

2014

Annual Report



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Director's Foreword

Dear business friends, ladies and gentlemen,

Since 1991 the TEDOM company has been doing business in the energy sector. We have always had to strive for flexibility and we have always had to look for new solutions because the energy sector – just like all industry sectors – is developing on a continuous basis. However, the most recent development has been really dramatic. Germany's decision to reduce the operation of nuclear power plants and the massive support of renewable sources will cause the redrawing of the current maps of the energy sector in Germany, and it will also affect this sector in our country. It will create the need for reliable controllable output to random supplies of electricity from renewable sources. A properly designed CHP unit with heat accumulation appears to be an ideal solution to satisfy this need. We will try to take this opportunity.

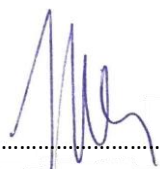
It is evident that our vision to "look for business opportunities in activities aimed at the permanently sustainable development of the mankind" is working. We believe it will continue to work. As for the development and production of CHP units based on gas engines we have become, in the course of 24 years, one of the global leaders in this business. The technological development is the main cause of our success. We are one of a handful of Czech developers and manufacturers of their own combustion engine as the key element of CHP units. Our units are exported to Japan, China, Australia, European countries or the Americas. We bring new technologies to the market, such as a gas pump and modular design of the QUANTO units.

We have also been successful in the activities consisting in the operation of energy systems. In our Australian affiliate GridX we supplied stable electrical, cooling and heat output for the oldest airline in the world, QANTAS, and we created expected business. Our subsidiary ČEZ Energo is doing very well as well; it is generating the expected results and it is also a key customer for TEDOM CHP units.

We want to solidify our position on the CHP market in the future. We will try to improve our sales of the gas heating pump. As a new activity, we want to be more active in the offering of entire turnkey CHP projects and to create a system of the sale of cogeneration assemblies using the TEDOM modules and to improve the offer of comprehensive energy solutions as a combination of cogeneration, renewable sources and accumulation.

I believe the results presented in this annual report prove that we are heading in the right direction.

Výčapy, May 17, 2015


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Josef Jeleček
General Director

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

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of TEDOM a.s.

On the basis of our audit, on 17. 5. 2015 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, Třebíč, identification number 284 66 021, which comprise the balance sheet as of 31. 12. 2014, and the income statement, statement of changes in equity and cash flow statement for the period from 1. 1. 2014 to 31. 12. 2014, 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.

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

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. 2014, and of its financial performance and its cash flows for the period from 1. 1. 2014 to 31. 12. 2014 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. 2014. 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.

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. 2014 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. 2014 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. 2014 is consistent, in all material respects, with the financial statements referred to above.

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

Brno, May 17, 2015

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

Represented by partner:



Jiří Kadlec

Certificate No. 1246



Basic Economic Characteristics of TEDOM a.s.

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

		2014	2013
Total assets	thousands CZK	3 353 897	3 518 128
Fixed assets	thousands CZK	1 952 097	2 048 255
Inventories	thousands CZK	551 727	618 292
Receivables	thousands CZK	698 078	705 547
Current financial assets	thousands CZK	118 005	113 927
Other assets	thousands CZK	33 990	32 107
Equity	thousands CZK	1 705 936	1 615 953
Subscribed capital	thousands CZK	20 100	20 100
Liabilities	thousands CZK	1 622 791	1 883 759
Other liabilities	thousands CZK	25 170	18 416
Total sales	thousands CZK	1 530 119	1 669 525
Profit/loss before tax	thousands CZK	104 758	81 062
Number of staff	persons	498	511

Basic Economic Characteristic of TEDOM a.s.

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, Třebíč, identification number 28466021, which comprise the balance sheet as of 31. 12. 2014, and the income statement, statement of changes in equity and cash flow statement for the period from 1. 1. 2014 to 31. 12. 2014, 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 misstatements, 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 misstatements.

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. 2014, and of its financial performance and its cash flows for the period from 1. 1. 2014 to 31. 12. 2014 in accordance with Czech accounting regulations.

Brno, 17.5. 2015

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

Represented by partner:



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



Ing. Lukáš Musil

Auditor

Certificate No. 2276



Ing. Jiří Kadlec

Partner, auditor

Certificate No. 1246

Financial Statement 2014 – Basic Data

BALANCE SHEET (in thousands of CZK)

	2014	2013
TOTAL ASSETS	3 353 897	3 518 128
Receivables from subscriptions	-	-
Fixed assets	1 952 097	2 048 255
Intangible fixed assets	58 737	61 892
- software	296	761
- valuable rights (patents, copyrights, trademarks and brands)	58 441	61 131
Tangible fixed assets	1 302 205	1 399 217
- lands	12 271	12 271
- buildings and structures (constructions)	198 914	191 274
- machinery, equipment, vehicles, fixtures and fittings	103 475	112 476
- tangible fixed assets under construction	2 263	1 959
- advances for tangible fixed assets	447	-
- adjustment to acquired assets	984 835	1 081 237
Long-term financial assets	591 155	587 146
- shares – controlled organizations	31 078	42 397
- shares in accounting units with substantial influence	559 681	544 406
- other securities and shares	396	343
Current assets	1 367 810	1 437 766
Inventory	551 727	618 292
- materials	252 308	212 844
- work in progress and semi-products	273 197	338 896
- finished products	14 581	14 452
- merchandise	-	32 700
- advance payments for inventory	11 641	19 400
Long-term receivables	429 752	269 948
- trade receivables	11 763	440
- receivables from controlled and controlling organizations	400 658	264 037
- long-term deposits given	3 746	5 471
- other receivables	13 585	-
Short-term receivables	268 326	435 599
- trade receivables	222 172	311 129
- receivables from controlled and controlling organizations	29 022	108 092
- due from state – tax receivables	7 174	8 936
- short-term deposits given	6 070	6 168
- estimated receivables	375	132
- other receivables	3 513	1 142
Short-term financial assets	118 005	113 927
- cash	1 262	1 062
- bank accounts	116 743	112 865
Accruals	33 990	32 107
- deferred expenses	31 441	30 868
- deferred income	2 549	1 239

Financial Statement 2014 – Basic Data

BALANCE SHEET (in thousands of CZK)

	2014	2013
TOTAL LIABILITIES	3 353 897	3 518 128
Equity	1 705 936	1 615 953
Subscribed capital	20 100	20 100
- subscribed capital	20 100	20 100
- changes of registered capital (+/-)	-	-
Capital funds	405 624	400 583
- other capital funds	227 127	227 127
- differences from revaluation of assets and liabilities (+/-)	178 497	173 456
Reserve funds, statutory reserve account for cooperatives, and other retained earnings	4 071	4 071
- legal reserve fund/indivisible fund	4 020	4 020
- statutory and other funds	51	51
Retained earnings from previous years	1 191 199	1 125 122
Profit/loss - current year (+/-)	84 942	66 077
Other sources	1 622 791	1 883 759
Reserves	67 715	66 214
- income tax reserves	-	-
- other reserves	67 715	66 214
Long-term payables	1 233 563	1 203 332
- other payables	1 051 555	1 004 341
- deferred tax liability	182 008	198 991
Short-term liabilities	317 919	425 799
- trade payables	154 694	179 231
- payables to controlled and managed organizations	-	26 550
- payables to accounting units with substantial influence	36 906	33 958
- payables from partners, cooperative members and association members	-	981
- payroll	11 486	10 800
- payables to social security and health insurance	7 056	6 523
- due from state – tax liabilities and subsidies	13 704	15 183
- short-term deposits received	90 414	141 364
- estimated payables	377	1 091
- other payables	3 282	10 118
Bank loans and financial accommodations	3 594	188 414
- long-term bank loans	719	3 594
- short-term bank loans	2 875	184 816
- other short-term accommodations	-	4
Accruals	25 170	18 416
- accrued expenses	15 658	17 787
- deferred revenues	9 512	629

Financial Statement 2014 – Basic Data

PROFIT AND LOSS STATEMENT (in thousands of CZK)

	2014	2013
Revenues from sold goods	22 628	46 687
Expenses on sold goods	17 436	35 549
Sale margin	5 192	11 138
Production	1 517 955	1 759 493
- revenues from own products and services	1 507 491	1 622 838
- change in inventory of own products	-59 788	80 235
- capitalization	70 252	56 420
Production consumption	1 031 543	1 241 341
- consumption of material and energy	859 367	1 057 235
- services	172 176	184 106
Value added	491 604	529 290
Personnel expenses	244 199	242 044
- wages and salaries	176 911	175 067
- social security expenses and health insurance	61 363	60 745
- other social expenses	5 925	6 232
Taxes and fees	1 884	2 722
Depreciation of intangible and tangible assets	137 315	139 686
Revenues from disposals of fixed assets and material	70 942	85 864
- revenues from disposals of fixed assets	5 542	27 379
- revenues from disposals of material	65 400	58 485
Net book value of disposed fixed assets and materials	52 608	55 422
- net book value of sold fixed assets	1 622	9 033
- net book value of sold material	50 986	46 389
Changes in operating reserves and adjustments and complex deferred expenses (+/-)	-4 989	-623
Other operating revenues	119 461	3 918
Other operating expenses	109 624	13 789
PROFIT/LOSS FROM OPERATING ACTIVITIES	141 369	166 032
Revenues from revaluation of securities and derivatives	9 806	-
Cost of revaluation of securities and derivatives	2 875	11 240
Interest revenues	32 151	29 087
Interest expenses	70 491	79 487
Other financial revenues	21 425	49 128
Other financial expenses	26 627	72 144
PROFIT/LOSS FROM FINANCIAL OPERATIONS (TRANSACTION)	-36 611	-84 656
Income tax on ordinary activities	19 816	14 985
- due tax	36 799	34 416
- tax deferred	-16 983	-19 431
OPERATING PROFIT/LOSS FROM ORDINARY ACTIVITY	84 942	66 391
Extraordinary revenues	-	-
Extraordinary expenses	-	314
OPERATING PROFIT/LOSS FROM EXTRAORDINARY ACTIVITY	-	-314
PROFIT/LOSS OF CURRENT ACCOUNTING PERIOD (+/-)	84 942	66 077
PROFIT/LOSS BEFORE TAX	104 758	81 062

Financial Statement 2014 – Basic Data

CASH FLOW – STATEMENTS (in thousands of CZK)

	2014	2013
Cash and cash equivalents at beginning of accounting period	113 927	135 819
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/loss from ordinary activities before taxation	104 758	81 376
Adjustments for non-cash transactions	163 251	169 496
- depreciation of fixed assets	137 315	139 686
- change in adjustments, provisions	-4 988	180
- profit/loss on disposal of fixed assets	-3 920	- 18 346
- dividends received	-	-
- net interest expense (+) (except of capitalized interest) and interest income (-)	38 341	50 400
- contingent adjustments and other non-cash transactions	-3 497	- 2 424
Net cash flow from operating activities before tax, changes in working capital and extraordinary items	268 009	250 872
Change in non-financial items of working capital	54 118	4 271
- increase/decrease in trade and other receivables, including prepayments and accrued income (+/-)	57 783	20 588
- increase/decrease in trade payables, including accruals and deferred income (+/-)	-71 280	4 528
- increase/decrease in inventories	67 615	-20 845
- increase/decrease in current financial assets, not belonging to cash and cash equivalents	-	-
Net cash flow from operating activities before taxes and extraordinary items	322 127	255 143
Interest paid, excl. capitalized interests	-23 276	-29 942
Interest received (+)	3 165	1 027
Income tax on ordinary activities paid and additional assessments for past periods (including deposits and refunds)	-27 116	-50 813
Extraordinary revenues and expenses which generate extraordinary trading profit including paid income tax due from extraordinary activities (+/-)	-	-314
Net cash flow from operating activities	274 900	175 101
CASH FLOW FROM INVESTING ACTIVITIES		
Costs associated acquisition of fixed assets	-37 380	-23 113
Proceeds on sales of fixed assets	4 528	27 379
Net cash flow from investing activities	-32 852	4 266
CASH FLOW FINANCING ACTIVITIES		
Net effect of changes in long-term liabilities and short-term liabilities, belonging to the financial activities area, to cash and cash equivalents	-237 970	-201 259
Net effect of changes in equity on cash and cash equivalents, share profits or possibly legal reserve including advances paid for this increase	-	-
Net cash from financing activities	-237 970	-201 259
Net increase/decrease in cash and cash equivalents	4 078	-21 892
Cash and cash equivalents at end of period	118 005	113 927

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, Vranovská Ves – Motel Club

Heat output (kW)	Total heat sold in 2014 (GJ)	Installed electrical output (kW)	Total electricity sold in 2014 (MWh)
12 943	60 026	10 866	41 531

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, Přelouč

Operations with nested unit – Jihlava, Frýdlant, Sušice, Třebíč, Humpolec, Bystřice n.P., Adamov, Votice, Moravský Krumlov, Brtnice, Vrchlabí, Kroměříž, Nové Město nad Metují, Vysoké Mýto, Havlíčkův Brod, Nýřany, Postoloprty, Vamberk, Polička, Bojkovice, Kladruby, Ústí nad Orlicí, Rokycany, Duchcov, Krupka, Hodkovice nad Mohelkou, Kaznějov, Lipník nad Bečvou, Hlučín, Nové Strašecí, Ostrava, Hořovice, Nové Hradky, Nymburk, Šumperk, Česká Třebová

Heat output (kW)	Total heat sold in 2014 (GJ)	Installed electrical output (kW)	Total electricity sold in 2014 (MWh)
131 020	657 207	50 392	115 614

TI Energo, s.r.o.

Operation of district heating source – Ivančice

Heat output (kW)	Total heat sold in 2014 (GJ)	Installed electrical output (kW)	Total electricity sold in 2014 (MWh)
17 130	70 290	2 514	7 354

Within the group of companies belonging to TEDOM holding, the amount of electrical energy sold in 2014 was **164 499 MWh** and the amount of sold heat was **787 523 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.

Commentary on the Consolidated Group

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

In 2014, the parent company, TEDOM a.s., achieved turnover amounting to CZK 1,794,242 thousand, thereby making profit in the amount of CZK 84,942 thousand.

The entire group of companies (i.e. TEDOM holding) achieved non-consolidated earnings in the amount of CZK 1,816,185 thousand, thereby achieving non-consolidated profit of 66,013 thousand.

2.1 Economic indicators (in thousands of CZK)

ECONOMIC INDICATORS	Total earnings		P/L	
	2013	2014	2013	2014
TEDOM a.s.	1,669,525	1,530,119	66,077	84,942
TEDOM, s.r.o.	86,116	76,323	7,122	7,083
TEDOM Cogeneration Equipments (Beijing) Co., Ltd	2,558	3,219	-1,431	-728
TEDOM Poland sp.z.o.o.	20,375	14,409	-2,241	-3,334
GridX Power Pty Ltd.	114,398	204,300	-9,956	-41,507
OOO TEDOM-RU		5,231		-2,737
ČEZ Energo, s.r.o.	621,786	703,309	10,509	21,080
TI Energo, s.r.o.	66,033	58,612	10,157	9,532
Total (non-consolidated)	2,580,791	2,595,522	80,237	74,331

2.2. Expenses with regard to the research and development

TEDOM a.s.

Development of engines in Jablonec nad Nisou – the costs for 2014 amount to 15,684 thousand CZK.

Development and research of cogeneration in Hořovice – the costs for 2014 amount to 6,057 thousand CZK.

GHP research and development (Gas-engine Heat Pump) – the costs for 2014 amount to 792 thousand CZK.

In 2014, TEDOM a.s. had expended a total of 22,533 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: active search for new markets for CHP units, introduction of MICRO CHP units on the Czech market based on current legislative conditions, search for new customers in the field of heat pumps and the increase of sales of combustion 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 and ČSN EN ISO 14001 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 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

Commentary on the Consolidated Group

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.

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.
- To engage our business and contractual partners in our pursuits to improve the environmental condition and quality.
- To monitor and evaluate the impacts of our activities on the environment.
- To improve unceasingly the Environment Conservation and Quality Control System in harmony with resultant examinations of this System's performance and efficiency.

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. 2014, and the income statement for the period from 1. 1. 2014 to 31. 12. 2014, 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 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.

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

Commentary on the Consolidated Group

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. 2014, and of its financial performance for the period from 1. 1. 2014 to 31. 12. 2014 in accordance with Czech accounting regulations.

Brno, 17. 5. 2015

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

Represented by:



Ing. Lukáš Musil

Auditor

Certificate No. 2276

Ing. Jiří Kadlec

partner, auditor

Certificate No. 1246

Consolidated Financial Statement for the Year 2014

CONSOLIDATED BALANCE SHEET AS AT 31. 12. 2014 (in thousands of CZK)

	2014	2013
Receivable from subscription	-	37
Fixed assets	2 285 169	2 354 622
Intangible assets	58 739	61 894
- software	298	763
- valuable rights	58 441	61 131
- other intangible fixed assets	-	-
Tangible fixed assets	1 800 640	1 883 505
- lands	12 271	12 271
- construction	305 611	294 520
- equipment	494 538	413 864
- other tangible fixed assets	663	4
- tangible fixed assets under construction	2 274	81 610
- adjustments to acquired assets	984 835	1 081 237
Long-term financial investments	396	3 633
- shares – controlled organizations	-	3 290
- shares in accounting units with substantial influence	-	-
- other securities and shares	396	343
Active consolidation difference	24 857	26 323
Passive consolidation difference	-159 145	-165 139
Securities in equivalents	559 682	544 406
Current assets	1 026 512	1 171 930
Inventory	563 886	626 609
- materials	264 466	221 161
- work in progress and semi-products	273 197	338 896
- finished products	14 581	14 452
- merchandise	0	32 700
- advance payments for inventory	11 641	19 400
Long-term receivables	29 744	5 941
- trade receivables	11 763	440
- long-term deposits given	3 775	5 501
Short-term receivables	297 277	368 961
- trade receivables	278 659	346 482
- receivables from controlled and controlling organizations	-	3 432
- receivables in enterprises with substantial influence	-	-
- receivables from partners and association	-	-
- due from state – tax receivables	8 910	9 174
- short-term deposits given	6 070	6 168
- estimated receivables	797	132
- other receivables	2 841	3 573
Short-term financial assets	135 605	170 419
- cash	1375	1 145
- bank accounts	134 230	169 274
Accruals	35 181	34 718
- deferred expenses	32 532	32 421
- complex deferred expenses	-	1 039
- deferred income	2 649	1 258
TOTAL ASSETS	3 346 862	3 561 307

Consolidated Financial Statement for the Year 2014

CONSOLIDATED BALANCE SHEET AS AT 31. 12. 2014 (in thousands of CZK)

	2014	2013
Equity	1 523 640	1 448 430
Registered capital	34 717	20 100
- registered capital	34 717	20 100
- changes of registered capital (+/-)	-	-
Capital funds	227 127	229 978
- other capital funds	227 127	227 127
- difference from revaluation of assets and liabilities	-	2 851
- difference from revaluation in transformation	-	-
Difference from consolidation adjustments	-	-
Reserve funds, statutory reserve account for cooperatives and other retained earnings	4 393	4 389
- legal reserve fund	4 342	4 338
- statutory and other funds	51	51
Profit/loss of previous years	1 182 021	1 134 525
- retained earnings from previous years	1 182 021	1 134 525
Profit/loss of previous years	60 184	59 516
Share in income (loss) in equivalence	10 519	5 244
Consolidation reserve fund	4 679	-5 322
Other sources	1 800 977	2 092 493
Reserves	69 988	68 630
- reserves under special statutory regulations	-	-
- income tax reserves	-	-
- other reserves	69 988	68 630
Long-term payables	1 339 734	1 307 895
- long-term advances received	3 701	156
- other payables	1 150 170	1 106 878
- deferred tax liability	185 862	200 861
Short-term payables	341 198	455 853
- trade payables	170 823	196 509
- payables to accounting units with substantive influence	-	3 404
- payables – essential effect	36 906	33 958
- payables from partners, coop. and association members	-	25 046
- payroll	12 083	11 168
- payables to social security and health insurance	7 559	6 825
- due from state tax liabilities and subsidies	19 693	25 569
- short-term deposits received	89 710	141 364
- estimated payables	377	1 091
- other payables	4 048	10 919
Bank loans and financial accommodations	50 058	260 115
- long-term bank loans	19 493	48 730
- short-term current bank loans	30 565	211 381
- short-term accommodations	-	4
Accruals	25 170	18 889
- accrued expenses	15 658	17 787
- deferred revenues	9 512	1 102
Minority equity	-2 926	1 495
- minority fixed capital	37 869	36 044
- minority capital funds	-	-
- minority profit funds and income (loss) of previous years	-36 105	-33 424
- minority income (loss) of current year	-4 690	-1 125
TOTAL LIABILITIES	3 346 862	3 561 307

Consolidated Financial Statement for the Year 2014

CONSOLIDATED PROFIT AND LOSS STATEMENT AS AT 31. 12. 2014 (in thousands of CZK)

	2014	2013
Revenues from sold goods	28 224	67 619
Expenses on sold goods	18 725	43 226
Sale margin	9 500	24 393
Production	1 798 424	1 922 968
- revenues from own product and services	1 787 960	1 786 313
- change in inventory of own products	-59 788	80 235
- capitalization	70 252	56 420
Production consumption	1 234 938	1 313 232
- consumption of material and energy	1 050 871	1 109 709
- services	184 067	203 523
Added value	572 986	634 129
Personnel expenses	266 114	254 721
- wages and salaries	195 581	184 989
- social security expenses and health insurance	63 981	62 783
- other social expenses	6 552	6 949
Taxes and fees	2 262	2 882
Depreciation of intangible and tangible assets	178 680	177 715
Clearing of active consolidation difference	9 947	9 714
Clearing of passive consolidation difference	1 466	1 466
Revenues from disposed fixed assets and material	60 240	75 889
- revenues from disposals of fixed assets	5 522	27 379
- revenues from disposals of materials	54 718	48 510
Net book value of disposed fixed assets and materials	47 963	48 358
- net book value of sold fixed assets	1 622	9 033
- net book value of sold material	46 341	39 325
Changes in operating reserves and adjustments and complex deferred costs	-4 989	16 177
Other operating revenues	122 463	4 821
Other operating expenses	113 985	27 252
Operating profit/loss	151 673	187 734
CONSOLIDATED OPERATING PROFIT/LOSS	160 154	195 982

Consolidated Financial Statement for the Year 2014

CONSOLIDATED PROFIT AND LOSS STATEMENT AS AT 31. 12. 2014 (in thousands of CZK)

	2014	2013
Revenues from sales of securities and ownership interests	-	-
Sold securities and ownership interests	-	-
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	9 806	-
Costs of revaluation of securities and derivatives	2 875	11 240
Change in financial reserves and adjustments	-	-
Interest revenues	688	789
Interest expenses	72 048	89 663
Other financial revenues	22 651	49 459
Other financial expenses	29 901	72 677
Profit/loss from financial operations	-71 679	-123 332
CONSOLIDATION PROFIT/LOSS FROM FINANCIAL OPERATIONS	-71 679	-123 332
Income tax on ordinary income	21 590	13 945
- due tax	36 911	34 427
- tax deferred	-15 322	-20 482
Ordinary profit/loss	55 109	46 277
CONSOLIDATION ORDINARY PROFIT/LOSS	66 884	58 705
Extraordinary revenues	-	-
Extraordinary expenses	11 390	314
Income tax on extraordinary income	-	-
- due tax	-	-
Extraordinary profit/loss	-11 390	-314
CONSOLIDATED EXTRAORDINARY PROFIT/LOSS	-11 390	-314
Profit/loss of current accounting period	43 719	45 963
CONSOLIDATED PROFIT/LOSS FOR THE ACCOUNTING PERIOD WITHOUT EQUIVALENCE	55 494	58 391
- profit/loss of current accounting period without minority	60 184	59 516
- minority profit/loss	-4 690	-1 125
SHARE IN PROFIT/LOSS IN EQUIVALENCE	10 519	5 244
Profit/loss before tax	65 309	59 908
CONSOLIDATED PROFIT/LOSS FOR THE ACCOUNTING PERIOD	66 013	63 635

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

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