

ANNUAL REPORT 2018–2019



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COMPANY PROFILE

CEPS, a joint-stock company, was established on January 1, 1999, as a subsidiary of two Czech companies, Český plynárenský servis, spol. s r. o., Tábor, and SEPS, a. s., Praha.

Both parent companies had been active for many years in the field of reliability of highpressure pipeline systems, gas, oil and oil products pipelines. Many employees had a track record of more than 20 years in the field, because they had been involved in research works at the Research and Development Centre of the Czech gas industry (founded in Plynoprojekt Praha). As a part of this research activity they cooperated not only with other top research centers such as the Institute of Theoretical and Applied Mechanics (ÚTAM) at the Academy of Sciences the Czech Republic, National Research Institute for Materials (SVÚM) in Prague, Faculty of Mechanical Engineering at Czech Technical University in Prague, University of Chemistry and Technology in Prague (UCT) or Institute of Fuel Research, but also with the departments of applied measuring methods,

for example with Modřany Power, ADA Plzeň and others. The parent companies transferred to CEPS all business related to highpressure steel pipes, i.e., complete working teams, including the equipment. The new company therefore received strong technical and engineering background and, above all, wide knowledge and expertise acquired both from research work executed over the preceding years and from practical application of their results to specific high-pressure pipelines in the terrain. This makes possible a highly qualified assessment and maintaining of reliability of pipeline systems.

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

Currently, CEPS cooperates closely with top scientific, research and development institutes, in particular the ÚTAM Academy of Sciences of the Czech Republic, the Institute of Gaseous and Solid Fuels and Air Protection and the Institute of Petroleum and Alternative





Fuel Technology in Prague, the Research Institute of Building Materials in Brno, the ÚVP Prague or the RCP Prague.

Special technologies that CEPS normally applies to high-pressure gas, oil and product pipelines, are also used on other installations, for example on high-pressure water pipelines both in classic and nuclear energy industry, or on high-pressure steam pipes and on other pipelines in chemical or petrochemical industry.

CEPS is a member of both prestigious national professional organizations, the Czech Gas Association and the Association of Pipeline Contractors. In both organizations, CEPS's representatives are actively involved in activities of their working teams and management boards. In January 2017 CEPS also entered the prestigious international association The Pigging Products and Services Association.

Since its foundation CEPS has been a holder of a certification for installation and repair of the dedicated (by Czech Technical Safety Act) gas devices – gas pipelines without any pressure limitation, pressure regulating and compression stations, appliances – and authorization to perform inspections and testing of dedicated gas equipment, issued according to the Act No. 174/1968 Sb. by the organization of the state professional supervision – the Institute of Technical Inspection Praha (now Technical Inspection of Czech Republic –TIČR). In 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 Sb. by the state mining supervision, the Mining Office Board OBÚ Kladno.

The fact that our company still faces itself with increasing demands resulted in the certification of our quality management system under ISO 9001:2000 by the auditor Det Norske Veritas (DNV) in December 2002. CEPS step by step introduced an integrated management system and this comprehensive system was in February 2017 at the same time recertified by the auditor Det Norske Veritas according ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007.

In June 2016 the company ran through the recertification of welding system according ISO 3834-2:2005, another recertification is to take place in 2021. In April 2016, 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 Czech gas industry GAS. Recertification of the company in this system will take place in April 2022.

In August 2010, CEPS was successfully 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 transportation and distribution of gases, crude oil and oil products, and chemical substances; in particular, the following:

- displacement, cleaning and decontamination of pipelines for oil and oil product transport before testing, repair or shutdown of operation
- chemical cleaning of oil pipelines from paraffin including production of special cleaning agents
- off-line inspection of high-pressure pipelines by inspection tools run by water flow, or a combined hydropneumatic method
- stress-tests, hydrostatic pressure tests, and pipeline inspection
- pipeline cleaning and calibration after construction
- drying of pipelines and piping networks before commissioning
- pipe defects fixing without service interruption using repair sleeves and other methods
- controlled overload tests of pipelines intended for hazardous liquid transportation

- pipeline revalidation after a long time of operation, remaining lifetime assessment and pipeline integrity verification
- nitrogen services inertization of pipelines and technological equipment up to the pressure of 25 bar
- measurement of hydraulic parameters of high-pressure natural gas pipelines during standard operation
- trouble-shooting in case of water occurrence in low-pressure and intermediate-pressure gas distribution pipeline networks
- repairs and renovation of above-ground pipeline sections, water crossings and other structures
- interventions in pipelines under full operating pressure using TDW Hot Tapping and TDW STOPPLE technologies
- pipeline construction and renovation
- pipeline reliability assessment and development of high-pressure pipeline reliability management systems
- safety and environmental analyses

Work for high-pressure pipeline operators and contractors accounts for more than 90% of the company's turn-over. These services are focused on specialized operations on high-pressure pipelines rather than conventional construction or repair technologies.

During the past period, CEPS in the Czech Republic has carried out 25 jobs of cleaning, calibration, stress tests or pressure tests and drying of newly built gas pipeline sections before commissioning. At the same time, pressure tests of the existing pipeline DN 200 Nové Město – Potěhy for ČEPRO, a. s., were also carried out, in the length of 7 km. During the year, CEPS won three large tenders for pressure tests, cleaning and drying of pipings of compression stations in Jirkov and Lakšárská Nová Ves and metering station Hora Svaté Kateřiny for companies Inžinierske stavby, a. s. (now COLAS Slovakia, a. s.), Eustream, a. s., and consortium of Strabag, a. s., and PSJ Hydrotranzit, a. s., Most of the work on these buildings will be carried out in 2019.

A total of 4 emptying and decontamination

jobs before carrying out subsequent tests and/or pipeline repairs were carried out in on the Czech gas and refined product pipelines using a special PetroSol detergent. These works are underway with the already routine deployment of our developed technological chain for the production of inertizing nitrogen mixture. In February 2018, CEPS won the competition of Synthos Kralupy, a.s., for emptying, decontamination and drying of the 71 km pipeline transporting ethylbenzene. In this financial year the work has been only half completed.

For MERO, a.s., GridServices, s.r.o., and E.ON Distribuce, a.s., we carried out

a number of evaluations of defects and repairs of the DN 500 Druzhba pipeline and other pipelines DN 600 and DN 500 after internal inspections by installing welded steel clamps with composite filling without decommissioning. CEPS manufactures, installs and in the case of remote destinations also sells these sleeves as a separate product. In autumn 2018 CEPS won the Mero, a. s., tender for the installation of DN 700 and DN 500 steel sleeves for the period of 2019–2022.

The application of steel sleeves is extremely important especially in the case of crack-type defects, as using of composite sleeves using glass or carbon fibres is not safe for this type of defects. This view, presented by a number of world-class experts, we have confirmed our own experiments and developed our own steel sleeves filled with composites, which one of the largest pipeline carriers in the world, Malaysian Petronas, has already purchased and certified for use on their



networks. In 2017, the verification of these steel sleeves for the "design" phase according to ASME B.31.4 by DNV GL UK Limited was successfully done.

We have repaired the DN 400 pipeline in France For SIDC Pipelines Services S.A. using composite sleeves. The customer requested this type of sleeve to reduce the time of the pipeline shutdown.

CEPS succeeded in the GasNet, s.r.o., tender for the off-line inspection of the 67 km of DN 500 Sviňomazy – Vřesová high pressure gas pipeline. In 2018, an inspection was carried out on the 21 km section Sviňomazy – Teplá. On the section Teplá – Vřesová the work will be carried out in summer 2019. The primary objective of the inspection is to clean the pipeline from the deposits of a fine greasy dust, cut out geometric defects and conduct an inspection using a combined ultrasonic tool that will allow the detection of corrosion loss and cracks. At the same time, CEPS also succeeded in the tender of SEPS company for the off-line internal inspection of the unoperated pipeline DN 400 Budkovce – Vojany in the length of 11 km, owned by Slovak Transpetrol, a. s. During this inspection, the combined inspection tool TFI+MFL was propelled through the pipeline. In February 2018, CEPS won a tender of Vršanská uhelná, a. s., to conduct an off-line inspection of a new pipeline section in the length of 5 km before connection to the existing ethylbenzene pipeline. The work was only half completed in this financial year.

In addition to field work, CEPS also carried out a number of tests on tube samples. These were mainly tests of spool samples taken from DN 500 pipelines in Poland for TSG Brudnik Sp. z o. o. The aim of the tests was to determine their real load carrying capacity with a focus on the circumferential weld.



TECHNICAL SERVICES OVERVIEW

Off-line internal inspection

Several years ago, CEPS started to use the technology of the off-line inspection of steel pipelines. Under normal conditions, smart pigs are drifted by the flow of the transported media. In many cases, it is not possible to reach required velocity of the inspection tool in the pipeline by the flow of the transported media due to low offtake at the end of the pipeline and its flow speed is too low, or to the fact, that the flow is discontinuous. Sometimes the pipeline to be inspected is empty. CEPS alternatively offers off-line inspection, when the pipeline is shut down for a short time (few days). It is cleaned; and the inspection tool is propelled through the pipeline by water flow or in water batch. Pipelines used for liquid hydrocarbon transportation, or containing an odorant must be prior to the inspection thoroughly cleaned, so that the water, used for the inspection tool drive

is not contaminated. Off-line inspection can be performed by all commonly used types of inspection tools. CEPS has already used MFL, TFI and UT (ultrasonic) tools.

The use of water for off-line inspection brings in the case of gas pipelines an essential advantage – it is possible to use ultrasound tools that beside the wall thickness loss due to corrosion also enable the good detection of cracks and laminations including their sizing, that is not possible during on-line inspection in gaseous environment.

CEPS performed its first off-line inspection in 2007 on a DN 150 pipeline in Belgium, two more projects took place in Poland on DN 200 and 300 pipelines, one on DN 700 in 2014 in Latvia, one in 2015 in Slovenia and in 2016 also in the Czech Republic on DN 300 and DN 600 pipelines.





Pressure tests and stress-tests on newly constructed pipelines

CEPS executes hydraulic pressure test of pipelines in accordance with all common international and national standards. Our company has at the disposal a complete equipment for carrying out all tests, as well as pigs and pressure heads, filling and pressure pumps satisfying the requirements for works on pipelines up to DN 1400 (56 in.) and very accurate measuring equipment based on most modern electronic systems. To enhance reliability of newly constructed steel pipelines during their future operation, CEPS carries out, in accordance with the latest European technical standards, stresstests 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 several stress-tests every year.

Pipeline cleaning and calibration prior to commissioning

CEPS provides mechanical cleaning and pipelines calibration after their construction. 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 contracted to provide these services by construction companies, which are given the request directly from gas companies (future operators), who apply the condition of cleaning and supervision also to third-party investors. Pipelines cleaning is also provided to operators of other types of high-pressure steel pipelines, such as oil and other product pipelines.

Drying of gas pipelines and process piping before commissioning

CEPS is the only Czech company that owns and operates extremely dry air generators, as many as three at present, which help to dry pipes or other technological installations after construction or repair not only to the level of general international 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 prior to commissioning 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 pipeline knots and other uncleanable parts of pipeline where drying by extremely dry air would take excessively long time. CEPS helped to dry almost all high-pressure gas pipelines that were constructed or rehabilitated throughout the Czech Republic.

Displacement of flammable gases and liquids by means of inertization mixture

CEPS provides safe displacement of flammable liquids and gases of the pipelines by means of inertizing nitrogen based mixture. This mixture is made at the place by mobile nitrogen generators, which work on the principle of membrane separation of nitrogen from the atmospheric air. Due to maximum operational pressure of 25 bars, we are able to empty the oil or product pipeline also in a rather mountainous terrain. CEPS has at disposal three inertizing units, each of them of power 1100 m³ per hour. Nitrogen concentration in the mixture is up 95%.

Crude oil/oil products pipelines chemical cleaning after shutdown or before tests and extensive repairs

CEPS performs chemical cleaning and decontamination of pipelines that transport hydrocarbon 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. Since 2007, when we used the technology for the first time while changing 32 pipes of the oil pipeline Druzhba (performed in less than 90 hours), chemical cleaning has become 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 significantly increases both the speed and safety of these works. At the same time the total costs of these repairs can be decreased.

Chemical cleaning of pipelines and technical equipment (cleaning of asphaltic, paraffinic and resinous residues)

In cooperation with The Department of Gas Technology, Coke Chemistry and Air Protection in University of Chemistry and Technology Prague, CEPS has developed PetroVic, a very efficient deparaffination agent. The big advantage of it is possible to inject the used agent back into the same or the other crude oil pipeline, where it continuous to remove the deposits. In the end, the crude oil





including the agent can be normally processed in refinery. CEPS is both manufacturer and supplier of PetroVic.

Nitrogen services – inertization of pipeline before commissioning, before its repairs or at the occasion of prolonged interruptions

CEPS provides the 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 gases or vapors. Moreover, the pipes 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. We prepare this mixture on site in mobile nitrogen units.

Repairs of pipelines defects detected by on-line inspection

Works on pipelines and oil product pipelines focus on assessing and repairing damages caused during the operation and detected by on-line inspection. Cold steel sleeves, with the annulus filled by glass grit–epoxy resin based composite, are mainly used for repairs. We have installed more than thousand of these repair sleeves on pipelines of various sizes from DN 150 to DN 700; several dozen pieces are mounted on pipelines every year. CEPS frequently supplies the sleeves even to extremely distant localities. In such cases, we also train local service companies to install them.

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

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

Creation of safe conditions for local repairs on oil, gas and refined product pipelines

For line valve replacement on high pressure oil, gas and refined product pipelines CEPS provides safe conditions for this work using TDW STOPPLE technology (without pipeline shut-down) and it is also able to provide local inertization with product draining including ecological assistance.



Pipe material tests

For a number of years CEPS has been cooperating with Arcelor Mittal (Nová huť, NH) Ostrava, the major Czech manufacturer of steel pipes for the construction of highpressure pipelines. In the period 2001–2003 CEPS through a grant from the Ministry of Industry and Trade participated in the research program of NH Ostrava, which aim was to significantly increase the resistance of their manufactured pipes to the Stress Corrosion Cracking (SCC).

CEPS also conducted long-term tests of newly developed type of hot bends made from spiral welded pipes as a part of the development program run by the manufacturer of pipe bends JINPO Plus Ostrava. Later CEPS took a 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.

Apart from these research a development works, CEPS also provides testing of pipeline parts and sample spools from operated pipelines, mainly to prove their remaining service life and fatigue resistance.

Measuring of hydraulic parameters of natural gas pipelines without service interruption

Knowledge of exact values of pipeline hydraulic properties is basic information for the proper design of the operating parameters of the high-pressure gas pipeline at the designing stage, and for setting the working regimes in the control of pipelines operation. In years 1996–1998, CEPS measured hydraulic parameters of a newly constructed DN 1000 pipeline in more than 400 km long section of the Czech gas 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 favorable effect of internal pipe coating remained 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 lines DN 800, DN 1000 and DN 1400 were gradually conducted.

COMPANY STRUCTURE

The company headquarters is located in the eastern industrial zone of Jesenice near Prague. The CEPS's management and its technical-technological center are located in the service building. There is a special testing laboratory allowing, as the only one in the Czech Republic, to conduct the long-term testing of pipes under high pressure, in this building, too.

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 this test lab. Main focus of the test facility are tests of full size pipe test vessels of the length of 10D and more, which allows to evaluate the behavior of pipes and their defects without any restrictive effects (reinforcing effect of the welds etc.). 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, behavior (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 repairs of defects in the pipeline.

The base in Cítoliby near the town Louny in the Ústí nad Labem region (Northern Bohemia) represents the technical background of the company. A small detached workplace of CEPS is located in Tábor (Southern Bohemia). At the Cítoliby base there is equipment for pipeline works stored. It involves hundreds of tons of material and equipment for providing pressure test, pipeline cleaning and drying for example over three hundred pressure and cleaning heads, from DN 50 to DN 1000. Several hundreds of cleaning pigs, filling and high-pressure pumps, nitrogen generators, extreme-dry air generators, air compressors, heavy-duty vehicles, and other machinery. In December 2018, the reconstruction of the administrative building financed mainly from its own resources and partly under the OPPIK - Energy Saving program was started.



THE DEVELOPMENT OF EMPLOYEES' SKILLS



The company management puts significant emphasis on the development of professional qualities of the personnel. This goals' 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 also being 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 gave lectures at major events organized by the German EITEP GmbH Hannover, British Clarion Technical Conferences, Iranian Middle East Pipeline, American Tiratsoo Technical, World Simone Congress, company Gas Ltd. and the Association of Pipeline Producers (ASPP). In 2012-2014, CEPS took part in the project The maintenance and professional growth of employees, whose companies are the ASPP's 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 mainly focused on the broadening of certified high-skilled expertise, the acquisition of which is otherwise financially extremely demanding. In this project many our employees gained international qualification according to EN 9712 for the area of defect detecting methods ranging from Visual Testing (VT), Magnetic Testing (MT) to Penetration Testing (PT) and Radiogram Testing of Welds (RTW).

The company's management puts emphasis also on the gradual transfer of experience from the older employees to younger ones. We provide university students with professional practice and opportunity to carry out diploma thesis, for which we give specific assignments beneficial for further activities of the company. We consider long-term cooperation with universities to be one of the main forms of increasing our expertise and we will continue to do so. Some university graduates whose professional growth CEPS has been involved in are now working on leadership positions in our company.

TECHNOLOGICAL CAPACITIES DEVELOPMENT, RESEARCH AND DEVELOPMENT ACTIVITIES

The resources produced in previous years, were also this year invested into the modernization and development of machinery and equipment to improve CEPS flexibility especially when offering future works abroad. This process will continue and a significant improvement of the company's equipment will take place in the following fiscal year.

Investment possibilities were supported by a grant, which CEPS gained from the Operation program of Business and Innovation – Program of Innovation – Innovation project in 2011. Under this grant CEPS was able to get technological chain for high-pressure inerting mixture production. Technology of this system was based on a prototype unit, designed and manufactured by CEPS at its own expenses in 2010. Within the grant, we acquired equipment with significantly higher power parameters. In less then the following two years, all parts of the chain were manufactured, delivered and successfully tested. The equipment was put into commercial operation in October 2013. Total costs of inerting technology implementation were over 1.5 mil EUR, while half of the expenses were covered by the grant and remaining half from CEPS's own funds.

For this project of Technological chain for the preparation of pressurized gas inerting mixture, CEPS was awarded the first prize in the competition Business Project of the Year 2013 in the category of Innovation.

In the years 2014–2015, CEPS has received a second grant from the same Operation Program. The grant allowed a purchase two high-pressure pumps, enabling primarily smart pigs alternative driving during off-line inspection in pipeline sections, where the flow of media is not high enough to move the tool in a sufficient speed. CEPS verified the technical feasibility of this his intention by designing, building of two prototype units with a lower output by own resources





and verified the technology of alternative tool driving itself in previous years in Poland and Latvia. Required parameters of pumps included in the grant were almost 4 times higher. They enable alternative driving of magnetic or ultrasonic smart pigs in DN 700 pipelines, also in difficult mountain conditions. The tests showed that the equipment fulfilled our requirements and achieved maximal parameters – output pressure 60 bar and flow rate over 420 m³/hour. Almost one half of needed resources was covered from the grant, remaining more than CZK 5 million came from CEPS resources.

CEPS was also active in Research and Development activities. In cooperation with The Department of Gas Technology, Coke Chemistry and Air Protection in UCT Prague, we designed and optimized a chemical cleaning solution for removal of paraffin deposits from oil pipelines. The first modification of PetroVic was used on an crude oil pipeline in Russian Tyumen region. Another modification of PetroVic was later developed for works on Yaroslavl-Kirishi crude oil pipeline, where the deposits were of different composition.

It is necessary to have deeper knowledge of relation between explosion limits of different

flammable media and operating pressure, to be able to set more precise parameters of inerting mixture for flammable gases and liquids displacement out of pipelines. These relations had not been published in any available resources yet, so CEPS has, together with the Department of Gas Technology, Coke Chemistry and Air Protection at UCT Prague, decided to handle an expert study, including all necessary measurements.

Our long-term cooperating partner company RCP Praha, s. r. o., constructed and manufactured according to our design a measuring device, which is able work with the pressure up to 30 bar, so the results cover the operating scale of our nitrogen generators that reach 25 bar pressure with a reserve.

The first phase of the works was focused on explosivity limits of methane and the second one on explosivity limits of crude oil. Beside our own employees also UCT students participated in this research in frame of their diploma works.

This research program gave CEPS reliable data about methane and oil vapors explosivity, at various pressures and concentrations of residual oxygen in inerting mixtures.

COMPANY 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 endeavor 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 periodical maintenance of vehicles and other mechanisms in authorized service shops to minimize 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 authorized 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; maximize the use of water soluble dyes.

(7) Reduce the production of wastes and environmental pollution. Provide for safe waste disposal, including disposal by authorized 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 behavior and penalization 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 minimize 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.

THE BUSINESS DATA

Share capital and ownership structure of the company

Company was established with a registered capital of CZK 1 million, 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 million in mid-2001 and in 2002 to CZK 5 million.

In accordance with the project of domestic merger of companies in the Group the shares have been split within five shareholders, Czech natural persons, since the year 2012 to March 28, 2017. Since March 29, 2017, within nine shareholders. All shareholders and their share are stated in The Report of Relationships that is an integral part of this annual report.

Structural simplification of the group

As on April 1, 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 reason for the merger was the 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. The whole project of the domestic fusion according to the Act No. 125/2008 Sb. Is published in the collection of documents of the all four companies.

Liability

CEPS is insured with a German insurance company HDI for damages to third parties caused by CEPS activity including ecological damages. The policy coverage is CZK 25 million (1 million EUR).

Number of employees

The company had 33 permanent employees towards 31 March 2019. Apart from full-time employees, one university student was parttime employed. Our aim is more than just



Statutory bodies

The Board of directors consists of

Dr. Ing. Petr Crha Chairman

Ing. Petr Pařízek Vice-Chairman

Ing. Jano Zvada Member of the Board

Dr. Ing. Pavel Jakoubek Member of the Board The Supervisory board of the company consists of

Ing. Daniela Jakoubková Chairperson

Mgr. Michaela Pařízková Vice-Chairperson

Dana Rousková Member of the Supervisory board

give them chance to get really professional experience. We hope, they will write their diploma thesis here and after their successful defense they will join our staff permanently.

Annual turnover

Company CEPS keeps books for the fiscal year commencing on April 1 of the current year and ending on March 31 of the following year. Turnover of the fiscal year 2018/2019 amounted to CZK 70,243 thousands (EUR 2.723 million) and returned to pre-2017/2018 levels. A very important criterion is the ratio of added value to the CEPS turn-over. In the last years this ratio always varies around 60%.

Starting with year 2010/2011, a substantial contribution of new technologies and services, which are results of CEPS own research and development became significant. In 2014/2015, the share of value added in turnover reached almost 74%. In 2015/2016, turnover decreased slightly below CZK 100 million and the share of value added in turnover exceeded 60%. In 2016/2017, the level of turnover increased

slightly and the added value was above CZK 57 million, which means a share of the turnover of about 57%.

In the 2017/2018, turnover decreased significantly against the previous year to CZK 42 million and thus the added value decreased significantly to CZK 27 million.

In this fiscal year 2018/2019 the value added increased up to CZK 42.7 million, and at the same time due to a significant volume of subsupplies (mainly for off-line inspection) its share in turnover decreased below to 61%.

Bank references

Československá obchodní banka (ČSOB), Tábor

KEY PROFESSIONAL REFERENCES

CZECH REPUBLIC

ČEPRO, a.s., Praha MERO ČR, a.s., Kralupy nad Vltavou NET4GAS, s.r.o., Praha (RWE Transgas Net) E.ON Distribuce, a.s. E.ON Jihočeská plynárenská, a.s., České Budějovice Members of innogy ČR and their predecessors GridServices, s.r.o., Brno GasNet, s.r.o., Ústí nad Labem Východočeská plynárenská, a.s., Hradec Králové Severomoravská plynárenská, a.s., Ostrava Západočeská plynárenská, a.s., Plzeň Jihomoravská plynárenská, a. s., Brno Středočeská plynárenská, a. s., Praha MND Gas Storage, a.s., Hodonín MND Stavotrans, a.s., Lužice Moravia Gas Storage, a.s., Hodonín innogy Gas Storage, s.r.o., Praha (RWE Gas Storage) Pražská plynárenská Distribuce, a.s., Praha UNIPETROL RPA, s.r.o., Záluží SYNTHOS Kralupy, a.s. (Kaučuk, a.s., Kralupy) Vršanská uhelná, a.s., Most

Glumbík, s.r.o., Ostrava HOMOLA, a.s., Ostrava Moravský Plynostav, a.s., Rosice u Brna Gascontrol, společnost, s.r.o., Havířov Kosogass, s.r.o., Říčany u Prahy Plynostav Pardubice Holding, a.s., Pardubice Plynostav – Regulace plynu, a.s., Pardubice Výstavba plynovodů, s.r.o., Olomouc Stavby KÜHN, s.r.o., Praha Streicher, s.r.o., Štěnovice Pražská plynárenská Servis distribuce, a.s., Praha

ČEZ, a.s., Nuclear power plant Dukovany ČEZ, a.s., Nuclear power plant Temelín Ústav jaderného výzkumu Řež, a.s., Energoprojekt division Ředitelství silnic a dálnic, Praha Dálniční stavby, a. s., Praha Metrostav, a. s., Praha Strabag, a. s., Praha SKANSKA, a. s., Praha

WORLDWIDE

Avoin osakeyhtio Stroitransgaz sivuliike Suomessa, Kouvola, Finland Chemo Aharon Ltd., Tel Aviv, Israel COLAS Slovakia, a.s., Košice, Slovakia EHI dooel, Skopje, Macedonia (FYROM) Eustream, a.s., Bratislava, Slovakia Fasek Engineering and Production, GmbH, Brunn am Gebirge, Austria Gascontrol Polska Sp. z o. o., Suszec, Poland IMP PROMONT, d.o.o., Ljubljana, Slovenia Israel Electric Corporation Ltd., Tel Aviv, Israel Israel Natural Gas Lines Company Ltd., Tel Aviv, Israel LatRosTrans OAO, Riga, Latvia Nafta Gbely, a.s., Gbely, Slovakia Novyje Technologii, ZAO, Moscow, Russia Orlen Lietuva, Mazeikai, Lithuania Petroliam Nasional Berhad (PETRONAS), Kuala Lumpur, Malaysia PSJ Hydrotranzit, a.s., Bratislava, Slovakia SEPS, s.r.o., Bratislava, Slovakia Slovenský plynárenský priemysel, a.s., Bratislava, Slovakia Slovnaft, a.s., Bratislava, Slovakia Synergy tech Ltd., Belgrade, Serbia T.D. Williamson Polska Sp. z o.o., Warszawa, Poland T.D. Williamson S.A., Nivelles, Belgium TMM Engineering Services Sdn Bhd, Paka Dungan, Malaysia TSG Brudnik, Warszawa, Poland ZIPP Bratislava, spol. s r.o., Bratislava, Slovakia

PROFIT AND LOSS ACCOUNTS

	EUR '000	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Sales revenue		2,719	1,678	3,723	3,360	4,680
Change in inventory		270	135	-168	232	-51
Cost of goods sold		1,288	732	1,429	1,439	1,199
Operating expenses		34	21	24	6	107
Salary expense		1,141	945	1,338	1,387	1,523
Other expense		83	77	79	97	79
EBITDA		443	38	685	663	1,722
EBITDA %		16%	2%	18%	20%	37%
Depreciation		409	412	412	423	357
Operating profit		34	-374	272	241	1,364
EBIT margin		1%	-22%	7%	7%	29%
Financial expenses		-5	-14	-18	-46	-15
Profit before tax		29	-388	254	194	1,349
Income tax		7	-72	51	34	150
Minority interests		0	0	0	0	0
Net profit		22	-316	203	161	1,199
Net margin		1%	-17%	6%	4%	26%
CZK/EUR		25.80	25.43	27.03	27.055	27.53

BALANCE SHEET

2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
2,042	1,496	2,417	2,585	2,567
386	185	100	292	79
0	0	0	0	0
176	221	166	137	485
99	128	59	18	331
77	93	106	112	148
1,481	1,091	2,151	2,156	2,003
1,356	1,475	1,591	1,905	1,923
31	56	62	14	12
1,326	1,419	1,529	1,888	1,908
0	0	0	3	3
7	10	15	13	12
3,406	2,982	4,023	4,504	4,502
25.80	25.43	27.03	27.055	27.53
	2018/2019 2,042 386 0 176 99 77 1,481 31 1,356 31 1,326 0 1,326 7 3,406 3,406	2018/20192017/20182,0421,49638618538618500176221991289912877931,4811,0911,4811,0911,3561,4751,3261,419001,3261,4193,4062,98225.8025.43	2018/20192017/20182016/20172,0421,4962,417386185100386185100000176221166991285977931061,4811,0912,1511,3561,4751,5911,3261,4191,5291,3261,4191,5293,4062,9824,02325.8025.4327.03	2018/20192017/20182016/20172015/20162,0421,4962,4172,585386185100292000017622116613799128591877931061121,4811,0912,1512,1561,3561,4751,5911,9051,3261,4191,5291,88800033,4062,9824,0234,50425.8025.4327.0327.055

2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
616	179	572	824	603
0	9	137	302	142
260	0	0	120	0
149	32	42	63	40
188	118	374	327	401
19	20	20	12	19
36	34	101	91	98
651	213	673	915	700
0	0	0	0	0
2,746	2,763	3,341	3,578	3,795
194	197	185	185	182
0	0	0	0	0
8	6	9	10	7
3,406	2,982	4,023	4,504	4,502
25.80	25.43	27.03	27.055	27.53
	2018/2019 616 0 260 149 188 19 36 51 651 0 0 2,746 194 194 0 0 8 3,406	2018/2019 2017/2018 616 179 0 9 260 0 149 322 188 118 19 200 651 213 651 213 0 0 200 0 19 200 194 197 195 2,763 194 197 195 6 3,406 2,982 25.80 25.43	2018/20192017/20182016/20176161795720913726000149322421881183741920206512136736512136731941971851941971851941971853,4062,9824,02325.8025.4327.03	2018/20192017/20182016/20172015/201661617957282409137302260001201493242631881183743271920201265121367391565121367391500001941971851851941971851851940003,4062,9824,0234,50425.8025.4327.0327.055

SUMMARY FINANCIALS

	EUR '000	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Sales revenue		2,719	1,678	3,723	3,360	4,680
EBITDA		443	38	685	663	1,722
EBITDA%		16%	2%	18%	20%	37%
Operating profit		34	-374	272	241	1,364
EBIT margin		1%	-22%	7%	7%	29%
Financial expenses		-5	-14	-18	-46	-15
Net profit		22	-316	203	161	1,199
Net margin		1%	-17%	6%	4%	26%
CZK/EUR		25.80	25.43	27.03	27.055	27.53

	EUR '000	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Sales revenue		2,858	1,738	4,100	3,705	5,250
EBITDA		465	39	754	731	1,931
EBITDA%		16%	2%	18%	20%	37%
Operating profit		35	-387	300	265	1,531
EBIT margin		1%	-22%	7%	7%	29%
Financial expenses		-5	-15	-20	-51	-17
Net profit		23	-327	224	177	1,345
Net margin		1%	-17%	6%	4%	26%
CZK/EUR		24.54	24.54	24.54	24.54	24.54

ANNEX TO THE CEPS 2018 FINANCIAL STATEMENT

FISCAL PERIOD 1.4.2018 TO 31.3.2019

Name Residence

CEPS a.s. Belnická 628 252 42 Jesenice Czech Republic, EU 257 21 551

Identification No. Legal form

share holding company (joint stock company)

Foundation data

The company was established by the entry to the commercial register at The Regional Commercial Court in Prague at January 1, 1999, the entry in section B, insert 5706.

Statutory body

The Board of Directors with 4 members

Ing. Petr Crha, CSc. Chairman of the board

Ing. Petr Pařízek Vice-chairman of the board

Ing. Pavel Jakoubek, CSc. Member of the board

Ing. Jano Zvada Member of the board

Course of action

The chairman of the board jointly with the vice-chairman of the board or the chairman of the board jointly with a member of the board or vice-chairman of the board jointly with a member of the board represents the company in all matters.

Supervisory board

Ing. Daniela Jakoubková Chairman of the supervisory board

Mgr. Michaela Pařízková Vice-chairman of the supervisory board

Dana Rousková Member of the supervisory board

Scope of business

- civil engineering
- construction, change and removal (especially of technical and industrial buildings)
- · installation and repair of specified gas equipment
- · revision and testing of specified gas equipment
- production, assembly and repairs of pipelines and equipment for the transport and distribution of oil, petroleum products
- service of equipment for the transportation and storage of gases and liquids and production of special chemical substances
- technical testing, measurement, analysis and control
- testing of piping before commissioning and during operation
- · consultancy in the field of gas and liquid transport and independent checking of separate components for use in piping systems
- · research, development and their application in the field of equipment for transport and storage of gases and liquids
- manufacture, trade and services not listed in appendix 1 to 3 of the Trade Licensing Act
- · manufacture of hazardous chemicals and hazardous chemical mixtures and sale of chemical substances and chemical mixtures classified as very toxic and toxic
- · advisory activity in the field of industrial and construction activities

Stocks

500 registered shares at a nominal value of CZK 10,000 in book-entry form. Registered shares are transferable only with the approval of the general meeting.

Basic capital

CZK 5,000,000 - 100% paid

Other facts

The business corporation obeyed to the law as a whole in accordance with the procedure of § 777 (5) of the Act No. 90/2012 Sb., on companies and cooperatives. On March 27, 2015, an organizational unit was set up in Lithuania.

The average recalculated number of employees in year 2018 was 34, of which 7 executives. Total personnel costs amounted to CZK 29,450 thousand, of which CZK 9,503 thousand of the management team.

Remuneration to members of statutory bodies in 2018 amounted CZK 922 thousand.

Loans, guarantees or other benefits to shareholders, members of the board of directors or members of the Supervisory Board have not been provided.

Information about accounting methods and accounting policies

The Company's accounts are maintained in accordance with Act No. 563/1991 Sb., on Accounting, as amended and supplemented, Decree No. 500/2002 Sb., which implements certain provisions of Act on Accounting for Entrepreneurs and Czech Accounting Standards for entrepreneurs.

The accounting was prepared in the Ekosoft accounting program by Ekosoft, s.r.o. All accounting records and documents are kept in the accounting registry of the accounting entity.

Accounting complies with the general accounting principles, in particular the principle of historical cost measurement,

the accounting principle in a material and time context, the principle of prudence and the ability of the entity to continue its activities.

The figures in this financial statement are expressed in thousands of Czech crowns (CZK).

Valuation of assets, liabilities and adjustments

(1) Tangible fixed assets and inventories are valued at acquisition cost (the acquisition cost is the cost at which the assets were acquired, including the costs associated with the acquisition), or the replacement cost (repurchase cost is the cost at which the asset would have been acquired at the time, when it is charged).

The company uses method A to charge the purchase of material, method B is used for the selected materials. Method B is used to measure incomplete production.

(2) Money and valuables are valued at their nominal values.

(3) Receivables and payables are valued at their nominal values, and receivables are transferred at cost.

(4) Purchased intangible assets are valued at acquisition cost.

(5) If the inventory finds that the value of the asset is higher or lower than the amount stated in the bookkeeping, an allowance shall be credited accordingly.

(6) Liabilities and receivables denominated in foreign currency are translated into Czech currency using the daily rates announced by the Czech National Bank and at the end of the accounting period, i.e. on March 31, the conversion is made.

ADDITIONAL INFORMATION TO THE ANNEX

1 Fixed assets

a) Tangible fixed assets depreciated

	in ths. CZK	Acquisition cost	Value adjustments
Buildings		21,170	13,075
Separate movable assets		66,788	54,482
Means of transport		28,908	21,473
Inventory		276	276
Small tangible fixed assets		3,364	3,364
Other tangible fixed assets		4,029	463
Total – year 2018		124,535	93,133
Total – year 2017		118,869	86,178

b) Tangible fixed assets not depreciated

Land – year 2018	2,198
Land – year 2017	2,198

c) Intangible fixed assets

Software	3,716	2,925
Small intangible fixed assets	383	383
Total – year 2018	4,099	3,308
Total – year 2017	4,082	2,666

d) Acquisition of tangible fixed assets

In 2018, fixed assets totaling CZK 6,774 ths. were acquired (year 2017 – CZK 3,653 ths.), acquisition value of separate movable assets was CZK 3,375 ths., means of transport were acquired in the amount of CZK 3,399 ths. and the acquisition value of other tangible fixed assets was CZK 2,106 ths.

e) Acquisition of intangible fixed assets

In 2018, intangible fixed assets totaling CZK 55 ths. were acquired (year 2017 - CZK 363 ths.).

f) Creation of own tangible assets

In 2018, activated assets created by own activities amounted to CZK 2,609 ths. (year 2017 – CZK 1,012 ths.).

g) Assets not shown on the balance

The company owns assets from completed financial lease agreements with subsequent purchase. This property is held in account 022028, but its real value is higher.

The listed value of the assets in this account is approximately CZK 145 ths., i.e. the total fair value of the account 022028 is CZK 3,509 ths.

2 Fixed financial assets

CEPS a.s. does not own as at December 31, 2019, no long-term financial assets (year 2017 – CZK 0 thousand).

3 Receivables

The aggregate amount of trade receivables is CZK 19,893 ths.

- a) receivables within maturity of CZK 2,552 ths.
- b) the receivables after the due date of up to 30 days is 0 thousand
- c) overdue claims within 180 days are 0 ths.
- d) overdue claims over 180 days amount to CZK 17,341 ths.
- e) there are no claims over an overdue period of over 5 years
- f) there are no claims on undertakings in the group
- g) no claims are covered by a lien

Other receivables amount to CZK 1,978 ths., of which

- to the state VAT and DPPO CZK 1,161 ths.
- advances granted for operation CZK 527 ths.
- other receivables (insurance, etc.) CZK 290 ths.

4 Equity and share capital

CEPS was established in 1999 and on 1 April 2012 merged with the parent companies SEPS, a. s., and Český plynárenský servis, spol. s r. o., and with a subsidiary of Energy Prague Holding, a. s., with CEPS a. s. becoming a successor company and with other companies ceased to exist.

Equity of CEPS a.s. as at 31 March 2019 is CZK 70,840 thousand (31 March 2018 – CZK 70,267 thousand). Equity increased by CZK 572 ths. compared to 2017 as a result of the profit for the accounting period.

Registered capital as at 31 March 2019 amounts to CZK 5 million, the retained earnings are CZK 56,137 thousand, other equity funds are in the amount of CZK 8,131 ths. and the reserve fund is CZK 1,000 ths.

5 Liabilities

Long-term liabilities amount to CZK 920 ths. (year 2017 – CZK 1,103 ths.) and constitute a deferred tax liability.

Total short-term liabilities amount to CZK 15,886 ths. (year 2017 – CZK 4,314 thousand).

- a) The amount of trade liabilities is CZK 3,836 ths. (year 2017 – CZK 809 ths.)
- b) Liabilities due to advances received amount to CZK 6,706 ths. (year 2017 – 0 ths.)
- c) Liabilities to shareholders amount to CZK 414 ths. (year 2017 CZK 414 ths.)
- d) Liabilities to employees amount to CZK 2,577 ths. (year 2017 – CZK 1,634 ths.)
- e) Social and health security liabilities amount to CZK 1,640 ths. (year 2017 – CZK 1,027 ths.)
- f) The tax liabilities amount to CZK 641 ths. (year 2017 – CZK 339 ths.)
- g) Other liabilities amount to CZK 72 ths. (year 2017 – CZK 91 ths.)

No liabilities are overdue.

The company has no due liabilities to social and health insurance organizations or to financial authorities. There are no liabilities to group companies. No liabilities are covered by a lien. All liabilities are recorded in the accounts.

6 Liabilities to credit institutions

The company had concluded loan contracts for the purchase of tangible fixed assets with ČSOB bank, credit agreement No. 0506/15/5637 – interest rate 1 month Pribor + 1.25% to 2 pcs of SUBARU passenger cars – in 2018 the entire balance was paid, namely CZK 236 ths.

All obligations under credit agreements are fulfilled on deadlines and none of the instalments have been paid overdue.

CEPS a.s. has agreed with ČSOB bank an overdraft to cover the temporary need for operating funds and the bank has secured its receivables by the pledge of the CEPS a.s. production area in Cítoliby.

7 Provisions and adjustments

- a) In 2018, the company did not make statutory provisions for repairs of tangible assets, as at 31 March 2018 their value is zero.
- b) Legal provisions totaling CZK 17,207 ths. have been in previous financial years created for receivables from customers in insolvency proceedings. Namely Plynostav Pardubice, a.s. – CZK 16,863 ths., and IMB Energo, s.r.o. – CZK 344 ths.

In 2018, a tax adjustment item was completed for the receivable for GWO CONSTRUCTION LIMITED o.z. in the amount of CZK 47 ths., the total amount of the adjustment is CZK 94 ths. and is therefore in the amount of 100% of the outstanding claim. Tax adjustments as at 31 March 2019 is CZK 17,302 ths. and the balance of adjustments is CZK 39 ths.

8 Cost of auditor's services

The costs associated with the audit of the financial statements and the annual report for 2018 amount to CZK 50 ths. CZK.

9 Revenues

In 2018, total revenues amounted to CZK 70,243 ths. (year 2017 - CZK 42,674 ths.) and were mainly created by construction and assembly work in the field of service of pipeline systems for the transport and distribution of gases, oil, petroleum products and chemicals, as well as the carrying out of testing work on pipelines with a total value of CZK 64,777 ths. The work was carried out not only in the whole territory of the Czech Republic, but also abroad. Exports of services in the field of construction-assembly works in 2018 (Slovakia, Poland, Slovenia, France and others) were carried out in the amount of CZK 10,169 ths. (year 2017 - CZK 7,143 ths.), that makes 14.785% of the total earnings in the field of building assembly and testing work. Sales in 2018 returned to pre-2017 levels and thus the 2017 decrease was not repeated.

Jesenice, 24 September 2019

Ing. Petr Crha, CSc. Chairman of the board

CEPS a.s. Jesenice u Fraby

laade

Ing. Jano Zvada Member of the board

REPORT ON RELATIONS

between the controlling entity and the controlled entity and between the controlled entity and the persons controlled by the same controlling person pursuant to section 82 of Act No. 90/2012 Sb. on Commercial Corporations

1. Definition of related parties

1.1 Controlled entity

CEPS a.s., IČ 257 21 551 with its registered office at Belnická 628, 252 42 Jesenice, registered in the Commercial Register maintained by the Municipal Court of Prague, in Section B, insert 5706

1.2 Controlling entities

The controlling entities are the shareholders of the controlled entity

Ing. Pavel Jakoubek Ing. Jano Zvada Ing. Petr Crha Ing. Petr Pařízek Petr Rousek Ing. Aleš Brynych Ing. Bc. Aleš Crha Ing. Martin Stukbauer Filip Tesař

2. The structure of relations between persons referred to in paragraph 1

The controlling entities are shareholders of the controlled entity and each of them owns the following shares at the nominal value:

Ing. Pavel Jakoubek, CSc. – 110 shares totaling CZK 1,100,000 – the share of the company and voting rights is 22%

Ing. Jano Zvada – 110 shares totaling CZK 1,100,000 – the share of the company and voting rights is 22%

Ing. Petr Crha – 88 shares totaling CZK 880,000 – the share of the company and voting rights is 17.6%

Ing. Petr Pařízek – 88 shares totaling CZK 880,000 – the share of the company and voting rights is 17.6%

Petr Rousek – 44 shares totaling CZK 440,000 – the share of the company and voting rights is 8.8%

Ing. Aleš Brynych – 15 shares totaling CZK 150,000 – the share of the company and voting rights is 3% Ing. Bc. Aleš Crha – 15 shares totaling CZK 150,000 – the share of the company and voting rights is 3%

Ing. Martin Stukbauer – 15 shares totaling CZK 150,000 – the share of the company and voting rights is 3%

Filip Tesař – 15 shares totaling CZK 150,000 – the share of the company and voting rights is 3%

Shareholders – domestic natural persons are the only controlling persons of the company. None of the controlling entities has a greater share of the voting rights of more than 40%, but because in the control of CEPS a.s. acting in conformity, are considered to be controlling persons.

3. Role of the controlled person

The role of the controlled person is mainly technical testing, measurement, analysis, inspection, as well as construction of engineering and industrial facilities and their servicing, as well as testing of pipelines before and during operation, production of hazardous chemicals and mixtures and other advisory activities in the field of industrial, construction activities and in the field of gas and liquid transport.

4. Method and means of control

In the controlled entity, the controlling entities are all shareholders, as they act in conformity. Control of the company is exercised through the decision-making of the General Meeting and through the statutory body.

Shareholder Ing. Petr Crha, CSc., is chairman of the Board of Directors of the controlled entity, Ing. Petr Pařízek is vice chairman of the Board of Directors of the controlled entity and Ing. Pavel Jakoubek, CSc. and Ing. Jano Zvada are members of the Board of Directors of the controlled entity. Neither entities which would be subject to the unified management by the controlling entities nor entities which would be controlled by the controlling entities are known to the controlled entity with the exception of the controlled entity itself.

5. An overview of the negotiations made in the fiscal year running from 1 April 2018 to 31 March 2019 at the instigation or in the interest of the controlling entity or its controlled entities, where such conduct concerned assets exceeding 10% of the equity of the controlled entity established under the last financial statements No share of the company's profit was paid

to shareholders in the accounting period of 1 April 2018 to 31 March 2019.

6. An overview of mutual agreements between the controlled entity and the controlling entity or among the controlling entities

The controlled entity has concluded employment contracts with all controlling persons. Contracts are concluded under normal conditions. The members of the Board of Directors have contracts with the controlled person for the performance of their duties, approved by the General Meeting on 14 August 2014.

7. Other legal acts and other measures in the interest or at the instigation of related parties and an assessment of whether the controlled person has suffered damage In the interest or at the instigation of the controlling entities, the controlled entity has

Ing. Petr Crha, CSc. Chairman of the board

not made any action, no legal act (with the exception of the running of the contracts referred to in paragraph 6), has taken no measures (regardless of their form) which would have direct or indirect property consequences for the controlled person in the accounting period of 1 April 2018 to 31 March 2019. No injury has been caused and therefore there is no assessment of its compensation in force.

8. Assessment of the advantages and disadvantages arising from the relationships of related parties, related risks

The controlling entity has no significant advantages or disadvantages from the relations concluded between the related parties. Relationships are concluded under normal conditions, for either party they do not imply an undue advantage or disadvantage. Relationships are neutral in terms of benefits and there are no risks to the controlled person.

9. Conclusion

The members of the Board of Directors of the controlled entity hereby declare that the information in this report is true to the best of their knowledge and in the performance of the duties of the proper householder, complete and in its processing no information that was to be included in this report in accordance with the relevant provisions of the Corporations Act has been concealed.

This statement is being certified with handwritten signatures.

Jesenice, 20 June 2019

Ing. Petr Pařízek Vice-chairman of the board

RESPONSIBILITY FOR THE ANNUAL REPORT

Affidavit

The data provided in CEPS a.s. annual report for the period from April 1, 2018, to March 31, 2019, corresponds to facts and no material circumstances that could affect the accurate and correct assessment of CEPS a.s. have been omitted.

Jesenice, 18 September 2019

Ing. Petr Crha, CSc. Chairman of the board



Ing. Petr Pařízek Vice-chairman of the board





CEPS a.s.

Belnická 628 252 42 Jesenice Czech Republic, EU phone +420 241 021 511 info@ceps-as.cz www.ceps-as.cz

