

15

ANNUAL
REPORT

BUSINESS NAME	Bronswerk Heat Transfer spol. s r.o.
BUSINESS REG. NO. (TAX ID)	14867125 (CZ14867125)
LEGAL FORM	Limited Liability Company
DATE OF INCORPORATION	15 February 1991
BASIC CAPITAL	CZK 5,441 thousand
REGISTERED OFFICE & SEAT	Benešov nad Ploučnicí, Děčínská 288
COMMERCIAL REGISTER ENTRY	15 February 1991, Commercial Register maintained by the Regional Court in Ústí n.L., Section C, File No. 209
OWNER	BHT Holding B. V., The Kingdom of the Netherlands (100 %)
TELEPHONE (FAX)	412 590 511 (412 586 340)
E-MAIL	info@bronswerk.cz
WEB	www.bronswerk.cz

LIST OF CONTENTS

INTRODUCTION FROM THE COMPANY'S STATUTORY REPRESENTATIVE	4
COMPANY'S MANAGEMENT REPORT	5
Profile of the Company	6
History of the Company	7
Management & Organizational structure	8
Custom Manufacture	9
Technical and Manufacturing potential	12
Employees of the Company	16
Economic indicators	18
Investments	20
Repairs and maintenance of the property	21
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015	22
REPORT ON RELATIONS BETWEEN RELATED PARTIES FOR THE YEAR ENDED 31 DECEMBER 2015	46
INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT	53

INTRODUCTION FROM THE COMPANY'S STATUTORY REPRESENTATIVE



Dear Madams, dear Sirs,

In the year 2015, our company achieved revenues at an amount of CZK 457.4 million which is nearly by CZK 70 million more than in 2014. The profit after tax at an amount of CZK 22.5 million is, compared to that in the year 2014, nearly 11 percent higher. From the point of view of the Financial Statements, the year 2015 was in the history of the company an averagely successful year. Similarly as in the previous year the amount of the revenues and of the shown profit was negatively impacted by decisions of some major customers to postpone the shipping of the already finished orders until the year 2016, or to reschedule the installation of them at the sites also until the year 2016. Without such decisions of the customers the financial results of our company would have been considerably better. The positive results of the deferred orders will be reflected positively only in the results of the year 2016.

In the year 2015, the company expended for investments and repairs approximately CZK 10.2 million and prepared new investments both to the machinery as well as to the real property.

It has already become a tradition that the company most of its activities performs abroad. Upon decision of the owner of the company we have orientated to the markets of Central Europe and East Europe, particularly Russia. And just the problems associated with the situation in Ukraine and with the relations of EU with Russia hindered our business activities in the year 2015. To overcome the problems on the Russian market, we also used our Russian subsidiary in 2015, which in its own name signed its first major contract worth EUR 4.47 million. In addition, Our company strives to more direct its business to other, for the company new, markets. We managed to sign a contract for a supply worth USD 3 million to Iraq in 2015.

For the 2016, our company is planning revenues at an amount of CZK 633 million, whereas as of today we have already contracted these revenues at an amount of CZK 541 million. Therefore, I believe that we will succeed in filling the financial plan of this year and that we will create enough financial funds for the further growth of our company.

Upon the overall assessment of the results achieved for the year 2015 I can thus conclude that BRONSWERK HEAT TRANSFER spol. s r.o. has been successfully continuing in its growth, and coped with all of its obligations.

In 2016, the company is expecting a significant change which is a decision of its current owner to sell its entire stake in the company to a new owner. The sale is planned to be finalized in September 2016.

In conclusion, I would like to thank our business partners for the cooperation and also the employees of our company for the properly performed work and efforts in fulfilling the tasks imposed.

Ing. Josef Charouz
Statutory Representative

In Benešov nad Ploučnicí on 10 June 2016



COMPANY'S MANAGEMENT REPORT

PROFILE OF THE COMPANY



Bronswerk Heat Transfer spol. s r.o. is a mechanical engineering company with a history dating back to the early nineties of the last century, and with its production and services rendered it is focused on **equipment and systems of heat transfer in the industry**. The company has its registered seat in Benešov nad Ploučnicí, a small town in the north of the Czech Republic, in the immediate vicinity of the border with the FRG.

For more than twenty years of its activity, Bronswerk Heat Transfer has established itself in a variety of countries of the European Union and Central and Eastern Europe as a noteworthy producer and supplier of heat exchange systems. The key products of the company are particularly air cooled heat exchangers, tube heat exchangers and air condensers. Its supplies include also other mechanical engineering products which relate to heat transfer systems. Within its industry, the company also renders servicing activities, inspection and consultancy services.

Bronswerk Heat Transfer finds its major customers typically beyond the borders of the Czech Republic. The exclusive customers comprise industrial companies, petrochemical and energy generating plants. Other customers of the company include contractors of superior investments projects where Bronswerk Heat Transfer participates therein as a subcontractor.

The company is, despite the less gratifying eras of the global economy, able to achieve good performances. This is evidenced by the general **indicators of the economic activity throughout the years of 2011 – 2015**.

	2011	2012	2013	2014	2015
TOTAL TURNOVER *	737	639	391	388	457
EXPORT *	475	582	352	354	377
EBIT *	101	46	23	29	29
TOTAL ASSETS *	580	519	468	505	507
FIXED ASSETS *	45	137	109	104	103
CAPEX *	15	99	9	4	9
TOTAL EMPLOYEES	138	145	148	143	138

* in CZK Millions

HISTORY OF THE COMPANY



1991 ESTABLISHMENT OF ENVIG SPOL. S R.O.

The history of Bronswerk Heat Transfer has its onset at the beginning of the year 1991, whereas at that time yet under the name of ENVIG spol. s r.o. The original specialization of the purely Czech company was an engineering activity covering thermal calculations and designs of heat exchangers.

1996 MOVING THE COMPANY INTO A NEW PRODUCTION SITE

Soon the company ENVIG started with assembling supplies of thermal equipment and its own production. For the sake of extending the production capacities, the company moved in 1996 into a large production site in Benešov nad Ploučnicí. In the same year, the company had a workforce of 60 employees.

1999 THE ONSET OF THE COOPERATION WITH BRONSWERK HEAT TRANSFER B. V.

At the break of the century the company started cooperating with a similarly oriented Dutch company Bronswerk Heat Transfer B. V., and, in 2000 it made a capital merge with the latter company. In the same year the company's workforce reached 90 people.

2007 THE COMPANY BECAME A 100% SUBSIDIARY OF BHT HOLDING B. V.

Over the period until 2007, the Dutch partner had been gradually assuming the whole share in the possession of the originally Czech company. In that year, the name of the Czech company changed for the last time, into Bronswerk Heat Transfer spol. s r.o. In 2007, the company employed as many as over 140 employees.

2013 COMPLETION OF A VAST CONSTRUCTION OF NEW MANUFACTURING PREMISES

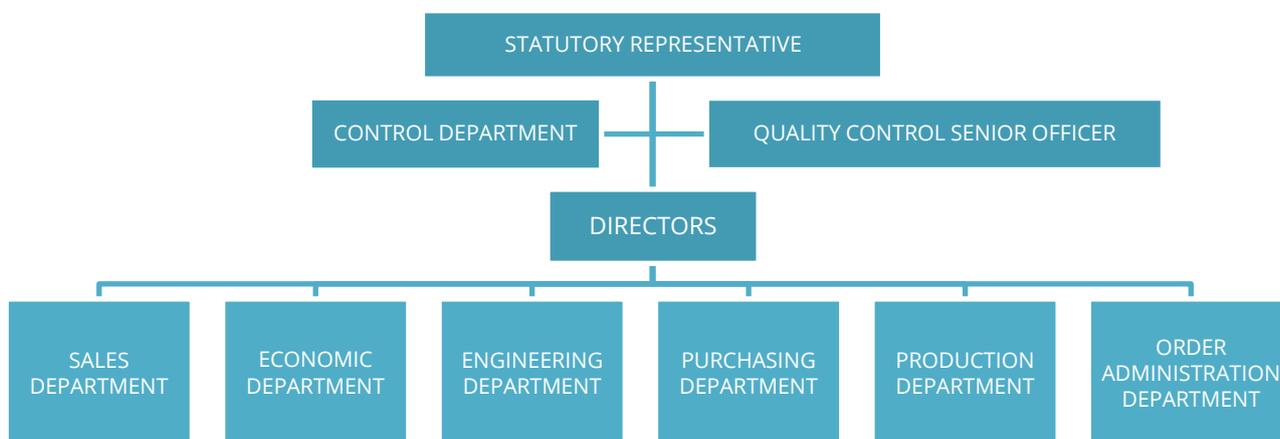
In the 2013, the company completed a vast investment into the construction of new manufacturing premises and the reconstruction of the existing ones. Thanks to such investment, the production capacities have considerably extended, being essential for the further growth of the company.

2014 THE ESTABLISHMENT OF THE SUBSIDIARY IN THE RUSSIAN FEDERATION

In the year 2014, Bronswerk Heat Transfer established, for the sake of a more flexible reaction to the requirements of the customers in the Russian market and better satisfaction of their needs, the subsidiary OOO Bronswerk Heat Transfer with the seat in Moscow.

Nowadays, Bronswerk Heat Transfer spol. s r.o. is part of the BHT Holding B. V., and is making business in a number of markets of the European Union and the countries of the former Eastern Block. Such fact has brought with it the status of an international company which, together with its sister company and under the mark of Bronswerk it supplies its equipment and services in the global extent.

MANAGEMENT & ORGANIZATIONAL STRUCTURE



STATUTORY REPRESENTATIVE	Ing. Josef Charouz
COMMERCIAL DIRECTOR	Ing. Pavel Klement
TECHNICAL DIRECTOR	Ing. Martin Němec
FINANCIAL DIRECTOR	Ing. Karel Hartman
CONTROL MANAGER	Ing. Pavel Pečiva
SALES MANAGER	Ing. Tomáš Fogl
FINANCE MANAGER	Ing. Petr Hajný
ENGINEERING MANAGER	p. Gejza Vöröš
PURCHASING MANAGER	p. Radek Kužel
PRODUCTION MANAGER	Ing. Antonín Hrstka
ORDER ADMINISTRATION MANAGER	p. Miroslav Brzák

As of 31 December 2015, Bronswerk Heat Transfer spol. s r.o. owned a 99% share in the basic capital of OOO Bronswerk Heat Transfer. As of 31 December 2015, Bronswerk Heat Transfer spol. s r.o. had no foreign branch.

CUSTOM MANUFACTURE



Bronswerk Heat Transfer specializes to the process design, design documentation, construction, and supplies of the systems and different **equipment for heat exchange systems**.

The most important **industries** where the company supplies its equipment to, are, particularly, the following:

- › **Petrochemical and chemical industries**
- › **Power and heat generation industries**
- › **Food industry**
- › **Communal waste incineration plants**

Besides standard equipment, the company is able to offer **turn-key projects**:

- › **Industrial cooling circuits**
- › **Water cooled steam condensers**
- › **Air cooled steam condensers**
- › **Feeding water heating system**

As a necessary part of such equipment, the company supplies the complete process design, thermal, hydraulic and strength designs, electric instrumentation, the installation or engineering supervision, including commissioning and performance tests.

Bronswerk Heat Transfer endeavors to continually expand the production and contractor's program and services rendered. Thanks to the license agreements for the designing programs for the thermal-hydraulic design of exchangers and the flow of fluids, the company is able to prepare the design and to perform the supply of **different non-standard equipment according to the wish of the customer**. The vision of Bronswerk Heat Transfer is to offer, in addition to supplies of separate equipment, also complete packages of technological systems.



As a standard, Bronswerk Heat Transfer is active in the supplies of such **equipment and its accessories**:

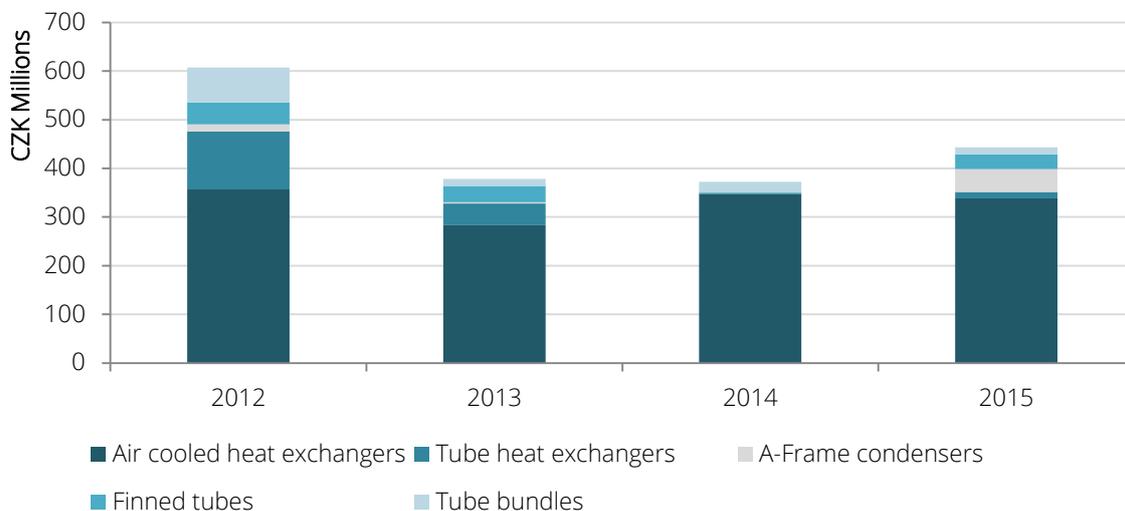
- › **Air cooled heat exchangers**
 - › Process coolers
 - › Air cooled condensers
- › **Tube heat exchangers**
 - › Process exchangers
 - › Water cooled condensers
- › **Air heaters**
- › **Finned tubes & Tube bundles**
- › **Pressure vessels**
- › **Steel structures**

In the framework of its activity the company provides also **service activities, installation services, inspection activities and consultancy services**. They include particularly the below activities:

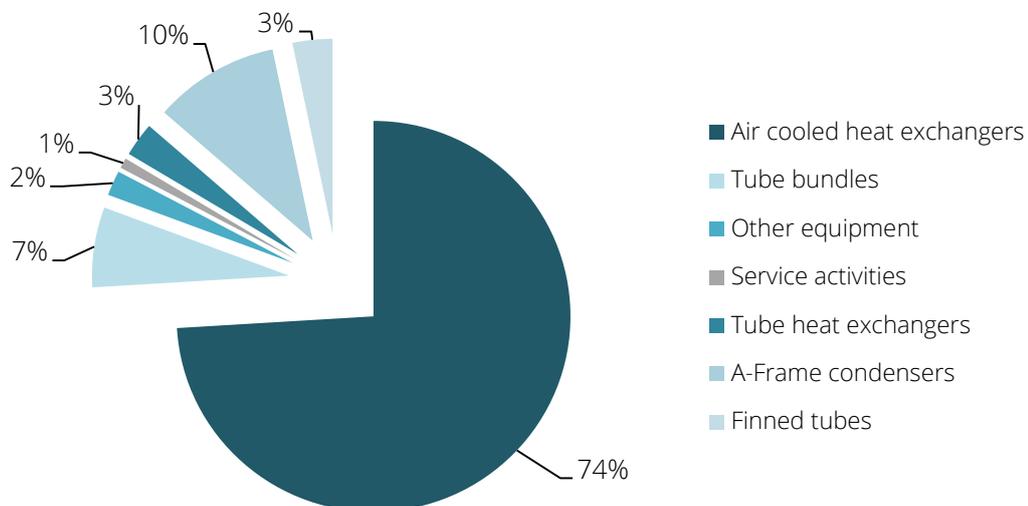
- › **Inspections of exchangers, machines and their accessories, troubleshooting and detecting inconsistencies**
- › **Proposals of modifications and optimizing the existing system**
- › **Pressure tests**
- › **Mechanical and chemical cleaning of exchangers**
- › **Dismantling and assembling of exchangers and their accessories**
- › **Replacement of parts and repairs**



The most significant supplies of equipment contributed within the years 2012 – 2015 to the revenues of the company in the below ratios:



In the year 2015, all the supplied units of equipment and services contributed to the total revenues of the company in the below ratio:

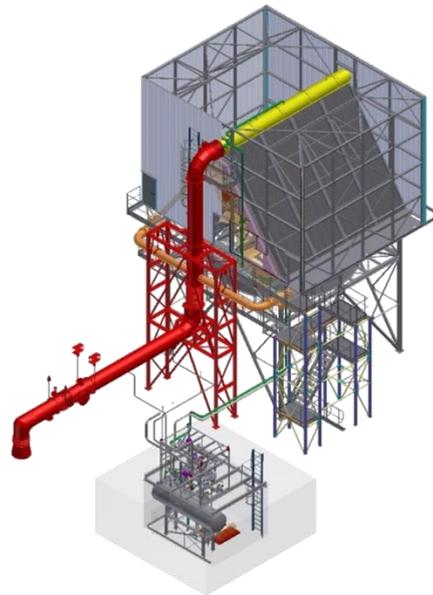




TECHNICAL AND MANUFACTURING **POTENTIAL**

The core processes of Bronswerk Heat Transfer are:

- › **Engineering and designing activities**
- › **Finning tubes**
- › **Welding, heat treatment and machining of weldments**
- › **Inspection and testing activities**
- › **Surface treatments and painting**
- › **Assembling, installation and servicing the products**



ENGINEERING

The **process analysis, outline design, design, construction and technology** of the individual items of equipment and technological nodes are provided by Bronswerk Heat Transfer with its core employees. In the Engineering Department, there were **25 specialists** at the end of the year 2015.

The company has enough highly qualified employees for the process and design and the preparation of the production of the designed equipment. Thanks to the licenses for several design programs for the thermal-hydraulic design of exchangers and flow of fluids the employees are able to prepare also a design of non-standard equipment according to the wish of the customer. For their work, the outline designers and designers routinely use modern computer programs for heat transfer, flow of fluids and the creation of a 3D documentation.

All equipment units are designed and manufactured in accordance with the requirements of the customer, while respecting the prior agreed upon standards and specifications. The thermal, hydraulic and strength design are performed for each project as per the defined process parameters which make it possible to supply the equipment in an **optimized form in accordance with the requirements of the customer.**

The company did not implement any projects in the research and development field in 2015.



PRODUCTION CAPACITIES

Bronswerk Heat Transfer has enough capacities for providing all core processes and is able to supply its equipment even in non-standard materials, such as **stainless steel, duplex steel, aluminium alloy, copper, brass, monel, inconel, incoloy, or titanium**. The production itself is performed in the production site in the seat of the company in Benešov nad Ploučnicí near Děčín.

For the production of several types of finned tubes which are the basic part of air exchangers, the company uses **three finning machines**.

One of the core processes in the production of equipment is **welding** where the company, thanks to the efforts of its professional staff, achieves very good results. For welding, the company is equipped with welding facilities which include standard welding units, semi-automatic welding machines and **special equipment** for the orbital welding of tubes or automated submerged arc welding. The welding operations are performed by the company's own personnel with a top expertise at an international level and under the supervision of several welding technologists. For the next processing of weldments, the company uses its own annealing furnace and blasting machine. The machinery equipment of the production shops, including CNC machining centers, allow the company to make the further processing of mill materials and weldments.

For the final assembly and construction of technological units, the company has **production premises** with two crane tracks and four bridge cranes, each of a capacity of 30 tons. Thus, the company is able to manufacture equipment of a total weight of up to 60 tons. Upon demand of the customer the company has, thanks to the adequate size of the handling area, a location for making the check assembly of coolers or the **measurement** of noise and vibrations.



QUALITY ASSURANCE

For the **quality assurance and the safety of the equipment**, all the essential elements of the execution of orders are stipulated in the company's system documentation, subject to which the company repeatedly passes successfully the renewal and recertification audits.

The company successfully passes renewal and recertification audits of the Quality Control System in accordance with the standards ČSN EN **ISO 9001** "Quality Management System", ČSN EN **ISO 3834-2** "Stricter requirements for the quality on fusion welding of metal materials", and in addition, the company is the holder of the certification for the production of steel structures acc. to ČSN EN 1090-2.

For its qualified personnel, Bronswerk Heat Transfer is also the holder of the international certification for the production of pressure vessels in accordance with **ASME** CODE VIII Division I of the American Association of Mechanical Engineers. Thanks to this certification, the units of equipment produced are registered in the global registration system of the organization The National Board of Boiler & Pressure Vessel Inspectors, which is the evidence of the quality and safety of pressure vessels.

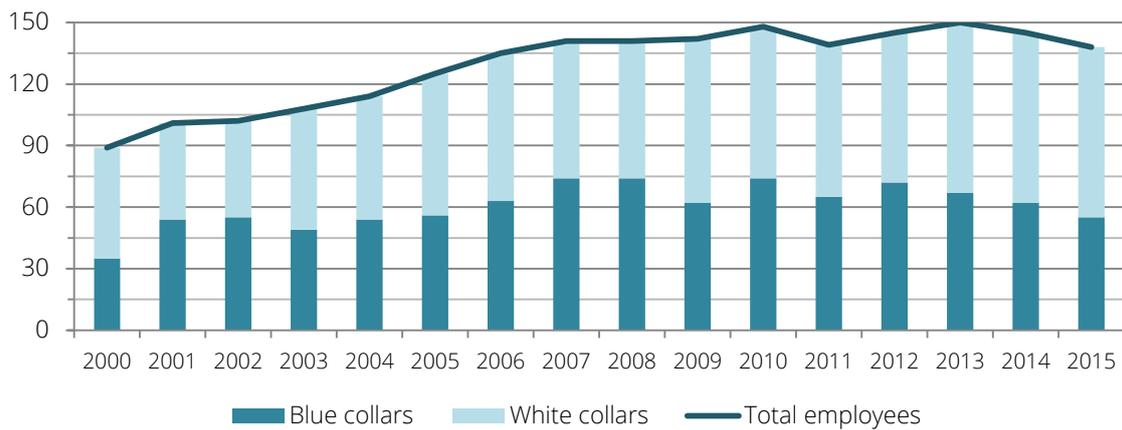
In addition, Bronswerk Heat Transfer is subject to periodical recertification processes for the eligibility for supplying equipment and using the same safely in the territory of the Russian Federation, Ukraine and Belarus in accordance with the standards **GOST R**, which are applicable in the Commonwealth of Independent States.

The company runs its activity in accordance with the applicable legislative relating to the protection of the environment. Accordingly, all production takes place in a way that the negative impacts upon the environment are minimized.

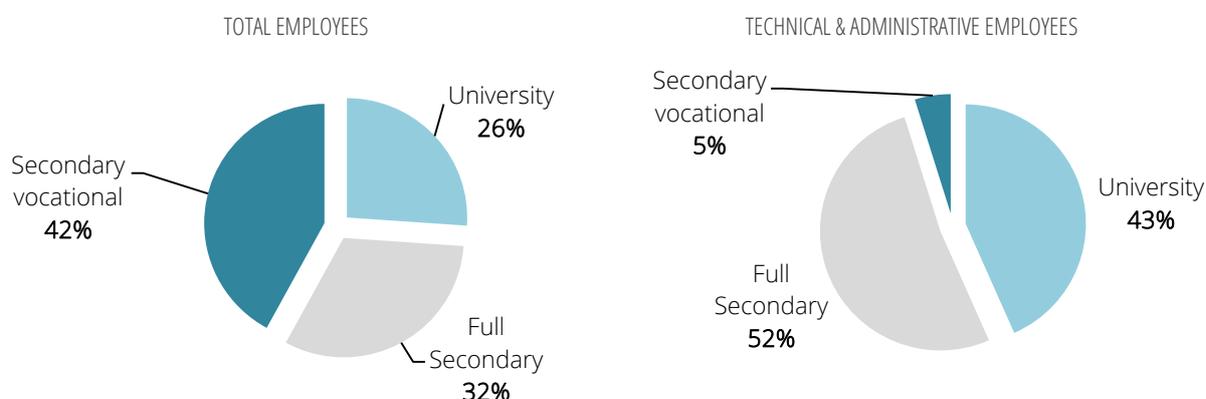
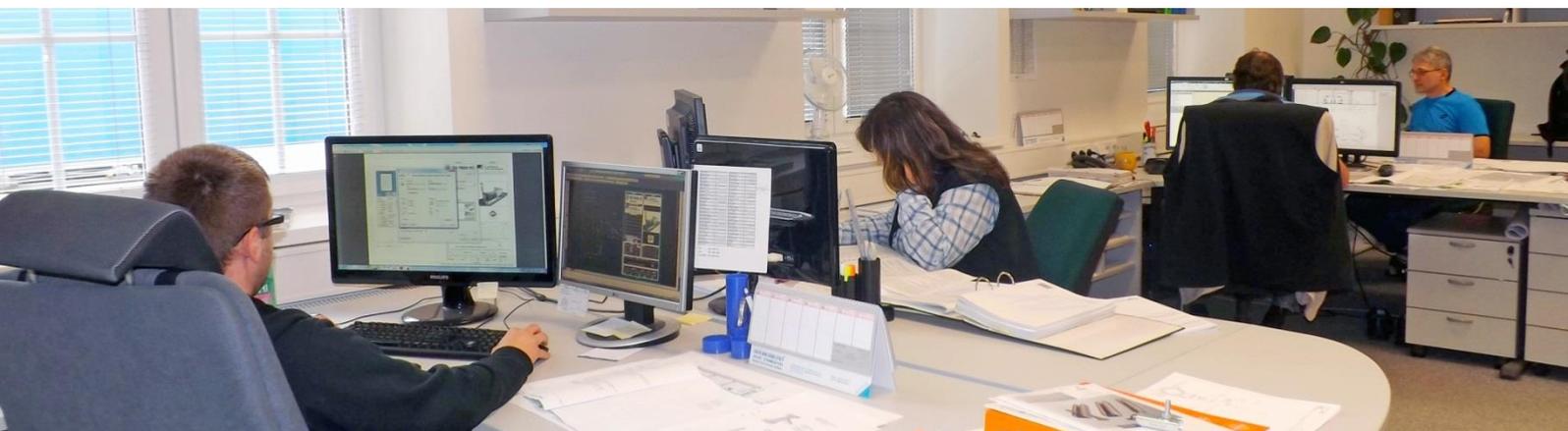
EMPLOYEES OF THE COMPANY



The number of employees of the company Bronswerk Heat Transfer has been kept at the **stable level within recent years**. At the end of 2015, the company had a workforce of 138 people.



EDUCATION LEVEL STRUCTURE



University education's share in the education level structure of the white collar staff positions is 43%, and in the education level structure of all employees it is 26%.

Bronswerk Heat Transfer fosters **additional education and increasing the qualification of its employees**. In 2015, the company allocated **CZK 980 thousand** for professional education. Likewise in the previous years, the company provides **free of charge education of foreign languages**.

In the year 2015, the company, within the projects "Vzdělávejte se pro růst v Ústeckém kraji!" ("Learn for the Growth in the Ústí nad Labem Region!") and "Vzdělávejte se pro růst v Ústeckém kraji II" ("Learn for the Growth in the Ústí nad Labem Region!") joined Operační program Lidské zdroje a zaměstnanost (**Operational Program of Human Resources and Employment**). In the year 2015, through such projects, slightly below 33 % of the costs for the education of the employees, i.e. **CZK 320 thousand**, were financed from the funds of the European Social Fund and the State Budget of the Czech Republic.



ECONOMIC INDICATORS

THE TREND OF THE REVENUES FOR THE SALES OF PRODUCTS AND SERVICES RENDERED



PROFIT & LOSS ACCOUNT

(SELECTED INDICATORS IN CZK THOUSANDS)

RESULTS OF OPERATIONS	2015	2014	2013
REVENUES FROM OWN PRODUCTS AND SERVICES	456,938	388,325	391,111
OTHER REVENUES	9,497	12,847	27,259
CHANGE TO WIP	(19,062)	103,108	22,772
TOTAL REVENUES	447,373	504,280	441,142
MATERIAL AND SERVICES	315,181	361,759	315,131
PERSONNEL EXPENSES	72,096	75,530	69,412
DEPRECIATION AND AMORTIZATION	9,291	9,657	9,138
REPAIRS AND MAINTENANCE	2,193	6,020	10,904
TAXES AND FEES	194	191	125
OTHER OPERATING EXPENSES	3,176	5,116	2,216
INTERESTS	751	1,211	1,122
FINANCE EXPENSES	11,226	11,863	21,697
CHANGE IN PROVISIONS AND ALLOWANCES	3,901	5,757	(11,228)
TOTAL COSTS	418,009	477,104	418,517
PROFIT OR LOSS BEFORE TAX	29,364	27,176	22,625
INCOME TAX	6,834	6,937	3,842
PROFIT OR LOSS FOR THE YEAR	22,530	20,239	18,783

ASSETS STRUCTURE

(SELECTED INDICATORS IN CZK THOUSANDS)

ASSETS	2015	2014	2013
INTANGIBLE ASSETS	1,137	1,697	2,010
LAND, CONSTRUCTIONS AND MACHINERY	101,070	101,129	106,559
SUBSIDIARIES	830	948	0
FIXED ASSETS	103,037	103,774	108,569
INVENTORY	225,855	192,826	107,626
RECEIVABLES	73,681	17,806	102,358
FINANCIAL ASSETS	104,915	190,322	148,321
CURRENT ASSETS	404,451	400,954	358,305
OTHER ASSETS	34	446	701
TOTAL ASSETS	507,522	505,174	467,575

EQUITY & LIABILITIES	2015	2014	2013
BASIC CAPITAL	5,441	5,441	5,441
RETAINED EARNINGS	282,062	259,532	294,340
OTHER FUNDS	886	1,004	1,004
EQUITY	288,389	265,977	300,785
LONG-TERM LIABILITIES	0	0	0
SHORT-TERM LIABILITIES	181,665	234,610	122,036
BANK LOANS AND BORROWING	35,133	0	42,508
PROVISIONS	2,335	1,914	2,246
LIABILITIES	219,133	236,524	166,790
OTHER LIABILITIES	0	2,673	0
TOTAL EQUITY & LIABILITIES	507,522	505,174	467,575

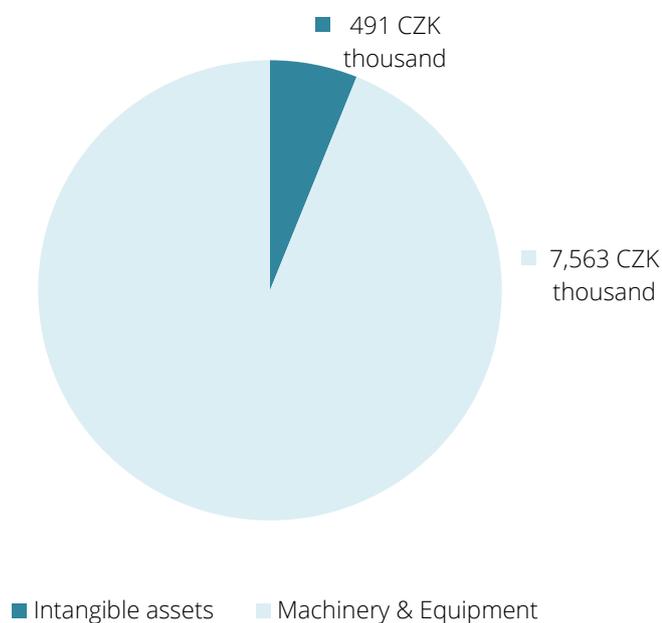
There were no events in the period between the date of this report and the balance sheet date, i. e. 31 December 2015, which are not disclosed in the financial statements and which would have a significant effect on the Company's operation and/or results.

INVESTMENTS

Compared to the previous period when Bronswerk Heat Transfer vastly invested into the project of machinery equipment, the total investment expenditures reached **an amount of CZK 8,054 thousand**.

Acquiring investments in 2015 occurred in the form of purchases of new fixed assets, particularly machines and equipment, and also the technical appreciation of the existing fixed assets. The most significant capital expenditures in the year 2015 were the acquisition rolling-in equipment at cost of CZK 990 thousand and of induction system at cost of CZK 941 thousand.

The structure of the completed investments in 2015 is shown in the below graph:



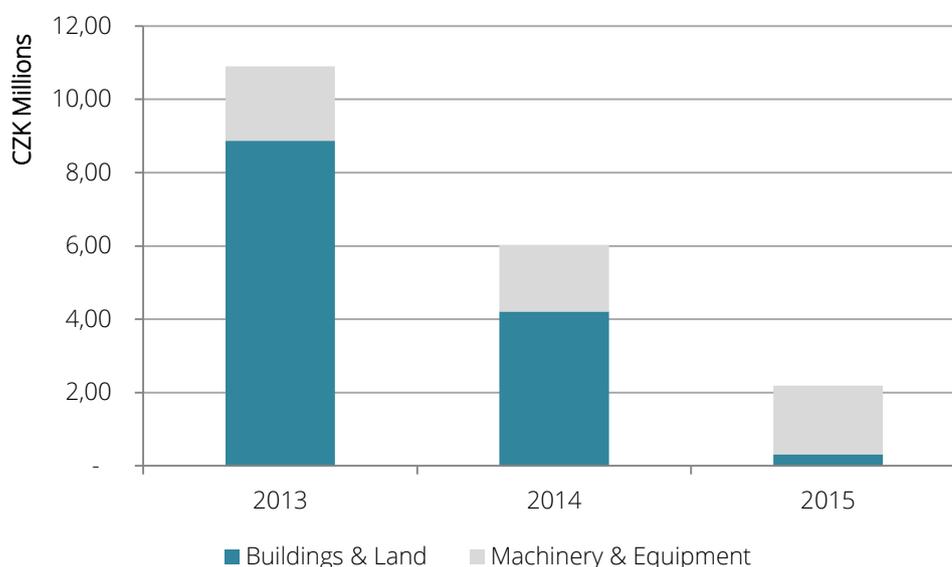
In 2013, the company completed a vast investment into the construction of the new production premises and refurbishment of the existing ones. Thanks to this investment, the manufacturing capacities being essential for the further growth and development of the company considerably extended.

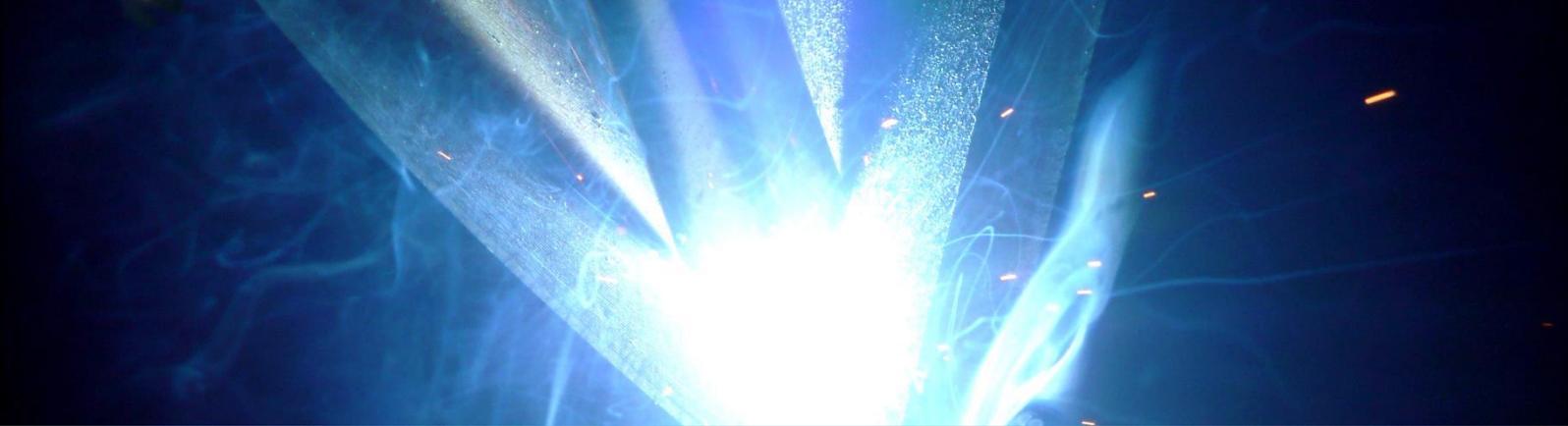
REPAIRS AND MAINTENANCE OF THE PROPERTY

The scheduling and performance of repairs and maintenance of the production equipment and buildings were made by the company with respect to the condition of its property, and in case of buildings, also to its financial potential. In 2015, for the repair and maintenance of the property, the company expended a total of **CZK 2,193 thousand**.

The most significant costs for the repairs and maintenance of buildings and land in the years 2013 and 2014 was the repair of the surface and fencing of the site of the company at an amount of CZK 11,129 thousand.

Structure of the costs for the repairs and maintenance of the property in the years 2013 – 2015 is shown in the below graph:





THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2015

BRONSWERK HEAT TRANSFER spol. s r.o. as at 31 December 2015
Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

BALANCE SHEET - LONG FORM

		Current year			Prior year 2014
		Gross	Allowances	Net	Net
	TOTAL ASSETS	613,260	(105,738)	507,522	505,174
A.	STOCK SUBSCRIPTION RECEIVABLE				
B.	FIXED ASSETS	191,517	(88,480)	103,037	103,774
B. I.	Intangible assets	7,519	(6,382)	1,137	1,697
B. I. 1	Foundation and organization expenses				
2	Research and development				
3	Software	7,519	(6,382)	1,137	1,697
4	Patents, royalties and similar rights				
5	Goodwill				
6	Other intangible assets				
7	Intangible assets in progress				
8	Advances granted for intangible assets				
B. II.	Tangible assets	183,168	(82,098)	101,070	101,129
B. II. 1	Land	661		661	661
2	Constructions	112,425	(29,506)	82,919	86,928
3	Separate movable items and groups of movable items	80,518	(63,644)	16,874	13,540
4	Perennial crops				
5	Livestock				
6	Other tangible assets				
7	Tangible assets in progress				
8	Advances granted for tangible assets	616		616	
9	Gain or loss on revaluation of acquired property	(11,052)	11,052	0	
B. III.	Financial investments	830	0	830	948
B. III. 1	Subsidiaries	830		830	948
2	Associates				
3	Other long-term securities and interests				
4	Loans and borrowings to subsidiaries and associates				
5	Other long-term investments				
6	Long-term investments in progress				
7	Advances granted for long-term investments				
C.	CURRENT ASSETS	421,709	(17,258)	404,451	400,954
C. I.	Inventory	237,541	(11,686)	225,855	192,826
C. I. 1	Materials	73,262	(4,114)	69,148	27,601
2	Work in progress and semi-finished production	104,415	(615)	103,800	38,214
3	Finished products	48,582	(6,957)	41,625	126,460
4	Livestock				
5	Goods	62		62	37
6	Advances granted for inventory	11,220		11,220	514
C. II.	Long-term receivables	1,298	0	1,298	2,651
C. II. 1	Trade receivables	153		153	1,445
2	Receivables from group companies with majority control				
3	Receivables from group companies with control of 20% - 50%				
4	Receivables from partners				
5	Long-term advances granted			0	
6	Unbilled revenue				
7	Other receivables				
8	Deferred tax asset	1,145		1,145	1,206

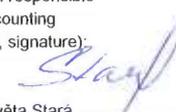
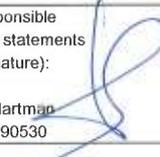
BRONSWERK HEAT TRANSFER spol. s r.o. as at 31 December 2015
Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

BALANCE SHEET - LONG FORM

		Current year			Prior year 2014
		Gross	Allowances	Net	Net
C. III.	Short-term receivables	77,955	(5,572)	72,383	15,155
C. III. 1	Trade receivables	60,285	(5,572)	54,713	6,959
2	Receivables from group companies with majority control	16,216		16,216	
3	Receivables from group companies with control of 20% - 50%				
4	Receivables from partners				
5	Social security and health insurance				
6	Due from government - tax receivables	1,093		1,093	3,461
7	Short-term advances granted				456
8	Unbilled revenue	98		98	4,173
9	Other receivables	263		263	106
C. IV.	Short-term financial assets	104,915	0	104,915	190,322
C. IV. 1	Cash	105		105	33
2	Bank accounts	104,810		104,810	190,289
3	Short-term securities and interests				
4	Short-term financial assets in progress				
D. I.	Accrued assets and deferred liabilities	34	0	34	446
D. I. 1	Prepaid expenses	34		34	95
2	Prepaid expenses (specific-purpose expenses)				
3	Unbilled revenue				351

BALANCE SHEET - LONG FORM

		Current year	Prior year 2014
TOTAL EQUITY & LIABILITIES		507,522	505,174
A.	EQUITY	288,389	265,977
A. I.	Basic capital	5,441	5,441
A. I. 1	Registered capital	5,441	5,441
2	Own shares and own ownership interests (-)		
3	Changes in basic capital		
A. II.	Capital funds	342	460
A. II. 1	Share premium (agio)	460	460
2	Other capital funds		
3	Gain or loss on revaluation of assets and liabilities	(118)	
4	Gain or loss on revaluation of corporation transformations		
5	Gain or loss on corporation transformations		
6	Gain or loss on revaluation upon corporation transformations		
A. III.	Funds created from profit	544	544
A. III. 1	Reserve fund	544	544
2	Statutory and other funds		
A. IV.	Profit (loss) for the previous years	259,532	239,293
IV. 1	Retained earnings for the previous years	259,532	239,293
2	Accumulated loss of previous years		
3	Other retained earnings for previous years		
A. V. 1	Profit (loss) for the year (+ / -)	22,530	20,239
A. V. 2	Approved decision on advances for profit distribution (-)		
B.	LIABILITIES	219,133	236,524
B. I.	Provisions	2,335	1,914
B. I. 1	Provisions created under special legislation		
2	Provision for pensions and similar obligations		
3	Provision for corporate income tax		
4	Other provisions	2,335	1,914
B. II.	Long-term liabilities	0	0
B. II. 1	Trade payables		
2	Liabilities to group companies with majority control		
3	Liabilities to group companies with control of 20% - 50%		
4	Liabilities to partners		
5	Long-term advances received		
6	Bonds payable		
7	Long-term notes payable		
8	Unbilled deliveries		
9	Other liabilities		
10	Deferred tax liability		
B. III.	Current liabilities	181,665	234,610
B. III. 1	Trade payables	53,077	19,514
2	Liabilities to group companies with majority control		948
3	Liabilities to group companies with control of 20% - 50%		
4	Liabilities to partners		
5	Liabilities to employees	3,386	3,782
6	Liabilities arising from social security and health insurance	2,006	1,998
7	Due to government – taxes and subsidies	1,598	2,063
8	Short-term advances received	116,389	198,033
9	Bonds payable		
10	Unbilled deliveries	3,307	8,088
11	Other liabilities	1,902	184
B. IV.	Bank loans and borrowings	35,133	0
B. IV. 1	Long-term bank loans		
2	Short-term bank loans	35,133	
3	Borrowings		
C. I.	Accrued liabilities and deferred assets	0	2,673
C. I. 1	Accruals		
2	Deferred income		2,673

Prepared on:	Signature of accounting entity's statutory body: 	Person responsible for accounting (name, signature): 	Person responsible for financial statements (name, signature): 
17.6.2016	Ing. Josef Charouz	Ing. Květa Stará	Ing. Karel Hartman tel.420412590530

BRONSWERK HEAT TRANSFER spol. s r.o. as at 31 December 2015
Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

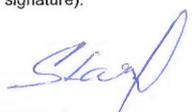
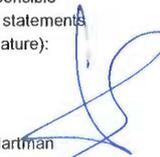
INCOME STATEMENT - LONG FORM

		Current year	Prior year 2014
I.	Revenue from sale of goods	436	291
A.	Cost of goods sold	414	286
+	Gross margin	22	5
II.	Production	437,876	491,433
II. 1	Revenue from sale of finished products and services	456,938	388,325
2	Change in inventory produced internally	(19,062)	103,108
3	Own work capitalized		
B.	Production related consumption	317,374	367,779
B. 1	Consumption of material and energy	234,900	208,574
B. 2	Services	82,474	159,205
+	Value added	120,524	123,659
C.	Personnel expenses	72,096	75,530
C. 1	Wages and salaries	52,141	54,631
C. 2	Bonuses to members of corporation management		
C. 3	Social security and health insurance	17,676	18,575
C. 4	Other social costs	2,279	2,324
D.	Taxes and charges	194	191
E.	Amortization and depreciation of intangible and tangible fixed assets	9,291	9,657
III.	Revenue from sale of intangible and tangible fixed assets and materials	1,019	1,289
III. 1	Revenues from sale of intangible and tangible fixed assets	407	478
2	Revenue from sale of materials	612	811
F.	Net book value of intangible and tangible fixed assets and materials sold	19	26
F. 1	Net book value of intangible and tangible fixed assets sold		22
F. 2	Materials sold	19	4
G.	Change in provisions and allowances relating to operations and in prepaid expenses (specific-purpose expenses)	3,901	5,757
IV.	Other operating revenues	1,655	2,817
H.	Other operating expenses	2,743	4,804
V.	Transfer of operating revenues		
I.	Transfer of operating expenses		
*	Profit or loss on operating activities	34,954	31,800
VI.	Revenue from sale of securities and interests		
J.	Securities and interests sold		
VII.	Income from financial investments	0	0
VII. 1	Income from subsidiaries and associates		
2	Income from other long-term securities and interests		
3	Income from other financial investments		
VIII.	Income from short-term financial assets		
K.	Expenses related to financial assets		
IX.	Gain on revaluation of securities and derivatives		
L.	Loss on revaluation of securities and derivatives	1,716	60
M.	Change in provisions and allowances relating to financial activities		
X.	Interest income	444	145
N.	Interest expense	751	1,211
XI.	Other finance income	5,943	8,305
O.	Other finance cost	9,510	11,803
XII.	Transfer of finance income		
P.	Transfer of finance cost		
*	Profit or loss on financial activities	(5,590)	(4,624)

BRONSWERK HEAT TRANSFER spol. s r.o. as at 31 December 2015
Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

INCOME STATEMENT - LONG FORM

		Current year	Prior year 2014
Q.	Tax on profit or loss on ordinary activities	6,834	6,937
Q. 1	- due	6,773	8,031
Q. 2	- deferred	61	(1,094)
**	Profit or loss on ordinary activities after taxation	22,530	20,239
XIII.	Extraordinary gains		
RI.	Extraordinary losses		
S.	Tax on extraordinary profit or loss	0	0
S. 1	- due		
S. 2	- deferred		
*	Extraordinary profit or loss	0	0
T.	Transfer of share of profit or loss to partners (+/-)		
***	Profit or loss for the year (+/-)	22,530	20,239
****	Profit or loss before taxation	29,364	27,176

Prepared on:	Signature of accounting entity's statutory body: 	Person responsible for accounting (name, signature): 	Person responsible for financial statements (name, signature): 
17.6.2016	Ing. Josef Charouz	Ing. Květa Stará	Ing. Karel Hartman tel.420412590530

1 DESCRIPTION OF THE COMPANY

BRONSWERK HEAT TRANSFER spol. s r.o. ("the Company") is a limited liability company incorporated on 15 February 1991 in the Czech Republic. The Company's registered office is located in Benešov nad Ploučnicí, Děčínská 288, zip code 407 22, Czech Republic and business registration number (IČ) is 14867125. The Company is involved in the construction of mechanical drive machines.

No significant changes were made to the Commercial Register entry in 2015.

BHT Holding B. V., Stationsweg 22, Nijkerk, the Netherlands, is the parent company which holds 100% interest in the Company's basic capital.

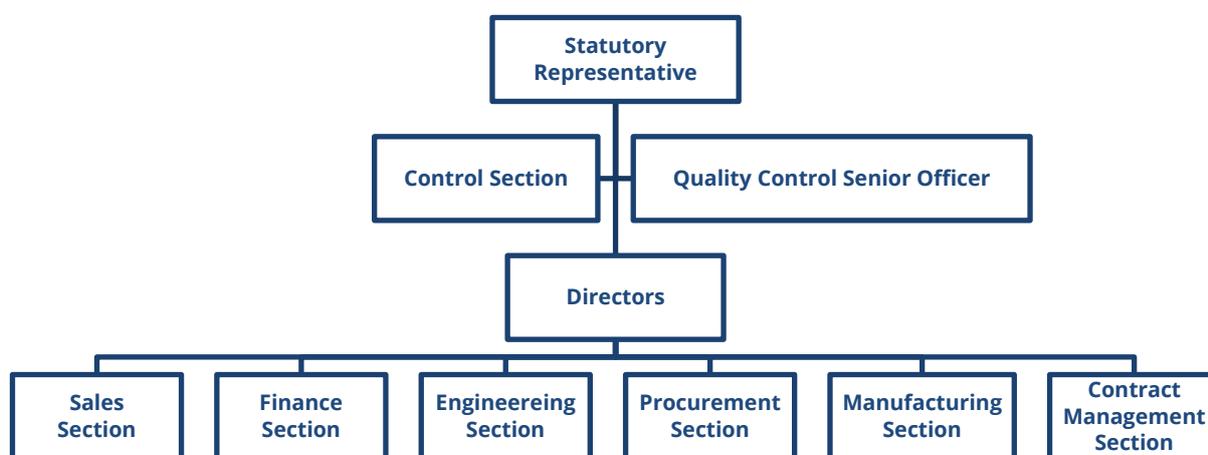
The Company is included in the consolidated group of the parent company.

In 2012, a right of pledge over the ownership interest of the parent company, BHT Holding B.V., BRONSWERK HEAT TRANSFER spol. s r.o. in favor of ABN AMRO Bank N.V. was established; it concerns ABN AMRO Bank N.V. receivables up to a total amount of EUR 18,296 thousand plus interest as well as prospective receivables arising in the period from 6 August 2012 to 1 July 2027 up to a total amount of EUR 18,296 thousand. The change was made in the Commercial Register entry on 17 October 2012.

The Company's sole Statutory Representative was Ing. Josef Charouz as at 31 December 2015.

At the end of 2014 the Company established a subsidiary in Russia.

The Company's organizational structure is as follows:



2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements were prepared in accordance with the Czech Act on Accounting and the related guidelines as applicable for 2015 and 2014.

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in preparing the 2015 and 2014 financial statements are as follows:

A. Intangible Fixed Assets

Intangible fixed assets are valued at their acquisition cost and related expenses.

Intangible fixed assets with a cost exceeding CZK 60 thousand are amortized over their useful economic lives.

Amortization

Amortization is calculated based on the acquisition cost and the estimated useful life of the related asset. The useful economic lives are as follows:

	Years
Software	3

B. Tangible Fixed Assets

Tangible fixed assets are recorded at their acquisition cost, which consists of purchase price, freight, customs duties and other related costs.

Internally-developed tangible fixed assets are recorded at their accumulated cost, which consist of direct material, labor costs and production overheads. Interest and other financial expenses incurred in the construction of tangible fixed assets are also capitalized.

Tangible fixed assets with a cost exceeding CZK 40 thousand are depreciated over their useful economic lives.

The costs of technical improvements are capitalized. Repairs and maintenance expenses are expensed as incurred.

Gain or loss on revaluation of acquired property arose in 1996 and represents the difference between the net book value of the part of an enterprise acquired by purchase and the amount paid and approved by the General Meeting.

Depreciation

Depreciation is calculated based on the acquisition cost and the estimated useful life of the related asset. The useful economic lives are as follows:

	Years
Constructions	30
Machinery and equipment	4 - 12
Vehicles	4
Gain or loss on revaluation of acquired property	15

C. Financial Assets

Short-term financial assets consist of cash in hand and at bank.

D. Inventory

Purchased inventory is stated at actual cost being determined using the weighted average method. Costs of purchased inventory include acquisition-related costs (freight, customs, commission, etc.).

Finished goods and work-in-progress are recorded at standard cost. The cost of inventory produced internally includes direct material and labor costs, sub-supplies and production overhead. If there is a significant difference between the standard costs and actual costs, finished products and work-in-progress are revalued at actual cost as at 31 December.

E. Receivables

Both long- and short-term receivables are carried at their realizable value after allowance for doubtful accounts where probability of the insurance fulfillment in case of insured receivables is considered.

F. Derivatives

Derivatives are initially measured at cost. Derivatives are recorded in other short-term receivables or payables, as appropriate, in the accompanying balance sheet.

Derivatives are revalued to fair value as at the balance sheet date. Changes in the fair value of derivatives held for trading are reported in income. The Company accounts for all derivatives as derivatives held for trading.

G. Equity

The basic capital of the Company is stated at the amount recorded in the Commercial Register maintained in the Regional Court. Any increase or decrease in the basic capital made pursuant to the decision of the General Meeting which was not entered in the Commercial Register as at the financial statements date is recorded through changes in basic capital. Contributions in excess of basic capital are recorded as share premium.

In the first year in which profit is generated, the Company, in accordance with its amended Memorandum of Association should allocate 10% of profit after tax (however, not more than 5% of basic capital) to the legal reserve fund. In subsequent years, the legal reserve fund is allocated 5% of profit after tax until it reaches 10% of basic capital. These funds can only be used to offset losses or to support measures taken to deal with unfavorable results of the Company.

H. Provisions and Liabilities

The Company creates provisions for losses and risks if the related purpose amount and timing can be reliably estimated and the accrual and matching principles are observed.

Long-term liabilities and current liabilities are carried at their nominal values.

Short-term and long-term loans are recorded at their nominal values. Any portion of long-term debt which is due within one year of the balance sheet date is classified as short-term debt.

I. Financial Lease

The Company records leased assets by expensing the lease payments and capitalizing the residual value of the leased assets when the lease contract expires and the purchase option is exercised. Lease payments paid in advance are recorded as prepaid expenses and amortized over the lease term.

J. Foreign Currency Transactions

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at a fixed rate set published by the Czech National Bank at the first day of every calendar month and applicable over the particular month. On the balance sheet date monetary items are adjusted to the exchange rates as published by the Czech National Bank as at 31 December.

Realized and unrealized exchange rate gains and losses were charged or credited, as appropriate, to finance income for the year.

K. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company management prepared these estimates and predictions based on all available relevant information. These estimates and assumptions are based on information available as at the date of the financial statements and may differ from actual results.

L. Recognition of Revenues and Expenses

Revenues and expenses are recognized on an accrual basis, that is, they are recognized in the periods in which the actual flow of the related goods or services occurs, regardless of when the related monetary flow arises.

The Company recognizes as an expense any additions to provisions for or allowances against risks, losses or physical damage that are known as at the financial statements' date.

Long-term contracts are accounted for according to the completed contract method (revenue is recognized in accordance with the conditions specified in the contract). For projects where pre-invoicing plays the role of advance payments the pre-invoicing is recognized as deferred income in the accompanying balance sheet until certain project stage is completed.

M. Income Tax

The corporate income tax expense is calculated based on the statutory tax rate and book income before taxes, increased or decreased by the appropriate permanent and temporary differences (e.g. non-deductible provisions and allowances, entertainment expenses, differences between book and tax depreciation, etc.

The deferred tax position reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax purposes, taking into consideration the period of realization.

N. Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

4 FIXED ASSETS

A. Intangible Fixed Assets (in CZK thousands)

COST

	At beginning of year	Additions	Disposals	At end of year
Software	7,027	492	-	7,519
2015 Total	7,027	492	-	7,519
2014 Total	7,238	1,135	(1,346)	7,027

ACCUMULATED AMORTIZATION

	At beginning of year	Amortization during year	Disposals	At end of year	Net book value
Software	(5,330)	(1,052)	-	(6,382)	1,137
2015 Total	(5,330)	(1,052)	-	(6,382)	1,137
2014 Total	(5,228)	(1,448)	1,346	(5,330)	1,697

B. Tangible Fixed Assets (in CZK thousands)

COST

	At beginning of year	Additions	Disposals	Transfers	At end of year
Land	661	-	-	-	661
Constructions	112,425	-	-	-	112,425
Machinery and equipment	73,615	-	(661)	7,564	80,518
Tangibles in progress	-	7,080	-	(7,080)	-
Advances for tangibles	-	1,100	-	(484)	616
Gain or loss on revaluation of acquired property	(11,052)	-	-	-	(11,052)
2015 Total	175,649	8,180	(661)	-	183,168
2014 Total	173,234	2,842	(427)	-	175,649

ACCUMULATED DEPREICATION

	At beginning of year	Depreciation during year	Disposals	At end of year	Net book value
Land	-	-	-	-	661
Constructions	(25,497)	(4,009)	-	(29,506)	82,919
Machinery and equipment	(60,075)	(4,230)	661	(63,644)	16,874
Advances for tangibles	-	-	-	-	616
Gain or loss on revaluation of acquired property	11,052	-	-	11,052	-
2015 Total	(74,520)	(8,239)	661	(82,098)	101,070
2014 Total	(66,675)	(8,209)	364	(74,520)	101,129

Loss on revaluation of acquired property of CZK 11,052 thousand arose in 1996 as the difference between the net book value of a part of the enterprise acquired by purchase and the amount paid and approved by the Company's General Meeting. The final depreciation of the loss on revaluation of acquired property totaling CZK 369 thousand was realized in 2011.

In 2015 the Company purchased new fixed assets, particularly machinery and equipment. As a result, the value of existing fixed assets increased by CZK 8,054 thousand. In 2015 the most significant capital expenditures included the acquisition of rolling-in equipment at cost of CZK 990 thousand and of induction system at cost of CZK 941 thousand.

As at 31 December 2015 and 2014, assets (buildings and land) with the original cost of CZK 103,189 thousand and CZK 103,189 thousand, respectively and net book value of CZK 76,724 thousand and CZK 80,193 thousand, respectively were pledged as security for the loan from Komerční banka, a.s. (see Note 12).

C. Long-Term Financial Investments (in CZK thousands)

In 2014 the Company established subsidiary BRONSWERK HEAT TRANSFER, LLC, in Russia in which it contributed basic capital of CZK 948 thousand. As at 31 December 2015, the Company revalued its foreign currency investment in the subsidiary against 'Gain or loss on revaluation of assets and liabilities' and reported a decrease of CZK 118 thousand in the investment.

5 INVENTORY

Excess, obsolete and slow moving inventory has been written down to its estimated net realizable value by an allowance account. The allowance was determined by management based on the records of warehouse inventory movements and usability (see Note 7).

6 RECEIVABLES

Allowances against outstanding receivables that are considered doubtful were charged to income based on their age structure and estimated collectibility in 2015 and 2014, respectively (see Note 7).

As at 31 December 2015 and 2014, receivables overdue for more than 180 days totaled CZK 2,763 thousand and CZK 2,460 thousand, respectively.

Long-term receivables totaling CZK 153 thousand and CZK 1,445 thousand represent long-term retention money as at 31 December 2015 and 2014, respectively.

As at 31 December 2015 and 2014, unbilled revenues relate to the unbilled deliveries to PRECHEZA a.s. and Bronswerk Heat Transfer B. V.

As at 31 December 2015 and 2014, tax receivables of CZK 1,069 thousand and CZK 3,457 thousand, respectively represent receivables relating to value added tax.

Receivables from related parties (see Note 20).

7 ALLOWANCES

Allowances reflect a temporary diminution in value of assets (see Notes 5 and 6).

Changes in the allowance accounts (in CZK thousands):

Allowances against:	Balance as at 31/ 12/ 2013	Additions	Deductions	Balance as at 31/ 12/ 2014	Additions	Deductions	Balance as at 31/ 12/ 2015
Inventory	5,196	6,893	(831)	11,258	428	-	11,686
Receivables - other	2,494	26	-	2,520	3,052	-	5,572

8 SHORT-TERM FINANCIAL ASSETS

Short-term financial assets consist of cash in hand and at bank. As at 31 December 2015 and 2014, the Company had CZK 18,489 thousand and CZK 13,453 thousand, respectively of restricted cash balances (security for bank guarantees).

As at 31 December 2015 and 2014, Komerční banka, a.s., Československá obchodní banka, a. s., and UniCredit Bank Czech Republic and Slovakia, a.s., issued the following bank guarantees in respect to the Company's projects with the following limits:

Creditor	Amount (in original currency) as at 31/12/2015	Amount (in CZK thousands) as at 31/12/2015	Date of issue	Validity
ATEKO a.s	EUR 17,019	460	15/8/2013	30/6/2016
ABB Sp. z o.o.	EUR 2,200	59	1/11/2013	30/6/2017
ČKD PRAHA DIZ, a.s.	CZK 8,908,500	8,909	18/12/2013	15/2/2018
Outotec	EUR 31,365	848	7/4/2014	5/7/2016
STSI	EUR 61,920	1,673	17/6/2014	16/1/2016
VIRU KEEMIA GRUPP AS	EUR 155,000	4,189	24/6/2014	15/6/2016
ThyssenKrupp Industrial Solutions	EUR 26,350	712	10/7/2014	18/12/2016
ThyssenKrupp Industrial Solutions	EUR 26,083	705	11/7/2014	31/7/2018
ABB Sp. z o. o.	EUR 12,690	343	13/10/2014	31/12/2015
JSC SHCHEKINOAZOT	EUR 85,000	2,297	25/11/2014	13/11/2016
ITP Benelli S.p.A	EUR 25,710	695	15/12/2014	31/1/2016
Hitachi Europe GmbH	EUR 68,000	1,838	9/2/2015	31/7/2018
PBG Oil and Gas Sp. z o.o.	EUR 99,930	2,701	30/3/2015	25/11/2019
JSC Gazpromneft-Omsk Refinery	EUR 954,000	25,782	6/5/2015	29/5/2016
GAMA SA	EUR 89,000	2,405	16/6/2015	13/1/2016
GAMA SA	EUR 44,500	1,203	16/6/2015	30/4/2019
Moravia Gas Storage a.s.	EUR 136,915	3,700	1/7/2015	30/9/2016
ABB Sp. z o.o.	EUR 7,900	213	10/7/2015	14/4/2019
Thyra Engineering S.A.	EUR 58,857	1,591	15/7/2015	15/7/2016
Hitachi Europe GmbH	EUR 36,235	979	31/7/2015	24/10/2018
UNIS, a.s.	EUR 20,700	559	18/9/2015	20/7/2018
FLUOR S.A.	EUR 51,390	1,389	21/9/2015	15/4/2018
JSC SHCHEKINOAZOT	EUR 107,500	2,905	23/10/2015	25/9/2019
UNIS, a.s.	EUR 29,550	799	29/10/2015	10/6/2016
JSC NAFTAN	EUR 96,950	2,620	13/6/2014	30/5/2016
JSC NAFTAN	EUR 9,543	258	20/6/2014	30/5/2016
SOFINTER S.p.A	EUR 5,000	135	9/11/2015	31/3/2018
Total		69,967		

Creditor	Amount (in original currency) as at 31/12/2014	Amount (in CZK thousands) as at 31/12/2014	Date of issue	Validity
J&P AVAX	EUR 7,350	204	12/5/2010	31/1/2015
NIS NAFTA SRBIJE	EUR 138,470	3,839	23/12/2010	14/8/2015
Hydro Carbon Supply-Jordan	EUR 207,825	5,762	12/6/2012	25/5/2015
Chemoproject Nitrogen a.s.	EUR 12,590	349	13/3/2013	10/1/2015
VIRU KEEMIA GRUPP AS	EUR 165,000	4,575	13/6/2013	31/5/2015
Ateko a.s.	EUR 17,019	472	19/8/2013	30/6/2016
ABB Sp. Z o.o	EUR 2,200	61	1/11/2013	30/6/2017
ČKD	CZK 8,908,500	8,909	18/12/2013	31/5/2015
ČKD	CZK 8,908,500	8,909	18/12/2013	15/2/2018
Outotec (Finland)	EUR 31,365	870	7/4/2014	5/7/2016
Phöenix Zeppelin	CZK 2,555,790	2,556	15/5/2014	31/1/2015
Moravia Gas Store	EUR 220,889	6,124	29/5/2014	15/5/2015
JSC NAFTA	EUR 96,950	2,688	13/6/2014	30/5/2016
STIS d.o.o.	EUR 61,920	1,717	17/6/2014	16/1/2016
ANTIPINSKY NPZ	EUR 145,250	4,027	18/6/2014	16/5/2015
JSC NAFTA	EUR 9,543	265	20/6/2014	30/5/2016
VIRU KEEMIA GRUPP AS	EUR 155,000	4,297	24/6/2014	15/6/2016
ThyssenKrupp Uhde GmbH	EUR 26,350	731	10/7/2014	18/12/2016
ThyssenKrupp Uhde GmbH	EUR 26,083	723	11/7/2014	31/7/2018
Thyra Engineering S.A.	EUR 276,500	7,666	18/8/2014	15/9/2015
ANTIPINSKY NPZ	EUR 13,100	363	11/9/2014	2/7/2015
ABB Sp. Z o.o	EUR 12,690	352	13/10/2014	31/12/2015
LUDAN Engineering SRL	EUR 18,745	520	25/11/2014	15/6/2015
OAO ShchekinoAzot	EUR 85,000	2,357	25/11/2014	13/11/2016
ITP Benelli	EUR 25,710	713	15/12/2014	31/1/2016
Total		69,049		

9 EQUITY

The basic capital of the Company consists of one interest fully subscribed and paid, with a nominal value of CZK 5,441 thousand.

The movements in the capital accounts during 2014 and 2013 were as follows (in CZK thousands):

	Balance as at 31/ 12/ 2013	Increase/ Transfers	Decrease/ Transfers	Rounding	Balance as at 31/ 12/ 2014	Increase/ Transfers	Decrease/ Transfers	Balance as at 31/ 12/ 2015
Basic capital	5,441	-	-	-	5,441	-	-	5,441
Share premium	460	-	-	-	460	-	-	460
Gain or loss on revaluation of assets and liabilities	-	-	-	-	-	-	(118)	(118)
Reserve fund	544	-	-	-	544	-	-	544
Retained earnings	275,557	-	(36,267)	3	239,293	20,239	-	259,532
Current period profit/loss	18,783	20,239	(18,783)	-	20,239	22,530	(20,239)	22,530
Total	300,785	20,239	(55,050)	3	265,977	42,769	(20,357)	288,389

Following the decision of the General Meetings held on 5 February 2014 an advance of EUR 2,000 thousand (i.e. CZK 55,050 thousand) for the share in profit was paid out on 7 February 2014. Following the decision of the General Meetings held on 26 June 2014, the 2013 profit of CZK 18,783 thousand and a portion of retained earnings of CZK 36,267 thousand were approved for dividend payment and set off against the above advance payment.

The Annual General Meetings held on 30 June 2015 approved the transfer of profit for 2014 in the amount of CZK 20,239 thousand to retained earnings.

10 PROVISIONS

The movements in the provision accounts were as follows (in CZK thousands):

Provisions	Balance as at 31/ 12/ 2013	Additions	Deductions	Balance as at 31/ 12/ 2014	Additions	Deductions	Balance as at 31/ 12/ 2015
Other	2,246	-	(332)	1,914	421	-	2,335
Total	2,246	-	(332)	1,914	421	-	2,335

As at 31 December 2015 and 2014, other provisions were created in particular for estimated warranty repairs of finished products and accrued vacation.

11 CURRENT LIABILITIES

As at 31 December 2015 and 2014, the Company had overdue current payables totaling CZK 3,468 thousand and CZK 1,585 thousand, respectively, of which CZK 362 thousand and CZK 383 thousand, respectively, were overdue for more than 180 days.

As at 31 December 2015 and 2014, the Company had liabilities of CZK 2,006 thousand and CZK 1,998 thousand, respectively owing to social security and health insurance premiums, due in January of the following year.

Short-term advance payments received are payments received in advance from customers for production contracts.

Unbilled deliveries represent, in particular, unbilled supplies incurred in connection with the settlement of services in the next period (sub-supplies, freight, phone charges), which are being charged to income for the year in which they were incurred.

As at 31 December 2015, other payables represent in particular revaluation of outstanding derivatives to fair value (see Note 14).

Payables to related parties (see Note 20).

12 BANK LOANS

Bank	Terms	Total limit	2015		2014	
			Amount in EUR thousands	Amount in CZK thousands	Amount in EUR thousands	Amount in CZK thousands
Operating loans						
Komerční banka, a.s.	2015-2016	EUR 1,300 thousand	1,300	35,133	-	-
Total			1,300	35,133	-	-
Less current portion			1,300	35,133	-	-
Net			-	-	-	-

The bank loan interest rates have been set as a fixed percentage over EURIBOR and are comparable with normal market rates.

The interest expense relating to bank loans for 2015 and 2014 was CZK 751 thousand and CZK 1,211 thousand, respectively.

The loans extended by Komerční banka, a.s. are secured by pledged assets (see Note 4b). The loan agreements with Komerční banka, a.s., include the following terms and conditions to be fulfilled by the Company:

-
1. Liabilities and other liabilities may not exceed 82% of total liabilities
 2. Bank loans may not exceed 27% of the Company's revenues from sales;
 3. Bank loans may not exceed EBITDA by more than three times.
-

The Company and Československá obchodní banka, a. s., has entered into an agreement on provision of loans, commitments, letters of credit and bank guarantees. The loan agreement includes the following terms and conditions to be fulfilled by the Company:

-
1. Total liquidity ratio may not be less than 1.1%;
 2. Adjusted equity ratio may not be less than CZK 220 million;
 3. Return of sales may not be less than 4%.
-

The Company was in compliance with all Komerční banka, a.s.'s and Československá obchodní banka, a.s.'s loan terms as at 31 December 2015.

As at 31 December 2015, the Company had the following agreed limits for drawing bank products of individual bank institutions:

Bank	Total drawing limit	Operating loans	Letters of credit	Bank guarantees
Komerční banka	CZK 250,000 thousand	CZK 130,000 thousand	CZK 40,538 thousand	CZK 130,000 thousand
ČSOB	CZK 11,900 thousand	CZK 0 thousand	CZK 11,900 thousand	CZK 11,900 thousand

13 OTHER LIABILITIES

As at 31 December 2015, the Company had no other liabilities.

As at 31 December 2014, deferred income include deferred revenues associated with partial billing of unfinished project as per contract and is recognized into income for the year in which it is earned.

14 DERIVATIVES

The Company has concluded several derivative contracts which are classified as held for trading derivatives. As at 31 December 2015 and 2014 the derivatives were revalued at fair value, with the positive and negative fair values of derivatives being included in other receivables and other payables, respectively. Changes at net fair values are included in revenues from revaluation of securities and derivatives or costs of revaluation of securities and derivatives, as appropriate.

The following table summarizes face values and positive or negative values of outstanding derivatives held for trading as at 31 December:

	2015			2014		
	Contractual/ Face value (in EUR thousands)	Fair value Positive (in CZK thousands)	Negative (in CZK thousands)	Contractual/ Face value (in EUR thousands)	Fair value Positive (in CZK thousands)	Negative (in CZK thousands)
Foreign ex- change con- tracts						
Forwards EUR/CZK	2,000	181	-	-	-	-
Forwards USD/EUR	1,425	-	(1,902)	-	-	-
Swap EUR/CZK	500	5	-	900	-	(156)
Swap EUR/CZK	-	-	-	500	45	-
Total deriva- tives held for trading	3,925	186	(1,902)	1,400	45	(156)

	2015			2014		
	Contractual/ Face value (in CZK thousands)	Fair value Positive (in CZK thousands)	Negative (in CZK thousands)	Contractual/ Face value (in CZK thousands)	Fair value Positive (in CZK thousands)	Negative (in CZK thousands)
Interest rate contracts						
1 M PRIBOR FIX	-	-	-	23,662	-	(73)

15 INCOME TAXES

On the basis of preliminary calculation the Company calculated tax expense as follows (in CZK thousands):

	2015 In CZK thousands	2014 In CZK thousands
Profit before taxes	29,364	27,176
Non-taxable revenues	(407)	-
Differences between accounting and tax depreciation and net book value of fixed assets disposed	(1,170)	29
Non-deductible expenses		
- Change of non-tax deductible allowances	3,480	6,088
- Change of non-tax deductible provisions	421	(332)
- Shortages and losses	52	98
- Other	4,384	9,667
Deduction of gifts	(5)	(10)
Taxable income	36,119	42,716
Current income tax rate	19%	19%
Tax	6,863	8,116
Tax allowance	(90)	(85)
Adjustment of the tax paid in previous year	-	-
Current tax expense	6,773	8,031

The Company quantified deferred taxes as follows (in CZK thousands):

Deferred tax items	2015		2014	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between net book value of fixed assets for accounting and tax purposes	-	(1,519)	-	(1,297)
Allowance against inventory	2,220	-	2,139	-
Provisions	444	-	364	-
Total	2,664	(1,519)	2,503	(1,297)
Net	1,145		1,206	

As at 31 December 2015 and 2014, the Company recorded a deferred tax asset of CZK 1,145 thousand and CZK 1,206 thousand, respectively.

16 LEASES

The Company leases fixed assets, which are not recorded on balance sheet (see Note 3j).

Assets which are being used by the Company under finance leases (i.e. the assets are transferred to the Company when the lease term expires) as at 31 December 2015 and 2014 consist of the following (in CZK thousands):

Description	Total lease	Payments made as at 31/12/2015	Payments made as at 31/ 12/ 2014	Remaining payments as at 31/ 12/ 2015	
				Due within one year	Due over one year
Passenger cars	1,861	1,861	1,653	-	-
Machinery and equipment	959	874	728	85	-

17 COMMITMENTS AND CONTINGENCIES

Bank guarantees received and restricted account balances (see Note 8).

Pledged tangible fixed assets (see Note 4b).

18 REVENUES

The breakdown of revenues from ordinary activities is as follows (in CZK thousands):

	2015		2014	
	Domestic	Foreign	Domestic	Foreign
Revenues from the sale of finished products, services and goods	80,336	377,038	39,240	352,234

The revenues of the Company were concentrated primarily with 10 main customers in the chemical, utility and food industries.

19 PERSONNEL AND RELATED EXPENSES

The breakdown of personnel expenses is as follows (in CZK thousands):

	2015		2014	
	Total personnel	of that management and members of statutory bodies	Total personnel	of that management and members of statutory bodies
Average number of employees	138	4	143	4
Wages and salaries	52,141	5,289	54,631	6,143
Social security and health insurance	17,676	1,558	18,575	1,760
Social cost	2,279	168	2,324	184
Total personnel expenses	72,096	7,015	75,530	8,087

20 RELATED PARTY INFORMATION

In 2015 and 2014 members of statutory bodies were granted no loans, guarantees, advances and other benefits. Managers may use company cars for private purposes.

The Company sells products to related parties in the ordinary course of business. Sales were CZK 35,869 thousand and CZK 32,226 thousand in 2015 and 2014, respectively.

Short-term receivables from related parties as at 31 December were as follows (in CZK thousands):

Related party	Due dates	2015	2014
Bronswerk Heat Transfer B. V.	30 days	19,158	1,321

The Company provided a short-term loan to the sister company Bronswerk Heat Transfer B. V., the balance of which was CZK 16,216 thousand as at 31 December 2015. The interest income relating to the loan was CZK 444 thousand in 2015.

The Company purchases products and receives services from related parties in the ordinary course of business. Purchases were CZK 20,131 thousand and CZK 20,936 thousand in 2015 and 2014, respectively.

Short-term payables to related parties as at 31 December were as follows (in CZK thousands):

Related party	Due dates	2015	2014
Bronswerk Heat Transfer B. V.	30 days	-	-

21 SIGNIFICANT INCOME STATEMENT ITEMS AND OTHER INFORMATION FOR DISCLOSURE

Services comprise, in particular, sub-supplies of services, commissions for project brokering, costs for sales representation in Russia and transport of finished products to customers.

Other operating expenses include in particular costs for contractual penalties and fines and costs for insurance premiums.

Other operating revenues include, in particular, refunds of VAT paid abroad and received subsidies for staff training.

Other finance income and expense represent, in particular, realized and unrealized foreign exchange rate gains and losses and bank charges.

Remuneration paid to statutory auditors was CZK 750 thousand and CZK 750 thousand for 2015 and 2014, respectively.

22 SUBSEQUENT EVENTS

At the end of the financial year 2015 the parent company BHT Holding B.V. entered into negotiations about the sale of the Company. These discussions further developed in the first half of 2016 and the Company will most likely be sold by the end of 2016. On the basis of available information, the Company management does not believe that the above mentioned transaction should have a significant impact on the future operations of the Company.

23 STATEMENT OF CASH FLOWS (SEE APPENDIX 1)

The cash flow statement was prepared under the indirect method.

24 STATEMENT OF CHANGES IN EQUITY (SEE SCHEDULE 9)

Prepared on:	Signature of accounting unit's statutory body:	Person responsible for accounting (name, signature):	Person responsible for financial statements (name, signature):
17 June 2016	 Ing. Josef Charouz	 Ing. Květa Stará	 Ing. Karel Hartman

CASH FLOW STATEMENT

For the years ended 31 December 2015

		Current year	Prior year 2014
Cash flows from operating activities			
Z.	Profit or loss on ordinary activities before taxation (+/-)	29,364	27,176
A. 1.	Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	14,044	11,253
A. 1. 1.	Depreciation and amortization of fixed assets and write-off of receivables	9,291	9,657
A. 1. 2.	Change in allowances	3,480	6,088
A. 1. 3.	Change in provisions	421	(332)
A. 1. 4.	Foreign exchange differences	(535)	(2,136)
A. 1. 5.	(Gain)/Loss on disposal of fixed assets	(407)	(456)
A. 1. 6.	Interest expense and interest income	307	1,066
A. 1. 7.	Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	1,487	(2,634)
A*	Net cash from operating activities before taxation, changes in working capital and extraordinary items	43,408	38,429
A. 2.	Change in non-cash components of working capital	(131,327)	109,473
A. 2. 1.	Change in inventory	(33,457)	(91,261)
A. 2. 2.	Change in trade receivables	(49,843)	75,707
A. 2. 3.	Change in other receivables and in prepaid expenses and unbilled revenue	7,023	6,541
A. 2. 4.	Change in trade payables	34,455	(36,970)
A. 2. 5.	Change in other payables, short-term loans and in accruals and deferred income	(89,505)	155,456
A**	Net cash from operating activities before taxation, interest paid and extraordinary items	(87,919)	147,902
A. 3. 1.	Interest paid	(751)	(1,211)
A. 4. 1.	Tax paid	(7,101)	(2,871)
A. 5. 1.	Gains and losses on extraordinary items		
A***	Net cash provided by (used in) operating activities	(95,771)	143,820
Cash flows from investing activities			
B. 1. 1.	Purchase of fixed assets	(8,554)	(4,884)
B. 2. 1.	Proceeds from sale of fixed assets	407	478
B. 3. 1.	Loans granted	(16,216)	
B. 4. 1.	Interest received	444	145
B. 5. 1.	Dividends received		
B***	Net cash provided by (used in) investing activities	(23,919)	(4,261)
Cash flows from financing activities			
C. 1. 1.	Change in long-term liabilities and long-term, resp. short-term, loans	34,283	(42,508)
C. 2. 1.	Effect of changes in basic capital on cash		
C. 2. 2.	Profit shares paid		(55,050)
C. 2. 3.	Effect of other changes in basic capital on cash		
C***	Net cash provided by (used in) financing activities	34,283	(97,558)
F.	Net increase (decrease) in cash	(85,407)	42,001
P.	Cash and cash equivalents at beginning of year	190,322	148,321
R.	Cash and cash equivalents at end of year	104,915	190,322

Prepared on:	Signature of accounting entity's statutory body:	Person responsible for accounting (name, signature):	Person responsible for financial statements (name, signature):
17.6.2016	 Ing. Josef Charouz	 Ing. Květa Stará	 Ing. Karel Hartman tel.420412590530



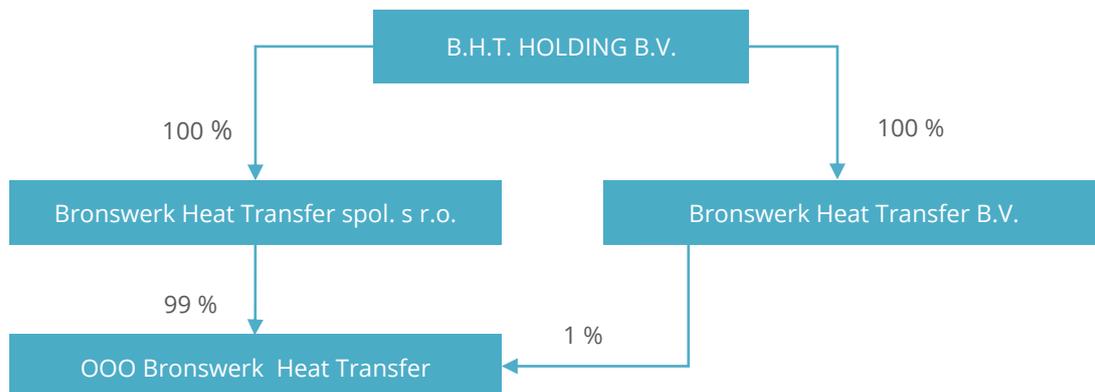
REPORT ON RELATIONS

BETWEEN RELATED PARTIES

FOR THE YEAR ENDED
31 DECEMBER 2015

ORGANIZATIONAL STRUCTURE OF RELATED PARTIES

The ownership structure of BRONSWERK HEAT TRANSFER spol. s r. o. (hereinafter the "Company").



As at 31 December 2015, the Company owned 99% share in the registered capital of the company OOO Bronswerk Heat Transfer.

LEGAL RELATIONS BETWEEN RELATED PARTIES

The Company registers the following contracts for the sale of products and services and purchase of goods with related parties:

Related party	Contract type	General terms and conditions	Order number
Bronswerk Heat Transfer B.V.	Order	Order for the production and delivery of goods as per customer's technical specification for mutually agreed price and agreed terms.	23162, 23536, 24924, 25178, 25267, 25302, 25622, 25714, 26211, 26563, 26566, 26698, 26808, 27739, 28111, 28187, 28460, 29074, 29458, 29662, 29846, 30031
Bronswerk Heat Transfer B.V.	Order	Order for the delivery of services -construction documentation as per customer's technical specification for mutually agreed price and agreed terms.	27169, 27739, 28006
Bronswerk Heat Transfer B.V.	Contract	Company's order for the purchase of goods and services for mutually agreed price and agreed terms.	BHT/BHT/ 2012_01_RO
000 Bronswerk Heat Transfer	Order	Company's order for the purchase of goods and services for mutually agreed price and agreed terms.	630 150302 630 150303
000 Bronswerk Heat Transfer	Contract	Company's order for the purchase of goods and services for mutually agreed price and agreed terms.	BHT - 2015

In 2015 the Company neither effected other legal acts nor took other measures on behalf of the related parties.

The Company management believes that the aforementioned contracts and orders were made on an arms-length basis. The Company suffered no detriment as a result of received orders and concluded contracts, on the contrary, the orders significantly helped to fill the Company's production capacities.

The Statutory Representative of the Company states that from the relations with the above mentioned person, the advantages resulting from the participation in a supranational business grouping – the Group B.H.T. Holding B.V. result and that they considerably prevail for the Company. The sister company Bronswerk Heat Transfer B.V. is a significant business partner (the customer as well as supplier) of the Company. The Statutory Representative states that he is not aware of any significant risks resulting from the relations with the above mentioned person.

TRANSACTIONS BETWEEN RELATED PARTIES – PERFORMANCE AND COUNTER-PERFORMANCE

SALES

The Company sells products and services to related parties. In 2015, sales totaled CZK 35,655,265 to the sister company Bronswerk Heat Transfer B.V. and CZK 213,315 to OOO Bronswerk Heat Transfer.

Overview of sales to Bronswerk Heat Transfer B.V. by product type:

Name	Amount in EUR	Amount in CZK
Tube bundles	508,369	13,903,945
Finned tube	464,863	12,720,438
Steamduct	153,167	4,206,851
Blowers	46,831	1,282,443
Steel constructions	12,617	350,122
Spare parts	8,313	227,507
Other	55,342	1,511,664
Total products	1,249,502	34,202,970
Other services	53,062	1,452,295
Total	1,302,564	35,655,265

Sales to the sister company OOO Bronswerk Heat Transfer by product type:

Product name	Amount in EUR	Amount in CZK
Spare parts	7,851	213,315
Total products	7,851	213,315

PURCHASES

The Company purchases goods and receives services from related parties in the ordinary course of business. Transactions with related parties in 2015 were as follows:

Related party	Voucher No.	Due date	Description	Amount in EUR	Amount in CZK
BRONSWERK HEAT TRANSFER BV	102150108	31/12/2015	Share in operating expenses	101,000	2,729,525
BRONSWERK HEAT TRANSFER BV	102150107	31/12/2015	Marketing costs	30,100	813,453
BRONSWERK HEAT TRANSFER BV	102150106	31/12/2015	Marketing costs	20,075	542,515
BRONSWERK HEAT TRANSFER BV	102150105	31/12/2015	Share in operating expenses	480,000	12,972,000
BRONSWERK HEAT TRANSFER BV	104152422	28/12/2015	Licenses	16,400	443,210
BRONSWERK HEAT TRANSFER BV	102150083	25/11/2015	Specific finned tubes	45,472	1,232,297
Total				693,047	18,733,000

Related party	Voucher No.	Due date	Description	Amount in RUB	Amount in CZK
000 BRONSWERK HEAT TRANSFER	102150083	18/12/2015	Spare parts	944,000	360,721
000 BRONSWERK HEAT TRANSFER	102150084	18/12/2015	Supervision of orders	2,714,000	1,037,074
Total				3,658,000	1,397,795

CURRENT RECEIVABLES

The following current receivables from related parties result from the above transactions as at 31 December 2015:

Related party	Document No.	Amount in EUR	Amount in CZK
BRONSWERK HEAT TRANSFER BV	211150030	122,659	3,314,859
BRONSWERK HEAT TRANSFER BV	211150033	13,331	360,270
BRONSWERK HEAT TRANSFER BV	211150034	3,088	83,453
BRONSWERK HEAT TRANSFER BV	211150035	13,561	366,486
BRONSWERK HEAT TRANSFER BV	211150036	4,250	114,856
BRONSWERK HEAT TRANSFER BV	211150043	251,820	6,805,436
BRONSWERK HEAT TRANSFER BV	211150047	5,467	147,737
BRONSWERK HEAT TRANSFER BV	211150049	5,968	161,285
BRONSWERK HEAT TRANSFER BV	211150050	208,966	5,647,306
BRONSWERK HEAT TRANSFER BV	211150053	6,067	163,952
BRONSWERK HEAT TRANSFER BV	201150001	31,605	854,125
BRONSWERK HEAT TRANSFER BV	211150021	5,225	141,206
BRONSWERK HEAT TRANSFER BV	211150022	3,375	91,209
BRONSWERK HEAT TRANSFER BV	211150028	33,500	905,338
Total		708,882	19,157,518

LONG-TERM RECEIVABLES

The Company reported no long-term receivables from related parties as at 31 December 2015.

PROVIDED AND RECEIVED LOANS

The Company reported no loans received from related parties as at 31 December 2015.

The Company reported loans provided to related parties as at 31 December 2015 as follows:

Related party	Voucher No.	Due date	Amount in EUR	Amount in CZK
BRONSWERK HEAT TRANSFER BV	BHTCZ/LA/201501	06/04/2016	600,000	16,215,811
Total			600,000	16,215,811

CURRENT LIABILITIES

The Company reported no current liabilities to related parties as at 31 December 2015.

LONG-TERM LIABILITIES

The Company reported no long-term liabilities to related parties as at 31 December 2015.

OTHER TRANSACTIONS

No special transactions that would affect the Company's ownership background were made in 2015.

The Company management believes that all transactions between related parties were made on an arms-length basis.

The Report on Relations between Related Parties was prepared as of 31 December 2015 in accordance with the provisions of Section 82 of Act No. 90/2012 Coll., on business corporations.



Ing. Josef Charouzd
Statutory Representative

In Benešov nad Ploučnicí on 31 March 2016



INDEPENDENT
AUDITOR'S REPORT
ON THE ANNUAL
REPORT



Bronswerk Heat Transfer spol. s r.o.

Decinska 288
Bensov nad Ploucnici
Czech Republic

Tel. +420 412 590 511

Fax. +420 412 586 340