

ANNUAL

REPORT
2016



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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

Tel.: +420 234 718 970, +420 469 312 460
Fax: +420 234 718 918, +420 469 311 367

paha@fansct.com, info@fansct.com
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



Member since 2007

SDIC

Member since 2013



Member since 2014

Board of Directors Report on the Company's Business Activities



Rostislav Žoudlík
President of the Board

If we were to comment on the company's situation within the past year and taking a look further back, I would certainly find truth in the phrase "It is like being on a roller-coaster". After a very successful year in 2015, we unfortunately were not able to continue in the groove and the company showed a moderate loss.

The year 2016 started out very successfully. We had a good push forward from the year 2015 with the greatest profit in history. We had before us a year in which we already had a contract for a large project in Slovakia for the Duslo, a.s. petrochemical plant. At the same time, the challenge of new projects appeared before us in the area of dry cooling technology, which brings with it a great volume of work along with greater profitability given by the complexity of such equipment.

All of that was enhanced by the opportunity to acquire a significant industrial plant operating mainly in the field of the petrochemical industry, where we could see the synergistic effects of mutual cooperation. At the same time, its product would supplement well our portfolio of industrial coolers from the plants in Hlinsko and Chrudim. In the end, we did not succeed in the acquisition, to our regret.

In the course of the first months, we felt strongly the indecisiveness of traditional customers from among the energy and petrochemical sectors. At mid-year, the status of new orders was critical and we took measures to reduce fixed costs and to increase the productivity of the business process. There was great hope in negotiations regarding the supply of dry coolers for power plants in the Kaliningrad region, but the contract was not signed in 2016. The above resulted in us not achieving the planned performance of CZK 1 billion and the company closed out the year with a real performance of CZK 680 million. The nonachievement of the planned performance led to a loss in the order of units of millions CZK. The loss was further enhanced by adjustments for previously completed projects east of our borders. The company's loss before taxes was CZK 22.2 million.

Board of Directors Report on the Company's Business Activities

In view of the situation on the market, where it is difficult to foresee the development of new investment projects, it is continually more and more difficult to orient oneself. That is true primarily in the CIS market. Forecasts clearly show that the global energy sector is moving to more remote territories, primarily Asia and Africa. In the refinery and petrochemical sectors, it is primarily the countries of the Middle East. We are working actively by way of representatives in both territories and sectors, and we have our own subsidiary in India. For new projects in those areas, the support of our current bank, as well as that of new local partners, will be key.

In terms of industrial coolers, we currently cover a whole series of needs for industry, either from our own production, or we supplement our range through our long-time partners. We feel that our main problem in terms of profitability is dependence upon large projects. For risk diversification, stabilisation of the company's performance and thereby, its profits, we will be concentrating on the acquisition of new customers. We will be focusing in this direction for the year 2017 and especially during the subsequent years. In the first quarter of 2017, we had success in difficult business negotiations with customers from the Kaliningrad area, as I have already mentioned. We succeeded in executing significant contracts for four cooling towers that are a part of main and auxiliary cooling circuits. They consist of 78 units having a total output of 645 MW. Primarily thanks to these contracts, we expect the greatest performance in our company's history in the year 2017.

Please allow me, in conclusion, to thank all of our partners, employees and members of the company's bodies who have actively participated in the successful operation and growth of the joint-stock company FANS in the year 2016. I wish us all a successful year in 2017, both in our professional and personal lives.

In Prague on 22 May 2017

Rostislav Žoudlík
President of the Board of Directors

Company History

- 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

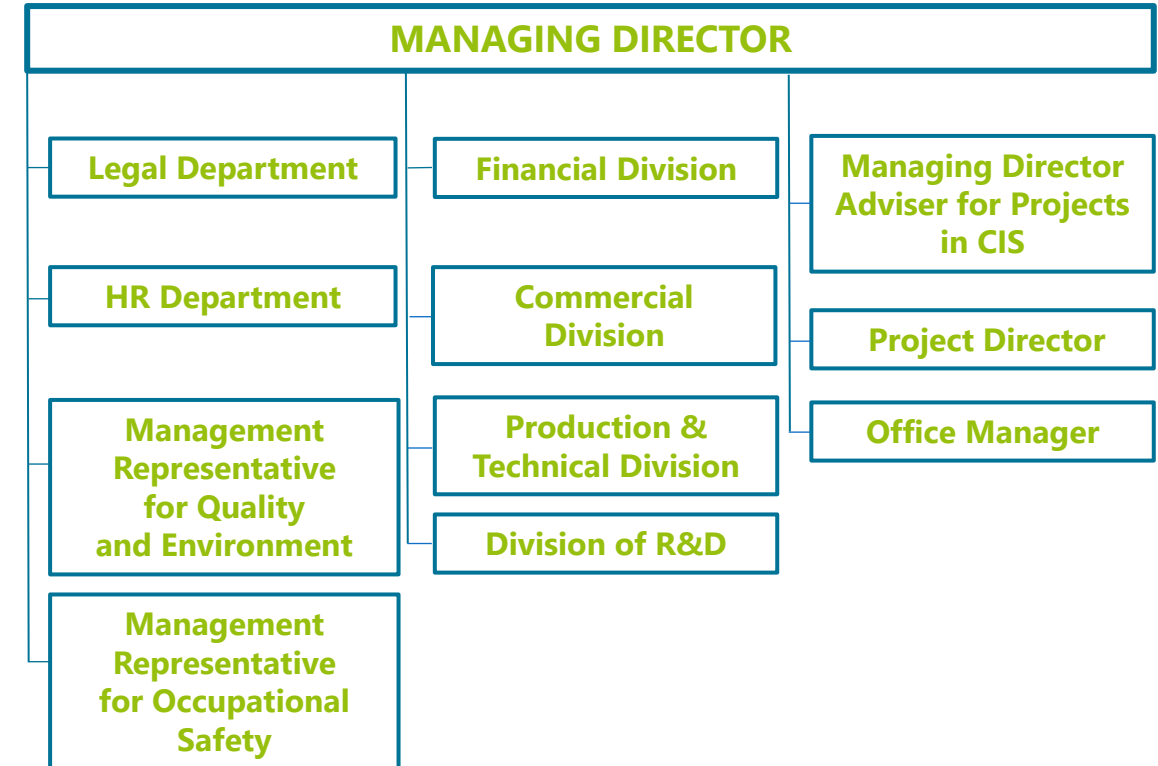
Petr Síleš – Chairman of the Supervisory Board
Jana Kytlicová – Member of the Supervisory Board
Jan Havlis – Member of the Supervisory Board

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

Rostislav Žoudlík – President of the Board of Directors
Peter Singhoffer – Vice-president of the Board of Directors
Petr Veselý – Member of the Board of Directors

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

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



Subsidiaries Abroad

OOO "FANS-Vostok"

Foundation date: 3rd March 2008

Registered office: Berezhkovskaja Naberezhnaja 20, 121 58 Moscow, Russia

Tel.: +7 499 600 1493, Fax: +7 499 600 1493, E-mail: fansrussia@yandex.ru

IDN: 1087746303171

Ownership structure as at 31st December 2015

100 % FANS, a.s., Prague

Proficool FANS Sp. z o.o.

Foundation date: 27th February 2013

Registered office: ul. Jana III Sobieskiego 11/E6, 40-082 Katowice, Poland

Tel.: +48 32 441 67 00-02, Fax: +48 32 441 67 10, E-mail: biuro@fansct.com

IDN: 243202586

Ownership structure as at 31st December 2015

100 % FANS, a.s., Prague

FANS ASIA Pvt. Ltd.

Foundation date : 21st October 2009

Registered office: S No. 128/1, flat 404, Vinayak Paradise,
Autonagar, Visakhapatnam – 530012, Andhra Pradesh, India

Tel.: +91 891 252 5169, Fax: +91 891 307 8525,

E-mail: fansasia@fansct.com

IDN: U29306AP2009PTC065572

Ownership structure as at 31st December 2015

85 % FANS, a.s., Prague

15 % JEHACE s.r.o., Prague

www.fansvostok.ru

www.proficool-fans.com

Branch Offices Abroad

FANS – organizational unit BRATISLAVA

Foundation date: 1st February 2001

Registered office: Priemyselná 8, 821 09 Bratislava, Slovak Republic

E-mail: info@fansct.com

IDN: 36068144

FANS, a.s. – Project Office

Foundation date: 2nd May 2012

Registered office: Plot 34, Sector 44, Institutional Area, Gurgaon – 122003, Haryana, India

Tel.: +91 124 424 1913, Fax: +91 124 424 1914, E-mail: fansasia@fansct.com

IDN: F04413

AO FANS - Subsidiary in Kazakhstan

Foundation date: 21st July 2016

Registered office: ul. Panfilova 98, 050000 Almaty – Almalinskij area, Kazakhstan

E-mail: iermolenko@fansct.com

IDN: 160741017115



Production & Technical Division in Hlinsko

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 2016.

March 2017

Report on Relations

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**,

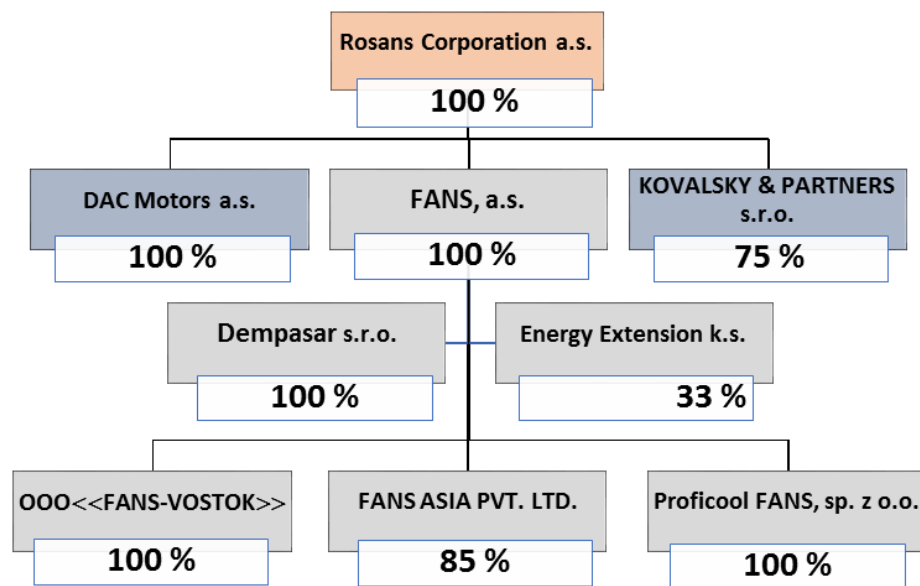
other related entities, i.e. entities controlled by the controlled entity or directly by the controlling entity:

Company Name	Id.No. (IČ)	Adress - 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 2016
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 2016
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 coolin, focusing on business activities in Poland
OOO <<FANS-VOSTOK>>	7703023935	ul. Berežkovskaja Naberežnaja, 20, 121 58 Moscow, Russian Federation	Business activity in industrial cooling within the Russian Federation
FANS ASIA PRIVATE LIMITED	U29306AP2009PTC06 5572	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.

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.

Report on Relations

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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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 of Agreement	Dated	Effective until	Object/ Performance

The following agreements remained in force in the year 2016:

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.

Report on Relations

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

Name of Agreement	Dated	Effective until	Object/Performance
Supply (Purchase) Agreement No.015/15	7.9.2015	31.12.2016 (to compl.)	Two ventilation towers CTF 200/III
Supply (Purchase) Agreement No.016/15 with ZAO FANS - VOSTOK	16.1.2015	4/2016 Paid	Machine for unloading cooling system RUB 80.000
Purchase Agreement No. 016/15 with OOO FANS – VOSTOK	19.8.2015	31.12.2016	Ventilator for Sibur SK-400
026/15 ZAO FANS-VOSTOK	11.2.2015	11.2.2016	Supply of cables for Omsk RUB 897.500
Agreement No. 025/15 with ZAO FANS-VOSTOK	11.2.2015	11.2.2016	Loan RUB 2,200,000
Supply Agreement No. 041/15 with ZAO FANS - VOSTOK	10.3.2015	31.12.2016	Supply of 2 towers CTF 1400/III
066/15 ZAO FANS-VOSTOK Cooperation Agreement	1.4.2015	31.12.2015	Supply of technical study for cooling circuit RUB 2 mil.
067/15 ZAO FANS-VOSTOK Cooperation Agreement	1.4.2015	31.12.2015	Supply of technical study for cooling tower RUB 2 mil
089/15 loan agreement	3.7.2015	31.3.2017	RUB 8,000,000
166/15 OOO FANS-VOSTOK loan	1.12.2015	31.3.2017	RUB 26,100,000

In the year 2016, the following agreements continued to remain in effect:
 Agreement on Service Representation (Agreement No. 068/14/SPS/121) dated 17 July 2014 representation of FANS, a.s. in the Russian Federation
 Agreement No. 014/11/SOP/OU-SNS dated 1 February 2011, on the procurement of business cases in the field of industrial cooling

■ With the company FANS ASIA PVT LTD:

Name of Agreement	Dated	Effective until	Object/Performance
Amendment No. 1 to Agreement on Supplies of Construction Work – MEJA project	26.3.2015	To project completion	Supply of all construction work in building cooling towers for MEJA thermal power plant India

In the year 2016, 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 2016, 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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- With the sister company KOVALSKY & PARTNERS s.r.o.:

Name of Agreement	Dated	Effective until	Object/ Performance
Cooperation Agreement	1 June.2014	Indefinite period	Personnel management consulting and recruiting candidates for job positions
Agreement on Sublease of Nonresidential Premises	31 January 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.

Report on Relations

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.



.....
Mgr. Tomáš Wrana
Member of the Board of Directors of FANS, a.s.

Quality Policy

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 prominent employers within the Pardubice Region and has, for many years, been among the best quality and most exceptional employers within the region. Our company is fully aware of the fact that any achieved, current as well as future successes are built primarily upon the abilities of its employees. Having enough reliable, professionally qualified and ambitious employees who want to take part in the company's growth, resolving problems and working as a team is a fundamental precondition to the company's development and maintaining its competitiveness on the market.

Personnel policy and personnel management are interwoven within the entire company management process. One of its main goals is the utilisation of the knowledge and performance potential of current employees and their further development. It is they who are our company's most valuable capital. The main objective of personnel policy for the year 2017 is to maintain and develop a highly qualified team of employees. We provide all of our staff with such conditions and support so as to enable their professional growth and the development of their professional skills and knowledge. We consider lifelong learning to be the main source of increasing productivity.

Since the year 2010, FANS, a.s. has been participating in many projects within the Human Resources and Employment operational programme. In 2016, 10 employees took part in the project "Support of Professional Training for Employees" as part of the MS Project.

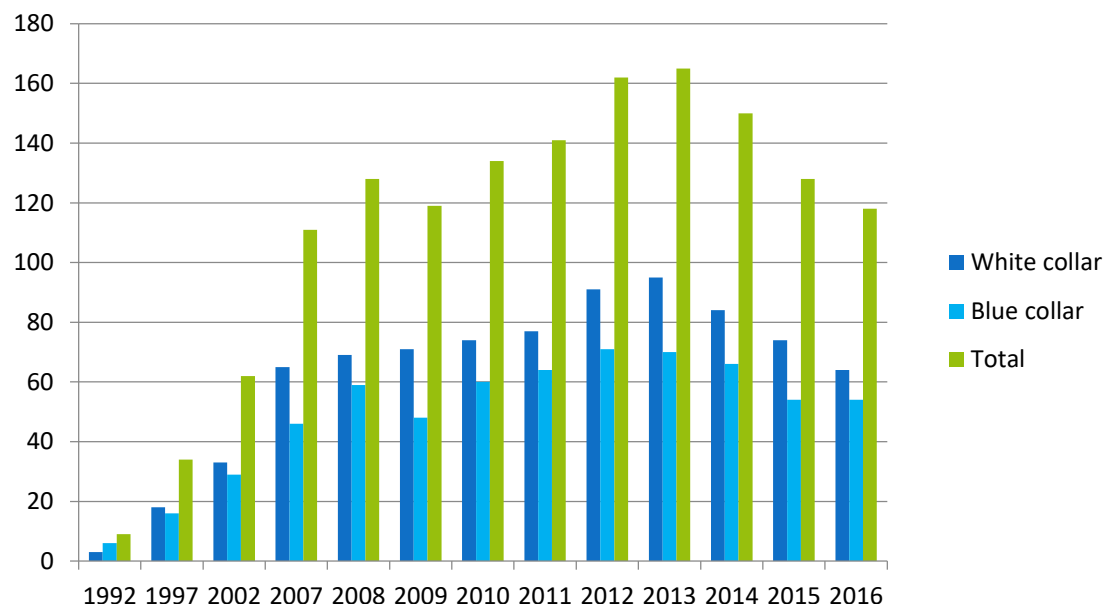
In all processes and activities, we have a regard for maintaining an environmental approach and occupational safety for our employees.



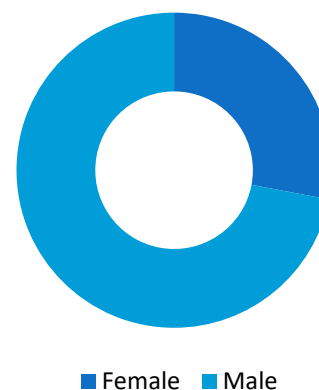
Employee Structure

FANS, a.s., is fully aware of the fact that its current and future achievements depend above all on the skills of its workers. An adequate number of reliable and professionally qualified employees is a prerequisite to the company's further development and preservation of its competitiveness.

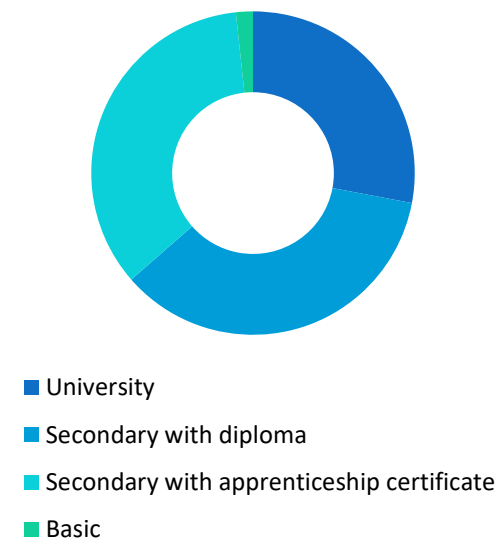
Development of Workforce



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.

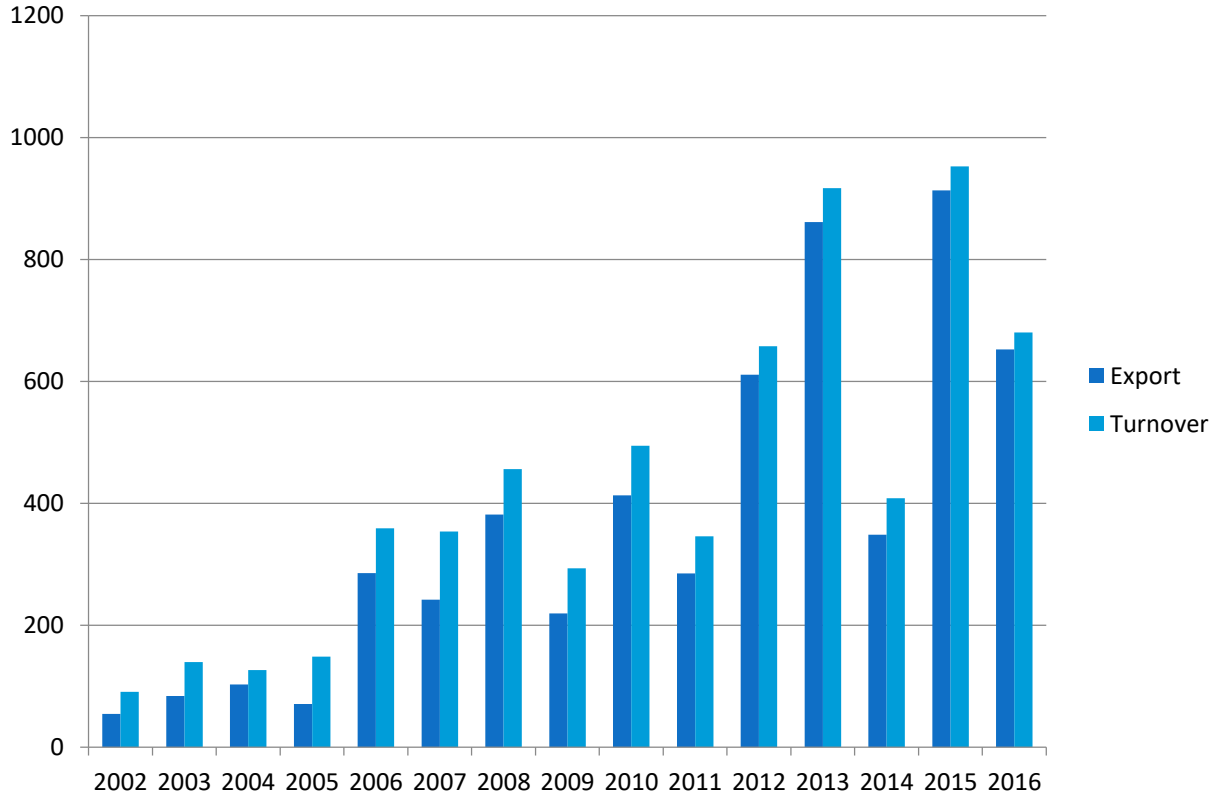
Last year, a new project was submitted in conjunction with ČVUT – Praha within the Epsilon 2 program – “Acoustic Optimisation of Fan Cooling Towers”. The program received a positive assessment at the end of the year, and its realisation will take place within the period of 2017 to 2020.



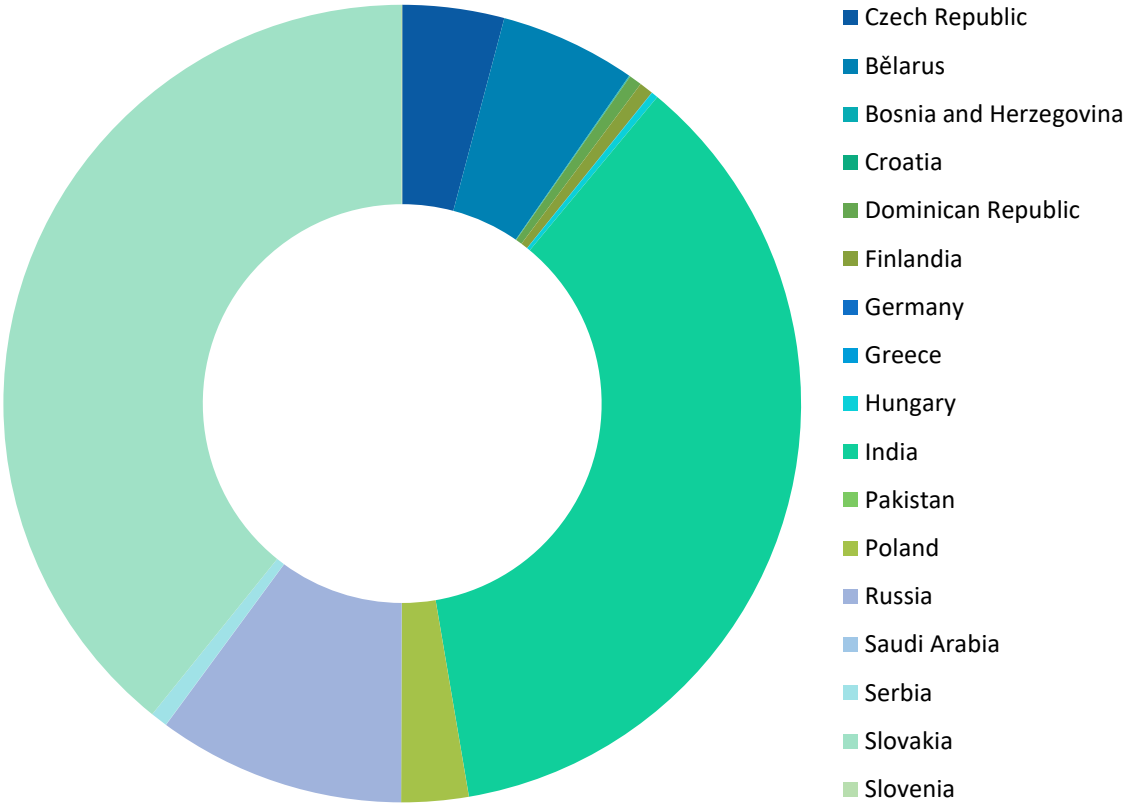
Business Results

Business Results – Turnover and Export

in thousand CZK



Sales results by territory



References

DUSLO, a.s.

Slovak Republic

Year of Implementation: 2016

The circulation circuit for CV 6 is a turnkey project that includes solution design and planning, construction and assembly work, construction and delivery of a collection pit, assembly of circulation pumps, construction of a water treatment facility, complete pipeline, electro and instrumentation and control, guarantee measurements, and warranty and after-sales service. The cooling circuit includes 10 cells of FRP cooling tower, whose size has no equal in Central Europe.

DUSLO, a.s. is one of the most important companies in the Slovak chemical industry and conducts business globally.

Technical Parameters

Water Flow – maximum level	18,000 m ³ /h
Water Flow – working level	16,650
Inlet Temperature	35 °C
Outlet Temperature	25 °C
Total Heat Rate	192,1 MW



References

OA O „NAFTAN“

Belarus

Year of Implementation: 2016

Delivery and subsequent supervision of a cooling circuit consisting of 9 cells of forced draft cooling towers. It was one of the largest and most significant projects realized by FANS, a.s. in 2015.

OA O NAFTAN is a major petrochemical plant producing various kinds of fuels, oils, lubricants, bitumen, etc. in the Novopolotsk region.

Technical Parameters

Water Flow	10,000 m ³ /h
Inlet Temperature	40 °C
Outlet Temperature	28 °C
Total Heat Rate	139.7 MW



References

Fos Agro-Cherepovec

Russia Federation

Year of Implementation: 2016

Our company, FANS, a.s., designed, manufactured and supplied a CTF 140/V forced draft cooling tower, with a total cooling capacity of 85.5 MW, as part of a project of CHEMOPROJECT NITROGEN a.s. to build a plant for the production of granular urea with output of 1500 t/d. This is the second cooling tower supplied to PhosAgro-Cherepovets, a leading manufacturer of chemical fertilisers in the Russian Federation. Commissioning is scheduled for 2017.

Technical Parameters

Water Flow	7 400 m ³ /h
Inlet Temperature	38 °C
Outlet Temperature	28 °C
Total Heat Rate	85,5 MW



References

OOO „Sibur-Tobolsk“

Russia Federation

Year of Implementation: 2016

In the first half of 2016, FANS in cooperation with its subsidiary OOO „FANS-Vostok“ completed delivery of a new cooling tower for a major customer Sibur Tobolsk-Polymer. FANS ensured delivery (including supervision) of an octagon shape cooling tower that covers an area of 400 m². This cooling tower with a total output of 36.9 MW will be part of the Sigur's production facility. Sibur Tobolsk-Polymer is one of the top three polypropylene producers in the world, with a production capacity of about 500,000 tons per year.

Technical Parameters

Water Flow	3 200 m ³ /h
Inlet Temperature	35 °C
Outlet Temperature	25 °C
Total Heat Rate	36,9 MW



References

FALCONBRIDGE DOMINICANA, S.A.

Dominican Republic

Year of Implementation: 2016

Company FANS manufactured, delivered and secured the supervision of two BORA 7 500 cooling towers for FALCONBRIDGE DOMINICANA, S.A. mining company in the Dominican Republic. The compact cooling towers successfully underwent trial operation and load tests and are now a full part of the manufacturing process.

Technical Parameters

Water Flow	1 200m ³ /h
Inlet Temperature	50 °C
Outlet Temperature	30 °C
Total Heat Rate	27,9 MW



FINANCIAL STATEMENT 2016

Auditor's Report, Opinion



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INDEPENDENT AUDITOR'S REPORT

to the Shareholders of FANS, a.s.

We have audited the accompanying financial statements of FANS, a.s., with its headquarters at Na květnici 1064/17, Praha 4, Czech Republic, IC (Registration Number) 256 25 381, prepared in accordance with Czech accounting regulations, which comprise the balance sheet as at 31. 12. 2016, and the income statement, statement of changes in equity and cash flow statement for the period from 1. 1. 2016 to 31. 12. 2016, and a summary of significant accounting policies and other explanatory notes.

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

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 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.

BDO Audit s. r. o. is a Czech limited company registration number 45 31 43 81, registered in Praha, No. C. 7276, certificate of Chamber of auditors No. 0181 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.

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 Company's Board of Directors and Supervisory Board for the Financial Statements

The 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:

- 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.

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Auditor's Report, Opinion



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- 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 the 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, 6. 6. 2017

Auditing Company:

Statutory auditor:


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


Petr Slaviček
Certificate No. 2076

BDO Audit s. r. o., a Czech limited company (registration number 45 21 43 81, registered in Praha, Ra. 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.

Profit and Loss Statement

FANS, a.s.
Na květnici 1064/17
Praha 4
14000

ID No.: 25625381
Period: 1.1.2016 to 31.12.2016

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31. 12. 2016 (‘000 CZK)

	Current	Period Prior
Sales of own product and services	680 187	952 758
A. Production consumption	614 097	774 235
A.2 Raw materials and consumption	261 301	413 665
A.3. Services	352 796	360 570
B. Change in own production inventory (+/-)	33 288	46 067
C. Capitalisation (-)	-218	-206
D. Personnel expenses	63 487	63 349
D.1. Wages and salaries	46 178	45 876
D.2. Social security expenses, health insurance and other expenses	17 309	17 473
D.2.1. Social security expenses and health insurance	15 492	15 469
D.2.2. Other expenses	1 817	2 004
E. Valuation adjustments relating to operating activities	7 799	14 193
E.1. Valuation adjustments of fixed assets	6 230	7 286
E.1.1. Valuation adjustments of fixed assets - permanent	6 230	7 286
E.2 Valuation adjustments of inventory	2 264	0
E.3 Valuation adjustments of receivables	-695	6 907
III. Other operating income	204 538	42 833
III.1. Income from fixed assets sold	321	0
III.3. Other operating income	204 217	42 833
F. Other operating expenses	199 867	36 977
F.1 Net book value of fixed assets sold	170	0
F.3. Taxes and fees	3 063	2 995
F.4. Provisions relating to operating activities and complex deferred expenses	-3 652	-13 846
F.5. Other operating expenses	200 286	47 828
* Operating profit/loss (+/-)	-33 595	60 976
VI. Interest income and similar income	682	532
VI.2. Other interest and similar income	682	532
J. Interest expenses and similar expenses	2 579	4 212
J.2. Other interest and similar expenses	2 579	4 212
VII. Other financial income	30 963	21 625
K. Other financial expense	17 694	37 425
* Profit/loss from financial operations (transactions) (+/-)	11 372	-19 480
** Profit/loss before tax (+/-)	-22 223	41 496
L. Income tax	5 559	13 668
L.1. Income tax - due	7 448	4 309
L.2. Income tax - deferred (+/-)	-1 889	9 359
** Profit/loss after tax (+/-)	-27 782	27 828

FANS, a.s., ID No. 25625381
PROFIT AND LOSS ACCOUNT

Pg. 2
Period: 1.1.2016 to 31.12.2016

	Current	Period Prior
*** Profit/loss of current accounting period (+/-)	-27 782	27 828
* Net turnover = I. + II. + III. + IV. + V. + VI. + VII.	916 370	1 017 748

Date: 2.6.2017

Signature: 

Balance Sheet

FANS, a.s., ID No. 25625381
BALANCE SHEET AS AT 31. 12. 2016

Assets pg. 2

ASSETS	Gross	Current Year Adjust.	Net	Prior Year Net
ASSETS	557 036	-67 797	489 239	643 769
B. Fixed assets	111 065	-57 882	53 183	65 002
B.I. Intangible assets	4 604	-2 728	1 876	2 606
B.I.2. Valuable rights	4 604	-2 728	1 876	2 461
B.I.2.1. Software	4 604	-2 728	1 876	2 461
B.I.5. Advance payments for intangible fixed assets and intangible assets under construction	0	0	0	145
B.I.5.2. Intangible assets under construction	0	0	0	145
B.II. Tangible fixed assets	93 031	-55 154	37 877	40 124
B.II.1. Land, Buildings and structure	52 861	-27 743	25 118	26 713
B.II.1.1. Land	1 584	0	1 584	1 584
B.II.1.2. Buildings and structures	51 277	-27 743	23 534	25 129
B.II.2. Machines, tools and equipment, transportation means, furniture and office equipment	39 623	-27 411	12 212	13 339
B.II.5. Advance payments for tangible fixed assets and tangible assets under construction	547	0	547	72
B.II.5.2. Tangible assets under construction	547	0	547	72
B.III. Long-term financial assets	13 430	0	13 430	22 272
B.III.1. Shares and ownership interests in subsidiaries	13 427	0	13 427	22 272
B.III.5. Other long-term securities and ownership interests	3	0	3	0
C. Current assets	444 282	-9 915	434 367	575 925
C.I. Inventory	68 845	-3 286	65 559	100 213
C.I.1. Raw materials	17 483	-696	16 787	15 531
C.I.2. Work in progress and semi-finished products	48 645	-2 309	46 336	83 775
C.I.3. Finished goods and merchandise	2 717	-281	2 436	907
C.I.3.1 Finished goods	2 717	-281	2 436	907
C.II. Receivables	343 079	-6 629	336 450	358 222
C.II.1. Long-term receivables	70 388	0	70 388	77 522
C.II.1.1 Trade receivables	58 657	0	58 657	47 018
C.II.1.4 Deferred tax asset	4 374	0	4 374	2 475
C.II.1.5 Other receivables	7 357	0	7 357	28 029
C.II.1.5.2 Long-term advance payments	0	0	0	28 029
C.II.1.5.4 Other receivables	7 357	0	7 357	0
C.II.2. Short-term receivables	272 691	-6 629	266 062	280 700
C.II.2.1 Trade receivables	174 080	-6 629	167 451	187 454
C.II.2.2 Receivables from controlled entities, controlling entities and from entities under common control	9 985	0	9 985	13 212
C.II.2.4 Other receivables	88 626	0	88 626	80 034
C.II.2.4.3 Due from state - tax receivables	9 253	0	9 253	38 458

FANS, a.s., ID No. 25625381
BALANCE SHEET AS AT 31. 12. 2016

Assets pg. 2

ASSETS	Gross	Current Year Adjust.	Net	Prior Year Net
C.II.2.4.4 Short-term advance payments	51 447	0	51 447	29 047
C.II.2.4.5 Estimated receivables	685	0	685	0
C.II.2.4.6 Other receivables	27 241	0	27 241	12 529
C.IV. Cash in hand and bank accounts	32 358		32 358	117 490
C.IV.1. Cash in hand	224		224	417
C.IV.2. Bank accounts	32 134		32 134	117 073
D. Accruals of assets	1 689		1 689	2 842
D.1 Deferred expenses	1 684		1 684	2 826
D.3 Deferred cash receipts	5		5	16

Balance Sheet

FANS, a.s., ID No. 25625381
BALANCE SHEET AS AT 31. 12. 2016

LIABILITIES	Current Year	Prior Year
TOTAL EQUITY AND LIABILITIES	489 239	643 769
A. Equity	69 425	112 469
A.I. Registered capital	10 000	10 000
A.I.1. Registered capital	10 000	10 000
Share premium and capital contributions	-5 186	3 129
A.II.2. Capital contributions	-5 186	3 129
A.II.2.2. Gains or losses from revaluation of assets and liabilities (+/-)	-5 186	3 129
A.III. Legal, statutory and other reserve funds	2 039	2 036
A.III.1. Other reserve funds	2 000	2 000
A.III.2. Statutory and other reserves	39	36
A.IV. Profit/Loss - previous year (+/-)	90 354	69 476
A.IV.1. Retained profits from previous years	90 354	69 476
A.V. Profit/Loss - current year	-27 782	27 828
B. + C. Liabilities	408 282	530 805
B. Provisions	11 473	8 278
B.2. Income tax provision	11 079	4 232
B.4. Other provisions	394	4 046
C. Liabilities	396 809	522 527
C.I. Long-term liabilities	27 580	96 342
C.I.2. Liabilities to credit institutions	5 270	73 520
C.I.3. Long-term advances received	8 432	15 656
C.I.4 Trade payables	11 065	5 327
C.I.9. Other liabilities	2 813	1 839
C.I.9.3. Other liabilities	2 813	1 839
C.II. Short-term liabilities	369 229	426 185
C.II.2. Liabilities to credit institutions	160 201	93 496
C.II.3. Advances received	16 080	73 264
C.II.4. Trade payables	168 504	236 185
C.II.6. Liabilities to controlled entities, controlling entities and from entities under common control	6 950	0
C.II.8. Other liabilities	17 494	23 240
C.II.8.3. Liabilities to employees	2 822	3 025
C.II.8.4. Social security and health insurance liabilities	1 639	1 691
C.II.8.5. Due to state - taxes and subsidies	398	487
C.II.8.6. Estimated liabilities	4 359	15 265
C.II.8.7. Other liabilities	8 276	2 772

FANS, a.s., ID No. 25625381
BALANCE SHEET AS AT 31. 12. 2016

Liabilities pg. 2

LIABILITIES	Current Year	Prior Year
D. Accruals of liabilities	11 532	495
D.1. Accrued expenses	1	495
D.2. Deferred revenue	11 531	0

Date: 2. 6. 2017

Signature:



Cash Flow Report

Prepared in accordance with Regulation no. 500/2002 Coll.				OVERVIEW OF CASH FLOW			Trade firm or other name of the accounting unit		
				(statement of cash-flow) as of 31.12.2016			FANS, a.s.		
				(in whole thousands of CZK)			Chair, place of residence or place of business of the accounting unit		
							Na květnici 1064/17		
							140 00 Praha 4		

Overview of Changes in Equity

FANS, a.s.
Na květnici 1064/17
Prague 4
14000

Id. no.: 25625381
Accounting period: 1 Jan 2016 thru 31 Dec 2016

OVERVIEW OF CHANGES TO EQUITY CAPITAL

AS OF 31 Dec 2016 AND 31 Dec 2015

(in whole thousands of CZK)

	Registered capital	Agio and capital funds	Funds from profit	Results of economic performance of the previous years	Result of the current period	Equity capital, total
	A.I.	A.II.	A.III.	A.IV.	A.V.	A.
Balance as of 1 Jan 2016	10 000	3 129	2 036	69 476	0	84 641
Appreciation differences from the revaluation of interests	0	-8 315	0	0	0	-8 315
Social fund	0	0	3	0	0	3
Transfer of profits from 2015	0	0	0	27 828	0	27 828
Result of economic performance in 2016	0	0	0	0	-27 782	-27 782
Decision on payment of dividend	0	0	0	-6 950	0	-6 950
Balance as of 31 Dec 2016	10 000	-5 186	2 039	90 354	-27 782	69 425

	Registered capital	Agio and capital funds	Funds from profit	Results of economic performance of the previous years	Result of the current period	Equity capital, total
	A.I.	A.II.	A.III.	A.IV.	A.V.	A.
Balance as of 1 Jan 2015	10 000	-2 652	2 035	114 683	0	124 066
Appreciation differences from the revaluation of interests	0	5 781	0	0	0	5 781
Social fund	0	0	1	0	0	1
Transfer of losses from 2014	0	0	0	-45 207	0	-45 207
Result of economic performance in 2015	0	0	0	0	27 828	27 828
Balance as of 31 Dec 2015	10 000	3 129	2 036	69 476	27 828	112 469

Time of compilation: 2 June 2017

Signature record:.....

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Key Performance Indicators

	Measuring units	2016	2015	2014
Revenues from sale	CZK mil.	680,2	952,8	408,3
of which: exports	CZK mil.	652,1	913,4	348,2
Average number of employees	persons	124,5	132,8	149,8
Value added	CZK thous.	33 020,0	132 662,0	45 161,0
Work product from value added	CZK thous.	271,8	999,0	305,6
Average monthly income	CZK	25 806,0	25 708,0	27 111,0
Profit before tax	CZK thous.	-22 223,0	41 496,0	-57 041,0
Profitability (operating profit / revenues)	%	-4,9	6,4	-7,5
Total assets	CZK mil.	489,2	643,8	509,7
of which: fixed assets	CZK mil.	53,2	65,0	66,1
current assets	CZK mil.	434,4	575,9	441,5
Total equity and liabilities	CZK mil.	489,2	643,8	509,7
of which: equity	CZK mil.	69,4	112,5	78,9
of which: registered capital	CZK mil.	10,0	10,0	10,0
liabilities	CZK mil.	408,3	530,8	430,1
of which: bank loans	CZK mil.	165,5	167,0	226,9
Share of liabilities in total equity and liabilities	%	83,5	82,4	84,4



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 1 274 mil.
Added Value	CZK 300 mil.
Personnel Costs	CZK 74 mil.
Economic Result before Taxes	CZK 153 mil.
Equity	CZK 209 mil.
External Resources	CZK 601 mil.

FANS Around the World, Contacts

FANS, a.s.

Managing Director,
Commercial Division

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FANS, a.s.

Production & Technical Division

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Czech Republic

Headquarters of Subsidiaries Abroad
Slovak Republic
Poland
Russian Federation
India
Kazakhstan

Our Customers