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# 2016

ANNUAL REPORT



## Company Profile

The plant was founded in 1899 under the company Hassmann and son. From the beginning its machinery production specialized in producing various machines for stone processing – primarily for grinding and polishing stone-cutting machines.

In 1912 the plant was joined to a company based in Bielsko in Poland. The company structure expanded to include machines for wood working, distillery equipment, small water turbines and hand pumps. In that period a grey iron foundry was built in the plant.

More detailed records about the company history before World War II are missing. In local archives there are only records of participation of the plant at regional trade fairs, where the plant won a few awards for water turbines.

In 1949 the plant was taken over by the company Ostrój Opa-va and the manufacturing programme gradually changed. The plant produced small mining machines and components for mining equipment such as hydraulic supports, hoists and transporting units.

In 1961 the plant became a part of the Moravian chemical plants Ostrava and began to produce a wide spectrum of goods for chemical industry. The nature of production changed from small-scale manufacture to single-piece special order manufacture with greater demands on technical and labour qualification. In 1964 production of various types of pressure vessels and special pumps for aggressive chemical liquids started.



In 1992 the plant was sold to Ondřejovická strojírna spol. s r.o. under the great privatization. The privatization plan of the company was to keep qualified production mainly of pressure vessels, considerably expand the pump production and start with the production of certain special types of goods. Due to necessary restructuring of the company the number of workers, especially overhead workers, had to be reduced.

Between 1992 and 1995 there was a considerable decrease in the amount of investment into chemical industry, which meant the plant had to find other, non-traditional customers. There was also a drop in production output. At that time customer payment was very erratic and this had a very negative influence on operations. The plant got rid of its detached plant in Mikulovice and centred its entire production in Ondřejov-

vice. In 1997 a partial consolidation was achieved after the company paid off the loan taken for buying the plant; since then there have been significant investments into repairs and innovation of technological equipment.

Since 1996 the plant has been gradually certificated according to a number of foreign standards for production of pressure devices and also for production of pressure devices for nuclear energetics in the Czech Republic.

At present Ondřejovická strojírna a.s. mainly focuses on production of pressure equipment – heat exchangers, and higher value added columns and vessels for petrochemical industry and refineries.

## Important Dates

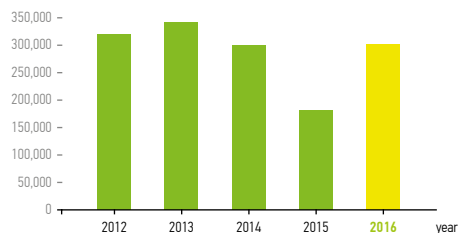
- 1899** ■ The company Hassmann & Sohn established
- 1947** ■ The company Ondřejovická strojírna established – stone-cutting machine production, Ondřejovice – Salisov
- 1964** ■ First pressure vessel production
- 1984** ■ Completion of the new shop floor KI
- 1992** ■ The company Ondřejovická strojírna, spol. s r.o. established  
■ Production of first distillation columns for the company Sokolovská uhelná
- 1994** ■ Mastering of rust-free material using MAG/MIG welding
- 1995** ■ “Czech made” label awarded for stuffing-box-less pumps  
■ The certificate for welding coefficient 0.95 for manual welding awarded
- 1996** ■ The ASME Code certificate for pressure vessel production awarded  
■ Automatic submerged-melt welding introduced
- 1997** ■ Flood in the North Moravia area – only small damages to the plant  
■ Mastering of first production of pressure vessels according to ASME Code  
■ The certificate for production of pressure vessels for nuclear energy awarded
- 1998** ■ CNC workplace for material marking and cutting introduced  
■ Orbital welding tube-tube plate introduced  
■ Ondřejovická strojírna registered as a pressure vessel manufacturer in the USA
- 1999** ■ Completion of the gas supplying system for the plant
- 2000** ■ Environmental program implementation – construction of water reservoir and wetland in the company premises  
■ AD Merkblatt (AD 2000) certification awarded
- 2001** ■ First pressure vessels according to AD Marktblatt produced
- 2002** ■ Syteline and company information system introduced  
■ Rust-free material welding with tubular rod introduced
- 2003** ■ Mastering of production of vessels cased with pressed half-tubes  
■ Production of welding-on tube plates under automatic machine introduced  
■ Production of duplex material heat exchanger
- 2004** ■ Starting cooperation in producing of vessel and heat exchanger for the company DUPONT  
■ Production of columns from Monel materials
- 2005** ■ The company certified according to GOST R for vessel GOST R, columns up to 100 m<sup>3</sup> and exchangers with heat-mixing area up to 1,000 m<sup>2</sup>  
■ Children's day celebration with a rich programme
- 2006** ■ Certification GOST R extended for columns up to 200 m<sup>3</sup>  
■ The company was successfully certified according to ROSTECHNADZOR (before GOSGORTECHNADZOR) for vessels, columns and exchangers  
■ The company was successfully certified according to PROMATOMNADZOR for vessels, columns and exchangers to deliver to Belarus
- 2007** ■ Installation of sheet four-roll bending machine of the company FACCIN, possible rolling up to 40 mm thickness  
■ Overhead crane installation to KI  
■ Information system upgrade from Syteline 5 to Syteline 7
- 2008** ■ ASME Code Sect VIII-DIV 1 “U” Stamp – recertification valid till April 2011  
■ ASME Code Sect VIII-DIV 1 “U2” Stamp – recertification valid till April 2011  
■ PED 97/23/CE MODUL H (H1) – recertification valid till January 2011  
■ GOST R – recertification for delivery of exchangers, columns, vessels till April 2011  
■ Implementation of the Syteline 7 information system – full start from July 2008

- 2009**
- Certification ISO 9001:2001, 14001:2005 and OHSAS 18001:2008
  - Certificate of exceptionality according to requirements of ČSN EN ISO 9001, 14001, 3834 and ČSN OHSAS 18001 awarded
  - The company certified according to PROMATOMNADZOR
  - The company awarded in the programme National Quality Award 2009 as “Successful company”
  - Merger of the company Ondřejovická strojírna spol. s r.o. and the company Fagonia Consulting (the company Ondřejovická strojírna a.s. established)
- 2010**
- Merger of Odřejovická strojírna spol. s r. o. and Fagonia Consulting (establishment of Ondřejovická strojírna a. s.)
  - The company certified according to ROSTECHNADZOR
  - Successful completion of the first surveillance audit of ISO
  - Involvement in the professional staff development programme called “Educate yourself!”
- 2011**
- Recertification GOST R – for supplying of heat exchangers, columns and vessels
  - Recertification of ASME Code Sect VIII-DIV 1 “U” and ASME Code Sect VIII, Div 2 “U2”
  - Starting of construction of the new shop floor “D”
- 2012**
- System recertification – QMS, EMS and OHSAS according to ČSN EN ISO 9001:2009, ČSN EN ISO 14001:2005, ČSN OHSAS 18001:2009 and ČSN EN ISO 3834
  - Finishing of construction of shop floor “D”, reconstruction of old shop floor and parking lot for employees
- 2013**
- Recertification and authorisation of the company according to Promatomnadzor
- 2014**
- Recertification of ASME Code Sect VIII-DIV 1 “U” and ASME Code Sect VIII, Div 2 “U2”
  - Recertification of quality management system – QMS, EMS and OHSAS according to ČSN EN ISO 9001:2009, ČSN EN ISO 14001:2005, ČSN OHSAS 18001:2009 and ČSN EN ISO 3834
  - Upgrade of information system from Syteline 7 to Syteline 8
  - EAC certification for delivery of exchangers, columns and vessels valid till November 2019 according to the Customs Union (Russia, Belarus, Kazakhstan)
- 2015**
- Recertification of quality management system – QMS, EMS and OHSAS according to ČSN EN ISO 9001:2009, ČSN EN ISO 14001:2005, ČSN OHSAS 18001:2009 and ČSN EN ISO 3834
  - EAC supervisory audit according to TR 010/2011 a TR 032/2013 technical regulations for manufacturing and delivery of pressure vessels, heat exchangers and columns into the Customs Union of Russian Federation, Belarus, Kazakhstan and Armenia
  - Technology installation and putting into operation according to the conditions of the subsidy programme – DEVELOPMENT – Call III, a second prolongation
- 2016**
- First supervisory audit of the management system recertification – QMS, EMS and OHSAS according to ČSN EN ISO 9001:2009, ČSN EN ISO 14001:2005, ČSN OHSAS 18001:2009 and ČSN EN ISO 3834; EAC supervisory audit according to TR 010/2011 and TR 032/2013 technical regulations for manufacturing and delivery of pressure vessels, heat exchangers and columns to the Customs Union of the Russian Federation, Belarus, Kazakhstan and Armenia; technology installation and putting into operation according to the conditions of the subsidy programme – DEVELOPMENT – Call III, a second prolongation
  - EAC supervisory audit including issue of new certificates
  - Performance of energy audit with focus on savings of all energies
  - Employee retraining project
  - Making the managerial job order management transparent
  - Design and manufacture of universal equipment for assembly of the heat exchanger tube bundles in the following design: a device for lever bending – Z160067 type, a fixture for tube insertion – ZA2238

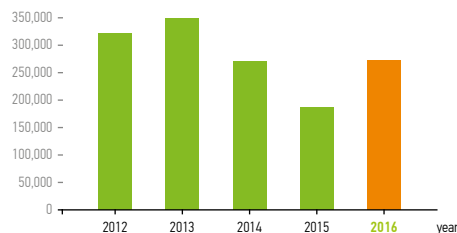
## Basic Financial Indicators in 2012–2016

in CZK thousands		2012	2013	2014	2015	2016
Production	■	320,162	340,961	299,714	181,870	301,966
Revenues	■	321,063	348,643	270,616	186,613	273,163
Added value	■	74,127	132,999	88,242	56,121	78,014
Profit/loss after tax	■	14,510	54,473	13,876	-5,240	3,549
Total assets	■	288,447	197,698	291,951	177,527	271,150
Fixed assets	■	113,125	120,894	118,829	104,091	102,326
Current assets	■	174,957	75,961	169,900	71,391	167,523
Equity	■	62,736	103,208	93,355	80,956	84,505
Registered capital	■	2,000	2,000	2,000	2,000	2,000
Other sources	■	224,805	94,405	198,596	96,569	186,645
Added value per 1 employee	■	807	1,385	891	644	864
Net profit/loss per 1 employee	■	158	567	140	-60	39

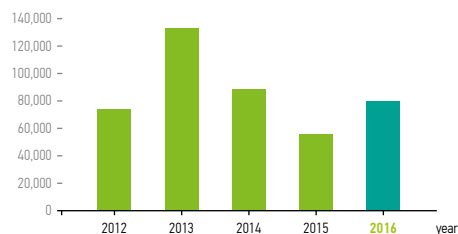
Production in CZK thousands



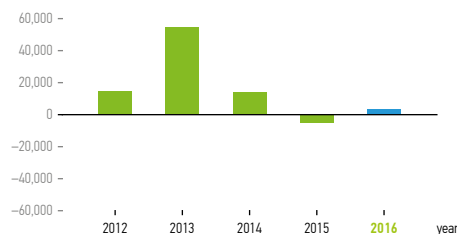
Revenues in CZK thousands



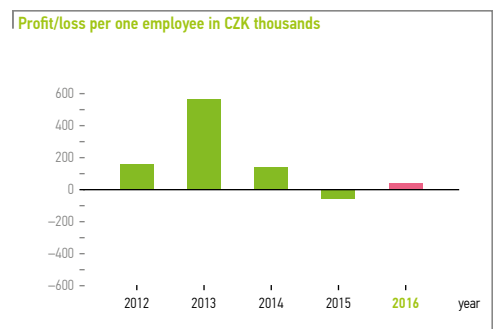
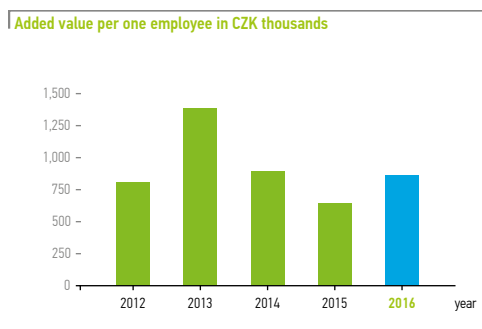
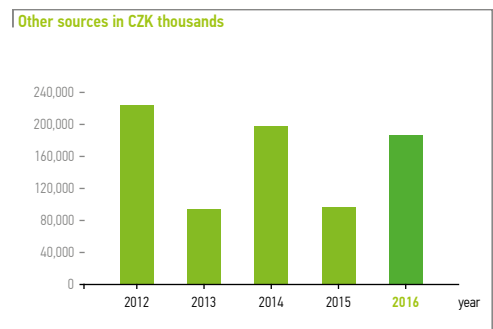
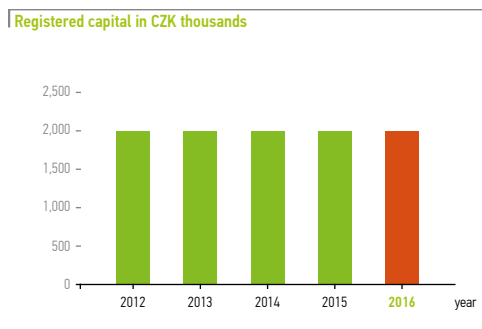
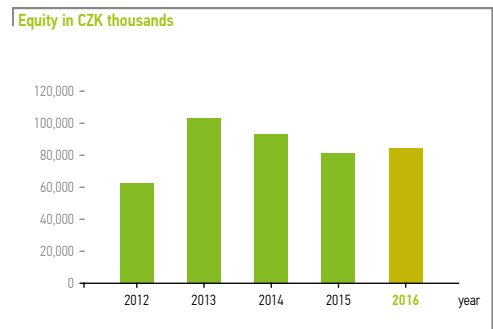
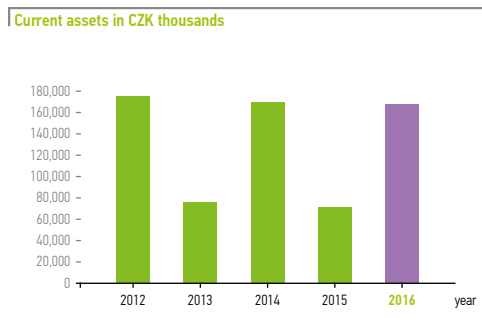
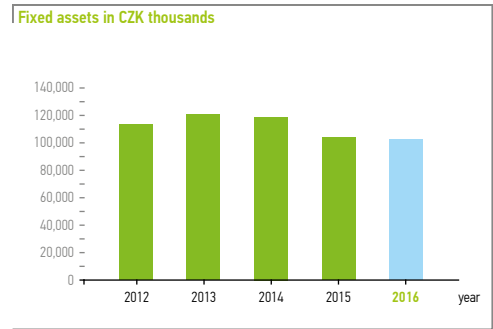
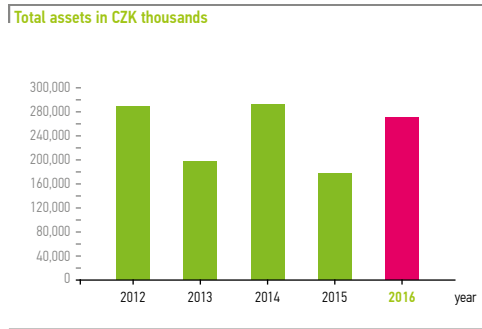
Added value in CZK thousands



Profit/loss after tax in CZK thousands







## Mission, Vision and Objectives of the Company

### Mission and Vision

- Completely handle all customer requirements in the field of pressure equipment production.
- Support high professionalism for the customers by means of the certified quality management system.
- Not to be only a supplier but also customers' partner.
- Develop potential and professionalism of our co-workers as well as team work.
- Put the accent on safety of our employees and co-workers.

### Company Objectives for 2016

I state the following objectives for 2016 in connection with the integrated management system policy adopted:

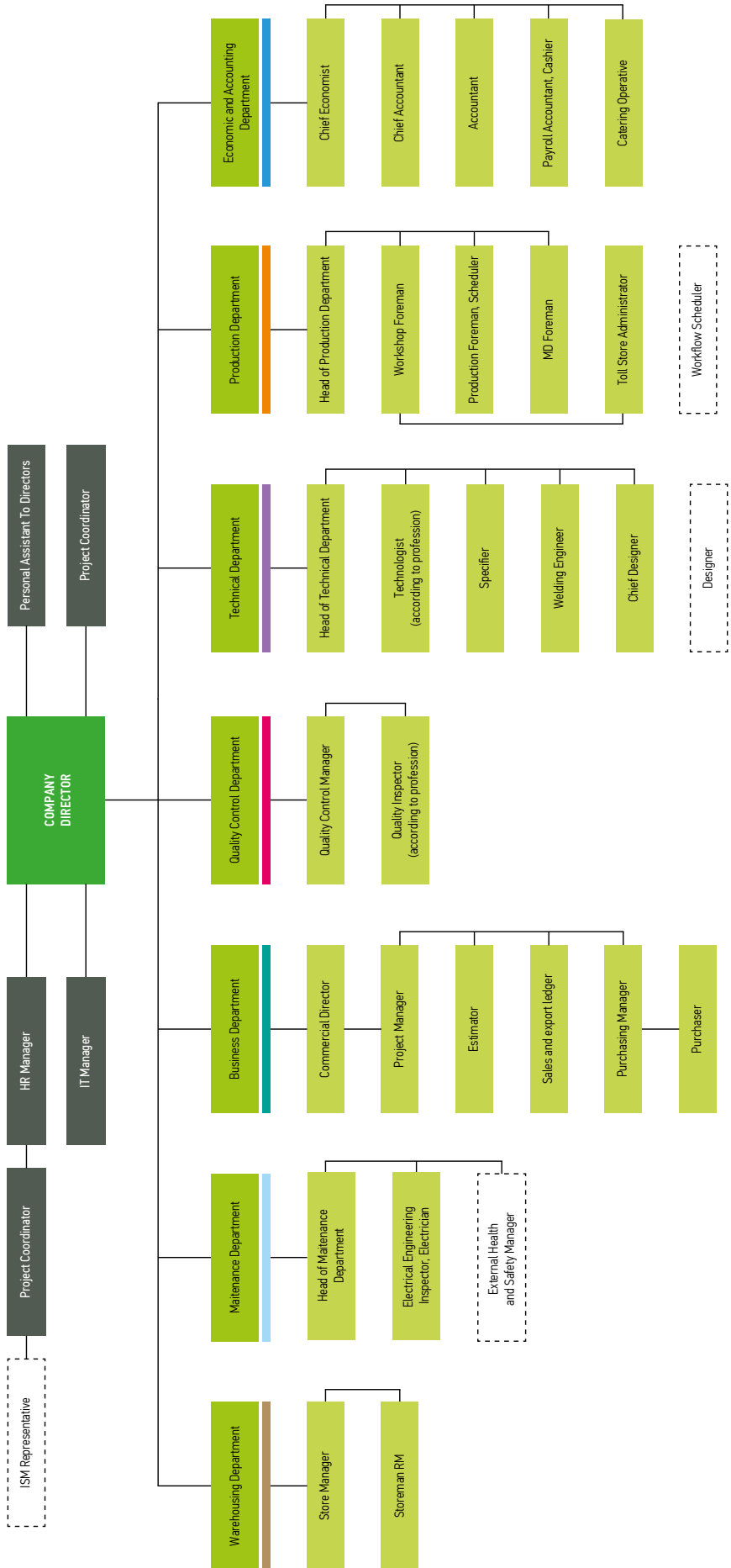
1. Prepare the company for an incoming 2nd supervisory and recertification combined audit of the integrated management system on the given date to be verified successfully.
2. Keep and improve quality of the existing integrated management system including the quality management system according to standard ČSN EN ISO 9001 in combination with ČSN EN ISO 3834, the environmental management system according to standard ČSN EN ISO 14001 and the work safety and health protection management system according to standard ČSN OHSAS 18001.
3. In relation with changeover to the amended ČSN EN ISO 9001:2015 standard and other combination with ČSN EN ISO 14001 and ČSN OHSAS 18001 as amended, continue with the necessary changes to apply these standards into internal practice by the following certification audit, already from 2nd quarter 2017.
4. In case of a suitable subsidy programme announced by the Ministry of Environment and securing the financing, ensure the implementation of the project of the shop floor extension and at the same time ensure the ecological disposal of wastewater from the shop floors associated with the manufacturing process of the dedicated pressure equipment with minimum impact on the environment. Implement stage 4 of EMS programme no. 1/2015.
5. Ensure the optimization of the energy demands of the company structures in accordance with EMS 02/2015 Programme. Finish stage 1, i.e. the projects not yet implemented:
  - Installation of a subsidiary measurement of STL natural gas – a burner as an input for the annealing process;
  - Installation of a subsidiary measurement of natural gas in the boiler room for main sanitary facilities;
  - Installation of other subsidiary measuring instruments for all production structures;
  - Replacement of the existing lighting for more energy-efficient lighting for the production structures of Production preparation, Mechanical workshop and Pump workshop (selection of a supplier in the form of a tender with emphasis on return of the investment, testing of the proposed lighting at one workplace in Equipment manufacture I).

Implementation of the proposed ways of regulation according to Stage 4 of EMS Programme 02/2015:

- Gradual replacement of the gate doors in the Mechanical workshop, Garage and Equipment manufacture II;
  - Introduction of the compressed air monitoring;
  - Monthly monitoring of natural gas consumption in Boiler room 1 and in the paint shop;
  - Supplementation of the monitoring and control system according to introduction of individual energy measures.
6. Ensure the planned sales in 2017 according to the declared strategy amounting to CZK 320 million within 3 following years to sustain stability and economic growth of the company despite the ongoing Russian-Ukrainian conflict, drop in crude oil prices and stagnation of industrial production.
  7. Enlarge the customer portfolio by means of active business and marketing activities. Expand the started activities when establishing a representation of the company for the Russian Federation, Belarus, Ukraine and other post-Soviet countries and further Brazil and Middle East countries. Continue in enlarging the supplier portfolio for metallurgical intermediate products according to the plan instructions.
  8. Continue with the activities in the search and preparation of investment projects and, in case of compliance with the subsidy programmes announced, ensure their implementation with the connection to the subsidy programmes from the EU fund approved by CZECHINVEST, or the state financial incentives. Preferentially the new shop floor with blasting process and the company sewerage system.

9. Adopt the requirements for observing and fulfilling economic indicators according to the methodology stated in the plan for 2017 and the "Company Strategic Management" under the conditions of full operation. Improve the organization and management of the company in order to keep labour productivity, streamline the activities, and increase the transparency and communication with the customer and within the company. Keep fixed costs as per the analytics of their tracking.
10. Continue in training of the employees in order to increase their technical and professional abilities in terms of the defined KPIs from semi-annual employee assessment. Devote ongoing attention to education and qualification of employees, their education towards responsibility, reliability and positive motivation at work.
11. Apply in practice the established contractual relations focused on specific skills to educate the future employees by means of cooperation with educational institutions.
12. Successfully apply conditions of regulations and control standards in practice according to new conditions of equipment deliveries to the Customs Union, "EAC" Certificate (Russia, Belarus, Kazakhstan, Armenia, Kyrgyzstan) including updating of standards, personnel training, possibly also a supervisory inspection activity by the certification body beyond the legal framework.
13. Ensure the CRCC (Certificate of Registration and Record Classification) recertification process according to the conditions Petróleo Brasileiro S.A. – Petrobras according to the deadline with the aim of receiving corresponding qualification of manufacturing and company personnel and achieving that the company is placed on the corresponding "vendor list" of the above mentioned company. Further, continue in obtaining necessary certifications according to current needs and requirements of business cases.
14. Prepare the company for the ASME "U", "U2" certification verification on the given date to be verified successfully.
15. Implement "Planning and scheduling of production capacities based on the project management of business cases" at on-line managerial level of the company management and its key economic indicators with the support of IS system, including monitoring and evaluating of the individual job orders.
16. Keep records on active involvement of the managers in building up and improving the relations with partners, including the evidences of systematic review of approaches to partnership.
17. Creating a structured company portal for the individual specialized departments.





Organisational Structure on 28 February 2017

## Personnel Development in 2016

2016 was unconventional in terms of the human resources development. After last year decrease in the number of employees, the gradual replacement of outgoing employees by new people started in 2016. New employees were continuously added in all necessary professions across all departments. With low unemployment in our region, there is a significant shortage of highly qualified employees. The company management mainly focused on transparent managerial job order management, by which the activities of the project managers became more transparent and the business-marketing activities in the search for new jobs and customers have been improved. By means of these activities, new customer relations have been established, especially at the customers requiring products of a more complex nature. These new acquisitions have required reassessment of the qualifications of all employees. This customer-friendly and professional-quality approach will continue in the future.

From August to the end of the year, we requalified 7 new employees in the working position of a locksmith and boilersmith working closely with the Jeseník Job Office when selecting suitable adepts. In 2017 some of them will be further requalified to become state welders. Since the load of the job orders were not even during the year, it had to be provided for the planned boiler production capacities in our workplaces to be continuously replenished with the job orders produced by Fach Stal from June 2016 and Top Money from October 2016. During the summer holidays, the students mainly from engineering schools were employed to cover the unplanned absence from work. They carried out undemanding engineering activities and gained engineering experience. There were 22 students in total. During the demanding jobs, our former employees (now retired) also helped us – 5 working pensioners. Other 8 employees were tested in different positions and after a short period of time their employment was terminated. Also, the employment was terminated with two employees who had unsatisfactory work results for a long time. In 2016, 14 new employees were employed, they are being trained and adapting to their job positions. One employee died during the year. All year, we employed 2 experienced employees who were guarantors of control activities in the priority segments of our processes.

The planned number of employees at the end of 2016 is 100; there is 1 employee less, i.e. 99 employees.

For the next period this means that the current shortage of graduates and employees with technical knowledge and required professional competence will bring:

- Increased costs of internal education,
- Longer adaptation process,
- Greater risk of human factor disagreements,
- The need to increase inspection activities in all processes,
- Further cooperation with engineering schools,
- Highlighting the self-inspection system.

### Development of employment

Average calculated state of employees	2012	2013	2014	2015	2016
	92	96	99	87	90

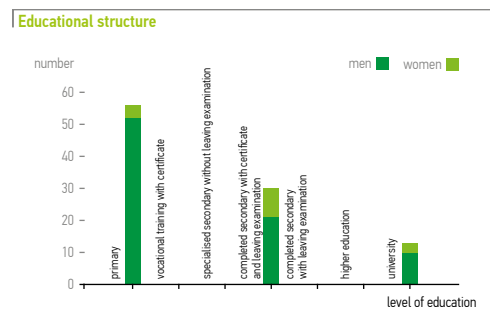
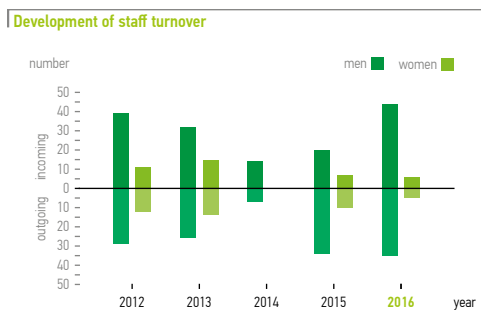
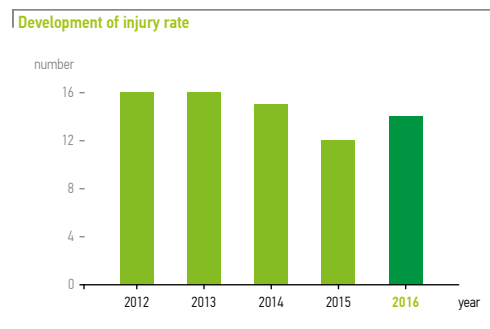
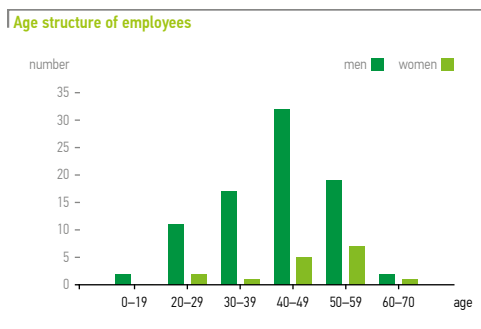
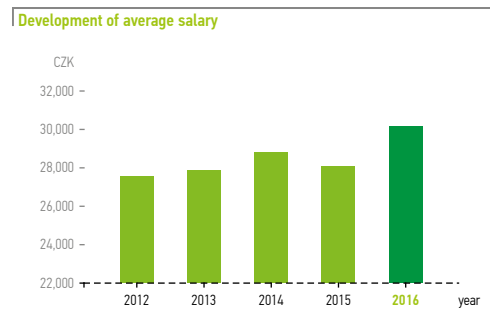
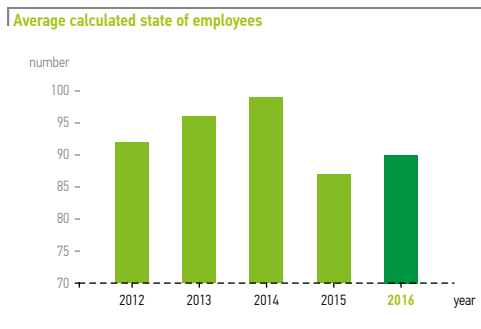
Educational structure	men	women	total
primary	0	0	0
vocational training with certificate	52	4	56
specialised secondary without leaving examination	0	0	0
completed secondary with certificate and leaving examination	0	0	0
completed secondary with leaving examination	21	9	30
higher specialised	0	0	0
university	10	3	13
TOTAL	83	16	99

Development of staff turnover	2011		2012		2013		2014		2015	
	incoming	outgoing	incoming	outgoing	incoming	outgoing	incoming	outgoing	incoming	outgoing
women	11	12	15	14	0	0	7	10	6	5
men	39	29	32	26	14	7	20	34	44	35

Age structure of employees	men	women	total
age group			
0-19	2	0	2
20-29	11	2	13
30-39	17	1	18
40-49	32	5	37
50-59	19	7	26
60-99	2	1	3

Development of average salary	2012	2013	2014	2015	2016
average salary	27,517	27,849	28,804	28,060	30,172

Injury rate of employees	2012	2013	2014	2015	2016
number of work injuries	16	16	15	12	14



## Manufacturing and Market Position

The company achieved sales of own products in the amount of CZK 272.441 thousand, which is CZK 47.559 thousand less than the set plan handed over to the financing bank, but by CZK 86.025 thousand more than the reality of 2015. Therefore, in comparison with 2015 there is an increase in sales in the amount of 46.14%.

The target sales were not fully reached in 2016. The underlying reason is the fact that the invoicing of two major contracts, originally according to the production schedule of the contracts concluded and the invoicing in 2016 remained unfinished due to the work in progress until the end of the year and thus they could not be invoiced. This is the reason why there has been a drop in the sales of these two job orders, the implementation and invoicing of which was shifted until 2017.

This is the job order 2238 THERMAX – the amount of the contract EUR 3,102,500 (CZK 83.767 thousand) and the job order 2257 CASALE – the amount of the contract EUR 475,000 EUR (CZK 12.825 thousand). Due to a delay in manufacturing and shipment schedule it is a drop in sales of approximately CZK 96.5 million in total. If they were invoiced according to the original schedule by the end of 2016, the sales would reach CZK 272.4 million + 96.5 million = 373.4 million and the plan would be highly exceeded. However, it is still necessary to take into account that by 2016 some job orders were moved in a similar way from 2015, but they were already taken into account in the sales of CZK 320 million. The volume of the planned sales was increased by CZK 20 million for the financing bank.

When comparing 2016 and 2015, there is an obvious decline in demand for business activities, i.e. 528/629 = -16.06%, which is the lowest in the past three years; however, it did not actually affect the amount of the contracted and performed jobs starting with Q2 2016, including its second half with continuation in 01/2017. The circumstances below fundamentally affected the planned sales and capacities in 2016, and, above all, all monitored plan indicators. The concept changes in approach and work in the business area that started in 2015 (in the second half of the year) had a positive and progressive impact on the fulfilment of the conditions of the economic plan in 2016. The company has very actively started its activities in the area of cooperation with customers from Western and Central Europe, Kazakhstan, Azerbaijan, Turkmenistan, the Middle East countries and others. It was necessary to prepare an extensive documentation for final approval, so-called "vendor list". These activities were done with the help of external staff and co-operating entities as well as the active business activities with customers and partners in direct contact. The main benefits were job orders with a specific and non-standard technical solution, which required professional approach at all stages of implementation of the business cases, investments in machinery and production facilities under the conditions of increasing the qualifications of both technical and manufacturing staff. This trend has also been set for the period of 2017, where it can be expected that the company will gradually move into the position of EP/EPC contractor in terms of the equipment supplies. All strategic goals that have been adopted lead to the fulfilment of these objectives. Finally, it must be said that the effort has been paid out, which is confirmed by a number of very interesting contracts for the equipment with specific terms of reference to be implemented in 2017. Naturally, the strategic objective and goals will respond to these facts.

For 2016 a total of 57 job orders of various kinds were made for 10 different destinations. (Czech Republic, Poland, Germany, Finland, France, USA, Russia, Belgium, Belarus, Croatia). 16 job orders made in 2016 were concluded in 2015: 2164, 2220, 2222, 2229, 2215, 2230, 2202, 2210, 2223, 2130, 2130, 2234, 2231, 2242, 2239, and 2240. During their implementation, the company also faced problematic cases, which affected the company economy. Specifically, these were the following job orders: 2215 – problematic weld deposits; 2231 – overlapping job orders with priority to provide invoicing; 2238 – damage of the compensator due to a wrong calculation design, it was necessary to repair it and change the technical solution, TOFD, TZ, generally complicated implementation of the job order through more entities, necessary to move it to 2017; 2244 – necessary co-operation to meet the deadline; 2246 – a prototype solution with problematic implementation due to technical solution with our participation, time and capacity demandingness with an impact on other job orders, in particular 2244, 2231 and 2238; 2257 – specific technical specifications without a possibility of diverting from the specifications, consistent manufacturing supervision during production, non-standard tube and tubesheet joints, necessary to move it to 2017.

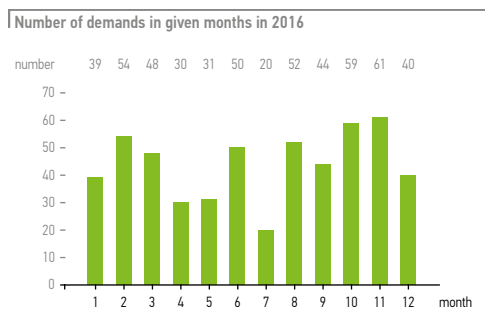
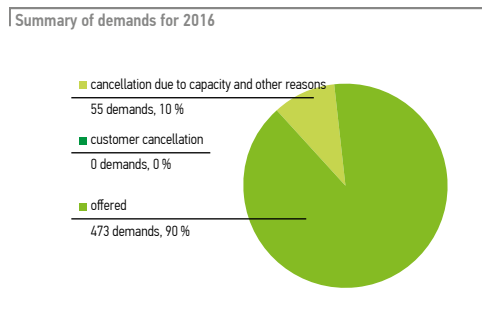
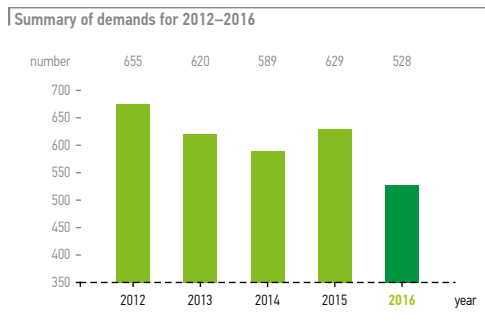
Total hours worked on the job orders made in 2016 were 57,389 hours (including hours worked partially in 2015). For the job orders finished in 2016, 46,829 hours were purely worked in 2016. For all job orders 62,444 hours were worked in total in 2016 (continuation in 2017/moving job orders to 2017).

In 2016, 135 pressure vessels were manufactured. 86% (117) of pressure vessels were manufactured in accordance with ASME manufacturing standard. 13% (17) of pressure vessels in accordance with ČSN 690010 and 13445.

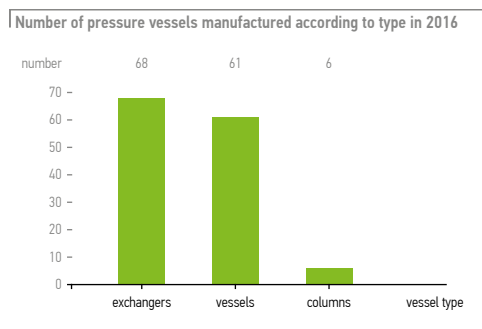
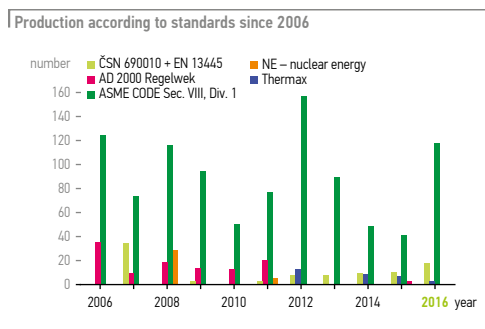
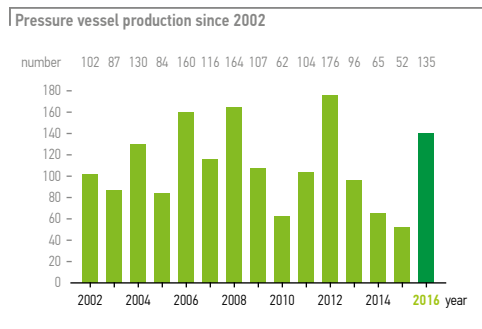
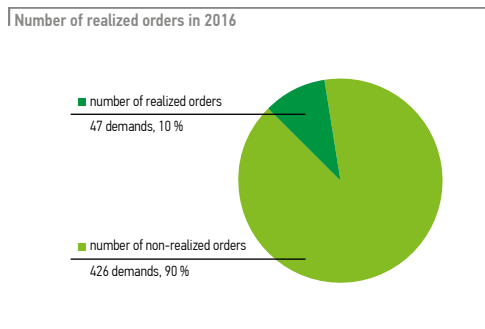


There is a list of the significant customers in relation to the completed job orders in 2016: Schekino Azot; UNIS a.s.; OAO Naftan; STSI Integrirani tehnički servisi, d.o.o.; JSC Mozyr Oil Refinery; Česká Rafinérská a.s.; CB&I s.r.o.; Gardner Denver Nash Deutschland GmbH; GEA Wiegand GmbH; ITP Group Brno s.r.o.; Unipetrol RPA s.r.o.; Rinheat Oy; AST Chemtech GmbH; Thermax UK Ltd.; Thermax Inc.; Chart Ferro a.s.; Petrokemija, Plc. Fertilizer Company; OMYA CZ s.r.o.; Provyko s.r.o.

DEMAND PROCESSING IN 2016



REALIZATION OF ORDERS AND SUMMARY OF PRESSURE VESSEL MANUFACTURING



## Quality Policy

The company Ondřejovická strojírna, a. s. has established and maintained the quality system that meets the manufacturing requirements according to Czech and foreign standards ČSN 690010, ČSN EN ISO 3834 – 2:2006, PED 97/23/CE – Module H/H1, ASME Sec. VIII, Div. 1, 2 – Certification mark (U, U2 stamp), ADM 2000 Regelwerk, EN 13445, GOST-R according to the conditions of the Customs Union of the Russian Federation, Belarus, Kazakhstan, Armenia and Kyrgyzstan with EAC marking and with the support of an inspection body located in the territories of the states of the Union.

At the beginning of 2016 on 15 March 2016 the company successfully completed the first combined supervisory audit of the quality management system – QMS, EMS and OHSAS according to ČSN EN ISO 9001: 2009, ČSN EN ISO 14001:2005, ČSN OHSAS 18001:2008 and ČSN EN ISO 3834-2:2006. The conclusions of the audit are stated in the audit reports. The corrective and preventive measures have been taken and implemented for the discrepancies and recommendations.

The audit also included the first supervisory audit of the quality management system according to regulation EU PED 97/23/EC – H/H1 module. The quality management systems according to ISO standards and the specified system according to EU conditions were implemented with the support of TOQUM s.r.o., an external consulting company.

On 16 November 2016, the certificate was asked to be revised according to ČSN EN ISO 3834-2:2006 – a change of responsible person for welding (replacing Ing. Dubovan with Ing. Plašil). The revised, unaltered certificate is issued in 2017.

In connection with the needs of the EAC audit and the company certification according to the Russian GOST standards, it was necessary to ask for an extraordinary supervisory audit under the conditions of EU Directive 2014/68/EU and implementation of Government Order no. 219/2016 Coll., Module H/H1 of the certification body from Nizhny Novgorod. Following the successful audit on 25 August 2016, the company has verified EAC certificates issued according to the new technical regulation – TR 010/2011 and TR 032/2013 for manufacturing and delivery of pressure vessels, heat exchangers and columns to the Customs Union of the Russian Federation, Belarus, Kazakhstan, Armenia and Kyrgyzstan. The certificates are issued for 5 years.



AD-M 2000  
Regelwerk



EN 13445

ČSN 690010

## Integrated Management System Policy

In accordance with the company strategy, the company management has decided to adopt the following principles of the integrated management system for development of the quality management system, the environmental management system and the work safety and health protection system:

### Basic focus of the company:

#### 1. Product quality and activities

- To achieve such state that the company could become a sought-after partner in the field of production of the specified pressure equipment for a wide range of customers
- To design, produce and deliver quality products, reliably ensure related activities when respecting customers' requirements and expectations as well as legislative regulations
- To continuously create conditions for further development of the company itself.

#### 2. Customer satisfaction

- Create a feeling of certainty at the customers regarding the product quality and on time deliveries while ensuring environmentally-friendly procedures and processes and consistent work safety and health protection
- Systematically and purposefully seek initiatives and information enabling deeper understanding of the customers' needs and requirements for their satisfaction.

3. **Attention to suppliers**
  - Pay continuous attention to the quality of the deliveries, services supplied and selection of suppliers at all company levels.
4. **Continuous Improvement of the Quality Management System**
  - Continuously improve the process performance and product reliability
  - Implement suitable corrective measures to optimise the use of all sources.
5. **Training of employees**
  - Pay continuous attention and take care of training, qualification and education of the employees so that they will be responsible, reliable and have positive motivation at work.

**Commitment of the management:**

- The company management fully identifies itself with the requirements of the standards ČSN EN ISO 9001, ČSN EN ISO 14001 and ČSN OHSAS 18001, that is with the principles of effective implementation and continuous improvement of the process management influencing the product quality and work safety and health protection in the company
- The company management continuously creates necessary organisational, personnel and financial resources for implementation, development and improvement of the quality management system, the environmental management system and the work safety and health protection system
- The company management commits itself to raise awareness of the employees and inform other interested parties about the ISM Policy and its principles and to systematically improve the effectiveness of the entire integrated management system
- The continuous goal is to ensure the compliance with the corresponding requirements of the legal regulations and other requirements to which the company has committed and which relate to their environmental aspects and to dangers in the field of work safety and health protection
- The continuous goal is to permanently improve and prevent pollution, injuries occurrence and health damages
- Enhance effectiveness of the work safety and health protection management
- The continuous goal is to develop cooperation with subcontractors to create the quality of the products provided, follow the environmental system and follow the principles of work safety and health protection, require the subcontractors of materials, products, jobs and other services to respect similar principles of environmentally-friendly attitudes and work safety and health protection when cooperating with us
- The continuous goal is to train and educate the company employees for practical implementing of this policy.

**Commitment of employees:**

- Within the technical and economic possibilities the continuous goal of the whole company is to minimise wastes and emissions and at the same time prevent waste of raw materials and energies with stricter control of the material inputs as well as technological procedures themselves
- The continuous commitment of the whole company is to minimise the occurrence of work injuries and occupational diseases by means of consistent observance of the safety regulations by the employees.

The management regularly reviews the IMS Policy with respect to suitability and compliance with the long-term company strategy, requirements of interested parties, international standards ČSN EN ISO 9001 and ČSN EN ISO 14001 and ČSN OHSAS 18001.

The content of this IMS Policy creates a framework for setting and revision of the goals and target values of the IMS and it is a crucial document for direction of the further development of the company processes.

## Investments and Modernization

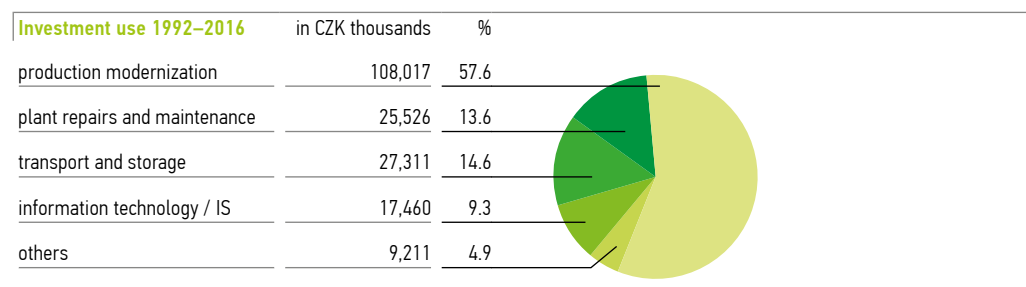
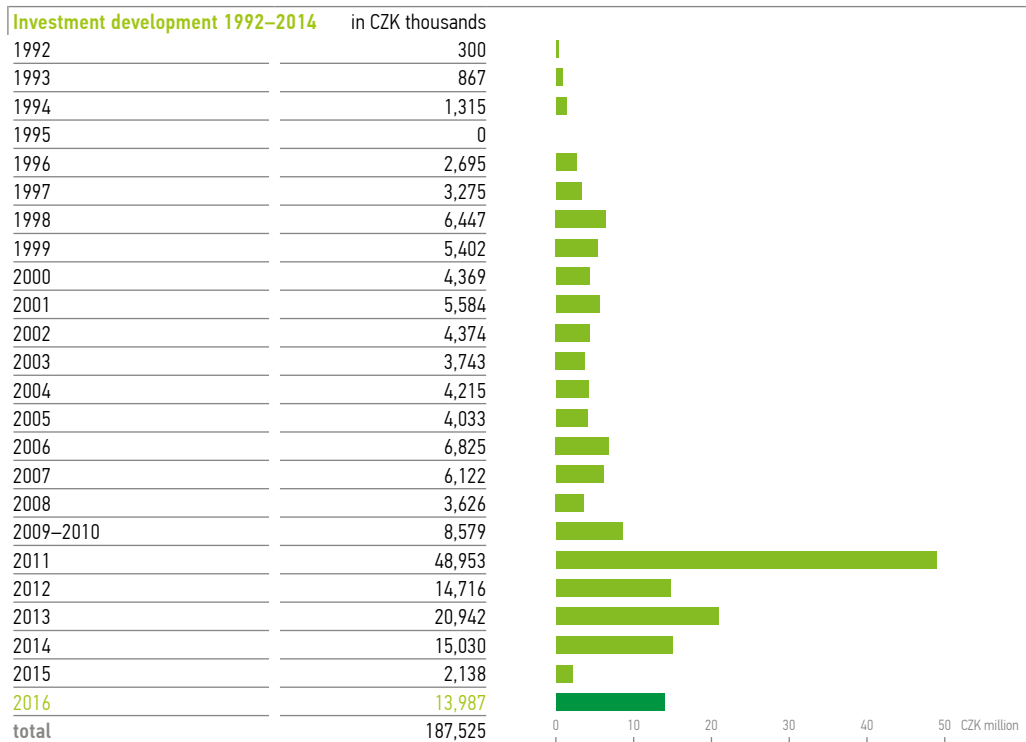
Ondřejovická strojírna, a.s. invested in renewal, development and modernization CZK 13,987 thousand in total (without effect of subsidies) in the period from 1 January 2016 to 31 December 2016.

### Investments in tangible fixed assets – machines, equipment, vehicles

name	purchase price in CZK thousand
Capital Improvement (CI) – Vacuum Cleaner NEVADA215	27
Plasma cutter PMX125 CE HAND SYSTEM	275
Sludge pump HONDA WT 30	40
CI – Orb. welding system TRANS TIG 300	61
Planing machine for sheet metal edges HHP 6	1,470
CI – Annealing panel assembly 10×4×3 m	54
Welding set Megasaf 6-SUBARC 5 and STARMATIC	100
Welding machine FASTMIG X450	246
Welding machine KEMPACT 253A	61
Welding machine KEMPACT 253A	61
CI – Annealing panel assembly 10×4×3 m	789
Vehicle PASSAT Variant Highline 2.0 TDI BMT	752
Vehicle PASSAT Variant 2.0 TDI BMT	708
Vehicle Mercedes Benz S 350 D 4MATIC	2,954
Vehicle Mercedes Benz S 350 D 4MATIC	2,951
CI – Vehicle Range Rover 3.0 TDV6	63
CI – Forklift ATLET DL 32	87
Computer 16Dell Latitude E5550 15"	49
Computer 16Dell Precision 7510	68
Office furniture – set	554
Titanium tank – tests	8
<b>TOTAL</b>	<b>11,378</b>

### Investments in tangible fixed assets – buildings and constructions

name	purchase price in CZK thousand
New shop floor – project, documentation	747
CI – Changing room, dining room, canteen	670
CI – Equipment manufacture II	837
CI – Production preparation	355
<b>TOTAL</b>	<b>2,609</b>



NOSNOST 16<sub>500 kg</sub>



## Marketing

Essential influence on the fulfilment of planned sales and capacity in 2016, and above all on all followed indicators of the plan had an active approach to partners regarding the business issues according to the given territory, and especially a change in the strategy adopted already in 2015 and by this the planned level of job orders was fulfilled. A detailed analysis of the whole situation is described in detail on page 14, including the reasons and the measures taken to keep the given trend, or make a change in these trends with progressive results in the future. Naturally, the strategic goals and objectives of the company will react to these facts.

It can be expected and certain facts indicate that business activities with the support of top quality products offered with a higher added value will have a growing tendency. This is a long-term strategic process and results were already seen this year, in the "sales" indicator. The same trend will be set for the business plan even for 2017 as already mentioned above. This entails certain risks and in these key issues it is therefore essential to focus on a professional approach regarding a proposal of the management, expand staff qualifications, add specialists with professional competence to the staffing structure or arrange some activities by means of external services. The company has been trying to find an appropriate partner for the turnkey delivery of the equipment, i.e. the equipment and technology with the support of the project part. By acquiring innovative technologies, the company should strengthen its position in the production of heat exchangers and columns designated for petrochemistry and refineries. Another strategic intention is to extend product qualifications including staff qualifications to the processing of special noble materials, both through internal action plans, innovations in the forming and welding of these materials with the support of a semi-automated and fully-automated modes and also in the form of diploma theses. The results will be put into practice. Strengthening, improving and expanding production capabilities and maintaining relations with the existing customers and building new relations will be one of the primary goals for the company strategy in 2017. An essential part of this is the extended product certification as required by the customers. This should be a comprehensive approach in the overall volume of the services offered.

The final monitoring report was supposed to be submitted on 5 January 2017 according to the original plan in case of the project "Reconstruction and extension of shop floor D" within the EU subsidy programmes. In fact, it was submitted and approved on 14 November 2016, respectively 15 November 2016. Thus, monitoring of this project has been finished.

The final monitoring report was submitted and approved on time within the approved subsidy programme – the project "Acquisition of new high technology for manufacturing of pressure vessels". Thus, monitoring of this project has also been finished.

The monitoring reports were sent and approved in advance in case of the project "Acquisition of new technologies with higher technical parameters and Innovation of the company information system" The deadline for the last monitoring report for both projects is scheduled for 5 January 2018.

Investment plans, which can be used in the current programme period, are being prepared for possible drawing of the subsidies. The announced subsidy programmes under the Ministry of Industry are mostly inadequate for us or they are so limited that we can hardly use them. We regularly monitor this area in cooperation with SIGMIN.



#### IMPORTANT CUSTOMERS

AIR PRODUCT  
ALSTOM  
BOCHEMIE  
BORSODCHEM MCHZ  
BÜHLER AG  
BURCKHARDT COMPRESSION  
C.B.I.

ČESKÁ RAFINERSKÁ  
DAY & ZIMMERMANN  
DUPONT  
ENVIRGY  
FEUL CELL ENERGY  
FLUOR DANIEL  
FOSTER WHEELER

GARDNER DENVER NASH  
GAZPROM NEFT  
GEA JET PUMPS  
GEA WIEGAND  
CHEMOPRAG  
CHEMOPROJEKT  
CHETENG

INVISTA  
ITP  
JSC KUIBYSHEVAZOT  
JSC MOZYR  
JSC SHCHEKINOAZOT  
KNITMESH TECHNOLOGIES  
KOCH GLITSCH





LÖDIGE PROCESS TECHNOLOGY  
LONZA  
NEU TRANSF' AIR  
OAO NAFTAN  
ORLEN  
PARAMO  
PETROGAS

PJSC AZOT CHERKASSY  
PLINKE  
PRAXAIR  
PROKOP ENGINEERING  
RINHEAT  
ROCHE  
STSI

SYRIAN PETROLEUM  
TECHNIP  
TECHNOEXPORT  
TEVA  
THERMAX  
UNION ENGINEERING  
UNIPETROL

UNIS  
VETROPACK HOLDING  
VOGELBUSCH  
VUCHZ  
YARA  
ZVU ENGINEERING

## Work Safety, Health and Environmental Protection Policy

Ondřejovická strojírna a. s. adopted a policy of safety, health and environmental protection already when it was established.

In order to improve the safety and health protection at work Ondřejovická strojírna a. s. introduced

the OSH management system, which complies with the requirements of ČSN OHSAS 18001:2008 standard, already in 2009. For the reasons of ever-increasing requirements for the system of environmental protection and effective realization of the production the company was also certified according to ČSN EN ISO 14001:2005 in 2009. Introducing this standard that specifies the requirements for an environmental management system allowed to reduce the environmental impacts associated with the functioning of the company. The company control systems were successfully audited and the systems are recertified periodically. The list of environmental aspects in the company and the list of identified workplace risks have been updated.

Our company has also been actively involved in the EKO-COM project, one of the largest environmental projects in the Czech Republic.

### Waste management efficiency assessment

The wastes produced are continuously recorded, sorted and stored in the designated and identified collection containers. The aim of sorting is not only to meet the legislative requirements, but mainly to allow maximum utilization of the wastes produced. We hand over the wastes to professional companies to use or dispose them in order to limit their landfilling. In 2016 the company produced a total of 154.31 tons of waste, of which 21.36 tons were taken to a landfill (13.84 %) and 132.95 tons were handed over for further use and processing (86.16 %). In comparison with 2015 – 164.62 tons of waste, of which 11.16 tons were taken to a landfill (6.78 %) and 153.46 tons were handed over for further use and processing (93.22 %). 2014 – 192.49 tons; 44.53 tons for landfill (23.13 %); utilization of 147.96 (76.87 %). 2013 – 114.86 tons; 20.38 tons for landfill (17.74 %); utilization of 147.96 (82.26 %).

### Efficiency in air protection

The company has undertaken to gradually reduce the burden on environment. To achieve this, we use all the resources available and focus primarily on preventing the waste in all sorts of state. In this spirit, the completion of the new paint shop technology, the suction equipment for the work environment in the equipment manufacture, the purchase of the new handling equipment and health-conscious sources of heat in the workplaces were completed.

The company records two listed sources of pollution – a GILIVER gas burner with a nominal thermal power input of 330 kW for indirect heating of the paint shop. The company as an operator fulfils its obligations in accordance with valid legislation. Another listed source is a group of metal cutting machines with the total electric power input of 217.95 kW. According to the decision of the Regional Office of the Olomouc Region there is no significant emission of solid pollutants and the pollution load does not get worse in the area under consideration. As an operator, we do not need to investigate the level of pollution at this source, because we do not have a specific emission limit for the pollutants.

### Assessment of energy demands

The energy audit was prepared by ENCO group s.r.o. Olomouc, an energy specialist, on 31 May 2016. The records were processed for the energy labels of all building containments, including energy label processing, the calculation of heat losses and average temperature coefficient of all buildings was processed. Heat needs were determined by the grad-day method. Heat distributions, connection and consumption of electricity, natural gas and compressed air and heat sources were assessed. The level of the energy system management was further assessed according to ČSN EN ISO 5001.

An initial balance for the individual types of energy, analysis of the construction parts of the buildings, assessment of the use of measuring and control technology have been compiled from the results of the survey.

The outcome of this audit includes a proposal for adopting measures to reduce energy and operating cost in two versions. A simplified balance of necessary costs and a period of their return was also prepared. However, it is only indicative and it is always necessary to check it for a specific project within the framework of relevant tenders for a certain project. The company management has assessed this draft measure and they will gradually implement some fast-return measures depending on the financial resources within the EMS Programmes for individual periods.

The energy management system according to ČSN EN ISO 5001 has not been implemented, yet many elements of the standard have already been applied.

The EMS 02/2015 Programme – Energy demands, which follows the conclusions of the energy audit, continues.

#### **Efficiency in water protection**

The purified wastewater from the wastewater treatment plant is taken out by our sewerage into the Olešnice watercourse. A designated worker keeps records of the use of chemicals for water treatment, we make records of the quality and quantity of the discharged wastewater. The frequency of the quality inspection of the discharged water is performed according to the requirements of the integrated permit. Regarding the fact that the company intends to address this EMS programme in a comprehensive way, a decision was issued by the Jeseník Municipal Office, Environmental Department under the File no. MJ/32580/2014/05/OŽP/R-119/Ne of 24 October 2014. The decision also grants a permit for discharge wastewater from the wastewater treatment plant into surface water; the conditions for discharge of wastewater and a building permit for water constructions “Wastewater sewerage in the company premises with rain water drainage from equipment manufacture III”. Jeseník Municipality Office, Environmental Department made a decision under the File no. MJ/32580/2014/06/OŽP/Ne of 24 October 2014. It is an approval for removal of the wastewater treatment plant. Two-year validity of these permits has been extended until 14 November 2018.

EMS 01/2015 Programme – Waste water disposal continues.

#### **Assessment of work safety at workplaces**

A safe working environment is created by investing in technologies, modernizing production facilities, modernizing sanitary facilities and hygienic facilities. Simultaneously with modernization, there are positive changes in the field of hygiene and work safety. Observance of the obligations in this area was reviewed in 2016 by the Regional Labour Inspectorate with four minor findings that were eliminated by the specific date. Successfully completed Work Safety and Health Protection Programme 01/2015 – Optimization of working conditions and environment in production operations. There has been a reduction in categorization of work from category 4 to 3 in the profession of mechanical locksmith, boilermaker, and welder and a reduction in the category of work from 3 to 2 in the metal working profession. Further, there was also a risk reduction of the chemical substances – Manganese from category 3 to category 2 for welders.

There were 14 work accidents recorded. Two of them with an absent length of 32 and 22 calendar days.

## Company Management

### Statutory Body – Board of Directors

- Jaroslav Semela – Chairman of the Board of Directors, semela@ondrstroj.cz
- Ing. Roman Stárek – Member of the Board of Directors, starek@ondrstroj.cz

### Supervisory Board

- Ing. Bc. Pavel Kubálek – Member of the Supervisory Board, interaudit@interaudit-praha.cz
- Mgr. Lukáš Liška – Member of the Supervisory Board, Lukas.Liska@liskasabolova.eu

## Prospect for Forthcoming Period

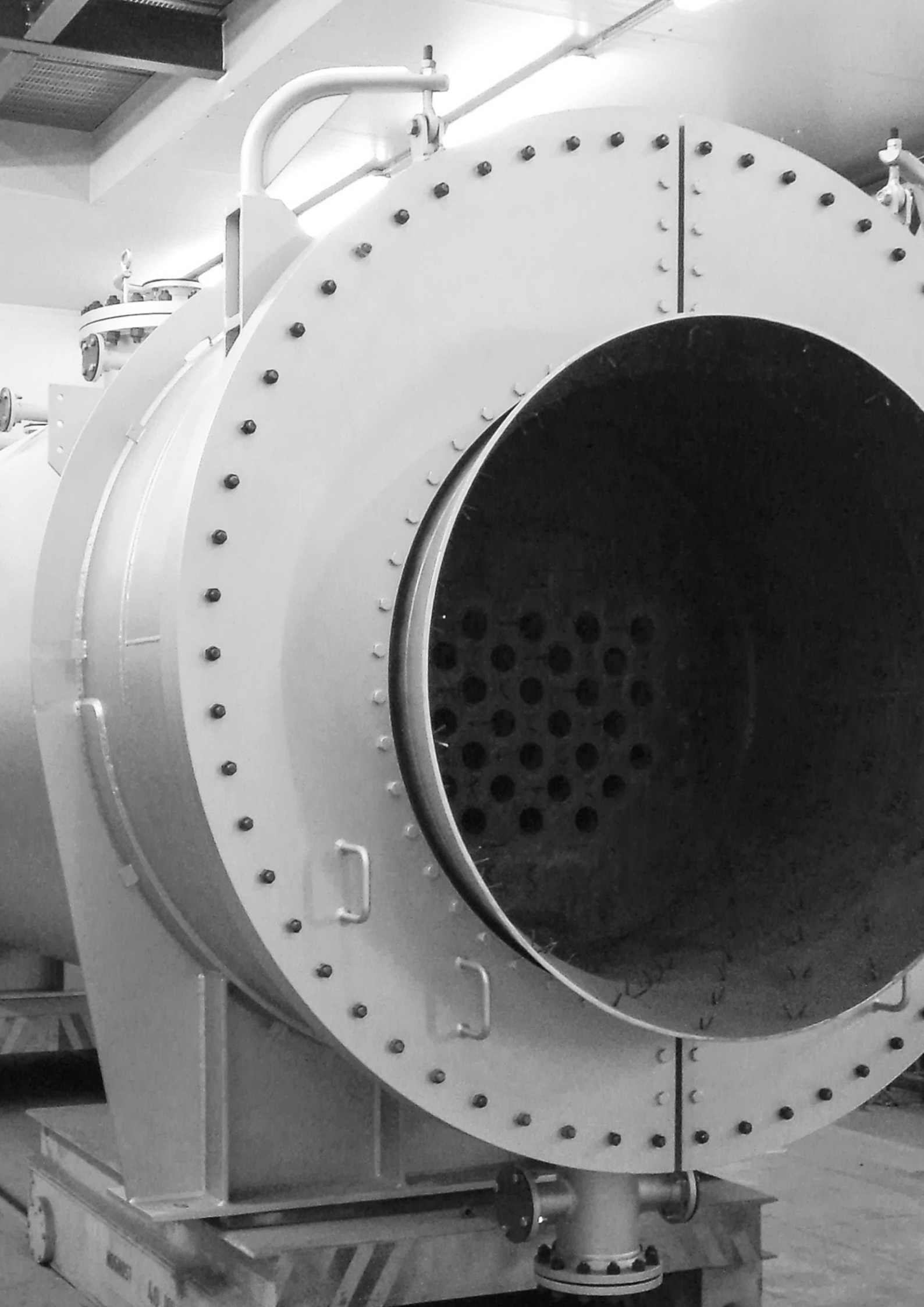
The production plan, i.e. sales for 2017 is set in the amount of CZK 310 million and it is fully fulfilled by specific job orders during the year. The actual production plan coverage for 2017 by specific job orders is CZK 306 million and further CZK 42 million is planned for 2018. The overall situation follows the course of the sales in 2016 and continues with the set trend of the sales volumes. Limitation of production by reason of the business-technical coordination of the projects in their preparatory stage should not have a significant impact on use of production capacities and production plan and it is expected only during the months 02-03/2017. The job order content is mainly manufacturing of exchangers and vessels for petrochemical industry and refineries. The customers' requirements and especially project requirements place a great emphasis on quality and technical processing of products to ensure functionality and safety during the equipment lifetime.

The project – Reconstruction and extension of shop floor D – the final monitoring report was supposed to be submitted on 5 January 2017. In fact, it was submitted and approved on 14 November 2016, respectively 15 November 2016. Monitoring has been finished. The project – Acquisition of new high technology for manufacturing of pressure vessels – the final monitoring report was submitted and approved. Monitoring has been finished. The projects –Acquisition of new technologies with higher technical parameters and Innovation of the company information system. The monitoring reports were sent and approved in advance. The deadline for the last monitoring report for both projects is on 5 January 2018. Investment plans, which can be used in the current programme period, are being prepared for possible drawing of the subsidies. The announced subsidy programmes under the Ministry of Industry are mostly inadequate for us or they are so limited that we can hardly use them. We will also try to use non-investment plans from the subsidy programmes of the Ministry of Environment or the Ministry of Labour and Social Affairs. We regularly monitor this area in cooperation with SIGMIN. The above mentioned implies that crucial steps and strategies have been taken for the future subsidy period 2016–2020 EU in order to enhance efficiency and the company competitiveness will continue further.

An inseparable part of the strategy is enlargement of the services for existing customers and penetration to new markets. In this context there are certain investments into welding relating to processing of special materials, planned expansion of production capacities with allocation of such established operation for processing of special materials, which strictly require fulfilment of the special conditions of use, and further in the area of welding technology and welding automation. In contractual area we will focus on finding new suppliers and better resources.

We expect that the personnel at all managerial levels and in manufacturing positions will be strengthened. We will focus on improving the quality in the field of the company personnel management at all levels of the internal and improvement processes. The company will focus on necessary training of the employees, increasing of the language knowledge of the selected groups of the employees and deepening of cooperation with secondary schools within the professional training of apprentices, students and last but not least teachers.

There are still negotiations about a foreign partner entering the company with the aim to strengthen our position in the market and bring economic stability and, last but not least, the effort to move the company to deliver higher units in the position of EP/EPC Contractor.



## Balance Sheet at 31 December 2016

in CZK thousands elaborated in accordance with Decree no. 500/2002 as subsequently amended

ID	29 02 60 08
Commercial name or other name of the accounting unit	Ondřejovická strojírna a. s.
Registered office, address or place of business of the accounting unit	Hybernská 1271/32, 110 00 Prague 1 - Nové Město

indication.	ASSETS	line.	Current accounting period			Prev. acc. period
			Gross	Correction	Net	Net
a	b	c	1	2	3	4
	<b>TOTAL ASSETS</b> <b>[(lines 02 + 03 + 37 + 74)]</b>	<b>001</b>	<b>415,005</b>	<b>-143,855</b>	<b>271,150</b>	<b>177,527</b>
A.	RECEIVABLES FOR REGISTERED CAPITAL SUBSCRIPTION	002	0	0	0	0
B.	<b>FIXED ASSETS</b> <b>[(lines 04 + 14 + 28)]</b>	<b>003</b>	<b>220,658</b>	<b>-117,766</b>	<b>102,892</b>	<b>105,408</b>
B. I.	<b>Intangible fixed assets</b> <b>[(lines 05 + 06 + 09 to 11)]</b>	<b>004</b>	<b>4,714</b>	<b>-4,148</b>	<b>566</b>	<b>1,317</b>
B. I. 1	Intangible results of research and development	005	0	0	0	0
2	Valuable rights [(lines 07 + 08)]	006	4,714	-4,148	566	1,317
2.1	Software	007	4,714	-4,148	566	1,317
2.2	Other valuable rights	008	0	0	0	0
3	Goodwill	009	0	0	0	0
4	Other intangible fixed assets	010	0	0	0	0
5	Advances granted for intangible fixed assets and unfinished intangible fixed assets [(lines 12 + 13)]	011	0	0	0	0
5.1	Advances granted for intangible fixed assets	012	0	0	0	0
5.2	Unfinished intangible fixed assets	013	0	0	0	0
B. II.	<b>Tangible fixed assets</b> <b>[(lines 15 + 18 to 20 + 24)]</b>	<b>014</b>	<b>215,944</b>	<b>-113,618</b>	<b>102,326</b>	<b>104,091</b>
B. II. 1	Land and structures [(lines 16 + 17)]	015	60,757	-26,023	34,734	34,668
1.1	Land	016	693	0	693	693
1.2	Structures	017	60,064	-26,023	34,041	33,975
2	Tangible movable things and their sets	018	62,327	-40,397	21,930	18,615
3	Valuation difference to acquired assets	019	88,496	-47,198	41,298	47,198
4	Other tangible fixed assets [(lines 21 + 22 + 23)]	020	0	0	0	0
4.1	Growing units of permanent crops	021	0	0	0	0
4.2	Adult animals and their groups	022	0	0	0	0
4.3	Other tangible fixed assets	023	0	0	0	0
5	Advances granted for tangible fixed assets and unfinished tangible fixed assets [(lines 25 + 26)]	024	4,364	0	4,364	3,610
5.1	Advances granted for tangible fixed assets	025	0	0	0	0
5.2	Unfinished tangible fixed assets	026	4,364	0	4,364	3,610
B. III.	<b>Long-term financial assets</b> <b>[(lines 24 to 30)]</b>	<b>027</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
B. III. 1	Shares – controlled or controlling entity	028	0	0	0	0
2	Borrowings and loans – controlled or controlling entity	029	0	0	0	0
3	Shares – significant influence	030	0	0	0	0
4	Borrowings and loans – significant influence	031	0	0	0	0
5	Other long-term securities and shares	032	0	0	0	0
6	Borrowings and loans – other	033	0	0	0	0
7	Other long-term financial assets [(lines 35 + 36)]	034	0	0	0	0
7.1	Other long-term financial assets	035	0	0	0	0
7.2	Advances granted for long- term financial assets	036	0	0	0	0

indication	ASSETS	line	Current accounting period			Prev. acc. period
			Gross	Correction	Net	Net
a	b	c	1	2	3	4
C.	<b>CURRENT ASSETS</b> [lines 38 + 46 + 68 + 71]	037	193,612	-26,089	167,523	71,391
C. I.	<b>Inventory</b> [lines 39 + 40 + 41 + 44 + 45]	038	68,669	0	68,669	36,882
C. I. 1	Material	039	11,760	0	11,760	8,614
2	Work in progress and semi-finished products	040	56,897	0	56,897	28,261
3	Products and goods [lines 42 + 43]	041	12	0	12	7
3.1	Products	042	0	0	0	0
3.2	Goods	043	12	0	12	7
4	Young and other animals and their groups	044	0	0	0	0
5	Provided advances for inventory	045	0	0	0	0
C. II.	<b>Receivables</b> [lines 47 + 57]	046	121,712	-26,089	95,623	24,451
C. II. 1	Long-term receivables [lines 48 to 52]	047	0	0	0	0
1.1	Trade receivables	048	0	0	0	0
1.2	Receivables – controlled or controlling entity	049	0	0	0	0
1.3	Receivables – significant influence	050	0	0	0	0
1.4	Deferred tax receivable	051	0	0	0	0
1.5	Receivables – other [lines 53 to 56]	052	0	0	0	0
1.5.1	Receivables from partners	053	0	0	0	0
1.5.2	Long-term advances provided	054	0	0	0	0
1.5.3	Estimated accounts receivable	055	0	0	0	0
1.5.4	Other receivables	056	0	0	0	0
2	Short-term receivables [lines 58 to 61]	057	121,712	-26,089	95,623	24,451
2.1	Trade receivables	058	116,970	-25,968	91,002	12,513
2.2	Receivables – controlled or controlling entity	059	0	0	0	0
2.3	Receivables – significant influence	060	0	0	0	0
2.4	Receivables – other [lines 62 to 67]	061	4,742	-121	4,621	11,938
2.4.1	Receivables from partners	062	0	0	0	0
2.4.2	Social security and health insurance	063	0	0	0	0
2.4.3	State – tax receivables	064	4,110	0	4,110	9,366
2.4.4	Short-term advances	065	511	0	511	2,010
2.4.5	Estimated receivables	066	0	0	0	0
2.4.6	Other receivables	067	121	-121	0	562
C. III.	<b>Short-term financial assets</b> [lines 69 + 70]	068	0	0	0	0
C. III. 1	Shares – controlled or controlling entity	069	0	0	0	0
2	Other short-term financial assets	070	0	0	0	0
C. IV.	<b>Cash</b> [lines 72 + 73]	071	3,231	0	3,231	10,058
C. IV. 1	Cash at cash desk	072	93	0	93	508
2	Cash on accounts	073	3,138	0	3,138	9,550
D.	<b>ACCRUALS AND DEFERRALS</b> [lines 75 to 77]	074	735	0	735	728
D. I.	Pre-paid expenses	075	735	0	735	728
II,	Complex pre-paid expenses	076	0	0	0	0
III,	Accrued revenues	077	0	0	0	0

indication	LIABILITIES	line	Current acc. period	Previous acc. period
a	b	c	5	6
	<b>TOTAL LIABILITIES</b> [lines 79 + 101 + 141]	<b>078</b>	<b>271,150</b>	<b>177,527</b>
A.	<b>EQUITY</b> [lines 80 + 84 + 92 + 95 + 99 - 100]	<b>079</b>	<b>84,505</b>	<b>80,956</b>
A. I.	<b>Registered capital</b> [lines 81 to 83]	<b>080</b>	<b>2,000</b>	<b>2,000</b>
1	Registered capital	081	2,000	2,000
2	Own shares (-)	082	0	0
3	Changes in registered capital	083	0	0
A. II.	<b>Share premium and capital funds</b> [lines 85 + 86]	<b>084</b>	<b>0</b>	<b>0</b>
A. II. 1	Share premium	085	0	0
2	Capital funds [lines 87 to 91]	086	0	0
2.1	Other capital funds	087	0	0
2.2	Valuation differences from revaluation of assets and liabilities	088	0	0
2.3	Valuation differences in corporate transformations	089	0	0
2.4	Differences from corporate transformations (+/-)	090	0	0
2.5	Valuation differences from revaluation in corporate transformations (+/-)	091	0	0
A. III.	<b>Reserve funds</b> [lines 93 + 94]	<b>092</b>	<b>11,243</b>	<b>11,243</b>
A. III. 1	Other reserve funds	093	400	400
2	Statutory and other funds	094	10,843	10,843
A. IV.	<b>Profit/loss from previous years (+/-)</b> [lines 96 to 98]	<b>095</b>	<b>67,713</b>	<b>72,953</b>
A. IV. 1	Retained earnings from previous years	096	67,713	72,953
2	Retained losses from previous years (-)	097	0	0
3	Other profit/loss from previous years (+/-)	098	0	0
A. V.	<b>Profit/loss of current accounting period (+/-)</b> [lines 01 - (+ 69 + 73 + 79 + 83 - 88 + 89 + 122)]	<b>099</b>	<b>3 549</b>	<b>-5 240</b>
A. VI.	<b>Decision on advances on the payment of the profit share (-)</b>	<b>100</b>	<b>0</b>	<b>0</b>
B. + C.	<b>OTHER SOURCES</b> [lines 102 + 107]	<b>101</b>	<b>186,645</b>	<b>96,569</b>
B. I.	<b>Provisions</b> [lines 103 to 106]	<b>102</b>	<b>0</b>	<b>0</b>
B. I. 1	Provisions for pension and similar liabilities	103	0	0
2	Income tax provision	104	0	0
3	Provisions under special legal regulations	105	0	0
4	Other provisions	106	0	0
C.	<b>Liabilities</b> [lines 108 + 123]	<b>107</b>	<b>186,645</b>	<b>96,569</b>
C. I.	<b>Long-term liabilities</b> [lines 109 + 112 to 119]	<b>108</b>	<b>10,725</b>	<b>17,043</b>
C. I. 1	Issued bonds [lines 110 + 111]	109	0	0
1.1	Convertible bonds	110	0	0
1.2	Other bonds	111	0	0
2	Liabilities to credit institutions	112	2,553	7,753
3	Long-term advances received	113	0	0
4	Trade payables	114	0	0
5	Long-term notes payable	115	0	0
6	Liabilities – controlled or controlling entities	116	0	0
7	Liabilities – substantial influence	117	0	0
8	Deferred tax liability	118	8,172	9,290
9	Liabilities – other [lines 120 to 122]	119	0	0
9.1	Liabilities to partners	120	0	0
9.2	Estimated payables	121	0	0
9.3	Other liabilities	122	0	0



indication	LIABILITIES	line	Current acc. period	Previous acc. period
a	b	c	5	6
C. II.	<b>Short-term liabilities</b> <b>[lines 124 + 127 to 133]</b>	123	175,920	79,526
C. II. 1	Issued bonds [lines 125 + 126]	124	0	0
1.1	Convertible bonds	125	0	0
1.2	Other bonds	126	0	0
2	Liabilities to credit institutions	127	95,938	45,000
3	Short-term advances received	128	48,405	14,595
4	Trade payables	129	12,446	8,388
5	Short-term notes payable	130	0	0
6	Liabilities – controlled or controlling entities	131	0	6,000
7	Liabilities – substantial influence	132	0	0
8	Liabilities – other [lines 134 to 140]	133	19,131	5,543
8.1	Liabilities to partners	134	0	0
8.2	Short-term financial assistance	135	0	0
8.3	Liabilities to employees	136	4,977	2,205
8.4	Social security and health insurance liabilities	137	2,169	1,388
8.5	State – tax liabilities and subsidies	138	1,309	1,477
8.6	Estimated payables	139	10,649	453
8.7	Other liabilities	140	27	20
D.	<b>ACCRUALS AND DEFERRALS</b> <b>[lines 142 + 143]</b>	141	0	2
D. I.	Accrued expenses	142	0	2
D. II.	Deferred revenues	143	0	0

## Profit and Loss Statement at 31 December 2016

in CZK thousands elaborated in accordance with Decree no. 500/2002 as subsequently amended

ID	29 02 60 08
Commercial name or other name of the accounting unit	Ondřejovická strojírna a. s.
Registered office, address or place of business of the accounting unit	Hybernská 1271/32, 110 00 Prague 1 - Nové Město

indication	TEXT	line	Balance in the accounting period	
			Current	Previous
a	b	c	1	2
I.	Revenues from sales of own products and services	01	273,163	186,613
II.	Revenues from sales of goods	02	417	332
A.	Production related consumption [lines 04 + 05 + 06]	03	223,991	126,081
1.	Costs of goods sold	04	378	313
2.	Consumption of material and energy	05	157,253	72,786
3.	Services	06	66,360	52,982
B.	Change in inventory of own production (+/-)	07	-28,803	4,743
C.	Capitalization (-)	08	0	0
D.	Personnel expenses [lines 10 + 11]	09	55,200	40,934
1.	Wages and salaries	10	41,786	30,143
2.	Social security and health insurance expenses and other expenses [lines 12 + 13]	11	13,414	10,791
2. 1	Social security and health insurance expenses	12	12,627	10,073
2. 2	Other expenses	13	787	718
E.	Valuation adjustments in operating area [lines 15 + 18 + 19]	14	15,183	15,341
1.	Valuation adjustments to intangible and tangible fixed assets [lines 16 + 17]	15	14,625	15,416
1. 1	Valuation adjustments to intangible and tangible fixed assets – permanent	16	14,625	15,416
1. 2	Valuation adjustments to intangible and tangible fixed assets – temporary	17	0	0
2.	Valuation adjustments to inventory	18	0	0
3.	Valuation adjustments to receivables	19	558	-75
III.	Other operating revenues [lines 21 + 22 + 23]	20	3,380	1,147
III. 1	Revenues from fixed assets sold	21	2,380	7
2	Revenues from material sold	22	20	312
3	Other operating revenues	23	980	828
F.	Other operating expenses [lines 25 to 29]	24	3,684	4,059
1.	Net book value of fixed assets sold	25	1,879	0
2.	Net book value of material sold	26	2	3
3.	Taxes and charges in operating area	27	212	211
4.	Provisions in operating area and complex deferred expenses	28	0	0
5.	Other operating expenses	29	1,591	3,845
*	Operating profit/loss (+/-) [lines 01 + 02 - 03 - 07 - 08 - 09 - 14 + 20 - 24]	30	7,705	-3,066

indication	TEXT	line	Balance in the accounting period	
			Current	Previous
a	b	c	1	2
IV.	Revenues from long-term financial assets – shares [lines 32 + 33]	31	0	0
IV. 1	Revenue from shares – controlled or controlling entity	32	0	0
2	Other revenues from shares	33	0	0
G.	Expenses on shares sold	34	0	0
V.	Revenues from other long-term financial assets [lines 36 + 37]	35	0	0
V. 1	Revenues from other long-term financial assets – controlled or controlling entity	36	0	0
2	Other revenues from other long-term financial assets	37	0	0
H.	Expenses related to other long-term financial assets	38	0	0
VI.	Interest revenues and similar revenues [lines 40 + 41]	39	0	0
VI. 1	Interest revenues and similar revenues – controlled or controlling entity	40	0	0
2	Other interest revenues and similar revenues	41	0	0
I.	Valuation adjustments and provisions in the financial area	42	0	0
J.	Interest expenses and similar expenses [lines 44 + 45]	43	1,592	1,043
1.	Interest expenses and similar expenses – controlled or controlling entity	44	0	0
2.	Other interest expenses and similar expenses	45	1,592	1,043
VII.	Other financial revenues	46	165	788
K.	Other financial expenses	47	1,587	2,221
*	Profit/loss from financial activities (+/-) [lines 31 – 34 + 35 – 38 + 39 – 42 – 43 + 46 – 47]	48	-3,014	-2,476
**	Profit/loss before tax (+/-) [lines 30 + 48]	49	4,691	-5,542
L.	Income tax [lines 51 + 52]	50	1,142	-302
1.	Income tax payable	51	2,259	833
2.	Income tax deferred (+/-)	52	-1,117	-1,135
**	Profit/loss after tax (+/-) [lines 49 – 50]	53	3,549	-5,240
M.	Transfer of profit share to partners (+/-)	54	0	0
***	Profit/loss for accounting period (+/-) [lines 53 – 54]	55	3,549	-5,240
*	Net turnover for accounting period = I. + II. + III. + IV. + V. + VI. + VII	56	277,125	188,880





## Annex to 2016 Final Accounts

(The balancing day 31 December 2016)

### 1. General data

- 1.1
- Name: Ondřejovická strojírna, a.s.
  - Legal form: joint stock company
  - Registered office: Hybernská 1271/32, Nové Město, 110 00 Praha 1
  - ID: 29026008
  - Main subject of business:  
Assembly, repairs, revisions and tests of pressure equipment and vessels for gases; Locksmithing; Machining; Production, trade and services not referred to in Annexes 1 to 3 of the Trade Licensing Act
  - Date of record in the Commercial Register: 1 February 2010
  - Registered capital is made by 2,000,000 pieces of ordinary registered paper shares, each having a nominal value of CZK 1.
  - On 24 October 2016, the shareholder structure changed, when HASSMANN Group s.r.o., ID no. 05430194 became the sole shareholder of Ondřejovická strojírna, a.s. with 100 % shareholding.
  - HASSMANN Group s.r.o. is also an accounting unit that prepares consolidated financial statements for a group of the accounting units, to which Ondřejovická strojírna a.s., as a consolidated unit (according to Section 39b (5), Letter c) and d) of Decree no. 500/2002 Coll.), belongs to. The consolidated entity also includes ONDRSTROJ STAVBY s.r.o., ID no. 05430194.
  - Members of Statutory Body:  
Chairman of the Board of Directors: Jaroslav Semela  
Member of the Board of Directors: Ing. Roman Stárek
  - Both members of the statutory body are at the same time the owners of HASSMANN Group s.r.o., each with the same 50 % share of the registered capital of HASSMANN Group s.r.o.
  - Member of Supervisory Board:  
Member of Supervisory Board: Ing. Bc. Pavel Kubálek  
Member of Supervisory Board: Mgr. Lukáš Liška
  - The business corporation has conformed to the law as a whole according to Section 777, Clause 5 of Act no. 90/2012 – registered on 2 July 2014

1.2 The accounting unit does not have any shares in the registered capital of any other company or association.

1.3 The average recalculated number of employees during this accounting period was 90, including 8 managers. The personnel expenses for the employees amounted to CZK 50,200 thousand in total, including the personnel expenses for managers in the amount of CZK 15,660 thousand. Remuneration of the statutory bodies of the company amounted to CZK 120 thousand. Only the members of the Supervisory Board were remunerated, the Board of Directors did not accept the remuneration.

### 2. Information on accounting methods and general principles

- 2.1 The accounting unit keeps accounts when purchasing inventory and with their decreasing according to the accounting method A. The accounting method B is used in the company canteen.
- 2.2 Material is valued by the average purchase price, tangible and intangible assets are valued by the purchase price. The purchase price of the inventory includes the expenses for their purchase, including additional purchase expenses (transport expenses, duties and other expenses associated to the purchase of material).
- 2.3 Work in-progress is valued with own expenses according to calculation and methodology given by the accounting unit.
- 2.4 In 2016 changes were not made in the process of depreciation.
- 2.5 Tangible fixed assets are depreciated using the straight-line method. Intangible fixed assets are depreciated in accordance with Section §32a of the Act on Income Tax.
- 2.6 The current exchange rate of the CNB was used for currency conversions and the exchange rate of the Custom Office was used for currency conversion for the material invoices from the "third" countries for clearing the material. As of 31 December 2016 the balance sheet items in foreign currencies were revaluated using CNB exchange rate valid as of 31 December 2016.
- 2.7 The accounting unit considers financial means in the current accounts, in the cash boxes and securities as cash equivalents.

### 3. Balance sheet and profit and loss statement additional information

#### 3.1 Fixed assets (in CZK thousands):

##### a) Tangible fixed assets:

	purchase price	depreciations
Land	693	0
Buildings and constructions	60,064	26,023
Separate tangible items	62,327	40,397
Tangible fixed assets in progress	4,364	0
Valuation difference	88,496	47,198

##### b) Intangible fixed assets:

	purchase price	depreciations
Software	4,714	4,148
Intangible fixed assets in progress	0	0

c) The valuation difference to the assets acquired comes from the expert revaluation of the assets and liabilities of the dissolved company Ondřejovická strojírna, spol. s r.o. on the day preceding the record day of the merger by merging.

d) In 2016 the accounting unit did not purchase tangible investment assets in the form of financial lease.

e) In 2016 the accounting unit purchased tangible fixed assets (without effect on received subsidies):

Capital expenditure in 2016 without subsidies	2016 capital expenditure	asset group + unfinished	
<b>Long-term intangible assets – purchase</b>	<b>13,987,635</b>		
New shop floor – project, documentation	746,580	unfinished investments	purchase
Titanium tank – tests	7,650		purchase
CI – Changing room, dining room, canteen	669,725	buildings and constructions	technical appreciation
CI – Equipment manufacture II	837,337		technical appreciation
CI – Production preparation	354,626		technical appreciation
Capital Improvement (CI) – Vacuum Cleaner NEVADA215	26,968		technical appreciation
Plasma cutter PMX125 CE HAND SYSTEM	275,240		purchase
Sludge pump HONDA WT 30	40,163		purchase
CI – Orb. welding system TRANS TIG 300	61,259		technical appreciation
Planing machine for sheet metal edges HHP 6	1,470,100	machines, devices	purchase
CI – Annealing panel assembly 10×4×3 m	54,230		technical appreciation
Welding set Megasaf 6-SUBARC 5 and STARMATIC	100,000		purchase
Welding machine FASTMIG X450	246,229		purchase
Welding machine KEMPACT 253A	61,497		purchase
Welding machine KEMPACT 253A	61,497		purchase
CI – Annealing panel assembly 10×4×3 m	789,098		technical appreciation
Vehicle PASSAT Variant Highline 2.0 TDI BMT	751,715		purchase
Vehicle PASSAT Variant 2.0 TDI BMT	708,140		purchase
Vehicle Mercedes Benz S 350 D 4MATIC	2,954,041	means of transport	purchase
Vehicle Mercedes Benz S 350 D 4MATIC	2,951,200		purchase
CI – Vehicle Range Rover 3.0 TDV6	63,385		technical appreciation
CI – Forklift ATLET DL 32	87,000		technical appreciation
Computer 16Dell Latitude E5550 15"	48,802		purchase
Computer 16Dell Precision 7510	67,353	inventory	purchase
Office furniture – set	553,799		purchase

f) Accounting depreciations of:

■ Tangible fixed assets for 2016	CZK 7,974 thousand
■ Intangible fixed assets for 2016	CZK 751 thousand
■ Valuation difference to the assets acquired for 2016	CZK 5,900 thousand

g) The accounting unit keeps records of low-value tangible assets in the purchase prices of CZK 1 to 40 thousand in the total amount of CZK 13,186 thousand and low-value intangible assets up to the purchase prices of CZK 60 thousand in the total amount of CZK 1,603 thousand.

- h) The following buildings are burdened by mortgages:
- |  |                  |                  |
|--|------------------|------------------|
| ■ Building no. 49 – industrial building in Salisov | ■ Lot no. 1151   | ■ Lot no. 1156   |
| ■ Unnumbered building on lot no. 1152              | ■ Lot no. 1152   | ■ Lot no. 1157   |
| ■ Unnumbered building on lot no. 1155/2            | ■ Lot no. 1153   | ■ Lot no. 1158/1 |
| ■ Unnumbered building on lot no. 1155/3            | ■ Lot no. 1154   | ■ Lot no. 1457   |
| ■ Unnumbered building on lot no. 1155/4            | ■ Lot no. 1155/1 | ■ Lot no. 1458   |
| ■ Unnumbered building on lot no. 1155/5            | ■ Lot no. 1155/2 | ■ Lot no. 1459   |
| ■ Unnumbered building on lot no. 1457              | ■ Lot no. 1155/3 | ■ Lot no. 1460   |
| ■ Unnumbered building on lot no. 1458              | ■ Lot no. 1155/4 | ■ Lot no. 1461   |
| ■ Unnumbered building on lot no. 1461              | ■ Lot no. 1155/5 | ■ Lot no. 2908   |
- j) The accounting unit does not have any investment securities or capital participation.

### 3.2 Loans

As of 31 December 2016 the accounting unit drew the following loans in the total amount of CZK 98,491 thousand (link to the given securities in point 3.1).

- Revolving loan with Komerční banka under the General Agreement on Financial Services no. 9900022602000 – the amount of the credit limit of CZK 40,000 thousand, drawing currency CZK. Interest rate = 0/N PRIBOR (1-day) + margin of 1.20 %. The loan is payable within 30 days of the effective date of termination of this General Agreement by the bank. The General Agreement came into force on 3 March 2014 and the loan was increased to the limit of CZK 40,000 thousand on 29 February 2016. As at 31 December, 2016 the entire credit scope of CZK 40,000 thousand was drawn.
- Short-term loan with Komerční banka under the General Agreement on Financial Services no. 9900022602000 – the amount of the credit limit of CZK 30,000 thousand, drawing currency CZK or equivalent in EUR – the interest rate when drawing in CZK is 0/N PRIBOR (1-day) + margin 1.20 %, when drawing in EUR the interest rate = 0/N LIBOR EUR + margin 1.60 %. The loan can be drawn by partial loan tranches of at least CZK 300 thousand one tranche. The maturity of each tranche is optional from 1 week to 12 months from the date of the loan tranche. As at 31 December, 2016 this credit scope was not drawn.
- A short-term loan with Komerční banka to finance the job order for AST Chemtech GmbH in the amount of EUR 2,070,240 (equivalent to CZK 55,938 thousand as at 31 December 2016). The interest rate = 0/N LIBOR (1-day) + margin 1.39 %. The maturity of the loan in single payment not later than 31 March 2017.
- Investment loan at Komerční banka no. 99001368402 – the balance of the unpaid loan as of 31 December 2016 was CZK 2,553 thousand. The loan maturity date is 30 June 2017, interest rate 0.95 % fix. + 2.1 % margin.
- The total amount of the drawn loans as at 31 December 2016 relates to the total value of the drawn loans in the amount of CZK 98,491 thousand (CZK 40,000 + 55,938 + 2,553 = 98,491 thousand).
- The loans at Komerční banka (Commercial bank) are secured by pledged real property as well as by right of lien to the receivables from business relations and a guaranteed blank bill of exchange

### 3.3 Receivables

- a) The overdue net receivables amounted to CZK 276 thousand in total at 31 December 2016, out of which CZK 276 thousand was less than 90 days overdue and CZK 0 thousand more than 90 days overdue. Most of this amount after due date was from the business contract to Austria in the amount of CZK 1,227 thousand. This receivable was paid in full amount in February 2016, thus, after this payment, the whole overdue receivables would de facto amount to CZK 537 thousand.
- b) In 2016 an accounting adjustment was created for receivable from OOO Jenisej (RU) amounting to CZK 531 thousand.
- c) The accounting unit is not regarding receivables in association with any other company.
- d) None of the receivables is covered by the right of lien or secured in any other way.

### 3.4 Payables

- a) The net trade payables after the maturity date as at 31 December 2016 amounted to CZK 0 thousand.
- b) The accounting unit is not regarding receivables in association with any other company.
- c) As of 31 December 2016 the company records short-term advanced payments received in the total amount of CZK 48,405 thousand. These are advance payments received for business contracts, the execution of which is spread over several months and the advance payments partially cover purchase of materials necessary for manufacturing. Advanced payments received from the customers from EU (CZK 47,353 thousand) and domestic customers (CZK 1,204 thousand).

### 3.5 Reserves

The company shows reserves in the total amount of CZK 68,669 thousand as of 31 December 2016. The work in progress CZK 56,897 thousand, material reserves CZK 11,760 thousand and goods CZK 12 thousand. Compared to the previous year as at 31 December 2015, the inventory of work in progress practically doubled from



CZK 28.2 million to 56.8 million. The main reason for this increase lies especially in transfer of realization and invoicing of two large job orders until 2017 – these unfinished job orders remained as at 31 December 2016 in the cost valuation on the account of work in progress; the degree of completion amounted to CZK 47.2 million for THERMAX job order 2238 and the degree of completion amounted to CZK 5.4 million for CASALE job order 2257 as at 31 December 2016. Other work in progress amounted only to CZK 4.3 million. On the other hand, the job orders representing the work in progress as at 31 December 2016 were invoiced in 2017. Only after invoicing in 2017 these two large job orders will be written off from the inventory. However, there are other contract in progress, so the structure and volume of work in progress can significantly change in time. As of 31 December 2016 there is purchased material related to the work in progress, which is necessary for completing the contracts and at the same time other material for new contracts, which are only beginning, is being purchased – nothing is purchased to be stored, but it is ordered for making the business contracts.

3.6 The accounting unit did not create any legal reserves during the accounting period.

3.7	Total production for 2016	CZK 277,125 thousand, out of which:
■	Revenues from own products	CZK 272,752 thousand
■	Revenues from sale of goods	CZK 417 thousand
■	Revenues from services	CZK 411 thousand
■	Revenues from fixed assets sold	CZK 2,380 thousand
■	Revenues from material sold	CZK 20 thousand
■	Other operating revenues	CZK 980 thousand
■	Other financial revenues	CZK 165 thousand

Structure of revenues from own products:

■	Domestic	CZK 62,368 thousand
■	Export	CZK 210,384 thousand

3.8 Remuneration for the audit company in 2016:

■	Contractual price for audit of financial statements for 2016	CZK 90,000
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3.9 The accounting unit did not invest in research and development in 2016.

3.10 Deferred tax analysis at 31 December 2016

item	text – reasons for deferred tax	value			payables
		accounting	tax	difference	
1.	Fixed assets including fixed assets adjustments				
1.1.	Difference in accounting and tax net book value	56,536,316.52	54,822,996.66	1,713,319.86	1,713,319.86
1.2.	Net book value of valuation difference to the assets acquired	41,298,282.60		41,298,282.60	41,298,282.60
1.3.	Fixed assets adjustment				
2.	Inventory				
3.	Securities				
4.	Receivables from contractual penalties and interests on late payment				
5.	Payables				
5.1.	Payables from contractual penalties and interests on late payment				
5.2.	Payables from loans and credits				
6.	Tax payables				
7.	Reserves				
8.	Tax deductible items				
8.1.	Tax loss				
8.2.	Reinvestments				
	<b>Total</b>				<b>43,011,602.46</b>
	<b>Difference</b> 43,011,602.46 × 0.19 = 8,172,204.47 CZK				
	<b>Deferred tax</b>	<b>8,172,204.47</b>			<b>deferred tax payable</b>

3.11 Cash flow statement – see page 42

3.12 Changes in equity – see page 43

## Cash Flow Statement at 31 December 2016

in CZK thousands elaborated in accordance with Decree no. 500/2002 as subsequently amended

ID	29 02 60 08
Commercial name or other name of the accounting unit	Ondřejovická strojírna a. s.
Registered office, address or place of business of the accounting unit	Hybernská 1271/32, 110 00 Prague 1 - Nové Město

P.	Cash and cash equivalents at the beginning of the accounting period	10,058
<b>Cash flow from main subject of business (ordinary activities)</b>		
Z.	Accounting profit or loss before tax	4,691
A. 1	Adjustments for non-cash transactions	16,247
A. 1 1	Depreciation of fixed assets, amortization of adjustment to fixed assets acquired	14,625
A. 1 2	Change in adjustments, reserves	531
A. 1 3	Profit from sale of fixed assets	-501
A. 1 4	Revenues from profit shares	0
A. 1 5	Accounted interest expenses excluding interests included in valuation of fixed assets and accounted interest revenues	1,592
A. 1 6	Other adjustments for non-cash transactions	0
A. *	<b>Net cash flow from operating activities before tax and changes in working capital</b>	<b>20,938</b>
A. 2	Changes in non-cash items of working capital	-6,273
A. 2 1	Change in receivables from ordinary activities, accruals, temporary accounts of assets	-70,878
A. 2 2	Change in short-term payables from ordinary activities, temporary accounts of liabilities	96,392
A. 2 3	Change in inventory	-31,787
A. 2 4	Change in short-term financial assets not included in cash and cash equivalents	0
A. **	<b>Net cash flows from ordinary activities before tax and extraordinary items</b>	<b>14,665</b>
A. 3	Interest paid excluding interest included in valuation of fixed assets	-1,592
A. 4	Interests received	0
A. 5	Income tax paid and additional tax assessments from previous periods	-3,092
A. 6	Profit shares received	0
A. ***	<b>Net cash flows from ordinary activities</b>	<b>9,981</b>
<b>Cash flows from investing activities</b>		
B. 1	Expenses related to acquisition of fixed assets	-13,988
B. 2	Revenues from sale of fixed assets	2,380
B. 3	Borrowings and loans to related parties	0
B. ***	<b>Net cash flow from investing activities</b>	<b>-11,608</b>
<b>Cash flow from financial activities</b>		
C. 1	Changes in long-term and short-term liabilities	-5,200
C. 2	Changes in equity, effecting cash and cash equivalents	0
C. 2 1	Increase in funds due to increase in registered capital, premium and reserves	0
C. 2 2	Shares in equity paid to partners	0
C. 2 3	Other cash contributions from partners and shareholders	0
C. 2 4	Settlement of loss by partners	0
C. 2 5	Direct payments to funds	0
C. 2 6	Profit shares paid including tax paid	0
C. ***	<b>Net cash flow from financial activities</b>	<b>-5,200</b>
F.	<b>Net increase/decrease in cash</b>	<b>-6,827</b>
R.	<b>Cash and cash equivalents at the end of accounting period</b>	<b>3,231</b>

## Changes in Equity Statement at 31 December 2016

in CZK thousands elaborated in accordance with Decree no. 500/2002 as subsequently amended

ID	29 02 60 08
Commercial name or other name of the accounting unit	Ondřejovická strojírna a. s.
Registered office, address or place of business of the accounting unit	Hybernská 1271/32, 110 00 Prague 1 - Nové Město

	Opening balance	Increase	Decrease	Closing balance
A. Registered capital registered in Commercial Register	2,000	0	0	2,000
B. Registered capital not registered in Commercial Register	0	0	0	0
C. Total A +/- B	2,000	XX	XX	XX
D. Own shares and other trade shares	0	0	0	0
* Total A +/- B +/- D	XX	XX	XX	2,000
E. Premium	0	0	0	0
F. Reserve funds	400	0	0	400
G. Other funds from profit	10,843	0	0	10,843
H. Capital funds	0	0	0	0
I. Differences from revaluation not included in profit/loss	0	0	0	0
J. Profit of previous accounting periods	72,953	0	5,240	67,713
K. Loss of previous accounting periods	-5,240	0	-5,240	0
L. Profit/loss after tax for accounting period	XX	3,549	XX	3,549
* Total	80,956	3,549	0	84,505



## Report on Control Relations for 2016

■ The report has been elaborated in accordance with Section 82 of Act no. 90/2012 on commercial companies and cooperatives (hereafter referred to as Business Corporation Act).

### I. Controlled entity

- The controlled entity is Ondřejovická strojírna, a.s. ID no. 29026008 (hereafter referred to as “controlled entity”) registered in the Commercial Register on 1 February 2010.
- The controlled entity was established as the result of the merger by merging of Ondřejovická strojírna, spol. s r. o., registered office Zlaté Hory, Ondřejovice 49, Postal Code 79376, ID no.: 42766982, registered in the Commercial Register kept at the Regional Court in Ostrava, Section C, File no. 1908 and Fagonia Consulting a.s., registered office Prague 1, Olivová 2096/4, Postal Code 110 00, ID no.: 28375696, registered in the Commercial Register kept by the Municipal Court in Prague, Section B., File no. 14200 with transfer of the assets to a newly established company Ondřejovická strojírna, a.s., registered office Zlaté Hory, Salisov 49, Postal Code 793 76.
- The company conformed to the Business Corporations Act as a whole according to Section 777, Clause 5 of the Act no. 90/2012 Coll. at the general meeting held on 23 June 2014.
- The registered capital of the controlled entity amounts to CZK 2,000,000 and is divided into 2,000,000 ordinary registered paper shares at a nominal value of CZK 1 each share.

### II. Directly controlling entity until 23 October 2016

- 2 000 000 ordinary registered paper shares at a nominal value of CZK 1 each share were held until the given date – 23 October 2016 by the following controlling entities:
- a) The owner of 1,000,000 shares with a nominal value of CZK 1,000,000 representing 50 % of the registered capital of the company was Ing. Roman Stárek, residing at Strmá 44, Jeseník, Postal Code 790 01;
- b) The owner of 1,000,000 shares with a nominal value of CZK 1,000,000 representing 50 % of the registered capital of the company was Mr. Jaroslav Semela, residing at Lipová-Lázně, Horní Lipová 274, Postal Code 790 63.

### III. Directly controlling entity since 24 October 2016

- 2,000,000 registered ordinary paper shares at a nominal value of CZK 1 each share have been owned since the given date by the following controlling entity:
- The only direct controlling entity is HASSMANN Group s.r.o. from 24 October 2016 with the registered capital of CZK 200,000, registered in the Commercial Register on 27 September 2016, ID no. 05430194, registered office at Hybernská 1271/32, Nové Město, 110 00 Prague 1, kept by the Municipal Court in Prague under the File no. C 263502, owning 100 % of the shares of the controlled entity.

### IV. Indirectly controlling entities since 24 October 2016

- HASSMANN Group s.r.o., with a registered capital of CZK 200,000, owning 100 % of the shares of the controlled entity from 24 October 2016 is further controlled by the following entities:
- a) The owner of 50 % share in the registered capital of the controlling entity with the deposit of CZK 100,000 is Ing. Roman Stárek, residing at Strmá 44, Jeseník, Postal Code 790 01;
- b) The owner of 50 % share in the registered capital of the controlling entity with the deposit of CZK 100,000 is Mr Jaroslav Semela, residing at Lipová-Lázně, Horní Lipová 274, Postal Code 790 63.
- These entities indirectly through voting rights in HASSMANN Group s.r.o. control Ondřejovická strojírna as a controlled entity.

### V. Interconnected entities

- Directly controlling entity HASSMANN GROUP s.r.o. also owns 100 % of the business share of ONDRSTROJ STAVBY s.r.o., with the registered capital of CZK 10,000, registered in the Commercial Register on 11 October 2016, ID no. 05430194, registered office at Hybernská 1271/32, Nové Město, 110 00 Prague 1, kept by the Municipal Court in Prague under the File no. C 263438.

**VI. Statutory body of the company**

■ The statutory body of the company is the Board of Directors, which performed their duties between 1 January 2016 and 31 December 2016 in the following membership:

- a) Jaroslav Semela, Chairman of the Board of Directors
- b) Ing. Roman Stárek, Member of the Board of Directors

**VII. Provided benefits and other facts applicable from 1 January 2016 to 31 December 2016**

■ As at 1 January 2016 the company recorded a liability of CZK 6,000,000 to both directly controlling entities (until 23 October 2016). These were two interest-bearing shareholders' loans to the controlled entity, each of whom participated in the total amount of the controlled entity's liability exactly one half, i.e. CZK 3,000,000. The loan agreements with both shareholders were concluded on 30 December 2015 and the loans were repaid in full by the controlled entity in May 2016.

■ The company did not provide directly or indirectly the company vehicles to the controlling entities for private use, did not provide loans, did not rent spaces and did not invoice for other acts.

■ Indirectly controlling entities have entered into the Service Agreements with the controlled entity with the effect from 1 July 2014. The remuneration for the service is determined in accordance with this Agreement at the usual rate.

■ Other agreements have not been concluded. No other legal actions have been taken in the interest of these entities and no other measures in the interest or at the instigation of these entities have been taken.

**VIII. The controlled entity did not suffer any detriment in the decisive period of 2016**

In Salisov on 31 March 2017

Jaroslav Semela, Chairman of the Board of Directors

Ing. Roman Stárek, Member of the Board of Directors

## Independent Auditor's Report on Audit of Financial Statements as at 31 December 2016

■ at Ondřejovická strojírna, a.s., registered office Hybernská 1271/32, 110 00 Prague 1 – Nové Město

### 1. Accounting unit

Name: Ondřejovická strojírna, a.s.  
 Registered office: Hybernská 1271/32  
 110 00 Prague 1 – Nové Město  
 Legal form: joint-stock company  
 ID: 29 02 60 08  
 Tax ID: CZ29026008

### Report recipient

The independent auditor's report is intended for shareholders and Board of Directors of the accounting unit.

### The auditor's opinion

We have audited the accompanying financial statements of Ondřejovická strojírna, a.s. (hereafter referred to as the "Company") compiled on the basis of the Czech accounting regulations, which consist of:

- Balance Sheet as at 31 December 2016,
- Profit and Loss Statement for the accounting period ended 31 December 2016,
- the annexes to these financial statements that describe the significant accounting policies used and other explanatory information (including the Statement of Changes in Equity for the accounting period ended 31 December 2016 and the Cash Flow Statement for the accounting period ended 31 December 2016).

In our opinion, the financial statements present a true and fair view of the assets and liabilities of Ondřejovická strojírna, a.s. as at 31 December 2016 and the expenses and revenues and the result of its operations and cash flows for the year ended 31 December 2016 in accordance with the Czech accounting regulations.

### Basis for the opinion

We have conducted the audit in accordance with the Act on auditors and the standards of the Audit Chamber of the Czech Republic for auditing, which are the International Standards on Auditing (ISA), possibly supplemented and modified by related application clauses. Our responsibility as set out in these regulations is described in more detail in the Auditor's Responsibility for the audit of the financial statements. In accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, we are independent of the Company and have fulfilled other ethical obligations arising from these regulations. We believe that the evidence we have gathered provides a sufficient and appropriate basis for our opinion.

### Other information included in the annual report

Other information is in accordance with Section 2, Letter b) of the Act on auditors, the information contained in the annual report outside the financial statements and our auditor's report. The Board of Directors is responsible for other information.

Our opinion on the financial statements does not apply to other information. Nonetheless, our audit engagements include disclosure of other information and an assessment of whether the other information is not in significant (material) inconsistency with the financial statements or our knowledge of the accounting unit acquired during the course of the audit, or whether otherwise that information does not appear as significantly (materially) incorrect. We also assess whether other information has been prepared in all significant (material) respects in accordance with applicable law. This assessment is understood as whether the other information meets the legal requirements for formalities and the process of producing other information in the context of significance (materiality), i.e. whether non-compliance with those requirements would be capable of influencing the judgment made on the basis of other information.

Based on the procedures performed, to the extent we can judge, we state that

- other information that describe facts that are also disclosed in the financial statements are consistent with the financial statements in all significant (material) respects, and
- other information has been prepared in accordance with the legal regulations.

Furthermore, we are required to state whether, on the basis of knowledge and awareness of the Company that we have reached in the audit, the other information does not contain significant (material) misstatements. Under these procedures, we have not found any significant (material) misstatements in the other information received.

#### **The Board of Directors' responsibility for the financial statements**

The Company's Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with the Czech accounting regulations and for such an internal control system as it deems necessary for the preparation of the financial statements in such a way that they do not contain significant (material) misstatement due to fraud or error.

In preparing the financial statements, the Company's Board of Directors is required to assess whether the Company is able to continually maintain and, if relevant, describe in the annex to the financial statements the matters relating to its continuing existence and the use of a presumption of continuity in the preparation of the financial statements, except in the cases when the Board of Directors plans to dissolve the Company or terminate its activities, or when it has no other real option than to do so.

#### **Auditor's responsibility for the audit of the financial statements**

Our objective is to obtain reasonable assurance that the financial statements as a whole do not contain significant (material) misstatement due to fraud or error and issue an auditor's report containing our opinion. A reasonable degree of assurance is a high level of assurance, however, it is not a guarantee that the audit conducted in accordance with the aforementioned regulations will in any case reveal any significant (material) misstatement in the financial statements. Misstatements may arise as a result of fraud or errors and are considered significant (material) if it can be realistically assumed that they may influence individually or in aggregate the economic decisions that users of the financial statements will accept.

When conducting the audit in accordance with the rules above, it is our duty to apply expert judgment and professional scepticism throughout the whole audit. It is our duty to:

- Identify and evaluate the risks of significant (material) misstatement of the financial statements caused by fraud or error, design and perform audit procedures that address these risks and obtain sufficient and appropriate audit evidence to express our opinion. The risk of not detecting significant (material) misstatement as a result of fraud is greater than the risk of not detecting a significant (material) misstatement due to an error, as fraudulent collusion, falsification, deliberate omissions, untrue statements or circumvention internal controls can be included in fraud.
- Getting acquainted with the Company's internal control system relevant to the audit to the extent that we can design audit procedures that are appropriate to the circumstances, not to express an opinion on the effectiveness of its internal control system.
- Assess the appropriateness of the accounting policies used, the reasonableness of the accounting estimates made and the information that the Board of Directors stated in this respect in the annexes to the financial statements.
- Assess the appropriateness of using the assumption of uninterrupted duration in the preparation of the financial statements by the Board of Directors and whether, in the light of the evidence gathered, there is a significant (material) uncertainty arising from the events or conditions that may materially impair the Company's ability to continue indefinitely. If we come to the conclusion that such significant (material) uncertainty exists, it is our duty to draw attention to the information contained in the annexes to the financial statements in our report and, if that information is insufficient, to express a modified opinion. Our conclusions regarding the Company's ability to continue indefinitely are based on the evidence we obtained by the date of our report. However, future events or conditions may lead to the fact that the Company will lose its ability to continue indefinitely.
- Evaluate the overall presentation, breakdown and content of the financial statements, including the annex, and whether the financial statements present underlying transactions and events in a manner that leads to fair presentation.

It is our duty to inform the Board of Directors, inter alia, of the planned scope and timing of the audit, and of the significant findings we have made during that period, including the identified significant shortcomings in the internal control system.



**Name and registered office of the auditor**

The independent auditor's report is submitted by Interaudit Praha s.r.o., registered office Dělnická 12, Prague 7, authorized by the Chamber of Auditors of the Czech Republic no. 73. The statutory auditor responsible for the audit, on the basis of which this independent auditor report has been prepared, is Ing. Vladimír Kubálek, authorized by the Chamber of Auditors of the Czech Republic no. 73.

**Date of report elaboration**

In Prague on 25 May 2017

**Signature of statutory auditor**

A handwritten signature in blue ink is written over a circular blue stamp. The stamp contains the following text: "INTERAUDIT PRAHA S.R.O." around the top edge, "PRAHA 7" and "DĚLNICKÁ 12" in the center, and "ČLEN KOMORY AUDITORŮ ČESKÉ REPUBLIKY OSVĚDČENÍ č. 73" around the bottom edge.

## Identification and Contact Data at 31 March 2017

Commercial company:	<b>Ondřejovická strojírna</b>
Legal form:	joint-stock company
Registered office:	Hybernská 1271/32, Prague 1 - Nové Město
Postal Code:	110 00
ID:	290 26 008
Tax ID:	CZ290 26 008
Registration in the Commercial Register:	City Court in Prague, Section B, File number 19091
<b>Contact data:</b>	
Telephone:	00420 584 461 111
Fax:	00420 584 425 462
E-mail:	ondrstroj@ondrstroj.cz
Internet sites:	www.ondrstroj.cz
<b>Bank connection:</b>	
Bank:	Komerční banka, a.s., Jeseník branch
Address:	Masarykovo náměstí 152/18, 790 01 Jeseník
Account number:	43-6204640277/0100 (CZK) 43-6204660227/0100 (EUR)
SWIFT:	KOMBCZPPXXX
IBAN:	CZ1801000000436204640277 (CZK) CZ0901000000436204660227 (EUR)



