Welc

Integrity issues on strategic IKL pipeline

role of IKL in energy safety of Czech Republic, inspection methods in relation to permit extension

Brussels, 25th March 2010

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European Pipeline System





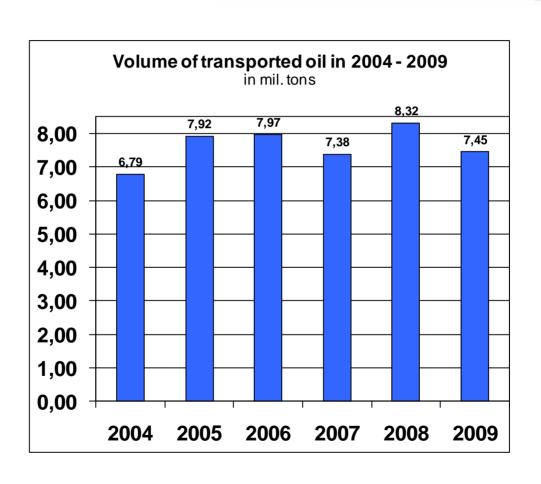
ROLE OF MERO ČR, a. s.



- § ENTITY OF STRATEGIC IMPORTANCE IN SUPPLIES OF CRUDE OIL TO THE CZECH REPUBLIC AND PROTECTING STRATEGIC EMERGENCY CRUDE OIL RESERVES
- § COMPANY FULFILLING KEY TASKS OF THE GOVERNMENT IN INCREASING ENERGETIC SAFETY OF THE CZECH REPUBLIC, OR DIVERSIFICATION OF CRUDE OIL TRANSPORT ROUTES TO THE CZECH REPUBLIC
- § IT PLAYS AN IMPORTANT ROLE IN REALIZATION OF THE ENERGETIC CONCEPT OF THE CZECH REPUBLIC AND THE EU ENERGETIC POLICY

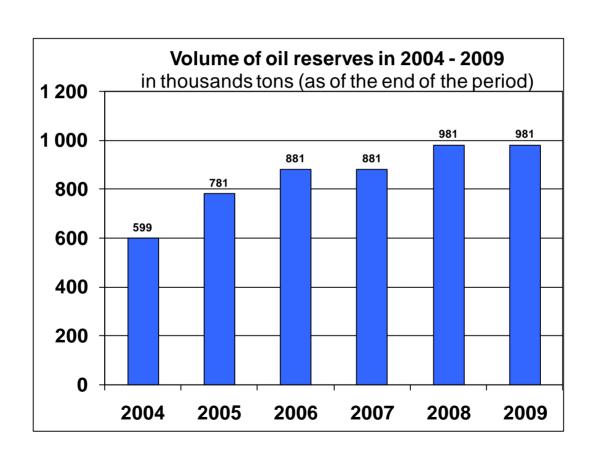
SELECTED ECONOMIC INDEXES OF THE COMPANY IN 2004 - 2009





SELECTED ECONOMIC INDEXES OF THE COMPANY IN 2004 - 2009







Tank Farm Nelahozeves







• Total 1 550 000 m³

- Capacity for 98 days (EU meth.)
 - Including stored products
- Capacity for 115 days (IEA meth.)
 - Including stored products

4 x tank 50 000 m³

Tank diameter 60,3 m Tank height 18,8 m

6 x tank 100 000 m³

Tank diameter 84,5 m Tank height 19,2 m

6 x tank 125 000 m³

Tank diameter 84,5 m
Tank height 24,1 m

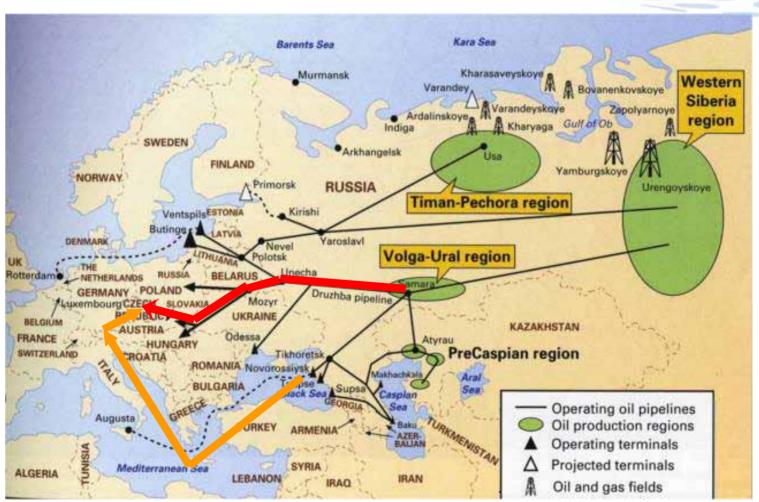


Central control room



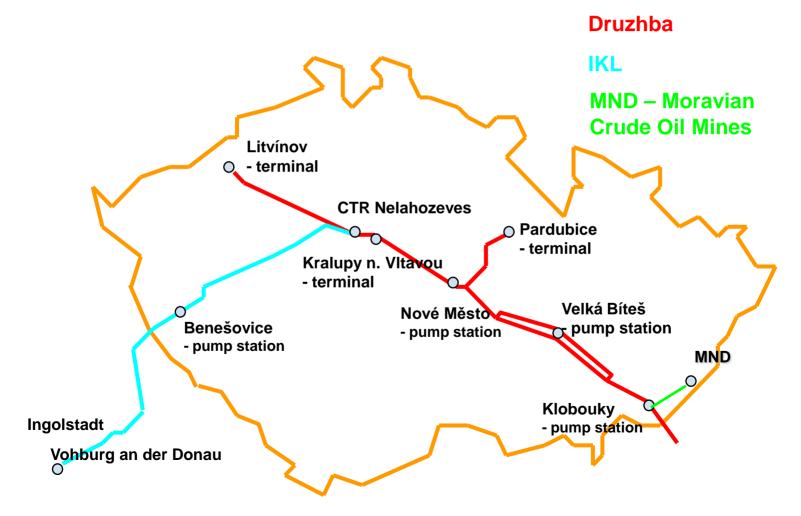
Crude Oil's Trade Channels to the Czech Republic





PIPELINE SYSTEM IN THE CZECH REPUBLIC





Pipeline IKL

wero:

In Operation

Length:

Diameter:

Intermediate pumpstation:

Max. flow:

Max. pressure:

Capacity

since end of 1995

347 km

700 mm

1 - Benesovice

1500 m³/h

65 bar

cca 11 mil. tons/year



Strategical IKL Pipeline -



Facts of 2nd Half 2008

- Volume from Druzhba dropped till 47%
- SWAP contract was used (max. limit 400 000 tons approx. 15 – 20 days for refineries)
- President of State Strategic Reserves of Czech Republic obtained approvement from Government to relieve crude oil under 90 days without limit
- MERO promptly provided crude oil from state reserves to refineries (without impact on processed volume)
- Supplies of REB were redirected to TAL and IKL
- Until December 2008 state reserves reached original capacity



Operation of IKL pipeline

High safety standarts

- new SCADA system since 2008
- exact leak detection system
- leak detection pig each month
- regular cleaning and internal inspection
- modern Catodic protection
- regular helicopter surveillance
- diversified control rooms
- estimation of lifetime based on real loading and stressing



Surveillance right of way





Extension of Operation permit

Permit valid till 31. 12. 2014

- Main requirements for extension of Permit:
 - water stress test or alternative methodes

Agreed using of alternative methodes:

- internal inspections (measurement of modality, sensitive wall thickness measurement and crack detection)

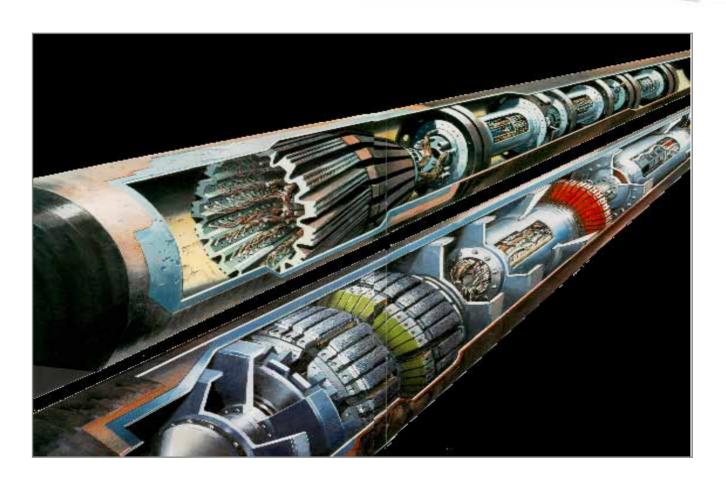


Extension of Operation permit

- Material analyses
- Prove integrity of pipeline:
 pressure tests, leak detection pig runs, sensitive leak
 detection systém incl. Dynamic mass balance
- Implemented Document "Pipeline Integrity Managenet
 System" (incl. e.g.: rules for opeariton, maintenace, training, supervision, safety at work, GIS, CP, route surveillance, emergency procedures, etc.



Internal inspections





Preventive repairs





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