



Annual Report

| 2020 | Veolia Průmyslové služby ČR, a.s.





CONTENTS

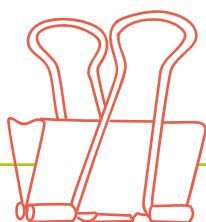
1	CORPORATE AND GENERAL INFORMATION ABOUT THE COMPANY	2
	Basic Information	3
	Company Description	4
	Key Figures	5
	Corporate Governance	8
	Organisational Structure	9
	Other Information	10
2	MANAGEMENT REPORT	12
	Foreword	13
	Core Values	15
	Our Services	16
	Innovation	19
	Customers	21
	Responsibility	22
	Human Resources	26
	Solidarity	28
3	FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020	30
4	REPORT ON RELATED PARTIES	65
5	AUDITOR'S REPORT	77

1. CORPORATE AND GENERAL INFORMATION ABOUT THE COMPANY



BASIC INFORMATION

Veolia Průmyslové služby ČR, a.s. operates one of the largest local distribution systems for the distribution of electricity in the Czech Republic, generates and supplies heat, cooling energy and nitrogen to an organisation that is subject to the Mining Act (the mining company OKD, a.s.), and is the largest supplier of industrial compressed air.



SHARES

15,600

dematerialised registered ordinary shares
with a nominal value of CZK 100,000 per
share (ISIN CZ0005125203)



Veolia Průmyslové služby ČR, a.s.

COMPANY NAME

19 December 2007

DATE INCORPORATED

CZK 1,560,000,000

REGISTERED CAPITAL

Public limited company

LEGAL FORM

278 26 554

COMPANY NO.

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

REGISTERED OFFICE

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

COMPANY DESCRIPTION



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

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

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

For the Veolia Group, Veolia Průmyslové služby ČR is a world-class reference in the extractive industry because it is responsible for the distribution of electricity and generates and distributes heat, hot water, cooling energy, compressed air and nitrogen for coal extraction at the mines operated by OKD, a.s. It supplies these

utilities to supply points located on the surface of each mine.

The Company also owns a local distribution system (LDS), including a direct 110 kV cross-border power line from Poland. It uses this LDS to

distribute electricity to a part of the Frýdek-Místek region and to much of the Ostrava and Karviná regions, including some of the most prominent industrial sites and industrial companies here.



KEY FIGURES

COMPRESSED AIR SOLD:

504 million Nm³

NITROGEN SOLD:

41 million Nm³

ELECTRICITY DISTRIBUTION
SERVICE:

417.48 GWh

HEAT SOLD:

369 TJ

COOLING ENERGY SOLD:

103 TJ





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



CEO

Kamil Vrbka



BOARD OF DIRECTORS

Kamil Vrbka – Chairman

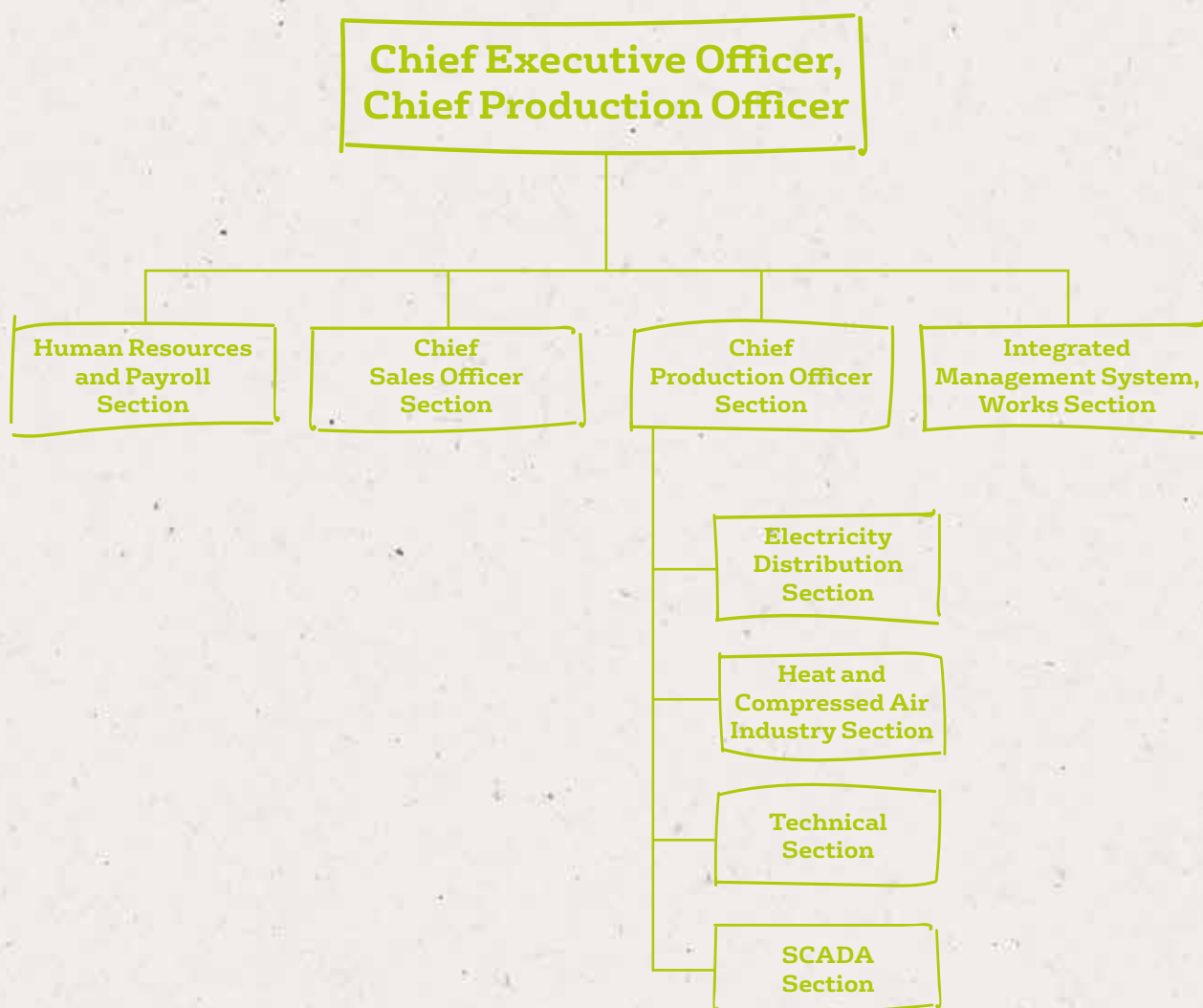
Pavel Míčka – Member

Miroslav Zajíček – Member

Effective as at 31 December 2020



ORGANISATIONAL STRUCTURE



OTHER INFORMATION

There were no significant subsequent (post-balance-sheet date) events at Veolia Průmyslové služby ČR of relevance to its reported results. The Company does not hold its own shares as of 31 December 2020. The Company does not engage in any internal research and development.

Members of the Board of Directors Mr Pavel Míčka and Mr Miroslav Zajíček resigned from their positions as members of the Board of Directors with effect from 31 December 2020. The sole shareholder acting in the capacity of the general meeting elected new members of the Board of Directors, Mr Pavel Luňáček and Mr Jakub Tobola, with effect from 1 January 2021.

Further to an amendment to the Business Corporations Act effective from 1 January 2021, the position of the Company's Statutory CEO ceased to exist. The Board of Directors currently functions as the Company's governing and supervisory authority. The Company's Articles of Association were also adapted to the amendment to the Business Corporations Act.

The Company wholly owns Veolia Komodity ČR, s.r.o., registered office: 28. října 3337/7, Moravská Ostrava, 702 00 Ostrava (incorporated by entry in the Companies Register kept by the Regional Court in Ostrava under file number C 21431), and Veolia Powerline Kaczyce Sp. z o.o., registered office:

ul. Gustawa Morcinka 17, 43-417 Kaczyce, Poland (incorporated: Sąd Rejonowy w Bielsku Białej, VIII Wydział Gospodarczy Krajowego Rejestru Sądowego). The Company has no organisational units outside the Czech Republic.

Structure of Veolia Průmyslové služby ČR, a.s.'s shareholders and registered capital.

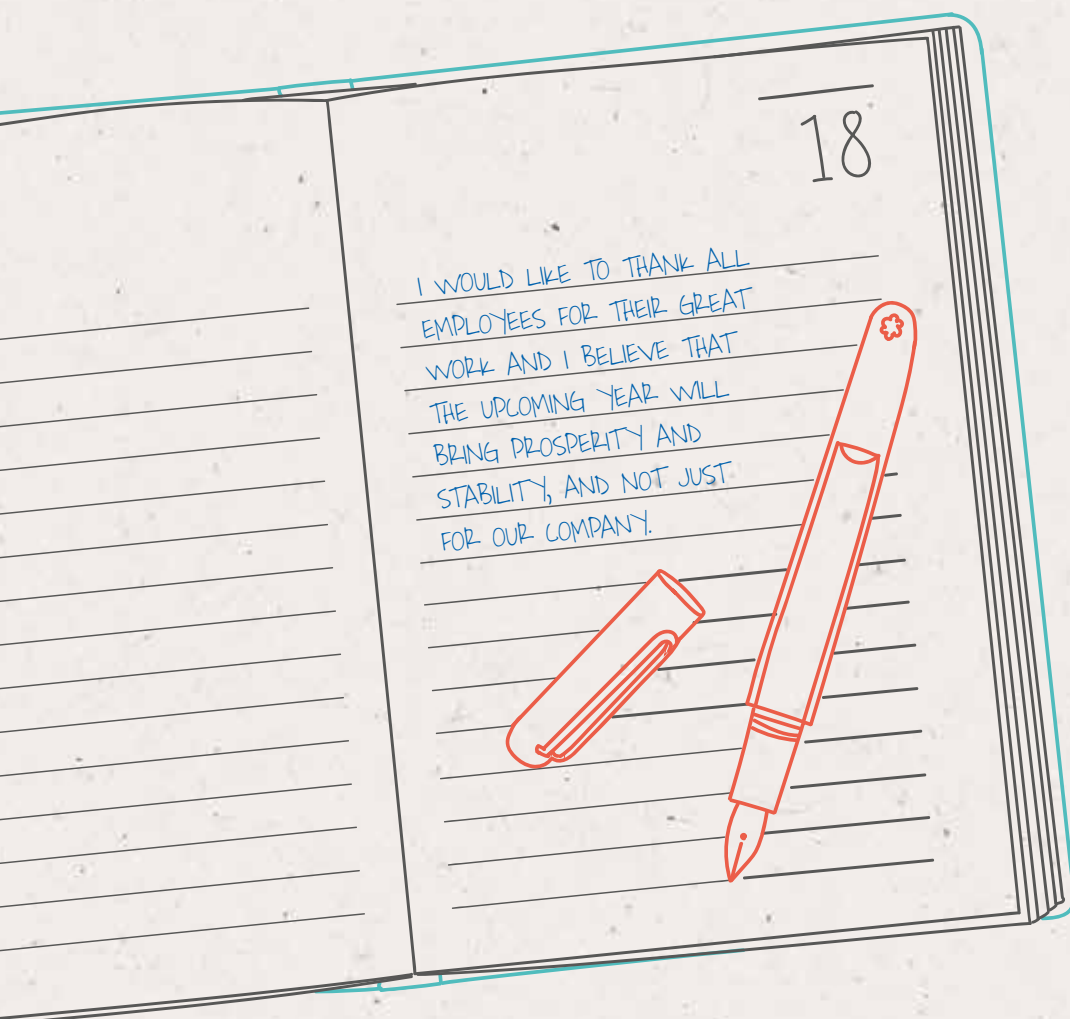
SOLE SHAREHOLDER

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

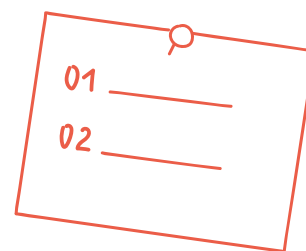




2. MANAGEMENT REPORT



FOREWORD



I am pleased to report that our Company, VPS, honoured its obligations to its customers, trade partners and the parent company, Veolia Energie ČR, a.s., despite the pandemic situation in 2020. This demonstrates that VPS is a stable energy company, capable of responding to and coping with new situations that could be neither planned nor foreseen. VPS tackled the pandemic waves and the subsequent measures adopted to counter COVID-19 throughout 2020 with aplomb. This involved the adoption of a new, innovative method of managing the Company with a view to providing comprehensive energy services, fulfilling the strategy, achieving the plans and profit and, equally importantly, providing the maximum protection against COVID-19 infection to all employees.

In this respect, our Company was one of the first to react and take action even before the government adopted measures in order to protect its employees from the infection. This was a priority as we highly value our employees, who deliver conscientious work that is the foundation of the entire Company's activities.

In addition to procuring protective aids and equipment, VPS had to adjust its operating mode, including the contactless changing of shifts, migrate

many activities from Company offices to home, and set up stand-by teams to ensure non-stop operations, because our Company provides supplies on which both companies and individuals depend and which must not be interrupted.

Thanks for their attitude and for managing all operational challenges are due primarily to our employees. We would also like to thank our trade partners, suppliers, and our parent company, Veolia Energie ČR, a.s.

The information on the causes for the change in the valuation of fixed assets and its impact on Veolia Průmyslové služby ČR, a.s.'s bottom line for 2020 is provided in the notes to the financial statements.

Despite the above circumstances, which could not be foreseen but yet had to be tackled, VPS also managed to respond to the ongoing downscaling and operating changes at our largest customer, OKD, a.s., in 2020, and continued to pursue activities outside the coal mining industry. The Company closed the year 2020 with operating income of CZK 771.9 million.

The Company can rely on its own employees and the backing by a major international group, and intends to

continue in new production processes, integration, development, upgrades, and cooperation with customers.

VPS is active primarily in the industrial energy sector – producing and distributing electricity, compressed air, cooling, and nitrogen – and operates one of the largest local distribution networks in the Czech Republic. Keeping the agreed standards and meeting the supply quality indicators for all the commodities is a matter of course for the Company; in addition, the standards for supplies for extraction activities are more stringent than usual in the energy sector. I am pleased to inform you that, despite all the measures that had to be adopted throughout the year, we delivered all our supplies in 2020 in the agreed quality and keeping the standards. The actual operation was even more focused on an efficient use of the various production facilities and production synergies, occupational safety, and pursuing new activities, including the preparation of new projects.

We also direct our activities in the Company's various operating areas towards compliance with the environmental obligations defined in both EU and Czech legislation, preparing for meeting new legislative



requirements, primarily in connection with operating heat producing plants and improving the efficiency of production in other areas.

We will continue developing VPS in the years to come relying on our operating experience, expertise, conscientious performance of tasks and commitments, equipment, upgraded facilities, and the implementation of plans focused primarily on electrification and electricity generation from renewable energy sources.

Our investments in 2020 were connected with our focus on electrification. The funds were invested in the upgrades and renewal of our existing installations and in the acquisition of distribution assets. In 2020, we also installed our first cogeneration unit outside a mining facility, with a full-year CHP mode of operation. Overall, we operate four cogeneration units, including our own monitoring and basic servicing.

In the past, VPS managed to prepare and complete capital projects

supported by subsidy programmes run by the Ministry of Industry and Trade and the Ministry of the Environment. We are also preparing subsidised projects as part of electric mobility and electricity generation from renewable energy sources with a view to further upgrades and the development of electrification.

We expect to see more changes after 2020, primarily in terms of the agreed supplies for OKD, a.s. as part of the controlled phase-out of its mining operations. The changes will occasion the transfer and modification of production facilities in order to ensure efficient production.

VPS has been operating in the energy sector for 11 years, and with excellent results.

We have been capable of tackling all challenges and meeting all objectives with our team to date. In 2020, we even managed with aplomb situations that nobody could foresee and that we had never faced before. I am therefore convinced that we will continue upgrading and streamlining our production successfully and completing the prepared projects and plans in the years to come.



Kamil Vrbka
CEO

CORE VALUES



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

RESPONSIBILITY

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

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

Veolia pursues this value in particular by striving to continuously improve the efficiency and quality of its services. Veolia promotes transparency and ethical rules as the essential prerequisites for building lasting relationships with its customers. Veolia listens to its customers and provides



suitable and innovative solutions that meet their technical, economic and environmental requirements.

OUR SERVICES

ENERGY UTILITY PRODUCTION AND SALES

Veolia Průmyslové služby ČR generates and distributes electricity, makes and distributes heat, hot water, and compressed air, and produces cooling energy and nitrogen.

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

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

DISTRIBUTION OF ELECTRICITY

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

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

7

110 KV HV SUBSTATIONS

16

MV SUBSTATIONS

19

UNMANNED DISTRIBUTION SUBSTATIONS

10

KM OF HV OVERHEAD LINES

267

KM OF MV POWER LINES

23

KM OF CABLE LINES

The total electricity distributed to VPS LDS customers over 2020 amounted to 387 GWh.



PRODUCTION AND DISTRIBUTION OF HEAT

The Company makes heat, steam and hot service and bathing water, which it distributes for the industrial facility heating systems, bathrooms and open-cast mining technology of OKD, a.s. and third parties at 7 mining sites. These activities are carried out by three operating centres, distributed to cover the mining sites in Karviná, Stonava, Orlová, Doubrava, Horní Suchá and Staříč. The production and supply of heat in Chlebovice was discontinued during the year.

The heat sources' installed capacity is 123.903 MWt. In 2020, 369 TJ was supplied to customers.

In total, the company operates 21 installations with capacities ranging from 60 kWt to 37.60 MWt, specifically:

2

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

10

GAS BOILERS

5

ELECTRIC BOILERS

4

CGU (RECIPROCATING INTERNAL COMBUSTION ENGINE)

29,142

KM OF NETWORKING



PRODUCTION AND DISTRIBUTION OF COMPRESSED AIR

The Company makes compressed air for the technological requirements of OKD, a.s. and for captive consumption. Compressed air production is a new area of production within the Veolia Energie ČR Group. Since 2010, electric turbo compressors have been replaced as part of the major upgrading of machinery for this production. In the winter, a steam turbo compressor is also in operation. In 2020, 504 million Nm³ of compressed air was supplied.

The production of compressed air and its distribution to the mining sites of OKD, a.s. is provided by operating centres alongside the production and distribution of heat, cooling energy and nitrogen.

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

The Company operates the following equipment:

11

AC ZH ELECTRIC TURBO COMPRESSORS

2

AC GA SCREW COMPRESSORS

1

INGERSOLL RAND COMPRESSOR

1

TK 63 STEAM TURBO COMPRESSOR

The electric turbo compressor used by the Company has a capacity of up to 15,000 Nm³ per hour. The steam turbo compressor can deliver as much as 63,000 Nm³ per hour. Air pressure is regulated at approximately 0.3 MPa. The compressed air production plant is operated without storage facilities in view of how long the pipe distribution systems on the surface and in the mine are.

GENERATION OF ELECTRICITY

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

The ČSM CHP plant operates a 4.95 MWe steam turbine generator on the cogeneration mode and 0.4 MWe steam micro-turbine. 1.2 MWe and 2 x 0.999 MWe gas cogeneration units are also operated there. The heat is used for technological process operations at OKD, a.s. The fuel is mine gas (a local secondary source). Another gas cogeneration unit is operated in the Přerov CHP plant. The cogeneration unit fires natural gas and its electrical capacity is 0.999 MWe. In total, 25.5 GWh of electricity was generated in 2020.

PRODUCTION OF COOLING

Veolia Průmyslové služby ČR makes cold water (2.4 °C) by means of cooling units with a total cooling capacity of 15.522 MW that are located in the compressor station at the ČSA site. This cold water is distributed to the various mining facilities by a system of piping and related technology. The cooling energy distributed in this way is used for climate control so that the conditions are compatible with operations and safety in a mine setting. At the ČSA site, the Company owns and runs three cooling turbo compressor plants, each with a rated cooling capacity of 3,668 kW (i.e., the total cooling capacity is 11.004 MW), and dry coolers with a total cooling capacity of 4.518 kW.

In all, 103 TJ of cooling energy was supplied in 2020.

PRODUCTION OF NITROGEN

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

In 2020, a total of 41 million Nm³ of nitrogen with a purity of 97% was supplied.



INNOVATION

INVESTMENT

Despite the difficult situation and anti-epidemic measures that made investment activities difficult, VPS upgraded and automated its operations in 2020 in accordance with the plan. This involved primarily procuring equipment for and upgrading the local distribution system at the mining sites being phased out and elsewhere. The LDS modernisation continued to focus on the automation of distribution substations, remote-controlled components in medium voltage networks, installation of equipment to improve the reliability and safety of operation, and the retrofit and upgrade of the energy control centre.

Another transformer kiosk was built at a site to be phased out in order to provide electricity distribution in the future and effectively use the potential and transmission capacities offered by our LDS. The control centre underwent an overall upgrade, including new operating status visualisation equipment. As part of acquisitions, VPS bought two nodal transformer kiosks and the related distributions with a view to improving the reliability of the LDS and automating the transformer stations to industry standards.

In VPS's other business lines, capital expenditure was channelled into maintaining efficient production with regard to the ongoing changes on the part of our primary customer. In this respect, a new CGU was installed at the Přerov CHP plant, in addition to the Company's activities to date. The 0.99 MWe CGU was successfully commissioned before the end of the year. This is VPS's fourth CGU.

PROJECTS (INVESTMENT SUPPORTED BY THE OPERATIONAL PROGRAMME ENTERPRISE AND INNOVATION FOR COMPETITIVENESS)

The projects completed in 2020 under the individual Smart Grids I calls (Ministry of Industry and Trade's Operational Programme Enterprise and Innovation for Competitiveness) had satisfied the requirements and were granted support. All the approved projects will be implemented in the future for the planned upgrade of the LDS and implementation of standards.

SELECTED INVESTMENTS COMPLETED IN 2020:

- automation and modification of a data network, facilitating remote

monitoring, control and security from the central control room;

- upgrading of a control centre;
- construction of a fully automated kiosk transformer station;
- upgrading of other control systems and their backup;
- construction of a CGU.

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

SIGNIFICANT EVENTS IN THE REPORTING PERIOD FROM A TECHNICAL VIEWPOINT:

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



- construction of a CGU within a short time and subsequent full-year CHP-mode production

FROM A COMMERCIAL VIEWPOINT:

- extension and securing the quality of distribution services using new automated substations
- construction of a CGU and ensuring its operation and full-year CHP production
- installation of a charging station for electric cars

FROM AN ENVIRONMENTAL AND OHS VIEWPOINT:

- successfully combating COVID-19 by adopting numerous measures,

avoiding the necessity of curtailing supply to our customers and keeping the percentage of our employees suffering from the disease low in 2020

- successful completion of the audit of the Company's Integrated Management System under ČSN EN ISO 14001 Environmental Management System, ČSN OHSAS 18001 Occupational Health and Safety Management System, and ČSN EN ISO 50001 Energy Management System
- continuation of the transition to a new OHS management standard, ČSN ISO 45001, which will supersede ČSN OHSAS 18001

- implementation of the requirements under Regulation (EU) 2016/679 GDPR in the Company
- automation of the Lazy substation
- Phase II of installing bird protection barriers on the masts for medium voltage overhead lines
- completion of the installation of Cogeneration Units 12, 13 and 14 and increasing the share of CHP production at the ČSM site
- continuation of the "Good Ideas" and "OHS Motivation of Employees" projects

CUSTOMERS

COMMERCIAL OPERATIONS

Much of Veolia Průmyslové služby ČR's commercial operations are geared towards business affairs with its most important customer, OKD, a.s. Veolia Průmyslové služby ČR provides supplies under long-term contracts for the

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

Significant commercial events in 2020 included the expansion of

the distribution system in Ostrava – Heřmanice, which allowed the connection of new customers and expansion of Veolia Průmyslové služby ČR's activities in Veolia Group's Přerov CHP plant to include heat and electricity supply from a cogeneration unit.



RESPONSIBILITY

INTEGRATED MANAGEMENT SYSTEM

PRIORITIES IN ENVIRONMENTAL PROTECTION, ENERGY MANAGEMENT AND OHS

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

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

COMPLY WITH LEGISLATIVE AND OTHER REQUIREMENTS RELATING TO:

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



MAKE STEADFAST IMPROVEMENTS IN:

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

ALWAYS COMPLY WITH:

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

MAKE CONTINUOUS INCREASES IN:

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

MAKE ONGOING REDUCTIONS IN:

- the environmental impact of the Company's activities by systematically preventing risks deriving from the operation of Company facilities and technologies

and by managing all activities and processes with consideration for environmental protection;

- emissions, particularly CO₂;
- the energy intensity of internal production processes and facilities, and contribute to expanded renewable energy source use;
- unemployment in the Moravian-Silesian and Olomouc Regions via the Veolia Foundation.

SIGNIFICANT OBJECTIVES, PROCEDURES AND ACHIEVEMENTS IN ENVIRONMENTAL PROTECTION AND OHS

An integrated management system was fully operational at the Company during 2020.

The integrated management system was phased in at the Company in 2011-2016 in the form of project management.

The whole Company currently holds certificates for its environmental management system in accordance with ČSN EN ISO 14001, its occupational health and safety management system in accordance with ČSN OHSAS 18001, and its energy management system in accordance with ČSN EN ISO 50001.

THE FOLLOWING OBJECTIVES WERE SET AND PURSUED AS PRIORITIES IN ACCORDANCE WITH INTERNATIONAL STANDARDS IN 2020:

Objective 1: "Procurement of vermicomposting equipment for the VPS office building"

- selection and purchase of a suitable vermicompost unit
- assignment and training of a person in charge
- sustained operation

Objective 2: "Automation of the Lazy substation"

- preparation of design documents
- selection of the contractor
- automation of the Lazy substation
- trial operation
- evaluation and commissioning

Objective 3: "Phase II of installing bird protection barriers on the masts for medium voltage overhead lines – implementation of the measures proposed in Phase I"

- identification of the required measures from the Phase I implementation documents
- selection of the contractor
- implementation of the required measures (to be completed in 2021)

Objective 4: "Installation of Cogeneration Units 12, 13 and 14 and increasing the share of CHP production at the ČSM site" (the completion of an objective from 2019)

- project completion and start of the trial operation of CGU 12 and CGU 14
- design and site readiness for CGU 13 – as part of optimisation, relocation of the CGU to the Přerov CHP plant
- start of the trial operation of CGU 13

ACTIVITIES RELATED TO OCCUPATIONAL HEALTH AND SAFETY (OHS), THE ENVIRONMENT AND ENERGY MANAGEMENT IN 2019

In 2020, the most significant events in occupational health and safety

included successful fight against COVID-19 by adopting numerous measures, avoiding the necessity of curtailing any supplies to our customers and keeping the percentage of our employees suffering from the disease low. Other projects included the automation of the Lazy substation and Phase II of the installation of bird protection barriers on the masts for medium voltage overhead lines. The process of transition to the new OHS management standard, ČSN ISO 45001, which supersedes ČSN OHSAS 18001, also continued.

The Company also achieved excellent results in its accident rate as it did not record or register a single occupational accident throughout 2020.

The most important environmental and energy management projects in 2020 included Phase II of installing bird protection barriers on the masts for medium voltage overhead lines and the completion of the installation of Cogeneration Units 12, 13 and 14 and increasing the share of CHP production at the ČSM and Přerov sites.

These projects have a positive effect on the environment in terms of the

reduction of CO₂ emissions as well as on energy savings through increased production of electricity in CHP.

Other prominent projects running throughout 2020 were “Good Ideas” and “OHS Motivation of Employees”, which successfully involved all employees.

The Company also took part in the “International Health and Safety at Work Week” organised by its parent Veolia Group. This event included an OHS campaign and a COVID-19 campaign. All staff also received personal protective equipment against COVID-19 as part of the International Health and Safety at Work Week.

The Company spent the year unifying its concept for the management of OHS methodologies and standards throughout the Veolia Group in the Czech Republic and Slovakia. In 2020, work continued on implementing the “High-risk management standards” for ten selected high-risk activities: electricity, transport, hazardous materials, hot works, confined spaces, excavation work, electrical equipment, work at heights, high-pressure water, locking devices, and lifting equipment.

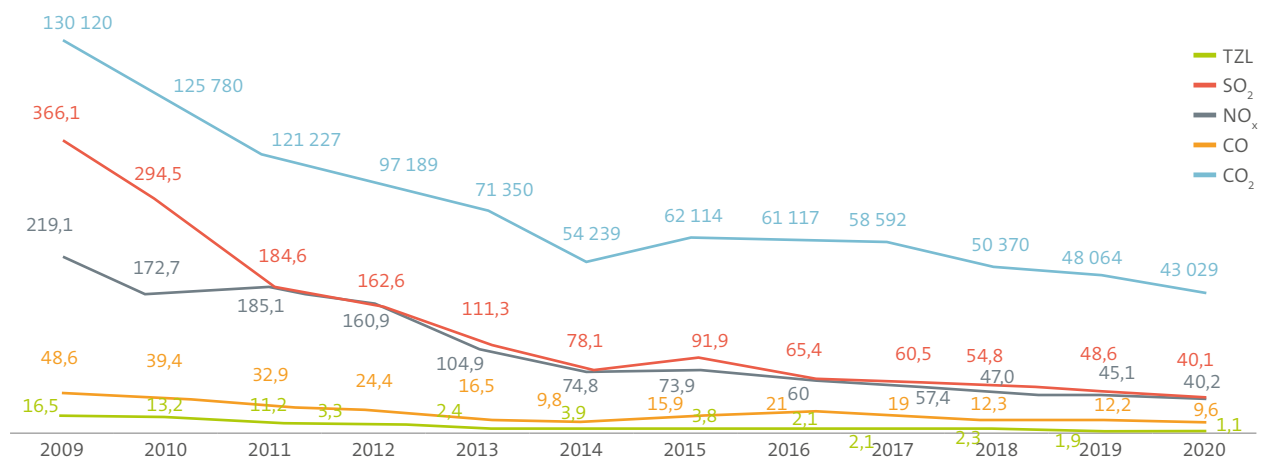
During 2020, none of the checks on OHS, fire protection, the environment and occupational hygiene carried out at Veolia Průmyslové služby ČR by state administration officials resulted in the shutdown of any workplace or the imposition of any penalties.

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

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

Emissions produced in 2009–2020 [tonnes per year]

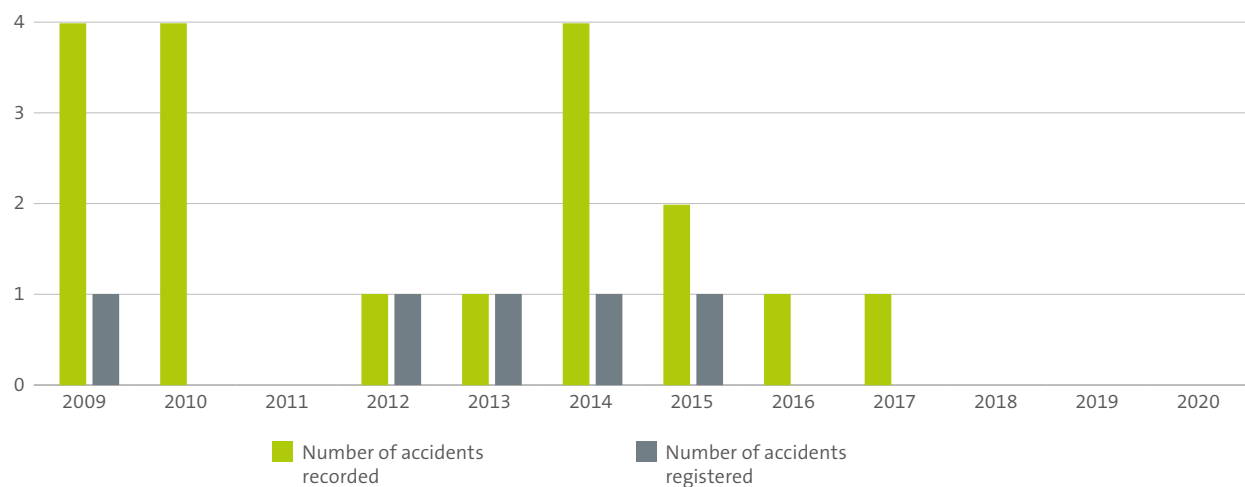
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
TZL (t)	16.5	13.2	11.2	3.3	2.4	3.9	3.8	2.1	2.1	2.3	1.9	1.1
SO ₂ (t)	366.1	294.5	184.6	162.6	111.3	78.1	91.9	65.4	60.5	54.8	48.6	40.1
NO _x (t)	219.1	172.7	185.1	160.9	104.9	74.8	73.9	60.0	57.4	47.0	45.1	40.2
CO (t)	48.6	39.4	32.9	24.4	16.5	9.8	15.9	21.0	19.0	12.3	12.2	9.6
CO ₂ (t)	130,120	125,780	121,227	97,189	71,350	54,239	62,114	61,117.5	58,592	50,370	48,064	43,029

Emissions produced in 2009–2020 [tonnes per year]**Total waste generated by VPS [tonnes per year]**

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
10,832.19	23,100.56	8,153.52	6,951.10	4,125.90	3,219.25	4,551.77	4,169.88	4,594.64	3,522.56	3,432.23	2,814.17

Accident rate in 2009–2020

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



HUMAN RESOURCES

EMPLOYMENT RELATIONS

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

EMPLOYEE STRUCTURE

There were an average of 176 employees (FTE) in 2020:

- of which 161 men and 15 women;
- of which 126 blue-collar occupations and 50 white-collar positions.

Of the total number, 15% of employees hold a university degree and 24% have completed secondary education with a school-leaving examination (maturita).

The average employee age in 2020 was 49.8 years. The high average age is a salient human resources issue and is bound up with the need to adjust replacements for those employees who retire.

The Company recruited two new employees in 2020.

As at 31 December 2020, 18 persons had been employed at the Company for up to 5 years, 25 for 6–10 years, 34 for

11–15 years, 8 for 16–20 years, 10 for 21–25 years and 76 for over 25 years.

EMPLOYEE MOTIVATION

Employees receive tariff-based or contractual wages.

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

The Company has a motivation system in place that involves the use of personal employee accounts. Employees can draw on the benefits in their personal account via an online shop called Veolia Energie Benefit Café. One area in which employees can use their allowance is leisure, e.g., cultural, educational, sports and recreational-facility services.

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

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

Employees receive child allowances to cover the costs of recreation and leisure activities for children from

the ages of five until they reach the age of 15. Employees can apply to the Human Resources Section for this allowance.

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

Employees are given the opportunity to invest in the Veolia Environnement Group's employee mutual fund. This is an opportunity they are keen to take up, with 98% of staff investing in employee mutual funds.

EMPLOYEE TRAINING

The corporate training system ensures not only that the skills needed to pursue particular professions are maintained, but it is also a means to improve and increase employee skills and qualifications.

As the Company places considerable emphasis on OHS, periodic and new

training courses are provided in this area.

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

In 2020, 0.6% of payroll expenses were spent on staff training and development.

APPRAISALS

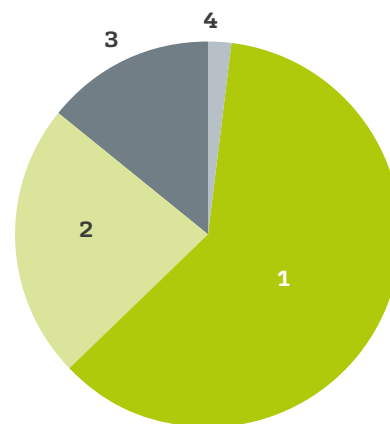
The Company applies a system of employee management via defined goals. A periodic part of its work

with employees comprises appraisal interviews, which line managers conduct with their subordinates. In these interviews, employees on contractual wages are set annual targets, white-collar employees with tariff-based wages are set target bonuses, and blue-collar employees with tariff-based wages are set OHS target bonuses.

The findings from interviews form a basis for employees' personal training programmes and for the direction to be taken by their careers.

White-collar workers are appraised once a year.

Employee structure by education



1 | Secondary without matura

59%

2 | Secondary with matura

24%

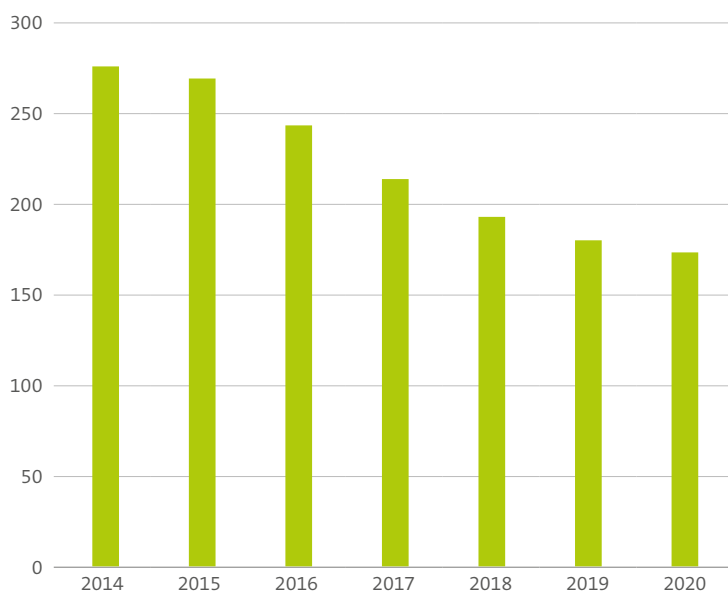
3 | University

15%

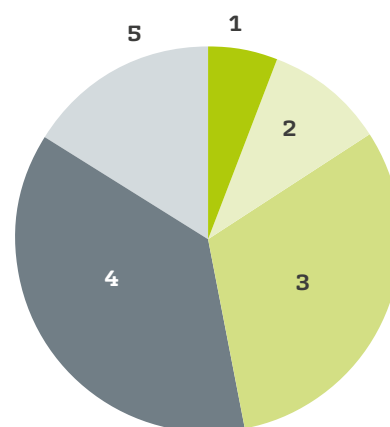
4 | Elementary

2%

Average number of employees (FTE)



Employee structure by age



1 | up to 30 years

6%

2 | up to 40 years

9%

3 | up to 50 years

27%

4 | up to 60 years

40%

5 | over 60 years

18%

SOLIDARITY

FOUNDATIONS AND DONATIONS

The Veolia Energie Humain ČR

Foundation grants employees financial allowances on the birth or adoption

of a child and provides assistance in difficult situations in life.

All employees who give up their free time for voluntary work (e.g. by leading a children's club, helping the disabled,

caring for children in institutions for infants, removing litter from woodland, etc.) may be granted up to CZK 50,000 for such activities under the Mini Grants project.





3. FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020



Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020****Income statement****For the year ended 31 December***In thousands of CZK*

	Note	2020	2019
Revenue	6	771,887	860,374
Cost of sales	7	(1,036,958)	(647,690)
Gross profit / (loss)		(265,071)	212,684
Administrative income		790	--
Administrative expenses	8	(37,236)	(42,638)
Other operating expenses		(3,768)	--
Operating result		(246,273)	170,046
Finance income	9	47,447	47,102
Finance costs	9	(606)	(1,284)
Profit / (loss) before income tax		(258,444)	215,864
Income tax expense	10	59,525	(44,470)
Profit / (loss) for the period		(198,919)	171,394

The notes are an integral part of the financial statements.

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**

Statement of comprehensive income**For the year ended 31 December***In thousands of CZK*

	2020	2019
Profit / (loss) for the period	(198,919)	171,394
Changes in fair value of hedging instruments (may be reclassified to income statement)*	(364)	(87)
Employee benefits – actuarial gains / (losses) (not reclassified to income statement)*	62	(44)
Other comprehensive income after tax	(302)	(131)
Total comprehensive income for the period	(199,221)	171,263

* Taxation is described in Note 10.

The notes are an integral part of the financial statements.

Veolia Průmyslové služby ČR, a.s.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

Statement of financial position

As at 31 December

In thousands of CZK

	Note	2020	2019
Assets			
Property, plant and equipment	11	56,241	379,284
Intangible assets	12	15	3,072
Right-of-use IFRS 16	25	42,135	34,899
Financial interests	13	217,647	217,647
Lease receivables	25	150,160	365,742
Long-term receivables	14	113,502	120,180
Total non-current assets		579,700	1,120,824
Inventories	16	3,485	2,660
Lease receivables	25	70,138	50,683
Current tax assets	10	11,906	--
Trade and other receivables	17	87,662	131,490
Cash and cash equivalents	18	870,052	807,807
Total current assets		1,043,243	992,640
Total assets		1,622,943	2,113,464
Equity			
Registered capital	19	1,560,000	1,560,000
Reserves and other capital contributions	19	(482)	(118)
Retained profit / (loss)		(198,740)	167,219
Total equity		1,360,778	1,727,101
Liabilities			
Loans and borrowings	21	42,367	28,946
Employee benefits	23	1,350	2,442
Derivatives		13	--
Deferred tax liabilities	15	11,051	99,064
Total non-current liabilities		54,781	130,452
Trade and other payables	23	195,440	242,390
Loans and borrowings	21	9,912	9,031
Employee benefits	22	1,178	422
Current tax liabilities	10	--	3,165
Provisions	20	372	746
Derivatives		482	157
Total current liabilities		207,384	255,911
Total liabilities		262,165	386,363
Total equities and liabilities		1,622,943	2,113,464

The notes are an integral part of the financial statements.

On behalf of the Company:

Kamil Vrbka (Chairman of the Board of Directors)

Date: 15 April 2021

Veolia Průmyslové služby ČR, a.s.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**Statement of changes in equity**

<i>In thousands of CZK</i>	Registered capital	Statutory reserves	Other capital contributions	Cash flow hedges	Retained earnings	Total
Balance at 31 December 2018	1,560,000	--	670,143	(31)	(248,263)	1,981,849
Profit for the period	--	--	--	--	171,394	171,394
Reclassification			(670,143)	--	670,143	--
Other comprehensive income						
Changes in fair value of hedging instruments	--	--	--	(87)	--	(87)
Employee benefits – actuarial gains	--	--	--	--	(44)	(44)
Total other comprehensive income	--	--	--	(87)	(44)	(131)
Total comprehensive income for the period	--	--	(670,143)	(87)	841,493	171,263
Transactions with owners, recorded directly in equity						
Rounding	--	--	--	--	(1)	(1)
Dividends paid to shareholders	--	--	--	--	(426,010)	(426,010)
Balance at 31 December 2019	1,560,000	--	--	(118)	167,219	1,727,101
Loss for the period	--	--	--	--	(198,919)	(198,919)
Other comprehensive income						
Changes in fair value of hedging instruments	--	--	--	(364)	--	(364)
Employee benefits – actuarial gains	--	--	--	--	62	62
Total other comprehensive income	--	--	--	(364)	62	(302)
Total comprehensive income for the period	--	--	--	(364)	(198,857)	(199,221)
Transactions with owners, recorded directly in equity						
Rounding	--	--	--	--	--	--
Dividends paid to shareholders	--	--	--	--	(167,102)	(167,102)
Balance at 31 December 2020	1,560,000	--	--	(482)	(198,740)	1,360,778

The notes are an integral part of the financial statements.

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020****Statement of cash flows****For the year ended 31 December***In thousands of CZK*

	Note	2020	2019
Cash flow from operating activities			
Profit / (loss) for the accounting period		(198,919)	171,394
Adjustments by:			
Non-financial operations			
Depreciation and amortisation of non-current assets	7.8	79,163	81,375
Change in provisions and employee benefits	7.8	(2,381)	(9,614)
Impairment	7.8	351,180	--
Derecognition of assets – contracts with customers	7	--	706
Derecognition of leases under IFRIC 4		88,140	--
Income from dividends	9	(22,296)	(3,837)
Net interest income and expense	9	(7,848)	(22,502)
Exchange rate gains and losses	9	53	(139)
Other financial income and expenses	9	(16,865)	(19,340)
Other items		2,712	5,839
Income tax	10	(59,525)	44,470
		213,414	248,352
Change in the working capital			
Receivables	14, 17	44,173	(38,863)
Payables	23	(42,558)	(53,679)
Inventories	16	825	(702)
Cash flow from operating activities		215,854	155,108
Income tax paid	10	(43,489)	(50,603)
Net cash flow from operating activities		172,365	104,505
Cash flow from investing activities			
Acquisition of fixed assets		(33,612)	(70,944)
Proceeds from the sale of property, plant and equipment		1,293	--
Dividends received	9	22,296	3,837
Net cash flow from (used in) investing activities		(10,023)	(67,107)
Cash flow from financing activities			
Interest received	9	7,848	22,502
Payments of lease liabilities		(9,399)	(7,749)
Dividends paid	19	(167,102)	(426,010)
Payments of lease receivables	27	68,612	110,231
Effect of exchange rate changes on cash and cash equivalents		(56)	138
Net cash flow from (used in) financing activities		(100,097)	(300,888)
Net increase (decrease) in cash and cash equivalents		62,245	(263,490)
Cash and cash equivalents at 1 January	18	807,807	1,071,297
Cash and cash equivalents at 31 December	18	870,052	807,807

The notes are an integral part of the financial statements.

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020****1. General information**

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

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

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

Veolia Průmyslové služby ČR has two subsidiaries:

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

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

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

As at 31 December 2020, Miroslav Zajiček, Ph.D. and Pavel Mička resigned from the Board of Directors. Instead of them, Pavel Luňáček and Jakub Tobola were appointed to the Board of Directors on 1 January 2020.

2. Basis of preparation**a) Statement of compliance**

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

The financial statements were approved for release by the Company's Statutory CEO 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, and the provision for employee benefits measured at their present value.

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

Going concern assumption

The outbreak of the COVID-19 pandemic and the measures adopted by the Government in order to mitigate its spread did not have any significant impact on the Company. Although the Company did not have to suspend its operations in 2020 some of its clients were forced to reduce or even suspend the consumption of the Company's products. To some extent, that affected the Company's financial results for the reporting period.

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**

In spite of that, the Company has sufficient resources to continue as a going concern for at least 12 months. In spite of uncertainties as to the future effect of the pandemic on customer demand the management are convinced that the going concern assumption will remain appropriate.

c) Use of estimates and judgements

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

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

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

- 3 b) – classification of the cash pool receivables
- 3 g) and 20 – key actuarial assumptions
- 3 h) and 23 – determining the probability and amount of the outflow of funds
- 3 f) and 7 – asset impairment
- 3 f) and 25 – assessment whether an arrangement contains a lease
- 3 c) and 25 – determining whether the assets owned by the Company are under the control of the customer

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

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

- 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.

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020****a) Foreign currency***Foreign currency transactions*

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

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

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

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

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

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

Investments in subsidiaries are stated at acquisition cost.

(ii) Derivative financial instruments

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

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

Cash flow hedging

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

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

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.

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020***Other derivatives*

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

(iii) Equity

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

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

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

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

(ii) Leased assets

See Note 3 l.

(iii) Government grants

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

(iv) Subsequent expenditures

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

(v) Depreciation

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

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

d) Intangible assets

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

Amortisation

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

Software	4–5 years
Other	3–5 years

e) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less associated costs to complete and estimated associated cost to sell the asset. The cost of inventories is determined using the weighted

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**

average method and comprises the purchase price and other costs associated with the acquisition, such as freight and storage.

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

Emission allowances

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

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

In 2020, the Company purchased units obtained by investing in project mechanisms under the Kyoto Protocol (EUA), which it expected to use in 2020 and beyond.

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

f) Impairment*(i) Financial assets*

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

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

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

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

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**

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

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

(ii) Non-financial assets

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

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

(iii) Calculation of recoverable amount

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

Impairment tests

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

Key assumptions underlying the determination of recoverable amounts

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

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

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

- Cash flow projections are taken from the long-term plan prepared each year and reflect changes in volumes, prices, direct costs and investment in the period, determined based on contracts and activities and in line with past data and expected changes over the period covered by the long-term plan.
- This plan covers the year in progress and the subsequent five years, and the expected duration of the supplies to OKD.

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**

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

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

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

	2020	2019
Discount rate	6.4%	6.9%

g) Employee benefits

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

h) Provisions

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

(i) Litigations

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

ii) Other provisions

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

i) Revenue

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

The Company has implemented a five-step model to determine the time and amount at which revenue should be recognised. The model sets forth that revenue is recognised at the moment when

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**

the Company transfers control over the goods or services to the customer, in the amount to which it expects to be entitled. Depending on the criteria for the satisfaction of a performance obligation revenue is recognised:

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

Sale of heat, cooling energy, compressed air, electricity and goods, and electricity distribution

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

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

j) Expenses*Finance income and expenses*

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

k) Income tax

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

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

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

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

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

l) Leases

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

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

Veolia Průmyslové služby ČR, a.s.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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

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

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

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

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

4. Fair value

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

(i) Trade and other receivables

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

(ii) Derivatives

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

(iii) Non-derivative financial liabilities and cash pool

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

5. Financial risk management

The Company has exposure to the following risks:

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

Veolia Průmyslové služby ČR, a.s.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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

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

Credit risk

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

Trade and other receivables

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

Credit risk related to receivables is covered by provisions.

Cash and cash pool

As at 31 December 2020, the Company holds cash and cash equivalents of CZK 870,052,000 (31 December 2019: CZK 807,807,000). Cash and cash equivalents are deposited with banks with high ratings and in cash pooling with Veolia Environnement Finance.

Off-balance-sheet liabilities

The Company's policy is to provide financial guarantees only on an exceptional basis, where required for the purpose of a tender procedure or where the law provides so. As at 31 December 2020 nor 2019 no guarantees had been provided.

Liquidity risk

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

The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. The Company ensures that it has sufficient cash on demand to meet expected operational expenses through participation in cash pooling within the Veolia Group. Within the cash pooling scheme, the Company may draw on a cash credit facility of up to CZK 31,075,000. By this approach, the Company limits the possible impacts of unforeseeable events.

Market risk

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

Currency risk

The Company is exposed to a significant currency risk in the area of purchases and borrowing, as the major portion of purchases are denominated in foreign currencies. For commodity payments in

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**

foreign currencies (EUR, PLN) the Company concludes forward contracts to hedge the foreign exchange risk.

Interest rate risk

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

Insurance of risks

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

Capital management

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

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

In thousands of CZK

	2020	2019
Total liabilities	262,165	386,363
Cash and cash equivalents	(870,052)	(807,807)
Net debt	(607,887)	(421,444)
Total equity	1,360,778	1,727,101
Cash flow from hedges	--	--
Adjusted equity	1,360,778	1,727,101
Debt to adjusted equity	(0.45)	(0.24)

6. Revenue

In thousands of CZK

	2020	2019
Revenue from sale of heat and related products	124,652	120,877
Revenue from sale and re-sale of electricity and ancillary services	467,608	493,672
Revenue from the sale of compressed air	141,403	205,914
Other operating revenue	38,224	39,911
Total	771,887	860,374

<i>In thousands of CZK</i>	2020	2019
Industry	751,273	842,246
Public sector	20,359	17,835
Households	255	293
Total	771,887	860,374

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

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

The difference between estimated assets as at 31 December 2019 and the actual final invoicing for 2020 was nil.

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**

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

The Company's revenue includes mostly the supplies of utilities to the mining operations of OKD, a.s. The revenue generated by the sales of heat and compressed air dropped mainly due to the lower consumption by OKD, a.s.

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

7. Cost of sales

In thousands of CZK

	2020	2019
Personnel expenses	(129,481)	(126,799)
Depreciation expense	(69,513)	(71,398)
Right-of-use depreciation	(7,100)	(7,607)
Impairment	(351,180)	--
Derecognition of customer contracts	--	(706)
Consumption of fuel	(57,983)	(66,870)
Consumption of raw materials, energy, services, and other	(411,064)	(430,333)
Change in provisions (including those for receivables)	2,161	66,618
Consumption of emission allowances and change in provision for emission allowances	(12,798)	(10,595)
Total	(1,036,958)	(647,690)

In line with the rules for preparing financial statements (see Note 3 f), the Company carried out the annual testing for impairment of some assets using the discounted cash flow method. Based on all currently available information the Company reconsidered the estimated future duration of its major account, OKD, a.s., and the Company's related assets. The provision has been increased because the estimated future duration of the OKD mines has been shortened. The provision of CZK 694,336,000 (2019: CZK 343,156,000) was allocated as follows: Property, plant and equipment (see Note 11) CZK 458,719,000 (2019: CZK 166,665,000) and lease receivables (see Note 25) CZK 235,617,000 (2019: CZK 176,491,000).

In recognising the provision the Company took into account discarded parts of tested assets.

The main asset balances by CGU

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

Veolia Průmyslové služby ČR, a.s.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020*Results of the impairment test*

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

<i>In thousands of CZK at 31 December 2019</i>	Asset value before impairment	Impairment	Net asset value after impairment
Paskov Mine	125,936	(121,266)	4,670
Darkov Mine	186,617	(84,313)	102,303
ČSM Mine	608,297	--	608,297
ČSA Mine	257,532	(137,577)	119,955
Total	1,178,382	(343,156)	835,225

8. Administrative expenses*In thousands of CZK*

	2020	2019
Personnel expenses	(11,363)	(13,192)
Amortisation	(658)	(583)
Right-of-use amortisation	(1,892)	(1,787)
Change in provisions	--	(629)
Management costs	(15,316)	(19,850)
Cost of raw materials and services and other expenses	(8,007)	(6,597)
Total	(37,236)	(42,638)

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

	2020	2019
Interest income	7,848	22,502
Income from dividends	22,296	3,837
Foreign exchange gain	95	177
Discount of lease receivables	17,208	19,764
Other finance income	--	822
Total finance income	47,447	47,102
Foreign exchange loss	(148)	(38)
Discount of provisions	(46)	(62)
Discount of lease liabilities	(381)	(995)
Other finance expenses	(31)	(189)
Total finance expenses	(606)	(1,284)

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020****10. Income tax expense***Recognised in the income statement**In thousands of CZK*

Current tax	2020	2019
Current year	(27,435)	(52,929)
Adjustments for prior periods	(982)	33
	(28,417)	(52,896)
Deferred tax		
Effect of the change in temporary differences	87,942	8,426
Total income tax expense in income statement	59,525	(44,470)

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

	2020	2019
Profit / (loss) before income tax	(258,444)	215,864
Income tax calculated using the domestic corporate income tax rate	49,104	(41,014)
Effect of non-deductible expenses	(1,139)	(1,129)
Effect of tax-exempt income	5,611	(2,432)
Effect of tax deduction	66	72
Adjustments for prior periods and other adjustments	5,883	33
Total income tax expense in income statement	59,525	(44,470)

The income tax overpayment is reported in Current tax assets and amounts to CZK 11,906,000 (2019: an outstanding balance of income tax of CZK 3,165,000). A current tax asset represents particularly a corporate income tax estimate of CZK 27,435,000 (2019: CZK 52,929,000) reduced by income tax advances paid in an amount of CZK 39,342,000 (2019: CZK 49,764,000).

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

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

	2020	2019
Actuarial gains / (losses): before taxation	77	(54)
Tax	(15)	10
After taxation	62	(44)
Changes in fair value of cash flow hedge: before taxation	(449)	(108)
Tax	85	21
After taxation	(364)	(87)

Veolia Průmyslové služby ČR, a.s.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020
11. Property, plant and equipment
In thousands of CZK

<i>Acquisition cost</i>	Land and works of art	Buildings and constructions	Plant and equipment	Under construction	Advances provided	Total
Balance at 1 January 2019	3,766	449,943	485,433	12,127	16,358	967,627
Additions/transfers	1319	8,225	10,988	86,645	--	107,177
Disposals	--	(24,144)	(24,015)	(8,183)	(16,358)	(72,700)
Balance at 31 December 2019	5,085	434,024	472,406	90,589	--	1,002,104
Balance at 1 January 2020	5,085	434,024	472,406	90,589	--	1,002,104
Additions/transfers	621	18,797	99,219	(74,910)	--	43,727
Disposals	(90)	(6,553)	(35,578)	--	--	(42,221)
Balance at 31 December 2020	5,616	446,268	536,047	15,679	--	1,003,610
<i>Depreciation and impairment losses</i>	Land and works of art	Buildings and constructions	Plant and equipment	Under construction	Advances provided	Total
Balance at 1 January 2019	1192	273,580	323,842	--	--	598,614
Current year depreciation	--	33,140	38,101	--	--	71,241
Impairment losses	629	(179)	(268)	--	--	182
Disposals	(629)	(22,841)	(23,747)	--	--	(47,217)
Balance at 31 December 2019	1,192	283,700	337,928	--	--	622,820
Balance at 1 January 2020	1,192	283,700	337,928	--	--	622,820
Current year depreciation	--	18,275	32,450	--	--	50,725
Impairment losses	3,286	136,624	151,366	--	--	291,276
Disposals	--	(2,396)	(15,056)	--	--	(17,452)
Balance at 31 December 2020	4,478	436,203	506,688	--	--	947,369
<i>Carrying amount</i>	Land	Buildings and constructions	Plant and equipment	Under construction	Advances provided	Total
At 1 January 2019	2,574	176,363	161,591	12,127	16,358	369,013
At 31 December 2019	3,893	150,324	134,478	90,589	--	379,284
At 31 December 2020	1,138	10,065	29,359	15,679	--	56,241

As at 31 December 2020 the value of the tangible assets has been reduced by a provision totalling CZK 458,719,000 (2019: CZK 166,665,000) after an impairment test (see Note 7).

Planned investment

Investments of CZK 3,512,000 are planned for 2021.

Veolia Průmyslové služby ČR, a.s.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

Grants

In 2020 the Company received an investment subsidy of CZK 6,319,000 (2019: CZK 324,000).

12. Intangible assets

In thousands of CZK

<i>Acquisition cost</i>	Software	Other ¹⁾	In progress	Total
Balance at 1 January 2019	7,784	19,378	--	27,162
Additions/transfers	2,453	--	--	2,453
Disposals	(594)	(198)	--	(792)
Balance at 31 December 2019	9,643	19,180	--	28,823
Balance at 1 January 2020	9,643	19,180	--	28,823
Additions/transfers	482	--	--	482
Disposals	(1,049)	--	--	(1,049)
Balance at 31 December 2019	9,076	19,180	--	28,256
<i>Amortisation</i>	Software	Other ¹⁾	In progress	Total
Balance at 1 January 2019	7,763	19,285	--	27,048
Current year amortisation	608	132	--	740
Impairment losses	--	642	--	642
Disposals	(594)	(2,085)	--	(2,679)
Balance at 31 December 2019	7,777	17,974	--	25,751
Balance at 1 January 2020	7,777	17,974	--	25,751
Current year amortisation	839	33	--	872
Impairment losses	544	1,173	--	1,717
Disposals	(99)	--	--	(99)
Balance at 31 December 2020	9,061	19,180	--	28,241
<i>Carrying amount</i>	Software	Other	In progress	Total
At 1 January 2019	21	93	--	114
At 31 December 2019	1,866	1,206	--	3,072
At 31 December 2020	15	--	--	15

¹⁾ The balance consists mainly of intangible assets recognised upon the acquisition of NWR Energy, a.s. (Veolia Průmyslové služby ČR, a.s.). In particular, this includes the value of the contract with OKK Koksovny, a.s. for the purchase of coke oven gas until 2030.

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020****13. Financial interests**

The Company has investments in the following companies:

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

<i>In thousands of CZK</i>	2020	2019
Veolia Komodity ČR, s.r.o.	199,847	199,847
Veolia Powerline Kaczyce Sp. z o.o.	17,800	17,800
Total in subsidiaries	217,647	217,647

The value of the share in Veolia Powerline Kaczyce Sp. z o.o. is reduced by a provision totalling CZK 377,475,000 after an impairment test carried out in 2015 (see Note 7). In 2020 the amount of the provision remained the same.

14. Long-term receivables

<i>In thousands of CZK</i>	2020	2019
Long-term receivables from Group companies (see Note 28)	113,502	120,180
Total long-term receivables	113,502	120,180

These are receivables due from the parent company, Veolia Energie ČR, a.s., for the lease of things, rights and other property rights, designated as “Heat for households” – see Note 25 Leases from the lessor’s perspective.

15. 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
Property, plant and equipment	133,391	65,200	(145,891)	(166,208)	(12,500)	(101,008)
Inventories	69	392	--	--	69	392
Emission allowances including provision	2,416	1,993	(2,680)	(2,031)	(264)	(38)
Provisions	783	903	(232)	(218)	551	685
Right-of-use	8,442	7,190	(7,982)	(6,630)	460	560
Other items	653	345	(20)	--	633	345
Deferred tax assets / (liabilities)	145,754	76,023	(156,805)	(175,087)	(11,051)	(99,064)

Veolia Průmyslové služby ČR, a.s.**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
Property, plant and equipment	(101,008)	88,508	--	(12,500)
Inventories	392	(323)	--	69
Emission allowances including provision	(38)	(226)	--	(264)
Provisions	685	(205)	71	551
Right-of-use	560	(100)	--	460
Other items	345	288	--	633
Total	(99,064)	87,942	71	(11,051)

<i>In thousands of CZK</i>	Balance at 1 January 2019	Recognised in income statement	Recognised in equity	Balance at 31 December 2019
Property, plant and equipment	(110,405)	9,397	--	(101,008)
Inventories	120	272	--	392
Emission allowances including provision	241	(279)	--	(38)
Provisions	761	(107)	31	685
Right-of-use	969	(409)	--	560
Other items	793	(448)	--	345
Total	(107,521)	8,426	31	(99,064)

16. Inventories

<i>In thousands of CZK</i>	2020	2019
Material and fuel	2,094	2,460
Production in progress	--	--
Emission allowances	1,391	200
Total	3,485	2,660

As at 31 December 2020, the Company posted a provision reducing the value of materials by CZK 362,000 (2019: CZK 2,063,000) and a provision for the consumption of emission allowances reducing the value of emission allowances by CZK 12,716,000 (2019: CZK 10,490,000).

Emission allowances

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

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**

Emission allowances available at 1 January 2019	54
Correction of emission allowance consumption in 2018	(1)
Emission allowances allocated in 2019	27
Emission allowances sold in 2019	--
Emission allowances purchased in 2019	18
Emission allowances utilised in 2019 against CO ₂ emissions	(48)
Emission allowances available at 31 December 2019	50
Emission allowances available at 1 January 2020	50
Correction of emission allowance consumption in 2019	(1)
Emission allowances allocated in 2020	26
Emission allowances sold in 2020	--
Emission allowances purchased in 2020	21
Emission allowances utilised in 2020 against CO ₂ emissions	(48)
Emission allowances available at 31 December 2020	48

17. Trade and other receivables

<i>In thousands of CZK</i>	2020	2019
Trade receivables due from related parties (see Note 27)	37,152	36,470
Trade receivables due from third parties	47,130	93,589
Contract assets	3,128	1,246
Other receivables	252	185
Total	87,662	131,490

As at 31 December 2020 trade receivables are recognised in an amount reduced by a provision for doubtful debts, amounting to CZK 1,001,000 (2019: CZK 972,000 (see Note 24)). Most are provisions for receivables from debtors in insolvency proceedings.

18. Cash and cash equivalents

<i>In thousands of CZK</i>	2020	2019
Current bank accounts	346	364
Cash in hand	24	48
Total cash	370	412
Cash pooling receivables	869,682	807,395
Cash and cash equivalents	370	412
Cash pooling payables	--	--
Total cash in compliance with statement of cash flows	870,052	807,807

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020****19. Capital and reserves***Reconciliation of movement in capital and reserves*

As at 31 December 2020, the registered capital amounted to 15,600 dematerialised registered ordinary shares each with a nominal value of CZK 100,000. This change was entered in the Companies Register on 28 April 2014.

Reserves and other capital contributions

As at 31 December 2020, reserves and other capital contributions are comprised of other capital contributions of CZK (483,000) (2019: CZK 8,175,000). Other capital contributions were mostly comprised of the effects of the exchange rate hedging.

Dividend per share

Dividends amounting to CZK 167,102,000 (2019: CZK 426,010,000) were paid out as part of the 2019 profit distribution. The loss per share for 2020 amounts to CZK (12,751.23) (in 2019: earnings per share of CZK 36,960.38).

20. Provisions

In 2020, the Company set aside a provision for bonuses for some employees. Since 2015, this annual bonus has been an unguaranteed component (to which no entitlement exists) of wages.

<i>In thousands of CZK</i>	2020	2019
Balance at 1 January	746	738
Provisions created during the year	372	746
Provisions used during the year	(746)	(738)
Provisions unused during the year	--	--
Unwinding of discount	--	--
Balance at 31 December	372	746
Non-current	--	--
Current	372	746

21. Loans and borrowings

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

<i>In thousands of CZK</i>	2020	2019
Right-of-use liability, IFRS 16 - non-current	34,644	28,946
Other liabilities - non-current	7,723	--
Right-of-use liability, IFRS 16 - current	9,912	9,031
Total	52,279	37,977

The Company has agreed to restore the land once OKD's mining activity and the operation of the Company's equipment end. The Company recognised a long-term liability (obligation) of CZK 7,723,000 due on 30 June 2023 for the future costs related to the restoration.

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020****22. Employee benefits**

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

Movements in the liability for defined benefit obligations

In thousands of CZK

	2020	2019
Liability for defined benefit obligations at 1 January	2,864	3,267
Benefits paid	(397)	(621)
Current service costs	92	100
Interest	46	62
Actuarial (gains) losses recognised in equity	(77)	56
Actuarial (gains) losses recognised in income statement	--	--
Other (amendments to the Collective Agreement)	--	--
Liability for defined benefit obligations at 31 December	2,528	2,864
Non-current	1,350	2,442
Current	1,178	422

Actuarial assumptions

	2020	2019
Discount rate at 31 December	1.50%	2.00%
Salary increase rate	3.0%	3.0%

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

Demographic assumptions: assumptions about mortality were taken from the 2020 mortality charts for males and females issued by the Czech Statistical Office. The disability assumption was taken from the charts of disabilities monitored by the Company. The assumed number of employees leaving the Company before reaching retirement age is based on expected departures of employees. The same assumptions were used to compute the provision for 2020.

Specific assumptions: the Company assumes that there is an 80% probability that agreements executed for a fixed term will be converted into agreements for an indefinite term. The amount of defined benefit liabilities as at 31 December 2020 takes into account social security contributions and health insurance. Description of risks: the Company does not have a separate plan for assets to cover employee benefit liabilities. Taking into account the annual payments from the plan and the nature of the Company’s business this does not constitute a material risk for the Company.

Sensitivity analysis

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

Veolia Průmyslové služby ČR, a.s.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

<i>In thousands of CZK</i>	Discount rate increase +0.25%	Inflation rate increase 0.25%
Liability for defined benefit obligations at 31 December 2020	2,521	2,533
Current service costs next year	45	45

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

23. Trade and other payables

<i>In thousands of CZK</i>	2020	2019
Trade payables to related parties (see Note 27)	18,265	38,069
Trade payables to third parties	140,744	171,661
Other payables	36,431	32,660
Total	195,440	242,390

Other payables in 2020 included a VAT liability of CZK 3,138,000 (2019: CZK 10,341,000).

Reconciliation of liabilities and cash flow statement

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

24. Financial instruments**Credit risk**

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

<i>In thousands of CZK</i>	Note	Carrying amount 2020	Carrying amount 2019
Trade and other receivables	17	87,662	131,490
Long-term receivables	14	113,502	120,180
Cash and cash equivalents	18	870,052	807,807
Total		1,071,216	1,059,477

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020***Impairment losses*

<i>In thousands of CZK</i>	Nominal value 2020	Impairment 2020	Nominal value 2019	Impairment 2019
Not yet due	201102	--	211924	--
0–90 days overdue	2	--	39746	--
90–180 days overdue	--	--	--	--
180–360 days overdue	119	59	--	--
More than 1 year overdue	942	942	972	972
Total	202165	1001	252642	972

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	(972)	(67,590)
Establishment	(101)	(66)
Utilisation	72	66,684
Balance at 31 December	(1,001)	(972)

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	195,440	195,440	190,234	150	5,056	--	--
Current tax liabilities	--	--	--	--	--	--	--
Total	195,440	195,440	190,234	150	5,056	--	--

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 and other payables	242,390	242,390	234,878	7,512	--	--	--
Current tax liabilities	3,165	3,165	3,165	--	--	--	--
Total	245,555	245,555	238,043	7,512	--	--	--

Currency risk

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

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

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**

<i>In thousands of EUR</i>	2020	2019
Trade receivables	--	--
Trade payables	(13)	(16)
Total	(13)	(16)

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 totalling CZK 44,556,000 at 31 December 2020 and CZK 37,977,000 at 31 December 2019. The maturities fall from 2021 to 2029.

Sensitivity analysis of variable-rate financial instruments

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

Had the interest rates been 0.5% higher/lower with all the other variables remaining constant, the Company's profit for the period ending on 31 December 2020 would have decreased/increased by CZK 3.4 million (2019: decrease/increase by CZK 3.3 million).

Effective interest rate and remeasurement analysis

Effective interest rates of interest-bearing financial liabilities at the date of the statement of financial position and the periods in which they are remeasured ranges from 2.16% to 6.19%.

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

25. Leases

From the lessee's perspective

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

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

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

Veolia Průmyslové služby ČR, a.s.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

<i>Amounts recognised in the income statement</i>	2020	2019
(Income)/Expenses from short-term leases	(30)	188
Costs related to variable lease payments	571	689
Other expenses	992	862
Total	1,533	1,739

<i>Other</i>	2020	2019
Interest expense on lease liabilities	381	995
Interest income from lease receivables	(17,208)	(19,764)

<i>Amounts disclosed in the statement of cash flows</i>	2020	2019
Total cash outflow for leases	(9,399)	(7,749)

Contractual cash flow**At 31 December 2020**

<i>In thousands of CZK</i>	Carrying amount	Contractual cash flow	Within 6 months	6–12 months	1–2 years	2–5 years	More than 5 years
Right-of-use liability, IFRS 16 - non-current	35,128	36,103	--	--	19,173	4,817	12,113
Other liabilities - non-current	7,723	8,000				8,000	
Right-of-use liability, IFRS 16 - current	9,428	9,818	9,818	--	--	--	--
Total	52,279	53,921	9,818	--	19,173	12,817	12,113

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
Right-of-use liability, IFRS 16 - non-current	28,946	31,264	--	--	13,854	6,686	10,724
Right-of-use liability, IFRS 16 - current	9,031	9,842	9,842	--	--	--	--
Total	37,977	41,106	9,842	--	13,854	6,686	10,724

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

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

<i>Acquisition cost</i>	Land and buildings	Equipment	Total
Balance at 1 January 2019	12,735	86,395	99,130
Additions/transfers	2,105	10,032	12,137
Disposals	(9,911)	(34,886)	(44,797)
Balance at 31 December 2019	4,929	61,541	66,470
Balance at 1 January 2020	4,929	61,541	66,470
Additions/transfers	8,445	9,576	18,021
Disposals	--	(2,569)	(2,569)
Balance at 31 December 2020	13,374	68,548	81,922
Depreciation			
Balance at 1 January 2019	7,911	36,014	43,925
Current year depreciation	1,755	7,639	9,394
Disposals	(7,543)	(14,205)	(21,748)
Balance at 31 December 2019	2,123	29,448	31,571
Balance at 1 January 2020	2,123	29,448	31,571
Current year depreciation	1,820	7,173	8,993
Disposals	--	(777)	(777)
Balance at 31 December 2020	3,943	35,844	39,787
Carrying amount			
At 1 January 2019	4,824	50,381	55,205
At 31 December 2019	2,806	32,093	34,899
At 31 December 2020	9,431	32,704	42,135

From the lessor's perspective

Leased buildings and machinery

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

Based on this contract, Veolia Průmyslové služby ČR, a.s. leases to its parent company, Veolia Energie ČR, a.s. a set of things, rights and other property that within Veolia Průmyslové služby ČR, a.s. had its own separate structure and was identified as "TEPLO OBYVATELSTVO" (Heat for households). At 31 December 2020, the balance of the receivable under this contract was CZK 137,534,000 (2019: CZK 143,740,000); the long-term part was CZK 113,502,000 (2019: CZK 120,180,000) (see Note 14) and the short-term part was CZK 24,032,000 (2019: CZK 23,560,000), recognised in the line Trade and other receivables.

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020**

The lease payments are due over the following periods:

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

2019	Payments at 31 December 2019	Future lease payments	Due within 1 year	Due in 1 to 5 years	Due in subsequent years
Heat for households	179,838	254,397	23,233	97,673	133,491
Total	179,838	254,397	23,233	97,673	133,491

Based on the contractual conditions, the Company is obliged to purchase the performed improvements after the leasing period. The future purchase liability is not recognised, because the amount will be insignificant at the date of the lease end, and the Company does not expect to pay it. In 2020, interest income was CZK 17,208,000 (2019: CZK 17,888,000); see Note 9. Interest income – Right-of-use.

Lease receivables

<i>In thousands of CZK</i>	2020	2019
Long-term lease receivables	150,160	365,742
Short-term lease receivables	70,138	50,683

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

As at 31 December 2020 the value of the lease receivables has been reduced by a provision totalling CZK 235,617,000 (2019: CZK 176,491,000) after an impairment test (see Note 7).

26. Related parties***Transactions with related parties***

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

Transactions with management personnel

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

<i>In thousands of CZK</i>	2020	2019
Employee compensation	5,107	6,690
Long-term benefits	15	32
Total employee compensation	5,122	6,722

Veolia Průmyslové služby ČR, a.s.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020****27. Companies in the Group*****Sales and purchases within the Group***

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

Sales transactions:

- Supply of heat, electricity and distribution

Purchase transactions:

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

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

Sales transactions:

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

Purchase transactions:

- Supply of electricity and distribution

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

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

In thousands of CZK	2020	2019
Purchases	(127,244)	(147,994)
Sales	5,673	2,608
Finance costs	--	--
Finance income	25,057	40,390

In thousands of CZK	2020	2019
Receivables	150,654	156,650
Payables	(18,265)	(38,069)
Financial liabilities	--	--

The Company is involved in a cash pool with Veolia Environnement Finance (see Note 18). The cash pool balance is a receivable of CZK 870,052,000 (2019: a receivable of CZK 807,395,000). The balance of the receivable from the cash pool is not listed in the above table.

The Company signed a contract on the lease of part of the business with its parent company, Veolia Energie ČR, a.s. (see Note 25). The balance of the receivable due for the lease amounts to CZK 137,534,000 (2019: CZK 143,740,000) and is reflected in the above table.

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

28. Subsequent events

No events occurred between the date of the statement of financial position and the date of preparation of the financial statements that would have any material impact on the financial statements as at 31 December 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, BCA), as amended,

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

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

Contents

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

I Preamble

The Report has been prepared by the Company's governing body under Section 82 of Act No 90/2012 on commercial companies and cooperatives (the Business Corporations Act, BCA), as amended, on 24 February 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 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

Controlling companies and entities controlling the controlling companies

Name:	Veolia Energie ČR, a.s.
Registered office:	28. října 3337/7, Moravská Ostrava, 702 00 Ostrava
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:	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 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
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 ENVIRONNEMENT FINANCE
Registered office:	21 rue de La Boétie, 75008 Paris, France
Company No.:	525 355 475 R.C.S. Paris
Legal form:	Simplified public limited company
Name:	Veolia Eau - Compagnie Générale des Eaux
Registered office:	21 rue La Boétie, 75008 Paris, France
Company No.:	572 025 526 R.C.S. Paris
Legal form:	Partnership limited by shares

Name:	VEOLIA CENTRAL & EASTERN EUROPE
Registered office:	21 rue La Boétie, 75008 Paris, France
Company No.:	433 934 809 R.C.S. Paris
Legal form:	Public limited company
Name:	VEOLIA 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:	I. SčV, a.s.
Registered office:	Praha 10, Ke Kablu 971, postcode 100 00
Company No.:	475 49 793
Register entry:	B 10383, Companies Register maintained by the Prague Municipal Court
Legal form:	Public limited company
Name:	Česká voda – Czech Water, a.s.
Registered office:	Ke Kablu 971/1, Hostivař, 102 00 Praha 10
Company No.:	250 35 070
Register entry:	B 12115, Companies Register maintained by the Prague Municipal Court
Legal form:	Public limited company

Name: **Solutions and Services, a.s.**
Registered office: Na Florenci 2116/15, Nové Město, 110 00 Praha 1
Company No.: 272 08 320
Register entry: B 11409, Companies Register maintained by the Prague Municipal Court
Legal form: Public limited company

Name: **Veolia Support Services Česká republika, a.s.**
Registered office: Na Florenci 2116/15, Nové Město, 110 00 Praha 1
Company No.: 290 60 770
Register entry: B 18573, Companies Register maintained by the Prague Municipal Court
Legal form: Public limited company

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

Name: **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, Trhovany, 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: C 266551, 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 teplotárenská 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 - Střížkov, 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.

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

III

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

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

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

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

IV

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

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

A1. Veolia Energie ČR, a.s.

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

Agreements where Veolia Průmyslové služby ČR, a.s. is the supplier: Lease for a 22 kV Line, ID D 641, Teplárna Karviná Sector (link between ČSA and TKV); Maintenance Agreement for the Servicing of Compressors for ETB and TKR; Maintenance Agreement for the Servicing of BOGE SF 150II Compressors at ETB; Maintenance Agreement for the Servicing of Compressors between 2017–2020; Maintenance Agreement for the Servicing of Dryers, Blowers and Fans at ETB; Maintenance Agreements for the Servicing, Repairs and Trouble-shooting of Dry Ash Removal Installations at ETB; Service Agreement – SW work on control valves - regulators; Agreement on the Lease of a Part of the Business; Agreement on the Sale of Heat to the Přerov Sector from a Co-generation Unit; Agreement on the Supply and Purchase of Electricity to the Přerov Sector from a Co-generation Unit; Agreement for the Servicing, Repair and Purchase of Spare Parts for the Viessmann Co-generation Unit at the Distribution and Services Unit in Nový Jičín; Repair of the Control System of the Viessmann Co-generation Unit; Contact for Services – Project to Optimise Production Installations – Palmix – re-invoicing of services, all of them on an arm's length basis.

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

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

Veolia Energie ČR, a.s. also re-invoices the costs of services (promotional items, postal services, telecommunications, travel expenses, etc.).

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

A2. VEOLIA ENVIRONNEMENT

Veolia Průmyslové služby ČR, a.s. signed a Declaration of Participation in the International Group Savings Plan of Veolia Environnement and the Sequoia employee shareholding

programme with VEOLIA ENVIRONNEMENT and paid the contributions to the employee shares.

A3. Companies controlling the controlling entity

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

B. Relations to related parties

B1. Veolia Komodity ČR, s.r.o.

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

Agreements where Veolia Průmyslové služby ČR, a.s. is the supplier: an Agreement on Electricity Feed-in from a Renewable Energy Source and an Agreement on Electricity Distribution, on an arm's length basis.

Agreements where Veolia Průmyslové služby ČR, a.s. is the customer: an Agreement on Electricity Supply on an arm's length basis.

Veolia Průmyslové služby ČR, a.s. and Veolia Komodity ČR, s.r.o. have in place a Mandate Agreement on Emission Allowances and an Agreement on Compensation for Losses Caused by the Connection to the DIN Local Distribution System on an arm's length basis, which was not performed in 2020.

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

The following agreements are in place between Veolia Průmyslové služby ČR, a.s. and Veolia Powerline Kaczyce Sp. z o.o.:

Agreements where Veolia Průmyslové služby ČR, a.s. is the customer: an Agreement on the Distribution of Polish Electricity and an Agreement on the Connection to a Distribution System, on an arm's length basis.

B3. AmplusServis, a.s.

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

Agreements where Veolia Průmyslové služby ČR, a.s. is the customer: Framework Agreement for Assembly Work and Workmanship, Repairs and Emergency Repairs; Servicing Agreement for the Control and Regulation of Electrostatic Separators; Inspection Agreement – checks and assessments of fuel quality; Contract for Work – supply and assembly of cogeneration units; all of them on an arm's length basis.

Agreements where Veolia Průmyslové služby ČR, a.s. is the supplier: Agreement for the Location of Defects on Low-Voltage Cabling on an arm's length basis.

B4. Institut environmentálních služeb, a.s.

Under an Agreement on Cooperation in Employee Education (8335250849), Institut environmentálních služeb, a.s. provided Veolia Průmyslové služby ČR, a.s. with the education of its employees, education record keeping in the personnel system, and regular reporting on education, on an arm's length basis.

B5. Veolia Environnement Finance

Veolia Průmyslové služby ČR, a.s. and Veolia Environnement Finance have a Framework Agreement on EU Allowances (8323550408) and a Cash Pool Agreement (8335250940) in place on an arm's length basis.

B6. Solutions and Services, a.s.

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

Agreements where Veolia Průmyslové služby ČR, a.s. is the customer: Agreement for Data Services and Agreement for Property Management Services on an arm's length basis.

B7. Veolia Smart Systems ČR, a.s.

Veolia Průmyslové služby ČR, a.s. and Veolia Smart Systems ČR, s.r.o. concluded and implemented an Agreement for Electric Vehicle Charging Stations, including the assembly and commissioning thereof, on an arm's length basis. No other contracts were concluded or performed between the companies in 2020.

B7. Relations to other related parties

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

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

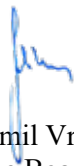
C. Overview of acts carried out at the instigation or in the interest of controlling entities

In 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**

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

Ostrava, 22 March 2021



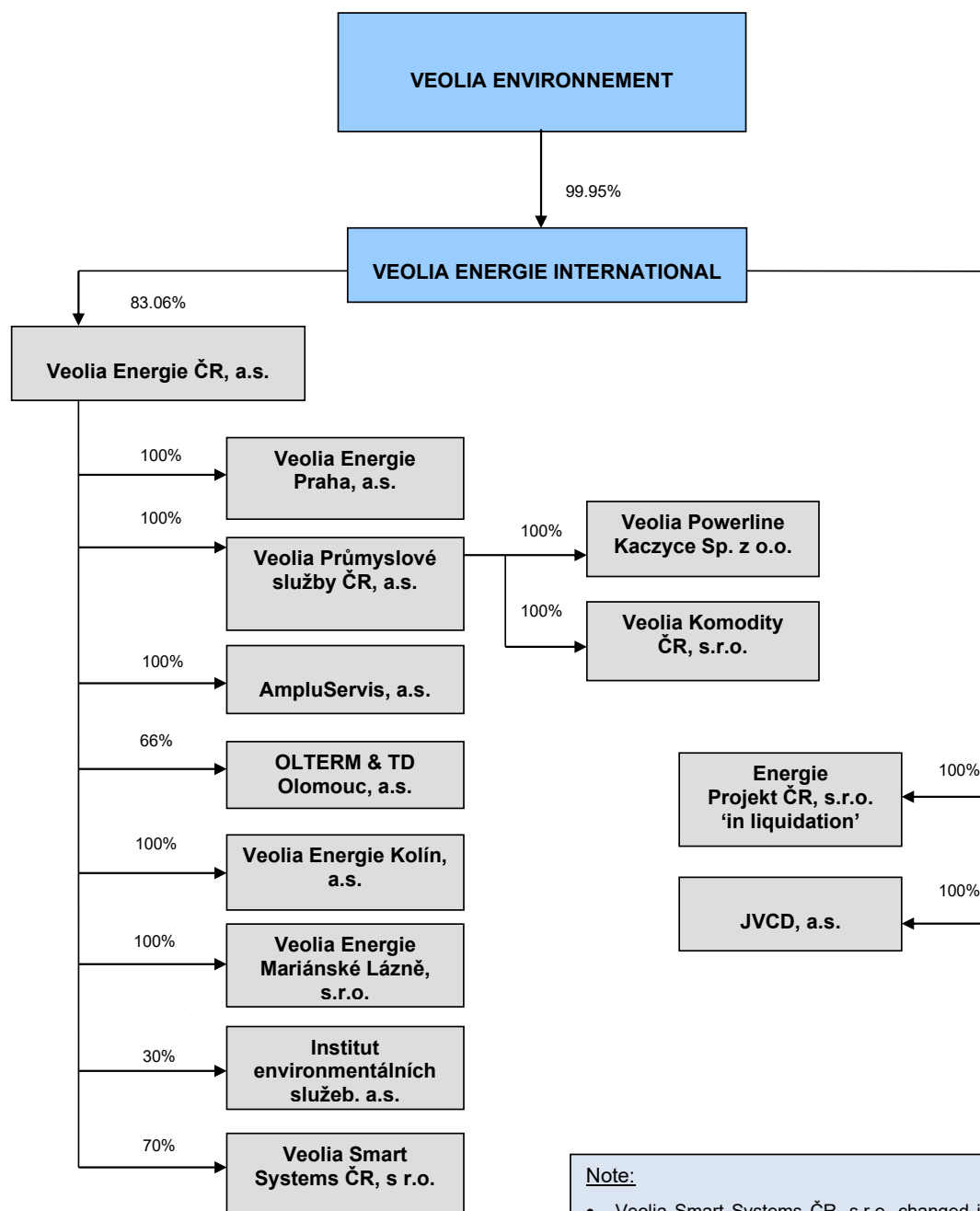
Kamil Vrbka
Chairman of the Board of Directors



Pavel Luňáček
Member of the Board of Directors

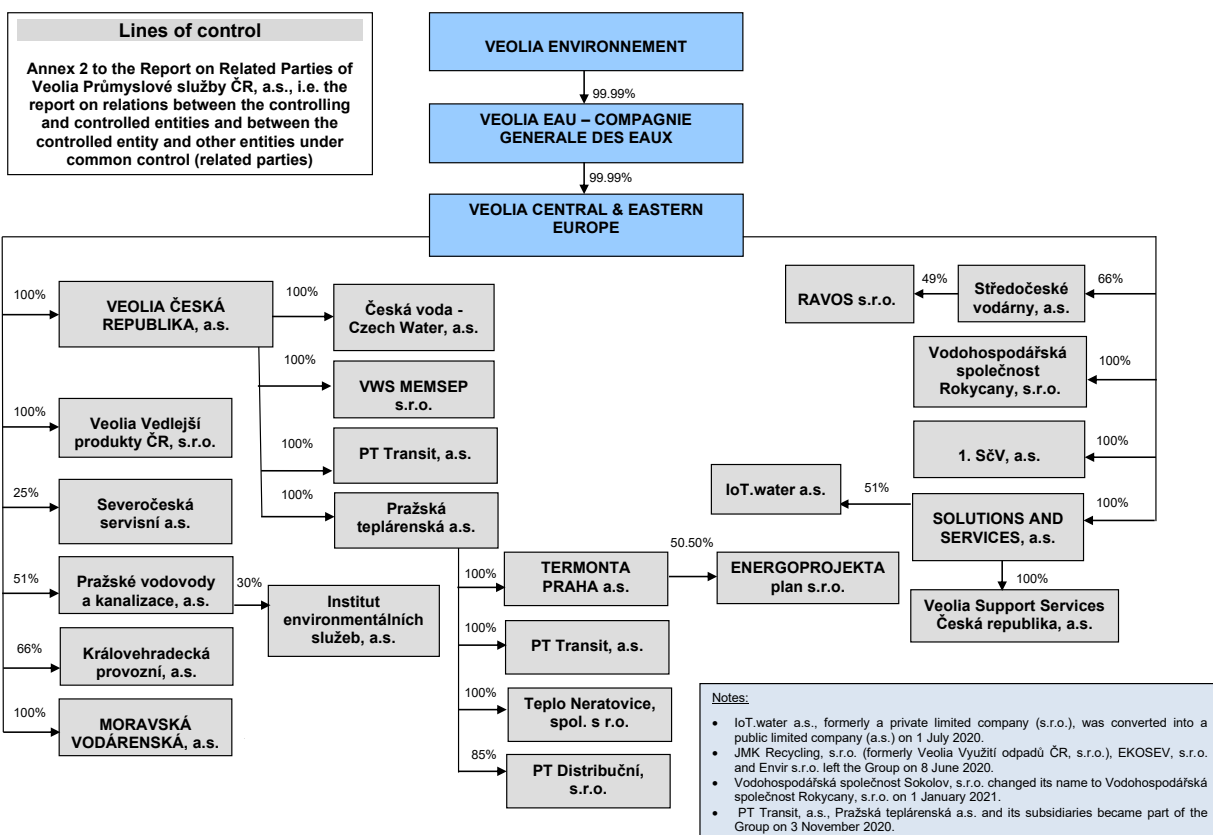
Lines of control

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



Note:

- 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.

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

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

Independent Auditor's Report to the Shareholder of Veolia Průmyslové služby ČR, a.s.

Opinion

We have audited the accompanying separate financial statements of Veolia Průmyslové služby ČR, a.s. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31st December 2020, and the 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 separate financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the separate financial statements.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 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 and Management Board

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance

with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Statutory Auditor Responsible for the Engagement

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

Ostrava
14th 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 the CEO Section of Veolia Průmyslové služby ČR, a.s. and the Communication Section of Veolia Energie ČR.

Mock-up: Cercle s.r.o.

Photographs: Archives of Veolia Průmyslové služby ČR, a.s. and the Veolia Group.

Design and production: the Communication Section of Veolia Energie ČR in cooperation with Agentura API.



Registered office:

Veolia Průmyslové služby ČR, a.s.
Zelená 2061/88a, Mariánské Hory
709 00 Ostrava
Special postcode: 709 74

www.vpscr.cz

Annual Report prepared on 15 April 2021

Production and print: Agentura API s.r.o.