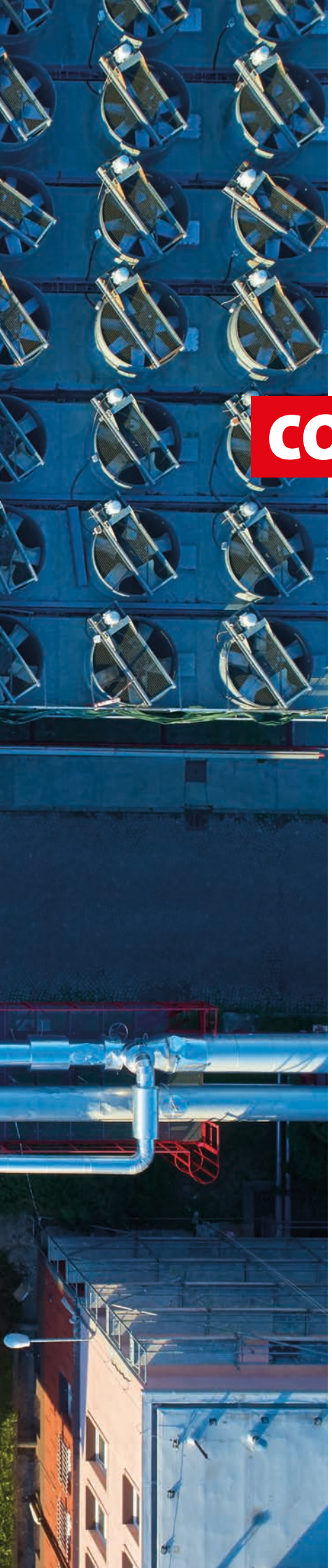
# ANNUAL REPORT FOR 2022

**Veolia Průmyslové služby ČR, a.s.**

VEOLIA



# CONTENTS


**01** CORPORATE AND GENERAL INFORMATION ABOUT THE COMPANY **3**

**02** MANAGEMENT REPORT **13**

**03** FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 **33**

**04** REPORT ON RELATED PARTIES **71**

**05** AUDITOR'S REPORT **85**


Annual report compiled on 5/4/2023

# 01 CORPORATE AND GENERAL INFORMATION

## ABOUT THE COMPANY

# 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 (akciová společnost)

Legal form

278 26 554

Company No.

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.

Veolia Průmyslové služby ČR, a.s. is the operator of a local electricity distribution system in the Czech Republic, produces and supplies heat and compressed air for the mining companies OKD, a.s. and DIAMO, státní podnik, and operates cogeneration units supplying electricity and heat to industrial firms and households.

# 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., which is one of the leading electricity traders on the Czech market and a gas trader, and Veolia Powerline Kaczyce Sp. z o.o., which is 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. 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 cross-border 110 kV 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 DATA

COMPRESSED AIR SALES

**350** million $Nm^3$

ELECTRICITY DISTRIBUTION SERVICE

**328** GWh

HEAT SALES

**398** TJ

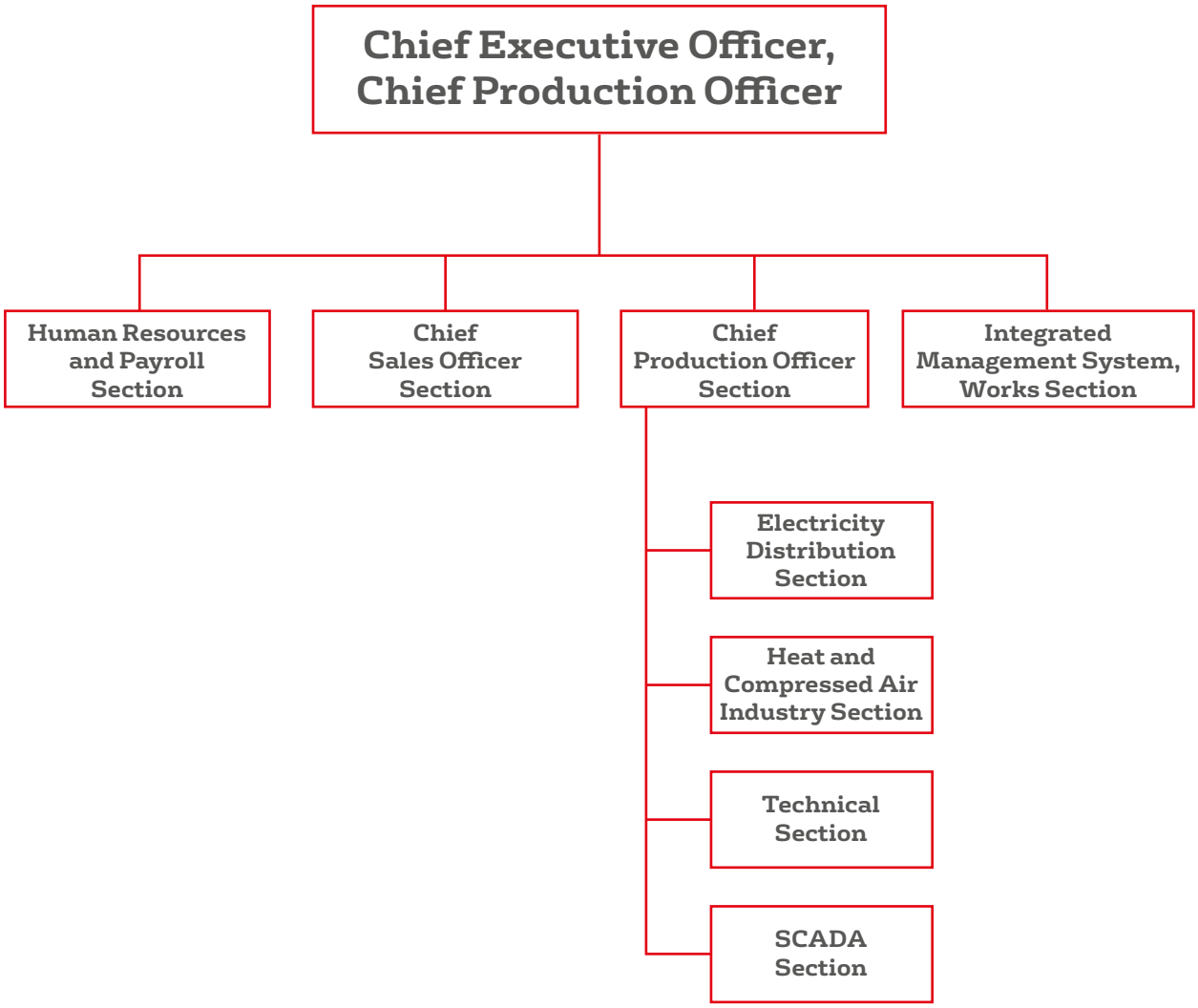
# CORPORATE GOVERNANCE

## BOARD OF DIRECTORS

**Ing. Kamil Vrbka** – Chairman
**Ing. Pavel Luňáček** – Member
**Jakub Tobola, MSc.** – Member

Corporate Governance as at 31 December 2022

# ORGANISATIONAL STRUCTURE



# OTHER INFORMATION

On 24 March 2022, the sole shareholder acting in the capacity of the general meeting passed a decision tovre-elect Mr Kamil Vrbka as a member of the Company's Board of Directors with effect from 1 May 2022. The Board of Directors then re-elected him as the Chairman of the Board of Directors.

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 2022. 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 Ostrava Regional Court under file number C 21431), and Veolia Powerline Kaczyce Sp. z o.o., registered office: ul. Gustawa Morcinka 17, 43-417 Kaczyce, Poland (incorporated by entry in the Sąd Rejonowy w Bielsku – Białej, VIII Wydział Gospodarczy Krajowego Rejestru Sądowego). The Company has no organisational units outside the Czech Republic.

## SHAREHOLDER STRUCTURE OF VEOLIA PRŮMYSLOVÉ SLUŽBY ČR, A.S.

**SOLE SHAREHOLDER**

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

# CURRENCY RISK MANAGEMENT

The Veolia Energie ČR Group companies manage currency risk according to the instructions of the parent company, Veolia Energie International.

In line with its currency risk management strategy, Veolia and its individual entities therefore hedge their foreign exchange exposure and exchange rates, so as to determine commodity prices that can be used in planning for the forthcoming period.

The various risks are regularly assessed, generally once a year, and are hedged on an ongoing basis.

The hedged risk consists of movement in the forward exchange rate and the cash flows resulting from concluded contracts, taking revenues and costs separately, from the date of conclusion of a contract to the time of completion and due payment for the deliverable.

Veolia monitors its credit risk and the counterparty risk of the hedging instrument, and is not aware of any facts that would have such an impact on credit risk that the effect of credit risk would outweigh in the fair value change of the hedging instrument or hedged item.

Veolia maintains a hedging relationship ratio equal to the ratio of the amount of the currently hedged item to the amount of the hedging instrument currently used to hedge the hedged item. The hedging ratio according to the risk management strategy and objective, and in relation to the definition of the hedged item, the hedging instrument and the specified economic relationship between them, corresponds to 100%.

No other price, credit or liquidity risks are hedged by derivatives.

# 02 MANAGEMENT REPORT

# FOREWORD

**DEAR BUSINESS PARTNERS, COLLEAGUES, LADIES AND GENTLEMEN,**

Last year we saw the COVID-19 crisis recede just as an energy crisis emerged in the wake of the armed conflict in Ukraine. This new crisis is not only affecting energy companies, but also has a direct impact on other businesses, government institutions and the general public. I am therefore very pleased to report that in 2022 our company, Veolia Průmyslové služby ČR, honoured its commitments to all its customers, business partners, and our parent company Veolia Energie ČR, despite the challenging circumstances in the energy sector. We met our customers' needs with a full range of safe and reliable energy services, 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 the provision of energy services, which run from the production of energy commodities and their distribution to the servicing of energy equipment and facilities. Our company produces and supplies heat, hot water and electricity, mainly for the mining operations of OKD, a.s. and DIAMO, státní podnik, but also for other customers in the Moravian-Silesian and Olomouc regions. For the needs of the mining industry we also produce and supply compressed air. On top of that, Veolia Průmyslové služby is also one of the largest local electricity distribution system operators 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. We consistently meet all these exacting demands only because of the diligence, expertise and professionalism of our employees, and I want to express my sincere thanks to them for all their work.

Detailed information about our results can be found further on in this annual report. At this point, allow me to simply mention our success in expanding our operations in the region, even beyond the mining sector, in spite of the considerable challenges of the past year. As a result, we closed out 2022 with operating revenues of CZK 712.070 million.

In 2022, Veolia Průmyslové služby ČR built on its experience from previous years, and successfully prepared and completed several capital projects supported by grant programmes of the Ministry of Industry and Trade. These projects concentrated on the upgrading of our electricity distribution system, in order to increase supply security and reliability, and implement cutting-edge approaches in electricity distribution management.

Many fresh challenges await us in 2023 and the years ahead. We will press on with our work, developing our electricity distribution system, developing decentralised high-efficiency CHP, increasing the efficiency of our installations, preparing projects for the use of RES, and other innovative solutions. Regardless of the turbulent events in the energy sector last year, we remain committed to the environmental goals that the company has set itself to achieve, both in the medium term and the long term future. 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 business partners, I am sure we will meet all the company's development and modernisation goals.

**“Regardless of the turbulent events in the energy sector last year, we remain committed to the environmental goals that the company has set itself to achieve, both in the medium term and the long term future.“**

Veolia Průmyslové služby ČR has been operating in the energy sector for 13 years now, with an excellent track record. We have already responded flexibly to situations which could not have been planned for or anticipated in previous years, and met our operational targets. So I have no doubt this will continue to be the case, and Veolia Průmyslové služby ČR will remain a thriving company, providing comprehensive, reliable and affordable energy services and innovative energy solutions for its customers.

**Ing. Kamil Vrbka**
CEO

**ING. 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 the Veolia Group's strategy of developing sustainable solutions and services for the 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:

- Supporting harmonious development of regions;
- Improving the living conditions of the people affected by its operations, and environmental protection;
- Developing its employees' business skills, improving personal safety at work (occupational injury prevention), and fostering 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 produces and distributes electricity, heat, hot water and compressed air, and operates cogeneration units supplying electricity and heat.

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).

## ELECTRICITY DISTRIBUTION

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 744 billing and balancing measurement sites. The VPS LDS is endowed with high transmission capacities.

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

**7 110 kV HV substations**
**14 MV substations**
**23 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 2022 amounted to 328 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, 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 2022, the installed capacity of licensed heat sources was 126.523 MWt. In 2022, 398 TJ were supplied to customers.

In 2022, the Company operated 28.145 km of heating networks and 18 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 $CH_4$)**
**7 gas boilers**
**5 electric boilers**
**4 cogeneration units (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 2022, 350 million $Nm^3$ 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**
**1 AC GA screw compressor**

The electric turbo compressor used by the Company has a capacity of up to 15,000 $Nm^3$ 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 produced in CHP operation.

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, 40 GWh of electricity was generated in 2022.

# INNOVATION

## INVESTMENT

Despite the ongoing COVID-19 epidemic that made investment activities difficult, VPS upgraded and automated its operations in 2022. This involved primarily procuring equipment and upgrading the local distribution system (LDS). 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 operational reliability and safety, and the retrofit and upgrade of the energy control centre.

The Hrušov unmanned MV substation was completely modernised in order to increase the reliability, safety and quality of electricity supplies. The other aims of this investment project were to set up remote control and monitoring of this substation from the Dukla electricity distribution Control Centre.

A major project that was completed with support from the Smart Grids I programme was the construction of a compact substation on the roof of the central cooling supply building at the Nová Karolina shopping centre. The aim of this project was to optimise the number of connection points to the upstream distribution system and to improve the conditions for working with the VPS LDS at the Nová Karolina site.

Another important investment project, which extended the geographical range of Veolia Průmyslové služby ČR by leveraging the company's know-how in the field of high-efficiency CHP, was the installation of a cogeneration unit with an installed electrical capacity of 200 kWe at the central exchanger station on the Tonak site in Nový Jičín.

Our future focus on innovative projects has led us to establish and fill the new position of Technical Director for New Energy Projects, who will be in charge of tasks in this area.

## PROJECTS SUPPORTED BY THE OPERATIONAL PROGRAMME ENTERPRISE AND INNOVATION FOR COMPETITIVENESS

The project completed in 2022 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 2022

- Electricity distribution operations: 22kV/110kV line relocations and upgrades
- Electricity distribution operations: SMART GRIDS – Nová Karolina compact substation
- Cogeneration Unit KGJ 15 – Nový Jičín

## 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. Closer collaboration with this company at the Veolia Group level has led to the establishment of a joint venture, VEO Project Engineering, s.r.o.

## 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:

- Improvement of distribution service quality by modernising distribution substations
- Upgrading of the remote meter reading system and increased customer convenience during the provision of additional services

### FROM AN ENVIRONMENTAL AND OHS VIEWPOINT:

- Continuing to successfully combat 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 once again in 2022
- Completion of the implementation of an Anti-bribery Management System in line with ISO 37001, where the company received certification under the ISO 37001 standard
- 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
- Continuation of the "Good Ideas" and "OHS Motivation of Employees" projects
- Installation and commissioning of cogeneration unit KGJ 15 in Nový Jičín
- Expansion of the scope of the Veolia Run, supporting employees' sporting activities and the Veolia Foundation, to include hiking
- Expansion and modernisation of the distribution system at the Zárubek site
- Removal of a gas boiler house and gas regulation station at the Chlebovice site, including land restoration

# CUSTOMERS

## COMMERCIAL OPERATIONS

VMuch 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 energy, compressed air, and for the provision of distribution system services and the supply of electricity from its own plants.

A noteworthy commercial achievement of 2022 was the upgrading of the meter reading system at the Ostrava – Zárubek, Horní Suchá and Ostrava – Radvanice sites, which allowed us to expand the range of additional services provided to customers.

# RESPONSIBILITY

## INTEGRATED MANAGEMENT SYSTEM

### PRIORITIES IN ENVIRONMENTAL PROTECTION, ENERGY MANAGEMENT, OHS AND THE ANTI-BRIBERY SYSTEM

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, the anti-bribery system and occupational health and safety. The priorities in this area are set out in the Veolia Energie ČR Group's Sustainable Development Policy and Veolia Energie ČR's Anti-bribery Management System Policy, to which Veolia Průmyslové služby ČR also subscribes. The policies that have been adopted include 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 $CO_2$;
- 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.

#### MAINTAIN AND IMPROVE:

- the Anti-bribery Management System, so that it remains in alignment with anti-corruption legislation and functions correctly.

## SIGNIFICANT OBJECTIVES, PROCEDURES AND ACHIEVEMENTS IN ENVIRONMENTAL PROTECTION, ENERGY MANAGEMENT, OHS AND THE ANTI-BRIBERY SYSTEM

An integrated management system was fully operational at the Company during 2022.

The whole Company currently holds certification for an environmental management system under ČSN EN ISO 14001, an occupational health and safety management system under ČSN ISO 45001, an energy management system under ČSN EN ISO 50001 and an anti-bribery management system under ISO 37001.

### THE FOLLOWING OBJECTIVES WERE SET AND PURSUED IN 2022 AS PRIORITIES IN ACCORDANCE WITH INTERNATIONAL STANDARDS:

**Objective 1: Installation and commissioning of cogeneration unit KGJ 15 in Nový Jičín**

- Preparation of design documents and selection of the contractor
- Installation of KGJ 15
- Trial operation
- Continuous operation

**Objective 2: Implementation of an Anti-bribery Management System at the company in line with ČSN ISO 37001 (AbMS), including certification of the system**

- Preparation of management documentation
- Implementation of the system
- Certification of the system under ČSN ISO 37001

**Objective 3: Expansion of the scope of the Veolia Run, supporting employees' sporting activities and the Veolia Foundation, to include hiking**

- Broadening of the competition's rules
- Modification of the management software
- Launch of the expanded Veolia Run competition
- Evaluation of the objective

**Objective 4: Expansion and modernisation of the distribution system at the Zárubek site**

- Preparation of design documents and selection of the contractor
- Carrying out the expansion and modernisation of the distribution system at the Zárubek site
- Trial operation
- Continuous operation

**Objective 5: Removal of a gas boiler house and gas regulation station at the Chlebovice site, including land restoration**

- Preparation of design documents and selection of the contractor
- Carrying out the removal of the gas boiler house and gas regulation station
- Restoration of the land

### ACTIVITIES RELATED TO OCCUPATIONAL HEALTH AND SAFETY (OHS), THE ENVIRONMENT, ENERGY MANAGEMENT AND ANTI-BRIBERY MANAGEMENT IN 2022

- In 2022, the most significant activities in occupational health and safety included the 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 important activities included the installation and commissioning of cogeneration unit KGJ 15 in Nový Jičín, the expansion and modernisation of the distribution system in Zárubek, and the removal of a gas boiler house in Chlebovice.
  In addition, the Company successfully completed the implementation of an Anti-bribery Management System, and obtained certification for the system under ČSN ISO 37001.

The Company also achieved excellent results in its accident rate, with not a single lost-time injury recorded throughout the entire year of 2022.

The most important environmental and energy management projects in 2022 included the remediation of a contaminated site, i.e. the removal of a gas boiler house and gas regulation station at the Chlebovice site, including restoration of the land beneath the buildings. This project has a positive effect on the environment as well as on improvement of energy performance.

Other prominent projects running throughout 2022 were "Good Ideas" and "OHS Motivation of Employees", which successfully involved all employees.

The Veolia Run competition, supporting employees' sporting activities and the Veolia Foundation, was newly expanded to include hiking.

The Company also took part in the "International Health & Safety Week" organised by its parent Veolia Group, which focused on HiPo incidents, i.e. incidents with a high potential severity.

The Company spent the year unifying its concept for the management of OHS methodologies and standards throughout the Veolia Group. In 2022, work continued on implementing the "High-risk management standards" for ten selected high-risk activities: electricity, traffic management, hazardous materials, hot works, confined spaces, excavation & trenching, work at heights, high-pressure water jetting, control of hazardous energy (lock-out/tag-out) and lifting operations.

During 2022, 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.

**TABLE: Emissions produced in 2012–2022**

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| PM (t) | 3.3 | 2.4 | 3.9 | 3.8 | 2.1 | 2.1 | 2.3 | 1.9 | 1.1 | 1.5 | 1.9 |
| $SO_2$ (t) | 162.6 | 111.3 | 78.1 | 91.9 | 65.4 | 60.5 | 54.8 | 48.6 | 40.1 | 46.8 | 40.1 |
| $NO_x$ (t) | 160.9 | 104.9 | 74.8 | 73.9 | 60.0 | 57.4 | 47.0 | 45.1 | 40.2 | 49.3 | 45.1 |
| CO (t) | 24.4 | 16.5 | 9.8 | 15.9 | 21.0 | 19.0 | 12.3 | 12.2 | 9.6 | 18.4 | 20.7 |
| $CO_2$ (t) | 97 189 | 71 350 | 54 239 | 62 114 | 61 117.5 | 58 592 | 50 370 | 48 064.4 | 43 029 | 52 559 | 47 860 |

**CHART: Emissions produced in 2012–2022**

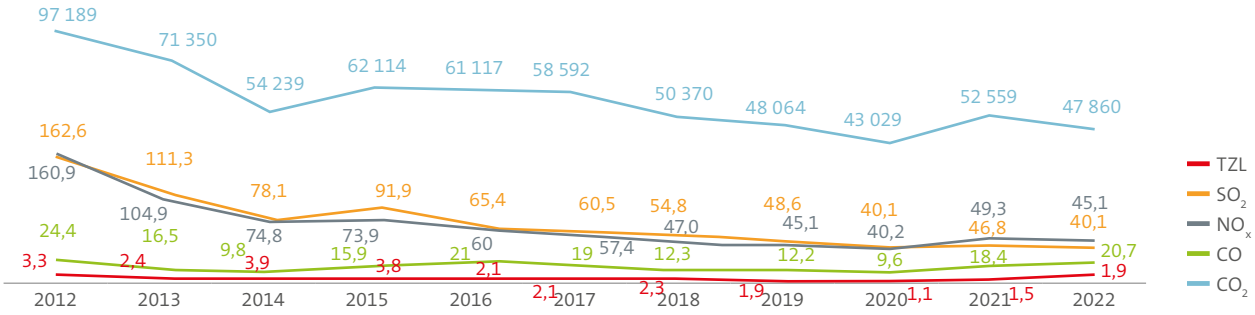


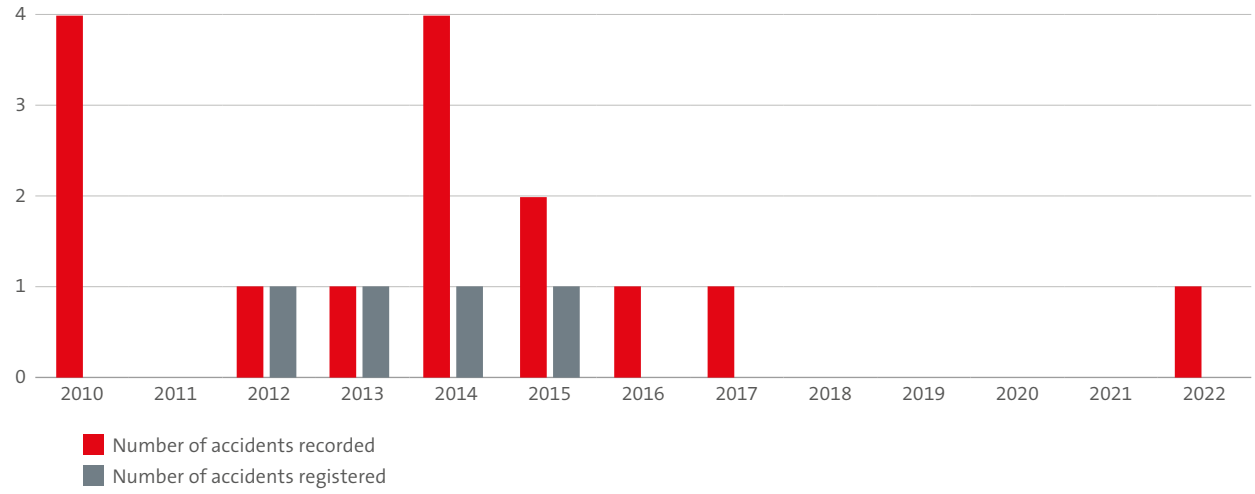

**TABLE: Total waste generated by VPS [tonnes per year] in 2012–2022**

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| 6951.10 | 4125.90 | 3219.25 | 4551.77 | 4169.88 | 4594.64 | 3522.56 | 3432.23 | 2814.17 | 3326.10 | 2827.27 |

**TABLE: Accident rate in 2010–2022**

| Rok | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Number of accidents recorded | 4 | 0 | 1 | 1 | 4 | 2 | 1 | 1 | 0 | 0 | 0 | 0 | 1 |
| Number of accidents registered | 0 | 0 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

**CHART: Accident rate in 2010–2022**



# HUMAN RESOURCES

## LABOR AND 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 137 employees (FTE) in 2022:

- of which 124 men and 13 women;
- of which 93 blue-collar occupations and 44 white-collar positions.

Of the total number, 18.2% of employees hold a university degree and 30.7% have completed secondary education with a school-leaving examination (maturita).

The average employee age in 2022 was 50.5 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 4 new employees in 2022.

As at 31 December 2022, in terms of the total years of service at the Company, 15 persons had been employed for up to 5 years, 16 for 10 years, 30 for 15 years, 9 for 20 years, 8 for 25 years and 59 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 Benefity 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 benefit accounts enable employees to choose from various freely combinable options for using the 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 HR Department to receive 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 2022, 0.65% of payroll expenses were spent on staff training and development.

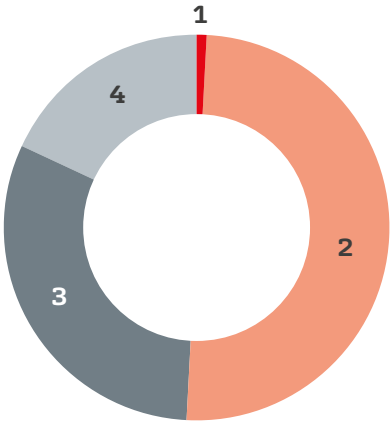
## APPRAISALS

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 and white-collar employees with tariff-based wages are set 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.

**CHART: Employee structure by education**



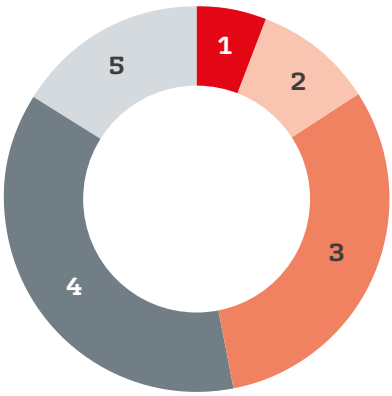

1 | Primary education
**1 %**

2 | High school without high school diploma
**50 %**

3 | High school diploma
**31 %**

4 | University
**18 %**

**CHART: Employee structure by age**




1 | up to 30 years
**5 %**

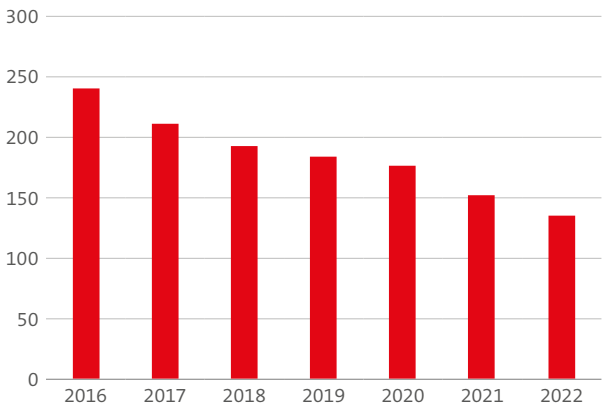
2 | up to 40 years
**12 %**

3 | up to 50 years
**26 %**

4 | up to 60 years
**39 %**

5 | over 60 years
**18 %**

**CHART: Average number of employees (FTE)**



# 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.

# 03 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

**Veolia Průmyslové služby ČR, a.s.**

## Income statement

| For the year ended 31 December<br>*In thousands of CZK* | Note | 2022 | 2021 |
|---|---|---|---|
| Revenue | 6 | 712 070 | 790 306 |
| Cost of sales | 7 | (607 624) | (644 580) |
| **Gross profit / (loss)** | | 104 446 | 145 726 |
| Administrative income | | (54) | 17 |
| Administrative expenses | 8 | (73 159) | (41 810) |
| Other operating expenses | | (2 697) | (6 562) |
| **Operating result** | | 28 536 | 97 371 |
| Finance income | 9 | 91 181 | 72 240 |
| Finance costs | 9 | (20 872) | (444) |
| **Profit / (loss) before income tax** | | 98 845 | 169 167 |
| Income tax expense | 10 | (10 269) | (29 832) |
| **Profit / (loss) for the period** | | **88 576** | **139 335** |

The Notes are an integral part of the financial statements.

**Veolia Průmyslové služby ČR, a.s.**

## Statement of comprehensive income

| **For the year ended 31 December**<br>*In thousands of CZK* | **2022** | **2021** |
|---|---|---|
| **Profit / (loss) for the period** | 88 576 | 139 335 |
| Changes in fair value of hedging instruments (may be reclassified to income statement)* | 1 043 | (950) |
| Employee benefits – actuarial gains / (losses) (not reclassified to income statement)* | 338 | 382 |
| **Other comprehensive income after tax** | **1 381** | **(568)** |
| **Total comprehensive income for the period** | **89 957** | **138 767** |

* 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: 04 May 2023

**Veolia Průmyslové služby ČR, a.s.**

## Statement of financial position

**As at 31 December**

| *In thousands of CZK* | Note | 2022 | 2021 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 11 | 218 042 | 102 352 |
| Intangible assets | 12 | 324 | 2 096 |
| Right-of-use | 25 | 16 362 | 149 |
| Financial interests | 13 | 199 847 | 217 647 |
| Lease receivables | 25 | -- | 76 548 |
| Long-term receivables | 14 | 94 908 | 105 208 |
| **Total non-current assets** | | 529 483 | 504 000 |
| | | | |
| Inventories | 16 | 1 122 | 2 058 |
| Lease receivables | 25 | 31 166 | 73 378 |
| Current tax assets | 10 | 12 083 | 19 262 |
| Trade and other receivables | 17 | 85 344 | 91 293 |
| Cash and cash equivalents | 18 | 117 165 | 1 031 599 |
| **Total current assets** | | 246 880 | 1 217 590 |
| **Total assets** | | **776 363** | **1 721 590** |
| | | | |
| **Equity** | | | |
| Registered capital | 19 | 429 000 | 429 000 |
| Reserves and other capital contributions | 19 | (390) | (1 433) |
| Retained profit / (loss) | | 90 810 | 139 896 |
| **Total equity** | | 519 420 | 567 463 |
| | | | |
| **Liabilities** | | | |
| Loans and borrowings | 21 | 15 064 | 19 313 |
| Employee benefits | 23 | -- | 735 |
| Provisions | 20 | 7 943 | 7 833 |
| Derivatives | | -- | -- |
| Deferred tax liabilities | 15 | 6 085 | 12 377 |
| **Total non-current liabilities** | | 29 092 | 40 258 |
| | | | |
| Trade and other payables | 23 | 217 615 | 1 098 258 |
| Loans and borrowings | 21 | 8 030 | 7 849 |
| Employee benefits | 22 | 384 | 726 |
| Provisions | 20 | 439 | 5 885 |
| Derivatives | | 1 383 | 1 151 |
| **Total current liabilities** | | 227 851 | 1 113 869 |
| **Total liabilities** | | 256 943 | 1 154 127 |
| **Total equities and liabilities** | | **776 363** | **1 721 590** |

The Notes are an integral part of the financial statements.

**Veolia Průmyslové služby ČR, a.s.**

## Statement of changes in equity

| *In thousands of CZK* | Registered capital | Statutory reserves | Other capital contributions | Cash flow hedges | Retained earnings | Total |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2022** | **1 560 000** | -- | | (482) | **(198 740)** | **1 360 778** |
| Loss 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** |
| Profit for the period | -- | -- | -- | -- | 88 576 | 88 576 |
| **Other comprehensive income** | | | | | | |
| Changes in fair value of hedging instruments | -- | -- | -- | 1 043 | -- | 1 043 |
| Employee benefits – actuarial gains | -- | -- | -- | -- | 338 | 338 |
| Total other comprehensive income | **--** | -- | -- | 1 043 | 338 | 1 381 |
| **Total comprehensive income for the period** | **--** | **--** | **--** | **1 043** | **88 914** | **89 957** |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| Rounding | -- | -- | -- | -- | -- | -- |
| Reduction in registered capital | -- | -- | -- | -- | -- | -- |
| Dividends | -- | -- | -- | -- | (138 000) | (138 000) |
| **Balance at 31 December 2022** | **429 000** | **--** | **--** | **(390)** | **90 810** | **519 420** |

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 | 2022 | 2021 |
|---|---|---|---|
| ***Cash flow from operating activities*** | | | |
| Profit / (loss) for the accounting period | | 88 576 | 139 335 |
| Depreciation and amortisation of non-current assets | 7,8 | 55 172 | 44 018 |
| Change in provisions | 7,8 | (6 361) | 4 896 |
| Net change in value of non-current assets | 7,8 | (33 012) | -- |
| Derecognition of lease contracts | | 5 436 | -- |
| Gain / (loss) on sale of property, plant and equipment | | (583) | (1 203) |
| Income from dividends | 9 | (66 000) | (44 674) |
| Net interest income and expense | 9 | (9 793) | (10 561) |
| Exchange rate gains and losses | 9 | -- | 7 |
| Interest expense on lease liabilities | | 1 275 | 153 |
| Other financial income and expenses | 9 | (15 108) | (16 203) |
| Other items | | 43 | 1 441 |
| Income (expenses) from the settlement of derivatives | | 1 519 | (517) |
| Income tax | 10 | 10 269 | 29 832 |
| | | **31 433** | **146 524** |
| ***Change in the working capital*** | | | |
| Receivables | 14, 17 | 6 693 | (3 082) |
| Payables | 23 | (9 895) | (12 050) |
| Inventories | 16 | 919 | 1 427 |
| **Cash flow from operating activities** | | 29 150 | 132 819 |
| Income tax paid | 10 | (9 705) | (35 728) |
| **Net cash flow from operating activities** | | **19 445** | **97 091** |
| ***Cash flow from investing activities*** | | | |
| Acquisition of fixed assets | | (54 608) | (40 593) |
| Proceeds from the sale of property, plant and equipment | | 583 | 1 203 |
| Payments of lease receivables | 27 | 123 491 | 56 517 |
| Dividends received | 9 | 66 000 | 44 674 |
| **Net cash flow from (used in) investing activities** | | **135 466** | **61 801** |
| ***Cash flow from financing activities*** | | | |
| Interest received | 9 | 9 793 | 10 561 |
| Payments of lease liabilities | | (9 058) | (7 906) |
| Dividends paid | 19 | (1 070 080) | -- |
| **Net cash flow from (used in) financing activities** | | **(1 069 345)** | **2 655** |
| Net increase (decrease) in cash and cash equivalents | | (914 434) | 161 547 |
| Cash and cash equivalents at 1 January | 18 | 1 031 599 | 870 052 |
| **Cash and cash equivalents at 31 December** | 18 | 117 165 | 1 031 599 |

The Notes are an integral part of the financial statements.

**Veolia Průmyslové služby ČR, a.s.**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022**

## 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, heat and hot water production and distribution, and compressed air production for mining operations of OKD, a.s. and DIAMO, státní podnik. 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% (2021: 100%). The Company is one of the leading electricity traders on the Czech market and a gas trader.

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% (2021: 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 04 May 2023.

### *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 financial statements have been prepared on the assumption that the entity is a going concern and intends to continue its operations for the foreseeable future. Assets and liabilities are therefore recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

**Veolia Průmyslové služby ČR, a.s.**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022**

***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) New standards, interpretations and amendments to existing standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union but not yet effective*
The following new and amended standards are effective for the annual period that began on or after 1 January 2022 with a possible early adoption. In preparing these financial statements, the Company did not adopt early any new or amended standards and does not expect them to have a significant impact on its financial statements after their adoption

- Non-current Liabilities with Covenants (Amendments to IAS 1);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);
- Lease Liability in a Sale and Leaseback (Amendments to IAS 16);
- IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts;

*(ii) Applied standards*
New standards, interpretations and amendments to existing standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union effective for the period that began on 1 January 2022

- IAS 16: Property, Plant and Equipment – Proceeds before intended use;
- Annual improvements to IFRS – 2018–2020, this scope includes amendments to the following standards:
  - IFRS 9 Financial Instruments
  - IFRS 16 Leases

**Veolia Průmyslové služby ČR, a.s.**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022**

- IAS 41 Agriculture

- IAS 37 Onerous Contracts – Cost of Fulfilling

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

## 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. As of 2022, the Company does not translate the values of prepaid advance payments that will be accounted for in a final billing at the date of the statement of financial position.

### *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. In the case of FX forward contracts the hedging instrument is designated to be the spot component. 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.
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.

If external financing is used, the acquisition cost of property, plant and equipment may include a proportionate part of the borrowing costs incurred until the asset is brought into use. The same also applies to intangible assets.

*(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 |

**Veolia Průmyslové služby ČR, a.s.**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022**

***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:

| | |
|---|---|
| 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 $CO_2$ 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 2022, the Company purchased units obtained by investing in project mechanisms under the Kyoto Protocol (EUA), which it expected to use in 2022 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 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 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*

**Veolia Průmyslové služby ČR, a.s.**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022**

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 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.

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 impairment test was performed for two defined cash-generating units.

- Cash-generating unit – assets related to mining activities – assets related mainly to the sale of heat, electricity and compressed air to the customer OKD, a.s.
- Cash-generating unit – other assets – assets related mainly to the sale of heat and distribution of electricity to customers other than OKD, a.s.

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

| | 2022 | 2021 |
|---|---|---|
| Discount rate | 7.7% | 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 projected value fluctuates considerably in the first years of the cash flow model, as it is impacted in particular by the planned termination of OKD's mining operations and the associated cash flows.

***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.

*(i) Site restoration*

In accordance with the Company's published environmental policy and applicable legal requirements, a provision for site restoration and land decontamination is recognised when the land is contaminated. The provision recognised represents the best estimate of the expenditures required to settle the present obligation at the date of the statement of financial position. Changes in the liability that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognised as the related assets. However, to the extent that such a treatment would result in negative assets, the effect of the change is recognised in the income statement.

*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.

*Sales of heat and compressed air*

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.

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.

*(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 2022, the Company holds cash and cash equivalents of CZK 117,165,000 (31 December 2021: CZK 1,031,599,000). 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 2022 nor 2021 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 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:

**Veolia Průmyslové služby ČR, a.s.**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022**

| *In thousands of CZK* | **2022** | **2021** |
|---|---|---|
| Total liabilities | 256 943 | 1 154 127 |
| Cash and cash equivalents | (117 165) | (1 031 599) |
| Net debt | 139 778 | 122 528 |
| Total equity | 519 420 | 567 463 |
| Cash flow from hedges | 1 043 | (950) |
| Adjusted equity | 520 463 | 566 513 |
| Debt to adjusted equity | 0,27 | 0,22 |

## 6. Revenue

| *In thousands of CZK* | **2022** | **2021** |
|---|---|---|
| Revenue from sale of heat and related products | 92 911 | 169 206 |
| Revenue from sale and re-sale of electricity and ancillary services | 383 778 | 443 219 |
| Revenue from the sale of compressed air | 179 456 | 86 459 |
| Other operating revenue | 55 925 | 91 422 |
| Total | 712 070 | 790 306 |

| *In thousands of CZK* | **2022** | **2021** |
|---|---|---|
| Industry | 691 398 | 748 004 |
| Public sector | 20 387 | 41 995 |
| Households | 285 | 307 |
| Total | 712 070 | 790 306 |

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 2021 and the actual final invoicing for 2022 was CZK 14,000.

Of the contract liabilities recorded as at 31 December 2021 CZK 6,784,000 were recognised in revenue for 2022.

No clients were connected or disconnected in 2022 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.

The company also operates cogeneration units supplying electricity and heat to industry and households.

**Veolia Průmyslové služby ČR, a.s.**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022**

## 7. Cost of sales

| *In thousands of CZK* | 2022 | 2021 |
|---|---|---|
| Personnel expenses | (117 045) | (113 504) |
| Depreciation expense | (42 903) | (32 506) |
| Right-of-use depreciation | (9 646) | (8 966) |
| Impairment | -- | -- |
| Consumption of fuel | (100 088) | (77 320) |
| Consumption of raw materials, energy, services, and other | (329 193) | (374 365) |
| Change in provisions for assets | 50 814 | -- |
| Change in provisions | 6 415 | (4 567) |
| Compensation from insurers | 297 | -- |
| Consumption of emission allowances | (66 275) | (33 352) |
| Total | (607 624) | (644 580) |

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. This testing resulted in the reduction of the total amount of the provision by CZK 50,814,000.

**Provision**

| *In thousands of CZK* | Note | 2022 | 2021 |
|---|---|---|---|
| Property, plant and equipment | 11 | 336 136 | 391 001 |
| Lease receivables | 25 | 64 496 | 49 581 |
| Right-of-use IFRS 16 | 25 | 18 679 | 29 543 |
| Total | | 419 311 | 470 125 |

*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:

*Results of the impairment test*

| ***In thousands of CZK at 31 December 2022*** | **Asset value before impairment** | **Impairment** | **Net asset value after impairment** |
|---|---|---|---|
| Assets related to mining activities | 232 382 | (113 094) | 119 288 |
| Other assets | 452 825 | (306 219) | 146 606 |
| **Total** | **685 207** | **(419 313)** | **265 894** |

Net value after impairment represents the asset's calculated value in use. Due to the increased activity of OKD and higher than expected energy consumption, a provision of CZK 50,814,000 was released in 2022 for the cash-generating unit "assets related to mining activities".

**Veolia Průmyslové služby ČR, a.s.**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022**

## 8. Administrative expenses

| *In thousands of CZK* | **2022** | **2021** |
|---|---|---|
| Personnel expenses | (10 043) | (9 284) |
| Amortisation | (828) | (703) |
| Right-of-use amortisation | (1 795) | (1 842) |
| Management costs | (18 568) | (17 592) |
| Cost of raw materials and services and other expenses | (41 925) | (12 389) |
| Total | (73 159) | (41 810) |

The increase in the item "Cost of raw materials and services and other expenses" was mainly due to higher costs for strategic and expert consultancy in the field of energy projects related to expanding the use of cogeneration units, preparation of projects for grant calls, and expert analyses for new and acquisition projects.

## 9. Finance income and expenses

| *In thousands of CZK* | **2022** | **2021** |
|---|---|---|
| Interest income | 9 793 | 10 561 |
| Income from dividends | 66 000 | 44 674 |
| Foreign exchange gain | 114 | 34 |
| Discount of lease receivables | 15 274 | 16 352 |
| Other finance income | -- | 619 |
| Total finance income | 91 181 | 72 240 |

| | | |
|---|---|---|
| Foreign exchange loss | (112) | (41) |
| Discount of provisions | (129) | (112) |
| Discount of lease liabilities | (1 275) | (153) |
| Decrease in value of financial assets | (17 800) | -- |
| Other finance expenses | (1 556) | (138) |
| Total finance expenses | (20 872) | (444) |

**Veolia Průmyslové služby ČR, a.s.**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022**

## 10. Income tax expense

***Recognised in the income statement***

| *In thousands of CZK* | | |
|---|---|---|
| ***Current tax*** | **2022** | **2021** |
| Current year | (16 176) | (23 732) |
| Adjustments for prior periods | (708) | (4 641) |
| | (16 884) | (28 373) |
| ***Deferred tax*** | | |
| Effect of the change in temporary differences | 6 615 | (1 459) |
| Total income tax expense in income statement | (10 269) | (29 832) |

***Reconciliation of effective tax rate***

| *In thousands of CZK* | **2022** | **2021** |
|---|---|---|
| Profit / (loss) before income tax | 98 845 | 169 167 |
| Income tax calculated using the domestic corporate income tax rate | (18 781) | (32 142) |
| Effect of non-deductible expenses | (3 374) | (934) |
| Effect of tax-exempt income | 12 540 | 8 489 |
| Effect of tax deduction | 54 | 63 |
| Adjustments for prior periods and other adjustments | (708) | (5 308) |
| Total income tax expense in income statement | (10 269) | (29 832) |

The income tax overpayment is reported in Current tax assets and amounts to CZK 12,083,000 (2021: CZK 19,262,000). A current tax asset represents particularly a corporate income tax estimate of CZK 16,176,000 (2021: CZK 23,732,000) reduced by income tax advances paid in an amount of CZK 28,259,000 (2021: CZK 42,994,000).

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:

| *In thousands of CZK* | **2022** | **2021** |
|---|---|---|
| Actuarial gains / (losses): before taxation | 417 | 442 |
| Tax | (79) | (84) |
| After taxation | 338 | 358 |
| | | |
| Changes in fair value of cash flow hedge: before taxation | 1 288 | (1 173) |
| Tax | (245) | 223 |
| After taxation | 1 043 | (950) |

**Veolia Průmyslové služby ČR, a.s.**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022**

## 11. Property, plant and equipment

| *Acquisition cost (in thousands of CZK)* | Balance at 1 January 2022 | Additions/transfers | Impairment losses | Disposals | Balance at 31 December 2022 |
|---|---|---|---|---|---|
| Land | 5 616 | 80 | -- | -- | 5 696 |
| Buildings and constructions | 457 235 | (2 757) | -- | (10 324) | 444 154 |
| Plant and equipment, and other assets | 520 342 | 6 509 | -- | (11 348) | 515 503 |
| Under construction and advances | 4 038 | 94 529 | -- | -- | 98 567 |
| **Total** | **987 231** | **98 361** | **--** | **(21 672)** | **1 063 920** |
| | | | | | |
| ***Depreciation and impairment losses (in thousands of CZK)*** | | | | | |
| Land | (4 986) | -- | 2 882 | -- | (2 104) |
| Buildings and constructions | (414 952) | (7 869) | 50 318 | 10 324 | (362 179) |
| Plant and equipment, and other assets | (464 941) | (29 667) | 62 363 | 11 348 | (420 897) |
| Under construction and advances | -- | -- | (60 698) | -- | (60 698) |
| **Total** | **(884 879)** | **(37 536)** | **54 865** | **21 672** | **(845 878)** |

| *Acquisition cost (in thousands of CZK)* | Balance at 1 January 2021 | Additions/transfers | Impairment losses | Disposals | Balance at 31 December 2021 |
|---|---|---|---|---|---|
| Land | 5 616 | -- | -- | -- | 5 616 |
| Buildings and constructions | 446 268 | 17 166 | -- | (6 199) | 457 235 |
| Plant and equipment, and other assets | 536 047 | 5 975 | -- | (21 680) | 520 342 |
| Under construction and advances | 15 679 | (11 641) | -- | | 4 038 |
| **Total** | **1 003 610** | **11 500** | **--** | **(27 879)** | **987 231** |
| | | | | | |
| ***Depreciation and impairment losses (in thousands of CZK)*** | | | | | |
| Land | (4 478) | (508) | -- | -- | (4 986) |
| Buildings and constructions | (436 203) | 15 052 | -- | 6 199 | (414 952) |
| Plant and equipment, and other assets | (506 688) | 20 067 | -- | 21 680 | (464 941) |
| Under construction and advances | -- | -- | -- | -- | -- |
| **Total** | **(947 369)** | **34 611** | **--** | **27 879** | **(884 879)** |

| *Carrying amount (in thousands of CZK)* | At 1 January 2022 | At 31 December 2021 | At 31 December 2022 |
|---|---|---|---|
| Land | 1 138 | 630 | 3 592 |
| Buildings and constructions | 10 065 | 42 283 | 81 975 |
| Plant and equipment, and other assets | 29 359 | 55 401 | 94 606 |
| Under construction and advances | 15 679 | 4 038 | 37 869 |
| **Total** | **56 241** | **102 352** | **218 042** |

As at 31 December 2022, the value of the tangible assets has been reduced by a provision totalling CZK 335,370,000 (2021: CZK 390,235,000) after an impairment test (see Note 7). In the course of the year, the part of the provision recognised last year corresponding to those parts of non-current assets and leased assets that were retired during the year (see paragraph 25) was adjusted.

*Planned investment*

Investments of CZK 10,468,000 are planned for 2023.

*Grants*

In 2022, the Company received an investment subsidy of CZK 7,596,000 (2021: CZK 2,984,000).

## Veolia Průmyslové služby ČR, a.s.

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

### 12. Intangible assets

| *Acquisition cost (in thousands of CZK)* | Balance at 1 January 2022 | Additions/transfers | Impairment losses | Disposals | Balance at 31 December 2022 |
|---|---|---|---|---|---|
| Software | 11 563 | 415 | | (349) | 11 629 |
| Other | 19 180 | -- | -- | -- | 19 180 |
| Under construction and advances | -- | -- | -- | -- | -- |
| **Total** | **30 743** | **415** | **--** | **-349** | **30 809** |
| | | | | | |
| ***Depreciation and impairment losses (in thousands of CZK)*** | | | | | |
| Software | (9 467) | (2 187) | -- | 349 | (11 305) |
| Other | (19 180) | -- | -- | -- | (19 180) |
| Under construction and advances | -- | -- | -- | -- | -- |
| **Total** | **(28 647)** | **(2 187)** | **--** | **349** | **(30 485)** |

| *Acquisition cost (in thousands of CZK)* | Balance at 1 January 2021 | Additions/transfers | Impairment losses | Disposals | Balance at 31 December 2021 |
|---|---|---|---|---|---|
| Software | 9 076 | 2 492 | -- | (5) | 11 563 |
| Other | 19 180 | -- | -- | -- | 19 180 |
| Under construction and advances | -- | -- | -- | -- | -- |
| **Total** | **28 256** | **2 492** | **--** | **(5)** | **30 743** |
| | | | | | |
| ***Depreciation and impairment losses (in thousands of CZK)*** | | | | | |
| Software | (9 061) | (406) | -- | -- | (9 467) |
| Other | (19 180) | -- | -- | -- | (19 180) |
| Under construction and advances | -- | -- | -- | -- | -- |
| **Total** | **(28 241)** | **(406)** | **--** | **--** | **(28 647)** |

| *Carrying amount (in thousands of CZK)* | At 1 January 2021 | At 31 December 2021 | At 31 December 2022 |
|---|---|---|---|
| Software | 15 | 2 096 | 324 |
| Other | -- | -- | -- |
| Under construction and advances | -- | -- | -- |
| **Total** | **15** | **2 096** | **324** |

**Veolia Průmyslové služby ČR, a.s.**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022**

## 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% |

| *In thousands of CZK* | 2022 | 2021 |
|---|---|---|
| Veolia Komodity ČR, s.r.o. | 199 847 | 199 847 |
| Veolia Powerline Kaczyce Sp. z o.o. | -- | 17 800 |
| Total in subsidiaries | 199 847 | 217 647 |

Following an impairment test, the value of the share in Veolia Powerline Kaczyce Sp. z o.o. has been reduced by a provision totalling CZK 392,275,000. In 2022 the value of this provision increased by CZK 17,800,000.

## 14. Long-term receivables

| *In thousands of CZK* | 2022 | 2021 |
|---|---|---|
| Long-term receivables from Group companies (see Note 27) | 94 908 | 105 208 |
| Total long-term receivables | 94 908 | 105 208 |

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 2022

## 15. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

**Deferred tax**

| *In thousands of CZK* | Assets | | Liabilities | | Difference | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Property, plant and equipment | 79 669 | 89 324 | (87 029) | (105 772) | (7 360) | (16 448) |
| Inventories | 6 | 3 | -- | -- | 6 | 3 |
| Provisions | 1 592 | 3 205 | -- | (321) | 1 592 | 2 884 |
| Right-of-use | 289 | 321 | (2 064) | -- | (1 775) | 321 |
| Other items | 1 852 | 987 | (400) | (124) | 1 452 | 863 |
| Deferred tax assets / (liabilities) | 83 408 | 93 840 | (89 493) | (106 217) | (6 085) | (12 377) |

The row Property, Plant and Equipment includes deferred tax in respect of the amount receivable for the lease of a business.

**Movement in deferred tax assets and liabilities during the year**

| *In thousands of CZK* | Balance at 1 January 2022 | Recognised in income statement | Recognised in equity | Balance at 31 December 2022 |
|---|---|---|---|---|
| Property, plant and equipment | (16 448) | 9 088 | -- | (7 360) |
| Inventories | 3 | 3 | -- | 6 |
| Provisions | 2 884 | (1 292) | | 1 592 |
| Right-of-use | 321 | (2 096) | -- | (1 775) |
| Other items | 863 | 265 | 324 | 1 452 |
| Total | (12 377) | 5 968 | 324 | (6 085) |

| *In thousands of CZK* | Balance at 1 January 2021 | Recognised in income statement | Recognised in equity | Balance at 31 December |
|---|---|---|---|---|
| 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) |

## 16. Inventories

| *In thousands of CZK* | 2022 | 2021 |
|---|---|---|
| Material and fuel | 1 122 | 1 245 |
| Emission allowances | -- | 813 |
| Total | 1 122 | 2 058 |

As at 31 December 2022 the Company recorded a provision reducing the value of materials by CZK 34,000 (2021: CZK 18,000).

*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* | 2022 | 2021 |
|---|---|---|
| Trade receivables due from related parties (see Note 27) | 42 078 | 35 574 |
| Trade receivables due from third parties | 41 735 | 46 584 |
| Contract assets | 1 273 | 1 852 |
| Other receivables | 258 | 7 283 |
| Total | 85 344 | 91 293 |

As at 31 December 2022, trade receivables are recognised in an amount reduced by a provision for doubtful debts, amounting to CZK 744,000 (2021: CZK 999,000 (see Note 24). Most are provisions for receivables from debtors in insolvency proceedings.

## 18. Cash and cash equivalents

| *In thousands of CZK* | 2022 | 2021 |
|---|---|---|
| Current bank accounts | 300 | 320 |
| Cash in hand | 72 | 63 |
| Total cash | 372 | 383 |
| Cash pooling receivables | 116 793 | 1 031 216 |
| Total cash in compliance with statement of cash flows | 117 165 | 1 031 599 |

## 19. Capital and reserves

***Reconciliation of movement in capital and reserves***

As at 31 December 2022, the registered capital amounted to 15,600 dematerialised registered ordinary shares, each with a nominal value of CZK 27,500 (2021: CZK 27,500).

*Reserves and other capital contributions*

As at 31 December 2022, reserves and other capital contributions are comprised of other capital contributions of CZK (390,000) (2021: CZK (1,433,000)). Other capital contributions were mostly comprised of the effects of the exchange rate hedging.

*Dividend per share*
2021 profits were distributed as a dividend payment in the amount of CZK 138,000,000 (2021: CZK 0). 2020 profits were distributed in 2022 as a dividend payment in the amount of CZK 932,080,000.

**Veolia Průmyslové služby ČR, a.s.**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022**

## 20. Provisions

In 2022, the Company released a provision for unavoidable future costs arising from agreements signed in the current year in the amount of CZK 5,500,000.

The Company has agreed to restore the land once OKD's mining activity and the operation of the Company's equipment end.

| *In thousands of CZK* | Balance at 1 January 2022 | Provisions created | Provisions used | Provisions unused | Unwinding of discount | Balance at 31 December 2022 | Non-current | Current |
|---|---|---|---|---|---|---|---|---|
| Site restoration | 7 833 | -- | -- | -- | 110 | 7 943 | 7 943 | -- |
| Other provisions | 5 885 | 3 529 | (3 475) | (5 500) | -- | 439 | -- | 439 |
| **Total** | **13 718** | **3 529** | **(3 475)** | **(5 500)** | **110** | **8 382** | **7 943** | **439** |

## 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.

| *In thousands of CZK* | **2022** | **2021** |
|---|---|---|
| *Non-current:* | | |
| Right-of-use liability | 15 064 | 19 313 |
| *Current:* | | |
| Right-of-use liability | 8 030 | 7 849 |
| Total | 23 094 | 27 162 |

## 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 2022**

***Movements in the liability for defined benefit obligations***

| *In thousands of CZK* | **2022** | **2021** |
|---|---|---|
| Liability for defined benefit obligations at 1 January | 1 461 | 2 528 |
| Benefits paid | (703) | (125) |
| Current service costs | 26 | 134 |
| Interest | 18 | 20 |
| Actuarial (gains) losses recognised in equity | (418) | (442) |
| Actuarial (gains) losses recognised in income statement | -- | -- |
| Decrease of assumption | -- | (654) |
| Liability for defined benefit obligations at 31 December | 384 | 1 461 |
| Non-current | -- | 735 |
| Current | 384 | 726 |

| **Actuarial assumptions** | **2022** | **2021** |
|---|---|---|
| Discount rate at 31 December | 5,25% | 2,50% |
| 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 2022 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 2022.

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 2022 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:

**Veolia Průmyslové služby ČR, a.s.**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022**

| *In thousands of CZK* | **Discount rate increase +0.25%** | **Discount rate increase +0.25%** |
|---|---|---|
| Liability for defined benefit obligations at 31 December 2022 | 383 | 385 |
| Current service costs next year | 14 | 14 |

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

| *In thousands of CZK* | **2022** | **2021** |
|---|---|---|
| Trade payables to related parties (see Note 27) | 80 216 | 957 837 |
| Trade payables to third parties | 108 187 | 108 091 |
| Contract payables | 10 301 | 15 064 |
| Other payables | 18 911 | 17 266 |
| Total | 217 615 | 1 098 258 |

Other payables in 2022 included a VAT liability of CZK 4,393,000 (2021: CZK 2,818,000).

*Reconciliation of liabilities and cash flow statement*

| *In thousands of CZK* | | **Lease liabilities** | **Other payables** | **Total** |
|---|---|---|---|---|
| Balance at 1 January 2022 | | 27 162 | -- | 27 162 |
| Interest expense | 9 | 1 275 | -- | 1 275 |
| Interest paid | 25 | (1 275) | -- | (1 275) |
| Transfers | 25 | -- | -- | -- |
| Payments of lease liabilities | 25 | (9 058) | -- | (9 058) |
| Change in lease | 25 | 4 990 | -- | 4 990 |
| Balance at 31 December 2022 | | 23 094 | -- | 23 094 |

| *In thousands of CZK* | | **Lease liabilities** | **Other payables** | **Total** |
|---|---|---|---|---|
| Balance at 1 January 2021 | | 44 556 | 7 723 | 52 279 |
| Interest expense | 9 | 135 | 18 | 153 |
| Interest paid | 25 | (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 | -- | 27 162 |

## 24. Financial instruments

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

| *In thousands of CZK* | Note | Carrying amount 2022 | Carrying amount 2021 |
|---|---|---|---|
| Trade and other receivables | 17 | 85 344 | 91 293 |
| Long-term receivables | 14 | 94 908 | 105 208 |
| Current tax assets | 10 | 12 083 | 19 262 |
| Cash and cash equivalents | 18 | 117 165 | 1 031 599 |
| Total | | 309 500 | 1 247 362 |

*Impairment loss*

| ***In thousands of CZK*** | Nominal value 2022 | Impairment 2022 | Nominal value 2021 | Impairment 2021 |
|---|---|---|---|---|
| Not yet due | 192 305 | -- | 215 752 | -- |
| 0–90 days overdue | 30 | -- | 11 | -- |
| 90–180 days overdue | -- | -- | -- | -- |
| 180–360 days overdue | -- | -- | -- | -- |
| More than 1 year overdue | 744 | 744 | 999 | 999 |
| Total | 193 079 | 744 | 216 762 | 999 |

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

| *In thousands of CZK* | 2022 | 2021 |
|---|---|---|
| Balance at 1 January | (999) | (1 001) |
| Establishment | (89) | (60) |
| Utilisation | 344 | 62 |
| Balance at 31 December | (744) | (999) |

**Veolia Průmyslové služby ČR, a.s.**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022**

***Liquidity risk***

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

**At 31 December 2022**

| *In thousands of CZK* | **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 | 217 615 | 217 615 | 217 615 | -- | -- | -- | -- |
| Total | 217 615 | 217 615 | 217 615 | -- | -- | -- | -- |

**At 31 December 2021**

| *In thousands of CZK* | **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 | -- | -- | -- | -- |
| Total | 1 098 258 | 1 098 258 | 1 098 258 | -- | -- | -- | -- |

***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.

| *In thousands of EUR* | **2022** | **2021** |
|---|---|---|
| Trade receivables | -- | -- |
| Trade payables | (27) | (30) |
| **Total** | **(27)** | **(30)** |

***Interest rate risk***

As at 31 December 2022, 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 23,094,000 (2021: CZK 27,162,000). The maturities fall from 2023 to 2031.

***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 2022 would have decreased/increased by CZK 0.5 million (2021: decrease/increase by CZK 4.15 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 7% to 23%.

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.

| ***Amounts recognised in the income statement*** | **2022** | **2021** |
|---|---|---|
| (Income)/ Expenses from short-term leases | (70) | 343 |
| Costs related to variable lease payments | 726 | 604 |
| Other expenses | 741 | 1 018 |
| Total | 1 397 | 1 965 |

| *Other* | **2022** | **2021** |
|---|---|---|
| Interest expense on lease liabilities | 1 275 | 135 |
| Interest income from lease receivables | (15 274) | (16 352) |

| ***Amounts disclosed in the statement of cash flows*** | **2022** | **2021** |
|---|---|---|
| Total cash outflow for leases | (9 058) | (7 906) |

**Veolia Průmyslové služby ČR, a.s.**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022**

***Contractual cash flow***

**At 31 December 2022**

| *In thousands of CZK* | **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 | 15 064 | 17 443 | -- | -- | 4 318 | 7 950 | 5 175 |
| Right-of-use liability – current | 8 030 | 9 105 | 9 105 | -- | -- | -- | -- |
| Total | 23 094 | 26 548 | 9 105 | -- | 4 318 | 7 950 | 5 175 |

**At 31 December 2021**

| *In thousands of CZK* | **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 |

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.

**Right-of-use assets**

| *Acquisition cost (in thousands of CZK)* | Balance at 1 January 2022 | Additions/transfers | Impairment losses | Disposals | Balance at 31 December 2022 |
|---|---|---|---|---|---|
| Property, land, buildings | 21 579 | 4 879 | -- | -- | 26 458 |
| Plant and equipment, and other assets | 49 615 | 15 195 | -- | -- | 64 810 |
| **Total** | **71 194** | **20 074** | **--** | **--** | **91 268** |
| | | | | | |
| ***Depreciation and impairment losses (in thousands of CZK)*** | | | | | |
| Property, land, buildings | (21 520) | (4 342) | 6 612 | -- | (19 250) |
| Plant and equipment, and other assets | (49 525) | (10 806) | 4 252 | 423 | (55 656) |
| **Total** | **(71 045)** | **(15 148)** | **10 864** | **423** | **(74 906)** |

| *Acquisition cost (in thousands of CZK)* | Balance at 1 January 2021 | Additions/transfers | Impairment losses | Disposals | Balance at 31 December 2021 |
|---|---|---|---|---|---|
| Property, land, buildings | 13 374 | 8 350 | -- | (145) | 21 579 |
| Plant and equipment, and other assets | 68 548 | 1 021 | -- | (19 954) | 49 615 |
| **Total** | **81 922** | **9 371** | **--** | **(20 099)** | **71 194** |
| | | | | | |
| ***Depreciation and impairment losses (in thousands of CZK)*** | | | | | |
| Property, land, buildings | (3 943) | (5 340) | (12 237) | -- | (21 520) |
| Plant and equipment, and other assets | (35 844) | (5 468) | (17 306) | 9 093 | (49 525) |
| **Total** | **(39 787)** | **(10 808)** | **(29 543)** | **9 093** | **(71 045)** |

| *Carrying amount (in thousands of CZK)* | At 1 January 2021 | At 31 December 2021 | At 31 December 2022 |
|---|---|---|---|
| Property, land, buildings | 9 431 | 59 | 7 208 |
| Plant and equipment, and other assets | 32 704 | 90 | 9 154 |
| **Total** | **42 135** | **149** | **16 362** |

At 31 December 2022 the value of the right of use under IFRS 16 is reduced by a provision totalling CZK 18,679,000 (2021: CZK 29,543). The value of this provision was thus reduced by CZK 10,864,000.

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 2022, the balance of the receivable under this contract was CZK 119,911,000 (2021: CZK 129,720,000); the non-current portion was CZK 94,908,000 (2021: CZK 105,208,000) (see Note 14) and the current portion was CZK 25,003,000 (2021: CZK 24,512,000), recognised in the line Trade and other receivables due from related parties (see Note 17).

**Veolia Průmyslové služby ČR, a.s.**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022**

The lease payments are due over the following periods:

| 2022 | Payments at 31 December 2022 | Future lease payments | Due within 1 year | Due in 1 to 5 years | Due in subsequent years |
|---|---|---|---|---|---|
| Heat for households | 252 502 | 190 203 | 25 585 | 107 559 | 57 059 |
| Total | 252 502 | 190 203 | 25 585 | 107 559 | 57 059 |

| 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 |

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 2022, interest income was CZK 15,274,000 (2021: CZK 16,352,000); see Note 9. Interest income – Right-of-use.

***Lease receivables***

| *In thousands of CZK* | 2022 | 2021 |
|---|---|---|
| Long-term lease receivables | -- | 76 548 |
| Short-term lease receivables | 31 166 | 73 378 |

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 2022, the value of the lease receivable is impaired by a loss allowance totalling CZK 64,496,000 (2021: CZK 49,581,000). The value of this loss allowance was thus increased by CZK 14,915,000.

## 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.

| *In thousands of CZK* | 2022 | 2021 |
|---|---|---|
| Employee compensation | 3 964 | 3 544 |
| Long-term benefits | 6 | 10 |
| Total employee compensation | 3 970 | 3 554 |

**Veolia Průmyslové služby ČR, a.s.**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022**

## 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 | 2022 | 2021 |
|---|---|---|
| Purchases | (309 010) | (144 800) |
| Sales | 74 166 | 19 930 |
| Finance costs | 605 | -- |
| Finance income | 25 067 | 26 913 |

| In thousands of CZK | 2022 | 2021 |
|---|---|---|
| Receivables | 136 986 | 140 782 |
| Payables | (80 216) | (957 837) |
| Financial liabilities | 11 204 | -- |

In addition to the above, the Company also holds derivative instruments – liabilities valued at CZK 1,384,000 (2021: CZK 1,151,000)

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

The Company is involved in a cash pool with Veolia Environnement Finance (see Note 18). The cash pool balance is a receivable of CZK 116,793,000 (2021: a receivable of CZK 1,031,216,000). The balance of the receivable from the cash pool is not listed in the above table.

In 2022 the Company received a dividend from its subsidiary Veolia Komodity ČR, s.r.o. in the amount of CZK 66,000,000 (2021: CZK 44,674,000) which is not listed in the table above.

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 119,911,000 (2021: CZK 129,720,000) and is reflected in the above table.

## 28. Subsequent events

No events occurred between the date of the statement of financial position and the date of preparation of the financial statements that would have any material impact on the financial statements as at 31 December 2022, or that should be disclosed in the financial statements.

# 04 REPORT ON RELATED PARTIES

# Report on Related Parties
# i.e. report on 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 2022

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 24 February 2023.

The accuracy of the disclosures contained herein was reviewed by the auditors, KPMG Česká republika Audit, s.r.o.

The Report has been prepared for the accounting period of 2022.

## 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 2022, 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<br>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 S.A.** |
| **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 S.A.** |
| **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 ENERGIE ET VALORISATION SAS** |
| **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:** | **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:** **RECOVERA CZ, a.s.** (formerly JVCD, a.s.)
**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 11405, Companies Register maintained by the Ostrava Regional Court (formerly B 2321, Companies Register maintained by the Prague Municipal Court)
**Legal form:** Public limited company
The Company changed its name on 19 January 2022, its registered office on 17 February 2022, and its file number and the registry court of local jurisdiction on 19 April 2022.

**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.:** 141 189 229, Regional Registry Court in Bielsko-Biała
**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 GENERALE DES EAUX SCA**
**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 S.A.**
**Registered office:** 21 rue La Boétie, 75008 Paris, France
**Company No.:** B 433 934 809 RCS 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

**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:** **Vodárna Zlín a.s.**
**Registered office:** třída Tomáše Bati 383, Louky, 763 02 Zlín
**Company No.:** 142 37 083
**File number:** B 8672, Companies Register maintained by the Brno Regional Court
**Legal form:** Public limited company
The company was incorporated and became part of the Group on 09 February 2022.

**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:** Víta 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:** **1. 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 – MEMSEP, a.s.** (formerly 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
The company name changed on 21 October 2022.

**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
**Company No.:** 247 15 964
**File number:** C 168333, Companies Register maintained by the Prague Municipal Court
**Legal form:** Private limited company

**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.** – struck off the register at 1 January 2023
**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
In accordance with the draft terms of a merger by acquisition of 24 October 2022, VWS MEMSEP s.r.o. was dissolved and all of its assets and liabilities passed to Česká voda – MEMSEP, a.s.

**Name:** **IoT.water a.s.**
**Registered office:** Sokolovská 100/94, Karlín, 186 00 Praha 8
**Company No.:** 055 89 916
**File number:** B 25457, Companies Register maintained by the Prague Municipal Court
**Legal form:** Public 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, Třebohostická 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.** |
| **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 |

| | |
|---|---|
| **Name:** | **PT Transit, a.s.** |
| **Registered office:** | Partyzánská 1/7, Holešovice, 170 00 Praha 7 |
| **Company No.:** | 293 52 797 |
| **File number:** | B 19399, Companies Register maintained by the Prague Municipal Court |
| **Legal form:** | Public limited company |

| | |
|---|---|
| **Name:** | **Popron Systems s.r.o.** |
| **Registered office:** | Revoluční 1082/8, Nové Město, 110 00 Praha 1 |
| **Company No.:** | 618 55 162 |
| **File number:** | C 31495, Companies Register maintained by the Prague Municipal Court |
| **Legal form:** | Private limited company |

The company became part of the Group on 3 January 2022.

| | |
|---|---|
| **Name:** | **VEO Project Engineering, s.r.o.** |
| **Registered office:** | 28. října 3337/7, Moravská Ostrava, 702 00 Ostrava |
| **Company No.:** | 171 61 703 |
| **File number:** | C 89380, Companies Register maintained by the Ostrava Regional Court |
| **Legal form:** | Private limited company |

The company was incorporated and became part of the Group on 19 May 2022.

*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 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;
- Agreement to Connect a Cogeneration Unit No. 8903 VN;
- 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;
- Purchase Agreement – Alfa-Laval Air Coolers;
- Framework Agreement – Servicing Work;
- Agreement on the Sale of Heat from Boiler K11.

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 Veolie Energie ČR, Karviná-Doly;
- 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 Re-invoice Costs for the Purchase and Distribution of Natural Gas, for the Přerov Co-generation Unit;
- Lease Agreement for Premises – Karolína Substation;
- Lease Agreement – Boiler 11 Přerov;
- Agreement for the Operation of Gas Boiler K11 on Land Lot No. 6146/77;
- Contract for Construction Rights – Cogeneration Unit KG J15 Nový Jičín;
- Contract for Construction Rights – PV Power Plant at Dukla Mine;

all of them on 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. charges Veolia Průmyslové služby ČR, a.s. fees for using Elena, the Group procurement management system, in order to participate in the company's calls for tenders.

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 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 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 S.A.*

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 S.A. and paid the contributions to the employee shares.

Veolia Průmyslové služby ČR, a.s. is a cash pool participant under a Two-way Real Cash-pooling Agreement and a Treasury Agreement on the Operation of Cash-pooling in the Group concluded with VEOLIA ENVIRONNEMENT S.A. and Komerční banka, a.s. on an arm's length basis. A Framework Agreement for Forward Transactions has also been concluded with VEOLIA ENVIRONNEMENT S.A.

A Framework Agreement for $CO_2$ allowances is in place with VEOLIA ENVIRONNEMENT S.A. (as the legal successor of VEOLIA ENVIRONNEMENT FINANCE) on an arm's length basis.

### *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 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.*

The following agreements are in place between Veolia Powerline Kaczyce Sp. z o.o. and Veolia Průmyslové služby ČR, a.s. as the customer:
- Agreement on the Distribution of Polish Electricity;
- Agreement on the Connection to a Distribution System;
- Agreement on Cooperation between Operational and Control Centre Departments in the Operation of the Pogwizdow, Darkov and ČSM Sever 110kV Substations;

all of them on an arm's length basis.

### *B3. AmpluServis, a.s.*

The following agreements are in place between AmpluServis, a.s. and Veolia Průmyslové služby ČR, a.s. as the customer:
- 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 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 ENERGIE ET VALORISATION SAS*

Veolia Průmyslové služby ČR, a.s. and VEOLIA ENVIRONNEMENT ENERGIE ET VALORISATION SAS concluded and performed under an Agreement on the Assignment of the

Rights and Obligations deriving from the Agreement on $CO_2$ Allowance Trading, on an arm's length basis.

***B6. 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.

***B7. VEO Project Engineering, s.r.o.***

VEO Project Engineering, s.r.o. and Veolia Průmyslové služby ČR, a.s., as the customer, have a Service Agreement in place.

***B8. Veolia Support Services Česká republika, a.s.***

Veolia Support Services Česká republika, a.s. and Veolia Průmyslové služby ČR, a.s., as the customer, have an Accounting Services Agreement in place.

***B9. OLTERM & TD Olomouc, a.s.***

Veolia Průmyslové služby ČR, a.s. and OLTERM & TD Olomouc, a.s. have in place an Agreement for the Gratuitous Assignment of an Agreement on the Installation of Technological Equipment and a Future Agreement for the Creation of an Easement.

***B10. 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 2022, 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.

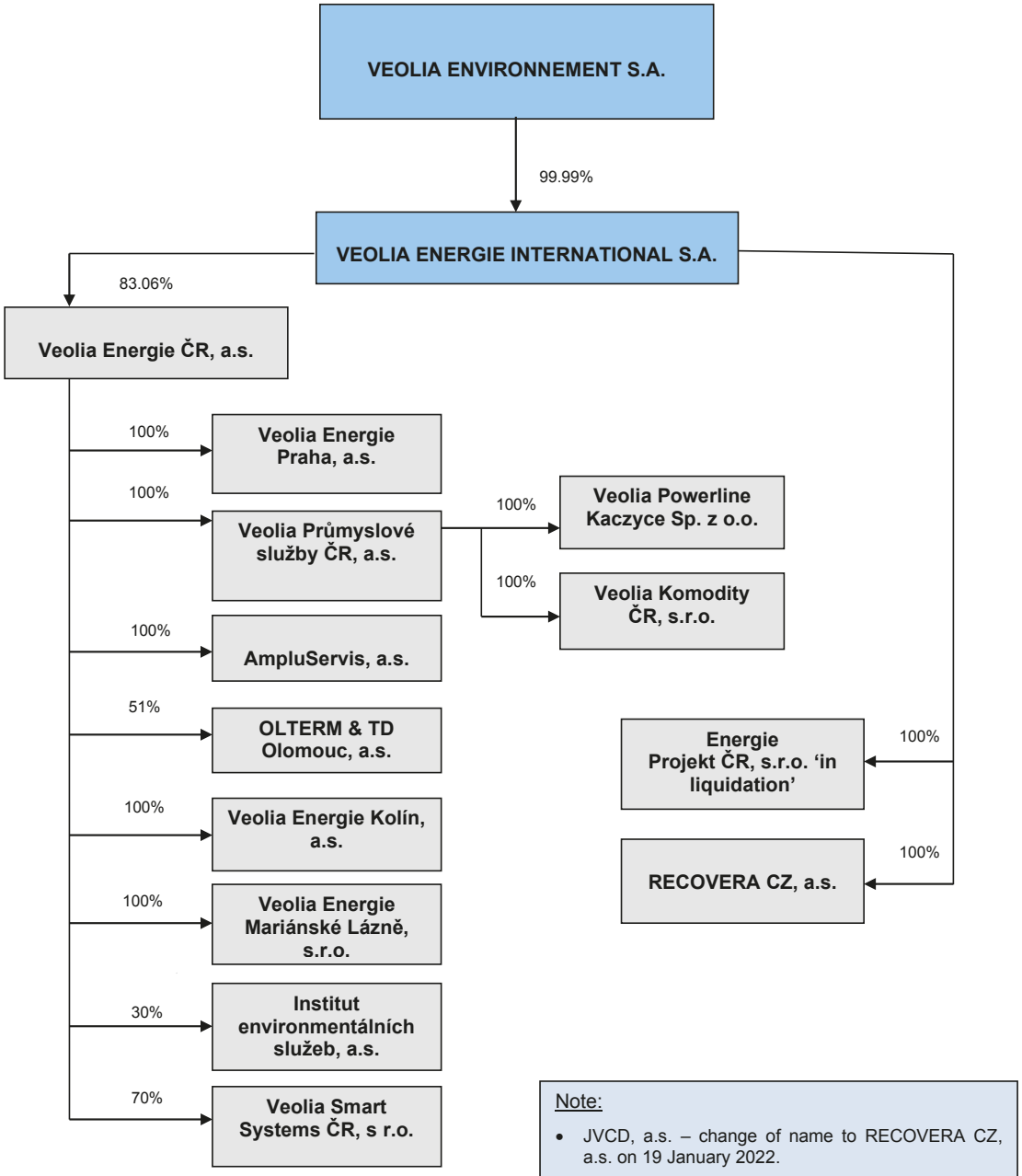
In Ostrava, on 28 March 2023

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)**

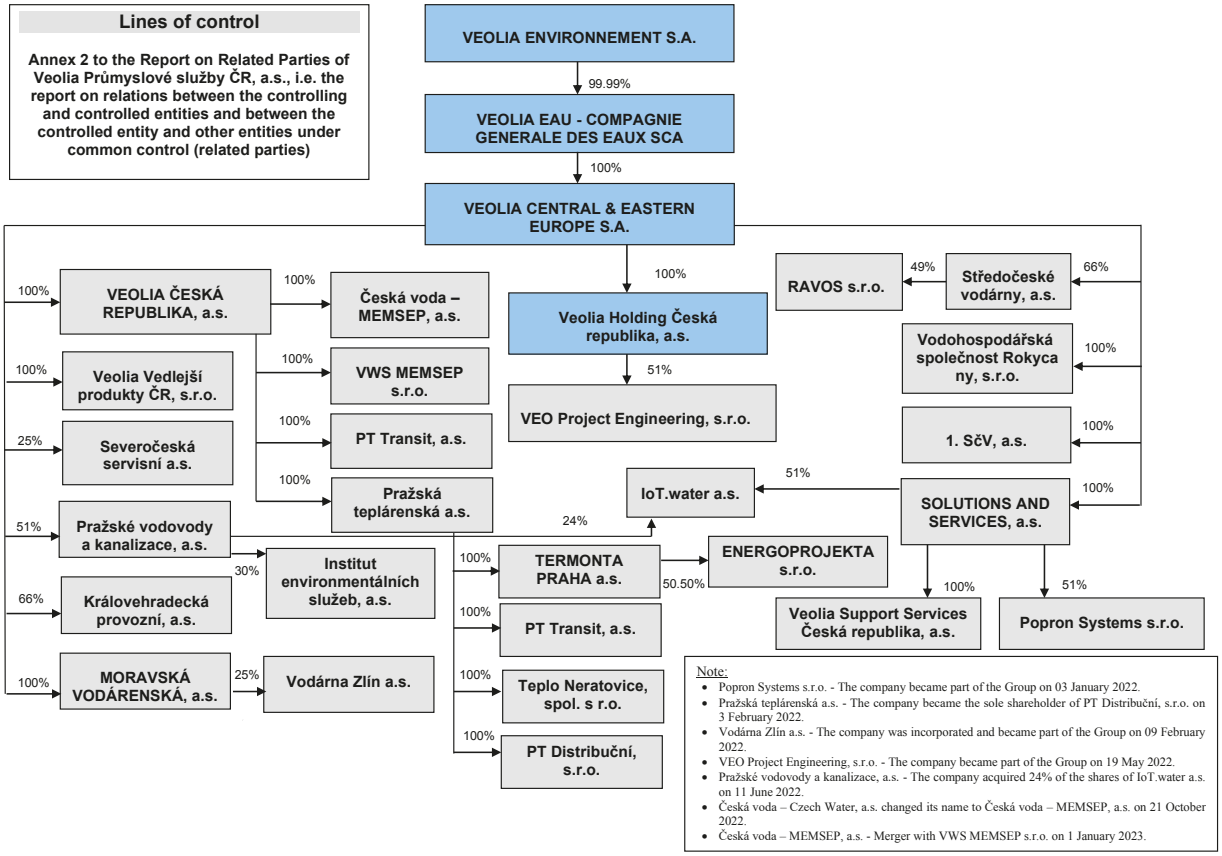



Note:

- JVCD, a.s. – change of name to RECOVERA CZ, a.s. on 19 January 2022.
- OLTERM & TD Olomouc, a.s. – change in the percentage shareholding from 66% to 51% as of 30 June 2022 after the company's registered capital was increased.

## Lines of control

**Annex 2 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:

- Popron Systems s.r.o. - The company became part of the Group on 03 January 2022.
- Pražská teplárenská a.s. - The company became the sole shareholder of PT Distribuční, s.r.o. on 3 February 2022.
- Vodárna Zlín a.s. - The company was incorporated and became part of the Group on 09 February 2022.
- VEO Project Engineering, s.r.o. - The company became part of the Group on 19 May 2022.
- Pražské vodovody a kanalizace, a.s. - The company acquired 24% of the shares of IoT.water a.s. on 11 June 2022.
- Česká voda – Czech Water, a.s. changed its name to Česká voda – MEMSEP, a.s. on 21 October 2022.
- Česká voda – MEMSEP, a.s. - Merger with VWS MEMSEP s.r.o. on 1 January 2023.

# 05 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 Shareholder of Veolia Průmyslové služby ČR, a.s.

### *Opinion*

We have audited the accompanying 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 2022, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with 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.

Recorded in the Commercial Register kept by the Municipal Court in Prague, Section C, Insert No. 24185

Identification No. 49619187
VAT CZ699001996
ID data box: 8h3gtra

KPMG

***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 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.

***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 scepticism 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 2022, based on which this independent auditor's report has been prepared.

Prague
May 4, 2023

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

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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