

TEDOM

ANNUAL REPORT

2012

TEDOM A.S.

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Director's Foreword

Dear business friends, dear customers,

It is pleasure for me to be able to inform you that the economic crisis recently reoccurring the Czech Republic, after a slight recovery in 2010 and 2011, has not affected our company. I believe that, in addition to a greater demand for CHP units in the Czech market, the credit for this favorable circumstance is to be ascribed to the organizational changes that our company underwent in the recent past – perhaps mainly the company's restructuring in 2008 and 2009.

In 2012, we stopped producing buses, thereby finalizing a decision we had been made already in 2011. Thus, 2012 may be viewed as a "return to the roots" for TEDOM, i.e., return to the energy business as such. All of TEDOM's basic professional activities since then have been related to development of economical energy-producing devices based on the principles of cogeneration and energy-saving technology, in general. This involved, in particular, manufacture of CHP units, as well as construction and operation of energy-producing facilities. Meanwhile, we continue to work on the development and manufacture of our own TEDOM engine, especially its gas version for stationary use, as we are convinced of the benefits of CHP units in combination with our engine, compared to our competitors' systems. TEDOM engines are being used predominantly in combination with our own CHP units as CENTO performance line, and delivered to enterprises with similar production programs.

In fact, the year 2012 was a record year in our business with CHP units. With a production of 255 CHP units of a total power of 79 MW, the overall turnover of the Cogeneration Division reached CZK 1.5 bil., thus creating EBITDA of CZK 194 mil. For 2013, we projected even higher goals, as far as EBITDA is concerned. Moreover, we have expanded our assortment of CENTO engines by adding Swiss engines Liebherr, which we are now beginning to offer in a range from 200 kW to 500 kW. While the 200 kW model is an alternative to our engine, the higher-power models complement our performance portfolio and make a good substitute for MWM engine with a 400 kW power, which is very expensive.

The Energy Division (construction and operation of energy facilities) reached sales of CZK 488 mil., i.e., 113 mil., according to EBITDA indicator, which is an excellent result. The greatest contribution towards this result was brought by the operation of energy sources at landfills, thereof most importantly the project for the utilization of landfill gas at the city dumps of Dolní Chabry and Ďáblice. The engineering-supply part of the division concentrates primarily on the execution of projects with turnkey CHP units.

The Engine Division, too, has managed to contribute to the EBITDA indicator with CZK 23 mil., despite having to struggle with a decline in the production of engines also due to the suspension of bus manufacture. For the future years, we are preparing a major modernization of TEDOM combustion engine. Our objective is to improve our engine's parameters to the extent of superseding our competitors, while retaining/ the engine's most valuable features, i.e., its reliability and low service costs.

From the viewpoint of business results, it is quite clear that TEDOM a.s. has nothing to complain about. Even relocation of the company's serial production of MICRO and CENTO CHP units to the vacated production premises of discontinued bus manufacture in Třebíč did not hurt the company, as the new, modern premises allow us to achieve higher productivity, compared to the jammed assembly halls in Hořovice. Another favorable circumstance that should not be omitted is the fact that potential customers visiting our sales agents have a chance to see the real manufacture of CHP units personally, which they could hardly do elsewhere. This is bound to increase their confidence in TEDOM products.

Furthermore, we have successfully construed the first prototype of a gas heat pump (GHP) and launched it into trial operation. We expect to implement the first commercial projects at customer sites in 2013. A team of independent specialists has begun to be formed around the GHP project, which we hope will become one of the TEDOM's key production programs in the future.

Výčapy, June 30, 2013


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Josef Jeleček
General Director

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

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

On the basis of our audit, on 3. 4. 2013 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. 2012, and the income statement, statement of changes in equity and cash flow statement for the period from 1. 1. 2012 to 31. 12. 2012, 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. 2012, and of its financial performance and its cash flows for the period from 1. 1. 2012 to 31. 12. 2012 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. 2012. 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.

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

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. 2012 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. 2012 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. 2012 is consistent, in all material respects, with the financial statements referred to above.

Brno, 4. 7. 2013

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

Indicator	Units	2011	2012
Total assets	thousands CZK	3 397 135	3 613 614
Fixed assets	thousands CZK	2 289 136	2 168 665
Inventories	thousands CZK	547 606	581 676
Receivables	thousands CZK	409 703	710 681
Current financial assets	thousands CZK	130 626	135 819
Other assets	thousands CZK	19 964	16 773
Equity	thousands CZK	1 504 279	1 544 680
Subscribed capital	thousands CZK	20 100	20 100
Liabilities	thousands CZK	1 867 915	2 047 094
Other liabilities	thousands CZK	24 941	21 840
Total sales	thousands CZK	1 841 429	2 148 668
Profit/loss before tax	thousands CZK	263 366	72 787
Number of staff	persons	525	495

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

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

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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. 2012, and of its financial performance and its cash flows for the period from 1. 1. 2012 to 31. 12. 2012 in accordance with Czech accounting regulations.

Brno, 3. 4. 2013

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



Jiří Kadlec
Certificate No. 1246

Rostislav Chalupa
Certificate No. 1245

Financial Statement 2012 – Basic Data

BALANCE SHEET (in thousands of CZK)

	2012	1.1.2012
TOTAL ASSETS	3 613 614	3 376 208
Receivables from subscriptions	-	100
Fixed assets	2 168 665	2 275 644
Intangible fixed assets	69 090	69 939
- software	1 194	1 098
- valuable rights (patents, copyrights, trademarks and brands)	67 896	68 841
Tangible fixed assets	1 520 267	1 640 653
- lands	12 698	12 698
- buildings and structures (constructions)	203 228	203 663
- machinery, equipment, vehicles, fixtures and fittings	119 883	140 445
- tangible fixed assets under construction	6 819	9 806
- advances for tangible fixed assets	-	-
- adjustment to acquired assets	1 177 639	1 274 041
Long-term financial assets	579 308	565 052
- shares – controlled organizations	44 355	29 180
- shares in accounting units with substantial influence	534 696	531 208
- other securities and shares	257	234
- other financial investments	-	4 430
Current assets	1 428 176	1 080 500
Inventory	581 676	547 606
- materials	259 404	184 626
- work in progress and semi-products	254 085	266 116
- finished products	7 669	33 067
- merchandise	32 700	49 200
- advance payments for inventory	27 818	14 597
Long-term receivables	252 955	13 385
- trade receivables	2 649	1 592
- long-term deposits given	8 349	11 793
Short-term receivables	457 726	388 883
- trade receivables	409 865	342 927
- receivables from controlled and controlling organizations	35 210	25 993
- due from state – tax receivables	134	1 279
- short-term deposits given	6 592	13 193
- estimated receivables	19	8
- other receivables	5 906	5 483
Short-term financial assets	135 819	130 626
- cash	1 412	1 046
- bank accounts	134 407	129 580
Accruals	16 773	19 964
- deferred expenses	14 712	16 838
- deferred income	2 061	3 126

Financial Statement 2012 – Basic Data

BALANCE SHEET (in thousands of CZK)

	2012	1.1.2012
TOTAL LIABILITIES	3 613 614	3 376 208
Equity	1 544 680	1 511 005
Subscribed capital	20 100	20 100
- subscribed capital	20 100	20 000
- changes of registered capital (+/-)	-	100
Capital funds	395 387	415 292
- other capital funds	227 127	227 127
- differences from revaluation of assets and liabilities (+/-)	168 260	188 165
Reserve funds, statutory reserve account for cooperatives, and other retained earnings	4 051	4 051
- legal reserve fund/indivisible fund	4 000	4 000
- statutory and other funds	51	51
Retained earnings from previous years	1 071 534	1 071 562
Profit/loss - current year (+/-)	53 608	-
Other sources	2 047 094	1 840 262
Reserves	55 116	53 721
- income tax reserves	8 358	28 688
- other reserves	46 758	25 033
Long-term payables	1 173 254	1 215 178
- other payables	954 832	983 074
- deferred tax liability	218 422	232 104
Short-term liabilities	432 492	471 285
- trade payables	190 757	203 976
- payables to controlled and managed organizations	29 503	-
- payables to accounting units with substantial influence	83 955	52 528
- payables from partners, cooperative members and association members	1 090	5
- payroll	10 200	10 497
- payables to social security and health insurance	6 075	5 989
- due from state – tax liabilities and subsidies	7 135	11 944
- short-term deposits received	103 114	170 840
- estimated payables	336	244
- other payables	327	15 262
Bank loans and financial accommodations	386 232	100 078
- long-term bank loans	11 869	37 102
- short-term bank loans	374 312	62 879
- other short-term accommodations	51	97
Accruals	21 840	24 941
- accrued expenses	21 788	22 339
- deferred revenues	52	2 602

Financial Statement 2012 – Basic Data

PROFIT AND LOSS STATEMENT (in thousands of CZK)

	2012
Revenues from sold goods	70 848
Expenses on sold goods	36 756
Sale margin	34 092
Production	2 099 075
- revenues from own products and services	2 077 820
- change in inventory of own products	-38 108
- capitalization	59 363
Production consumption	1 592 059
- consumption of material and energy	1 229 614
- services	362 445
Value added	541 108
Personnel expenses	234 199
- wages and salaries	169 294
- social security expenses and health insurance	58 929
- other social expenses	5 976
Taxes and fees	2 788
Depreciation of intangible and tangible assets	146 744
Revenues from disposals of fixed assets and material	58 687
- revenues from disposals of fixed assets	5 052
- revenues from disposals of material	53 635
Net book value of disposed fixed assets and materials	40 163
- net book value of sold fixed assets	2 011
- net book value of sold material	38 152
Changes in operating reserves and adjustments and complex deferred expenses (+/-)	14 421
Other operating revenues	12 695
Other operating expenses	23 678
PROFIT/LOSS FROM OPERATING ACTIVITIES	150 497
Revenues from long-term financial assets	-
Sold securities and ownership interests	12 977
Revenues from revaluation of securities and derivatives	10 818
Cost of revaluation of securities and derivatives	-
Change in financial reserves and adjustments (+/-)	-12 976
Interest revenues	8 966
Interest expenses	85 749
Other financial revenues	32 642
Other financial expenses	42 378
PROFIT/LOSS FROM FINANCIAL OPERATIONS (TRANSACTION)	-75 702
Income tax on ordinary activities	19 179
- due tax	32 861
- tax deferred	-13 682
OPERATING PROFIT/LOSS FRO ORDINARY ACTIVITY	55 616
Extraordinary revenues	-
Extraordinary expenses	2 008
Income tax on extraordinary income	-
- due tax	-
OPERATING PROFIT/LOSS FROM EXTRAORDINARY ACTIVITY	-2 008
PROFIT/LOSS OF CURRENT ACCOUNTING PERIOD (+/-)	53 608
PROFIT/LOSS BEFORE TAX	72 787

Financial Statement 2012 – Basic Data

CASH FLOW – STATEMENTS (in thousands of CZK)

	2012
Cash and cash equivalents at beginning of accounting period	130 626
CASH FLOW FROM OPERATING ACTIVITIES	
Profit/loss from ordinary activities before taxation	74 795
Adjustments for non-cash transactions	237 775
- depreciation of fixed assets	146 744
- change in adjustments, provisions	1 445
- profit/loss on disposal of fixed assets	9 935
- dividends received	-
- net interest expense (+) (except of capitalized interest) and interest income (-)	76 783
- contingent adjustments and other non-cash transactions	2 868
Net cash flow from operating activities before tax, changes in working capital and extraordinary items	312 570
Change in non-financial items of working capital	-456 428
- increase/decrease in trade and other receivables, including prepayments and accrued income (+/-)	-321 670
- increase/decrease in trade payables, including accruals and deferred income (+/-)	-102 405
- increase/decrease in inventories	-32 353
- increase/decrease in current financial assets, not belonging to cash and cash equivalents	-143 858
Net cash flow from operating activities before taxes and extraordinary items	
Interest paid, excl. capitalized interests	-35 091
Interest received (+)	8 966
Income tax on ordinary activities paid and additional assessments for past periods (including deposits and refunds)	-53 191
Extraordinary revenues and expenses which generate extraordinary trading profit including paid income tax due from extraordinary activities (+/-)	-2 008
Profit-sharing and dividends received	-
Net cash flow from operating activities	-225 182
CASH FLOW FROM INVESTING ACTIVITIES	
Costs associated acquisition of fixed assets	-64 261
Proceeds on sales of fixed assets	23 287
Loans and borrowings to allied subjects	4 430
Net cash flow from investing activities	-36 544
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	266 919
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	266 919
Net increase/decrease in cash and cash equivalents	5 193
Cash and cash equivalents at end of period	135 819

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, in the sphere of operating of district heating sources and operating of energy sources on landfills.

TEDOM a.s.

operation of energy sources at the landfills of Praha, Chvaletice, Modlany, Ostrava, Kozlany, Želeč, Vodňany, Chrást, Křovice, Holasovice, Markvartovice, Hantáły, Těmice, Mutěnice, Bohumín, Děčín

Heat output (kW)	Total heat sold in 2012 (GJ)	Installed electrical output (kW)	Total electricity sold in 2012 (MWh)
11 089	63 710	19 776	41 483

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 2012 (GJ)	Installed electrical output (kW)	Total electricity sold in 2012 (MWh)
106 754	433 488	19 776	38 216

TEPLO IVANČICE, s.r.o.

operation of district heating source – Ivančice

Heat output (kW)	Total heat sold in 2012 (GJ)	Installed electrical output (kW)	Total electricity sold in 2012 (MWh)
17 240	63 832	2 514	2 788

Within the group of companies belonging to TEDOM holding, the amount of electrical energy sold in 2012 was **82 487 MWh** and the amount of sold heat was **561 030 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 2012 the parent company, TEDOM a.s., achieved turnover amounting to CZK 2,293,732 thousand, thereby making profit in the amount of CZK 53,608 thousand.

The entire group of companies (i.e. the TEDOM holding) achieved non-consolidated earnings in then amount of CZK 2,253,497 thousand, thereby achieving non-consolidated profit of CZK 56,306 thousand.

Commentary on the Consolidated Group

1.1 Economic indicators (in thousands of CZK)

ECONOMIC INDICATORS	Earnings – total		P/L	
	2012	2011	2012	2011
TEDOM a.s.	2,148,668	1,841,429	53,608	236,104
TEDOM, s.r.o.	79,316	41,439	7,018	1,844
TEDOM Cogeneration Equipments (Beijing) Co., Ltd	5,653	3,871	-1,562	-1,973
TEDOM Poland sp.z.o.o.	19,860	7,720	3,270	949
GridX Power Pty Ltd.	-	-	-6,028	-
ČEZ Energo, s.r.o.	391,440	253,845	437	-9,484
TEPLO IVANČICE, s.r.o.	39,477	35,324	6,668	5,696
Total (non-consolidated)	2,684,414	2,183,628	63,411	233,136

1.2. Expenses with regard to research and development

TEDOM a.s.

Development of engines in Jablonec nad Nisou – the costs for 2012 amount to 15 726 thous. CZK.

Development and research of cogeneration in Hořovice – the costs for 2012 amount to 3 083 thous. CZK.

Development and research of GHP (Gas-engine Heat Pump) – the costs for 2012 amount to 1 222 thous. CZK.

In 2012, TEDOM a.s. had expended a total of 20 031 thous. CZK in the area of research and development.

3. Data on key events which occurred after the finalisation of the firms' financial statements

Jan 17, 2013 purchase of 20% share of TEDOM-RU.

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, especially of the stationary ones.

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 production efficiency possible. 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

Commentary on the Consolidated Group

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.
- 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 28466021, which comprise the balance sheet as of 31. 12. 2012, and the income statement for the period from 1. 1. 2012 to 31. 12. 2012, and a summary of significant accounting policies and other explanatory notes.

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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.

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. 2012, and of its financial performance for the period from 1. 1. 2012 to 31. 12. 2012 in accordance with Czech accounting regulations.

Brno, 3. 4. 2013

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 2012

CONSOLIDATED BALANCE SHEET AS AT 31. 12. 2012 (in thousands of CZK)

	2012	2011
Receivable from subscription	140	100
Fixed assets	2 529 439	2 216 842
Intangible assets	69 128	69 942
- software	1 196	1 101
- valuable rights	67 896	68 841
- other intangible fixed assets	36	-
Tangible fixed assets	2 068 220	1 776 826
- lands	12 698	12 698
- construction	203 228	203 663
- equipment	220 054	263 114
- other tangible fixed assets	91	12
- tangible fixed assets under construction	454 510	23 298
- advanced payment for tangible fixed assets	-	-
- adjustments to acquired assets	1 177 639	1 274 041
Long-term financial investments	5 167	22 706
- shares – controlled organizations	4 910	18 042
- shares in accounting units with substantial influence	-	-
- other securities and shares	257	234
- other financial investments	-	4 430
Active consolidation difference	27 081	728
Passive consolidation difference	-174 853	-184 567
Securities in equivalents	534 696	531 207
Current assets	1 090 637	1 078 394
Inventory	587 854	550 104
- materials	265 582	186 711
- work in progress and semi-products	254 085	266 116
- finished products	7 669	33 067
- merchandise	32 700	49 200
- advance payments for inventory	27 818	15 010
Long-term receivables	11 025	13 411
- trade receivables	2 676	1 618
- long-term deposits given	8 349	11 793
Short-term receivables	330 744	374 860
- trade receivables	312 218	346 893
- receivables from controlled and controlling organizations	-	446
- receivables in enterprises with substantial influence	-	-
- receivables from partners and association	-	-
- due from state – tax receivables	4 857	8 719
- short-term deposits given	7 580	13 194
- estimated receivables	19	8
- other receivables	6 070	5 600
Short-term financial assets	161 014	140 019
- cash	1 509	1 141
- bank accounts	159 505	138 878
Accruals	18 598	22 188
- deferred expenses	16 537	19 062
- deferred income	2 061	3 126
TOTAL ASSETS	3 638 814	3 317 524

Consolidated Financial Statement for the Year 2012

CONSOLIDATED BALANCE SHEET AS AT 31. 12. 2012 (in thousands of CZK)

	2012	2011
Equity	1 382 233	1 304 708
Registered capital	20 100	20 100
- registered capital	20 100	20 000
- changes of registered capital (+/-)	-	100
Capital funds	231 813	221 819
- other capital funds	227 127	220 401
- difference from revaluation of assets and liabilities	4 686	1 418
- difference from revaluation in transformation	-	-
Difference from consolidation adjustments	-	-
Reserve funds, statutory reserve account for cooperatives and other retained earnings	6 077	5 027
- legal reserve fund	6 026	4 976
- statutory and other funds	51	51
Profit/loss of previous years	1 070 489	833 958
- retained earnings from previous years	1 070 489	833 958
- accumulated losses from previous years	-	-
Profit/loss of previous years	63 542	236 982
Share in income (loss) in equivalence	218	-4 733
Consolidation reserve fund	-10 006	-8 445
Other sources	2 229 641	1 987 147
Reserves	39 780	53 867
- reserves under special statutory regulations	-	146
- income tax reserves	8 358	28 688
- other reserves	31 422	25 033
Long-term payables	1 267 626	1 215 861
- long-term advances received	-	-
- other payables	1 046 012	983 757
- deferred tax liability	221 614	232 104
Short-term payables	446 136	502 296
- trade payables	200 165	232 381
- payables to accounting units with substantive influence	29 503	52 528
- payables from partners, cooperative and association members	-	766
- payroll	10 452	10 789
- payables to social security and health insurance	6 216	6 145
- due from state tax liabilities and subsidies	10 893	13 260
- short-term deposits received	103 114	170 309
- estimated payables	336	244
- other payables	1 014	15 864
Bank loans and financial accommodations	476 099	215 123
- long-term bank loans	77 595	128 556
- short-term current bank loans	398 453	86 470
- short-term accommodations	51	97
Accruals	22 283	25 669
- accrued expenses	21 788	23 067
- deferred revenues	495	2 602
Minority equity	4 657	-
- minority fixed capital	61 675	-
- minority capital funds	-	-
- minority profit funds and income (loss) of previous years	-55 969	-
- minority income (loss) of current year	-1 049	-
TOTAL LIABILITIES	3 638 814	3 317 524

Consolidated Financial Statement for the Year 2012

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

	2012	2011
Revenues from sold goods	99 043	30 248
Expenses on sold goods	63 623	19 526
Sale margin	35 420	10 722
Production	2 118 915	1 883 283
- revenues from own product and services	1 653 507	1 847 709
- change in inventory of own products	-38 108	-49 725
- capitalization	503 516	85 299
Production consumption	1 591 124	1 418 685
- consumption of material and energy	1 224 190	1 181 458
- services	366 934	237 227
Added value	563 211	475 320
Personnel expenses	241 641	244 329
- wages and salaries	175 012	176 955
- social security expenses and health insurance	60 509	60 447
- other social expenses	6 120	6 927
Taxes and fees	2 872	1 920
Depreciation of intangible and tangible assets	166 749	194 284
Clearing of active consolidation difference	9 714	-372
Clearing of passive consolidation difference	1 430	41
Revenues from disposed fixed assets and material	45 845	60 770
- revenues from disposals of fixed assets	10 037	24 963
- revenues from disposals of materials	35 808	35 807
Net book value of disposed fixed assets and materials	27 925	45 360
- net book value of sold fixed assets	5 914	19 037
- net book value of sold material	22 011	26 323
Changes in operating reserves and adjustments and complex deferred costs	-2 379	12 789
Other operating revenues	12 995	305 247
Other operating expenses	25 823	78 302
Operating profit/loss	159 420	264 353
CONSOLIDATED OPERATING PROFIT/LOSS	167 704	263 940

Consolidated Financial Statement for the Year 2012

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

	2012	2011
Revenues from sales of securities and ownership interests	-	78 037
Sold securities and ownership interests	12 977	5 400
Revenues from long-term financial assets	-	22 505
- revenues from shares in controlled organizations and in accounting units with substantial influence	-	22 505
Revenues from revaluation of securities and derivatives	10 818	1 314
Costs of revaluation of securities and derivatives	-	9 526
Change in financial reserves and adjustments	-12 976	6 432
Interest revenues	1 389	1 495
Interest expenses	82 280	75 761
Other financial revenues	32 969	32 791
Other financial expenses	42 927	36 740
Profit/loss from financial operations	-80 032	2 283
CONSOLIDATION PROFIT/LOSS FROM FINANCIAL OPERATIONS	-80 032	2 283
Income tax on ordinary income	23 171	27 823
- due tax	32 862	53 936
- tax deferred	-10 490	-26 113
Ordinary profit/loss	56 217	238 813
CONSOLIDATION ORDINARY PROFIT/LOSS	64 501	238 400
Extraordinary revenues	-	-
Extraordinary expenses	2 008	1 751
Income tax on extraordinary income	-	-333
- due tax	-	-333
Extraordinary profit/loss	-2 008	-1 418
CONSOLIDATED EXTRAORDINARY PROFIT/LOSS	-2 008	-1 418
Profit/loss of current accounting period	54 209	237 395
CONSOLIDATED PROFIT/LOSS FOR THE ACCOUNTING PERIOD WITHOUT EQUIVALENCE	62 493	236 982
- profit/loss of current accounting period without minority	63 542	236 982
- minority profit/loss	-1 049	-
SHARE IN PROFIT/LOSS IN EQUIVALENCE	218	-4 733
Profit/loss before tax	77 380	264 885
CONSOLIDATED PROFIT/LOSS FOR THE ACCOUNTING PERIOD	62 711	232 249

TEDOM A.S.



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