

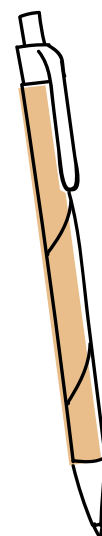
ANNUAL REPORT 2018

Veolia Komodity ČR, s.r.o.



CONTENTS

| | |
|--|---------------|
| CORPORATE AND GENERAL INFORMATION ABOUT THE COMPANY | 2 |
| Snapshot | 3 |
| Company description | 4 |
| Key figures | 5 |
| Corporate governance | 6 |
| Other information | 7 |
| Organisational structure | 7 |
| MANAGEMENT REPORT | 8 |
| Foreword | 9 |
| Core values | 10 |
| Our services | 11 |
| Innovation | 12 |
| Customers | 13 |
| Responsibility | 15 |
| Solidarity | 16 |
| FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018 | 17 |
| REPORT ON RELATED PARTIES | 40 |
| AUDITOR'S REPORT | 52 |



CORPORATE AND GENERAL INFORMATION ABOUT THE COMPANY

SNAPSHOT

Company name
Veolia Komodity ČR, s.r.o.

Date incorporated
25 october 1999

Share capital
2 000 000 Kč

Company No
258 46 159

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



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

Legal form
private limited company

Veolia Komodity ČR, s.r.o.
is one of the largest independent electricity and gas traders in the Czech Republic today. We strive to provide customers with the best possible conditions for the purchase and sale of electricity and gas.

COMPANY DESCRIPTION

Veolia Komodity ČR, s.r.o. ("Veolia Komodity") started trading in electricity as CZECH-KARBON s.r.o. on 1 October 2001 in response to a strategic decision by the board of directors of KARBON INVEST a.s. The aim was to centralise and streamline electricity trading and purchasing for the Group in the new landscape forming on the liberalised electricity market. On 1 December 2008, NWR Energy, a.s. became CZECH-KARBON s.r.o.'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.). Since 2012, Veolia Komodity has been a licensed gas trader. In January 2015, the Company's sole member, acting in the capacity of the General Meeting, decided to amend the Memorandum of Association and change the Company's name from Dalkia Commodities CZ s.r.o. to Veolia Komodity ČR, s.r.o., effective from 1 April 2015. The sole member's name changed, at the same time, to Veolia Průmyslové služby ČR, a.s., effective from 1 March 2015.

Starting in 2001, Veolia Komodity, 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 an efficient trading company wielding extensive know-how in electricity and gas trading both at home and on the international stage.

With its close-knit team of staff, Veolia Komodity 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 2018, 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. To further its business opportunities, the Company also had the opportunity to draw on supplies 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 holds a 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, we managed to reduce the costs of imbalances between the quantities of electricity contracted and the quantities actually taken (constituting a large proportion of the price), mainly by applying a high-quality prediction system and by the very precise negotiation of our customers' load profiles.

KEY FIGURES

TURNOVER:

3,408,497,000
CZK

ELECTRICITY SUPPLIED:

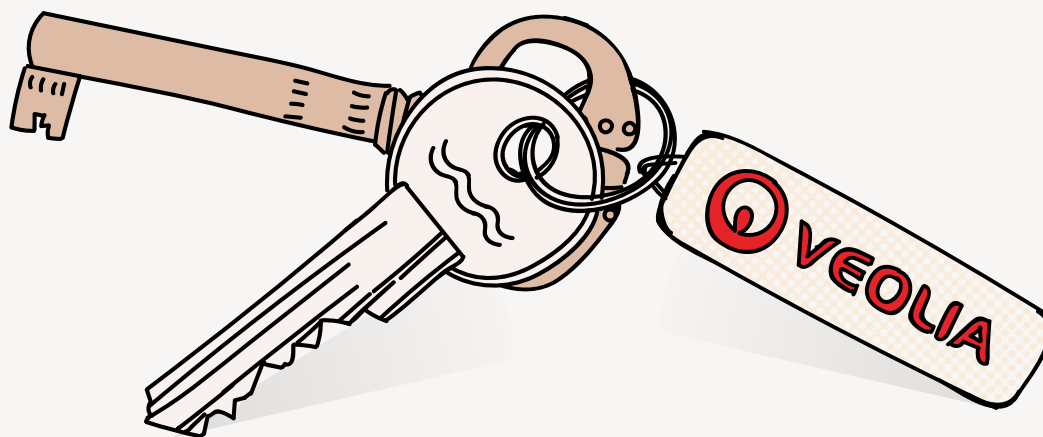
1,9
TWh

EMPLOYEES:

9

GAS SUPPLIED:

1,2
TWh



CORPORATE GOVERNANCE



DIRECTOR

Pavel Luňáček





ORGANISATIONAL STRUCTURE

General Meeting

Director

Assistant

End Customer Sales
and Services Unit

Energy Trading
Unit

OTHER INFORMATION

VEOLIA KOMODITY HAS NO BRANCHES OR ANY OTHER FORM OF BUSINESS REPRESENTATION ABROAD 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 2018, THE COMPANY DID NOT HOLD ANY OF ITS OWN SHARES AND HELD NO OWNERSHIP INTERESTS IN OTHER COMPANIES.

MANAGEMENT REPORT

FOREWORD

Dear Ladies and Gentlemen, Dear Business Partners,

I would like to take this opportunity to sum up the business Veolia Komodity did in 2018 and introduce you to the strategy we have prepared as we move forward. Last year was a success for the Company. We navigated our way through the turmoil on the energy market and delivered the electricity demanded by our customers. We supplied a record-breaking 1.9 TWh of electricity and 1.2 TWh of natural gas. Our customer portfolio encompasses not only industry leaders, but also customers in the transport, education, health, service and government sectors. We worked extensively with auction houses at commodities exchanges and, just as importantly, we purchased electricity from the renewable and secondary sources of independent producers, enabling us to cover our customers' need for supplies of electricity guaranteed to have originated from renewable sources.

In 2018, we continued to develop business activities in synergy with other Veolia Group companies. Here, we were particularly successful at optimising our electricity and gas trading. Last year, we finished rolling out a new information system for our trading operations. This will simplify communications with the market operator and streamline our management of electricity and gas trading.

Looking at 2019, we are forecasting a decent economic outturn underpinned by a stabilised customer portfolio and changes in our corporate strategy. We will continue to develop our business operations on the energy market. I firmly believe that our vast experience of both the domestic and foreign energy markets, coupled with the stable backing provided by the powerful Veolia Group, of which Veolia Komodity is a member, will prompt our customers to continue seeking us out in the knowledge that we are a professional partner.

I value highly the confidence placed in us by our business partners. I thank them for their patronage and look forward to continuing our successful cooperation in the year ahead. In conclusion, I would also like to thank the employees of Veolia Komodity for the professionalism with which they acquit themselves in their work.



Pavel Luňáček
Director



CORE VALUES

IN ITS WORK, THE COMPANY RELIES ON CORE VALUES SHARED ACROSS THE VEOLIA GROUP: CUSTOMER FOCUS, INNOVATION, RESPONSIBILITY, RESPECT AND SOLIDARITY.

CUSTOMER FOCUS

Veolia pursues this value in particular by 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 suitable and innovative solutions that meet their technical, economic and environmental requirements.

- Supporting harmonious development of regions;
- Improving the living conditions of the people affected by its operations, and environmental protection;
- Promoting the business skills of our employees, improving personal safety at work (occupational injury prevention) and creating a sound working environment

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:

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 that enable the Veolia Group to provide essential services for everyone, which we consider to be one of our major social responsibilities.

OUR SERVICES

BUSINESS ACTIVITIES

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

End Customer Sales and Services Unit

This unit is responsible for electricity and gas sales to end customers and for providing them with a comprehensive service.

In 2018, the End Customer Sales and Services Unit arranged for supplies to end customers with a total annual electricity consumption of 1.9 TWh and gas consumption of 1.2 TWh.

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

Energy Trading Unit

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

The Energy 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, this 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.



INNOVATION

In 2018, innovation continued to focus on honing the services provided to customers, specifically:

IMPROVING RISK MANAGEMENT INSTRUMENTS

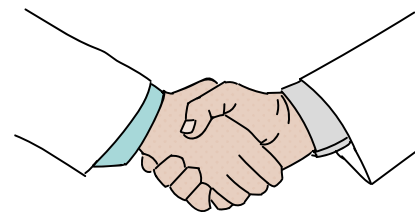
The Company regularly evaluates business and financial risks, particularly price, currency and credit risks. We have introduced and periodically evaluate the credit rating of our business partners and customers, hedge foreign exchange risk, and regularly update forecasts to reflect developments among 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. With this in mind, we attach great importance to identifying the needs and requirements of consumers and creating an attractive range of services for each target segment on the market.



CUSTOMERS

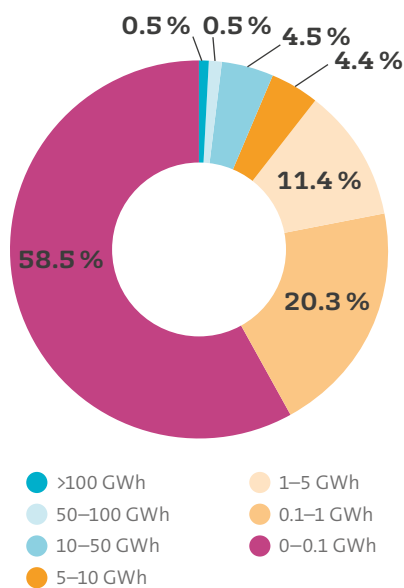


Since 2001, the liberalisation of the electricity market has gradually brought about the need to address the requirements of the different customer segments. As a result, Veolia Komodity has become a supplier for a wide range of customers.

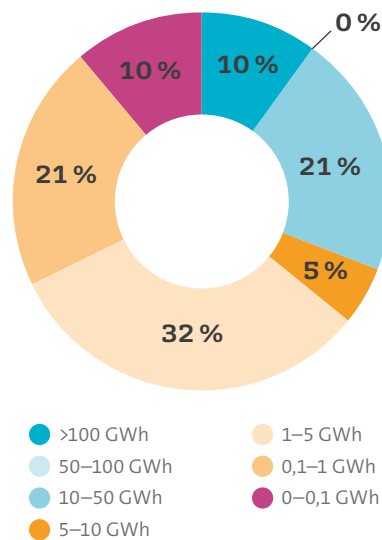
The Company's current end customer portfolio numbers almost 500 customers, whose needs and supply

quantities are very diverse. Besides its traditional coal-mining and coke-producing partners, Veolia Komodity also served customers in metallurgy, engineering, the automotive and food industries, state administration, the tertiary sector, the health sector, etc.

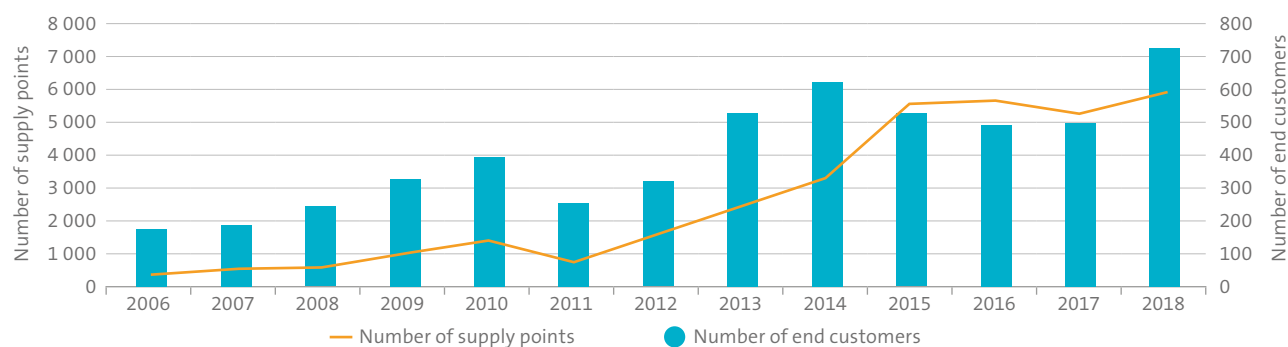
Portfolio of end electricity customers by quantity taken in 2018



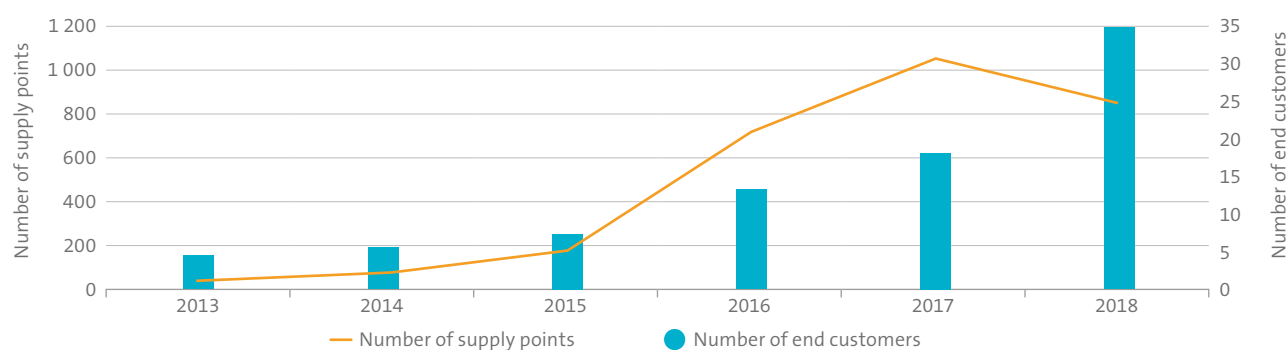
Portfolio of end gas customers by quantity taken in 2018



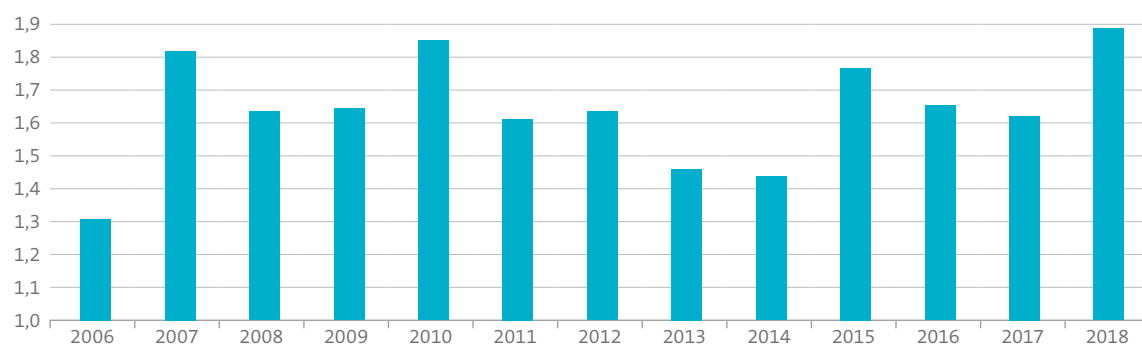
Growth in numbers of electricity supply deals



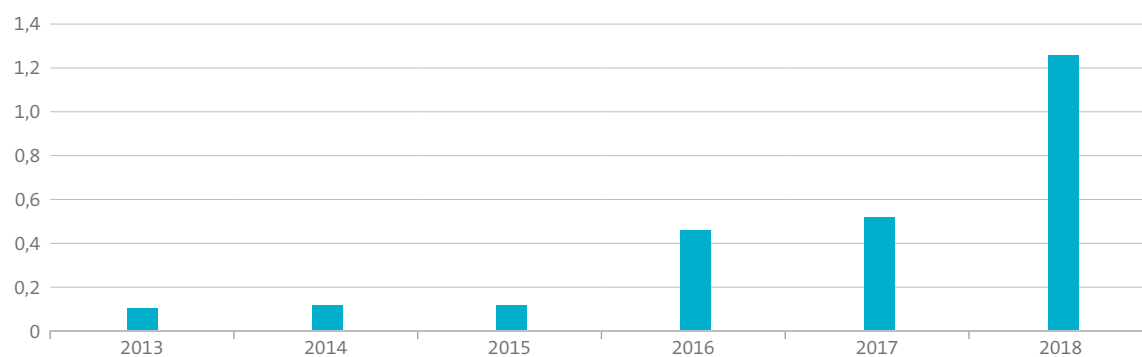
Growth in numbers of gas supply deals



Electricity supply to end customers (TWh)



Gas supply to end customers (TWh)



RESPONSIBILITY

The Sustainable Development Policy approved by Philippe Guitard, Director for Central and Eastern Europe, on 1 July 2016 is the top-level document in the Veolia Group's Integrated Management System. This document applies to all Veolia Energie in the Czech Republic Group companies, incorporating not only the mandatory requirements of individual IMS standards, but also the requirements and principles of the senior management, to which we must adhere. These principles define our relationships with customers, the environment, our employees' occupational safety, and sound energy management.

In 2018, we continued to nurture cooperation with independent electricity producers, including the purchase of electricity from renewable and secondary sources. This offers these plants participation in the green premium system supporting renewable and secondary sources. In 2018, the Company purchased 251 GWh from renewable and secondary sources.

HUMAN RESOURCES

In 2018, the Company employed nine employees averaging 41.5 years in age. All employees hold university degrees.



SOLIDARITY

The Company contributes to the Veolia Foundation and the Veolia Energie Humain ČR Foundation.

Last year, 2018, was the sixteenth year in which the Veolia Foundation pursued its mission, expressed by the slogan “Caring for the Environment and the Community”.

The traditional programme to support the creation of new jobs supporting micro and small business start-ups was last year renamed STARTér, Věř si a podnikej! (STARTer, Believe in Yourself and Get Down to Business!). The popular MiNiGRANTY® VEOLIA programme for our employees’ volunteering work continued. Our youngest grant scheme, Stále s úsměvem – Aktivně po celý život (Keep Smiling – Actively Your Whole Life), designed to promote the quality of life enjoyed by seniors in a community setting, entered its third year. Progress was

also made in the other traditional programmes of the Veolia Foundation – Voda pro Afriku (Water for Africa), Cesta pstruha (The Trout Way), and Uklidíme svět (Clean Up the World!).

The Veolia Energie Humain ČR Foundation was formed in 2005 by Veolia Energie ČR, a.s. with a view to assisting current and former employees who find themselves in difficult situations.

The general purpose of this Foundation is specifically fulfilled by the provision of assistance:

- to employees and their family members in difficult personal circumstances;
- in the care of a physically or mentally disabled child;
- at times of childbirth.



FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Veolia Komodity ČR, s.r.o.**Non-consolidated income statement****For the year ended 31 December***In thousands of CZK*

| | Note | 2018 | 2017 |
|--|------|--------------|-----------------|
| Revenue | 6 | 3,408,497 | 2,640,070 |
| Cost of sales | 7 | (3,396,847) | (2,662,495) |
| Gross profit / (loss) | | 11,650 | (22,425) |
| Administrative expenses | 8 | (4,681) | (4,604) |
| Operating result | | 6,969 | (27,029) |
| Finance income | 9 | 11,459 | 5,954 |
| Finance costs | 9 | (13,174) | (16,916) |
| Profit / (loss) before income tax | | 5,254 | (37,991) |
| Income tax expense | 10 | (1,418) | 7,140 |
| Profit / (loss) for the period | | 3,836 | (30,851) |

The notes are an integral part of the financial statements.

Veolia Komodity ČR, s.r.o.**Non-consolidated statement of comprehensive income****For the year ended 31 December***In thousands of CZK*

| | 2018 | 2017 |
|--|---------------|-----------------|
| Profit / (loss) for the period | 3,836 | (30,851) |
| Changes in fair value of hedging instruments (may be reclassified to income statement) * | 19,897 | (10,484) |
| Other comprehensive income after taxation | 19,897 | (10,484) |
| Total comprehensive income for the period | 23,733 | (41,335) |

* Taxation is described in Note 10.

The notes are an integral part of the financial statements.

Veolia Komodity ČR, s.r.o.

Non-consolidated statement of financial position

At 31 December

In thousands of CZK

| | Note | 2018 | 2017 |
|--|------|------------------|----------------|
| Assets | | | |
| Other financial investments | 12 | 8,004 | 15,811 |
| Derivatives | | 2,282 | |
| Deferred tax assets | 13 | 8,082 | 14,167 |
| Total non-current assets | | 18,368 | 29,978 |
| Inventories | | 24,505 | 13,244 |
| Trade and other receivables | 15 | 940,904 | 649,662 |
| Current tax assets | 14 | 235 | 3,368 |
| Derivatives | | 341 | |
| Cash and cash equivalents | 16 | 219,917 | 38,554 |
| Total current assets | | 1,185,902 | 704,828 |
| Total assets | | 1,204,270 | 734,806 |
| Equity | | | |
| Registered capital | | 2,000 | 2,000 |
| Reserves and other capital contributions | | 848 | (19,049) |
| Retained earnings | | 165,954 | 162,118 |
| Total equity | | 168,802 | 145,069 |
| Liabilities | | | |
| Derivatives | 12 | | 1,629 |
| Total non-current liabilities | | 0 | 1,629 |
| Trade and other payables | 19 | 1,034,507 | 536,816 |
| Loans and borrowings | | 420 | 28,904 |
| Provisions | 18 | 541 | 500 |
| Derivatives | 12 | | 21,888 |
| Total current liabilities | | 1,035,468 | 588,108 |
| Total liabilities | | 1,035,468 | 589,737 |
| Total equities and liabilities | | 1,204,270 | 734,806 |

The notes are an integral part of the financial statements.

Director:

Pavel Luňáček

Date: 18 April 2019

Veolia Komodity ČR, s.r.o.

Non-consolidated statement of changes in equity

| <i>In thousands of CZK</i> | Registered capital | Statutory reserves | Other capital contributions | Cash flow hedges | Retained earnings | Total |
|--|--------------------|--------------------|-----------------------------|------------------|-------------------|-----------------|
| Balance at 31 December 2016 | 2,000 | -- | -- | (8,565) | 192,969 | 186,404 |
| Loss for the period | -- | -- | -- | -- | (30,851) | (30,851) |
| Other comprehensive income | | | | | | |
| Changes in fair value of hedging instruments | -- | -- | -- | (10,484) | -- | (10,484) |
| Total other comprehensive income | -- | -- | -- | (10,484) | -- | (10,484) |
| Total comprehensive income for the period | -- | -- | -- | (10,484) | (30,851) | (41,335) |
| Transactions with owners, recorded directly in equity | | | | | | |
| Share of profit paid to the member | -- | -- | -- | -- | -- | 0 |
| Contribution to other capital contributions | -- | -- | -- | -- | -- | -- |
| Balance at 31 December 2017 | 2,000 | -- | -- | (19,049) | 162,118 | 145,069 |
| Profit for the period | -- | -- | -- | -- | 3,836 | 3,836 |
| Other comprehensive income | | | | | | |
| Changes in fair value of cash flow hedges | -- | -- | -- | 19,897 | -- | 19,897 |
| Employee benefits – actuarial gains (losses) | -- | -- | -- | -- | -- | -- |
| Total other comprehensive income | -- | -- | -- | 19,897 | -- | 19,897 |
| Total comprehensive income for the period | -- | -- | -- | 19,897 | 3,836 | 23,733 |
| Transactions with owners, recorded directly in equity | | | | | | |
| Dividends attributable to shareholders | -- | -- | -- | -- | -- | -- |
| Balance at 31 December 2018 | 2,000 | -- | -- | 848 | 165,954 | 168,802 |

The notes are an integral part of the financial statements.

Veolia Komodity ČR, s.r.o.

Non-consolidated statement of cash flows

For the year ended 31 December

In thousands of CZK

| | Note | 2018 | 2017 |
|--|------|----------------|-----------------|
| Cash flow from operating activities | | | |
| Profit / (loss) before income tax for the period | | 5,254 | (37,991) |
| Gain / (loss) on sale of property, plant and equipment | | -- | -- |
| Change in provisions | | 41 | (13,092) |
| Net interest income and expense | 9 | 1,722 | 1,142 |
| Unrealised exchange rate gains and losses | | (1,576) | (285) |
| Cash flow from operating activities | | 5,441 | (50,226) |
| Change in receivables | | (291,242) | 129,102 |
| Change in inventories | | (11,261) | (13,244) |
| Change in current liabilities | | 497,691 | (161,514) |
| Income tax paid and tax assessments for previous periods | | 3,133 | 2,946 |
| Net cash flow from operating activities | | 203,762 | (92,936) |
| Cash flows from investing activities | | | |
| Proceeds from the sale of property, plant and equipment | | -- | -- |
| Change in receivables and other financial assets | | 7,807 | -- |
| Net cash flow from (used in) investing activities | | 7,807 | 0 |
| Free operating cash and cash equivalents | | 211,569 | (92,936) |
| Cash flow from financing activities | | | |
| Interest paid | | (1,722) | (1,177) |
| Paid shares of profit | | -- | -- |
| Net cash flow from (used in) financing activities | | (1,722) | (1,177) |
| Net increase (decrease) in cash and cash equivalents | | 209,847 | (94,113) |
| Cash and cash equivalents at 1 January | | 9,650 | 103,763 |
| Cash and cash equivalents at 31 December | 16 | 219,497 | 9,650 |

The notes are an integral part of the financial statements.

Veolia Komodity ČR, s.r.o.**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018****1. General information**

Veolia Komodity ČR, s.r.o. ("the Company") is registered in the Czech Republic.

The registered office of the Company is at 28. října 3337/7, Moravská Ostrava, postcode 702 00, Company No. 258 46 159.

The Company's core business includes trading in electricity, trading in gas, and manufacturing, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act.

The sole member of Veolia Komodity ČR, s.r.o. is Veolia Průmyslové služby ČR, a.s., having its registered office at Zelená 2061/88a, Ostrava – Mariánské Hory, postcode 709 74.

In 2018, the member did not change and no other changes subject to entry in the Companies Register took place.

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 31 December 2018. The Board of Directors of Veolia Průmyslové služby ČR, a.s. as the governing body of the sole member of Veolia Komodity ČR, s.r.o. decided, in exercising the powers of the General Meeting, that as of 1 January 2013 Veolia Komodity ČR, 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 financial statements have been prepared on the basis of a going concern.

The Company's Director approved the financial statements on 18 April 2019.

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 3.

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.

Veolia Komodity ČR, s.r.o.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018*d) Changes in accounting policies / new IFRS standards and interpretations of IFRIC**(i) Standards not applied*

For the accounting period beginning on 1 January 2019 and further, a number of new standards, amended standards and interpretations come into effect, which may be relevant for the Company but have not been applied earlier in the preparation of these unconsolidated financial statements for 2018. These mainly include the following:

IFRS 16 Leases, issued in January 2016, specifies rules for leases. It will replace existing IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 sets out new principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 is effective from 1 January 2019; it is available for earlier application, but only if the entity also applies IFRS 15. The Company will apply IFRS 16 as of 1 January 2019 using a fully modified retrospective approach. This means that the Company will apply IFRS 16 to all contracts concluded before 1 January 2019 and the impact will be recognised as an adjustment to the opening balance of retained profit as at 1 January 2019, without restating the comparative information.

The entity will disclose new assets and liabilities under its operating leases. The nature of and costs related to such leases will now change, because the entity will recognise depreciation for right-of-use assets and interest expense for lease liabilities. Earlier, the entity recognised costs under operating leases on a straight-line basis over the lease term and disclosed assets and liabilities as the time difference between the actual lease payments and recognised expenses. The entity will include the payments payable under leases in lease liabilities.

The cumulative impact of the application of IFRS 16 is as follows: CZK 7 million as an increase in fixed assets, CZK (4) million as a reduction in fixed assets through accumulated depreciation, CZK 3 million as an increase in a long-term liability, and CZK (0.215) million as a reduction in retained profit.

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

IAS19 – Employee Benefits
IFRIC 23 – Uncertainty over Income Tax Treatments
IFRS 17 – Insurance Contracts
IAS 12 – Income Taxes

(ii) Applied standards

The following new or amended standards, applicable as of 1 January 2018, did not have a significant impact on the Company's non-consolidated financial statements.

IFRS 9 Financial Instruments, published in July 2014, has replaced the current requirements in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidelines for the classification, measurement, impairment, and derecognition of financial assets and liabilities, including a new forward-looking expected loss impairment model, and a substantially revised 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 1 January 2018.

The Company has decided to apply IFRS 9 as of 1 January 2018 using a fully modified retrospective approach, and any impact was recognised as an adjustment to the opening balance of retained profit as at 1 January 2018 without restating comparative information.

IFRS 9 changes the approach to the classification and measurement of financial assets. Financial assets are classified based on the method of their measurement, and for determining the method of their measurement, the objective of holding the assets is relevant. The standard contains three options for measurement: the fair value option through the profit and loss (FVTPL), the fair value option through other comprehensive income (FVOCI), and the carrying amount option. The standard also repeals the current classification under IAS 39.

Veolia Komodity ČR, s.r.o.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

The trade receivables that under IFRS 15 have a significant financing arrangement (long maturity period) are initially measured at fair value. The Company does not carry this type of receivables in its books. On the contrary, for trade receivables without a significant financing arrangement IFRS 9 grants an exception and such assets are measured at carrying amount.

The impact of the application of IFRS 9 on the carrying amount of financial assets as at 1 January 2018 concerns only the new requirements for impairment. IFRS 9 imposes a new obligation, specifically to include also forecasts in impairment in addition to past events. The Company will determine an allowance equalling the expected losses throughout the duration of the asset.

For the estimate to be more accurate, the receivables have to be broken down by, for example, geography, sector, or customer. The Company is creating provisions by these rules and has therefore concluded that the application of IFRS does not have an impact on its accounts.

The Company applies the standard in hedge accounting, specifically to hedge cash flows. In addition to the effectiveness tests, the Company also carries out ineffectiveness tests in relation to the application of this standard.

Additional information about the accounting policy concerning financial assets, liabilities and derivatives is contained in Notes 3 b.

IFRS 15 Revenue from Contracts with Customers provides a comprehensive framework for specifying how, how much and when an IFRS reporter will recognise revenue. 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 1 January 2018.

IFRS 15 provides a new five-step model for recognising revenue from contracts with customers. The Company started to apply the new standard as of 1 January 2018; it elected to use the modified retrospective approach and has revised the main types of its commercial arrangements with customers. The Company has concluded that the application of IFRS 15 does not have any significant impact on any revenue for the Company, and hence also not on the income statement or the statement of financial position. Financial information for the preceding period does not have to be restated.

Under IFRS 15 revenue is recognised as control of the goods or services is passed to the customer (earlier, revenue was recognised as significant risks and rewards related to the ownership of the assets were passed to the customer). It is therefore necessary to determine the timing of the passing of control, either over time or at a point in time. The disclosure requirements in IFRS 15 have not been generally used for comparative information.

Additional information about the accounting policies concerning the recognition of revenue is contained in Note e.

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 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.

Veolia Komodity ČR, s.r.o.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018**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 4 e).

Other non-derivative financial instruments are initially stated at fair value plus, for instruments not at fair value through the income statement, 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 4 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.

Cash flow hedging

Changes in the fair value of derivative hedging instruments designated as a cash flow hedge are recognised by Veolia Group's rules directly in equity or in profit or loss 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 revenue.

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

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 member's contributions. Profit distributions are recognised as liabilities in the period in which they are declared.

c) Impairment*(i) Financial assets*

Veolia Komodity ČR, s.r.o.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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 the income statement. 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 the income statement.

(ii) Non-financial assets

The carrying amounts of non-financial assets other than deferred tax assets (see Note 4 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 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.

d) 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.

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

Revenue from the sale of gas, electricity and goods is recognised in the income statement as control of goods or services is passed to the customer.

f) Expenses*(i) Operating lease payments*

Payments made under operating leases are recognised in the income statement 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.

Veolia Komodity ČR, s.r.o.**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018****g) 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.

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.

Veolia Komodity ČR, s.r.o.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

The Financial Department of the 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 systems, where applicable.

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 31 December 2018, the Company holds cash and cash equivalents of CZK 219,917,000 (2017: CZK 38,554,000). 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 booking. Otherwise, it provides 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 2018, provided guarantees (in the form of long-term advance payments) of CZK 8,004,000 (2017: CZK 15,811,000) and bank guarantees of CZK 118 million (2017: CZK 121 million) were outstanding.

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 200 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.

Veolia Komodity ČR, s.r.o.**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018***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.

Operating risk

The Company manages 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

| | 2018 | 2017 |
|---------------------------|-----------|----------|
| Total liabilities | 1,035,468 | 589,737 |
| Cash and cash equivalents | (219,917) | (38,554) |
| Net debt | 815,551 | 551,183 |
| Total equity | 168,802 | 145,069 |
| Cash flow from hedges | (848) | 19,049 |
| Adjusted equity | 167,954 | 164,118 |
| Debt to adjusted equity | 4.86 | 3.36 |

6. Revenue*In thousands of CZK*

| | 2018 | 2017 |
|---|-----------|-----------|
| Revenue from sale and re-sale of electricity and ancillary services | 2,731,319 | 2,411,906 |
| Revenue from the sale of gas | 677,178 | 228,164 |
| Total | 3,408,497 | 2,640,070 |

Revenue from sale of gas increased in 2018 mainly due to the increase in quantity and price. Revenue from sale and re-sale of electricity increased mainly due to the higher price.

7. Cost of sales*In thousands of CZK*

| | 2018 | 2017 |
|---|-------------|-------------|
| Personnel expenses | (9,554) | (8,014) |
| Cost of sold gas | (656,016) | (231,028) |
| Cost of purchased electricity | (2,727,490) | (2,432,349) |
| Consumption of raw materials, energy and services | (3,930) | (4,454) |

Veolia Komodity ČR, s.r.o.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

| | | |
|----------------------|-------------|-------------|
| Change in provisions | 143 | 13,350 |
| Total | (3,396,847) | (2,662,495) |

The increase in the cost of sold goods excluding electricity (gas) is due to the rise in the quantity bought and their price compared with 2017. The increase in the costs of purchased electricity is mainly due to the higher price of electricity bought.

8. Administrative expenses

| | | |
|--|-------------|-------------|
| <i>In thousands of CZK</i> | 2018 | 2017 |
| Management costs | (4,240) | (4,205) |
| Cost of raw materials, services and other expenses | (441) | (399) |
| Total | (4,681) | (4,604) |

9. Finance income and expenses

| | | |
|------------------------------|-------------|-------------|
| <i>In thousands of CZK</i> | 2018 | 2017 |
| Interest income | 77 | 159 |
| Foreign exchange gain | 9,806 | 5,795 |
| Remeasurement of derivatives | 1,576 | -- |
| Total finance income | 11,459 | 5,954 |
| Interest expense | (1,799) | (1,301) |
| Foreign exchange loss | (9,793) | (14,427) |
| Other finance expenses | (1,582) | (1,188) |
| Total finance expenses | (13,174) | (16,916) |

Veolia Komodity ČR, s.r.o.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018**10. Income tax***Recognised in the income statement**In thousands of CZK*

| <i>Current tax</i> | 2018 | 2017 |
|-------------------------------|-------------|-------------|
| Current year | -- | -- |
| Adjustments for prior periods | -- | 59 |
| | 0 | 59 |

Deferred tax

| | | |
|--|---------|-------|
| Effect of the change in temporary differences and the lower tax rate | (1,418) | 7,081 |
| Total income tax expense in income statement | (1,418) | 7,140 |

*Reconciliation of effective tax rate**In thousands of CZK*

| | 2018 | 2017 |
|--|-------------|-------------|
| Profit before tax | 5,254 | (37,991) |
| Income tax calculated using the domestic corporate income tax rate | (998) | 7,218 |
| Effect of non-deductible expenses | (593) | 2,351 |
| Effect of tax exempt income | 441 | (9,569) |
| Effect of application of tax loss | 1,150 | -- |
| Adjustments for prior periods | -- | 59 |
| Current tax | -- | 59 |
| Deferred tax | (1,418) | 7,081 |
| Total income tax expense in income statement | (1,418) | 7,140 |

An income tax overpayment of CZK 235,000 is reported as the Current tax assets (2017: CZK 3,368,000) and represents income tax advances paid in an amount of CZK 235,000 (2017: CZK 3,368,000).

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 the fair value of hedging instruments: before taxation CZK 24,564,000 (2017: CZK (12,943,000)); tax CZK (4,667,000) (2017: CZK 2,459,000); after taxation CZK 19,897,000 (2017: CZK (10,484,000)).

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

| Long-term financial investments | 2018 | 2017 |
|--|-------------|-------------|
| Other financial investments | 8,004 | 15,811 |

Other financial investments include primarily long-term collateral deposited with OTE.

| Financial derivatives | 2018 | 2017 |
|------------------------------|-------------|-------------|
|------------------------------|-------------|-------------|

Veolia Komodity ČR, s.r.o.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

| | | |
|----------------------------------|-------|----------|
| Short-term financial derivatives | 341 | (21,888) |
| Long-term derivatives | 2,282 | (1,629) |
| Total financial derivatives | 2,623 | (23,517) |

Derivative financial instruments represent the fair value of forward contracts to hedge an exchange rate risk of CZK 2,623,000 and are recognised in short-term and long-term receivables (2017: derivatives of CZK 23,517,000 were recognised in short-term and long-term liabilities).

12. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| <i>In thousands of CZK</i> | Receivables | | Payables | | Difference | |
|-------------------------------------|-------------|--------|----------|------|------------|--------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Receivables | -- | 15 | -- | -- | 18 | 15 |
| Derivatives | -- | 4,468 | -- | -- | 0 | 4,468 |
| Provisions | 103 | 95 | -- | -- | 103 | 95 |
| Other items | 8,514 | 9,589 | (535) | -- | 7,961 | 9,589 |
| Deferred tax assets / (liabilities) | 8,617 | 14,167 | (535) | -- | 8,082 | 14,167 |

Movement in deferred tax assets and liabilities during the year

| <i>In thousands of CZK</i> | Balance at 1 January 2018 | Recognised in income statement | Recognised in equity | Balance at 31 December 2018 |
|----------------------------|---------------------------|--------------------------------|----------------------|-----------------------------|
| Receivables | 15 | 3 | -- | 18 |
| Derivatives | 4,468 | 199 | (4,667) | -- |
| Provisions | 95 | 8 | -- | 103 |
| Other items | 9,589 | (1,628) | -- | 7,961 |
| Total | 14,167 | (1,418) | (4,667) | 8,082 |

| <i>In thousands of CZK</i> | Balance at 1 January 2017 | Recognised in income statement | Recognised in equity | Balance at 31 January 2017 |
|----------------------------|---------------------------|--------------------------------|----------------------|----------------------------|
| Receivables | 21 | (6) | -- | 15 |
| Derivatives | 2,009 | -- | 2,459 | 4,468 |
| Provisions | 2,583 | (2,488) | -- | 95 |
| Other items | 14 | 9,575 | -- | 9,589 |
| Total | 4,627 | 7,081 | 2,459 | 14,167 |

The deferred tax asset in Other items is mainly composed of the deferred tax asset due to a tax loss of CZK 8,418,000 (2017: CZK 9,568,000). The Company estimates that this deferred tax asset will probably be applied against future tax profits in the course of the next five years from the emergence of the tax loss.

Veolia Komodity ČR, s.r.o.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018**13. Current tax assets***In thousands of CZK*

| | 2018 | 2017 |
|--------------|------------|--------------|
| Income tax | 235 | 3,368 |
| Total | 235 | 3,368 |

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

| | 2018 | 2017 |
|--|----------------|----------------|
| Trade receivables due from related parties (see Note 23) | 365,985 | 186,804 |
| Trade receivables due from third parties | 564,334 | 446,278 |
| Other receivables | 10,585 | 16,580 |
| Total | 940,904 | 649,662 |

At 31 December 2018 trade receivables are shown net of provisions for doubtful debts of CZK 15,601,000 (2017: CZK 15,785,000) arising from the likely impairment of receivables from the individual debtors. Most of the provisions cover receivables from debtors in insolvency proceedings.

In 2017, other receivables included a value added tax asset of CZK 4,855,000; in 2018, a value added tax liability of CZK 42,562,000 was recorded in trade payables and other payables (see Note 18).

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

| | 2018 | 2017 |
|--|----------------|---------------|
| Current bank accounts | 452 | 38,525 |
| Cash in hand | 2 | 29 |
| Total cash | 454 | 38,554 |
| Receivables from cash pool | 219,463 | -- |
| Cash and cash equivalents | 219,917 | 38,554 |
| Cash pooling payables | (420) | (28,904) |
| Total cash in compliance with statement of cash flows | 219,497 | 9,650 |

The Company is involved in a cash pool within the Veolia Group. As at 31 December 2018, the receivable from the cash pool within the Group amounts to CZK 219,414,000 (2017: a payable of CZK 28,385,000) and interest.

16. Capital and reserves*Reconciliation of movement in capital and reserves*

The registered capital as at 31 December 2018 is comprised of the member's contribution of CZK 2,000,000 (2017: CZK 2,000,000), which is fully paid-up.

Veolia Komodity ČR, s.r.o.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018*Reserves and other capital contributions*

As at 31 December 2018, reserves and other capital contributions are comprised of the re-measurement of hedging derivatives of CZK 848,000 (2017: CZK (19,049,000)).

Dividends

The Company did not pay out any share of profit in 2018 and 2017.

17. Provisions*In thousands of CZK*

| | Other provisions |
|------------------------------------|-------------------------|
| Balance at 1 January 2018 | 500 |
| Provisions created during the year | 540 |
| Provisions used during the year | (499) |
| Provisions unused during the year | -- |
| Unwinding of discount | --- |
| Balance at 31 December 2018 | 541 |
| Non-current | -- |
| Current | 541 |

In 2018, provisions for bonuses for certain employees were created in an amount of CZK 541,000 (2017: CZK 500,000). Since 2015, this annual bonus has been an unguaranteed part (to which no entitlement exists) of wages.

18. Trade and other payables*In thousands of CZK*

| | 2018 | 2017 |
|---|-------------|-------------|
| Trade payables to related parties (see Note 23) | 286,015 | 124,149 |
| Trade payables to third parties | 704,558 | 411,318 |
| Other payables | 43,934 | 1,349 |
| Total | 1,034,507 | 536,816 |

19. 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 2018 | Carrying amount 2017 |
|-----------------------------|-------------|-----------------------------|-----------------------------|
| Trade and other receivables | 15 | 940,904 | 649,662 |
| Cash and cash equivalents | 16 | 219,917 | 38,554 |
| Total | | 1,160,821 | 688,216 |

Impairment losses

Fair value of trade and other receivables as at the date of the statement of financial position was:

Veolia Komodity ČR, s.r.o.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

| <i>In thousands of CZK</i> | Nominal value 2018 | Impairment 2018 | Nominal value 2017 | Impairment 2017 |
|----------------------------|-----------------------|--------------------|-----------------------|--------------------|
| Not yet due | 932,836 | (6) | 644,761 | -- |
| 0–90 days overdue | 8,072 | (23) | 4,745 | -- |
| 90–180 days overdue | 36 | (11) | 69 | -- |
| 181–360 days overdue | 29 | (29) | 12 | -- |
| More than 1 year overdue | 15,532 | (15,532) | 15,860 | (15,785) |
| Total | 956,505 | (15,601) | 665,447 | (15,785) |

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

| <i>In thousands of CZK</i> | 2018 | 2017 |
|--------------------------------|----------|----------|
| Balance at 1 January | (15,785) | (16,041) |
| Use, release and establishment | 184 | 256 |
| Balance at 31 December | (15,601) | (15,785) |

Liquidity risk

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

At 31 December
2018

| <i>In thousands of CZK</i> | Carrying amount | Contractual cash flow | Within 6 months | 6–12 months | 1–2 years | 2–5 years | More than 5 years |
|-------------------------------|--------------------|--------------------------|--------------------|----------------|--------------|--------------|-------------------------|
| Trade, tax and other payables | 1,034,507 | 1,034,507 | 1,034,507 | -- | -- | -- | -- |
| Total | 1,034,507 | 1,034,507 | 1,034,507 | -- | -- | -- | -- |

At 31 December
2017

| <i>In thousands of CZK</i> | Carrying amount | Contractual cash flow | Within 6 months | 6–12 months | 1–2 years | 2–5 years | More than 5 years |
|-------------------------------|--------------------|--------------------------|--------------------|----------------|--------------|--------------|-------------------------|
| Trade, tax and other payables | 536,816 | 536,816 | 536,816 | -- | -- | -- | -- |
| Total | 536,816 | 536,816 | 536,816 | -- | -- | -- | -- |

Currency risk

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

Interest rate risk

As at 31 December 2017 or 31 December 2018, the Company does not have any interest-bearing financial instruments.

Fair values

| <i>In thousands of CZK</i> | Note | Carrying amount 2018 | Fair value 2018 | Carrying amount 2017 | Fair value 2017 |
|----------------------------|------|----------------------------|--------------------|----------------------------|-----------------------|
|----------------------------|------|----------------------------|--------------------|----------------------------|-----------------------|

Veolia Komodity ČR, s.r.o.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

| | | | | | |
|-------------------------------|----|----------------|----------------|----------------|----------------|
| Trade and other receivables | 15 | 940,904 | 940,904 | 649,662 | 649,662 |
| Tax assets | 14 | 235 | 235 | 3,368 | 3,368 |
| Cash and cash equivalents | 16 | 454 | 454 | 38,554 | 38,554 |
| Cash pool | 16 | 219,463 | 219,463 | (28,904) | (28,904) |
| Trade, tax and other payables | 19 | (1,034,507) | (1,034,507) | (536,816) | (536,816) |
| Total | | 126,549 | 126,549 | 125,864 | 125,864 |

In accordance with IFRS 7 Financial Instruments: Disclosures, for measuring fair value, the Company uses Level 3 inputs, which are not based on observable market data (objectively unobservable inputs).

20. Operating leases

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

| <i>At 31 December 2018 in thousands of CZK</i> | Total | Within 1 year | 1–5 years | More than 5 years |
|--|--------------|----------------------|------------------|--------------------------|
| Rent – passenger cars | 197 | 64 | 133 | * |
| Rent – other | 2,237 | 996 | 1,241 | * |
| Total | 2,434 | 1,060 | 1,374 | -- |

At 31 December 2017 in thousands of CZK

| | | | | |
|-----------------------|--------------|--------------|--------------|-----------|
| Rent – passenger cars | 252 | 58 | 194 | * |
| Rent – other | 6,453 | 1,291 | 5,162 | * |
| Total | 6,705 | 1,349 | 5,356 | -- |

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

21. Related parties***Transactions with related parties***

The Company is controlled by the multinational company Veolia Energie International S.A. and its ultimate parent company, Veolia Environnement – VE SA. The Company is involved in intragroup transactions (see Note 22).

Transactions with management personnel

Neither the management personnel 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 management personnel.

22. 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

Veolia Komodity ČR, s.r.o.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Purchase transactions:

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

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 reports only material relationships with these entities.

| <i>In thousands of CZK</i> | 2018 | | 2017 | |
|--|----------------|------------------|----------------|----------------|
| | Purchases | Sales | Purchases | Sales |
| Veolia Energie ČR, a.s. | 938,322 | 402,279 | 570,710 | 362,257 |
| Veolia Powerline Kaczyce Sp. z o.o. | -- | -- | -- | -- |
| OLTERM & TD Olomouc, a.s. | -- | 14,347 | -- | 12,097 |
| Veolia Energie Mariánské Lázně, s.r.o. | -- | 19,963 | -- | 19,384 |
| Veolia Energie Kolín, a.s. | -- | 11,230 | -- | 10,132 |
| Veolia Průmyslové služby ČR, a.s. | 193 | 69,149 | 319 | 67,972 |
| Veolia Energie Praha, a.s. | -- | 311,899 | -- | -- |
| Pražské vodovody a kanalizace, a.s. | -- | 49,889 | -- | 52,160 |
| MORAVSKÁ VODÁRENSKÁ, a.s. | -- | 22,818 | -- | 20,507 |
| Severočeské vodovody a kanalizace, a.s. | -- | 75,396 | -- | 63,981 |
| Středočeské vodárny, a.s. | -- | 20,784 | -- | 18,368 |
| Královéhradecká provozní, a.s. | -- | 7290 | -- | 6974 |
| Vodohospodářská společnost Sokolov, s.r.o. | -- | 6079 | 87 | 5202 |
| RAVOS spol. s r.o. | -- | 2761 | -- | 2194 |
| EKOSEV, s.r.o. | -- | 92 | -- | -- |
| I. SĚV, a.s. | -- | 7,906 | -- | 6,993 |
| Total | 938,515 | 1,021,882 | 571,116 | 648,221 |

| <i>In thousands of CZK</i> | 2018 | | 2017 | |
|--|-------------|----------|-------------|----------|
| | Receivables | Payables | Receivables | Payables |
| Veolia Energie ČR, a.s. | 118,584 | 222,042 | 82,473 | 79,846 |
| Veolia Powerline Kaczyce Sp. z o.o. | -- | -- | -- | -- |
| OLTERM & TD Olomouc, a.s. | 11,515 | 408 | 6,460 | 6,530 |
| Veolia Průmyslové služby ČR, a.s. | 6,160 | 6,290 | 4,616 | 8,811 |
| Veolia Energie Mariánské Lázně, s.r.o. | 6,240 | 1,835 | 8,271 | 4,330 |
| Veolia Energie Kolín, a.s. | 3,391 | 1,211 | 3,554 | 1,100 |
| Veolia Energie Praha, a.s. | 60,088 | 54,229 | -- | -- |
| Pražské vodovody a kanalizace, a.s. | 38,343 | -- | 23,024 | -- |
| MORAVSKÁ VODÁRENSKÁ, a.s. | 18,395 | -- | 9,396 | -- |
| Severočeské vodovody a kanalizace, a.s. | 65,734 | -- | 30,509 | -- |
| Středočeské vodárny, a.s. | 14,724 | -- | 7,587 | -- |
| Královéhradecká provozní, a.s. | 7,365 | -- | 3,535 | -- |
| Vodohospodářská společnost Sokolov, s.r.o. | 4,921 | -- | 1,976 | 15 |
| RAVOS spol. s r.o. | 2,468 | -- | 867 | -- |

Veolia Komodity ČR, s.r.o.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

| | | | | |
|------------------------------|---------|---------|---------|---------|
| EKOSEV, s.r.o. | 53 | -- | -- | -- |
| I. S&V, a.s. | 8,003 | -- | 4,536 | -- |
| Solutions and Services, a.s. | 1 | -- | -- | -- |
| Total | 365,985 | 286,015 | 186,804 | 100,632 |

Receivables and payables also include provided and accepted advances and estimated assets and, as applicable, estimated liabilities.

The Company is involved in a cash pool with Veolia Environnement Finance (see Note 15). The balance of the receivable from the cash pool is not listed in the above table.

23. Fees for statutory auditors

This information is disclosed in notes to the consolidated financial statements prepared for the broadest consolidation group in which the Company is included.

24. 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 2018, or that should be disclosed in the financial statements.

REPORT ON RELATED PARTIES

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

for the accounting period of 2018

prepared

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

**by the governing body of Veolia Komodity ČR, 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,
Section C, File 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 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 19 February 2019.

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 2018.

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 or not the Company had in place or performed under any contract with them in 2018, 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 Komodity ČR, 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 Veolia Komodity ČR, or the controlled/dependent company/entity.

Controlling companies and entities controlling the controlling companies

Name: Veolia Průmyslové služby ČR, a.s.
Registered office: Zelená 2061/88a, Mariánské Hory, 709 00 Ostrava
 Doručovací číslo: 70974
Company No.: 278 26 554
Register entry: B 3722, Companies Register maintained by the Ostrava Regional Court
Legal form: Public limited company

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

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

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

Related parties

Name: VEOLIA ENVIRONNEMENT FINANCE
Registered office: 21 rue La Boétie, 75008 Paris, France

| | |
|--|---|
| Company No.: | 525 355 475 R.C.S. Paris |
| Legal form: | Simplified public limited company |
| 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. |
| 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 |
| Name: | Veolia Energie 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 |
| Name: | Veolia Energie Praha, a.s. |
| Registered office: | Na Florenci 2116/15, Nové Město, 110 00 Praha 1 |
| Company No.: | 036 69 564 |
| Register entry: | B 20284, Companies Register maintained by the Prague Municipal Court |
| Legal form: | Public limited company |
| Name: | Veolia Powerline Kaczyce Sp. z o.o. |
| Registered office: | Morcinka 17, 43-417 Kaczyce, Poland |
| Company No.: | 141 89 229, Regional Registry Court in Bielsko Biala |
| Legal form: | Private limited company |
| Name: | Institut environmentálních služeb, a.s. |
| Registered office: | Podolská 15/17, Podolí, 147 00 Praha 4 |
| Company No.: | 629 54 865 |
| Register entry: | B 9967, Companies Register maintained by the Prague Municipal Court |
| Legal form: | Public limited company |
| Name: | LG Systems spol. s r.o. |
| Registered office: | V Lázních 224, 252 42 Jesenice |
| Company No.: | 030 81 761 |
| Register entry: | C 227174, Companies Register maintained by the Prague Municipal Court |
| Legal form: | Private limited company |
| The company became part of the Group on 15 October 2018. | |
| Name: | Veolia Eau - Compagnie Générale des Eaux |
| Registered office: | 21 rue La Boétie, 75008 Paris, France |
| Company No.: | 572 025 526 R.C.S. Paris |
| Legal form: | Partnership limited by shares |

Name: VEOLIA CENTRAL & EASTERN EUROPE
Registered office: 21 rue La Boétie, 75008 Paris, France
Company No.: 433 934 809 R.C.S. Paris
Legal form: Public limited company

Name: VEOLIA ČESKÁ REPUBLIKA, a.s.
Registered office: 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: Ke Kablu 971/1, Hostivař, 102 00 Praha 10
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: Tovární 1059/41, Hodolany, 779 00 Olomouc
Company No.: 618 59 575
Register entry: B 1943, Companies Register maintained by the Ostrava Regional Court
Legal form: Public limited company

Name: Středočeské vodárny, a.s.
Registered office: Kladno, U Vodojemu 3085, postcode 272 80
Company No.: 261 96 620
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
 The company left the Group on 18 December 2018.

Name: RAVOS, s.r.o.
Registered office: Frant. Diepolta 1870, Rakovník II, 269 01 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: Jiřího Dimitrova 1619, 356 01 Sokolov
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: Víta 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: I. 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: Ke Kablu 971/1, Hostivař, 102 00 Praha 10
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: Na Florenci 2116/15, Nové Město, 110 00 Praha 1
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: Na Florenci 2116/15, Nové Město, 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

Name: **Veolia Vedlejší produkty ČR, s.r.o.**
Registered office: Dělnická 6082/34, Poruba, 708 00 Ostrava
Company No.: 247 15 964
Register entry: C 63276, Companies Register maintained by the Ostrava Regional Court
Legal form: Private limited company

Name: **Veolia Využití odpadů ČR, s.r.o.**
Registered office: Buštěhradská 998, Dubí, 272 01 Kladno
Company No.: 056 47 550
Register entry: C 268254, Companies Register maintained by the Prague Municipal Court
Legal form: Private limited company

Name: **EKOSEV, s.r.o.**
Registered office: Buštěhradská 998, Dubí, 272 01 Kladno
Company No.: 259 15 819
Register entry: C 197086, Companies Register maintained by the Prague Municipal Court
Legal form: Private limited company

Name: **Envir s.r.o.**
Registered office: Buštěhradská 998, Dubí, 272 01 Kladno
Company No.: 287 71 419
Register entry: C 272940, Companies Register maintained by the Prague Municipal Court
Legal form: Private limited company

Name: **Severočeská servisní a.s.**
Registered office: Pražská 150/34, Liberec II-Nové Město, 460 01 Liberec
Company No.: 051 75 917
Register entry: B 2659, Companies Register maintained by the Ústí nad Labem Regional Court
Legal form: Public limited company
The company left the Group on 18 December 2018.

Name: **VWS MEMSEP s.r.o.**
Registered office: Sokolovská 100/94, Karlín, 186 00 Praha
Company No.: Company No.: 416 93 752
Register entry: C 3925, Companies Register maintained by the Prague Municipal Court
Legal form: Private limited company
The company became part of the Group on 11 December 2018.

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 Komodity ČR, 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 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 companies

A1. Veolia Průmyslové služby ČR, a.s.

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

Agreements where Veolia Komodity ČR, s.r.o. is the supplier:

- Agreement on Electricity Supply;

Agreements where Veolia Komodity ČR, s.r.o. is the customer:

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

all of them on an arm's length basis.

Veolia Komodity ČR, s.r.o. and Veolia Průmyslové služby ČR, a.s. 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, which was not performed in 2018.

A2. Veolia Energie ČR, a.s.

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

Agreements where Veolia Komodity ČR, s.r.o. is the supplier:

- Agreement on Bundled Gas and Electricity Supply;

Agreements where Veolia Komodity ČR, s.r.o. is the customer:

- Service Agreement;
- Commercial Space Sublease Agreement and Personal Property Lease Agreement;
- EFET Bilateral Electricity Trading Agreement;
- Agreement on Fund Management in the Group, including implementing addenda;
- Sub-licence Agreement on Trade Mark Use.

all of them on an arm's length basis.

Veolia Energie ČR, a.s. takes out insurance policies for Veolia Komodity ČR and then re-invoices the costs.

A3. VEOLIA ENERGIE INTERNATIONAL, VEOLIA ENVIRONNEMENT

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

B. Relations to related parties

B1. VEOLIA ENVIRONNEMENT FINANCE

VEOLIA ENVIRONNEMENT FINANCE and Veolia Komodity have a Financing Agreement and an Agreement on the Provision of Forward Financial Instruments in place on an arm's length basis. No other contracts between VEOLIA ENVIRONNEMENT FINANCE and Veolia Komodity were concluded or performed.

B2. OLTERM & TD Olomouc, a.s.

Veolia Komodity ČR and OLTERM & TD Olomouc, a.s. have Agreements on Bundled Electricity Supply and an Agreement on Bundled Gas Supply in place on an arm's length basis.

The companies entered into Agreements on Bundled Electricity Supply for 2019 (no performance in 2018).

B3. Veolia Energie Mariánské Lázně, s.r.o.

Veolia Komodity ČR and Veolia Energie Mariánské Lázně, s.r.o. have an Agreement on Bundled Gas Supply in place on an arm's length basis.

B4. Veolia Energie Kolín, a.s.

Veolia Komodity ČR and Veolia Energie Kolín, a.s. have an Agreement on Bundled Gas Supply in place on an arm's length basis.

B5. Veolia Energie Praha, a.s.

Veolia Komodity ČR and Veolia Energie Praha, a.s. have an Agreement on Bundled Gas Supply in place on an arm's length basis.

Furthermore, in 2018 the companies entered into Agreements on Bundled Electricity Supply for 2019 (no performance in 2018).

B6. Veolia Powerline Kaczyce Sp. z o.o.

Veolia Komodity ČR and Veolia Powerline Kaczyce Sp. z o.o. have an Agreement on the Sale of Electrical Energy and the Provision of the Service of Commercial Settlement in place on an arm's length basis.

B7. 1. SČV, a.s.

Veolia Komodity ČR and 1. SČV, a.s. have an Agreement on Bundled Gas Supply and an Agreement on Electricity Feed-in from a Renewable Energy Source in place on an arm's length basis.

B8. Institut environmentálních služeb, a.s.

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

B9. Královehradecká provozní, a.s.

Veolia Komodity ČR and Královehradecká provozní, a.s. have an Agreement on Bundled Electricity Supply and an Agreement on Electricity Feed-in from a Renewable Energy Source in place on an arm's length basis.

B10. MORAVSKÁ VODÁRENSKÁ, a.s.

Veolia Komodity ČR and MORAVSKÁ VODÁRENSKÁ, a.s. have an Agreement on Bundled Electricity Supply and an Agreement on Electricity Feed-in in place on an arm's length basis.

B11. Pražské vodovody a kanalizace, a.s.

Veolia Komodity ČR and Pražské vodovody a kanalizace, a.s. have an Agreement on Bundled Electricity Supply and an Agreement on Electricity Feed-in from a Renewable Energy Source in place on an arm's length basis.

B12. RAVOS, s.r.o.

Veolia Komodity ČR and RAVOS, s.r.o. have an Agreement on Bundled Electricity Supply in place on an arm's length basis.

B13. Severočeské vodovody a kanalizace, a.s.

Veolia Komodity ČR and Severočeské vodovody a kanalizace, a.s. have an Agreement on Bundled Electricity Supply in place on an arm's length basis.

B14. Solutions and Services, a.s.

Veolia Komodity ČR and Solutions and Services, a.s. have a Framework Agreement on Electricity Supply for 2015–2019, bought in tranches, in place on an arm's length basis.

B15. Středočeské vodárny, a.s.

Veolia Komodity ČR and Středočeské vodárny, a.s. have an Agreement on Bundled Electricity Supply in place on an arm's length basis.

B16. Vodohospodářská společnost Sokolov, s.r.o.

Veolia Komodity ČR and Vodohospodářská společnost Sokolov, s.r.o. have an Agreement on Bundled Electricity Supply and an Agreement on Electricity Feed-in from a Renewable Energy Source in place on an arm's length basis.

B17. Relations to 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 2018, 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

Based on the information above, the 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 governing body 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.

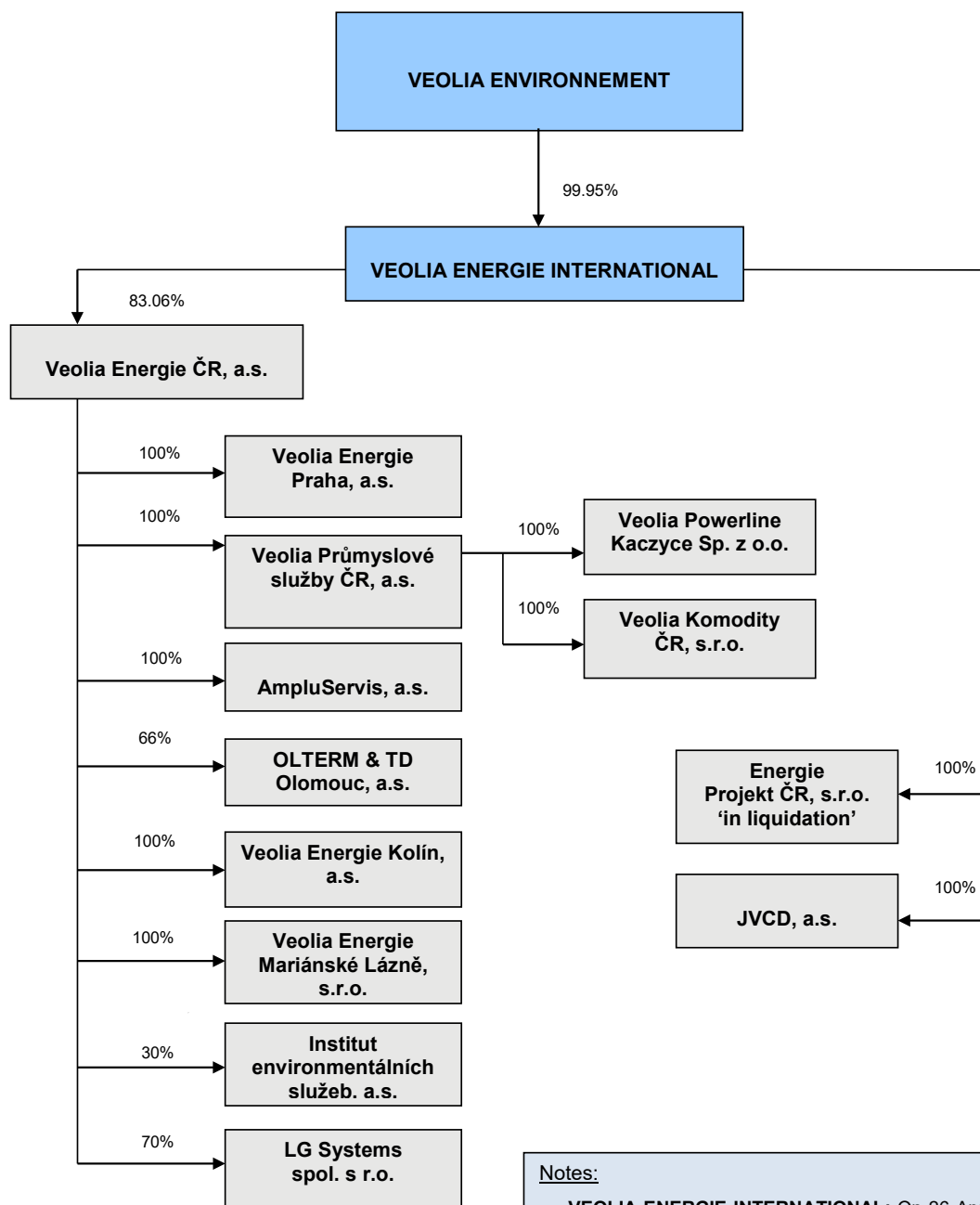
Ostrava, 18 February 2019



.....
Pavel Luňáček
Director

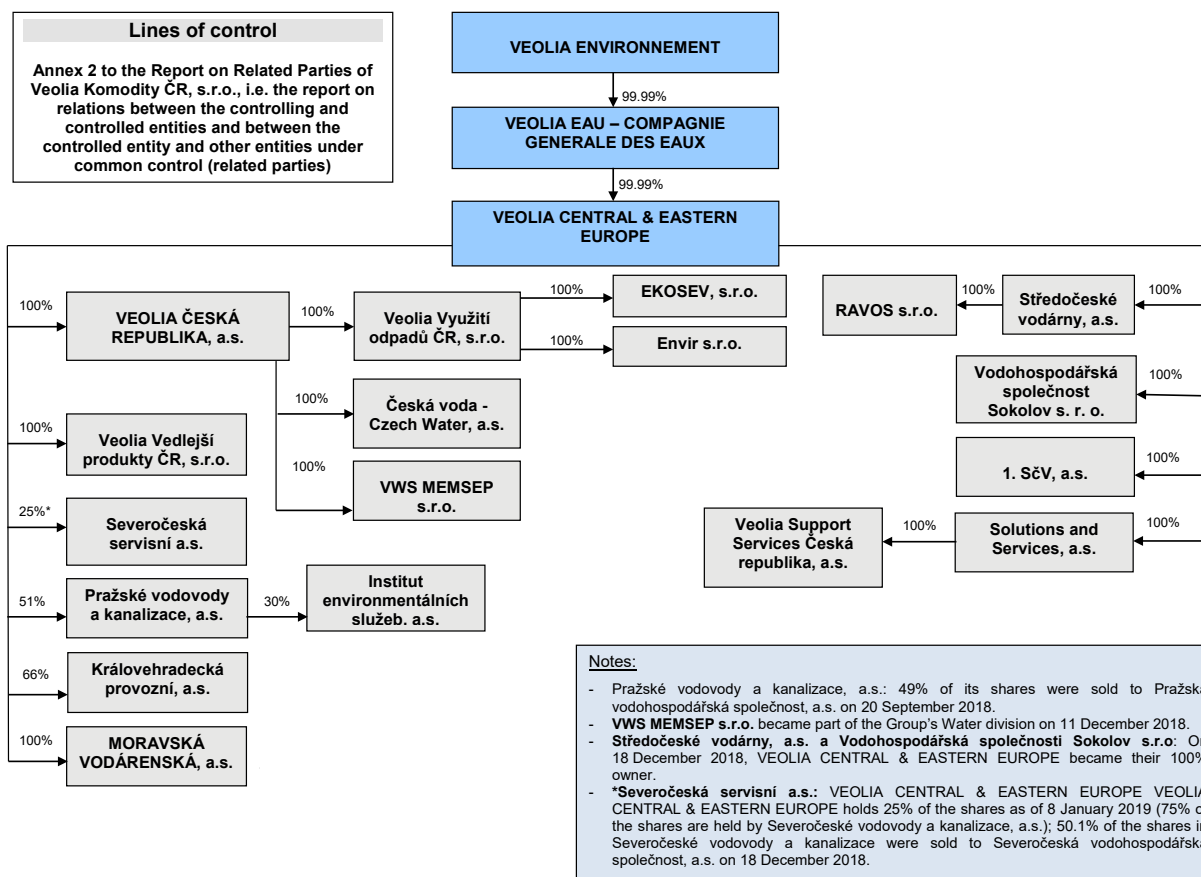
Lines of control

Annex 1 to the Report on Related Parties of Veolia Komodity ČR, s.r.o., 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)



Notes:

- **VEOLIA ENERGIE INTERNATIONAL:** On 26 April 2018 the company acquired a 10% stake from DCR INVESTMENT a.s. and became the holder of 83.06% of the shares in Energie ČR, a.s.
- **LG Systems spol. s r.o.:** The company became part of Veolia Group on 15 October 2018.



AUDITOR'S REPORT

KPMG Česká republika Audit, s.r.o.

Pobřežní 1a
186 00 Praha 8
Czech Republic
+420 222 123 111
www.kpmg.cz

Independent Auditor's Report to the Member of Veolia Komodity ČR, s.r.o.***Auditor's opinion***

We have audited the accompanying financial statements of Veolia Komodity CR, s.r.o. ("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 2018, the statement of comprehensive income, the statement of changes in equity and the cash flow statement 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 2018, 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 the 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), as 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 deriving from the said regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. Other information is the responsibility of the Company's management.

Our opinion on the financial statements does not cover this other information. Nevertheless, our obligations relating to the audit of the financial statements require us to familiarise ourselves with other information and to consider whether the other information disclosed in the annual report is materially inconsistent with the financial statements and our knowledge of the entity obtained during the audit of the financial statements, and whether such information otherwise appears to be materially misstated. We also assess whether other information has been drawn up, in all material respects, with applicable laws and regulations, i.e. whether other information meets the requirements of legislation concerning formal aspects and procedure for the production of other information in the context of materiality, or whether any non-compliance with those requirements could affect our judgement made on the basis of other information.

On the strength of the procedures we have carried out, to the extent that we are able to assess them, we report that:

- other information describing circumstances also presented in the financial statements is consistent with the financial statements in all material respects; and
- other information has been drawn up in accordance with applicable laws and regulations.

In addition, our responsibility is to report, on the basis of the observations and knowledge regarding the Company that we have made and obtained during the audit, whether the other information contains any material misstatement. Further to the procedures outlined above, we have made no

findings of any material misstatement in the other information obtained.

Company Director's responsibility for the financial statements

Company Director 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 Director determines is necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, Company Director is required to assess whether the Company is a going concern and, where relevant, to describe in the notes to the financial statements matters relating to its going-concern status and the use of the going concern basis in the preparation of the financial statements, except in those cases where Director plans to wind up the Company or discontinue its operations, or where it has no other realistic option but to do so.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to publish an auditor's report containing our opinion. While reasonable assurance is a high level of assurance, it does not guarantee that an audit conducted in accordance with the aforementioned regulations will detect, in all cases, any existing material misstatement in the financial statements. Misstatements may occur due to fraud or error and are judged to be material if it can reasonably be assumed that, alone or taken together, they could influence economic decisions made by users of the financial statements on the basis thereof.

In the performance of an audit in accordance with the aforementioned legislation, we are also required to exercise professional judgement and maintain professional scepticism throughout the audit. We are also required:

- To identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, to design and perform audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for us to be able to express an 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.
- To obtain an understanding of the Company's internal control system relevant to our 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 system.
- To evaluate the appropriateness of the accounting policies used, the reasonableness of the accounting estimates made, and disclosures made in the notes to the financial statements in this respect by Company Director.
- To conclude on the appropriateness of Director's use of the going concern basis of accounting in preparing the financial statements and whether, based on the audit evidence obtained, any 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 notes to the financial statements and, if such disclosures are inadequate, to modify our opinion. Our conclusions on the Company's ability to continue as a going concern are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- To evaluate the overall presentation, structure and content of the financial statements, including the notes thereto, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to inform those charged with governance of, among other matters, the planned scope and timing of the audit and of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Statutory auditor responsible for the engagement

Petr Sikora is the statutory auditor responsible for the audit of the financial statements of Veolia

Komodity CR, s.r.o. as at 31 December 2018, based on which this independent auditor's report has been prepared.

Prague, 18 April 2019



KPMG Česká republika Audit, s.r.o.

Registration number 71



Petr Sikora
Partner

Registration number 2001

This Annual Report was produced by Veolia Komodity ČR, s.r.o.

Mock-up: Veolia Česká republika, a.s.

Photographs: Veolia Foundation archives

Design and production: Veolia Komodity ČR, s.r.o. and the CEO Section of Veolia Energie ČR, a.s. in cooperation with Agentura API

Registered office:

Veolia Komodity ČR, s.r.o.

28. října 3337/7

Moravská Ostrava

702 00 Ostrava

www.vekom.cz

Annual Report prepared on 18 April 2019

Production and print: Agentura API s.r.o