

**TEDOM**

**2013**

TEDOM a.s. | Annual Report

... technology in harmony with nature





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## Director's Foreword

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Dear Friends in Business, Ladies and Gentlemen,

As each year, once again you have a chance to inspect TEDOM's Annual Report, this time for the year 2013.

With a few exceptions, I could always claim with a calm conscience that, in this respect, TEDOM is well off and that we are growing. I am glad that 2013 is not the exception to most of our successful years.

We have improved in all the fields of our activities, most notably, as far as the achieved EBITDA indicator is concerned, the highest sales increase of CHP units where the growth of this indicator exceeded 30%. This growth was caused by the completion of biogas plant projects (for which we have supplied tens of CHP units) mostly as a result of legislation amendments made.

An additional cause of growths in this area was a greater focus on our business activities abroad – predominantly in Great Britain, Germany and Italy. We grow in these markets at a double-digit pace as well, namely owed to the sales of MICRO and CENTO series CHP units with the TEDOM engine. Now we harvest the fruits from the development of our series CHP units in the MICRO and CENTO power ranges that we indeed manage to manufacture efficiently and economically.

Because of the growing sale of CHP units with TEDOM engines and the growing consumption of separate TEDOM engines, we ratified an investment into the essential modernization of our engine. It is a development of a completely new four-valve head that will allow further improvement of our engine's parameters, namely its electrical efficiency.

We are also pleased with our subsidiary company ČEZ Energo s.r.o., that is a leader in the decentralized combined production of power and heat in the Czech market. At the close of 2013, ČEZ Energo s.r.o. operates more than 35 MW electrical dispatching-controlled power systems in more than 35 localities in CR.

We were successful in putting into operation the bigger of two sources for the supply of power, cold and heat, for QANTAS in Sydney, Australia, having an electric power of 8.6 MW. The other source on the T3 domestic terminal is expected to be put into operation by the end of 2014.

The key properties of each CHP unit are the leading parameters, maximum reliability, and fast, superior service. The service needs not necessarily be the cheapest, but it must be fast because the CHP unit is profitable only while running and not while it is shutdown for low-cost service. This is the reason why we focus intensively on the product parameters and quality and the most effective service in recent years. What pleases me the most is the fact that even the power engineering market is beginning to understand this.

Our goal and motivation is to solidify our position within the market of respected premium quality CHP unit suppliers which, for its 23 years of existence, TEDOM undoubtedly is.

Výčapy, May 19, 2014



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Josef Jeleček  
General Director

# Auditor's Report on the Annual Report of TEDOM a.s.

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## **The Independent Auditor's Report to the Shareholders of TEDOM a.s.**

On the basis of our audit, on 28. 4. 2014 we issued an auditor's report on the financial statements, which are included in this annual report and our report was as follows:

"We have audited the accompanying financial statements of TEDOM a.s., based in Výčapy 195, Výčapy, identification number 28466021, which comprise the balance sheet as of 31. 12. 2013, and the income statement, statement of changes in equity and cash flow statement for the period from 1. 1. 2013 to 31. 12. 2013, and a summary of significant accounting policies and other explanatory notes.

## **Statutory Body's Responsibility for the Financial Statements**

The Statutory Body of TEDOM a.s. is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting regulations and for such internal control as statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those laws and regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of TEDOM a.s. as of 31. 12. 2013, and of its financial performance and its cash flows for the period from 1. 1. 2013 to 31. 12. 2013 in accordance with Czech accounting regulations."

## **Report on Review of the Related Party Transactions Report**

We have reviewed the factual accuracy of the information included in the related party transactions report of TEDOM a.s. for the period ended 31. 12. 2013. This related party transactions report is the responsibility of TEDOM a.s.'s statutory body. Our responsibility is to express a conclusion on the related party transactions report based on our review.

# Auditor's Report on the Annual Report of TEDOM a.s.

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We conducted our review in accordance with the Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the related party transactions report is free of material misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the related party transactions report and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the information contained in the related party transactions report of TEDOM a.s. for the period ended 31. 12. 2013 contains material factual misstatements.

## Report on the Audit of the Annual Report

We have audited the annual report of TEDOM a.s. for consistency with the financial statements for the period ended 31. 12. 2013 which are included in this Annual Report. The correctness of the annual report is the responsibility of TEDOM a.s.'s statutory body. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the information included in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the information included in the annual report of TEDOM a.s. for the period ended 31. 12. 2013 is consistent, in all material respects, with the financial statements referred to above.

Brno, 19. 5. 2014

BDO CA s. r. o., Certificate No. 305

Represented by partner:



Jiří Kadlec

Certificate No. 1246



## Basic Economic Characteristic of TEDOM a.s.

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### BASIC ECONOMIC CHARACTERISTICS OF TEDOM A.S. IN A HISTORICAL OUTLINE

		2013	2012
Total assets	thousands CZK	3 518 128	3 613 614
Fixed assets	thousands CZK	2 048 255	2 168 665
Inventories	thousands CZK	618 292	581 676
Receivables	thousands CZK	705 547	710 681
Current financial assets	thousands CZK	113 927	135 819
Other assets	thousands CZK	32 107	16 773
Equity	thousands CZK	1 615 953	1 544 680
Subscribed capital	thousands CZK	20 100	20 100
Liabilities	thousands CZK	1 883 759	2 047 094
Other liabilities	thousands CZK	18 416	21 840
Total sales	thousands CZK	1 669 525	2 148 668
Profit/loss before tax	thousands CZK	81 062	72 787
Number of staff	persons	511	495



# Auditor's Report on the Shareholders of TEDOM a.s.

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## The Independent Auditor's Report to the Shareholders of TEDOM a.s.

We have audited the accompanying financial statements of TEDOM a.s., based in Výčapy 195, identification number 28466021, which comprise the balance sheet as of 31. 12. 2013, and the income statement, statement of changes in equity and cash flow statement for the period from 1. 1. 2013 to 31. 12. 2013, and a summary of significant accounting policies and other explanatory notes.

## Statutory Body's Responsibility for the Financial Statements

The Statutory Body of TEDOM a.s. is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting regulations and for such internal control as statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those laws and regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of TEDOM a.s. as of 31. 12. 2013, and of its financial performance and its cash flows for the period from 1. 1. 2013 to 31. 12. 2013 in accordance with Czech accounting regulations.

Brno, 28. 4. 2014

BDO CA s. r. o., Certificate No. 305

Represented by partner:



Jiří Kadlec  
Certificate No. 1246

Lukáš Musil  
Certificate No. 2276

# Financial Statement 2013 – Basic Data

## BALANCE SHEET (in thousands of CZK)

	2013	2012
<b>TOTAL ASSETS</b>	<b>3 518 128</b>	<b>3 613 614</b>
Receivables from subscriptions	-	-
<b>Fixed assets</b>	<b>2 048 255</b>	<b>2 168 665</b>
<b>Intangible fixed assets</b>	<b>61 892</b>	<b>69 090</b>
- software	761	1 194
- valuable rights (patents, copyrights, trademarks and brands)	61 131	67 896
<b>Tangible fixed assets</b>	<b>1 399 217</b>	<b>1 520 267</b>
- lands	12 271	12 698
- buildings and structures (constructions)	191 274	203 228
- machinery, equipment, vehicles, fixtures and fittings	112 476	119 883
- tangible fixed assets under construction	1 959	6 819
- advances for tangible fixed assets	-	-
- adjustment to acquired assets	1 081 237	1 177 639
<b>Long-term financial assets</b>	<b>587 146</b>	<b>579 308</b>
- shares – controlled organizations	42 397	44 355
- shares in accounting units with substantial influence	544 406	534 696
- other securities and shares	343	257
- other financial investments	-	-
<b>Current assets</b>	<b>1 437 766</b>	<b>1 428 176</b>
<b>Inventory</b>	<b>618 292</b>	<b>581 676</b>
- materials	212 844	259 404
- work in progress and semi-products	338 896	254 085
- finished products	14 452	7 669
- merchandise	32 700	32 700
- advance payments for inventory	19 400	27 818
<b>Long-term receivables</b>	<b>269 948</b>	<b>252 955</b>
- trade receivables	440	2 649
- receivables from controlled and controlling organizations	264 037	241 957
- long-term deposits given	5 471	8 349
<b>Short-term receivables</b>	<b>435 599</b>	<b>457 726</b>
- trade receivables	311 129	409 865
- receivables from controlled and controlling organizations	108 092	35 210
- due from state – tax receivables	8 936	134
- short-term deposits given	6 168	6 592
- estimated receivables	132	19
- other receivables	1 142	5 906
<b>Short-term financial assets</b>	<b>113 927</b>	<b>135 819</b>
- cash	1 062	1 412
- bank accounts	112 865	134 407
<b>Accruals</b>	<b>32 107</b>	<b>16 773</b>
- deferred expenses	30 868	14 712
- deferred income	1 239	2 061

# Financial Statement 2013 – Basic Data

## BALANCE SHEET (in thousands of CZK)

	2013	2012
<b>TOTAL LIABILITIES</b>	<b>3 518 128</b>	<b>3 613 614</b>
<b>Equity</b>	<b>1 615 953</b>	<b>1 544 680</b>
<b>Subscribed capital</b>	<b>20 100</b>	<b>20 100</b>
- subscribed capital	20 100	20 100
- changes of registered capital (+/-)	-	-
<b>Capital funds</b>	<b>400 583</b>	<b>395 387</b>
- other capital funds	227 127	227 127
- differences from revaluation of assets and liabilities (+/-)	173 456	168 260
<b>Reserve funds, statutory reserve account for cooperatives, and other retained earnings</b>	<b>4 071</b>	<b>4 051</b>
- legal reserve fund/indivisible fund	4 020	4 000
- statutory and other funds	51	51
<b>Retained earnings from previous years</b>	<b>1 125 122</b>	<b>1 071 534</b>
<b>Profit/loss - current year (+/-)</b>	<b>66 077</b>	<b>53 608</b>
<b>Other sources</b>	<b>1 883 759</b>	<b>2 047 094</b>
<b>Reserves</b>	<b>66 214</b>	<b>55 116</b>
- income tax reserves	-	8 358
- other reserves	66 214	46 758
<b>Long-term payables</b>	<b>1 203 332</b>	<b>1 173 254</b>
- other payables	1 004 341	954 832
- deferred tax liability	198 991	218 422
<b>Short-term liabilities</b>	<b>425 799</b>	<b>432 492</b>
- trade payables	179 231	190 757
- payables to controlled and managed organizations	26 550	29 503
- payables to accounting units with substantial influence	33 958	83 955
- payables from partners, cooperative members and association members	981	1 090
- payroll	10 800	10 200
- payables to social security and health insurance	6 523	6 075
- due from state – tax liabilities and subsidies	15 183	7 135
- short-term deposits received	141 364	103 114
- estimated payables	1 091	336
- other payables	10 118	327
<b>Bank loans and financial accommodations</b>	<b>188 414</b>	<b>386 232</b>
- long-term bank loans	3 594	11 869
- short-term bank loans	184 816	374 312
- other short-term accommodations	4	51
<b>Accruals</b>	<b>18 416</b>	<b>21 840</b>
- accrued expenses	17 787	21 788
- deferred revenues	629	52

# Financial Statement 2013 – Basic Data

## PROFIT AND LOSS STATEMENT (in thousands of CZK)

	2013	2012
<b>Revenues from sold goods</b>	<b>46 687</b>	<b>70 848</b>
<b>Expenses on sold goods</b>	<b>35 549</b>	<b>36 756</b>
<b>Sale margin</b>	<b>11 138</b>	<b>34 092</b>
<b>Production</b>	<b>1 759 493</b>	<b>2 099 075</b>
- revenues from own products and services	1 622 838	2 077 820
- change in inventory of own products	80 235	-38 108
- capitalization	56 420	59 363
<b>Production consumption</b>	<b>1 241 341</b>	<b>1 592 059</b>
- consumption of material and energy	1 057 235	1 229 614
- services	184 106	362 445
<b>Value added</b>	<b>529 290</b>	<b>541 108</b>
<b>Personnel expenses</b>	<b>242 044</b>	<b>234 199</b>
- wages and salaries	175 067	169 294
- social security expenses and health insurance	60 745	58 929
- other social expenses	6 232	5 976
<b>Taxes and fees</b>	<b>2 722</b>	<b>2 788</b>
<b>Depreciation of intangible and tangible assets</b>	<b>139 686</b>	<b>146 744</b>
<b>Revenues from disposals of fixed assets and material</b>	<b>85 864</b>	<b>58 687</b>
- revenues from disposals of fixed assets	27 379	5 052
- revenues from disposals of material	58 485	53 635
<b>Net book value of disposed fixed assets and materials</b>	<b>55 422</b>	<b>40 163</b>
- net book value of sold fixed assets	9 033	2 011
- net book value of sold material	46 389	38 152
<b>Changes in operating reserves and adjustments and complex deferred expenses (+/-)</b>	<b>-623</b>	<b>14 421</b>
<b>Other operating revenues</b>	<b>3 918</b>	<b>12 695</b>
<b>Other operating expenses</b>	<b>13 789</b>	<b>23 678</b>
<b>PROFIT/LOSS FROM OPERATING ACTIVITIES</b>	<b>166 032</b>	<b>150 497</b>
<b>Revenues from long-term financial assets</b>	<b>-</b>	<b>-</b>
<b>Sold securities and ownership interests</b>	<b>-</b>	<b>12 977</b>
<b>Revenues from revaluation of securities and derivatives</b>	<b>-</b>	<b>10 818</b>
<b>Cost of revaluation of securities and derivatives</b>	<b>11 240</b>	<b>-</b>
<b>Change in financial reserves and adjustments (+/-)</b>	<b>-</b>	<b>-12 976</b>
<b>Interest revenues</b>	<b>29 087</b>	<b>8 966</b>
<b>Interest expenses</b>	<b>79 487</b>	<b>85 749</b>
<b>Other financial revenues</b>	<b>49 128</b>	<b>32 642</b>
<b>Other financial expenses</b>	<b>72 144</b>	<b>42 378</b>
<b>PROFIT/LOSS FROM FINANCIAL OPERATIONS (TRANSACTION)</b>	<b>-84 656</b>	<b>-75 702</b>
<b>Income tax on ordinary activities</b>	<b>14 985</b>	<b>19 179</b>
- due tax	34 416	32 861
- tax deferred	-19 431	-13 682
<b>OPERATING PROFIT/LOSS FRO ORDINARY ACTIVITY</b>	<b>66 391</b>	<b>55 616</b>
<b>Extraordinary revenues</b>	<b>-</b>	<b>-</b>
<b>Extraordinary expenses</b>	<b>314</b>	<b>2 008</b>
<b>Income tax on extraordinary income</b>	<b>-</b>	<b>-</b>
- due tax	-	-
<b>OPERATING PROFIT/LOSS FROM EXTRAORDINARY ACTIVITY</b>	<b>-314</b>	<b>-2 008</b>
<b>PROFIT/LOSS OF CURRENT ACCOUNTING PERIOD (+/-)</b>	<b>66 077</b>	<b>53 608</b>
<b>PROFIT/LOSS BEFORE TAX</b>	<b>81 062</b>	<b>72 787</b>

# Financial Statement 2013 – Basic Data

## CASH FLOW – STATEMENTS (in thousands of CZK)

	2013	2012
Cash and cash equivalents at beginning of accounting period	135 819	130 626
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/loss from ordinary activities before taxation	81 376	74 795
Adjustments for non-cash transactions	169 496	237 775
- depreciation of fixed assets	139 686	146 744
- change in adjustments, provisions	180	1 445
- profit/loss on disposal of fixed assets	- 18 346	9 935
- dividends received	-	-
- net interest expense (+) (except of capitalized interest) and interest income (-)	50 400	76 783
- contingent adjustments and other non-cash transactions	- 2 424	2 868
<b>Net cash flow from operating activities before tax, changes in working capital and extraordinary items</b>	<b>250 872</b>	<b>312 570</b>
<b>Change in non-financial items of working capital</b>	<b>4 271</b>	<b>-456 428</b>
- increase/decrease in trade and other receivables, including prepayments and accrued income (+/-)	20 588	-321 670
- increase/decrease in trade payables, including accruals and deferred income (+/-)	4 528	-102 405
- increase/decrease in inventories	-20 845	-32 353
- increase/decrease in current financial assets, not belonging to cash and cash equivalents	-	-
<b>Net cash flow from operating activities before taxes and extraordinary items</b>	<b>255 143</b>	<b>-143 858</b>
Interest paid, excl. capitalized interests	-29 942	-35 091
Interest received (+)	1 027	8 966
Income tax on ordinary activities paid and additional assessments for past periods (including deposits and refunds)	-50 813	-53 191
Extraordinary revenues and expenses which generate extraordinary trading profit including paid income tax due from extraordinary activities (+/-)	-314	-2 008
Profit-sharing and dividends received	-	-
<b>Net cash flow from operating activities</b>	<b>175 101</b>	<b>-225 182</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Costs associated acquisition of fixed assets	-23 113	-64 261
Proceeds on sales of fixed assets	27 379	23 287
Loans and borrowings to allied subjects	-	4 430
<b>Net cash flow from investing activities</b>	<b>4 266</b>	<b>-36 544</b>
<b>CASH FLOW FINANCING ACTIVITIES</b>		
<b>Net effect of changes in long-term liabilities and short-term liabilities, belonging to the financial activities area, to cash and cash equivalents</b>	<b>-201 259</b>	<b>266 919</b>
Net effect of changes in equity on cash and cash equivalents, share profits or possibly legal reserve including advances paid for this increase	-	-
<b>Net cash from financing activities</b>	<b>-201 259</b>	<b>266 919</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-21 892</b>	<b>5 193</b>
<b>Cash and cash equivalents at end of period</b>	<b>113 927</b>	<b>135 819</b>

# Commentary on the Consolidated Group

## 1. COMMENTARY ON BUSINESS AND PRODUCTION INTENTS OF THE CONSOLIDATED GROUP

The main business activity of the parent company and subsidiary companies is based on operating heat-energy systems, especially operating of district heating plants and operating of energy sources on landfills.

### TEDOM a.s.

Operation of energy sources at the landfills of Praha, Chvaletice, Modlany, Ostrava, Ďáblice, Kozlany, Želeč, Vodňany, Chrást, Křovice, Holasovice, Markvartovice, Hantály, Těmice, Mutěnice, Děčín

Operation of CHP energy sources: TEDOM Výčapy, TEDOM Výčapy – test stand, assembly hall TEDOM Střítež, TEDOM Jablonec – engine test stand, TEDOM CHP – Hořovice, KJ – Třebíč, Lavického

Heat output (kW)	Total heat sold in 2013 (GJ)	Installed electrical output (kW)	Total electricity sold in 2013 (MWh)
12 652	67 841	10 641	43 284

### ČEZ Energo, s.r.o.

Operation of district heating source – Volyně, Jeseník, Příbor, Svitavy, Světlá nad Sázavou, Zruč nad Sázavou, Železná Ruda, Smiřice, Velká Chuchle, Duchcov, Osek

Operations with nested unit – Jihlava, Frýdlant, Sušice, Třebíč, Humpolec, Bystřice n.P., Adamov, Votice, Moravský Krumlov, Brtnice

Heat output (kW)	Total heat sold in 2013 (GJ)	Installed electrical output (kW)	Total electricity sold in 2013 (MWh)
108 615	611 247	32 580	81 342

### TI Energo, s.r.o.

Operation of district heating source – Ivančice

Heat output (kW)	Total heat sold in 2013 (GJ)	Installed electrical output (kW)	Total electricity sold in 2013 (MWh)
17 130	79 179	2 514	8 662

Within the group of companies belonging to TEDOM holding, the amount of electrical energy sold in 2013 was **133 288 MWh** and the amount of sold heat was **758 267 GJ**.

The goal of all companies is to maintain the revenues from the existing projects and to ensure the realisation of other projects for the sake of long-term stability of the firms. The most important goal of the company's business activities was to improve earnings and especially profit.

## 2. EVALUATION OF MANUFACTURING AND FINANCIAL SITUATION OF FIRMS WITHIN THE CONSOLIDATED GROUP, INCLUDING RESEARCH AND DEVELOPMENT CONDITIONS

In 2013, the parent company, TEDOM a.s., achieved turnover amounting to CZK 1,974,177 thousand, thereby making profit in the amount of CZK 66,077 thousand.

The entire group of companies (i.e. TEDOM holding) achieved non-consolidated earnings in the amount of CZK 1,853,932 thousand, thereby achieving non-consolidated profit of 63,635 thousand.

# Commentary on the Consolidated Group

## 2.1 Economic indicators (in thousands of CZK)

ECONOMIC INDICATORS	Total earnings		P/L	
	2012	2013	2012	2013
TEDOM a.s.	2,148,668	1,669,525	53,608	66,077
TEDOM, s.r.o.	79,316	86,116	7,018	7,122
TEDOM Cogeneration Equipments (Beijing) Co., Ltd	5,653	2,558	-1,562	-1,431
TEDOM Poland sp.z.o.o.	19,860	20,375	3,270	-2,241
GridX Power Pty Ltd.	-	114,398	-6,028	-9,956
ČEZ Energo, s.r.o.	391,440	621,786	437	10,509
TI Energo, s.r.o.	39,477	66,033	6,668	10,157
<b>Total (non-consolidated)</b>	<b>2,684,414</b>	<b>2,580,791</b>	<b>63,411</b>	<b>80,237</b>

## 2.2 Expenses with regard to the research and development

### TEDOM a.s.

Development of engines in Jablonci nad Nisou – the costs for 2013 amount to 14,473 thousand CZK.

Development and research of cogeneration in Hořovice – the costs for 2013 amount to 6,926 thousand CZK.

GHP research and development (Gas-engine Heat Pump) – the costs for 2013 amount to 799 thousand CZK.

In 2012, TEDOM a.s. had expended a total of 22,198 thousand CZK in the area of research and development.

## 3. DATA ON KEY EVENTS WHICH OCCURRED AFTER THE FINALISATION OF THE FIRMS' FINANCIAL STATEMENTS

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## 4. EXPECTED DEVELOPMENT OF FIRMS WITHIN THE CONSOLIDATED GROUP

In the upcoming years, the firms within the consolidated group shall focus on the following areas: serial production of CHP units and improvement of sales figures on selected global markets; the sale of GHP units in selected countries, operating of energy sources placed on landfill sites in the Czech Republic, searching for new projects consisting in the operation of decentralised power sources and increase in the sale of engines.

## 5. ACTIVITIES WITH REGARD TO THE ENVIRONMENT

TEDOM a.s. is a holder of the Certificate for the Integrated Environment Conservation and Quality Control System according to ČSN EN ISO 9001:2008 (Quality System) and ČSN EN ISO 14001:2004 (Environmental Management System) issued by Lloyd's Register Quality Assurance.

Our activities are focused on the development, manufacture and sales of the energy saving technology (CHP units) and on the supply of the heat and electric energy with the maximum possible production efficiency. We further develop, manufacture and sell the combustion engines on liquid and gaseous fuels with the aim to increase the engine efficiency and cut down emissions. This is the contribution of the product of TEDOM a.s. to the environment. To be specific, the contribution means savings in the primary energy sources and reduction of the greenhouse gas emissions.

If the product really contributes to the environment we want that our activities associated with creation, operation and servicing of such product are also as environment friendly as possible. We thus endeavour to attain the highest possible quality of all our activities and processes while respecting fully the environment conservation and protection principles.

## Commentary on the Consolidated Group

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We always consider the issues of unceasing environment conservation and quality improvement process when decisions are being made on our company activities.

The primary objective of our company in the environmental area is prevention of environmental contamination and permanent improvement of the environment condition. We consider it our exigency and matter of course to meet the requirements of applicable legislation and other requirements imposed to protect the environment.

We worked the following basic activities in the environment conservation area into the Environment Conservation and Quality Policy:

- To prevent or reduce the damage to environment by applying the correct practices, new pieces of knowledge and convenient state-of-the-art technologies during the process of manufacture, implementation, operation, and service as well as in further activities.
- Engage our business and contractual partners in our pursuits to improve the environmental condition and quality.
- Monitor and evaluate the impacts of our activities on the environment.
- Improve unceasingly the Environment Conservation and Quality Control System in harmony with resultant examinations of this System's performance and efficiency



# Auditor's Report on the Consolidated Financial Statement

## Independent Auditor's Report to the Shareholders of TEDOM a.s.

We have audited the accompanying consolidated financial statements of TEDOM a.s., based in Výčapy 195, Třebíč, identification number 284 66 021, which comprise the balance sheet as of 31. 12. 2013, and the income statement for the period from 1. 1. 2013 to 31. 12. 2013, and a summary of significant accounting policies and other explanatory notes.

## Statutory Body's Responsibility for the Consolidated Financial Statements

The Statutory Body of TEDOM a.s. is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Czech accounting regulations and for such internal control as statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those laws and regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of TEDOM a.s. as of 31. 12. 2013, and of its financial performance for the period from 1. 1. 2013 to 31. 12. 2013 in accordance with Czech accounting regulations.

Brno, 19. 5. 2014

BDO CA s. r. o., Certificate No. 305  
Represented by partner:



Jiří Kadlec  
Certificate No. 1246

Lukáš Musil  
Certificate No. 2276

# Consolidated Financial Statement for the Year 2013

## CONSOLIDATED BALANCE SHEET AS AT 31. 12. 2013 (in thousands of CZK)

	2013	2012
<b>Receivable from subscription</b>	<b>37</b>	<b>140</b>
<b>Fixed assets</b>	<b>2 354 622</b>	<b>2 529 439</b>
<b>Intangible assets</b>	<b>61 894</b>	<b>69 128</b>
- software	763	1 196
- valuable rights	61 131	67 896
- other intangible fixed assets	-	36
<b>Tangible fixed assets</b>	<b>1 883 505</b>	<b>2 068 220</b>
- lands	12 271	12 698
- construction	294 520	203 228
- equipment	413 864	220 054
- other tangible fixed assets	4	91
- tangible fixed assets under construction	81 610	454 510
- adjustments to acquired assets	1 081 237	1 177 639
<b>Long-term financial investments</b>	<b>3 633</b>	<b>5 167</b>
- shares – controlled organizations	3 290	4 910
- shares in accounting units with substantial influence	-	-
- other securities and shares	343	257
<b>Active consolidation difference</b>	<b>26 323</b>	<b>27 081</b>
<b>Passive consolidation difference</b>	<b>-165 139</b>	<b>-174 853</b>
<b>Securities in equivalents</b>	<b>544 406</b>	<b>534 696</b>
<b>Current assets</b>	<b>1 171 930</b>	<b>1 090 637</b>
<b>Inventory</b>	<b>626 609</b>	<b>587 854</b>
- materials	221 161	265 582
- work in progress and semi-products	338 896	254 085
- finished products	14 452	7 669
- merchandise	32 700	32 700
- advance payments for inventory	19 400	27 818
<b>Long-term receivables</b>	<b>5 941</b>	<b>11 025</b>
- trade receivables	440	2 676
- long-term deposits given	5 501	8 349
<b>Short-term receivables</b>	<b>368 961</b>	<b>330 744</b>
- trade receivables	346 482	312 218
- receivables from controlled and controlling organizations	3 432	-
- receivables in enterprises with substantial influence	-	-
- receivables from partners and association	-	-
- due from state – tax receivables	9 174	4 857
- short-term deposits given	6 168	7 580
- estimated receivables	132	19
- other receivables	3 573	6 070
<b>Short-term financial assets</b>	<b>170 419</b>	<b>161 014</b>
- cash	1 145	1 509
- bank accounts	169 274	159 505
<b>Accruals</b>	<b>34 718</b>	<b>18 598</b>
- deferred expenses	32 421	16 537
- complex deferred expenses	1 039	-
- deferred income	1 258	2 061
<b>TOTAL ASSETS</b>	<b>3 561 307</b>	<b>3 638 814</b>

# Consolidated Financial Statement for the Year 2013

## CONSOLIDATED BALANCE SHEET AS AT 31. 12. 2013 (in thousands of CZK)

	2013	2012
<b>Equity</b>	<b>1 448 430</b>	<b>1 382 233</b>
<b>Registered capital</b>	<b>20 100</b>	<b>20 100</b>
- registered capital	20 100	20 100
- changes of registered capital (+/-)	-	-
<b>Capital funds</b>	<b>229 978</b>	<b>231 813</b>
- other capital funds	227 127	227 127
- difference from revaluation of assets and liabilities	2 851	4 686
- difference from revaluation in transformation	-	-
<b>Difference from consolidation adjustments</b>	<b>-</b>	<b>-</b>
<b>Reserve funds, statutory reserve account for cooperatives and other retained earnings</b>	<b>4 389</b>	<b>6 077</b>
- legal reserve fund	4 338	6 026
- statutory and other funds	51	51
<b>Profit/loss of previous years</b>	<b>1 134 525</b>	<b>1 070 489</b>
- retained earnings from previous years	1 134 525	1 070 489
<b>Profit/loss of previous years</b>	<b>59 516</b>	<b>63 542</b>
<b>Share in income (loss) in equivalence</b>	<b>5 244</b>	<b>218</b>
<b>Consolidation reserve fund</b>	<b>-5 322</b>	<b>-10 006</b>
<b>Other sources</b>	<b>2 092 493</b>	<b>2 229 641</b>
<b>Reserves</b>	<b>68 630</b>	<b>39 780</b>
- reserves under special statutory regulations	-	-
- income tax reserves	-	8 358
- other reserves	68 630	31 422
<b>Long-term payables</b>	<b>1 307 895</b>	<b>1 267 626</b>
- long-term advances received	156	-
- other payables	1 106 878	1 046 012
- deferred tax liability	200 861	221 614
<b>Short-term payables</b>	<b>455 853</b>	<b>446 136</b>
- trade payables	196 509	200 165
- payables to accounting units with substantive influence	3 404	29 503
- payables – essential effect	33 958	84 443
- payables from partners, coop. and association members	25 046	-
- payroll	11 168	10 452
- payables to social security and health insurance	6 825	6 216
- due from state tax liabilities and subsidies	25 569	10 893
- short-term deposits received	141 364	103 114
- estimated payables	1 091	336
- other payables	10 919	1 014
<b>Bank loans and financial accommodations</b>	<b>260 115</b>	<b>476 099</b>
- long-term bank loans	48 730	77 595
- short-term current bank loans	211 381	398 453
- short-term accommodations	4	51
<b>Accruals</b>	<b>18 889</b>	<b>22 283</b>
- accrued expenses	17 787	21 788
- deferred revenues	1 102	495
<b>Minority equity</b>	<b>1 495</b>	<b>4 657</b>
- minority fixed capital	36 044	61 675
- minority capital funds	-	-
- minority profit funds and income (loss) of previous years	-33 424	-55 969
- minority income (loss) of current year	-1 125	-1 049
<b>TOTAL LIABILITIES</b>	<b>3 561 307</b>	<b>3 638 814</b>

# Consolidated Financial Statement for the Year 2013

## CONSOLIDATED PROFIT AND LOSS STATEMENT AS AT 31. 12. 2012 (in thousands of CZK)

	2013	2012
<b>Revenues from sold goods</b>	<b>67 619</b>	<b>99 043</b>
<b>Expenses on sold goods</b>	<b>43 226</b>	<b>63 623</b>
<b>Sale margin</b>	<b>24 393</b>	<b>35 420</b>
<b>Production</b>	<b>1 922 968</b>	<b>2 118 915</b>
- revenues from own product and services	1 786 313	1 653 507
- change in inventory of own products	80 235	-38 108
- capitalization	56 420	503 516
<b>Production consumption</b>	<b>1 313 232</b>	<b>1 591 124</b>
- consumption of material and energy	1 109 709	1 224 190
- services	203 523	366 934
<b>Added value</b>	<b>634 129</b>	<b>563 211</b>
<b>Personnel expenses</b>	<b>254 721</b>	<b>241 641</b>
- wages and salaries	184 989	175 012
- social security expenses and health insurance	62 783	60 509
- other social expenses	6 949	6 120
<b>Taxes and fees</b>	<b>2 882</b>	<b>2 872</b>
<b>Depreciation of intangible and tangible assets</b>	<b>177 715</b>	<b>166 749</b>
<b>Clearing of active consolidation difference</b>	<b>9 714</b>	<b>9 714</b>
<b>Clearing of passive consolidation difference</b>	<b>1 466</b>	<b>1 430</b>
<b>Revenues from disposed fixed assets and material</b>	<b>75 889</b>	<b>45 845</b>
- revenues from disposals of fixed assets	27 379	10 037
- revenues from disposals of materials	48 510	35 808
<b>Net book value of disposed fixed assets and materials</b>	<b>48 358</b>	<b>27 925</b>
- net book value of sold fixed assets	9 033	5 914
- net book value of sold material	39 325	22 011
<b>Changes in operating reserves and adjustments and complex deferred costs</b>	<b>16 177</b>	<b>-2 379</b>
<b>Other operating revenues</b>	<b>4 821</b>	<b>12 995</b>
<b>Other operating expenses</b>	<b>27 252</b>	<b>25 823</b>
<b>Operating profit/loss</b>	<b>187 734</b>	<b>159 420</b>
<b>CONSOLIDATED OPERATING PROFIT/LOSS</b>	<b>195 982</b>	<b>167 704</b>

# Consolidated Financial Statement for the Year 2013

## CONSOLIDATED PROFIT AND LOSS STATEMENT AS AT 31. 12. 2012 (in thousands of CZK)

	2013	2012
Revenues from sales of securities and ownership interests	-	-
Sold securities and ownership interests	-	12 977
Revenues from long-term financial assets	-	-
- revenues from shares in controlled organizations and in accounting units with substantial influence	-	-
Revenues from revaluation of securities and derivatives	-	10 818
Costs of revaluation of securities and derivatives	11 240	-
Change in financial reserves and adjustments	-	-12 976
Interest revenues	789	1 389
Interest expenses	89 663	82 280
Other financial revenues	49 459	32 969
Other financial expenses	72 677	42 927
Profit/loss from financial operations	-123 332	-80 032
<b>CONSOLIDATION PROFIT/LOSS FROM FINANCIAL OPERATIONS</b>	<b>-123 332</b>	<b>-80 032</b>
Income tax on ordinary income	13 945	23 171
- due tax	34 427	33 661
- tax deferred	-20 482	-10 490
Ordinary profit/loss	46 277	56 217
<b>CONSOLIDATION ORDINARY PROFIT/LOSS</b>	<b>58 705</b>	<b>64 501</b>
Extraordinary revenues	-	-
Extraordinary expenses	314	2 008
Income tax on extraordinary income	-	-
- due tax	-	-
Extraordinary profit/loss	-314	-2 008
<b>CONSOLIDATED EXTRAORDINARY PROFIT/LOSS</b>	<b>-314</b>	<b>-2 008</b>
Profit/loss of current accounting period	45 963	54 209
<b>CONSOLIDATED PROFIT/LOSS FOR THE ACCOUNTING PERIOD WITHOUT EQUIVALENCE</b>	<b>58 391</b>	<b>62 493</b>
- profit/loss of current accounting period without minority	59 516	63 542
- minority profit/loss	-1 125	-1 049
<b>SHARE IN PROFIT/LOSS IN EQUIVALENCE</b>	<b>5 244</b>	<b>218</b>
Profit/loss before tax	59 908	77 380
<b>CONSOLIDATED PROFIT/LOSS FOR THE ACCOUNTING PERIOD</b>	<b>63 635</b>	<b>62 711</b>

**TEDOM a.s.**

Výčapy 195  
674 01 Třebíč

Czech Republic

ID: 284 66 021

Registered in the Commercial Register kept by the Regional Court in Brno,  
Section B, File 6260

[www.tedom.com](http://www.tedom.com)