



*Solutions
that fit*

ANNUAL REPORT **2017–2018**



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COMPANY PROFILE

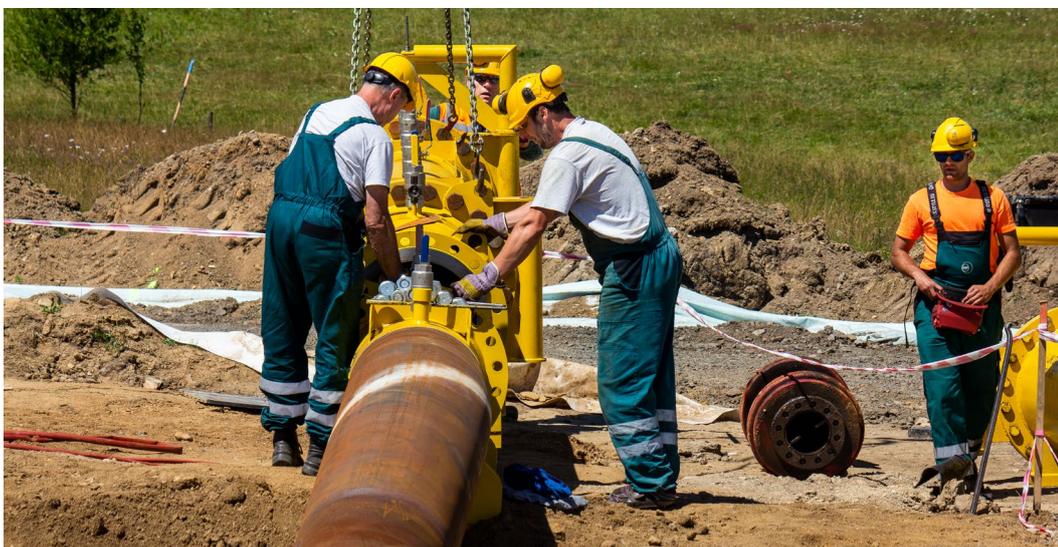
CEPS, a joint-stock company, was established on January 1, 1999, as a subsidiary of two Czech companies, Český plynárenský servis, spol. s r. o., Tábor, and SEPS, a.s., Praha.

Both parent companies had been active for many years in the field of reliability of high-pressure pipeline systems, gas, oil and oil products pipelines, by that time. 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), since the seventies. As a part of this research activity they cooperated not only with other top research centres 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, SVÚSS (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 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 to assess and maintain reliability of pipeline system in a highly qualified manner right from its construction over number of years of operation.

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.

Even at present time, CEPS continues to closely cooperate with top scientific and R&D institutions, with the ÚTAM at the Academy of Sciences Czech Republic,





SVÚM Praha, the Department of Gas Technology, Coke Chemistry and Air Protection at UCT Praha, the Institute of Fuel Research (ÚVP) Praha, RCP Praha and the Czech Welding Institute in Ostrava, in particular.

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 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 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 hydro-pneumatic 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
- tests of pipe materials and qualified acceptance of pipes directly from manufacturers
- 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 specialised operations on high-pressure pipelines rather than conventional technologies of construction or repairs used by other companies.

In the last period CEPS made **22 jobs** doing cleaning, calibration, stress-test or pressure test and drying of newly constructed sections of **gas pipelines** prior to commissioning.

Furthermore CEPS made pressure tests of existing DN 200 Čepro, a.s. product pipelines Šlapánov – Smyslov and Hněvice – Mstětice in the total length of **20 km**.

Beside this we made also 7 jobs with oil or oil product displacement from the pipelines and following decontamination of internal pipeline surface using our PetroSol cleaning agent with a routine use of our nitrogen generating equipment.

Abroad we made driving-out crude oil from the 11 km section of DN 900 Adria pipeline and its decontamination and conservation. This job was very difficult as 2 km of this pipeline was mounted inside the structure of the road bridge connecting Croatian mainland with the Krk island. The used technology was chosen to minimize pipeline vibrations that might cause bridge structure damage during the crude driving-out and pipeline decontamination. In Latvia CEPS made crude oil draining from 4 km DN 1000 pipeline section for Ventspils Nafta.

We have carried out number of repairs on the oil pipeline DN 500 Druzhba (after the on-line inspection) using the welded steel sleeves with composite filling without pipeline

shut-down. CEPS both manufactures and installs these sleeves. Application of steel sleeves is extremely important especially in case of crack-type defects because wound sleeves from composites based on glass or graphite fibres bands are not safe for this type of defects. This view, already presented by number of experts at the global level, has been confirmed by our own experiments. For the same reason one of the largest pipeline operators in the world, Malaysia's Petronas, expressed the interest in our type of steel composite-filled sleeves and bought and certified several pieces for use on their grids.

In 2017 CEPS received a verification for steel sleeves for phase "design" according to ASME B.31.4 by company DNV GL UK Limited.

CEPS has successfully participated in a Grid-Service company tender for calibration and geometry inspection of high pressure DN 500 70 km gas pipeline Sviňomazy – Vřesová. The primary aim of this inspection was to



check the geometry of the pipeline with high accuracy and to decide if and on what conditions it is possible to pass inspection tools to make its internal inspection. It was established that after removal of some geometric defects and after a thorough cleaning from dust sediments it will be possible to make an off-line inspection with an ultrasonic tool that will enable detection of corrosion spots and cracks.

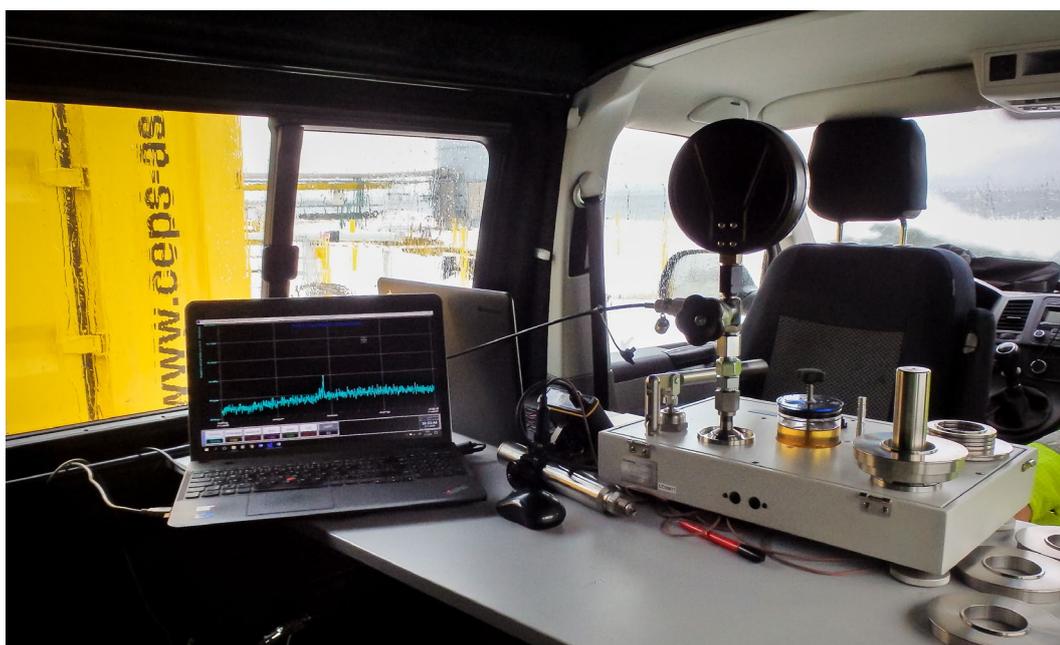
In addition to field works, CEPS also carried out many [laboratory tests](#) that improve the knowledge of pipeline drying under different conditions using the super dry air as well as vacuum. Using of results of these tests CEPS contributed to an amendment of the [national standard TPG 702 11 Cleaning and drying of gas pipelines prior to commissioning](#).

In 2016 we completed an important abroad operation – the large-scale project of [displacement, decontamination and conservation of 750 km long crude oil pipelines DN 700 in Latvia and Lithuania](#).

These crude pipelines had not been used for transportation for more than ten years and therefore its operator decided to empty, to clean and to conserve the pipeline, so it would not become the source of any safety or environmental risks and would be ready for possible future transportation of any other media.

In total [300 thousand ton of crude oil](#) was obtained from both these pipelines. CEPS used the cleaning process using [PetroSol](#) and residual wastes liquidated on spot using the bacterial biodegradation. After the cleaning the pipelines were conserved using phosphates and then filled by 95% nitrogen at 3 bar.

A completely new territory where CEPS started to deliver services concerning cleaning, calibration and pressure tests is [Macedonia](#). Works on 50 km long DN 500 pipeline have been run in close cooperation with a local company EHI dooel, we plan to cooperate in area of former Yugoslavia in future.



TECHNICAL SERVICES OVERVIEW

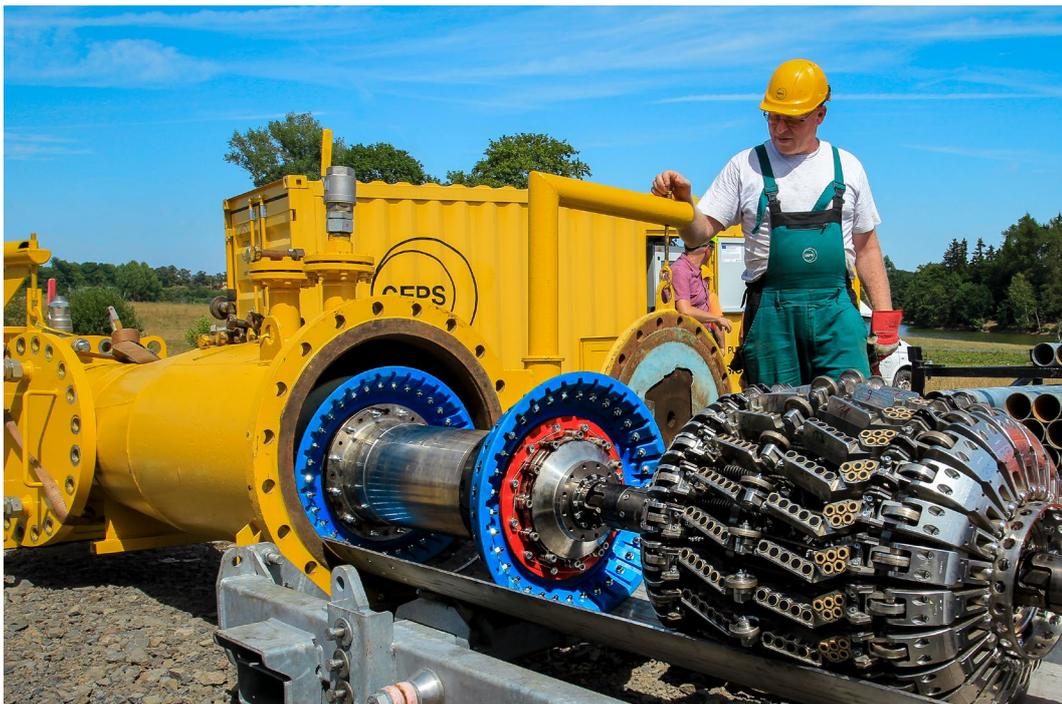
Off-line internal inspection

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. The alternative which CEPS offers is so called off-line inspection when the pipeline is shut down for a short time (few days). It is cleaned; and the inspection tool is later propelled through the pipeline [by water flow or in water batch](#). While performing the inspection on pipelines for liquid hydrocarbon transportation, such pipeline must be [prior to the inspection also decontaminated](#), so it does not pollute the water, used for the

inspection tool drive. 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 detection of cracks and laminations and their sizing. Physical laws do not allow that during online inspection in gaseous environment with such accuracy.

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, stress-tests 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 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 European standards, i. e., temperature of the dew point of water in the air -20°C , but also, upon the operator’s request (typically in the case of chemical and petrochemical industry), 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 inerting mixture

CEPS provides safe displacement of flammable liquids and gases of the pipelines by means of inerting 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 inerting units, each of them of power 1100 m³ per hour. Nitrogen concentration in the mixture ranges from 90% to 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 continuously 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 vapours. 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 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 repairs. This includes elimination of defects caused by long operation using a highly specialised 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 co-operating 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 also conducted long-term tests of newly developed type of hot bends made from spiral welded pipes as a part of the development programme 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 researches a development works, CEPS also provides testing of pipeline elements and device from operating 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 favourable 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 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, 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 behaviour 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.

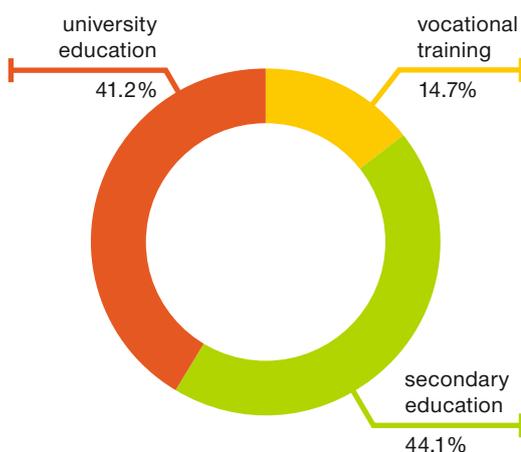
Results of tests allow evaluating the suitability of the pipe material for use in high-pressure systems, behaviour (development in time) of pipe defects, their effect on the operational reliability of the pipe and the reliability and stability of various systems for the repairs of defects in the pipeline.

Technical background of the company is represented 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 equipment for pipeline works stored. It involves tens 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, compressors, heavy-duty vehicles, and other machinery.

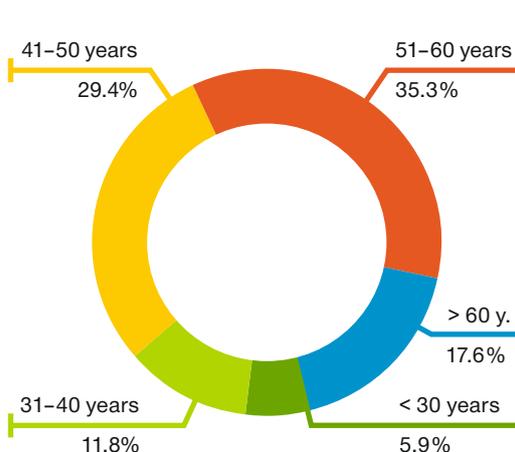


THE DEVELOPMENT OF EMPLOYEES' SKILLS

Employee structure by education



Employee structure by age



The company management puts significant emphasis on the development of professional qualities of the personnel. This goal's 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 focussed 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. University students regularly attend professional practice at CEPS, and the best of them then get the opportunity to use the experience and technical background of CEPS when writing their diploma theses, which our company gave the specific technical or economic inputs for. The results of these thesis (in the field of mechanical engineering, chemistry–gas industry and the economy) the company uses in its other activities.

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.

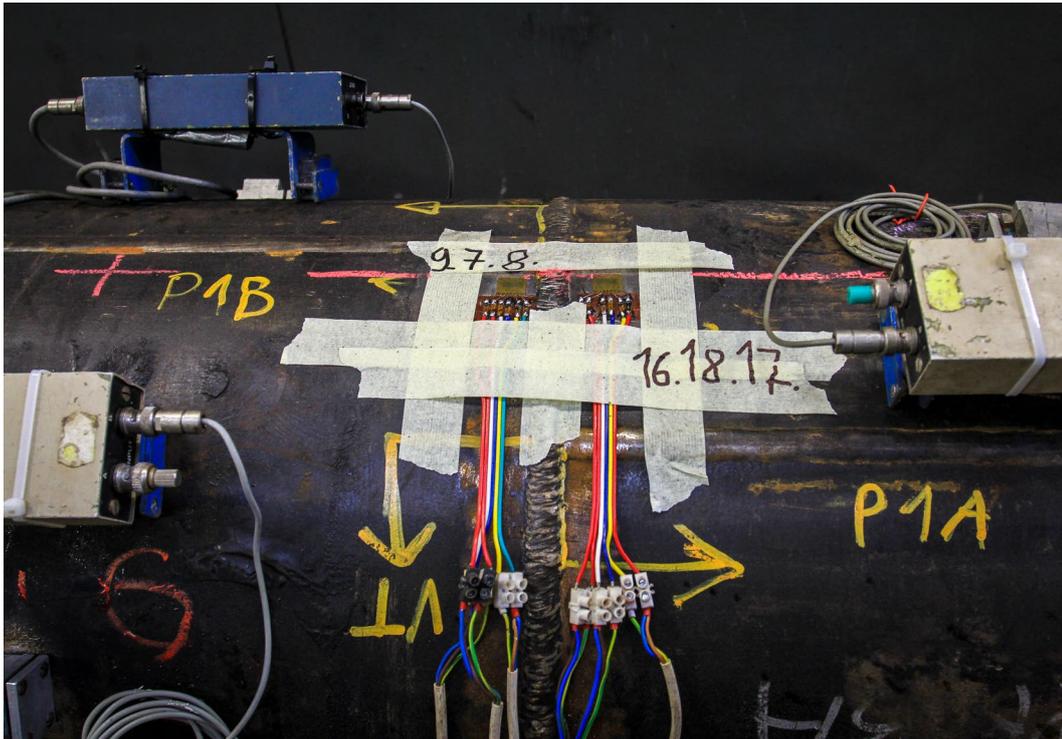
Investment possibilities were supported by a grant, which CEPS gained from the Operation program of [Business and Innovation – Program of Innovation – Innovation project in 2011](#). Under this grant CEPS was able to get [technological chain for high-pressure inerting mixture production](#). Technology 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. Only one company, Acstroje, s. r. o., from Jablonec nad Nisou, Czech Republic, was successful in meeting the conditions of

the international public tender. In 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 on 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 of [2 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 2 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 5 million crowns 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. Also UCT students participated in this research in frame of their diploma works.

This research programme 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 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.

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

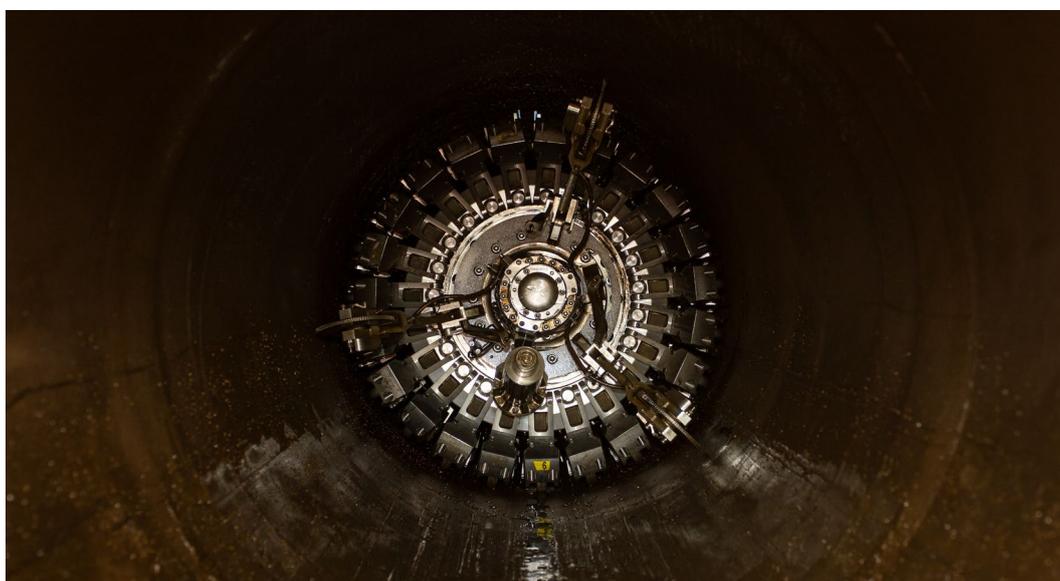
Energy Prague Holding (EPH), a. s. CEPS is a successor of ČPS, SEPS and EPH. The reason for the merger was the simplification of the organizational structure, establishment of a more efficient management system and an overall reduction in the administrative burden, including financial and billing relations. 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 2018. Apart from full-time employees, we employ two university students for part-time. Our aim is more than just give them chance to get really professional experience. We hope, they will



Statutory bodies

The Board of directors consists of

[Dr. Ing. Petr Crha](#)
Chairman

[Dr. Ing. Pavel Jakoubek](#)
Vice-Chairman

[Ing. Jano Zvada](#)
Member of the Board

[Ing. Petr Pařízek](#)
Member of the Board

The Supervisory board of the company consists of

[Ing. Daniela Jakoubková](#)
Chairperson

[Mgr. Michaela Pařízková](#)
Vice-Chairperson

[Ing. Kateřina Zikánová](#)
Member of the Supervisory board

write their diploma thesis here and after their successful defence 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 2017/2018 amounted to **CZK 42,674 thousand** (EUR 1.678 million). The 57% decrease comparing to previous year has been caused above all by decreasing of foreign sales as these projects were postponed. Freed CEPS capacities were used for machinery preparation for planned future projects, above all to a modification of cleaning and inspection launchers and receivers, pumps and other equipment.

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%**. This is the result of the fundamental change of our attitude to structure of our orders and changes in our portfolio. In first 3 years of CEPS continued to act as a general contractor in the field of pipeline rehabilitation like the parent companies used to be. Later CEPS step by step concentrated on deliveries of services in its core business field. This resulted in a gradual decrease of turn-over to as low as less than a half of

previous value but at the same time the added value increased absolutely and also the added value ratio to the total company turn-over from original 14% quadrupled.

Starting with year 2010/2011, a substantial contribution of new technologies and services, which are results of CEPS **own research and development**, started to significant.

In 2013/2014 the annual turnover dropped but the value added reached almost 60%. In 2014/2015 the turnover slightly increased and at the same time the value added reached almost 74%. In 2015/2016 the turnover dropped slightly below CZK 100 million and the value added reached 60%.

In 2016/2017 the turnover slightly increased and the value added was above CZK 57 million that represents about 57%.

In this fiscal year **2017/2018** the turnover level significantly decreased in comparison to the last year and therefore the value added also dropped to the value of **CZK 27 million**, nevertheless the ratio to the turnover increased to about **64%**.

Bank references

Československá obchodní banka (ČSOB), Tábor

KEY PROFESSIONAL REFERENCES

CZECH REPUBLIC

ČEPRO, a.s., Praha, fuel storage and pipelines operator
MERO ČR, a.s., Kralupy nad Vltavou, oil pipeline company
NET4GAS, s.r.o., Praha, gas transmission system operator (former RWE Transgas Net)
E.ON Distribuce, a.s., gas distribution
E.ON Jihočeská plynárenská, a.s., České Budějovice, gas distribution company
Members of Innogy ČR group and their predecessors, gas distribution companies
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
Pražská plynárenská Distribuce, a.s., Praha, gas distribution company
MND Gas Storage, a.s., Hodonín, gas storage operator
MND Stavotrans, a.s., Lužice
Moravia Gas Storage, a.s., Hodonín, gas storage operator
innogy Gas Storage, s.r.o., gas storage operator (former RWE Gas Storage)
UNIPETROL RPA, s.r.o., Záluží, oil refinery and petrochemical plant
SYNTHOS Kralupy, a.s., refining and petrochemical company (former Kaučuk, Kralupy)

Glumbík, s.r.o., Ostrava, pipeline contractor
HOMOLA, a.s., Ostrava, pipeline contractor
Moravský Plynostav, a.s., Rosice u Brna, pipeline contractor
Gascontrol, s.r.o., Havířov, pipeline contractor
Kosogass, s.r.o., Říčany u Prahy, pipeline contractor
Plynostav Pardubice Holding, a.s., Pardubice, pipeline contractor
Plynostav – Regulace plynu, a.s., Pardubice, pipeline contractor
Výstavba plynovodů, s.r.o., Olomouc, pipeline contractor
Stavby KÚHN, s.r.o., Praha, pipeline contractor
Streicher, s.r.o., Štěnovice, pipeline contractor
Pražská Plynárenská Servis Distribuce, a.s., pipeline maintenance

ČEZ, a.s., Dukovany, nuclear power station
ČEZ, a.s., Temelín, nuclear power station
Ústav jaderného výzkumu Řež, a.s., Divize Energoprojekt,
nuclear research institute, its designing division

Ředitelství silnic a dálnic, Praha (Road and Motorway Directorate of the Czech Republic)
Dálniční stavby, a.s., Praha, construction of motorways
Metrostav, a.s., Praha, construction company
Strabag, a.s., Praha, construction company
SKANSKA, a.s., Praha, construction company

WORLDWIDE

Avoim osakeyhtio Stroitransgaz sivuliike Suomessa, Kouvola, Finland, pipeline contractor
Fasek Engineering and Production, GmbH, Brunn am Gebirge, Austria,
engineering, planning and products for oil, gas and chemical industries
IMP PROMONT, d. o. o., Ljubljana, Slovenia, pipeline contractor
LatRosTrans OAO, Riga, Latvia, oil pipeline company
Nafta Gbely, a.s., Gbely, Slovakia, natural gas storage operator
Orlen Lietuva, Mazeikai, Lithuania, oil pipeline company
PSJ Hydrotranzit, a.s., Bratislava, Slovakia, pipeline contractor
SEPS, s.r.o., Bratislava, Slovakia, special services – pipelines and pressure vessels
Slovenský plynárenský priemysel, a.s., Bratislava, Slovakia, national gas company
Slovnaft, a.s., Bratislava, Slovakia, refining and petrochemical company
T.D.Williamson S.A., Nivelles, Belgium, pipeline services
T.D.Williamson Polska Sp. z o. o., Warszawa, Poland, pipeline services

Chemo Aharon Ltd., Tel Aviv, Israel, construction company
Israel Electric Corporation Ltd., Tel Aviv, Israel, national power company
Israel Natural Gas Lines Company Ltd., Tel Aviv, Israel, national gas company
Novyje Technologii, ZAO, Moscow, Russia, pipeline services
EHI dooel, Skopje, Macedonia (FYROM), pipeline services
Synergy tech Ltd., Belgrade, Serbia, pipeline services
Petroliam Nasional Berhad (PETRONAS), Kuala Lumpur, Malaysia,
oil and gas transmission system operator
TMM Engineering Services Sdn Bhd, Paka Dungan, Malaysia, pipeline services

PROFIT AND LOSS ACCOUNTS

	EUR '000	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
Sales revenue		1,678	3,723	3,360	4,680	5,504
Change in inventory		135	-168	232	-51	189
Cost of goods sold		732	1,429	1,439	1,199	1,844
Operating expenses		21	24	6	107	607
Salary expense		945	1,338	1,387	1,523	1,370
Other expense		77	79	97	79	1,406
EBITDA		38	685	663	1,722	467
EBITDA %		2%	18%	20%	37%	8%
Depreciation		412	412	423	357	280
Operating profit		-374	272	241	1,364	188
EBIT margin		-22%	7%	7%	29%	3%
Financial expenses		-14	-18	-46	-15	81
Profit before tax		-388	254	194	1,349	269
Income tax		-72	51	34	150	180
Minority interests		0	0	0	0	0
Net profit		-316	203	161	1,199	89
Net margin		-17%	6%	4%	26%	2%
CZK/EUR		25.43	27.03	27.055	27.53	27.44

BALANCE SHEET

EUR '000	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
Current assets	1,496	2,417	2,585	2,567	2,351
Inventories	185	100	292	79	366
Other receivables	0	0	0	0	0
Debtors	221	166	137	485	416
– Trade AR	128	59	18	331	391
– Other AR	93	106	112	148	25
Cash	1,091	2,151	2,156	2,003	1,569
Fixed assets	1,475	1,591	1,905	1,923	1,710
Fixed intangible assets and goodwill	56	62	14	12	18
Fixed tangible assets	1,419	1,529	1,888	1,908	1,692
Long-term financial investments	0	0	3	3	0
Deferrals	10	15	13	12	33
Total assets	2,982	4,023	4,504	4,502	4,094
CZK/EUR	25.43	27.03	27.055	27.53	27.44

	EUR '000	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
Short-term liabilities		179	572	824	603	859
Loans		9	137	302	142	336
Advance payments		0	0	120	0	12
Trade AP		32	42	63	40	87
Taxes, social security and employees		118	374	327	401	365
Other		20	20	12	19	58
Long-term liabilities		34	101	91	98	80
Total liabilities		213	673	915	700	939
Minority interest		0	0	0	0	0
Total equity		2,763	3,341	3,578	3,795	3,141
– Registered capital		197	185	185	182	182
Reserves		0	0	0	0	0
Accruals		6	9	10	7	14
Shareholders' equity and liabilities		2,982	4,023	4,504	4,502	4,094
CZK/EUR		25.43	27.03	27.055	27.53	27.44

SUMMARY FINANCIALS

	EUR '000	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
Sales revenue		1,678	3,723	3,360	4,680	5,504
EBITDA		38	685	663	1,722	467
EBITDA %		2%	18%	20%	37%	8%
Operating profit		-374	272	241	1,364	188
EBIT margin		-22%	7%	7%	29%	3%
Financial expenses		-14	-18	-46	-15	81
Net profit		-316	203	161	1,199	89
Net margin		-17%	6%	4%	26%	2%
CZK/EUR		25.43	27.03	27.055	27.53	27.44

	EUR '000	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
Sales revenue		1,738	4,100	3,705	5,250	6,155
EBITDA		39	754	731	1,931	523
EBITDA %		2%	18%	20%	37%	8%
Operating profit		-387	300	265	1,531	210
EBIT margin		-22%	7%	7%	29%	3%
Financial expenses		-15	-20	-51	-17	91
Net profit		-327	224	177	1,345	99
Net margin		-17%	6%	4%	26%	2%
CZK/EUR		24.54	24.54	24.54	24.54	24.54

ANNEX TO THE CEPS 2017 FINANCIAL STATEMENT

FISCAL PERIOD 1.4.2017 TO 31.3.2018

Name **CEPS a.s.**
Residence **Belnická 628**
252 42 Jesenice
Czech Republic, EU
Identification No. **257 21 551**
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. Pavel Jakoubek, CSc.
Vice-chairman of the board

Ing. Petr Pařízek
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

Ing. Kateřina Zikánová
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 2017 was 36, of which 7 executives. Total personnel costs amounted to CZK 24,029 thousand, of which CZK 6,282 thousand of the management team.

Remuneration to members of statutory bodies was not provided in 2017.

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.



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