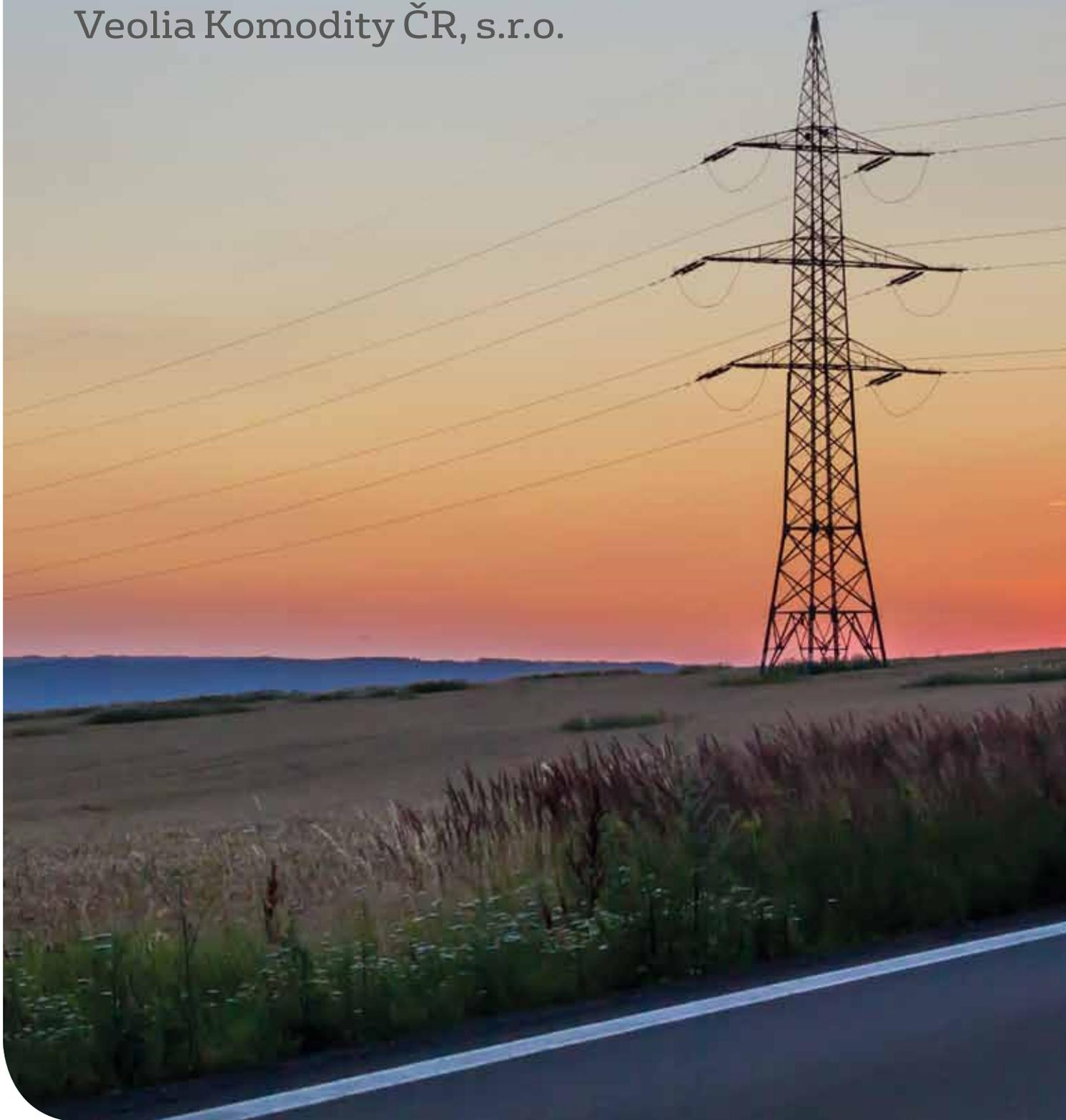


ANNUAL REPORT **2014**

Veolia Komodity ČR, s.r.o.





Contents

1	Corporate and General Information about the Company	2
	1.1 Basic Information	2
	1.2 Company Description	3
	1.3 Corporate Governance	4
	1.4 Other Information	4
2	Management Report	5
	2.1 Foreword	5
	2.2 Operations and Performance	6
3	Financial Statements for the Year Ended 31 December 2014	9
4	Report on Related Parties	30
5	Auditor's Report	40

1 Corporate and General Information about the Company

1.1 Basic Information

COMPANY NAME

Veolia Komodity ČR, s.r.o.

REGISTERED OFFICE

28. října 3337/7, Moravská Ostrava, 702 00 Ostrava

LEGAL FORM

Private limited company

COMPANY NUMBER

258 46 159

The Company is incorporated by entry in the Companies Register maintained by the Regional Court in Ostrava under number C 21431.

DATE OF ESTABLISHMENT

25 October 1999

REGISTERED CAPITAL

CZK 2,000,000

Veolia Komodity ČR, s.r.o.

is one of the largest independent electricity traders in the Czech Republic today. The company strives to provide customers with the best possible conditions for the purchase and sale of electricity and gas.



1.2 Company Description

Veolia Komodity ČR, s.r.o. (hereinafter referred to as “Veolia Komodity ČR” or the “Company”) started trading in electricity as CZECH-KARBON s.r.o. on 1 October 2001 in response to the strategic decision by the board of directors of KARBON INVEST a.s. The aim was to centralise and streamline electricity trading and electricity purchasing for the Group in the new landscape forming on the liberalised electricity market. On 1 December 2008, NWR Energy, a.s. (now Veolia Průmyslové služby ČR, a.s.) became the Company’s sole member. On 21 June 2010, NWR Energy, a.s. was acquired by Dalkia Česká republika, a.s. (now Veolia Energie ČR, a.s.). The Company changed its name to Dalkia Commodities CZ, s.r.o. on 1 August 2011, before becoming Veolia Komodity ČR, s.r.o. with effect from 1 April 2015. The Veolia Group is owned by the global environmental service leader – the Veolia Environnement Group.



Starting in 2001, Veolia Komodity ČR, as a member of its original owner’s group, arranged for the gradual transformation of group companies into eligible customers (with the right to choose their supplier) and steadily developed into a powerful trading company wielding extensive know-how in electricity trading both at home and on the international stage.

With its close-knit team of staff, Veolia Komodity ČR is in a position to handle all areas specific to trading on Czech and international wholesale markets: the provision of international transmission capacities, trading within the energy systems of neighbouring foreign operators, and sales of electricity and gas to end customers with varying needs and levels of supply.

In 2014, the Company’s electricity purchasing comprised supplies from domestic electricity producers, including those supplying electricity from renewable and secondary sources, as well as from domestic and foreign traders. With a view to improving conditions, Veolia Komodity ČR also organised for electricity to be supplied from Poland over a 110 kV transmission line to a dedicated island in the Czech Republic, which is part of the system of mines owned by OKD, a.s.

It is the Company’s strategy to make use of the maximum means available to maintain a portfolio of ample liquid products for supply purposes. It is one of the counterparties in POWER EXCHANGE CENTRAL EUROPE, a.s. (PXE) and also actively uses its trading licence to trade on Poland’s domestic market, where greater opportunities are offered for trading with Polish partners and cross-border trading with Poland.

Besides arranging for the advantageous supplies above, the Company managed to reduce the costs of differences between the quantities of electricity contracted and actually taken (constituting a large proportion of the price), mainly by applying a quality prediction system and by the highly precise negotiation of its customers’ load profiles.

1.3 Corporate Governance

MANAGING DIRECTOR

Pavel Luňáček



1.4 Other Information

On 9 April 2014, the Company's sole member, acting in the capacity of the General Meeting, decided to amend the Memorandum of Association so that the Company became subject to the Commercial Companies and Cooperatives Act with effect from the date on which this fact was entered in the Companies Register, i.e. 23 June 2014. There was also an ex officio change of the Company's registered office from that date in order to harmonise it with the basic register of addresses.

On 15 January 2015, the Company's sole member, acting in the capacity of the General Meeting, decided to amend the Memorandum of Association by changing the Company's name to the current Veolia Komodity ČR, s.r.o.

Veolia Komodity ČR has no foreign organisational units and does not engage in any research and development. Following the balance-sheet date, there were no significant events of relevance to its reported results. As at 31 December 2014, the Company did not hold any of its own shares and held no participating interests in other companies.



2 Management Report

2.1 Foreword

Dear Trading Partners, Ladies and Gentlemen,

I am pleased to present you with this 2014 Annual Report, acquainting you with the results reported by Veolia Komodity ČR for the last year.

We successfully built on the sound results achieved in 2013 and moved forward in our trading operations in the electricity and gas markets both at home and in neighbouring countries. Our customer portfolio encompasses not only major industrial customers, but also those in the transport, education, health and service sectors, which have now been joined by state administration organisations. Another important activity for us was the purchase of electricity from renewable and secondary sources from independent producers.

A significant event in 2014 was the signing of an electricity supply contract with the water companies in the Veolia Group, which boasts a prominent position among service providers on the Czech water market.

In the forthcoming year, 2015, we will continue expanding our business operations in the energy market. I firmly believe that, building on our vast experience in both the domestic and foreign energy markets and the stable backing provided by the powerful Veolia Group, of which Veolia Komodity ČR is now a member, our customers will continue to view us as a sought-after professional partner.

I value highly the confidence placed in us by our trading partners. I thank them for their patronage and look forward to continued flourishing cooperation in the year ahead of us.

In conclusion, I would also like to thank the employees of Veolia Komodity ČR for their contribution to our results, for the way they handled the changes, and for their professional work.

Pavel Luňáček
Managing Director

2.2 Operations and Performance

Business activities

Two basic sections are responsible for Veolia Komodity ČR's business activities:

The Unit for Sales to End Customers

is responsible for electricity sales and comprehensive service provision to end customers.

In 2014, the Unit for Sales to End Customers arranged for supplies to end customers with a total annual electricity consumption of 1.5 TWh.

The current portfolio of end customers currently comprises more than 620 customers with supply points fitted with type A, B and C metering, whose needs and supply volumes are very diverse. Besides its traditional coal-mining and coke-producing partners, Veolia Komodity ČR also served customers in metallurgy, engineering, the automotive and food industries, state administration, the tertiary sector, the health sector, etc.

Supplies to end customers with a total annual consumption of

1.5 TWh

It provides full service to end customers on the energy market. It places a major emphasis on supply pricing and on delivering top-quality services. It also provides clients with advice on demand management, the technical conditions for connection and other aspects which ultimately affect the cost of power supply.

The Unit for Trading in Energies

is responsible for the optimisation of the purchasing portfolio, the operational balancing of the Company's portfolio positions and the development of trading in domestic and foreign transmission systems.

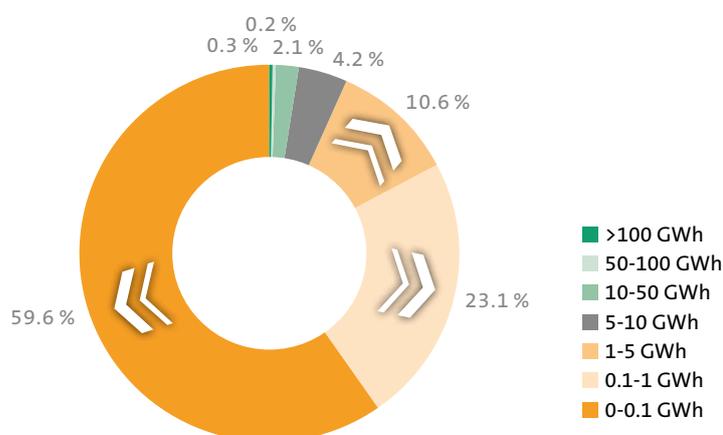
The Trading Unit's principal task is to procure electricity and gas on the wholesale market to meet the needs of the portfolio of end customers. This includes the purchase and optimisation of standard and non-standard products on the wholesale market for supply to the portfolio of end customers, ad hoc topping-up on spot markets during the year and, based on revised load profile predictions, management of the cost of imbalances on the balancing market.

Besides making purchases on the wholesale market for supplies to end customers, the Unit also trades in electricity and gas with other companies on the domestic market and neighbouring foreign markets, especially on an ad hoc short-term basis exploiting current movements in the electricity and gas markets. International trading includes the booking of the necessary cross-border interconnection capacities.

Besides the traditional large energy companies, in 2014 Veolia Komodity ČR nurtured equally important cooperation with independent power producers. This included the purchase of electricity from renewable and secondary sources; it offers these plants participation in the green premium system supporting renewable and secondary sources. **In 2014, the Company purchased 245.2 GWh from renewable and secondary sources, a 5.96% rise on 2013.**



Portfolio of end customers by volume of electricity taken in 2014



Since 2001, the liberalisation of the electricity market has gradually brought about the need to address the requirements of the different customer segments. As a result, Veolia Komodity ČR has become a supplier for a wide range of customers.

In addition to the above, in 2014 the Company's activities focused again on improving services to customers, specifically:

Improving risk management instruments

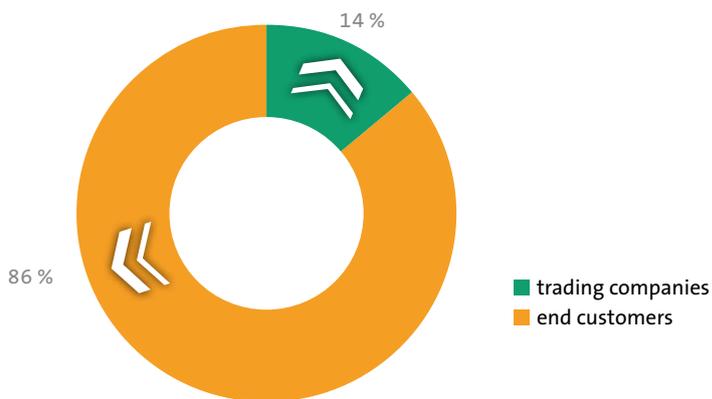
The Company regularly evaluates business and financial risks, particularly price, currency and credit risks. It has introduced and periodically evaluates the credit rating of its trading partners and customers, hedges foreign exchange risk, and regularly updates forecasts to reflect developments among end customers.

Achieving maximum customer satisfaction

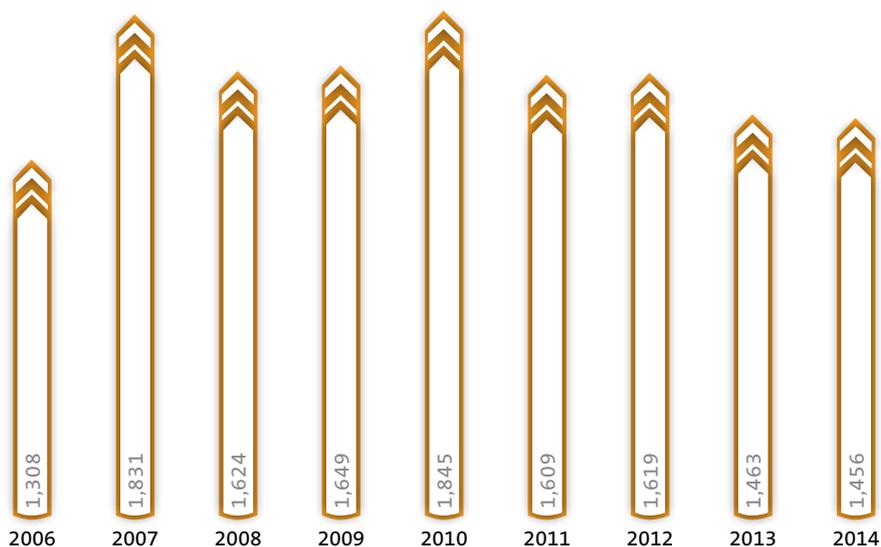
The quality of customer relationships is largely determined by how the customer perceives the Company's key competencies, what share of trading is taken up by the firm, its price competitiveness, the quality of other associated products, knowledge of the customer's business, the level of technology and the intensity of mutual relations. Therefore, the Company places great emphasis on identifying the needs and requirements of consumers and on creating an attractive range of services for each target segment on the market.



The 2014 revenue structure



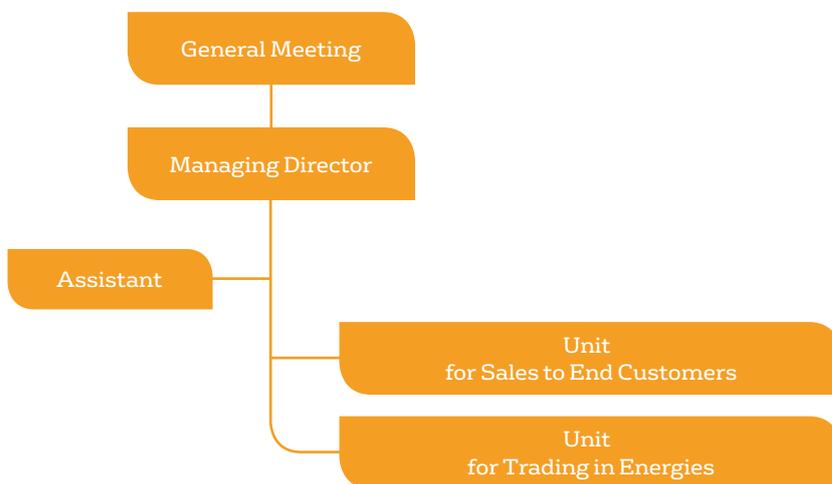
Supply of electricity to end customers in TWh



Human Resources

During the year 2014, the Company employed an average of 6 employees who all have university degrees and whose average age was 38.

Organisational structure





3 Financial Statements for the Year Ended 31 December 2014



Dalkia Commodities CZ, s.r.o.**Non-consolidated income statement****For the year ended December 31***In thousands of CZK*

	Note	2014	2013
Revenue	6	1,926,153	2,441,358
Cost of sales	7	(1,882,295)	(2,377,917)
Gross profit		<u>43,858</u>	<u>63,441</u>
Administrative expenses	8	(3,846)	(3,702)
Result from operating activities		<u>40,012</u>	<u>59,739</u>
Finance income	9	10,213	20,960
Finance costs	9	(5,931)	(12,457)
Profit before income tax		<u>44,294</u>	<u>68,242</u>
Income tax expense	10	(8,412)	(13,053)
Profit for the period		<u>35,882</u>	<u>55,189</u>

The notes are an integral part of the financial statements.

Non-consolidated statement of comprehensive income**For the year ended December 31***In thousands of CZK*

	2014	2013
Profit for the period	35,882	55,189
Changes in fair value of cash flow hedge (may be reclassified to profit or loss)	(28,225)	91,871
Other comprehensive income after taxation	<u>(28,225)</u>	<u>91,871</u>
Total comprehensive income for the period	<u>7,657</u>	<u>147,060</u>

* Taxation is described in note 10.

The notes are an integral part of the financial statements.

Dalkia Commodities CZ, s.r.o.

Non-consolidated statement of financial position

As at December 31

In thousands of CZK

	Note	2014	2013
Assets			
Other financial investments	13	52,263	61,761
Derivatives	13, 21	<u>40,785</u>	<u>71,445</u>
Total non-current assets		<u>93,048</u>	<u>133,206</u>
Trade and other receivables	16	447,228	409,969
Current tax assets	10, 15	11,498	15,942
Derivatives	13, 21	51,668	55,854
Cash and cash equivalents	17	<u>64,188</u>	<u>134,651</u>
Total current assets		<u>574,582</u>	<u>616,416</u>
Total assets		<u>667,630</u>	<u>749,622</u>
Equity			
Share capital		2,000	2,000
Reserves and other capital funds		74,887	103,312
Retained earnings		<u>238,096</u>	<u>257,403</u>
Total equity		<u>314,983</u>	<u>362,715</u>
Liabilities			
Deferred tax liabilities	14	<u>17,462</u>	<u>24,099</u>
Total non-current liabilities		<u>17,462</u>	<u>24,099</u>
Loans and borrowings	19	5,144	--
Trade and other payables	20	<u>330,041</u>	<u>362,808</u>
Total current liabilities		<u>335,185</u>	<u>362,808</u>
Total liabilities		<u>352,647</u>	<u>386,907</u>
Total equity and liabilities		<u>667,630</u>	<u>749,622</u>

The notes are an integral part of the financial statements.

Director:



Pavel Luňáček

Date: March 17, 2015

Dalkia Commodities CZ, s.r.o.**Non-consolidated statement of changes in equity**

<i>In thousands of CZK</i>	Share capital	Statutory reserves	Other capital funds	Cash flow hedges	Retained earnings	Total
Balance at December 31, 2012	2,000	200	--	11,241	295,039	308,480
Profit for the period	--	--	--	--	55,189	55,189
Other comprehensive income						
Changes in fair value of cash flow hedges	--	--	--	91,871	--	91,871
Total other comprehensive income	--	--	--	91,871	--	91,871
Total comprehensive income for the period	--	--	--	91,871	55,189	147,060
Transactions with owners, recorded directly in equity						
Share of profit paid to members	--	--	--	--	(92,825)	(92,825)
Balance at December 31, 2013	2,000	200	--	103,112	257,403	362,715
Profit for the period	--	--	--	--	35,882	35,882
Other comprehensive income						
Changes in fair value of cash flow hedges	--	--	--	(28,225)	--	(28,225)
Total other comprehensive income	--	--	--	(28,225)	--	(28,225)
Total comprehensive income for the period	--	--	--	(28,225)	35,882	7,657
Transactions with owners, recorded directly in equity						
Share of profit paid to members	--	(200)	--	--	(55,189)	(55,389)
Balance at December 31, 2014	2,000	--	--	74,887	238,096	314,983

The notes are an integral part of the financial statements.

Dalkia Commodities CZ, s.r.o.**Non-consolidated statement of cash flows****For the year ended December 31***In thousands of CZK*

	Note	2014	2013
<i>Cash flow from operating activities</i>			
Profit before income tax for the period		44,294	68,242
Gain (loss) on sale of property, plant and equipment		--	(17)
Net interest income and expense	9	(206)	(464)
Unrealised exchange rate gains and losses		(2,207)	(544)
<i>Cash flow from operating activities</i>		41,881	67,217
Change in receivables		(25,554)	(144,849)
Change in current liabilities		(32,767)	34,542
Income tax paid and tax assessments for previous periods		(3,984)	(34,626)
Net cash flow from operating activities		<u>(20,424)</u>	<u>(77,716)</u>
<i>Cash flows from investing activities</i>			
Proceeds from the sale of property, plant and equipment		--	17
Net cash flow from (used in) investing activities		<u>--</u>	<u>17</u>
Free operating cash and cash equivalents		(20,424)	(77,699)
<i>Cash flow from financing activities</i>			
Interest received		251	464
Interest paid		(45)	--
Paid shares of profit		(55,389)	(92,825)
Net cash flow from (used in) financing activities		<u>(55,183)</u>	<u>(92,361)</u>
Net increase (decrease) in cash and cash equivalents		(75,607)	(170,060)
Cash and cash equivalents at January 1		134,651	304,711
Cash and cash equivalents at December 31	17	<u>59,044</u>	<u>134,651</u>

The notes are an integral part of the financial statements.

Dalkia Commodities CZ, s.r.o.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014

1. General information

Dalkia Commodities CZ, s.r.o. ("the Company") is registered in the Czech Republic.

The registered office is at 28. října 3337/7, Ostrava 702 00, registered number: 25846159.

The principal business activities are trading in electricity, trading in gas, and manufacturing, trade and services not listed in Appendices 1 to 3 of the Trade Licensing Act.

The sole member of Dalkia Commodities CZ, s.r.o. is Veolia Průmyslové služby ČR, a.s. (formerly Dalkia Industry CZ, a.s.), having its registered office at Zelená 2061/88a, Ostrava – Mariánské Hory, 709 74.

The member did not change in 2014.

As at July 25, 2014, talks on terminating their partnership cooperation were concluded between the Veolia and EDF groups. As the result of the talks, Veolia has become the sole shareholder of Dalkia's operations outside France. The European Union has approved the division of the Dalkia Group as follows: Dalkia's international operations have become 100% Veolia operations, while the Dalkia Group's French operations were transferred under the EDF brand.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU and the Act on Accounting and relevant legislation of the Czech Republic in force as at December 31, 2014. The Board of Directors of Veolia Průmyslové služby ČR, a.s. as the governing body of the sole member of Dalkia Commodities CZ, s.r.o. decided, in exercising the powers of the General Meeting, that as of January 1, 2013 Dalkia Commodities CZ, s.r.o. will adopt International Accounting Standards for accounting and for the preparation of its financial statements pursuant to Section 19a(7) of Act No 563/1991 on Accounting.

The Company's Director approved the financial statements on March 17, 2015 for release.

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.

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

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.

d) Changes in accounting policies

(i) Standards not applied

A number of new standards, amendments to standards and interpretations are effective for the accounting period beginning on January 1, 2014, and have not been applied in preparing these non-consolidated financial statements. None of these is expected to have significant effect on the Company's non-consolidated financial statements. Those that may be relevant for the Company are listed below:

IFRS 9, published in July 2014, will replace the current requirements in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidelines for the classification and measurement of financial instruments, including a new forward-looking expected loss impairment model, and a substantially reformed approach to hedge accounting. It also provides guidance for recognising and derecognising financial instruments from IAS 39. IFRS 9 is effective for annual periods beginning on January 1, 2018; however, the Standard is available for earlier application.

The Company evaluates the potential impacts of IFRS 9 application on its accounting.

IFRS 15 creates a comprehensive framework specifying how and when revenue is recognised and in what amount. This will replace the current guidelines for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 applies to annual reporting periods on or after January 1, 2017; the Standard is available for earlier application.

The Company evaluates the potential impacts of IFRS 15 application on its accounting.

The following new or amended standards are not expected to have a significant impact on the Company's non-consolidated financial statements.

IFRS 14 Regulatory Deferral Accounts

Amendment to IAS 1 Presentation of Financial Statements

Amendment to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations

Amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation

Amendment to IAS 19 Defined Benefit Plans: Employee Contributions

Amendment to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements

(ii) Applied standards

The Company accepted IFRIC 21 Levies with the date of first application as of January 1, 2014. The Interpretation clarifies that a liability is recognised for a levy when, and only when, the activity that triggers payment of the levy under the specified legislation occurs. The Company recognised liabilities for levies under IFRIC 21 already earlier and this change had no impact on the recognition of the Company's liabilities.

Due to amendments to IAS 36, the Company has extended its measurement of recoverable amounts based on fair value less costs of disposal. No need to recognise impairment was identified.

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

At the beginning of each month, the Company sets a fixed exchange rate based on the Czech National Bank official rate for the first day of the month, which is applied to transactions recorded during that month. At the date of the statement of financial position, foreign currency monetary assets and liabilities

Dalkia Commodities CZ, s.r.o.**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014**

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 profit and loss.

b) Financial instruments*(i) Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in subsidiaries and associated companies, investments held for trading, trade and other receivables, cash and cash equivalents, loans and borrowings, trade and other payables.

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.

Cash and cash equivalents are stated at nominal value.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement receivables are subsequently carried at their amortised cost less any allowance for impairment (see note 3 e).

Other 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. Subsequent to initial recognition, they are measured at cost less any impairment losses (see note 3 e), or through provisions, depending on the type of financial instrument.

(ii) Derivative financial instruments

The Company holds foreign currency contracts to hedge its foreign currency risk exposure.

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 revenues.

Cash flow hedging

Changes in the fair value of derivative hedging instruments designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. 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 revenues.

When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the book value of the asset when the asset is recognised. In other cases the amount recognised in equity is transferred to costs or revenues in the same period that the hedged item affects costs or revenues.

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 share capital comprises fully paid-up member's contributions. Profit distributions are recognised as liabilities in the period in which they are declared.

c) *Tangible assets*

(i) Owned assets

Vehicles are stated at cost less accumulated amortisation (see below) and impairment losses (see note 3 e). The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

(ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Vehicles	4 years
----------	---------

d) *Intangible assets*

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

Amortisation expense

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date the assets are available for use. The estimated useful lives are as follows:

Software	4–5 years
Other	4–5 years

e) *Impairment*

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of financial assets measured at amortised cost using the effective interest rate method is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that show similar credit risk characteristics. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal of an impairment loss is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of non-financial assets other than deferred tax assets (see note 3 i) 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.

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 respect of cash-generating units reduce the carrying amount of assets on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell 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

Dalkia Commodities CZ, s.r.o.**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014**

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.

f) 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.

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

g) Revenue*Sale of gas, electricity and goods*

Revenues from the sale of gas, electricity and goods are recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

h) Expenses*(i) Operating lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(ii) 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.

i) Income tax

Income tax comprises current and deferred tax. Income tax charge is recognised in profit or loss 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 book value of its assets and liabilities. It is assumed for investment property measured at fair value that the book value of the investment property is always realised by sale unless such assumption can be disconfirmed.

j) New IFRS standards and IFRIC interpretations not yet adopted

For the year ended December 31, 2014 no new IFRS standards or IFRIC interpretations are valid.

The Company is currently assessing the potential impact of new and alternative standards that are not mandatory for the year ended December 31, 2014 and have not been applied in the preparation of these

financial statements. None of these standards are expected to have material impact on the financial statements.

An exception is IFRS 9 Financial Instruments, published in July 2014, which will replace the current guidelines in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidelines for the classification and measurement of financial instruments, including a new forward-looking expected loss impairment model, and a substantially reformed approach to hedge accounting. It also provides guidance for recognising and derecognising financial instruments from IAS 39.

IFRS 9 applies to annual reporting periods on or after January 1, 2018; the Standard is available for earlier application.

The Company evaluates the potential impacts of IFRS 9 application on its accounting.

Furthermore, IFRS 15, which specifies how and when revenue is recognised and in what amount. This Standard will replace the current guidelines for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The Standard applies to annual reporting periods on or after January 1, 2017; the Standard is available for earlier application.

The Company currently evaluates the potential impacts of IFRS 15 application on its accounting.

4. Fair value

Some accounting policies applied by the Company require a fair value to be determined for financial and non-financial assets and liabilities. Fair values are determined either by measurement or using the methods described below.

(i) Trade and other receivables

The fair value of trade and other receivables is determined as the present value of future cash flows discounted at the market interest rate as at the date of the statement of financial position.

(ii) Derivatives

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

(iii) Non-derivative financial liabilities

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,
- operating risk.

The Director has overall responsibility for the establishment and oversight of the Company's risk management framework. The Director reviews and approves the risk management policies described below. Risk is managed internally in cooperation with the parent company.

Financial department of parent company primarily monitors the process of preparing the non-consolidated financial statements, and assesses the effectiveness of internal controls, internal audit and the risk management system.

Dalkia Commodities CZ, s.r.o.**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014*****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. 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. Deliveries are made on a prepayment basis, with advances reviewed on a continuous basis. 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 that are established on an individual basis for receivables with a specific risk of loss, and on a portfolio basis for groups of receivables with similar risks.

As at December 31, 2014, the Company holds cash and cash equivalents in the amount of CZK 64,188,000 (2013: CZK 134,651,000). Cash and cash equivalents are deposited with banks with high ratings.

Guarantees

The Company provides guarantees in the form of long-term deposits, i.e. margin deposits and security deposits with suppliers to financially secure deals in electricity, gas and capacity reservation. Otherwise, it provided financial guarantees only on an exceptional basis, where required for the purpose of a tender procedure or where the law provides so. As at December 31, 2014, guarantees (long-term advance payments) of CZK 52,263,000 were outstanding (December 31, 2013: CZK 61,761,000).

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, the Company may draw a cash loan of up to CZK 500 million. 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 significant currency risk in the area of sales and borrowings, as the major portion of these are denominated in foreign currency. 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.

Dalkia Commodities CZ, s.r.o.**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014**

Operating risk

The Company manages production risk with a view to avoiding financial losses and damage.

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 Director manages the Company's capital structure in compliance with the investor's requirements, focusing on appropriate indebtedness and dividend policy monitoring.

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

In thousands of CZK

	2014	2013
Total liabilities	352,647	386,907
Cash and cash equivalents	(64,188)	(134,651)
Net debt	288,459	252,256
Total equity	314,983	362,715
Cash flow from hedges	(74,887)	(103,112)
Adjusted equity	240,096	259,603
Debt to adjusted equity	1.20	0.97

6. Revenue

In thousands of CZK

	2014	2013
Revenues from sale and re-sale of electricity and ancillary services	1,800,304	2,362,307
Revenues from the sale of gas	125,849	78,963
Other operating revenues	--	88
Total	1,926,153	2,441,358

7. Cost of sales

In thousands of CZK

	2014	2013
Personnel expenses	(5,943)	(6,949)
Costs of goods sold excluding electricity	(127,043)	(78,929)
Cost of purchased electricity	(1,745,624)	(2,289,255)
Consumption of raw materials, energy and services	(3,470)	(2,769)
Change in provisions	(215)	--
Other operating expenses	--	(15)
Total	(1,882,295)	(2,377,917)

8. Administrative expenses

In thousands of CZK

	2014	2013
Management costs	(3,302)	(3,107)
Cost of raw materials, services and other expenses	(544)	(595)
Total	(3,846)	(3,702)

Dalkia Commodities CZ, s.r.o.**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014****9. Finance income and expenses***In thousands of CZK*

	2014	2013
Interest income	251	464
Foreign exchange gain	9,962	20,496
Total finance income	10,213	20,960
Interest expense	(45)	--
Foreign exchange loss	(5,029)	(11,969)
Other finance expenses	(857)	(488)
Total finance expenses	(5,931)	(12,457)

10. Income tax*Recognised in the income statement**In thousands of CZK*

Current tax	2014	2013
Current year	(7,046)	(9,163)
Adjustments for prior years	(1,382)	(3,881)
	(8,428)	(13,044)

Deferred tax

Effect of the change in temporary differences and the lower tax rate	16	(9)
Total income tax expense in income statement	(8,412)	(13,053)

Reconciliation of effective tax rate

<i>In thousands of CZK</i>	2014	2013
Profit before tax	44,294	68,242
Income tax calculated using the domestic corporate income tax rate	(8,416)	(12,966)
Effect of non-deductible expenses	(559)	(703)
Effect of tax exempt income	1,929	4,506
Adjustments for prior years	(1,382)	(3,881)
Total tax payable	(8,428)	(13,044)
Total deferred tax	16	(9)
Total income tax expense in income statement	(8,412)	(13,053)

An income tax overpayment of CZK 11,498,000 is reported as the Current tax assets (2013: CZK 15,942,000) and represents income tax advances paid in an amount of CZK 18,544,000 (2013: CZK 25,105,000) less the corporate income tax estimate of CZK 7,046,000 (2013: CZK 9,163,000).

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.

Impact of other comprehensive income items on deferred tax:

Changes in fair value of cash flow hedges: CZK (34,846,000) before taxation; tax CZK 6,621,000; CZK (28,225,000) after taxation.

Dalkia Commodities CZ, s.r.o.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014

11. Tangible assets

In thousands of CZK

<i>Acquisition cost</i>	Other non-current assets	Total
Balance at January 1, 2013	107	107
Additions	--	--
Disposals	--	--
Balance at December 31, 2013	107	107
Balance at January 1, 2014	107	107
Additions	--	--
Disposals	--	--
Balance at December 31, 2014	107	107
Depreciation	Other non-current assets	Total
Balance at January 1, 2013	107	107
Current year depreciation	--	--
Disposals	--	--
Balance at December 31, 2013	107	107
Balance at January 1, 2014	107	107
Current year depreciation	--	--
Disposals	--	--
Balance at December 31, 2014	107	107
Carrying amount	Other non-current assets	Total
At January 1, 2013	--	--
At December 31, 2013	--	--
At December 31, 2014	--	--

12. Intangible assets

In thousands of CZK

<i>Acquisition cost</i>	Software	Other	Total
Balance at January 1, 2013	439	41,905	42,344
Additions	--	--	--
Disposals	--	--	--
Balance at December 31, 2013	439	41,905	42,344
Balance at January 1, 2014	439	41,905	42,344
Additions	--	--	--
Disposals	439	--	439
Balance at December 31, 2014	--	41,905	41,905
Amortisation expense	Software	Other	Total
Balance at January 1, 2013	439	41,905	42,344
Current year amortisation	--	--	--
Disposals	--	--	--
Balance at December 31, 2013	439	41,905	42,344

Dalkia Commodities CZ, s.r.o.**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014**

Balance at January 1, 2014	439	41,905	42,344
Current year amortisation	--	--	--
Disposals	439	--	439
Balance at December 31, 2014	--	41,905	41,905

Carrying amount	Software	Other	Total
At January 1, 2013	--	--	--
At December 31, 2013	--	--	--
At December 31, 2014	--	--	--

13. Other financial investments including derivatives*In thousands of CZK*

Long-term financial investments	2014	2013
Financial derivatives	40,785	71,445
Other financial investments	52,263	61,761
Short-term financial investments including derivatives	2014	2013
Financial derivatives	51,668	55,854

14. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of CZK

	Receivables		Liabilities		Difference	
	2014	2013	2014	2013	2014	2013
Receivables	59	38	--	--	59	38
Derivatives	--	--	(17,566)	(24,187)	(17,566)	(24,187)
Other items	45	50	--	--	45	50
Deferred tax assets / (liabilities)	104	88	(17,566)	(24,187)	(17,462)	(24,099)

Movement in deferred tax assets and liabilities during the year*In thousands of CZK*

	Balance at January 1, 2014	Recognised in income	Recognised in equity	Balance at December 31, 2014
Receivables	38	21	--	59
Derivatives	(24,187)	--	6,621	(17,566)
Other items	50	(5)	--	45
Total	(24,099)	16	6,621	(17,462)

In thousands of CZK

	Balance at January 1, 2013	Recognised in income	Recognised in equity	Balance at December 31, 2013
Receivables	60	(22)	--	38
Derivatives	(2,637)	--	(21,550)	(24,187)
Other items	37	13	--	50
Total	(2,540)	(9)	(21,550)	(24,099)

Dalkia Commodities CZ, s.r.o.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014

15. Current tax assets and liabilities

In thousands of CZK

	2014	2013
Income tax	11,498	15,942
Total	11,498	15,942

16. Trade and other receivables

In thousands of CZK

	2014	2013
Trade receivables due from related parties	40,014	32,584
Trade receivables due from third parties	385,297	339,984
Other receivables	21,917	37,401
Total	447,228	409,969

At December 31, 2014 trade receivables are shown net of provisions for doubtful debts of CZK 1,273,000 (2013: CZK 1,058,000) arising from the likely impairment of receivables from the individual debtors.

In 2014, other receivables included a value added tax asset of CZK 18,141,000 (2013: CZK 23,647,000).

17. Cash and cash equivalents

In thousands of CZK

	2014	2013
Current bank accounts	64,142	65,261
Cash in hand	46	20
Total cash	64,188	65,281
Cash pooling with parent – receivable	--	69,370
Total cash and cash equivalents	64,188	134,651
Cash pooling payables	(5,144)	--
Total cash in compliance with statement of cash flows	59,044	134,651

18. Capital and reserves

Reconciliation of movement in capital and reserves

The share capital as at December 31, 2014 is comprised of the member's contribution of CZK 2,000,000 (2013: CZK 2,000,000), which is fully paid-up.

Reserves and other capital funds

In connection with the adoption of the new Act No 90/2012 on Business Corporations, which has fully superseded the Commercial Code with effect as of January 1, 2014, the Company's General Meeting decided to dissolve statutory reserves. The distribution of statutory reserves to other capital funds is shown in the Non-consolidated Statement of Changes in Equity.

On July 21, 2014, a decision was issued in the capacity of the Company's General Meeting to distribute the full amount of statutory reserves in the form of the payment of a share of profit, amounting to CZK 200,000.

At December 31, 2014 reserves and other capital funds are comprised of the statutory reserves of CZK 0 (2013: CZK 200,000) and of gains (losses) on revaluation of hedging derivatives in the amount of CZK 74,887,000 (2013: CZK 103,112,000).

Dalkia Commodities CZ, s.r.o.**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014***Dividends*

In the profit distribution decision, the Company announced total dividends of CZK 55,389,000 (2013: CZK 92,825,000).

19. Loans and borrowings

This note contains an overview of contractual conditions applicable to the Company's interest-bearing loans and borrowings. Note 22 contains more detailed information about the credit risk and the interest rate risk to which the Company is exposed.

Current liabilities

<i>In thousands of CZK</i>	2014	2013
Cash pool	5,144	--
Total loans and borrowings	5,144	--

The Company is involved in a cash pool within the Veolia in the Czech Republic Group. As at December 31, 2014 the net liability from the cash pool is CZK 5,144,000 (2013: receivable of CZK 69,370,000).

20. Trade and other payables

<i>In thousands of CZK</i>	2014	2013
Trade payables to related parties	91,394	124,512
Trade payables to third parties	233,138	236,054
Other payables	5,509	2,242
Total	330,041	362,808

In 2014, other payables included an environmental tax liability of CZK 4,822,000 (2013: CZK 1,469,000).

21. Derivatives

<i>In thousands of CZK</i>	2014	2013
Short-term derivatives	51,668	55,854
Long-term derivatives	40,785	71,445
Total	92,453	127,299

Financial derivatives represent the fair value of forward contracts to hedge a foreign exchange risk of CZK 92,453,000 (2013: CZK 127,299,000) and are recorded as current and non-current receivables.

22. Financial instruments*Credit risk*

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

<i>In thousands of CZK</i>	Note	Carrying amount 2014	Carrying amount 2013
Trade and other receivables	16	447,228	409,969
Cash and cash equivalents	17	64,188	134,651
Total		511,416	544,620

Dalkia Commodities CZ, s.r.o.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014

Impairment loss

Fair value of trade, short-term tax and other receivables as at the date of the statement of financial position was:

<i>In thousands of CZK</i>	Nominal value 2014	Impairment 2014	Nominal value 2013	Impairment 2013
Not yet due	443,165	--	398,215	--
0–90 days overdue	4,031	--	11,638	--
90–180 days overdue	110	(78)	97	--
180–360 days overdue	177	(177)	174	(156)
More than 1 year overdue	1,018	(1,018)	902	(902)
Total	448,501	(1,273)	411,026	(1,058)

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

<i>In thousands of CZK</i>	2014	2013
Balance at January 1	(1,058)	(1,044)
Use, release and establishment	(215)	(14)
Balance at December 31	(1,273)	(1,058)

Liquidity risk

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

At December 31, 2014

<i>In thousands of CZK</i>	Book value	Contractual cash flow	Within 6 months	6–12 months	1–2 years	2–5 years	More than 5 years
Trade, tax and other payables	335,185	335,185	335,185	--	--	--	--
Total	335,185	335,185	335,185	--	--	--	--

At December 31, 2013

<i>In thousands of CZK</i>	Book value	Contractual cash flow	Within 6 months	6–12 months	1–2 years	2–5 years	More than 5 years
Trade, tax and other payables	362,808	362,808	362,808	--	--	--	--
Total	362,808	362,808	362,808	--	--	--	--

Currency risk

To hedge purchases and sales of electricity in foreign currency (EUR, PLN) forward contracts have been concluded within the Veolia Environnement Group.

Interest rate risk

As at December 31, 2014, the Company does not have any interest-bearing financial instruments.

Dalkia Commodities CZ, s.r.o.**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014*****Fair values***

<i>In thousands of CZK</i>	Note	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Trade and other receivables	16	447,228	447,228	409,969	409,969
Tax assets	15	11,498	11,498	15,942	15,942
Cash and cash equivalents	17	64,188	64,188	134,651	134,651
Cash pool	19	(5,144)	(5,144)	--	--
Trade, tax and other payables	15, 20	(330,041)	(330,041)	(362,808)	(362,808)
Total		187,729	187,729	197,755	197,755

Note: The above figures do not include derivatives.

In accordance with the standard IFRS 7 Financial Instruments: disclosure, for the designation of fair value, the Company uses level 3 inputs which are not based on observable market data (objectively unobservable inputs).

23. Operating leases

Major operating lease agreements include a lease for non-residential space for an indefinite term, and 5-year leases for cars.

<i>In thousands of CZK</i>	Total	Within 1 year	1–5 years	More than 5 years
Rent – cars	654	290	364	--
Rent – other	5,790	1,158	4,632	*
Total	6,444	1,448	4,996	--

*The lease agreement has been concluded for an indefinite period of time with a three-month period of notice.

24. Related parties***Transactions with related parties***

The Company is controlled by the multinational company Veolia Energie International SA and its ultimate parent company is Veolia Environnement, VE SA. The Company is involved in intragroup transactions (see note 25).

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.

25. 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:

- Revenue from the supply of electricity and gas

Purchase transactions:

- Advisory services provided to the Company
- Supply of electricity and distribution services
- Re-invoicing of rent for office space

Dalkia Commodities CZ, s.r.o.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014

All significant transactions with related parties were carried out under arm's length conditions. Changes in the ownership structure of the Veolia Group occurred in 2014 (see note 1). Related persons include all companies in the Veolia Group. The Company reports only material relationships with these entities.

In thousands of CZK

	2014		2013	
	Purchases	Sales	Purchases	Sales
Veolia Energie ČR, a.s.	432,957	93,085	631,289	67,558
Dalkia Powerline Sp. z o.o.	368,000	--	455,670	--
OLTERM & TD Olomouc, a.s.	--	4,722	--	2,673
Veolia Průmyslové služby ČR, a.s.	--	110,534	--	160,116
Institut environmentálních služeb a.s.	37	--	--	--
Total	800,994	208,341	1,086,959	230,347

The Company re-invoices the services provided by Veolia Průmyslové služby ČR, a.s. to a third party. Purchases from Veolia Průmyslové služby ČR, a.s. are only recognised in the statement of comprehensive income.

In thousands of CZK

	2014		2013	
	Receivables	Payables	Receivables	Payables
Veolia Energie ČR, a.s.	25,878	45,345	20,057	74,628
Dalkia Powerline Sp. z o.o.	--	33,226	--	36,592
OLTERM & TD Olomouc, a.s.	3,350	2,388	100	1,139
Veolia Průmyslové služby ČR, a.s.	10,786	10,435	12,427	12,153
Total	40,014	91,394	32,584	124,512

26. 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 December 31, 2014, or that should be disclosed in the financial statements.

4 Report on Related Parties



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

prepared

under Section 82 of Act No 90/2012 Coll., on Commercial Companies and Cooperatives
(the Business Corporations Act), as amended, hereinafter also referred to as BCA,

by the governing body of Dalkia Commodities CZ, s.r.o.
having its registered office at 28. října 3337/7, Moravská Ostrava, 702 00 Ostrava
Company No.: 258 46 159,

a company incorporated in the Companies Register maintained by the Ostrava Regional Court,
Register entry C 21431.

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 was prepared by the company's governing body under Section 82 of Act No 90/2012 Coll., on Commercial Companies and Cooperatives (the Business Corporations Act), as amended, on 20 March 2015.

The report has been prepared for the accounting period of 2014.

II**Specification and description of related parties****Controlled company**

Name: Dalkia Commodities CZ, s.r.o.
Registered office: 28. října 3337/7, Moravská Ostrava, 702 00 Ostrava
Company No.: 258 46 159
Register entry: C 21431, Companies Register maintained by the Ostrava Regional Court
Legal form: Private limited company
 Hereinafter also referred to as Dalkia Commodities CZ, or the controlled/dependent company, or the Company.

Controlling companies and entities controlling the controlling companies

Name: Veolia Průmyslové služby ČR, a.s. (formerly Dalkia Industry CZ, a.s.)
Registered office: Ostrava - Mariánské Hory, Zelená 2061/88a, postcode 70974
Company No.: 278 26 554
Register entry: B 3722, Companies Register maintained by the Ostrava Regional Court
Legal form: Public limited company
 Dalkia Industry CZ, a.s. was renamed Veolia Průmyslové služby ČR, a.s., with effect from 1 March 2015 on the basis of the decision, adopted by the company's sole shareholder acting in the capacity of the general meeting on 15 January 2015, to amend the company's Articles of Association.

Name: Veolia Energie ČR, a.s. (formerly Dalkia Česká republika, a.s.)
Registered office: 28. října 3337/7, Moravská Ostrava, 702 00 Ostrava
Register entry: B 318, Companies Register maintained by the Regional Court in Ostrava
Company No.: 451 93 410
Legal form: Public limited company
 Dalkia Česká republika, a.s. was renamed Veolia Energie ČR, a.s., with effect from 1 January 2015 on the basis of the general meeting's decision of 26 November 2014 to amend the Company's Articles of Association.

Name: SOCIETE DE PARTICIPATIONS ET D'INVESTISSEMENTS DIVERSIFIES 2 (SPID 2)
Registered office: 33 PCE RONDE 92800 PUTEAUX PARIS LA DEFENSE
Company No.: 399 345 206 R.C.S. NANTERRE (1998 B 00471)
Legal form: Public limited company
 Hereinafter also referred to as SPID2.

Name: VEOLIA ENERGIE INTERNATIONAL (formerly Dalkia International S.A.)
Registered office: 36-38 avenue Kléber 75116 Paris
Company No.: 433 539 566 R.C.S. Paris (2014 B 18806)
Legal form: Public limited company

Name: VEOLIA SERVICES ENERGETIQUES (formerly Dalkia S.A.S.)
Registered office: 37 avenue du Maréchal de Lattre de Tassigny
 59350 SAINT ANDRE LEZ LILLE
Company No.: 403 211 295 R.C.S. LILLE (1997 B 01362)
Legal form: Public limited company

Name: VEOLIA ENVIRONNEMENT-VE
Registered office: 36-38 avenue Kléber 75016 PARIS
Company No.: 403 210 032 R.C.S. Paris (1995 B 16223)
Legal form: Public limited company

On 25 July 2014, VEOLIA ENVIRONNEMENT took over 100% ownership interests in Dalkia S.A.S. and Dalkia International S.A.; in relation to this change in the shareholding structure, on the same day these companies were renamed VEOLIA SERVICES ENERGETIQUES and VEOLIA ENERGIE INTERNATIONAL.

On 26 December 2014, VEOLIA SERVICES ENERGETIQUES was merged with VEOLIA ENVIRONNEMENT, which thereby became the sole majority shareholder of VEOLIA ENERGIE INTERNATIONAL.

Related parties

Name: Dalkia s.r.o.
Registered office: Praha 2, Americká č.p. 415
Company No.: 257 06 969
Register entry: C 62955, Companies Register maintained by the Prague Municipal Court
Legal form: Private limited company

Name: JVCD, a.s.
Registered office: Praha 2, Americká 36/415, postcode 120 00
Company No.: 601 93 204
Register entry: B 2321, Companies Register maintained by the Prague Municipal Court
Legal form: Public limited company

Name: OLTERM & TD Olomouc, a.s.
Registered office: Janského 469/8, Povel, 779 00 Olomouc
Company No.: 476 77 511
Register entry: 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
Register entry: B 1258, Companies Register maintained by the Ostrava Regional Court
Legal form: Public limited company

Name: Veolia Energie Kolín, a.s. (formerly Dalkia Kolín, a.s.)
Registered office: Kolín V., Tovární 21, postcode 280 63
Company No.: 451 48 091
Register entry: B 1523, Companies Register maintained by the Prague Municipal Court
Legal form: Public limited company

Dalkia Kolín, a.s. was renamed Veolia Energie Kolín, a.s., with effect from 1 January 2015 on the basis of the decision, adopted by the company's sole shareholder acting in the capacity of the general meeting on 26 November 2014, to amend the company's Articles of Association.

Name: Veolia Energie Mariánské Lázně, s.r.o. (formerly Dalkia Mariánské Lázně, s.r.o.)
Registered office: Nádražní náměstí 294, Úšovice, 353 01 Mariánské Lázně
Company No.: 497 90 676
Register entry: C 4776, Companies Register maintained by the Plzeň Regional Court
Legal form: Private limited company

Dalkia Mariánské Lázně, s.r.o. was renamed Veolia Energie Mariánské Lázně, s.r.o. with effect from 1 January 2015 on the basis of the decision, adopted by the company's sole member acting in the capacity of the general meeting on 26 November 2014.

Name: Dalkia Powerline Sp. z o.o.
Registered office: Morcinka 17, 43-417 Kaczyce, Poland
Company No.: 141 89 229, Regional Registry Court in Bielsko Biala
Legal form: Private limited company

Name: Institut environmentálních služeb, a.s.
Registered office: Praha 1, Pařížská 11, postcode 11000
Company No.: 629 54 865
Register entry: B 9967, Companies Register maintained by the Prague Municipal Court
Legal form: Public limited company

Name: Veolia Eau - Compagnie Générale des Eaux
Registered office: 163-169 Avenue Georges Clemenceau, 92000 Nanterre
Company No.: RCS PARIS B 572 025 526
Legal form: Limited partnership with shares

Name: VEOLIA VODA, S.A.
Registered office: 36-38 Avenue Kléber, 750 16 Paris
Company No.: RCS PARIS B 433 934 809
Legal form: Public limited company

Name: VEOLIA ČESKÁ REPUBLIKA, a.s. (formerly VEOLIA VODA
 ČESKÁ REPUBLIKA, a.s.)
Registered office: recepce D, Na Florenci 2116/15, Nové Město, 110 00 Praha 1
Company No.: 492 41 214
Register entry: B 2098, Companies Register maintained by the Prague Municipal Court
Legal form: Public limited company

Name: Pražské vodovody a kanalizace, a.s.
Registered office: Praha 1, Pařížská 11, postcode 110 00
Company No.: 256 56 635
Register entry: B 5297, Companies Register maintained by the Prague Municipal Court
Legal form: Public limited company

Name: MORAVSKÁ VODÁRENSKÁ, a.s.
Registered office: Olomouc, Tovární 41, postcode 779 00
Company No.: 618 59 575
Register entry: B 1943, Companies Register maintained by the Ostrava Regional Court
Legal form: Public limited company

Name: VODÁRNA PLZEŇ a.s.
Registered office: Plzeň, Malostranská 143/2, postcode 317 68
Company No.: 252 05 625
Register entry: B 574, Companies Register maintained by the Plzeň Regional Court
Legal form: Public limited company

Name: VODOSPOL s.r.o.
Registered office: Ostravská 169, Klatovy IV, 339 01 Klatovy
Company No.: 483 65 351
Register entry: C 3931, Companies Register maintained by the Plzeň Regional Court
Legal form: Private limited company

Name: Středočeské vodárny, a.s.
Registered office: Kladno, U Vodojemu 3085, postcode 272 80
Company No.: 261 96 620
Register entry: B 6699, Companies Register maintained by the Prague Municipal Court
Legal form: Public limited company

Name: Severočeské vodovody a kanalizace, a.s.
Registered office: Teplice, Přítkovská 1689, postcode 415 50
Company No.: 490 99 451
Register entry: B 465, Companies Register maintained by the Ústí nad Labem Regional Court
Legal form: Public limited company

Name: RAVOS, s.r.o.
Registered office: Františka Diepolta 1870, Rakovník
Company No.: 475 46 662
Register entry: C 19602, Companies Register maintained by the Prague Municipal Court
Legal form: Private limited company

Name: Vodohospodářská společnost Sokolov, s.r.o.
Registered office: Sokolov, Jiřího Dimitrova 1619, postcode 356 01
Company No.: 453 51 325
Register entry: C 2378, Companies Register maintained by the Plzeň Regional Court
Legal form: Private limited company

Name: Královéhradecká provozní, a.s.
Registered office: Vítá Nejedlého 893/6, Slezské Předměstí, 500 03 Hradec Králové
Company No.: 274 61 211
Register entry: 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
Register entry: B 10383, Companies Register maintained by the Prague Municipal Court
Legal form: Public limited company

Name: Česká voda – Czech Water, a.s.
Registered office: Praha 10, Ke Kablu 971, postcode 102 00
Company No.: 250 35 070
Register entry: B 12115, Companies Register maintained by the Prague Municipal Court
Legal form: Public limited company

Name: Solutions and Services, a.s.
Registered office: Praha 1, Pařížská 67/11, postcode 110 00
Company No.: 272 08 320
Register entry: 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: Pařížská 67/11, Josefov, 110 00 Praha 1
Company No.: 290 60 770
Register entry: B 18573, Companies Register maintained by the Prague Municipal Court
Legal form: Public limited company

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, Dalkia Commodities CZ, s.r.o. 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 member acting in the capacity of the general meeting, who has the influence to appoint its representatives to the Company's bodies and so can influence the business management of the Company.

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 companies

A1 Veolia Průmyslové služby ČR, a.s.

Dalkia Commodities CZ, s.r.o. and Veolia Průmyslové služby, a.s. have the following in place:
Agreements where Dalkia Commodities CZ, s.r.o. is the supplier:

- Agency Agreement on the Disposal of and Trading in Emission Allowances;
- Agreement on Electricity Supply to an Eligible Customer;

Agreements where Dalkia Commodities CZ, s.r.o. is the customer:

- Agreement on Renewable Electricity Feed-in;
- Agreement on Distribution Service Provision;
- Agreement on Compensation for Losses Caused by the Connection of the DIN Local Distribution System;

all of them on an arm's length basis.

A2 Veolia Energie ČR, a.s.

Dalkia Commodities CZ, s.r.o. and Veolia Energie ČR, a.s. have the following in place:

Agreements where Dalkia Commodities CZ, s.r.o. is the supplier:

- Agreement on Bundled Gas Supply Services;
- Agreement on Electrical Energy Purchase and Sale;

Agreements where Dalkia Commodities CZ, s.r.o. is the customer:

- Service Agreement;
- Agreement on Fund Management in the Group, including implementing addenda;
- Commercial Space Sublease Agreement and Personal Property Lease Agreement;
- Agreement on Electrical Energy Purchase and Sale;

all of them on an arm's length basis.

Veolia Energie ČR takes out insurance policies for Dalkia Commodities CZ, s.r.o. and then re-invoices the costs on the basis of the actual expenditure.

A3 SPID2, VEOLIA ENERGIE INTERNATIONAL, VEOLIA SERVICES ENERGETIQUES, VEOLIA ENVIRONNEMENT

No contracts were concluded or performed and no legal acts were executed or measures taken in relation to these companies, and there were no deliveries or considerations between these companies that control the controlling companies.

B Relations to related parties

B1 OLTERM & TD Olomouc, a.s.

Dalkia Commodities CZ, s.r.o., and OLTERM & TD Olomouc, a.s., have in place an Agreement on Bundled Electricity Supply Services on an arm's length basis.

B2 Dalkia Powerline Sp. z o.o.

Dalkia Commodities CZ, s.r.o., and Dalkia Powerline Sp. z o.o., have in place an Agreement on Electrical Energy Purchase on an arm's length basis.

B3 1. SčV, a.s.

Dalkia Commodities CZ, s.r.o., and 1. SčV, a.s., have in place an Agreement on Bundled Electricity Supply Services 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 Dalkia Commodities CZ, s.r.o., with services in the education of its employees, education record keeping in the personnel system, and regular reporting on education, on an arm's length basis.

B5 Královéhradecká provozní, a.s.

Dalkia Commodities CZ, s.r.o., and Královéhradecká provozní, a.s., have in place an Agreement on Bundled Electricity Supply Services and an Agreement on Renewable Electricity Feed-in on an arm's length basis.

B6 MORAVSKÁ VODÁRENSKÁ, a.s.

In 2014, Dalkia Commodities CZ, s.r.o., and MORAVSKÁ VODÁRENSKÁ, a.s., entered into an Agreement on Bundled Electricity Supply Services on an arm's length basis.

B7 Pražské vodovody a kanalizace, a.s.

Dalkia Commodities CZ, s.r.o., and Pražské vodovody a kanalizace, a.s., have in place an Agreement on Bundled Electricity Supply Services and an Agreement on Renewable Electricity Feed-in on an arm's length basis.

B8 RAVOS, s.r.o.

Dalkia Commodities CZ, s.r.o., and RAVOS, s.r.o., have in place an Agreement on Bundled Electricity Supply Services on an arm's length basis.

B9 Severočeské vodovody a kanalizace, a.s.

Dalkia Commodities CZ, s.r.o., and Severočeské vodovody a kanalizace, a.s., have in place an Agreement on Bundled Electricity Supply Services on an arm's length basis.

B10 Solutions and Services, a.s.

Dalkia Commodities CZ, s.r.o., and Solutions and Services, a.s., have in place a Master Agreement on Electrical Energy Supply on an arm's length basis.

B11 Středočeské vodárny, a.s.

Dalkia Commodities CZ, s.r.o., and Středočeské vodárny, a.s., have in place an Agreement on Bundled Electricity Supply Services on an arm's length basis.

B12 VODÁRNA PLZEŇ a.s.

Dalkia Commodities CZ, s.r.o., and Vodárna Plzeň a.s., have in place an Agreement on Bundled Electricity Supply Services on an arm's length basis.

B13 Vodohospodářská společnost Sokolov, s.r.o.

Dalkia Commodities CZ, s.r.o., and Vodohospodářská společnost Sokolov, a.s., have in place an Agreement on Bundled Electricity Supply Services and an Agreement on Renewable Electricity Feed-in on an arm's length basis.

B14 VODOSPOL s.r.o.

Dalkia Commodities CZ, s.r.o., and VODOSPOL, s.r.o., have in place an Agreement on Bundled Electricity Supply Services on an arm's length basis.

B15 Other related parties

No 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 2014, 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.

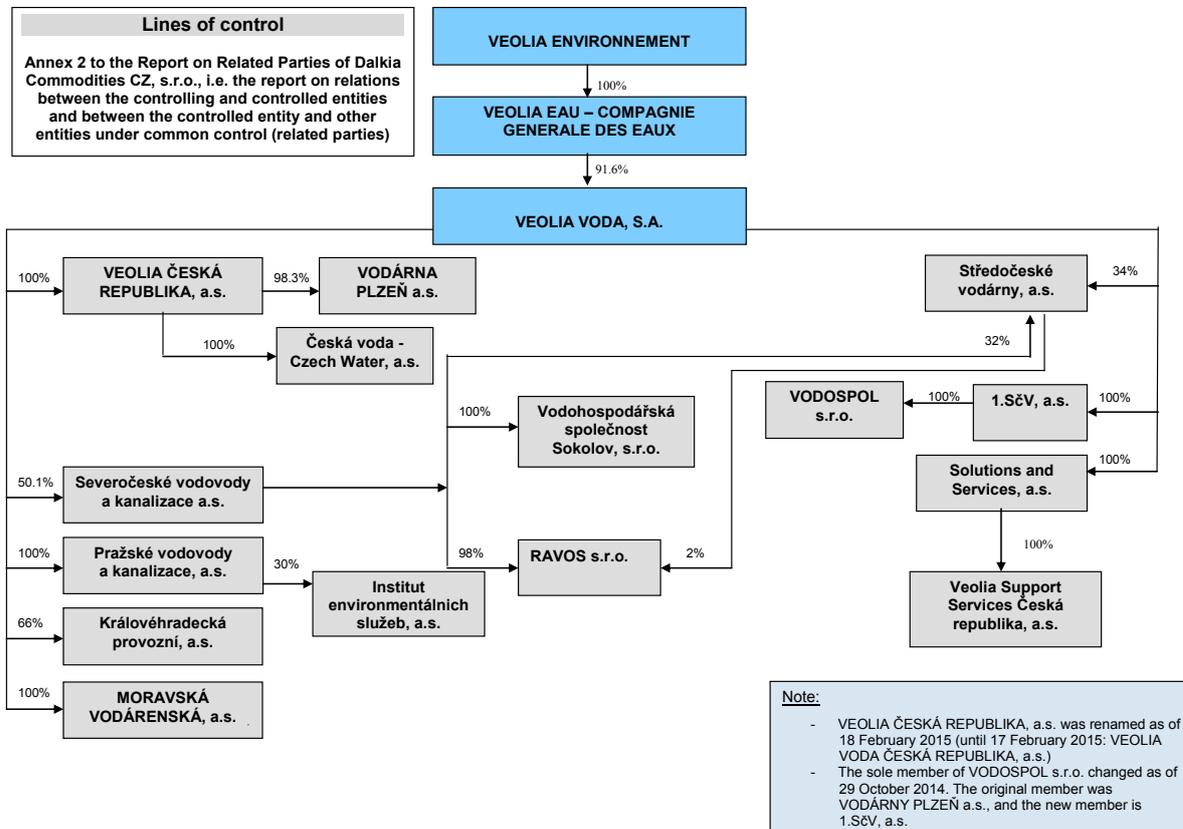
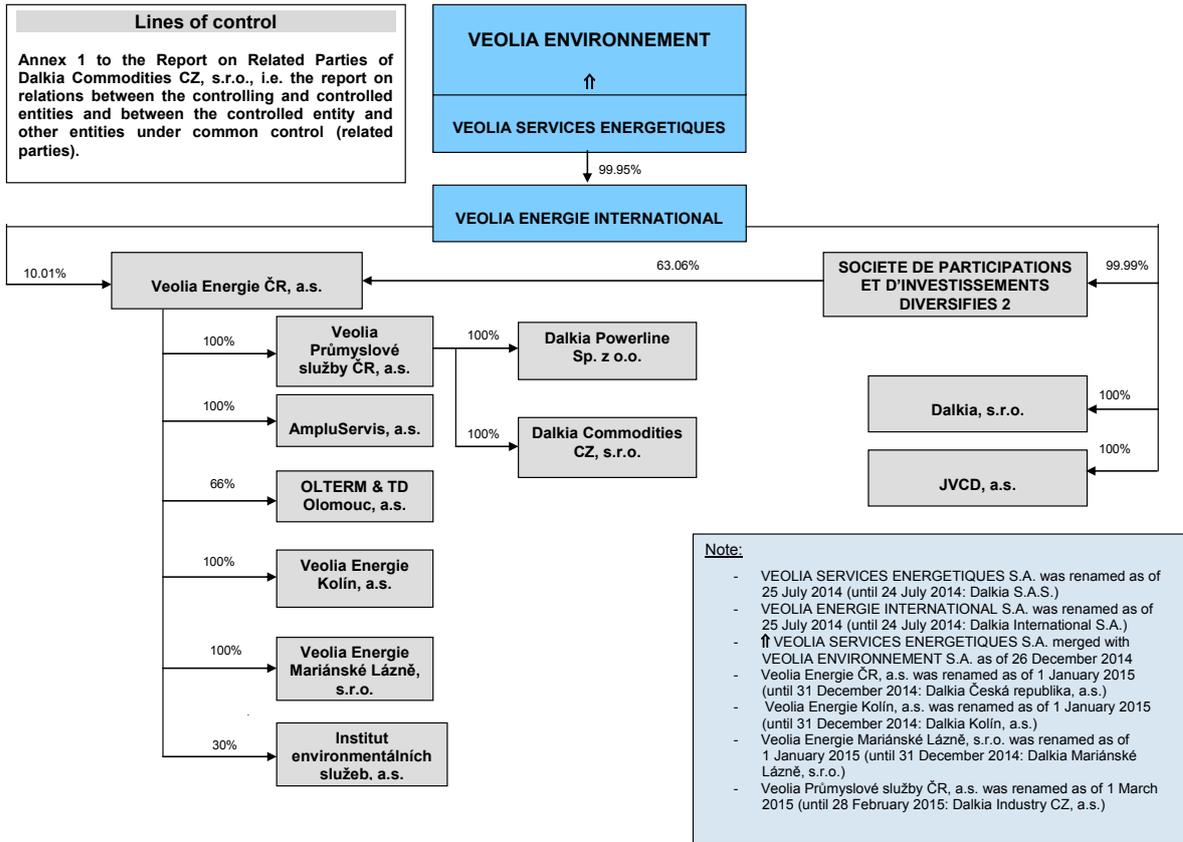
**V
Conclusion**

On the basis of the information available to the governing body and in view of the information above, the Managing Director 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 Managing Director notes that the Report is complete and that the disclosure of any additional information, in particular such as would extend the scope or depth of the disclosures made herein, is subject to trade secrecy under Section 504 of Act No 89/2012, the Civil Code.

Ostrava, 20 March 2015



Pavel Luňáček
Managing Director of the Company



5 Auditor's Report





KPMG Česká republika Audit, s.r.o.
Pobřežní 648/1a
186 00 Praha 8
Česká republika

Telephone +420 222 123 111
Fax +420 222 123 100
Internet www.kpmg.cz

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

Independent Auditor's Report to the Member of Veolia Komodity ČR, s.r.o. (till 31 March 2015 Dalkia Commodities CZ, s.r.o.)

Financial Statements

On the basis of our audit, on 17 March 2015 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of Dalkia Commodities CZ, s.r.o., which comprise the statement of financial position as of 31 December 2014, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about Dalkia Commodities CZ, s.r.o. is set out in Note 1 to these financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of Dalkia Commodities CZ, s.r.o. is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as the statutory body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Obchodní rejstřík vedený
Městským soudem v Praze
oddíl C, vložka 24185

IČ 49619187
DIC CZ699001996



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Dalkia Commodities CZ, s.r.o. as of 31 December 2014, 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.”

Annual Report

We have audited the consistency of the annual report with the audited financial statements. This annual report is the responsibility of the Company’s statutory body. Our responsibility is to express our opinion on the consistency of the annual report with the audited financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the audited financial statements. We believe that the audit we have conducted provides a reasonable basis for our audit opinion.

In our opinion, the information disclosed in the annual report is, in all material respects, consistent with the audited financial statements.

Ostrava
15 May 2015

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

Petr Sikora
Partner
Registration number 2001

TRANSLATION

This Annual Report was prepared by the Economic-Administrative Department of Veolia Komodity ČR and by the Communication Department of Veolia Energie ČR.

Maquette: Veolia, Veolia Environnement.

Photography: Veolia Group library.

Annual Report concept and production: Communication Department of Veolia Energie ČR in cooperation with Agentura API.

Registered office:
Veolia Komodity ČR, s.r.o.
28. října 3337/7
Moravská Ostrava
702 00 Ostrava

Customer service
800 800 860

www.veoliakomodity.cz

Annual Report prepared on 10 April 2015.