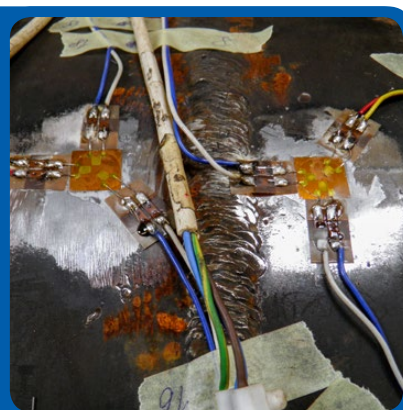




CEPS a.s.
Centre of Excellence in Pipeline Services

ANNUAL REPORT 2013–2014



2013–2014

CONTENTS

COMPANY PROFILE [\[3\]](#)

Core business [\[5\]](#)

Technical services overview [\[9\]](#)

Company structure [\[12\]](#)

Development of employees' skills [\[13\]](#)

Company's technical and technological capacities development [\[14\]](#)

Environmental profile [\[15\]](#)



BUSINESS DATA [\[17\]](#)

Share capital and ownership structure of the company [\[17\]](#)

Structural simplification of the group [\[17\]](#)

Liability [\[17\]](#)

Number of employees [\[17\]](#)

Annual turnover [\[17\]](#)

Bank references [\[18\]](#)

Statutory bodies [\[19\]](#)

Key professional references [\[20\]](#)



FINANCIAL STATEMENTS [\[22\]](#)

Profit and loss statement [\[22\]](#)

Balance sheet [\[23\]](#)

Summary financials [\[25\]](#)



COMPANY PROFILE

CEPS, public limited company, was established on 1 January 1999 as a subsidiary of two Czech companies, Český plynárenský servis, spol. s r. o., and SEPS a.s. Both parent companies had already been active in the field of reliability of high-pressure pipeline systems, gas and oil pipelines for many years. Many of their employees had a track record of more than 20 years in the field of pipeline systems reliability at the time. They had been involved in research works at the research and development base of the Czech gas industry, founded in Plynoprojekt Praha, since the seventies. As part of this research activity they cooperated not only with other top research centres such as the Institute of Theoretical and Applied Mechanics at the Czechoslovak Academy of Sciences, National Research Institute for Materials (SVUM) in Prague, Faculty of Mechanical Engineering at Czech Technical University in Prague, Institute of Chemical Technology in Prague or Institute of Fuel Research, but also with providers of applied measuring methods, for example with Modřany Power, ADA Plzeň, SVUSS (National Research Institute for Machine Construction) Prague, etc.

The parent companies transferred to CEPS all business related to high-pressure steel pipes, i.e., complete working teams, including the equipment. The

new company therefore received a **strong technical and engineering background** and, above all, **wide knowledge and expertise acquired both from research work** executed over the preceding ten years and from practical application of their results to specific high-pressure pipelines in the terrain. This makes possible to assess and maintain the reliability of pipeline system in a highly qualified manner right from its construction for over a number of years of operation.

On 1 April 2012 CEPS merged with both its parent companies, as well as with its subsidiary Energy Prague Holding, a.s. CEPS has become their single successor company.

Even at present time **CEPS continues to closely cooperate with first-class scientific and R&D institutions**, with the Institute of Theoretical and Applied Mechanics at the Academy of Sciences of the Czech Republic, SVUM Praha, Department of Gas Technology, Coke Chemistry and Air Protection in VSCHT Praha, Institute of Fuel Research (UVP) Praha, RCP Praha and the Czech Welding Institute in Ostrava, in particular.

Special technologies that CEPS normally applies to high-pressure gas pipelines, oil and other pipelines,



are used on other installations, for example on high-pressure water pipelines both in classic and nuclear power plants, or on high-pressure steam pipes and on other pipelines in chemical industry.

CEPS is a member of both prestigious national professional organisations, the [Czech Gas Association](#) and the [Association of Pipeline Contractors](#). In both organisations, CEPS's representatives are actively involved in activities of their working groups and management boards.

Since its foundation CEPS has been a holder of a [certification for installation and repair of the gas devices dedicated by Czech Technical Safety Act](#)—gas pipelines without pressure limitation, pressure reservoirs, pressure regulating and compression stations, appliances—and authorization to perform inspections and testing of dedicated gas equipments, issued according to the Act No. 174/1968 Coll. by the organization of the state professional supervision—Institute of Technical Inspection Praha. In the year 2011 CEPS also received [permission for manufacturing, installations, repairs and testing of mining dedicated technical gas devices](#), issued in accordance with the Act No. 61/1988 Coll. by the state mining supervision—Mining Office Board OBU Kladno.

The fact that our company is placing itself increasingly challenging demands resulted in the certification of our quality management system under [ISO 9001:2000](#) by the auditor [Det Norske Veritas](#) (DNV) in December 2002.

In 2005 CEPS developed an integrated management system and this comprehensive system was in February 2014 at the same time recertified by the auditor Det Norske Veritas according to [ISO 9001:2008](#), [ISO 14001:2004](#) and by [OHSAS 18001:2007](#). In 2014 the company will go through the recertification of welding system according to [ISO 3834-2:2005](#).

In February 2003, technical level of our company endorsed [certification for work on gas pipelines without dimension and pressure limitations](#) within the system of certification and registration of companies in the gas industry [GAS](#). Recertification of the company in this system was successfully completed 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 service of pipeline systems](#) intended for the transport and distribution of gases, crude oil and oil products, and other chemical substances, in particular the following:

- Stress-tests, hydrostatic pressure tests, and pipeline inspection;
- Pipeline cleaning and calibration after construction;
- Pipeline drying before commissioning;
- Nitrogen services;
- Pipeline rehabilitation after a long time of operation;
- Pipe repairs 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;
- Trouble-shooting in the case of occurrence of water in low-pressure and intermediate-pressure gas distribution pipeline network;
- Chemical cleaning of oil pipelines from paraffins without service interruption;
- Tests of pipe materials and qualified acceptance of pipes directly from manufacturers;
- Repair and renovation of above-ground pipeline structures crossing water streams and other obstacles;
- Interventions in pipelines under full operating pressure using TDW Hot Tapping and STOPPLE technologies;
- Measurement of hydraulic parameters of high-pressure natural gas pipelines in the course of operation;
- Assessment of the reliability and remaining life of pipeline systems; development of high-pressure pipeline reliability management systems;
- Safety and environmental analyses;
- Pipeline construction and its renovation;
- Emergency services.

Work for high-pressure pipeline operators and contractors accounts for more than 90% of the company's output. These services are mainly aimed at specialised operations on high-pressure pipelines that exceed the conventional technologies used by various companies in construction or repairs.

This year CEPS has run more than 13 cases of cleaning, calibration, stress-tests or pressure tests and drying of the newly constructed sections of the [gas pipelines](#) prior to commissioning. Furthermore, CEPS realised rehabilitation of an old gas pipeline DN 200 routed through the area of dense housing development in the Smíchov

district of Prague for the company Pražská plynárenská Distribuce. We have carried out drying of three complicated pipeline grids, local low-pressure grids in two cases and then the cleaning and drying of piping of the aquiferous underground gas storage Lobotice.

The largest domestic operation in the field of [oil pipelines](#) was emptying of the section DN 500 DP 64 of the oil pipeline [Družba](#) before carrying out tests and subsequent repairs. These works are done with a routine use of generators of pressure inerting nitrogen composition using the method of membrane separation of nitrogen from atmospheric air, we developed ourselves.

We have carried out a number of repairs of Družba DN 500 defects (found earlier by on-line inspection) using the [welded steel sleeves with composite fillings](#). CEPS does not only install these sleeves, but it is also their manufacturer. The application of steel sleeves is especially important in case of crack-type defects because sleeves with composites based on glass or graphite fibres are not safe for this type of defect. For the same reason one of the largest pipeline operators in the world, Malaysia's Petronas, expressed the interest in our type of steel composite-filled sleeves and has bought and certified several units for use on their grids.

Very extensive works were carried out also on the [oil product pipelines](#). Before starting the extensive repairs of defects found during on-line inspections, CEPS had again conducted the displacement of product and subsequent decontamination of pipeline by technology using a special detergent [PetroSol](#). We had fully mastered this technology in the preceding years and it has become the primary method for [ensuring the safety of works with open flame](#) (cutting, grinding and welding) at pipelines determined for transportation of flammable hydrocarbon liquids during their extensive repairs.

In addition to field works, CEPS also carried out many [tests checking technical condition and resistance against cyclic fatigue of pipe samples](#) removed from the pipeline after a long period of operation. These tests were run in our own [high-pressure testing laboratory](#) equipped both for carrying out fatigue tests by cyclic changes in pressure load up to 600 bar and conduction of burst tests.

We have worked out a project concerning reconstruction works and repairs of the [International Ethylene Pipeline Böhlen–Litvínov](#) with the aim to improve safety parameters of the pipeline in accordance to our previous *Study regarding lifetime of the Ethylene Pipeline Böhlen–Litvínov–Neratovice*, which aim was to establish 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 CEPS provides its services not only throughout the Czech Republic, but also abroad.

We have completed our biggest abroad operation—the large-scale project of [displacement, decontamination and conservation of 250 km long oil pipeline DN 700 in Latvia](#).



This oil pipeline had not been used for transportation for almost ten years and therefore its operator decided to empty, clean and to conserve the pipeline, so that it would not become the source of any safety or environmental risks and would be ready for the possible future transportation of other media. **About 100,000 tons of oil have been pushed out of the pipeline** and the pipeline was cleaned again by technology using a special detergent **PetroSol**, while **residual waste products were disposed on the site by bacterial biodegradation**. The cleaned pipeline was later conserved by phosphate method and subsequently filled by nitrogen with a purity of 95% and a pressure of 3 bars.

We have comprehensively verified the integrity of the 10 km long pilot section, which is basic for its further safe operation of any medium. There we carried out an **on-line inspection using water as a motion source of an inspection tool**. Based on this its results, the on-line inspection implementer identified several dozen places, where a cut out and/or a repair had to be executed on the pipeline. With regard to the fact that the fol-

lowing step was the validation of integrity of the pipeline by pressure reparations, which blocks out a number of otherwise dangerous defects, the number of necessary repairs decreased by 80%. Subsequently the pressure reparations (the exposure to inner overpressure up to the level of the yield strength) took place and the residual stress in the pipeline was eliminated and defects were stabilized. During the process of pressurization one of the defects, which resulted from a defective longitudinal weld during the pipeline manufacture, opened up. After its reparation, the pipeline successfully went through the leak test. The fact, that this defect (although being rather severe) had not been discovered by the on-line inspection was very interesting. This proves our long-standing belief, that **only the combination of an on-line inspection and further pressure reparation is the ideal method of the pipeline integrity verification after a long-time operation**.

We have worked out a project of oil displacement, decontamination and inertization of the parallel branch of oil pipeline DN 700, which goes both through **Latvian** and **Lithuanian territories**.





In the [Slovak Republic](#) we performed defects assessment on piping of Gajáry [underground gas storage](#).

In [Poland](#) we implemented the inertization of DN 500 and DN 200 pipelines before they were put into operation.

An action of great importance was carried out in [Russian](#) Tjumeni, where we removed paraffins from oil pipeline DN 500. This oil pipeline will be converted to diesel transportation and paraffins sediments, containing a significant amount of sulphur, would in contact with the diesel melt, which would make the transported sulphur-free diesel devalued. For a complete clean-up of pipelines from paraffins, we invented, in a close co-operation with the Institute of Gas Technology, Coke Chemistry and Air Protection at VSCHT Praha, a highly specialised and powerful detergent [PetroVic](#).

Together with our partner Russian company No-vyje technologii, we as one out of three applicants, participated in [operational testing](#), which were comparing individual formulas in real pipeline pilot sections in the length of [25 km](#). The first phase of testing took place in October, when climatic conditions were very favourable, the air temperature was around 20 degrees of Celsius, whereas the [February phase ran in -35°C](#).

The tests proved our agent [PetroVic](#) fully satisfying the operator's requests and showed its [high cleaning efficiency](#). Its great advantage is that the used solution with dissolved paraffins can be injected in crude oil which is being transported to a different pipeline, where it still continues to dissolve paraffin sediments. Finally, the crude oil containing the used solution can be processed in a refinery in a standard manner. The next application of our detergent is ready to take place in the next year.

TECHNICAL SERVICES OVERVIEW

Repair of pipelines defects detected by on-line inspection

Works on pipelines and oil product pipelines focus on assessing and repairing damages caused by operation and detected by on-line inspection. Cold sleeves, with the annulus filled by glass grit-epoxy resin based composite, are mainly used for repairs. Hundreds of these sleeves from DN 150 to DN 700 have been installed by CEPS; several dozen pieces are mounted on pipelines every year.

Providing conditions for local welding on gas, oil and other product pipelines

For the purpose of armature replacement (for example, in repairs of high-pressure gas, oil and other pipelines), CEPS ensures the conditions for welding using TDW STOPPLE technology; the company is also able to secure flushing pipes with nitrogen and remove crude oil from the working area, including environmental assistance.

Hot Tapping—pipe joining without service interruption

CEPS is able to join pipes under the full operating pressure (for example on gas and oil pipelines and other pipelines operated under pressure, e.g., water pipes at nuclear installations)

using TDW Hot Tap technology (drilling under pressure up to 100 bar). This Hot Tap technology can be used for joining branch pipes and also for installing metering taps and similar purposes.

Gas and oil product pipelines rehabilitation after long-term operation and assessment of the pipelines remaining lifetime

High-pressure gas pipeline rehabilitation and pipeline overload tests of oil product pipelines involve a comprehensive examination of their condition, and subsequent repair of the pipeline. This includes elimination of defects caused by long operation using a highly specialised method of overloading (pressure-induced defects stabilization), repair of pipeline coating and cathodic protection systems, armature replacement or overhauls of, for example, pipeline crossings over water streams and other obstacles, etc.

Stress-tests on newly constructed pipelines

To enhance the reliability of newly constructed steel pipelines during their future operation, CEPS carries out in accordance with the latest European technical standards, stress-tests (that



help to stabilise the pipes thanks to the effects of pressure overloading of pipe walls) on pipelines ranging from DN 50 to DN 1400.

The construction of pipelines from material featuring the high quality parameters in combination with stress-tests is also one of the ways to reduce the minimum distance between the gas pipelines and other constructions, company CEPS therefore carries out more than ten stress-tests every year.

Pipeline cleaning prior to commissioning

One of CEPS's standard services is also mechanical cleaning and pipelines calibration after their construction (made by any third-party building organization) and before their commissioning. In doing so, CEPS provides the future operator with a letter of guarantee warranting both perfect cleaning and a "clean" connection to the system, because after the pipeline cleaning, CEPS performs personal supervision until the final completion of the connection. CEPS is hired to provide these services by assembly companies on the basis of requests from gas companies—future operators that also apply this condition to

third-party investors. Company CEPS also provides these services to operators of other types of high-pressure steel pipelines, such as oil and other pipelines.

Drying of gas pipelines and process equipments

CEPS is the only Czech company that owns and operates extremely dry air generators, as many as three at present, which help to dry pipelines or other technological installations after construction or repair not only to the level of general European standards, i.e., temperature of the dew point of water in the air -20°C , but also, upon the operator's request, even to a level of -80°C . This method can be employed for both drying pipes and apparatus, and for example high-voltage electrical installations, which are before commissioning very sensitive to humidity.

For more complicated pipeline junctions drying, 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 excessively long time.



Our company helped to dry almost all high-pressure gas pipelines that were this year constructed or rehabilitated throughout the Czech Republic.

Crude oil/oil products pipelines decontamination after shutdown or before hydraulic retesting and extensive repairs

CEPS performs chemical cleaning and decontamination of pipelines that transport substances hazardous for the environment, such as oil pipelines, oil product pipelines and petrochemical pipelines, with a view to prevent possible future environmental damage. For this purpose, CEPS uses 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 the entire length of the repaired pipeline, which will significantly increase the speed and also safety of these works.

Nitrogen services— inertization of pipeline before commissioning, before its repairs or on the occasion of prolonged interruptions

CEPS provides a new service of pipe inertization by nitrogen with the purity of 90%, 93% or 95%. Inertization is done as a safety precaution before filling in the flammable media or before the pipeline is to be repaired, when it is necessary to secure the environment against ignition of flammable vapours. Moreover, the pipelines are also inertized during the prolonged shutdown, when its drying and subsequent filling by inert atmosphere reliably prevents the internal corrosion of the pipe that is not in operation. These services are provided to all operators of steel pipes, especially those that are intended for the transportation of flammable liquids or gases.

Pipe material tests

Company CEPS has been for a number of years cooperating with Arcelor Mittal (Nová huť, NH) Ostrava, the major Czech manufacturer of steel

pipes for the construction of high-pressure pipelines. In the period 2001–2003 CEPS through a grant from the Ministry of Industry and Trade participated in the research programme of NH Ostrava, which aim was to significantly increase the resistance of their manufactured pipes to the Stress Corrosion Cracking (scc).

CEPS conducted long-term tests of newly developed type of hot bends made from helically (spiral) welded pipes as a part of the development programme run by the manufacturer of pipe bends JINPO Plus Ostrava. CEPS also took part through a grant from the Ministry of Industry and Trade in research works dealing with the manufacture of High Strength Steel (HSS) pipes. These research works were successfully completed and their results are being put into practice in the production of modern tubes for high-pressure pipelines.

Measuring of hydraulic parameters of natural gas pipelines in the course of operation

Knowledge of exact values of pipeline hydraulic properties is one of the basic conditions for the proper design of the operating parameters of the gas pipeline at the designing stage and also for determining the working regimes in the control of the pipeline operation. In years 1996–1998, CEPS measured the hydraulic parameters of a newly constructed DN 1000 pipeline in more than 400 km long part of the transmission system. The measurements proved positive benefits of the internal coatings on the transport capacity of the gas pipeline. In late 2004 measurements on the same pipeline were repeated to check whether the favourable effect of internal pipe coating was unchanged, and at the same time were carried out measurements on an older pipeline of the same diameter, but without inner coating, to compare the operating parameters of the two types of pipes. In the following years measurements of southern lines DN 1000, DN 1400 and DN 800 were gradually conducted.

COMPANY STRUCTURE

The company is headquartered in the eastern industrial zone of [Jesenice near Prague](#). The CEPS's management and its technical-technological centre are located in the service building. There is also a special testing laboratory allowing, as the only one in the Czech Republic, to conduct the long-term testing of pipes under high pressure. Construction of this test facility and its commissioning is one of the major goals that the company has achieved in its technological development.

Some tests of steel fracture properties are also carried out in the test lab. The main focus of the test facility are tests of pipe bodies of “full dimension”, i.e. specimen length of 10D and more, which allow to evaluate the behaviour of pipes and their defects without any restrictive effects. The cyclic pressure load tests simulate the pipe life in the conditions of pressure variations for 20 to 50 years of operation. Results of tests allow evaluating the suitability of the pipe material for use in high-pressure systems, behaviour (development in time) of pipe defects, their effect on the operational reliability of the pipe and the reliability and stability of various systems for the repair of defects in the pipeline. The tests also

verify the possibility of carrying out the pressure overloading (pressure repARATION) on pipe samples, taken from the real operated pipeline. Testing laboratory equipment also enables to conduct pipes tests using overpressure and axial force straining the pipe up to the yield strength in biaxial stress state simultaneously. Pressure tests represent actual pipeline strain in unstable terrains, such as undermined or landslide areas, excavation sites etc.

Technical background of the company represents the base in [Cítoliby](#) near the town Louny in the Ústí nad Labem region (Northern Bohemia) and a small detached workplace of CEPS is located in Tábor (Southern Bohemia). At the Cítoliby base there is technological equipment for pipeline works stored. It involves tens of tons of material and equipment and apparatus for carrying out pressure test, pipelines cleaning and drying, e.g. over three hundred cleaning traps and pressure testing heads DN 50 to DN 1000, many sets of cleaning pigs, filling and high-pressure testing pumps, nitrogen generators, extremely dry air generators, compressors, heavy-duty vehicles, compressors, and other machinery.



DEVELOPMENT OF EMPLOYEES' SKILLS

The company management puts significant emphasis on the development of professional qualities of the personnel. This goal achieving is supported by continuous training of employees, by means of internal training schemes, as well as by the participation of our employees in top training courses and in postgraduate education system.

Professional qualification is increased by participation of our employees in a number of conferences, not only as participants but also as speakers. Our staff regularly participates in international colloquia on the reliability of pipelines, organized annually by the Czech Gas Association. Furthermore, our specialists attended lectures at major events organized by the British Clarion Technical Conferences, American Tirasoo Technical, company Gas Ltd. and Association of Pipeline Contractors.

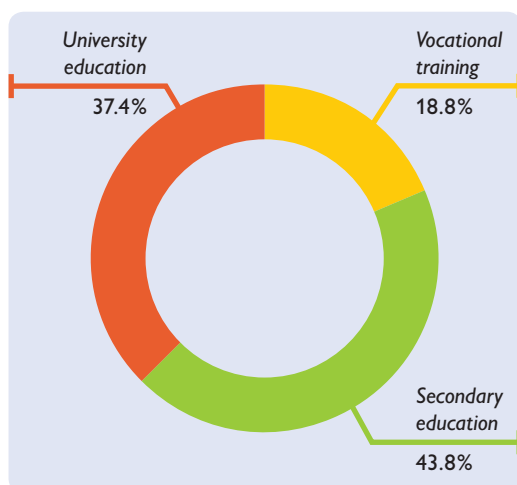
CEPS has been efficiently involved in three-year-long project *The maintenance and professional growth of employees, whose companies are the Association of Pipeline Contractors members* financed by the European Social Fund and the Czech State Budget. CEPS has used this project not only to complement the conventional skills of its employees, but also it has been mainly focused on the broadening of certified high-skilled expertise,

the acquisition of which is otherwise financially extremely demanding. During this project, many of our staff gained international qualification according to [EN 9712](#) for the area of defectoscopy methods ranging from Visual Testing (VT), Magnetic Testing (MT) to Penetration Testing (PT), and Welds radiograms assessment (RTW).

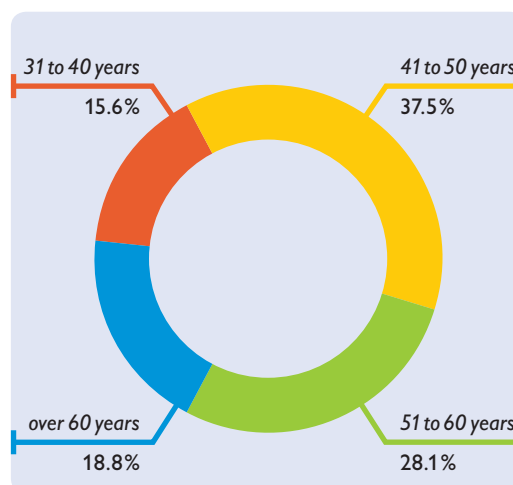
The company employees' structure, which is reflecting the attained education, documents the company's qualification policy.

The company's management puts emphasis also on the gradual transfer of the experience from the older employees to younger ones. University students regularly attended professional practice at CEPS, and the best of them then had the opportunity to use the expertise and technical background of the company CEPS when writing their diploma theses, for which the company gave the specific technical or economic inputs. The results of these theses (in the field of mechanical engineering, chemistry—gas industry and the economy) the company uses in its other activities. The best of those university graduates, whose professional growth CEPS was involved in, then had the opportunity to join the company and now they work in very responsible positions.

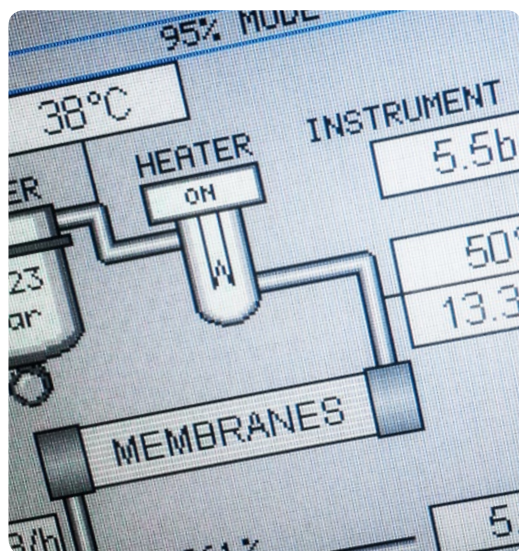
Employee structure by education



Employee structure by age



COMPANY'S TECHNICAL AND TECHNOLOGICAL CAPACITIES DEVELOPMENT



The resources produced in previous years, were this year again to a large extent invested into the modernization and development of machinery and technological equipment of the company. This process will continue and the significant completion of company's technological equipment is to take place in the following year.

Investment opportunities were also supported by a grant, which CEPS gained from the [Operational program Entrepreneurship and innovation](#) – the Innovation program – the Innovation project – prompt IV. – Number 4.1 IN04/944. In the terms of this grant a [technological line for high-pressure inertization solution](#) was secured. Technology of this system was based on a prototype unit, which CEPS had developed and manufactured at its own expense in 2012. The new device has significantly higher performance parameters. Out of several applicants, only one Czech company Acstroje, s.r.o. fulfilled conditions of this tender. During less than two-year-time, all components were manufactured, delivered and successfully tested, it was put into commercial operation in October 2013. Total costs of inert technology implementation exceeded [CZK 35 million](#), while half of the amount was covered by the grant and CZK 18 million CEPS paid at its own expenses.

At the end of this fiscal year CEPS gained the second grant from the same operational program. The target is to get [high performance pump enabling substitute drive of smart pigs during on-line inspection](#) of such pipelines, where required speed of the tool is impossible to reach by the transported media flow. CEPS had already examined this substitute drive technology in previous years in Poland and Latvia. Required parameters of pumps in the grant should enable spare drive of MFL pigs in pipelines to DN 700, including demanding mountain conditions. The grant will cover half the expenses of the pumps purchase, CEPS will pay the second half at its own expenses.

The company has also been [active in research a development](#) activities. [New cleaning solution for removal of paraffinic sediments from oil pipelines](#) has been developed in cooperation with the Institute of Gas Technology, Coke Chemistry and Air Protection at VSCHT Praha. Its composition has been optimized after a series of tests. The final product, [PetroVic](#), was then immediately used for the oil pipeline in Russian Tjumeni (see page 8). Another modification of [PetroVic](#) has been developed for works on a different oil pipeline with a different paraffin composite.

The results of research into creep L 360 steel, which were conducted in cooperation with the Institute of Theoretical and Applied Mechanics at the Academy of Sciences CR two years ago, were [the base of methodology for the calculation of tests of pipeline tightness according to TPG 702 04](#). The main author of this very modern [national standard](#) was the technical director of CEPS Ing. Petr Pařízek. The presentation of fracture-mechanic measurement, which was run in cooperation of CEPS and UTAM, has been accepted as a poster at the international congress of gas industry research, which will be held in Copenhagen from 17 to 19 September. An article describing this project, published by colleagues from UTAM in the *Plyn* magazine, was honoured a prestigious [Prof. Rudolf Riedl Award](#), which is granted by Czech Gas Association to [exceptional contributively scientific works](#).

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, pressure-induced repair, and pipeline repair, and always proceed so as to prevent soil, groundwater and surface water contamination.

Not to 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.

BUSINESS DATA

Share capital and ownership structure of the company

Company was established with a registered capital of 1 million CZK, in which both parent companies were equally involved. The financial results of the company for the year 2000 made possible to increase its share capital using the company's funds to CZK 3,000,000 in mid-2001 and in 2002 to **CZK 5,000,000**. In accordance with the project of the domestic mergers between companies in the group, which is accessible in company's collection of documents by the Commercial Court at Prague, the shares are divided among five shareholders, natural persons.

Structural simplification of the group

On 1 April 2012, all four financial holding companies were merged by fusion, namely CEPS a. s., its parent companies Český plynárenský servis, spol. s r. o. (ČPS) and SEPS, a. s., and the subsidiary company Energy Prague Holding (EPH), a. s. CEPS is a successor of ČPS, SEPS and EPH. The entire project of intra-national merger according to Act No. 125/2008 Coll. is accessible in collections of documents of all four companies, published in the Commercial Register. The reason for the merger was simplification of the

organizational structure, establishment of a more efficient management system and an overall reduction in the administrative burden, including financial and billing relations.

Liability

CEPS is insured with a German insurance 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).

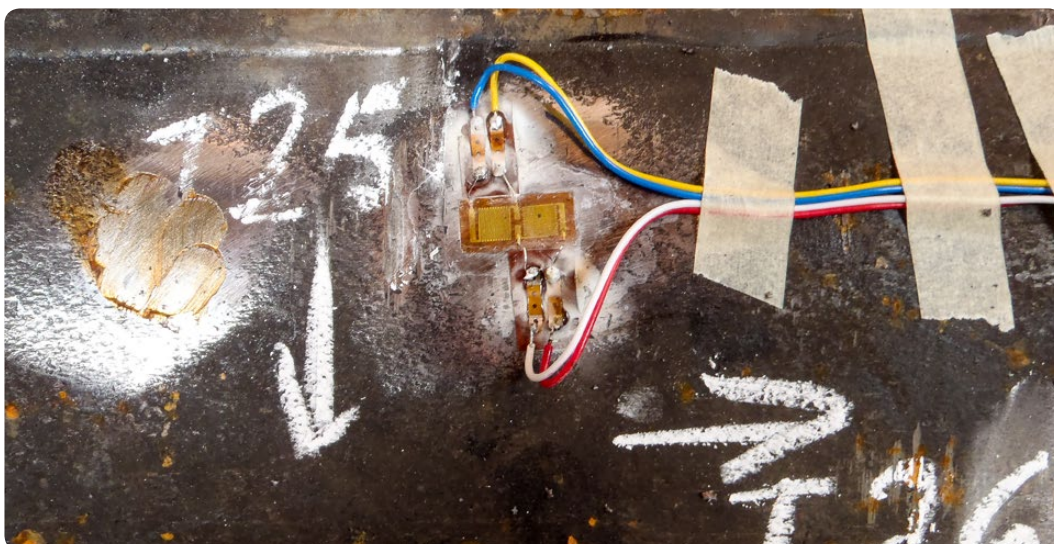
Number of employees

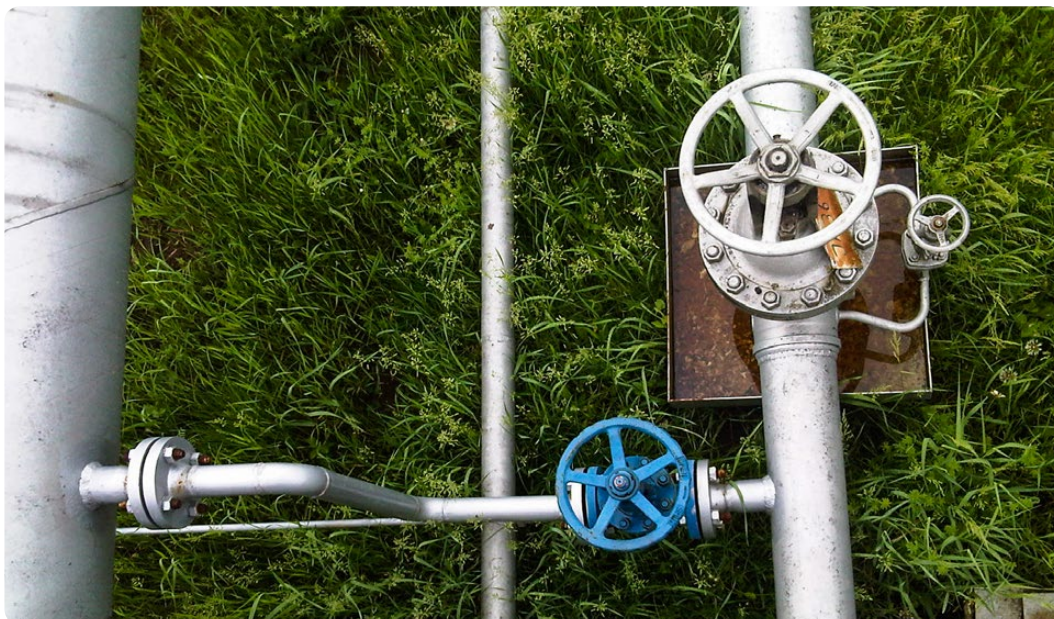
The company had **32 employees** towards 31 March 2014.

Annual turnover

Company 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 2013/2014 amounted to **CZK 121 million** (ca 4.96 million EUR).

In the last five years the **annual turnover has had a growing tendency**, moreover, the **share of the added value has been rising simultaneously**.





The growth of the added value is a consequence of a fundamental change in the concept of contracts. While in the first three years of CEPS's existence, the company was only building on its parent companies activities and was mainly a general contractor of pipelines rehabilitation; in the following three years it gradually started to concentrate on the delivery of services in main field of its business. Although it caused, naturally, the decline of the turnover, it was positively reflected in a considerable growth of added value both in absolute figures and in its share in the total turnover, which has risen from 14% almost three times.

In that period, with a single 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), annual turnover ranged from CZK 60 million to CZK 70 million, while the added value share reached 50%.

Since 2010/2011 the essential contribution of the [introduction of new technologies and services](#), resulting from our own research a development, has

been apparent. Already in 2011/2012 the annual turnover reached the point of CZK 100 million, which was significantly exceeded in the following year, primarily due to the realization of large-scale projects both abroad and at home. The preparation of these projects, particularly in terms of technical equipment, took place during the past.

In 2013/2014 the level of turnover showed a slight decline, but [the added value was over CZK 100 million and its share was more than 60%](#). The resources produced in previous years, were this year again to a large extent [invested into the modernization and development](#) of machinery and technological equipment of the company (see page 14). The aim of this strategy is to increase its flexibility, especially when offering works abroad in future. This process will continue and the significant completion of company's technological equipment is to take place in the following year.

Bank references

[Československá obchodní banka \(CSOB\)](#), Tábor
[Raiffeisenbank](#), Tábor

STATUTORY BODIES



The **Board of Directors** consists of

Ing. Pavel Jakoubek, CSc.

Chairman and Director of Market Development

Ing. Petr Crha, CSc.

Vice-Chairman and CEO

Ing. Jano Zvada

Member of the Board and Director of Technology Development

Ing. Petr Pařízek

Member of the Board and Chief Technical Officer

The **Supervisory Board** consists of

Ing. Olga Tesařová

Chairperson

Ing. Daniela Jakoubková

Vice-Chairperson

Danuše Pařízková

Member of the Supervisory Board

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 [Road and Motorway Directorate of the Czech Republic]

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 station]

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

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 osakeyhtiö Stroitransgaz 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]

Petroliaam Nasional Berhad (PETRONAS), Kuala Lumpur, Malaysia [oil and gas transmission system operator]

IMP PROMONT, d.o.o., Ljubljana, Slovenia [pipeline contractor]

Novyje Technologii ZAO, Moskva, Russia [pipeline services]

FINANCIAL STATEMENTS

PROFIT AND LOSS STATEMENT

EUR '000	2013/2014	2012/2013	2011/2012	2010/2011	2009/2010
Sales revenue	4,961	6,567	3,835	2,724	2,421
Change in inventory	212	45	– 15	85	69
Cost of goods sold	2,062	2,066	1,896	1,270	1,178
Operating expenses	679	170	90	84	71
Salary expense	1,532	1,469	1,333	1,162	1,105
Other expense	0	0	0	– 90	– 117
EBITDA	900	2,907	500	382	253
EBITDA %	18%	44%	13%	14%	10%
Depreciation	313	239	213	166	138
Operating profit	587	2,668	287	216	114
EBIT margin	12%	41%	7%	8%	5%
Financial expenses	91	14	– 16	– 25	– 34
Profit before tax	678	2,681	272	191	80
Income tax	201	501	53	36	17
Minority interests	0	0	0	0	0
Net profit	477	2,181	219	156	63
Net margin	9%	33%	6%	6%	3%

BALANCE SHEET

EUR '000	2013/2014	2012/2013	2011/2012	2010/2011	2009/2010
Current assets	2,351	3,659	881	1,165	859
Inventories	366	257	148	200	147
Other receivables	0	0	0	0	0
Debtors	416	2,343	339	329	164
Trade AR	391	2,315	319	311	97
Other AR	25	27	21	18	67
Cash	1,569	1,059	393	636	548
Fixed assets	1,710	1,874	1,855	1,373	1,140
Fixed intangible assets and goodwill	18	24	33	9	8
Fixed tangible assets	1,692	1,850	1,337	1,364	1,131
Long-term financial investments	0	0	485	0	0
Deferrals	33	13	17	15	17
TOTAL ASSETS	4,094	5,546	2,752	2,553	2,015

EUR '000	2013/2014	2012/2013	2011/2012	2010/2011	2009/2010
Short-term liabilities	859	2,217	1,009	713	306
Loans	336	187	21	0	0
Advance payments	12	411	289	431	0
Trade AP	87	762	184	75	48
Income and other taxes, salaries, health and social security	365	716	285	206	221
Other	58	142	231	1	37
Long-term liabilities	80	68	53	93	123
Total liabilities	939	2,285	1,062	805	429
Minority interest	0	0	0	0	0
Total equity	3,141	3,255	1,687	1,698	1,481
<i>Registered capital</i>	182	194	194	194	194
Reserves	0	0	0	0	105
Accruals	14	6	3	50	105
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4,094	5,546	2,752	2,553	2,015

SUMMARY FINANCIALS

EUR '000	2012/2013	2012/2013	2011/2012	2010/2011	2009/2010
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	2013/2014	2012/2013	2011/2012	2010/2011	2009/2010
EUR 1.000	CZK 27.440	CZK 25.735	CZK 24.730	CZK 24.540	CZK 25.445



*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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