

**ANNUAL
REPORT
2017**



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Identification Data

Business name: FANS, a.s.
Incorporation date: 1st January 1992
Transformation into a joint-stock company: 21st November 1997
Headquarters: Na květnici 1064/17, 140 00 Prague 4, Czech Republic
IDN: 25625381
Bank details: Komerční banka, a.s., Prague, Acc. No.: 15905531/0100
Incorporation in the Company Register: Municipal Court in Prague, File B 5051

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www.fans.cz

Common Shares

Type	Shares
Issue date	1 st November 2006
Form	Registered
Format	Printed
Currency	CZK
Nominal value	50,000 CZK
Quantity	200
Total issue volume	10,000,000 CZK
Tradability	Non-tradable

Main Activities and Products of the FANS Company

- Turnkey construction of concrete, steel and FRP cooling towers with forced or natural draught
- Air coolers and steam condensers, all from design up to commissioning
- Engineering, production, construction and supply of cooling circuits and their technology for industrial applications
- Conventional steam power plants
- Combined-cycle power plants
- Cogeneration plants
- Turbines, turbosets and machine halls
- Steam generators and boiler houses
- Incineration plants
- Wind power



Illustrative photo



ČLENEM OD ROKU 2007

SDIC

ČLENEM OD ROKU 2013

Board of Directors Report on the Company's Business Activities



Ing. Rostislav Žoudlík
President of the Board
of Directors

2017 was an exceptional year in many ways, and I personally made many successful ascents of my imaginary Olympus, but I also saw a number of deep gulfs in FANS, a.s.'s operations. I will be more specific in the next section of my assessment of the year.

As I mentioned in our previous annual report, 2017 began very positively with the signature of two large contracts for the supply, assembly and commissioning of dry cooling towers for new power stations in the Russian Federation's Kalingrad Oblast. The size of these contracts required high engagement from all company divisions, including supporting our subsidiary, OOO "FANS-Vostok".

Fulfilling these contracts and their high time commitment meant the gradual expansion of our design and technical division, which built up new qualified staff able to cope with the constant pressure coming from the EPC contractor. Looking back, I want to thank everyone for the efforts expended across the company on these projects, and with the now almost completed assembly of the first two blocks of the Pregolsk combined cycle power plant with an output of 4x 110 MW I can confirm that this reference construction has played a large part in the whole company's financial status. There has been a delay in the 3x 65 MW Primorsk project from the EPC contractor, and as such this project has only partially impacted the company's finances in 2017.

The business was also successful in 2017 within the Asian market, and with the help of our subsidiary FANS ASIA Pvt.Ltd. we were informed in October of our success in a tender made by our customer of many years, NTPC, in the supply, assembly and commission of cooling towers made using fibreglass for the new 2x 500 MW Simhadri power station. This is the first construction using this new progressive material for a project of such size. Gaining NTPC's trust has given us moral assurance about our work on the previously signed projects, Meja 2x 660 MW and Nabinagar 3x 660 MW. Our decade of operation within the Indian market has finally moved on to the phase of concluding new more profitable projects with the use of the latest technologies.

Our company is highly effective in the export activities of our production. In the current situation when there has been major changes to higher suppliers in the Czech Republic, there is great potential to increase export possibilities further in the supply of related components and products. One of the conditions which may support our efforts is the willingness of banks to fund these projects and set up balanced risks arising from individual business cases. I would hasten to note that the banks' behaviour is currently hard to predict and may slow down or stop a well-begun business model. Naturally, we continue to seek out new opportunities to apply our current experience and business successes abroad. The close future will show how well we succeed.

Board of Directors Report on the Company's Business Activities

In economic terms, the company is standing on strong foundations, and 2017 will go down in history as they year of our highest efficiency. If we compare revenue at a level of almost 839 m CZK, and operating profit of 69 m CZK, we achieved an efficiency of 8.46 %. There is only a little way to go to achieve our long-term target of 10 %, and I firmly believe that this target will be reached in the year to come.

Overall, the FANS Group including subsidiaries exceeded revenues of 1 bn CZK, with operating profit of 83 m CZK. All our subsidiaries were profitable in 2017, and taking account of the contracts signed for 2018, we anticipate the positive trend to continue in 2018.

Finally, I would like to thank our partners, employees and members of the company's bodies who have played an active role in the successful operation and development of FANS joint stock company in 2017. I wish you all a successful 2018 in both your professional and personal lives .

In Prague on 19 April 2018



Ing. Rostislav Žoudlík
President of the Board of Directors

Company History

- 2017** **25th anniversary of the Company**
- 2016** Opening of a new commercial office in Kazakhstan
- 2010** Opening of a new production plant in Chrudim
- 2014** Opening of a new project office in New Delhi, India
- 2013** Foundation of Proficool FANS Sp. z o.o. based in Katowice, Poland
- 2009** Foundation of FANS ASIA Pvt. Ltd. based in Visakhapatnam, India
- 2008** Foundation of ZAO "FANS-East" based in Moscow, Russia
- 2006** FANS entry to Central Asian markets
- 2003** Foundation of a branch office in Moscow
- 1998** Own production plant in Hlinsko
- 1997** Transformation of the company into a joint-stock company
- 1993** Transformation of the company into Ltd.
- 1992** Foundation of the company

ENERGY AND

INDUSTRIAL

TURNKEY PROJECTS



Illustrative photo

Supervisory Board, Board of Directors

Organizational Structure

In effect since 1st April 2016

Supervisory Board in office from 1st July 2014 to present

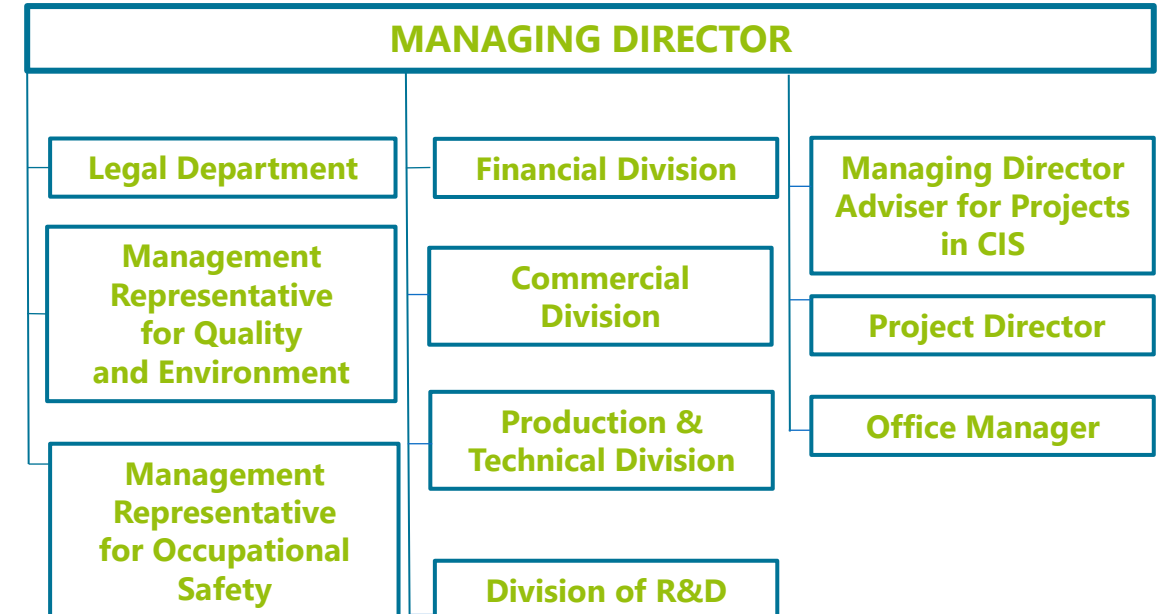
Petr Síleš – Chairman of the Supervisory Board
Jana Kytlicová – Member of the Supervisory Board
Jan Havlis – Member of the Supervisory Board

Board of Directors in office from 1st July 2014 to 30th April 2016

Ing. Rostislav Žoudlík – President of the Board of Directors
Ing. Peter Singhoffer – Vice-president of the Board of Directors
Mgr. Tomáš Wrana – Member of the Board of Directors

Board of Directors in office from 1st May 2016 to present

Ing. Rostislav Žoudlík – President of the Board of Directors
Ing. Peter Singhoffer – Vice-president of the Board of Directors
Ing. Ján Vaselý – Member of the Board of Directors



Report on Relations

Report on Relations

between the controlling and controlled parties

and

The relations between the controlled party and allied parties

for the period from 1st January 2016 to 31st December 2017.

March 2018

Branch Offices Abroad

REPORT ON RELATIONS

between a controlling and controlled entity and on relations between a controlled entity and related entities, for the accounting period from 1 January 2016 to 31 December 2016.

The board of directors of the company FANS, a. s., identification number (IČ): 256 25 381, with registered office at Na květnici 1064/17, Nusle, 140 00 Praha 4, registered in the Commercial Register maintained by the Municipal Court in Prague, under file no. B 5051 (as a controlled company, drew up, according to the provisions of Art. 82 of Act No. 90/2012 Coll., the Business Corporations Act, as amended (hereinafter the "Business Corporations Act") the following report on relations between the company FANS, a. s., and the controlling entity, and between the company FANS, a. s. and entities controlled by the same controlling entity or by the company FANS, a. s. (hereinafter the "related parties") for the previous accounting period from 1 January 2016 to 31 December 2016 (hereinafter the "relevant period").

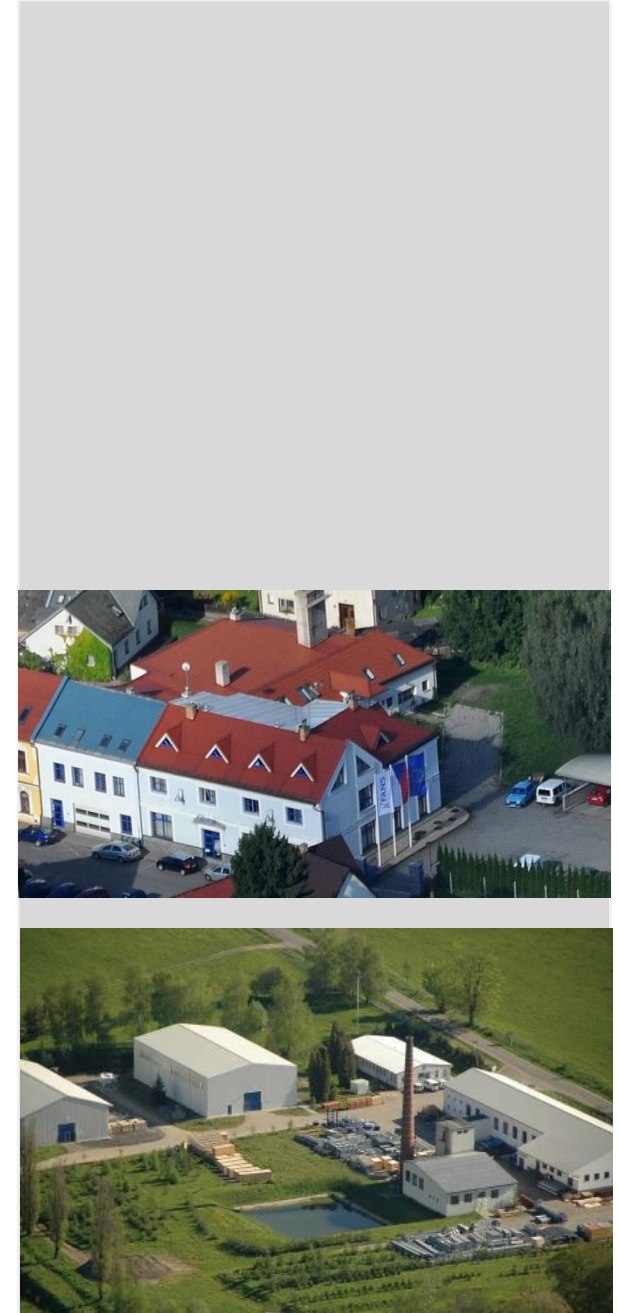
Rosans Corporation a.s.

Identification number (IČ): 046 60 692
Na Florenci 1332/23, Nové Město, 110 00 Praha 1, as the **controlling and managing entity**,

FANS, a.s.

Identification number (IČ): 256 25 381
Na Květnici 1064/17, Nusle, 140 00 Praha 4, as the **controlled entity**,

other related entities, i.e. entities controlled by the controlled entity or directly by the controlling entity:



Report on Relations

Company Name	Id. No. (IČ)	Address - Seat	Role in the Group under Art. 8(2)(b)
DAC Motors a.s.	247 94 724	Hvězdova 1716/2b 140 78, Praha 4 – Nusle, Czech Republic	This company did not have any business activities in 2017
Dempasar s.r.o.	048 92 101	Na Florenci 1332/23, Nové Město, 110 00 Praha 1	This company did not have any business activities in 2017
Energy Extension k.s.	054 79 665	Na Florenci 1332/23, Nové Město, 110 00 Praha 1	Russian-origin power plant block renovation projects
KOVALSKY & PARTNERS s.r.o.	023 88 987	Hvězdova 1716/2b 140 78, Praha 4 – Nusle, Czech Republic	Provide personnel management consulting
Proficool FANS, sp.z o.o.	243202586	ul. Jana III Sobieskiego 11/E6 40-082 Katowice Poland	Production, design research and development in cooling, focusing on business activities in Poland
OOO <<FANS-VOSTOK>>	7703023935	ul. Berežkovskaja Naberežnaja, 20, 121 58 Moskva, Russian Federation	Business activities in industrial cooling within the Russian Federation
FANS ASIA PRIVATE LIMITED	U29306AP2009PTC065572	Plot No 108, 5th Floor, Sector 44 Institutional Area, Gurgaon, Haryana - 122003, India	Supplies in the area of cooling focusing on business activities in India

Report on Relations

1. Structure of Relations

The structure of relations between all of the related entities within the group (concern) was vertically as well as horizontally multi-level with single management and, in the year 2016, was associated with one change, whereby the company Rosans Corporation a.s. became the controlling and managing entity. The structure of relations is now as follows:

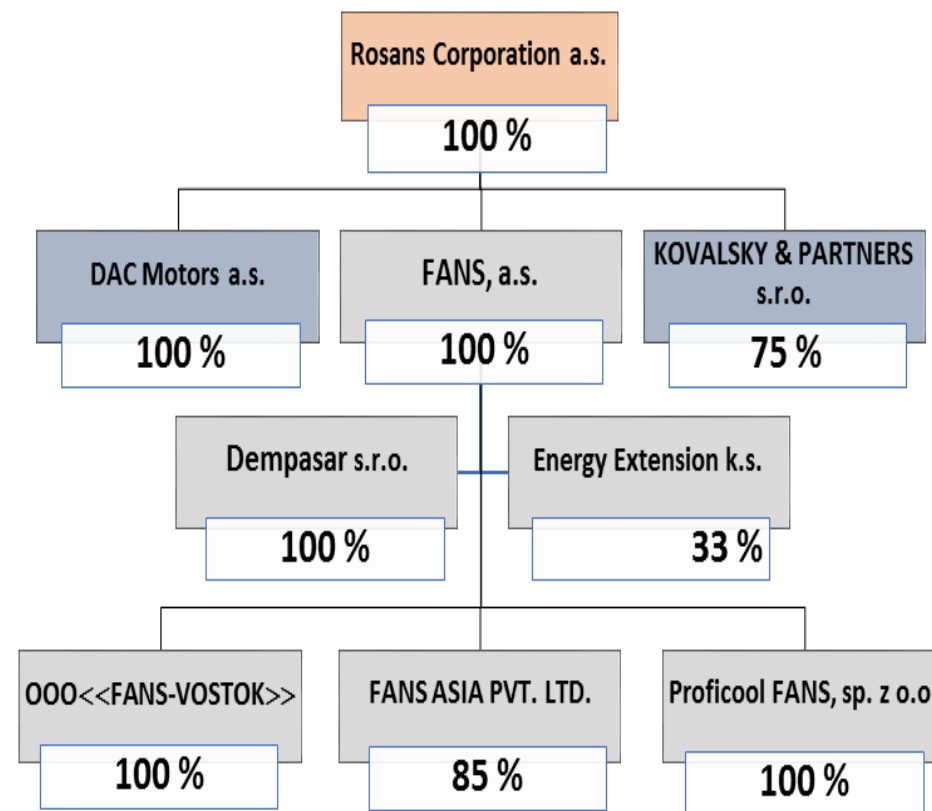
2. Role of FANS, a.s. within the Group

FANS, a.s. is the largest company within the group, as far as the revenue size, balance sum as well as number of employees are concerned. With the exception of the companies KOVALSKY & PARTNERS s.r.o. and DAC Motors a.s., the business activity of all of the companies in the group focuses on supplies of plant equipment units, primarily in the area of industrial cooling (cooling towers, cooling circuits, etc.)

FANS, a. s. fulfills the role of the key company of the group. It is primarily a manufacturing company, or a manufacturing – design company (manufacturing, design, research and development in the industrial cooling field).

3. Manner and Means of Control

The company Rosans Corporation a.s., as the controlling entity, controls the company FANS, a.s., primarily by way of the exercise of its rights as the 100% shareholder of the controlled entity, i.e. by way of decisions of the sole shareholder in the exercise of the powers of the general meeting, by way of its direct influence through an appointed representative in the position of the president of the board of directors as the statutory body of the controlled company, as well as by way of the personnel composition of the board of directors and the supervisory board with persons also performing managerial positions within the controlled company, whereby the strategic management of the company is ensured in accordance with the strategic plans of the owner – controlling entity.



Report on Relations

4. Personnel Connection between the Controlling and Controlled Entities

In the year 2016, the company FANS, a.s. was connected with the controlling entity on a personnel level through the performance of the position of statutory body – president of the board of directors in the company FANS, a.s. by the statutory director of Rosans Corporation a.s. - Ing. Rostislav Žoudlík.

5. Overview of acts taken upon the impulse of or in the interests of the controlling entity or entities controlled by it:

In the year 2016, no acts were taken upon the impulse of or in the interests of the controlling entity or entities controlled by it pertaining to assets exceeding 10% of the equity of FANS, a.s. according to the financial statements for the year 2016.

6. List of signed agreements and legal acts between the controlling entity and controlled entity or between related entities

There were no agreements entered into in the year 2016 between the company FANS, a.s. and Rosans Corporation a.s.:

Name of Agreement	Dated	Effective until	Object/Performance
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Report on Relations

7. List of signed agreements and legal acts between related entities

In the year 2016, the following agreements were entered into between the company FANS,a.s. and related entities:

▪ With the company Proficool FANS, sp. z o.o.:

Name od Agreement	Dated	Effective until	Object/Performance
Smlouva č. 054/17	30.01.2017	31.01.2022	Pronájem věcí k dočasnému užívání

The following agreements remained in force in the year 2017:

1. Framework Agreement on Implementation of Contracts dated 15 May 2014 on the Setting of Rules for the Implementation of Contracts by FANS, a.s. through Proficool FANS, sp. z o.o.

1. Rváčovský warehouse lease agreement dated 15 August 2014.

▪ With the company ZAO <<FANS – VOSTOK>> a OOO <<FANS – VOSTOK>>:

Name od Agreement	Dated	Effective until	Object/Performance
Smlouva č. 071/17 s OOO FANS-VOSTOK	01.3.2017	31.12.2017	Projekční a další služby (Pregolskaya TEC)
Smlouva č. 072/17 s OOO FANS-VOSTOK	25.3.2017	31.12.2017	Projekční a další služby (Primorskaya TEC)
Smlouva č. 100/17 s OOO FANS-VOSTOK	01.08.2017	31.12.2017	Poskytování služeb / Certifikace (Pregolskaya a Primorskaya TEC)
Smlouva č. 118/17 s OOO FANS-VOSTOK	19.10.2017	31.12.2017	Dodávka trysek
Smlouva č. 120/17 s OOO FANS-VOSTOK	16.10.2017	31.12.2017	Smlouva o spolupráci (Primorskaya TEC)
Smlouva č. 121/17 s OOO FANS-VOSTOK	16.10.2017	31.12.2017	Smlouva o spolupráci (Pregolskaya TEC)

Report on Relations

In the year 2017, the following agreements continued to remain in effect:

1. Agreement on Service Representation (Agreement No. 068/14/SPS/121) dated 17 July 2014 representation of FANS, a.s. in the Russian Federation
2. Agreement No. 014/11/SOP/OU-SNS dated 1 February 2011, on the procurement of business cases in the field of industrial cooling
3. Agreement No. 025/18 dated 11 February 2015 on a loan of 2 200 000 RUB
4. Agreement No. 089/15 dated 11 3 July 2015 on a loan of 8 000 000 RUB
5. Agreement No.166/15 dated 11 1 December 2015 on a loan of 26 100 000 RUB

▪ **With the company FANS ASIA PVT LTD:**

Name of Agreement	Dated	Effective until	Object/Performance
Dodatek č. 2 ke Smlouvě o dodávkách stavebních prací – projekt MEJA	1.3.2016	Do ukončení projektu	Dodávka veškerých stavebních prací v rámci výstavby chladicích věží pro tepelnou elektrárnu MEJA, Indie

In the year 2017, the following agreements continued to remain in effect:

1. Agreement on Supplies of Construction Work dated 20 September 2014 for the Nabinagar project
2. Agreement 013/15 on Completion of Construction and Installation Work dated 27 November 2014 for the Meja project
3. Consortium Agreement with FANS, a.s. pertaining to contract spec. no. MEC/8/11/S3/Q74T/003 for the company Rashtriya Ispat Nigam Limited, India, dated 5 February 2015;
4. Loan Agreement with FANS, a.s. dated 23 March 2011 (Agreement No. NO 028/11/OS/GR) in the amount of INR 1,625,000.-
5. Loan Agreement with FANS, a.s. dated 18 December 2013 (Agreement No.193/13/OS/GR) INR 2,400,000.-
6. Agreement on Cooperation on the KORBA SUPER THERMAL POWER STATION project(3x200MW + 4x500MW)

Report on Relations

- With the company DAC MOTORS a.s.:

Name of Agreement	Dated	Effective until	Object/Performance
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In the year 2017, licensing agreement no. 074/12/LCS/ON entered into on 2 April 2012, continues to remain in effect.

- With the company Dempasar s.r.o.:

Name of Agreement	Dated	Effective until	Object/Performance
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- With the company Energy Extension k.s.:

Name of Agreement	Dated	Effective until	Object/Performance
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Report on Relations

- With the sister company KOVALSKY & PARTNERS s.r.o.:

Name of Agreement	Dated	Effective until	Object/Performance
Cooperation Agreement	1.6.2014	Indefinite period	Personnel management consulting and recruiting candidates for job positions
Agreement on Sublease of Nonresidential Premises	31.1.2014	31.Dec. 2014 with automatic extension by 1 Year	Sublease of office premises at the address Lomnického 9, 140 00 Praha 4

8. List of Other Legal Acts

In the course of the accounting period, no other legal acts were made for the benefit of the controlling entity and of entities controlled by the controlling entity beyond the scope of regular legal acts taken by the controlling entity, within the scope of the exercise of its rights as the shareholder of the controlled entity.

9. Other Measures, Provided Performance and Counter-Performance


Beyond that which is stated above, there was no other performance or counterperformance made in the course of the 2016 accounting period between the controlled and controlling entity or between related entities.

10. Assessment

FANS, a.s. declares that it has not incurred any damage on the grounds of entering into the above-mentioned contracts, the above-mentioned other legal acts, other measures or the provision of performance or received counter-performance. Thus, there is no basis for evaluating the settlement of damage under Art. 71 and 72 of the Business Corporations Act. The advantage of the connection of FANS, a.s. with related parties within a group is the fact that, by way of subsidiaries, there is easier access to markets where such companies operate – Russia, Poland, India. There are no known disadvantages.

In Prague on 29 March 2017


.....
Ing. Peter Singhoffer
Vice-President of the Board of Directors
of FANS, a.s.


.....
Ing. Ján Veselý
Member of the Board of Directors
of FANS, a.s.



Quality Policy EMS and OHSAS

The company's strategic objective is to become a leader in the markets of Central and Eastern Europe, and an important partner to enterprises in the Asian and African parts of the world. The company is therefore constantly improving its own ISO 9001 system as well as its corporate structure, while simultaneously monitoring feedback from its customers. Recently, the company obtained additional Certificates for Steel Structure Welding and a Certificate of Conformity in Production Management.

FANS, a.s. takes a positive approach to both the environment and work safety. The company acknowledges its obligation to preserve the environment for future generations and to provide a safe work environment. Considerable funds are spent every year, from our own resources along with various grants and programs, for environmental protection. The company has therefore implemented and is constantly improving its quality management system according to ISO 14001 standards and the work safety and health protection system OHSAS 18001.

In order to prevent or minimize the impact of the company's activities on the environment, and also ensure a safe work environment, FANS, a.s. undertakes to:

- observe relevant legal regulations, directives and other requirements
- set goals and prepare programs to ensure they are met
- constantly improve the prevention of environmental contamination
- prevent the occurrence of workplace injuries and occupational diseases
- carry out its business activities so as to protect the safety and health of its employees, business partners, and the company's vicinity
- constantly improve the work environment (work safety) and prevent risks
- use easily degradable and therefore environmentally friendly products in its production processes
- promulgate its policy amongst its business partners and the public

The management of FANS, a.s. undertakes to ensure adherence to its quality assurance policy. The environmental policy and work safety policy are binding to all of the company's employees.

Human Resources Policy

FANS, a.s. is one of the largest employers within and beyond the Pardubice Region. The extent of our orders and our specialisation mean we gave work to many subcontractors from a number of regions. Our success is documented in the fact that we celebrated 25 years on the market in 2017.

The work undertaken by our Human Resources Division (HR) is of fundamental importance to ensure that FANS, a.s.'s most valuable capital – our employees – are supported in managing key production, business and other objectives. Human resources management is an important element in reaching FANS, a.s.'s anticipated results. We are continuously focusing on further boosting our high level of ethical conduct, boosting the commitment of each individual, and mutual trust within working teams.

FANS, a.s. wants to continue to support measures promoting a better balance between its employees' work and private lives. A flexible working time and the use of both full- and part-time co-operation in job contracts help our employees to organise their time better, and help the company to respond flexibly to its customers' needs.

Keeping our highly qualified workforce (holding on to talent) is a FANS a.s. core strategy. In 2017, we implemented a number of initiatives to support the professional development of our employees. Some of the main such initiatives included language courses and further qualification for designers in 3D programs. In 2017, we also provided secondary school student specialist experience. An important challenge for the coming period is the precise mapping of FANS, a.s. talents and the creation of their talent profiles, allowing the development of professional interests and the active promotion of their careers.

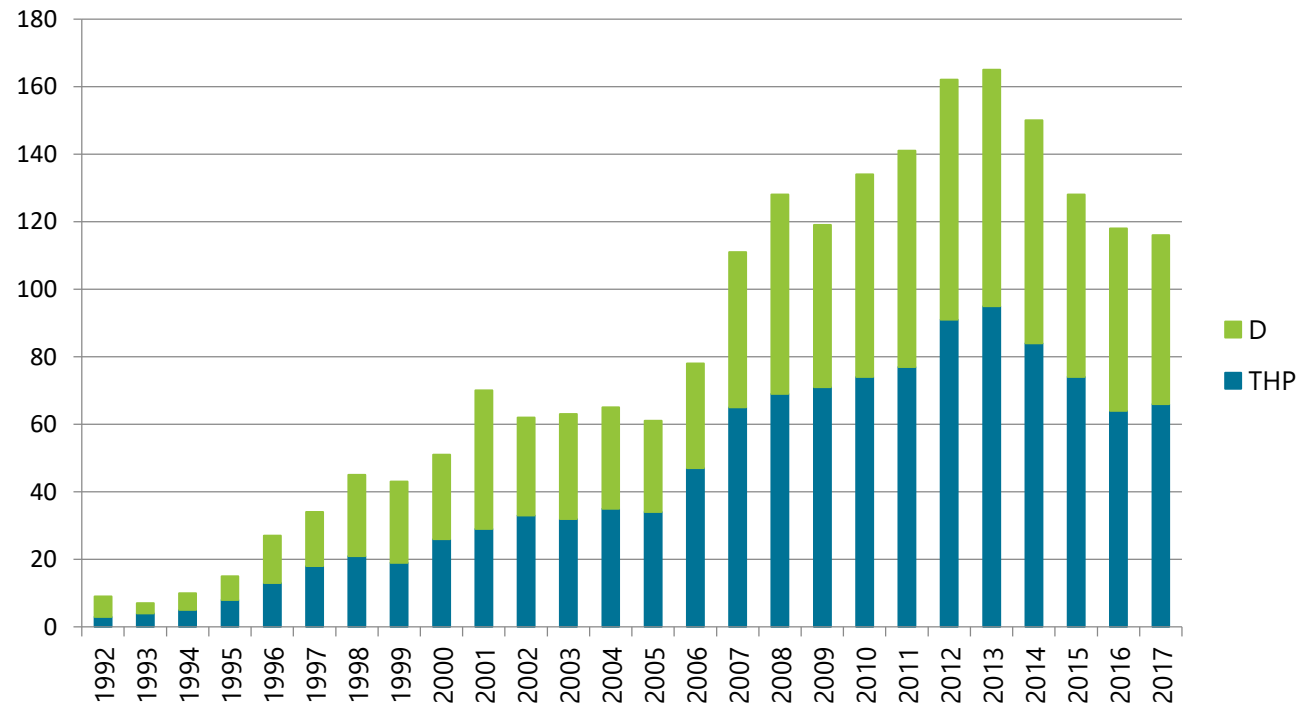
FANS, a.s. undertook another measure to improve feedback between employees and the employer in 2018 through employee satisfaction surveys. These will help us to improve the satisfaction and engagement of our colleagues.

One of the most important corporate culture tools is internal communication, and we will be focusing more on this corporate culture tool in 2018.

Employee Structure FANS

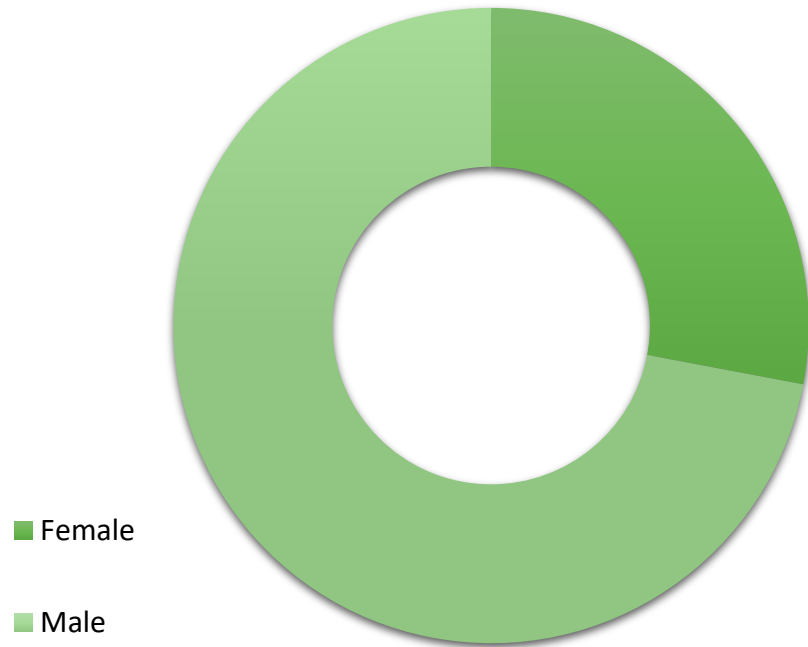
Employee numbers as of 31 December 2017 were 116. Recruitment activities in 2017 endeavoured to secure optimal staff numbers, including replacement of departing employees and securing increased team numbers for new tasks over the course of the year; all while taking account of the required efficiency. In 2017, there were 29 recruitments, of which 16 were for technical economic positions, 11 were workers, and 2 were management positions.

Development of Workforce

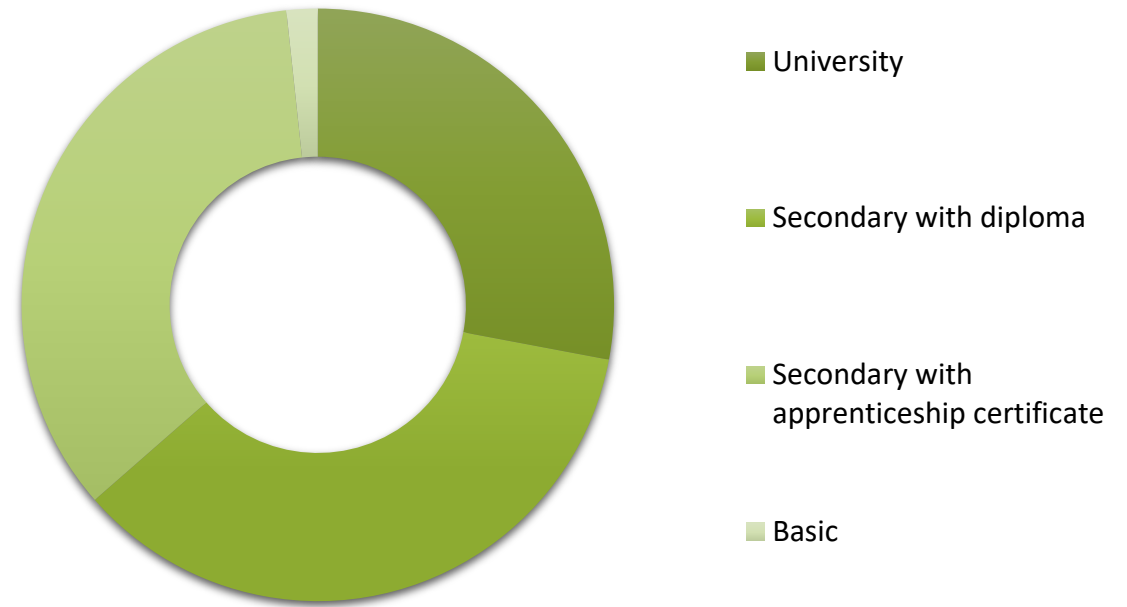


Employee Structure FANS

By Gender



By Qualification



Research and Development

Having its own research and development enables FANS, a.s. to offer clients new and optimised technologies and to increase competitiveness. It is a path that leads to an increase in efficiency, financial savings in the operation of cooling equipment, and respect for the environment. By supporting research projects, FANS, a.s. is creating preconditions for maintaining a leading position on the market, as well as the potential for its further growth.

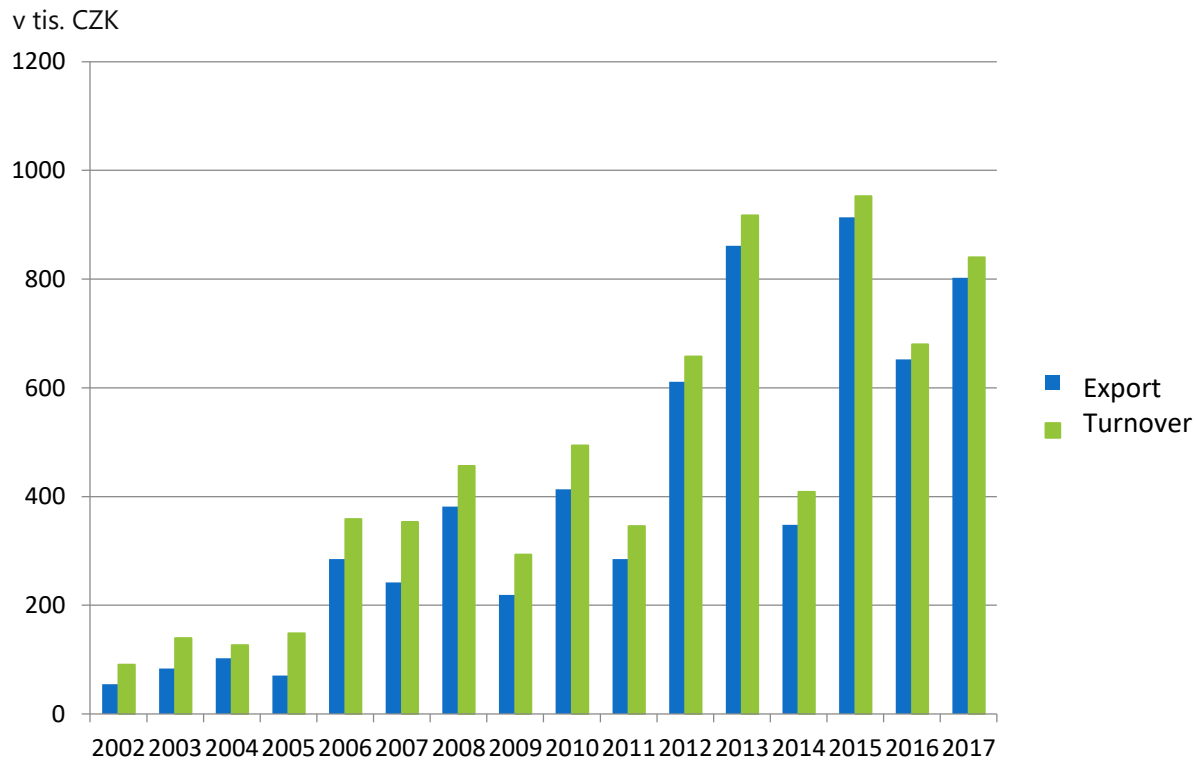
On a long-term basis, we have been actively involved in numerous applied research and experimental development programs. Cooperation between FANS, a.s. and ČVUT – Praha (Czech Technical University in Prague) also continued in the year 2016, on two projects. One of them, in which the grant recipient is ČVUT – “Advanced Technologies for Heat and Electricity Production”, is within the scope of a Competence Centre project. The project has entered the second phase, the implementation of which will take place within the years 2016 to 2020. The majority of universities with a technical focus are participating in it, including a number of private entities. Another one of the projects under way is the ALFA 4 project – “Direct Air Condensation Systems in the Energy Industry”. Both of the said projects were put out by the Technology Agency of the Czech Republic.

Last year, a new project was submitted in conjunction with ČVUT – Praha within the Epsilon 2 program – “Acoustic Optimisation of Fan Cooling Towers”. The program received a positive assessment at the end of the year, and its realisation will take place within the period of 2017 to 2020.

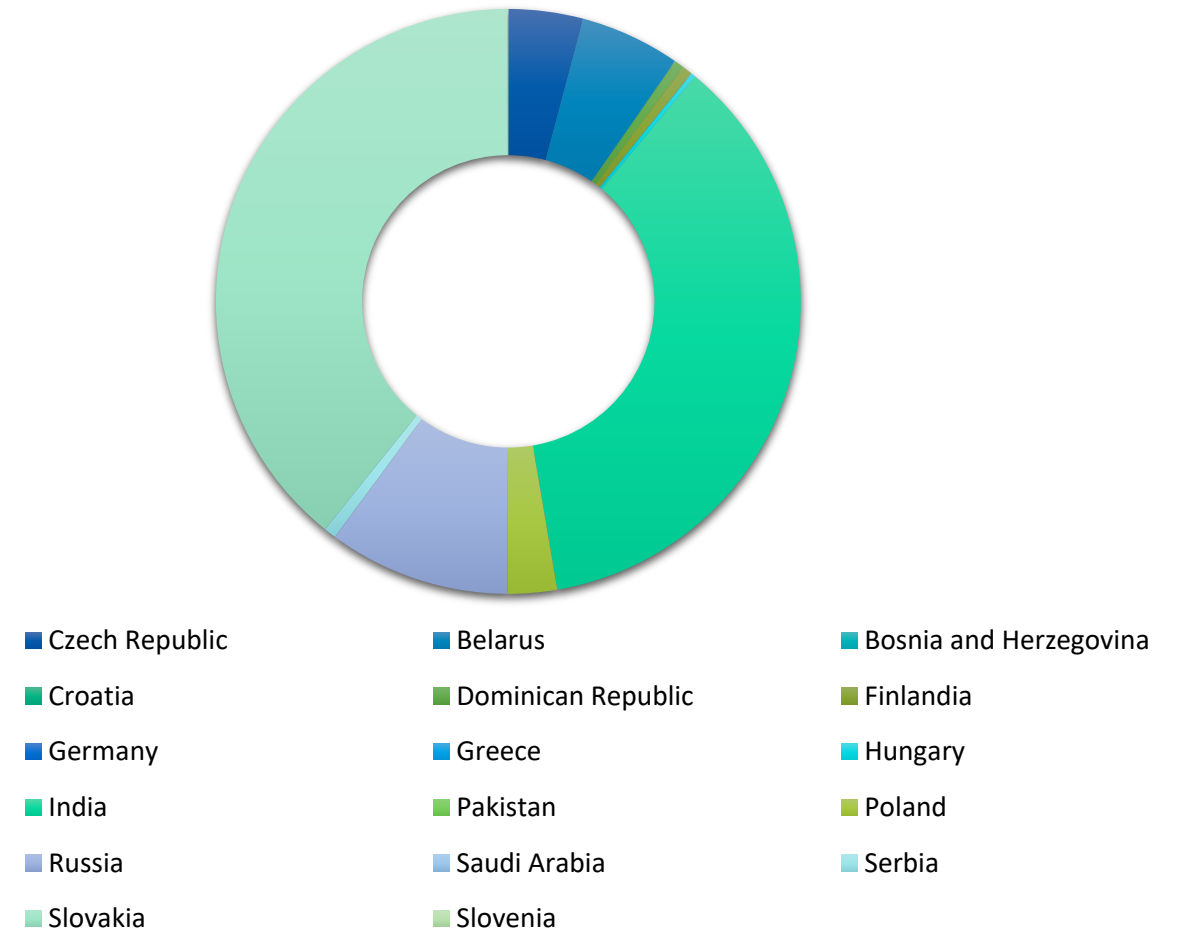


Business Results FANS

Business Results – Turnover and Export



Sales results by territory



References 2017

OOOO „INTER RAO ENGINEERING“

Russian Federation

Year of Implementation: 2017-2018

This involves the supply of dry coolers for a new power station in Kalingrad Area in Russia, TEC Pregolskaya. We are supplying two cooling towers – the air coolers which are part of the main cooling circuits, and auxiliary cooling circuits, with total output of 4x 110 MW. As part of the EPC project, we are securing the draft solution, design, production of steel structures, production of piping bundles, pressure pumps, collection reservoirs and other components. The delivery also includes assembly supervision, commissioning, testing and analyses.

Technical Parameters		
	Main circuit	Auxiliary circuit
Water Flow	12.800 m ³ /h	2.560 m ³ /h
Inlet Temperature	58,54 °C	40 °C
Outlet Temperature	48 °C	35 °C
Total Heat Rate	2x 155 MW	2x 15 MW



References 2017

ENERGY BENKOVAC D.O.O.

Croatia

Year of Implementation: 2017-2018

FANS, a.s. is securing the supply and assembly of technology installations in Croatia for EKOL, s.r.o. We are undertaking this project inclusive of preparing full design documentation, preparation of a technical solution, supply and assembly of pipelines, the supply and assembly of electrical parts including the system for managing the whole cooling circuit, commissioning and training of operators. The cooling circuit is divided into the main and auxiliary cooling circuit. The main cooling circuit is used for cooling steam turbines, pumps and analysers. The main cooling circuit comprises 12 dry coolers with circulating pumps in 1+1 configuration. The auxiliary cooling circuit is designed for cooling the generator and steam oil cooler. This comprises one dry coolers, circulating pumps in 1+1 configuration. Equipment for mixing a glycol mix to the required 30% concentration and an expansion module which secures stable pressure within the closed cooling circuit is supplied for both circuits. It is planned to be put into automatic operation in March 2018.

Technical Parameters

Water Flow	1.440 m ³ /h
Inlet Temperature	42°C
Outlet Temperature	32°C
Total Heat Rate	15,6 MW



References 2017

Mondi Štětí, a.s.

Czech Republic

Year of Implementation: 2017-2018

Design, supply, assembly and commissioning of a new cooling tower, model CTFRP 200/III for a newly constructed TG7 and CTFRP140/III for a newly constructed Evaporation operation. Both cooling towers are in FRP model with total water flow of 8 500 m³/hour, and total output of 150 MW.

Technical Parameters

	TG7	Evaporation
Water Flow	5.200 m ³ /h	3.300 m ³ /h
Inlet Temperature	35,5°C	49°C
Outlet Temperature	24 °C	25°C
Total Heat Rate	69 MW	90 MW



References 2017

Lovochemie, a.s.

Czech Republic

Year of Implementation: 2017

Besides the construction of new cooling towers, for many years FANS, a.s. has also secured comprehensive services in maintenance and repair, renovation of our own cooling towers and also equipment from other suppliers, thus helping avoid unwanted interruptions to the production process. We undertook general steel cooling tower repairs in 2017 for our customer of many years.

Technical Parameters

Water Flow	2.900 m ³ /h
Inlet Temperature	35°C
Outlet Temperature	25°C
Total Heat Rate	15,6 MW





FINANCIAL STATEMENT 2017

Auditor's Report, Opinion



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BDO Audit s. r. o.
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Czech Republic

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of FANS, a.s.

Opinion

We have audited the accompanying financial statements of FANS, a.s., with its headquarters at Na květnici 1064/17, Nustle, Praha, Czech Republic, IC (Registration Number) 256 25 381, (hereafter the Company) prepared in accordance with Czech accounting regulations, which comprise the balance sheet as at 31. 12. 2017, the Income statement, statement of changes in equity and cash flow statement for the period from 1. 1. 2017 to 31. 12. 2017 and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the assets and liabilities of FANS, a.s. as at 31. 12. 2017 and of the costs, revenues and its profit or loss and its cash flows for the period from 1. 1. 2017 to 31. 12. 2017, in accordance with Czech accounting regulations.

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 clauses. Our responsibilities under these regulations are further described in the Auditor's Responsibilities for the Audit of the 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 regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included 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 and auditor's report thereon. The Board of Directors is responsible for this other information.

Our opinion on the on the financial statements does not cover the other information. In connection with our audit of the 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 or our knowledge of the company obtained from 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 the applicable laws and regulations, in particular, whether the other information complies with the laws and regulations in terms of formal requirements and procedures 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 is, in all material respects, consistent with the financial statements; and

- the other information is prepared in compliance with the applicable laws and regulations.

In addition, our responsibility is to report, based on our knowledge and understanding of the Company obtained from 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 Board of Directors and Supervisory Board for the Financial Statements

Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting regulations, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the above regulations 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.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

BDO Audit s. r. o., a Czech limited company (registration number 453 14 381, registered in Praha, No. C. 7279, certificate of Chamber of auditors No. 018) is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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Auditor's Report, Opinion



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Děbrachťova 1980/5
Praha 4
140 00
Czech Republic

- Identify and assess the risks of material misstatement of the 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and Supervisory Board 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.

Prague, 11. 6. 2018

Audit firm:


BDO Audit s. r. o.
Certificate No. 018

Partner:


Ing. Petr Slaviček
Certificate No. 2076

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Profit and Loss Statement

FANS, a.s.
Na květnici 1064/17, Nusle
Praha
140 00

ID No.: 256 25 381
Period: 1.1.2017 to 31.12.2017

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31. 12. 2017**
(*000 CZK)

	Period	
	Current	Prior
Sales of own product and services	839 880	680 187
A. Production consumption	704 124	614 097
A.2. Raw materials and consumption	358 600	261 301
A.3. Services	345 524	352 796
B. Change in own production inventory (+/-)	-27 899	33 288
C. Capitalisation (-)	0	-218
D. Personnel expenses	66 273	63 487
D.1. Wages and salaries	48 432	46 178
D.2. Social security expenses, health insurance and other expenses	17 841	17 309
D.2.1. Social security expenses and health insurance	16 220	15 492
D.2.2. Other expenses	1 621	1 817
E. Valuation adjustments relating to operating activities	27 510	7 799
E.1. Valuation adjustments of fixed assets	6 218	6 230
E.1.1. Valuation adjustments of fixed assets - permanent	6 218	6 230
E.2. Valuation adjustments of inventory	2 768	2 264
E.3. Valuation adjustments of receivables	18 524	-695
III. Other operating income	28 794	204 538
III.1. Income from fixed assets sold	0	321
III.3. Other operating income	28 794	204 217
F. Other operating expenses	29 364	199 867
F.1. Net book value of fixed assets sold	0	170
F.3. Taxes and fees	1 822	3 063
F.4. Provisions relating to operating activities and complex deferred expenses	205	-3 652
F.5. Other operating expenses	27 337	200 286
* Operating profit/loss (+/-)	69 302	-33 595
VI. Interest income and similar income	422	682
VI.1. Interest and similar income - subsidiaries	414	593
VI.2. Other interest and similar income	8	89
J. Interest expenses and similar expenses	2 951	2 579
J.2. Other interest and similar expenses	2 951	2 579
VII. Other financial income	45 980	30 963
K. Other financial expense	58 430	17 694
* Profit/loss from financial operations (transactions) (+/-)	-14 979	11 372
** Profit/loss before tax (+/-)	54 323	-22 223
L. Income tax	16 827	5 559
L.1. Income tax - due	14 852	7 448
L.2. Income tax - deferred (+/-)	1 975	-1 889
** Profit/loss after tax (+/-)	37 496	-27 782

FANS, a.s., ID No. 256 25 381
PROFIT AND LOSS ACCOUNT

Pg. 2
Period: 1.1.2017 to 31.12.2017

	Period	
	Current	Prior
*** Profit/loss of current accounting period (+/-)	37 496	-27 782
* Net turnover = I. + II. + III. + IV. + V. + VI. + VII.	915 076	916 370

Date: 11. 6. 2018

Signature: 

Balance Sheet

FANS, a.s., ID No. 256 25 381
BALANCE SHEET AS AT 31. 12. 2017

Assets pg. 1

ASSETS	Gross	Current Year Adjust.	Net	Prior Year Net
ASSETS	864 625	-94 492	770 133	489 239
B. Fixed assets	115 213	-63 286	51 927	53 183
B.I. Intangible assets	4 878	-3 465	1 413	1 876
B.I.2. Valuable rights	4 863	-3 465	1 398	1 876
B.I.2.1. Software	4 863	-3 465	1 398	1 876
B.I.5. Advance payments for intangible fixed assets and intangible assets under construction	15	0	15	0
B.I.5.2. Intangible assets under construction	15	0	15	0
B.II. Tangible fixed assets	95 178	-59 821	35 357	37 877
B.II.1. Land, Buildings and structure	53 282	-29 319	23 963	25 118
B.II.1.1. Land	1 584	0	1 584	1 584
B.II.1.2. Buildings and structures	51 698	-29 319	22 379	23 534
B.II.2. Machines, tools and equipment, transportation means, furniture and office equipment	41 824	-30 502	11 322	12 212
B.II.5. Advance payments for tangible fixed assets and tangible assets under construction	72	0	72	547
B.II.5.2. Tangible assets under construction	72	0	72	547
B.III. Long-term financial assets	15 157	0	15 157	13 430
B.III.1. Shares and ownership interests in subsidiaries	15 154	0	15 154	13 427
B.III.5. Other long-term securities and ownership interests	3	0	3	3
C. Current assets	746 263	-31 206	715 057	434 367
C.I. Inventory	113 436	-6 053	107 383	65 559
C.I.1. Raw materials	34 182	-937	33 245	16 787
C.I.2. Work in progress and semi-finished products	72 304	-5 116	67 188	46 336
C.I.3. Finished goods and merchandise	6 950	0	6 950	2 436
C.I.3.1. Finished goods	6 950	0	6 950	2 436
C.II. Receivables	529 651	-25 153	504 498	336 450
C.II.1. Long-term receivables	71 192	0	71 192	70 388
C.II.1.1. Trade receivables	61 424	0	61 424	58 657
C.II.1.4. Deferred tax asset	2 388	0	2 388	4 374
C.II.1.5. Other receivables	7 380	0	7 380	7 357
C.II.1.5.4. Other receivables	7 380	0	7 380	7 357
C.II.2. Short-term receivables	458 459	-25 153	433 306	266 062
C.II.2.1. Trade receivables	349 460	-25 153	324 307	167 451
C.II.2.2. Receivables from controlled entities, controlling entities and from entities under common control	9 604	0	9 604	9 985
C.II.2.4. Other receivables	99 395	0	99 395	88 626
C.II.2.4.1. Receivables from owners	1 259	0	1 259	0

FANS, a.s., ID No. 256 25 381
BALANCE SHEET AS AT 31. 12. 2017

Assets pg. 1

ASSETS	Gross	Current Year Adjust.	Net	Prior Year Net
C.II.2.4.3. Due from state - tax receivables	24 535	0	24 535	9 253
C.II.2.4.4. Short-term advance payments	50 836	0	50 836	51 447
C.II.2.4.5. Estimated receivables	0	0	0	685
C.II.2.4.6. Other receivables	22 765	0	22 765	27 241
C.IV. Cash in hand and bank accounts	103 176		103 176	32 358
C.IV.1. Cash in hand	155		155	224
C.IV.2. Bank accounts	103 021		103 021	32 134
D. Accruals of assets	3 149		3 149	1 689
D.1. Deferred expenses	3 133		3 133	1 684
D.3. Deferred cash receipts	16		16	5

Balance Sheet

FANS, a.s., ID No. 256 25 381
BALANCE SHEET AS AT 31. 12. 2017

LIABILITIES	Current Year	Prior Year
TOTAL EQUITY AND LIABILITIES	770 133	489 239
A. Equity	115 600	69 425
A.I. Registered capital	10 000	10 000
A.I.1. Registered capital	10 000	10 000
Share premium and capital contributions	-3 459	-5 186
A.II.2. Capital contributions	-3 459	-5 186
A.II.2.2. Gains or losses from revaluation of assets and liabilities (+/-)	-3 459	-5 186
A.III. Legal, statutory and other reserve funds	2 042	2 039
A.III.1. Other reserve funds	2 000	2 000
A.III.2. Statutory and other reserves	42	39
A.IV. Profit/Loss - previous year (+/-)	69 521	90 354
A.IV.1. Retained profits from previous years	69 521	90 354
A.V. Profit/Loss - current year	37 496	-27 782
B. + C. Liabilities	598 111	408 282
B. Provisions	25 136	11 473
B.2. Income tax provision	24 537	11 079
B.4. Other provisions	599	394
C. Liabilities	572 975	396 809
C.I. Long-term liabilities	7 786	27 580
C.I.2. Liabilities to credit institutions	2 047	5 270
C.I.3. Long-term advances received	3 559	8 432
C.I.4. Trade payables	0	11 065
C.I.9. Other liabilities	2 180	2 813
C.I.9.3. Other liabilities	2 180	2 813
C.II. Short-term liabilities	565 189	369 229
C.II.2. Liabilities to credit institutions	151 432	160 201
C.II.3. Advances received	140 841	16 080
C.II.4. Trade payables	246 803	168 504
C.II.6. Liabilities to controlled entities, controlling entities and from entities under common control	0	6 950
C.II.8. Other liabilities	26 113	17 494
C.II.8.3. Liabilities to employees	3 390	2 822
C.II.8.4. Social security and health insurance liabilities	1 981	1 639
C.II.8.5. Due to state - taxes and subsidies	577	398
C.II.8.6. Estimated liabilities	66	4 359
C.II.8.7. Other liabilities	20 099	8 276

FANS, a.s., ID No. 256 25 381
BALANCE SHEET AS AT 31. 12. 2017

Liabilities pg. 2

LIABILITIES	Current Year	Prior Year
D. Accruals of liabilities	56 422	11 532
D.1. Accrued expenses	355	1
D.2. Deferred revenue	56 067	11 531

Date: 11. 6. 2018

Signature: 

Cash Flow Report

Minimum compulsory information under Regulation 500/2002 Coll.

Cash flow statement

as at 31.12.2017
(In thousands of Czech Crowns)



Commercial name or other name of an accounting unit

FANS, a.s.

Registered office or address of an accounting unit

Na květnici 1064/17
140 00 Praha 4

		Current year	Prior year
P. Balance of cash on hand and financial equivalents as at the beginning of reporting period		32 358	117 490
Cash flows from running activities			
Z.	Accounting profit/loss from running activities before taxation	54 323	-22 223
A. 1	Adjustments by non-cash operations	30 221	5 893
A. 1 1	Depreciation of fixed assets and amortization of adjustments to acquired assets	6 218	6 230
A. 1 2	Change in balance of adjustments, reserves	21 474	-2 083
A. 1 3	Profit from sales of fixed assets	0	-151
A. 1 4	Revenue from dividends and shares in profit	0	0
A. 1 5	Accounted for interest expense, exclusive of interest capitalization and accounted for credit interest	2 529	1 897
A. 1 6	Possible adjustments by other non-cash operations	0	0
A. *	Net cash flow from running activities before taxation, changes in working capital and unusual/extraordinary items	84 544	-16 330
A. 2	Change in non-cash items of working capital	22 750	-67 117
A. 2 1	Change in balance of receivables from running activities, temporary assets accounts	-189 803	20 562
A. 2 2	Change in balance of short-term payables from running activities, temporary liability accounts	257 144	-120 069
A. 2 3	Change in balance of inventory	-44 591	32 390
A. 2 4	Change in balance of current liquid assets not included in cash or equivalents	0	0
A. **	Net cash flow from running activities before taxation and unusual/extraordinary items	107 294	-83 447
A. 3	Interests paid exclusive of interest capitalization	-2 951	-2 579
A. 4	Interests received	258	465
A. 5	Income tax for running activities and additional tax assessments for previous periods	-2 530	1 613
A. 6	Income and expense on unusual and/or extraordinary items, including income tax	0	0
A. ***	Net cash flow from running activities	102 071	-83 948
Cash flows from investing activities			
B. 1	Expense on fixed assets acquisition	-3 235	-2 896
B. 2	Income from fixed assets sales	0	321
B. 3	Loans to related parties	545	3 445
B. ***	Net cash flow from investing activities	-2 690	870
Cash flows from financing activities			
C. 1	Change in balance of long-term or short-term payables	-28 566	-2 057
C. 2	Impact of changes in equity on cash on hand and financial equivalents	3	3
C. 2 1	Increase in cash on hand as a result of increased registered capital, share premium etc.	0	0
C. 2 2	Payment of share in equity to partners	0	0
C. 2 3	Other contributions of cash by partners and shareholders	0	0
C. 2 4	Loss coverage by partners	0	0
C. 2 5	Direct debit fund payments	3	3
C. 2 6	Dividends paid or shares in profit, including taxes paid	0	0
C. ***	Net cash flow from financing activities	-28 563	-2 054
F.	Net increase/decrease in cash on hand	70 818	-85 132
R.	Balance of cash on hand and financial equivalents as at the end of reporting period	103 176	32 358

Date of dispatch	Person responsible for preparation of financial statements (name and signature)	Signature of statutory body or individual who is the accounting unit
11.06.18		

Overview of Changes in Equity

FANS, a.s.
Na květnici 1064/17, Nusle
Praha
140 00

ID No.: 256 25 381
Period: 1.1.2017 to 31.12.2017

STATEMENT OF CHANGES IN EQUITY AS AT 31. 12. 2017 AND 31.12.2016

('000 CZK)	Share capital	Capital funds	Statutory funds	Accumulated profits/losses brought forward	Profit or loss for the current period	Total equity
	A.I.	A.II.	A.III.	A.IV.	A.V.	A.
Balance at 1.1.2017	10 000	-5 186	2 039	90 354	-27 782	69 425
Revaluation of shares in subsidiaries	0	1 727	0	0	0	1 727
Social fund	0	0	3	0	0	3
Transfer of previous period loss	0	0	0	-27 782	27 782	0
Cancellation of dividends from the previous period	0	0	0	6 950	0	6 950
Profit for the actual period	0	0	0	0	37 496	37 496
	0	0	0	-1	0	-1
Balance at 31.12.2017	10 000	-3 459	2 042	69 521	37 496	115 600

	Share capital	Capital funds	Statutory funds	Accumulated profits/losses brought forward	Profit or loss for the current period	Total equity
	A.I.	A.II.	A.III.	A.IV.	A.V.	A.
Balance at 1.1.2016	10 000	3 129	2 036	69 476	27 828	112 469
Revaluation of shares in subsidiaries	0	-8 315	0	0	0	-8 315
Social fund	0	0	3	0	0	3
Profit for 2015	0	0	0	27 828	-27 828	0
Dividends	0	0	0	-6 950	0	-6 950
Transfer of previous period loss	0	0	0	0	-27 782	-27 782
Balance at 31.12.2016	10 000	-5 186	2 039	90 354	-27 782	69 425

Date: 11. 6. 2018

Signature: 

Key Performance Indicators

Key company indicators over time				
	Measuring units	2017	2016	2015
Revenues from sale	CZK mil.	839,9	680,2	952,8
Of which: exports	CZK mil.	802,6	652,1	913,4
Average numbers of employees	persons	117,6	124,5	132,8
Value added	CZK thous.	163 655,0	33 020,0	132 662,0
Product from value added	CZK thous.	1 391,6	271,8	999,0
Average monthly income	CZK	29 532,0	25 806,0	25 708,0
Profit before tax	CZK thous.	54 323,0	-22 223,0	41 496,0
Profitability (operating profit/revenues)	%	8,3	-4,9	6,4
Total assets	CZK mil.	770,1	489,2	643,8
Of which: fixed assets	CZK mil.	51,9	53,2	65,0
current assets	CZK mil.	715,1	434,4	575,9
Total equity and liabilities	CZK mil.	770,1	489,2	643,8
Of which: equity	CZK mil.	115,6	69,4	112,5
of which: registered capital	CZK mil.	10,0	10,0	10,0
liabilities	CZK mil.	598,1	408,3	530,8
of which: bank loans	CZK mil.	153,5	165,5	167,0
Share of liabilities in total equity and liabilities	%	77,7	83,5	82,4



Projected Development of the Company

Main Parameters of the Plan of FANS, a.s. for the Year 2017

In connection with contracts that have already been acquired, FANS, a.s. expects, as compared to the year 2016, a significant increase in revenue, as well as the creation of a profit corresponding to that. The main target countries remain the territories of the former CIS, the Czech Republic, Slovakia, and India. In terms of the product range, the revenues in the year 2017 will be dominated by turnkey cooling circuit construction projects (the Primorskaya, Pregolskaya, MEJA, NABINAGAR projects) as opposed to individual supplies of cooling towers. As far as overhead costs are concerned, an increase of approximately 5% is planned, primarily in personnel costs.

Revenues	CZK 1 209 mil.
Added Value	CZK 271 mil.
Personnel Costs	CZK 75 mil.
Economic Result before Taxes	CZK 160 mil.
Equity	CZK 235 mil.
External Resources	CZK 550 mil.

FANS Around the World, Contacts

FANS, a.s.

Managing Director,
Commercial Division

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 **FANS Headquarters**
Czech Republic

 **Headquarters of Subsidiaries Abroad**
Slovak Republic,
Russian Federation,

India
Kazakhstan
Poland

 **Our costumers**