

Annual Report



EKOL, SPOL. S R.O.

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EKOL, spol. s r.o.

Selected Financial Indicators (only EKOL, spol. s r.o.)

Indicator	(CZK '000)	2017	2016	2015
Production	and sale of goods	551,080	810,529	817,374
Of which:	Sales	551,080	810,529	894,077
	Purchased consumables and services	910,880	680,027	721,101
	Net profit/loss	(140,927)	(43,691)	25,591
	Total assets	1,200,247	975,242	1,210,126
	Current assets	977,510	762,698	993,007
	Liabilities	721,555	334,249	431,166
	Equity	449,743	590,670	634,387

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Development of Basic Indicators in the 27 Years of the Company 's History (consolidated data)

Indicator (CZK '000)		2001	2008	2017
Number of employees	48	129	246	291
Turnover	218,749	737,501	1,063,427	666,108
Profit/loss	23,044	79,837	30,575	(168,211)
Equity	34,827	258,536	519,160	681,762
Total assets	114,448	581,504	1,108,466	1,299,652



Introduction by the General Manager



Dear Ladies and Gentlemen, Dear Business Partners,

Following several years when the development of the European power industry stagnated and when several contracts for the construction of EKOL's performance was adversely minor green blocks were successfully signed in 2016, I expected the situation and trade in boilers, steam turbines and service to improve in 2017.

Unfortunately, the implementation of intended projects continued to suffer from delays in 2017.

The situation did not recover until late 2017. Stagnation was recorded in all our segments and it was not until late 2017 that the Company concluded a major contract: IRAQ II. It comprises a supply of boiler house In 2017, the Company continued technology including two boilers, and turbine house technology including two 20 MW steam turbines. Contracts for turbines to Thailand spect of projects in Ukraine. In late ject. Thanks to a new blading, the

2017, the Company also concluded a contract with the parent company ShaanGu, with ShaanGu pledging to order at least three steam turbines every year.

affected by the change in the EUR/ CZK exchange rate of 6%. Given that the majority of contracts were agreed in foreign currencies, the foreign exchange rate loss contributed to the Company incurring a loss. It resulted both from the direct operating loss and from writing off certain bad amounts recognised before 2017. As a consequence of the above stated facts, it was necessary to streamline the Company's operations, which took place in late 2017 and early 2018.

developing the unification of steam turbines, and a decision was made to start implementing the findings in contracts. The partial results of the also came near to signature, with first development stage were used additional signatures expected in re- for the first time in the IRAQ II prosteam turbine has been made significantly smaller. The objective is to make turbines more price competitive.

In 2017, the Company focused its business activities on extending the portfolio on the existing markets, primarily concentrating on Turkey, Africa, India and South America.

In respect of 2018, the Company limited its offer of complete EPC contracts and focused on increasing the proportion of deliveries of steam turbines, boilers, turbine and boiler houses and namely service.

As the world globalises, our competition is not only European, but also global. Therefore, we must continue decreasing the costs of product deliveries. If we do not do so, we will not be able to remain competitive.

It is necessary to make use of the potential of each employee in order to fulfil our tasks and namely to generate profit in the years to come.

I would like to extend my thanks to all employees that participated in the Company's activities and I believe that we will reap the rewards of our joint work in 2018 and 2019.

Amarin 16

Jaromír Kříž General Manager

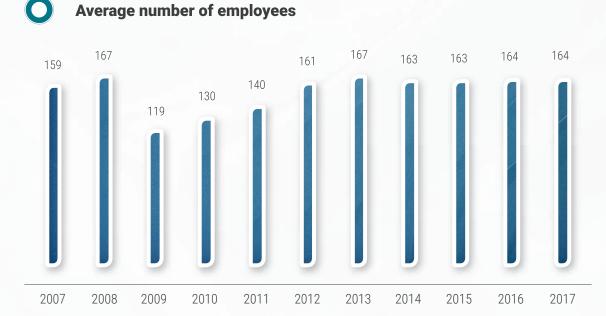
EKOL, spol. s r.o.



Development in 2007 - 2017 (graphs) (only EKOL, spol. s r.o.)

517,317 262,135 235,914 214,972 216,149 189,380 188,203 125,541 120,161 114,086 75,271 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

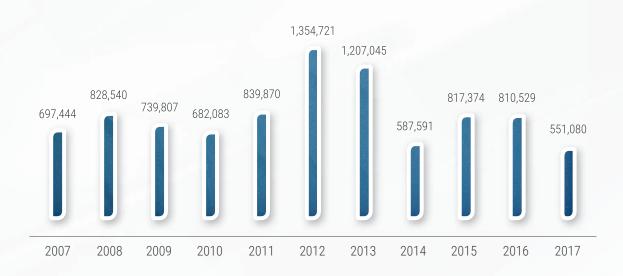
Inventory including work in progress (CZK '000)



6

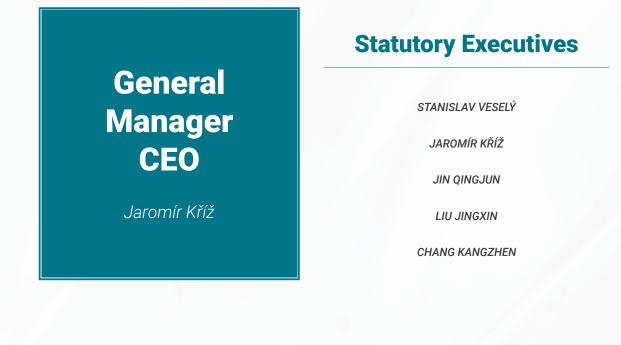








Organisational Structure of the Company





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Subsidiaries

EKOL energo s.r.o.

Brno I 100% equity investment

AEZ s.r.o.

Brno | 100% equity investment

EKOL GmbH *

Berlin I 70% equity investment

EKOL, spol. s r.o.

Martin I 100% equity investment

EKOL TURBO a.s.

Brno I 100% equity investment

Bioval Rumunsko *

Valea lui Mihaj, Romania | 99,9% equity investment

POWER ELECTRIC

Bielsko Biala, Poland | 51% equity investment

* not included in the consolidated group

EKOL, spol. s r.o.

5. **Specialisation of the Group**

The Company's Specialisation Comprises the Following Segments:

- EPC projects
- Steam turbines
- Service
- Steam, hot water, warm water and electrical boilers
- Research and development
- Technical division design of steam and Gas Turbines, project department
- Production and assembly

EPC Projects

The Company's principal offering includes:

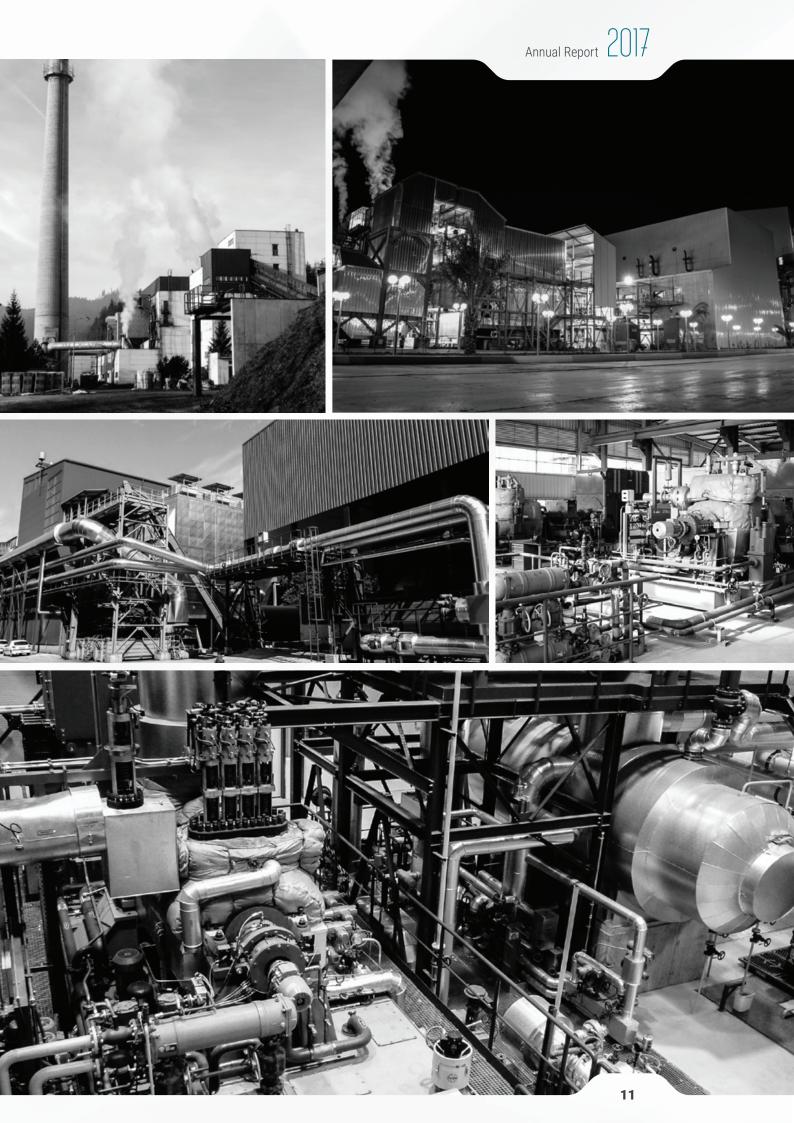
- Comprehensive solutions for power and heating plants
- Biomass and municipal waste incineration projects
- Construction of sugar mills and paper mills
- Combined cycle
- Chemical and petrochemical industries
- Cogeneration

At present, EKOL has reached the level where, in respect of the power industry, it is able to plan, design, produce, construct and commission comprehensive EPC projects with a power output of up to 150 MW, which ranks it among the leading European producers and suppliers of heat and power generating plants.

A significant power industry segment on which the Company is currently focusing comprises supplies of projects that use biomass for fuel. The use of biomass is one of the means of increasing the portion of renewable fuel used in generating power and heat while respecting the requirement for reducing carbon dioxide emissions. A biomass-fired power source is advantageous in that it is not dependent on fuel whose deposits have a limited capacity, as a result of which it may become a power source of the future.

Although the share of biomass in power and heat generation is still relatively small compared to other fuels, its use is becoming ever more prevalent and its significance as a power source is growing. Generation of green power will thus gradually become a natural choice for households as well as the industry.

Besides biomass, a wide range of fuels may be used in the EPC projects delivered by EKOL, including gas and liquid fuel. EKOL is also ready to address requests for incinerating other fuels, such as stillage or oilcake.



II. Steam Turbines

EKOL is a leading producer of steam turbines having the necessary production and technical facilities. It provides comprehensive supplies of steam turbines and turbine houses. It designs turbine facilities, creates their construction and technological documentation, qualitatively machines the principal turbine components and, in its own hall, performs a control assembly including control geometry measurement.

Besides supplies of new equipment, the Company provides the service, general repair and modernisation of turbines, including spare parts supplies, not only in the Czech Republic, but also abroad.

EKOL manufactures steam turbines of all basic types, ie back-pressure and condensing, with high as well as low controlled steam extraction points. The operating parameters of each listed type may be modified to the extent that practically makes it possible to meet the requirements of any customer. **In other words, steam turbines are tailored to the customer's requirements.**

Scope of Comprehensive Supplies:

- Building permit project
- Design and construction of turbines and turbine houses
- Production processes controlled under the quality management system

Turbines are Available in a Comprehensive Range of Designs:

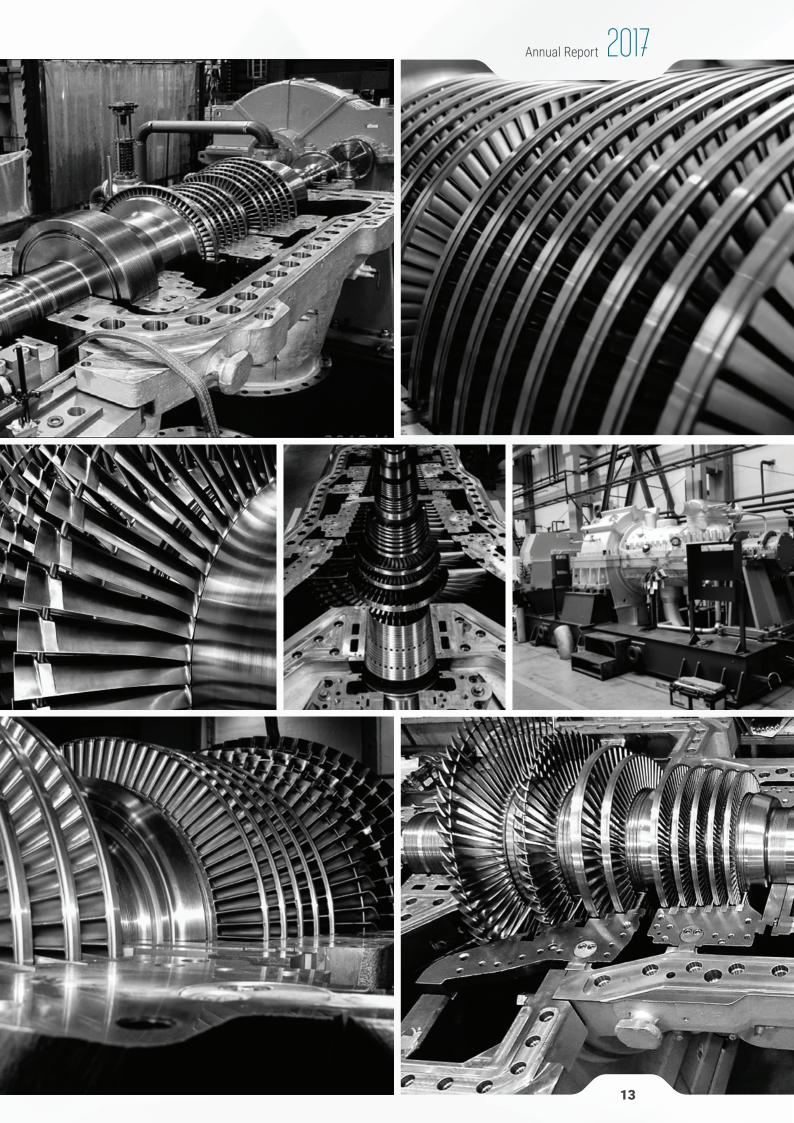
- Condensing turbines up to the maximal power output of 70MW, with the maximal steam input parameters of 135 bars and 540°C.
 - O Generator turbines driving electricity-producing generators
 - Power turbines driving pumps and compressors

Our goal is not only to implement projects based on the customer's requirements but also to actively cooperate with the customer during the proposal. We strive to provide the customer with a solution that will ensure the most economical operation.

- Supply and installation of equipment
- Commissioning
- Warranty and post-warranty service

- Back-pressure turbines up to the maximal power output of 70MW, with the maximal steam input parameters of 135 bars and 540°C.
 - Generator turbines driving electricity-producing generators
 - Power turbines driving pumps and compressors

Based on the customer's requirements, we offer technical solutions that optimise the parameters, turbine type, output and manner of operation. Optimisation is performed in connection with other technologies, namely the steam source (steam boiler) and the heat and power demand. As part of the technical solution, the project economy is also assessed.





The Service Division was established in July 2017, following up on the activities of the original Combustion Turbines Division.







The Principal Activities of the Service Division Include:

- Service and maintenance of Gas Turbines, and reconstruction, modernisation and repair of Gas Turbines of assorted global producers;
- Service and maintenance of steam turbines in large power, heating and chemical plants in cooperation with EKOL energo;
- Service and maintenance of all EPC project equipment (fuel management, boiler houses, turbine houses, power output and own consumption, automated management and safety system etc);
- Complaint resolution (central record-keeping and customer complaint resolution, removal of defects); and
- Vibroservice centre (measurement of vibrations, pulsations and other parameters in respect of supplies of equipment produced by EKOL or other suppliers for power, gas and chemical facilities).



Boilers and Boiler Houses – Including Comprehensive Deliveries

EKOL provides comprehensive general steam, hot water and warm water boiler / boiler house supplies using the following fuels as energy sources:

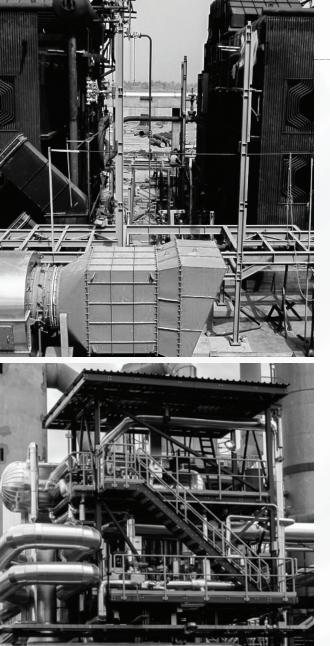
- Wood chips and wood waste
- Straw and fytomass
- Liquid and gaseous fuels
- Brown and bituminous coal

- Technological gases
- Waste heat (waste heat recovery boilers)
- Sludge from wastewater treatment plants

Boiler Modernisation and EKOLogisation

We offer and perform modernisation and EKOLogisation of boilers for existing heat and power sources.

We provide the design and supply of supplementary heat exchanging surfaces of the existing equipment to improve their efficiency or modifications initiated by the change in the fuel base of the heat source.







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Partial Supplies / Boiler House and Boiler Accessories

As part of the comprehensive or partial supplies of boiler houses, boilers and their accessories, we will design and implement the following supplies:

- Instrumentation and control (I&C)
- Condensate systems for steam boiler houses
- Devices for thermal liquidation of waste gases or liquids from technological processes
- Water, steam, hot water and warm water piping
- Heat exchanger plants
- Technology of thermal feed water treatment plants

I&C master systems

ing equipment

final deliveries

for technological units

including links to exist-

Construction parts of

 Storage tanks and expansion tanks

Through cooperation as part of our comprehensive supplies we also provide the design, delivery and assembly of:

- Boiler house fuel systems (both internal and external)
- Clinker removal
- Dust and soot collection
- Power circuit wirings

Supplies of Spare Parts

We supply spare parts:

- For our own boilers
- For boilers made by other manufacturers according to original or new documentation

V. Research and Development

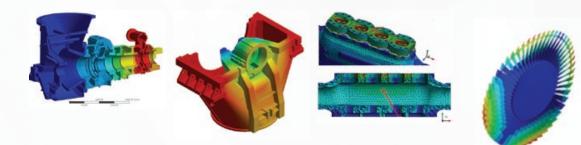
The Research and Development Division (the "R&D Division") is the Company's youngest and most progressive division. It was established in September 2016 in order to accelerate the possibilities of technical development task solutions and the implementation of the "Shaan-Gu-EKOL UNIFICATION of the 1-70 MW Performance Series Steam Turbines" project. In addition, the R&D Division's significant activities include the provision of specialised technical assistance to the Company's technical units at both proposal and implementation project stages.

As part of the UNIFICATION project, the Company fulfils the objective of developing new unified higher-efficiency series of steam turbines, preparing technical documentation for new unified performance series steam turbines, preparing and testing the prototypes of selected construction nodes with higher energy efficiency and operating reliability, and designing and testing the production technology of these key nodes while applying an appropriate level of intellectual property protection to original R&D results. Furthermore, the Company develops new software for designing and optimising the properties of steam turbines. The final contribution of the project solution is an increase in the competitiveness and market share of the Company on the European as well as global markets.

The R&D Division's primary specialisation in line with the above stated project is as follows:

- Last blade grades the key and most stressed turbine parts generating approximately 20% of the total performance of the turbine, thereby offering a great potential for increasing the efficiency and optimisation of the mechanical load by reducing the number of blading grades and thereby decreasing the costs of the rotor and stator turbine parts.
- Stator, regulation and bearings modular system construction nodes primarily designed as prototypes whose thorough standardisation in dimension and parameter series can result in the time savings necessary for design and implementation, and in production cost savings.
- Semi-automated software internally developed software facilitating, increasing the efficiency and effectiveness of and reducing the time necessary for the design of steam turbines from the project proposal stage, featuring integrated, tested and newly developed construction nodes.

Apart from the requirements on the unification project, the objective of the new division is predominantly to ensure the high quality of final products, cut running production time, and significantly decrease production costs. All this in line with the strategic aims of the Company, ie sustainable growth and increasing competitiveness. In 2017, the fulfilment of these objectives was aided by an investment in and implementation of a modern computational cluster for expert CFD analyses of fluid flows and a computational server for specialised FEM structural and dynamic analyses. Experimental development performed using advanced computation tools and experimental testing increase the precision of and validate computational methodologies, models, deliverables and steam turbine construction design, and may also be applied to the Company's other technical divisions.





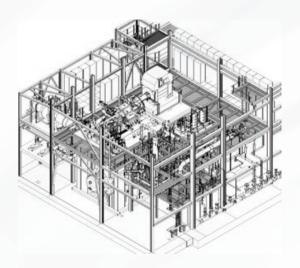
Technical Division – Design of Steam and Combustion Turbines, Project Department

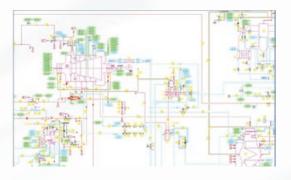
The project department of the Company's Technical Division comprises experienced project architects with many years of experience as well as junior employees.

Its principal activities include the preparation of supporting documents for all project stages, ie:

- Preliminary projects (BASIC DESIGN)
- Implementation projects (DETAIL DESIGN)
- Documentation on the actual performance of construction (AS BUILT).
- Project-related supporting documents are prepared for EKOL steam turbine houses or boiler houses with a supply of EKOL boilers as well as for comprehensive EPC supplies (Engineering, Procurement and Construction), such as power centres and power or heating plants.

The division primarily focuses on the engineering part of projects, comprising the process/technological aspects, represented by **Process Flow Diagrams** created in AutoCad, and measurement and management aspects represented by **P&I diagrams (Piping & Instrumentation)** created in AutoCad Plant 3D.





Along with these supporting documents, the division prepares complete documentation for the possible implementation of the work, ranging from preliminary layouts and diagrams, supporting documents for construction in the form of foundation drawings, including the static and dynamic load, proposed layouts with basic dimensions, calculation of pressure losses, list of connection points, permissible load on the turbine and the inlet, proposed location of the turbine set, insulation projects and coating, etc, to guidance for required testing in respect of individual branches, supporting documents for a steam blow, technical reports and operating guidelines. The project department cooperates with all professions present at individual construction projects, ranging from strength calculators to suppliers of individual turbine house components (NTO, condenser, KUP, vacuum pumps, pumps, valves) that create and approve request data sheets, and civil engineers, electrical engineers and suppliers of cooling, compressor stations, water treatment plants and others.

The project department also cooperates in assigning, reviewing and taking over external project documentation. EKOL project architects work closely not only with all EKOL divisions and engagement managers, but also with customers and the managing project architect, and help coordinate IPC projects as a whole.

The project department also provides support to subsidiaries both in the form of consulting and assistance during the preparation of project reports, or by directly preparing them. The project department takes active part in searching for new work opportunities. It provides technical support in creating proposals as well as assistance in communicating with the potential customer and creating the concept of the most appropriate technical solution.

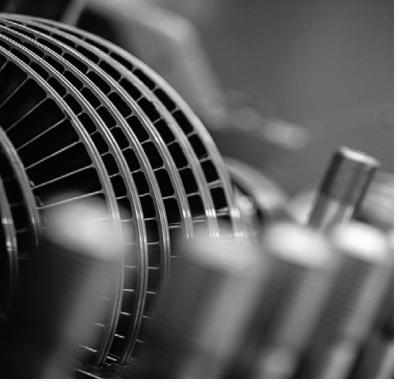
The project department also actively participates in educating new hires not only in the project department but also in the Company's sales and other departments.

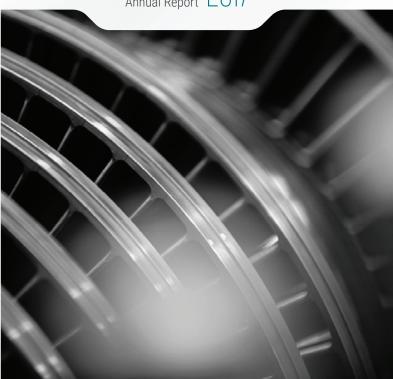


In respect of labour relations, the Company records no claims from the existing or former employees or their family members that could adversely affect the Company's economic performance.

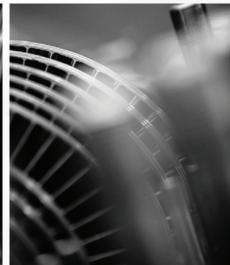
The Company has organisational branches abroad – in Croatia and Kazakhstan – and its production activities do not adversely affect the environment.

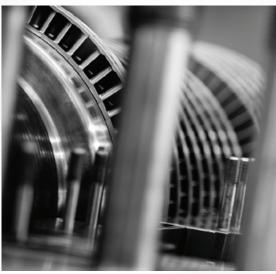
















6. Major Contracts in 2017

C Steam turbines and EPC projects:

Project name	Description of the supply	Place of performance	Period
ENERGANA GOSPIĆ 1 d.o.o.	Design, construction, produc- tion, supply and commission- ing of a steam back-pressure turbine to drive a 6.3 MW generator as part of an EPC supply by EKOL	Gospic Croatia	2017/2018
Barlinek Inwestycje Sp. z o.o.	Design, construction, produc- tion, supply and commission- ing of a steam back-pressure turbine to drive a 5.8 MW generator as part of an EPC supply by EKOL	Barlinek Poland	2017/2018
BIOMASS TO ENERGY BENKOVAC d.o.o.	Design, construction, produc- tion, supply and commission- ing of a steam condensing turbine to drive a 5.6 MW generator as part of an EPC supply by EKOL	Benkovac Croatia	2016/2018
JAZAN SUGAR Refinery	Design, construction, produc- tion, supply and commission- ing of a steam back-pressure turbine to drive a 7 MW generator, type EST30B-R7 – 4.5/0.25 E	Jazan Saudi Arabia	2016/2018







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Gas Turbines:

- **PROVIO** (Ukraine) Supplies of spare parts and components for GT 750-6 gas turbines.
- LOVOCHEMIE (Czech Republic) Repairs of ST1CH and TG7 turbines.
- ONTRAS (Germany) Service of GT 750-6 gas turbines at KS Sayda.
- NET4GAS (Czech Republic) Service of GT 750-6 gas turbines
- PROVIO (Ukraine) Supplies of spare parts and components for GT 750-6 gas turbines.
- **SYNTHESIA** (Czech Republic) Sepairs of ST1CH turbines.



- EPC projects of EKOL: Projection, construction and delivery of boilers for EPC projects of EKOL, ie two pieces for JAZAN, BARLINEK and GOSPIC.
- E.S.I.I.C (Egypt) Delivery of spare parts for 40t/h boiler.
- E.S.I.I.C (Egypt) Delivery of spare parts for boilers.
- **SUAS Vřesová** (Czech Republic) Delivery of a special boiler to cool down exhaust gases when producing sulphuric acid.

EKOL, spol. s r.o.



C Steam turbines:

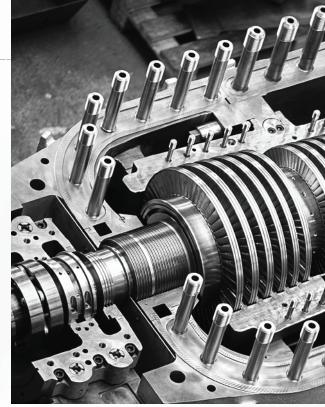
- Hiang Seng Fibre Containers Co., LTD., Thailand Design, construction, production, supply and commissioning of two steam turbines, 24MWe and 6MWe
- Kernel Group, Ukrajina
 Design, construction, production, supply and
 commissioning of three 12MWe steam turbines



- NET4GAS Praha, Czech Republic
 Repairs and reconstruction of combustion turbines
- **Provio TL, Ukraine** Supplies of spare parts for the for GT 750-6 combustion turbine

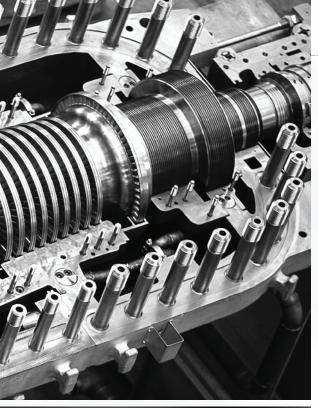
C Boilers

- Kernel Group, Ukraine Supply of six steam boilers: RFK 37/33 t/h, 67Bar, 450/105°C
- JSC Mozyr Oil Refinery, Belarus
 Superheater No. 2 for the H-1001N utilisation boiler





















9 Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Partners of EKOL, spol. s r.o.

Having its registered office at: Křenová 211/65, Trnitá, 602 00 Brno

Opinion on the Financial Statements and Consolidated Financial Statements

We have audited the accompanying financial statements of EKOL, spol. s r.o. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2017, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

We have audited the accompanying consolidated financial statements of the EKOL, spol. s r.o. consolidation group (hereinafter also the "Group") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the consolidated balance sheet as of 31 December 2017, and the consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion:

- The accompanying financial statements give a true and fair view of the financial position
 of EKOL, spol. s r.o. as of 31 December 2017, and of its financial performance and its cash flows
 for the year then ended in accordance with accounting regulations applicable in the Czech Republic.
 The accompanying consolidated financial statements give a true and fair view of the consolidated
- The accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the EKOL, spol. s r.o. consolidation group as of 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements and Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements, consolidated financial statements and auditor's report thereon. The Statutory Executives are responsible for the other information.

Our opinion on the financial statements and consolidated financial statements does not cover the other information. In connection with our audit of the financial statements and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements and
 consolidated financial statements is, in all material respects, consistent with the financial statements
 and consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Company's Statutory Executives for the Financial Statements and the Consolidated Financial Statements

The Statutory Executives are responsible for the preparation and fair presentation of the financial statements and the consolidated financial statements in accordance with accounting regulations applicable in the Czech

Republic and for such internal control as the Statutory Executives determine is necessary to enable the preparation of financial statements and the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the consolidated financial statements, the Statutory Executives are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Statutory Executives either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements and the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and consolidated financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Statutory Executives.
 Conclude on the appropriateness of the Statutory Executives' use of the going concern basis
- Conclude on the appropriateness of the Statutory Executives' use of the going concern basis
 of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related
 to events or conditions that may cast significant doubt on the Company's and Group's ability to continue
 as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention
 in our auditor's report to the related disclosures in the financial statements and the consolidated financial
 statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on
 the audit evidence obtained up to the date of our auditor's report. However, future events or conditions
 may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements and the consolidated financial statements, including the disclosures, and whether the financial statements and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with the Statutory Executives regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Brno on 30 May 2018

Audit firm:

Statutory auditor: Pavel Raštica

Deloitte Audit s.r.o. registration no. 079

Deloithe/

hastura /

registration no. 2180

JNCONSOLIDATE

FINANCIAL STATEMENTS 2017

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Company name:

Registered office: Legal form: Company ID No.: **EKOL, spol. s r.o.** Křenová 211/65, Trnitá, 602 00 Brno Limited Liability Company 416 00 983

Components of the Financial Statements:

Balance Sheet Profit and Loss Account Statement of Changes in Equity Cash Flow Statement Notes to the Financial Statements

These financial statements were prepared on 30 May 2018.

Statutory body of the reporting entity:

Signature

Amaria / BED

Balance Sheet (full version) – Assets

As of 31. 12. 2017 (in thousands CZK)

		Gross	31. 12. 2017 Adjustment	Net	31. 12. 2016 Net
••••	TOTAL ASSETS	1,478,767	278,520	1,200,247	975,242
В.	Fixed assets	381,778	181,403	200,375	211,325
•••••	Intangible fixed assets	73,388	67,315	6,073	12,700
	Valuable rights	67,324	61,251	6,073	12,700
•••••	Software	54,591	48,518	6,073	12,627
B.I.2.2.	Other valuable rights	12,733	12,733		73
B.I.4.	Other intangible fixed assets	6,064	6,064		-
	Tangible fixed assets	141,674	113,449	28,225	32,548
B.II.1.	Land and structures	48,170	32,446	15,724	17,350
B.II.1.2.	Structures	48,170	32,446	15,724	17,350
B.II.2.	"Tangible movable assets and sets of tangible movable assets"	93,504	81,003	12,501	15,198
B.III.	Non-current financial assets	166,716	639	166,077	166,077
B.III.1.	Equity investments - controlled or controlling entity	166,716	639	166,077	166,077
C.	Current assets	1,074,627	97,117	977,510	762,698
C.I.	Inventories	559,760	42,443	517,317	125,541
C.I.1.	Material	20,806	9,000	11,806	12,604
C.I.2.	Work in progress and semifinished goods	538,954	33,443	505,511	112,937
C.II.	Receivables	432,983	51,674	381,309	369,126
C.II.1.	Long-term receivables	25,837	-	25,837	19,692
C.II.1.1.	Trade receivables	275	-	275	5,833
C.II.1.4.	Deferred tax asset	25,562	-	25,562	13,859
C.II.2.	Short-term receivables	407,146	51,674	355,472	349,434
C.II.2.1.	Trade receivables	271,961	51,674	220,287	247,332
C.II.2.4.	Receivables - other	135,185	-	135,185	102,102
C.II.2.4.3.	State - tax receivables	14,845	-	14,845	56,935
C.II.2.4.4.	Short-term prepayments made	111,615	-	111,615	43,384
C.II.2.4.5.	Estimated receivables	8,580	-	8,580	1,692
C.II.2.4.6.	Sundry receivables	145	-	145	91
C.III.	Current financial assets	11,779	3,000	8,779	11,779
C.III.2.	Other current financial assets	11,779	3,000	8,779	11,779
C.IV.	Cash	70,105	-	70,105	256,252
C.IV.1.	Cash on hand	1,351	-	1,351	1,423
C.IV.2.	Cash at bank	68,754	-	68,754	254,829
D.	Other assets	22,362	-	22,362	1,219
D.1.	Deferred expenses	742	-	742	1,115
D.2.	Complex deferred expenses	21,449	-	21,449	-
D.3.	Accrued income	171	-	171	104

Balance Sheet (full version) – Total Liabilities & Equity

As of 31. 12. 2017 (in thousands CZK)

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		31. 12. 2017	31. 12. 2016
	TOTAL LIABILITIES & EQUITY	1,200,247	975,242
A.	Equity	449,743	590,670
A.I.	Share capital	5,000	5,000
A.I.1.	Share capital	5,000	5,000
A.II.	Share premium and capital funds	7,170	7,170
A.II.2.	Capital funds	7,170	7,170
.II.2.1.	Other capital funds	7,170	7,170
A.III.	Funds from profit	500	500
A.III.1.	Other reserve funds	500	500
A.IV.	Retained earnings (+/-)	578,000	621,691
A.IV.1.	Accumulated profits brought forward	592,367	636,058
A.IV.3.	Other profit or loss from prior years (+/-)	(14,367)	(14,367)
A.V.	Profit or loss for the current period (+/-)	(140,927)	(43,691)
B.+C.	Liabilities	721,555	334,249
Β.	Reserves	38,113	15,158
B.IV.	Other reserves	38,113	15,158
C.	Payables	683,442	319,091
C.I.	Long-term payables	8,322	6,729
C.I.4.	Trade payables	8,322	6,729
C.II.	Short-term payables	675,120	312,362
C.II.3.	Short-term prepayments received	142,634	40,018
C.II.4.	Trade payables	495,032	262,649
C.II.6.	Payables - controlled or controlling entity	16,272	154
C.II.8.	Other payables	21,182	9,541
).II.8.3.	Payables to employees	6,379	5,285
C.II.8.4.	Social security and health insurance payables	2,969	3,032
C.II.8.5.	State - tax payables and subsidies	1,230	973
C.II.8.6.	Estimated payables	10,604	129
C.II.8.7.	Sundry payables	-	122
D.	Other liabilities	28,949	50,323
D.2.	Deferred income	28,949	50,323

Profit and Loss Account

Year ended 31. 12. 2017 (in thousands CZK)

	Year ended 31. 12. 2017	Year ended 31. 12. 2016
I. Sales of products and services	538,197	810,529
A. Purchased consumables and services	897,917	680,027
A.2. Consumed material and energy	483,480	467,425
A.3. Services	414,437	212,602
B. Change in internally produced inventory (+/-)	(426,017)	(11,488)
D. Staff costs	103,842	102,565
D.1. Payroll costs	76,249	74,864
D.2. Social security and health insurance costs and other charges	27,593	27,701
D.2.1. Social security and health insurance costs	24,956	25,018
D.2.2. Other charges	2,637	2,683
E. Adjustments to values in operating activities	95,950	27,814
E.1. Adjustments to values of intangible and tangible fixed assets	14,506	15,820
E.1.1. Adjustments to values of intangible and tangible fixed assets - permanent	14,506	15,820
E.2. Adjustments to values of inventories	42,443	
E.3. Adjustments to values of receivables	39,001	11,994
III. Other operating income	36,938	11,386
III.1. Sales of fixed assets	762	385
III.2. Sales of material	27,577	1,573
III.3. Sundry operating income	8,599	9,428
F. Other operating expenses	35,626	24,019
F.2. Net book value of sold material	27,151	2,120
F.3. Taxes and charges	2,363	1,739
F.4. Reserves relating to operating activities and complex deferred expenses	1,505	(1,175
F.5. Sundry operating expenses	4,607	21,335
* Operating profit or loss (+/-)	(132,183)	(1,022)
VI. Interest income and similar income	7	151
VI.1. Interest income and similar income - controlled or controlling entity	2	-
VI.2. Other interest income and similar income	5	151
I. Adjustments to values and reserves relating to financial activities	3,000	
J. Interest expenses and similar expenses	577	-
J.1. Interest expenses and similar expenses - controlled or controlling entity	577	-
VII. Other financial income	14,287	2,503
K. Other financial expenses	29,663	15,924
* Financial profit or loss (+/-)	(18,946)	(13,270)
** Profit or loss before tax (+/-)	(151,129)	(14,292)
L. Income tax	(10,202	29,399
L.1. Due income tax	1,501	30,056
L.2. Deferred income tax (+/-)	(11,703	(657
** Profit or loss net of tax (+/-)	(140,927)	(43,691)
*** Profit or loss for the current period (+/-)	(140,927)	(43,691)
* Net turnover for the current period	589,429	824,569

Cash Flow Statement

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Year ended 31. 12. 2017 (in thousands CZK)

	Year ended 31. 12. 2017	Year ended 31. 12. 2016
P. Opening balance of cash and cash equivalents	256,252	193,344
Cash flows from ordinary activities (operating activities)	-	
Z. Profit or loss before tax	(151,129)	(14,292)
A.1. Adjustments for non-cash transactions	122,065	20,972
A.1.1. Depreciation of fixed assets	14,506	15,820
A.1.2. Change in provisions and reserves	107,399	10,820
A.1.3. Profit/(loss) on the sale of fixed assets	(762)	(385)
A.1.5. Interest expense and interest income	570	(151)
A.1.6. Adjustments for other non-cash transactions	352	(5,132)
A.* Net operating cash flow before changes in working capital	(29,064)	6,680
A.2. Change in working capital	(153,719)	67,966
A.2.1. Change in operating receivables and other assets	(61,082)	292,820
A.2.2. Change in operating payables and other liabilities	341,582	(219,474)
A.2.3. Change in inventories	(434,219)	(5,380)
A.** Net cash flow from operations before tax	(182,783)	74,646
A.3. Interest paid	(577)	
A.4. Interest received	7	151
A.*** Net operating cash flows	(183,353)	74,797
Cash flows from investing activities	-	
B.1. Fixed assets expenditures	(3,556)	(12,274)
B.2. Proceeds from fixed assets sold	762	385
B.*** Net investment cash flows	(2,794)	(11,889)
Cash flow from financial activities	-	
C.*** Net financial cash flows	-	
F. Net increase or decrease in cash and cash equivalents	(186,147)	62,908
R. Closing balance of cash and cash equivalents	70,105	256,252

Statement of Change in Equity

Year ended 31. 12. 2017 (in thousands CZK)

	Share capital	Capital p funds	Funds from profit, reserve fund	Accumulated profits brou- ght forward	Accumulated losses brou- ght forward	Other profit or loss from prior years	for the cu-	TOTAL EQUITY
Balance at 31 December 2015	5,000	7,196	500	610,467	-	(14,367)	25,591	634,387
Distribution of profit or loss	-	-	-	25,591	-	-	(25,591)	-
Revaluation of derivatives	-	(26)	-	-	-	-	-	-
Profit or loss for the current period	-	-	-	-	-	-	(43,691)	(43,691)
Balance at 31 December 2016	5,000	7,170	500	636,058	-	(14,367)	(43,691)	590,670
Distribution of profit or loss	-	-	-	(43,691)	-	-	43,691	-
Profit or loss for the current period	-	-	-		-	-	(140,927	(140,927
Balance at 31 December 2017	5,000	7,170	500	592,367	-	(14,367)	(140,927)	449,743



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Name of the Company:

EKOL, spol. s r.o.

Registered office: Legal status: Corporate ID: Křenová 211/65, Trnitá, 602 00 Brno Limited Liability Company 416 00 983

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NOTES TO THE FULL-SCOPE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (Monetary values are presented in CZK '000)

The Notes to the Financial Statements have been prepared in accordance with Regulation 500/2002 Coll., which provides implementation guidance on certain provisions of Accounting Act 563/1991 Coll., as amended. The data in the Notes to the Financial Statements are based on the Company's accounting records and other documents available to the Company.

(I.) GENERAL INFORMATION

1. Description of the Reporting Entity

1.1 Company

Name	EKOL, spol. s r.o. (the "Company")
Registered office:	Křenová 211/65, Trnitá, 602 00 Brno
Corporate ID.:	41600983
Legal status:	Limited liability company
Date of incorporation:	31 July 1991
Principal business activities	Manufacturing, trade and services – project activities related to construction; and Manufacturing, installation, repairs of electric machines and telecommunication devices.

1.2 Persons (Individuals/Legal Entities) with Significant or Controlling Influence in the Company (an Equity Interest Equal to or Greater than 20%)

Since 1 July 2015, 75% of the Company's equity investment has been owned by the Chinese company Xi'an Shaangu Power Co., Ltd. through Shaangu Power (Hong Kong) Co., Ltd. The consolidated financial statements for the narrowest consolidation group are prepared by Ekol, spol. s r.o. The consolidated financial statements for the widest consolidation group are prepared by Xi'an Shaangu Power Co.

Individual/Company	Ownership percentage
Shaangu Power (Luxemburg) S.A.	75 %
Stanislav Veselý, CSc.	13.385 %
Gustav Poslušný	11.115 %
Jaromír Kříž	0.5 %

The shares of the above-listed shareholders amount to 100% Investments of shareholders in the share capital are fully paid up.

A) MEMBERS OF THE STATUTORY BODY

Statutory executives:

STANISLAV VESELÝ, CSc.	statutory executive A
JAROMÍR KŘÍŽ	statutory executive A
JIN QINGJUN	statutory executive C
LIU JINGXIN	statutory executive B
CHANG KANGZHEN	statutory executive B

Manner of acting:

No fewer than two (2) statutory executives act jointly on behalf of the Company regarding all matters; one (1) of them will always be statutory executive A and one (1) will always be statutory executive B or statutory executive C. During 2017, changes were made to the composition of statutory executives. In November 2017, STANISLAV VESELÝ and LIU LI JIA resigned and were replaced by LIU JINGXIN and CHANG KANGZHEN.

B) CHANGES IN AND AMENDMENTS TO THE REGISTER OF COMPANIES IN THE REPORTING PERIOD

During 2017, changes were made to the composition of statutory executives. In November 2017, JIANG GUODONG and LIU LI JIA were erased and were replaced by LIU JINGXIN and CHANG KANGZHEN.

C) ORGANISATIONAL STRUCTURE OF THE COMPANY

Jaromír Kříž Jaroslav Zapletal General Manager Financial Manager since February 2017

From 1 November 2016 to February 2017, the position of the financial manager was not taken.

Financial Division
Service Division
Commerce and Marketing Division
Technical Division
Boiler Division
Research and Development Division
Implementation Division

Jaroslav Zapletal Václav Janištin Ivan Chládek Jan Saňka Miroslav Jedlička Martin Sedlář Roman Hančl

(II.) EQUITY INVESTMENTS OF THE COMPANY

2.1 Subsidiaries or Associates of the Company (with Equity Investment Equal to or Greater than 20%)

Name	Registered office	Ownership percentage (%)	Equity (in CZK '000)	Profit or loss (in CZK '000)
EKOL energo s.r.o.	Křenová 65 Brno	100	306,018	(30,802)
AEZ s.r.o.	Zaoralova 2832/7 Brno	100	35,349	1,860
EKOL, spol. s r.o.	Hečkova 2 Martin Slovakia	100	46,891	(1,869)
Ekol Turbo a.s.	Křenová 65 Brno	100	1,812	(6)
POWER ELECTRIC SP. Z 0.0.	Ks. Londzina 7, Bielsko-Biala, Poland	51	3,301	21

The Company also exercises significant or controlling influence in the businesses as follows:

EKOL GmbH Energiesysteme

Ownership percentage (%)	70%
Equity investment	CZK 639 thousand
2001 Profit or loss	CZK (7,685) thousand

Given that the Company has not received financial statements from EKOL GmbH Energiesysteme since 2001, a provision against equity investments in the amount of CZK 639 thousand was recognised in 2011.

S.C. Centrala Bioval S.R.L.

Ownership percentage (%)	99.9%
Equity investment	CZK 11,779 thousand
2017 Profit or loss	CZK (163) thousand

In 2017, the Company recognised a non-tax deductible provision against equity investments in the amount of CZK 3,000 thousand.

III. INFORMATION ON ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

3. Material Accounting Information

3.1 Accounting Principles

The Company's accounting books and records are maintained and the financial statements were prepared in accordance with the Accounting Act 563/1991 Coll., as amended; the Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended; and Czech Accounting Standards for Businesses, as amended.

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis (unless stated otherwise), the accruals principle, the prudence concept and the going concern assumption.

The Company's financial statements have been prepared as of 31 December 2017 for the 2017 calendar year.

These financial statements are presented in thousands of Czech crowns ('CZK') unless stated otherwise.

3.2 Valuation Method

A) INVENTORY DEVELOPED INTERNALLY AND PURCHASED USING OWN FUNDING

Purchased inventory is valued at acquisition cost. Internally developed inventory:

Production in progress is valued at internal production costs (in direct costs + production overheads).

Material and construction that are directly attributable to individual constructions are charged directly to the consumption of individual projects using the B method.

Material purchased for internal processing is recognised using the A method.

Types of indirect acquisition costs

- Related to purchased inventory: transportation costs, external assembly services, customs; and
- Internally developed inventory: material consumption, wages, social security and health insurance, transportation costs, external assembly services, other direct costs, production overheads.

B) TANGIBLE AND INTANGIBLE FIXED ASSETS

Purchased: purchase price + acquisition costs (transportation costs, external assembly services, customs)

Low-value assets with acquisition costs of less than CZK 20 thousand are expensed on a one-time basis for tax and accounting purposes and subsequently recorded as part of operational records, except for software, information technology and office equipment with acquisition costs of less than CZK 5 thousand which is expensed on a one-time basis for tax and accounting purposes.

C) Financial Assets

Non-current financial assets include financial assets with maturity or intent to hold exceeding one year. Current financial assets include financial assets with maturity or intent to hold of less than one year.

Valuation of financial assets upon acquisition.

Equity investments, securities and derivatives are stated at acquisition cost at the date of acquisition, including premium and related costs.

Valuation of financial assets at the balance sheet date.

Securities held for trading, other available-for-sale securities and derivatives are stated at fair value. If the fair value cannot be determined objectively, securities are stated at acquisition cost less provisions.

Securities with a fixed revenue held to maturity are stated at acquisition cost increased or decreased by an interest income or expense.

Equity investments in subsidiaries and associates are stated at acquisition cost less provisions.

3.3 **Provisioning of Assets**

Provisions against inventory

Provisions against slow-turning and obsolete assets or otherwise temporarily impaired assets are made based on an inventory turnover analysis and individual assessment of inventory.

Provisions against receivables

Upon origination, receivables are stated at their nominal value. Purchased receivables are stated at acquisition cost. Doubtful receivables are stated at cost less provisions and expensed to the exercise amount on the basis of an individual assessment of individual debtors and aging structure of receivables.

Type of provision	31 Dec 2016	Change	31 Dec 2017
Provision against non-current financial assets	639	3,000	3,639
Provision against inventory	0	42,443	42,443
Provision against receivables	12,931	38,743	51,674

3.4 Depreciation of Fixed Assets

Depreciation plan of fixed assets is related to the actual useful life of individual items. Depreciation begins in the month subsequent to the putting into operation and terminates in the month of disposal.

3.5 Foreign Currency Translation

For the translation of business operations throughout the reporting period, the exchange rate of the Czech National Bank on the first working day of the month used; at the end of the reporting period, the exchange rate of the Czech National Bank as of 31 December is used.

3.6 Reserves

Reserves are intended to cover future risks and expenditure, the nature of which is clearly defined and which are likely to be incurred, but which are uncertain as to the amount or the date on which they will arise.

3.7 Revenue Recognition

Revenues from the sale of own products and services are recognised based on the accruals principle. Revenues are recognised in the appropriate prices of received supply or supply to be received and represent amounts that will be collected for supplied goods and services provided in the course of the reporting period as part of business activity net of rebates, VAT and other sale-related taxes.

Work in progress is recognised in terms of all manufacturing projects in line with the Accounting Act. The accruals principle by means of deferred income applies to projects where the billing is realised before costs are incurred (including calculated profit).

3.8 Use of Estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

3.9 Cash Flow Statement

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets easily convertible into cash in an amount agreed in advance.

Cash and cash equivalents can be analysed as follows:

	31. 12. 2016	31. 12. 2017
Cash on hand and cash in transit	1,423	1,351
Bank accounts	254,829	68,754
Total cash and cash equivalents	256,252	70,105

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset.

3.10 Changes in Accounting Policies

The Unification project in progress of CZK 21,449 thousand (2016: CZK 10,306 thousand) was reported under "Work in progress and semifinished goods" in 2016. This year, it is reported under "Complex deferred expenses".

(IV. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

4. SIGNIFICANT ACCOUNTING INFORMATION

4.1 Fixed Assets (Except for Receivables)

A) RECEIVED LEASES

The Company has no payables arising from leases.

B) MOVEMENTS OF TANGIBLE AND INTANGIBLE FIXED ASSETS

(CZK '000)	1 Jan 2016	Additions / reclassification	Disposal	31 Dec 2016
Acquisition cost	-	-	_	_
Software	46,772	8,790	10	55,552
Valuable rights	12,733	0	0	12,733
Other intangible investment assets	6,064	0	0	6,064
Land	0	0	0	0
Construction	48,170	0	0	48,170
Tangible movable assets and sets of movable assets	95,112	3,611	1,555	97,168
Total	208,851	12,401	1,565	219,687
Accumulated depreciation/amortisation	-	-	-	-
Software	37,422	5,513	10	42,925
Valuable rights	12,587	73	0	12,660
Other intangible investment assets	5,993	71	0	6,064
Construction	29,193	1,627	0	30,820
Tangible movable assets and sets of movable assets	74,863	8,662	1,555	81,970
Total	160,058	15,946	1,565	174,439
Net book value	48,794	-	-	45,248

(CZK '000)	1 Jan 2017	Additions / reclassification	Disposal	31 Dec 2017
Acquisition cost	-	-	-	-
Software	55,552	2,784	3,745	54,591
Valuable rights	12,733	0	0	12,733
Other intangible investment assets	6,064	0	0	6,064
Land	0	0	0	0
Construction	48,170	0	0	48,170
Tangible movable assets and sets of movable assets	97,168	7,563	11,227	93,504
Total	219,687	10,347	14,972	215,062
Accumulated depreciation/amortisation	-	-	-	
Software	42,925	6,219	626	48,518
Valuable rights	12,660	73	0	12,733
Other intangible investment assets	6,064	0	0	6,064
Construction	30,820	1,627	0	32,446
Tangible movable assets and sets of movable assets	81,970	6,587	7,554	81,003
Total	174,439	14,506	8,180	180,764
Net book value	45,248	-	-	34,298

Low-value off-balance sheet assets as of 31 December 2017 amount to CZK 6,316 thousand (CZK 7,383 thousand as of 31 December 2016).

C) MOVEMENTS OF NON-CURRENT FINANCIAL ASSETS (in CZK thousand)

(CZK '000)	1 Jan 2017	Additions / reclassification	Disposals	31 Dec 2017
EKOL energo s.r.o.	106,443	0	0	106,443
AEZ s.r.o.	27,500	0	0	27,500
EKOL, spol. s r.o. , Martin	26,273	0	0	26,273
Ekol Turbo a.s.	1,875	0	0	1,875
POWER ELECTRIC SP. Z 0.0.	3,986	0	0	3986
Total	166,077	0	0	166,077

(CZK '000)	1 Jan 2016	Additions / reclassification	Disposals	31 Dec 2016
EKOL energo s.r.o.	106,443	0	0	106,443
AEZ s.r.o.	27,500	0	0	27,500
EKOL, spol. s r.o. , Martin	26,273	0	0	26,273
Ekol Turbo a.s.	1,875	0	0	1,875
POWER ELECTRIC SP. Z 0.0.	3,986	0	0	3,986
Total	166,077	0	0	166,077

Given that the Company has not received financial statements from EKOL GmbH Energiesysteme since 2001, a provision against equity investments of CZK 639 thousand was made in 2011.

4.2 Receivables

A) AGGREGATE AMOUNT OF TRADE RECEIVABLES

(CZK '000)	2017	2016
	272,236	253,165
Total	272,236	253,165

Short-term prepayments made in the amount of CZK 111,615 thousand primarily represent advances from Energika in the amount of CZK 26,903 thousand, from Steuler in the amount of CZK 21,675 thousand and from Eco Consulting in the amount of CZK 14,770 thousand.

B) GROUP RECEIVABLES:

Group company (CZK '000):	2017	2016
Ekol energo s.r.o.	0	0
Ekol, spol.s.r.o. Martin	250	420
AEZ s.r.o.	784	102
Total	1,034	522

As of 31 December 2017, past-due receivables amount to CZK 170,230 thousand (2016: CZK 134,220 thousand). Estimated receivables of CZK 8,581 thousand include estimated internal rebilling of transfer pricing with Ekol energo s.r.o.

4.3 Payables

A) AGGREGATE AMOUNT OF TRADE PAYABLES

(CZK '000)	2017	2016
	503,354	269,378
Total	503,354	269,378

Short-term prepayments received in the amount of CZK 142,634 primarily represent an advance from Barlinek in the amount of CZK 52,190 thousand. In 2016, they primarily included an advance from Luteba in the amount of CZK 29,083 thousand.

B) GROUP PAYABLES

Group company (CZK '000):	2017	2016
Ekol energo s.r.o.	131,167	6,466
AEZ s.r.o.	8,570	383
Ekol, spol.s.r.o. Martin	0	303
Power electric	2,041	96
Total	141,778	7,248

As of 31 December 2017, past-due payables amounted to CZK 124,306 thousand (2016: CZK 10,114 thousand).

C) DUE AMOUNTS ARISING FROM SOCIAL SECURITY INSURANCE AND CONTRIBUTION TO THE STATE EMPLOYMENT POLICY –

CZK 2,027 thousand (CZK 2,110 thousand as of 31 December 2016) - the amounts are before their due dates.

D) DUE AMOUNTS ARISING FROM PUBLIC HEALTH INSURANCE

- CZK 942 thousand (CZK 934 thousand as of 31 December 2016) - the amounts are before their due dates.

E) TAX ARREARS

As of 31 December 2017, the Company does not record any tax arrears (as of 31 December 2016: CZK 0 thousand) – the arrears are before their due dates.

4.4 Equity

Pursuant to the decision of the General Meeting of 30 June 2017, the accounting loss of CZK (43,691) thousand was transferred to retained earnings of prior years. The loss for the current period has not yet been distributed. It will be distributed at the general meeting based on a decision of the majority owner.

4.5 Correction of Prior Year Misstatements

Other profit or loss as of 31 December 2016 includes a correction of prior year misstatements – an unrecognised reserve for complaints for 2013 in the amount of CZK 11,203 thousand and the corresponding deferred tax of CZK (2,129) thousand. This reserve was further adjusted by the impact of 2014 consisting of a decrease in the reserve of CZK 2,590 thousand and a decrease in the deferred tax asset of CZK 492 thousand. In addition, other profit or loss was utilised to decrease contractual fines billed in 2014 by CZK 7,390 thousand.

4.6 Statutory and Other (Accounting) Reserves (in CZK thousand)

Type of reserve	Balance at 31 Dec 2016	Charge for reserves	e of reserves	Balance at 31 Dec 2017
Reserve for additional costs	6,000	0	0	6,000
Reserve for audit	0	0	0	0
Reserve for court disputes	0	12,756	0	12,756
Reserve for complaints and EPC projects	9,158	10,199	0	19,357
Total	15,158	22,955	0	38,113
	Balance at	Charge for		Balance at

Type of reserve	Balance at 31 Dec 2015	reserves Us	se of reserves	Balance at 31 Dec 2016
Reserve for additional costs	6,000	6,000	6,000	6,000
Reserve for audit	1,152	0	1,152	0
Reserve for complaints	9,180	9,158	9,180	9,158
Total	16,332	15,158	16,332	15,158

4.7 Breakdown of Deffered Tax Liability or Assets

Recognised deferred tax assets and liabilities (in CZK thousand)

Deferred tax	2017	2016
Fixed assets ARV - TRV	1,965	(593)
Financial assets	0	640
Receivables	44,627	12,931
Tax loss*	24,728	56,511
Accounting reserves	32,785	15,158
Inventory	42,443	0
Outstanding contractual fines	(12,008)	(11,701)
Total	134,540	72,945
Deferred tax asset	25,562	13,859

In line with accounting principles, a 19% tax rate for 2017 was used for the calculation of the deferred tax.

* Total unutilised tax losses amount to CZK 100,473 thousand as of 31 December 2017.

4.8 Deferred Income

As of 31 December 2017, deferred income amounted to CZK 28,949 thousand (CZK 50,323 thousand as of 31 December 2016). In 2017 and 2016, this predominantly includes deferred income relating to the JAZAN Sugar Refinery project – two 75t boilers, two back-pressure PT 7MW.

4.9 Details of Income by Principal Activity (in CZK thousand)

Principal activity	In-country	Cross-border	Total
	2017	2017	2017
Sale of own goods and services	202,470	335,727	538,197
Total	202,470	335,727	538,197
Principal activity	In-country	Cross-border	Total
	2016	2016	2016
Sale of own goods and services	249,446	249,446	810,529
Total	249,446	249,446	810,529

4.9.1 Income Generated with Related Parties

2017

Entity (CZK '000)	Service	Material	Products	Assets	Other	Total
EKOL energo s.r.o.	4,414	1,003	94	600	19	6,130,
EKOL, spol. s r.o. Martin	487	0	73	0	8	568
AEZ s.r.o.	1,123	29	648	0	4	1,804
Power Electric Sp.z o o	0	0	0	0	2	2
ShaangGu Power (Hongkong) Co., Limited	1,674	0	10,501	0	0	12,175
Shaangu Power Luxembourg	575	0	0	0	0	575
Total	8,273	1,032	11,316	600	33	21,254

2016

Entity (CZK '000)	Service	Material	Products	Assets	Other	Total
EKOL energo s.r.o.	21,533	762	156	0	165	22,616
EKOL, spol. s r.o. Martin	637	0	45	0	0	682
AEZ s.r.o.	943	0	0	0	0	943
Power Electric Sp.z o o	13	0	0	0	0	13
ShaangGu Power (Hongkong) Co., Limited	3,444	0	54,100	0	0	57,544
Total	26,570	762	54,301	0	165	81,798

All related party proceeds were generated on an arm's length basis.

4.10 Expenses (in CZK thousand)

4.10.1 Purchases with Related Parties

2017

Entity (CZK '000)	Assets	Inventory	Services	Financial expenses	Total
EKOL energo s.r.o.	0	106,986	28,666	564	136,216
EKOL, spol. s r.o. Martin	0	0	303	13	316
AEZ s.r.o.	0	5,131	3,007	0	8,138
Power Electric Sp.z o o	0	0	2,430	22	2,452
ShaangGu Power (Hongkong) Co., Limited	0	0	0	258	258
Shaangu Power Luxembourg	0	0	0	83	83
Total	0	112,117	34,406	940	147,463

2016

Entity (CZK '000)	Assets	Inventory	Services	Fin. expenses	Total
EKOL energo s.r.o.	0	87,426	14,860	0	102,286
EKOL, spol.s.r.o. Martin	0	0	336	2	338
AEZ s.r.o.	0	1,937	2,154	0	4,091
Power Electric Sp.z o o	0	0	2,031	5	2,036
Total	0	89,363	19,381	7	108,751

4.10.2 Services

(CZK '000)	2017	2016
Assembly work on projects	53,959	35,286
Rental	10,019	12,102
Travel expenses	5,551	5,929
Interpretation and legal services	1,544	2,228
Repairs and maintenance	884	1,059
Trade expenses	22,522	39,796
IT expenses	4,536	2,622
Project-related travel expenses	6,504	8,182
Promotion, trainings	1,253	4,579
Projects	30,536	4,424
Other services – supervision, packing fees, advisory services, technical assistance	78,672	96,395
Construction of EPC projects	197,024	0
Calculation work	1,433	0
Total	414,437	212,602

4.10.3 Staff Costs

	Employees		Of which managers	
	2017	2016	2017	2016
Average recalculated headcount	162.51	164.37	10	10
Staff costs (CZK '000)	103,842	102,565	11,176	11,970
- Payroll costs	76,249	74,864	8,336	8,942
- Costs of social security and health insurance	24,956	25,018	2,668	2,860
- Social costs	2,637	2,683	172	168

Members of the statutory bodies did not receive any rewards, loans, credits, guarantees or other supplies. Members of the management bodies did not receive any loans, credits, guarantees or other supplies except as disclosed above.

4.11 Complex Deferred Expenses

Complex deferred expenses consist of the Unification project in progress of CZK 21,449 thousand. Last year, it was reported under "Work in progress and semifinished goods" in the amount of CZK 10,306 thousand.

4.12 Expenses for Statutory Audit

Expenses for the remuneration to the statutory auditor for the audit of the financial statements for the year ended 31 December 2017 amounted to CZK 772 thousand (CZK 1,152 thousand for the year ended 31 December 2016).

4.13 Guarantees

As of 31 December 2017, the value of open bank guarantees amounts to CZK 309,509 thousand.

4.14 Off-Balance Sheet Commitments

The Company records no off-balance sheet commitments.

a) Material Contingent Losses: The Company is not aware of any material contingent losses.

b) Bills of Exchange Issued as a Guarantee: Bills of Exchange Issued as a Guarantee.

c) Legal Disputes: As of 31 December 2017, the Company was involved in no significant legal dispute, the outcome of which would have a material impact on the Company.

d) Contingent Liabilities: The Company has no contingent liabilities.

e) Environmental Liabilities: The Company has no environmental liabilities.

Sub-contracts concluded with related parties in the year ended 31 December 2017 based on which performances will be implemented in the coming years are disclosed in the Report on Related Party Transactions.

4.15 Other Significant Post-balance Sheet Events

No events occurred subsequent to the balance sheet date that would have a material impact on the financial statements.

Consolidated

FINANCIAL STATEMENTS 2017

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Name of the Company: Registered Office: Legal Status: Corporate ID: **EKOL, spol. s r.o.** Křenová 211/65, Trnitá, 602 00 Brno Limited Liability Company 416 00 983

Components of the Consolidated Financial Statements:

Consolidated Balance Sheet Consolidated Profit and Loss Account Consolidated Statement of Changes in Equity Consolidated Cash Flow Statement Notes to the Consolidated Financial Statements

These consolidated financial statements were prepared on 30 May 2018.

Statutory body of the reporting entity:

Signature

Amarin /L

Consolidated Balance Sheet (full version) – Assets

As of 31. 12. 2017 (in thousands CZK)

 \bigcirc

		Gross	31. 12. 2017 Adjustment	Net	31. 12. 2016 Net
••••	TOTAL ASSETS	1,769,926	470,274	1,299,652	1,263,096
В.	Fixed assets	502,828	361,933	140,895	167,237
B.I.	Intangible fixed assets	76,686	70,481	6,205	12,673
B.I.2.	Valuable rights	70,622	64,417	6,205	12,673
B.I.2.1.	Software	57,889	51,684	6,205	12,600
B.I.2.2.	Other valuable rights	12,733	12,733	-	73
B.I.4.	Other intangible fixed assets	6,064	6,064	_	-
	Tangible fixed assets	413,422	287,197	126,225	145,467
	Land and structures	163,814	65,957	97,857	103,206
B.II.1.1.	Land	16,065		16,065	16,110
	Structures	147,749	65,957	81,792	87,096
B.II.2.	Tangible movable assets and sets of tangible movable assets	248,253	221,240	27,013	40,907
B.II.5.	"Prepayments for tangible fixed assets and tangible fixed assets under construction"	1,355	-	1,355	1,354
B.II.5.2.	Tangible fixed assets under construction	1,355	-	1,355	1,354
B.III.	Non-current financial assets	644	640	4	4
B.III.3.	Equity investments in associates	644	640	4	4
B.IV.	Goodwill on consolidation	12,076	3,615	8,461	9,093
B.IV.I.	Positive goodwill on consolidation	12,076	3,615	8,461	9,093
C.	Current assets	1,244,598	108,341	1,136,257	1,093,463
C.I.	Inventories	617,732	48,325	569,407	195,196
C.I.1.	Material	44,961	14,882	30,079	32,700
C.I.2.	Work in progress and semifinished goods	572,771	33,443	539,328	162,496
C.II.	Receivables	486,916	57,016	429,900	553,697
C.II.1.	Long-term receivables	28,872		28,872	17,204
C.II.1.1.	Trade receivables	275	-	275	5,832
C.II.1.4.	Deferred tax asset	28,597	-	28,597	11,372
C.II.2.	Short-term receivables	458,044	57,016	401,028	536,493
C.II.2.1.	Trade receivables	327,923	57,016	270,907	432,606
C.II.2.4.	Receivables - other	130,121	_	130,121	103,887
C.II.2.4.2.	Social security and health insurance contributions	5	-	5	-
C.II.2.4.3.	State - tax receivables	17,181	-	17,181	56,428
C.II.2.4.4.	Short-term prepayments made	111,716	-	111,716	44,460
C.II.2.4.5.	Estimated receivables	938	-	938	2,579
C.II.2.4.6.	Sundry receivables	281	-	281	420
	Current financial assets	11,893	3,000	8,893	11,806
C.III.1.	Investments - controlled or controlling entity	• • • • • • • • • • • • • • • • • • • •	_	-	
	Other current financial assets	11,893	3,000	8,893	11,806
C.IV.	Cash	128,057	-	128,057	332,764
	Cash on hand	2,879	_	2,879	2,973
	Cash at bank	125,178	_	125,178	329,791
D.	Other assets	22,500	_	22,500	2,396
	Deferred expenses	775	_	775	1,247
	Complex deferred expenses	21,449	_	21,449	-
	Accrued income	276	-	276	1,149

Consolidated Balance Sheet (full version) – Total Liabilities & Equity

As of 31. 12. 2017 (in thousands CZK)

	31. 12. 2017	31. 12. 2016
TOTAL LIABILITIES & EQUITY	1,299,652	1,263,096
A. Equity	681,762	851,659
A.I. Share capital	5,000	5,000
A.I.1. Share capital	5,000	5,000
A.II. Share premium and capital funds	7,170	7,170
A.II.2. Capital funds	7,170	7,170
A.II.2.1. Other capital funds	7,170	7,170
A.III. Funds from profit	11,000	11,000
A.III.1. Other reserve funds	11,000	11,000
A.IV. Retained earnings (+/-)	826,813	850,581
A.IV.1. Accumulated profits brought forward	842,214	865,976
A.IV.2. Accumulated losses brought forward (-)	(182)	(176)
A.IV.3. Other profit or loss from prior years (+/-)	(15,219)	(15,219)
A.V. Profit or loss for the current period, net of minority interests	(168,221)	(22,092)
A.V.1 Profit or loss for the period	(168,221)	(22,092)
B.+C. Liabilities	588,858	365,556
B. Reserves	40,382	16,394
B.IV. Other reserves	40,382	16,394
C. Payables	548,476	349,162
C.I. Long-term payables	8,322	6,733
C.I.4. Trade payables	8,322	6,733
C.II. Short-term payables	540,154	342,429
C.II.3. Short-term prepayments received	142,633	40,928
C.II.4. Trade payables	369,510	282,336
C.II.6. Payables - controlled or controlling entity	154	569
C.II.8. Other payables	27,857	18,596
C.II.8.3. Payables to employees	10,028	8,981
C.II.8.4. Social security and health insurance payables	4,937	5,377
C.II.8.5. State - tax payables and subsidies	1,906	3,709
C.II.8.6. Estimated payables	10,717	249
C.II.8.7. Sundry payables	269	280
D. Other liabilities	27,414	44,253
D.1. Accrued expenses	-	42
D.2. Deferred income	27,414	44,211
E. Minority equity	1,618	1,628
E.I.1 Minority share capital	255	255
E.I.3 Minority funds from profit, including retained earnings and losses	1,353	1,205
E.I.4 Minority profit or loss for the current period	10	168

Consolidated Profit and Loss Account

Year ended 31. 12. 2017 (in thousands CZK)

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	Year ended 31. 12. 2017	Year ended 31. 12. 2016
I. Sales of products and services	614,115	1,000,666
II. Sales of goods	307	454
A. Purchased consumables and services	897,369	736,859
A.1. Costs of goods sold	224	447
A.2. Consumed material and energy	443,113	482,099
A.3. Services	454,032	254,313
B. Change in internally produced inventory (+/-)	(416,178)	6,592
D. Staff costs	177,481	174,535
D.1. Payroll costs	130,272	127,914
D.2. Social security and health insurance costs and other charges	47,209	46,621
D.2.1. Social security and health insurance costs	42,786	42,380
D.2.2. Other charges	4,423	4,241
E. Adjustments to values in operating activities	116,892	42,813
E.1. Adjustments to values of intangible and tangible fixed assets	29,665	32,329
E.1.1. Adjustments to values of intangible and tangible fixed assets - permanent	29,665	32,329
E.2. Adjustments to values of inventories	47,825	(278)
E.3. Adjustments to values of receivables	39,402	10,762
III. Other operating income	36,570	10,266
III.1. Sales of fixed assets	265	138
III.2. Sales of material	27,265	1,012
III.3. Sundry operating income	9,040	9,116
F. Other operating expenses	38,914	28,698
F.2. Net book value of sold material	27,655	2,135
F.3. Taxes and charges	2,670	3,031
F.4. Reserves relating to operating activities and complex deferred expenses	2,756	(2,194)
F.5. Sundry operating expenses	5,833	25,726
Amortisation of positive goodwill on consolidation	609	599
* Operating profit or loss (+/-)	(164,095)	21,290
VI. Interest income and similar income		170
VI.2. Other interest income and similar income	15	170
I. Adjustments to values and reserves relating to financial activities	3,000	
VII. Other financial income	15,101	2,842
K. Other financial expenses	31,829	17,180
* Financial profit or loss (+/-)	(19,713)	(14,168)
** Profit or loss before tax (+/-)	(183,808)	7,122
L. Income tax	(15,597)	29,046
L.1. Due income tax	1,602	30,155
L.2. Deferred income tax (+/-)	(17,199)	(1,109)
** Profit or loss net of tax (+/-)	(168,211)	(21,924)
** Consolidated profit or loss net of share of income of associates	(168,211)	(21,924)
Consolidated profit or loss net of share of minority interests	(168,221	(22,092
Minority profit or loss	10	168
*** Profit or loss for the current period (+/-)	(168,211)	(21,924)
*** Profit or loss for the current period net of minority interests (+/-)	(168,221)	(22,092)
*** Profit or loss for the current period incl. minority interests (+/-)	(168,211)	(21,924)
*** Profit or loss for the current period net of minority interests (//)	(183,818)	6,954)
* Net turnover for the current period	666,108	1,014,398

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Consolidated Cash Flow Statement

Year ended 31. 12. 2017 (in thousands CZK)

		Year ended 31. 12. 2017	Year ended 31. 12. 2016
Р.	Sales of products and services	332,764	271,374
	Cash flows from ordinary activities (operating activities)	-	
Ζ.	Profit or loss before tax	(183,808)	7,122
A.1.	Adjustments for non-cash transactions	144,360	35,477
A.1.1.	Depreciation of fixed assets	29,665	32,329
A.1.2.	Change in provisions and reserves	113,899	8,332
A.1.3.	Profit/(loss) on the sale of fixed assets	(265)	(138)
A.1.5.	Interest expense and interest income	(15)	(170)
A.1.6.	Adjustments for other non-cash transactions	1,076	(4,876)
A.*	Net operating cash flow before changes in working capital	(39,448)	42,599
A.2.	Change in working capital	(161,607)	34,054
A.2.1.	Change in operating receivables and other assets	77,317	195,694
A.2.2.	Change in operating payables and other liabilities	183,199	(178,741)
4.2.3.	Change in inventories	(422,036)	17,106
A.2.4.	Change in current financial assets	(87)	(4)
A.**	Net cash flow from operations before tax	(201,055)	76,653)
A.4.	Interest received	15	170
A.5.	Income tax paid from ordinary operations	-	(1,620)
A.***	Net operating cash flows	(201,040)	75,203
	Cash flows from investing activities	-	-
B.1.	Fixed assets expenditures	(3,932)	(13,048)
B.2.	Proceeds from fixed assets sold	265	138
B.***	Net investment cash flows	(3,667)	(12,910)
	Cash flow from financial activities	-	-
C.1.	Change in payables from financing	-	(903)
C.***	Net financial cash flows	-	(903)
F.	Net increase or decrease in cash and cash equivalents	(204,707)	61,390
R.	Closing balance of cash and cash equivalents	128,057	332,764

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Consolidated Statement of Changes in Equity

Year ended 31. 12. 2017 (in thousands CZK)

	Share capital	Share premium and capital funds	Funds from profit, reserve fund	Accumulated profits brought forward	Accumulated losses brought forward	Other profit or loss from prior years	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2015	5,000	7,196	11,000	855,021	(173)	(17,296)	15,209	875,957
Distribution of profit or loss	-	-	-	15,212	(3)	-	(15,209)	-
Dividends paid	-	-	-	(903)	-	-	-	(903)
Revaluation of derivatives	-	(26	-	-	-	-	-	(26)
Other changes	-	-	-	(3,354)	-	2,077	-	(1,277)
Profit or loss for the current period		-	-	-	-	-	(22,092)	(22,092)
Balance at 31 December 2016	5,000	7,170	11,000	865,976	(176)	(15,219)	(22,092)	851,659
Change in share capital	-	-	-	(22,086)	(6)	-	22,092	-
Other changes	-	-	-	(1,676)	-	-	-	(1,676)
Profit or loss for the current period	-	-	-	-	-	-	(168,221)	(168,221)
Balance at 31 December 2017	5,000	7,170	11,000	842,214	(182)	(15,219)	(168,221)	681,762

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Name of the Company:

EKOL, spol. s r.o.

Registered office: Legal status: Corporate ID: Křenová 211/65, Trnitá, 602 00 Brno Limited Liability Company 416 00 983

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

(Monetary values are presented in CZK '000)

The Notes to the Financial Statements have been prepared in accordance with Regulation 500/2002 Coll., which provides implementation guidance on certain provisions of Accounting Act 563/1991 Coll., as amended. The data in the Notes to the Consolidated Financial Statements are based on the Company's accounting records and other documents available to the Company.

Name of the consolidating entity: EKOL, spol. s r.o.

GENERAL INFORMATION

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1. Description of the Business

1.1 Reporting Entity

Name	EKOL, spol. s r.o. (the "Company")
Registered office:	Křenová 211/65, Trnitá, 602 00 Brno
Corporate ID.:	41600983
Legal status:	Limited liability company
Date of incorporation:	31 July 1991
Principal business activities	Manufacturing, trade and services – project activities related to construction; and Manufacturing, installation, repairs of electric machines and telecommunication devices.

On 1 July 2015, 75% of the Company's equity investment was sold to a Chinese company, Xi'an Shaangu Power Co., Ltd.

1.2 Natural Persons and Legal Entities Having a Significant or Controlling Influence on the Reporting Entity (Equal to or Greater than 20% of the Share Capital)

Since 1 July 2015, the Company has been controlled, through a 75% equity interest, by the Chinese entity Xi'an Shaangu Power Co., Ltd. through Shaangu Power (Hong Kong) Co., Ltd. The narrowest consolidated financial statements are prepared by the Company. The widest consolidated financial statements are prepared by Xi'an Shaangu Power Co.

Person/Entity	Ownership percentage	
Shaangu Power (Luxemburg) S.A.	75%	The owners' equity interests amount
Stanislav Veselý, CSc.	13.385%	to 100%.
Gustav Poslušný	11.115%	The owners' equity interests have
Jaromír Kříž	0.5%	been fully paid in.

1.3 Members of the Statutory Body of the Consolidating Entity

Statutory executives:

STANISLAV VESELÝ, CSc.	statutory executive A
JAROMÍR KŘÍŽ	statutory executive A
JIN QINGJUN	statutory executive C
LIU JINGXIN	statutory executive B
CHANG KANGZHEN	statutory executive B

Manner of acting:

No fewer than two (2) statutory executives act jointly on behalf of the Company regarding all matters; one (1) of them will always be statutory executive A and one (1) will always be statutory executive B or statutory executive C.

During 2017, changes were made to the composition of statutory executives. STANISLAV VESELÝ and LIU LI JIA were erased and were replaced by LIU JINGXIN and CHANG KANGZHEN.

DEFINITION OF THE CONSOLIDATION GROUP

The parent company is EKOL, spol. s r.o.

2.1 Full Consolidation Method

	Entity		Dependence on the share	Ownership		
Name, registered office	Subsidiary	Associate	capital (influence)	percentage	Consolidation method	Balance sheet date
EKOL energo s.r.o. Křenová 65, Brno	Х		100%	100%	А	31 Dec 2017
EKOL, spol. s r.o., Hečkova 2, Martin	Х		100%	100%	A	31 Dec 2017
EKOL TURBO a.s. Křenová 65, Brno	Х		100%	100%	A	31 Dec 2017
AEZ s.r.o. Zaoralova 7, Líšeň, Brno	х		100%	100%	A	31 Dec 2017
Power Electric Sp. z o o ul. Ks. Londzina 47/7 43382 Bielsko-Biala, Poland	X		51%	51%	A	31 Dec 2017

Note: Consolidation method: A - full consolidation method

2.2 Companies Exempt from Consolidation Obligation

Name	Reason for exemption from consolidation obligation
EKOL GmbH Energsysteme - 70% Kurbrunnenstr. 30	The company does not present any information, disagreement in the man- agement – influence due to the majority shareholder cannot be exercised.
BIOVAL S.R.L. 99.9% Bethlen Gábor street nr. 8 Valea lui Mihai Bihor County, Romania	The company is held for sale and is reported in balance sheet line C.III.2. 'Other non-current financial assets'. The contribution of this company to the turnover of the consolidating group is immaterial.

The parent company EKOL spol. s r.o. recognised a provision against the equity investment of EKOL GmbH Energsysteme amounting to 100% of the acquisition cost.

2.3 Consolidation System

Direct consolidation of all entities of the consolidation group at the same time.

2.4 Changes in the Consolidation Group

In 2014, an equity investment in BIOVAL S.R.L. was purchased. BIOVAL S.R.L. was purchased for the purposes of resale and is reported in balance sheet line C.III.2 'Short-term securities and investments'. The sale of the company is expected to be made in 2018. In 2017, the Company recognised a non-tax deductible provision against equity investments in the amount of CZK 3,000 thousand.

2.5 Manner of Transforming Data from Single to Consolidated Financial Statements (in CZK '000)

Consolidated financial statements disclose the above-specified amounts of equity investments of consolidated entities (Note II.1.2) with respect to all Balance Sheet and Profit and Loss Account amounts/items. Equity investments are excluded from the consolidated financial statements in full:

(CZK '000)	EKOL energo s.r.o.	Power electric	EKOL, spol. s r.o., SR	EKOL TURBO a.s	AEZ s.r.o.
Share capital	105,000	520	3,703	2,000	100
Equity investments (cost)	106,443	3,986	26,273	1,875	27,500

BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

- The accounting records of all entities are in line with the Czech accounting principles (organisational branches abroad are transformed into the Czech accounting system), except for EKOL, spol. s r.o. based in Slovakia and Power electric based in Poland as the accounting principles applied by these entities do not show material differences from the Czech accounting principles.
- Charts of accounts and the organisation of items in financial statements are identical.
- Assets and liabilities are measured in line with the Accounting Act.
- With respect to received and issued invoices, foreign currencies are translated into Czech crowns using a fixed exchange rate promulgated by the Czech National Bank on the first day of the month; at the end of the reporting period, foreign currencies are translated using the exchange rate of the Czech National Bank.
- Consolidation is made in line with Regulation 500/02 Coll. and Czech Accounting Standard No. 20.

3.1 Year-on-Year Changes

During the year ended 31 December 2017, the Company made changes to its accounting policies. The Unification project in progress of CZK 21,449 thousand (2016: CZK 10,306 thousand) was reported under "Work in progress and semifinished goods" in 2016. This year, it is reported under "Complex deferred expenses".

IV. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

4.1 Comments on and Explanation of the Change in Equity of the Consolidation Group

Explanation of the change in equity of the consolidation group between two consolidations, especially in the event of changing the scope of the consolidation group and the settlement of securities and equity investments issued by the consolidating entity held by consolidated entities.

The consolidated group's equity saw a year-on-year decrease of CZK 169,897 thousand, ie from CZK 851,659 thousand to CZK 681,762 thousand, predominantly due to the impact of the reported loss for the period of CZK (168,111) thousand.

As of 31 December 2016, other profit or loss includes a correction of prior years' misstatements of CZK 852 thousand (correction of work in progress) in EKOL energo s.r.o., a reserve for complaints of CZK 11,203 thousand and the relevant deferred tax of CZK (2,128) thousand in EKOL, spol. s r.o. This reserve was further adjusted by the impact of 2014 consisting of a decrease in the reserve of CZK 2,590 thousand and a decrease in the deferred tax asset of CZK 493 thousand.

4.2 Consolidation Difference (Goodwill)

As of 31 December 2017, the positive consolidation difference (goodwill) amounted to CZK 8,461 thousand (CZK 9,093 thousand as of 31 December 2016). The year-on-year decrease is attributable to the recognition of a part of the consolidation difference to the profit or loss achieved in the reporting period. The positive consolidation difference arose from the acquisition of AEZ s.r.o., Ekol Turbo a.s., Ekol spol. s.r.o. (Martin) and Power Electric Sp. z o o, and is amortised over 20 years.

4.3 Explication of Receivables and Payables

A) Past-due Receivables

These predominantly include past-due receivables recorded by EKOL spol. s r.o. in the amount of CZK 170,230 thousand and by Ekol Energo s.r.o. in the amount of CZK 73,784 thousand.

Maturity (CZK '000)	2016	2017
0 days or more	124,497	244,014
B) Past-due Payables		
Maturity (CZK '000)	2016	2017
0 days or more	17,661	124,430

As of 31 December 2017, past-due payables of Ekol, spol. s r.o. and Ekol energo amount to CZK 124,306 thousand and CZK 124 thousand, respectively.

Receivables and payables with maturity of more than 5 years are not recorded.

4.4 Aggregate Amount of Other Potential Payables

Aggregate amount of other potential payables (monetary and non-monetary) that are not recorded in standard accounting books of individual entities of the consolidation group and are not disclosed in the consolidated balance sheet:

As of 31 December 2017, the value of open bank guarantees amounts to CZK 309,509 thousand.

EKOL energo s.r.o. is the guarantor of EKOL, spol. s r.o. with ČSOB a.s. pursuant to guarantor's statement No. 1527/10/07028. In the year ended 31 December 2017, no other legal acts related to the Controlling Company were made.

4.5 Details of Income by Principal Activity

Income by principal activity categorised as in-country and cross-border:

	In-country		Cross-border		Total	
Principal activity	2016	2017	2016	2017	2016	2017
Sales of own products and services	392,795	384,619	607,447	229,496	1,000,666	614,115

4.5.1 Income Generated with Related Parties

2017

Entity (CZK '000)	Services	Materi-al	Products	Assets	Other	Total
ShaangGu Power (Hongkong) Co., Limited	2,249	0	10,502	0	0	12,751
Total	2,249	0	10,502	0	0	12,751

2016

All revenues achieved with the related entities were at arm's length.

Entity (CZK '000)	Services	Material	Products	Assets	Other	Total
ShaangGu Power (Hongkong) Co., Limited	3,444	70	54,100	0	0	57,544
Total	3,444	0	54,100	0	0	57,544

4.6 Average Recalculated Headcount

Average number of employees of the consolidation group during the reporting period at the consolidated balance sheet date:

	Emp	Employees		agers
	2016	2017	2016	2017
Average recalculated headcount	292	291	17	18
Staff costs (CZK '000)	174,535	177,481	19,327	20,524
- Payroll costs	127,914	130,272	14,420	15,308
- Costs of social security and health insurance	42,380	42,786	4,631	4,935
- Social costs	4,241	4,423	276	281

Members of the statutory and management bodies did not receive any rewards, loans, credits, guarantees and other supplies other than described above.

4.7 Deferred Income

As of 31 December 2017 and 2016, deferred income amounts to CZK 27,414 thousand and CZK 44,211 thousand, respectively.

In 2017 and 2016, this predominantly includes deferred income relating to the JAZAN Sugar Refinery project – two 75t boilers, two back-pressure PT 7MW.

4.8 Breakdown of Deferred Tax Liability or Asset

Recognised deferred tax assets and liabilities:

Deferred Tax	2016	2017
Fixed assets ARV - TRV	(16,067)	(4,850)
Financial assets	640	0
Receivables	13,412,	45,026
Tax loss*	57,473	32,980
Accounting reserves	15,700	34,977
Provision against inventory	500	54,389
Outstanding contractual fines	(11,805)	(12,008)
Total	59,853	150,514
Deferred tax asset/(liability)	11,372	28,597

* Total unutilised tax losses amount to CZK 100,473 thousand (Ekol, spol. s r.o.) and CZK 16,505 thousand as of 31 December 2017.

In line with accounting principles, a 19% tax rate for 2017 was used for the calculation of the deferred tax.

4.9 Statutory and Other (Accounting) Reserves

Type of reserve (CZK '000)	Balance at 31 Dec 2016	Charge for reserves	Use of reserves	Balance at 31 Dec 2017
Reserve for additional costs	6,819	7,590	6,819	7,590
Reserve for audit	110	271	110	271
Reserve for court disputes	0	12,756	0	12,756
Reserve for complaints and EPC projects	9,465	10,300	0	19,765
Total	16,394	30,917	6,929	40,382
Type of reserve (CZK '000)	Balance at 31 Dec 2015	Charge for reserves	Use of reserves	Balance at 31 Dec 2016
Reserve for additional costs	7,535	6,819	7,535	6,819
Reserve for audit	1,557	110	1,557	110
Reserve for complaints	9,476	9,465	9,476	9,465
Total	18,568	16,394	18,568	16,394

4.10 Services

100,778	60,773
12,147	12,583
10,175	9,442
1,731	2,521
7,754	4,142
23,047	42,524
4,593	3,247
7,955	9,537
197,024	0
30,591	5,356
58,237	104,188
454,032	254,313
	10,175 1,731 7,754 23,047 4,593 7,955 197,024 30,591 58,237

4.11 Complex Deferred Expenses

Complex deferred expenses consist of the Unification project in progress of CZK 21,449 thousand. Last year, it was reported under "Work in progress and semifinished goods" in the amount of CZK 10,306 thousand.

4.12 Expenses for Statutory Audit

In year ended 31 December 2017, companies from the consolidation group incurred expenses for the statutory audit of the financial statements in the amount of CZK 1,043 thousand (CZK 1,556 thousand in the year ended 31 December 2016).

4.13 Off-Balance Sheet Commitments

The Company records no off-balance sheet commitments.

a. Material Contingent Losses

The Company is not aware of any material contingent losses.

b. Bills of Exchange Issued as a Guarantee

The Company has no bills of exchange issued as a guarantee.

c. Legal Disputes

As of 31 December 2017, the Company was involved in no significant legal dispute, the outcome of which would have a material impact on the Company.

d. Contingent Liabilities

The Company has no contingent liabilities.

e. Environmental Liabilities

The Company has no environmental liabilities.

4.14 Significant Post-Balance Sheet Events

No events occurred subsequent to the balance sheet date that would have a material impact on the financial statements.



prepared pursuant to Section 82 et seq. of Act No. 90/2012 Coll., on Business Corporations and Cooperatives (Business Corporations Act)

EKOL, spol. s r.o., Brno - Trnitá, Křenová 65, Postal Code 602 00

represented by statutory executives Jaromír Kříž and Kangzhen Chang

Preambule

Pursuant to Section 82 et seq. of Act No. 92/2012 Coll., on Business Corporations and Cooperatives, as amended (hereinafter the "Business Corporations Act"), based on its obligation, the statutory body of EKOL, spol. s r.o. prepared this Report on related party transactions, ie on relations between the Controlled and the Controlling Entities and between the Controlled Entity and entities controlled by the same Controlling Entity, in line with the Business Corporations Act. The relations are described with regard to the necessity to comply with Section 504 of Act No. 89/2012 Coll., the Civil Code, regarding business secrecy restrictions.

I. Related Parties

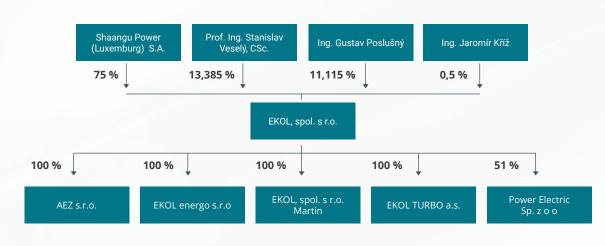
1.1 CONTROLLING ENTITIES:

With reference to Section 74 et seq. of the Business Corporations Act, the Controlling Entities are the following companies:

Shaangu Power (Luxemburg) S.A.

Stanislav Veselý, CSc. (minority owner) Gustav Poslušný (minority owner) Jaromír Kříž (minority owner)

Group entities with which the Company conducts business transactions:



Since 1 July 2015, the Controlling Entity has been a member of the Shaangu Group, ie through Shaangu Power (Luxembourg) S.A. and, subsequently, Shaangu Power (HONG KONG) Co., Limited, EKOL, spol. s r.o. is controlled by Xi'An Shaangu Power Co., Ltd., which is controlled by Shaanxi Blower (Group) Co., Ltd.

1.2 ENTITIES CONTROLLED BY THE CONTROLLING ENTITY:

Based on all facts known to the Company's statutory body, the controlling entities listed in Section 1.1 hereof in compliance with Section 78 (2) (a) and/or Section 78 (2) (d) of the Business Corporations Act and the entities acting in concert with them only control EKOL, spol. s r.o.

1.2 ENTITIES CONTROLLED BY EKOL, SPOL. S R.O.

- AEZ s.r.o.
- EKOL GmbH
- EKOL energo s.r.o.
- EKOL, spol. s r.o., Martin
- EKOL TURBO a.s.
- ETE 000
- Power Electric Sp. z o o
- S.C. CENTRALA BIOVAL S.R.L.

II. Roles of the Controlled Entity EKOL, spol. s r.o

The Controlled Entity is primarily an organisation dealing with the construction, manufacturing and sale of steam turbines, gas turbines, boilers and complete power unit supplies. The Company enters into relations with controlling and controlled entities as a seller or buyer in relation to its construction, manufacturing or business activities relating to the subject of its business. The Controlled Entity has equity interests in other legal entities disclosed under Section I.1.3.

III. Manner and Means of Control

The Company is controlled by means of the General Meeting.

IV. Contracts and Agreements Concluded between Related Parties

1. CONTRACTUAL RELATIONS WITH AEZ S.R.O.:

A) Supplies from contracts and agreements concluded in prior reporting periods, based on which supplies were performed in the 2017 reporting period:

Lease contracts for AEZ s.r.o.:

In 2017, supplies were performed based on the contract with AEZ s.r.o. as a lessee:

Lease of a telephone connection.

Business contracts and agreements: sales contracts / contract agreements / orders

EKOL, spol. s r.o. provided supplies on the basis of the following contracts:

Framework contract on the provision of DAZ services.

Business contracts and agreements: purchase contracts / contract agreements / orders

AEZ s.r.o. provided supplies on the basis of the following contracts:

- Assembly and dismantling;
- Supervision; and
- Automated Control System tests.

Lease contracts for AEZ s.r.o.:

In 2017 supplies were performed based on the below-mentioned contracts with AEZ s.r.o. as a lessor:

None.

B) Supplies from contracts and agreements concluded in the 2017 reporting period, based on which supplies were performed in the 2017 reporting period:

Business contracts and agreements: sales contracts / contract agreements / orders

AEZ s.r.o. provided supplies on the basis of the following contracts:

- Assembly and dismantling;
- Spare parts delivery;
- Switchboard manufacture;
- Cabling modifications; and
- Inspections.

C) Supplies from contracts and agreements concluded in the 2017 reporting period, based on which supplies are to be performed in upcoming years:

Business contracts and agreements: purchase contracts / contract agreements / orders

AEZ s.r.o. will provide supplies on the basis of the following contracts:

- Assembly and dismantling;
- Supervision; and
- Spare parts delivery.

2. CONTRACTUAL RELATIONS WITH EKOL ENERGO S.R.O.:

A) Supplies from contracts and agreements concluded in prior reporting periods, based on which supplies were performed in the 2017 reporting period:

Lease contracts for EKOL energo s.r.o.:

In 2017, supplies were performed based on the below contracts with EKOL energo s.r.o. as a lessee:

- Lease of storage rooms;
- Lease of SW licences;
- Lease of a telephone and data connection; and
- Lease of a horizontal centre lathe.

Business contracts and agreements: sales contracts / contract agreements / orders

EKOL, spol. s r.o. provided supplies on the basis of the following contracts:

- Economic, IT services and health and safety at work services;
- Postal and receptionist services;
- Ancillary work for the ROTEZ construction;
- Framework agreement on the provision of digital telephone services (DTS);
- Framework agreement on the provision of DAZ services; and
- Framework agreement on the provision projection services.

Lease contracts for EKOL, spol. s.r.o.:

In 2017, supplies were performed based on the below contracts with EKOL energo s.r.o. as a lessor:

Lease of a server room.

Business contracts and agreements: sales contracts / contract agreements / orders

EKOL energo s.r.o. provided supplies on the basis of the following contracts:

- Turbine manufacturing;
- Turbine assembly;
- Supervision;
- Turbine inspections, repairs, maintenance;
- Storage fees;
- ND delivery;
- Technical support;
- Warranty service; and
- Welding work.

Other supplies:

Employment of transfer prices based on internal policies regarding the application of transfer prices between EKOL, spol. s r.o. and EKOL energo s.r.o. (refer to Decree of the Main Manager No. 1/08).

B) Supplies from contracts and agreements concluded in the 2017 reporting period, based on which supplies were performed in the 2017 reporting period:

Lease contracts for EKOL, spol. s.r.o.:

In 2017, supplies were performed based on the below contracts with EKOL energo s.r.o. as a lessor:

Lease of hardware.

Business contracts and agreements: sales contracts / contract agreements / orders

EKOL spol. s r.o. provided supplies on the basis of the following contracts:

- The Vibroservis division activities;
- Components for a cogeneration unit; and
- Technical support

Business contracts and agreements: purchase contracts / contract agreements / orders

EKOL energo s.r.o. provided supplies on the basis of the following contracts:

- Turbine assembly;
- Turbine inspections, repairs, maintenance;
- Supervision;
- Construction management;
- Turbine preservation;
- Spare parts production;
- Spare parts packing, transport of spare parts;
- Turbine parts machining;
- Turbine parts loading;
- Supply of a cogeneration unit;
- Documentation; and
- Technical support.

C) Supplies from contracts and agreements concluded in the 2017 reporting period, based on which supplies are to be performed in upcoming years:

Business contracts and agreements: purchase contracts / contract agreements / orders

Based on the below-mentioned contracts concluded in 2017, supplies will be provided in the upcoming years.

- Turbine manufacture;
- Turbine assembly;
- Supervision;
- Supply of spare parts;
- Welding work;
- Turbine inspections, repairs, maintenance; and
- Technical support.

3. CONTRACTUAL RELATIONS WITH EKOL, SPOL. S R.O., MARTIN:

A) Supplies from contracts and agreements concluded in prior reporting periods, based on which supplies were performed in the 2017 reporting period:

None.

B) Supplies from contracts and agreements concluded in the 2017 reporting period, based on which supplies were performed in the 2017 reporting period:

Business contracts and agreements: sales contracts / contract agreements / orders

Technical support.

Business contracts and agreements: purchase contracts / contract agreements / orders

Assembly and dismantling.

C) Supplies from contracts and agreements concluded in the 2017 reporting period, based on which supplies are to be performed in upcoming years:

Business contracts and agreements: purchase contracts / contract agreements / orders

Assembly and dismantling.

4. CONTRACTUAL RELATIONS WITH POWER ELECTRIC SP. Z 0 0:

A) Supplies from contracts and agreements concluded in prior reporting periods, based on which supplies were performed in the 2017 reporting period:

Payment of remuneration based on the cooperation agreement.

B) Supplies from contracts and agreements concluded in the 2017 reporting period, based on which supplies were performed in the 2017 reporting period:

Business contracts and agreements: sales contracts / contract agreements / orders

Technical support.

C) Supplies from contracts and agreements concluded in the 2017 reporting period, based on which supplies are to be performed in upcoming years:

None.

5. CONTRACTUAL RELATIONS WITH EKOL GMBH, EKOL TURBO A.S., ETE 000 AND S.C. CENTRALA BIOVAL S.R.L.:

None.

6. CONTRACTUAL RELATIONS WITH SHAANGU POWER (LUXEMBURG) S.A.:

None.

7. CONTRACTUAL RELATIONS WITH SHAANGU POWER (HONG KONG) CO., LIMITED:

A) Supplies from contracts and agreements concluded in prior reporting periods, based on which supplies were performed in the 2017 reporting period:

Business contracts and agreements: sales contracts / contract agreements / orders

Construction and delivery of turbines.

B) Supplies from contracts and agreements concluded in the 2017 reporting period, based on which supplies were performed in the 2017 reporting period:

Service work.

C) Supplies from contracts and agreements concluded in the 2017 reporting period, based on which supplies are to be performed in upcoming years:

Service work.

8. CONTRACTUAL RELATIONS WITH STANISLAV VESELÝ AND GUSTAV POSLUŠNÝ:

A) Supplies from contracts and agreements concluded in prior reporting periods, based on which supplies were performed in the 2017 reporting period:

Lease agreements for EKOL, spol. s r.o.:

Lease of non-residential premises.

B) Supplies from contracts and agreements concluded in the 2017 reporting period, based on which supplies were performed in the 2017 reporting period:

None.

C) Contracts and agreements concluded in the 2017 reporting period, based on which supplies are to be performed in upcoming years:

None.

V. Other Legal Acts Made in the Interest or at the Instigation of the Controlling Entity

In 2017, EKOL spol. s r.o. did not make any other legal acts regarding the Controlling Entity.

VI. Other Measures Adopted or Made in the Interest or at the Instigation of Entities Controlled by the Controlling Entity

Apart from measures described in this Report, no other measures were adopted or made in the interest or at the instigation of related parties in 2017.

VII. Assessment as to whether the Controlled Party Incurred any Detriment

By participating in the aforementioned contractual relations between EKOL spol. s r.o. and the Controlling Entity, the Controlled Entity did not incur any detriment.

VIII. Assessment of Advantages and Disadvantages Resulting from the Relations between Related Parties

In general terms, related parties predominantly enjoy advantages resulting from related party transactions. The statutory executives declare that they are unaware of any material risks resulting from the relations between related parties.

IX. Statement of the Statutory Body

The statutory executives as the statutory body of EKOL, spol. s r.o. declare that information disclosed in this Report is accurate and complete and this Report, pursuant to Section 82 et seq. of the Business Corporations Act, was prepared in full compliance with all information and data the statutory body possesses or acquired with due care.

In Brno on 31 March 2018

Imagin

Ing. Jaromír Kříž Statutory Executive

Kangzhen Chang Statutory Executive

EKOL, spol. s r.o

Křenová 65, 602 00 Brno Czech Republic tel.: +420 543 531 710 fax: +420 543 242 912 e-mail: ekolsro@ekolbrno.cz