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ANNUAL
REPORT

BUSINESS NAME	Bronswerk Heat Transfer spol. s r.o.
BUSINESS REG. NO. (TAX ID)	14867125 (CZ14867125)
LEGAL FORM	Limited Liability Company
DATE OF INCORPORATION	February 15, 1991
BASIC CAPITAL	5 441 CZK thousand
REGISTERED OFFICE & SEAT	Benesov nad Ploucnici (Zip code 407 22), Decinska 288, Czech Republic
COMMERCIAL REGISTER ENTRY	15. 2. 1991, Commercial Register maintained by the Regional Court in Usti n. L., Section C, File No. 209
OWNER	BHT Holding B. V., The Kingdom of the Netherlands (100 %)
TELEPHONE (FAX)	412 590 511 (412 586 340)
E-MAIL	info@bronswerk.cz
WEB	www.bronswerk.cz

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INTRODUCTION FROM THE COMPANY'S STATUTORY REPRESENTATIVE



Dear Madams, dear Sirs,

our company achieved in the year 2013 revenues at an amount of CZK 391.1 mil. which, in comparison with the previous year, marks a reduction by 29%. The profit after tax at an amount of CZK 18.8 mil. is, compared with the year 2012, less by even 44%. From the point of view of the financial statements, the year 2013 is less successful. Despite that fact, I guess that from other angles of view, the year 2013 can be deemed, within the growth of our company, successful.

In the year 2013, we successfully completed the project for the reconstruction and extension of the production halls for more than CZK 100 mil. for which our company obtained a subsidy at an amount of CZK 26.3 mil. from the grant program Nemovitosti (Properties) financed from the Funds of the European Union. In addition, we have made vast repairs of the ground surfaces of the company's site, the site fencing, electronic security system and landscaping of the site. Besides that, we built a new gate house and enhanced the conditions for the entry of trucks into the company's site.

For the year 2014, our company plans to reach revenues at an amount of CZK 625 mil., whereas to date, we have already had contracts at an amount of at least CZK 600 mil. Accordingly, I believe that we will succeed in meeting the financial plan of this year, hence we will create sufficient funds for the further development of our company.

Having comprehensively reckoned the achievements for the year 2013 I can state that BRONSWERK HEAT TRANSFER spol. s r.o. has been successfully continuing in its development and has coped with all its commitments.

In conclusion I would like to thank our business partners for the cooperation, and also the employees of our company for the well performed work and endeavours in satisfying the demanding tasks.

A handwritten signature in blue ink, appearing to read 'J. Charouz', written in a cursive style.

Ing. Josef Charouz
Statutory Representative

In Benešov nad Ploučnicí on 26 May 2014



COMPANY'S MANAGEMENT REPORT

PROFILE OF THE COMPANY



Bronswerk Heat Transfer spol. s r.o. is a mechanical engineering company with a history dating back to the early nineties of the last century, and with its production and services rendered it is focused on **equipment and systems of heat transfer in the industry**. The company has its registered seat in Benešov nad Ploučnicí, a small town in the north of the Czech Republic, in the immediate vicinity of the border with the FRG.

Throughout the 23 year period of its activity, Bronswerk Heat Transfer has established itself in a variety of countries of the European Union and Central and Eastern Europe as a noteworthy producer and supplier of heat exchange systems. The key products of the company are particularly air cooled heat exchangers, tube heat exchangers and air condensers. Its supplies include also other mechanical engineering products which relate to heat transfer systems. Within its industry, the company also renders servicing activities, inspection and consultancy services.

Bronswerk Heat Transfer finds its major customers typically beyond the borders of the Czech Republic. The exclusive customers comprise industrial companies, petrochemical and energy generating plants. Other customers of the company include contractors of superior investments projects where Bronswerk Heat Transfer participates therein as a subcontractor.

The company is, despite the less gratifying eras of the global economy, able to achieve good performances. This is evidenced by the general **indicators of the economic activity throughout the years of 2009 – 2013**.

	2009	2010	2011	2012	2013
Turnover *	635	158	737	639	391
Export *	240	112	475	582	352
EBIT *	73	41	101	46	23
Total Assets *	214	422	580	519	468
Fixed Assets *	40	37	45	137	109
Debt ratio**	37 %	60 %	47 %	34 %	36 %
CAPEX *	5	3	15	99	9
Total employees	142	146	138	145	148

* in CZK Millions / ** The share of the foreign capital in the total capital

HISTORY OF THE COMPANY



1991 ESTABLISHMENT OF THE COMPANY ENVIG SPOL. S R.O.

The history of Bronswerk Heat Transfer has its onset at the beginning of the year 1991, whereas at that time yet under the name of ENVIG spol. s r.o. The original specialization of the purely Czech company was an engineering activity covering thermal calculations and designs of heat exchangers.

1996 MOVING THE COMPANY INTO A NEW PRODUCTION SITE

Soon the company ENVIG started with assembling supplies of thermal equipment and its own production. For the sake of extending the production capacities, the company moved in 1996 into a large production site in Benešov nad Ploučnicí. In the same year, the company had a workforce of 60 employees.

1999 THE ONSET OF THE COOPERATION WITH THE COMPANY BRONSWERK HEAT TRANSFER B. V.

At the break of the century the company started cooperating with a similarly oriented Dutch company Bronswerk Heat Transfer B. V., and, in 2000 it made a capital merge with the latter company. In the same year the company's workforce reached 90 people.

2007 THE COMPANY HAS BECOME A 100% DAUGHTER COMPANY OF THE BHT HOLDING B. V.

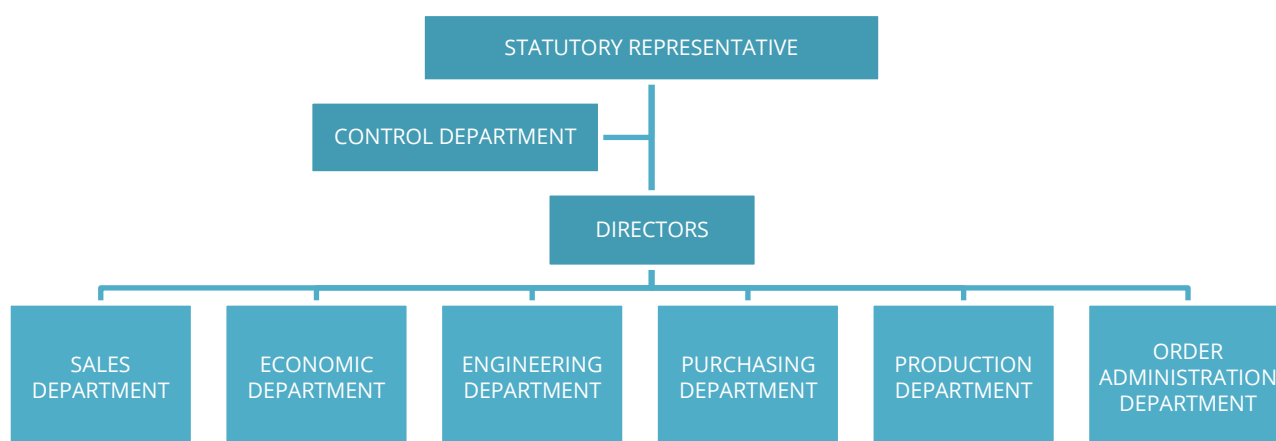
Over the period until 2007, the Dutch partner had been gradually assuming the whole share in the possession of the originally Czech company. In that year, the name of the Czech company changed for the last time, into Bronswerk Heat Transfer spol. s r.o. In 2007, the company employed as many as over 140 employees.

2013 COMPLETION OF A VAST CONSTRUCTION OF NEW MANUFACTURING PREMISES

In the 2013, the company completed a vast investment into the construction of new manufacturing premises and the reconstruction of the existing ones. Thanks to such investment, the production capacities have considerably extended, being essential for the further growth of the company.

Nowadays, Bronswerk Heat Transfer spol. s r.o. is part of the BHT Holding B. V., and is making business in a number of markets of the European Union and the countries of the former Eastern Block. Such fact has brought with it the status of an international company which, together with its sister company and under the mark of Bronswerk it supplies its equipment and services in the global extent.

MANAGEMENT & ORGANISATIONAL STRUCTURE



STATUTORY REPRESENTATIVE	Ing. Josef Charouz
COMMERCIAL DIRECTOR	Ing. Pavel Klement
TECHNICAL DIRECTOR	Ing. Martin Němec
FINANCIAL DIRECTOR	Ing. Karel Hartman
CONTROL MANAGER	Ing. Pavel Pečiva
SALES MANAGER	Ing. Tomáš Fogl
FINANCE MANAGER	Ing. Petr Hajný
ENGINEERING MANAGER	p. Gejza Vöröš
PURCHASING MANAGER	p. Radek Kužel
PRODUCTION MANAGER	Ing. Antonín Hrstka
ORDER ADMINISTRATION MANAGER	p. Miroslav Brzák

As at 31 December 2013, the Company held no shares, stocks or temporary certificates. The Company has no foreign branch.



PRODUCTION PROGRAM

At the present time, Bronswerk Heat Transfer supplies its **equipment in a variety of industries**, which include, in particular:

- › **Petrochemical and chemical industries**
- › **Power and heat generation industries**
- › **Food industry**
- › **Communal waste incineration plants**

In such industries, Bronswerk Heat Transfer **specializes to the design, construction and supplies of technological complete units and individual equipment items for heat transfer processing**. As appurtenances to such equipment the company furnishes a complete process design, thermal, hydraulic and strength calculations, electric instrumentation, the supervision on installation or engineering surveillance, including the commissioning and performance tests.



Bronswerk Heat Transfer deals with the supplies of the following **equipment or components** thereof:

- › **Air cooled heat exchangers**
 - Process coolers
 - Air cooled condensers
- › **Tube heat exchangers**
 - Process exchangers
 - Vaporizers
 - Water cooled condensers
- › **Air heaters**
- › **Finned tubes**
- › **Pressure vessels**
- › **Spare parts**



Since the long-time target of the company is to render the **maximum service to the customers**, it offers, besides the supplies of separate equipment, also a **complete design of technological units**.

The completion of a project commences with the preparation of the backing data for the purposes of approval process, and ends with handing over the finished and tested unit at site. For such activity, the company has an adequate capacity of engineering activities.



Bronswerk Heat Transfer renders, within its activity, also **servicing, installation, inspecting, and consultancy services**. They particular, include the below activities:

- › **Inspections of exchangers, machines and their accessories, troubleshooting and detecting inconsistencies**
- › **Proposals of modifications and optimizing the existing system**
- › **Pressure tests**
- › **Mechanical and chemical cleaning of exchangers**
- › **Dismantling and assembling of exchangers and their accessories**
- › **Replacement of parts and repairs**

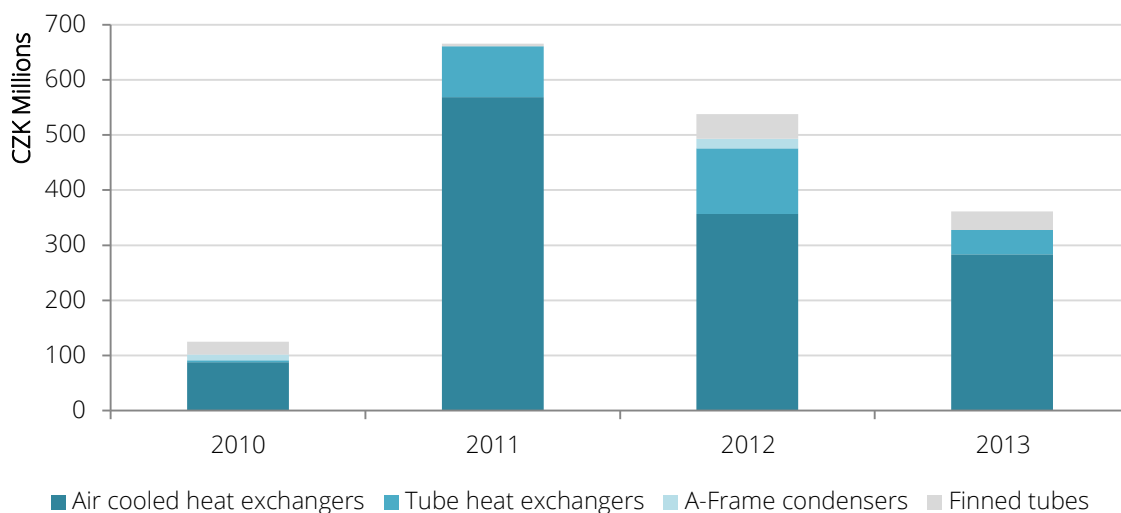


The most common **technological units** supplied by our company include:

- › **Industrial cooling circuits**
- › **Water cooled steam condensers**
- › **Air cooled steam condensers**
- › **Feeding water heating system**

Bronswerk Heat Transfer strives to continually extend the manufacturing and supplier's program and the services rendered. Thanks to the licences for designing programs for the thermal-hydraulic design of exchangers and flowing of fluids the company is also able to prepare a design of different special and non-standard equipment as requested by the customer.

The equipment supplied in the years 2009 – 2013 contributed in the revenues of the company in the below ratios:

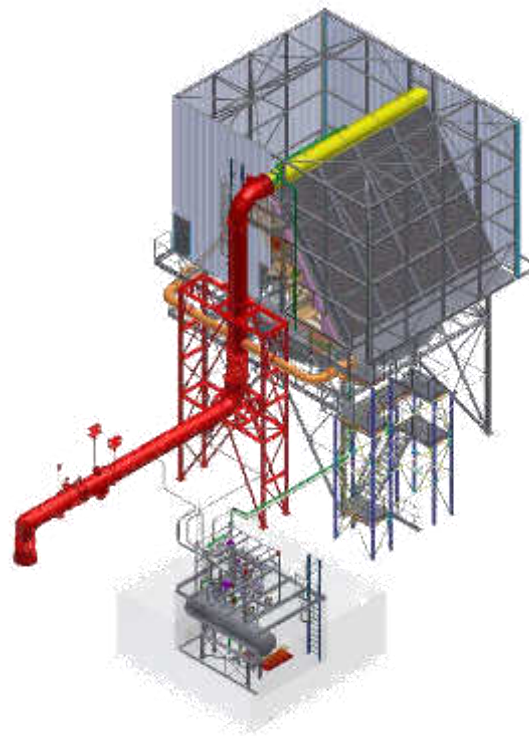




TECHNICAL AND MANUFACTURING POTENTIAL

The core processes of Bronswerk Heat Transfer include:

- › **Engineering and designing activities**
- › **Finning tubes**
- › **Working base materials**
- › **Welding and machining materials**
- › **Inspection and testing activities**
- › **Surface treatments and painting**
- › **Assembling, installation and servicing the products**



ENGINEERING

The process analysis, outline design, design, construction and technology of the individual items of equipment and technological nodes are provided by Bronswerk Heat Transfer with its core employees. In the Engineering Department, there were 29 specialists at the end of the year 2013.

The company has enough highly qualified engineers for the process design and execution design of the equipment to be manufactured. Thanks to the licences for some calculation programs for the thermal-hydraulic design of exchangers and flowing fluids, the engineers are able to prepare a design of different special and non-standard equipment according to the customers' specifications. In their work, the outline designers and designers routinely use modern computer programs for heat transfer, the flow of fluids, or strength calculations.

All equipment units are designed and manufactured in accordance with the requirements of the customer, while respecting the prior agreed upon standards and specifications. The thermal, hydraulic and strength design are performed for each project as per the defined process parameters which make it possible to supply the equipment in an optimized form in accordance with the requirements of the customer.



PRODUCTION CAPACITIES

Bronswerk Heat Transfer has enough capacities for providing all core processes and is able to supply its equipment even in non-standard materials, such as **stainless steel, duplex steel, aluminium alloy, copper, brass, monel, inconel, incoloy, or titanium**. The production itself is performed in the production site in the seat of the company in Benešov nad Ploučnicí near Děčín.

For the production of finned tubes which constitute one of the core parts of a heat transfer system, the company uses **three finning machines**.

The machinery of the manufacturing workshops, including CNC machining centres gives the company an extended potential for machining base materials. For the production of steel structures, simpler components, some special parts, and for procuring certain services, the company uses the cooperation with external suppliers.

One of the core processes in the production of equipment is **welding** where the company, thanks to the efforts of its professional staff, achieves very good results. For welding, the company is equipped with welding facilities which include standard welding units, semi-automatic welding machines and **special equipment** for the orbital welding of tubes or automated submerged arc welding. The welding operations are performed by the company's own personnel with a top expertise at an international level and under the supervision of several welding technologists. For the next processing of weldments, the company uses its own annealing furnace and blasting machine.

For the final installation and the construction of technological complete units, the company has the **new manufacturing premises** with four bridge cranes of a capacity of 30 tons.



QUALITY ASSURANCE

For the **quality assurance and the safety of the equipment**, all the essential elements of the execution of orders are stipulated in the company's system documentation, subject to which the company repeatedly passes successfully the renewal and recertification audits.

The company successfully passes renewal and recertification audits of the Quality Control System in accordance with the standards ČSN EN **ISO 9001** (Quality Management System), ČSN EN **ISO 3834-2** (Stricter requirements for the quality on fusion welding of metal materials), and in addition, the company is the holder of the certification for the production of steel structures acc. to ČSN EN 1090-2.

For its qualified personnel, Bronswerk Heat Transfer is also the holder of the international certification for the production of pressure vessels in accordance with **ASME** CODE VIII Division I of the American Association of Mechanical Engineers. Thanks to this certification, the units of equipment produced are registered in the global registration system of the organization The National Board of Boiler & Pressure Vessel Inspectors, which is the evidence of the quality and safety of pressure vessels.

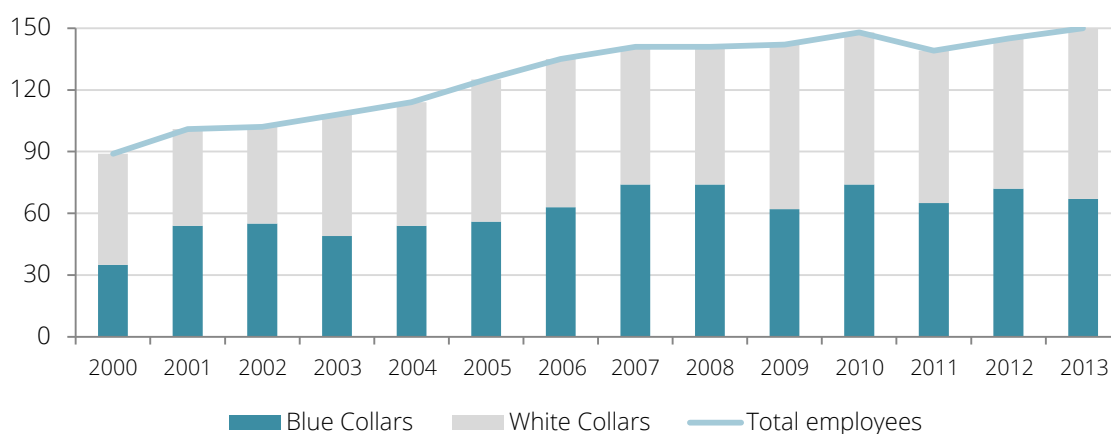
In addition, Bronswerk Heat Transfer is subject to periodical recertification processes for the eligibility for supplying equipment and using the same safely in the territory of the Russian Federation, Ukraine and Belarus in accordance with the standards **GOST R**, which are applicable in the Commonwealth of Independent States.

The company runs its activity in accordance with the applicable legislative relating to the protection of the environment. Accordingly, all production takes place in a way that the negative impacts upon the environment are minimized.

EMPLOYEES OF THE COMPANY



The number of the employees of the company Bronswerk Heat Transfer in the recent years, despite the less favourable periods of the global economy, **has been steadily rising**. At the end of 2013, the company had a workforce of 148 people. Compared with the year 2012, the number of the employees increased by additional 3 people.

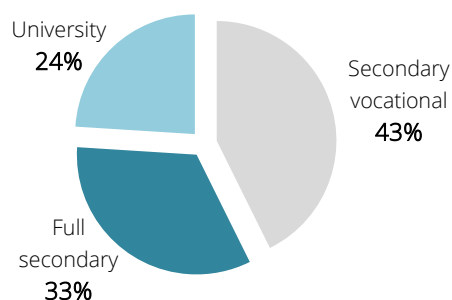


At the end of 2013, the company employed 19 women at different white collar positions. Most women take positions of accountants, clerks and assistants. But, there is no exception that women can be found in the Outline Design, Design or Technology Departments where 5 women hold specialist positions.

EDUCATION LEVEL STRUCTURE



TOTAL EMPLOYEES



TECHNICAL & ADMINISTRATIVE EMPLOYEES



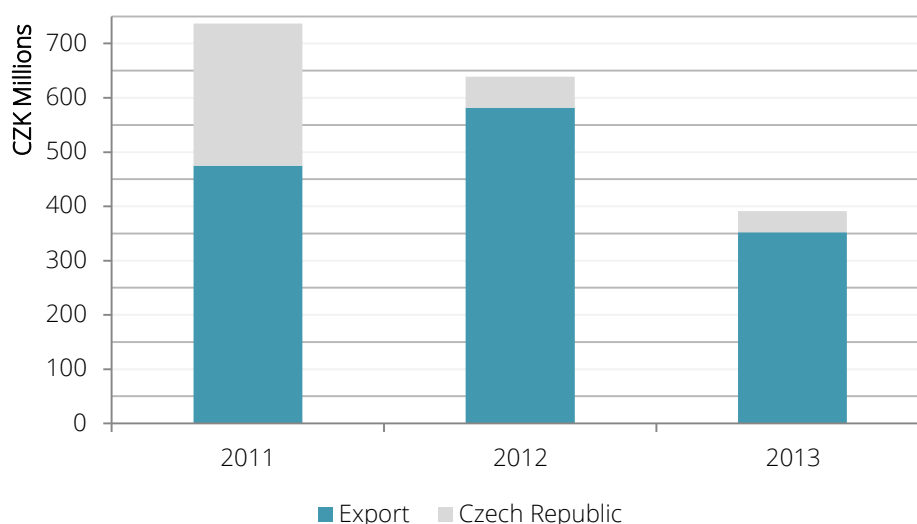
University education's share in the education level structure of the white collar staff positions is 43%, and in the education level structure of all employees it is 24%.

For the sake of enhancing the role of an attractive employer, the company has **long time cooperated with university students**. Students of the University of Jan Evangelista Purkyně v Ústí nad Labem and the Technical University in Brno have been for many years offered a possibility of the **cooperation in preparing theses**, and talented students are offered a possibility of finding their use in the form of **internships or graduation positions**.

Bronswerk Heat Transfer fosters **additional education and increasing the qualification of its employees**. In 2013, the company allocated CZK 1 115 thousand for professional education. Likewise in the previous years, the company provides free of charge education of foreign languages. In 2013, all the education was covered solely from the company's funds.

ECONOMIC INDICATORS

THE TREND OF THE REVENUES FOR THE SALES OF PRODUCTS AND SERVICES RENDERED



PROFIT & LOSS ACCOUNT

(SELECTED INDICATORS IN CZK THOUSANDS)

RESULTS OF OPERATIONS	2013	2012	2011
REVENUES FROM OWN PRODUCTS AND SERVICES	391 111	638 820	736 779
OTHER REVENUES	27 259	26 210	29 546
CHANGE TO WIP	22 772	11 637	-85 383
TOTAL REVENUES	441 142	676 667	680 942
CONSUMPTION IN OPERATION	303 903	497 378	431 598
PERSONNEL EXPENSES	69 412	77 995	78 154
DEPRECIATION AND AMORTIZATION	9 138	6 091	6 798
REPAIRS AND MAINTENANCE	10 904	2 201	4 096
TAXES AND FEES	125	170	141
OTHER OPERATING EXPENSES	2 216	18 841	11 602
INTERESTS	1 122	837	4 232
FINANCE EXPENSES	21 697	27 083	43 502
TOTAL COSTS	418 517	630 596	580 123
PROFIT OR LOSS BEFORE TAXES	22 625	46 071	100 819
INCOME TAX	3 842	12 189	19 381
PROFIT OR LOSS FOR THE YEAR	18 783	33 882	81 438

ASSETS STRUCTURE

(SELECTED INDICATORS IN CZK THOUSANDS)

ASSETS	2013	2012	2011
INTANGIBLE ASSETS	2 010	2 254	1 172
LAND, CONSTRUCTIONS AND MACHINERY	106 559	134 955	43 387
FIXED ASSETS	108 569	137 209	44 559
INVENTORY	107 626	99 371	75 326
RECEIVABLES	102 358	100 368	361 862
FINANCIAL ASSETS	148 321	179 514	92 437
CURRENT ASSETS	358 305	379 253	529 625
OTHER ASSETS	701	3 029	5 494
TOTAL ASSETS	467 575	519 491	579 678

EQUITY & LIABILITIES	2013	2012	2011
BASIC CAPITAL	5 441	5 441	5 441
RETAINED EARNINGS	294 340	275 554	241 672
OTHER FUNDS	1 004	1 004	1 004
EQUITY	300 785	281 999	248 117
LONG-TERM LIABILITIES	0	0	0
SHORT-TERM LIABILITIES	122 036	152 333	151 307
BANK LOANS AND BORROWING	42 508	9 815	111 181
PROVISIONS	2 246	13 828	9 983
LIABILITIES	166 790	175 976	272 471
OTHER LIABILITIES	0	61 516	59 090
TOTAL EQUITY & LIABILITIES	467 575	519 491	579 678

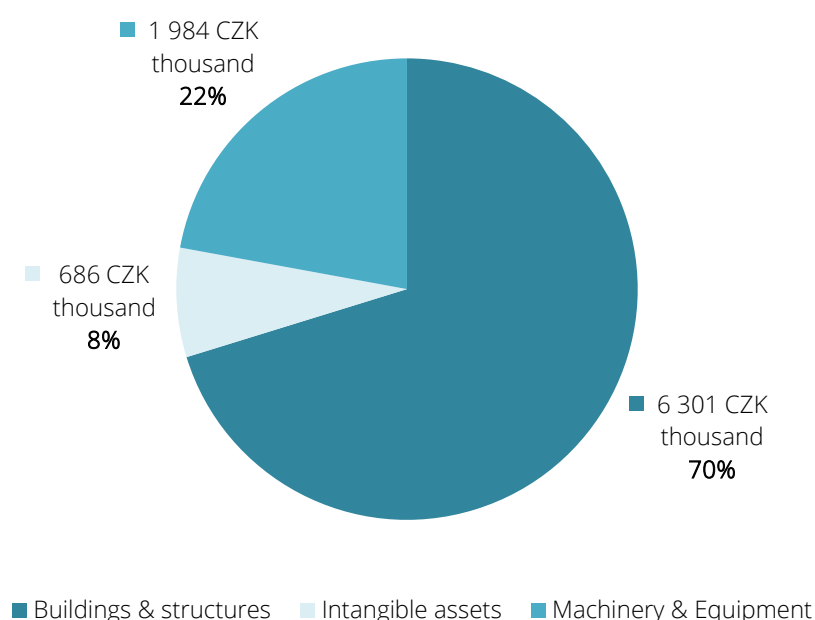
There were no events in the period between the date of this report and the balance sheet date, i.e. 31 December 2013, which are not disclosed in the financial statements and which would have a significant effect on the Company's operation and/or results.

INVESTMENTS

Compared to the year 2012 when Bronswerk Heat Transfer vastly invested into the project of new production premises the total investment expenditures reached in 2013 an amount of CZK 8 972 thousand.

Acquiring investments in 2013 occurred in the form of purchases of new investment assets, particularly machines and equipment, and also the technical appreciation of the existing investment assets. The most significant investment expenditure in 2013 was the completion of the construction of the new production premises at an amount of CZK 4 085 thousand.

The structure of the completed investments in 2013 is shown in the below graph.

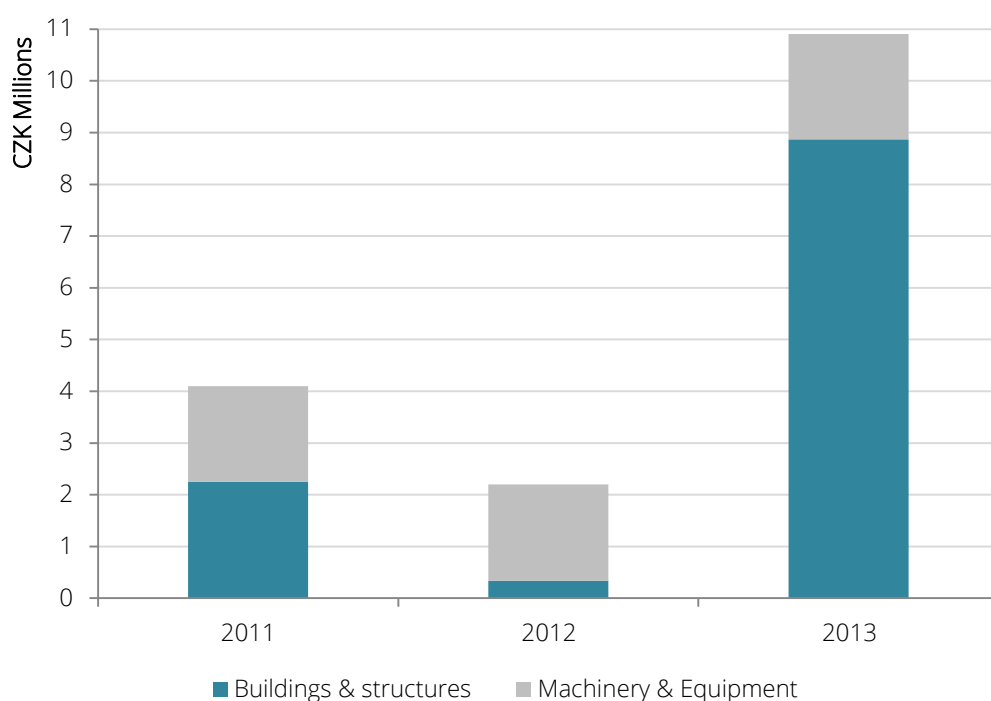


In 2013, the company completed a vast investment into the construction of the new production premises and refurbishment of the existing ones. Thanks to this investment, the manufacturing capacities being essential for the further growth and development of the company considerably extended.

REPAIRS AND MAINTENANCE OF THE PROPERTY

The scheduling and performance of repairs and maintenance of the production equipment and buildings were made by the company with respect to the condition of its property, and in case of buildings, also to its financial potential. In 2013, for the repair and maintenance of the property, the company expended a total of CZK 10 904 thousand. The most significant expenditure for the repairs and maintenance in 2013 was the repair of the surface and fencing of the site of the company at an amount of CZK 8 215 thousand.

Structure of the costs for the repairs and maintenance of the property in the years 2011 – 2013 is shown in the below graph.





Bronswerk Heat Transfer spol. s r.o.

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