

ANNUAL REPORT 2014

Pražské vodovody a kanalizace, a.s.

Background

NAME:

Pražské vodovody a kanalizace, a.s.

DATE OF INCEPTION:

1 April 1998

EMERGENCE:

Pražské vodovody a kanalizace, a public company limited by shares (PVK), is the legal successor of the state-owned enterprises Pražské vodárny and Pražská kanalizace a vodní toky to the extent specified in the privatisation proposal.

LEGAL FORM:

Public company limited by shares

REGISTERED OFFICE:

Pařížská 11, Praha 1

COMPANY NO.:

25656635

SHARE CAPITAL:

CZK 483,288,000

SHAREHOLDER:

VEOLIA VODA S.A. 100%

The company does not have any organisational units outside the Czech Republic.

Governing bodies of the Company as at 31 December 2014

BOARD OF DIRECTORS

Mr Philippe Guitard, Chairman
Mr Rostislav Čáp, Vice-Chairman
Mr Etienne Petit
Mrs Eva Kučerová
Mr Milan Kuchař
Mr Petr Mrkos
Mr Martin Bernard

SUPERVISORY BOARD

Mrs Květoslava Kořínková, Chairperson
Mr Ivo Sušický, Vice-Chairman
Mrs Marcela Dvořáková
Mr Josef Šverma
Mrs Alena Březinová
Mrs Marie Abrahámová, until 30 June 2014
Mr Marek Dřevo, since 1 July 2014

MANAGEMENT BOARD

Mr Petr Mrkos, CEO
Mr Petr Slezák, Deputy CEO, Chief Personnel Officer
Mr Pavel Novotný, CFO and Sales Director
Mr Petr Kocourek, Chief Operating Officer
Mrs Radka Hušková, Chief Technical Officer
Mrs Marcela Dvořáková, Chief Communication and Marketing Officer

Facts and Figures

Turnover: CZK 5.87 billion

Profit: CZK 429,760,000

Number of people supplied: 1.25 million in Prague and 180,000 residents of the Central Bohemian Region

Number of employees: 956

Supplied water: Water produced by PVK: 17,179,000 m³ of drinking water and 1,044,000 m³ of industrial water; and 87,420,000 m³ of received water

Quantity of treated wastewater: a total of 120,078,000 m³

Length of the operated water supply network, including supply pipes: 4,306 km

Length of the operated sewerage network, including drain pipes: 4,622 km

Number of contract customers: 88,254

Outlook for 2015

In 2014, the company achieved and, in many respects, even exceeded its planned financial performance, primarily thanks to the austerity measures adopted and projects geared towards improving the efficiency of the various processes. The company intends to continue in this effort in 2015, when it plans to further improve its financial ratios despite the expected weak growth in sales.

Important events of 2014

Change of the shareholder's logo

In August 2014, VEOLIA VODA S.A., the shareholder of our company, reorganised the whole Group and changed the company's name to Veolia. Our company therefore edited its graphic manual so that all its printed materials would clearly show that it is a part of the Veolia Group. Our company started to use the new brand, "by Veolia", on its printed materials, invoices, cars etc., together with the logo of Pražské vodovody a kanalizace, a.s. (PVK).

SWiM was launched

The mainstay project at Pražské vodovody a kanalizace, a.s. in 2014 was SWiM, i.e., Smart Water integrated Management, a centralised integrated system for managing and operating its water infrastructure. It was launched on 22 March on the occasion of the World Water Day.

SWiM stands for the system integration of ten different water management areas. It integrates systems for central network control, water quality checks, water production and consumption monitoring, maintenance and repair planning, water facility protection, cost optimisation, the integrated crisis management system and notification of customers, the public and key stakeholders. SWiM has resulted in a more efficient operation of the various activities, improved information provision to customers, better protection of water infrastructure assets, and more flexible responses in crisis situations, thereby accelerating the tackling of various operating situations.

The company has made it easier for its customers to find their way around its website in the case of emergencies, incidents, and outages and shutdowns. Data in maps shows the exact sites of tank trailers with substitute drinking water supplies. The map shows the exact address where and the date and hour when the tank trailer will be available, which helps customers become orientated quickly and find a tank trailer near their home.

A number of important and interesting guests both from the Czech Republic and other countries visited the SWiM workplace during the year. The project also enjoyed extensive publicity in the media. It has shown that our work meets high standards and that we operate a complicated system requiring a modern and innovative approach.

Editorial by the Chairman of the Board of Directors

The year 2014 was very important for several reasons. Firstly, it was an election year. The elections have brought changes to many towns and cities, and Prague is no exception. The new political representation comes with its own vision of Prague management and our company, being a major partner for the capital has to adjust to and help pursue these visions.

Another highlight of the year was the launch of a new system for water infrastructure management and operation, a system that was given the name SWiM. It marks the *finale* of many years' efforts and constitutes evidence of our high standards in the water and sewage network operation know-how. I personally am very proud that we can offer this system to the capital. But it would really be a pity if we overlooked a number of other interesting projects, both technology- and customer-focused ones. The new system for monitoring drinking water analyses at permanent supply points occurs to me as an example.

Our long-term objective is to raise our profile some more in services for industrial customers. This is why it is so important for us that our contract for water installations maintenance with ČEZ was extended by another two years. The year also saw the launch of intensive preparations for working with additional potential customers. In addition, our success in service provision outside the water management activities that are subject to regulation is borne out by the fact that in 2014, the company generated almost 10% of its turnover outside the regulated market of water and sewage rates.

Environmental protection is strategically important for our company, which fact stems from the nature of our business. We have been committed to this area for a long time and carried out a number of interesting projects in the past. A new project underpinning our environmental efforts is the Biodiversity project, through which PVK has joined the drive to revitalise extensive areas of water reservoirs, which are frequently situated in centres of towns and cities. The project is being carried out in cooperation with the Czech Union for Nature Conservation and the City of Prague. The results will take some time to be felt and seen, but we believe that they will be all the more lasting for it. **Veolia takes care of global resources. I extend thanks to all of you for taking part in this care through your everyday work.**

We have achieved the goals set for 2014 and we have set a number of new goals for 2015. At this point, I would like to extend my thanks to all of you for the work done and for the effort spent on performing your assignments.

Philippe Guitard
PVK Chairman
Director of Veolia Eau for Europe

PVK's core business

The core business of Pražské vodovody a kanalizace, a.s. is the reliable **supply of wholesome drinking water and wastewater drainage, collection and treatment**. In its operations, PVK relies on some basic values, which include customer focus, responsibility, solidarity, respect and innovation. We listen to our customers and seek to meet their expectations.

In addition to its core business, PVK offers a number of new services and solutions that broaden customers' options; for example, on-line information about water consumption and incidents, official water measurements, surveys of the sewerage network and many other services for individuals, housing cooperatives, municipalities and industry. The company has also begun to raise its profile in **services for industrial customers**.

In early 2014, the company put into operation a **new centralised system for water infrastructure management and operation, known under the SWiM brand**. This unique system integrates ten different areas of water management. The new system is the result of a long process of innovating and implementing the latest technologies in the water industry. It is the most modern control system that guarantees a high operating performance and efficiency, enhances risk control and operating and crisis event management, and provides a high level of information to all users of the system.

This integration of activities within a single system has resulted in a higher efficiency of the various activities, more flexible responses to crisis situations, stronger supervision over the quality of the water supplied, and faster responses to changes in water quality. Information provision to customers has also improved. PVK's website shows **maps with information about incidents and shutdowns in water supply, including updates on substitute water supplies**. Better planning and allocation of funds has resulted in more effective financial performance without increasing operating costs. Risk control and operating and crisis event management have also been boosted.

The company successfully passed the **ninth surveillance audit of its integrated management system** under ČSN ISO 9001, ČSN OHSAS 18001 and ČSN ISO 14001. Auditors did not find any major failings; on the contrary, they took a favourable view of the continuous improvements in the system, approach to customers and activities carried out by employees, including prevention in the areas of occupational health and safety (OHS) and environmental protection.

OUR SERVICES

Drinking water supply and distribution

PVK supplies drinking water to 1.25 million Prague residents and another 180,000 residents of the Central Bohemian Region. In Prague and in the town of Radonice, PVK operates the water infrastructure, i.e., 4,306 km of the water supply network, including supply pipes, 51 pumping stations, 68 water reservoirs and 110,374 billing water meters.

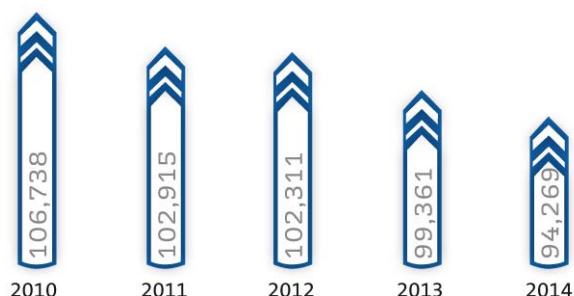
PVK operates water treatment plants in Podolí and Káraný. The Želivka water treatment plant has been operated by Želivská provozní, s.r.o. since 6 November 2013, while the Sojovice water treatment plant is operated by Vodárna Káraný, a.s. PVK buys water from both of the last mentioned water treatment plants ('received water'). Since 2002, the Podolí water treatment plant has been a back-up capacity for emergencies and in 2014 did not produce any water supplied to consumers.

Water supplied to the water distribution network in 2014

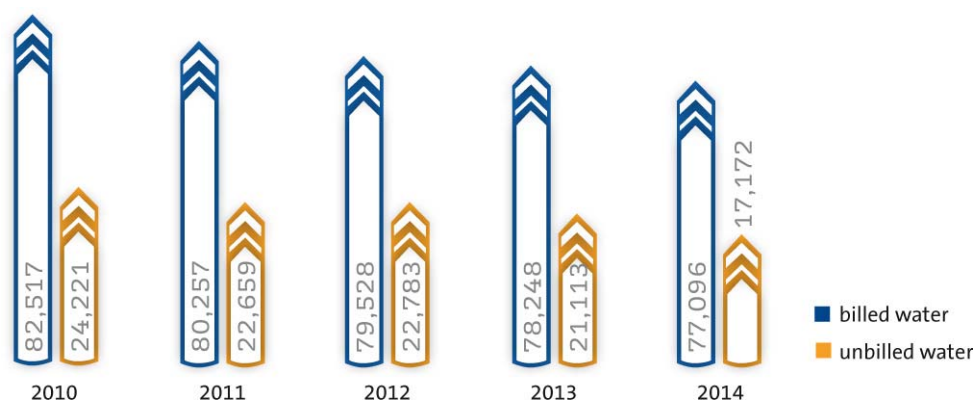
	Indicator	Quantity in m ³
Drinking water	Drinking water produced by PVK	17,178,737
	Water received from the Želivka and Sojovice plants	87,420,329
	Total drinking water	104,599,066
	Transferred water [Transferred water means drinking water supplied into the water supply network for public use to a person other than the direct customer]	11,374,702
Industrial water	Industrial water mains	1,044,288
Drinking + industrial	Produced + received water	105,643,354
	Water intended for supply	94,268,652

In 2014, PVK delivered 94,269,000 m³ of water to the water supply network, 5.1% less than in 2013. Billed water dropped by 1,152,000 m³, i.e., 1.5%. Average water consumption was 106 litres per person per day.

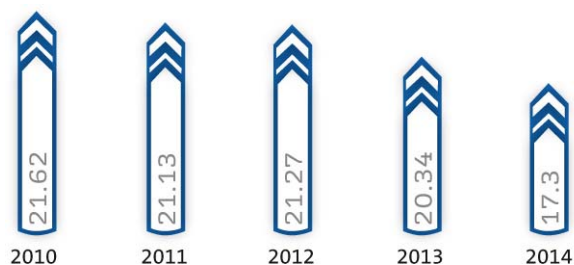
Water delivered to the Prague water supply network between 2010 and 2014 (in thousands m³)



Water billed and unbilled between 2010 and 2014 (in thousands m³)



Water losses between 2010 and 2014 (%)



Water losses in the Prague water supply network amounted to 17.3% in 2014, down by three percentage points over 2013. This decline is attributable to the mild winter, continuous monitoring of the water supply network, including continuous evaluation of water losses in supply zones, and regular water system diagnostics. In 2014, 2,737 km of the water supply network was subjected to preventive checks, revealing 334 hidden water leaks.

Length of water supply network	3,515 km
Length of supply pipes	791 km
Number of supply pipes	111,230
Number of water meters	110,374
Number of reservoirs	68
Volume of reservoirs	746,404 m ³
Number of pumping stations	51

Water Meters

A total of 110,374 water meters (110,097 in Prague and 277 in Radonice) metered drinking water consumption at the end of 2014.

Walk-by reading of water meters is implemented for 3,026 water meters. This system is used for water meter reading in dangerous shafts and at selected large producers. It is applied in all cases where the risk of damage to the employees' health is intolerable.

For 368 billing water meters, remote readings are taken using fixed telephone lines to PVK's web application.

The readings of meter counters' values are transmitted via radio wave communication to a data concentrator, from where all data is transmitted via the Internet directly to the end users. The readings are taken on-line and the data is stored on a server and is immediately presented and accessible in the web environment at www.merenispotreby.pvk.cz

Remote readings via radio wave offer greater user comfort and lower costs per reading, as well as the possibility of monitoring water consumption on-line, minimising leaks from internal distributions and detecting dysfunctional meters in good time. They also guarantee accuracy.

For remote readings, PVK works with: Pražská teplařenská, a.s., Pražská plynářenská, a.s., and PRE měření.

A total of 20,639 water meters were replaced by the company's employees in 2014, most of them because their period of verification validity had expired. The repair and verification of 9,375 water meters and 1,340 official water meter tests were outsourced to an external supplier.

Water System Emergencies

In 2014, PVK tackled **4,520 water system emergencies**, which was 4.2% less than in 2013. This decline is attributable to the milder winter in 2014 compared with 2013.

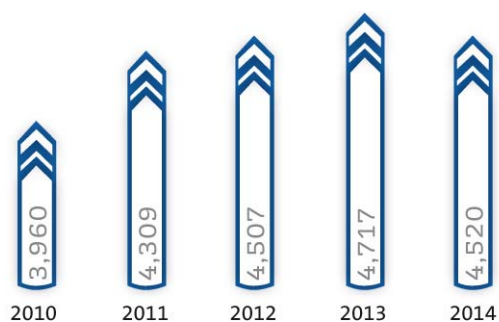
The most frequent cause of the incidents was corrosion of materials, 3,285 incidents, followed by land movement, 920 incidents. These two causes accounted for 93% of all incidents.

The average duration of service interruption per incident was virtually the same as in 2013 and amounted to **8 hours and 13 minutes**. The company seeks to minimise the impact on consumers.

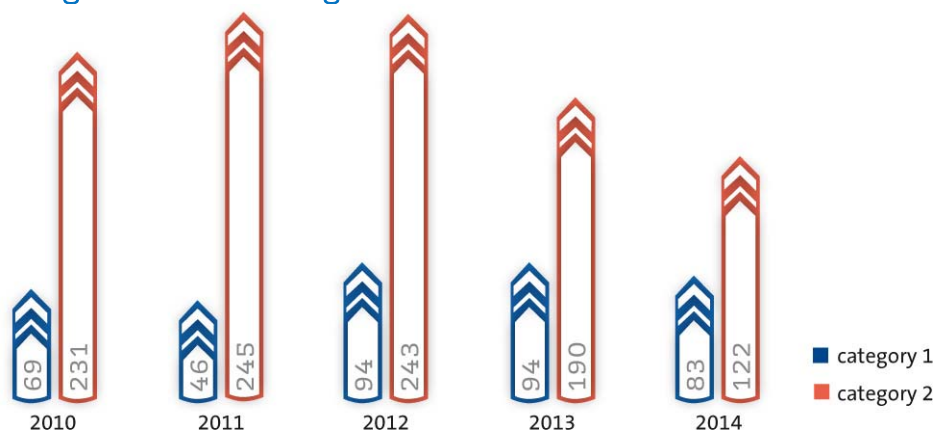
There were 83 category I incidents, i.e., those where water supply is interrupted for more than 1,000 customers or important strategic facilities. The number of category I incidents dropped by almost 12%. The number of category II incidents also decreased, by almost 36% over the preceding year to 122. The number of category III incidents was 4,315, down by approximately 3%.

Customers can learn of the current emergencies at www.pvk.cz. They obtain real-time information about the impacts on drinking water supply, about substitute supply, if any is arranged, and the expected time of repair completion. Customers can also activate the SMS-INFO service, where they receive reports on emergencies in the location of their choice via a text message in their mobile phone free of charge.

Number of incidents in the water supply network repaired between 2009 and 2014



Categories I and II emergencies between 2010 and 2014



WASTEWATER COLLECTION AND TREATMENT

Total length of the sewerage network	3,660 km
Length of sewage drain pipes	962 km
Number of sewage drain pipes	118,630
Number of pumping stations operated	314
Number of sewage treatment facilities	20 Branch WWTP + CWWTP

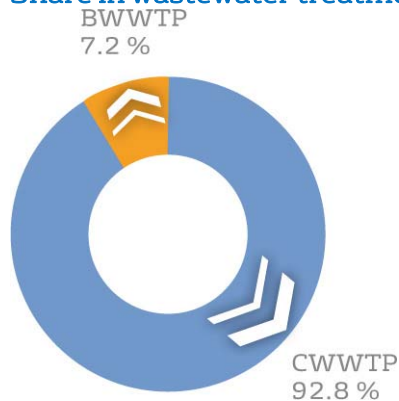
In 2014, 1.25 million people were connected to the sewerage network in Prague. Its overall length, including sewage drain pipes, was 4,622 km. The central part of the city has in place a combined sewerage system, which drains sewage together with rainwater to the Central Waste Water Treatment Plant (CWWTP). The outskirts of Prague have separate sewer networks that divert rainwater separately. In 2014, PVK operated 20 branch waste water treatment plants (BWWTP) in addition to the CWWTP: in Běchovice, Březiněves, Horní Počernice - Čertousy, Dolní Chabry, Holyně, Kbely, Koloděje, Kolovraty, Klánovice, Královice, Lochkov, Miškovice, Nebušice, Nedvězí, Sobín, Svěpravice, Uhřetěves - Dubeč, Újezd nad Lesy, Újezd u Průhonic, Vinoř, and Zbraslav.

In mid-2014, preparations for the erection of a new water line and the building of a river port required for transporting the stripped earth were started at the CWWTP.

Quantity of wastewater treated in 2014 (m³)

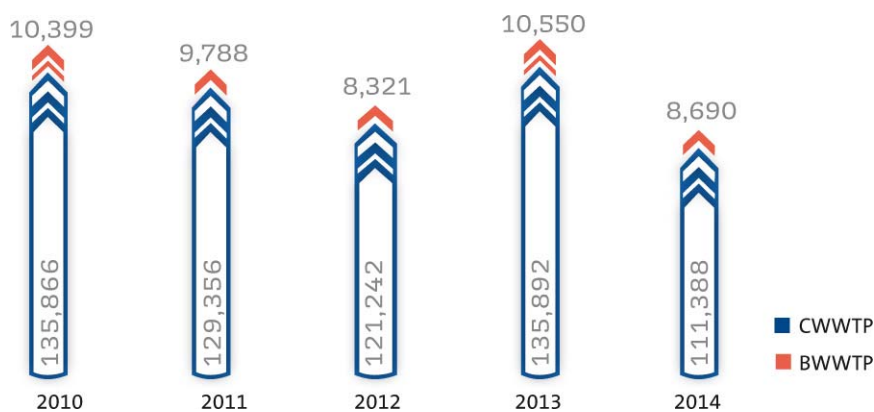
	m ³
CWWTP	111,388,108
BWWTP	8,689,550
TOTAL	120,077,658

Share in wastewater treatment in 2013



PVK treated a total of 120,078,000 m³ of wastewater in 2014, which is 15,814,000 m³ (11.6%) less than in the preceding year. The largest part of wastewater, 92.8%, was treated at the CWWTTP, and the remaining wastewater, 7.2%, was treated at BWWTPs, which are situated in the outskirts of Prague.

Quantity of wastewater treated at the CWWTTP and BWWTPs between 2009 and 2014 (thousands m³)



Incidents in the Sewerage Network

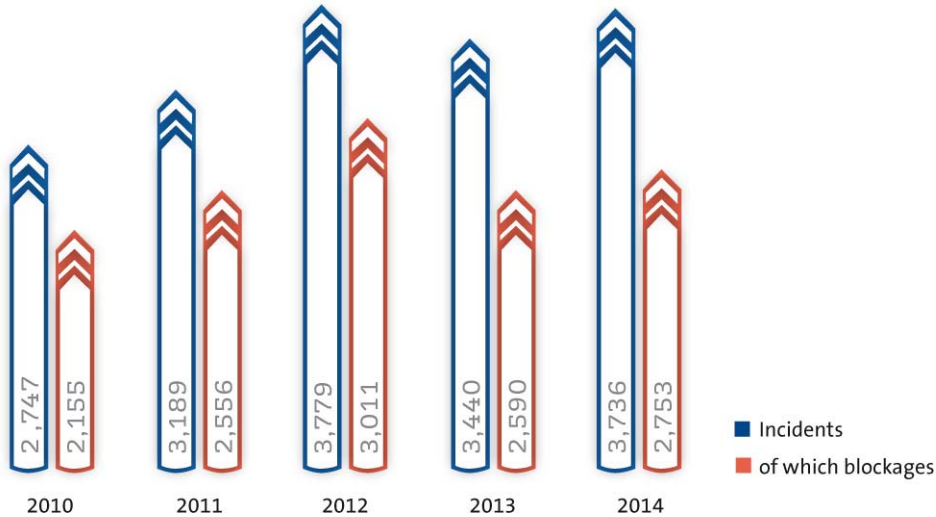
The number of sewerage network incidents rose by 296 to 3,736 (8.6%) in 2014 over 2013. Most of them were emergencies on drainpipes, specifically 1,707 (45.7%).

Number of sewerage system incidents by type of facility failed in 2014

Type of facility	Number of failures	%
Sewers	1,098	29.4
Drain pipes	1,707	45.7
Shafts, chambers, reservoirs, aprons	770	20.6
Other	161	4.3
Total	3,736	100.0

Of the total 3,736 sewerage network incidents, 2,753 (73.7%) were blockages and sediments, and it was also necessary to replace 419 missing or damaged lids (11.2%). The other causes of incidents included destruction, damaged wall masonry, pipe deformation, cracks, mechanical damage, etc.

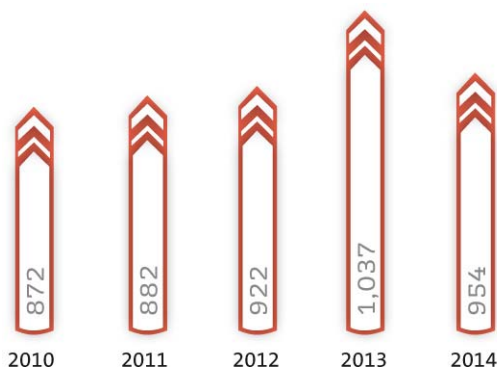
Sewerage network incidents between 2010 and 2014, showing the share of blockages



Equipment Breakdowns

PVK tackled 954 equipment breakdowns in 2014, which was 8% less than in the preceding year.

Number of equipment breakdowns between 2010 and 2014



Sewerage Network Surveys

In accordance with the operating agreement between PVK and Pražská vodohospodářská společnost, a.s., [PVS], PVK conducts preventive surveys in the sewerage network on an ongoing basis. The surveys protect the sewerage network against incidents.

In 2014, PVK's employees surveyed 137 km of sewers and inspected 2,740 access shafts and other installations in the sewerage network. They detected 40 defects in the sewerage system during the

inspections. For the purpose of repairing the defects detected in the sewerage network, they drew up 124 proposals for the repair of defects, and delivered them for inclusion in the plan of repairs and investments.

Inspections of sewers endangered by the high speed of drained water also continued. The employees inspected 8.9 km of such sewers. The defects found in Prokopova Street required immediate action; this helped to prevent an incident on the sewers, which would have impacted on the very busy road over the sewer.

For the purposes of coordinating sewer repairs with tram track and road surface repairs, they inspected another more than 20 km of sewers.

Water Quality

PVK's accredited laboratories carry out regular checks of both drinking and waste water quality. The accreditation covers the entire range of the laboratories' activities: sampling and analysis of drinking, hot, bottled, surface, raw, ground and waste water, water from intermediary process stages (inter-stage water) and sludge, and water for swimming, including waste sampling and analyses of process chemicals used in water treatment and purification.

Drinking Water

Throughout Prague, drinking water is wholesome and it completely meets the Czech and European standards in physical, chemical, microbiological and biological terms. Laboratories systematically check its quality throughout the process of drinking water production and distribution, down to the consumer's tap.

Drinking water quality is monitored in accordance with Regulation No 252/2004, as amended, which sets out requirements for drinking and hot water and the scope and frequency of drinking water checks. The Regulation is in line with the EU's requirements for drinking water. Under an amendment to Regulation No 252/2004 of May 2014, the limit values for the parameter 'number of colonies at 22 °C and 36 °C' are determined by way of assessing abnormal changes in this parameter. In accordance with the guidance issued by The National Institute of Public Health, the company has set the values of abnormal changes in these parameters for the Prague distribution network. Under the amended Regulation No 252/2004, the monitoring of non-relevant metabolites of the chloridazon pesticide, namely desphenyl-chloridazon and chloridazon-methyl-desphenyl, has been included in water quality monitoring.

Under the Programme of Drinking Water Quality Checks, the distribution network was checked in 2014 at the delivery points to the distribution system, along the distribution route, and also at consumers. In samples from the distribution network, iron and the related colour and turbidity failed to comply with the drinking water Regulation 252/2004.

In 2014, PVK employees took almost 5,000 drinking water samples, for which they determined more than 100,000 parameters. The requirements of the drinking water Regulation were met by 99.5% of the samples.

PVK laboratories also check drinking water quality at outlets from water treatment plants and in the distribution network in the wake of incidents and planned shutdowns and in connection with the surveys of the condition of the distribution network (operating checks of the distribution network). The Podolí water treatment plant did not supply drinking water to consumers in 2014, and analyses only took place as part of its trial operation.

Wastewater

PVK's laboratory regularly monitors the quality of wastewater from the CWWTP and its process equipment, including sludge and sludge gas, and also wastewater from BWWTPs, industrial producers, the sewerage network, and the discharge points operated by PVK. It also checks liquid waste delivered to the CWWTP and BWWTPs by outside entities. The scope and frequency of monitoring complies with the applicable legislation on wastewater. The main reason for wastewater quality monitoring is to ensure

compliance with the prescribed limits for wastewater discharge, with a view to preventing discharge of contaminated wastewater and damage to the environment.

In 2014, PVK's laboratories paid great attention to sewerage network monitoring and checks of compliance with the limit values set out in the Sewerage Operating Rules, mainly in terms of heavy metal supply through the sewerage network to the CWWTP, with a view to preventing risk to the operability of the CWWTP and to the wastewater treatment process; in 2014, this approach was favourably reflected in the measured levels of heavy metals in the sludge produced by the CWWTP, in which the limit values allowing sludge use for farmland were not exceeded.

In 2014, the concentration limits that are subject to charges were not exceeded at the CWWTP in Prague in respect of any variable. In 2014, PVK's wastewater laboratories processed 15,197 samples, of which 9,341 were samples of wastewater, sludge, liquid waste and sludge gas for the CWWTP.

External services

In 2014, PVK set up a new commercial unit, which started to engage in business activities in water service management and technology advice. The unit identifies and approaches potential customers in industry and the service sector, and prepares quotations in cooperation with PVK's other operations and presents them to customers; its activity relates to water network modernisation and the building of new water supply facilities into the water infrastructure.

Cooperation with ČEZ

The company's main objectives in 2014 included continued successful cooperation between PVK and ČEZ, a.s. from the preceding years and also retaining PVK's position as the key contractor for the maintenance and repair of water and sludge system installations.

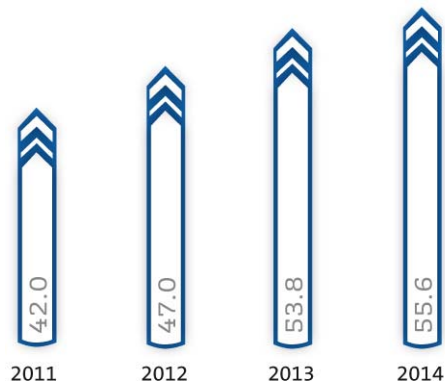
On the basis of public tendering, PVK successfully retained its position as a reliable contractor of the above services at the Ledvice, Mělník and Počeradý (coal-fired units and a combined cycle unit), Tušimice, Dětmárovice and, a new addition, Pruněřov power stations.

The contracting entity, i.e., ČEZ, evaluated PVK's bid as the best, and PVK therefore could continue in this successful project. It involves provision of the maintenance and repair of plant and equipment and serves for raw water supply to the power station and its treatment to the required quality. Installations for draining and treating effluent and sewage [foul water] are part of the above plant and equipment.

In 2014, the contract totalled CZK 55.6 million. In addition to the value of this contract, PVK also carried out repairs beyond everyday maintenance, such as the clean-up of a neutralising sump at the Počeradý power station (CZK 2.5 million), repair of the pipeline for spent flushing water of demineralisation lines and mixed-bed filters at the Počeradý power station (CZK 4 million) and the repair of trash racks at the inflow into the Poříčí power station (CZK 1.15 million).

In this project, PVK continues to envisage partnership with the key provider of maintenance and repair work, Česká voda – Czech Water, a.s.

Total contract value, in CZK million



Official water flow measurements

The main services offered in the hydrology and hydraulics of urbanised catchments include official water discharge measurements and assessment of the serviceability of water discharge measurement systems. Other services: measurement of hydraulic variables in the sewerage and water supply networks and precipitation measurements for the purpose of general drainage plans and general water supply plans, measurement of hydraulic variables in the hydraulic paths at wastewater treatment and purification plants and pumping stations, and mapping of facilities/installations and assessing their hydraulic functions.

The measurements of hydraulic and hydrological variables concerned many projects in 2014, for example, the general drainage plan for the town of Český Brod, the general water supply plan for the town of Český Brod, the general water supply plan for Šestajovice, measurement of hydraulic variables at selected sites in the Brno sewerage system, measurement of hydraulic variables at selected sites in the Kladno sewerage network – inflows from the Kladno Industrial Zone-east, measurement of hydraulic variables in the OK 31FE Mezitraťová basin, measurement of hydraulic variables in the pressure sewerage system between Záryby and Kostelec nad Labem, and a measurement scheme designed for monitoring increases in the wastewater flow in the Pražská-Psárská locality. In metrology, PVK offers repair and verification of 'obligatorily verified metering instruments', and design and delivery of remote readings of both billing and subsidiary meters.

Tests of Flood Control Pumps

PVK employees maintained and stored flood control pumps under an agreement with the City of Prague again in 2014. They carried out regular tests when the equipment was deployed, exercises to train the assembling of equipment, and checked all equipment to ensure the serviceability of the whole pumping system and prepare it for trouble-free deployment in the case of floods. They adjusted the control systems at pumping sites in the Prague-Zbraslav Municipal District to reflect the experience from the 2013 floods.

Smoke Testing of Sewers

PVK checks rainwater drainage from properties connected to the separate sewer system using artificial fog, known as the smoke testing method. The test helps to detect unauthorised discharge of rainwater from properties into the sewage [foul water] draining system. Such findings help to reduce the loads on the BWWTPs and pumping stations caused by ballast water.

In 2014, PVK smoke tested 27.8 km of sewers in the separate sewer network, of which 8.9 km in the PVK network and 18.9 km under external contracts. The survey helped to detect 83 properties with defects in drainage, 41 of them in the PVK network and 42 under external contracts.

Laboratory services

The PVK laboratory has been analysing drinking and waste water samples for outside customers for a long time. Major customers include the companies in the Veolia Group, for which PVK analysed 2,356 drinking water samples and 301 wastewater samples. Since 2013, PVK has also supplied laboratory services to Želivská provozní, a.s., and Vodárna Káraný, a.s., which operate the Želivka and Sojovice water treatment plants, respectively.

Another key account is CS Lab, which operates in the Czech Republic as an accredited organiser of laboratory fitness testing, and PVK's laboratory prepares samples for inter-laboratory comparisons of tests. PVK's laboratory also checked water samples for customers who requested analyses of water from their individual drinking water sources. PVK laboratories carried out a total of 13,758 drinking water and 991 wastewater analyses.

Rodent, Pest and Infection Control

In across-the-board rodent control in the Prague sewerage network, PVK cooperates with the Municipality of Prague. In 2014, the company treated 13,500 sewer inlets and used 13,500 kg of rodent control baits for this treatment. In addition, the company carried out 38 infection control and 73 rodent control contracts for external customers.

INNOVATION

SWiM improves efficiency

Early 2014 saw the launch of SWiM, a centralised system for managing and operating water infrastructure. It is based on proprietary know-how and is one of the most modern in Europe. SWiM has resulted in a higher efficiency of the various activities, more flexible response to crisis situations, shorter duration of water supply disruption in the case of incidents, stronger supervision over the quality of the water supplied, improved information provision to customers, etc. The data in the system serve for evaluating and improving the services provided to customers.

SWiM integrates ten areas of water management.

Water infrastructure central control system

- Online monitoring of operational events, remote monitoring and control of the drinking and industrial water distribution system, including wastewater drainage and treatment monitoring, meteorological data monitoring

Emergency management, including an integrated system for managing substitute water supply

- Declaration of emergencies, coordination of repair with other managers of utility networks and other agencies of the city, activation and management of the substitute water supply system, notifying customers of water supply interruption, communication with the contact centre

Water quality monitoring system

- A system of sensors and probes with on-line data transmission in the water supply network (residual chlorine measurement, turbidity meters etc.), an integrated system for laboratory water quality monitoring, on-line monitoring of raw water quality at inlets into water treatment plants

Integrated crisis management system

- Monitoring and tackling crisis situations, emergency and crisis management plans, crisis preparedness plans, plans of workforce and resources, direct connection with the operating centre of the Prague crisis staff, coordination of activities with other components of the integrated relief system, coordination of work to remove the consequences of crisis situations, and the flood control system

Preventive maintenance and repair planning system

- Preventive maintenance management, system of camera surveys in the sewerage network, diagnostic system for leakages in the water supply network

System for the protection of water infrastructure assets

- Mechanical and electronic security installations for structures, including camera systems, response to alarm signalling, on-line connection of important properties to the central protection panel operated by Czech Police

Water production and consumption monitoring system

- On-line monitoring of information from water production and water delivery measuring instruments and from distribution and zone measuring instruments, evaluation of losses in supply zones, network pressure optimisation depending on consumption

Resource management system

- Management of human resources, suppliers' capacities, substitute water supply, equipment etc.

System for notifying customers, the public and key persons

- Management of the system of communication with the components of the integrated relief system, with the Prague crisis staff and with other crisis communication stakeholders, transmission of information (text messages, e-mail messages) on operational events to key persons, provision of information to customers via PVK's website, distribution of information leaflets

Cost monitoring and optimisation system

- Linking technical and operating data with the financial management agenda, activity breakdown by contract, resource and cost planning

Precipitation measurement system

The system for precipitation data sharing between the Czech Hydrometeorological Institute (ČHMÚ), PVS and PVK was finalised in 2014. The data from Prague's permanent rain gauging network is now fully fed on-line into the CLIDATA climate database accessible for the general public at <http://hydro.chmi.cz/>.

The data sharing cooperation scheme involves 23 rain gauging stations operated by PVS and 11 stations operated by ČHMÚ. The measured values are shown in current estimates of precipitation and in maps.

The operation of the precipitation measurement system, and the knowledge of precipitation so gained, is highly beneficial for operators and also indispensable for tackling water management assignments and for calculating design parameters in the development and rollout of water infrastructure. On-line data transmission is the basis for real-time control of the sewerage network operation. Due to the increasing frequency of intensive torrential rain episodes, the number of flooded properties in Prague has recently been rising. For operators who face criminal complaints due to property flooding and who have to tackle insurance claims, the provision of qualified information about the profile of precipitation episodes is a must.

Cooperation in remote readings

In 2014, the company actively rolled out the new technology for remote water meter reading, MTC (Managed Telemetric Collection) developed by PVK and O2 Telefónica.

The service operates on the basis of radio wave technology. The transmission of information from any type of metering instrument to the customer's portal uses O2 Telefónica's fully redundant mobile and fixed networks. The various radio elements communicate with each other using only standardised protocols (Wireless M-BUS) and use signal and power supply redundancy in the case of power supply failure.

Known as smart metering, this system supports across-the-board data collection from any metering instrument (electricity meter, water meter, gas meter, calorimeter...) and ongoing consumption monitoring, gives a precise picture of consumption in real time, optimises energy costs, monitors energy leaks, informs of emergencies, provides information for billing, and features many additional benefits. In addition to rolling out this technology for its own needs, the company also carried out outside projects in Cheb and Sokolov.

PVK works with Pražská teplárenská, a.s., Pražská plynárenská, a.s., PRE Měření a.s., and O₂ Telefónica, a.s., in remote metering

Refurbishment of Pumping Stations and Branch Wastewater Treatment Plants

As regards the operation of pumping stations (PS) and branch wastewater treatment plants (BWWTP), 2014 saw changes and refurbishments resulting in a greater operating reliability and efficiency, stabilising and optimising pressures in the area supplied, and improving working conditions for employees. At the Klíčov PS, which supplies drinking water for households in the areas of Kbely, Vinoř and a part of Letňany, the company carried out overall refurbishment and automation. What originally was a single pressure zone for pumping was divided into two zones, thereby improving the economy of the operation.

The fourth stage of the Bruska PS refurbishment entailed the stabilisation, overall rehabilitation and replacement of the ceiling structure and a complete retrofit of pipework, valves and electrical installations in the valve vault of water reservoir number 1. Overall rehabilitation and replacement of the ceiling structure of accumulation chamber number 4 at the Ládví III reservoir and the retrofit of the gas boiler room at the Barrandov PS were also completed.

As regards BWWTPs: The complete overhaul and upgrade of the Miškovice BWWTP and intensification of the Uhřetěves-Dubeč BWWTP were started, while the retrofit of the secondary settling tank of the Újezd u Průhonice BWWTP was completed.

At the Uhřetěves-Dubeč, Klánovice, Újezd nad Lesy, Horní Počernice-Čertousy and Kbely BWWTPs, camera systems were installed; they are fitted with on-line transmission to the central control room with a view to improving security surveillance and monitoring the movement and activities of people and machines.

At the Chuchle II wastewater pumping station, which drains wastewater from the Chuchle and Radotín areas, equipment was refurbished; at the Zličín-Mistřinská, Lnářská, Nad Košíkem, Podbabská, and Bratří Jandusů wastewater pumping stations, both mechanical and electrical installations were retrofitted and/or replaced.

Refurbishment of water supply and sewerage installations

The refurbishment of the Kbely evacuation tower concerned its structural part and complete equipment, including electrical distributions and the control system. Instead of the water ring vacuum pump, we used a simpler and more modern system with a lamella vacuum pump, which does not need water cooling. There will therefore be no need to bring cooling water into the tower. The Kbely evacuation tower serves for pumping out air at one of the crests of the Benátky siphon.

The transformer station of the iron elimination unit at the Káraný water treatment plant was retrofitted. The two original transformers from 1972 were replaced with new models that will ensure a higher reliability of this operation.

The 2013 floods damaged some sewers, and the Prosek and Holešovice collecting sewers are therefore being repaired.

Refurbishment at the CWWTP

Two major capital projects were running in the sludge treatment system throughout 2014. One was the renovation of the VN11 and VN12 digestion tanks, which had been in an emergency condition. The other involved replacement of old centrifuges with more powerful machines, thereby increasing the capacity of digested sludge dewatering. Sand traps were renovated, and their working therefore improved.

Internal pipe protection using sprayed PUR

In 2014, PVK continued to apply PUR (polyurethane spray) to the internal walls of pipes. Employees treated 2,475 m of 150 mm pipes in the Nad rybníkem, Na mýtě, Mikovická, V Zákopech and Modravská streets. Water quality has therefore been improved for 92 supply pipes connected to the treated water mains. Before this treatment, water had to be purged in these streets on a regular basis. Water flowing through the pipes became turbid upon contact with the metal surface, which deteriorated drinking water quality. Water quality has improved thanks to this additional PUR treatment of the internal surface of the pipes.

New information technology

PVK seeks the best solutions that improve and accelerate work, thereby bringing economic effects. The company implements new information technologies that increase efficiency, which has a favourable impact on customers.

Last year, PVK continued to cooperate with Solutions and Services, a Veolia subsidiary, which provides ICT services to PVK. Standard development of basic information systems in PVK, Helios Green (economic system) and ZIS is-USYS®.net (customer information system), was running.

A mobile application for Helios Green, which will also make it possible for users to process certain topics on tablets with Android and iOS, passed the first successful tests.

The mobile GIS application for the Android platform was further developed, mainly as regards underlying data sets.

Last year, customers could start to use a web application for automatic comments on the existence of networks, which considerably speeds up responses to our customers' requests in this area.

The laboratory system was expanded to include mobile electronic processing of records on samples being taken, which accelerates their subsequent processing in the laboratory.

Server virtualisation and migration to the data centre continued.

The capacity of the main data transmission links was increased and the optimisation of PVK's data network continued.

The replacement of PCs and notebooks running on Windows XP, spurred by the discontinuation of support for this system in 2014, was also completed. The entire Veolia Group, including PVK, migrated to Gmail electronic mail.

Additional developments in the Helios Green system took place in 2014. It now also monitors the procurement of capital assets, from the proposals to procure the asset, coming from individual operations and departments, to the assessment of the proposal, through to its inclusion in the annual plan of investments. In the transport module, the company made preparations for electronic data import from GPS for the automatic generation of records of vehicle movements.

In the TIS segment, a new module now works, Records of Structures, to complete the monitoring of the whole life cycle of water infrastructure assets. The TIS Planning project sets up a module for planning and carrying out repair and maintenance, including the related working procedures.

In emergency management, data links to external systems were extended and information provision to the public was enhanced through the export of data on incidents and emergency supplies to PVK's website.

Drinking water in substitute packaging

PVK started preparations for introducing packaged drinking water for substitute supplies. This is a complement to the existing substitute supplies; in addition to tank trailers, PVK will supply drinking water packaged in bags. The packaging line, installed at the Káraný water treatment plant, has passed the initial tests and is to be put into full operation in 2015.

The purpose of the scheme is to improve drinking water supply to customers in the case of unexpected incidents. It will be very useful particularly in winter and in places that are inaccessible for transport, to which tank trailers cannot be driven. The target groups include mainly disabled and elderly people and important institutions such as schools and preschools, and health institutions. Red Cross will also help to distribute this water.

CUSTOMERS

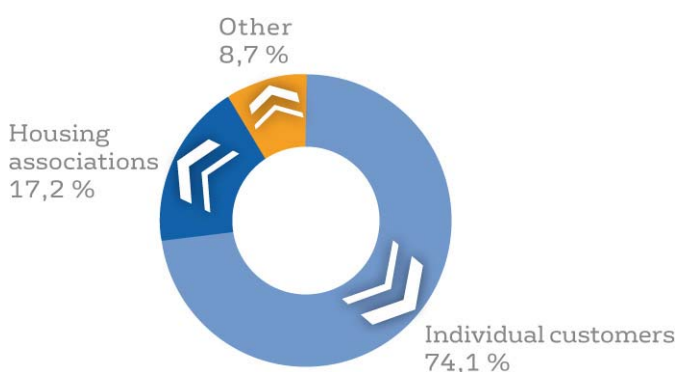
Customers are at the centre of PVK's attention. The customer-centric approach has become the company's primary value. Improving service quality is also conditional on improving the efficiency and quality of the processes running inside the company. Since 2003, our customer services have been certified under ČSN EN ISO 9001:2001. An annual 're-audit' took place in 2014 and PVK again retained this certificate, which testifies to PVK's maximum customer care at a high professional level. Last year also saw the continuation of the successful Customer Service Commitments project, under which the company had committed to guarantee a good quality of services to customers. PVK wants to be available for its customers at all times, inform them as best as possible, and show them its solidarity. This is also reflected in customers' higher satisfaction with the services provided by PVK. A full 98% of respondents were happy with PVK's services. These commitments have become another stage in boosting confidence, which forms the basis of company/customer relationships.

As of 1 May 2014, Solutions and Services, a.s. (provider of ICT services in the Veolia Group), took over the management of certain activities as part of the reorganisation and streamlining of process management across the Veolia Voda Group in the Czech Republic. In addition to call centre management, Solutions and Services took over activities related to billing, document e-mailing, data mailbox and Česká pošta, s.p., and matching and tracking of payments received (receivables and payables ledger). It is also responsible for the whole agenda of debt recovery: it prepares the first and second reminders, closing letters and payment schedules.

Contract customers

PVK provides services to 88,254 contract customers. These are customers for whom PVK supplies drinking water and treats wastewater under a contract. Contract customers include individual customers (65,389), residential houses and cooperatives (15,196) and companies ('other', 7,669). Some customers may have more than one contract in place, and PVK therefore recorded a total of 112,286 contracts with customers at the end of 2014. Because of an amendment to the law on water supply and sewage networks (Act No 275/2013), which came into effect on 1 January 2014, customers must enter into a new contract. In 2014, 13,979 new contracts were signed. All contracts have to be replaced and signed by 1 January 2024. New contracts already contain, for example, the parameters of the drinking water supplied, including pressure at the point of the supply pipe/water main connection; in respect of wastewater drainage, contracts set out the limits of the permissible contamination of discharged water, etc. As of 1 January 2014, customers must also specify the owner of the supply pipe and the number of permanently connected persons in the contract.

PVK's contract customers



Call centres

In 2014, PVK's customer service line handled 79,753 calls. Of these, for example, 29,322 enquiries concerned drinking water supply and 14,435 enquiries concerned billing. The average service level was almost 85%. Customer service line operators also reply to e-mail messages from customers. They processed 30,244 customer e-mails in 2014. In addition to handling customers' telephone and e-mail requirements, the operators also help to promote the services provided, register customers for the SMS INFO service, and offer billing via e-mail and the activation of on-line customer accounts, the Moje voda mobile application and other services.

	2013	2014
Number of calls	79,974	79,753
Service level	84.3%	84.6%
Number of calls on drinking water supply	30,353	29,322
Number of calls on billing	14,688	14,435
Number of handled e-mails from customers	24,153	30,244

Customer service centre and bill payments

The customer service centre in Dykova Street was visited by 25,410 customers, which was almost the same number as in 2013. Customers also had an opportunity to pay their water and sewerage rates directly at the cash counter at the customer service centre. 10,189 customers used this option and the total collected amount was CZK 40.94 million. At the customer centre, visitors could arrange everything related to contractual relationships, and also deal with all technical requirements, including technical documentation.

As part of **regionalising customer service centres of the Central Bohemian companies** in the Veolia Voda Česká republika Group, 152 customers of Středočeské vodárny and 1. SčV visited PVK's customer centre in 2014. Similarly, Prague residents could have their requests handled at the contact centre established by Středočeské vodárny and 1. SčV. Under the regionalisation scheme, CZK 66,579 was collected in water and sewage rates by the cash desk of the PVK customer centre.

Customers also paid their bills via **the terminals of Sazka sázková kancelář, a.s.** Customers find a **bar code** on the bill, and the terminal can read the payment information contained in the code and issue a confirmation of the customer's cash payment. The broad terminal network (at news agents, fuel filling stations, late night shops, etc.) and extended opening hours allow customers to pay their bill as it suits them. Customers pay a uniform CZK 15 charge for this service regardless of the amount paid. In 2014, 17,724 customers used the Sazka terminal option for payments and paid CZK 53.64 million in water and sewage rates.

In 2013, the company launched cashless **payments using the QR code**. This is a special payment QR code for banking applications on smart phones, which PVK prints on its billing documents. The relevant bank's application installed in a device simply reads the information contained in the QR code shown on the bill and the payment order in the banking application is automatically completed with the correct data. All that is left to do is confirm the payment. This way, customers can avoid the potential mistakes while typing data in their banks' payment orders. Even customers who do not own a smart phone with a banking application can use the QR code. Česká spořitelna offers this option to its clients. Our customers who have their accounts with the bank can pay using the QR code at all of Česká spořitelna's payment terminals. In 2014, customers paid more than CZK 4 million for services using the QR code.

Other customer services

PVK seeks to provide its customers and all consumers with the maximum possible amount of information about water supply and wastewater drainage. It also uses modern technologies for this purpose. In 2013, the company therefore launched **two Moje voda mobile applications**, intended for the owners of smart phones with iOS or Android OS. One of them is Moje voda^{Plus} and it gives customers non-stop and secure access to their electronic customer accounts. The other application is called Moje voda and is intended for the general public, offering, among other services, topical information on water supply shutdowns and incidents directly in maps, showing the expected time when the water supply should be resumed. To date, 5,688 users have downloaded the mobile applications.

PVK also uses **an e-mailing system** supplied by Artin Solutions, s.r.o., a company that provides high-quality and reliable distribution of documents in electronic form. This is used for distributing electronic bills and other documents to contract customers, and also newsletters. In 2014, 20,018 customers (17.8%) had bills sent to them via e-mail.

The **SMS INFO** service, i.e., text messages with information about water supply, incidents and water supply shutdowns/outages, including the expected date of service resumption, etc., is very popular with Prague residents. As many as 22,651 Prague residents have signed up for this service, which PVK has been offering since late 2007. Registered customers receive, free of charge, important information about water via text messages transmitted to their handsets. Altogether 787,231 text messages have been distributed since the launch of this service.

Website

The company is making increasing amounts of information available on its website at www.pvk.cz, which is resulting in a growing visiting rate. More than 50,000 people visited the website every month (for example, in 2012 the figure was 25,000 visitors on average). In the last quarter of 2014 the display of PVK's website was optimised for all types of various devices (mobile phones, notebooks, tablets etc.), enabling the customers to find the information they need from anywhere and at any time. Frequently sought information includes incidents and water supply shutdowns. Prague residents can find all information about water supply shutdowns in the on-line mode. In the 'water incident' section, they find the place of the incident, implications for water supply, availability of substitute water sources and the expected time of repair completion. All of this is also shown on Google maps, which also indicate planned shutdowns. A new feature is exact sites offering substitute drinking water supplies for Prague residents.

Another innovation in 2014 was the posting of more detailed information about the quality of the drinking water supplied. In addition to complete monthly summaries of all water quality parameters, PVK's website offers overviews of certain indicators in supply zones. People can therefore find their street in the map and find water hardness, iron, nitrate and chlorine content in water, and water pH for this locality.

Customers can also find their 'personal customer account' on the website. The account gives customers continuous access to information and control over their expenses. Thanks to their secured **personal account**, customers are kept posted about their water consumption, bills and readings of water meters in their properties, and can also notify changes in their contract details, amount of advance payments, their own readings of the water meter, etc. Via the website, customers can also book a meeting on contract and technical matters at a customer centre.

Services beyond the Water Meter

The **Services beyond the Water Meter, and More** project, which PVK started to offer in 2011, continued in 2014. Under the scheme, 1,723 repairs were requested and 1,697 actually made. Other requests concerned repair of failures on indoor water and drain pipes and the service helped to cope with 175 of such cases.

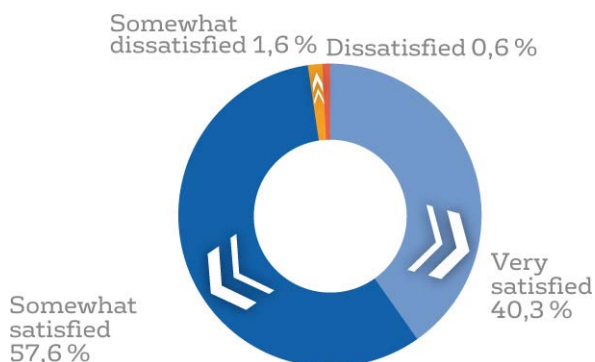
Satisfaction survey shows a high level of satisfaction with services

PVK conducts a number of surveys every year, aimed at further improvements in the services that it offers. The September satisfaction survey that IBRS - International Business and Research Services s.r.o., an independent research firm, conducted for PVK over the telephone again, showed a high rate of satisfaction with the services. A full 98% of respondents are happy with PVK's services.

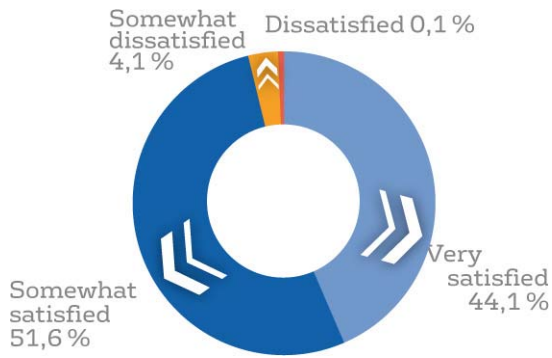
Compared with 2013, this is an increase of one percentage point, and compared with 2010 an increase of as many as almost six percentage points. Satisfaction with drinking water quality also rose by one percentage point, as 96% of the respondents were satisfied with it. Satisfaction with drinking water supply continuity reached the same level. 83% of the respondents drink tap water on a regular basis. Customers also rate PVK employees highly. As many as 97% of the respondents are happy with the professionalism of the company's employees. Almost 100% of them are satisfied with water meter readers.

83% of customers are satisfied with the extent of information and 84% with the quality of information. For companies, the Internet is the main source of information, while housing cooperatives prefer the Internet, the customer service line and the SMS Info service. The customer service line and the Internet play the main role for households, in particular younger customers with higher education; older generations prefer brochures and leaflets.

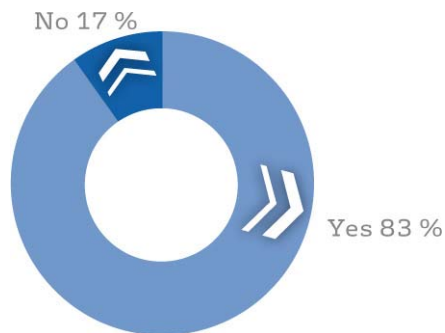
How satisfied are you in general with the level of the services provided by your drinking water supplier?



How satisfied are you with the drinking water quality?



Do you drink tap water?



Number of contract customers	88,254
Number of contracts	112,286
Number of people registered for SMS Info	22,651
Number of text messages sent as part of SMS Info	787,231
Number of justifiable complaints and claims	320

In 2014, PVK received and handled 324 complaints, but only 28% of them, i.e., 92, were justified. As regards claims, 703 cases were handled, and 32% of them, i.e., 228, were justified.

PVK service promotion

PVK produced a large number of information materials and brochures for its customers last year. The brochures provided information about all the services offered, water quality, etc. The company also prepared material showing the full range of services for companies and housing cooperatives. In late 2014, the **Voda pro Vás [Water for You] customer magazine** was published (450,000 copies) and distributed together with all the major daily newspapers. PR and advertising campaigns in the radio, in the printed media and on news websites also helped to promote PVK's services.

CORPORATE SOCIAL RESPONSIBILITY

PVK takes a responsible approach to its customers and employees. The company applies its code of conduct and management code in its approach to employees. An ethical approach, compliance with the ISO standards, occupational health and safety, social responsibility and environmental development – these are all the foundations of the company's philosophy.

Employees

PVK is a stable employer that creates superior working conditions for its employees. The principal prerequisite for open communication with the whole team is social dialogue and cooperation with the trade unions. Thus, the signing of the collective agreement is, every year, the apex of mutual cooperation and respect between the company's management and the trade unions.

Situation in human resources

As at 31 December 2014, 955 employees (956 was the average) worked at PVK. During the year, a total of 83 employees left and 59 joined the company. Thanks to efficiency improvements, the comparable number of employees decreased by 24 over 2013, i.e., by 2.4%. As a result, the employee turnover rate was 8.7%. Of the total headcount 73% were men and 27% were women. The company employed 14 people with a disability and 87 people in the retirement age.

In 2014, employees' average age decreased to 46 years. However, employee ageing will be an important aspect for the company to tackle, in particular in connection with the transfer of operating know-how. Despite the very tight financial result, the wage-related obligations in the Collective Agreement were honoured. The average wage grew by more than CZK 400/month in 2014. The developments were also favourable in the amount of overtime work: the 20,600 overtime hours is 8,000 hours fewer than in 2013. This implies 21 hours overtime per employee per year on average.

Employee benefits

CZK 29.5 million was spent on both tax deductible and non-deductible social benefits in 2014. This accounted for 4.7% of total personnel costs. Of that, CZK 1.5 million was provided for the trade union activities, CZK 1.4 million for sports and cultural activities, and CZK 0.6 million for major personal and professional anniversaries. The company also provided funds for social assistance, CZK 0.15 million, and for employee loans, CZK 1.5 million.

An important part of the employee benefits, **personal non-state pension schemes and life assurance**, is used by 88% of employees. The employer's average monthly contribution to these policies amounted to CZK 1,100 and the company contributed altogether CZK 11.5 million.

Internal communication

Sharing information between the company's management and employees and interconnecting the two groups, understanding, and cooperation on shared goals – all of this helps to build confidence and influences the employees' behaviour and improves relationships amongst them. Employees who understand what is happening in the company, know their place and are satisfied with their company overall deliver good performance.

Late 2014 saw in PVK an **internal survey of employee satisfaction**, in which the company's management received feedback from the employees. Preliminary results indicate employees' high satisfaction with their employer. Satisfaction is also reflected in the fact that a large majority of employees would recommend PVK as an employer to their friends and relatives.

As in preceding years, employees received information via various communication channels such as **the in-house magazine, intranet, regular meetings at all levels, training sessions, employee get-togethers at various social events, sport games, events for children**, etc.

The largest part of in-house information is posted on the intranet, which posts news in real time. The latter half of 2014 saw the launch of a project called **Implementing Central Reporting in PVK**, the purpose of which is to optimise the reporting process, both external reporting and internal reporting, for the purposes of managing the company at each of the levels. The objective is to create concise reporting available at one point (PVK intranet) with a transparent structure and clearly defined responsibilities for data and reports, where every employee will find the information they need for their work. Initial analysis of all reporting areas was carried out, and report model forms were collected and posted on the project website by the end of 2014.

The **Pévékáčko in-house magazine** regularly brings information to employees; it is produced in printed form so that those who have no access to the intranet can also receive it. Employees are kept posted about the current developments in the Veolia Group thanks to the *Voda je život [Water is Life]* magazine. The *Naše Veolia [Our Veolia]* e-magazine brought additional important information from the Veolia Group.

The company also organised four **excursions for employees**, which were attended by 180 people. They toured the CWWTP, the Káraný water works, the Podolí water works and Prague Water Management Museum, and the 'Foreigners' Entrance', which denotes sewers under the Old Town Square, which the largest number of employees wanted to see.

Employee Training

Employee training and development is one of the important missions in human resource management. A systematic approach to education brings a number of advantages and enhances employees' motivation and stability.

Employee education is mainly provided by the Group's own company, **Institut environmentálních služeb, a.s.** (IES), with its broad-ranging offering of courses and training programmes, many of which are accredited with the Ministry of Education (MŠMT): general courses, seminars and practical training, including a number of special periodical training sessions; tertiary and secondary education programmes; and vocational training.

PVK's training costs totalled CZK 4.3 million. The largest share, 86%, of these expenses was spent on increasing professional qualifications, 7% was earmarked for mandatory training and special skills training, and 7% was spent on improving the employees' language skills.

Occupational Health and Safety

Being a responsible employer, the company is mindful of the health and safety of its employees. Beyond the mandatory training, all employees take a hands-on **first aid course** once every two years. The subject of safety at work plays an important role in internal communication. The company has long focused on reducing the number of occupational injuries and has been achieving good results in this area.

In addition to employee training, OHS is the second strategic point in employee care. The key OHS rules contained in the Labour Code and ISO standards are explained to employees in the company's internal **Occupational Safety Charter**.

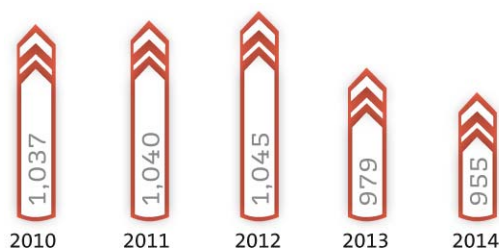
The company has held the OHS certificate under ČSN OHSAS 18001 since 2007. In 2009, PVK was successfully recertified under ČSN OHSAS 18001:2008 for the following period. In November 2014, the company successfully retained its integrated management system certificates in a surveillance audit.

The criteria for the **prevention of occupational injuries** and for employee health are evaluated on a regular basis. Thanks to that, the occupational injury rate has been kept at a favourable level. In 2014, there were six less serious occupational injuries involving 257 business days of incapacity for work, i.e., one injury fewer than in the preceding year. The occupational injury rate dropped to 3.7%.

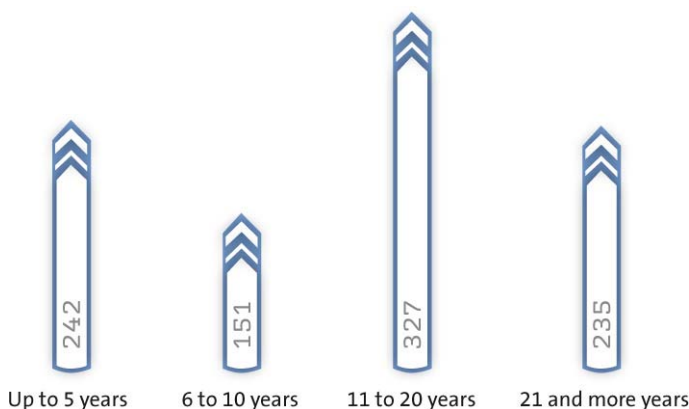
Occupational medicine services

PVK provides for medical examinations of its employees over and above the mandatory checks. In cooperation with a contract partner, Salubra, admission and preventive checks were arranged for employees, including the vaccinations set out in the Collective Agreement, and other statutory examinations. A general practitioner's office serves the employees and their family members in the Hostivař precincts. The sickness rate further declined to 2.2% in 2014.

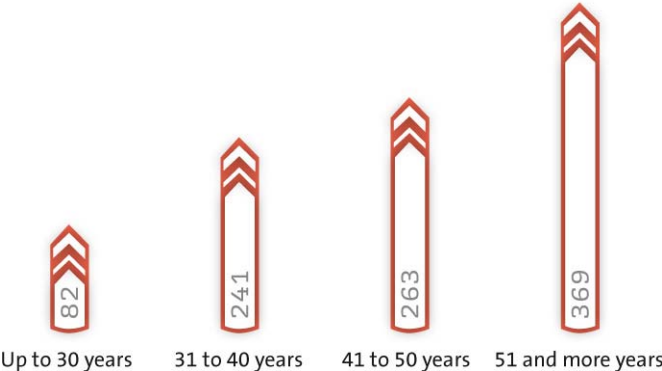
Number of employees by year



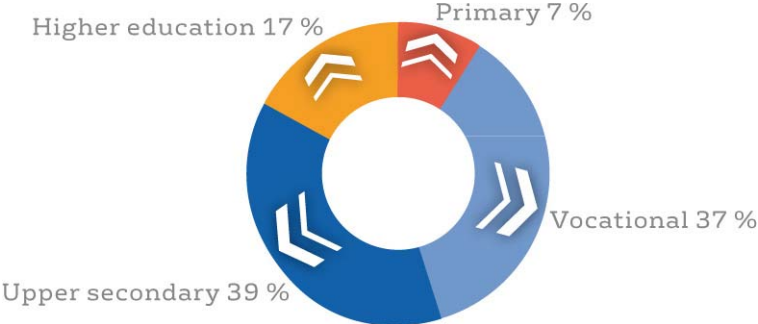
Employee structure by length of service



Employee age structure



Employment structure by level of education



Corporate Social Responsibility and Environmental Protection

Through educational projects, PVK motivates the public, its customers and, above all, children, to environmental protection and behaviour. The company promotes tap water for drinking, and supports talented children and little athletes. In cooperation with the Veolia Foundation, PVK organises a number of events, contributes to other entities' interesting projects, and fosters volunteering.

Education

We distribute to schools and non-profit organisations that work with children a free teaching aid, **the Secret of Water suitcase**, a portable laboratory, which explains water and its properties to children in a playful way, and work sheets that support environmental education. Schools also go on regular excursions to the Prague Water Management Museum to receive information about the history of drinking water supply.

Since 1999, PVK has been organising **Klub vodních strážců [Water Guards Club]**, which brings together children aged 6 to 16 who are interested in water and nature. The club has its own website at www.vodnistrazci.cz, abundant in tests, quizzes and games, publishes a magazine and holds thematic club meetings for its members. In 2014, they included angling with Jakub Vágner at the Zahrádka fishpond and a meeting at The Old Wastewater Treatment Plant, where the children saw and heard about the history of wastewater treatment.

Raising public awareness

PVK seeks to enlighten the general public on issues such as water resource protection, nature conservation, water quality and how to use water thriftily, and also wastewater. In 2014, the company organised a number of events and projects, including an Open Day at the Prague Water Management Museum, a campaign on What Should and Should not Be Discharged to Sewers, events with a water bar where the visitors receive tap water for free, and also much information about water, including the Microclimate event in Prague-Prosek, the French Week in Prague-Ladronka, Prohibifest and many others.

The Prague Water Management Museum

PVK operates the Prague Water Management Museum, the place to learn about the history of drinking water supply, but also about some of the current operations in drinking water supply. In 2014, the museum was visited by 11,510 people. The demand for the museum has been continuously rising in recent years. The museum holds several Open Days per year; in 2014, it held them on the occasion of the World Water Day in March and on the occasion of the *Primátorky [Mayoralty]* rowing races in June, and in September the museum opened in connection with the Podolí fair and on the Mobility Day organised by Praha 4 Municipal District. In November, the water tower was opened for visitors as part of the Prague Towers event. Outside Open Days, school children and also experts and other visitors from other countries (France, Slovakia, Poland, Japan, Germany, and the UK) call on the museum. Various social and educational events are also held at the museum throughout the year.

The museum is involved in an incentive tourism scheme, where visitors also tour the pumping stations, clarifiers and the water tower of the Podolí waterworks in addition to the museum. 759 paying visitors called on the Podolí waterworks as part of incentive tourism in 2014.

The museum's collections are enriched by new exhibits every year; most recently, the museum has obtained new pumps that will help provide the visitors with a picture of the development and types of pumping equipment used at Pražské vodárny in the 20th century. Last year also testified to the popularity of an interactive programme for children on two touch screens, installed in 2013, which helps children test their knowledge of water.

Fresh Tap Water? Just Ask!

The Fresh Tap Water? Just Ask! scheme promotes tap water drinking in restaurants. This environmental project was launched in 2009. By the end of 2014, some 550 restaurants in Prague alone had joined the scheme, which appeals for reducing waste from plastic bottles. The list of restaurants is posted at www.kohoutkova.cz. Restaurants are given free carafes designed by Czech designers Jiří Pelcl and Daniel Piršič, and use them for serving water. They also receive information about the quality of drinking water supplied.

Smart phone users can use an application that will direct them to the nearest restaurants offering tap water. Kohoutkova.cz also has its own Facebook profile with 5,500 fans.

In 2010, the project was awarded by the International Water Association (IWA), Montreal, and in 2011 it was placed second in the TOP RESPONSIBLE COMPANY competition in the Responsible Product and Marketing category.

Environmental Protection

PVK's core business in water management is closely associated with the environment, and the environmental strategy is one of the pillars of our corporate social responsibility. The objective of the sustainable development strategy is to meet the obligations incumbent on the company under the law, and PVK also voluntarily pledges to reduce the environmental impacts of its operations.

The objectives of the integrated management system suggest efforts for continued improvements in operating activities, focused on reducing environmental impacts, including reductions in water losses, increasing energy efficiency, reducing consumption of materials, chemicals, motor fuels, etc.

Our employees also contribute to nature conservation in their everyday work. They follow the Environmental Code, which lays down the principles of the company's environmentally responsible conduct. The code sets out the rules for waste sorting, document printing, electronic communication, environmentally sound promotional items, etc. In 2014, reduction in the consumption of materials was supported by the implementation of a system for distributing electronic payslips, replacing the paper payslips used until then.

The entire Veolia Group works towards enhancing biodiversity at the water management facilities that it operates and cooperates with the Czech Union for Nature Conservation. **Support for biodiversity** continued at the Prague-Kozinec drinking water pump station, where artificial caves for birds and insects had been installed in 2013. PVK has started preparations for a broader support for biodiversity, to be launched in early 2015.

Good treatment of wastewater helps the environment. **The quality of treated wastewater** discharged into the river Vltava was in accordance with the limits set by the applicable water management decision throughout the year. The company kept all specifications of treated water quality and the Central Wastewater Treatment Plant (CWWTP) did not pay any charges for exceeding wastewater quality limits. The results of the treatment process were record-breaking in many respects in 2014. PVK discharged into the Vltava the smallest volume of residual contamination in CWWTP's whole history in terms of the BOD [biological oxygen demand], ChOD [chemical oxygen demand] and suspended matter parameters.

In 2014, a total of 18,449,000 Nm³ of **biogas** was developed in the CWWTP's digestion tanks, which the company used for **electricity and heat generation**. It burned biogas surpluses in tail gas burners.

The CWWTP in Prague has long been fully self-sufficient in process heat generation and consumption for its operations. The CWWTP's own **electricity generation from biogas** totalled 33,907 MWh in 2014, and all of this electricity was immediately consumed directly at the plant. The CWWTP therefore achieved a **self-sufficiency** of 77.7% in electricity demand, which is the best ever result achieved in its history.

Waste Management

PVK generated 139,300 tonnes of waste in 2014, which is 4.8% less than in 2013. Of this amount, 21 tonnes (0.01%) was hazardous waste, similar to 2013.

Following talks with the Municipality of Prague and other public administration authorities, PVK achieved a renewal of the official permission for waste buyout for another four-year period for the Prague CWWTP and the Čertousy and Kbely BWWTPs. The CWWTP processed the largest quantity of waste in 2014, specifically 11,600 tonnes.

In addition to buying out waste, PVK also runs mobile collection of waste from grease traps at schools and preschools, hospitals and other institutions. PVK started to extract sludge from the Káraný sludge lagoon; it hauls the sludge to the CWWTP.

The company has set up a reservation system for receiving liquid waste at the CWWTP. Thanks to the system it **knows the quantity and types of discharged waste** before it is actually discharged. The application also monitors the validity of the permissions and certificates required for waste discharge, corrects the daily waste quantities received at the CWWTP, and helps certain PVK employees in requesting samples of received waste.

In 2014, the successful cooperation inside the Veolia Group with Severočeské vodovody a kanalizace, a.s. continued and broadened in respect of the sampling of waste produced by PVK and complete arrangements for the analysis of these samples to PVK's requirements.

Solar energy

A photovoltaic plant was installed at the Cholupice pumping station in 2013 with a view to saving electrical energy. The plant is composed of 83 photovoltaic panels with a total effective surface of 134.8 m². In 2014, the plant generated 21,417 MWh, which met 45% of the company's house load, while 55% of the generated electricity was supplied to the distribution network. The photovoltaic system works very well and the investment is profitable from the long-term perspective.

Carbon Footprint

The carbon footprint is a measure of the impacts of man's activities on the environment and the climate. PVK has included the environmental aspects of its operations, which are closely associated with the environment, in its top priorities.

The Veolia Group, of which PVK is a part, introduced carbon footprint monitoring and evaluation in its companies as early as 2010, thereby ranking among the minority of responsible companies in the Czech Republic. The Veolia Group's companies seek to mitigate the environmental impacts of their operations in all areas. Water supply and wastewater treatment processes are one of the industries in which high energy demand and chemicals consumption constitute the brunt of the impacts on the environment.

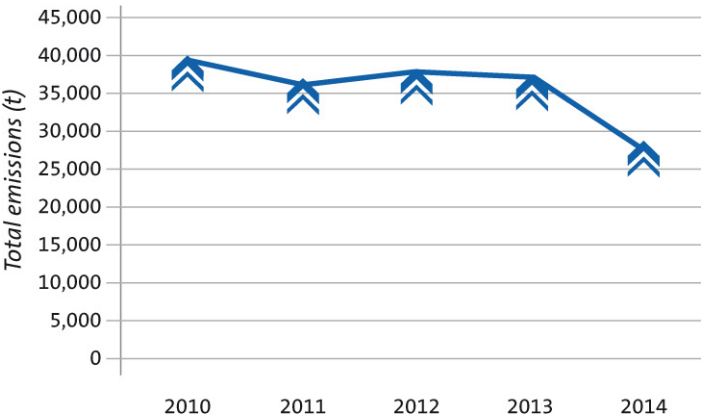
PVK has long focused on reducing the energy demand of its operations, efficient use of electrical energy and optimising biogas production and electricity generation from renewable sources, which are in fact capable of reducing the company's carbon footprint.

In terms of chemical consumption, the company regularly evaluates its consumption of chemicals and their efficiency. It checks the quality of chemicals, which also includes monitoring of the content of effective substances and admixtures in some of the products that are most frequently supplied.

PVK reduced its carbon footprint from 37,990 tonnes in 2013 to 27,440 tonnes of CO₂ equivalent in 2014. This reduction can be attributed, to a considerable extent, to the above outlined projects, and also the fact that 2013 saw a replacement of the operator of the Želivka water treatment plant, the largest such plant in the country.

PVK carbon footprint

Total direct and indirect greenhouse gas emissions at PVK



Emissions produced in drinking water production and distribution alone dropped from 26,740 to 17,310 tonnes of CO₂.

But the company was also successful in reducing considerably emissions from wastewater collection and treatment; in this case, however, the reduction is not attributable to changes in the operated assets, but mainly to measures in the energy system. The carbon footprint in the wastewater treatment process shrank from 10,570 to 9,500 tonnes of CO₂. Electricity generation at the largest operated, and at the same time the largest Czech wastewater treatment plant alone increased by more than 5%.

Cooperation with Veolia Foundation

PVK supports the Veolia Foundation, which was established by the parent company Veolia. Since PVK's establishment in 2004, the company has been cooperating with the foundation in a number of projects geared towards social schemes, the environment, and volunteering.

The seventh annual edition of the **Minigrants** programme, which helps employees and supports their activities in the social sphere, environmental protection, sports, culture and other leisure activities, took place in 2014. PVK employees' 21 projects received CZK 700,000. As in the preceding years, Minigrants most frequently concerned help to the disabled and socially disadvantaged, including support for disabled skiers, wheelchairs for the disabled, support for the integration of a student with the Asperger syndrome and support for surrogate family care. The purpose of this programme is to motivate the employees, appreciating primarily those who spend tens to hundreds of hours a year volunteering in their time of leisure.

PVK employees regularly engage in the days of **corporate volunteering**. Within normal working hours, employees help the needy, thereby helping to improve the quality of their life. In 2014, volunteering concerned the following: making furniture for children for the Cesta domů [The Way Home] hospice, cleaning of the pétanque grounds for the Dolní Počernice Children's Home, an excursion of a group of disabled people to the Káraný water treatment plant, and donation of two computers, including installation and training, for the elderly at the Malešice home for elderly.

PVK has long been involved in the **Water for Africa** philanthropic project, together with the Veolia Foundation and the Člověk v tísni [People in Need] humanitarian organisation. The objective is to improve the accessibility of wholesome drinking water for people in southern Ethiopia. Sales of unique design carafes made of Czech crystal glass help to raise money for drilling and repairing water wells as drinking water sources for people in the southern regions of Ethiopia, Africa. In 2014, the proceeds from the carafes totalled CZK 600,000, and this amount was given to the Real Help fundraising drive organised by Člověk v tísni. More than CZK 2.5 million has been credited to the fundraising account over the time of this project.

A major environmental scheme is **Návrat přírody do škol [Nature Returns to Schools]**, organised in cooperation with Jakub Vágner, a world-renowned angler. The idea of the scheme is organising lectures on nature conservation at elementary schools. The foundation also sponsors **Cesta pstruha [The Trout's Path]**, a scheme geared to preserve common trout and grayling in our rivers. In late April and in the autumn of 2014, two tonnes of brook trout were released into the river Elbe in Špindlerův Mlýn. More than ten tonnes of fish have been released into rivers under this scheme to date.

It is now eight years that the Veolia Foundation has been heavily involved in the **Pomozte dětem [Help Children]** fundraising drive, which entails a range of volunteering and sponsorship in all Czech regions. The foundation also supports **Centrum Paraple**, a charity helping people suffering from paraplegia due to injury and illness, and their families, to overcome this difficult situation and find a path to follow into the future. The foundation also sponsors the activities of **Dům na půli cesty „Maják“ [The "Beacon" Halfway House]** in Praha 4, in which young people find shelter after leaving children's homes. The scheme helps them to integrate within society and overcome the complicated period of transition to ordinary life.

Institut environmentálních služeb, a.s.

Shareholders of IES:

Campus Veolia France	40%
Pražské vodovody a kanalizace, a.s.	30%
Veolia Energie ČR, a.s. (before the end of 2014 Dalkia Česká republika, a.s.)	30%

Highlights for 2014

Turnover:	CZK 26,237,000
Number of employees:	13, most of them part time
Number of educational events held:	1,556
Number of training sessions:	7,514
Number of training hours:	80,160
Number of participants in educational events:	11,343

In 2014, IES again retained its bottom line in the black, despite the marked drop in revenues from some customers. This result has helped to provide for the sustainable development of this educational institution. This was strongly supported by systematic cost control, a number of radical organisational and personnel measures, and improving the efficiency of internal processes through the use of the original EduBase information system. Provision of comprehensive services through outsourcing, also including the personnel agenda of the educational programme, proved its worth again last year.

IES's favourable results also reflect, to a large extent, the continued intensive development of its mainstay project: the eCampus e-learning educational portal, in 2014 again extended to include a number of new e-learning courses. For example, 6,771 of the Veolia Group's employees, of whom 641 PVK employees, passed the Code of Ethics e-learning course in 2014. The Veolia Group's 1,108 managers, of whom 223 from PVK, successfully passed the Code of Managers' Conduct e-learning course. The frequently used eCampus courses also included training and re-testing of official drivers. eCampus also played an important role in the survey of Veolia employees' satisfaction, in which three-quarters of all employees participated on average. Many of them made use of the opportunity to complete the questionnaire in electronic form via eCampus.

In 2014, an additional four study groups passed the Veolia Management Academy (VEMAC) development programme. Additionally, thousands of Veolia employees took a practical first-aid training course. One of them saved a human life by the Heimlich manoeuvre that he had trained, thereby increasing the score of the people saved by the participants in this scheme to six.

The three-semester study programme Water and Sewage Network Operator, rounded off by a single-subject school leaving examination [*matura*] in Waterworks, was enriched by a new teaching aid, which also serves for competitions, called Aqualibrium. IES procured several sets of this modular kit, internationally popular in expert circles, of a working water supply model from The University of Cape Town, South Africa. The model is always assembled on the basis of the particular specifications from many thousands of options.

In 2014, IES's educational centre in Prague again organised a number of events for the Veolia Group's international customers, and also some technical conferences. IES also launched a number of new projects, including the Veolia Trainee Programme in cooperation with Vyšší odborná škola stavební [Civil Engineering Higher Education College] in the town of Vysoké Mýto. The mainstay educational projects for 2015, such as the SWiM Academy and Google Apps, were tested in pilot operation.