



Annual Report

| 2020 | Veolia Komodity ČR, s.r.o.





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1. CORPORATE AND GENERAL INFORMATION ABOUT THE COMPANY



BASIC INFORMATION

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.

Veolia Komodity ČR, s.r.o.

COMPANY NAME

25 October 1999

DATE INCORPORATED

CZK 2,000,000

REGISTERED CAPITAL

Private limited company

LEGAL FORM

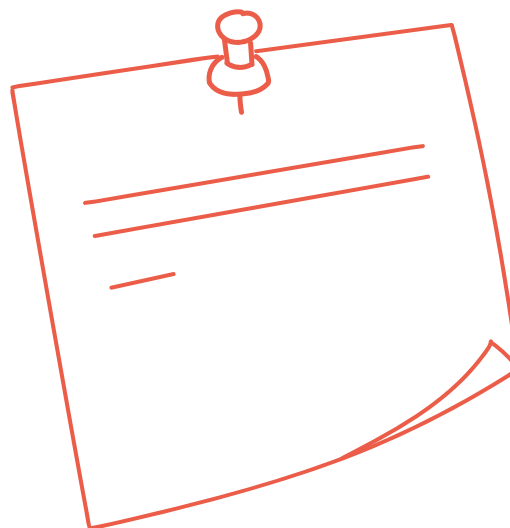
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COMPANY NO.

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

REGISTERED OFFICE

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



COMPANY DESCRIPTION



Veolia Komodity ČR, s.r.o. (“Veolia Komodity”) started to trade in electricity under its original name CZECH-KARBON s.r.o. on 1 October 2001 further to the strategic decision of the Board of Directors of KARBON INVEST a.s.

The purpose was to centralise and rationalise the activities entailed in electricity trading and electricity procurement for the Group’s needs under the new conditions on the liberalised electricity market. On 1 December 2008, NWR Energy, a.s. became the sole member of CZECH-KARBON s.r.o.; on 21 June 2010, NWR Energy, a.s. was acquired by Dalkia Česká republika, a.s., which now has the name Veolia Energie ČR, a.s. Since 2012, Veolia Komodity has been licensed to trade in gas. 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 also changed to Veolia Průmyslové služby ČR, a.s., effective from 1 March 2015.

Starting in 2001, Veolia Komodity, as a member of its original parent’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 on the domestic and 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 supply volumes.

In 2020, 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 very precise negotiation of our customers’ load profiles.

KEY FIGURES

REVENUE:

CZK 4,820,585,000

EMPLOYEES:

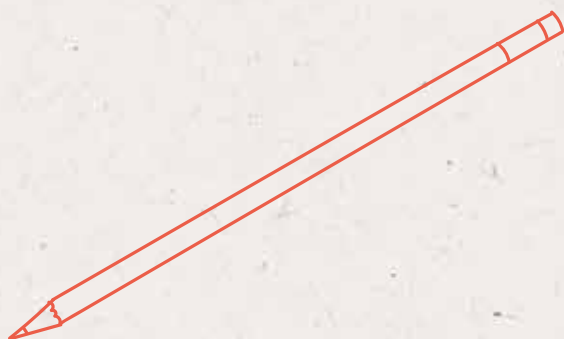
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ELECTRICITY SUPPLIED:

1.84 TWh

GAS SUPPLIED:

1.25 TWh





WE CONTINUE UPGRADING AND GREENING





We are aware that we cannot just take from nature – we must give back as well, through our own responsible behaviour. We are facing a major challenge – discontinue coal use in the production process by 2030. Innovative technologies, major investments, Group know-how, and our own knowledge will help us to meet this objective.

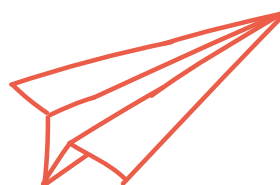


CORPORATE GOVERNANCE



DIRECTOR

Pavel Luňáček



Effective as at 31 December 2020



ORGANISATIONAL STRUCTURE



OTHER INFORMATION

Veolia Komodity has no branches or any other form of business representation abroad and does not engage in any research and

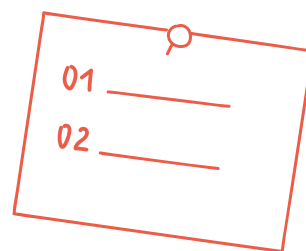
development. Following the date of the statement of financial position, there were no significant events of relevance to its reported results. As

at 31 December 2020, the Company did not hold any of its own shares and ownership interests in other companies.

2. MANAGEMENT REPORT



FOREWORD



DEAR BUSINESS PARTNERS, LADIES AND GENTLEMEN,

It is my pleasure to provide you with a summary of Veolia Komodity's activities in 2020 and to present you with the highlights of the past year.

The year 2020 was very successful for the company, as we managed to cope with major changes while maintaining the continuity of electricity and gas supplies to our customers. Our customer portfolio encompassed 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 2020, we continued to develop our business activities. Here, we were again particularly successful at optimising our electricity and gas trading. Last year, we also developed a system to evaluate how flexible our customers were in terms of production and consumption. The positive results have encouraged us to streamline the management of electricity and gas trading further in the coming year.

For 2021, we are braced to withstand the continued increase in volatility on the energy markets, and we expect decent economic performance based on our experience in managing a portfolio of end-users and producers. We will also continue to develop our business activities in the energy market, and we will now also include

trading in other fuels, specifically biomass.

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 continued successful cooperation in the year ahead. I would also like to take this opportunity to express my great thanks to all Veolia Komodity employees for their enthusiasm, dedication and excellent results.



Pavel Luňáček
Director

CORE VALUES



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

RESPONSIBILITY

Veolia aims 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, responsibility for pursuing general interests, especially:

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

SOLIDARITY

As Veolia works towards common and shared interests in its business operations, solidarity is one of its core values in its relationships with all stakeholders.

Specifically, solidarity comes to the fore in the solutions implemented by the Veolia Group to provide essential



services for everyone. We consider this to be a central plank of our corporate social responsibility.

RESPECT

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

INNOVATION

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

CUSTOMER FOCUS

In pursuit of this value, Veolia primarily strives for ever higher efficiency and quality in its services. Veolia promotes transparency and ethical rules as prerequisites for the building of lasting relationships with its customers. Veolia listens to its customers and provides fitting and innovative solutions that meet their technical, economic and environmental requirements.



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 2020, the End Customer Sales and Services Unit arranged for supplies to end customers with a total annual electricity consumption of 1.84 TWh and gas consumption of 1.25 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 consumption management, 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.

This unit buys electricity and gas in the wholesale market in order to supply its end customers and also trades in electricity and gas with other companies in the Czech market and in the adjacent foreign markets, in particular on the basis of ad hoc spot transactions leveraging the current movements in the electricity and gas market. The cross-border trading also includes booking the required capacities in each of the interconnectors.



INNOVATION

In 2020, 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 trade 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 needs and requirements of consumers and designing an attractive range of services for each target segment on the market.



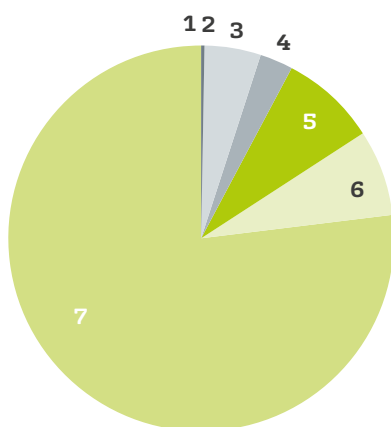
CUSTOMERS

Since 2001, the liberalisation of the electricity market has gradually brought about the need to address requirements of 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,

mechanical engineering, the automotive and food industries, state administration, the tertiary sector, the health sector, etc.

Portfolio of end electricity customers by quantity taken in 2020



1 | >100 GWh
0,2%

2 | 50-100 GWh
0,3%

3 | 10-50 GWh
4,7%

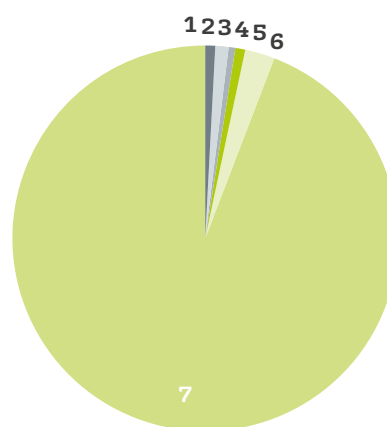
4 | 5-10 GWh
2,8%

5 | 1-5 GWh
8,1%

6 | 0,1-1 GWh
7,2%

7 | 0-0,1 GWh
76,7%

Portfolio of end gas customers by quantity taken in 2020



1 | >100 GWh
0,9%

2 | 50-100 GWh
0,0%

3 | 10-50 GWh
1,3%

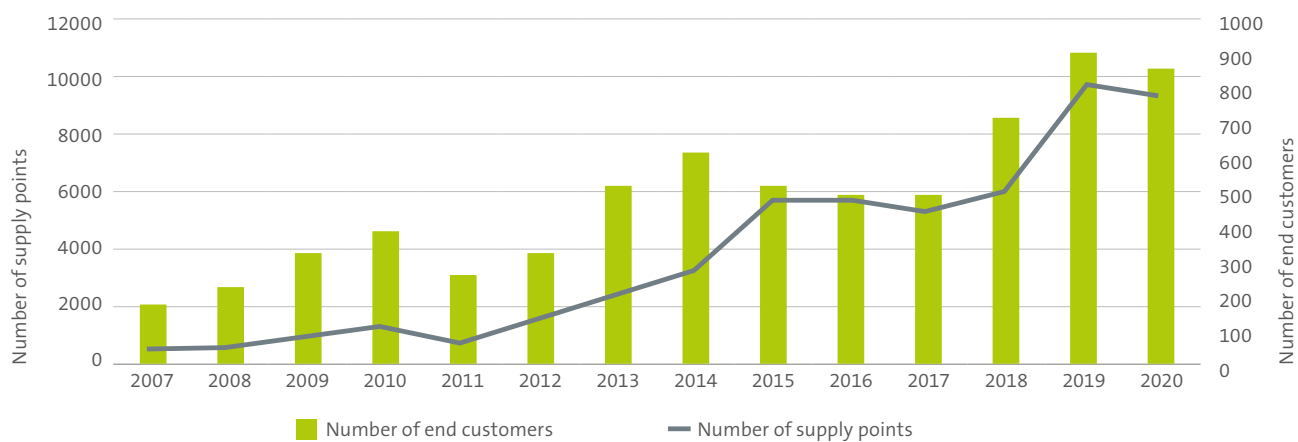
4 | 5-10 GWh
0,4%

5 | 1-5 GWh
0,9%

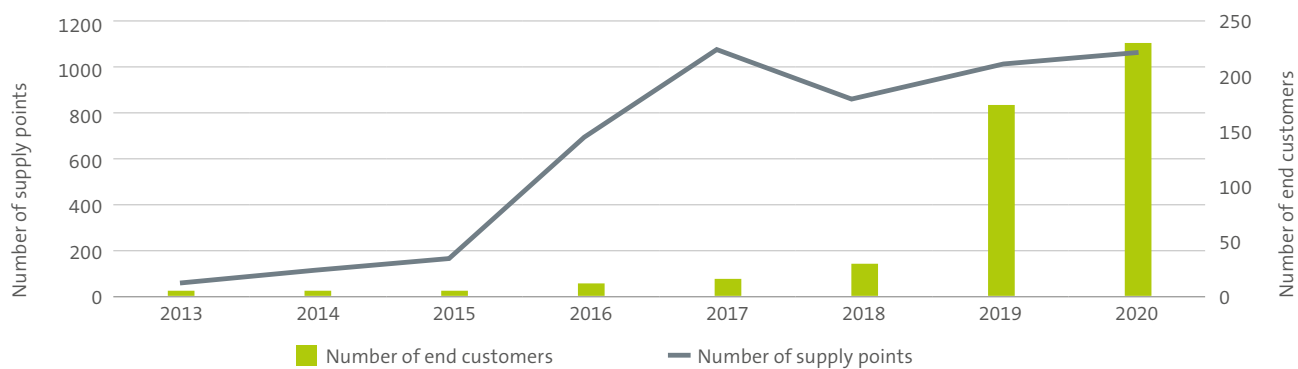
6 | 0,1-1 GWh
2,6%

7 | 0-0,1 GWh
93,9%

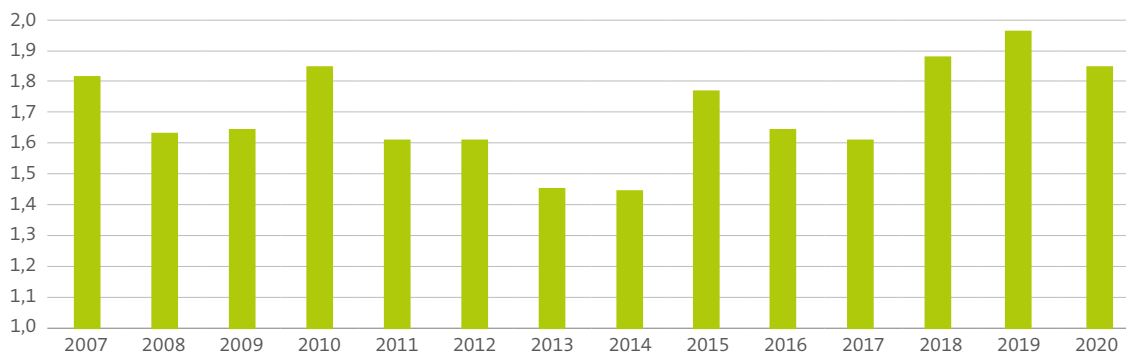
Growth in numbers of electricity supply deals



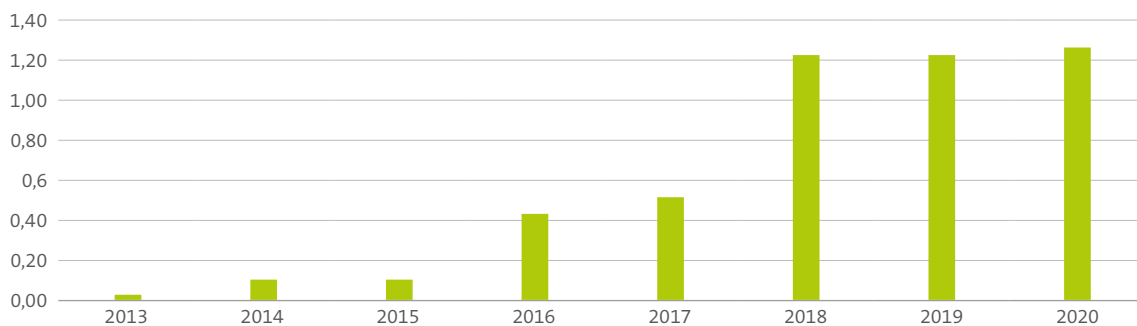
Growth in numbers of gas supply deals



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 companies of the Veolia Energie Group in the Czech Republic, 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 2020, 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 2020, the Company purchased 242.5 GWh from renewable and secondary sources.

HUMAN RESOURCES

At the end of 2020, the Company had ten employees averaging 42.2 years in age. All employees hold university degrees.



SOLIDARITY

VEOLIA FOUNDATION

Veolia Foundation has been pursuing its mission, expressed by the motto “Caring for the Environment and the Community”, ever since its inception in 2003.

In 2020, a year hit hard by the global coronavirus pandemic, there was no let-up in the work done under all Veolia Foundation's key programmes. The STARTér, Trust Yourself and Do Business! programme helped micro and small start-ups. The MiNiGRANTS® VEOLIA scheme, which promotes the

volunteering our employees do in their free time, is aimed primarily at supporting non-profit organisations. The concept of the Keep Smiling programme, aimed at helping the elderly to live a better life, was revised in 2020. Through our Let's Return Water to Nature initiative, we continued to help preserve valuable natural habitats in the Czech Republic. Other traditional projects pursued by Veolia Foundation, including Water for Africa and our long-term support for our partners' projects such as Clean Up the World, Clean Up the Czech Republic, also continued.

PRINCIPAL VEOLIA FOUNDATION PROGRAMMES

STARTÉR, TRUST YOURSELF AND DO BUSINESS!

The STARTér, Trust Yourself and Do Business! programme has been helping micro and small entrepreneurs in the Moravia-Silesia and Olomouc Regions to make new business ideas a reality for an unbelievable twenty-one years. Support is channelled primarily into both traditional and unorthodox handicrafts and manufactured items,





as well as into projects benefiting society.

In 2020, the Foundation's grants totalling CZK 4,696,840 made it possible to implement 47 business plans that created 78 new lasting jobs, 24 of which were for persons with disabilities. In addition, an emergency Foundation grant enabled 32 beneficiaries to cope with the consequences of government measures that made it virtually impossible for them to do business. Since the Foundation's formation, 1,540 projects have enjoyed support amounting to more than CZK 116 million. In the process, 2,470 new jobs have been



created (379 of which have been for persons with disabilities).

MINIGRANTS® VEOLIA

Under the MiNiGRANTS® VEOLIA programme, we provide financial assistance to the volunteering work our employees do in their free time. Many sponsored projects are aimed at helping people with disabilities, supporting surrogate family care,



improving working conditions for voluntary firefighters and rescuers, promoting the leisure activities of children and young people, and caring for the elderly.

In 2020, Veolia Foundation decided to focus its support under this programme exclusively on non-profit organisations that had been badly hit by the coronavirus pandemic and government-mandated measures. In all, Veolia Foundation supported

66 projects, distributing CZK 2,516,960 among them.

Between 2008 and 2020, we contributed more than CZK 40 million under this programme to projects benefiting the environment and the community.

KEEP SMILING - ACTIVE ALL LIFE LONG

Our Keep Smiling – Active All Life Long programme encourages positive and active ageing, intergenerational cohabitation within communities, the fostering of conditions for the elderly



to live in their home environment, and new approaches to ageing.

In 2020, the Keep Smiling concept was revised. We will now focus on the longer-term support of a small number of systemic and innovative projects that are expected to have an impact on target groups of older generations across the country.



3. FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020



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

	Note	2020	2019
Revenue	6	4,820,584	4,948,687
Cost of sales	7	(4,766,224)	(4,906,296)
Gross profit		<u>54,360</u>	<u>42,391</u>
Administrative expenses	8	(5,302)	(5,491)
Operating result		<u>49,058</u>	<u>36,900</u>
Finance income	9	87,373	30,939
Finance costs	9	(78,211)	(43,125)
Profit before tax		<u>58,220</u>	<u>24,714</u>
Income tax expense	10	(13,546)	(2,418)
Profit for the period		<u><u>44,674</u></u>	<u><u>22,296</u></u>

The notes are an integral part of the financial statements.

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

	2020	2019
Profit for the period	44,674	22,296
Changes in fair value of hedging instruments (may be reclassified to income statement) *	436	(9,023)
Other comprehensive income after taxation	436	(9,023)
	<hr/>	<hr/>
Total comprehensive income for the period	45,110	13,273
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* Taxation is described in Note 10.

The notes are an integral part of the financial statements.

Veolia Komodity ČR, s.r.o.

Statement of financial position

At 31 December

In thousands of CZK

	Note	2020	2019
Assets			
Right-of-use IFRS 16	12	1,430	4,968
Other long-term receivables	11	7,763	8,238
Derivatives	11	1,608	256
Deferred tax assets	13	2,592	7,823
Total non-current assets		13,393	21,285
Inventories	14	15,675	22,974
Trade and other receivables	15	1,123,032	1,042,413
Derivatives	11	6,184	2,702
Cash and cash equivalents	16	358,545	447,860
Total current assets		1,503,436	1,515,949
Total assets		1,516,829	1,537,234
Equity			
Registered capital	17	2,000	2,000
Reserves and other capital contributions	17	(7,739)	(8,175)
Retained earnings		206,619	184,240
Total equity		200,880	178,065
Liabilities			
Loans and borrowings	12	799	1,127
Derivatives	11	2,472	1,835
Total non-current liabilities		3,271	2,962
Trade and other payables	19	1,284,651	1,329,144
Loans and borrowings	12	747	3,934
Tax liabilities		8,418	--
Provisions	18	460	521
Derivatives	11	18,402	22,608
Total current liabilities		1,312,678	1,356,207
Total liabilities		1,315,949	1,359,169
Total equities and liabilities		1,516,829	1,537,234

The notes are an integral part of the financial statements.

Director:

Pavel Luňáček
Date: 15 April 2021



Veolia Komodity ČR, s.r.o.

Statement of changes in equity

<i>In thousands of CZK</i>	Registered capital	Statutory reserves	Other capital contributions	Cash flow hedges	Retained earnings	Total
Balance at 1 January 2019	2,000	--	--	848	165,781	168,629
Profit for the period	--	--	--	--	22,296	22,296
Other comprehensive income						
Changes in fair value of hedging instruments	--	--	--	(9,023)	--	(9,023)
Employee benefits – actuarial gains (losses)	--	--	--	--	--	--
Total other comprehensive income	--	--	--	(9,023)	--	(9,023)
Total comprehensive income for the period	--	--	--	(9,023)	22,296	13,273
Transactions with owners, recorded directly in equity						
Dividends attributable to shareholders	--	--	--	--	(3,837)	(3,837)
Balance at 31 December 2019	2,000	--	--	(8,175)	184,240	178,065
Profit for the period	--	--	--	--	44,674	44,674
Other comprehensive income						
Changes in fair value of hedging instruments	--	--	--	436	--	436
Employee benefits – actuarial gains (losses)	--	--	--	--	--	--
Total other comprehensive income	--	--	--	436	0	436
Total comprehensive income for the period	--	--	--	436	44,674	45,110
Transactions with owners, recorded directly in equity						
Dividends attributable to shareholders	--	--	--	--	(22,296)	(22,296)
Rounding difference	--	--	--	--	1	1
Balance at 31 December 2019	2,000	--	--	(7,739)	206,619	200,880

The notes are an integral part of the financial statements.

Veolia Komodity ČR, s.r.o.**Statement of cash flows****For the year ended 31 December***In thousands of CZK*

	Note	2020	2019
<i>Cash flow from operating activities</i>			
Profit for the period		44,674	22,296
Depreciation and amortisation of non-current assets	21	4,676	3,105
Gain on sale of property, plant and equipment		--	--
Change in provisions		(61)	(20)
Net interest income and expense	9	(331)	1,741
Income (expenses) from the settlement of derivatives		(7,863)	12,968
Other non-financial operations		(3,779)	(4,791)
Income tax	10	13,546	2,418
<i>Cash flow from operating activities</i>		50,863	37,717
Change in receivables		(85,408)	(101,508)
Change in inventories		7,299	1,531
Change in current liabilities		(42,918)	294,636
Income tax paid and tax assessments for previous periods		--	235
Net cash flow from operating activities		(70,164)	232,611
<i>Cash flows from investing activities</i>			
Proceeds from the sale of property, plant and equipment		--	--
Change in receivables and other financial assets		--	--
Net cash flow from (used in) investing activities		--	--
<i>Free operating cash and cash equivalents</i>		(70,164)	232,611
<i>Cash flow from financing activities</i>			
Interest received	9	512	662
Interest paid	9	(258)	(2,368)
Payments of lease liabilities		(4,689)	(2,168)
Paid shares of profit		(22,296)	(3,837)
Effect of exchange rate changes on cash and cash equivalents		7,546	3,419
Net cash flow from (used in) financing activities		(19,185)	(4,292)
Net increase (decrease) in cash and cash equivalents		(89,349)	228,319
Cash and cash equivalents at 1 January		447,816	219,497
Cash and cash equivalents at 31 December	16	358,466	447,816

The notes are an integral part of the financial statements.

Veolia Komodity ČR, s.r.o.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**

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. Veolia Komodity ČR, s.r.o. started to trade in electricity under its original name CZECH-KARBON s.r.o. On 1 December 2008, NWR Energy, a.s. became the sole member of CZECHKARBON s.r.o.; on 21 June 2010, NWR Energy, a.s. was acquired by Dalkia Česká republika, a.s., which now has the name Veolia Energie ČR, a.s. Since 2012, Veolia Komodity has been licensed to trade in gas. The company trades on Czech and international wholesale markets, where it arranges for transmission capacities outside the Czech Republic and for trading in the energy systems of neighbouring foreign operators, and arranges for electricity and gas sales to final customers having different demand and supply volumes.

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 2020, 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**

In accordance with Section 19a (1) of the Act on Accounting, No 563/1991, the Company applies IFRS as adopted by the EU in the preparation of its financial statements and consolidated financial statements.

The financial statements were approved for release by the Company's Director on 15 April 2021.

b) Basis of preparation

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

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

c) Use of estimates and judgements

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

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

Information about significant areas of estimation, uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Notes 3 h) and 21 – assessment whether the arrangement contains a lease.

Veolia Komodity ČR, s.r.o.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**

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

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

- Covid-19-Related Rent Concessions (Amendment to IFRS 16)
- Interest Rate Benchmark Reform – Phase 2 (Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS 2018–2020 Cycle
- Property, Plant and Equipment – Proceeds before intended use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts

Optional adoption – Sales or Contributions of Assets Between an Investor and Its Associate/Joint Venture

(ii) New or amended standards

New or amended standards, applicable as of 1 January 2020.

- Amendments to References to the Conceptual Framework in IFRS Standards
- Definition of Materiality (Amendments to IAS 1 and IAS 8)
- Definition of a Business (Amendments to IFRS 3)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

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

3. Accounting policies

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

a) *Foreign currency**Foreign currency transactions*

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

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

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

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

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

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

Veolia Komodity ČR, s.r.o.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**

cash equivalents in the statement of financial position, whereas cash pooling payables are shown in loans and borrowings. Cash pooling liabilities are reported 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.

(ii) Derivative financial instruments

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

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

Cash flow hedging

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

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

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

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

Other derivatives

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

(iii) Equity

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

c) Impairment*Financial assets*

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

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

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

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When determining whether the credit risk on a financial asset has increased significantly, the Company compares the risk of a default on the financial instrument occurring at the reporting date with the risk of a default occurring at initial recognition, considering reasonable and supportable information available without undue cost or effort and indicating a significant increase in the credit risk. The Company regards situations where the financial asset has been overdue for more than 90 days as a significant increase in the credit risk. A specific provision is recognised where the client is considered to be risky. In such a case a provision is recognised for all the amounts owed by the client in excess of the provision made under the guidance. It is recognised up to 50%, 70% or 100%.

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

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.

e) Revenue

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

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

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

Sale of heat, electricity and gas

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

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

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Sale of electricity and gas to traders

Revenue from trading with wholesale partners is generated by sales on the wholesale market, which the Company performs in transactions through commodity forwards with physical supply. The contract terms are individualised but to a considerable extent are determined by the standard EFET contract, or the commercial terms on the market managed by the Czech market operator (OTE). Revenue is recognised at the moment of delivering the commodity to the wholesale partner. Billing takes place in the month following the month of commodity delivery to the trader. No advances are paid.

f) Expenses*Finance income and expenses*

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

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.

h) Leases

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

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

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

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

The Company estimates the term of the lease for lease contracts under which it is the lessee and which include options to renew or terminate, or which are concluded for an indefinite period. Assessment whether the Company is reasonably certain that it will exercise such option affects the lease term, which in turn

Veolia Komodity ČR, s.r.o.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**

affects the values of the lease liabilities and right-of-use assets recognised. Where the lessee and the lessor have the right to terminate the contract with no more than an insignificant penalty, the period of notice is deemed to be the lease term. In such cases, penalty is understood to include not only, e.g., a penalty for early termination but also the costs incurred in moving or arranging for an alternative lease.

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

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

4. Fair value

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

(i) Derivatives

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

5. Financial risk management

The Company has exposure to the following risks:

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

The parent company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board reviews and approves the risk management policies described below. The Risk Management Department monitors individual risks and their effect on the Company.

Credit risk

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

Trade and other receivables

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

Credit risk related to receivables is covered by provisions.

Veolia Komodity ČR, s.r.o.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**

Cash and cash pool

As at 31 December 2020, the Company holds cash and cash equivalents in the amount of CZK 358,545,000 (2019: CZK 447,860,000). Cash and cash equivalents are deposited with banks with high ratings and in cash pooling with the parent company.

Off-balance sheet liabilities

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 2020, there were following guarantees:

In thousands of CZK	2020	2019
Provided guarantees – long-term advance payments	7,763	8,238
Bank guarantees provided	171,906	116,005
Bank guarantees accepted	(419,920)	(406,560)

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) the Company concludes forward contracts to hedge the foreign exchange risk.

Interest rate risk

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

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 objective is to achieve the right proportion of debt to equity, and to meet the planned dividend targets. This involves looking for an adequate level of debt, which depends on profit (cash flow) generation, and meeting the average cost of capital and working capital targets planned by the Company.

Veolia Komodity ČR, s.r.o.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**

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

<i>In thousands of CZK</i>	2020	2019
Total liabilities	1,315,949	1,359,169
Cash and cash equivalents	(358,545)	(447,860)
Net debt	957,404	911,309
Total equity	200,880	178,065
Cash flow from hedges	7,739	8,175
Adjusted equity	208,619	186,240
Debt to adjusted equity	4.59	4.89

6. Revenue

<i>In thousands of CZK</i>	2020	2019
Revenue from sale and re-sale of electricity and ancillary services	4,092,373	4,139,157
Revenue from the sale of gas	728,211	809,530
Total	4,820,584	4,948,687

<i>In thousands of CZK</i>	2020	2019
Industry	3,593,598	3,929,825
Public sector	960,687	791,021
Households	266,299	227,841
Total	4,820,584	4,948,687

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

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

Contractual liabilities of CZK 143,616,000 from 2019 were billed for and reported as revenue for 2020.

No clients were connected or disconnected in 2020 so as to affect revenue.

Veolia Komodity ČR, s.r.o.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020****7. Cost of sales***In thousands of CZK*

	2020	2019
Personnel expenses	(10,424)	(10,363)
Right-of-use depreciation	(4,676)	(3,105)
Cost of sold gas	(683,902)	(805,282)
Cost of purchased electricity	(4,065,236)	(4,084,859)
Consumption of raw materials, energy, services, and other	(2,219)	(4,341)
Change in provisions	233	1,654
Total	(4,766,224)	(4,906,296)

8. Administrative expenses*In thousands of CZK*

	2020	2019
Management costs	(4,800)	(4,908)
Cost of raw materials, services and other expenses	(502)	(583)
Total	(5,302)	(5,491)

9. Finance income and expenses*In thousands of CZK*

	2020	2019
Interest income	591	662
Foreign exchange gain	71,371	30,277
Effect of exchange rate changes on cash and cash equivalents	7,546	--
Income from derivative operations	7,865	--
Total finance income	87,373	30,939
Interest expense	(258)	(2,403)
Foreign exchange loss	(75,268)	(24,435)
Costs of derivative operations	--	(12,968)
Discount of long-term liabilities	--	189
Discount of lease liabilities	(41)	(110)
Other finance expenses	(2,644)	(3,398)
Total finance expenses	(78,211)	(43,125)

Veolia Komodity ČR, s.r.o.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020****10. Income tax***In thousands of CZK*

Current tax	2020	2019
Current year	(8,418)	--
Adjustments for prior years	--	--
	(8,418)	0

Deferred tax

Effect of the change in temporary differences and the lower tax rate	(5,129)	(2,418)
Total income tax expense in income statement	(13,546)	(2,418)

Reconciliation of effective tax rate*In thousands of CZK*

	2020	2019
Profit before tax	58,220	24,714
Income tax calculated using the domestic corporate income tax rate	(11,062)	(4,696)
Effect of non-deductible expenses	(2,484)	(2,605)
Effect of tax exempt income	--	1
Effect of application of tax loss	--	4,882
Adjustments for prior years	--	--
Total income tax expense in income statement	(13,546)	(2,418)

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:

<i>In thousands of CZK</i>	2020	2019
Changes in fair value of hedging instruments: before taxation	539	(11,140)
Tax	(103)	2,117
After taxation	436	(9,023)

Veolia Komodity ČR, s.r.o.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**11. Derivatives***In thousands of CZK*

Financial derivatives	2020	2019
Non-current assets	1,608	256
Current assets	6,184	2,702
Non-current liabilities	(2,472)	(1,835)
Current liabilities	(18,402)	(22,608)
Total financial derivatives	(13,082)	(21,485)

Derivative financial instruments represent the fair value of forward contracts to hedge the EUR exchange rate risk. At 31 December 2020 the net face value of open derivative positions stood at CZK 935,032,000 (2019: CZK 906,959,000). The average forward rate was 26.76.

12. Loans and borrowings

This note contains an overview of contractual conditions applicable to the Company's interest-bearing loans and borrowings. Note 20 contains more detailed information about the credit risk and the interest rate risk to which the Company is exposed.

In thousands of CZK

Short-term loans and borrowings	2020	2019
Right-of-use liabilities, IFRS 16	668	3,890
Unpaid interest on VE Finance loan	79	44
Total short-term loans and borrowings	747	3,934

Long-term loans and borrowings	2020	2019
Right-of-use liabilities, IFRS 16	799	1,127

The Company's long-term loans and borrowings constitute liabilities under leases, recognised as assets, right-of-use.

13. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

<i>In thousands of CZK</i>	Assets		Liabilities		Difference	
	2020	2019	2020	2019	2020	2019
Receivables	7	12	--	--	7	12
Derivatives	1,815	1,918	--	--	1,815	1,918
Provisions	87	99	--	--	87	99
Other items	955	6,737	(272)	(943)	683	5,794
Deferred tax assets / (liabilities)	2,864	8,766	(272)	(943)	2,592	7,823

Veolia Komodity ČR, s.r.o.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**Movement in deferred tax assets and liabilities during the year**

<i>In thousands of CZK</i>	Balance at 1 January 2020	Recognised in income statement	Recognised in equity	Balance at 31 December 2020
Receivables	216	(5)	--	211
Derivatives	1,918	--	103	1,815
Provisions	99	(12)	--	87
Other items	5,590	(5,111)	--	479
Total	7,823	(5,128)	103	2,592

<i>In thousands of CZK</i>	Balance at 1 January 2019	Recognised in income statement	Recognised in equity	Balance at 31 December 2019
Receivables	59	(47)	204	216
Derivatives	--	--	1,918	1,918
Provisions	103	(4)	--	99
Other items	7,957	(2,367)	--	5,590
Total	8,119	(2,418)	2,122	7,823

14. Inventories

<i>In thousands of CZK</i>	2020	2019
Stored gas inventories	15,675	22,974
Total	15,675	22,974

The Company has leased a storage facility for storing gas that helps to shave off peaks in customers' demand and cover changes in gas prices.

15. Trade and other receivables

<i>In thousands of CZK</i>	2020	2019
Trade receivables due from related parties (see Note 23)	271,882	320,125
Trade receivables due from third parties	378,025	272,296
Contract asset	467,608	439,527
Other receivables	5,517	10,465
Total	1,123,032	1,042,413

At 31 December 2020 trade receivables are shown net of provisions for doubtful debts of CZK 13,794,000 (2019: CZK 13,967,000) arising from the likely impairment of receivables from the individual debtors. Most of the provisions cover receivables from debtors in insolvency proceedings.

Veolia Komodity ČR, s.r.o.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020****16. Cash and cash equivalents**

<i>In thousands of CZK</i>	2020	2019
Current bank accounts	13,405	484
Cash in hand	11	28
Total cash	13,416	512
Receivables from cash pool	345,130	447,348
Cash and cash equivalents	358,545	447,860
Cash pooling payables	(79)	(44)
Total cash in compliance with statement of cash flows	358,466	447,816

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

The registered capital as at 31 December 2020 is comprised of the member's contribution of CZK 2,000,000 (2019: CZK 2,000,000), which is fully paid-up.

Reserves and other capital contributions

As at 31 December 2020, reserves and other capital contributions are comprised of the re-measurement of hedging derivatives of CZK 7,739,000 (2019: CZK 8,175,000).

Dividends

In the profit distribution decision in 2020, the Company announced dividends of CZK 22,296,000 (2019: CZK 3,837,000) and it has paid out these dividends.

18. Provisions

<i>In thousands of CZK</i>	2020	2019
Balance at 1 January	521	541
Provisions created during the year	460	521
Provisions used during the year	(521)	(541)
Balance at 31 December	460	521
Non-current	--	--
Current	460	521

In 2020, provisions for bonuses for employees were created in an amount of CZK 460,000 (2019: CZK 521,000). This annual bonus is an unguaranteed component (to which no entitlement exists) of wages.

Veolia Komodity ČR, s.r.o.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020****19. Trade and other payables***Current liabilities**In thousands of CZK*

	2020	2019
Trade payables to related parties (see Note 23)	387,371	475,547
Trade payables to third parties	679,580	646,123
Contract liabilities	160,281	143,616
Other payables	57,419	63,858
Total	1,284,651	1,329,144

In 2020, other liabilities included a value added tax liability of CZK 55,890,000 (2019: CZK 54,896,000).

Reconciliation of liabilities and cash flows from financing activities

<i>In thousands of CZK</i>	Leases
At 1 January 2020	5,017
Interest expense	41
Interest paid	(41)
Paid leases	(4,689)
New leases	1,139
At 31 December 2020	1,467

20. 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 2020	Carrying amount 2019
Trade and other receivables	15	1,123,032	1,042,413
Other long-term receivables		7,763	8,238
Cash and cash equivalents	16	358,545	447,860
Total		1,489,340	1,498,511

Veolia Komodity ČR, s.r.o.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

Impairment losses

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

<i>In thousands of CZK</i>	Nominal value 2020	Impairment 2020	Nominal value 2019	Impairment 2019
Not yet due	1,126,938	--	1,040,730	--
0–90 days overdue	3,857	(38)	9,934	(13)
90–180 days overdue	--	--	--	--
181–360 days overdue	--	--	--	--
More than 1 year overdue	13,794	(13,756)	13,954	(13,954)
Total	1,144,589	(13,794)	1,064,618	(13,967)

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

<i>In thousands of CZK</i>	2020	2019
Balance at 1 January	(13,967)	(15,601)
Establishment	(6)	(15,422)
Utilisation	179	17,056
Balance at 31 December	(13,794)	(13,967)

Liquidity risk

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

At 31 December 2020

<i>In thousands of CZK</i>	Carrying amount	Contractual cash flow	Within 6 months	6–12 months	1–2 years	2–5 years	More than 5 years
Trade and other payables	1,284,651	1,284,651	1,284,651	--	--	--	--
Current tax liabilities	8,418	8,418	8,418	--	--	--	--
Cashpooling interest	79	79	79	--	--	--	--
Total	1,293,148	1,293,148	1,293,148	--	--	--	--

At 31 December 2019

<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	1,329,144	1,329,144	1,329,144	--	--	--	--
Current tax liabilities	--	--	--	--	--	--	--
Cashpooling interest	44	44	44	--	--	--	--
Total	1,329,188	1,329,188	1,329,188	--	--	--	--

Veolia Komodity ČR, s.r.o.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020*****Currency risk***

To hedge purchases and sales of electricity in foreign currencies (EUR), forward contracts were concluded with Veolia Environnement Finance (see Note 5). Due to the gradual hedging of purchases and sales the currency risk is minimal for the Company.

<i>In thousands of EUR</i>	2020	2019
Trade receivables	9,086	10,456
Trade payables	(13)	(391)
Cashpooling receivables	1,807	2,852
Net financial position	10,880	12,917

Forward contracts (6 months)	14,511	20,186
Net exposure	25,391	33,103

Currency risk sensitivity analysis

In thousands of CZK	Gain or loss		Net result	
	Increase	Decrease	Increase	Decrease
At 31 December 2020				
EUR (10% movement)	28,555	(28,555)	23,129	(23,129)
At 31 December 2019				
EUR (10% movement)	33,901	(33,901)	27,460	(27,460)

A reasonably possible appreciation of the EUR in relation to all other currencies at 31 December 2020 would have an impact on the measurement of financial instruments denominated in foreign currencies, on equity and on profit/loss by the amounts specified above. This analysis assumes that all the other variables, in particular interest rates, remain unchanged and ignore any impact of the expected sales and purchases.

Interest rate risk

As at 31 December 2020, the Company has the following interest-bearing financial instruments:

Variable-rate financial instruments

As regards variable-rate financial instruments the Company only has right-of-use liabilities of CZK 1,467,000 at 31 December 2020 and CZK 5,017,000 at 31 December 2019. The maturities fall from 2021 to 2024.

Sensitivity analysis of variable-rate financial instruments

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

Had the interest rates been 0.5% higher/lower with all the other variables remaining constant, the Company's profit for the period ending on 31 December 2020 would have decreased/increased by CZK 1.21 million (2019: decrease/increase by CZK 1.5 million).

Veolia Komodity ČR, s.r.o.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020*****Effective interest rate and re-measurement analysis***

The average interest rate of interest-bearing financial assets and liabilities at the date of the statement of financial position and the periods in which they are remeasured is 0.4%.

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).

Interest rates used to calculate fair values

The interest rates used to discount cash flows were, as far as possible, based on the interest rate on treasury bonds as at the date of the statement of financial position in respect of derivatives. The rates applied are as follows:

	2020	2019
Derivatives	1.26%	1.51%

21. Leases

From the lessee's perspective

The Company leases offices for approximately five years and vehicles for approximately four years. It also leases installations for gas supply.

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

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

<i>Amounts recognised in the income statement, in thousands of CZK</i>	2020	2019
Costs of short-term leases	212	468
Costs related to variable lease payments	(65)	312
Other expenses	90	57
Total	237	837

<i>Other, in thousands of CZK</i>	2020	2019
Interest expense on lease liabilities	41	76
Revenue from right-of-use asset sublease	--	--
Total cash outflow for leases	4,689	2,168
Gains / (losses) from sale and leaseback transactions	--	--

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

Veolia Komodity ČR, s.r.o.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020****Right-of-use assets***In thousands of CZK*

<i>Acquisition cost</i>	Land and buildings	Equipment	Total
Balance at 1 January 2019	6,275	396	6,671
Additions/transfers	1,781	5,870	7,651
Disposals	(6,276)	(114)	(6,390)
Balance at 31 December 2019	1,780	6,152	7,932
Balance at 1 January 2020	1,780	6,152	7,932
Additions/transfers	--	1,138	1,138
Disposals	--	--	--
Balance at 31 December 2020	1,780	7,290	9,070
<i>Depreciation</i>			
Balance at 1 January 2019	4,168	204	4,372
Current year depreciation	901	2,204	3,105
Impairment losses	--	--	--
Disposals	(4,399)	(114)	(4,513)
Balance at 31 December 2019	670	2,294	2,964
Balance at 1 January 2020	670	2,294	2,964
Current year depreciation	891	3,785	4,676
Impairment losses	--	--	--
Disposals	--	--	--
Balance at 31 December 2020	1,561	6,079	7,640
<i>Carrying amount</i>			
At 1 January 2019	2,107	192	2,299
At 31 December 2019	1,110	3,858	4,968
At 31 December 2020	219	1,211	1,430

From the lessor's perspective

The Company does not let its assets.

Veolia Komodity ČR, s.r.o.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**At 31 December
2020**

<i>In thousands of CZK</i>	Carrying amount	Contractual cash flow	Within 6 months	6–12 months	1–2 years	2–5 years	More than 5 years
Long-term liabilities – Right-of-use	799	801	--	--	801	--	--
Short-term liabilities – Right-of-use	668	672	672	--	--	--	--
Total	1,467	1,473	672	--	801	--	--

**At 31 December
2019**

<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
Long-term liabilities – Right-of-use	1,127	1,197	--	--	1,118	47	32
Short-term liabilities – Right-of-use	3,890	3,949	3,949	--	--	--	--
Total	5,017	5,146	3,949	--	1,118	47	32

22. 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.

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

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

Sales transactions:

- Revenue from the supply of electricity and gas

Purchase transactions:

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

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.

Veolia Komodity ČR, s.r.o.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**

<i>In thousands of CZK</i>	2020	2019
Purchases	(2,150,480)	(2,390,134)
Sales	1,237,594	1,284,032
Finance costs	(454)	(214)
Finance income	568	620

<i>In thousands of CZK</i>	2020	2019
Receivables	271,882	320,125
Liabilities	387,371	(475,547)
Financial liabilities	(79)	(43)

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.

24. Subsequent events

No other 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 2020, or that should be disclosed in the financial statements.

4. 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 2020

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 was 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 18 February 2021.

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 2020.

II Specification and description of related parties

The list of related parties provides an overview of all related companies in the Czech Republic regardless of whether the Company had in place or performed under any contract with them in 2020, 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
 Special postcode: 709 74
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:	Energie Projekt ČR, s.r.o. 'in liquidation'
Registered office:	Praha 2, Americká 415
Company No.:	257 06 969
Register entry:	C 62955, Companies Register maintained by the Prague Municipal Court
Legal form:	Private limited company
Name:	JVCD, a.s.
Registered office:	Praha 2, Americká 36/415, postcode 120 00
Company No.:	601 93 204
Register entry:	B 2321, Companies Register maintained by the Prague Municipal Court
Legal form:	Public limited company
Name:	OLTERM & TD Olomouc, a.s.
Registered office:	Janského 469/8, Povel, 779 00 Olomouc
Company No.:	476 77 511
Register entry:	B 872, Companies Register maintained by the Ostrava Regional Court
Legal form:	Public limited company
Name:	AmpluServis, a.s.
Registered office:	Ostrava-Třebovice, Elektrárenská 5558, postcode 709 74
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: Veolia Smart Systems ČR, s.r.o. (formerly 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 name changed on 1 March 2020.

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: 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 Rokycany, s.r.o.
 (formerly Vodohospodářská společnost Sokolov, s.r.o.)
Registered office: Sedláčkova 651, Plzeňské Předměstí, 337 01 Rokycany
Company No.: 453 51 325
Register entry: C 2378, Companies Register maintained by the Plzeň Regional Court
Legal form: Private limited company
 The company name changed on 1 January 2021.

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: 1. SČV, a.s.
Registered office: Praha 10, Ke Kablu 971, postcode 100 00
Company No.: 475 49 793
Register entry: B 10383, Companies Register maintained by the Prague Municipal Court
Legal form: Public limited company

Name: Česká voda - Czech Water, a.s.
Registered office: 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: JMK Recycling, s.r.o. (formerly 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
 The company left the Group on 8 June 2020. The company name changed on 7 July 2020.

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
 The company left the Group on 8 June 2020.

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
 The company left the Group on 8 June 2020.

Name: Severočeská servisní a.s.
Registered office: Přítkovská 1689/14, Trnovany, 415 01 Teplice
Company No.: 051 75 917
Register entry: B 2659, Companies Register maintained by the Ústí nad Labem Regional Court
Legal form: Public limited company

Name: VWS MEMSEP s.r.o.
Registered office: Sokolovská 100/94, Karlín, 186 00 Praha 8
Company No.: 416 93 752
Register entry: C 3925, Companies Register maintained by the Prague Municipal Court
Legal form: Private limited company

Name: IoT.water a.s.
Registered office: Sokolovská 100/94, Karlín, 186 00 Praha 8
Company No.: 055 89 916
Register entry: B 25457, Companies Register maintained by the Prague Municipal Court
Legal form: Public limited company
 Formerly a private limited (s.r.o.), the company was converted into a public limited company (a.s.) on 1 July 2020.

Name: Pražská teplárenská a.s.
Registered office: Praha 7, Partyzánská 1/7, postcode 170 00
Company No.: 452 73 600
Register entry: B 1509, Companies Register maintained by the Prague Municipal Court
Legal form: Public limited company
 The company became part of the Group on 3 November 2020.

Name: TERMONTA PRAHA a.s.
Registered office: Praha 10, Třebostická 46/11, postcode 100 00
Company No.: 471 16 234
Register entry: B 1846, Companies Register maintained by the Prague Municipal Court
Legal form: Public limited company
 The company became part of the Group on 3 November 2020.

Name: PT Koncept a.s.
Registered office: Partyzánská 1/7, Holešovice, 170 00 Praha 7
Company No.: 032 61 816
Register entry: B 19886, Companies Register maintained by the Prague Municipal Court
Legal form: Public limited company
 The company became part of the Group on 3 November 2020.

Name: Teplo Neratovice, spol. s r.o.
Registered office: Neratovice, Školní 162, postcode 277 11
Company No.: 498 27 316
Register entry: C 34074, Companies Register maintained by the Prague Municipal Court
Legal form: Private limited company
 The company became part of the Group on 3 November 2020.

Name: PT Distribuční, s.r.o.
Registered office: Praha 9 - Strážkov, Jablonecká 322/72, postcode 190 00
Company No.: 457 93 590
Register entry: C 11208, Companies Register maintained by the Prague Municipal Court
Legal form: Private limited company
 The company became part of the Group on 3 November 2020.

Name: ENERGOPROJEKTA plan s.r.o.
Registered office: Dluhonská 1350/43, Přerov I-Město, 750 02 Přerov
Company No.: 059 85 005
Register entry: C 70165, Companies Register maintained by the Ostrava Regional Court
Legal form: Private limited company
 The company became part of the Group on 3 November 2020.

Name: PT Transit, a.s.
Registered office: Partyzánská 1/7, Holešovice, 170 00 Praha 7
Company No.: 293 52 797
Register entry: B 19399, Companies Register maintained by the Prague Municipal Court
Legal form: Public limited company
 The company became part of the Group on 3 November 2020.

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, s.r.o. and Veolia Průmyslové služby ČR, a.s.:

Agreements where Veolia Komodity ČR, s.r.o. is the supplier: an Agreement on Electricity Supply on an arm's length basis.

Agreements where Veolia Komodity ČR, s.r.o. is the customer: an Agreement on Electricity Feed-in from a Renewable Energy Source and an Agreement on Electricity Distribution, 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 2020.

A2. Veolia Energie ČR, a.s.

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

Agreements where Veolia Komodity ČR, s.r.o. is the supplier: an Agreement on Bundled Gas and Electricity Supply on an arm's length basis.

Agreements where Veolia Komodity ČR, s.r.o. is the customer: a Service Agreement; a Commercial Space Sublease Agreement and a Personal Property Lease Agreement; an EFET Bilateral Electricity Trading Agreement; an Agreement on Group Treasury Management,

including implementing amendments; an Agreement on Personal Data Processing; a 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, s.r.o. and then re-invoices the costs.

Veolia Energie ČR, a.s. also invoices fees for financial guarantees provided to Veolia Komodity ČR, s.r.o. in relation to framework agreements on the supply of gas and electricity.

Veolia Energie ČR, a.s. also re-invoices the costs of services (promotional items, hall leases, consumables, communications, travel expenses, etc.) Veolia Komodity ČR, s.r.o. .

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

A3. VEOLIA ENVIRONNEMENT

Veolia Komodity ČR, s.r.o. signed a Declaration of Participation in the International Group Savings Plan of Veolia Environnement and the Sequoia employee shareholding programme with VEOLIA ENVIRONNEMENT, and in this context, it also bore a share of the contributions to the reserved collective employee shareholding vehicles that invest in VEOLIA ENVIRONNEMENT shares.

A4. VEOLIA ENERGIE INTERNATIONAL

No contracts were concluded or performed, no legal acts or measures were made towards this company, and no deliveries or considerations were provided between this company controlling the controlling entities and the Company.

B. Relations to related parties

B1. VEOLIA ENVIRONNEMENT FINANCE

VEOLIA ENVIRONNEMENT FINANCE and Veolia Komodity ČR, s.r.o. 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 ČR, s.r.o. were concluded or performed.

B2. OLTERM & TD Olomouc, a.s.

Veolia Komodity ČR, s.r.o. 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.

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

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

B4. Veolia Energie Kolín, a.s.

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

B5. Veolia Energie Praha, a.s.

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

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

Veolia Komodity ČR, s.r.o. 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. I. SčV, a.s.

Veolia Komodity ČR, s.r.o. and I. SčV, 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. Furthermore, the companies entered into Agreements on Bundled Gas Supply for 2021–2024 (no performance in 2020).

B8. Institut environmentálních služeb, a.s.

Under an Agreement on Cooperation in Employee Education, Institut environmentálních služeb, a.s. provided Veolia Komodity ČR, s.r.o. 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, s.r.o. 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. Furthermore, the companies entered into Agreements on Bundled Gas Supply for 2021–2024 (no performance in 2020).

B10. MORAVSKÁ VODÁRENSKÁ, a.s.

Veolia Komodity ČR, s.r.o. and MORAVSKÁ VODÁRENSKÁ, 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. Furthermore, the companies entered into Agreements on Bundled Gas Supply for 2021–2024 (no performance in 2020).

B11. Pražské vodovody a kanalizace, a.s.

Veolia Komodity ČR, s.r.o. and Pražské vodovody a kanalizace, a.s. have an Agreement on Bundled Electricity Supply, an Agreement on Electricity Feed-in from a Renewable Energy Source, and an Agreement on Dispatching Services in place on an arm's length basis. Furthermore, the companies entered into Agreements on Bundled Gas Supply for 2021–2024 (no performance in 2020).

B12. RAVOS, s.r.o.

Veolia Komodity ČR, s.r.o. and RAVOS, s.r.o. have an Agreement on Bundled Electricity Supply in place on an arm's length basis. Furthermore, the companies entered into Agreements on Bundled Gas Supply for 2021–2024 (no performance in 2020).

B13. Solutions and Services, a.s.

Veolia Komodity ČR, s.r.o. and Solutions and Services, a.s. have a Framework Agreement on Electricity Supply for 2020, bought in tranches, in place on an arm's length basis. Furthermore, the companies entered into a Framework Agreement on Electricity Supply for 2021–2022, bought in tranches (no performance in 2020) and a Framework Agreement on Natural Gas Supply for 2021–2024, bought in tranches (no performance in 2020).

B14. Středočeské vodárny, a.s.

Veolia Komodity ČR, s.r.o. and Středočeské vodárny, a.s. have an Agreement on Bundled Electricity Supply in place on an arm's length basis. Furthermore, the companies entered into Agreements on Bundled Gas Supply for 2021–2024 (no performance in 2020).

B15. Vodohospodářská společnost Sokolov, s.r.o.

Veolia Komodity ČR, s.r.o. 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. Furthermore, the companies entered into Agreements on Bundled Gas Supply for 2021–2024 (no performance in 2020).

B16. EKOSEV, s.r.o.

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

B17. PT Koncept, a.s.

In 2020, Veolia Komodity ČR, s.r.o. and PT Koncept, a.s. entered into a Framework Agreement on the Supply and Offtake of Electricity including Transfer of Imbalance Responsibility effective from 2021 for an indefinite term (no performance in 2020) and a Natural Gas Supply Agreement effective from 2021 for an indefinite term (no performance in 2020).

B18. PT Distribuční, s.r.o.

In 2020, Veolia Komodity ČR, s.r.o. and PT Distribuční, s.r.o. entered into an Agreement on Bundled Gas Supply for 2022–2024 (no performance in 2020).

B19. TERMONTA PRAHA, a.s.

In 2020, Veolia Komodity ČR, s.r.o. and TERMONTA PRAHA, a.s. entered into an Agreement on Bundled Electricity Supply for 2021–2022 (no performance in 2020).

B20. Relations to other related parties

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

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

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

In 2020, 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.

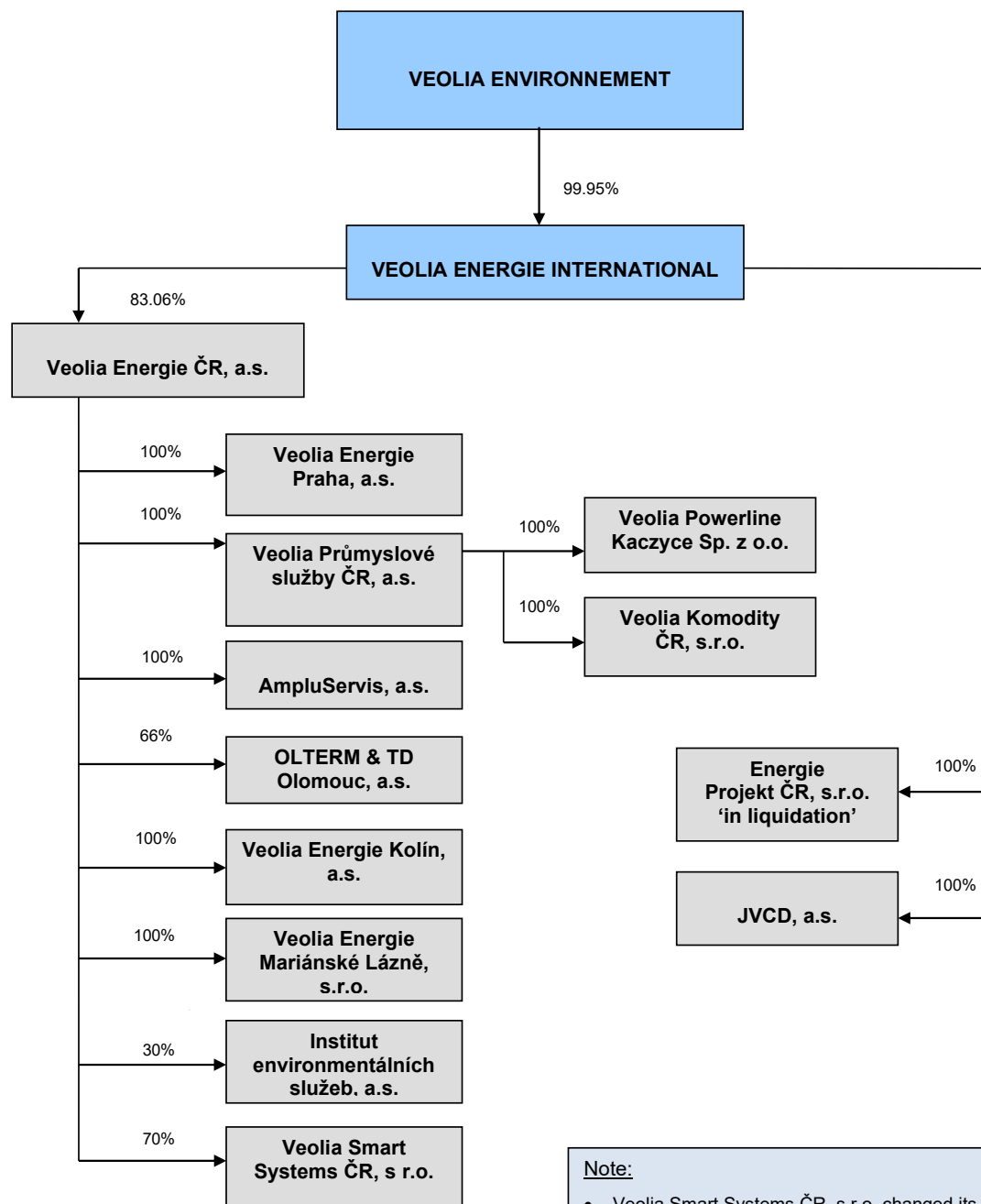
Ostrava, 18 February 2021

A handwritten signature in blue ink, appearing to read 'Pavel Luňáček', is written over a horizontal dotted line.

Pavel Luňáček
Director

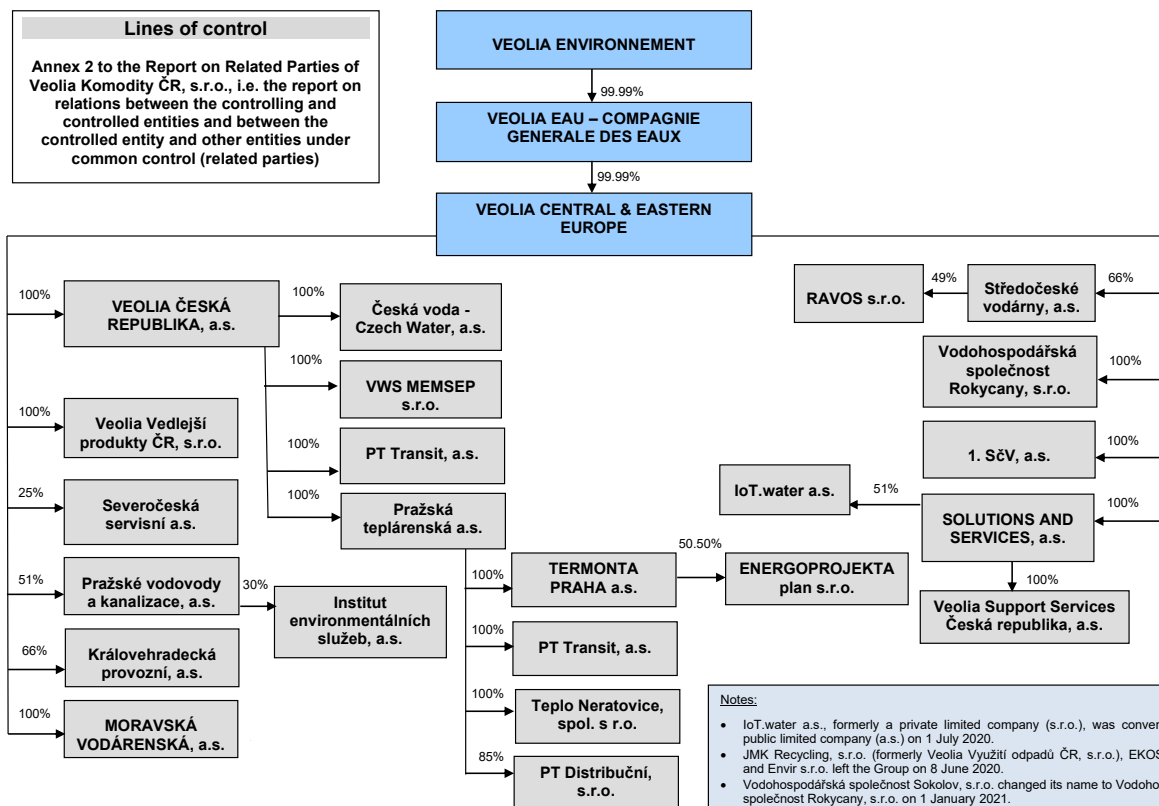
Lines of control

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)



Note:

- Veolia Smart Systems ČR, s.r.o. changed its name on 1 March 2020.



| 5. AUDITOR'S REPORT



KPMG Česká republika Audit, s.r.o.

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

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

Opinion

We have audited the accompanying separate financial statements of Veolia Komodity ČR, 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 31st December 2020, and income statement, 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 31st December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Other Information

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

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

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

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

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

Responsibilities of the Statutory Body for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic

decisions of users taken on the basis of these financial statements.

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

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

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

Statutory Auditor Responsible for the Engagement

Karel Charvát is the statutory auditor responsible for the audit of the financial statements of Veolia Komodity ČR, s.r.o. as at 31st December 2020, based on which this independent auditor's report has been prepared.

Ostrava
15th April 2021

Signed by

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

Signed by

Karel Charvát
Partner
Registration number 2032

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

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