CEPS a.s.
Centre of Excellence in Pipeline Services

ANNUAL REPORT 2010–2011

MANAGEMENT SYSTEM CERTIFICATION
ISO 9001 = ISO 14001 = OHSAS 18001
DNV

GAS
CERTIFIKOVANÁ ORGANIZACE

2010–2011

CONTENTS

COMPANY PROFILE

CEPS, a public limited company [CEPS, plc], is a subsidiary of the following companies: Český plynárenský servis, spol. s r. o., based in the town of Tábor, and SEPS a. s., based in Prague. CEPS was established on 1 January 1999.

The two parent companies operated in the area of the reliability of high-pressure pipeline systems, largely gas and oil pipelines, for many years. By the time CEPS was established, a number of their employees had logged a track record of more than 20 years in the reliability of pipeline systems, because from the 1970s they had been involved in research, specifically within the Czech gas industry's R&D base then existing as a part of Plynoprojekt Praha, a design and development company for the gas industry. As part of this research effort, they cooperated with some other world-class research institutions such as Ústav teoretické a aplikované mechaniky ČSAV [Institute of Theoretical and Applied Mechanics, Academy of Sciences of the Czech Republic, ITAM], Státní výzkumný ústav materiálů Praha [National Research Institute for Materials, SVÚM], Faculty of Mechanical Engineering of the Czech Technical University [FS ČVUT], Institute of Chemical Technology [VŠCHT] in Prague, and Ústav pro výzkum a využití paliv [Fuel Research Institute, ÚVP] in Prague, and also with institutions concerned with applied metering and measuring methods, for example, the companies Modřanská potrubní in Prague and ADA in Plzeň, SVÚSS [National Research Institute for Machine Design] in Prague, etc.

The parent companies transferred to CEPS all business related to high-pressure steel pipes, i.e., also complete work teams, including the equipment. The new company therefore received a strong technical and engineering backing and, above all, a broad range of expertise acquired from research work carried on over the preceding ten years and from the practical application of its results to specific high-pressure pipelines in the field. This makes it possible to assess and maintain the reliability of pipeline systems in a highly qualified manner right from their construction and for many years of their operation. CEPS continues to closely cooperate with prominent scientific and R&D institutions, in particular the ITAM, SVÚM, Ústav plynárenství, koksochemie a ochrany ovzduší VŠCHT [VŠCHT's Department of Gas, Coke and Air Protection], ÚVP, RCP Praha [company active on the field of very high-pressure water technology] and Český svářečský ústav [Czech Welding Institute] in Ostrava.

CEPS also employs the special technologies that it normally applies to high-pressure gas pipelines, and oil and other pipelines, in its work on other installations, for example, high-pressure water pipes in nuclear energy, and high-pressure steam pipes and other types of pipe work in the chemical industry.

CEPS is a member of both of the prestigious national professional organisations, Český plynárenský svaz [Czech Gas Association] and Asociace stavitelů plynovodů a produktovodů [Association of Pipeline Contractors]. In both organisations, CEPS's representatives are actively involved in their working groups and management boards.

Company CEPS since its foundation is a holder of permission for installation and repair of the dedicated gas devices—gas pipelines without limitation of pressure, pressure regulation and compressor stations, gas appliances—and permission to carry out inspections and tests of dedicated gas devices, issued pursuant to Act No. 174/1968 by the organisation of state professional supervision—Institute of Technical Inspection Praha. This year CEPS also received permission for manufacturing, installation, repair and testing of mining dedicated technical gas devices, issued pursuant to Act No. 61/1988 by the authority of the state mining supervision—OBÚ Kladno.

The increasingly challenging requirements that we place on our company resulted in the certification of our quality management system under ISO 9001:2000 by the auditor Det Norske Veritas (DNV) in December 2002.

CEPS in successive steps developed an integrated management system in accordance with ISO 9001, ISO 14001 and OHSAS 18001 that was certified by the auditor Det Norske Veritas in year 2006 and the last time recertified under ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 this year in March.

This year it has been also recertified company's welding system according to ISO 3834-2:2005.

In February 2003, our company's high technical standard was confirmed by certification for work on gas installations without any limitations on size or pressure, as part of the Czech system of certification and registration of gas companies known as the GAS system. Recertification of the company CEPS in this system was successfully carried out in April 2010.

In August 2010 CEPS was screened by the National Security Authority for the access to classified information with classification *reserved*.

CORE BUSINESS

CEPS provides its clients with comprehensive servicing of pipeline systems intended for the transport and distribution of gases, crude oil and oil products, and chemical substances, in particular the following:

- pipeline construction and renovation;
- repair and renovation of above-ground pipeline sections running across water streams and other structures;
- pipe repair without service interruption using sleeves and other special technologies;
- stress tests, pressure tests, and pipeline inspection;
- pipeline cleaning and calibration after construction;
- pipeline drying before commissioning;
- trouble-shooting without service interruption—occurrence of water in low-pressure and intermediate-pressure gas pipeline networks;
- pipeline rehabilitation after a long time of operation;
- overload tests of pipelines intended for carrying hazardous liquids;
- interventions in pipelines under full operating pressure using T. D. Williamson hot tapping and stopple technologies;
- displacement, cleaning and decontamination of pipelines for oil and oil product transport before repair or shutdown of operation;
- measurement of hydraulic parameters of high-pressure gas pipelines without service interruption;
- tests of pipe materials and qualified acceptance of pipes directly from manufacturers;
- assessment of the reliability and remaining life of pipeline systems; development of high-pressure pipeline reliability management systems;
- safety and environmental analyses; and
- emergency services.

Work for high-pressure pipeline operators accounts for more than 90% of the company's output. These services are mainly geared towards specialised operations on high-pressure pipelines, which differ from the ordinary technologies used by various companies in construction and repair.

CEPS implemented this year nearly 30 cases of cleaning, calibration, stress tests or pressure tests and drying of the newly constructed sections of the pipeline prior to commissioning, particularly diversions performed during construction of highways, roads and rail corridors. During the winter months the preparation for cleaning, calibration, stress tests and drying five relocations of pipeline DN 700 PN 63 was run over; these works are carried out in connection with the construction of the highway D3 for the largest operator of gas pipelines of group B2—NET4GAS.

In the oil pipeline business the replacement of three valves at the oil pipeline IKL DN 700 PN 63 was the largest event, in which CEPS used to be the general contractor for the work. In addition to that at Družba oil pipeline DN 500 we repaired many defects by fitting a number of special sleeves that were detected by internal inspection of pipeline.

CEPS does not only fit these steel welded sleeves with composite filling but also it produces them as well. For strengthening of its position in this field CEPS conducted development works on prototypes of non-welded sleeves with composite fillings. In addition to the advantage of easy installation there exists possibility of mounting in hazardous areas where welding is impossible. After successful testing of a new type of sleeves the European patent process was initiated.

Application of steel sleeves is extremely important especially in the case of crack-type defects because the sleeves with composites using glass or graphite fibres are not safe for this type of defect. This view, presented by number of experts at the global level, we have confirmed by our own experiments.

Very extensive works were carried out also on the oil product pipelines. The most significant events in this field were decontamination and pressure testing of oil product pipeline DN 200 PN 63 with a length of 74 km. Before starting of an extensive repair of defects found during internal inspections, CEPS conducted the displacement of product and subsequent decontamination of pipeline by technology using a special detergent Petrosol. This technology we have fully mastered in the preceding three years and it has become the primary method for ensuring the safety during extensive repair works with open flame (cutting, grinding and welding) at pipelines determined for transportation of flammable hydrocarbon liquids. By using the same method were also prepared for the repair also shorter sections of pipelines and pipe junctions.

In addition to field works CEPS carried out many tests controlling technical condition and resistance against cyclic fatigue of pipe samples removed from the pipeline after a long period of operation. These tests are realised in our own high pressure testing room equipped as for carrying out fatigue tests by cyclic changes in pressure load up to 600 bar and for destructive tests. Among these tests in the past year were the most important tests of samples of 40-year-old oil pipeline DN 500 PN 63 and tests of samples of 40-year-old gas pipeline DN 700 PN 55.

The company provides its services not only throughout the Czech Republic but also in other countries.

Also this year we worked in Slovenia and Croatia, where we applied our sleeves with composite filling to repair the defects identified by means of in-line inspection.

In Slovakia we continued to realise another assessment of the condition of pipeline at the Lab underground gas storage facility.

We completed a very important event in Poland—the pressure reparation and re-evaluation of nearly 20-year-old gas pipeline DN 400 PN 63 with a length of 54 km with a view of increasing the operating pressure up to 74 MPa. During the year we made in Poland several dozen events of cleaning, pressure tests or stress tests and drying of realignment of gas pipelines DN 300, DN 400 and DN 500 at the place of highway construction.

The biggest international event was an extensive project of displacement, decontamination and conservation of 250 km long oil pipeline DN 700 in Latvia. The oil pipeline was not used for transportation for almost ten years. Therefore pipeline operator decided to empty, clean and to conserve the oil pipeline so that it would not become a source of any safety or environmental risks and would be prepared for possible future transportation of other media.

This year took place the first stage of the event during which was from approximately 125 km length of pipe was pushed about 50,000 tons of oil and pipeline was cleaned by technology using a special detergent Petrosol where the resulting waste products were disposed at the site by bacterial biodegradation. Cleaned pipe was conserved by phosphate method and consequently used the process of inertisation by nitrogen with a purity of 95% and a pressure of 3 bars. For inertisation of pipeline CEPS developed in cooperation with the Norwegian company Air Products a unique mobile unit for membrane separation of nitrogen from atmospheric air.

TECHNICAL SERVICES OVERVIEW

Repair of pipe defects detected by in-line inspection

Work on pipelines focuses on assessing and repairing damage caused by operation and detected by in-line inspection. Cold sleeves, with the annulus filled by glass grit–epoxy resin based composite, are mainly used for repairs. Many hundreds of these sleeves from DN 150 to DN 700 have been installed by CEPS; several dozen pieces are mounted on pipes every year.

Providing conditions for welding on gas, oil and other pipelines

For the purpose of valve replacement (for example, in repairs of high-pressure gas, oil and other pipelines), CEPS helps to create the conditions for welding using T. D. Williamson stopple technology; the company is also able to flush pipes with nitrogen and remove crude oil from the working area, including environmental assistance.

Pipe joining without service interruption

CEPS is able to join pipes under full operating pressure (for example, gas and oil pipelines and other pipelines operated under pressure, for example, water pipes at nuclear installations) using T. D. Williamson hot tapping technology. Hot tapping can be used for joining branch pipes and also for mounting metering taps and similar purposes.

Pipeline rehabilitation after long-term operation and assessment of the pipeline's remaining life

High-pressure gas pipeline rehabilitation and pipeline overload tests involve a comprehensive examination of the condition, and subsequent repair, of the pipeline. This includes removal of defects caused by long operation using a highly specialised method of pressure-induced repair, repair of anti-corrosion coating and cathodic protection systems, replacement of valves, overhauls of, for example, pipeline crossings over water streams and other obstacles, addressing points of collision, etc.

Stress tests on newly built pipelines

To enhance the reliability of newly built steel pipelines during their future operation CEPS carries out, in line with the latest European technical standards, stress tests (which help to stabilise the pipes thanks to the effects of overloading

pipe walls with pressure) on pipelines ranging from DN 50 to DN 1000, and is also able to work on up to DN 1400 pipes.

Building pipelines from pipes made of materials featuring higher qualitative parameters in combination with stress tests is one of the options for reducing the distance separation between the gas pipeline and other structures, and CEPS therefore carries out several stress tests every year.

Pipeline cleaning prior to commissioning

One of CEPS's standard services is mechanical cleaning and calibration of pipelines following their construction (by any third-party building company) and before their commissioning. In doing so, CEPS provides the future operator with a letter of guarantee warranting both perfect cleaning itself and a "clean" connection to the system, because after cleaning CEPS performs personal supervision until the completion of the connection. CEPS is hired to provide these services by installation companies on the basis of requests from gas companies—future operators, who also apply this condition to third-party investors. CEPS also provides this service to operators of other types of high-pressure steel pipelines, such as oil and other pipelines.

Drying of gas pipelines and process equipment

CEPS is the only Czech company to own and operate extremely dry air generators, as many as three at present, which help to dry pipes or other process installations after erection and/or repair not only to the level of Western European standards, i.e., temperature of the dew point of water in the air −20 °C, but also, upon the operator's request, to a level of −80 °C. This method can be employed for drying pipes and apparatus, and also, for example, high-voltage electrical installations, which are sensitive to humidity prior to commissioning.

CEPS helped to dry almost all high-pressure gas pipelines that were built or rehabilitated throughout the Czech Republic over the past year.

Pipeline cleaning after shutdown or before extensive repair

CEPS cleans and decontaminates pipelines that transport substances hazardous for the environment, for example, oil, petrochemical and other pipelines, with a view to preventing future environmental damage. For this purpose, CEPS uses a special biodegradable solvent, Petrosol; CEPS was involved in the development of its application for these purposes.

This technology became already a standard method for assuring safe and secure environment for working with open fire (cutting, grinding and welding) along all repaired section and thereby the total time of repair and danger is significantly reduced.

Measuring hydraulic parameters of natural gas pipelines without service interruption

Knowing exactly the values of pipeline hydraulic properties is one of the key preconditions for correctly calculating a gas pipeline's operating parameters at the designing stage and also for determining the working modes in the management of the pipeline's operation.

Between 1996 and 1998 CEPS measured the hydraulic parameters of a new, more than 400 km long DN 1000 pipeline in the transit system. The measurements proved the benefits of pipe lining for this pipeline's transmission capacity. In late 2004 measurements on this pipeline were repeated to check whether the favourable effect of pipe lining was lasting, and at the same time measurements were taken on a pipeline of the same diameter, but without lining, to compare the operating parameters of the two types of pipework. In the years that followed, DN 1000, DN 1400 and DN 800 southern lines were subjected to these measurements.

Inertisation of pipeline before commissioning, before its repair or prolonged interruption

CEPS provide a new service of pipeline inertisation by nitrogen with a purity of 90%, 95% or 98%. Inertisation is done as a safety measure before filling with flammable media in the pipeline or before the repair when it is necessary to secure the environment against ignition of flammable vapours. In addition the pipeline is inertised during a long shutdown—drying and subsequent filling by inertised atmosphere reliably prevents internal corrosion of not operated pipe. These services are provided to all operators of steel pipes, especially those intended for the transportation of flammable liquids or gases.

Pipe material tests

CEPS has been working with the key Czech manufacturer of steel pipes for the construction of high-pressure lines, Ostrava-based ArcelorMittal (Nová hut', NH), for many years. Between 2001 and 2003 CEPS, supported by a grant from the Ministry of Industry and Trade, took part in NH's research programme, the objective of which was to fundamentally increase the resistance of their pipes to stress corrosion cracking (SCC).

Under a development programme run by Ostrava-based JINPO Plus, a manufacturer of pipe bends, CEPS carried out long-term tests of newly developed types of helically welded pipe bends.

This year CEPS again participated through a grant from the Ministry of Industry and Trade in research works focused on the manufacture of pipes made of high-strength steel grades. This research effort was successfully completed and its results are being applied in the manufacture of state-of-the-art pipes for high-pressure pipelines.

STRUCTURE

The company operates from its head office in the Jesenice u Prahy industrial zone east of Prague. The company's management and its technical and technology centre are located in the operations building, while a special testing room can be found in the process section of the premises; the special testing room is the only test facility in the Czech Republic to enable long-term pipe testing under high pressures. The building of this test facility and its putting into operation is one of the major goals achieved by the company in its technological development. Tests of some fracture properties of steel are also performed in the test room. The test room mainly serves for testing large pipes, i.e., samples with a length of 10D and more, which makes it possible to assess the behaviour of pipes and their defects without any limiting factors. These tests simulate the compressive stress on the pipe for 20 to 50 years of its operation. The results of the tests help to evaluate the pipe material in terms of its suitability for use in high-pressure systems, behaviour (development over time) of pipe defects and their impact on the operating reliability of the pipeline, and the reliability and stability of various pipe defect repair systems. The tests also check the options for performing pressure-induced repair on pipe samples cut out from specific operated pipelines.

The company's technical facilities also include a base in Cítoliby near the town of Louny in the North Bohemian Region, and a small facility in the town of Tábor in the South Bohemian Region. The Cítoliby base keeps stocks of process equipment for work on pipelines, which includes dozens of tonnes of material and equipment, emergency stocks of pipes for ad hoc pipeline interventions, heavy-duty vehicles, and other machinery.

The two parent companies, Český plynárenský servis, spol. s r. o. and SEPS a. s., and also the affiliated company Advisa, spol. s r. o. now also have their head offices in the operations building in Jesenice.

DEVELOPMENT OF EMPLOYEES' QUALIFICATIONS AND THE COMPANY'S CAPABILITIES

The company's management place great emphasis on the employees' professional development and qualities. Achieving this objective is supported by employees' continuous education, by means of the company's internal training schemes as well as their attendance of high-quality training courses and postgraduate education.

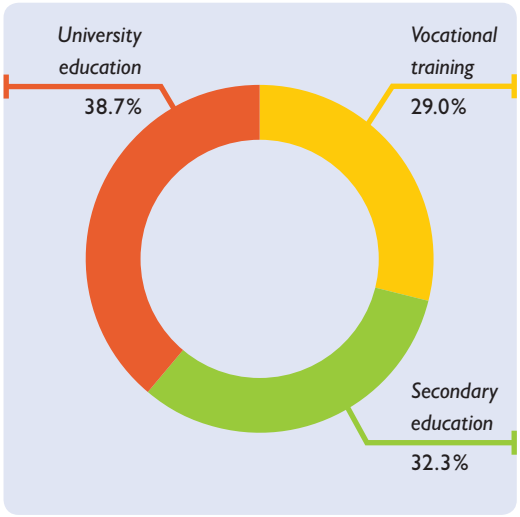
Our employees' participation in various conferences, in the role of both listeners and speakers, also helps to enhance their professional qualifications. CEPS staff regularly attends the international colloquia on pipeline reliability that are organised by the Czech Gas Association every year. They have delivered keynote papers at events organised by the Slovak Gas Association, Gas s. r. o., and the Association of Pipeline Contractors.

This year CEPS has been effectively involved in a project *Maintenance and professional growth of employees whose companies are members of the Association of Pipeline Contractors* that is financed by the European Social Fund and the state budget. CEPS will use this project not only to complement the current qualifications of its staff but also it will primarily focus on enlargement of certified qualifications of high expertness where the obtaining is otherwise financially extremely demanding. Employee structure by attained education illustrates the company's qualification policy.

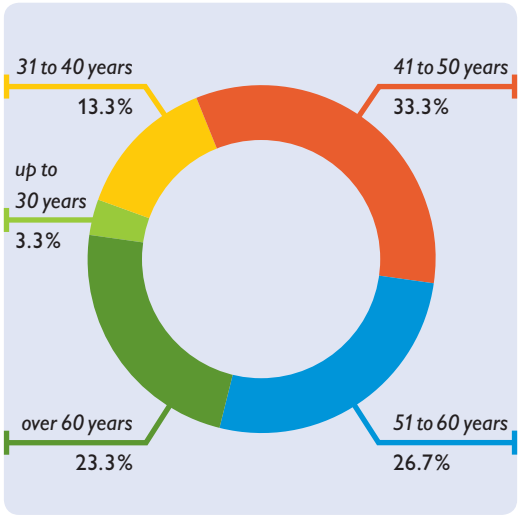
The company's management also focus on the gradual transfer of experience from the older to the younger generation. University students take their practical exercises at CEPS; the best of them then have an opportunity to rely on CEPS's technical and technological expertise and facilities when writing their diploma theses, for which the company provides technical and/or economic specification of the subject matter to be treated in their theses. The company uses the results of these diploma theses (in mechanical engineering, chemical–gas engineering, and economics) in its operations.

Some of the university graduates to whose professional development CEPS has contributed then have an opportunity to join the company. They now work in positions carrying great responsibility. This year another new student wrote his diploma thesis for his Bachelor's degree with support provided by CEPS.

Employee structure by education



Employee structure by age



ENVIRONMENTAL PROFILE

CEPS is aware that its operations have an impact on the quality of the environment. The company's development is based on aligning its economic growth with environmental protection. In carrying on its business, CEPS is aware of its responsibility to the future generations. The path to the application of this responsibility is set out in its Quality, Safety and Environmental Protection Policy, which also declares the company's endeavour to continuously pursue environmentally-friendly business and to create the conditions for environmental improvements.

The company's management has set the following profile of the presentation, monitoring and evaluation of the indicators that are environmentally important in connection with the company's business:

[1] Monitor levels of hazardous substances in water when disposing of used water after overload tests and pressure-induced repair, and pipeline repair, and always proceed so as to prevent soil, groundwater and surface water contamination.

Do not allow, at any of our sites where we work with water in a pipeline after a longer time of its operation, concentration of pollutants (with the exception of iron) in released water higher than 90% of the permissible level required by the Government Order that sets out continuous emission loads on surface water. Always document the meeting of this requirement by a wastewater analysis carried out by a certified laboratory.

[2] In excavation work, provide for careful treatment of stripped topsoil and deposit it on a site separate from other soil.

[3] Monitor and meter the quantity of the fuels used in our work with a view to controlling the exploitation of natural resources and mitigating the load on the environment.

[4] Provide for periodical maintenance of vehicles and other mechanisms in authorised service shops to minimise air pollution by emissions from transport vehicles and machinery and to prevent spillage of operating fluids, in particular oil products.

[5] Monitor, and have periodically checked by an authorised person, pollutant release into the air from fixed sources of heat in our buildings.

[6] Monitor and measure the consumption of organic dyes and solvents; maximise the use of water soluble dyes.

[7] Reduce the production of wastes and environmental pollution. Provide for safe waste disposal, including disposal by authorised companies.

[8] In all lines of business and operations, work to the requirements of ISO 14001. Provide for environmental protection and keep the required procedures to prevent complaints against the company's environmental behaviour and penalisation of the company.

[9] Reduce energy consumption in operations with the help of energy saving appliances and systems. Monitor and evaluate energy consumption in operations (water, gas, electricity).

[10] Provide for regular training and education of employees as one of the ways helping to minimise the risks of damage to the environment.

[11] Preferentially select subcontractors who are certified under ISO 14001 and environmentally-minded. Select suppliers of equipment and services that have an impact on the environment against the criteria that have been put in place, and continuously review their competences and qualifications.

The company's management fully subscribe to the principles set out in this *Environmental Profile* and undertake to create the conditions and provide the resources for the profile to be consistently and continuously pursued.

CEPS hereby undertakes to execute each of the elements of its environmental profile. The results of internal audits and analyses, and findings from certification audits, shall be discussed by the company's management on an ongoing basis with a view to continuous improvements in the company's environmental practices.

KEY FINANCIALS

Share Capital and Ownership Structure

The company was established with a share capital of CZK 1,000,000, to which the two parent companies each contributed equal amounts.

The company's results for 2000 made possible to increase its share capital using the company's own funds to CZK 3,000,000 in mid-2001 and to CZK 5,000,000 in 2002.

Liability

CEPS is insured with the insurer company HDI Versicherung AG for damages to items taken over for performing contracted operations and for damages caused to the third parties, including contamination of water resources; the insured amount is CZK 25,000,000 (1 million EUR).

Bank References

Československá obchodní banka, Tábor branch
Raiffeisenbank, Tábor branch

Man Effort

The company had 31 employees towards 31 March 2011.

Annual Turnover

CEPS keeps books for the fiscal year commencing on 1 April of the current year and ending on 31 March of the following year.

Turnover of the fiscal year 2010/2011 amounted to CZK 70.6 million.

In the foregoing six years, with the exception of the business year 2007/2008, the annual turnover ranged from CZK 60 million to CZK 70 million, i.e., their levels were lower than in the preceding years. This was a result of the gradual change in the nature of contracts, when specialised services for pipeline operators, and for main contractors of projects, have been picking up a larger share of the company's business.

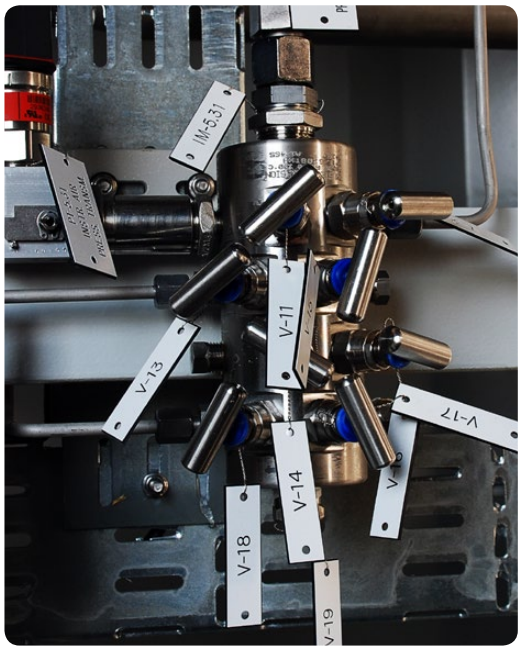
This change in the nature of contracts was, naturally, in line with declining turnover was reflected in a considerable growth of added value and its share of total turnover. In the last years, the share of added value in annual turnover was approximately over 50%, while seven years ago it was only 14%.

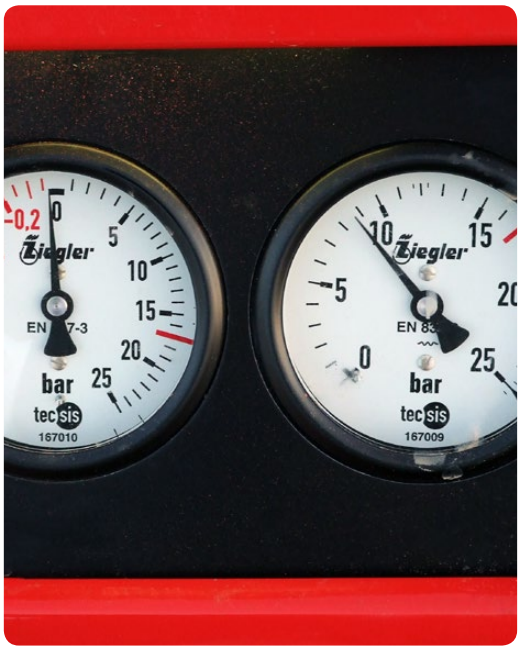
Nevertheless, in the fiscal year 2007/2008 the typical level of the turnover was significantly exceeded thanks to growth in exports of services, primarily to Israel. At that time the share of foreign sales increased to 43%.

This year the company has experienced an increase in turnover compared to the last year, mainly due to the opening of larger projects abroad, whose preparations were carried out in the past.

A considerable portion of the funds generated in the preceding years were invested in the renovation and expansion of the company's machinery and process equipment with the aim to increase its flexibility, primarily in additional services that the company offers outside the Czech Republic.

GOVERNING BODIES





Board of Directors
Representatives of the parent companies serve on the CEPS Board of Directors

Mr Pavel Jakoubek
Chairman

Mr Petr Crha
Vice-Chairman and CEO

Mr Jano Zvada
Director and CSO (Chief Sales Officer)

Mr Petr Pařízek
Director and CTO (Chief Technical Officer)

Supervisory Board
Composition of the Supervisory Board

Mrs Olga Tesařová
Chairperson

Mrs Daniela Jakoubková
Vice-Chairperson

Mrs Danuše Pařízková
Member

KEY PROFESSIONAL REFERENCES

ČEPRO, a. s., Praha, Czech Republic [fuel storage and pipelines operator]

E.ON Česká republika, s. r. o., Brno (former Jihočeská plynárenská), Czech Republic [gas distribution company]

JMP Net, s. r. o., Brno, Czech Republic [gas distribution company]

MERO ČR, a. s., Kralupy nad Vltavou, Czech Republic [oil pipeline company]

NET4GAS, s. r. o., Praha (former RWE Transgas Net), Czech Republic [transmission gas company]

Pražská plynárenská Distribuce, a. s., Praha, Czech Republic [gas distribution company]

RWE GasNet, s. r. o., Ústí nad Labem, Czech Republic [gas distribution company]

SMP Net, s. r. o., Ostrava, Czech Republic [gas distribution company]

VČP Net, s. r. o., Hradec Králové, Czech Republic [gas distribution company]

Gascontrol, s. r. o., Havířov, Czech Republic [pipeline contractor]

Glumbík, s. r. o., Ostrava, Czech Republic [pipeline contractor]

Kosogass, s. r. o., Říčany u Prahy, Czech Republic [pipeline contractor]

Moravský Plynostav, a. s., Rosice u Brna, Czech Republic [pipeline contractor]

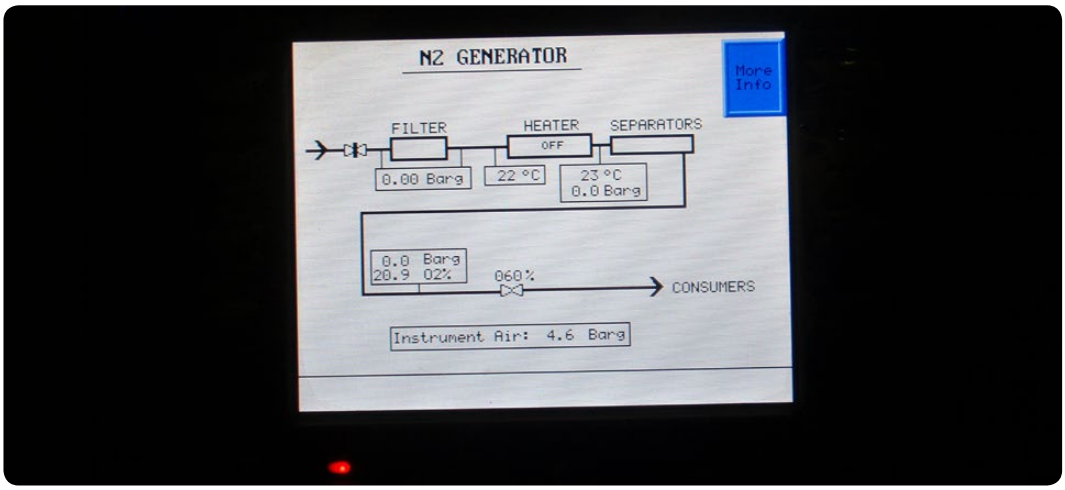
Plynostav Pardubice Holding, a. s., Pardubice, Czech Republic [pipeline contractor]

Stavby KÜHN, s. r. o., Praha, Czech Republic [pipeline contractor]

Streicher, s. r. o., Štěnovice, Czech Republic [pipeline contractor]

Výstavba plynovodů, s. r. o., Olomouc, Czech Republic [pipeline contractor]

Výstavba sítí Kolín, a. s., Nebovidy, Czech Republic [pipeline contractor]



ČEZ, a. s., Dukovany, Czech Republic
[nuclear power plant]

ČEZ, a. s., Temelín, Czech Republic
[nuclear power plant]

Ústav jaderného výzkumu Řež, a. s., Energoprojekt Division, Czech Republic
[nuclear research institute, its designing division]

Dálniční stavby, a. s., Praha, Czech Republic
[construction of motorways]

Metrostav, a. s., Praha, Czech Republic
[construction company]

Ředitelství silnic a dálnic, Praha, Czech Republic [national roads and motorways administration]

Avoin osakeyhtio Stroitransgaz sivuliike Suomessa, Kouvola, Finland
[pipeline contractor]

Chemo Aharon Ltd., Tel Aviv, Israel
[construction company]

Fasek Engineering and Production, GmbH, Brunn am Gebirge, Austria [engineering, planning and products for oil, gas and chemical industries]

Israel Electric Corporation Ltd., Tel Aviv, Israel
[national power company]

Israel Natural Gas Lines Company Ltd., Tel Aviv, Israel [national gas company]

LatRosTrans OAO, Riga, Latvia
[oil pipeline company]

Nafta Gbely, a. s., Gbely, Slovakia
[natural gas storage]

Petroliam Nasional Berhad (PETRONAS), Kuala Lumpur, Malaysia
[national gas and oil company]

PSJ Hydrotranzit, a. s., Bratislava, Slovakia
[pipeline contractor]

SEPS, s. r. o., Bratislava, Slovakia
[special services—pipelines and pressure vessels]

Slovenský plynárenský priemysel, a. s., Bratislava, Slovakia [national gas company]

Slovnaft, a. s., Bratislava, Slovakia
[refining and petrochemical company]

T. D. Williamson S.A., Nivelles, Belgium
[pipeline services]

TMM Engineering Services Sdn Bhd, Kuala Paka, Malaysia [pipeline services]

PROFIT AND LOSS STATEMENT

EUR '000	2011	2010	2009	2008	2007
Sales revenue	**2,724**	**2,421**	**2,760**	**4,382**	**2,320**
Change in inventory	85	69	25	49	– 54
Cost of goods sold	1,270	1,178	1,315	2,456	1,362
Operating expenses	84	71	125	136	– 15
Salary expense	1,162	1,105	962	994	723
Other expense	– 90	– 117	46	62	55
EBITDA	**382**	**253**	**288**	**686**	**249**
EBITDA %	14%	10%	10%	16%	11%
Depreciation	166	138	137	179	172
Operating profit	**216**	**114**	**151**	**507**	**77**
EBIT margin	8%	5%	5%	12%	3%
Financial expenses	– 25	– 34	– 21	28	19
Profit before tax	**191**	**80**	**171**	**479**	**58**
Income tax	36	17	33	66	32
Minority interests	0	0	0	0	0
Net profit	**156**	**63**	**139**	**412**	**26**
Net margin	6%	3%	5%	9%	1%

BALANCE SHEET

EUR '000	2011	2010	2009	2008	2007
Current assets	**1,165**	**859**	**1,243**	**1,914**	**339**
Inventories	200	147	63	128	105
Other receivables	0	0	0	0	0
Debtors	329	164	767	1,745	192
Trade AR	311	97	749	1,715	173
Other AR	18	67	18	29	19
Cash	636	548	414	42	42
Fixed assets	**1,373**	**1,140**	**869**	**972**	**949**
Fixed intangible assets and goodwill	9	8	9	13	8
Fixed tangible assets	1,364	1,131	860	959	942
Long-term financial investments	0	0	0	0	0
Deferrals	**15**	**17**	**16**	**11**	**10**
TOTAL ASSETS	**2,553**	**2,015**	**2,129**	**2,897**	**1,298**

EUR '000	2011	2010	2009	2008	2007
Short-term liabilities	**713**	**306**	**411**	**1,358**	**366**
Loans	0	0	0	0	167
Advance payments	431	0	0	0	0
Trade AP	75	48	71	1,025	57
Salaries, taxes and social security	206	221	172	330	137
Other	1	37	167	3	5
Long-term liabilities	**93**	**123**	**301**	**204**	**97**
Total liabilities	**805**	**429**	**712**	**1,562**	**463**
Minority interest	0	0	0	0	0
Shareholders' equity	**1,698**	**1,481**	**1,379**	**1,304**	**801**
Accruals	**50**	**105**	**37**	**32**	**35**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**2,553**	**2,015**	**2,129**	**2,897**	**1,298**

SUMMARY FINANCIALS

EUR '000	2011	2010	2009	2008	2007
Sales revenue	**2,724**	**2,421**	**2,760**	**4,382**	**2,320**
EBITDA	382	253	288	686	249
EBITDA %	14%	10%	10%	16%	11%
EBIT	216	114	151	507	77
EBIT %	8%	5%	5%	12%	3%
Financial expenses	– 25	– 34	– 21	28	19
Net profit	**156**	**63**	**139**	**412**	**26**
Net margin	6%	3%	5%	9%	1%

Related comments

[1] Vast majority of our turnover (over 99%) is generated by services

[2] Annually about 70% of our turnover is generated by reconstructions and repairs of the pipelines

[3] Our marketing expenses are rather very low, annually less than EUR 5,000

[4] Our R & D expenses reach about EUR 20,000 annually

[5] Our admin expenses reach about EUR 170,000 annually; we include rents, consumption of electricity, water and gas, IT services, security, postage and telephones into admin expenses

	2011	2010	2009	2008	2007
EUR 1.000	CZK 24.540	CZK 25.445	CZK 26.939	CZK 24.942	CZK 27.762

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About CEPS

Founded in 1999, CEPS a. s., provides its clients with comprehensive servicing of pipeline systems for the transport and distribution of gases, crude oil, oil products and chemicals. The company offers pipeline cleaning and drying, stress tests and hydraulic pressure tests, pipeline rehabilitation, repair and refurbishment, assessment of the service life and reliability of pipeline systems, and other services.

CEPS has been certified by Det Norske Veritas under ISO 9001:2008, ISO 14001:2004 and under OHSAS 18001:2007. The company has been certified in the GAS system for work on gas installations and steel pipelines without any limitations on size and pressure. The company's welding system has been certified under ISO 3834-2:2005. CEPS is a member of the prestigious professional organisations Czech Gas Association and Czech Association of Pipeline Contractors.

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