

ANNUAL REPORT

| 2021 | Veolia Průmyslové služby ČR, a.s.



CONTENTS

01

CORPORATE AND GENERAL INFORMATION
ABOUT THE COMPANY

2

02

MANAGEMENT REPORT

12

03

FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2021

32

04

REPORT ON RELATED PARTIES

72

05

AUDITOR'S REPORT

86





CORPORATE AND GENERAL INFORMATION ABOUT THE COMPANY





01

BASIC INFORMATION

Veolia Průmyslové služby ČR, a.s.

Company name

19 December 2007

Date of foundation

CZK 429,000,000

Registered capital

***15,600 dematerialised registered shares
with a nominal value of CZK 27,500 per
share (ISIN CZ0005125203)***

Shares

Public limited company

Legal form

278 26 554

Company number

***Zelená 2061/88a, Mariánské Hory,
709 00 Ostrava, special postcode 709 74***

Registered office

The Company is incorporated by entry in the Companies
Register kept by the Ostrava Regional Court under
file number B 3722.



COMPANY DESCRIPTION

Veolia Průmyslové služby ČR, a.s. (“Veolia Průmyslové služby ČR”, “the Company”, or “VPS”) was established in 2007 when mining establishments’ specialised energy operations were spun off to form a company under the name of NWR Energy, a.s., which was acquired by Dalkia Česká republika, a.s. (now Veolia Energie ČR, a.s.) on 21 June 2010. The Company’s name was changed to Dalkia Industry CZ, a.s. as of 21 June 2010. The Company assumed its present name, Veolia Průmyslové služby ČR, a.s., on 1 March 2015.

Veolia Průmyslové služby ČR is a wholly-owned subsidiary of Veolia Energie ČR, a.s., one of the leading heat and electricity producers in the Czech Republic. The owner of Veolia Group is Veolia Environnement, a world leader in environmental services.

Veolia Průmyslové služby ČR has two subsidiaries: Veolia Komodity ČR, s.r.o., one of the Czech market’s sizeable electricity traders, and Veolia Powerline Kaczyce Sp. z o.o., an electricity trader and distributor in Poland.

For Veolia Group, Veolia Průmyslové služby ČR constitutes a global reference in the extraction industry, as it operates electricity distribution, heat and hot water production and distribution, and compressed

air production for mining operations of OKD, a.s. and DIAMO, státní podnik. In 2021, Veolia Průmyslové služby ČR also produced cooling energy and nitrogen for OKD, a.s. The Company supplies all utilities to delivery points located in the surface areas of each of the mines.

The Company also owns a local distribution system (LDS), including a direct 110 kV cross-border line from Poland. It uses this LDS to distribute electricity to a part of the Frýdek-Místek region and to much of the Ostrava and Karviná regions, including some of the most prominent industrial sites and industrial companies here.

KEY FIGURES

COMPRESSED AIR SOLD

425 million Nm³



NITROGEN SOLD

3 million Nm³



ELECTRICITY DISTRIBUTION
SERVICE

377 GWh



HEAT SOLD

414 TJ



COOLING ENERGY SOLD

13 TJ

CORPORATE GOVERNANCE

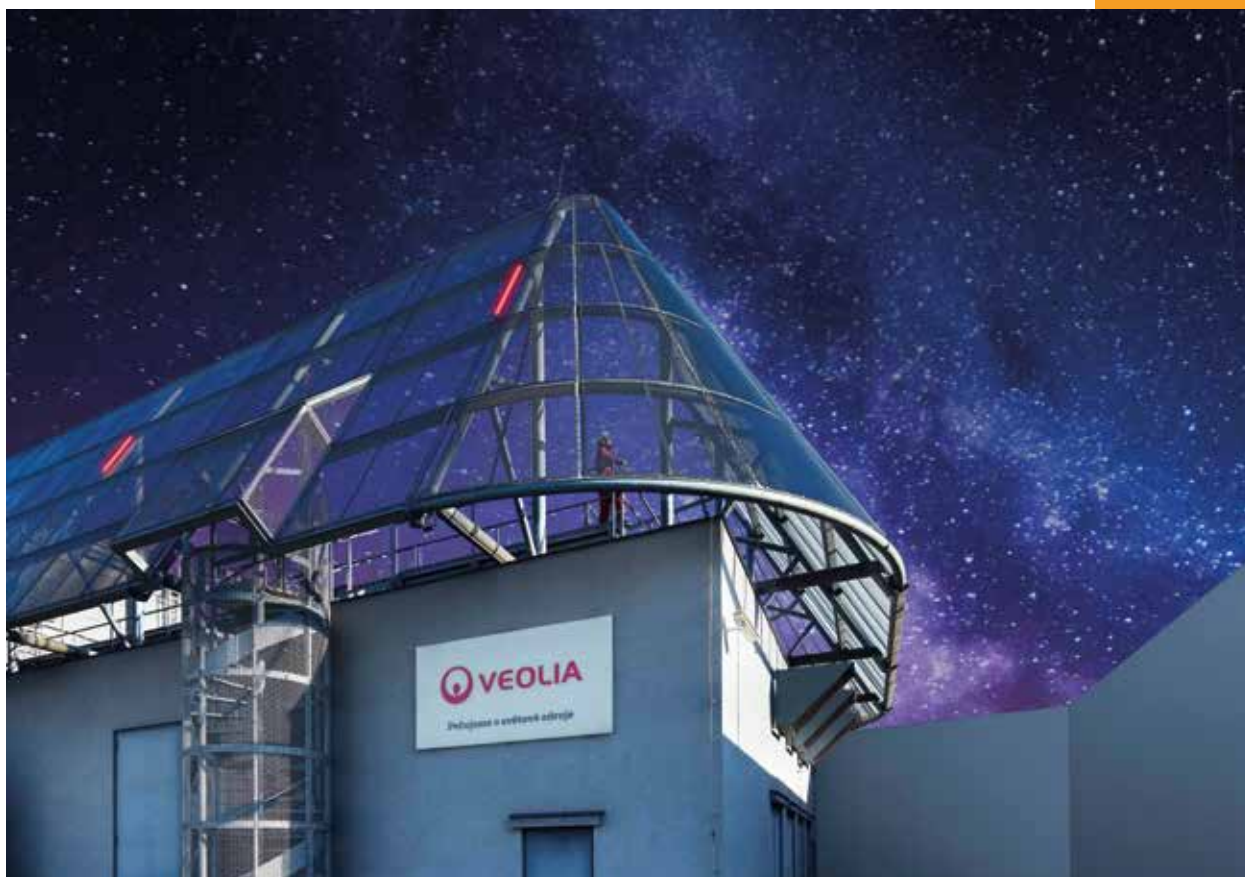
BOARD OF DIRECTORS

Kamil Vrbka – Chairman

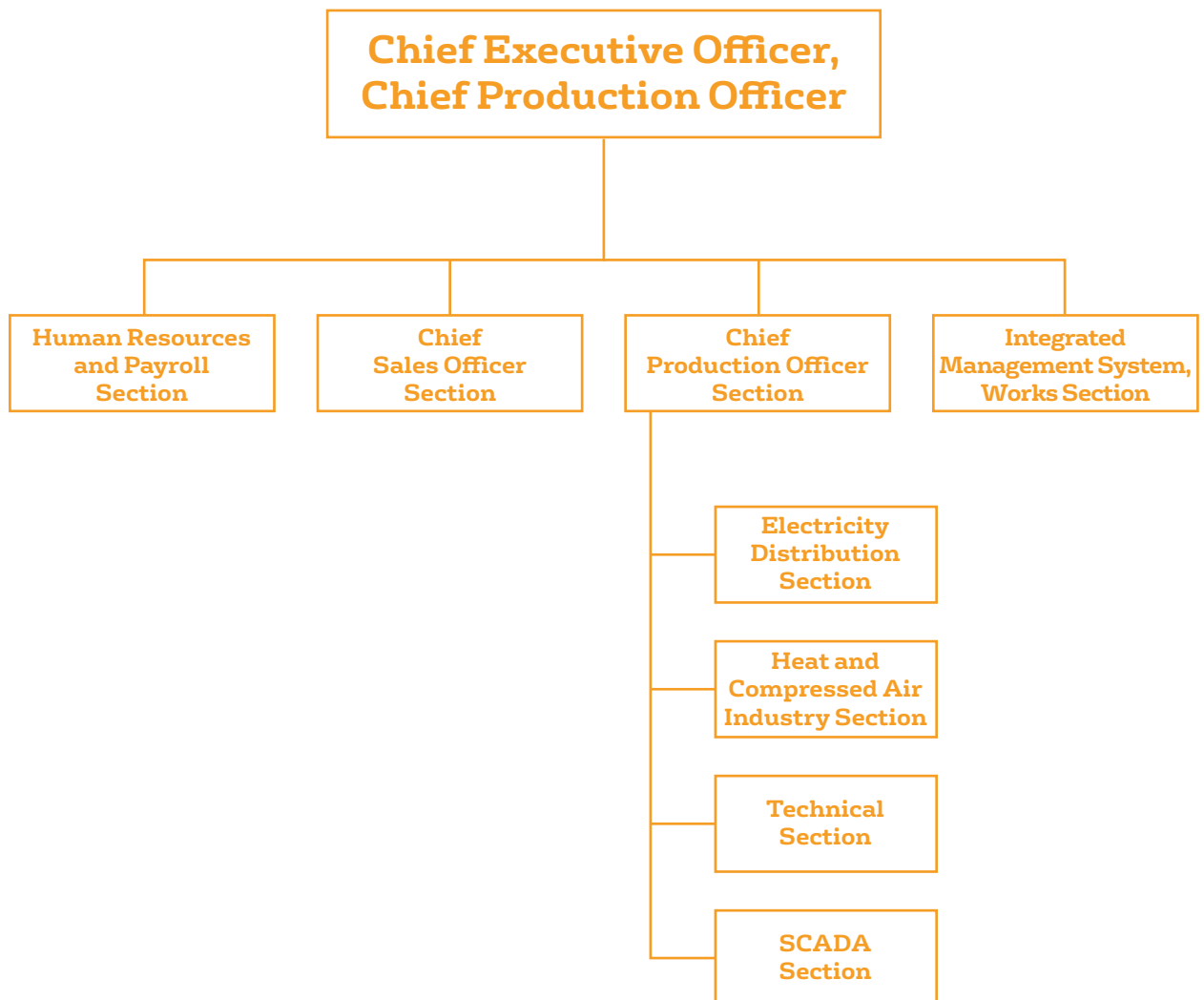
Pavel Luňáček – Member

Jakub Tobola – Member

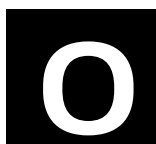
Applicable as of 31 December 2021



ORGANISATIONAL STRUCTURE



OTHER INFORMATION



On 16 August 2021, the sole shareholder acting in the capacity of the general meeting adopted a decision on decreasing the Company's registered capital by CZK 1,131,000,000 to CZK 429,000,000 by reducing the face value per share from CZK 100,000 to the amount of CZK 27,500. The reduction in registered capital was entered in the Companies Register on 21 December 2021 once all the statutory conditions and time limits were met.

No significant post-balance-sheet events affecting its results occurred at Veolia Průmyslové služby ČR. The Company held none of its own shares as of 31 December 2021. The Company does not conduct its own research and development.

The Company wholly owns Veolia Komodity ČR, s.r.o., registered office: 28. října 3337/7, Moravská Ostrava, 702 00 Ostrava (incorporated by entry in the Companies Register kept by the Regional Court in Ostrava under file number C 21431), and Veolia Powerline Kaczyce Sp. z o.o., registered office: ul. Gustawa Morcinka 17, 43-417 Kaczyce, Poland (incorporated: Sąd Rejonowy w Bielsku – Białej, VIII Wydział Gospodarczy Krajowego Rejestru Sądowego). The Company has no organisational units outside the Czech Republic.

On 24 February 2022, Russian troops invaded Ukraine and launched military action in several regions. Although the Company has no direct exposure to the countries affected by the conflict, its management has nonetheless weighed up the risks and impacts of this situation on the projected development of the Company's activities. Most natural-gas fired plants of Veolia Group companies supply heat to households, healthcare facilities, schools and other institutions. Under the applicable regulations, these plants are classified as installations that would be among the last to be affected by any natural gas consumption control measures. 8% of the Company's heat production comes from natural gas. The Company's management has not seen any major impacts of this event on the Company's activities or its financial position as of the date of signing of the financial statements.



*Structure of Veolia Průmyslové
služby ČR, a.s.'s shareholders and regis-
tered capital*

SOLE SHAREHOLDER

*Veolia Energie ČR, a.s.
28. října 3337/7, Moravská Ostrava,
702 00 Ostrava
Company number: 451 93 410*



MANAGEMENT REPORT





02

FOREWORD



DEAR BUSINESS PARTNERS, LADIES AND GENTLEMEN,

I am pleased to report that in 2021 our company, Veolia Průmyslové služby ČR, honoured its obligations to all its customers, trade partners, and our parent company Veolia Energie ČR, despite continuing challenges from the COVID-19 pandemic. We provided our customers with comprehensive energy services that met their requirements in full, and in doing so achieved the strategic goals, objectives and profit targets we had set ourselves.

The core business of Veolia Průmyslové služby ČR is energy service provision, which it carries out mainly, although not exclusively, by supplying energy commodities. For mining operations, Veolia Průmyslové služby generates and supplies heat, hot service water and compressed air, and in 2021 we also provided OKD with cooling energy and nitrogen. On top of that, Veolia Průmyslové služby is also one of the largest local distribution system operators for electricity in the Czech Republic. The nature of our business and the needs of our customers mean that we must comply with strict standards and supply quality indicators, along with mining laws and other legislative

requirements. Our success in handling all these demands was chiefly due to the commitment and professionalism of our employees, and for that they deserve our sincere thanks.

As I mentioned above, we continued to feel the impact of the COVID-19 pandemic in 2021. Ensuring employ-

ees' health and safety presented a major challenge both for our management and our parent company Veolia Energie ČR. But I believe I can say we handled the situation extremely well, thanks to the pandemic situation management system set up within Veolia Group, the provision of high-quality protective equipment, and managed alternation of workplace shifts with working from home, so our employees were protected to the maximum.

„In 2021 our company, Veolia Průmyslové služby ČR, honoured its obligations to all its customers, trade partners, and our parent company Veolia Energie ČR, despite continuing challenges from the COVID-19 pandemic.“

You will find detailed information about our results further on in this annual report. At this point I would just like to mention that, despite a tough year and ongoing coal mine closures at OKD, we were able to respond flexibly and expand our operations outside of the mining industry. As a result, we closed out 2021 with operating income of CZK 790.3 million.

Over the past years, Veolia Průmyslové služby has successfully prepared and completed several capital projects supported by subsidy programmes run by the Ministry of Industry and Trade and the Ministry of the Environment. We continued on this track in 2021, this time with capital projects concentrating on modernisation of our electricity distribution system, aimed at increasing supply security and reliability, combined with implementing the latest trends in electricity distribution management.

Many fresh challenges await us in 2022 and the years ahead. We plan to keep pushing forward with the development of our electricity distribution system, with a view to the increasing degree of electrification in all areas of human activity. We will follow through on our company's commitment to environmental targets by developing decentralised cogeneration of heat and power, raising the efficiency of our plants,

and preparing projects for the use of renewable energy sources, along with other innovative solutions. Looking at the operational experience we have accumulated, the expertise of our employees, our technical equipment, the backing we receive from our parent company Veolia Energie ČR, and the great working relationships we have with our trade partners, I am sure we will meet all the company's development and modernisation goals.

Veolia Průmyslové služby ČR has been operating in the energy sector for 12 years now. For the past two of those, along with meeting our operational targets we have also responded flexibly to situations which could not have been planned for or anticipated. This convinces me that our company will continue its successes, providing comprehensive energy services and modern energy solutions to our customers for years to come.

”

KAMIL VRBKA

CEO



CORE VALUES

In its work the Company relies on core values shared across Veolia Group: customer focus, innovation, responsibility, respect and solidarity.

CUSTOMER FOCUS

Veolia pursues this value by, in particular, striving to continuously improve the efficiency and quality of its services. Veolia promotes transparency and ethical rules as the essential prerequisites for building lasting relationships with its customers. Veolia listens to its customers and provides fitting and innovative solutions that meet their technical, economic and environmental requirements.

INNOVATION

Research and innovation combine to form the core of Veolia Group's strategy in its development of sustainable solutions and services for customers, the environment and society at large.

RESPONSIBILITY

Veolia's objective is to take an active part in the shaping of a society committed to sustainable development. It is a key player in the environmental services market and as such it assumes, daily, the responsibility for the meeting of general interests such as, in particular:

- support for harmonious regional development;
- improving the living conditions of the people affected by its operations, and environmental protection;
- the development of its employees' skills, improvements in personal safety at work (occupational injury prevention), and the fostering of a healthy work environment.

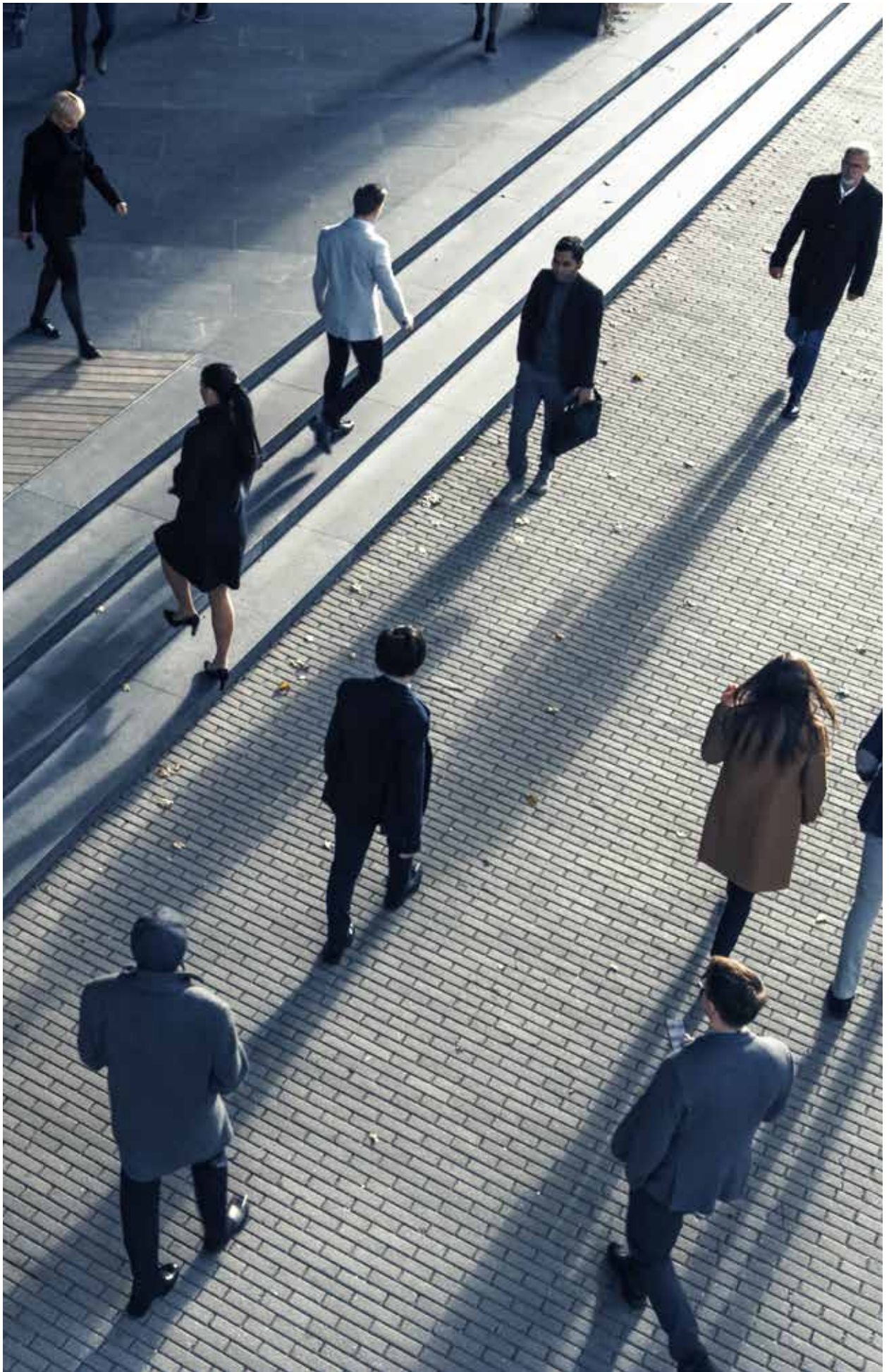
RESPECT

This value guides the individual conduct of all Veolia Group employees and is expressed by compliance with the law and the Group's internal rules and through the respect shown to others.

SOLIDARITY

As through its business activity Veolia serves common and shared interests, solidarity is one of its core values in its relationships with all stakeholders.

Concretely, this value is expressed by developing solutions which enable Veolia Group to provide essential services for everyone. We consider this to be a central plank of our corporate social responsibility.



OUR SERVICES

ENERGY UTILITY PRODUCTION AND SALES

Veolia Průmyslové služby ČR generates and distributes electricity, and makes and distributes heat, hot water, and compressed air. In 2021 Veolia Průmyslové služby ČR also produced cooling energy and nitrogen for OKD.

Within the Company's organisational structure, these operations are in the hands of two production sections:

- Electricity Distribution (responsible for distribution and the management of the local distribution system);
- Heat and Compressed Air Industry (production and distribution of heat, cooling energy, compressed air and nitrogen for industry, and the generation of electricity).

DISTRIBUTION OF ELECTRICITY

Veolia Průmyslové služby ČR distributes electricity to customers who are connected to the Company's local distribution system (VPS LDS) in accordance with applicable legislation. These are customers with MV and LV connections at 52 specified sites. Electricity producers are also connected to the VPS LDS, as is the electricity internally generated by Veolia Průmyslové služby ČR, which is either consumed captively or used within the VPS LDS. In its role as an LDS operator, VPS manages more than 800 billing and balancing measurement sites. The VPS LDS is endowed with high transmission capacities and mutual backup capabilities.

The Company owns and operates the following in the Ostrava, Karviná and Frýdek-Místek areas:

7

110 KV HV SUBSTATIONS

16

MV SUBSTATIONS

19

UNMANNED DISTRIBUTION SUBSTATIONS

13

KM OF HV OVERHEAD LINES

238

KM OF MV POWER LINES

21

KM OF CABLE LINES

The total electricity distributed to VPS LDS customers over 2021 amounted to 377 GWh.

PRODUCTION AND DISTRIBUTION OF HEAT

The Company makes heat, steam and hot service and bathing water, which it distributes for the industrial facility heating systems, bathrooms and open-cast mining technology of OKD, a.s., DIAMO, státní podnik, and third parties at six mining sites. These activities are carried out by operating centres, distributed to cover the mining sites in Karviná, Stonava, Orlová, Doubrava, Horní Suchá and Staříč. Heat is also produced at the Přerov CHP plant, where it is supplied to the district heating system.

As at 31 December 2021, the installed capacity of licensed heat sources was 130.545 MWt. In 2021, 414 TJ were supplied to customers.

In 2021, the Company operated 28.145 km of heating networks and 22 heat sources, with capacities ranging from 60 kWt to 37.60 Mwt in total, specifically:

2

HARD-COAL-FIRED BOILERS WITH MINE GAS STABILISATION (50% OF MIXTURE IS CH₄)

7

GAS BOILERS

5

ELECTRIC BOILERS

4

CGU (RECIPROCATING INTERNAL COMBUSTION ENGINE)

PRODUCTION AND DISTRIBUTION OF COMPRESSED AIR

The Company makes compressed air for the technological requirements of OKD, a.s., DIAMO, státní podnik, and for captive consumption. Compressed air production was a new area of production within Veolia Energie ČR Group. Since 2010, electric turbo compressors have been replaced as part of the major upgrading of machinery for this production. In 2021, 425 million Nm³ of compressed air were supplied.

The production of compressed air and its distribution to the mining sites of OKD, a.s. and DIAMO, státní podnik are provided by operating centres alongside the production and distribution of heat.

New ZH and GA electric turbo compressors are now in operation at all production facilities.

The Company operates the following equipment:

10

AC ZH ELECTRIC TURBO COMPRESSORS

2

AC GA SCREW COMPRESSORS

The electric turbo compressor used by the Company has a capacity of up to 15,000 Nm³ per hour. Air pressure is regulated at approximately 0.3 MPa. The compressed air production plant is operated without storage facilities in view of how long the pipe distribution systems on the surface and in the mine are.

GENERATION OF ELECTRICITY

Electricity is generated for local consumption within the Company's distribution system and is part of the cogeneration structure.

The ČSM CHP plant operates a 4.95 MWe steam turbine generator on the cogeneration mode and 0.4 MWe steam micro-turbine. 1.2 MWe and 2 x 0.999 MWe gas cogeneration units are also operated there. The heat is used for technological process operations at OKD, a.s. and DIAMO, státní podnik. The fuel is mine gas (a local secondary source). Another gas cogeneration unit is operated in the Přerov CHP plant. The cogeneration unit fires natural gas and its electrical capacity is 0.999 MWe. In total, 42.7 GWh of electricity was generated in 2021.

PRODUCTION OF COOLING

In 2021, Veolia Průmyslové služby ČR made cold water (2.4 °C) by means of cooling units with a total cooling capacity of 15.522 MW that are located in the compressor station at the ČSA site. This cold water was distributed to the various mining facilities by a system of piping and related technology. The

cooling energy distributed in this way was used for climate control in a mine setting. At the ČSA site, the Company owns and has run three cooling turbo compressor plants, each with a rated cooling capacity of 3,668 kW (i.e., the total cooling capacity being 11.004 MW), and dry coolers with a total cooling capacity of 4.518 kW.

In all, 13 TJ of cooling energy was supplied in 2021.

Cooling energy operations and production were discontinued in February 2021.

PRODUCTION OF NITROGEN

In 2021, Veolia Průmyslové služby ČR operated nitrogen production technology. Nitrogen was made from compressed air by means of membrane technology. The nitrogen production installation can supply approximately 5,000 m³ of nitrogen with a purity of 97% per hour for OKD's operations.

In 2021, a total of 3 million Nm³ of nitrogen with a purity of 97% was supplied.

Nitrogen operations and production were discontinued in January 2021.



INNOVATION

INVESTMENT

Despite the ongoing COVID-19 epidemic that made investment activities difficult, VPS upgraded and automated its operations in 2021. This involved primarily procuring equipment and upgrading the local distribution system at the mining sites being phased out and elsewhere. The LDS modernisation continued to focus on the automation of distribution substations, remote control of components in medium-voltage networks, installation of equipment to improve the operation reliability and safety, and the retrofit and upgrade of the energy control centre.

Another kiosk substation was built at a former mining site in order to provide electricity distribution in the future and effectively use the potential and transmission capacities offered by our LDS.

PROJECTS SUPPORTED BY THE OPERATIONAL PROGRAMME ENTERPRISE AND INNOVATION FOR COMPETITIVENESS

The project completed in 2021 under the Smart Grids I call (Ministry of Industry and Trade's Operational Programme Enterprise and Innovation for Competitiveness) had satisfied the requirements and was granted support. Additional approved projects will be implemented in the future for the planned upgrade of the LDS and implementation of standards.

SELECTED INVESTMENTS COMPLETED IN 2021

- Upgrading of the control system for the LDS Energy Control Centre of Veolia Průmyslové služby ČR, a.s.
- Implementation of redundancy for the control system of the Dukla electricity distribution Control Centre
- SMART GRIDS - reliability and optimisation of electricity distribution operations. Paskov compact substation

PARTNERSHIP IN INNOVATION

The Company has a permanent partnership with the VŠB – Technical University of Ostrava that covers the verification, measurement and analysis of production equipment operating parameters in the production of heat and in the distribution of electricity. The knowledge gained from consultations, expert evaluations and assessments is then put to use directly in production or in preparations for production.

We are also continuing our collaboration with the design and consulting firm Elprocon 21 in the areas of renewable energy sources and innovative projects.

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

FROM A TECHNICAL VIEWPOINT:

- Automation of MV substations, the replacement of grid components and the installation of remote-controlled components in medium-voltage networks with a view to minimising downtime and complying with electricity distribution standards
- Upgrading of the LDS control centre

FROM A COMMERCIAL VIEWPOINT:

- Extension and securing the quality of distribution services using new automated substations
- Construction of a new automated substation for the connection of flats

FROM AN ENVIRONMENTAL AND OHS VIEWPOINT:

- Successfully combating COVID-19 by adopting numerous measures, avoiding the necessity of curtailing supply to our customers and keeping the percentage of our employees suffering from the disease low in 2021.
- Commencement of the implementation of an anti-bribery management system in line with ISO 37001 at the Company.

02 — MANAGEMENT REPORT

- Completion of the transition to a new OHS management standard, ČSN ISO 45001, which superseded ČSN OHSAS 18001; the Company has received ČSN ISO 45001 certification.
- Successful completion of the audit of the Company's integrated management system under ČSN EN ISO 14001 environmental management system, ČSN ISO 45001 occupational health and safety management system and ČSN EN ISO 50001 energy management system.
- Automation of the Paskov substation
- Removal of a disused coal boiler house at the 9. květen site, including reclamation of the land under the boiler house
- Staging the Veolia Run competition to support employees' sporting activities and the Veolia Foundation
- Continuation of the "Good Ideas" and "OHS Motivation of Employees" projects



CUSTOMERS

COMMERCIAL OPERATIONS

Much of Veolia Průmyslové služby ČR's commercial operations are geared towards business affairs with its most important customers, OKD, a.s and DIAMO, státní podnik. Veolia Průmyslové služby ČR provides supplies under long-term contracts for the supply of thermal and cooling energy, compressed air, and nitrogen and for the provision of distribution system

services and the supply of electricity from its own plants.

Significant commercial activities in 2021 included the expansion of the distribution system at the Nový Zárubek site in Ostrava, which enabled the connection of new flats.



RESPONSIBILITY

INTEGRATED MANAGEMENT SYSTEM PRIORITIES IN ENVIRONMENTAL PROTECTION, ENERGY MANAGEMENT AND OHS

Veolia Průmyslové služby ČR is subject to the State Mining Administration's oversight. In its activities, it is required to respect legislation of general application and mining laws.

In the performance of its business activities, the Company respects all requirements concerning environmental protection, energy management, and occupational health and safety. The priorities in this area are set out in the Veolia Energie in the Czech Republic Group's Sustainable Development Policy, to which Veolia Průmyslové služby ČR also subscribes. The policy that has been adopted includes the commitments detailed below.

COMPLY WITH LEGISLATIVE AND OTHER REQUIREMENTS RELATING TO:

- the meeting of needs associated with the Company's principal activities;
- the environmental aspects identified;
- OHS-related risks;
- risks associated with any incidents of Legionella bacteria;
- energy use and consumption and energy performance.

MAKE STEADFAST IMPROVEMENTS IN:

- the management and efficiency of OHS-related organisation;
- prevention of environmental pollution;
- prevention of occupational accidents and harm to health;
- the quality of our products and services with a view to increasing our customers' satisfaction;
- communication with employees and other stakeholders.

ALWAYS COMPLY WITH:

- occupational safety and hygiene for all employees;
- arrangements ensuring that information and resources are available for the pursuit of targets;
- the priority procurement of energy-efficient services, support for proposals to improve energy performance.

MAKE CONTINUOUS INCREASES IN:

- the professional competence and motivation of employees with a view to encouraging their responsibility and personal involvement in the performance of all activities and processes at the Company in such a way that these are consistent with the adopted Sustainable Development Policy;
- the proportion of renewable and secondary sources of raw materials used.

MAKE ONGOING REDUCTIONS IN:

- the environmental impact of the Company's activities by systematically preventing risks deriving from the operation of Company facilities and technologies and by managing all activities and processes with consideration for environmental protection;
- emissions, particularly CO₂;
- the energy intensity of internal production processes and facilities, and contribute to expanded renewable energy source use;
- unemployment in the Moravian-Silesian and Olomouc Regions via the Veolia Foundation.

SIGNIFICANT OBJECTIVES, PROCEDURES AND ACHIEVEMENTS IN ENVIRONMENTAL PROTECTION AND OHS

An integrated management system was fully operational at the Company during 2021.

The whole Company currently holds certificates for ČSN EN ISO 14001 environmental management



system, ČSN ISO 45001 occupational health and safety management system, and ČSN EN ISO 50001 energy management system.

THE FOLLOWING OBJECTIVES WERE SET AND PURSUED AS PRIORITIES IN ACCORDANCE WITH INTERNATIONAL STANDARDS IN 2021:

Objective 1: Automation of the 22/6 kV substation, Paskov site

- Preparation of design documents and selection of the contractor
- Automation of the Paskov substation
- Trial operation
- Continuous operation

Objective 2: Removal of a disused coal boiler house at the 9. květen site, including reclamation of the land under the boiler house

- Preparation of design documents
- Selection of the contractor
- Removal of the building and reclamation of the land

- Evaluation of the objective

Objective 3: Veolia Run competition - Establishing the rules and staging the event to promote employees' sports activities and support the Veolia Foundation

- Preparation of competition rules
- Selection of suitable management software
- Launch of the Veolia Run competition
- Evaluation of the objective

ACTIVITIES RELATED TO OCCUPATIONAL HEALTH AND SAFETY (OHS), THE ENVIRONMENT AND ENERGY MANAGEMENT IN 2021

In 2021, the most significant activities in occupational health and safety included successful fight against COVID-19 by adopting numerous measures, avoiding the necessity of curtailing supply to our customers and keeping the percentage of our employees suffering from the disease low. Other projects included

automation of the Paskov substation and removal of a disused coal boiler house at the 9. květen site. The process of transition to the new OHS management standard, ČSN ISO 45001, which superseded ČSN OHSAS 18001, was successfully completed.

The Company also achieved excellent results in its accident rate as it did not record or register a single occupational accident throughout 2021.

The most important environmental and energy management projects in 2021 included the remediation of a contaminated site, i.e. removal of a disused coal boiler house at the 9. květen site, including reclamation of the land under the boiler house. This project has a positive effect on the environment as well as on improvement of energy performance.

Other prominent projects running throughout 2021 were “Good Ideas” and “OHS Motivation of Employees”, which successfully involved all employees.

A new project was the Veolia Run competition, which was launched to support employees' sports activities and the Veolia Foundation.

The Company also took part in the “International Health and Safety at Work Week” organised by its parent Veolia Group. This event included a competition for all employees called “Life-size Risk Spotting”, which focused on slips, trips and falls.

The Company spent the year unifying its concept for the management of OHS methodologies and

standards throughout Veolia Group in the Czech Republic and Slovakia. In 2021, work continued on implementing the “High-risk management standards” for ten selected high-risk activities: electricity, transport, hazardous materials, hot works, confined spaces, excavation work, electrical equipment, work at heights, high-pressure water, locking devices, and lifting equipment.

During 2021, none of the checks on OHS, fire protection, the environment and occupational hygiene carried out at Veolia Průmyslové služby ČR by state administration officials resulted in the shutdown of any workplace or the imposition of any penalties.

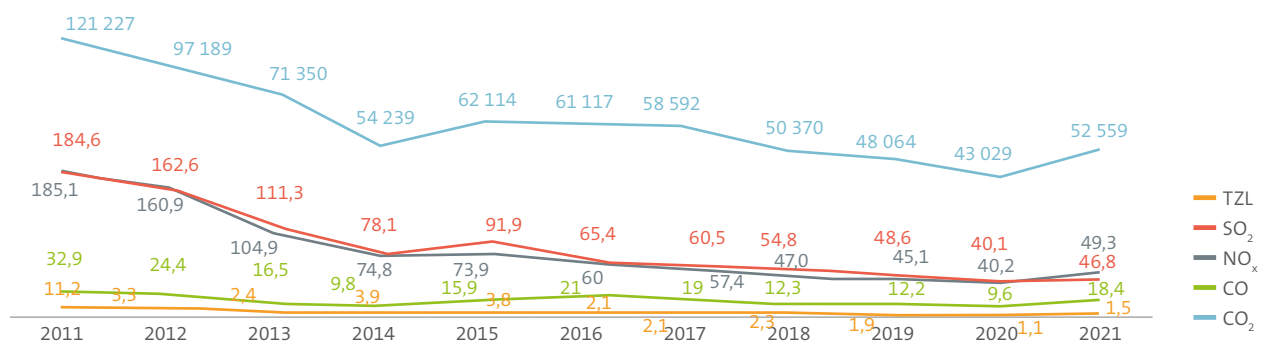
Veolia Průmyslové služby ČR holds all the permits, decisions and documents it needs for its operations within the scope of general legislation (waste management, greenhouse gas emissions, an integrated permit for the ČSM CHP plant, the operating rules of installations, emergency response plans, etc.), and the authorisations required for operations in accordance with regulations under the Mining Act (authorisations and certificates from the competent district mining authority) regarding the operation, inspection, repair, installation and testing of dedicated technical lifting, pressure and gas equipment and dedicated electrical equipment.

The Company also holds Czech Technical Inspectorate authorisations for the operation, inspection, repair, installation and testing of dedicated technical electrical, pressure and gas equipment.

Emissions produced in 2011-2021

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
TZL (t)	11.2	3.3	2.4	3.9	3.8	2.1	2.1	2.3	1.9	1.1	1.5
SO ₂ (t)	184.6	162.6	111.3	78.1	91.9	65.4	60.5	54.8	48.6	40.1	46.8
NO _x (t)	185.1	160.9	104.9	74.8	73.9	60.0	57.4	47.0	45.1	40.2	49.3
CO (t)	32.9	24.4	16.5	9.8	15.9	21.0	19.0	12.3	12.2	9.6	18.4
CO ₂ (t)	121,227	97,189	71,350	54,239	62,114	61,117.5	58,592	50,370	48,064.4	43,029	52,559

Emissions produced in 2011-2021 [tonnes per year]



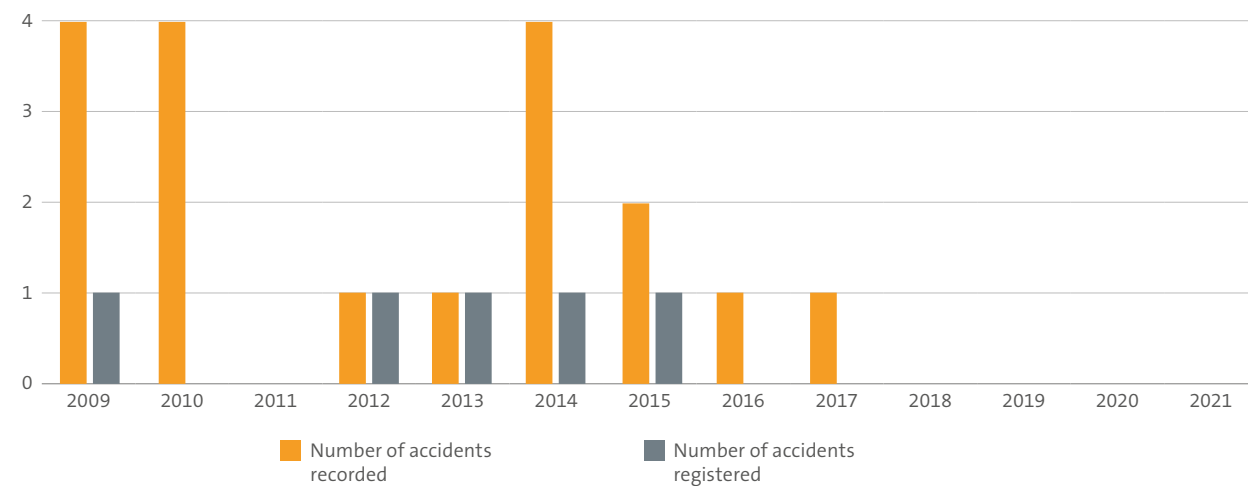
Total waste generated by VPS [tonnes per year]

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
8,153.52	6,951.10	4,125.90	3,219.25	4,551.77	4,169.88	4,594.64	3,522.56	3,432.23	2,814.17	3,326.10

Accident rate in 2009-2021

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number of accidents recorded	4	4	0	1	1	4	2	1	1	0	0	0	0
Number of accidents registered	1	0	0	1	1	1	1	0	0	0	0	0	0

Accident rate in 2009-2021



HUMAN RESOURCES

EMPLOYMENT RELATIONS

The Company abides by all labour legislation, the current collective agreement, the conditions of employment and all internal regulations.

EMPLOYEE STRUCTURE

There were an average of 151 employees (FTE) in 2021:

- of which 138 men and 13 women;
- of which 106 blue-collar occupations and 45 white-collar positions.

Of the total number, 16.2% of employees hold a university degree and 29.6% have completed secondary education with a school-leaving examination (maturita).

The average employee age in 2021 was 50.1 years. The high average age is a salient human resources issue and is bound up with the need to adjust replacements for those employees who retire.

The Company recruited no new employees in 2021.

As at 31 December 2021, in terms of the total years of service at the Company, 14 persons had been employed for up to 5 years, 19 for 10 years, 29 for 15 years, 9 for 20 years, 8 for 25 years and 63 for over 25 years.

EMPLOYEE INCENTIVES

Employees receive tariff-based or contractual wages.

Under the current collective agreement, employees receive benefits and other consideration beyond the statutory requirements of legislation of general application.

The Company has an incentive system in place that involves the use of personal employee accounts.

Employees can draw on the benefits in their personal account via an online shop called Veolia Energie Benefit Café. One area in which employees can use their allowance is leisure, e.g., cultural, educational, sports and recreational-facility services.

They may also channel funds into pension plans or private life policies.

Personal accounts enable employees to choose from various freely combinable options for the take-up of funds allocated to them.

Employees receive child allowances to cover the costs of recreation and leisure activities for children from the ages of five until they reach the age of 15. Employees can apply to the Human Resources Section for this allowance.

Employees also enjoy a raft of other benefits, especially meal allowances, a bonus twice a year, discounts on the price of electricity, discounted bundles with mobile operators, cheaper rent on Heimstaden flats, special-rate offers from financial institutions, and discounts on Leo Express tickets. The Company also pays for its staff's personal accident insurance, covering occupational and other accidents 24 hours a day if employees so wish.

Employees are given the opportunity to invest in the Veolia Environnement Group's employee mutual fund. This is an opportunity they are keen to take up, with 100% of staff investing in employee mutual funds.

EMPLOYEE TRAINING

The corporate training system ensures that the skills needed to pursue particular professions are maintained and that employee skills and qualifications are improved and increased.

As the Company places considerable emphasis on OHS, periodic and new training courses are provided in this area.

Staff can use the innovative Environment Services Institute's e-learning portal, which is expanded every year to include new courses, some of which are also available in English or French versions.

In 2021, 0.7% of payroll expenses were spent on staff training and development.

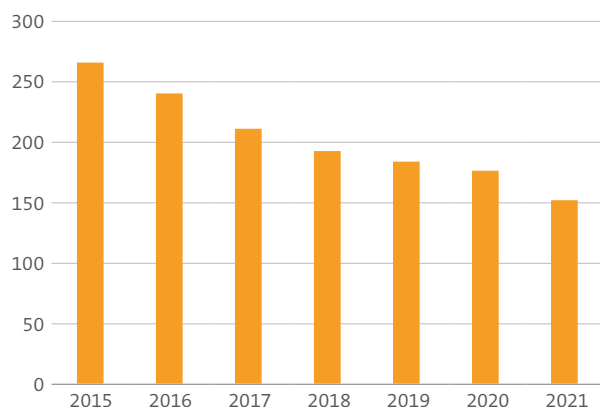
APPRAISALS

The Company applies a system of employee management via defined goals. A periodic part of its outreach is appraisal interviews, which line managers conduct with their subordinates. In these interviews, employees on contractual wages are set annual targets, white-collar employees with tariff-based wages are set target bonuses, and blue-collar employees are set OHS target bonuses.

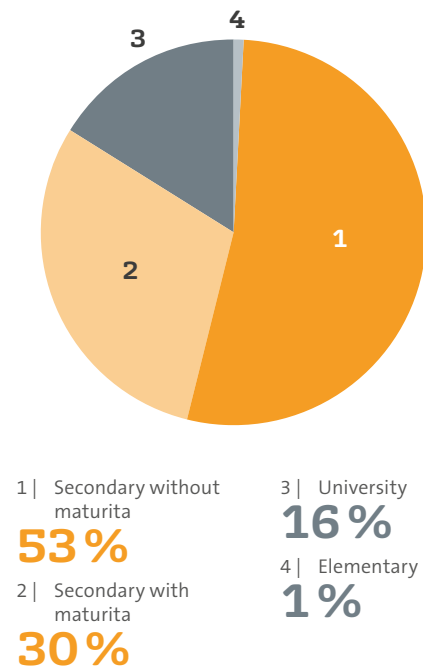
The findings from interviews form a basis for employees' personal training programmes and for directing their careers.

White-collar workers are appraised once a year.

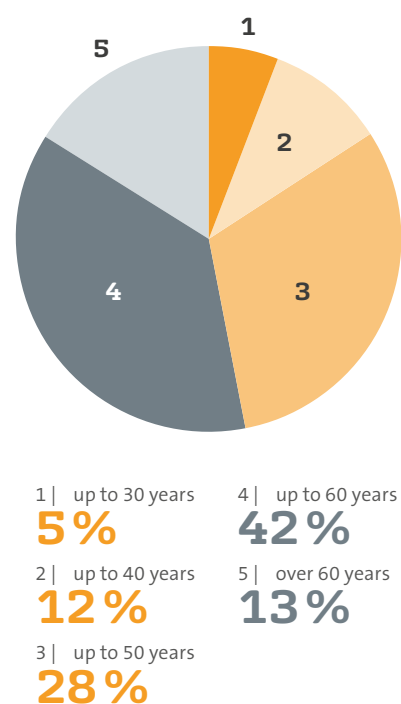
Average number of employees (FTE)



Employee structure by education



Employee structure by age



SOLIDARITY

FOUNDATIONS AND DONATIONS

The Veolia Energie Humain ČR Foundation grants employees financial allowances on the birth or adoption of a child and provides assistance in difficult situations in life.

All employees who give up their free time for voluntary work (by leading a children's club, helping the disabled, caring for children in institutions for infants, removing litter from woodland, etc.) may be granted up to CZK 50,000 for such activities under the Mini Grants project.





FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021





03

Veolia Průmyslové služby ČR, a.s.**Income statement****For the year ended 31 December***In thousands of CZK*

	Note	2021	2020
Revenue	6	790,306	771,887
Cost of sales	7	(644,580)	(1,036,958)
Gross profit / (loss)		145,726	(265,071)
Administrative income		17	790
Administrative expenses	8	(41,810)	(37,236)
Other operating expenses		(6,562)	(3,768)
Operating result		97,371	(305,285)
Finance income	9	72,240	47,447
Finance costs	9	(444)	(606)
Profit / (loss) before income tax		169,167	(258,444)
Income tax expense	10	(29,832)	59,525
Profit / (loss) for the period		139,335	(198,919)

The Notes are an integral part of the financial statements.

Statement of comprehensive income

For the year ended 31 December

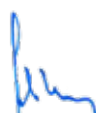
In thousands of CZK

	2021	2020
Profit / (loss) for the period	139,335	(198,919)
Changes in fair value of hedging instruments (may be reclassified to income statement)*	(950)	(364)
Employee benefits – actuarial gains / (losses) (not reclassified to income statement)*	382	62
Other comprehensive income after tax	(568)	(302)
Total comprehensive income for the period	138,767	(199,221)


* Taxation is described in Note 10.

The Notes are an integral part of the financial statements.

On behalf of the Company:



Kamil Vrbka
Chairman of the Board of Directors



Pavel Luňáček
Member of the Board of Directors

Date: 11 May 2022

Veolia Průmyslové služby ČR, a.s.**Statement of financial position****As at 31 December***In thousands of CZK*

	Note	2021	2020
Assets			
Property, plant and equipment	11	102,352	56,241
Intangible assets	12	2,096	15
Right-of-use	25	149	42,135
Financial interests	13	217,647	217,647
Lease receivables	25	76,548	150,160
Long-term receivables	14	105,208	113,502
Total non-current assets		504,000	579,700
Inventories	16	2,058	3,485
Lease receivables	25	73,378	70,138
Current tax assets	10	19,262	11,906
Trade and other receivables	17	91,293	87,662
Cash and cash equivalents	18	1,031,599	870,052
Total current assets		1,217,590	1,043,243
Total assets		1,721,590	1,622,943
Equity			
Registered capital	19	429,000	1,560,000
Reserves and other capital contributions	19	(1,433)	(482)
Retained profit / (loss)		139,896	(198,740)
Total equity		567,463	1,360,778
Liabilities			
Loans and borrowings	21	19,313	42,367
Employee benefits	23	735	1,350
Provisions	20	7,833	--
Derivatives		--	13
Deferred tax liabilities	15	12,377	11,051
Total non-current liabilities		40,258	54,781
Trade and other payables	23	1,098,258	195,440
Loans and borrowings	21	7,849	9,912
Employee benefits	22	726	1,178
Provisions	20	5,885	372
Derivatives		1,151	482
Total current liabilities		1,113,869	207,384
Total liabilities		1,154,127	262,165
Total equities and liabilities		1,721,590	1,622,943

The Notes are an integral part of the financial statements.

Veolia Průmyslové služby ČR, a.s.

Statement of changes in equity

<i>In thousands of CZK</i>	Registered capital	Statutory reserves	Other capital contributions	Cash flow hedges	Retained earnings	Total
Balance at 1 January 2020	1,560,000	--		(118)	167,219	1,727,101
Loss for the period	--	--	--	--	(198,919)	(198,919)
Other comprehensive income						
Changes in fair value of hedging instruments	--	--	--	(364)	--	(364)
Employee benefits – actuarial gains	--	--	--	--	62	62
Total other comprehensive income	--	--	--	(364)	62	(302)
Total comprehensive income for the period	--	--	0	(364)	(198,857)	(199,221)
Transactions with owners, recorded directly in equity						
Dividends	--	--	--	--	(167,102)	(167,102)
Balance at 31 December 2020	1,560,000	--	--	(482)	(198,740)	1,360,778
Profit for the period	--	--	--	--	139,335	139,335
Other comprehensive income						
Changes in fair value of hedging instruments	--	--	--	(950)	--	(950)
Employee benefits – actuarial gains	--	--	--	--	382	382
Total other comprehensive income	--	--	--	(950)	382	(568)
Total comprehensive income for the period	1,560,000	--	--	(950)	139,717	138,767
Transactions with owners, recorded directly in equity						
Rounding	--	--	--	(1)	--	(1)
Reduction in registered capital	(1,131,000)	--	--	--	1,131,000	--
Dividends	--	--	--	--	(932,081)	(932,081)
Balance at 31 December 2021	429,000	--	--	(1,433)	139,896	567,463

The Notes are an integral part of the financial statements.

Veolia Průmyslové služby ČR, a.s.**Statement of cash flows****For the year ended 31 December***In thousands of CZK*

	Note	2021	2020
<i>Cash flow from operating activities</i>			
Profit / (loss) for the accounting period		139,335	(198,919)
Depreciation and amortisation of non-current assets	7, 8	44,018	79,163
Change in provisions	7, 8	4,896	(2,381)
Impairment	7, 8	--	351,180
Derecognition of lease contracts		--	88,140
Gain / (loss) on sale of property, plant and equipment		(1,203)	(473)
Income from dividends	9	(44,674)	(22,296)
Net interest income and expense	9	(10,561)	(7,848)
Exchange rate gains and losses	9	7	(3)
Interest expense on lease liabilities		153	399
Other financial income and expenses	9	(16,203)	(16,865)
Other items		1,441	2,900
Income (expenses) from the settlement of derivatives		(517)	(114)
Income tax	10	29,832	(59,525)
		146,524	213,358
<i>Change in the working capital</i>			
Receivables	14, 17	(3,082)	44,173
Payables	23	(12,050)	(42,558)
Inventories	16	1,427	825
Cash flow from operating activities		132,819	215,798
Income tax paid	10	(35,728)	(43,489)
Net cash flow from operating activities		97,091	172,309
<i>Cash flow from investing activities</i>			
Acquisition of fixed assets		(40,593)	(33,612)
Proceeds from the sale of property, plant and equipment		1,203	1,293
Payments of lease receivables	27	56,517	68,612
Dividends received	9	44,674	22,296
Net cash flow from (used in) investing activities		61,801	58,589
<i>Cash flow from financing activities</i>			
Interest received	9	10,561	7,848
Payments of lease liabilities		(7,906)	(9,399)
Dividends paid	19	--	(167,102)
Net cash flow from (used in) financing activities		2,655	(168,653)
Net increase (decrease) in cash and cash equivalents		161,547	62,245
Cash and cash equivalents at 1 January	18	870,052	807,807
Cash and cash equivalents at 31 December	18	1,031,599	870,052

The Notes are an integral part of the financial statements.

1. General information

Veolia Průmyslové služby ČR, a.s. ("the Company") is registered in the Czech Republic.

The Company's registered office is situated at Zelená 2061/88a, Ostrava - Mariánské Hory, postcode 709 74, Company No. 27826554.

The principal business activity is the production and distribution of heat, cooling energy and compressed air and the generation of electricity. For Veolia Group, Veolia Průmyslové služby ČR constitutes a global reference in the extraction industry, as it operates electricity distribution and heat, hot water, cooling, compressed air, and nitrogen production and distribution for coal extraction from mines owned by OKD, a.s. The Company supplies these utilities to delivery points located in the surface areas of each of the mines. In 2021 some of the downscaled mines were transferred under the management of DIAMO, státní podnik. The Company also owns a Local Distribution System (LDS), including a direct cross-border 110 kV line from Poland. Through the LDS it distributes electricity in a part of the Frýdek-Místek area, and in the largest part of the Ostrava and Karviná areas, including certain major industrial areas and companies.

Veolia Průmyslové služby ČR has two subsidiaries:

Veolia Komodity ČR, s.r.o. (formerly Dalkia Commodities CZ, s.r.o.), Ostrava, 28. října 3337/7, postcode: 702 00. The core business is trading in electricity and gas. Interest 100% (2019: 100%). The company is one of the most important electricity traders on the Czech market.

Veolia Powerline Kaczyce Sp. z o.o. (formerly Dalkia Powerline Sp. z o.o.), 43-417 Kaczyce, ul. Morcinka 17, Poland. The core business is trading in electricity. Interest 100% (2019: 100%). The company is an electricity trader and distributor in Poland.

The sole shareholder of the Company is Veolia Energie ČR, a.s., having its registered office at 28. října 3337/7, Moravská Ostrava, 702 00 Ostrava.

2. Basis of preparation

a) Statement of compliance

In accordance with Section 19a (1) of the Act on Accounting, No 563/1991, the Company applies International Financial Reporting Standards (IFRS) as adopted by the EU in the preparation of its financial statements. These financial statements have been prepared as separate financial statements. The parent company prepares consolidated financial statements, which include the Company.

The financial statements were approved for release by the Company's Board of Directors on 11 May 2022.

b) Basis of preparation

The financial statements are presented in Czech crowns, as the functional currency, rounded to the nearest thousand. The financial statements have been prepared on the historical cost basis, except for the derivative financial instruments measured at fair value, and the provision for employee benefits measured at their present value.

The method of measuring fair value is described in Note 4.

Going concern assumption

The outbreak of the COVID-19 pandemic and the measures adopted by the Government in order to mitigate its spread did not have any significant impact on the Company. Although the Company did not have to suspend its operations in 2021 some of its clients were forced to reduce or even suspend the consumption of the Company's products. In 2021 the situation improved compared to the previous year, yet this circumstance partially had an adverse effect on the Company's financial results for the reporting period due to, for example, increased costs for employee testing and for providing protective equipment.

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021**

In spite of uncertainties as to the future effect of the pandemic on customer demand the Company has sufficient resources to continue as a going concern for at least 12 months.

c) *Use of estimates and judgements*

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses as at the date of the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Notes

- 3 b) – classification of the cash pool receivables
- 3 g) and 22 – key actuarial assumptions
- 3 h) and 20 – determining the probability and amount of the outflow of funds
- 3 f) and 7 – asset impairment
- 3 f) and 25 – assessment whether an arrangement contains a lease
- 3 c) and 25 – determining whether the assets owned by the Company are under the control of the customer

d) *Changes in accounting policies / new IFRS standards and interpretations of IFRIC***(i) *Standards not applied***

The following amended standards are not expected to have a material effect on the Company's financial statements.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment – Proceeds before intended use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Disclosure of Accounting Policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)
- IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts
- Annual Improvements to IFRS 2018–2020 Cycle

(ii) *New or amended standards*

New or amended standards, applicable as of 1 January 2021.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)

These amendments will have no impact on the Company's financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

In relation to the amended threshold for the cost of tangible and intangible assets for amortisation and depreciation purposes as set out under the Corporate Income Tax Act, the Company has also adjusted the initial cost values for these categories of assets for the purposes of accounting amortisation and depreciation.

The accounting treatment of emission allowances spent changed in 2021. The original weighted average method was changed to the FIFO method.

3. Accounting policies

The accounting policies described below have been applied consistently in all the accounting periods reported in these financial statements.

a) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at fixed exchange rates for the functional currency based on the Czech National Bank's official rates for the first day of the month in which the transaction occurs. At the date of the statement of financial position, foreign currency monetary assets and liabilities are translated at the Czech National Bank official rates for that date. Foreign exchange differences arising on translation of foreign currency monetary assets and liabilities are recognised in the income statement.

b) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially stated at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. If their fair value cannot be reliably determined, the acquisition cost is used.

Receivables are financial assets of a non-derivative nature that are not quoted on an active market and that arise when selling a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments. After initial measurement at transaction value, receivables are subsequently carried at their amortised cost less any allowance for impairment (see accounting policies described in Note 3 f).

Cash and cash equivalents presented in the statement of cash flows include cash, bank deposits and cash in the cash pool. Based on contractual terms and conditions, cash pooling receivables are reported in cash and cash equivalents in the statement of financial position, whereas cash pooling payables are shown in loans and borrowings. For the purpose of the statement of cash flows both cash pool receivables and cash pool payables are presented as cash.

Investments in subsidiaries are stated at acquisition cost.

(ii) Derivative financial instruments

The Company uses financial derivatives for hedging the currency risk related to changes in exchange rates.

Derivatives are initially recognised at fair value; attributable transaction costs are recognised in the income statement when incurred. Following initial recognition, derivatives are measured at fair value, and changes therein are then charged to costs or revenue, except the derivatives that are carried as hedging derivatives.

Cash flow hedging

Changes in the fair value of a derivative hedging instrument classified as cash flow hedging are charged to equity under the Company's rules. Where the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying value of the asset when the asset is recognised. In other cases, the amount recognised in equity is transferred to costs or revenue in the period in which the hedged item influences costs or revenue.

To the extent that the hedge is ineffective, changes in the fair value of the derivative are recognised in the income statement.

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021**

If the hedging instrument no longer meets the criteria for hedge accounting, or if it expires or is sold, terminated or exercised, then hedge accounting is discontinued as expected. The cumulative gain or loss previously recognised in equity remains there until the anticipated transaction takes place, and then is charged to costs or revenue.

The Company applies an exception under IFRS 9, laying down that contracts for the purchase or sale of non-financial items that may be settled net in cash in accordance with the entity's expected purchase, sale or usage requirements do not have to be recognised under IFRS 9, but are only recognised at the time of buying or selling the underlying item.

Other derivatives

When a derivative financial instrument is not held for trading and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised in profit or loss.

(iii) Equity

The registered capital comprises fully paid-up shareholders' contributions. Dividends are recognised as liabilities in the period in which they are declared.

c) Property, plant and equipment*(i) Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see Note 3 f). The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

When parts of an item of property, plant and equipment have different useful lives, the individual parts are depreciated separately.

(ii) Leased assets

See Note 3 l.

(iii) Government grants

Government grants for the acquisition of property, plant and equipment are recognised initially at fair value when there is reasonable assurance that they will be received, and the Group will comply with the conditions associated with the grant. These grants reduce the value of such acquisitions.

(iv) Subsequent expenditures

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item, including the costs associated with necessary inspections and major overhaul, where it is probable that the future economic benefits embodied within the item will flow to the Company and costs can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised directly in the costs of the current period.

(v) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Buildings and constructions	30–40 years
Machinery and equipment	5–50 years
Other assets	4 years

d) Intangible assets

Intangible assets acquired by the Group are stated at acquisition cost less accumulated amortisation (see below) and accumulated impairment losses (see Note 3 f). Purchased software that is integral to the functioning of equipment is capitalised as a part of the equipment.

Amortisation

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

Software	4–5 years
Other	3–5 years

e) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less associated costs to complete and estimated associated cost to sell the asset. The cost of inventories is determined using the weighted average method and comprises the purchase price and other costs associated with the acquisition, such as freight and storage.

At the date of the financial statements the Company reviews the carrying values of inventories. If the realisable value of inventories is lower than the purchase price, the difference is recognised in the income statement.

Emission allowances

Allowances for greenhouse gas emissions (“emission allowances” or “EUAs”), which the Company recognises as inventory because it regards them as part of the production process, represent the right of the operator of a plant generating greenhouse gas emissions to release an equivalent of a tonne of CO₂ into the air in a given calendar year. In the financial statements, the granted emission allowances are stated at an acquisition cost of zero. Purchased allowances are stated at acquisition cost. Consumption of emission allowances is recognised using the FIFO method. As at the date of the statement of financial position the Company determines whether there is an indication of impairment of emission allowances.

If any such indications exist, the Company assesses whether the recoverable amount of the emission allowances is lower than their carrying amount. Any impairment loss is recognised in the income statement. If the utilisation of emission allowances in the accounting period is higher than the number of allowances available at the date of the statement of financial position, a provision is established based on the value of allowances that will have to be purchased on the public market in the following period. This provision is measured at the average value of the emission allowances as at the date of the statement of financial position.

In 2021, the Company purchased units obtained by investing in project mechanisms under the Kyoto Protocol (EUA), which it expected to use in 2021 and beyond.

The use of emission allowances and the proceeds from their sale are recognised in the income statement in the Cost of sales position.

f) Impairment

(i) Financial assets

The Company measures the loss allowances using the model of expected credit losses, which is applied to financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, and contract assets. In accordance with IFRS 9 the Company measures the loss allowance for credit-impaired financial assets with regard to the development of credit risk, which is reflected in the impairment stage a) corresponding to 12-month expected credit losses (stage 1) or equal to the full lifetime expected credit losses (stages 2-3). After initial recognition, the financial asset is allocated to stage 2 in the event of a significant increase in credit risk since initial recognition, or to stage 3, credit impaired financial assets.

The Company measures loss allowances for credit losses on trade receivables at an amount equal to full lifetime expected credit losses.

For cash and cash equivalents and cash pool the Company measures loss allowances at an amount equal to 12-month expected credit losses unless there has been a significant increase in credit risk since initial recognition or the counterparty's default was identified.

When determining whether the credit risk on a financial asset has increased significantly, the Company compares the risk of a default on the financial instrument occurring at the reporting date with the risk of a default occurring at initial recognition, considering reasonable and supportable information available without undue cost or effort and indicating a significant increase in the credit risk. The Company regards

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021**

situations where the financial asset has been overdue for more than 90 days as a significant increase in the credit risk. A specific provision is recognised where the client is considered to be risky. In such a case a provision is recognised for all the amounts owed by the client in excess of the provision made under the guidance. It is recognised up to 50%, 70% or 100%.

Losses are measured as the difference between all contract cash flows payable under the contract and all cash flows that the Company expects to collect, discounted using the effective interest rate that was determined at initial recognition.

Impairment losses on financial assets, including contract assets, are now recognised in the statement of profit or loss in the line Change in provisions.

(ii) Non-financial assets

The carrying amounts of non-financial assets other than inventories (see Note 3 e) and deferred tax assets (see Note 3 k) are reviewed at each date of the statement of financial position to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in line with IAS 36.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses recognised in the past periods are assessed at the date of the statement of financial position as to whether or not signals exist that the loss has diminished or ceased to exist. A previously recognised impairment loss is reversed if there has been a change in the assumption used to determine the recoverable amount. The impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised.

(iii) Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment tests

The Company performs systematic annual impairment tests in respect of tangible and other intangible assets with an indefinite useful life. More frequent tests are performed where there is an indication that the cash-generating unit may have suffered a loss in value. Changes in the general economic and financial context, worsening of local economic environments, or changes in the Company's economic performance represent external indicators of impairment that are analysed by the Company to determine whether it is appropriate to perform more frequent impairment tests. Impairment of fixed assets is recognised in the cost of sales.

Key assumptions underlying the determination of recoverable amounts

The need to recognise an impairment is assessed by comparing the net carrying amount of the assets and liabilities of the CGU or group of CGUs with their recoverable amount. The recoverable amount of a cash-generating unit is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal is determined based on available information enabling the best estimate of the amount obtainable from the sale of the cash-generating unit in an arm's length transaction between knowledgeable willing parties less the costs of disposal.

The value in use determined by the Company is generally equal to the present value of the future cash flows expected to be derived from the CGU or group of CGUs, taking account of their residual value and based on the following:

- Cash flow projections are taken from the long-term plan prepared each year and reflect changes in volumes, prices, direct costs and investment in the period, determined based on

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

contracts and activities and in line with past data and expected changes over the period covered by the long-term plan.

- This plan covers the year in progress and the subsequent five years, and the expected duration of the supplies to OKD.
- Terminal values are calculated based on estimated discounted flows for the last year, except for supplies to OKD, for which the termination date is known.
- Terminal flows are determined for each CGU or group of CGUs based on a perpetual growth rate which takes account of various factors, particularly inflation.
- Discount rates and the perpetual growth rate reflect the CGU's country or geographical region.
- A discount rate (weighted average cost of capital) is determined for each asset, cash-generating unit or group of cash-generating units: it is equal to the risk-free rate plus a risk premium weighted for country-specific risks. The discount rates estimated by management for each cash-generating unit therefore reflect current market assessments of the time value of money and the country specific risks to which the CGU or group of CGUs is exposed, with the other risks reflected in the expected future cash flows from the assets.
- Investments included in forecast/future cash flows are those investments that enable the level of economic benefits expected to arise from the assets to be maintained in their current condition. Restructuring plans to which the Company is not committed are not included in forecast cash flows used to determine values in use.

Changes in the economic and financial context, as well as changes in the competitive or regulatory environment may impact estimates of recoverable amounts, as may unforeseen changes in the political, economic or legal systems.

The assumptions underlying the impairment tests on Company's cash-generating units are as follows:

	2021	2020
Discount rate	6.4%	6.4%
Perpetual growth rate	2.0%	2.0%

In addition to the discount rate and the perpetual growth rate, the Company's profitability is also a material estimate. Its planned amount fluctuates significantly in the first years of the cash flow model due in particular to the strategic investments launched by the Company and Veolia Group. These are aimed at reducing emission allowance dependency, changing the fuel mix and increasing electricity revenue.

No indicators for formal impairment testing were identified in 2021.

g) *Employee benefits*

The Company's obligation is the amount of future benefits that employees have earned in return for their service in the current and prior periods. This is calculated using the projected unit credit method. The discount rate is the current rate of return on long-term treasury bonds in the Czech Republic. Any actuarial gains and losses are recognised in the income statement in the period in which they arise except actuarial gains and losses on post-employment benefits, which are recognised in equity.

h) *Provisions*

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021***(i) Litigations*

A provision for litigation is recognised as soon it is probable that settlement of legal claims against the Company will result in an outflow of economic resources.

ii) Other provisions

Other provisions include provisions established in connection with the risks related to the Company's principal activities. Provisions for other risks were reviewed and adjusted based on the best estimates arising from changes in legislation and in estimates.

i) Revenue

The Company applies IFRS 15 for recognising revenue from contracts with customers.

The Company has implemented a five-step model to determine the time and amount at which revenue should be recognised. The model sets forth that revenue is recognised at the moment when the Company transfers control over the goods or services to the customer, in the amount to which it expects to be entitled. Depending on the criteria for the satisfaction of a performance obligation revenue is recognised:

- over time, as the Company performs, or
- at a point in time when control over the goods or services is passed to the customer.

Sale of heat, cooling energy, nitrogen, compressed air, and electricity

The Company recognises revenue at the moment of delivery to the customer. The moment of delivery is understood to be the moment of transferring control over the products, i.e. the moment when the customer receives the rewards and the Company satisfies its performance obligation.

Revenue is measured using transaction prices assigned to such transferred goods and reflects the supplied volume, including the estimated volume supplied between the date of the latest issued invoice and the end of the period. In respect of household customers, advance payments are usually required; their amount is based on historical consumption. Once the actual supply volumes are known the advance payments are accounted for. In respect of commercial customers, invoicing usually takes place more often based on actual supply volumes. Sale transactions do not involve a significant financing arrangement.

Electricity distribution

This activity is regulated by the Energy Regulatory Office which sets the prices of the individual components of distribution services for all regional distribution systems. As the Company is connected at 100% to the regional distribution system of ČEZ Distribuce, a.s., it accepts the approved rates for this regional distribution system.

The ERO always publishes the rates of the individual components of the prices of distribution services for the upcoming year in November of the previous year.

The distribution services are billed under the agreements on bundled supply of electricity, or separately directly to the client. Each client chooses the billing method on an individual basis.

j) Expenses*Finance income and expenses*

Finance income and expenses comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, income from dividends and unwinding of the discount on provisions.

k) Income tax

Income tax comprises current and deferred tax. Income tax charge is recognised in the income statement except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates applicable at the first date of the reporting period and any adjustment to tax payable in respect of previous years.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, using the tax rate expected to be valid in the period when the tax asset or liability is expected to be realised.

At the date of the statement of financial position the Company reviews the carrying value of the deferred tax asset. A deferred tax asset is recognised only to the extent that it is probable that such tax asset will be utilised in future periods.

The establishment of deferred tax represents tax consequences subject to the method which the Company expects to use at the end of the reported period to realise or settle the carrying amount of its assets and liabilities. It is assumed for capital assets measured at fair value that the carrying amount of the capital assets is always realised by sale unless such assumption can be disconfirmed.

l) Leases

Where the Company is the lessee, the Company recognises a right-of-use asset and a lease liability at the commencement date.

The right-of-use asset is initially measured at cost and subsequently at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability primarily due to lease modification or indexation. The right-of-use asset is depreciated on a straight-line basis over the time for which the asset is usable or until the end of the lease, whichever is earlier.

The lease liability is initially measured at the present value of the lease payments due at the commencement date, discounted using the incremental borrowing rate determined by the Group.

The lease liability is subsequently increased by interest expense on the lease liability and decreased by the lease payments made. It is remeasured in case the future lease payments change due to a change in the index or rate, a change in the estimate of the amount expected to be payable under residual value guarantee, or a change in the assessment of whether exercising the option to extend the lease is reasonably certain (including the extension of the expected term of the lease in cases of leases for an indefinite period).

The Company estimates the term of the lease for lease contracts under which it is the lessee and which include options to renew or terminate, or which are concluded for an indefinite period. Assessment whether the Company is reasonably certain that it will exercise such option affects the lease term, which in turn affects the values of the lease liabilities and right-of-use assets recognised. Where the lessee and the lessor have the right to terminate the contract with no more than an insignificant penalty, the period of notice is deemed to be the lease term. In such cases, penalty is understood to include not only, e.g., a penalty for early termination but also the costs incurred in moving or arranging for an alternative lease.

The Company has elected to use the practical expedient, allowed by the standard, not to recognise right-of-use assets and lease liabilities for short-term leases and leases for which the underlying asset is of low value. Short-term leases are leases that have a lease term of 12 months or less. Leases for which the underlying asset is of low value include primarily leases for information technology and office equipment.

The Company only applies the practical expedient not to separate non-lease components from lease components for vehicles, where it accounts for a single lease component.

4. Fair value

Some accounting policies applied by the Company require a fair value to be determined for both financial and non-financial assets and liabilities. Fair values are then measured using the methods described below unless it is justified to recognise them as approximately equivalent to the carrying value.

(i) Derivatives

The fair value of forward contracts hedging the foreign exchange risk is determined as the discounted difference between the contractual value and the market forward price.

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021***(ii) Non-derivative financial liabilities and cash pool*

Fair value for the purpose of reporting in the Notes is calculated as the present value of future payments of the face value and interest, discounted at the market interest rate as at the date of the statement of financial position.

5. Financial risk management

The Company has exposure to the following risks:

- credit risk,
- liquidity risk,
- market risk.

The Statutory CEO, who reviews and approves the risk management rules described below, is generally responsible for specifying and reviewing the rules for risk management in the Company. Risks are managed internally in cooperation with the parent company.

The financial department primarily monitors the procedure followed in the preparation of financial statements, and evaluates the effectiveness of the Company's internal controls, internal audit and, if applicable, risk management systems.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Trade and other receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer, and the Company endeavours to manage and limit this risk. The Company has established a credit policy under which each major customer is analysed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The review includes external ratings when available, and in some cases references obtained from a specialised firm. Credit limits are established for each customer. Customer analysis and monitoring of observance of the credit limits is carried out by the Collections Department. Customers that fail to keep within the credit limit may have their deliveries suspended, subject to case-by-case assessment. More than 80 percent of customers have been transacting with the Company for over four years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, their industry and payment history, including whether they are an individual or legal entity, their industry and payment history. Customers that are graded as "high risk" are monitored separately, and sometimes a payment schedule is offered to secure debt recovery.

Credit risk related to receivables is covered by provisions.

Cash and cash pool

As at 31 December 2021, the Company holds cash and cash equivalents of CZK 1,031,599 (31 December 2020: CZK 870,052,000). Cash and cash equivalents are deposited with banks with high ratings and in cash pooling with Veolia Environnement Finance.

Off-balance-sheet liabilities

The Company's policy is to provide financial guarantees only on an exceptional basis, where required for the purpose of a tender procedure or where the law provides so. As at 31 December 2021 nor 2020 no guarantees had been provided.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, not risking damage to its reputation.

The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. The Company ensures that it has

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

sufficient cash on demand to meet expected operational expenses through participation in cash pooling within the Veolia Group. Within the cash pooling scheme, the Company may draw on a cash credit facility of up to CZK 31,075,000. By this approach, the Company limits the possible impacts of unforeseeable events.

Market risk

Market risk is the risk that changes in market prices, foreign exchange rates, interest rates, equity prices or prices of emission allowances will affect the Company's income or the value of financial instruments in its possession.

Currency risk

The Company is exposed to a significant currency risk in the area of purchases and borrowing, as the major portion of purchases are denominated in foreign currencies. For commodity payments in foreign currencies (EUR, PLN) the Company concludes forward contracts to hedge the foreign exchange risk.

Interest rate risk

The Company partly covers its exposure to movement in interest rates by obtaining financing mainly from its parent company. This financing is exposed to market risk from movements in interest rates.

Insurance of risks

The Company has concluded insurance arrangements (e.g. property insurance, third party liability insurance) for its major assets to cover the risks of significant losses.

Capital management

The Statutory CEO manages the Company's capital structure in compliance with the shareholder's requirements, focusing on appropriate indebtedness and dividend policy monitoring. The objective is to achieve the right proportion of debt to equity, and to meet the planned dividend targets.

The Company's debt to equity at the end of the accounting period was as follows:

In thousands of CZK

	2021	2020
Total liabilities	1,154,127	262,165
Cash and cash equivalents	(1,031,599)	(870,052)
Net debt	122,528	(607,887)
Total equity	567,463	1,360,778
Cash flow from hedges	(950)	(364)
Adjusted equity	566,513	1,360,414
Debt to adjusted equity	0.22	(0.45)

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021****6. Revenue**

<i>In thousands of CZK</i>	2021	2020
Revenue from sale of heat and related products	169,206	124,652
Revenue from sale and re-sale of electricity and ancillary services	443,219	467,608
Revenue from the sale of compressed air	86,459	141,403
Other operating revenue	91,422	38,224
Total	790,306	771,887

<i>In thousands of CZK</i>	2021	2020
Industry	748,004	751,273
Public sector	41,995	20,359
Households	307	255
Total	790,306	771,887

All of the Company's revenue is generated in the Czech Republic.

Advance payments for energy supplies are made under the relevant contractual arrangements on a monthly basis or, in exceptional cases with minor volumes, on an annual basis. The resulting amount of the supply is variable and the amount of advance payments is updated regularly.

The difference between estimated assets as at 31 December 2020 and the actual final invoicing for 2021 was CZK 39,000.

No clients were connected or disconnected in 2021 so as to affect revenue.

The Company's revenue includes mostly the supplies of utilities to the mining operations of OKD, a.s. and DIAMO, státní podnik.

If these activities were discontinued the Company would have to take additional measures that may have an impact on the figures reported in the following period. The Company has been watching the developments of this major account in terms of the extraction scope and the financial position on an ongoing basis.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

7. Cost of sales

In thousands of CZK

	2021	2020
Personnel expenses	(113,504)	(129,481)
Depreciation expense	(32,506)	(69,513)
Right-of-use depreciation	(8,966)	(7,100)
Impairment	--	(351,180)
Consumption of fuel	(77,320)	(57,983)
Consumption of raw materials, energy, services, and other	(374,365)	(411,064)
Change in provisions (including those for receivables)	(4,567)	2,161
Consumption of emission allowances and change in provision for emission allowances	(33,352)	(12,798)
Total	(644,580)	(1,036,958)

In line with the rules for preparing financial statements (see Note 3 f), the Company carried out the annual testing for impairment of some assets using the discounted cash flow method. The testing has not resulted in a change of the total amount of the provision.

Provision

<i>In thousands of CZK</i>	Note	2021	2020
Property, plant and equipment	11	391,001	458,719
Lease receivables	25	49,581	235,617
Right-of-use IFRS 16	25	29,543	--
Total		470,125	694,336

The main asset balances by CGU

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The main asset balances by CGU are as follows:

Veolia Průmyslové služby ČR, a.s.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021*Results of the impairment test*

<i>In thousands of CZK at 31 December 2021</i>	Asset value before impairment	Impairment	Net asset value after impairment
Paskov Mine	32,098	(32,098)	--
Darkov Mine	83,948	(83,948)	--
ČSM Mine	535,641	(281,118)	254,523
ČSA Mine	72,961	(72,961)	--
Total	724,648	(470,125)	254,523

<i>In thousands of CZK at 31 December 2020</i>	Asset value before impairment	Impairment	Net asset value after impairment
Paskov Mine	65,618	(65,037)	581
Darkov Mine	150,875	(144,710)	6,165
ČSM Mine	597,659	(288,249)	309,410
ČSA Mine	198,749	(196,340)	2,409
Total	1,012,901	(694,336)	318,565

8. Administrative expenses

<i>In thousands of CZK</i>	2021	2020
Personnel expenses	(9,284)	(11,363)
Amortisation	(703)	(658)
Right-of-use amortisation	(1,842)	(1,892)
Change in provisions	--	--
Management costs	(17,592)	(15,316)
Cost of raw materials and services and other expenses	(12,389)	(8,007)
Total	(41,810)	(37,236)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

9. Finance income and expenses

In thousands of CZK

	2021	2020
Interest income	10,561	7,848
Income from dividends	44,674	22,296
Foreign exchange gain	34	95
Discount of lease receivables	16,352	17,208
Other finance income	619	--
Total finance income	72,240	47,447
Foreign exchange loss	(41)	(148)
Discount of provisions	(112)	(46)
Discount of lease liabilities	(153)	(381)
Other finance expenses	(138)	(31)
Total finance expenses	(444)	(606)

10. Income tax expense

Recognised in the income statement

In thousands of CZK

Current tax	2021	2020
Current year	(23,732)	(27,435)
Adjustments for prior periods	(4,641)	(982)
	(28,373)	(28,417)
Deferred tax		
Effect of the change in temporary differences	(1,459)	87,942
Total income tax expense in income statement	(29,832)	59,525

Reconciliation of effective tax rate

<i>In thousands of CZK</i>	2021	2020
Profit / (loss) before income tax	169,167	(258,444)
Income tax calculated using the domestic corporate income tax rate	(32,142)	49,104
Effect of non-deductible expenses	(934)	(1,139)
Effect of tax-exempt income	8,489	5,611
Effect of tax deduction	63	66
Adjustments for prior periods and other adjustments	(5,308)	5,883
Total income tax expense in income statement	(29,832)	59,525

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021**

The income tax overpayment is reported in Current tax assets and amounts to CZK 19,262,000 (2020: CZK 11,906,000). A current tax asset represents particularly a corporate income tax estimate of CZK 23,732,000 (2020: CZK 27,435,000) reduced by income tax advances paid in an amount of CZK 42,994,000 (2020: CZK 39,342,000).

Deferred tax is based on all temporary differences between the carrying and tax value of assets and liabilities, and other temporary differences (tax losses carried forward, if any), multiplied by the tax rate expected to be valid for the period in which the tax asset/liability will be utilised.

Tax impact on items of other comprehensive income on deferred tax:

	2021	2020
Actuarial gains / (losses): before taxation	442	77
Tax	(84)	(15)
After taxation	358	62
Changes in fair value of cash flow hedge: before taxation	(1,173)	(449)
Tax	223	85
After taxation	(950)	(364)

Veolia Průmyslové služby ČR, a.s.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

11. Property, plant and equipment

In thousands of CZK

<i>Acquisition cost</i>	Land and works of art	Buildings and constructions	Plant and equipment	Under construction	Advances provided	Total
Balance at 1 January 2020	5,085	434,024	472,406	90,589	--	1,002,104
Additions/transfers	621	18,797	99,219	(74,910)	--	43,727
Disposals	(90)	(6,553)	(35,578)	--	--	(42,221)
Balance at 31 December 2020	5,616	446,268	536,047	15,679	--	1,003,610
Balance at 1 January 2021	5,616	446,268	536,047	15,679	--	1,003,610
Additions/transfers	--	17,166	5,975	(11,641)	--	11,500
Disposals	--	(6,199)	(21,680)	--	--	(27,879)
Balance at 31 December 2021	5,616	457,235	520,342	4,038	--	987,231

<i>Depreciation and impairment losses</i>	Land and works of art	Buildings and constructions	Plant and equipment	Under construction	Advances provided	Total
Balance at 1 January 2020	1,192	283,700	337,928	--	--	622,820
Current year depreciation	--	18,275	32,450	--	--	50,725
Impairment losses	3,286	136,624	151,366	--	--	291,276
Disposals	--	(2,396)	(15,056)	--	--	(17,452)
Balance at 31 December 2020	4,478	436,203	506,688	--	--	947,369
Balance at 1 January 2021	4,478	436,203	506,688	--	--	947,369
Current year depreciation	--	23,148	10,366	--	--	33,514
Transfers	508	(38,200)	(30,433)	--	--	(68,125)
Disposals	--	(6,199)	(21,680)	--	--	(27,879)
Balance at 31 December 2021	4,986	414,952	464,941	--	--	884,879

<i>Carrying amount</i>	Land	Buildings and constructions	Plant and equipment	Under construction	Advances provided	Total
At 1 January 2020	3,893	150,324	134,478	90,589	--	379,284
At 31 December 2020	1,138	10,065	29,359	15,679	--	56,241
At 31 December 2021	630	42,283	55,401	4,038	--	102,352

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021**

As at 31 December 2021, the value of the tangible assets has been reduced by a provision totalling CZK 395,253,000 (2020: CZK 458,719,000) after an impairment test (see Note 7). In the course of the year, the provision recognised last year in part for fixed assets was re-allocated more accurately to items of leased assets, part of which were set aside (see Note 25).

Planned investment

Investments of CZK 9,829,000 are planned for 2022.

Grants

In 2021, the Company received an investment subsidy of CZK 2,984,000 (2020: CZK 6,319,000).

12. Intangible assets

In thousands of CZK

<i>Acquisition cost</i>	Software	Other	In progress	Total
Balance at 1 January 2020	9,643	19,180	--	28,823
Additions/transfers	482	--	--	482
Disposals	(1,049)	--	--	(1,049)
Balance at 31 December 2020	9,076	19,180	--	28,256

Balance at 1 January 2021	9,076	19,180	--	28,256
Additions/transfers	2,492	--	--	2,492
Disposals	(5)	--	--	(5)
Balance at 31 December 2021	11,563	19,180	--	30,743

<i>Amortisation</i>	Software	Other	In progress	Total
Balance at 1 January 2020	7,777	17,974	--	25,751
Current year amortisation	839	33	--	872
Impairment losses	544	1,173	--	1,717
Disposals	(99)	--	--	(99)
Balance at 31 December 2020	9,061	19,180	--	28,241

Balance at 1 January 2021	9,061	19,180	--	28,241
Current year amortisation	--	--	--	--
Transfers	406	--	--	406
Disposals	--	--	--	--
Balance at 31 December 2021	9,467	19,180	--	28,647

<i>Carrying amount</i>	Software	Other	In progress	Total
At 1 January 2020	1,866	1,206	--	3,072
At 31 December 2020	15	--	--	15
At 31 December 2021	2,096	--	--	2,096

Veolia Průmyslové služby ČR, a.s.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

13. Financial interests

The Company has investments in the following companies:

	Country	Participating interest
Veolia Komodity ČR, s.r.o.	Czech Republic	100%
Veolia Powerline Kaczyce Sp. z o.o.	Poland	100%

<i>In thousands of CZK</i>	2021	2020
Veolia Komodity ČR, s.r.o.	199,847	199,847
Veolia Powerline Kaczyce Sp. z o.o.	17,800	17,800
Total in subsidiaries	217,647	217,647

The value of the share in Veolia Powerline Kaczyce Sp. z o.o. is reduced by a provision totalling CZK 377,475,000. In 2021 the amount of the provision remained the same.

14. Long-term receivables

<i>In thousands of CZK</i>	2021	2020
Long-term receivables from Group companies (see Note 27)	105,208	113,502
Total long-term receivables	105,208	113,502

These are receivables due from the parent company, Veolia Energie ČR, a.s., for the lease of things, rights and other property rights, designated as “Heat for households” – see Note 25 Leases from the lessor’s perspective. The current portion of the receivables is reported in Trade receivables due from related parties (see Note 17).

Veolia Průmyslové služby ČR, a.s.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

15. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

<i>In thousands of CZK</i>	Assets		Liabilities		Difference	
	2021	2020	2021	2020	2021	2020
Property, plant and equipment	89,324	133,391	(105,772)	(145,891)	(16,448)	(12,500)
Inventories	3	69	--	--	3	69
Provisions	3,205	783	(321)	(232)	2,884	551
Right-of-use	321	8,442	--	(7,982)	321	460
Other items	987	653	(124)	(284)	863	369
Deferred tax assets / (liabilities)	93,840	143,338	(106,217)	(154,389)	(12,377)	(11,051)

Movement in deferred tax assets and liabilities during the year

<i>In thousands of CZK</i>	Balance at 1/1/2021	Recognised in income statement	Recognised in equity	Balance at 31/12/2021
Property, plant and equipment	(12,500)	(3,948)	--	(16,448)
Inventories	69	(66)	--	3
Provisions	551	2,200	133	2,884
Right-of-use	460	(139)	--	321
Other items	369	494	--	863
Total	(11,051)	(1,459)	133	(12,377)

<i>In thousands of CZK</i>	Balance at 1/1/2020	Recognised in income statement	Recognised in equity	Balance at 31/12/2020
Property, plant and equipment	(101,008)	88,508	--	(12,500)
Inventories	392	(323)	--	69
Provisions	685	(205)	71	551
Right-of-use	560	(100)	--	460
Other items	307	62	--	369
Total	(99,064)	87,942	71	(11,051)

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021****16. Inventories***In thousands of CZK*

	2021	2020
Material and fuel	1,245	2,094
Production in progress	--	--
Emission allowances	813	1,391
Total	2,058	3,485

As at 31 December 2021, the Company posted a provision reducing the value of materials by CZK 18,000 (2020: CZK 362,000) and a provision for the consumption of emission allowances reducing the value of emission allowances by CZK 35,004,000 (2020: CZK 12,716,000).

Emission allowances

In 2005 the emission trading scheme was introduced in the European Union. The following table summarises movements in the quantity (in thousands of units). Emission allowances are represented by EUA and CER. As described in Note 3 e), emission allowances allocated in accordance with the National Allocation Plan and purchased emission allowances are recognised in assets as inventory.

17. Trade and other receivables*In thousands of CZK*

	2021	2020
Trade receivables due from related parties (see Note 27)	35,574	37,152
Trade receivables due from third parties	46,584	47,130
Contract assets	1,852	3,128
Other receivables	7,283	252
Total	91,293	87,662

As at 31 December 2021, trade receivables are recognised in an amount reduced by a provision for doubtful debts, amounting to CZK 999,000 (2020: CZK 1,001,000 (see Note 24)). Most are provisions for receivables from debtors in insolvency proceedings.

18. Cash and cash equivalents*In thousands of CZK*

	2021	2020
Current bank accounts	320	346
Cash in hand	63	24
Total cash	383	370
Cash pooling receivables	1,031,216	869,682
Total cash in compliance with statement of cash flows	1,031,599	870,052

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021****19. Capital and reserves***Reconciliation of movement in capital and reserves*

As at 31 December 2021, the registered capital amounted to 15,600 dematerialised registered ordinary shares each with a nominal value of CZK 27,500 (2020: CZK 100,000). This change was entered in the Companies Register on 21 December 2021.

The aim of reducing the registered capital was to cover losses and to transfer funds to the “Retained earnings account”. The Company’s equity structure will therefore be adjusted so as to reflect the current economic and financial position of the Company. The reduction in registered capital will not impair the recoverability of the debts of the Company’s creditors.

As part of the reduction in registered capital, part of the funds were transferred to the “Retained earnings” account. It was subsequently decided to distribute retained earnings of CZK 932,081,000 by transfer to the bank account of the sole shareholder Veolia Energie ČR, a.s., payable on 31 January 2022.

Reserves and other capital contributions

As at 31 December 2021, reserves and other capital contributions are comprised of other capital contributions of CZK (1,433,000) (2020: CZK (482,000)). Other capital contributions were mostly comprised of the effects of the exchange rate hedging.

Dividend per share

No dividends were paid out as part of the 2020 profit distribution. (2020: CZK 167,102,000). Profit per share for 2021 amounts to CZK 8,931.73. (2020: loss of CZK 12,751.23).

20. Provisions

In 2021, the Company set aside a provision for unavoidable future costs arising from agreements signed in the current year in the amount of CZK 5,500,000 (2020: CZK 0).

The Company has agreed to restore the land once OKD’s mining activity and the operation of the Company’s equipment end. In relation to the restoration of the land, the basis of treatment is not to set aside the provision but to reclassify from the non-current liabilities in the amount of CZK 7,742,000 recognised in 2020.

In thousands of CZK

	Site restoration	Other provisions	Total
Balance at 1 January 2021	--	372	372
Provisions created during the year	7,742	5,885	13,627
Provisions used during the year	--	(372)	(372)
Provisions unused during the year	--	--	--
Unwinding of discount	91	--	91
Balance at 31 December 2021	7,833	5,885	13,718
Non-current	7,833	--	7,833
Current	--	5,885	5,885

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

	Site restoration	Other provisions	Total
Balance at 1 January 2020	--	746	746
Provisions created during the year	--	372	372
Provisions used during the year	--	(746)	(746)
Provisions unused during the year	--	--	--
Unwinding of discount	--	--	--
Balance at 31 December 2020	--	372	372
Non-current	--	--	--
Current	--	372	372

21. Loans and borrowings

Note 24 contains more detailed information about the credit risk and the interest rate risk to which the Company is exposed. This position only shows the following liabilities; the Company has no other loans or borrowings.

<i>In thousands of CZK</i>	2021	2020
<i>Non-current:</i>		
Right-of-use liability	19,313	34,644
Other payables	--	7,723
<i>Current:</i>		
Right-of-use liability	7,849	9,912
Total	27,162	52,279

In the item Other payables, the non-current liability for land restoration was reclassified in provisions in the amount of CZK 7,742,000 without a discounting effect. See Note 20.

22. Employee benefits

Since 2016 under the internal regulation on compensation, the Company has been obliged to pay benefits to employees who have worked for the Company for a certain fixed period of time. They include a retirement allowance when employees retire, a jubilee award when they turn 50, and an anniversary award when they complete 20 years of service in Veolia Group.

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021*****Movements in the liability for defined benefit obligations***

<i>In thousands of CZK</i>	2021	2020
Liability for defined benefit obligations at 1 January	2,528	2,864
Benefits paid	(125)	(397)
Current service costs	134	92
Interest	20	46
Actuarial (gains) losses recognised in equity	(442)	(77)
Actuarial (gains) losses recognised in income statement	--	--
Decrease of assumption	(654)	--
Liability for defined benefit obligations at 31 December	1,461	2,528
Non-current	735	1,350
Current	726	1,178

Actuarial assumptions	2021	2020
Discount rate at 31 December	2.50%	1.50%
Salary increase rate	3.0%	3.0%

Defined benefit liabilities are calculated on the basis of actuarial valuation under IAS 19. This standard requires the use of the “projected unit credit method” and unbiased and mutually compatible actuarial assumptions. The projected unit credit method was used to determine the present value of liability and current service costs.

Demographic assumptions: assumptions about mortality were taken from the 2021 mortality charts for males and females issued by the Czech Statistical Office. The disability assumption was taken from the charts of disabilities monitored by the Company. The assumed number of employees leaving the Company before reaching retirement age is based on expected departures of employees. The same assumptions were used to compute the provision for 2021.

Specific assumptions: the Company assumes that there is an 80% probability that agreements executed for a fixed term will be converted into agreements for an indefinite term. The amount of defined benefit liabilities as at 31 December 2021 takes into account social security contributions and health insurance. Description of risks: the Company does not have a separate plan for assets to cover employee benefit liabilities. Taking into account the annual payments from the plan and the nature of the Company’s business this does not constitute a material risk for the Company.

Sensitivity analysis

The Company carried out a sensitivity analysis of the size of the provision for changes in the actuarial assumptions that influence the defined benefit liabilities. In the event of a change in one of the relevant actuarial assumptions, with other assumptions remaining constant, the defined benefit liabilities would change to the following amounts – based on a sensitivity analysis for assumptions with the most significant impact:

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

<i>In thousands of CZK</i>	Discount rate increase +0.25%	Discount rate increase +0.25%
Liability for defined benefit obligations at 31 December 2021	1,459	1,462
Current service costs next year	135	135

Although this analysis does not take into account the timing of the cash flows that are expected under the plan, it provides information about the size of the liability upon a change in the various assumptions.

23. Trade and other payables

<i>In thousands of CZK</i>	2021	2020
Trade payables to related parties (see Note 27)	957,837	18,265
Trade payables to third parties	108,091	140,744
Contract payables	15,064	17,122
Other payables	17,266	19,309
Total	1,098,258	195,440

The row trade payables to related parties includes an amount payable to shareholders upon profit distribution in the amount of CZK 932,081,000 (2020: CZK 0).
Other payables in 2021 included a VAT liability of CZK 2,818,000 (2020: CZK 3,138,000).

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021***Reconciliation of liabilities and cash flow statement*

<i>In thousands of CZK</i>		Lease liabilities	Other payables	Total
Balance at 1 January 2021		44,556	7,723	52,279
Interest expense	9	135	18	153
Interest paid		(135)	(18)	(153)
Transfers	25	--	(7,723)	-7,723
Payments of lease liabilities	25	(7,906)	--	(7,906)
Change in lease	25	(9,488)	--	-9,488
Balance at 31 December 2021		27,162	0	27,162

<i>In thousands of CZK</i>		Lease liabilities	Other payables	Total
Balance at 1 January 2020		37,977	0	37,977
Interest expense	9	381	18	399
Interest paid		(381)	(18)	(399)
Transfers	25	--	7,723	7,723
Payments of lease liabilities	25	(9,399)	--	(9,399)
New lease liabilities	25	15,978	--	15,978
Balance at 31 December 2020		44,556	7,723	52,279

24. Financial instruments***Credit risk***

Maximum exposure to credit risk as at the date of the statement of financial position was:

<i>In thousands of CZK</i>	Note	Carrying amount 2021	Carrying amount 2020
Trade and other receivables	17	91,293	87,662
Long-term receivables	14	105,208	113,502
Cash and cash equivalents	18	1,031,599	870,052
Total		1,228,100	1,071,216

Veolia Průmyslové služby ČR, a.s.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

Impairment losses

<i>In thousands of CZK</i>	Nominal value 2021	Impairment 2021	Nominal value 2020	Impairment 2020
Not yet due	196,490	--	201,102	--
0–90 days overdue	11	--	2	--
90–180 days overdue	--	--	--	--
180–360 days overdue	--	--	119	59
More than 1 year overdue	999	999	942	942
Total	197,500	999	202,165	1,001

Movement in impairment provisions in respect of trade receivables in the course of the year was:

<i>In thousands of CZK</i>	2021	2020
Balance at 1 January	(1,001)	(972)
Establishment	(60)	(101)
Utilisation	62	72
Balance at 31 December	(999)	(1,001)

Liquidity risk

The following are payments of liabilities by the contractual maturities of financial liabilities, including estimated interest payments:

At 31 December 2021

<i>In thousands of CZK</i>	Carrying amount	Contractual cash flow	Within 6 months	6–12 months	1–2 years	2–5 years	More than 5 years
Trade and other payables	1,098,258	1,098,258	1,098,258	--	--	--	--
Current tax liabilities	--	--	--	--	--	--	--
Total	1,098,258	1,098,258	1,098,258	--	--	--	--

At 31 December 2020

<i>In thousands of CZK</i>	Carrying amount	Contractual cash flow	Within 6 months	6–12 months	1–2 years	2–5 years	More than 5 years
Trade and other payables	195,440	195,440	190,234	150	5,056	--	--
Current tax liabilities	--	--	--	--	--	--	--
Total	195,440	195,440	190,234	150	5,056	--	--

Currency risk

To hedge purchases and sales of electricity in foreign currencies (EUR), forward contracts were concluded with Veolia Environnement Finance – VE SA (see Note 5).

Due to the gradual hedging of purchases and sales the currency risk is minimal for the Company.

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021**

<i>In thousands of EUR</i>	2021	2020
Trade receivables	--	--
Trade payables	(30)	(13)
Total	(30)	(13)

Interest rate risk

As at 31 December 2021, the Company has the following interest-bearing financial instruments:

Variable-rate financial instruments

As regards variable-rate financial instruments the Company only has right-of-use liabilities totalling CZK 27,162,000 (2020: CZK 44,556,000). The maturities fall from 2022 to 2029.

Sensitivity analysis of variable-rate financial instruments

Sensitivity analysis was based on exposure to interest rates related to variable-rate credit instruments at the end of the accounting period. For variable-rate debts the analysis is based on the assumption that the outstanding amount of the debt at the end of the accounting period was applicable in the same amount throughout the year.

Had the interest rates been 0.5% higher/lower with all the other variables remaining constant, the Company's profit for the period ending on 31 December 2021 would have decreased/increased by CZK 4.15 million (2020: decrease/increase by CZK 3.4 million).

Effective interest rate and remeasurement analysis

Effective interest rates of interest-bearing financial liabilities at the date of the statement of financial position and the periods in which they are remeasured ranges from 3% to 6.8%.

The Company does not record any relevant asset/liability requiring a fair value disclosure.

25. Leases

From the lessee's perspective

The Group (Company) leases buildings, land and equipment largely for the purpose of supplying heat. The lease term usually does not exceed ten years. It also leases offices for approximately five years and vehicles for usually four years.

The right to lease renewal is normally not contained in the contracts. Some contracts are indexed to inflation every year. Sublease of leased assets to third parties does not occur.

IT devices are not recognised as right-of-use assets due to insignificant value.

Veolia Průmyslové služby ČR, a.s.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

<i>Amounts recognised in the income statement</i>	2021	2020
(Income)/ Expenses from short-term leases	343	(30)
Costs related to variable lease payments	604	571
Other expenses	1,018	992
Total	1,965	1,533

<i>Other</i>	2021	2020
Interest expense on lease liabilities	135	381
Interest income from lease receivables	(16,352)	(17,208)

<i>Amounts disclosed in the statement of cash flows</i>	2021	2020
Total cash outflow for leases	(7,906)	(9,399)

Contractual cash flow

At 31 December 2021

<i>In thousands of CZK</i>	Carrying amount	Contractual cash flow	Within 6 months	6–12 months	1–2 years	2–5 years	More than 5 years
Right-of-use liability – non-current	19,313	20,092	--	--	7,946	6,147	5,999
Right-of-use liability – current	7,849	8,179	8,179	--	--	--	--
Total	27,162	28,271	8,179	--	7,946	6,147	5,999

At 31 December 2020

<i>In thousands of CZK</i>	Carrying amount	Contractual cash flow	Within 6 months	6–12 months	1–2 years	2–5 years	More than 5 years
Right-of-use liability – non-current	35,128	36,103	--	--	19,173	4,817	12,113
Right-of-use liability – current	9,428	9,818	9,818	--	--	--	--
Total	44,556	45,921	9,818	--	19,173	4,817	12,113

The Company leases land, buildings and equipment, and vehicles. The operating lease contracts that meet the requirements of IFRS 16 are recognised as assets – Right-of-use.

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021****Right-of-use assets***In thousands of CZK*

<i>Acquisition cost</i>	Land and buildings	Equipment	Total
Balance at 1 January 2020	4,929	61,541	66,470
Additions/transfers	8,445	9,576	18,021
Disposals	--	(2,569)	(2,569)
Balance at 31 December 2020	13,374	68,548	81,922
Balance at 1 January 2021	13,374	68,548	81,922
Additions/transfers	8,350	1,021	9,371
Disposals	(145)	(19,954)	(20,099)
Balance at 31 December 2021	21,579	49,615	71,194
<i>Depreciation</i>			
Balance at 1 January 2020	2,123	29,448	31,571
Current year depreciation	1,820	7,173	8,993
Impairment losses	--	--	--
Disposals	--	(777)	(21,748)
Balance at 31 December 2020	3,943	35,844	39,787
Balance at 1 January 2021	3,943	35,844	39,787
Current year depreciation	5,340	5,468	10,808
Impairment losses	12,237	17,306	29,543
Disposals	--	(9,093)	(9,093)
Balance at 31 December 2021	21,520	49,525	71,045
<i>Carrying amount</i>			
At 1 January 2020	2,806	32,093	34,899
At 31 December 2020	9,431	32,704	42,135
At 31 December 2021	59	90	149

At 31 December 2021 the value of the right of use under IFRS 16 is reduced by a provision totalling CZK 29,543,000 (2020: CZK 0).

From the lessor's perspective

Leased buildings and machinery

On 16 June 2011, the Company signed a contract on the lease of part of the business with its parent, Veolia Energie ČR, a.s. The contract became effective on 1 September 2011 and was concluded for a definite period until 31 December 2029.

Based on this contract, Veolia Průmyslové služby ČR, a.s. leases to its parent company, Veolia Energie ČR, a.s. a set of things, rights and other property that within Veolia Průmyslové služby ČR, a.s. had its own separate structure and was identified as "TEPLO OBYVATELSTVO" (Heat for households). At 31 December 2021, the balance of the receivable under this contract was CZK 129,720,000 (2020: CZK 137,534,000); the non-current portion was CZK 105,208,000 (2020: CZK 113,502,000) (see Note 14)

Veolia Průmyslové služby ČR, a.s.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

and The current portion was CZK 24,512,000 (2020: CZK 24,032,000), recognised in the line Trade and other receivables due from related parties (see Note 17).

The lease payments are due over the following periods:

2021	Payments at 31 December 2021	Future lease payments	Due within 1 year	Due in 1 to 5 years	Due in subsequent years
Heat for households	227,419	211,553	24,648	103,621	83,284
Total	227,419	211,553	24,648	103,621	83,284

2020	Payments at 31 December 2020	Future lease payments	Due within 1 year	Due in 1 to 5 years	Due in subsequent years
Heat for households	203,254	232,977	23,884	100,408	108,685
Total	203,254	232,977	23,884	100,408	108,685

Based on the contractual conditions, the Company is obliged to purchase the performed improvements after the leasing period. The future purchase liability is not recognised, because the amount will be insignificant at the date of the lease end, and the Company does not expect to pay it. In 2021, interest income was CZK 16,352,000 (2020: CZK 17,208,000); see Note 9. Interest income – Right-of-use.

Lease receivables

<i>In thousands of CZK</i>	2021	2020
Long-term lease receivables	76,548	150,160
Short-term lease receivables	73,378	70,138

The item Lease receivables includes a receivable stemming from technical improvements to OKD, a.s. assets that the Company has been using to supply heat and air. The current portion of the Lease receivables corresponds to the annual depreciation of the technical improvements for the next year.

At 31 December 2021, the value of the lease receivable is impaired by a loss allowance totalling CZK 49,581,000 (2020: CZK 235,617,000). The amount of the provision changed as a result of the derecognition of a part of the technical improvements.

26. Related parties

Transactions with related parties

The Company is controlled by the multinational company Veolia International SA and its ultimate parent company, Veolia Environnement, VE SA. The Company has transactions with its subsidiaries (see Note 27).

Transactions with management personnel

Neither the directors of the Company nor their immediate relatives own any voting shares in the Company. In addition to their salaries, the Company also provides cars and mobile phones for both business and private purposes to directors and executive officers.

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021**

<i>In thousands of CZK</i>	2021	2020
Employee compensation	3,544	5,107
Long-term benefits	10	15
Total employee compensation	3,554	5,122

27. Companies in the Group***Sales and purchases within the Group***

Typical transactions between the Company and the parent company and other Group companies controlled by its parent company are as follows:

Sales transactions:

- Supply of heat, electricity and distribution

Purchase transactions:

- Advisory services provided to the Company
- General overhaul and ordinary repairs and maintenance of fixed assets
- Transactions with emission allowances and certificates
- Supply of non-current assets

Typical transactions between the Company and its subsidiaries are as follows:

Sales transactions:

- Revenue from the electricity distribution
- Revenue from the provision of services
- Revenue from the lease of a part of the business

Purchase transactions:

- Supply of electricity and distribution

All significant transactions with related parties were carried out under arm's length conditions.

Related parties include all companies in the Veolia Group. The Company discloses only material relations with those entities.

In thousands of CZK	2021	2020
Purchases	(144,800)	(127,244)
Sales	19,930	5,673
Finance costs	--	--
Finance income	26,913	25,057

In thousands of CZK	2021	2020
Receivables	140,782	150,654
Payables	(957,837)	(18,265)
Financial liabilities	--	--

The Company is involved in a cash pool with Veolia Environnement Finance (see Note 18). The cash pool balance is a receivable of CZK 1,031,216,000 (2020: a receivable of CZK 869,682,000). The balance of the receivable from the cash pool is not listed in the above table.

The Company signed a contract on the lease of part of the business with its parent company, Veolia Energie ČR, a.s. (see Note 25). The balance of the receivable due for the lease amounts to CZK 129,720,000 (2020: CZK 137,534,000) and is reflected in the above table.

Receivables and payables also include estimated assets and, as applicable, estimated liabilities and advance payments.

28. Subsequent events

Situation in Ukraine and Russia

On 24 February 2022, Russian troops invaded Ukraine and launched military action in several regions. Although the Company has no direct exposure to the countries affected by the conflict, its management has nonetheless weighed up the risks and impacts of this situation on the projected development of the Company's activities. Most natural-gas fired plants of Veolia Group companies supply heat to households, healthcare facilities, schools and other institutions. Under the applicable regulations, these plants are classified as installations that would be among the last to be affected by any natural gas consumption control measures. 8% of the Company's heat production comes from natural gas. The Company's management has not seen any major impacts of this event on the Company's activities or its financial position as of the date of signing of the financial statements.



REPORT ON RELATED PARTIES





04

Report on Related Parties
i.e. report on the relations between the controlling and controlled entities
and between the controlled entity and other entities under common control
(related parties)

for the accounting period of 2021

prepared

under Section 82 of Act No 90/2012 on commercial companies and cooperatives
(the Business Corporations Act, BCA), as amended,

by the governing body of Veolia Průmyslové služby ČR, a.s.
having its registered office at Zelená 2061/88a, Mariánské Hory, 709 00 Ostrava
Special postcode: 709 74
Company No.: 278 26 554

a company incorporated in the Companies Register maintained by the Ostrava Regional Court,
File number B 3722

Contents

1. Preamble
2. Specification and description of related parties
3. Role of the controlled entity, methods and means of control, and evaluation of the advantages and disadvantages arising from relations between the related parties
4. Overview of agreements between related parties, assessment of damage and compensation for damage under Sections 71 and 72 BCA, and overview of acts made at the instigation or in the interest of the controlling entity or entities controlled by the controlling entity
5. Conclusion

I

Preamble

The Report has been prepared by the Company's governing body under Section 82 of Act No 90/2012 on commercial companies and cooperatives (the Business Corporations Act, BCA), as amended, on 10 March 2022.

The Report has been prepared for the accounting period of 2021.

II

Specification and description of related parties

The list of related parties provides an overview of all related companies in the Czech Republic regardless of whether the Company had in place or performed under any contract with them in 2021, including their respective controlling entities. Furthermore, the list of related parties also includes those international entities with which the Company had in place or performed under a contract in the year reviewed.

Controlled company

Name:	Veolia Průmyslové služby ČR, a.s.
Registered office:	Zelená 2061/88a, Mariánské Hory, 709 00 Ostrava Special postcode: 709 74
Company No.:	278 26 554
File number:	B 3722, Companies Register maintained by the Ostrava Regional Court
Legal form:	Public limited company

Controlling companies and entities controlling the controlling companies

Name:	Veolia Energie ČR, a.s.
Registered office:	28. října 3337/7, Moravská Ostrava, 702 00 Ostrava
File number:	B 318, Companies Register maintained by the Ostrava Regional Court
Company No.:	451 93 410
Legal form:	Public limited company

Name:	VEOLIA ENERGIE INTERNATIONAL
Registered office:	21 rue La Boétie, 75008 Paris, France
Company No.:	433 539 566 R.C.S. Paris
Legal form:	Public limited company

Name:	VEOLIA ENVIRONNEMENT
Registered office:	21 rue La Boétie, 75008 Paris, France
Company No.:	403 210 032 R.C.S. Paris
Legal form:	Public limited company

Related parties

Name:	VEOLIA ENVIRONNEMENT FINANCE
Registered office:	21 rue La Boétie, 75008 Paris, France
Company No.:	525 355 475 R.C.S. Paris
Legal form:	Simplified public limited company

On 1 May 2021, the company merged with VEOLIA ENVIRONNEMENT.

Name:	VEOLIA ENVIRONNEMENT ENERGIE ET VALORISATION
Registered office:	21 rue La Boétie, 75008 Paris, France
Company No.:	488 770 785 R.C.S. Paris
Legal form:	Simplified public limited company

Name:	RECOVERA CZ, a.s. (formerly JVCD, a.s.)
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Registered office:	Zelená 2061/88a, Mariánské Hory, 709 00 Ostrava (formerly Praha 2, Americká 36/415, postcode 120 00)
Company No.:	601 93 204
File number:	B 2321, Companies Register maintained by the Prague Municipal Court
Legal form:	Public limited company
The company name changed on 19 January 2022 and the registered office on 17 February 2022.	
Name:	Energie Projekt ČR, s.r.o. 'in liquidation'
Registered office:	Praha 2, Americká 415
Company No.:	257 06 969
File number:	C 62955, Companies Register maintained by the Prague Municipal Court
Legal form:	Private limited company
Name:	OLTERM & TD Olomouc, a.s.
Registered office:	Janského 469/8, Povel, 779 00 Olomouc
Company No.:	476 77 511
File number:	B 872, Companies Register maintained by the Ostrava Regional Court
Legal form:	Public limited company
Name:	AmpluServis, a.s.
Registered office:	Ostrava-Třebovice, ul. Elektrárenská 5558, postcode 70974
Company No.:	651 38 317
File number:	B 1258, Companies Register maintained by the Ostrava Regional Court
Legal form:	Public limited company
Name:	Veolia Energie Kolín, a.s.
Registered office:	Kolín V., Tovární 21, postcode 280 63
Company No.:	451 48 091
File number:	B 1523, Companies Register maintained by the Prague Municipal Court
Legal form:	Public limited company
Name:	Veolia Energie Mariánské Lázně, s.r.o.
Registered office:	Nádražní náměstí 294, Úšovice, 353 01 Mariánské Lázně
Company No.:	497 90 676
File number:	C 4776, Companies Register maintained by the Plzeň Regional Court
Legal form:	Private limited company
Name:	Veolia Komodity ČR, s.r.o.
Registered office:	28. října 3337/7, Moravská Ostrava, 702 00 Ostrava
Company No.:	258 46 159
File number:	C 21431, Companies Register maintained by the Ostrava Regional Court
Legal form:	Private limited company
Name:	Veolia Energie Praha, a.s.
Registered office:	Na Florenci 2116/15, Nové Město, 110 00 Praha 1
Company No.:	036 69 564
File number:	B 20284, Companies Register maintained by the Prague Municipal Court
Legal form:	Public limited company
Name:	Veolia Powerline Kaczyce Sp. z o.o.
Registered office:	Morcinka 17, 43-417 Kaczyce, Poland
Company No.:	141 89 229, Regional Registry Court in Bielsko Biala
Legal form:	Private limited company
Name:	Institut environmentálních služeb, a.s.
Registered office:	Podolská 15/17, Podolí, 147 00 Praha 4
Company No.:	629 54 865
File number:	B 9967, Companies Register maintained by the Prague Municipal Court
Legal form:	Public limited company
Name:	Veolia Smart Systems ČR, s.r.o.
Registered office:	V Lázních 224, 252 42 Jesenice
Company No.:	030 81 761
File number:	C 227174, Companies Register maintained by the Prague Municipal Court

Legal form:	Private limited company
Name:	Veolia Eau - Compagnie Générale des Eaux
Registered office:	21 rue La Boétie, 75008 Paris, France
Company No.:	572 025 526 R.C.S. Paris
Legal form:	Partnership limited by shares
Name:	VEOLIA CENTRAL & EASTERN EUROPE
Registered office:	21 rue La Boétie, 75008 Paris, France
Company No.:	433 934 809 R.C.S. Paris
Legal form:	Public limited company
Name:	Veolia Holding Česká republika, a.s.
Registered office:	Na Florenci 2116/15, Nové Město, 110 00 Praha 1
Company No.:	106 96 539
File number:	B 26190, Companies Register maintained by the Prague Municipal Court
Legal form:	Public limited company
	The company was incorporated on 23 March 2021.
Name:	VEOLIA ČESKÁ REPUBLIKA, a.s.
Registered office:	Na Florenci 2116/15, Nové Město, 110 00 Praha 1
Company No.:	492 41 214
File number:	B 2098, Companies Register maintained by the Prague Municipal Court
Legal form:	Public limited company
Name:	Pražské vodovody a kanalizace, a.s.
Registered office:	Ke Kablu 971/1, Hostivař, 102 00 Praha 10
Company No.:	256 56 635
File number:	B 5297, Companies Register maintained by the Prague Municipal Court
Legal form:	Public limited company
Name:	MORAVSKÁ VODÁRENSKÁ, a.s.
Registered office:	Tovární 1059/41, Hodolany, 779 00 Olomouc
Company No.:	618 59 575
File number:	B 1943, Companies Register maintained by the Ostrava Regional Court
Legal form:	Public limited company
Name:	Středočeské vodárny, a.s.
Registered office:	Kladno, U Vodojemu 3085, postcode 272 80
Company No.:	261 96 620
File number:	B 6699, Companies Register maintained by the Prague Municipal Court
Legal form:	Public limited company
Name:	RAVOS, s.r.o.
Registered office:	Frant. Diepolta 1870, Rakovník II, 269 01 Rakovník
Company No.:	475 46 662
File number:	C 19602, Companies Register maintained by the Prague Municipal Court
Legal form:	Private limited company
Name:	Vodohospodářská společnost Rokycany, s.r.o.
Registered office:	Sedláčkova 651, Plzeňské Předměstí, 337 01 Rokycany
Company No.:	453 51 325
File number:	C 2378, Companies Register maintained by the Plzeň Regional Court
Legal form:	Private limited company
Name:	Královéhradecká provozní, a.s.
Registered office:	Vita Nejedlého 893/6, Slezské Předměstí, 500 03 Hradec Králové
Company No.:	274 61 211
File number:	B 2383, Companies Register maintained by the Hradec Králové Regional Court
Legal form:	Public limited company
Name:	I. SČV, a.s.
Registered office:	Praha 10, Ke Kablu 971, postcode 100 00

Company No.:	475 49 793
File number:	B 10383, Companies Register maintained by the Prague Municipal Court
Legal form:	Public limited company
Name:	Česká voda – Czech Water, a.s.
Registered office:	Ke Kablu 971/1, Hostivař, 102 00 Praha 10
Company No.:	250 35 070
File number:	B 12115, Companies Register maintained by the Prague Municipal Court
Legal form:	Public limited company
Name:	Solutions and Services, a.s.
Registered office:	Na Florenci 2116/15, Nové Město, 110 00 Praha 1
Company No.:	272 08 320
File number:	B 11409, Companies Register maintained by the Prague Municipal Court
Legal form:	Public limited company
Name:	Veolia Support Services Česká republika, a.s.
Registered office:	Na Florenci 2116/15, Nové Město, 110 00 Praha 1
Company No.:	290 60 770
File number:	B 18573, Companies Register maintained by the Prague Municipal Court
Legal form:	Public limited company
Name:	Veolia Vedlejší produkty ČR, s.r.o.
Registered office:	Na Florenci 2116/15, Nové Město, 110 00 Praha 1 (formerly Dělnická 6082/34, Poruba, 708 00 Ostrava)
Company No.:	247 15 964
File number:	C 168333, Companies Register maintained by the Prague Municipal Court (formerly C 63276 maintained by the Ostrava Regional Court)
Legal form:	Private limited company
The company changed its registered office on 22 June 2021; as of 20 July 2021 it is registered with the Municipal Court in Prague under a new file number.	
Name:	Severočeská servisní a.s.
Registered office:	Přítkovská 1689/14, Trhovany, 415 01 Teplice
Company No.:	051 75 917
File number:	B 2659, Companies Register maintained by the Ústí nad Labem Regional Court
Legal form:	Public limited company
Name:	VWS MEMSEP s.r.o.
Registered office:	Sokolovská 100/94, Karlín, 186 00 Praha 8
Company No.:	416 93 752
File number:	C 3925, Companies Register maintained by the Prague Municipal Court
Legal form:	Private limited company
Name:	IoT.water s.r.o.
Registered office:	Kolbenova 898/11, Vysočany, 190 00 Praha 9
Company No.:	055 89 916
File number:	C 266551, Companies Register maintained by the Prague Municipal Court
Legal form:	Private limited company
Name:	Pražská teplárenská a.s.
Registered office:	Praha 7, Partyzánská 1/7, postcode 170 00
Company No.:	452 73 600
File number:	B 1509, Companies Register maintained by the Prague Municipal Court
Legal form:	Public limited company
Name:	TERMONTA PRAHA a.s.
Registered office:	Praha 10, Třebostická 46/11, postcode 100 00
Company No.:	471 16 234
File number:	B 1846, Companies Register maintained by the Prague Municipal Court
Legal form:	Public limited company
Name:	PT Koncept a.s.

Registered office: Partyzánská 1/7, Holešovice, 170 00 Praha 7
Company No.: 032 61 816
File number: B 19886, Companies Register maintained by the Prague Municipal Court
Legal form: Public limited company

Name: **Teplo Neratovice, spol. s r.o.**
Registered office: Neratovice, Školní 162, postcode 277 11
Company No.: 498 27 316
File number: C 34074, Companies Register maintained by the Prague Municipal Court
Legal form: Private limited company

Name: **PT Distribuční, s.r.o.**
Registered office: Praha 9 - Střížkov, Jablonecká 322/72, postcode 190 00
Company No.: 457 93 590
File number: C 11208, Companies Register maintained by the Prague Municipal Court
Legal form: Private limited company

Name: **ENERGOPROJEKTA s.r.o.** (formerly ENERGOPROJEKTA plan s.r.o.)
Registered office: Dluhonská 1350/43, Přerov I-Město, 750 02 Přerov
Company No.: 059 85 005
File number: C 70165, Companies Register maintained by the Ostrava Regional Court
Legal form: Private limited company
The company name changed on 18 March 2021.

Note: Schematic diagrams of the Group composed of the controlling and controlled entities as the related parties are shown in Annexes 1 and 2 to this Report.

III

Role of the controlled entity, methods and means of control, and evaluation of the advantages and disadvantages arising from relations between the related parties

Within the meaning of Section 79 BCA, Veolia Průmyslové služby ČR, a.s. is a dependent entity within the Group and is subject to joint management under a common policy of strategic management of the Group; for the dependent entity, the above primarily generates advantages from the know-how provided within the Group for performing the controlled entity's business.

The relationship between the related parties does not cause any disadvantage to any of them. Veolia Průmyslové služby ČR, a.s. does not have a specific role or function within the Group, it does not serve as an intermediary for other Group companies in any area of its activities.

The dependent entity is controlled through the sole shareholder acting in the capacity of the Company's general meeting, who has the influence to appoint their representatives to the Company's bodies and so can influence the business management of the Company.

The Company is not exposed to any future or long-term risks as a result of its membership of the Veolia Group and the governing body is not aware of any material future developments that may jeopardise the Company as a result of its belonging to the Group.

IV

Overview of agreements between related parties, assessment of damage and compensation for damage under Sections 71 and 72 BCA, and overview of acts made at the instigation or in the interest of the controlling entity or entities controlled by the controlling entity

A. Relations with controlling companies and entities controlling the controlling company

A1. Veolia Energie ČR, a.s.

The following agreements are in place between Veolia Průmyslové služby ČR, a.s. and Veolia Energie ČR, a.s.:

Agreements where Veolia Průmyslové služby ČR, a.s. is the supplier:

- Lease for a 22 kV Line, ID D 641, Teplárna Karviná sector (link between ČSA and TKV);
- Maintenance Agreement for the Servicing of Compressors for ETB and TKR;
- Maintenance Agreement for the Servicing of BOGE SF 150II compressors at ETB;
- Maintenance Agreement for the Servicing of Compressors between 2017-2020, including an amendment;
- Maintenance Agreement for the Servicing of Dryers, Blowers and Fans at ETB;
- Maintenance Agreements for the Servicing, Repairs and Trouble-shooting of Dry Ash Removal Installations at ETB;
- Service Agreement – SW work on control valves – regulators;
- Agreement on the Lease of a Part of the Business;
- Agreement on the Sale of Heat to the Přerov Sector from a Co-generation Unit;
- Agreement on the Supply and Purchase of Electricity to the Přerov Sector from a Co-generation Unit;
- Contract for Work – Servicing, Repair and Purchase of Spare Parts for the Viessmann Co-generation Unit at the Distribution and Services Unit in Nový Jičín; Repair of the Control System of the Viessmann Co-generation Unit;
- Service Agreement – Study of the Optimisation of Production Facilities – Palmix – re-invoiced services;
- Partial Outsourcing Agreement – Technical and HR functions;

Agreements where Veolia Průmyslové služby ČR, a.s. is the customer:

- Agreement on the Sale of Heat to the ČSA site;
- Agreement on the Sale of Heat to the LAZY site;
- Agreement on the Supply of Pre-treated Water for the Production of Cooling for the ČSA site;
- Agreement on the Connection of the Producer to TKV and TČA;
- Agreement on the Charging of a Fixed Rate for the Decentralised Generation and Re-invoicing of Costs Related to the Supply to ČEZ Distribuce;
- Agreement on the Provision of Services and the Use of Sub-stations at Teplárna Karviná;
- Agreement on the Provision of Services and the Use of Sub-stations at Teplárna Ostrava;
- Lease Agreement for Non-residential Premises – warehouse on the Veolia Energie ČR, Karviná-Doly, ul. Svobody 5 site;
- Lease Agreement for Non-residential Premises at Zelená 2061, Ostrava-Mariánské Hory;
- Mandate to Handle and Trade Greenhouse Emission Allowances;
- Agreement on Services and Consultancy in Respect of Capital Projects;
- Agreement on Group Treasury Management, including implementing amendments;
- Service Agreement (IT, sales, invoicing, etc.);
- Service Agreement – advisory for Turkey;
- Decision for the company to adhere to the Sequoia employee shareholding plan;
- Agreement on Personal Data Processing;
- Sub-licence Agreement on Trade Mark Use;
- Agreement to Connect an Energy Generating Plant to a Co-generation Unit, Přerov sector;
- Agreement to Re-invoice Costs for the Purchase and Distribution of Natural Gas, for the Přerov Co-generation Unit;
- Lease Agreement for Premises – Karolína Substation;

all of them on an arm's length basis.

Veolia Energie ČR, a.s. provides Veolia Průmyslové služby ČR, a.s. with capital project management services under the Agreement on Services and Consultancy in Respect of Capital Projects on an arm's length basis.

Veolia Energie ČR, a.s. takes out insurance policies for Veolia Průmyslové služby ČR, a.s. and then re-invoices the costs, equalling the actually incurred costs.

Veolia Energie ČR, a.s. also re-invoices the costs of services (legal services, natural gas, maintenance, electricity, water and sewerage, promotional items, postal services, telecommunications, travel expenses, antigen tests, etc.).

Veolia Průmyslové služby ČR, a.s. made a financial donation to the Veolia Energie Humain ČR Foundation set up by Veolia Energie ČR, a.s.

A2. VEOLIA ENVIRONNEMENT

Veolia Průmyslové služby ČR, a.s. signed a Declaration of Participation in the International Group Savings Plan of Veolia Environnement and the Sequoia employee shareholding programme with VEOLIA ENVIRONNEMENT and paid the contributions to the employee shares.

A3. Companies controlling the controlling entity

No contracts were concluded or performed, no legal acts or measures were made towards such companies, and no deliveries or considerations were provided between the companies controlling the controlling entity.

B. Relations to related parties

B1. Veolia Komodity ČR, s.r.o.

The following agreements are in place between Veolia Průmyslové služby ČR, a.s. and Veolia Komodity ČR, s.r.o.:

Agreements where Veolia Průmyslové služby ČR, a.s. is the supplier:

- Agreement on Electricity Feed-in from a Renewable Energy Source;
- Framework Agreement on Electricity Distribution;

Agreements where Veolia Průmyslové služby ČR, a.s. is the customer:

- Agreement on Electricity Supply;

all of them on an arm's length basis.

Veolia Průmyslové služby ČR, a.s. and Veolia Komodity ČR, s.r.o. have in place a Mandate Agreement on Emission Allowances and an Agreement on Compensation for Losses Caused by the Connection to the DIN Local Distribution System on an arm's length basis.

B2. Veolia Powerline Kaczyce Sp. z o.o.

Veolia Průmyslové služby ČR, a.s. and Veolia Powerline Kaczyce Sp. z o.o. have in place purchase agreements as follows: an Agreement on the Distribution of Polish Electricity and an Agreement on the Connection to a Distribution System, both of them on an arm's length basis.

B3. AmplusServis, a.s.

Veolia Průmyslové služby ČR, a.s. and AmplusServis, a.s. have in place purchase agreements as follows: Framework Agreement for Assembly Work and Workmanship, Repairs and Emergency Repairs; Servicing Agreement for the Control and Regulation of Electrostatic Separators; Inspection Agreement – checks and assessments of fuel quality; all of them on an arm's length basis.

B4. Institut environmentálních služeb, a.s.

Under an Agreement on Cooperation in Employee Education, Institut environmentálních služeb, a.s. provided Veolia Průmyslové služby ČR, a.s. with the education of its employees, education record keeping in the personnel system, and regular reporting on education, on an arm's length basis.

B5. VEOLIA ENVIRONNEMENT FINANCE

Veolia Průmyslové služby ČR, a.s. and VEOLIA ENVIRONNEMENT FINANCE concluded a Framework Agreement on CO₂ Allowances and a Cash Pool Agreement, on an arm's length basis. Further to the merger of VEOLIA ENVIRONNEMENT FINANCE and VEOLIA ENVIRONNEMENT the rights and obligations deriving from the financing agreement passed to VEOLIA ENVIRONNEMENT on 1 May 2021.

B6. VEOLIA ENVIRONNEMENT ENERGIE ET VALORISATION

Veolia Průmyslové služby ČR, a.s. and VEOLIA ENVIRONNEMENT ENERGIE ET VALORISATION concluded and performed under an Agreement on the Assignment of the Rights and Obligations deriving from the Agreement on CO₂ Allowance Trading, on an arm's length basis.

B8. Solutions and Services, a.s.

Veolia Průmyslové služby ČR, a.s. and Solutions and Services, a.s. have in place a purchase agreement as follows: Agreement for Data Services, on an arm's length basis.

B9. Relations to other related parties

All the companies of the Veolia Group in the Czech Republic have a Framework Personal Data Protection Agreement in place.

No other contracts were concluded or performed, no legal acts were made, and no deliveries or considerations were provided between the other related companies within the Group.


C. Overview of acts carried out at the instigation or in the interest of controlling entities

In 2021, no acts were carried out at the instigation or in the interest of the controlling entity or entities controlled by the controlling entity concerning assets in excess of 10% of the controlled entity's equity and the controlled entity was not inhibited from making certain acts or strategic decisions due to control over the Company and due to controlling entities' interest or instigation.


V Conclusion

On the basis of the information available to the governing body and in view of the information above, the Board of Directors as a governing body states that in the period under review, the controlled company suffered no damage in its relations with the controlling entity or in relations between related parties. Furthermore, the Board of Directors notes that the Report is complete and that the disclosure of any additional information, in particular such as would extend the scope or depth of the disclosures made herein, is subject to trade secrecy under Section 504 of Act No 89/2012, the Civil Code.

Ostrava, 31 March 2022



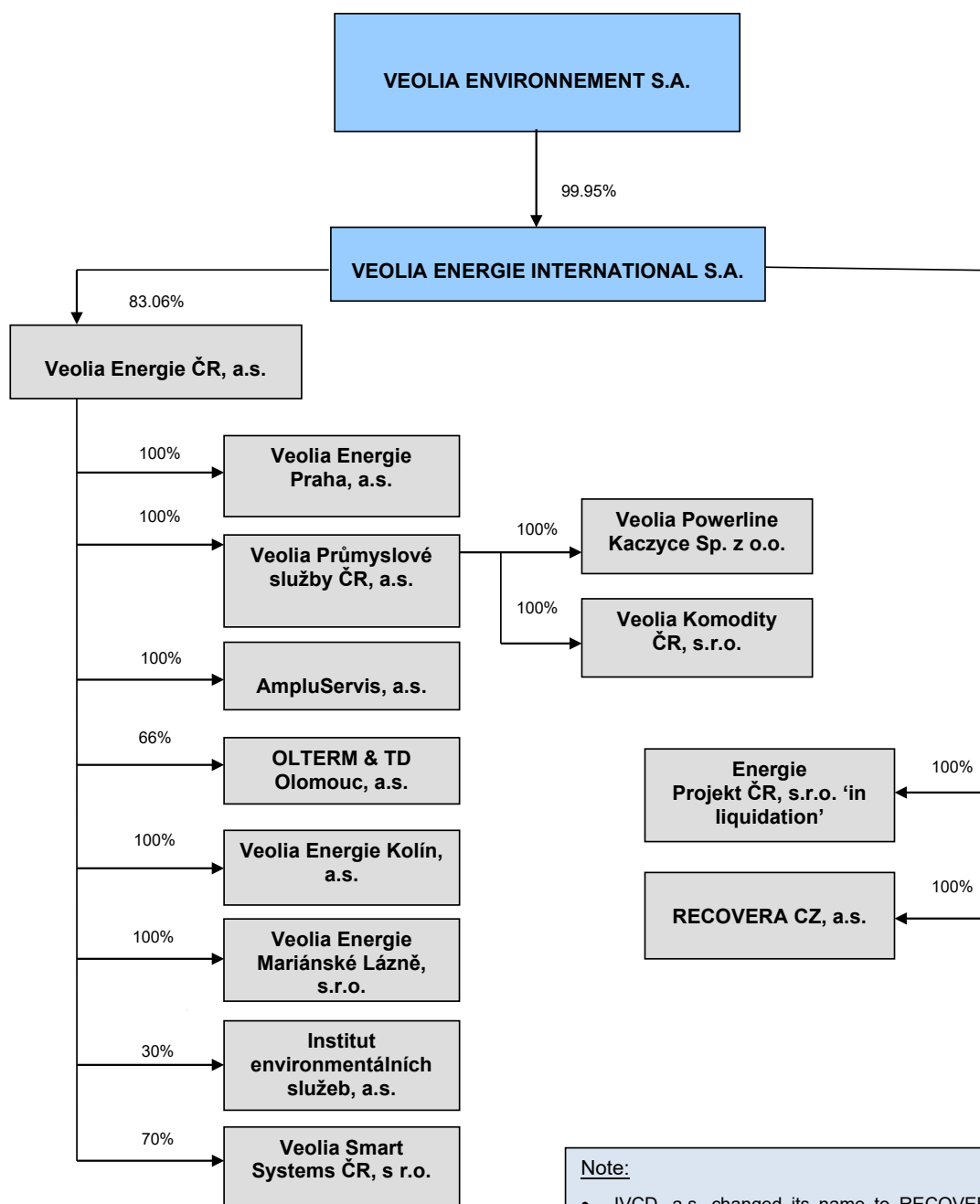
 Kamil Vrbka
 Chairman of the Board of Directors



 Pavel Luňáček
 Member of the Board of Directors

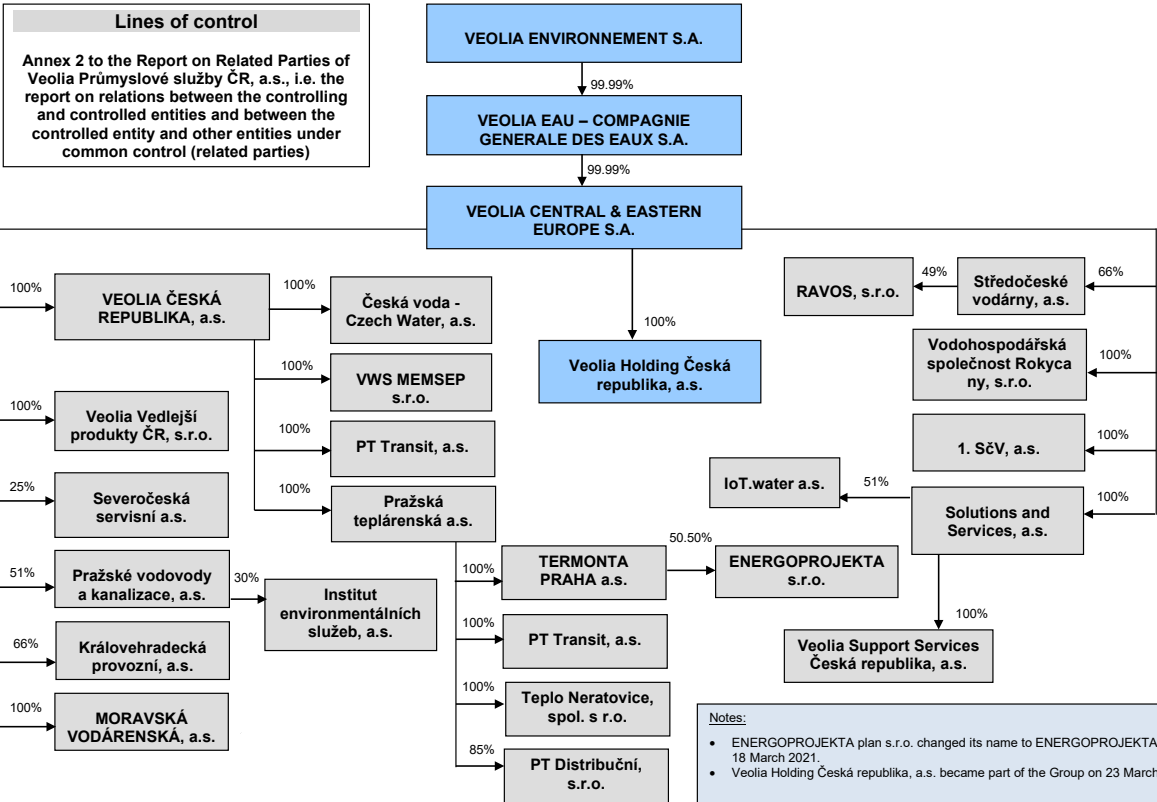
Lines of control

Annex 1 to the Report on Related Parties of Veolia Průmyslové služby ČR, a.s., i.e. the report on relations between the controlling and controlled entities and between the controlled entity and other entities under common control (related parties)



Note:

- JVCD, a.s. changed its name to RECOVERA CZ, a.s. on 19 January 2022.





AUDITOR'S REPORT





KPMG Česká republika Audit, s.r.o.

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This document is an unsigned English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

**Independent Auditor's Report to the Shareholders of
Veolia Průmyslové služby ČR, a.s.*****Opinion***

We have audited the accompanying separate financial statements of Veolia Průmyslové služby ČR, a.s. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2021, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flow for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the separate financial statements.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs), which may be supplemented and amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

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Court in Prague, Section C,
Insert No. 24185

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ID data box: 8h3gtra

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body and Supervisory Board for the Financial Statements

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance

is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statutory Auditor Responsible for the Engagement

Karel Charvát is the statutory auditor responsible for the audit of the financial statements of Veolia Průmyslové služby ČR, a.s. as at 31 December 2021, based on which this independent auditor's report has been prepared.

Prague
11 May 2022

Signed by

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

Signed by

Karel Charvát
Partner
Registration number 2032

This Annual Report was produced by the CEO Section of Veolia Průmyslové služby ČR, a.s. and the Communication Section of Veolia Energie ČR.

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