



CEPS a.s.

Centre of Excellence in Pipeline Services

ANNUAL REPORT 2011–2012



CERTIFIKOVANÁ
ORGANIZACE

2011–2012

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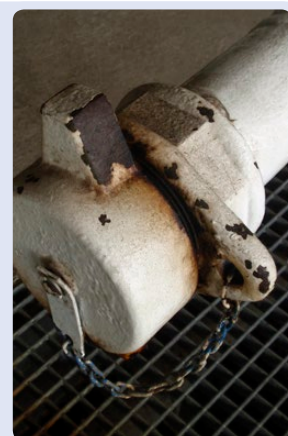
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COMPANY PROFILE

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], 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.

Even at present time CEPS continues to **closely cooperate with first-class scientific and R&D institutions**, in particular the Institute of Theoretical and Applied Mechanics, SVÚM Praha, Ústav plynárenství, koksochemie a ochrany ovzduší VŠCHT [VŠCHT's Department of Gas Technology, Coking Chemistry and Air Protection], ÚVP Praha, RCP Praha [company dealing with 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 power plants, 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.

CEPS since its foundation is a holder of permission for installation and repair of the [dedicated \(by Czech Technical Safety Act\) gas devices](#)—gas pipelines without limitation of pressure, reduction, regulation and compressor stations, appliances—and permission to carry out inspections and tests of dedicated gas devices, issued pursuant to Act No. 174/1968 by the organization of state professional supervision—Institute of Technical Inspection Praha. In the year 2011 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 in March 2011 and re-checked in March 2012.

Last year was 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 industry contractors known as the [GAS system](#). Recertification of the company CEPS in this system was successfully carried out in April 2012.

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:

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

Work for high-pressure pipeline operators and assembly organizations 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.

This year CEPS realized more than 20 cases of stresstests or pressure tests, cleaning, calibration and drying of the newly constructed sections of the pipeline prior to commissioning first of all the stresstest, cleaning, calibration and drying of inter-connection gas pipeline between Czech and Polish transmission networks DN 500 DP 63 [STORK](#) for the largest Czech operator of gas pipelines of the group B2—NET4GAS. Furthermore were carried out works like relocation of gas pipelines performed during construction of highways, roads

and rail corridors—for example relocation of gas pipeline DN 700 DP 63 in connection with the construction of the highway D3.

CEPS realized stresstest of improved gas pipeline 2× DN 500 leading through the area of dense development in the Měcholupy district of Prague for company Pražská plynárenská Distribuce [[regional distribution company](#)] and many other similar projects. We were preparing very intensively from the technical and organizational point of view for winning one of very prestigious tenders for stresstests, cleaning, calibration and drying of part of DN 1400 (56 in.) DP 85 [GAZELLE](#) gas pipeline.

The largest event in the [oil pipeline](#) business in the Czech Republic was another replacement of three valves at the oil pipeline [IKL](#) DN 700 DP 63, in which CEPS used to be the general contractor for

the work. In addition to that CEPS already routinely applies the emptying of part of oil pipeline and its decontaminating using a special detergent [Petrosol](#) to ensure a safe atmosphere inside the pipe when performing welding work. Thanks to this especially—extensive repairs of pipes running simultaneously at several places along the length of the pipeline—go much faster.

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.

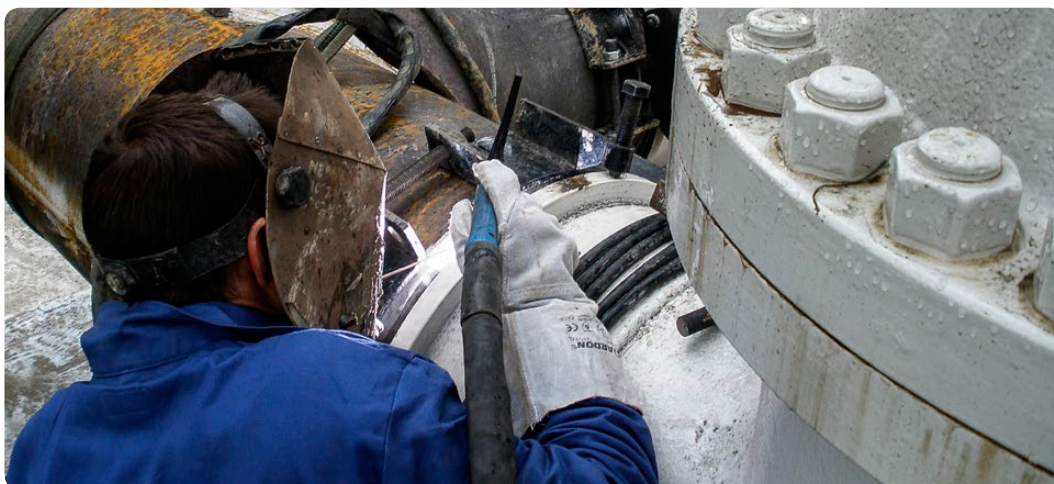
CEPS does not only fit these steel welded sleeves with composite filling but also it produces them as well. For strengthening of its position in this field CEPS conducted [development works on prototypes of non welded sleeves with composite fillings](#). In addition to the advantage of easy installation 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. For the same reason one of the largest pipeline operators in the world, Malaysia's Petronas expressed the interest in our type of steel-filled sleeves and has bought and certified several pieces for use on their grids.

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 another oil product pipeline DN 200 DP 63 this time with a length of 76 km. Before starting of extensive repairs of defects found during internal inspections, CEPS has again 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 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 six other shorter sections of oil product pipelines and pipe junctions were also prepared for the repair.

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 realized in our own [high pressure testing laboratory](#) equipped as for carrying out fatigue tests by cyclic changes in pressure load up to 600 bar and for destructive tests. In the last year among these tests were the most important [tests of samples from the German part of oil pipeline IKL DN 700 DP 63](#) for the purposes of assessing the residual life of pipelines that have been carried out by TÜV München.

We have started to work on the [Study regarding service life of Ethylene Pipeline Böhlen–Litvínov–Neratovice](#), which aim is to establish the necessary measures for safe and reliable operation of this nearly 40-year-old pipe DN 250 DP 63 in long-term time perspective.

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 [Láb](#) underground gas storage facility. During the year we made in [Poland](#) several dozen events of pressure tests or stresstests, cleaning and drying of realignment of gas pipelines DN 400 and DN 500 at the place of highway A1 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.

So far the first phase of the action took place 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](#).

The cleaned pipe was conserved by phosphate method and consequently used the process of inertization by nitrogen with a purity of 95% and a pressure of 3 bars. CEPS developed in cooperation with the Norwegian company Air Products [a unique mobile unit for membrane separation of nitrogen from atmospheric air](#) for inertization of pipeline. In spring 2012 biodegradation phases were completed and further works will continue in the second half of this year.



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,

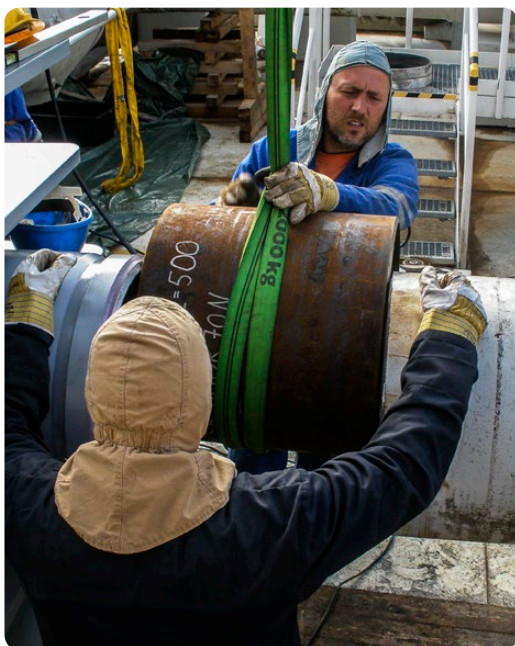
water pipes at nuclear installations) using T.D. Williamson hot tapping technology. Hot tapping can be used for joining branch pipes and also for installing metering taps and similar purposes.

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 blocking 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.

Stresstests 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, stresstests (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 stresstests is one of the options for reducing the distance separation between the gas pipeline and other structures, and CEPS therefore carries out several stresstests 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 that owns and operates already 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.

For more complicated drying of pipeline junctions CEPS operates several high-performance vacuum pumps for drying by deep vacuum technology. This technology is particularly suitable for knotty and uncleanable parts of pipeline where drying by extremely dry air would take a very long time.

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 flame (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 and engineering 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 transmission system. The measurements proved the benefits of pipe internal coating 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 lines were subjected to these measurements.

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 hot bends.

CEPS also 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 production of state-of-the-art pipes for high-pressure pipelines.

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

CEPS provides a [new service of pipeline inertization by nitrogen](#) with a purity of 90%, 95% or 98%. Inertization 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 inertized during a long shutdown—drying and subsequent filling by inertized 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.

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 high-pressure testing laboratory 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 laboratory. 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 cyclic loading 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 special machinery for performing the tests.

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 have their Head Offices in the service 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 and participated at events organised by the British Clarion Technical Conferences, the American Tirtsoo Technical, company Gas s. r. o., and the Association of Pipeline Contractors.

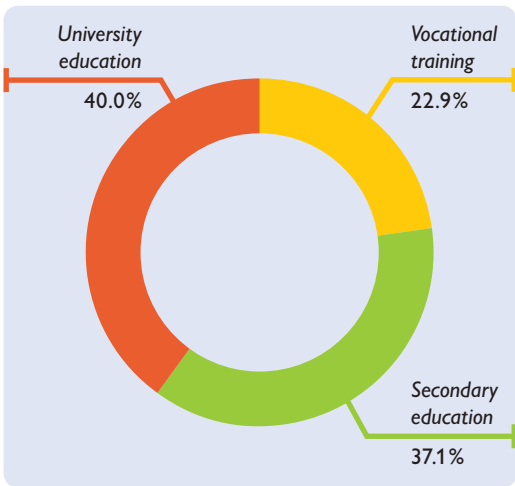
Since last year CEPS has been effectively involved in a project *Maintenance and professional growth of employees whose companies are members of the Association of Pipeline Contractors* that is financed by the European Social Fund and the state budget. CEPS will use this project not only to complement 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. During this year more our employees have gained international qualifications according to [EN 473:2008](#) for area of defectoscopy methods, in the range of visual inspection (VT), magnetic testing (MT) and penetration testing (PT). Employee structure by attained education illustrates the company's qualification policy.

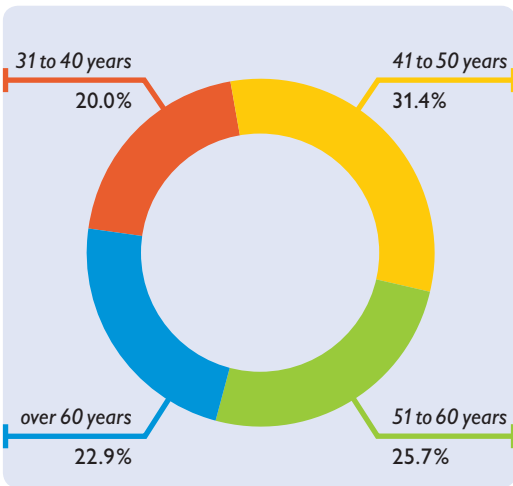
The company's management also focus on the gradual transfer of experience from the older to the younger generation. University students took their practical exercises at CEPS; the best of them then have an opportunity to rely on CEPS's technical and technological expertise and facilities when writing 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.

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.

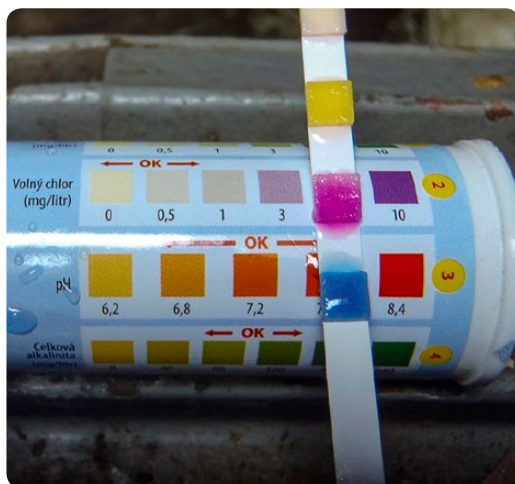
[11] Preferentially select subcontractors who are certified under ISO 14001 and environmentally-minded. Select suppliers of equipment and services that have an impact on the environment against the criteria that have been put in place, and continuously review their competences and qualifications.



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).

Man effort

The company had **35 employees** towards 31 March 2012.

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 2011/2012 amounted to **CZK 93.2 million**.

In the previous six years—with the exception of the business year 2007/2008 when the typical level of turnover significantly exceeded thanks to one-time increase in exports of services, mainly to Israel—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 eight years ago it was only 14%. This year the company has experienced **significant increase in turnover** compared to the last year, mainly due to the **realization 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 equipments with the aim to increase its flexibility, primarily in additional services that the company offers outside the Czech Republic.

Financial investments

On the 17 October 2011 company CEPS bought from current owners 100% shares of company **Energy Prague Holding, a.s.**—IČ 256 97 803—becoming its sole shareholder. Acquisition of shares resulted in an increase in fixed assets of CEPS by CZK 12 million. The company Energy Prague Holding is the owner of the Citoliby site where CEPS since its foundation is in lease and keeps its process equipment.

Bank references

Československá obchodní banka, Tábor branch
Raiffeisenbank, Tábor branch

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]

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

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

RWE Východočeská plynárenská, a.s., Hradec Králové, Czech Republic [gas distribution company]

RWE Severomoravská plynárenská, a.s., Ostrava, Czech Republic [gas distribution company]

RWE Západočeská plynárenská, a.s., Plzeň, Czech Republic [gas distribution company]

RWE Jihomoravská plynárenská, a.s., Brno, Czech Republic [gas distribution company]

RWE Středočeská plynárenská, a.s., Praha, Czech Republic [gas distribution company]

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

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

E.ON Jihočeská plynárenská, a.s., České Budějovice, Czech Republic [gas distribution company]

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

HOMOLA, a.s., Ostrava, Czech Republic [pipeline contractor]

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

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

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

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

Plynostav – Regulace plynu, a.s., Pardubice, Czech Republic [pipeline contractor]

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

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

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

UNIPETROL RPA, s.r.o., Záluží, Czech Republic [refining and petrochemical company]

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

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

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



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]

LatRosTrans OAO, Riga, Latvia

[oil pipeline company]

Israel Electric Corporation Ltd., Tel Aviv,

Israel [national power company]

Israel Natural Gas Lines Company Ltd.,

Tel Aviv, Israel [national gas company]

Chemo Aharon Ltd., Tel Aviv, Israel

[construction company]

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]

Nafta Gbely, a. s., Gbely, Slovakia

[natural gas storage operator]

PSJ Hydrotranzit, a. s., Bratislava, Slovakia

[pipeline contractor]

Fasek Engineering and Production, GmbH,

Brunn am Gebirge, Austria [engineering,

planning and products for oil, gas and chemical

industries]

Avoim osakeyhtio Stroitansgaz sivuliike

Suomessa, Kouvola, Finland

[pipeline contractor]

T. D. Williamson S.A., Nivelles, Belgium

[pipeline services]

T. D. Williamson Polska Sp. z o. o.,

Warszawa, Poland [pipeline services]

TMM Engineering Services Sdn Bhd,

Paka Dungan, Malaysia [pipeline services]

Petroliam Nasional Berhad (PETRONAS),

Kuala Lumpur, Malaysia

[oil and gas transmission system operator]

IMP PROMONT, d. o. o., Ljubljana, Slovenia

[pipeline contractor]

FINANCIAL STATEMENTS

PROFIT AND LOSS STATEMENT

EUR '000	2011/2012	2010/2011	2009/2010	2008/2009	2007/2008
Sales revenue	3,835	2,724	2,421	2,760	4,382
Change in inventory	– 15	85	69	25	49
Cost of goods sold	1,896	1,270	1,178	1,315	2,456
Operating expenses	90	84	71	125	136
Salary expense	1,333	1,162	1,105	962	994
Other expense	0	– 90	– 117	46	62
EBITDA	500	382	253	288	686
EBITDA %	13%	14%	10%	10%	16%
Depreciation	213	166	138	137	179
Operating profit	287	216	114	151	507
EBIT margin	7%	8%	5%	5%	12%
Financial expenses	– 16	– 25	– 34	– 21	28
Profit before tax	272	191	80	171	479
Income tax	53	36	17	33	66
Minority interests	0	0	0	0	0
Net profit	219	156	63	139	412
Net margin	6%	6%	3%	5%	9%

BALANCE SHEET

EUR '000	2011/2012	2010/2011	2009/2010	2008/2009	2007/2008
Current assets	881	1,165	859	1,243	1,914
Inventories	148	200	147	63	128
Other receivables	0	0	0	0	0
Debtors	339	329	164	767	1,745
Trade AR	319	311	97	749	1,715
Other AR	21	18	67	18	29
Cash	393	636	548	414	42
Fixed assets	1,855	1,373	1,140	869	972
Fixed intangible assets and goodwill	33	9	8	9	13
Fixed tangible assets	1,337	1,364	1,131	860	959
Long-term financial investments	485	0	0	0	0
Deferrals	17	15	17	16	11
TOTAL ASSETS	2,752	2,553	2,015	2,129	2,897

EUR '000	2011/2012	2010/2011	2009/2010	2008/2009	2007/2008
Short-term liabilities	1,009	713	306	411	1,358
Loans	21	0	0	0	0
Advance payments	289	431	0	0	0
Trade AP	184	75	48	71	1,025
Salaries, taxes and social security	285	206	221	172	330
Other	231	1	37	167	3
Long-term liabilities	53	93	123	301	204
Total liabilities	1,062	805	429	712	1,562
Minority interest	0	0	0	0	0
Shareholders' equity	1,687	1,698	1,481	1,379	1,304
Accruals	3	50	105	37	32
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,752	2,553	2,015	2,129	2,897

SUMMARY FINANCIALS

EUR '000	2011/2012	2010/2011	2009/2010	2008/2009	2007/2008
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	2011/2012	2010/2011	2009/2010	2008/2009	2007/2008
EUR 1.000	CZK 24.730	CZK 24.540	CZK 25.445	CZK 26.939	CZK 24.942



*Centre of Excellence in Pipeline Services. **CEPS.***



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, stresstests 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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