



ANNUAL REPORT



2011



... technology in harmony with nature

Content

Director's Foreword	3
Auditor's Report on the Annual Report of TEDOM a.s.	4
Basic Economic Characteristics of TEDOM a.s.	6
Auditor's Report to the Shareholders of TEDOM a.s.	7
Financial Statement 2011 – Basic Data	8
Commentary on the Consolidated Group	12
Auditor's Report on the Consolidated Financial Statement	15
Consolidated Financial Statement for the Year 2011	16

Director's Foreword

Dear business friends, dear customers,

The year 2011 was the first year after a merger, when the TEDOM company began to operate in newly concentrated fields represented by four divisions – Buses, Energy, Cogeneration and Engines – within the framework of one company, TEDOM a.s. It was a brand new start in that the TEDOM company's structure was slimmer and its scope of activities was well consolidated.

In addition, the company's shareholders made a crucial decision in 2011 with regard to the stoppage of the production of buses. The production of buses was once launched as a form of sale of TEDOM engines, formerly the dominant type of bus engines in the Czech Republic and Slovakia. The reason why production has been stopped was the reality of the highly competitive market; due to the global financial crisis the prices of the low-volume buses have dropped below our production costs. The production of buses for BredaMenaribus was not a long-term satisfactory solution for TEDOM. Therefore, a decision has been made with regard to future activities of the TEDOM company: we shall continue to focus on the production of energy equipment and the provision of services in the field of energy production. All efforts will be made towards the development of these activities in the future.

On the other hand, we have been receiving more and more orders for CHP units. The number of orders eventually led to us dealing with production capacity issues. With the end of the production of buses, we have found the necessary premises for the production of CHP units and for the future growth of this business.

In the field of CHP units, full-scale production is well underway of the CENTO unit, whose production was moved to the former bus production facility in Třebíč, along with the MICRO unit production. A total of eighty CENTO units and approximately the same number of MICRO units were manufactured in the new premises in 2011. In 2012 we plan to manufacture 120 CENTO units and 120 MICRO units. In the years to come we shall strive for further increase of the sales of these two products. The MICRO and CENTO types represent the backbone of TEDOM's CHP production with the greatest added value. The increase in the production of the CENTO units will also compensate for the decline in the sale of engines, caused by the stoppage of the production of buses.

In addition, the development was commenced in 2011 of a new product, a gas heat pump (internally abbreviated as GHP). This product is expected to be added to our portfolio of CHP units. The development department has been instructed to make sure that the new product is as compatible as possible with the current units, the MICRO and the CENTO.

In the field of electricity and heat production, our efforts are aimed at new prospective projects for ČEZ Energo s.r.o., a company co-owned by ČEZ a.s. This form of cooperation should be fully underway in 2012. As I am writing this text, we already know that TEDOM, a.s., as the successful bidder in an open competition, will deliver CHP units to ČEZ Energo.

In the field of engine production, we now focus almost exclusively on engines for stationary applications, i.e. CHP units, and to a lesser extent on the deliveries of engines for railway applications. We actively strive to increase the sales of engines to customers outside our holding, e.g. to foreign manufacturers of CHP units, power pack sets etc. Therefore, the negative consequences of the stoppage of the production of buses have almost been eliminated by the increase in the deliveries of engines for CHP units.

The positive effect of the merger and the stoppage of the unprofitable production of buses have resulted in excellent financial performance of TEDOM a.s. which, in 2011, was the best in the company's history.

Výčapy, 16 July 2012



.....
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 14. 5. 2012 2011 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., base in Výčapy, Výčapy, identification number 28466021, which comprise the balance sheet as of 31. 12. 2011, and the income statement, statement of changes in equity and cash flow statement for the period from 1. 1. 2011 to 31. 12. 2011, 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 and fair presentation 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. 2011, and of its financial performance and its cash flows for the period from 1. 1. 2011 to 31. 12. 2011 in accordance with Czech accounting regulations."

Report on review of the Related Party Transactions Report

We have reviewed the correctness of information incorporated in the report on relations between related parties of the TEDOM a.s. as at 31. 12. 2011. The management of the TEDOM a.s. is responsible for the preparation of this report. Our responsibility is to express a statement on this report on relations between related parties.

We conducted our review in accordance with the International Standard on Review Engagements and related national application guidelines issued by Czech Republic's Chamber of Auditors. These Standards require that we plan and perform the review to obtain moderate assurance as to whether the report on relations between the related parties is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data 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 on report on relations between related parties 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 accompanying report on relations between related parties of the TEDOM a.s. as at 31. 12. 2011 contains materially incorrect information.

Report on the Audit of the Annual Report

We have audited also the consistency of the annual report with the above mentioned financial statements. The management of the Company is responsible for the accuracy of this annual report. Our responsibility is to express a statement on the consistency of annual report with financial statements

We conducted our procedures in accordance with the International Standards on Auditing and related national application guidelines issued by Czech Republic's Chamber of Auditors. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the information in annual report, which describe matters which are subject of disclosure in financial statements are in all material aspects in compliance with related financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion information in annual report is in all material aspects in compliance with the above mentioned financial statements.

Brno, 16. 8. 2012

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	1st Jan 2011	31st Dec 2011
Total assets	thousands CZK	3 748 999	3 397 135
Fixed assets	thousands CZK	2 621 664	2 289 136
Inventories	thousands CZK	576 136	547 606
Receivables	thousands CZK	308 396	409 703
Current financial assets	thousands CZK	169 407	130 626
Other assets	thousands CZK	73 396	19 964
Equity	thousands CZK	1 098 104	1 504 279
Subscribed capital	thousands CZK	20 000	20 100
Liabilities	thousands CZK	2 634 754	1 867 915
Other liabilities	thousands CZK	16 141	24 941
Total sales	thousands CZK	1 806 605	1 841 429
Profit/loss before tax	thousands CZK	71 698	263 366
Number of staff	persons	653	525

Auditor's Report on the Shareholders 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, identification number 28466021, which comprise the balance sheet as of 31. 12. 2011, and the income statement, statement of changes in equity and cash flow statement for the period from 1. 1. 2011 to 31. 12. 2011, 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. 2011, and of its financial performance and its cash flows for the period from 1. 1. 2011 to 31. 12. 2011 in accordance with Czech accounting regulations.

Brno, 14. 5. 2012

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



Jiří Kadlec
Certificate No. 1246

Rostislav Chalupa
Certificate No. 1245

Financial Statement 2011 – Basic Data

BALANCE SHEET (in thousands of CZK)

	2011	1st Jan 2011
TOTAL ASSETS	3 397 135	3 456 705
Receivables from subscriptions	100	0
Fixed assets	2 289 136	2 329 470
Intangible fixed assets	69 939	84 881
- software	1 098	2 165
- valuable rights (patents, copyrights, trademarks and brands)	68 841	82 716
Tangible fixed assets	1 654 145	1 854 108
- lands	12 698	14 828
- buildings and structures (constructions)	203 663	239 938
- machinery, equipment, vehicles, fixtures and fittings	140 445	207 401
- tangible fixed assets under construction	23 298	18 940
- advances for tangible fixed assets	0	2 557
- adjustment to acquired assets	1 274 041	1 370 444
Long-term financial assets	565 052	390 481
- shares – controlled organizations	29 180	9 136
- shares in accounting units with substantial influence	531 208	376 675
- other securities and shares	234	240
- other financial investments	4 430	4 430
Current assets	1 087 935	1 053 839
Inventory	547 606	576 136
- materials	184 626	225 826
- work in progress and semi-products	266 116	319 632
- finished products	33 067	30 021
- merchandise	49 200	375
- advance payments for inventory	14 597	282
Long-term receivables	13 385	14 762
- trade receivables	1 592	1 761
- long-term deposits given	11 793	13 001
Short-term receivables	396 318	293 534
- trade receivables	342 927	195 980
- receivables from controlled and controlling organizations	25 993	23 985
- due from state – tax receivables	8 714	44 391
- short-term deposits given	13 194	21 103
- estimated receivables	8	271
- other receivables	5 482	7 804
Short-term financial assets	130 626	169 407
- cash	1 046	1 633
- bank accounts	129 580	167 774
Accruals	19 964	73 396
- deferred expenses	16 838	72 674
- deferred income	3 126	722

Financial Statement 2011 – Basic Data

BALANCE SHEET (in thousands of CZK)

	2011	1. 1. 2011
TOTAL LIABILITIES	3 397 135	3 456 705
Equity	1 504 279	1 097 904
Subscribed capital	20 100	20 000
- subscribed capital	20 000	20 000
- changes of registered capital (+/-)	100	0
Capital funds	408 566	238 523
- other capital funds	220 401	220 401
- differences from revaluation of assets and liabilities (+/-)	188 165	18 122
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	835 458	835 330
Profit/loss - current year (+/-)	236 104	0
Other sources	1 867 915	2 342 660
Reserves	53 721	47 281
- income tax reserves	28 688	28 000
- other reserves	25 033	19 281
Long-term payables	1 215 178	1 225 488
- long-term advances received	0	49
- other payables	983 074	962 336
- deferred tax liability	232 104	263 103
Short-term liabilities	498 938	898 001
- trade payables	231 629	231 614
- payables to controlled and managed organizations	0	18 291
- payables to accounting units with substantial influence	52 528	0
- payables from partners, cooperative members and association members	5	352 253
- payroll	10 497	28 290
- payables to social security and health insurance	5 989	6 784
- due from state – tax liabilities and subsidies	11 944	15 064
- short-term deposits received	170 840	219 653
- estimated payables	244	24 599
- other payables	15 262	1 453
Bank loans and financial accommodations	100 078	171 890
- long-term bank loans	37 102	125 725
- short-term bank loans	62 879	46 021
- other short-term accommodations	97	144
Accruals	24 941	16 141
- accrued expenses	22 339	5 372
- deferred revenues	2 602	10 769

Financial Statement 2011 – Basic Data

PROFIT AND LOSS STATEMENT (in thousands of CZK)

	2011
Revenues from sold goods	23 991
Expenses on sold goods	16 431
Sale margin	7 560
Production	1 846 185
- revenues from own products and services	1 817 438
- change in inventory of own products	-49 725
- capitalization	78 472
Production consumption	1 416 988
- consumption of material and energy	1 181 365
- services	235 623
Value added	436 757
Personnel expenses	239 184
- wages and salaries	173 075
- social security expenses and health insurance	59 448
- other social expenses	6 661
Taxes and fees	1 845
Depreciation of intangible and tangible assets	172 791
Revenues from disposals of fixed assets and material	62 396
- revenues from disposals of fixed assets	24 963
- revenues from disposals of material	37 433
Net book value of disposed fixed assets and materials	42 360
- net book value of sold fixed assets	19 037
- net book value of sold material	23 323
Changes in operating reserves and adjustments and complex deferred expenses (+/-)	12 789
Other operating revenues	305 169
Other operating expenses	78 198
PROFIT/LOSS FROM OPERATING ACTIVITIES	257 155
Revenues from long-term financial assets	78 037
Sold securities and ownership interests	5 400
Revenues from long-term financial assets	22 505
- revenues from shares in controlled organizations and in accounting units with substantive influence	22 505
Revenues from revaluation of securities and derivatives	1 314
Cost of revaluation of securities and derivatives	9 526
Change in financial reserves and adjustments (+/-)	6 432
Interest revenues	2 307
Interest expenses	71 020
Other financial revenues	32 770
Other financial expenses	36 593
PROFIT/LOSS FROM FINANCIAL OPERATIONS (TRANSACTION)	7 962
Income tax on ordinary activities	27 595
- due tax	53 708
- tax deferred	-26 113
OPERATING PROFIT/LOSS FRO ORDINARY ACTIVITY	237 522
Extraordinary revenues	0
Extraordinary expenses	1 751
Income tax on extraordinary income	-333
- due tax	-333
OPERATING PROFIT/LOSS FROM EXTRAORDINARY ACTIVITY	-1 418
PROFIT/LOSS OF CURRENT ACCOUNTING PERIOD (+/-)	236 104
PROFIT/LOSS BEFORE TAX	263 366

Financial Statement 2011 – Basic Data

CASH FLOW – STATEMENTS (in thousands of CZK)

	2011
Cash and cash equivalents at beginning of accounting period	169 407
CASH FLOW FROM OPERATING ACTIVITIES	
Profit/loss from ordinary activities before taxation	265 117
Adjustments for non-cash transactions	178 493
- depreciation of fixed assets	172 791
- change in adjustments, provisions	21 909
- profit/loss on disposal of fixed assets	-78 563
- dividends received	-22 505
- net interest expense (+) (except of capitalized interest) and interest income (-)	68 713
- contingent adjustments and other non-cash transactions	16 148
Net cash flow from operating activities before tax, changes in working capital and extraordinary items	443 610
Change in non-financial items of working capital	-391 501
- increase/decrease in trade and other receivables, including prepayments and accrued income (+/-)	-43 479
- increase/decrease in trade payables, including accruals and deferred income (+/-)	-351 389
- increase/decrease in inventories	3 367
- increase/decrease in current financial assets, not belonging to cash and cash equivalents	0
Net cash flow from operating activities before taxes and extraordinary items	52 109
Interest paid, excl. capitalized interests	-56 245
Interest received (+)	2 307
Income tax on ordinary activities paid and additional assessments for past periods (including deposits and refunds)	-32 507
Extraordinary revenues and expenses which generate extraordinary trading profit including paid income tax due from extraordinary activities (+/-)	-1 751
Profit-sharing and dividends received	22 505
Net cash flow from operating activities	-13 582
CASH FLOW FROM INVESTING ACTIVITIES	
Costs associated acquisition of fixed assets	-75 092
Proceeds on sales of fixed assets	87 468
Loans and borrowings to allied subjects	0
Net cash flow from investing activities	12 376
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	-37 575
Net effect of changes in equity on cash and cash equivalents, share profits or possibly legal reserve including advances paid for this increase	0
- dividends paid and profit shares including withholding tax paid relating to these demands and including settlement with partners in partnership and general partners in limited partnership	0
Net cash from financing activities	-37 575
Net increase/decrease in cash and cash equivalents	-38 781
Cash and cash equivalents at end of period	130 626

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, Hantály, Těmice, Mutěnice, Bohumín, Děčín

Heat output (kW)	Total heat sold in 2011 (GJ)	Installed electrical output (kW)	Total electricity sold in 2011 (MWh)
9 779	54 370	8 450	39 644

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, Votice

Heat output (kW)	Total heat sold in 2011 (GJ)	Installed electrical output (kW)	Total electricity sold in 2011 (MWh)
100 925	337 855	11 155	27 566

TEPLO IVANČICE, s.r.o.

operation of district heating source – Ivančice

Heat output (kW)	Total heat sold in 2011 (GJ)	Installed electrical output (kW)	Total electricity sold in 2011 (MWh)
11 370	53 515	954	2 664

Within the group of companies belonging to TEDOM holding, the amount of electrical energy sold in 2011 was **69 874 MWh** and the amount of sold heat was **445 740 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 2011 the parent company, TEDOM a.s., achieved turnover amounting to CZK 2,374,674 thousand, thereby making profit in the amount of CZK 236,104 thousand.

The entire group of companies (i.e. the TEDOM holding) achieved non-consolidated earnings in then amount of CZK 1,894,459 thousand, thereby achieving non-consolidated profit of CZK 236,924 thousand.

Commentary on the Consolidated Group

1.1 Economic indicators (in thousands of CZK)

ECONOMIC INDICATORS	Earnings – total		P/L	
	2010	2011	2010	2011
TEDOM a.s.	1,895,597	1,841,429	59,773	236,104
TENERGO Brno, a.s.	228,826	-	9,335	-
TEDOM, s.r.o.	36,512	41,439	4,887	1,844
TEDOM Cogeneration Equipments (Beijing) Co., Ltd	2,643	3,871	26	-1,973
TEDOM Poland sp.z.o.o.	3,956	7,720	738	949
ČEZ Energo, s.r.o.	-	253,845	-	-9,484
TEPLO IVANČICE, s.r.o.	41,830	35,324	3,945	5,696
Total (non-consolidated)	2,209,364	2,183,628	78,704	233,136

1.2 Expenses with regard to research and development

Pursuant to the parent company's prospectus, expenses in the amount of tenths of millions of Czech crowns are expected with regard to research and development. Activities in the area of research and development are focused on basic and applied processes which are developed independently or in cooperation with universities. The outcomes are a form of the company's intangible assets.

The overall expenses with regard to research and development in 2011 were as follows:

TEDOM a.s.	CZK 20,053 thousand
Holding total	CZK 20,053 thousand

Most of these expenses were incurred with respect to the development of new products and accessories, improvement of end-use properties and parameters of existing products, especially in the area of engines and cogeneration. One of the key goals is to improve the efficiency of engines and reduce the emissions of pollutants by CHP units.

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

TEDOM a.s.

The TEDOM a.s. company shut down, as at 10 January 2012, the production of buses in the BUS division due to unsatisfactory financial results in the last three years. However, the company will continue to provide servicing and it will supply spare parts for at least ten years.

TEDOM a.s. and ČEZ Energo, s.r.o.

The ČEZ Energo, s.r.o. company, Company ID Number: 290 60 109, having its registered seat at Karolinská 661, Prague 8, Postal Code 186 00, entered in the Commercial Register maintained by the Municipal Court in Prague, Section C, File 163691 (hereinafter as "ČEZ Energo, s.r.o."), is a joint project of the TEDOM a.s. company, Company ID Number: 28466021, having its registered seat at Výčapy 195, Třebíč county, Postal Code 674 01 (hereinafter as "TEDOM a.s.") and the ČEZ group.

TEDOM a.s. will transfer to the ČEZ Energo, s.r.o. company the Sušice II project via a demerge by spin-off and merger with ČEZ Energo, s.r.o., within the meaning of the provisions of Section 243 Letter d) sentence 2 of act number 125/2008 Coll., on transformations of companies and cooperatives, as amended.

The decisive date with regard to the aforesaid is 1 January 2012. A starting balance sheet will be prepared as at this date, which will reflect the exclusion of the Sušice II project.

Commentary on the Consolidated Group

TEPLO IVANČICE, s.r.o.

The general meeting of the TEPLO IVANČICE, s.r.o. Company decided on 6 April 2012 that the name of the company and its registered seat would change.

As of 30 May 2012, the following data was incorporated into the Commercial Register:

Name: TI Energo, s.r.o.

Registered seat: Karolinská 661/4, 186 00 Prague 8 – Karlín

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; introduction of a new product – gas heat pump, searching for new projects consisting in the operation of decentralised power sources and increase in the sale of engines, especially stationary ones.

5. Activities with regard to the environment

The TEDOM a.s. company holds a certificate pursuant to the provisions of standard number EN ISO 14001:2004 (Environmental Management System) and EN ISO 9001:2008 (Quality System), issued by Lloyd's Register Quality Assurance.

In our opinion, one of the most important activities aiming to preserve life on Earth is the saving of primary sources of energy, as inherently represented by cogeneration itself. We use one input fuel to ensure efficient production of electricity and heat. We use alternative fuels to the maximum extent possible, e.g. biogas and landfill gas.

It is our goal to use state-of-the-art technologies and, at the same time, use manufacturing processes with the smallest impact on the environment. It is not just an obligation; it is an element of our corporate philosophy.

The company evaluates environmental aspects and their effects in the course of activities. Our key activities include the improvement of effectiveness of the conversion of input energies or the use of energy from biogas generated in the process of organic waste decomposition.

It is our contribution to the fulfilment of the principles of sustainable development.

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, Výčapy, identification number 28466021, which comprise the balance sheet as of 31. 12. 2011, and the income statement for period from 1. 1. 2011 to 31. 12. 2011, 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 the 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 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 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. 2011, and of its financial performance for the period from 1. 1. 2011 to 31. 12. 2011 in accordance with Czech accounting regulations.

Brno, 23. 7. 2012

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

Represented by partner:



Jiří Kadlec

Certificate No. 1246



Consolidated Financial Statement for the Year 2011

CONSOLIDATED BALANCE SHEET AS AT 31. 12. 2011 (in thousands of CZK)

	2011	2010
Receivable from subscription	100	-
Fixed assets	2 216 842	2 731 975
Intangible assets	69 942	84 881
- software	1 101	2 165
- valuable rights	68 841	82 716
Tangible fixed assets	1 776 826	2 334 740
- lands	12 698	15 319
- construction	203 663	259 797
- equipment	263 114	486 260
- other tangible fixed assets	12	-
- tangible fixed assets under construction	23 298	22 406
- advanced payment for tangible fixed assets	-	2 557
- adjustments to acquired assets	1 274 041	1 548 401
Long-term financial investments	22 706	358 002
- shares – controlled organizations	18 042	1 501
- shares in accounting units with substantial influence	-	351 831
- other securities and shares	234	240
- other financial investments	4 430	4 430
Active consolidation difference	728	769
Passive consolidation difference	-184 567	-46 417
Securities in equivalents	531 207	-
Current assets	1 078 394	1 079 771
Inventory	550 104	578 345
- materials	186 711	228 035
- work in progress and semi-products	266 116	319 632
- finished products	33 067	30 021
- merchandise	49 200	375
- advance payments for inventory	15 010	282
Long-term receivables	13 411	14 790
- trade receivables	1 618	1 789
- long-term deposits given	11 793	13 001
Short-term receivables	374 860	294 279
- trade receivables	346 893	215 314
- receivables from controlled and controlling organizations	446	-
- receivables in enterprises with substantial influence	-	-
- receivables from partners and association	-	-
- due from state – tax receivables	8 719	46 195
- short-term deposits given	13 194	22 872
- estimated receivables	8	271
- other receivables	5 600	9 627
Short-term financial assets	140 019	192 357
- cash	1 141	2 217
- bank accounts	138 878	190 140
Accruals	22 188	76 824
- deferred expenses	19 062	75 298
- deferred income	3 126	1 526
TOTAL ASSETS	3 317 524	3 888 570

Consolidated Financial Statement for the Year 2011

CONSOLIDATED BALANCE SHEET AS AT 31. 12. 2011 (in thousands of CZK)

	2011	2010
Equity	1 304 708	1 040 637
Registered capital	20 100	20 000
- registered capital	20 000	20 000
- changes of registered capital (+/-)	100	-
Capital funds	221 819	182 152
- other capital funds	220 401	33 497
- difference from revaluation of assets and liabilities	1 418	-5 567
- difference from revaluation in transformation	-	154 222
Difference from consolidation adjustments	-	-
Reserve funds, statutory reserve account for cooperatives and other retained earnings	5 027	4 527
- legal reserve fund	4 976	4 476
- statutory and other funds	51	51
Profit/loss of previous years	833 958	773 821
- retained earnings from previous years	833 958	773 821
- accumulated losses from previous years	-	-
Profit/loss of previous years	236 982	60 137
Share in income (loss) in equivalence	-4 733	-
Consolidation reserve fund	-8 445	-
Other sources	1 987 147	2 823 764
Reserves	53 867	48 591
- reserves under special statutory regulations	146	83
- income tax reserves	28 688	28 970
- other reserves	25 033	19 538
Long-term payables	1 215 861	1 259 044
- long-term advances received	-	49
- other payables	983 757	962 506
- deferred tax liability	232 104	296 489
Short-term payables	502 296	1 177 355
- trade payables	232 381	256 275
- payables to accounting units with substantive influence	52 528	-
- payables from partners, cooperative and association members	766	352 549
- payroll	10 789	28 836
- payables to social security and health insurance	6 145	7 155
- due from state tax liabilities and subsidies	13 260	16 154
- short-term deposits received	170 309	219 654
- estimated payables	244	27 623
- other payables	15 864	269 109
Bank loans and financial accommodations	215 123	338 774
- long-term bank loans	128 556	285 850
- short-term current bank loans	86 470	52 780
- short-term accommodations	97	144
Accruals	25 669	23 312
- accrued expenses	23 067	12 543
- deferred revenues	2 602	10 769
Minority equity	-	857
- minority fixed capital	-	243
- minority capital funds	-	132
- minority profit funds and income (loss) of previous years	-	403
- minority income (loss) of current year	-	79
TOTAL LIABILITIES	3 317 524	3 888 570

Consolidated Financial Statement for the Year 2011

CONSOLIDATED PROFIT AND LOSS STATEMENT AS AT 31. 12. 2011 (in thousands of CZK)

	2011	2010
Revenues from sold goods	30 248	37 682
Expenses on sold goods	19 526	26 146
Sale margin	10 722	11 536
Production	1 883 283	1 919 241
- revenues from own product and services	1 847 709	1 964 355
- change in inventory of own products	-49 725	-140 508
- capitalization	85 299	95 394
Production consumption	1 418 685	1 377 065
- consumption of material and energy	1 181 458	1 018 783
- services	237 227	358 282
Added value	475 320	553 712
Personnel expenses	244 329	260 532
- wages and salaries	176 955	189 261
- social security expenses and health insurance	60 447	63 965
- other social expenses	6 927	7 306
Taxes and fees	1 920	2 310
Depreciation of intangible and tangible assets	194 284	203 922
Clearing of active consolidation difference	-372	
Clearing of passive consolidation difference	41	2 402
Revenues from disposed fixed assets and material	60 770	65 027
- revenues from disposals of fixed assets	24 963	37 143
- revenues from disposals of materials	35 807	27 884
Net book value of disposed fixed assets and materials	45 360	57 669
- net book value of sold fixed assets	19 037	35 954
- net book value of sold material	26 323	21 715
Changes in operating reserves and adjustments and complex deferred costs	12 789	36 767
Other operating revenues	305 247	105 053
Other operating expenses	78 302	35 522
operating profit/loss	264 353	127 070
CONSOLIDATED OPERATING PROFIT/LOSS	263 940	129 472

Consolidated Financial Statement for the Year 2011

CONSOLIDATED PROFIT AND LOSS STATEMENT AS AT 31. 12. 2011 (in thousands of CZK)

	2011	2010
Revenues from sales of securities and ownership interests	78 037	266
Sold securities and ownership interests	5 400	200
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	1 314	-
Costs of revaluation of securities and derivatives	9 526	1 172
Change in financial reserves and adjustments	6 432	6 543
Interest revenues	1 495	1 436
Interest expenses	75 761	65 159
Other financial revenues	32 791	40 758
Other financial expenses	36 740	22 518
Profit/loss from financial operations	2 283	-53 132
CONSOLIDATION PROFIT/LOSS FROM FINANCIAL OPERATIONS	2 283	-53 132
Income tax on ordinary income	27 823	14 587
- due tax	53 936	34 826
- tax deferred	-26 113	-20 239
Ordinary profit/loss	238 813	59 351
CONSOLIDATION ORDINARY PROFIT/LOSS	238 400	61 753
Extraordinary revenues	-	324
Extraordinary expenses	1 751	1 861
Income tax on extraordinary income	-333	-
- due tax	-333	-
Extraordinary profit/loss	-1 418	-1 537
CONSOLIDATED EXTRAORDINARY PROFIT/LOSS	-1 418	-1 537
Profit/loss of current accounting period	237 395	57 814
CONSOLIDATED PROFIT/LOSS FOR THE ACCOUNTING PERIOD WITHOUT EQUIVALENCE	236 982	60 216
- profit/loss of current accounting period without minority	236 982	60 137
- minority profit/loss	-	79
SHARE IN PROFIT/LOSS IN EQUIVALENCE	-4 733	-
Profit/loss before tax	264 885	72 401
CONSOLIDATED PROFIT/LOSS FOR THE ACCOUNTING PERIOD	232 249	60 216

