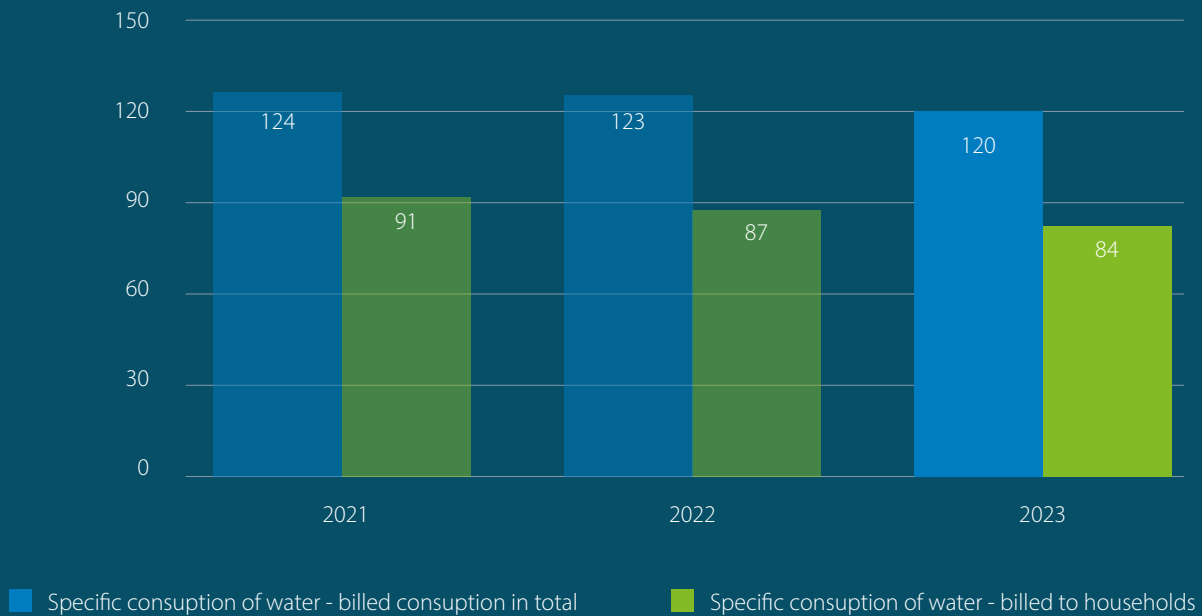
Production of water and related indicators, in ,000 m³



GENERAL INFORMATION ABOUT WATER NETWORKS

Indicator	2021	2022	2023
Number of residents connected to Company's system	714,164	711,264	708,273
Number of water supply networks for public consumption	130	130	129
of which: group pipelines	55	55	55
Length of water supply network (km)	5,120	5,141	5,172
Number of water service pipes	140,030	141,805	143,209
Length of water service pipes (km)	770	770	770
Number of installed water meters	142,138	143,946	145,348
Number of water meters replaced per year	21,240	22,154	24,977
Number of fixed-tariff water off-takes	1,540	1,503	1,455
Number of pumping/re-pumping stations	223	225	229
Number of water treatment plants	47	44	43
Number of water reservoirs	357	353	345
Volume of water reservoirs (m ³)	388,124	385,214	383,907

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



Specific water consumption per capita/day in 2023 amounted to 120 litres for total billed water and 84 litres for billed water supplied to households. The specific billed water consumption decreased by 3 litre compared to 2022; the specific water consumption billed to households also decreased by 3 litres per capita/day compared to 2022.

OPERATION OF SEWAGE SYSTEMS

In 2023, the Company operated sewage networks in 79 municipalities in the Moravian-Silesian Region and in Velké Losiny in the Olomouc Region with the total length being 1,977 km. 476,077 people were connected through connection pipes to the sewage system.

The sewage network included 205 pumping stations transporting wastewater from low areas to gravitation sewage pipelines fitted with wastewater treatment plants at the end of each pipeline. In 2023, a total of 26.112 million m³ of wastewater was discharged (including billed rainwater drainage) in the municipalities within the Company's scope of operation.

Wastewater treatment operations were carried out in 77 plants, of which 75 were mechanical-biological wastewater treatment plants and 2 were mechanical wastewater treatment plants. Their overall capacity is 263,997 m³ per day, which corresponds to 962,466 population equivalents (PE).

The quantity of wastewater drainage from households and industry saw a slight decrease as compared to 2022 (and this trend has been reported for a certain time). The proportion of wastewater treated in sufficient efficiency facilities did not change substantially. During the reporting period, 48.968 million m³ of wastewater was treated in all wastewater treatment plants, of which 48,951 million m³ was treated with a sufficient efficiency.

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

During 2023, a number of construction projects were performed on sewage networks. The most significant are as follows:

- Paskov, the Vodárenská street – reconstruction of the "A" sewer
- Fulnek, the Sportovní & Tyršova streets – reconstruction of the sewage system
- Štramberk, the Zauličí street – reconstruction of the "A" & "BK" sewers
- Nový Jičín, the Zborovská street – emergency repair of the "AM" sewer
- Odry, the Příční, Kostelní & Hranická streets – emergency repair of the "BE", "BB" & "BA-2" sewers
- Kopřivnice, the Kadláčkova & Čs. Armády – emergency repair of the "B" sewer
- Nový Jičín, the Purkyňova street – emergency repair of the "AE-9.1" sewer
- Opava, the Kolofíkovo nábřeží street – emergency repair of the "D" sewer
- Třinec, the Poštovní street, building # 621 – emergency repair of the "AC" & "AC-3" sewers
- Karviná-Nové město, the Makarenkova street - emergency repair of the "BI" sewer
- Doubrava – Komendr, wooden houses #1093 - #1065 – reconstruction of the sewer, DN 300

The projects implemented and launched in the area of wastewater treatment in 2023 focused on the renovation of facilities, improving the safety of wastewater treatment facilities, decreasing indicators of the discharged water, and enhancing the optimisation of technology processes:

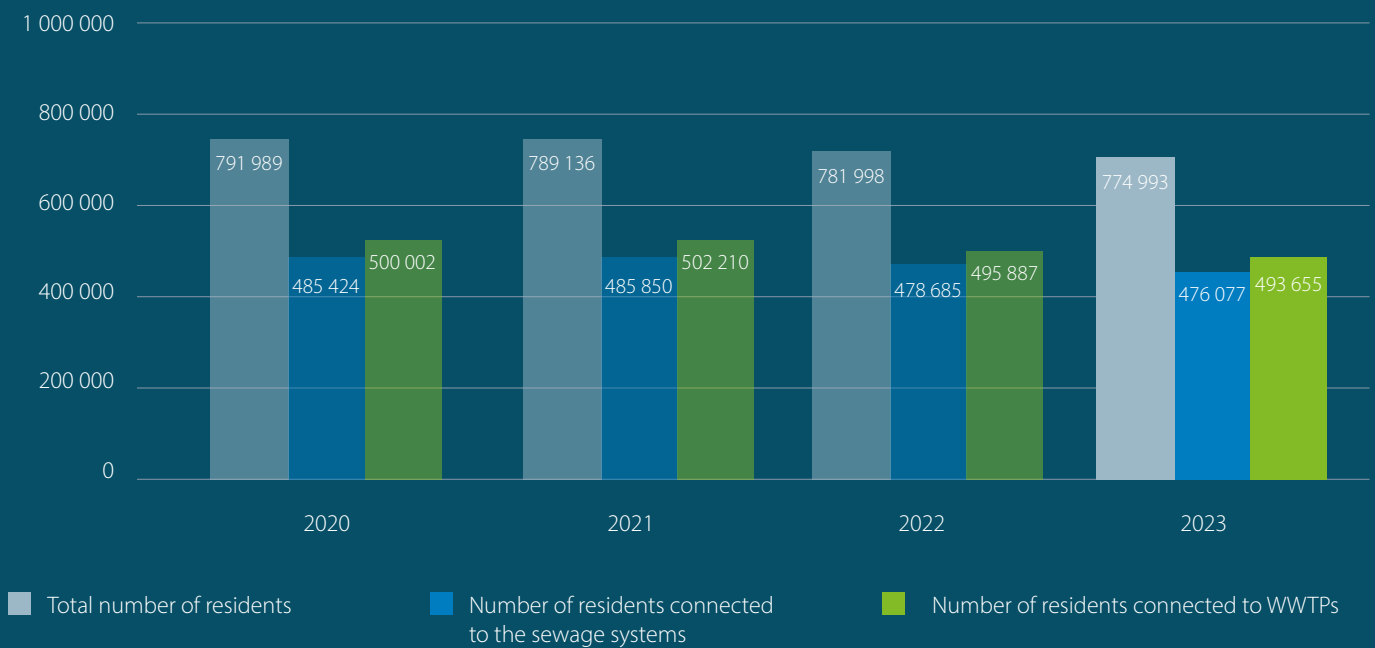
- WWTP Albrechtice – reconstruction and repair of the technology and structures
- WWTP Kozlovice – reconstruction of the biological treatment unit and sludge processing facility (a part of the facility)
- WWTP Paskov – chemical precipitation of phosphorus
- WWTP Soběšovice – chemical precipitation of phosphorus
- WWTP in Kopřivnice - reconstruction of the final sludge facility
- WWTP Štramberk (Bařiny) - chemical precipitation of phosphorus
- WWTP Karviná – reconstruction of the raw sludge pumping station
- WWTP Lučina – chemical precipitation of phosphorus

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

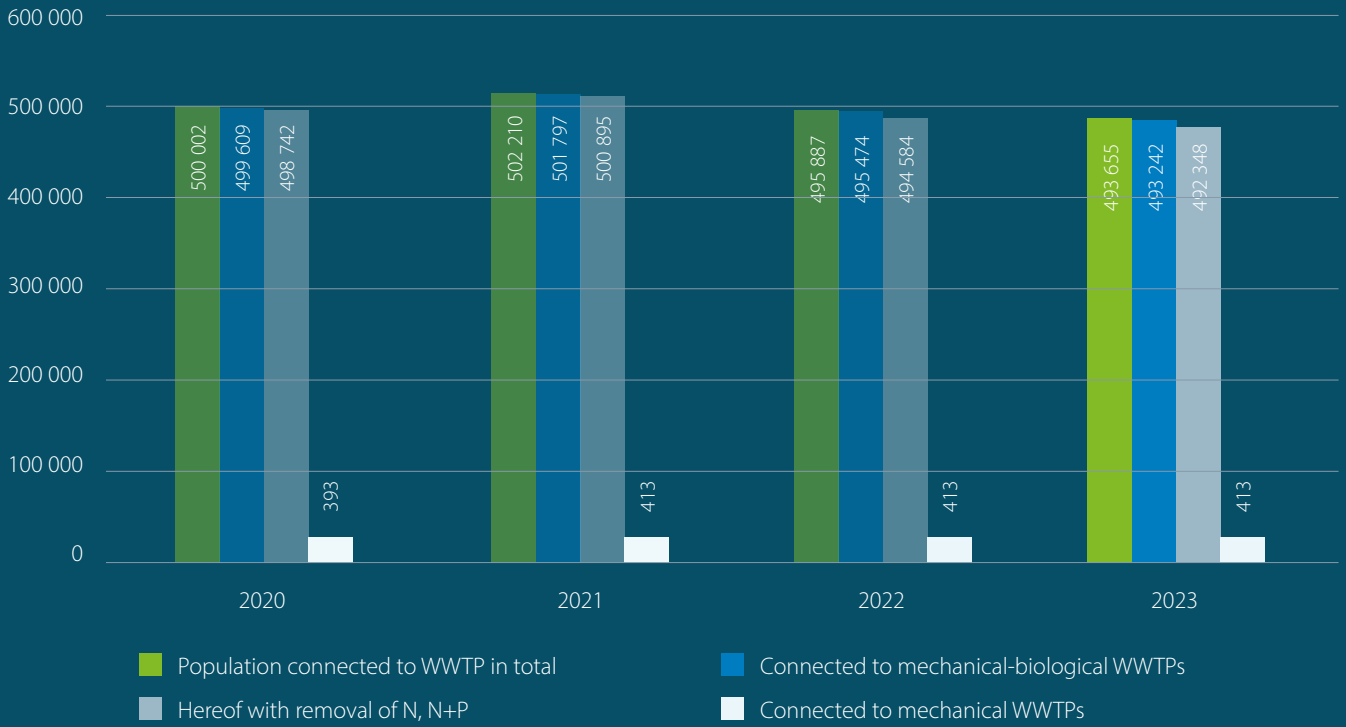
General information about sewage systems and wastewater treatment plants

Indicator	Unit	2021	2022	2023
Number of residents living in houses connected to sewage systems for public needs	number	485,850	478,683	476,077
Number of municipalities where sewage system for public needs is available	number	80	81	80
Wastewater treatment plants	number	76	78	77
Capacity of wastewater treatment plants	m ³ .d ⁻¹	263,394	263,163	263,997
Length of sewage systems	km	1,912	1,914	1,977
Number of sewer connection pipes	number	56,858	56,940	58,961
Quantity of wastewater discharged into sewage systems for public needs (excluding billed rain water)	thousand m ³	23,262	22,708	22,340
of which treated wastewater	thousand m ³	23,239	22,680	22,317
Quantity of treated wastewater (including rain water)	thousand m ³	50,800	43,389	48,968
Sludge produced in wastewater treatment plants per year (in 100% dry mass)	ty ¹	10,252	9,792	9,728

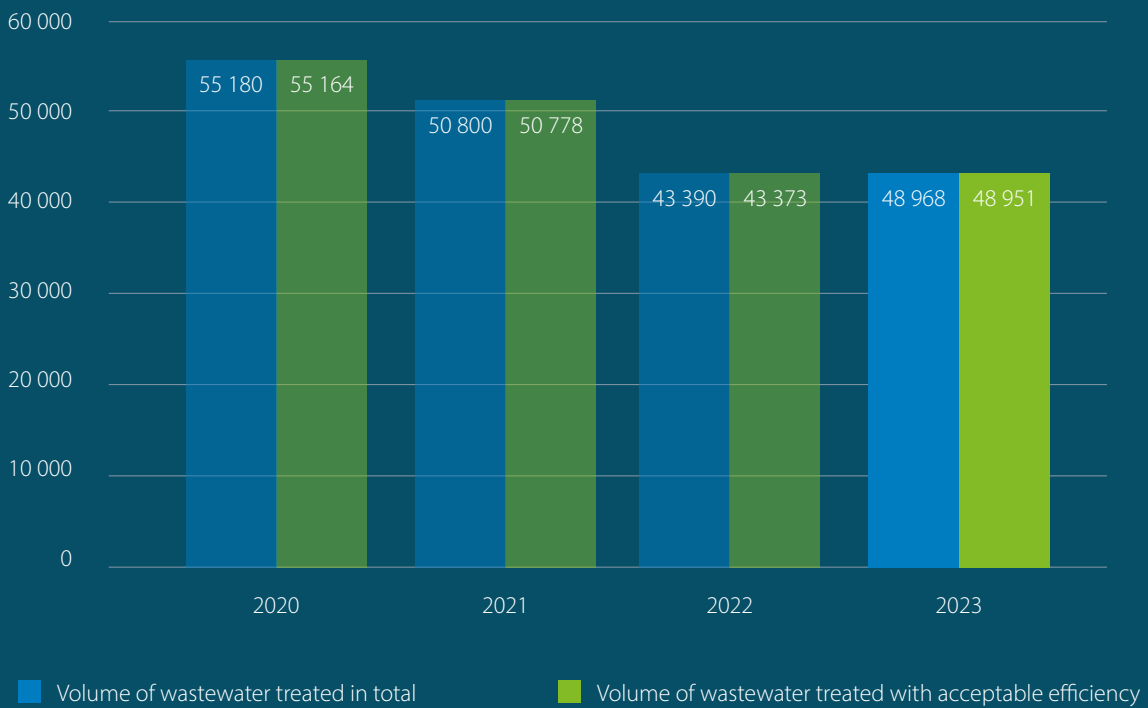
Number of residents connected to the sewage systems for public needs and to wastewater treatment plants



Population connected to WWTPs by degree of treatment



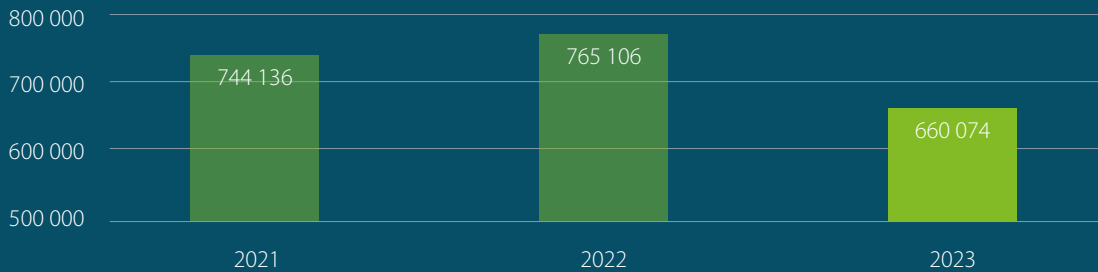
Volume of wastewater treated with acceptable efficiency ,000 m3/y



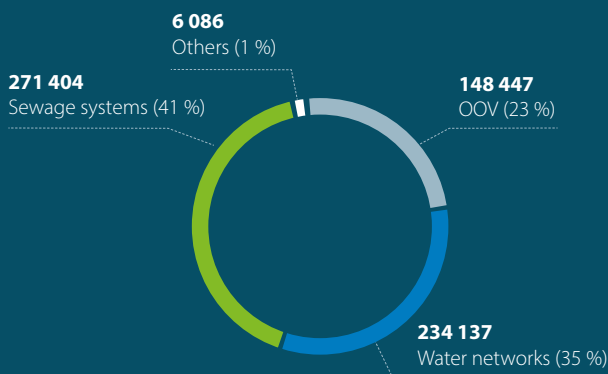
INVESTMENT PROJECTS AND REPAIR OF TANGIBLE ASSETS

The cost of investment projects and supplies in 2023 exceeded CZK 660 million.

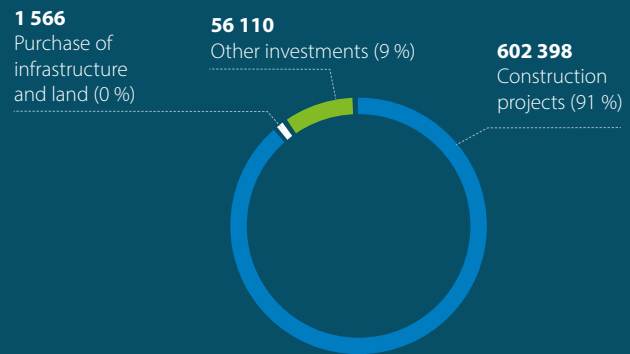
Summary and structure of investments in years (CZK ,000)



Investments by industries, CZK ,000



Investments by categories, CZK ,000



Major investment projects implemented and completed in 2023

Name of the investment project	Expenses in ,000 CZK
Deacidification station in Hněvošice – repair and reconstruction of structures and technology units	5,516
Water conduit, DN 500 Záhumenice - Bělá – reconstruction of a water pipeline, stage 2	43,596
Reconstruction of the Třinec Centre site	10,805
Metylovice-Lhotka – the connecting pipe in the water pipework system (a replacement of the source balance)	13,826
Dolní Lutyně, the Komenského, Na Farském streets – replacement of the water pipelines	8,465
Sedlnice - Bartošovice – replacement of a water pipeline	21,566
Nový Jičín, the Revoluční street – replacement of a water pipeline	16,626
Melč, the water supply system – replacement of water pipelines (stages 1 and 2)	12,137
Doubrava – Komendr, wooden houses #1093 - #1065 – reconstruction of the sewer, DN 300	9,908
WWTP in Kopřivnice - reconstruction of the final sludge facility	26,856
Fulnek, the Sportovní & Tyršova streets – reconstruction of the sewage system	19,905
Opava, the Polní street – reconstruction of the inspection manholes in the "B" sewer	8,472

Major investment projects commenced or implemented in 2023

Name of the investment project	Total in CZK ,000	2023 in CZK ,000	2024 onwards in CZK ,000
Water treatment plant in Vyšní Lhoty - reconstruction of technologies and upgrade of the automated control system	129,060	38,821	84,242
Water reservoir in Baška – repair and reconstruction of building structures in the storage tank and water reservoir	17,341	6,172	1,172
Water reservoir in Životice – repair and reconstruction of the storage tank and water reservoir - refurbishment of the reinforced concrete structure	23,366	7,062	6,285
Dolní Lutyně, the Bezručova, U Stanoviště, and U Kina streets – replacement of the water pipeline	18,323	5,733	12,590
Fulnek, the Sportovní, Tyršova, Lužní streets – replacement of the water pipeline	12,481	11,397	1,084

Investments in operating assets in 2023

Name of the investment project	Investment made in 2021, CZK ,000	Investment made in 2022, CZK ,000	Investment made in 2023, CZK ,000
Cars and trucks (including leased vehicles)	32,635	19,836	15,110
Special vehicles, accessories, trailers	85	508	1,254
Pumps	2,849	4,668	3,255
Hand-held tools	165	0	0
Mechanisms	129	1,175	1,055
Water meters	9,109	8,439	9,777
IT	8,262	4,490	4,273
Others	18,863	19,162	21,387

MAJOR INVESTMENTS IN PAST YEARS

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). Other major investment projects include the reconstruction of technology units and automated control system in the water treatment plant in Nová Ves, reconstruction of technology units in the deacidification station in Jakubčovice, reconstruction of the water treatment plant in Klokočůvek, and refurbishment of some small-size water reservoirs. Investments were also made into protection of the facilities.

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

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

In many locations the Company used synergies and coordinated its investment projects with other entities and municipalities. Such projects include reconstruction of the sewage and water supply networks in Karviná – Fryštát where our Company helped to renew surface of the road, or the reconstruction of the water supply network in Kopřivnice Mniší. Works were coordinated with the Municipality of Kopřivnice that 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 Šumbarská 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 were planned to be completed in 2023 included 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.

In many locations the Company has been using synergies and coordinates 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, Mniší was paid by the Municipality of Kopřivnice.

MAJOR PROJECTS COMMENCED OR COMPLETED IN 2023

The most important project which was completed in 2023 within the Ostrava-Area Water System was completion of reconstruction of the water conduit, DN 500, from Záhumenice to Bělá, and completion of a deacidification facilities in Jakubčovice and Hněvošice. Extensive modernisation was started in the water treatment plant in Vyšní Lhoty. Reconstruction of a break chamber in Bílov and other important water reservoir, including security features, was launched.

Regarding the drinking water suppliers, the important construction projects include the connecting pipeline in Metylovice and reconstruction of water supplies in Třinec, Nový Borek. The reconstruction projects which were completed included reconstruction of the water supply at the Bezručova street in Dolní Lutyně, the Revoluční street in Nový Jičín, and water supplies in Sedlnice, Vítkov, and Melč. Other projects with rather high expenses included reconstruction of the water supplies in Vítkov, Nový Jičín, and Jablunkov.

Regarding the discharge and treatment of wastewater, the major construction projects which were completed included reconstruction of sewers in Doubrava, the Sportovní and Tyršova streets in Fulnek, and at the Příčnice street in Frenštát pod Radhoštěm. As far as the treatment of waste water is concerned, the final sludge facility was built in WWTP Kopřivnice.

Other investments included the start of reconstruction of sewers at the Dělnická street in Odry, reconstruction of technology facilities in WWTP Albrechtice, and reconstruction of WWTP in Dolní Benešov.

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 for which design documentation is ready or 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 2023, the modernisation continued in the technological part and the automated control system in the water treatment plant in Vyšní Lhoty.

This extensive construction project will be completed in 2025. In 2024 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 2024, design works will continue with respect to extensive reconstruction which is being prepared for the water conduit on the Dobrá - Nové Dvory – Frýdek route.

WATER SUPPLY SYSTEMS

Major resources are directed at the restoration of the water supply network. It is planned that from 2022 until 2030 the length of the renewed water pipelines should increase. 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 2024, the extensive reconstructions of water reservoirs in Opava and Jablunkov 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. Much finances will be also invested into reconstruction of technology units in wastewater treatment plants. The Company is also preparing for changes in legislation regarding sludge management.

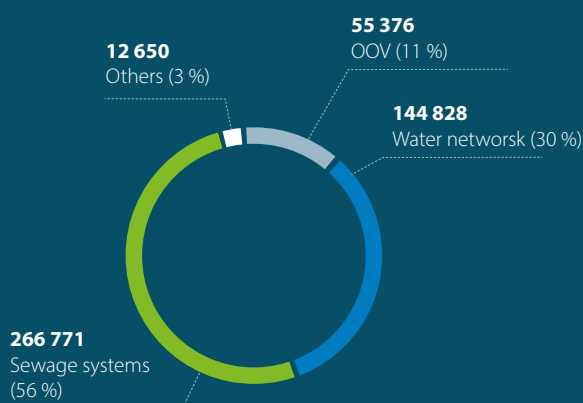
A study on sludge disposal for the upcoming period was carried out and in 2023, the Company completed a project of the first of the planned sludge dryers in the region.

REPAIR OF TANGIBLE ASSETS

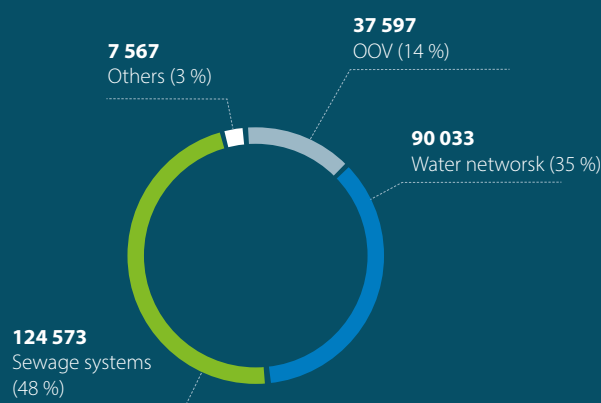
In 2023, repairs were carried out on water supply facilities (water treatment plants, water tanks, pumping stations, wastewater treatment plants), and on water supply and sewage networks.

All failures were resolved in a prompt and efficient manner. The volume of repair and maintenance work performed by subcontractors amounted to CZK 479. 625 million in 2023, which represents an increase of 15.8 % against the plan.

Repairs in 2023 in CZK ,000 by industries



Repairs in 2022 in CZK ,000 by industries



Major repairs performed in 2023

Name	Total costs in CZK ,000
Water reservoir in Životice – repair and reconstruction of the storage tank and water reservoir - refurbishment of the reinforced concrete structure	3,475
Pressure break chamber, Bílov – repair and reconstruction of structures in the boosting chamber	22,451
Frýdek-Místek, the Novodvorská, Dr. M. Tyrše, and Jana Čapka streets – structural modifications of the water supply	7,061
Water reservoir in Jablunkov- Alžbětinky, 1000 – rehabilitation of the facility	11,502
Štramberk, Zauličí – replacement of the water pipeline	15,716
Water reservoir in Opava, 500 – refurbishment of the facility	7,818
WWTP Albrechtice – reconstruction and repair of technology facilities and building structures	4,719

INTANGIBLE ASSETS

The Company owns intangible assets in the following values:

	2021 in CZK ,000	2022 in CZK ,000	2023 in CZK ,000
Buildings, net value	6,900,569	6,944,283	7,185,778
Land	167,683	167,704	167,832

Most buildings rank among the tangible fixed assets such as the water infrastructure facilities. Majority of such assets are used primarily for production of water, for providing the residents and other consumers with drinking water, and for discharge and treatment of wastewater.



INFORMATION TECHNOLOGIES

In 2023, 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 kept on preparing and 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.

In January 2023 the new Customer Information System went live: it meets security requirements, offer an improved interface for employees, and the customers can use new features which are in line with up-to-date trends in customer care. Throughout 2023, the system was subject to improvements and development which resulted in new features added to the system.

E-learning becomes a regular tool used for education of employees, so far, in cyber security.

The adaptation phase of the Security Operations Centre ("SOC") was implemented and went live in July 2023. Now, SOC supervises fully IT infrastructure.

Development of DMS (Document Management System) continued and initial bugs were removed which increased considerably the user interface comfort.

The general printing solution was introduced where the objective was to increase the quality and reduce the cost. It was also requested to minimise the environment impacts, energy performance, and carbon trace for operation of the printers.

Modernisation of network infrastructure and key network switches was entirely completed in the Company.

It is planned to continue in 2024 modernisation and changes in IT/IS concept. It is scheduled to launch introduction of the certified management system of information asset security. In the second half of 2024 processes will be modified in line with the future law which will govern the cyber security. A new web interface is being developed now: it will include a new portal for employees.

Much attention will be paid to identification, analyses, evaluation, and implementation of solutions which will improve reliability and security of information and communication infrastructure in order to enhance quality and support development of such infrastructure in line with the IT development strategy.



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 pillars: 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 2023, 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 and ČSN ISO 50001.

HUMAN RESOURCES

As the Company fully realises the significance of qualified and motivated employees for its operation and further development, it pays great attention to human resources. In 2023, 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

	2017	2018	2019	2020	2021	2022	2023
Blue collars	555	552	542	544	548	548	557
White collars	305	311	313	311	313	324	325
Total	860	863	855	855	861	872	882

OCCUPATIONAL SAFETY

The Company has been continuously paying a 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 2023, 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 has been operating pursuant to the occupational health and safety and fire safety standards with the objective to enhance the level of health and safety of all 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.

Introduction and application of the integrated management system will affect all spheres of occupational safety and health protection. 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 2023, eight light occupational injuries were recorded, none of them resulting in permanent health damage. The investigation of their causes did not identify any violation of regulations on the employer's part. In view of the demanding and versatile nature of jobs performed by Company employees and the impact of climatic conditions, a high frequency of groundwork and road work (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 2023, 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 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 2023 the Company kept on developing its talents and organised training that focused on health of its employees. In line with the program of the Integrated Management System, the employees may choose to be vaccinated against hepatitis and tick encephalitis.

In 2023 the Company provided 4,042 hours of training. This means, 4.5 hours of training per employee. 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 14 projects focused on psycho hygiene were organised within the Healthy Company programme.

BENEFITS

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

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

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

Employees who meet certain criteria receive contributions to pension funds.

ENVIRONMENT

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

Investments in wastewater drainage and treatment focus primarily on the renovation of the existing sewage networks and upgrade of wastewater treatment plants and of the facilities housing sewage pumping stations.

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

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

The Company continued 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 were carried out 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 ČSN ISO 14064-1 standard. Its calculation entailed creating a methodology, the correctness and completeness of which was verified by an independent audit company. Simultaneously, the calculation of the Company's carbon footprint in 2014 was verified, which was selected to be the reference year and which serves as a benchmark for comparing the carbon footprint in the subsequent years. The Company wishes to continue 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 2023, the Company also successfully underwent the surveillance audit. The implementation of this standard entails monitoring energy handling with a view to improving the energy efficiency of operations and technology facilities. Measurable objectives and targets have been set as to what savings may be achieved in certain operation areas and in energy management.

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 2023 the Company complete construction of a new photocell power plant on the roof the office building in Ostrava-Mariánské Hory. Its output is 19.8 kWp. The energy produced by the photocell power plant is consumed completely in the Company's office building. In 2023 the photocell power plant produced 16.3 MWh. In order to reduce the carbon trace and minimise impacts on the environment, the Company bought in 2023 two electric vehicles which are used now by employees of the operation centres in Nový Jičín and Orlová.

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 2023, the Company's facilities that have been using renewable energy sources generated 9.46 MWh of electricity. Small hydroelectric power plants installed within the Ostrava Area Water Supply Networks generated 4,718 MWh, of which 1,652 MWh were sold to the ČEZ Distribuce distribution network and the Pražská energetika trader, and the remaining 3,019 MWh were used for operation of technology facilities of the Ostrava Area Water Supply Networks. Transmission losses (low/high voltage) amounted to 47 MWh.

Co-generation units in the wastewater treatment plants generated 4,742 MWh of electricity, of which 3,854 MWh were allocated for powering the operation of technological equipment, 85 MWh were supplied to the ČEZ Distribuce network, and 803 MWh were consumed by the operation of the co-generation units.

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

REGION

The Company supports activities of non-profit organisations working with children, teenagers, people with disabilities and the elderly. SmVaK Ostrava is a partner to numerous cultural, social, sports and educational events organised in the region, organised principally by local towns and municipalities. Much attention is also paid to organisation that help the handicapped and are involved in health and social projects. The Company supports also projects that focus on improved quality of environment.

In August 2023 the Company organised, mostly on the local university site, the 43rd season of Water Companies' Sport Games. 500 sportsmen from water companies, water basin enterprises, ministries with water management competences, and other organisations took part in the sporting event.

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! (“PLAVEME V TOM SPOLU!”)

In 2023, the eighth season of the grant programme for active employees entitled “We are in this together” saw support provided to 20 projects of the non-profit organisations in which the Company’s employees are involved in their free time and generally free-of-charge. The total support for projects costs CZK 0.3 million.

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 2023, it announced a call for proposals for projects to be implemented in 2024.

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 second programme with the similar focus is the Oxidan Planet. It is intended for teenagers. So that the both programmes could succeed, the dates are always regularly occupied for the entire respective school year.

PERSONS RESPONSIBLE FOR VERIFICATION OF FINANCIAL STATEMENTS:

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 February 2023

In 2023: Ernst & Young Audit, s.r.o.
Auditor’s name: Jiří Křepelka
Certificate No.: 2163
Audit date: 2023 Financial Statements: 29 February 2024

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.

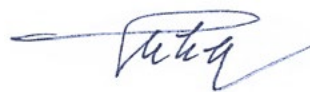
CLOSING STATEMENT

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 21 February 2024



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 2023 REPORTING PERIOD,
ANNUAL REPORT FOR THE 2023 REPORTING
PERIOD, AND RESULTS OF THE REVIEW OF
THE REPORT ON RELATIONS FOR THE 2023
REPORTING YEAR

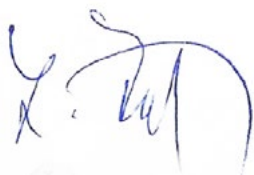
Declaration of the Supervisory Board regarding the Financial Statements for 2023, Annual Report for 2023 and the result of the review of the Report on Relations for 2023

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 2023. The report about the results of the review was discussed by the Supervisory Board at its meeting on 8 March of 2024.

The Supervisory Board states:

1. The Supervisory Board discussed and reviewed the regular Financial Statements of the Company for the accounting period 2023. When being reviewed no facts were revealed which would indicate that some data included in the regular Financial Statements for the accounting period 2023 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 2023.

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 2023.



RNDr. Lukáš Ženatý, Ph.D.
Chairman of the Supervisory Board

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 European Union, which comprise the statement of financial position as at 31 December 2023, 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 material accounting policy 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 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by 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

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Ernst & Young Audit, s.r.o. with its registered office at Na Florenci 2116/15, 110 00 Prague 1 - Nové Město,
has been incorporated in the Commercial Register administered by the Municipal Court in Prague,
Section C, entry no. 88504, under Identification No. 26704153.

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 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:

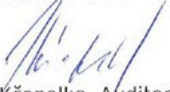
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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. 2163

29 February 2024
Prague, Czech Republic

POST BALANCE SHEET EVENTS

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

APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved for disclosure by the Board of Directors on 21 February 2024.



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

& FOOTNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING **31 DECEMBER 2023**

1. BALANCE SHEET AS OF 31 DECEMBER 2023

Assets	See Chapter in the Footnotes	As of 31 December 2023 in CZK ,000	As of 31 December 2022 in CZK ,000
ASSETS IN TOTAL		9,693,050	9,383,381
Fixed assets		8,998,076	8,755,205
Intangible assets	4.1.1.	52,855	53,734
Property, plant, and equipment	4.1.2.	8,566,872	8,367,865
Rights to use the assets	4.1.3.	378,349	333,606
Current assets		694,974	628,176
Inventory	4.2.1.	21,697	18,148
Other receivables	4.2.2.	62,488	25,025
Receivables relating to income tax	4.11.	0	2,018
Unbilled water charge and sewage tariff	4.2.3.	446,549	335,700
Trade receivables	4.2.4.	136,695	120,626
Cash and bank accounts	4.2.5.	27,545	126,659

LIABILITIES		As of 31 December 2023 in CZK ,000	As of 31 December 2022 in CZK ,000
LIABILITIES IN TOTAL		9,693,050	9,383,381
Equity		2,945,270	2,540,153
Registered capital	4.3.	1,296,909	1,296,909
Retained profit		1,648,361	1,243,244
Long-term payables		5,803,390	6,004,343
Reserves	4.4.	22,324	19,715
Payables with respect to lease	4.6.	360,405	308,060
Payables - the controlling person	4.8.	4,722,000	5,062,000
Deferred tax liability	4.9.2.	698,661	614,568
Short-term liabilities		944,390	838,885
Reserves	4.4.	1,778	1,549
Trade payables and other payables	4.5.	858,751	800,134
Payables with respect to lease	4.6.	33,124	36,369
Payables - the controlling person	4.8.	44,217	0
Payable income tax	4.11.	6,520	0
Payable value added tax		0	833

2. COMPLETE STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2023

	See Chapter in the Footnotes	2023 in CZK ,000	2022 in CZK ,000
Income from water tariffs and sewage charges	4.10.	3,433,328	2,839,327
Other operating income	4.11.	126,237	133,984
Consumption of materials and energies	4.12.	(706,124)	(585,220)
Personnel costs	4.13.	(697,838)	(587,534)
Depreciation	4.1.1, 4.1.2. & 4.1.3.	(503,996)	(489,977)
Other operation expense	4.14.	(872,122)	(599,477)
Increase/decrease in reserves and temporary reduction in value of assets	4.15.	(5,862)	7,799
Income from operation		773,623	718,902
Interest and other financial income	4.16.	1,945	14,600
Interests and other financial expense	4.16.	(199,538)	(190,361)
Financial income	4.16.	(197,593)	(175,761)
Profit before taxation		576,030	543,141
Income tax	4.9.	(170,913)	(106,797)
Profit after taxation		405,117	436,344
Comprehensive profit after tax for Company owners		405,117	436,344
Profit per share (in CZK):	3.16.		
Elementary profit		117.14	126.17
Diluted profit		117.14	126.17

3. CHANGES IN OWN CAPITAL AS OF THE YEAR ENDING 31 DECEMBER 2023

	Registered capital in CZK ,000	Retained profit in CZK ,000	Own equity in total in CZK ,000
As of 31 December 2021	1,296,909	806,900	2,103,809
Payment of the share in profit based on the sole shareholder's decision of 7 May 2022	0		
Profit/loss from 2022	0	436,344	436,344
Comprehensive profit after tax made in 2022	0	436,344	436,344
As of 31 December 2022	1,296,909	1,243,244	2,540,153
Profit/loss from 2023	0	405,117	405,117
Comprehensive profit after tax made in 2023	0	405,117	405,117
As of 31 December 2023	1,296,909	1,648,361	2,945,270

4. CASH FLOW FOR THE YEAR ENDING 31.12.2023

	Period until 31 December 2023 in CZK ,000	Period until 31 December 2022 in CZK ,000
Cash at beginning of the period	126,659	406,594
Cash flow from main business (from operation)		
Profit on ordinary activities before tax	576,030	543,141
Adjustments for non-monetary operations	705,889	642,954
Depreciation of fixed assets	503,996	489,977
Increase/decrease in temporary value of assets and reserves	5,862	(7,799)
Profit/loss from sale of fixed assets	(591)	(14,481)
Paid and received interests	196,622	169,408
Adjustments for other non-monetary operations	0	5,849
Net cash flow from operation before increase/decrease in working capital	1,281,919	1,186,095
Increase/decrease in working capital	35,964	(96,979)
Increase/decrease in receivables and accrued assets	(166,014)	(64,758)
Increase/decrease in payables and accrued liabilities	205,532	(30,009)
Increase/decrease in stock	(3,552)	(2,212)
Net cash flow from operation before tax	1,317,885	1,089,116
Interests paid	(132,333)	(229,376)
Interest with respect to lease	(14,079)	(10,262)
Interests received	1,719	13,799
Paid income tax on ordinary activities	(78,283)	(92,538)
Net cash flow from operation	1,094,909	770,739
Expenses on acquisition of fixed assets	(833,603)	(706,925)
Income from sale of fixed assets	329	18,653
Net cash flow from investment	(833,274)	(688,272)
Instalments with respect to lease payables	(20,749)	(24,402)
Paid shares in profit	0	0
Payment for issued bonds	0	(5,400,000)
Increase/decrease in in-group loans	(340,000)	5,062,000
Net cash flow from financial transactions	(360,749)	(362,402)
Net change in cash	(99,114)	(279,935)
Cash at the end of the period	27,545	126,659

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1. GENERAL INFORMATION

1.1. INCORPORATION AND CHARACTERISTICS OF THE COMPANY

Severomoravské vodovody a kanalizace Ostrava a.s. ("SmVaK") was incorporated on 1 May 1992 as a joint-stock company. Its ID is 45193665.

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 the forced transfer of ownership rights to all participating securities to the main shareholder, and the shares were removed from trading on the multilateral trading system, RM-SYSTÉM, česká burza cenných papírů a.s. (Czech Stock Exchange) effective from 20 September 2019, based on the decision of the director of RM-SYSTÉM No. 8/2019 of 28 August 2019.

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

The structure of shareholders as of 31 December 2023 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 (CZK ,000) 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. 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 2023 the Company does not own any share in any other company.

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

In 2023 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:

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Presentation of Accounting Methods (amendments)** - Amendment to IAS 1 replaces the obligation to present "significant accounting methods" with obligation to present "material accounting methods". The Company considers all policies presented in point 3 as material accounting policies.
- **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (amendment)**. This amendment does not have any material effect on financial statements of the Company.
- **IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendment)** – The amendment reduces and further specifies an exemption from the initial recognition exemption provided in IAS 12. It specifies how companies should account for deferred tax on receivables and payables arising from a single transaction, such as leasing transactions or decommissioning liabilities. This amendment does not have any material effect on financial statements of the Company.
- **IFRS 17 Insurance Contracts** – IFRS 17 is a new international accounting standard comprehensively regulating insurance contracts, including accounting rules, measurement, recognition and disclosure of related explanatory and descriptive information in the financial statements. This amendment does not have any material effect on financial statements of the Company.

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:

- **IAS 1 Presentation of Financial Statements: Classification of liabilities as short-term or long-term (amendment)** - The amendment will be in force for the accounting period starting 1 January 2024.
- **IFRS 16 Leases: Lease liability on sale and leaseback (amendment)** - The amendment will be in force for the reporting period starting 1 January 2024, however accounting entities may apply it before that date. Its aim is to specify the requirements for the seller-lessee when valuing a lease obligation arising from a sale and leaseback transaction under IFRS 16. The amendment does not change the accounting of leases not related to sale and leaseback transactions. Newly, the seller-lessee will determine the "lease payments" or "revised lease payments" in such a way that it will not report any profit or loss related to the right of use that it retains. However, it will still be able to account for any profit or loss related to the partial or full termination of the lease in the profit or loss account. The amendment will apply retrospectively, in accordance with IAS 8, to sale and leaseback transactions concluded after the date of initial application, i.e. from the beginning of the regular accounting period in which the entity first applied IFRS 16.
- **IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosure – Supplier Financing Arrangements (Amendments)** - The amendments are in force for the regular accounting period starting 1 January 2024, but accounting entities may apply them before that date. They complement the requirements already contained in IFRS by requiring an entity to disclose the terms and conditions of supplier financing arrangements. Newly, accounting entities will be obliged to disclose in the notes to the financial statements the book value of financial liabilities arising from supplier financing at the beginning and end of the accounting period, the items of the financial statements under which these liabilities are reported, as well as the book value of financial liabilities (and the relevant items of financial statements) for which the financing providers have already settled the related trade liabilities. In addition, they will have to disclose the type and impact of non-cash changes in the carrying amount of financial liabilities from supplier financing arrangements that make the carrying values of financial liabilities not comparable across periods. In addition, the amendments require the accounting entity to disclose at the beginning and end of the accounting period the maturity range of financial liabilities to financing providers and comparable liabilities arising from business relationships that are not part of these arrangements. The amendments have not yet been approved by the European Union.
- **IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture (Amendments)** - The amendments address the existing discrepancy between the requirements of IFRS 10 and IAS 28 relating to the recognition of loss of control of a subsidiary in the event of its sale or contribution to an associate or joint venture. The main consequence of the amendments is that, if the assets, that are the subject of the transaction, constitute an enterprise (regardless of whether it is part of a subsidiary or not), the related profit or loss will be recognised in full. In contrast, if the subject of the transaction are assets that do not constitute a business (even if they are part of a subsidiary), the entity will only recognise a partial profit or loss. In December 2015, the IASB postponed the binding date of the amendments indefinitely, the determination of which will depend on the outcome of a research project on the equivalence method.

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 21 February 2024.

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

Acquisition prices incl. acquisition costs 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 acquisition prices of the assets, except for land and investments in progress, are depreciated for the estimated service line. Linear 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 1,000 and CZK 80,000	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 sources: market value decline for the group of assets, negative changes in technology, markets, economy, or laws, increases in market interest rates, net assets of the company higher than market capitalisation.
- 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 of impairment 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 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 amount results from the debt collectability test.

If the receivables are overdue for less than 180 days, the temporary reduction in the value is 5 % of the nominal value of such receivable (8 % in 2022). If the receivables are overdue for more than 180 days but less than 365 days, the temporary reduction in the value is 48 % of the nominal value of such receivable (86 % in 2022). 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 2022).

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 v Praze. On 27 April 2022 the Board of Directors decided, in line with terms and conditions of the issuer's prospectus, to make, on 29 June 2022, early prepayment of the bond principal and bond interest. Finances for such payment were obtained from the loan provided by the parent company, AQUALIA CZECH S. L. Pursuant to the agreement to provide an in-group loan of 12 May 2022, the Company obtained on 14 June 2022 CZK 5.4 billion. The loan balance to be paid was, as of 31 December 2023, CZK 4.722 billion (2022: 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 reported as a nominal amount to be paid. Interest is paid every three months.

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 which does not depend on the index/rate is not included into valuation of the lease liability and asset consisting in the right to use. The lease fee is posted in the complete income statement as "other operating expenses" for the period when the situation or circumstance occurred, which resulted in such expenses.

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

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

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

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

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

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

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

Short-time rent is a 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 2023 the deferred tax was converted with respect to the tax rate applicable in 2024. This conversion was made for all temporary differences: 21 %. 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

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

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

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

Income from water tariffs and those from sewage charges are posted at the moment when drinking water is supplied in the water network or when wastewater is discharged in sewage systems. The solidary water charges and sewage fees were set pursuant to the applicable Czech Ministry of Finances Decree No. 01/VODA/2022 on regulation of water charges and sewage fees of 12 July 2021 as amended in the Ministry of Finances Decree No. 02/VODA/2022, Ministry of Finances Decree No. 03/VODA/2022, and Ministry of Finances Decree No. 04/VODA/2022. Asset estimates with respect to the water tariff and sewage charge for water supplied or wastewater discharged in 2023 which will be billed in 2024 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 2023. The estimates were calculated based on the up-to-date development of water/sewage bills, compared with the same period of the previous year, and based on information about water produced in 2023. Such estimates 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)	2023	2022
Profit made in the current period	405,117	436,344
Average number of shares during the period	3,458,425	3,458,425
Profit per share (basic and diluted profits)	117.14	126.17
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 Company's 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 STATEMENT AND COMPLETE STATEMENT

4.1. FIXED ASSETS

4.1.1. Intangible assets

	Software (CZK ,000)	Valuable rights (CZK ,000)	Intangible fixed assets under construction (CZK ,000)	Total (CZK ,000)
COSTS				
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
Increase	11,155	3,291	11,474	25,920
Decrease	(2,240)	0	(14,446)	(16,686)
As of 31. 12. 2023	275,178	48,224	6,557	329,959
ADJUSTING ENTRIES				
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)
Depreciation per year	(10,512)	(1,841)	0	(12,353)
Eliminated upon retirement	2,240	0	0	2,240
As of 31. 12. 2023	(264,295)	(12,809)	0	(277,104)
BOOK VALUE				
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
As of 31. 12. 2023	10,883	35,415	6,557	52,855

In 2023 the Company acquired the non-tangible assets at CZK 0.636 million – they were posted directly as expenses (2022: CZK 0.128 million).

The reason for such increase in the non-tangible accounts is the extension of SW Monet, SW EIS, USYS, and DMS app.

In 2023, CZK 12.353 million was posted in the complete profit and loss account as depreciation of intangible assets (2022: CZK 10.357 million).

4.1.2. Property, Plant, and Equipment

	Land (CZK ,000)	Construction business (CZK ,000)	Machinery and equipment (CZK ,000)	Other assets (CZK ,000)	Tangible assets under construction, including advances (CZK ,000)	Total (CZK ,000)
COSTS						
As of 31. 12. 2021	167,683	15,102,712	2,622,801	856	399,710	18,293,762
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
Increase	128	576,962	134,890	0	753,820	1,465,800
Decrease	0	(5,587)	(31,880)	0	(802,238)	(839,705)
As of 31. 12. 2023	167,832	16,042,820	2,862,930	856	593,596	19,668,034
ADJUSTING ENTRIES AND REDUCTION IN VALUE						
Adjusting entries as of 31.12. 2021	0	(8,194,144)	(2 057,536)	0	0	(10,251,680)
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)
Depreciation per year	0	(333,930)	(117,408)	0	0	(451,338)
Eliminated upon retirement	0	5,451	20,185	0	0	25,636
Adjusting entries as of 31.12. 2023	0	(8,847,529)	(2,244,091)	0	0	(11,091,620)
Decreased value as of 31.12.2021	0	(7,999)	(78)	0	0	(8,077)
Creation	0	(113)	0	0	0	(113)
Withdrawal	0	0	34	0	0	34
Decreased value as of 31.12.2022	0	(8,112)	(44)	0	0	(8,156)
Creation	0	(1,401)	0	0	0	(1,401)
Withdrawal	0	0	15	0	0	15
Decreased value as of 31.12.2023	0	(9,513)	(29)	0	0	(9,542)
BOOK VALUE						
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
As of 31. 12. 2023	167,832	7,185,778	618,810	856	593,596	8,566,872

Advances for acquisition of long-termed tangible assets are CZK 0.467 million (as of 31.12.2022: CZK 0.529 million).

As of 31. 12. 2023, CZK 9.542 million was posted as a temporary reduction in the value for fixed assets unused now and in the future (as of 31. 12. 2022: CZK 8.156 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 2023, the tangible assets acquired by the Company which were posted directly as expenses were CZK 17.075 million (in 2022: CZK 11.088 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 2023, CZK 451.338 million was posted in the complete income statement as depreciation of the assets (in 2022: CZK 444.436 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 long-termed tangible assets as of 31.12.2023, this means CZK 171.429 million (as of 31.12.2022: CZK 184.276 million) includes the net book value of the assets which were acquired as contribution from the municipalities into own capital of the Company (in 1998 and 1999). As of 31.12. 2023 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 2023. The subsidies received in previous years were posted as a decrease in acquisition price of Company's assets. In 2023, the depreciation is lower because the costs were reduced thanks to the received subsidy of CZK 9.44 million (in 2022: CZK 9.44 million).

Fixed assets under pledge

As of 31.12.2023, 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. 2023 (CZK ,000)	31. 12. 2022 (CZK ,000)
Buildings and constructions	352,406	291,298
Vehicles	25,610	41,956
Others	333	352
Total	378,349	333,606

	Buildings and constructions (CZK ,000)	Vehicles (CZK ,000)	Others (CZK ,000)	Total (CZK ,000)
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
Increase – new lease contracts	120,486			120,486
Terminated lease contracts	(35,262)	(176)		(35,438)
Depreciation	(24,116)	(16,170)	(19)	(40,305)
As of 31. 12. 2023 – IFRS 16	352,406	25,610	333	378,349

The Company leases properties (the office building), vehicles, and infrastructure assets. The lease is negotiated individually, and the lease terms and conditions (including the rights to terminate and renew the lease) are very different.

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 defined formula.
- The rain water tank in Karviná is rented for 10 years.
- The water pipeline for Plzeňský Prazdroj (the brewery) is rented for 11 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.

4.2. CURRENT ASSETS

4.2.1. Inventory

The Company reduced the value of unused inventories: CZK 0.336 million (as of 31.12. 2022: CZK 0.332 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 167.557 million (as of 31.12.2022: CZK 157.670 million).

4.2.2. Other receivables

	(CZK ,000)	
	As of 31. 12. 2023	As of 31. 12. 2022
Other receivables	53,925	16,496
Prepaid expenses	8,563	8,529
Current receivables in total	62,488	25,025

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

4.2.3. Unbilled water and sewage tariffs

Chapter 3.12 describes calculation of those sums (as of 31.12.2023: CZK 446.549 million, while as of 31.12.20122: CZK 335.7 million).

4.2.4. Age of trade receivables

Year	Category	Before due date	After due date					After due date in total	Total (CZK ,000)
			0 - 90 days	91 - 180 days	181 – 360 days	1 - 2 years	2 and more years		
31. 12. 2022	Gross value	96,762	26,182	392	182	516	11,268	38,540	135,302
	Reduction of 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
31. 12. 2023	Gross value	116, 948	24,169	415	102	699	10,672	36,057	153,005
	Reduction of value	0	(4,964)	(39)	(47)	(667)	(10,593)	(16,310)	(16,310)
	Net value	116,948	19,205	376	55	32	79	19,747	136,695
2023	Year-to-year impact of reduction/ increase in value	20,186	(4,320)	156	27	26	(6)	(4,117)	16,069

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

Receivables after due date	As of 31.12.2023		As of 31.12.2022 (CZK ,000)	
	Rate	Reduction of value	Rate	Reduction of value
Specific trade receivables		2,592		746
More than 365 days	99 %	11,221	99 %	11,654
180–365 days	48 %	47	86 %	154
Less than 180 days	10 %	2,450	8 %	2,122
Total		16,310		14,676

4.2.5. Cash

Cash and cash equivalents	(CZK ,000)	
	As of 31 December 2023	As of 31 December 2022
Cash in hand	427	409
Cash in banks	27,118	126,250
Current financial assets in total	27,545	126,659

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

4.3. EQUITY

The equity comprises the registered capital and retained profit.

The registered capital is CZK 1,296.909 million and consists of 3,037,040 registered shares and 421,385 bearer shares with the registered value of CZK 375 each.

In 2022, the Company made the profit after tax of CZK 436.344 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 17 May 2023 as follows:

	(CZK ,000)
	2022
Profit made in 2022	436,344
Profit carried forward as retained profits of past years	436,344

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 31.12.2023 and 31.12.2022 the total debt indicators were 67.04% and 70.53%, respectively. See the table below.

	(CZK ,000)	
	As of 31 December 2023	As of 31 December 2022
Bank loans and issued bonds	0	0
Payables - the controlling person	4,766,217	5,062,000
Trade payables and other payables	1,252,280	1,144,563
Cash in hand and cash in banks	(27,545)	(126,659)
Net debt	5,990,952	6,079,904
Equity	2,945,270	2,540,153
Own capital + net debt	8,936,222	8,620,057
Total debt indicator	67.04 %	70.53 %

4.4. RESERVES

	(CZK ,000)	
	Reserve for employee benefits	Reserves in total
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
Creation of reserves	2,838	2,838
Using of reserves	0	0
Balance as of 31.12. 2023	24,102	24,102

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

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

	(CZK , 000)	
	Reserve for employee benefits	Reserves in total
Balance as of 31.12. 2022	21,264	21,264
Current reserves	1,549	1,549
Non-current reserves	19,715	19,715
Balance as of 31.12. 2023	24,102	24,102
Current reserves	1,778	1,778
Non-current reserves	22,324	22,324

4.5. TRADE PAYABLES AND OTHER PAYABLES

Current trade payables and other payables	(CZK , 000)	
	As of 31. 12. 2023	As of 31.12. 2022
Trade payables	710,390	658,366
Payables to employees	46,166	44,589
Social security insurance and health insurance to be paid	17,993	18,006
Other current payables	84,202	79,173
Current trade payables and other payables in total	858,751	800,134

In the Company, there were not any trade payables after maturity dates as of 31.12.2023 (as of 31.12. 2022: CZK 0).

The current payables included the payable fee for consumption of ground water and fee for pollution of wastewater (as of 31.12. 2023: CZK 10.6 million, as of 31. 12. 2022: CZK 10.053 million)) and accrued liabilities (as of 31.12.2023: CZK 47.528 million, as of 31 December 2022: CZK 46.357 million).

4.6. LIABILITIES RESULTING FROM LEASE

	Minimum instalment with respect to rent (CZK , 000)		Current minimum instalment with respect to rent (CZK , 000)	
	As of 31. 12. 2023	As of 31.12. 2022	As of 31. 12. 2023	As of 31.12. 2022
Payable within 1 year	46,569	45,023	33,124	36,369
Payable between 2 and 5 years	143,351	127,742	98,750	99,565
Payable after 5 years	335,068	263,165	261,655	208,495
Total	524,988	435,930	393,529	344,429
Minus unpaid financial payables (interest)	131,459	91,501	0	0
Minus payables due within 1 year (shown as current payables)	33,124	36,369	33,124	36,369
Payables due after 1 year	360,405	308,060	360,405	308,060
Lease-related payables in total	393,529	344,429	393,529	344,429

In 2023, 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 244.953 million as of 31.12.2023 (CZK 236.994 million as of 31.12.2022).

The payables relating to the lease contracts for new cars was CZK 26.823 million as of 31.12.2023 (CZK 43.585 million as of 31.12.2022). The payables relating to the rent of the infrastructure assets were CZK 121.753 million as of 31.12.2023 (CZK 63.788 million as of 31.12.2022).

As of 31.12. 2023, the payables resulting from the operation contracts for water assets signed with the municipalities were CZK 0 (as of 31.12.2022: CZK 62 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	(CZK , 000)	
	2023	2022
Buildings and constructions	24,116	22,545
Vehicles	16,170	18,475
Others	19	(5,836)
Depreciation in total	40,305	35,184
Interest payable with respect to lease liabilities (included into the financial expenses)	14,079	10,262
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	35,773	29,267
Total lease-related expenses	90,157	74,713

Lease-related financial expenses	(CZK , 000)	
	2023	2022
Variable lease instalments	35,773	29,267
Fixed lease instalments	34,828	34,664

4.8. EXTERNAL FINANCING

On 17 July 2015 the Company issued the bonds at CZK 5.4 billion which were accepted for trading on the main market of the Stock Exchange (Burza cenných papírů). The issuance of the bonds was posted using the accrued value. The expenses relating to the issuance are CZK 81.258 million. The expenses are a part of the effective interest rate of 2.865 % p.a. The interest rate is fixed: 2.625 % p.a. Early repayment of the bonds was made on 29 June 2022.

Finances for repayment of the bonds, CZK 5.4 billion, were obtained from the in-group loan of 12 May 2022. The loan balance to be paid was, as of 31 December 2023, CZK 4.722 billion (2022: 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 accruing with respect to the in-group loan was CZK 183.058 million in 2023 (CZK 102.857 million in 2022).

As of 31 December 2023, there are not any payables with respect to bank 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. 2023 (CZK , 000)	Interest rate	Less than 1 year	2–5 years	5 years and more
Trade payables and other payables	0	858,751	0	0
Payables resulting from lease	5.5	13,026	13,189	0
Payables resulting from lease	2.865	20,098	85,561	261,655
Payables - the controlling person	3.67	44,217	4,722,000	0
Total		936,092	4,820,750	261,655

4.9. INCOME TAX

	As of 31. 12. 2023 (CZK ,000)	As of 31. 12. 2022 (CZK ,000)
Due income tax	86,819	82,499
Deferred income tax	84,093	24,298
Total	170,913	106,797

As of 31. 12. 2023 the due income tax was CZK 86.819 million (in 2022: CZK 82.499 million). During 2023, the advances paid were CZK 83.798 million (in 2022: CZK 83.768 million). As of 31.12. 2022 the payable income tax was CZK 6.52 million (in 2022: CZK 2.018 million). The Company is not required to pay a top-up tax which would ensure the minimum level of taxation of big global and big national groups.

4.9.1. Due tax

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

	2023 (CZK ,000)	2022 (CZK ,000)
Profit before taxes	576,030	543,141
Tax rate for the current year	19 %	19 %
Tax with the income tax rate applicable in the Czech Republic	109,446	103,197
Non-deductibles with respect to tax and revenues (balance)	(19,129)	(21,447)
Income tax for the current period	90,317	81,750
Income tax for the past period	(3,498)	748
Due income tax	86,819	82,498
Deferred income tax (+/-)	84,093	24,298
Income tax in total	170,913	106,797
Effective tax rate	29.67 %	19.66 %

4.9.2. Deferred tax

As of 31.12. 2023 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 tax rate is 21 %. In 2022 the tax rate was 19 %.

In 2023, the deferred tax in the complete income statement was CZK 84.093 million (in 2022: CZK 24.298 million).

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

Deferred tax	As of 31. 12. 2023 (CZK ,000)	rate in %	As of 31. 12. 2022 (CZK ,000)	rate in %
Difference between the net book value and tax residual value of the fixed assets	(702,336)	21.0	(617,170)	19.0
Temporary reduction in value of fixed assets	2,004	21.0	1 550	19.0
Temporary reduction in value of inventories	71	21.0	63	19.0
Temporary reduction in value of receivablese	1,076	21.0	577	19.0
Unpaid insurance	524	21.0	412	19.0
Total	(698,661)		(614,568)	

4.10. INCOME FROM WATER TARIFF AND SEWAGE CHARGES

	Until 31.12. 2023 (CZK ,000)			Until 31.12. 2022 (CZK ,000)		
	Czech Republic	Abroad	Total	Czech Republic	Abroad	Total
Production and distribution of drinking water	1,969,292	56,053	2,025,345	1,695,396	54,120	1,749,516
Disposal and treatment of wastewater	1,360,704	0	1,360,704	1,054,715	0	1,054,715
Related services	47,279	0	47,279	35,096	0	35,096
Total	3,377,275	56,053	3,433,328	2,785,207	54,120	2,839,327

4.11. OTHER OPERATING INCOME

	(CZK ,000)	
	Until 31.12.2023	Until 31.12. 2022
Income from building works	86,584	96,514
Income from rent	11,453	9,973
Revenues from sale of materials and assets (net)	591	14,481
Other operation revenues (payments from insurance companies, compensation of mining damage and such)	27,608	13,016
Total	126,236	133,984

4.12. CONSUMPTION OF MATERIALS AND ENERGY

	(CZK ,000)	
	Until 31.12. 2023	Until 31.12. 2022
Consumption of water, materials and chemicals	541,838	511,976
Gas, electricity and heat	168,387	79,611
Green Bonus paid for generation of environmental-friendly electricity	(4,101)	(6,367)
Total	706,124	585,220

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 is paid a bonus for the electricity which it generates. In 2023 the Green Bonus was CZK 4.101 million (in 2022: CZK 6.367 million). The green bonus is reported in the complete income statement as a decrease in costs of electricity consumed.

4.13. PERSONNEL COSTS

2023 (CZK ,000)	Headcount	Wages	Social security and health insurance	Other expenses	Personnel costs in total
Employees	876	482,887	163,822	23,339	670,048
Members of management bodies	6	17,414	4,875	70	22,359
Total	882	500,301	168,697	23,409	692,407
Supervisory Board/Audit Committee members	23	0	1,847	3,584	5,431
Total	905	500,301	170,544	26,993	697,838

2022 (CZK ,000)	Headcount	Wages	Social security and health insurance	Other expenses	Personnel costs in total
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	141,688	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

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:

2023 (CZK ,000)	Board of Directors	Supervisory Board / Audit Committee	Members of management bodies
Bonus for the office	1,398	2,185	0
Non-monetary and other income (bonus under the collective agreement and cars which can be used also for private purposes)	0	0	70

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	84

4.14. OTHER OPERATION EXPENSES

	(CZK ,000)	
	Period until 31. 12. 2023	Period until 31.12. 2022
Repairs	479,625	259,770
Travel costs	9,543	7,594
PR and entertainment costs	3,010	2,674
Transport	1,629	996
Telecommunication, mail	12,353	9,717
Mail expenses	11,449	10,650
Advisory and legal services	8,862	9,557
Collection, transport and disposal of sludge	41,411	38,938
Rent	39,468	32,563
Cleaning and guarding	24,797	19,760
Laboratory analyses and expertises	47,191	40,139
IT services	37,052	31,179
Technical improvement of assets which does not meet requirements set forth for capitalisation	5,095	5,963
Training	3,214	2,207
Taxes and fees	3,145	3,343
Depreciation of receivables	181	479
Depreciation of investments in assets	0	382
Compensation of damage	305	290
Pollution fees	4,994	4,368
Insurance	9,108	7,885
Meter reading, call centre	59,422	52,207
Works/services of material-nature	14,539	17,744
Other operation expenses (such as sub-supplies and other purchased works)	55,729	41,072
Total	872,122	599,477

Remuneration of the statutory auditor for the relevant period

Auditor	Amount included in audit costs for 2023 (in CZK ,000)	Other services (in CZK ,000)	Other services - description
Ernst & Young Audit, s.r.o.	1,608	0	-

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

	(CZK ,000)	
	Period until 31.12. 2023	Period until 31.12. 2022
Reserves - increase/decrease	2,838	(7,989)
Temporary reduction in value of inventories – increase/decrease	5	119
Temporary reduction in value of assets – increase/decrease	1,386	79
Temporary reduction in value of receivables – increase/decrease	1,633	(8)
Total – increase/decrease in reserves and temporary reduction in value of assets	5,862	(7,799)

4.16. FINANCIAL REVENUES AND EXPENSES

	(CZK ,000)	
	Period until 31.12. 2023	Period until 31.12. 2022
Interest paid	(198,341)	(183,208)
Bank feed paid and exchange rate loss	(1,198)	(7,153)
Expenses in total	(199,539)	(190,361)
Interest received and other financial revenues	1,945	14,600
Total income	1,945	14,600
Net total	(197,594)	(175,761)

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.**
- **OBSED 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 2023 and 2022. These were the arm's length transactions.

All the companies above are parts of FCC Group.

Revenues made with the related persons

2023	(CZK ,000)			
Person	Relation to the Company	Services	Interest	Total
Vodotech, spol. s r.o.	Other related persons	1,889	0	1,889
Aqualia infraestructuras inženýring, s.r.o.	Other related persons	1,299	0	1,299
FCC Česká republika, s.r.o.	Other related persons	141	0	141
FCC Aqualia, S. A., organizační složka ČR	Other related persons	150	0	150
Total		3,479	0	3,479

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

Purchases made with the related persons

2023	(CZK ,000)			
Person	Relation to the Company	Services	Other expenses	Total
Vodotech, spol. s r.o.	Other related persons	97,490	29	97,519
Aqualia infraestructuras inženýring, s.r.o.	Other related persons	312,271	0	312,271
Fomento de Construcciones y Contratas, S. A.	Other related persons	3,527	0	3,527
Aqualia Czech, S. L.	Parent company	183,057	0	183,057
FCC Aqualia, S. A.	Other related persons	6,398	0	6,398
FCC Česká republika, s.r.o.	Other related persons	6,020	0	6,020
FCC Aqualia, S. A., organizační složka ČR	Other related persons	2,381	0	2,381
Hidrotec Tecnología del Agua, S. L. U.	Other related persons	39	0	39
OBSSED a. s.	Other related persons	29,248	0	29,248
Total		640,431	29	640,460

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

Acquisition of fixed tangible assets from the related persons

Person	(CZK ,000)		
	Relation to the Company	2023	2022
Vodotech, spol. s r.o.	Other related persons	43,992	36,321
Aqualia infraestructuras inženýring, s.r.o.	Other related persons	527,940	646,047
FCC Aqualia, S. A., organizační složka ČR	Other related persons	5,733	5,500
Total		577,665	687,868

Related person receivables

Person	(CZK ,000)	
	As of 31. 12. 2023	As of 31. 12. 2022
Trade receivables		
Vodotech, spol. s r.o.	46	75
Aqualia infraestructuras inženýring, s.r.o.	3,206	4,370
FCC Aqualia, S. A., organizační složka ČR	1	34
FCC Česká republika, s.r.o.	0	21
Total	3,253	4,500

Related person payables

Person	(CZK ,000)	
	As of 31. 12. 2023	As of 31. 12. 2022
Trade payables		
Vodotech, spol. s r.o.	28,170	38,319
Aqualia infraestructuras inženýring, s.r.o.	334,854	341,123
Fomento de Construcciones y Contratas, S. A.	357	858
FCC Česká republika, s.r.o.	488	428
Hidrotec Tecnologia del Aqua, S. L. U.	0	7,235
OBSSED a.s.	3,383	1,628
FCC Aqualia, S. A.	3,219	295
Aqualia Czech, S. L.	4,773,931	5,070,144
Trade payables in total	5,144,402	5,460,030

IN-GROUP LOAN

More details are provided in Chapter 4.8 External Financing.

The 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 47.22 million. In case of an 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 47.22 million.

SENSITIVITY TO THE CURRENCY EXCHANGE RISK

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

7. CONDITIONAL LIABILITIES

BILLS OF EXCHANGE

In July 2015 the Company signed a contract in order to secure its financial stability for the future period. The other party to the contract is **ING Bank N.V.**, a joint-stock company established under the law of the Netherlands with the registered office at Bijlmerplein 888, 1102 MG under 33031431 which is represented in the Czech Republic by ING Bank N.V., the branch in Prague with the registered office at Českomoravská 2420/15, Libeň, 19000 Praha 9, Czech Republic ID: 492 79 866. The contract provides for the credit line up to CZK 120 million. The loan is secured with the promisory note ("the blank bill"). In 2023, the credit line was used for issuance of bank warranties and for covering short-lasting unbalance between Company's income and expense.

BANK WARRANTIES

As of 31.12. 2023, the Company issued the bank warranties amounting to CZK 16.026 million (in 2022: CZK 6.929 million). For the summary of bank warranties see the table below.

Date of issue	Issued to the benefit of	Purpose of issue	Validity	Bank warranty in CZK
3. 9. 2020	Municipality of Albrechtice, Obecní 186, 735 43 Albrechtice	Operation of water assets owned by the Municipality of Albrechtice	7. 9.2020-31.12.2024	36,000.00
21. 12. 2020	Municipality of Velké Losiny, Rudé Armády 321, 788 15 Velké Losiny	Operation of a sewage system and wastewater treatment plant for public needs: in Velké Losiny and in its suburbs - Maršíkov and Bukovice.	21.12.2020-20.12.2025	850,000.00
19. 12. 2018	Municipality of Opava, Horní náměstí 69, 746 26 Opava	Due fulfilment of operator's obligations arising from the contract	1.1.2019-31.12.2023	400,000.00
19. 12. 2018	Municipality of Neplachovice, Na Návsí 16, 747 74 Neplachovice	Due fulfilment of operator's obligations arising from the contract	1.1.2019-31.12.2023	150,000.00
9. 1. 2020	Municipality of Vratimov, Frýdecká 853/57, 739 32 Vratimov	Due fulfilment of operator's obligations arising from the contract	9.1.2020-31.12.2024	260,000.00
9. 1. 2020	Municipality of Řepiště, Mírová 178, 739 31 Řepiště	Due fulfilment of operator's obligations arising from the contract	9.1.2020-31.12.2024	114,00.00
21. 12. 2020	Municipality of Horní Suchá, Sportovní 3/2, 735 35 Horní Suchá	Operation of water assets owned by the Municipality of Horní Suchá	1.1.2021-20.12.2025	230,000.00
21. 12. 2020	Municipality of Dolní Lutyně, Třanovského čp.10, 735 53 Dolní Lutyně	Due fulfilment of operator's obligations arising from the contract	1.1.2021-20.12.2025	130,000.00
21. 12. 2020	Municipality of Štramberk, Náměstí č.9, 742 66 Štramberk	Due fulfilment of operator's obligations arising from the contract	1.1.2021-20.12.2025	106,500.00
7. 5. 2021	Municipality of Písečná, Písečná čp.262, 739 91 Písečná	Due fulfilment of operator's obligations arising from the contract	10.5.2021-10.5.2026	68,500.00
20. 12. 2021	Municipality of Frenštát pod Radhoštěm, nám. Míru 1, 744 01 Frenštát pod Radhoštěm	Due fulfilment of operator's obligations arising from the contract	1.1.2022-19.12.2026	200,000.00
30. 11. 2021	Municipality of Orlová, Osvobození 796, 735 14 Orlová-Lutyně	Due fulfilment of operator's obligations arising from the contract	1.1.2022-31.12.2026	210,000.00
30.11.2021	Municipality of Frýdek-Místek, Radniční 1148, 738 01 Frýdek-Místek	Due fulfilment of operator's obligations arising from the contract	1.1.2022-31.12.2026	699,000.00
30. 11. 2021	Union of Municipalities in the region of Nový Jičín, Masarykovo nám. 1/1, 741 01 Nový Jičín	Due fulfilment of operator's obligations arising from the contract	1.1.2022-31.12.2024	1 200,000.00
20. 12. 2022	Municipality of Krmelín, Kostelní 70, 739 24 Krmelín	Due fulfilment of operator's obligations arising from the contract	1.1.2023-20.12.2027	324,000.00
21. 12. 2022	Municipality of Rychvald, Orlovská 678, 735 32 Rychvald	Due fulfilment of operator's obligations arising from the contract	1.1.2023-31.12.2027	43,000.00
21. 12. 2022	Municipality of Albrechtice, Obecní 186, 735 43 Albrechtice	Due fulfilment of operator's obligations arising from the contract	1.1.2023-31.12.2027	50,000.00
29. 6. 2023	Municipality of Opava, Horní náměstí 382/69, 746 01 Opava-Město	Due fulfilment of operator's obligations arising from the contract	1.7.2023-29.6.2028	955,000.00
3. 8. 2023	Municipality of Příbram, Tyršova 108, 261 19 Příbram, Příbram I	Concession procedure with respect to operation of water infrastructure owned by the Municipality of Příbram	8.8.2023-31.1.2024	10 000,000.00

SECURITY

As of 31.12.2023, the Company did not issue any securities (as of 31.12. 2022: 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 CZK 199.638 million (in 2022: CZK 380.003 million).

8. COURT DISPUTES

OVERVIEW OF COURT DISPUTES

Legal disputes where the Company is the defendant

Legal disputes against the Company initiated by the former shareholders 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 Ostrava's petition on 22 September 2020 as it believed that there were no reasons for the petition. The judgement was awarded in favour of Státní energetická inspekce. 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.
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. SmVaK Ostrava was paid back the penalty.
4. Státní energetická inspekce filed a cassation complaint at the Supreme Administrative Court against the decision made by the Metropolitan Court in Prague because it did not agree with the dismissing judgement awarded by the Metropolitan Court in Prague and did not agree with cancellation of the original decision made by Státní energetická inspekce.
5. On 9 July 2023 the Supreme Administration Court awarded its judgement and cancelled the judgement awarded by the Metropolitan Court in Prague on 30 March 2022. It referred the case back to the Metropolitan Court in Prague which should re-hear the case.
6. On 11 August 2023 the Metropolitan Court in Prague resolved to dismiss the claim filed by SmVaK Ostrava.
7. SmVaK Ostrava brought an appeal in cassation with the Supreme Administrative Court against the judgement awarded by the Metropolitan Court in Prague.

The Company 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 2023, 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 21 February 2024.



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

FOR YEAR **2023**

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 2023 and ending 31 December 2023.

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, S.A.

This report lists all members of the Group with whom the controlled person entered into any contractual relationship or with whom any legal conduct existed from 1 January 2023 until 31 December 2023.

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 registered 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 Mojmírovců 571/15, Mariánské Hory, 709 00 Ostrava
ID: 64086348

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

4.3. Aqualia Intech, S. A.

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

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

The company is not 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- 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 2023 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 De 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. which 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.A.,
- = 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 HIDROTEC, 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 a controlled person and is not a controlling person or owner of any corporation which is a part of FCC Group or any other corporation 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 Group 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

In the reporting period, SmVaK Ostrava sold its products, goods, and 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 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 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 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 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.

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 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.

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 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.

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.

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

In the reporting period, SmVaK Ostrava a.s. as a lessor and the related person as a lessee signed an agreement to rent the business premises (the garages in Opava, the Jaselská site).

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 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 in Šenov u Nového Jičína. The rent was set on the basis of the length of arm's principle pursuant to the documentation on transfer prices in transactions made by and between the related persons.

FCC Česká republika s. r.o.

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

2. PURCHASE OF GOODS AND SERVICES

Severomoravské vodovody a kanalizace Ostrava a.s. purchased the goods/services, purchased the investment project supplies, and received the consulting/other services from the following parties:

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 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 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 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, 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 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. The contract was terminated as of 31 August 2023.

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.

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 price of the sampling and analysing is that given in the related person's price list that is in force.

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.

In accordance with terms and conditions of the Framework Agreement, SmVaK Ostrava and the related person signed, during the reporting period, the contracts to perform the construction works in the Moravian-Silesian Region and to prepare project documentation for those projects. These contract included supplies of works including materials and technology facilities, including the complete engineering for those 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.

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.

In accordance with terms and conditions of the Framework Agreement, SmVaK Ostrava and the related person signed, during the reporting period, the contracts to supply construction works including the materials for construction projects in the Moravian-Silesian Region, for the construction works and geodetic works so that the structures could be entered into client's GIS, for repair of infrastructure assets and investment construction projects, for preparation of project documentation, and for general engineering services. In the reporting period, the related person finished the activities pursuant to the contracts to provide a work which had been signed in 2022.

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.

The related person removed and disposed the water source facilities in the 2000 m³ water reservoir in Ráj and the water conduit in Záhumenice-Bělá. The work was performed pursuant to the job contracts signed in the reporting period. The related person removed a part of the inverted siphon and a sludge box shaft in the Odra River.

FCC Česká republika, s.r.o.

In the reporting period, supplies continued pursuant to the job contract. The subject of the job contract was acceptance and disposal of water treatment sludge from the water treatment plants in Podhradí, Nová Ves, and Vyšní Lhoty. The contract is in force until 31 December 2023.

In the reporting period, the parties signed a contract for acceptance and disposal of water treatment sludge from the water treatment plant. The contract is in force until 31 December 2024.

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. OTHER CONTRACTUAL RELATIONS

Related person:

Aqualia infraestructuras inženýring, s.r.o.

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 of the agreement 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.

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 framework 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 2023 until 31 December 2023. 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, Tecnologia del Agua, S. L. U.

In the reporting period, supplies were provided pursuant to the agreement to provide temporary services. Pursuant to the agreement, the controlled person was charge the payment for administrative and technical services.

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 of 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.

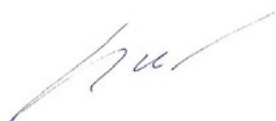
This report was prepared by the Board of Directors of Severomoravské vodovody a kanalizace Ostrava a.s. and approved at its meeting on 21. February 2024. This report was submitted for review to the Supervisory Board and to the auditors who are in charge of auditing the 2023 financial statements and confirming the compliance of the 2023 Annual Report with the 2023 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 2023.

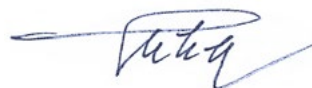
The transactions with related persons were conducted under conditions typical of business and the prices were set on the basis of length-of-the-arm principle and documentation stipulating prices for transactions between the related persons.

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 21. February 2024.



Miroslav Kyncl
Vice-Chairman of the Board of Directors



Vladimír Slivka
Member of the Board of Directors

SmVaK

 aqualia