

**ANNUAL  
REPORT 2012**



**MORAVIA STEEL**

# TABLE OF CONTENTS

I. OPENING STATEMENT OF THE CHAIRMAN OF THE SUPERVISORY BOARD .....	2
II. COMPANY PROFILE .....	4
III. STATUTORY BODIES AND MANAGEMENT.....	6
IV. REPORT OF THE BOARD OF DIRECTORS.....	8
V. REPORT OF THE SUPERVISORY BOARD .....	15
VI. REPORT OF THE AUDIT COMMITTEE .....	16
VII. AUDITOR'S REPORT.....	17
VIII. FINANCIAL PART I. – FINANCIAL STATEMENTS .....	19
– Balance Sheet Full Version .....	20
– Profit and Loss Account Structured by the Nature of Expense Method .....	22
– Statement of Changes in Equity .....	23
– Cash Flow Statement .....	23
– Notes to the Financial Statements .....	24
IX. FINANCIAL PART II. – CONSOLIDATED FINANCIAL STATEMENTS.....	42
– Consolidated Balance Sheet Full Version .....	43
– Consolidated Profit and Loss Account Structured by the Nature of Expense Method .....	45
– Consolidated Statement of Changes in Equity .....	46
– Consolidated Cash Flow Statement .....	47
– Notes to the Consolidated Financial Statements .....	48
X. REPORT ON RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED 31 DECEMBER 2012.....	89

# I. OPENING STATEMENT OF THE CHAIRMAN OF THE SUPERVISORY BOARD



Quality  
Through  
the Ages

**DEAR SHAREHOLDERS, BUSINESS PARTNERS AND EMPLOYEES,**



It is not easy to evaluate the past years in terms of the global economic development, or the global steel industry development. This naturally also applies to 2012. On the global level, there is a certain degree of optimism; however, if we are to assess the situation in the European Union, we need to be more cautious. The economic recession in individual member states in 2012 was reflected in the decrease in the consumption of steel in the EU, of approximately 10%. The German economy which is the key economy for Czech exports, reported a slight increase; however, this was not the expected impulse for the Czech Republic. As a result, the Czech economy went back to recession in 2012.

In 2012, the worldwide production of steel increased, it amounted to 1,548 million tonnes. The increase was impacted by the growing production of raw steel in Asia and North America. In 2012, Asia produced a total of 1,013 million tonnes which was a year-on-year increase of 2.6%. In North America, the production of steel increased by 2.5% to 122 million tonnes. By contrast, the production declined in the European Union, similarly as in South America or CIS countries. EU member countries produced approximately 169 million tonnes of raw steel in 2012 and 177.4 million tonnes in 2011. The year-on-year decline in the production was 4.9%.

Steel production in the Czech Republic declined by 9.2% to 5.07 million tonnes of raw steel in 2012. TRINECKÉ ŽELEZÁRNY, a. s., as the subsidiary of MORAVIA STEEL a.s., increased its own production by 0.5% to 2.49 million tonnes of raw steel as compared to 2011. The share in the overall production of Czech steel increased year-on-year from 44% to 49%.

The results of MORAVIA STEEL a.s. of 2012 reflect the correctly-selected long-term strategy of the MS/TŽ group. This strategy focuses on products with a higher processing grade and creation of product chains, with a focus on products intended for the engineering, energy, oil or automotive industries. For this reason, the group prefers the production of rolled wire for the production of screws, springs, bearings and cords, special bar steel, finally treated steel, wide and flat tool steel.

MORAVIA STEEL a.s. has operated on the metallurgical production market since 1995. In the long-term, it has been in a strong and stabilised position both in the Czech Republic and on foreign markets. In addition, MORAVIA STEEL a.s. provides the intrastate and international transportation, purchase and sale of raw materials including other inputs necessary for metallurgical production.

In 2012, MORAVIA STEEL a.s. reported a profit of CZK 1,012 million. In 2011, it generated a profit of CZK 1,385 thousand. Sales of goods in 2012 amounted to CZK 61.25 billion. In 2011, sales of goods amounted to CZK 65.366 billion.

The assets of MORAVIA STEEL a.s. declined year-on-year from CZK 18.008 billion to CZK 17.301 billion. The Company's fixed assets increased as compared to 2011, from CZK 6.907 billion to CZK 7.352 billion.

The equity of the Company increased year-on-year from CZK 9.669 billion to CZK 10.680 billion.

The added value of the Company amounted to CZK 2.194 billion in 2012 and CZK 2,205 billion in 2011.

The most significant commodities of the MS/TŽ group have included rolled wire and bars in the long-term. In 2012, the rolled wire was the most significant product in terms of volume, its sales amounted to more than 923 kilotonnes. In 2011, its sales amounted to almost 917 kilotonnes.

In 2012, MORAVIA STEEL a.s. sold metallurgical products in the aggregate volume of 2,284.34 kilotonnes. In 2011, total sales amounted to 2,240.52 kilotonnes. 1,538.55 kilotonnes of products were exported. 745.79 kilotonnes were sold on the Czech market. The share of exports in the total sales exceeded 67%. The European Union, including Slovakia, accounted for 87.3% of exports. American markets accounted for 10.5% in 2012. In individual EU countries, the key customer was Germany, its share in the exports to the EU accounted for 30.7%. Of the total exports to the EU, exports to Italy accounted for 15.1%, exports to Poland and Slovakia identically accounted for 13.8%.

Dear Shareholders, Business Partners and Employees,

Thank you for your cooperation to date. The year 2012 again confirmed that our relationships have been appropriate in the long-term, both in professional and human terms. As such, we have a common base we can build on in the future years of our cooperation.

Sincerely yours,



**Tomáš Chrenek**

Chairman of the Supervisory Board MORAVIA STEEL a.s.

# II. COMPANY PROFILE



Quality  
Through  
the Ages

Over 17 years since its formation, MORAVIA STEEL a.s. strengthened its position among leading sellers of metallurgical products in the Czech Republic and foreign markets, primarily in EU countries.

An integral part of the Company's activities is the provision of domestic and international transportation and purchase and sale of raw materials and other inputs necessary for the metallurgical production.

The key economic indicators of MORAVIA STEEL a.s. between 2008 and 2012 prove the ability of the Company to cope with less favourable periods in the development of the global economy and in the metallurgical and steel industry.

## ECONOMIC INDICATORS BETWEEN 2008 AND 2012 (CZK million)

INDICATOR	2008	2009	2010	2011	2012
Sales of goods	64 171	40 931	57 010	65 336	61 254
Sales of own products and services	1 068	730	644	637	656
Added value	2 875	1 848	1 734	2 205	2 194
Financial profit or loss	-432	-550	-401	-25	-264
Profit or loss for the reporting period	1 489	710	708	1 385	1 012
Total assets	15 090	13 953	15 962	18 008	17 301
Fixed assets	6 052	6 713	6 703	6 907	7 352
Equity	8 551	7 493	8 284	9 669	10 680
Share of liabilities including accrued expenses (%)	43.33	46.30	48.10	46.31	38.27
EBIT	2 045	968	972	1 757	1 325







# III. STATUTORY BODIES AND MANAGEMENT



Quality  
Through  
the Ages

## Supervisory Board as of 31 December 2012



**Tomáš Chrenek**  
Chairman



**Evžen Balko**  
Vice-Chairman



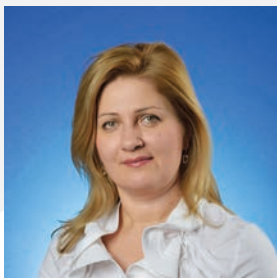
**Ján Moder**  
Vice-Chairman



**Pablo Alarcón Espinosa**  
Member



**Jaroslava Čiahotná**  
Member



**Mária Blašková**  
Member

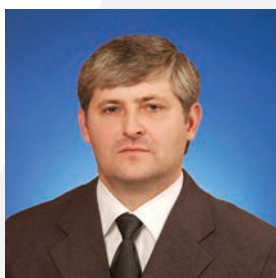
## Board of Directors as of 31 December 2012



**Rostislav Wozniak**  
Chairman



**Krzysztof Roch Ruciński**  
Vice-Chairman

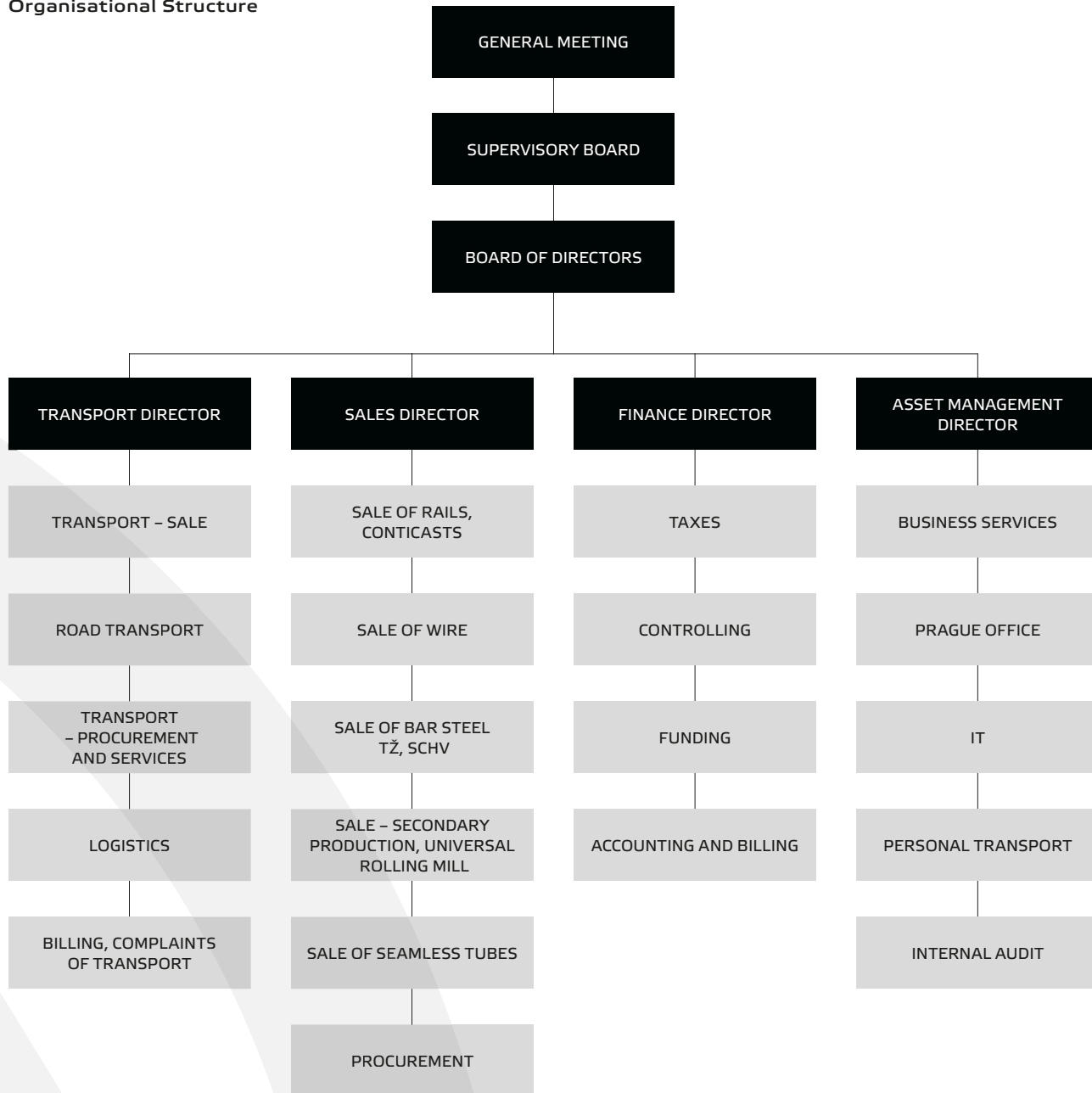


**Mojmír Kašpišín**  
Member



**Uršula Novotná**  
Member

Organisational Structure





# IV. REPORT OF THE BOARD OF DIRECTORS



Quality  
Through  
the Ages

In 2012, MORAVIA STEEL a.s. recorded very good results of operations although the situation on the metallurgical products was imbalanced.

Sales of goods amounted to CZK 61.25 billion, equity increased by CZK 1,012 million as compared to 2011, the share of liabilities decreased from 46.31% to 38.27%. The profit before tax for 2012 amounts to CZK 1,306 million.

## DEVELOPMENT IN THE GLOBAL METALLURGICAL INDUSTRY

The global raw steel production repeatedly increased in 2012 and amounted to 1,548 million tonnes which is a year-on-year increase of 1.2% according to the statistics of the World Steel Association. The growth was impacted primarily by the increased production of raw steel in Asia and North America, while EU 27 and South America reported a year-on-year decline.

In 2012, Asia produced a total of 1,013 million tonnes, ie a year-on-year increase of 2.6%. The production of steel in North America amounted to 122 million tonnes which is an increase of 2.5%. In South America, the production amounted to 47 million tonnes, ie a decline of 3%. In the CIS countries, the production declined by 1.2% to 111 million tonnes.

The production of raw steel in China also increased in 2012 by 3.1% to 717 million tonnes. Its share in the global volume thus increased from 45.4% to 46.3%. According to estimates, the production of steel in China in 2013 should grow by 3.9% to the anticipated level of 745 million tonnes.

EU 27 countries saw a year-on-year decline in the steel production of 4.9% to 169 million tonnes of steel in 2012. The decline in the production was recorded in all significant producers – in Germany, Italy, France and Spain.

## TREND IN THE STEEL INDUSTRY DEVELOPMENT

According to the estimates of Eurofer, the year 2013 will see a slow economic growth in developed economies and decelerated growth on developing markets. The global growth of steel consumption in 2013 is expected to range between 1% and 2%, namely around 2% in China.

High prices of raw materials and energy as well as the burden of environmental legal regulations will continue to put pressure on margins, investments and global competitiveness of the European steel industry. Prices of natural gas in the EU are three times higher than in other developed economic and prices of electricity are double. The European apparent steel consumption should slightly decrease in 2013, specifically by 1.8%, according to Eurofer. In 2014, the consumption is expected to grow slightly – by 2%. The US economy shows signs of recovery and the exploration and development of shale gas may significantly change the situation.

The Eurometal association anticipates that total supplies of final steel products (except for semi-finished products) will be stable in 2013 as compared to 2012. Eurometal expects a year-on-year decline in sales of final long products of 1%, while the sale of final flat products is set to increase by 1%. If the estimate for 2013 is correct, the market demand will amount approximately to 72% of the demand in 2007 when the EU market reached its peak.

### TREND IN THE DEVELOPMENT IN THE CZECH REPUBLIC

The steel production in the Czech Republic in 2012 declined similarly as in other significant European producers. According to the World Steel Association, the production of 5.07 million tonnes represented a year-on-year decline of 9.2 %.

As compared to neighbouring EU markets, the Czech market is rather small, and each change on EU markets is subsequently apparent on the Czech market. The steel production in Germany will grow by 1% in the following year to 43 million tonnes and the production of rolled products, which will be supported primarily by the growth in industrial production, will grow between 1 and 2%.

#### Development in sales between 2008 and 2012 MORAVIA STEEL a.s. (in tonnes)

Supplies in tonnes	2008	2009	2010	2011	2012
Export	1 484 386	1 374 281	1 555 585	1 513 857	1 538 546
Domestic	768 302	646 604	729 599	726 666	745 795
<b>Total</b>	<b>2 252 688</b>	<b>2 020 885</b>	<b>2 285 184</b>	<b>2 240 523</b>	<b>2 284 341</b>

#### Structure of exports as a percentage of total supplies of MORAVIA STEEL, a.s. (in tonnes)

Supplies in tonnes	2008	2009	2010	2011	2012
European Union	76.7	76.1	78.4	73.0	75.3
Other Europe	3.9	2.9	1.8	2.3	1.4
Africa	0.1	0.3	0.1	0.1	0.0
Asia	0.1	0.2	0.6	3.1	0.7
America	8.6	8.0	7.5	9.8	10.5
Australia	0.1	0.1	0.1	0.1	0.1
Slovakia	10.5	12.4	11.5	11.6	12.0
	100.0	100.0	100.0	100.0	100.0

#### Development in the product range structure of metallurgical product sales of MORAVIA STEEL a.s. (in tonnes)

Sales in tonnes	2008	2009	2010	2011	2012
Rolled wire	783 688	817 301	900 199	916 981	923 018
Billets and continual castings	280 871	226 066	284 455	268 360	279 275
Reinforcing steel	112 656	185 428	43 436	8 783	19 496
Rails	247 960	220 715	258 815	253 793	246 958
Products of SCHV Kladno	260 194	185 513	262 317	263 987	283 350
UT Bohumín	55 383	44 902	49 881	47 290	48 193
Products of VF - operations	75 235	41 505	65 238	66 346	66 979
Other (bars, sections, etc.)	357 118	208 727	312 006	298 024	304 868
Pipes – VTTŽ Ostrava	79 583	79 959	93 022	99 645	97 145
Strojírny Třinec		10 769	15 816	17 314	15 059
<b>TOTAL</b>	<b>2 252 688</b>	<b>2 020 885</b>	<b>2 285 184</b>	<b>2 240 523</b>	<b>2 284 341</b>

## REPORT OF THE BOARD OF DIRECTORS



Quality  
Through  
the Ages

In terms of volume and sales, rolled wire has been the most significant item in the product range. In 2012, the Company managed to increase the sales of wire, by 6 kt to a total of 923 kt of which 106.4 kt was from Garret coilers at the Continuous Fine Rolling Mill and 810.8 kt from the Wire Rolling Mill. 5.74 kt was sold in drawn wire, total sales are lower by 1.9 kt as compared to 2011. The decline was recorded primarily on the Czech market. Almost 49% of overall sales of wire from the Wire Rolling Mill were high-carbon and screw wire, which is a year-on-year increase of 3%.

The second most significant product in the MS/TŽ group is the bar steel. It includes the production of the Medium Rolling Mill and the Continuous Fine Rolling Mill in TŽ and Sochorová válcovna TŽ in Kladno. The first half of 2012 saw a very satisfactory demand for bar steel both from the automotive industry and customers from other engineering sectors.

A significant increase in the demand in the first half of 2012 was recorded in respect of distributors, they needed to increase the low level of warehouse stock from the end of 2011. In the latter half of 2012, the demand gradually decreased. However, the total sales of bars in 2012 were by approximately 25 kt higher than in 2011 and amounted 588.2 kt.

Sales from the Medium Rolling Mill and the Continuous Fine Rolling Mill in 2012 amounted to 304.9 kt and were higher by 5.8 kt as compared to 2011. The average price was slightly lower which was reflected in total sales that were by 3.8% lower.

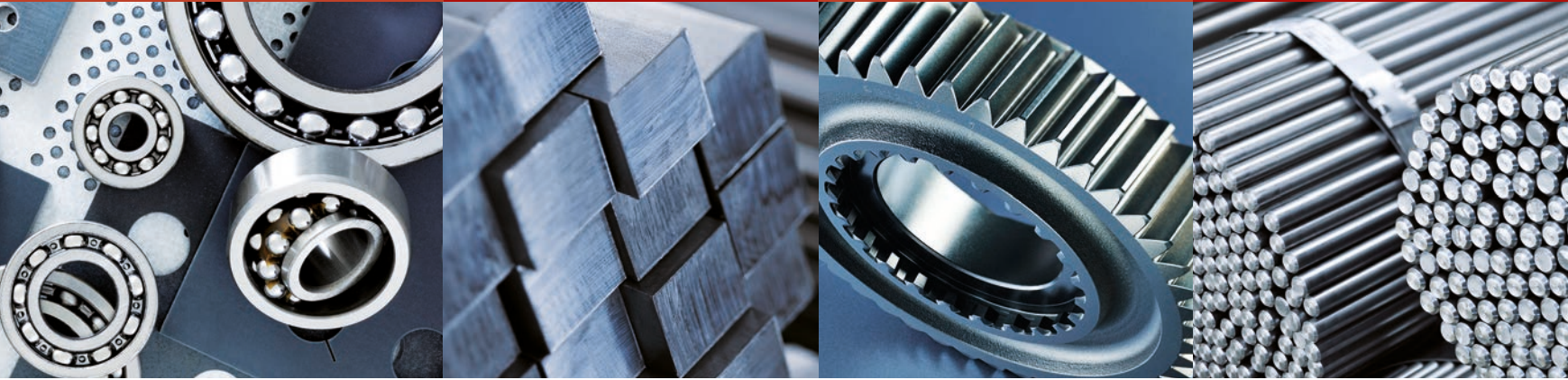
Sales from Sochorové válcovny TŽ, a.s. in 2012 achieved record levels of 283.3 kt and were by 19.6 kt higher than in 2011. Sales of products from Sochorová válcovna TŽ, a.s. recorded an increase in sales of 4%.

Sales of wide steel from Univerzální trať in Bohumín in 2012 amounted approximately to 48.2 kt and were higher by 0.9 kt than in 2011. These products continued to heavily depend on the increasingly declining construction industry. Sales of 2012 were on almost the same level as in 2011. In 2012, the drawn steel market reported a stronger demand in the first half of 2012 and prices were more stable than in the second half of the year. The sales amounted to 66.98 kt, ie by 0.6 kt more than in 2011. The Company managed to slightly increase the volumes of supplies to the automotive industry, ie for the production of piston bars and shock absorbers.

The Company produced and sold 5.75 kt of drawn, annealed and phosphatised wire in coils. Supplies were directed solely for the subsequent production of connection components and bearings.

The operations of Válcovna trub TŽ continued at the set course of production stabilisation in the volume of 95.5 kt, in 2012, it was slightly exceeded by 1.5 kt given the increased requirements in the oil pipes sector.

The Company produced and sold only 19.5 kt of the reinforcing steel which is 45% of the volume in 2010. This was due to the continuing decline in the construction industry and corresponding low prices of reinforcing steel and the opportunities to use the capacities for products with a higher added value.



The supplies of rails in 2012 amounted to 270 kt. This was primarily due to the finalisation of the contract for the Azerbaijan Railways and a new contract of rails for German Railways. Other significant markets with higher volumes of supplies remain to be the USA, Canada, Poland, Hungary and Israel. Sales of rails on the Czech market saw a slow decline and decrease in volumes of approximately 2.5 kt as compared to 2011.

The sales of conticasts and rolled billets in 2012 increased by 10.9 kt as compared to 2011 – ie to the total volume of 279.3 kt. This increase in the consumption of conticasts and billets was reported during the whole year and reflected an increased sales activity of customers of the railway wheel-set and components for wind power plants. Increased sales were recorded primarily on the German and Czech markets.

The long-term strategy of MORAVIA STEEL is focused on increasing the share of products with a higher grade of processing and creating product chains. The group focuses more on products intended for industries requiring a higher level of reprocessing for higher quality steel grades, such as the engineering industry, power industry, and the petroleum and automotive industries.

Each year, we analyse the situation on the market with the objective of rapidly responding to new market requirements. This objective is met in close contact and technical exchange of information with customers. We continue to search for new opportunities in order to maintain production volumes of MS/TŽ on the existing level.

The purchase of raw materials and other inputs for TŘINECKÉ ŽELEZÁRNY, a.s. and other subsidiaries is a significant part of the Company's turnover. To secure the production in TŘINECKÉ ŽELEZÁRNY, a.s., strategic raw materials include ores, coal, coke, scrap, ferrous alloys, metals and basic additives.

MORAVIA STEEL a.s. continuously procures the essential raw materials with respect to the availability, required quality, and optimum acquisition costs.

## REPORT OF THE BOARD OF DIRECTORS



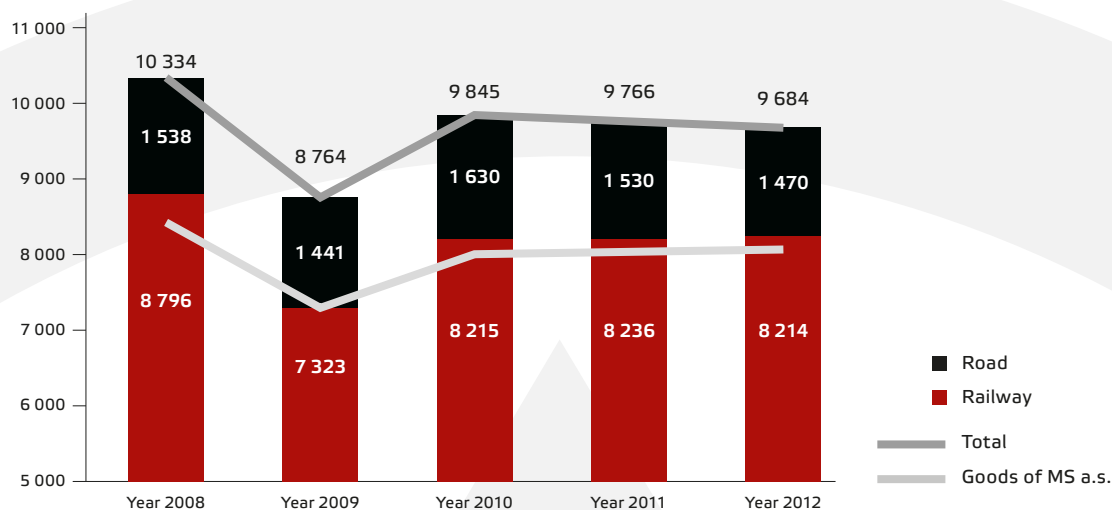
Quality  
Through  
the Ages

### LOGISTICS, FREIGHT TRANSPORTATION

In 2012, MORAVIA STEEL a.s. transported 9,684 million tonnes of goods.

In terms of the freight transportation volume, MORAVIA STEEL a.s. is one of the key transporters in the Czech Republic and meets the high requirements for the complexity and stability of transportation services to senders and recipients of goods.

#### Development in the transported volume of MORAVIA STEEL a.s.



Note: Development in the transported volume of MORAVIA STEEL a.s. between 2008 and 2012 is provided in thousands of tonnes in the chart.

The indicator of the year-on-year development in the volume of transports, the decline of 0.84%, was impacted primarily by the continuous measures in optimising warehouse stock by producers of goods and limited demand for transportation services in the construction industry.

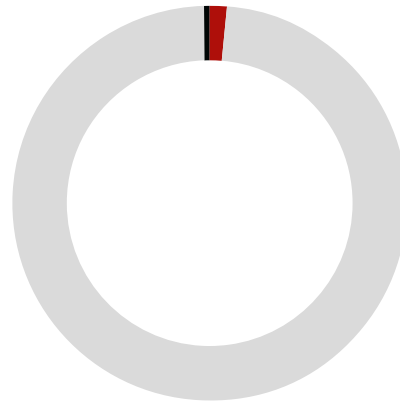


**Sales of goods  
of MORAVIA STEEL a.s. in 2012**



■ road 42,7%  
■ railway 48,1%  
■ multimodal 9,2%

**Purchase of goods  
of MORAVIA STEEL a.s. in 2012**



■ road 1,7%  
■ railway 98,0%  
■ multimodal 0,3%

In connection with the structure of transport volumes, the analytics and project solutions focused on the following issues:

- Transportation of individual shipments by railway;
- Quality and ongoing availability of railway vehicles and other transportation and handling means;
- Restructuring and development of the offer of significant providers of transportation services;
- Quality, transportation limitations, fees for the use of the railway route;
- Use of public logistics centres (PLC);
- Transportation requirements as part of the acquisitions of the MS/TŽ group (ŽDB DRÁTOVNA a.s.);
- Audits of storage and handling activities in the Czech Republic and abroad;
- Development of information systems and optimisation of the management of freight transportation in the MS/TŽ group; and
- Evaluation of suppliers by parameters of the quality system and evaluation criteria of leading providers of business and economic information (stability rating).

The need for an ongoing increase in quality standards of logistics also focused on the intensive exchange of information within similar industry organisations and cooperation with state administration.

Other important indicators of the freight transportation sector:

- Sensitivity of the sector to the development in the economic cycle (significant dependence on the situation in the manufacturing sphere);
- Sensitivity of the sector to the growth in prices of energy commodities;
- Rapid changes in transportation flows, trend of the transfer of part of capacities of the European economy eastwards;
- Lack of qualified manpower;

## REPORT OF THE BOARD OF DIRECTORS



Quality  
Through  
the Ages

- EU transportation policy (White Paper for 2012–2020 with the outlook to 2050 – initiatives for the building of a competitive transportation system; TEN-T – policy of trans-European transportation networks, the principal European tool for the development in the transportation infrastructure for long-distance transportation flows);
- Top-level strategic documents of the Czech Government for the transportation sector (Czech Transportation policy for 2014–2020 with the outlook to 2050);
- Expenditures of the Czech Republic relating to the transportation infrastructure;
- Environmental issues (costs of the strategy);
- Regional disproportion in the transportation infrastructure, overloading of principal transportation routes; insufficient density of the road network; and
- Prevention and insurance of business risks (thefts of the cargo, thefts of the transporter identity, control activities in distribution points, safety measures of shipping databanks, other measures).

### MANAGEMENT SYSTEM, HUMAN RESOURCES

The employees of the MS/TŽ group participated in the project of a change in the fiscal year in the subsidiary M Steel Projects a.s. in 2012. In this project, all bookkeeping was set from the calendar year to the fiscal year ending on 30 September 2012. This project involved a comprehensive transfer of data between sets of accounting records in the SAP system with a focus on FI – financial accounting, CO – controlling, MM – material, SD – sale, AM – assets and ZDF – accounting work circulation modules.

In addition, the internet sales portal application, which allows customers to receive tax documents in the electronic form in accordance with the applicable legislation, was developed on an ongoing basis. During 2012, both the new and existing customers showed interest in this method of sending documents in the electronic form.

In 2012, the Company completed the comprehensive renewal of hardware and software equipment in the scanning department. This renewal resulted in a better quality of scanning and a more rapid circulation of accounting documents in MORAVIA STEEL a.s.

Management of the Company has been seeking to create a favourable and motivating work environment for all its employees on an ongoing basis.

MORAVIA STEEL a.s. promotes further education and increasing its employees' qualifications, primarily in the form of specialised professional courses and training.

The Company does not carry out independent research and development; however, it participates in selected assignments of the MS/TŽ Group through their staff.

The Company carries on its activities in accordance with the applicable legislation concerning environmental protection.

MORAVIA STEEL a.s. has no organisational branch abroad.



# V. REPORT OF THE SUPERVISORY BOARD

The Supervisory Board of MORAVIA STEEL a.s. reviewed the financial statements of MORAVIA STEEL a.s. for 2012 based on the presented documents discussed by the Board of Directors of MORAVIA STEEL a.s. and discussed the proposed allocation of profit for 2012.

Pursuant to the opinion of the auditor Deloitte Audit s.r.o., the Supervisory Board of MORAVIA STEEL a.s. recommends that the General Meeting approve the financial statements of MORAVIA STEEL a.s. for 2012, including the proposal of the Board of Directors for the allocation of profit for 2012.

**Tomáš Chrenek**  
Chairman of the Supervisory Board

# VI. REPORT OF THE AUDIT COMMITTEE



Quality  
Through  
the Ages

In line with the applicable legislation, the articles of association of MORAVIA STEEL a.s. (the “Company”) and plan of activities, the Audit Committee dealt with the following issues at its meetings:

- Presentation of the external auditor;
- Compliance with the plan of the internal audit for 2012 and plan of activities of the Internal Audit department for 2013;
- Summary information on significant results of internal and external audits;
- Information on risk management; and
- Assessment of the external auditor.

The following persons were invited to take part in the meeting of the Audit Committee: key members of the external auditor team, the Company’s Chief Financial Officer, Head of the Internal Control department of the Company and employees responsible for the activities or involved in the activities that the Audit Committee focused on.

As part of the presentations of the external auditor, the Committee primarily assessed the procedure of compiling the financial statements and the consolidated financial statements for 2012. At its meetings, the Audit Committee was informed on the findings of the external auditor in selected key issues of performed audits on a continuous basis. In addition, the Audit Committee verified the effectiveness of the internal control system of the Company from the perspective of the external auditor and monitored and assessed the independence of the statutory auditor and audit company and provision of additional services to the Company and received information, reports and communications in compliance with the relevant legal regulations from the external auditor.

The Audit Committee studied and discussed the summary information from audits performed by the Internal Audit department, status of the implementation of recommendations from prior audits regarding significant findings and approved changes in the internal audit methodology and reporting standards that increasingly strengthen the performance and transparency of the internal audit. The Audit Committee approved the plan of activities of the Internal Audit department for 2013.

The Audit Committee monitors the information on the risk management and risk hedging in the Company on a continuous basis. Shortcomings, if any, in control mechanisms that result from the findings of the internal auditor or recommendations of the external auditor, are removed on a continuous basis through the application of remedial risk management measures.

The Audit Committee states that it identified no serious shortcomings or facts that should be reported to the General Meeting of shareholders of the Company during 2012 and 2013 until this General Meeting in principal activities that are entrusted to it by the articles of association of the Company and general legal regulations, ie monitoring of the financial statements preparation, including the consolidated financial statements preparation, assessment of the effectiveness of the internal control system and evaluation of the independence of the external auditor.

**Dana Trezziová**  
Chairwoman of the Audit Committee Moravia Steel a.s.

# VII. AUDITOR'S REPORT

## Deloitte.

Deloitte Advisory s.r.o.

Nile House  
Karolinská 654/2  
186 00 Prague 8 - Karlín  
Czech Republic

Tel.: +420 246 042 500  
Fax: +420 246 042 555  
DeloitteCZ@deloitteCE.com  
www.deloitte.cz

Registered at the Municipal Court  
in Prague, Section C, File 113225  
Id. Nr.: 27582167  
Tax Id. Nr.: CZ27582167

### INDEPENDENT AUDITOR'S REPORT To the Shareholders of MORAVIA STEEL a.s.

Having its registered office at: Průmyslová 1000, 739 70 Třinec – Staré Město  
Identification number: 634 74 808

#### Report on the Financial Statements

Based upon our audit, we issued the following audit report dated 5 April 2013 on the financial statements which are included in this annual report in Section VIII.:

"We have audited the accompanying financial statements of MORAVIA STEEL a.s., which comprise the balance sheet as of 31 December 2012, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with accounting regulations applicable in the Czech Republic, and for such internal control as management 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 standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 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 MORAVIA STEEL a.s. as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic."

#### Report on the Consolidated Financial Statements

Based upon our audit, we issued the following audit report dated 3 May 2013 on the consolidated financial statements which are included in this annual report in Section IX.:

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/cz/about](http://www.deloitte.com/cz/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.



## AUDITOR'S REPORT

---

"We have audited the accompanying consolidated financial statements of MORAVIA STEEL a.s., which comprise the balance sheet as of 31 December 2012, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

The Statutory Body is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting regulations applicable in the Czech Republic, and for such internal control as management 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 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 standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 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 consolidated financial statements give a true and fair view of the financial position of the MORAVIA STEEL a.s. consolidation group as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic."

### Report on the Related Party Transactions Report

We have also reviewed the factual accuracy of the information included in the related party transactions report of MORAVIA STEEL a.s. for the year ended 31 December 2012 which is included in this annual report in Section X. This related party transactions report is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the related party transactions report based on our review.

We conducted our review in accordance with Auditing Standard 56 issued by the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the related party transactions report is free of material factual misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the related party transactions report and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information contained in the related party transactions report of MORAVIA STEEL a.s. for the year ended 31 December 2012 contains material factual misstatements.

### Report on the Annual Report

We have also audited the annual report of the Company as of 31 December 2012 for consistency with the financial statements referred to above. This annual report is the responsibility of the Company'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 the Company is consistent, in all material respects, with the financial statements referred to above.

In Prague on 23 May 2013

Audit firm:

Deloitte Audit s.r.o.  
certificate no. 79

Statutory auditor:

Michal Brandejs  
certificate no. 1675

# VIII. FINANCIAL PART I. FINANCIAL STATEMENTS

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

<b>Name of the Company:</b>	MORAVIA STEEL a.s.
<b>Registered Office:</b>	Průmyslová 1000, 739 70 Třinec-Staré Město
<b>Legal Status:</b>	Joint Stock Company
<b>Corporate ID:</b>	634 74 808

The Company is recorded in the Register of Companies kept by the Regional Court in Ostrava, Section B, File 1297

### Components of the Financial Statements:

- Balance Sheet
- Profit and Loss Account
- Statement of Changes in Equity
- Cash Flow Statement
- Notes to the Financial Statements

These financial statements were prepared on 5 April 2013.

Statutory body of the reporting entity	Signature
<b>Rostislav Wozniak</b> Chairman of the Board of Directors	
<b>Mojmír Kašpříš</b> Member of the Board of Directors	

# BALANCE SHEET FULL VERSION

(in CZK thousand)

		31. 12. 2012			31. 12. 2011
		Gross	Adjustment	Net	Net
	<b>TOTAL ASSETS</b>	<b>18 880 808</b>	<b>1 580 227</b>	<b>17 300 581</b>	<b>18 008 309</b>
<b>B.</b>	<b>Fixed assets</b>	<b>7 739 234</b>	<b>387 344</b>	<b>7 351 890</b>	<b>6 906 953</b>
<i>B.I.</i>	<i>Intangible fixed assets</i>	<b>94 105</b>	<b>65 789</b>	<b>28 316</b>	<b>37 831</b>
B.I.1.	Start-up costs	72	72		
B.I.3.	Software	1 288	786	502	395
B.I.4.	Valuable rights	91 819	64 184	27 635	36 839
B.I.6.	Other intangible fixed assets	926	747	179	201
B.I.7.	Intangible fixed assets under construction				396
<i>B.II.</i>	<i>Tangible fixed assets</i>	<b>101 868</b>	<b>71 496</b>	<b>30 372</b>	<b>25 869</b>
B.II.3.	Individual movable assets and sets of movable assets	100 539	71 496	29 043	25 869
B.II.7.	Tangible fixed assets under construction	726		726	
B.II.8.	Prepayments for tangible fixed assets	603		603	
<i>B.III.</i>	<i>Non-current financial assets</i>	<b>7 543 261</b>	<b>250 059</b>	<b>7 293 202</b>	<b>6 843 253</b>
B.III.1.	Equity investments – subsidiary (controlled entity)	7 362 400	250 059	7 112 341	6 662 392
B.III.2.	Equity investments in associates	178 197		178 197	178 197
B.III.6.	Acquisition of non-current financial assets	2 664		2 664	2 664
<b>C.</b>	<b>Current assets</b>	<b>11 106 116</b>	<b>1 192 883</b>	<b>9 913 233</b>	<b>11 092 317</b>
<i>C.I.</i>	<i>Inventories</i>	<b>368 124</b>		<b>368 124</b>	<b>495 570</b>
C.I.1.	Material	1 240		1 240	1 541
C.I.5.	Goods	366 884		366 884	494 029
<i>C.II.</i>	<i>Long-term receivables</i>	<b>58 546</b>		<b>58 546</b>	<b>60 059</b>
C.II.5.	Long-term prepayments made	1 127		1 127	1 127
C.II.7.	Other receivables	57 419		57 419	58 932
<i>C.III.</i>	<i>Short-term receivables</i>	<b>8 168 495</b>	<b>255 936</b>	<b>7 912 559</b>	<b>9 239 606</b>
C.III.1.	Trade receivables	7 631 904	253 613	7 378 291	8 667 849
C.III.2.	Receivables – controlled or controlling entity	106 732	340	106 392	257 463
C.III.6.	State – tax receivables	308 978		308 978	267 674
C.III.7.	Short-term prepayments made	27 261		27 261	13 150
C.III.8.	Estimated receivables	20 013		20 013	23 069
C.III.9.	Other receivables	73 607	1 983	71 624	10 401
<i>C.IV.</i>	<i>Current financial assets</i>	<b>2 510 951</b>	<b>936 947</b>	<b>1 574 004</b>	<b>1 297 082</b>
C.IV.1.	Cash on hand	483		483	396
C.IV.2.	Cash at bank	1 377 141		1 377 141	1 296 686
C.IV.3.	Short-term securities and investments	1 133 327	936 947	196 380	
<b>D. I.</b>	<b>Other assets</b>	<b>35 458</b>		<b>35 458</b>	<b>9 039</b>
D.I.1.	Deferred expenses	1 744		1 744	1 613
D.I.3.	Accrued income	33 714		33 714	7 426

## TOTAL LIABILITIES &amp; EQUITY

(in CZK thousand)

		31. 12. 2012	31. 12. 2011
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>17 300 581</b>	<b>18 008 309</b>
<b>A.</b>	<b>Equity</b>	<b>10 680 488</b>	<b>9 668 655</b>
A.I.	Share capital	3 157 000	3 157 000
A.I.1.	Share capital	3 157 000	3 157 000
A.III.	Statutory funds	631 400	631 400
A.III.1.	Statutory reserve fund/Indivisible fund	631 400	631 400
A.IV.	Retained earnings	5 880 255	4 495 327
A.IV.1.	Accumulated profits brought forward	5 880 255	4 495 327
A.V.	Profit or loss for the current period (+/-)	1 011 833	1 384 928
<b>B.</b>	<b>Liabilities</b>	<b>6 588 827</b>	<b>8 300 001</b>
B.I.	Reserves	8 987	4 360
B.I.4.	Other reserves	8 987	4 360
B.II.	Long-term liabilities		2 824
B.II.10.	Deferred tax liability		2 824
B.III.	Short-term liabilities	5 479 751	7 192 762
B.III.1.	Trade payables	5 114 095	6 647 002
B.III.5.	Payables to employees	16 660	15 897
B.III.6.	Social security and health insurance payables	3 894	3 842
B.III.7.	State – tax payables and subsidies	8 678	120 380
B.III.8.	Short-term prepayments received	123 271	117 260
B.III.10.	Estimated payables	138 153	288 352
B.III.11.	Other payables	75 000	29
B.IV.	Bank loans and borrowings	1 100 089	1 100 055
B.IV.2.	Short-term bank loans	1 100 089	1 100 055
<b>C. I.</b>	<b>Other liabilities</b>	<b>31 266</b>	<b>39 653</b>
C.I.1.	Accrued expenses	31 266	39 653

# PROFIT AND LOSS ACCOUNT

(in CZK thousand)

		Year ended 31. 12. 2012	Year ended 31. 12. 2011
I.	Sales of goods	61 254 381	65 335 525
A.	Costs of goods sold	58 719 889	62 780 996
<b>+</b>	<b>Gross margin</b>	<b>2 534 492</b>	<b>2 554 529</b>
II.	Production	656 255	637 042
II.1.	Sales of own products and services	656 255	637 042
B.	Purchased consumables and services	996 848	986 140
B.1.	Consumed material and energy	8 840	8 208
B.2.	Services	988 008	977 932
<b>+</b>	<b>Added value</b>	<b>2 193 899</b>	<b>2 205 431</b>
C.	Staff costs	378 550	376 325
C.1.	Payroll costs	212 447	210 542
C.2.	Remuneration to members of statutory bodies	106 001	105 510
C.3.	Social security and health insurance costs	58 587	58 800
C.4.	Social costs	1 515	1 473
D.	Taxes and charges	758	-7 555
E.	Depreciation of intangible and tangible fixed assets	21 057	21 761
III.	Sales of fixed assets and material	3 760	3 771
III.1.	Sales of fixed assets	2 362	2 196
III.2.	Sales of material	1 398	1 575
F.	Net book value of fixed assets and material sold	2 141	1 095
F.1.	Net book value of sold fixed assets	1 220	325
F.2.	Book value of sold material	921	770
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	-134 954	36 074
IV.	Other operating income	33 135	80 389
H.	Other operating expenses	392 083	102 161
<b>*</b>	<b>Operating profit or loss</b>	<b>1 571 159</b>	<b>1 759 730</b>
VI.	Proceeds from the sale of securities and investments	281 242	163
J.	Cost of securities and investments sold	275 525	407
VII.	Income from non-current financial assets	71 710	7 989
VII.1.	Income from equity investments in subsidiaries and associates	71 710	7 989
L.	Costs of the revaluation of securities and derivatives		372
M.	Change in reserves and provisions relating to financial activities	209 005	-2 354
X.	Interest income	13 044	9 076
N.	Interest expenses	18 213	22 076
XI.	Other financial income	704 609	796 040
O.	Other financial expenses	832 238	817 317
<b>*</b>	<b>Financial profit or loss</b>	<b>-264 376</b>	<b>-24 550</b>
Q.	Income tax on ordinary activities	294 950	350 252
Q 1.	- due	297 774	349 342
Q 2.	- deferred	-2 824	910
<b>**</b>	<b>Profit or loss from ordinary activities</b>	<b>1 011 833</b>	<b>1 384 928</b>
<b>***</b>	<b>Profit or loss for the current period (+/-)</b>	<b>1 011 833</b>	<b>1 384 928</b>
<b>****</b>	<b>Profit or loss before tax</b>	<b>1 306 783</b>	<b>1 735 180</b>



## STATEMENT OF CHANGES IN EQUITY

(in CZK thousand)

	Share capital	Capital funds	Statutory funds	Accumulated profits brought forward	Accumulated losses brought forward	Profit or loss for the current period	TOTAL EQUITY
<b>Balance at 31 December 2010</b>	<b>3 157 000</b>		<b>617 194</b>	<b>3 801 648</b>		<b>707 885</b>	<b>8 283 727</b>
Distribution of profit or loss			14 206	693 679		-707 885	
Profit or loss for the current period						1 384 928	1 384 928
<b>Balance at 31 December 2011</b>	<b>3 157 000</b>		<b>631 400</b>	<b>4 495 327</b>		<b>1 384 928</b>	<b>9 668 655</b>
Distribution of profit or loss				1 384 928		-1 384 928	
Profit or loss for the current period						1 011 833	1 011 833
<b>Balance at 31 December 2012</b>	<b>3 157 000</b>		<b>631 400</b>	<b>5 880 255</b>		<b>1 011 833</b>	<b>10 680 488</b>

## CASH FLOW STATEMENT

(in CZK thousand)

		Year ended 31. 12. 2012	Year ended 31. 12. 2011
<b>P.</b>	<b>Opening balance of cash and cash equivalents</b>	<b>1 293 812</b>	<b>767 676</b>
	Cash flows from ordinary activities		
Z.	Profit or loss from ordinary activities before tax	1 306 783	1 735 180
A.1.	Adjustments for non-cash transactions	190 737	86 884
A.1.1.	Depreciation of fixed assets	21 057	21 761
A.1.2.	Change in provisions and reserves	74 051	33 720
A.1.3.	Profit/(loss) on the sale of fixed assets	-1 142	-1 871
A.1.4.	Revenues from dividends and profit shares	-71 710	-7 989
A.1.5.	Interest expense and interest income	5 169	13 000
A.1.6.	Adjustments for other non-cash transactions	163 312	28 263
<b>A.*</b>	<b>Net operating cash flow before changes in working capital</b>	<b>1 497 520</b>	<b>1 822 064</b>
A.2.	Change in working capital	-292 303	-497 832
A.2.1.	Change in operating receivables and other assets	1 108 560	-780 966
A.2.2.	Change in operating payables and other liabilities	-1 531 183	500 088
A.2.3.	Change in inventories	127 446	-216 759
A.2.4.	Change in current financial assets	2 874	-195
<b>A.**</b>	<b>Net cash flow from operations before tax and extraordinary items</b>	<b>1 205 217</b>	<b>1 324 232</b>
A.3.	Interest paid	-18 347	-22 118
A.4.	Interest received	13 044	9 076
A.5.	Income tax paid from ordinary operations	-409 470	-317 244
A.7.	Received dividends and profit shares	11 797	7 989
<b>A.***</b>	<b>Net operating cash flows</b>	<b>802 241</b>	<b>1 001 935</b>
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	-871 953	-223 602
B.2.	Proceeds from fixed assets sold	2 362	2 196
B.3.	Loans provided to related parties	150 732	-254 329
<b>B.***</b>	<b>Net investment cash flows</b>	<b>-718 859</b>	<b>-475 735</b>
	Cash flow from financial activities		
C.1.	Change in payables from financing	34	-64
<b>C.***</b>	<b>Net financial cash flows</b>	<b>34</b>	<b>-64</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>83 416</b>	<b>526 136</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>1 377 228</b>	<b>1 293 812</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2012

## TABLE OF CONTENTS

1. GENERAL INFORMATION . . . . .	26
1.1. Incorporation and Description of the Business . . . . .	26
1.2. Changes and Amendments to the Register of Companies . . . . .	26
1.3. Board of Directors and Supervisory Board as of 31 December 2012 . . . . .	26
1.4. Organisational Structure of the Company as of 31 December 2012 . . . . .	26
2. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES . . . . .	27
3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES . . . . .	27
3.1. Tangible Fixed Assets . . . . .	27
3.2. Intangible Fixed Assets . . . . .	27
3.3. Non-Current Financial Assets . . . . .	27
3.4. Inventory . . . . .	28
3.5. Current Financial Assets . . . . .	28
3.6. Receivables . . . . .	28
3.7. Trade Payables . . . . .	28
3.8. Loans . . . . .	28
3.9. Foreign Currency Translation . . . . .	28
3.10. Reserves . . . . .	28
3.11. Finance Leases . . . . .	28
3.12. Taxation . . . . .	29
3.12.1. Tax Depreciation of Fixed Assets . . . . .	29
3.12.2. Current Tax Payable . . . . .	29
3.12.3. Deferred Tax . . . . .	29
3.13. Impairment . . . . .	29
3.14. Use of Estimates . . . . .	29
3.15. Revenue Recognition . . . . .	29
3.16. Cash Flow Statement . . . . .	29
4. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT . . . . .	30
4.1. Fixed Assets . . . . .	30
4.1.1. Intangible Fixed Assets . . . . .	30
4.1.2. Tangible Fixed Assets . . . . .	30
4.2. Non-Current Financial Assets . . . . .	31
4.2.1. Equity Investments in Subsidiaries . . . . .	31
4.2.2. Equity Investments in Associates . . . . .	32
4.2.3. Pledged Non-Current Financial Assets and Current Equity Securities . . . . .	32
4.3. Inventory . . . . .	32
4.4. Receivables . . . . .	33
4.4.1. Long-Term Receivables . . . . .	33
4.4.2. Trade Receivables . . . . .	33
4.4.3. Aging of Receivables from Customers . . . . .	33
4.4.4. Intercompany Trade Receivables . . . . .	33
4.4.5. Receivables from Subsidiaries . . . . .	34
4.4.6. Pledged Receivables . . . . .	34
4.4.7. State - Tax Receivables . . . . .	34
4.5. Current Financial Assets . . . . .	34
4.6. Shareholders' Equity . . . . .	34
4.6.1. Share Capital . . . . .	34
4.6.2. Changes in Equity . . . . .	34

<b>4.7. Payables</b>	<b>34</b>
4.7.1. Long-Term Payables	34
4.7.2. Short-Term Trade Payables	34
4.7.3. Aging of Payables to Suppliers	35
4.7.4. Intercompany Payables	35
4.7.5. Collateralised Payables or Otherwise Covered	35
4.7.6. Payables to Partners and Association Members	35
4.7.7. Estimated Payables.	35
4.7.8. Payables from Social Security and Health Insurance	35
4.7.9. State - Tax Payables	35
4.7.10. Bank Loans and Debt Securities	36
4.7.11. Accrued Expenses and Deferred Income.	36
<b>4.8. Deferred Taxation</b>	<b>36</b>
<b>4.9. Income Tax on Ordinary and Extraordinary Activities</b>	<b>37</b>
<b>4.10. Details of Income</b>	<b>37</b>
<b>4.11. Costs of Goods Sold</b>	<b>37</b>
<b>4.12. Services</b>	<b>37</b>
<b>4.13. Change in Reserves and Provisions Relating to Operating Activities and Complex Deferred Expenses</b>	<b>37</b>
<b>4.14. Other Operating Expenses and Income</b>	<b>37</b>
<b>4.15. Other Financial Expenses and Income.</b>	<b>38</b>
<b>4.16. Related Party Transactions</b>	<b>38</b>
4.16.1. Income Generated with Related Parties	38
4.16.2. Purchases	39
<b>5. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES</b>	<b>40</b>
<b>5.1. Staff Costs and Number of Employees</b>	<b>40</b>
<b>5.2. Loans, Borrowings and Other Benefits Provided</b>	<b>40</b>
<b>6. CONTINGENT LIABILITIES AND OFF BALANCE SHEET COMMITMENTS</b>	<b>40</b>
<b>7. POST BALANCE EVENTS</b>	<b>41</b>

# 1. GENERAL INFORMATION

## 1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

MORAVIA STEEL a.s. (hereinafter the “Company”) was formed by a Memorandum of Association as a joint stock company on 27 July 1995 and was incorporated following its registration in the Register of Companies held at the District Court in Brno – venkov on 23 August 1995 (Section B, File 1297).

As of 31 December 2012, the Company’s issued share capital is CZK 3,157,000 thousand.

The Company’s financial statements have been prepared as of and for the year ended 31 December 2012.

The following table shows legal entities with an equity interest greater than 20 percent and the amounts of their equity interests:

Shareholder	Ownership percentage
R.F.G., a.s., nám. Svobody 526, Třinec	50 %
FINITRADING, a.s., nám. Svobody 526, Třinec	50 %
<b>Total</b>	<b>100 %</b>

R.F.G., a.s. and FINITRADING, a.s. act in concert.

The Company is primarily engaged in purchasing goods for resale and sale, which accounts for 98.94 percent of its revenues. The Company is additionally involved in providing domestic and international shipping services.

The Company’s operations are principally focused on Třinecké železárny, a. s. and its subsidiary companies (for further details refer to Notes 4.16)

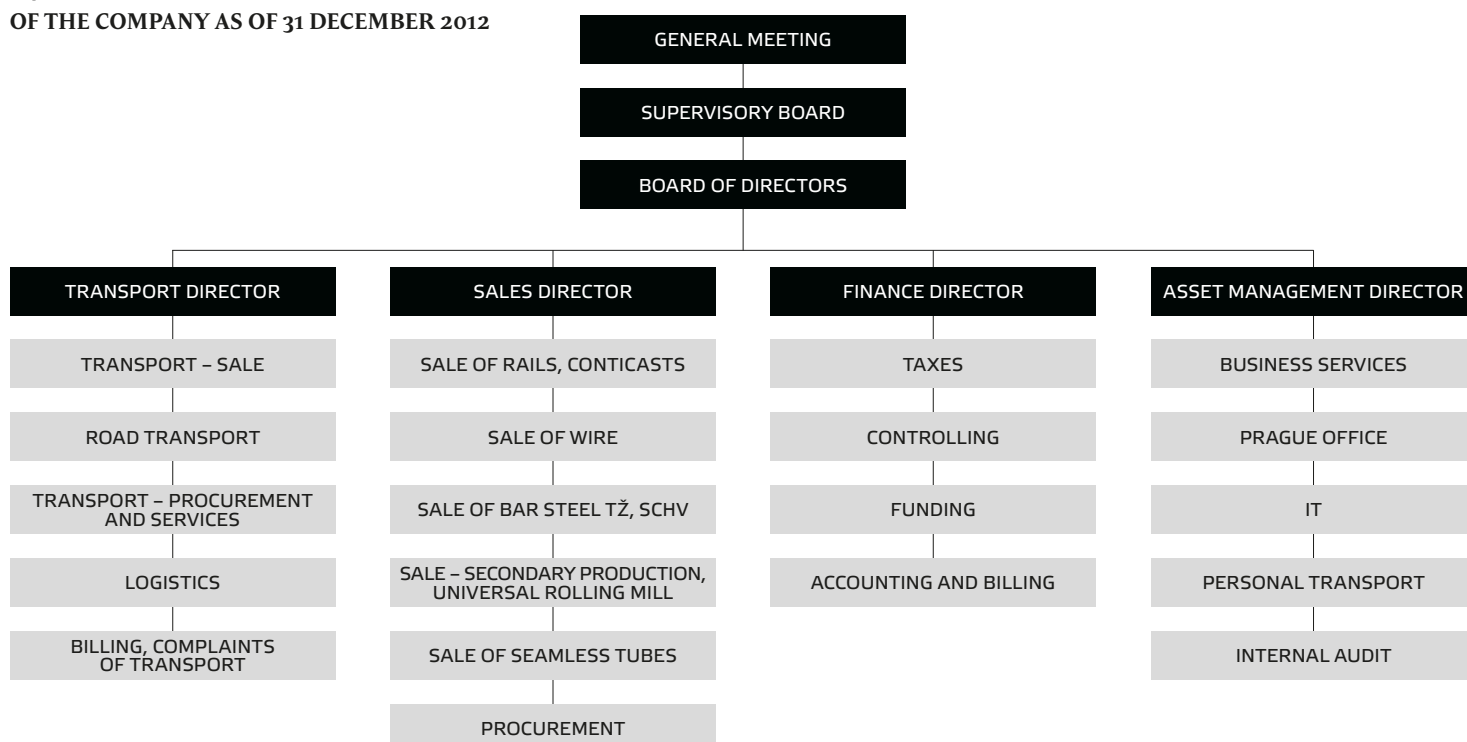
## 1.2. CHANGES AND AMENDMENTS TO THE REGISTER OF COMPANIES

During the year ended 31 December 2012, there was a change in the proxy. On 23 February 2012, a change was recorded in the Register of Companies when Bohdan Ferfecki was appointed proxy and Bohdan Konderla was removed from the position of proxy on 26 November 2012.

## 1.3. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2012

	Position	Name
Board of Directors	Chairman	Rostislav Wozniak
	Vice Chairman	Krzysztof Roch Ruciński
	Member	Mojmír Kašpříšín
	Member	Uršula Novotná
Supervisory Board	Chairman	Tomáš Chrenek
	Vice Chairman	Ján Moder
	Vice Chairman	Evžen Balko
	Member	Mária Blašková
	Member	Pablo Alarcón Espinosa
	Member	Jaroslava Ciahotná

## 1.4. ORGANISATIONAL STRUCTURE OF THE COMPANY AS OF 31 DECEMBER 2012



## 2. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

The Company's accounting books and records are maintained and the financial statements were prepared in accordance with Accounting Act 563/1991 Coll., as amended; Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended; and Czech Accounting Standards for Businesses, as amended.

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis, the accruals principle, the prudence concept and the going concern assumption.

These financial statements are presented in thousands of Czech crowns ('CZK thousand').

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1. TANGIBLE FIXED ASSETS

Tangible fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 40 thousand on an individual basis.

Purchased tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment losses. The Company carried no internally developed tangible fixed assets during the year ended 31 December 2012.

The cost of fixed asset improvements exceeding CZK 40 thousand for the period increases the acquisition cost of the related fixed asset.

Depreciation is charged so as to write off the cost of tangible fixed assets, other than land and assets under construction, over their estimated useful lives, using the straight line method, on the following basis:

Category of assets	Number of years
Machinery and equipment	3 - 12
Vehicles	4 - 5
Furniture and fixtures	6 - 15

#### Provisioning

Provisions against fixed assets are recognised based on an assessment of their value during the stock count.

The Company recorded no provisions against tangible and intangible fixed assets in the year ended 31 December 2012.

### 3.2. INTANGIBLE FIXED ASSETS

Intangible fixed assets consist of assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 60 thousand on an individual basis.

Purchased intangible fixed assets are stated at cost.

The cost of fixed asset improvements exceeding CZK 60 thousand for the taxation period increases the acquisition cost of the related intangible fixed asset.

Amortisation of intangible fixed assets is recorded over the estimated useful lives of assets using the straight line method as follows:

	Number of years
Software	4
Valuable rights	4 - 10
Other intangible fixed assets	4 - 5

### 3.3. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets principally consist of equity investments.

Securities and equity investments are carried at cost upon acquisition. The cost of securities or equity investments includes direct costs of acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges and bonuses to the Company's employees relating to the acquisition of securities and equity investments.

As of the date of acquisition of the securities and equity investments, the Company categorises these non-current financial assets based on their underlying characteristics as equity investments in subsidiaries and associates or debt securities held to maturity, or securities and equity investments available for sale.

Investments in enterprises in which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities are treated as 'Equity investments in subsidiaries'.

Investments in enterprises in which the Company is in a position to exercise significant influence over their financial and operating policies so as to obtain benefits from their activities are treated as 'Equity investments in associates'.

At the balance sheet, equity investments in subsidiaries and associates are stated at cost net of any provisions.

#### Provisioning

Investments are provisioned if there is a risk that the fair value of a non-current financial asset is lower than its carrying value.

In charging provisions against equity securities that are not fair-valued, the Company refers to its detailed knowledge of the relevant entity, the results of its operations and available expert valuations.



### 3.4. INVENTORY

#### Valuation

Purchased inventory of material is valued at acquisition costs. Acquisition costs include the purchase cost and indirect acquisition costs such as customs fees, freight costs and storage fees during transportation, commissions and insurance charges.

Inventory issued out of stock is recorded using costs determined by the weighted arithmetic average method.

Goods are purchased and sold directly to customers and are not physically stored at the Company's premises. Reported stocks comprise goods in transit where supplies are delivered based on different delivery terms (e.g. delivery in port, delivery free on board). This gives rise to a certain mismatch between the purchase date and the date of sale to the customer, during which the goods are carried as the Company's assets.

#### Provisions

No provisions were recognised in respect of inventory in 2012.

### 3.5. CURRENT FINANCIAL ASSETS

Current financial assets principally consist of cash on hand and cash at banks and debt securities with a maturity of less than one year held to maturity (mainly depository bills of exchange).

Current financial assets are carried at cost upon acquisition and at the balance sheet date. The cost of securities includes the direct costs of acquisition, such as fees paid to banks.

If the value of securities held to maturity exceeds their estimated recoverable value as of the balance sheet date, such current financial assets are provisioned pursuant to an expert estimate.

### 3.6. RECEIVABLES

Upon origination, receivables are stated at their nominal value as subsequently reduced by appropriate provisions for doubtful and bad amounts. Receivables acquired for consideration or through an investment are stated at cost less provisioning for doubtful and bad amounts.

#### Provisioning

The Company recognised provisions against accounts receivable according to their aging categories as follows:

- Receivables past due by more than 180 and less than 365 days are provisioned at 50 percent; and
- Receivables past due by more than 365 days are provisioned in full.

In circumstances where there is doubt over the collectability of individual debts, the Company increases the provisioning charge taking into consideration the collateral underlying these debts.

### 3.7. TRADE PAYABLES

Trade payables are stated at their nominal value.

### 3.8. LOANS

Loans are stated at nominal value.

The portion of long-term loans maturing within one year from the balance sheet date is included in short-term loans.

### 3.9. FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated using the exchange rate of the Czech National Bank prevailing on the date preceding the transaction date.

As of the balance sheet date, financial assets, current assets and liabilities denominated in a foreign currency are translated using the effective exchange rate promulgated by the Czech National Bank as of that date. Any resulting foreign exchange rate gains and losses are recorded as the current year's financial expenses or revenues as appropriate.

### 3.10. RESERVES

Reserves are intended to cover future obligations or expenditure, the nature of which is clearly defined and which are likely to be incurred, but which are uncertain as to the amount or the date on which they will arise.

### 3.11. FINANCE LEASES

A finance lease is the acquisition of a tangible fixed asset such that, over or after the contractual lease term, ownership title to the asset transfers from the lessor to the lessee; pending the transfer of title the lessee makes lease payments to the lessor for the asset that are charged to expenses.

The initial lump-sum payment related to assets acquired under finance leases is amortised and expensed over the lease period.

### 3.12. TAXATION

#### 3.12.1. Tax Depreciation of Fixed Assets

Depreciation of fixed assets for taxation purposes is recorded on an accelerated basis.

#### 3.12.2. Current Tax Payable

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the tax rate that has been enacted by the balance sheet date.

#### 3.12.3. Deferred Tax

Deferred tax is accounted for using the balance sheet liability method.

Deferred tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset and reported on an aggregate net basis in the balance sheet, except when partial tax assets cannot be offset against partial tax liabilities.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

### 3.13. IMPAIRMENT

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the greater of the net selling price and the value in use. In assessing the value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

### 3.14. USE OF ESTIMATES

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

### 3.15. REVENUE RECOGNITION

Revenues are recognised when supplier terms under INCOTERMS 2010 are fulfilled or when services are rendered and are reported net of discounts and VAT.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income is recognised when the shareholders' rights to receive payment have been declared.

### 3.16. CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets easily convertible into cash in an amount agreed in advance. Cash and cash equivalents can be analysed as follows:

	(CZK thousand)	
	31 Dec 2012	31 Dec 2011
Cash on hand	483	396
Cash at bank and cash in transit	1 377 141	1 296 686
Current securities *)	1 133 327	-
Provision against current securities*)	-936 947	-
<b>Total current financial assets</b>	<b>1 574 004</b>	<b>1 297 082</b>
Current account – blocked funds	-396	-3 270
Current securities (net)*)	-196 380	-
<b>Total cash and cash equivalents</b>	<b>1 377 228</b>	<b>1 293 812</b>

\* Barrandov Televizní Studio a.s. (refer to Note 4.2.)

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset.

## 4. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

### 4.1. FIXED ASSETS

#### 4.1.1. Intangible Fixed Assets

Cost (CZK thousand)

	Balance at 31 Dec 2010	Additions	Disposals	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012
Start-up costs	72	-	-	72	-	-	72
Software	1 983	569	1 660	892	396	-	1 288
Valuable rights	91 485	334	-	91 819	-	-	91 819
Other intangible FA	926	-	-	926	-	-	926
Intangible FA under construction	902	396	902	396	-	396	-
<b>Total</b>	<b>95 368</b>	<b>1 299</b>	<b>2 562</b>	<b>94 105</b>	<b>396</b>	<b>396</b>	<b>94 105</b>

Accumulated Amortisation (CZK thousand)

	Balance at 31 Dec 2010	Additions	Disposals	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012
Start-up costs	72	-	-	72	-	-	72
Software	1 983	174	1 660	497	289	-	786
Valuable rights	45 775	9 205	-	54 980	9 204	-	64 184
Other intangible FA	702	23	-	725	22	-	747
<b>Total</b>	<b>48 532</b>	<b>9 402</b>	<b>1 660</b>	<b>56 274</b>	<b>9 515</b>	<b>-</b>	<b>65 789</b>

Net Book Value (CZK thousand)

	Balance at 31 Dec 2010	Balance at 31 Dec 2011	Balance at 31 Dec 2012
Start-up costs	-	-	-
Software	-	395	502
Valuable rights	45 710	36 839	27 635
Other intangible FA	224	201	179
Intangible FA under construction	902	396	-
<b>Total</b>	<b>46 836</b>	<b>37 831</b>	<b>28 316</b>

Amortisation of intangible fixed assets was CZK 9,515 thousand and CZK 9,400 thousand as of 31 December 2012 and 31 December 2011, respectively.

#### 4.1.2. Tangible Fixed Assets

Cost (CZK thousand)

	Balance at 31 Dec 2010	Additions	Disposals	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012
Individual movable assets	107 726	13 327	19 986	101 067	15 947	16 475	100 539
- Machines and equipment	17 873	3 517	5 767	15 623	242	-	15 865
- Vehicles	83 231	9 810	14 208	78 833	15 299	16 053	78 079
- Furniture and fixtures	6 622	-	11	6 611	406	422	6 595
Tangible FA under construction	3 349	9 028	12 377	-	18 389	17 663	726
Prepayments for tangible FA	-	2 619	2 619	-	607	4	603
<b>Total</b>	<b>111 075</b>	<b>24 974</b>	<b>34 982</b>	<b>101 067</b>	<b>34 943</b>	<b>34 142</b>	<b>101 868</b>

Accumulated Depreciation (CZK thousand)

	Balance at 31 Dec 2010	Additions	Disposals	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012
Individual movable assets	82 499	12 686	19 987	75 198	12 772	16 474	71 496
- Machines and equipment	16 571	1 424	5 767	12 228	1 575	-	13 803
- Vehicles	59 348	11 246	14 208	56 386	11 158	16 053	51 491
- Furniture and fixtures	6 580	16	12	6 584	39	421	6 202
<b>Total</b>	<b>82 499</b>	<b>12 686</b>	<b>19 987</b>	<b>75 198</b>	<b>12 772</b>	<b>16 474</b>	<b>71 496</b>

## Net Book Value

(CZK thousand)

	Balance at 31 Dec 2010	Balance at 31 Dec 2011	Balance at 31 Dec 2012
Individual movable assets	25 227	25 869	29 043
– Machines and equipment	1 302	3 395	2 062
– Vehicles	23 883	22 447	26 588
– Furniture and fixtures	42	27	393
Tangible FA under construction	3 349	–	726
Prepayments for tangible FA	–	–	603
<b>Total</b>	<b>28 576</b>	<b>25 869</b>	<b>30 372</b>

The Company principally acquired cars in 2011 and 2012.

The Company acquired tangible assets that were charged directly to expenses in the amounts of CZK 1,680 thousand and CZK 1,203 thousand for the years ended 31 December 2012 and 2011, respectively. These assets are low value tangible assets comprising other movable assets and sets of movable assets with an estimated useful life greater than one year not reported within fixed assets. These assets are directly expensed on a one-off basis.

Depreciation of tangible fixed assets amounted to CZK 11,542 thousand and CZK 12,361 thousand as of 31 December 2012 and 31 December 2011, respectively.

## 4.2. NON-CURRENT FINANCIAL ASSETS

## Cost

(CZK thousand)

	Balance at 31 Dec 2010	Additions	Disposals	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012
Equity investments in subsidiaries	7 428 015	215 380	2 354	7 641 041	1 129 687	1 408 328	7 362 400
Equity investments in associates	180 634	–	2 437	178 197	–	–	178 197
Acquisition of non-current financial assets	25	215 582	212 943	2 664	1 129 687	1 129 687	2 664
<b>Total</b>	<b>7 608 674</b>	<b>430 962</b>	<b>217 734</b>	<b>7 821 902</b>	<b>2 259 374</b>	<b>2 538 015</b>	<b>7 543 261</b>

During the year ended 31 December 2012, the Company purchased additional 892,085 shares of TRINECKÉ ŽELEZÁRNY, a. s. pursuant to the contract for the purchase of securities concluded with Commercial Metals International GmbH. This increased the cost of the investment by CZK 929,541 thousand, ie from CZK 3,360,473 thousand to the current amount of CZK 4,290,014 thousand.

On 11 October 2012, the Company signed a contract for the sale of the subsidiary Barrandov Lands a.s. with MINERFIN, a.s., Slovakia.

During the year ended 31 December 2012, the Company increased the share capital of Barrandov Televizní studio a.s. by CZK 200,147 thousand including incidental acquisition costs, ie from the original amount of CZK 933,180 thousand to the final balance of CZK 1,133,327 thousand. Concurrently, the Company increased the provision against Barrandov Televizní Studio a.s. to CZK 936,947 thousand.

Given the planned sale of Barrandov Televizní studio a.s. during 2013, the Company decided to reclassify this subsidiary from non-current financial assets to current financial assets.

The Company increased the provision against Barrandov Studio a.s. by CZK 50,000 thousand from the original amount of CZK 100,000 thousand to the current balance of CZK 150,000 thousand.

## 4.2.1. Equity Investments in Subsidiaries

## 2012

(CZK thousand)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
TRINECKÉ ŽELEZÁRNY, a. s. (***)	Třinec	4 290 014	6 492 182	80.05	20 254 926	893 461	–	–
Barrandov Studio a.s.(**)	Prague	746 439	197 112	99.85	724 935	18 343	150 000	59 913
Moravia Steel Slovenija, d.o.o.	Celje	1 573	867	51	1 315	-503	–	–
Moravia Steel Italia, srl	Milano	2 580	2 075	66	96 088	25 571	–	11 797
Moravia Steel Ibéria, s.a.	Lisbon	10 850	2 533	99.33	12 213	76	–	–
Moravia Goel Trade, d.o.o.	Samobor	59	59	60	*)	*)	59	–
MS – Slovensko s.r.o.	Bratislava	161	160	100	945	-1	–	–
Moravia Steel Israel Ltd.	Petach Tikva	346	208	100	-170	-23	–	–
Beskydská golfová, a.s	Ropice	254 342	230 000	100	206 496	1 847	100 000	–
Sochorová válcovna TŽ, a.s.	Třinec	1 407 085	328 820	82	2 276 157	255 115	–	–
Hanácké železářny a pérovny a.s.	Prostějov	418 262	130 000	100	400 589	26 847	–	–
Moravskoslezský kovošrot a.s.	Prague	106 100	1 020	51	181 256	9 787	–	–
M Steel Projects a.s.	Třinec	10 000	10 000	100	36 565	-185 100	–	–
Moravia Steel UK Ltd	Cheshire	1 449	1 449	100	57 543	12 339	–	–
Moravia Steel Deutschland GmbH	Kürten	113 140	1 625	100	75 780	52 368	–	–
<b>Total</b>		<b>7 362 400</b>	<b>7 398 110</b>		<b>24 324 638</b>	<b>1 110 127</b>	<b>250 059</b>	<b>71 710</b>

\*) In liquidation

\*\*\*) Dividends were not paid as of 31 December 2012. Pursuant to the agreement on the payment of dividends, the period for the payment was determined until 31 December 2013.

\*\*\*\*) During the year ended 31 December 2012, the equity investment in TRINECKÉ ŽELEZÁRNY, a. s. was increased in the total amount of CZK 929,541 thousand which consists of the purchase cost of the investment of CZK 569,473 thousand and direct costs associated with the acquisition of CZK 360,068 thousand.

2011

(CZK thousand)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
TŘINECKÉ ŽELEZÁRNY, a. s.	Třinec	3 360 473	5 600 097	69.05	19 361 466	1 377 411	-	-
Barrandov Lands, a.s.	Prague	275 000	200 000	100	278 066	2 934	-	-
Barrandov Studio a.s.	Prague	746 439	197 112	99.85	778 222	60 841	100 000	-
Barrandov Televizní Studio, a.s.	Prague	933 181	897 072	99.96	-158 999	-179 833	778 589	-
Moravia Steel Slovenija, d.o.o.	Celje	1 573	867	51	1 866	104	-	-
Moravia Steel Italia, srl	Milano	2 580	2 075	66	106 626	45 625	-	7 989
Moravia Steel Ibéria,s.a.	Lisbon	10 850	2 533	99.33	12 455	135	-	-
Moravia Goel Trade, d.o.o.	Samobor	59	59	60	*)	*)	59	-
MS – Slovensko s.r.o.	Bratislava	161	160	100	970	- 4	-	-
Moravia Steel Israel Ltd.	Petach Tikva	346	208	100	-150	-20	-	-
Beskydská golfová, a.s	Ropice	254 342	230 000	100	204 649	-3 019	100 000	-
Sochorová válcovna TŽ, a.s.	Třinec	1 407 085	328 820	82	2 021 042	279 479	-	-
Hanácké železářny a pérovny a.s.	Prostějov	418 262	130 000	100	373 361	32 402	-	-
Moravskoslezský kovošrot a.s.	Prague	106 100	1 020	51	197 020	38 469	-	-
M Steel Projects a.s.	Třinec	10 000	10 000	100	221 690	217 759	-	-
Moravia Steel UK Ltd	Cheshire	1 449	1 449	100	46 597	15 306	-	-
Moravia Steel Deutschland GmbH	Kürten	113 140	1 625	100	287 476	48 997	-	-
<b>Total</b>		<b>7 641 040</b>	<b>7 603 097</b>		<b>23 732 357</b>	<b>1 936 586</b>	<b>978 648</b>	<b>7 989</b>

\*) In liquidation

#### 4.2.2. Equity Investments in Associates

2012

(CZK thousand)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
Kovárna "VIVA" Zlín, spol. s r.o. *)	Zlín	175 311	25 000	50	456 273	73 328	-	-
Moravia Steel Middle East FZO	Dubai	2 886	2 841	40	38 760	29 375	-	-
<b>Total</b>		<b>178 197</b>	<b>27 841</b>		<b>495 033</b>	<b>102 703</b>	<b>-</b>	<b>-</b>

2011

(CZK thousand)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
Kovárna "VIVA" Zlín, spol. s r.o. *)	Zlín	175 311	25 000	50	354 049	83 214	-	-
Moravia Steel Middle East FZO	Dubai	2 886	2 841	40	10 444	7 744	-	-
<b>Total</b>		<b>178 197</b>	<b>27 841</b>		<b>364 493</b>	<b>90 958</b>	<b>-</b>	<b>-</b>

#### 4.2.3. Pledged Non-Current Financial Assets and Current Equity Securities

None of the Company's non-current financial assets or current equity securities were pledged in 2012 and 2011.

#### 4.3. INVENTORY

(CZK thousand)

	Balance at 31 Dec 2012	Balance at 31 Dec 2011
- Material	1 240	1 541
- Inventory – raw material	1 387	14 916
- Inventory – metallurgical products	365 497	479 113
<b>Total</b>	<b>368 124</b>	<b>495 570</b>

In the year ended 31 December 2012, the Company recognised no provision against inventory – metallurgical products.

No prepayments for inventory were provided in the reporting periods.

#### 4.4. RECEIVABLES

##### 4.4.1. Long-Term Receivables

As of 31 December 2012, the Company reports a long-term receivable of CZK 58,546 thousand.

In the year ended 31 December 2008, the Company provided a loan to CZECH MEDIA LINK which was transferred to Media Master s.r.o. during 2009. As of 31 December 2012, the loan amounted to CZK 64,484 thousand and is repayable in 2012–2020. The repayment period of the loan was adjusted in 2010 pursuant to an amendment to the contract. The long-term portion of the loan of CZK 57,419 thousand is reported in the line 'Other long-term receivables', the short-term part of the receivable of CZK 7,165 thousand is reported in the line 'Other short-term receivables'. The loan bears the interest rate of 6.25%.

##### 4.4.2. Trade Receivables

(CZK thousand)

	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Short-term		
– Customers	7 628 112	9 057 002
– Bills of exchange to be collected	3 792	3 792
– Provisions – customers	-249 821	-389 153
– Provisions – bills of exchange to be collected	-3 792	-3 792
<b>Total</b>	<b>7 378 291</b>	<b>8 667 849</b>

##### 4.4.3. Aging of Receivables from Customers

(CZK thousand)

Year	Category	Before due date	Past due date					Total past due	Total
			1–90 days	91–180 days	181–360 days	1–2 years	2 years and greater		
2012	Gross	6 629 256	738 187	0	19 067	62 956	178 646	998 856	<b>7 628 112</b>
	Provisions	0	460	0	7 759	62 956	178 646	249 821	<b>249 821</b>
2011	Gross	7 799 707	854 315	33 350	118 533	29 349	328 428	1 257 295	<b>9 057 002</b>
	Provisions	2 046	42	18 686	11 829	28 122	328 428	387 107	<b>389 153</b>

Receivables typically mature within 30 days.

##### Past due receivables:

(CZK thousand)

Year ended	Local	Cross-border	Total
31 Dec 2012	285 332	713 524	998 856
31 Dec 2011	438 982	818 313	1 257 295

##### 4.4.4. Intercompany Trade Receivables

(CZK thousand)

Name of the entity	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Short-term trade receivables		
TŘINECKÉ ŽELEZÁRNY, a. s.	1 366 113	2 060 798
Strojírny Třinec, a.s.	136	137
ENERGETIKA TŘINEC, a.s.	12 052	61 372
Slévárny Třinec, a.s.	2 470	1 553
Sochorová válcovna TŽ, a.s.	1 350	1 408
Moravia Steel Deutschland GmbH, Germany	550 876	35 961
Řetězárna a.s.	19 422	28 616
Barrandov Studio a.s.	20 276	–
Moravia Steel UK Ltd	–	–
Moravia Steel Italia, srl	–	–
DOPRAVA TŽ, a.s.	–	4
Beskydská golfová, a.s.	84	76
Barrandov Televizní Studio a.s.	17 600	17 601
VÚHŽ, a.s.	11 930	21 955
Šroubárna Kyjov spol. s r.o.	21 040	15 159
Kovárna VIVA a.s.	79 059	79 507
M STEEL PROJECTS a.s.	211 696	530 257
ŽDB DRÁTOVNA a.s. *)	235 797	–
<b>Total short-term intercompany receivables</b>	<b>2 549 901</b>	<b>2 854 404</b>
Receivables outside the Group	5 082 003	6 206 390
<b>Total short-term trade receivables, gross</b>	<b>7 631 904</b>	<b>9 060 794</b>

\*) ŽDB DRÁTOVNA a.s. became the subsidiary of TŘINECKÉ ŽELEZÁRNY, a. s. on 1 October 2012.

The Company carries no long-term intercompany trade receivables.



#### 4.4.5. Receivables from Subsidiaries

During 2011, the Company provided two loans to Barrandov Televizní Studio a.s. in the total amount of CZK 100,000 thousand. The maturity of loans was extended to 31 November 2012; however, the loans were not repaid as of 31 December 2012. Interest amounts to CZK 3,960 thousand as of 31 December 2012.

On 24 October 2011, the Company provided a loan denominated in a foreign currency to M Steel Projects a.s. which was repaid during 2012. As of 31 December 2012, the Company records a receivable arising from the loan interest of CZK 2,772 thousand.

#### 4.4.6. Pledged Receivables

The Company has pledged and conditionally assigned some of its receivables under loan arrangements. Under these agreements, receivables are pledged in 14 – day or 30 – day cycles as they fall due. As of 31 December 2012, the value of pledged receivables was CZK 803,852 thousand (2011: CZK 808,555 thousand).

#### 4.4.7. State – Tax Receivables

State – tax receivables comprise a receivable arising from VAT in the amount of CZK 308,978 thousand as of 31 December 2012 (2011: CZK 267,674 thousand).

### 4.5. CURRENT FINANCIAL ASSETS

(CZK thousand)

	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Cash on hand	483	396
<b>Total cash</b>	<b>483</b>	<b>396</b>
Current accounts and cash in transit	1 296 745	400 716
Current accounts – blocked funds	396	3 270
Term deposits	80 000	892 700
<b>Total bank accounts</b>	<b>1 377 141</b>	<b>1 296 686</b>
Securities held for trading	1 133 327	-
Provision against current financial assets	-936 947	-
<b>Total current securities</b>	<b>196 380</b>	<b>-</b>
<b>Total current financial assets</b>	<b>1 574 004</b>	<b>1 297 082</b>

Interest rates attached to individual depository bills are within a range of 0.2 percent to 0.37 percent p.a.

### 4.6. SHAREHOLDERS' EQUITY

#### 4.6.1. Share Capital

The Company's share capital in the aggregate amount of CZK 3,157,000 thousand as of 31 December 2012 is composed of 1,514 registered shares with a nominal value of CZK 500 thousand each, 100 registered shares with a nominal value of CZK 10,000 thousand each and 2 registered shares with a nominal value of CZK 700,000 thousand each. The shares are not readily marketable but are fully transferable subject to the prior consent of the Company's Supervisory Board.

#### 4.6.2. Changes in Equity

Based on the decision of the General Meeting of Shareholders held on 25 June 2012, the profit of CZK 1,384,928 thousand for the year ended 31 December 2011 was allocated as follows:

CZK 1,384,928 thousand was allocated to retained earnings.

### 4.7. PAYABLES

#### 4.7.1. Long-Term Payables

The Company reports no long-term payables as of 31 December 2012.

#### 4.7.2. Short-Term Trade Payables

(CZK thousand)

	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Short-term payables		
– Suppliers	5 112 747	6 646 987
– Other payables	1 348	15
<b>Total</b>	<b>5 114 095</b>	<b>6 647 002</b>

**4.7.3. Aging of Payables to Suppliers**

(CZK thousand)

Year	Category	Before maturity	Past due					Total past due	Total
			0-90 days	91-180 days	181-360 days	1-2 years	2 years and more		
2012	Short-term	5 094 134	15 853	1851	524	1	384	18 613	<b>5 112 747</b>
2011	Short-term	6 644 009	2 555	25	13	35	350	2 978	<b>6 646 987</b>

Payables typically mature within 45 days.

**4.7.4. Intercompany Payables**

(CZK thousand)

Name of the entity	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Short-term trade payables		
TŘINECKÉ ŽELEZÁRNY, a. s.	2 120 442	2 610 130
Strojírny Třinec, a.s.	16 223	20 223
ENERGETIKA TŘINEC, a.s.	-	-
Sochorová válcovna TŽ, a.s.	294 906	413 896
Řetězárna a.s.	-	-
REFRASIL, s.r.o.	235	-
Barrandov Televizní Studio a.s.	-	-
FINITRADING, a.s.	233 176	262 667
Moravia Steel Italia,srl	-	19 002
Moravia Steel Ibéria, s.a.	-	822
Moravia Steel Slovenija, d.o.o.	3 623	3 951
DOPRAVA TŽ, a.s.	20	57
Třinecké gastroslužby, s.r.o.	228	260
Beskydská golfová, a.s.	-	-
TRISIA, a.s.	-	-
Moravia Steel Deutschland GmbH	141	-
Moravia Steel UK Ltd	14 607	19 345
Kovárna VIVA a.s.	-	-
M STEEL PROJECTS a.s.	-	-
<b>Total intercompany short-term payables</b>	<b>2 683 601</b>	<b>3 350 353</b>
Payables to other than Group companies	2 430 494	3 296 649
<b>Total short-term trade payables</b>	<b>5 114 095</b>	<b>6 647 002</b>

**4.7.5. Collateralised Payables or Otherwise Covered**

In 2012, payables arising from the Company's bank loans are collateralised by the conditional pledge or assignment of receivables (refer to Notes 4.4.6. and 4.7.10.).

**4.7.6. Payables to Partners and Association Members**

As of 31 December 2012, the Company reports no payables to partners and association members.

**4.7.7. Estimated Payables**

Estimated payables principally consist of unbilled supplies of raw materials amounting to CZK 77,085 thousand (2011: CZK 248,629 thousand), unbilled work and services amounting to CZK 57,842 thousand (2011: CZK 36,945 thousand) and an estimated payable for staff costs in the amount of CZK 3,226 thousand (2011: CZK 2,779 thousand).

**4.7.8. Payables from Social Security and Health Insurance**

As of 31 December 2012, the aggregate amount of payables related to social security, state employment policy and health insurance contributions was CZK 3,894 thousand (2011: CZK 3,842 thousand). These payables were fully settled as of the balance sheet date.

**4.7.9. State - Tax Payables**

State - tax payables principally comprise a payable arising from corporate income tax amounting to CZK 5,831 thousand as of 31 December 2012 (2011: CZK 117,617 thousand).

#### 4.7.10. Bank Loans and Debt Securities

2012

Purpose	Currency	Balance at 31 Dec 2012 in CZK '000	Collateral
Current bank accounts			
Overdraft	CZK	250 089	Conditional assignment and future pledge of receivables, blank bills of exchange issued by MORAVIA STEEL a.s.
Debt financing	CZK	300 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Financing of operating needs	CZK	250 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Financing of operating needs	CZK	300 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
<b>Total</b>		<b>1 100 089</b>	
<b>Total short-term loans</b>		<b>1 100 089</b>	
<b>Total</b>		<b>1 100 089</b>	

In the year ended 31 December 2012, the interest rates on bank loans ranged between 0.624 percent and 2.65 percent p.a.

2011

Purpose	Currency	Balance at 31 Dec 2011 in CZK '000	Collateral
Long-term loans			
Pre-export and operating financing – maturity on 5 May 2011	CZK	300 000	Conditional assignment and future pledge of receivables, blank bills of exchange issued by MORAVIA STEEL a.s.
<b>Total</b>		<b>300 000</b>	
<b>Short-term portion of long-term loans</b>		<b>300 000</b>	
<b>Total long-term loans</b>		<b>–</b>	
Current bank accounts			
Overdraft	CZK	250 055	Conditional assignment of receivables, blank bills of exchange issued by MORAVIA STEEL a.s.
Debt financing	CZK	300 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Financing of operating needs	CZK	250 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Total		800 055	
<b>Short-term portion of long-term loans</b>		<b>300 000</b>	
<b>Total short-term loans</b>		<b>1 100 055</b>	
<b>Total</b>		<b>1 100 055</b>	

In the year ended 31 December 2011, the interest rates on bank loans ranged between 1.047 percent and 3.37 percent p.a.

#### 4.7.11. Accrued Expenses and Deferred Income

Accrued expenses largely comprise costs related to the year ended 31 December 2012 for transportation and other services paid in 2013 in the amount of CZK 31,239 thousand (2011: CZK 39,492 thousand) and banking fees and bank interest payable on short-term and long-term operating loan facilities in the amount of CZK 27 thousand (2011: CZK 161 thousand).

#### 4.8. DEFERRED TAXATION

The deferred tax asset is analysed as follows:

##### Deferred Tax Arising from

(CZK thousand)

	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Accumulated depreciation and amortisation of fixed assets	-5 243	-6 595
Estimated payable arising from outstanding vacation days	613	528
Provisions – receivables	7 613	9 657
Unpaid (un-received) penalty	-1 092	-7 242
Reserves	1 708	828
<b>Total</b>	<b>3 599</b>	<b>-2 824</b>
<b>Total recognised tax asset (+) / liability (-)</b>	<b>3 599</b>	<b>-2 824</b>

Due to its immateriality, the Company decided not to recognise the deferred tax asset.

**4.9. INCOME TAX ON ORDINARY AND EXTRAORDINARY ACTIVITIES**

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

(CZK thousand)

	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Profit before tax	1 306 783	1 735 180
Tax at the domestic income tax rate of 19%	248 289	329 684
Tax effect of permanent differences	49 671	18 362
Deferred tax liability	-2 824	910
Additional taxes of prior years	-186	1 296
<b>Total income tax on ordinary activities</b>	<b>294 950</b>	<b>350 252</b>

**4.10. DETAILS OF INCOME**

(CZK thousand)

	2012			2011		
	Local	Cross-border	Total	Local	Cross-border	Total
Goods – raw material	20 450 705	-	20 450 705	23 455 047	-	23 455 047
Goods – metallurgical products	13 228 596	27 575 080	40 803 676	14 453 460	27 427 018	41 880 478
<b>Sales of goods</b>	<b>33 679 301</b>	<b>27 575 080</b>	<b>61 254 381</b>	<b>37 908 507</b>	<b>27 427 018</b>	<b>65 335 525</b>
Sales of services	456 629	199 626	656 255	472 954	164 088	637 042
<b>Total sales of products and services</b>	<b>456 629</b>	<b>199 626</b>	<b>656 255</b>	<b>472 954</b>	<b>164 088</b>	<b>637 042</b>

The line entitled 'Goods – raw material' represents the income from the purchases of input raw material for Třinecké železárny, a. s., and its subsidiaries. The line entitled 'Goods – metallurgical products' largely relates to sales of products purchased from Třinecké železárny, a. s., and Sochorová válcovna TŽ, a.s.

Sales of services principally comprise the provision of forwarding services of CZK 516,444 thousand for the year ended 31 December 2012 (2011: CZK 502,292 thousand). The sales of services also comprise revenues arising from remuneration and commissions based on mandatory contracts.

**4.11. COSTS OF GOODS SOLD**

(CZK thousand)

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Purchase of goods – raw materials	19 856 709	22 911 851
Purchase of goods – metallurgical products	37 090 743	38 168 742
Costs for transport of goods – metallurgical products	1 772 437	1 700 403
<b>Total costs of goods sold</b>	<b>58 719 889</b>	<b>62 780 996</b>

**4.12. SERVICES**

(CZK thousand)

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Transportation costs – services	481 413	466 920
Lease of trademark	123 000	123 000
Commissions	141 715	152 111
Advertising	96 705	102 262
Rental fees	8 552	8 140
Telecommunications	17 118	20 143
Legal advisory and auditing activities	15 993	14 689
Other services	103 512	90 667
<b>Total</b>	<b>988 008</b>	<b>977 932</b>

**4.13. CHANGE IN RESERVES AND PROVISIONS RELATING TO OPERATING ACTIVITIES AND COMPLEX DEFERRED EXPENSES (CZK thousand)**

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Settlement of complex deferred expenses	-	177
Changes in provisions under special legislation	-128 513	32 576
– provisions against receivables	-128 513	32 576
Changes in tax non-deductible provisions:	-10 421	-1 038
– provisions against receivables	-10 421	-1 038
Changes in reserves	3 980	4 359
<b>Total</b>	<b>-134 954</b>	<b>36 074</b>

**4.14. OTHER OPERATING EXPENSES AND INCOME**

In order to achieve faster collection of receivables, the Company sold receivables with the nominal value of CZK 569 thousand for CZK 569 thousand in the year ended 31 December 2012 which are included under other operating income and expenses in the financial statements. Other operating expenses include the costs of the write-off of receivables due to the completed insolvency proceedings of CZK 186,524 thousand and the costs of insurance of supplies and other insurance in the aggregate amount of CZK 35,864 thousand. Other operating income includes discounts and rebates of CZK 16,605 thousand.

#### 4.15. OTHER FINANCIAL EXPENSES AND INCOME

Other financial income is composed of foreign exchange rate gains of CZK 704,609 thousand (2011: CZK 795,969 thousand).

Other financial expenses principally comprise foreign exchange rate losses of CZK 827,844 thousand (2011: CZK 811,622 thousand). The remaining balance consists of other financial expenses such as fees under letters of credit, fees under loan agreements, banking fees and other financial costs of CZK 4,394 thousand (2011: CZK 5,695 thousand).

#### 4.16. RELATED PARTY TRANSACTIONS

##### 4.16.1. Income Generated with Related Parties

2012 (CZK thousand)

Entity	Relation to the Company	Goods	Services	Other income	Fin. income	Total
TŘINECKÉ ŽELEZÁRNY, a. s.	Subsidiary	19 920 289	346 271	41 197	-	20 307 757
Barrandov Studio a.s.	Subsidiary	-	-	1 250	-	1 250
Sochorová válcovna TŽ, a.s.	Subsidiary	-	6 654	7 380	-	14 034
Beskydská golfová, a.s.	Subsidiary	-	341	120	-	461
Hanácké železářny a pérovny, a.s.	Subsidiary	198 409	9 263	1 305	-	208 977
Moravia Steel Italia s.r.l.	Subsidiary	-	4	104	-	108
Moravia Steel Ibéria, s.a.	Subsidiary	-	18	-	-	18
Kovárna VIVA a.s.	Subsidiary	323 659	1 352	375	-	325 386
M STEEL PROJECTS a.s.	Subsidiary	219 591	2 616	-	2 742	224 949
Strojírny Třinec, a.s.	Subsidiary of the subsidiary	-	1 405	685	-	2 090
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	524 305	175	2 920	-	527 400
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	6 089	16 541	874	-	23 504
REFRASIL, s.r.o.	Subsidiary of the subsidiary	-	-	169	-	169
Řetězárna a.s.	Subsidiary of the subsidiary	244 508	-	7	-	244 515
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	-	23	19	-	42
Moravia Steel Deutschland GmbH	Subsidiary	7 099 156	1 028	-	-	7 100 184
VÚHŽ, a.s.	Subsidiary of the subsidiary	105 338	-	381	-	105 719
Šroubárna Kyjov, spol. s r.o.	Subsidiary of the subsidiary	306 155	8 816	633	-	315 604
ŽDB DRÁTOVNA a.s.*)	Subsidiary of the subsidiary	329 944	4	-	-	329 948
FINITRADING, a.s.	Controlling entity	-	249	-	-	249
<b>Total</b>		<b>29 277 443</b>	<b>394 760</b>	<b>57 419</b>	<b>2 742</b>	<b>29 732 364</b>

\*) ŽDB DRÁTOVNA a.s. became a subsidiary of TŘINECKÉ ŽELEZÁRNY, a. s. on 1 October 2012.

2011 (CZK thousand)

Entity	Relation to the Company	Goods	Services	Other income	Fin. income	Total
TŘINECKÉ ŽELEZÁRNY, a. s.	Subsidiary	22 926 837	344 982	38 389	-	23 310 208
Barrandov Studio a.s.	Subsidiary	-	-	1 148	-	1 148
Sochorová válcovna TŽ, a.s.	Subsidiary	-	7 689	7 099	-	14 788
Beskydská golfová, a.s.	Subsidiary	-	254	129	-	383
Hanácké železářny a pérovny, a.s.	Subsidiary	221 064	10 441	1 348	-	232 853
Moravia Steel Italia s.r.l.	Subsidiary	-	44	-	-	44
Moravia Steel Ibéria, s.a.	Subsidiary	-	-	-	-	-
Kovárna "VIVA", spol. s r.o.	Subsidiary	369 026	916	195	-	370 137
M Steel Projects a.s.	Subsidiary	1 012 717	7 945	-	-	1 020 662
Strojírny Třinec, a.s.	Subsidiary of the subsidiary	-	1 788	731	-	2 519
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	514 252	150	3 382	-	517 784
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	14 117	18 119	1 078	-	33 314
FERROMORAVIA, s.r.o. *)	Subsidiary of the subsidiary	-	-	-	-	-
REFRASIL, s.r.o.	Subsidiary of the subsidiary	1 212	-	185	-	1 397
Řetězárna a.s.	Subsidiary of the subsidiary	228 634	-	8	-	228 642
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	-	8 905	30	-	8 935
Moravia Steel Deutschland GmbH	Subsidiary	6 172 788	32	120	-	6 172 940
VÚHŽ, a.s.	Subsidiary of the subsidiary	136 757	-	391	-	137 148
Šroubárna Kyjov, spol. s r.o.	Subsidiary of the subsidiary	353 553	8 151	732	-	362 436
FINITRADING, a.s.	Controlling entity	-	-	825	-	825
<b>Total</b>		<b>31 950 957</b>	<b>409 416</b>	<b>55 790</b>	<b>-</b>	<b>32 416 163</b>

## 4.16.2. Purchases

2012

(CZK thousand)

Entity	Relation to the Company	Goods	Material	Services	Other expenses	Extra-ordinary expenses	Total
TŘINECKÉ ŽELEZÁRNY, a. s.	Subsidiary	30 672 526	246	167 508	-	-	30 840 280
Moravia Steel Italia, s.r.l.	Subsidiary	-	-	57 657	-	-	57 657
Moravia Steel Ibéria, s.a.	Subsidiary	-	-	10 003	-	-	10 003
Moravia Steel Slovenija, d.o.o.	Subsidiary	-	-	8 753	-	-	8 753
Barrandov Studio, a.s.	Subsidiary	-	-	-	-	-	-
Barrandov Televizní Studio, a.s.	Subsidiary	-	-	-	-	-	-
Sochorová válcovna TŽ, a.s.	Subsidiary	5 828 854	-	55	-	-	5 828 909
Kovárna VIVA a.s.	Subsidiary	-	-	-	-	-	-
Moravia Steel Deutschland GmbH	Subsidiary	-	-	835	-	-	835
Beskydská golfová, a.s.	Subsidiary	-	-	11 096	-	-	11 096
Hanacké železářny a pérovny, a.s.	Subsidiary	-	-	-	-	-	-
M STEEL PROJECTS a.s.	Subsidiary	-	-	80	-	-	80
Strojírny Třinec, a.s.	Subsidiary of the subsidiary	448 078	-	-	-	-	448 078
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
REFRASIL, s.r.o.	Subsidiary of the subsidiary	-	-	-	-	-	-
Řetězárna a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	310	-	-	-	-	310
TRISIA, a.s.	Subsidiary of the subsidiary	-	-	552	-	-	552
Třinecké gastroslužby, s.r.o.	Subsidiary of the subsidiary	-	-	1 529	2 696	-	4 225
FINITRADING, a.s.	Controlling entity	3 047 724	-	-	-	-	3 047 724
VESUVIUS ČESKÁ REPUBLIKA, a.s.	-	131 953	-	-	-	-	131 953
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
<b>Total</b>		<b>40 129 445</b>	<b>246</b>	<b>258 068</b>	<b>2 696</b>	<b>-</b>	<b>40 390 455</b>

2011

(CZK thousand)

Entity	Relation to the Company	Goods	Material	Services	Other expenses	Extra-ordinary expenses	Total
TŘINECKÉ ŽELEZÁRNY, a. s.	Subsidiary	31 951 714	376	166 337	1 614	-	32 120 041
Moravia Steel Italia, s.r.l.	Subsidiary	-	-	79 459	-	-	79 459
Moravia Steel Ibéria, s.a.	Subsidiary	-	-	6 057	-	-	6 057
Moravia Steel Slovenija, d.o.o.	Subsidiary	-	-	8 897	-	-	8 897
Barrandov Studio, a.s.	Subsidiary	-	-	-	-	-	-
Barrandov Televizní Studio, a.s.	Subsidiary	-	-	-	-	-	-
Sochorová válcovna TŽ, a.s.	Subsidiary	5 980 423	-	53	-	-	5 980 476
Kovárna „VIVA“, spol. s r.o.	Subsidiary	-	-	-	-	-	-
Moravia Steel Deutschland GmbH	Subsidiary	-	-	-	-	-	-
Beskydská golfová, a.s.	Subsidiary	-	-	4 844	-	-	4 844
Hanacké železářny a pérovny, a.s.	Subsidiary	-	-	-	-	-	-
M STEEL PROJECTS a.s.	Subsidiary	-	-	-	-	-	-
Strojírny Třinec, a.s.	Subsidiary of the subsidiary	-	-	470 105	-	-	470 105
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
REFRASIL, s.r.o.	Subsidiary of the subsidiary	-	-	-	-	-	-
FERROMORAVIA, s.r.o. *)	Subsidiary of the subsidiary	-	-	-	-	-	-
Řetězárna a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	455	-	-	-	-	455
TRISIA, a.s.	Subsidiary of the subsidiary	-	-	295	-	-	295
Třinecké gastroslužby, s.r.o.	Subsidiary of the subsidiary	-	-	4 076	-	-	4 076
FINITRADING, a.s.	Controlling entity	3 328 112	-	-	-	-	3 328 112
VESUVIUS ČESKÁ REPUBLIKA, a.s.	-	137 592	-	-	-	-	137 592
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
<b>Total</b>		<b>41 398 296</b>	<b>376</b>	<b>740 123</b>	<b>1 614</b>	<b>-</b>	<b>42 140 409</b>



## 5. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

### 5.1. STAFF COSTS AND NUMBER OF EMPLOYEES

The average number of the Company's employees and managers and staff costs for the years ended 31 December 2012 and 2011 are as follows:

2012					(CZK thousand)
	Number	Wages and salaries	Social security and health insurance	Other costs	Total staff costs
Employees	283	158 978	51 294	1 483	211 755
Management	16	53 469	7 293	106 033	166 795
<b>Total</b>	<b>299</b>	<b>212 447</b>	<b>58 587</b>	<b>107 516</b>	<b>378 550</b>

2011					(CZK thousand)
	Number	Wages and salaries	Social security and health insurance	Other costs	Total staff costs
Employees	284	155 916	51 642	1 410	208 968
Management	16	54 626	7 158	105 573	167 357
<b>Total</b>	<b>300</b>	<b>210 542</b>	<b>58 800</b>	<b>106 983</b>	<b>376 325</b>

The number of employees is based on the average recalculated headcount. As of 31 December 2012, management includes the Finance Director and Board Chairman, Sales Director and Board Vice Chairman, Asset Management Director and Board member, Transportation Director and Board member, acting Procurement Director, Sale of Wires Director, Re-processing Director, Bar Steel Director for TŽ, SCHV, Sale of Rails and Semi-Finished Products Director, Sale of Seamless Tubes Director, Supervisory Board Chairman, Supervisory Board Vice Chairmen and Supervisory Board members.

Other costs principally include remuneration of statutory bodies paid in other than the 'salaries' form.

### 5.2. LOANS, BORROWINGS AND OTHER BENEFITS PROVIDED

The Company provides members of the Board of Directors and Supervisory Board with company cars and other movable assets for both business and private purposes (the amount presented in the table below increases the tax base of employees):

	2012	2011
Board of Directors	832	813
Supervisory Board	1 355	1 302

Management of the Company includes the CEO and the Board of Directors.

Benefits provided to the members of the Supervisory Board and Board of Directors also included the payment of premiums under the liability insurance for damage caused in performing professional duties of a statutory member. Insurance for 2012 for all members of the Board of Directors and the Supervisory Board totalled CZK 877 thousand (2011: CZK 981 thousand).

## 6. CONTINGENT LIABILITIES AND OFF BALANCE SHEET COMMITMENTS

The Company issued a Guarantee Statement in favour of TRINECKÉ ŽELEZÁRNY, a. s. in respect of bank loans totalling CZK 300,000 thousand. The balance of the outstanding loan repayments collateralised in the form of the Guarantee Statement was CZK 11,111 thousand as of 31 December 2012.

As of 31 December 2012, the Company was involved in no legal dispute, the outcome of which would significantly impact the Company.

As of 31 December 2012, the guarantees issued by the bank on behalf of the Company in favour of third parties amounted to CZK 10,986 thousand.

## 7. POST BALANCE EVENTS

Activities relating to the sale of the subsidiary Barrandov Televizní Studio a.s. are being conducted during the year ending 31 December 2013.

On 26 February 2013, the subsidiary Moravia Steel Deutschland GmbH received a legal action filed by the group entities of Deutsche Bahn (DB Netz AG and companies) with the State Court in Frankfurt am Main whereby the plaintiffs are claiming from Moravia Steel Deutschland GmbH and other entities (inter alia also MORAVIA STEEL a.s.) compensation for damage arising from unlawful carter arrangements. The same legal action was delivered to MORAVIA STEEL a.s. on 29 March 2013 where the liability for damage is derived from one economic unit that the Company allegedly formed with Moravia Steel Deutschland GmbH.

Moravia Steel Deutschland GmbH and MORAVIA STEEL a.s. have retained qualified legal representation for the dispute and the lawyers are currently in the process of reviewing the legal action and preparing their comments. Since the legal dispute is at the very early stage and the plaintiffs are primarily seeking economic information from the defendants so as to be able to determine damage, if any, no reasonable estimate of the impact of the outcome of the legal dispute on the functioning of Moravia Steel Deutschland GmbH can be presently made.

Inasmuch as the Company's management considers the above legal action against MORAVIA STEEL a.s. to lack merit, no reasonable estimate of the future payments, if any, in respect of this legal dispute can presently be made.

The Company's financial statements include no adjustments in respect of the legal dispute referred to above.

# IX. FINANCIAL PART II. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012



Name of the Company:	MORAVIA STEEL a.s.
Registered Office:	Průmyslová 1000, 739 70 Třinec-Staré Město
Legal Status:	Joint Stock Company
Corporate ID:	634 74 808

The Company is recorded in the Register of Companies kept by the Regional Court in Ostrava, Section B, File 1297

#### Components of the Consolidated Financial Statements:

- Consolidated Balance Sheet
- Consolidated Profit and Loss Account
- Consolidated Statement of Changes in Equity
- Consolidated Cash Flow Statement
- Notes to the Consolidated Financial Statements

These financial statements were prepared on 3 May 2013

Statutory body of the reporting entity	Signature
<b>Rostislav Wozniak</b> Chairman of the Board of Directors	
<b>Mojmír Kašpříš</b> Member of the Board of Directors	

## CONSOLIDATED BALANCE SHEET

(in CZK thousand)

		31. 12. 2012			31. 12. 2011
		Gross	Adjustment	Net	Net
	<b>TOTAL ASSETS</b>	<b>72 458 622</b>	<b>30 062 635</b>	<b>42 395 987</b>	<b>41 552 067</b>
<b>B.</b>	<b>Fixed assets</b>	<b>48 793 696</b>	<b>28 905 769</b>	<b>19 887 927</b>	<b>18 649 567</b>
<i>I.</i>	<i>Intangible fixed assets</i>	<b>1 090 386</b>	<b>757 332</b>	<b>333 054</b>	<b>224 637</b>
1.	Start-up costs	93	93		
2.	Research and development	4 553	3 870	683	1 594
3.	Software	294 841	272 839	22 002	21 926
4.	Valuable rights	585 517	468 459	117 058	82 977
5.	Goodwill	360	360		
6.	Other intangible fixed assets	183 284	10 915	172 369	106 340
7.	Intangible fixed assets under construction	21 666	796	20 870	11 800
8.	Prepayments for intangible fixed assets	72		72	
<i>II.</i>	<i>Tangible fixed assets</i>	<b>46 155 870</b>	<b>27 948 463</b>	<b>18 207 407</b>	<b>17 372 266</b>
1.	Land	1 117 093		1 117 093	1 293 553
2.	Structures	12 254 917	5 999 612	6 255 305	5 737 281
3.	Individual movable assets and sets of movable assets	31 800 252	21 787 745	10 012 507	9 991 182
6.	Other tangible fixed assets	193 307	122 607	70 700	11 539
7.	Tangible fixed assets under construction	662 413	36 814	625 599	303 754
8.	Prepayments for tangible fixed assets	127 888	1 685	126 203	34 957
<i>III.</i>	<i>Non-current financial assets</i>	<b>307 889</b>	<b>86 121</b>	<b>221 768</b>	<b>210 205</b>
1.	Equity investments in subsidiaries	277 872	67 084	210 788	171 624
2.	Equity investments in associates	26 209	18 042	8 167	11 443
3.	Other securities and investments	1 020	995	25	124
5.	Other non-current financial assets				24 350
6.	Acquisition of non-current financial assets	2 788		2 788	2 664
IV.	Goodwill on consolidation	<b>790 016</b>	<b>113 853</b>	<b>676 163</b>	<b>482 821</b>
1.	Positive goodwill on consolidation	790 016	113 853	676 163	482 821
V.	Securities and equity investments under equity accounting	<b>449 535</b>		<b>449 535</b>	<b>359 638</b>
<b>C.</b>	<b>Current assets</b>	<b>23 371 863</b>	<b>1 156 866</b>	<b>22 214 997</b>	<b>22 498 516</b>
<i>I.</i>	<i>Inventories</i>	<b>10 718 222</b>	<b>641 241</b>	<b>10 076 981</b>	<b>10 467 705</b>
1.	Material	4 326 301	334 764	3 991 537	4 425 271
2.	Work in progress and semifinished goods	3 369 654	203 798	3 165 856	3 175 624
3.	Products	2 931 161	102 133	2 829 028	2 761 415
5.	Goods	30 961	546	30 415	26 976
6.	Prepayments for inventory	60 145		60 145	78 419
<i>II.</i>	<i>Long-term receivables</i>	<b>134 000</b>	<b>736</b>	<b>133 264</b>	<b>171 339</b>
1.	Trade receivables	8 462	736	7 726	24 305
5.	Estimated receivables	2 436		2 436	3 109
6.	Other receivables	65 112		65 112	65 017
7.	Deferred tax asset	57 990		57 990	78 908
<i>III.</i>	<i>Short-term receivables</i>	<b>9 236 067</b>	<b>500 455</b>	<b>8 735 612</b>	<b>8 887 195</b>
1.	Trade receivables	7 945 837	458 374	7 487 463	7 379 317
4.	Receivables from partners and association members	24 688	24 688		1 163
6.	State - tax receivables	605 868		605 868	652 425
7.	Other prepayments made	555 150	1 082	554 068	727 865
8.	Estimated receivables	42 814		42 814	34 524
9.	Other receivables	61 710	16 311	45 399	91 901
IV.	Current financial assets	<b>3 283 574</b>	<b>14 434</b>	<b>3 269 140</b>	<b>2 972 277</b>
1.	Cash on hand	6 521		6 521	6 460
2.	Cash at bank	3 160 445		3 160 445	2 860 942
3.	Short-term securities and investments	116 608	14 434	102 174	104 875
<b>D.</b>	<b>Other assets</b>	<b>293 063</b>		<b>293 063</b>	<b>403 984</b>
1.	Deferred expenses	198 149		198 149	345 583
2.	Complex deferred expenses	60 638		60 638	46 523
3.	Accrued income	34 276		34 276	11 878
	<b>Control number</b>	<b>289 091 890</b>	<b>120 250 540</b>	<b>168 841 350</b>	<b>165 444 646</b>

# TOTAL LIABILITIES & EQUITY

(in CZK thousand)

		31. 12. 2012	31. 12. 2011
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>42 395 987</b>	<b>41 552 067</b>
<b>A.</b>	<b>Equity</b>	<b>23 623 652</b>	<b>20 410 170</b>
<i>I.</i>	<i>Share capital</i>	<b>3 157 000</b>	<b>3 157 000</b>
1.	Share capital	3 157 000	3 157 000
<i>II.</i>	<i>Capital funds</i>	<b>-23 003</b>	<b>-24 122</b>
2.	Other capital funds	14 392	13 889
3.	Gains or losses from the revaluation of assets and liabilities	-37 395	-38 011
<i>III.</i>	<i>Statutory funds</i>	<b>1 838 929</b>	<b>1 782 795</b>
1.	Statutory reserve fund / Indivisible fund	1 255 990	1 199 813
2.	Statutory and other funds	582 939	582 982
<i>IV.</i>	<i>Retained earnings or accumulated losses</i>	<b>16 497 134</b>	<b>12 856 573</b>
	Retained earnings	17 673 728	14 759 427
	Accumulated losses brought forward	-1 170 483	-1 902 854
	Other profit or loss of prior periods	-6 111	
<i>V.</i>	<i>Profit or loss for the current period, net of minority interests</i>	<b>1 777 898</b>	<b>2 340 770</b>
1.	Profit or loss for the period	1 717 207	2 278 645
2.	Share in the profit/(loss) of equity accounted investments	60 691	62 125
<i>VI.</i>	<i>Consolidation reserve fund</i>	<b>375 694</b>	<b>297 154</b>
<b>B.</b>	<b>Liabilities</b>	<b>13 766 928</b>	<b>14 275 538</b>
<i>I.</i>	<i>Reserves</i>	<b>532 842</b>	<b>621 878</b>
1.	Reserves under special legislation	28 921	17 853
2.	Reserve for pensions and similar liabilities	6 860	3 623
3.	Income tax reserve		
4.	Other reserves	497 061	600 402
<i>II.</i>	<i>Long-term liabilities</i>	<b>1 396 334</b>	<b>839 291</b>
1.	Trade payables	74 540	54 498
5.	Long-term prepayments received	219 785	44 846
9.	Other payables	75 000	4 831
10.	Deferred tax liability	1 027 009	735 116
<i>III.</i>	<i>Short-term liabilities</i>	<b>6 993 759</b>	<b>8 117 391</b>
1.	Trade payables	5 136 439	6 036 864
4.	Payables to partners and association members	201	121
5.	Payables to employees	462 427	455 343
6.	Social security and health insurance payables	164 412	174 496
7.	State - tax payables and subsidies	386 727	510 003
8.	Short-term prepayments received	354 456	423 449
10.	Estimated payables	393 548	485 596
11.	Other payables	95 549	31 519
<i>IV.</i>	<i>Bank loans and borrowings</i>	<b>4 843 993</b>	<b>4 696 978</b>
1.	Long-term bank loans	1 792 164	1 485 585
2.	Short-term bank loans	2 954 311	3 133 048
3.	Short-term borrowings	97 518	78 345
<b>C.</b>	<b>Other liabilities</b>	<b>293 629</b>	<b>166 660</b>
1.	Accrued expenses	250 391	114 481
2.	Deferred income	43 238	52 179
<b>D.</b>	<b>Minority equity</b>	<b>4 711 778</b>	<b>6 699 699</b>
	Minority share capital	1 703 612	2 605 288
	Minority capital funds	3 310	16 114
	Minority funds from profit, including retained earnings and losses	2 749 165	3 594 284
	Minority profit or loss for the current period	255 691	484 013
	<b>Control number</b>	<b>164 202 847</b>	<b>159 044 755</b>

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in CZK thousand)

		Year ended 31. 12. 2012	Year ended 31. 12. 2011
I.	Sales of goods	845 220	412 738
A.	Costs of goods sold	815 534	365 165
<b>+</b>	<b>Gross margin</b>	<b>29 686</b>	<b>47 573</b>
II.	Production	49 749 415	50 704 982
1.	Sales of own products and services	48 832 201	49 285 104
2.	Change in internally produced inventory	-29 478	718 862
3.	Own work capitalised	946 692	701 016
B.	Purchased consumables and services	39 116 589	38 976 177
1.	Consumed material and energy	34 088 880	34 737 423
2.	Services	5 027 709	4 238 754
<b>+</b>	<b>Added value</b>	<b>10 662 512</b>	<b>11 776 378</b>
C.	Staff costs	5 708 171	5 665 581
1.	Payroll costs	3 932 538	3 911 281
2.	Remuneration to members of statutory bodies	139 398	138 799
3.	Social security and health insurance costs	1 333 519	1 326 865
4.	Social costs	302 716	288 636
D.	Taxes and charges	97 924	115 631
E.	Depreciation of intangible and tangible fixed assets	1 565 809	1 577 177
KR A.	Amortisation of goodwill on consolidation	64 990	668
III.	Sales of fixed assets and material	119 989	235 182
1.	Sales of fixed assets	21 459	139 144
2.	Sales of material	98 530	96 038
F.	Net book value of fixed assets and material sold	98 077	122 440
1.	Net book value of sold fixed assets	5 390	26 407
2.	Book value of sold material	92 687	96 033
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	-261 045	413 781
IV.	Other operating income	1 721 792	2 184 198
H.	Other operating expenses	2 286 638	2 479 598
V.	Transfer of operating income	13 039	16 350
I.	Transfer of operating expenses	13 039	16 350
<b>*</b>	<b>Operating profit or loss</b>	<b>2 943 729</b>	<b>3 820 882</b>
VI.	Proceeds from the sale of securities and investments		1 800
J.	Cost of securities and investments sold		385
VII.	Income from non-current financial assets	2 284	25 978
1.	Income from subsidiaries and associates	2 043	25 090
2.	Income from other non-current securities and investments	32	
3.	Income from other non-current financial assets	209	888
IX.	Income from the revaluation of securities and derivatives	5 521	1 292
L.	Costs of the revaluation of securities and derivatives	1 065	4 503
M.	Change in reserves and provisions relating to financial activities	13 496	4 433
X.	Interest income	11 389	10 966
N.	Interest expenses	104 123	164 951
XI.	Other financial income	1 049 149	1 004 252
O.	Other financial expenses	1 150 140	1 088 231
<b>*</b>	<b>Financial profit or loss</b>	<b>-200 481</b>	<b>-218 215</b>
Q.	Income tax on ordinary activities	673 898	854 992
1.	- due	425 942	507 735
2.	- deferred	247 956	347 257
<b>**</b>	<b>Profit or loss from ordinary activities</b>	<b>2 069 350</b>	<b>2 747 675</b>
XIII.	Extraordinary income	6 673	6 439
R.	Extraordinary expenses	167	294
S.	Income tax on extraordinary activities	252	246
1.	- due		246
2.	- deferred	252	
<b>*</b>	<b>Extraordinary profit or loss</b>	<b>6 254</b>	<b>5 899</b>
<b>**</b>	<b>Consolidated profit or loss net of share of profit/(loss) of equity accounted investments</b>	<b>2 075 604</b>	<b>2 753 574</b>
	Consolidated profit or loss net of minority interests	1 717 207	2 278 645
	Minority profit or loss	358 397	474 929
<b>*</b>	Share of profit or loss of equity accounted investments	60 691	62 125
	Profit or loss for the current period (+/-)	2 136 295	2 815 699
<b>***</b>	<b>Profit or loss for the current period net of minority interests (+/-)</b>	<b>1 777 898</b>	<b>2 340 770</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in CZK thousand)

	Share capital	Capital funds	Reserve fund, indivisible fund and other funds from profit	Profit or loss brought forward	Profit or loss for the current period	Consolidation reserve fund	Share of income of associates	TOTAL EQUITY
<b>Balance at 31 December 2010</b>	<b>3 157 000</b>	<b>68 710</b>	<b>1 771 772</b>	<b>12 679 620</b>	<b>-42 357</b>	<b>394 716</b>	<b>58 389</b>	<b>18 087 850</b>
Allocation of profit			21 800	-91 320	69 521	58 389	-58 389	
Change in the consolidation method		2 403		142 900		-141 363		3 940
Impact of changes in the consolidated group		-87 496	-10 761	125 421	-27 164	-1 807		-1 807
Revaluation of assets and liabilities		-7 739						-7 739
Share in changes in the aggregate amount of other equity of associates						-12 781		-12 781
Profit for the current period net of minority interests					2 278 645		62 125	2 340 770
Other			-15	-48				-63
<b>Balance at 31 December 2011</b>	<b>3 157 000</b>	<b>-24 122</b>	<b>1 782 795</b>	<b>12 856 573</b>	<b>2 278 645</b>	<b>297 154</b>	<b>62 125</b>	<b>20 410 170</b>
Allocation of profit		373	56 336	2 221 936	-2 278 645	62 125	-62 125	
Impact of changes in the consolidated group		-6 454	-158	13 107				6 495
Revaluation of assets and liabilities		7 200						7 200
Impact of the additional purchase of the non-controlling interest in TRINECKÉ ŽELEZÁRNY, a. s.				1 410 949				1 410 949
Share in changes in the aggregate amount of other equity of associates						16 415		16 415
Profit for the current period net of minority interests					1 717 207		60 691	1 777 898
Other profit or loss of prior periods				-6 111				-6 111
Other			-44	680				636
<b>Balance at 31 December 2012</b>	<b>3 157 000</b>	<b>-23 003</b>	<b>1 838 929</b>	<b>16 497 134</b>	<b>1 717 207</b>	<b>375 694</b>	<b>60 691</b>	<b>23 623 652</b>

## CONSOLIDATED CASH FLOW STATEMENT

(in CZK thousand)

		Year ended 31. 12. 2012	Year ended 31. 12. 2011
<b>P.</b>	<b>Cash and cash equivalents at the beginning of the accounting period</b>	<b>2 969 007</b>	<b>1 953 570</b>
	<i>Cash flows from ordinary activities</i>		
Z.	Profit/(loss) from ordinary activities before tax	2 743 248	3 602 667
A.1.	Adjustments for non-cash transactions	1 588 509	2 033 916
A.1.1.	Depreciation of fixed assets(+) excluding net book value of fixed assets sold, amortisation of goodwill and goodwill on consolidation	1 630 799	1 577 845
A.1.2.	Change in provisions and reserves	-247 549	418 214
A.1.3.	Profit/(loss) on the sale of fixed assets (-/+)	-16 069	-112 737
A.1.4.	Revenues from dividends and profit shares (-), except as paid by consolidated group entities	-2 284	-25 978
A.1.5.	Interest expense (+) excluding capitalised interest and interest income (-)	92 734	153 985
A.1.6.	Adjustments, if any, and other non-cash transactions	130 878	22 587
<b>A.*</b>	<b>Net cash flow from operating activities before tax, movements in working capital and extraordinary items</b>	<b>4 331 757</b>	<b>5 636 583</b>
A.2.	Change in non-cash component of working capital	180 264	-1 309 353
A.2.1.	Change in receivables from operating activities(+/-), deferred expenses, accrued income and estimated assets	923 723	-632 143
A.2.2.	Change in short-term payables from operating activities (+/-), accrued expenses, deferred income and estimated liabilities	-1 659 335	451 277
A.2.3.	Change in inventory	913 002	-1 128 292
A.2.4.	Change in current financial assets not included in cash and cash equivalents	2 874	-195
<b>A.**</b>	<b>Net cash flow from operating activities before tax and extraordinary items</b>	<b>4 512 021</b>	<b>4 327 230</b>
A.3.	Interest paid (-), except interest capitalised	-112 838	-173 075
A.4.	Interest received (+)	27 231	16 315
A.5.	Income tax paid from operating activities, additional tax paid for previous periods (-)	-483 124	-412 308
A.6.	Receipts and expenditures relating to extraordinary activities, which form extraordinary profit or loss, including income tax paid from extraordinary activities (+/-)	6 506	5 892
A.7.	Received dividends and profit shares (+)	2 284	25 978
<b>A.***</b>	<b>Net cash flow from operating activities</b>	<b>3 952 080</b>	<b>3 790 032</b>
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-1 341 150	-1 143 238
B.2.	Receipts from fixed assets sold	29 630	142 771
B.3.	Loans provided to related parties		-254 329
B.4.	Cash flows from the purchase of business or its part	-2 360 286	-277 433
B.5.	Cash flows from the sale of business or its part	278 556	
<b>B.***</b>	<b>Net cash flow from investing activities</b>	<b>-3 393 250</b>	<b>-1 532 229</b>
	<i>Cash flow from financial activities</i>		
C.1.	Impact of change in long-term or short-term payables which fall into financing activities on cash and cash equivalents	-236 069	-1 204 953
C.2.	Impact on cash and cash equivalents due to change in equity	-23 024	-37 413
C.2.1.	Increase in cash and cash equivalents due to a change in share capital, share premium, reserve fund, including prepayments made for this increase (+)	65	
C.2.5.	Payments made from funds (-)		-23
C.2.6.	Dividends and profit shares paid, including withholding tax related to these claims and including financial clearance with partners (-), except for dividends and profit shares paid between Group entities	-23 089	-37 390
<b>C.***</b>	<b>Net cash flow from financial activities</b>	<b>-259 093</b>	<b>-1 242 366</b>
<b>F.</b>	<b>Net increase or decrease of cash and cash equivalents</b>	<b>299 737</b>	<b>1 015 437</b>
<b>R.</b>	<b>Cash and cash equivalents at the end of the accounting period</b>	<b>3 268 744</b>	<b>2 969 007</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2012

## TABLE OF CONTENTS

1. GENERAL INFORMATION . . . . .	50
1.1. Incorporation and Description of the Business . . . . .	50
1.2. Board of Directors and Supervisory Board as Recorded in the Register of Companies as of 31 December 2012 . . . . .	50
1.3. Organisational Structure of the Parent Company . . . . .	50
2. DEFINITION OF THE CONSOLIDATED GROUP, CONSOLIDATION SYSTEM AND METHODS . . . . .	51
2.1. Consolidation Method . . . . .	51
2.1.1. Names and Registered Offices of Subsidiaries and Associates Included in the Consolidated Group . . . . .	51
2.1.2. The Balance Sheet Dates of the Companies Included in the Group . . . . .	54
2.1.3. Companies Excluded from Consolidation . . . . .	54
3. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES . . . . .	55
3.1. Reporting Period . . . . .	55
4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES . . . . .	55
4.1. Tangible and Intangible Fixed Assets . . . . .	55
4.2. Non-Current Financial Assets . . . . .	56
4.3. Derivative Financial Transactions . . . . .	57
4.4. Current Financial Assets . . . . .	57
4.5. Inventory . . . . .	57
4.6. Receivables . . . . .	57
4.7. Payables . . . . .	58
4.8. Loans and Borrowings . . . . .	58
4.9. Reserves . . . . .	58
4.10. Foreign Currency Translation . . . . .	58
4.11. Finance Leases . . . . .	58
4.12. Taxation . . . . .	58
4.12.1. Depreciation of Fixed Assets for Tax Purposes . . . . .	58
4.12.2. Current Tax Payable . . . . .	58
4.12.3. Deferred Tax . . . . .	58
4.13. Borrowing Costs . . . . .	59
4.14. Costs Relating to Employees Hired through an Employment Agency . . . . .	59
4.15. Revenue Recognition . . . . .	59
4.16. Use of Estimates . . . . .	59
4.17. Research and Development Expenditure . . . . .	59
4.18. Year-on-Year Changes in Valuation, Depreciation or Accounting Policies . . . . .	59
4.19. Grants . . . . .	59
4.20. Cash Flow Statement . . . . .	59
4.21. Consolidation Rules . . . . .	60
4.22. Extraordinary Expenses and Income . . . . .	60
5. ANALYSIS OF IMPACTS ON PROFIT/LOSS . . . . .	61
5.1. Consolidated Profit/Loss for 2012 . . . . .	61
5.1.1. Structure of the Consolidated Profit/Loss for 2012 . . . . .	61
5.1.2. Profit/(Loss) Adjustments under Full Consolidation for 2012 . . . . .	61
5.1.3. Adjustments under Equity Consolidation for 2012 . . . . .	61
5.2. Consolidated Profit/Loss for 2011 . . . . .	61
5.2.1. Structure of the Consolidated Profit/Loss for 2011 . . . . .	61
5.2.2. Profit/(Loss) Adjustments under Full Consolidation for 2011 . . . . .	62
5.2.3. Adjustments under Equity Consolidation for 2011 . . . . .	62

6. ADDITIONAL INFORMATION ON THE BALANCE SHEET . . . . .	62
6.1. Intangible Fixed Assets . . . . .	62
6.2. Tangible Fixed Assets . . . . .	63
6.3. Assets Held under Finance and Operating Lease Agreements . . . . .	65
6.4. Fixed Assets Pledged as Security . . . . .	66
6.5. Summary of Unconsolidated investments . . . . .	67
6.5.1. Summary of Unconsolidated Investments in 2012 . . . . .	67
6.5.2. Summary of Unconsolidated Investments in 2011. . . . .	69
6.6. Accounting for Goodwill Arising on Consolidation . . . . .	70
6.7. Securities and Equity Investments under Equity Accounting . . . . .	70
6.8. Non-Current Financial Assets Pledged as Security . . . . .	70
6.9. Inventory . . . . .	70
6.10. Receivables . . . . .	70
6.10.1. Structure of Short-Term Receivables . . . . .	70
6.10.2. Receivables Pledged as Security . . . . .	71
6.10.3. Intercompany Receivables . . . . .	71
6.11. Equity and Share Capital. . . . .	72
6.11.1. Shareholders' Equity . . . . .	72
6.11.2. Share Capital . . . . .	72
6.12. Reserves . . . . .	72
6.13. Payables . . . . .	72
6.13.1. Long-Term Payables . . . . .	72
6.13.2. Short-Term Trade Payables . . . . .	73
6.13.3. Other Payables . . . . .	73
6.13.4. Intercompany Payables . . . . .	73
6.14. Deferred Tax Liability and Deferred Tax Asset . . . . .	74
6.14.1. Deferred Tax Liability . . . . .	74
6.14.2. Deferred Tax Asset . . . . .	74
6.15. Bank Loans and Borrowings . . . . .	75
6.15.1. Bank Loans and Grants for 2012 . . . . .	75
6.16. Minority Equity . . . . .	77
6.17. Other Off-Balance Sheet Liabilities. . . . .	77
7. ADDITIONAL INFORMATION OF THE PROFIT AND LOSS ACCOUNT . . . . .	82
7.1. Income from Current Activities of the Group . . . . .	82
7.2. Other Income and Expenses . . . . .	82
7.3. Grants . . . . .	82
7.4. Aggregate Research and Development Expenditure . . . . .	82
7.5. Related Party Transactions . . . . .	83
7.5.1. Income Generated with Related Parties . . . . .	83
7.5.2. Costs Incurred with Related Parties . . . . .	84
8. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES. . . . .	85
8.1. Staff Costs and Number of Employees . . . . .	85
8.2. Benefits Provided to Members of Statutory, Supervisory and Management Bodies . . . . .	86
9. POST BALANCE SHEET EVENTS. . . . .	88

# 1. GENERAL INFORMATION

## 1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

MORAVIA STEEL a.s. (henceforth the “Parent Company” or the “Company”) was formed by a Memorandum of Association as a joint stock company on 27 July 1995 and was incorporated following its registration in the Register of Companies held at the District Court in Brno-venkov on 23 August 1995 (File B, Insert 1297). The principal business activities of the Company include trade activities – purchase of goods for resale and sale, which represents 98.94% of the Company’s revenues. Additional business activities include domestic and international shipping services.

The Company’s registered office is located in Třinec-Staré Město, Průmyslová 1000, 739 70.

The Company’s share capital is CZK 3,157,000 thousand.

The following table shows individuals and legal entities holding an equity investment in the Company that are in a position to exercise either a significant or controlling influence and the amount of their equity investment:

Shareholder	Ownership percentage
R.F.G., a.s., nám. Svobody 526, Třinec	50 %
FINITRADING, a.s., nám. Svobody 526, Třinec	50 %
<b>Total</b>	<b>100 %</b>

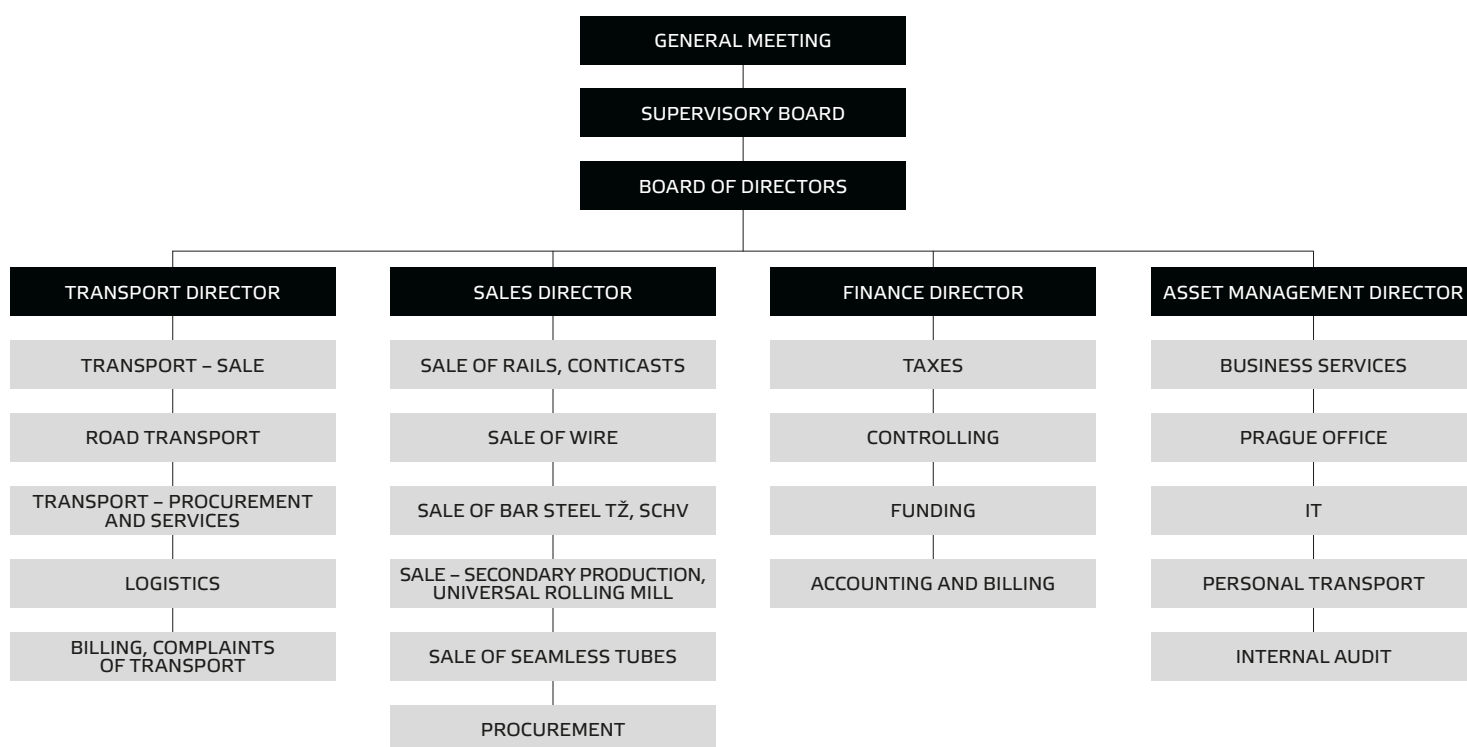
R.F.G., a.s. and FINITRADING, a.s. act in concert.

The Group is primarily engaged in metallurgical production with a closed metallurgical cycle. The Group is additionally involved in generating electricity and providing foundry and engineering services, and domestic as well as international shipment.

## 1.2. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS RECORDED IN THE REGISTER OF COMPANIES AS OF 31 DECEMBER 2012

	Position	Name
Board of Directors	Chairman	Rostislav Wozniak
	Vice Chairman	Krzysztof Ruciński
	Member	Mojmír Kašpříšín
	Member	Uršula Novotná
Supervisory Board	Chairman	Tomáš Chrenek
	Vice Chairman	Ján Moder
	Vice Chairman	Evžen Balko
	Member	Mária Blašková
	Member	Pablo Alarcón Espinosa
	Member	Jaroslava Ciahotná

## 1.3. ORGANISATIONAL STRUCTURE OF THE PARENT COMPANY



## 2. DEFINITION OF THE CONSOLIDATED GROUP, CONSOLIDATION SYSTEM AND METHODS

### 2.1. CONSOLIDATION METHOD

The consolidation was performed using the proportionate consolidation method.

#### 2.1.1. Names and Registered Offices of Subsidiaries and Associates Included in the Consolidated Group

The consolidated group (henceforth the "Group") included the following entities in the year ended 31 December 2012:

#### Subsidiaries

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2012
TŘINECKÉ ŽELEZÁRNY, a.s.	Průmyslová 1000, Třinec	Manufacture of metallurgical products	80.05%
Barrandov Studio a.s.	Prague 5, Hlubočepy Kříženeckého nám. 322/5	Creation and production of films and other audio-visual material	99.85%
Barrandov Televizní Studio, a.s. **)	Prague 5, 152 00 Kříženeckého nám. 322/5	Broad digital television broadcasting	99.97%
MORAVIA STEEL ITALIA S.R.L.	Milan, Italy	Distribution of metallurgical products	66.00%
Beskydská golfová, a.s.	Ropice 415, 739 56	Provision of sport services	100.00%
Sochorová válcovna TŽ, a.s. *)	Třinec-Staré Město, Průmyslová 1000, 739 70	Production and metallurgic processing of iron and steel	96.41%
Hanácké železářny a pérovny a.s.	Prostějov, 797 11, Dolní 100	Production of leaf and helical springs for the automotive and railway industries	100.00%
Moravskoslezský kovošrot a.s.	Prague 1, 110 00, V Jámě 1371/8	Purchase, processing and sales of metal scrap and non-ferrous metals	51.00%
M Steel Projects a.s.	Průmyslová 1000, Třinec	Production, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act	100.00%
Moravia Steel Deutschland GmbH	Kürten, Germany	Distribution of metallurgical products	100.00%
MORAVIA STEEL UK LIMITED*)	Sandbach, UK	Distribution of metallurgical products	100.00%

\*) MORAVIA STEEL a.s. holds 82% of the shares of Sochorová válcovna TŽ, a.s. The remaining portion, ie 18% of the shares is owned by TŘINECKÉ ŽELEZÁRNY, a.s.

\*\*\*) MORAVIA STEEL a.s. anticipates selling its equity investment in Barrandov Televizní Studio, a.s. within one year.

In the year ended 31 December 2012, Barrandov Lands a.s. was removed from the consolidation group when it was sold to MINERFIN, a.s., Slovakia.

The net assets of Barrandov Lands, a.s. as of the sale date and as of 31 December 2011 were as follows:

(CZK thousand)

	12 Nov 2012	31 Dec 2011
Land	230 746	230 746
Buildings	14 461	15 120
Short-term receivables	111	395
Bank accounts	1 822	2 030
Accrued income	561	0
Deferred tax liability	1 898	1 646
Short-term payables	168	0
Accrued expenses	31	0
<b>Total net assets</b>	<b>245 604</b>	<b>246 645</b>
<b>Total selling price</b>	<b>281 242</b>	<b>0</b>
Profit from the sale of the entity	35 638	0
Selling price was paid as follows:		
- Cash	281 242	0
Net cash inflow from the sale of the entity:		0
- Cash consideration	281 242	0
- Sold bank accounts	-1 822	0

During 2012, MORAVIA STEEL a.s., additionally purchased 892,085 shares of TŘINECKÉ ŽELEZÁRNY, a. s. pursuant to the contract for the purchase of securities concluded with Commercial Metals International GmbH. This increased the investment in the share capital by 11%. The cost of the purchased investment was CZK 929,540 thousand which includes the purchase price of CZK 569,473 thousand and direct costs relating to the acquisition of CZK 360,068 thousand. As of the additional investment purchase date, the equity of the TŘINECKÉ ŽELEZÁRNY, a. s. consolidation group amounted to CZK 21,277,170 thousand. The difference between the cost and the share of equity of CZK 1,410,949 thousand was recognised in the consolidated profits or losses of prior years.



## Associates

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2012
Kovárna VIVA a.s.	tř. T. Bati 5333, Zlín, 760 01	Production of die forgings	50.00%
Moravia Steel Middle East FZCO	Jebel Ali Free Zone, Dubai, U.A.E.	Distribution of metallurgical products	40.00%

Since the trading strategy of the associated undertaking, Kovárna VIVA, is substantially performed by a different company, the Parent Company opted to consolidate the entity using the equity method of accounting.

## TŘINECKÉ ŽELEZÁRNY, a.s. Sub-Group

In the year ended 31 December 2012, the sub-group included the following companies:

### Subsidiaries

Name	Registered office	Business activities	Equity share at 31 Dec 2012
ENERGETIKA TŘINEC, a.s.	Třinec-Staré Město, Průmyslová 1024, 739 65	Production and distribution of heat and electricity	100.00 %
Strojírny Třinec, a.s.	Třinec-Staré Město, Průmyslová 1038, 739 65	Locksmithing, smithcraft, tool engineering	100.00 %
Slévárny Třinec, a.s.	Třinec-Staré Město, Průmyslová 1001, 739 65	Foundry industry	100.00 %
VÚHŽ a.s.	Dobrá 240 739 51	Production of automotive, metallurgy, engineering and foundry products	100.00 %
Šroubárna Kyjov spol. s r.o.	Jiráskova 987, 697 32, Kyjov	Metal working, locksmithing, production of machinery and equipment	100.00 %
D 5, akciová společnost, Třinec	Třinec-Staré Město, Průmyslová 1026, 739 65,	Repairs of metallurgy technological units, and machine, electrical and construction works	100.00 %
METALURGIA S.A.	Radomsko, Ul. Świętej Rozalii nr 10/12, 97-500, Poland	Production of nails, wire and wire products	100.00 %
"D&D" Drótaru Zrt.	3527 Miskolc, Besenyői u. 18., Hungary	Production of wire products	100.00 %
Řetězárna a.s.	Česká Ves, Polská 48, 790 81	Production of chains and chain products	100.00 %
REFRASIL, s.r.o.	Třinec-Konská, Průmyslová 720, 739 65	Production of fireproof products	51.00 %

In the year ended 31 December 2012, the consolidation group was extended to include ŽDB DRÁTOVNA a.s. due to the acquisition of the 100% equity investment in this entity. ŽDB DRÁTOVNA a.s. was included in the group as of 1 October 2012.

## Associates

Name	Registered office	Business activities	Equity share at 31 Dec 2012
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Třinec, Průmyslová 715, 739 65	Production of isostatically pressed heat-resisting products	40.00 %
Sochorová válcovna TŽ, a.s.	Třinec-Staré Město, Průmyslová 1000, 739 70	Production and metallurgic processing of iron and steel	18.00 %

## Moravskoslezský kovošrot, a.s. Sub-Group

### Subsidiaries

Moravskoslezský kovošrot, a.s. owns 84% of the subsidiary MSK Polska sp.z o.o. Given the announcement of the liquidation by the ruling of the court on 21 December 2012, this entity was removed from the consolidation group in accordance with Section 62 (6b) of Regulation No. 500/1992 Coll.

## Hanácké železářny a pérovny, a.s. Sub-Group

### Subsidiaries

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2012
SV servisní, s.r.o.	Prostějov, 797 11, Dolní 100	Purchase and sale of electricity, provision of energy services	100.00%

The consolidated group included the following entities in the year ended 31 December 2011:

#### Subsidiaries

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2011
TŘINECKÉ ŽELEZÁRNY, a.s.	Průmyslová 1000, Třinec	Manufacture of metallurgical products	69.05 %
Barrandov Studio a.s.	Prague 5, Hlubočepy Kříženeckého nám. 322/5	Creation and production of films and other audio-visual material	99.85 %
Barrandov Televizní Studio, a.s.	Prague 5, 152 00 Kříženeckého nám. 322/5	Broad digital television broadcasting	99.97 %
Barrandov Lands, a.s.	Prague 5, 152 00 Kříženeckého nám. 322/5	Facility management, real estate activities	100.00 %
MORAVIA STEEL ITALIA S.R.L.	Milan, Italy	Distribution of metallurgical products	66.00 %
Beskydská golfová, a.s.	Ropice 415, 739 56	Provision of sport services	100.00 %
Sochorová válcovna TŽ, a.s. * *)	Třinec-Staré Město, Průmyslová 1000, 739 70	Production and metallurgic processing of iron and steel	94.43 %
Hanácké železářny a pérovny a.s.	Prostějov, 797 11, Dolní 100	Production of leaf and helical springs for the automotive and railway industries	100.00 %
Moravskoslezský kovošrot a.s.	Prague 1, 110 00, V Jámě 1371/8	Purchase, processing and sales of metal scrap and non-ferrous metals	51.00 %
M Steel Projects a.s.	Průmyslová 1000, Třinec	Production, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act	100.00 %
Moravia Steel Deutschland GmbH	Kürten, Germany	Distribution of metallurgical products	100.00 %
MORAVIA STEEL UK LIMITED*)	Sandbach, United Kingdom	Distribution of metallurgical products	100.00 %

\*) TRINEC - CMC LIMITED changed its name to MORAVIA STEEL UK LIMITED in the reporting period.

\*\*) MORAVIA STEEL a.s. holds 82% of the shares of Sochorová válcovna TŽ, a.s. and TŘINECKÉ ŽELEZÁRNY, a.s. holds the remaining portion of the shares, ie 18%.

#### Associates

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2011
Kovárna VIVA a.s.	tř. T. Bati 5333, Zlín, 760 01	Production of die forgings	50.00 %
Moravia Steel Middle East FZCO	Jebel Ali Free Zone, Dubai, U.A.E.	Distribution of metallurgical products	40.00 %

In 2011, the consolidation group was extended to include Moravia Steel Middle East FZCO, using the consolidated equity method since 31 December 2011.

since the trading strategy of the associated undertaking, Kovárna VIVA a.s., is substantially performed by a different company, the Parent Company opted to consolidate the entities using the equity method of accounting.

#### TŘINECKÉ ŽELEZÁRNY, a.s. Sub-Group

In the year ended 31 December 2011, the sub-group included the following companies:

#### Subsidiaries

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2011
ENERGETIKA TŘINEC, a.s.	Třinec-Staré Město, Průmyslová 1024, 739 65	Production and distribution of heat and electricity	100.00 %
Strojírny Třinec, a.s.	Třinec-Staré Město, Průmyslová 1038, 739 65	Locksmithing, smithcraft, tool engineering	100.00 %
Slévárny Třinec, a.s.	Třinec-Staré Město, Průmyslová 1001, 739 65	Foundry industry	100.00 %
VÚHŽ a.s.	Dobrá 240 739 51	Production of automotive, metallurgical, engineering and foundry products	100.00 %
Šroubárna Kyjov spol. s r.o.	Jiráskova 987, 697 32, Kyjov	Metalworking, locksmithing, production of machinery and equipment	100.00 %
D 5, akciová společnost, Třinec	Třinec-Staré Město, Průmyslová 1026, 739 65	Repairs of metallurgy technological units, and machine, electrical and construction works	100.00 %
METALURGIA S.A.	Radomsko, Ul. Świątej Rozalii nr 10/12, 97-500, Poland	Production of nails, wire and wire products	100.00 %
„D&D“ Drótáru Zrt.	3527 Miskolc, Besenyői u. 18., Hungary	Manufacturing of wire products	100.00 %
Řetězárna a.s.	Česká Ves, Polská 48, 790 81	Production of chains and chain products	51.00 %
REFRASIL, s.r.o.	Třinec-Konská, Průmyslová 720, 739 65	Production of fireproof products	51.00 %

In the year ended 31 December 2011, FERROMORAVIA, s.r.o. was removed from the consolidation group due to its dissolution without liquidation as part of the merger by amalgamation with TŘINECKÉ ŽELEZÁRNY, a. s. The consolidation group was extended to include „D&D“ Drótáru Zrt. due to the acquisition of the 100% equity investment in this entity. „D&D“ Drótáru Zrt. was included in the group as of 28 February 2011.

## Associates

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2011
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Třinec, Průmyslová 715, 739 65	Production of isostatically pressed heat-resisting products	40.00%
Sochorová válcovna TŽ, a.s.	Třinec-Staré Město, Průmyslová 1000, 739 70	Production and metallurgic processing of iron and steel	18.00%

Since the trading strategy of the associated undertakings is substantially performed by a different company, the Parent Company opted to consolidate the entities using the equity method of accounting.

## Moravskoslezský kovošrot, a.s. Sub-Group

### Subsidiaries

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2011
MSK Polska Sp. z o.o.	Batalionów Chłopskich 2 42-680 Tarnowskie Góry, Poland	Purchase, processing and sale of metal scrap and non-ferrous metals	84%

## Hanácké železářny a pérovny, a.s. Sub-Group

### Subsidiaries

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2011
SV servisní, s.r.o.	Prostějov, 797 11, Dolní 100	Purchase and sale of energy and provision of energy services	100.00%

### 2.1.2. The Balance Sheet Dates of the Companies Included in the Group

The financial statements of the companies included in the Group were prepared as of and for the years ended 31 December 2012 and 2011. The companies included in the Group are based in the Czech Republic, with the exception of Moravia Steel Deutschland GmbH, which is based in Germany, MORAVIA STEEL ITALIA S.R.L., based in Italy, MORAVIA STEEL UK LIMITED based in the UK, "D&D" Drótáru Zrt. based in Hungary, METALURGIA S.A. based in Poland and Moravia Steel Middle East FZCO based in the United Arab Emirates.

### 2.1.3. Companies Excluded from Consolidation

Entities which are the Company's subsidiaries or associates, are not included in the consolidated group if:

- The share in the consolidation group is not material in terms of giving a true and fair view of the financial position and performance of the consolidation group, when:
  - The share of the recalculated assets of the entity in the total recalculated assets of all entities in the group is less than 1.5 percent, and the value of assets is recalculated using the percentage of the ownership interest of MORAVIA STEEL, a. s.;
  - The equity share in the entity in proportion to the equity in all of the group's entities is less than 1.5 percent; and
  - The share in the entity's net turnover (revenues of account class 6) in the aggregate net turnover of all of the group's entities is less than 1.5 percent;
- Long-term restrictions significantly hinder the Parent Company's ability to exercise rights connected to the control of assets or management, or, in exceptional cases, if the information necessary for the preparation of the consolidated financial statements cannot be obtained without inevitably incurring undue costs (that can be documented) or with inevitable and provable undue delay; and
- The shares or equity interests in these companies are held exclusively with a view to their subsequent disposal.

If the entity exceeds any individual level of materiality for the inclusion in the consolidation group, there must be a real assumption for exceeding the individual level of materiality for the following reporting period. An entity that does not meet the individual level of materiality for the inclusion in the consolidation group, has to be included in the consolidation group if there is a real assumption of exceeding the level of materiality in the following reporting period.

The entities that meet the condition set out above for non-inclusion in the consolidated group, thereby not entering into consolidation based on individual assessment, must also meet the group materiality criterion for non-inclusion. Under the group materiality criterion, these entities are taken as one whole. The share of the recalculated assets of this whole in the total recalculated assets of all entities in the group has to be less than 1.5 %, while the value of assets for these purposes is recalculated using the percentage of the ownership share of MORAVIA STEEL, a.s., the equity share in the total equity of all entities in the group of less than 1.5 % and the share in the net turnover (revenues of account class 6) to the total of net turnover of all entities in the group of less than 1.5 %. For calculating materiality levels, all entities in the Group with the exception of companies in liquidation or subject to bankruptcy proceedings are taken into account.

### 3. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

The Group's accounting records are maintained and the consolidated financial statements were prepared in accordance with Accounting Act 563/1991 Coll., as amended; Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended; and Czech Accounting Standards for Businesses, as amended.

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis, the accruals principle, the prudence concept and the going concern assumption.

For the purposes of preparing the consolidated financial statements of MORAVIA STEEL a.s., the accounting principles within the Group were brought into line. Significant accounting policies as adopted by individual group entities are set out below.

These consolidated financial statements are presented in thousands of Czech crowns ("CZK thousand"). The figures of MORAVIA STEEL ITA-LIA S.R.L., Moravia Steel Deutschland GmbH, MORAVIA STEEL UK LIMITED, Moravia Steel Middle East FZCO, „METALURGIA“ S.A. and „D&D“ Drótáru Zrt. are translated using the exchange rates prevailing at 31 December 2012 and 2011 as promulgated by the Czech National Bank.

For consolidation reporting purposes, M Steel Projects prepares interim financial statements as of 31 December 2012. The ordinary financial statements of the entity are prepared as of 30 September.

#### 3.1. REPORTING PERIOD

The consolidated financial statements of the Group for the year ended 31 December 2012 were prepared as follows:

- The balance sheet comprises comparative balances as of 31 December 2011;
- The profit and loss account comprises comparative amounts for the year ended 31 December 2011;
- The statement of changes in equity contains comparative amounts for the year ended 31 December 2011; and
- The cash flow statement comprises comparative amounts for the year ended 31 December 2011.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 4.1. TANGIBLE AND INTANGIBLE FIXED ASSETS

##### Valuation

Tangible fixed assets include assets with an acquisition cost greater than CZK 40 thousand on an individual basis and an estimated useful life greater than one year.

Intangible fixed assets include assets (such as software, valuable rights, research and development and similar activities) with an acquisition cost greater than CZK 60 thousand on an individual basis and an estimated useful life greater than one year.

Purchased tangible and intangible fixed assets are valued at acquisition costs.

Tangible and intangible fixed assets developed internally are valued at direct costs, incidental costs directly attributable to the internal production of assets, or alternatively incidental costs of an administrative character if the production period of the assets exceeds one year.

The following tangible and intangible fixed assets are stated at replacement cost: tangible and intangible fixed assets acquired through donation, intangible fixed assets internally generated if replacement cost is lower than internal costs, assets recently entered in the accounting records such as an inventory count surplus (accounted for by a corresponding entry in the relevant accumulated depreciation account) and an investment of intangible and tangible fixed assets, except for cases where the investment is valued differently pursuant to a Memorandum of Association or a Deed of Foundation.

The replacement cost is also applied to tangible fixed assets acquired under finance lease arrangements with an original cost exceeding CZK 1 million. These assets are carried at replacement cost and recorded in the statutory books as fully depreciated. Replacement cost is determined by an expert appraiser or through an estimate performed under the Group's internal regulations.

Tangible and intangible assets with an estimated useful life greater than one year and an acquisition cost equal to or lower than CZK 40 thousand and CZK 60 thousand, respectively, are not treated as fixed assets. Such tangible assets are accounted for as inventory and when brought into use they are charged to "Consumed material and energy" in the profit and loss account. Intangible assets costing CZK 60 thousand and less are expensed through the account "Services" upon acquisition.

The cost of fixed asset improvements exceeding CZK 40 thousand on an individual basis in the taxation period increases the acquisition cost of the related fixed asset.

The results of research and development activities, if designed for trading or resale, are recognised through the balance sheet line "Research and development". Research and development results designed for internal purposes are not classified as intangible fixed assets and are recorded off balance sheet in the valuation of own costs.

Greenhouse emission allowances (hereinafter "emission allowances") are recognised as non-depreciable intangible fixed assets and are stated at cost, or replacement cost when acquired free of charge. The use of emission allowances is accounted for at the consolidated balance sheet date as a minimum, depending upon the level of emissions produced by the Company in the calendar year. An initial free-of-charge acquisition of the allowances is recognised as a subsidy not reducing the carrying amount of the intangible fixed assets. This "subsidy" is released into income on a systematic basis as the allowances are used and charged to expenses. The sale of allowances is reported under "Other operating income".

As of the consolidated balance sheet date, emission allowances are valued according to the EUROPEAN ENERGY EXCHANGE rate. The decrease in the valuation of emission allowances acquired on a free-of-charge basis as of the consolidated balance sheet date is recognised in the balance sheet lines "Other intangible fixed assets" and "State – tax payables and subsidies". The Company does not recognise an upward reval-

uation of the emission allowances. If there is a lack of allowances at the consolidated balance sheet date, the Company recognises a reserve as part of “Other reserves” and “Change in reserves and provisions relating to operating activities and complex deferred expenses”. The reserve for the purchase of allowances is released in the following accounting period when the missing allowances are purchased or used from the free of charge allocation of the following period.

### Depreciation for Accounting Purposes

Depreciation of fixed assets, other than land and assets under construction, is recorded on a straight line basis over the depreciation period indicated below:

Category of assets	Depreciation period in years
Structures	2-77
Machinery and equipment	2-42
Vehicles	3-40
Furniture and fixtures	6-15
Software	3-7

The depreciation period in years is established in terms of the estimated useful life of the fixed assets taking into account the operational conditions.

If the inventory count indicates that the estimated useful life of assets has changed, the Group appropriately adjusts the depreciation period of the related asset.

The bulk of buildings and structures are depreciated over 45 – 60 years. The shorter depreciation period is applied to temporary structures and short-term structures (lighting, fencing, energy grids, pipelines, etc.). A depreciation period over 60 years is applied to structures with a long useful life such as railway and road bridges, conveying tunnels, and production and administrative buildings.

The bulk of machines and equipment are depreciated over 15 – 25 years. The shorter depreciation period is primarily applied to IT systems, management systems, devices, etc.; the longer depreciation period is applied in exceptional cases to agglomeration equipment.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the net book value of the asset at the sale date and is recognised through the profit and loss account.

### Provisioning

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Provisions against fixed assets are additionally recognised in circumstances where the carrying value is greater than value in use, which is equal to the present value of estimated future cash flows expected to arise from the continuing use of fixed assets or anticipated income from the intended sale.

## 4.2. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets principally consist of equity investments, securities and equity investments available for sale and long-term term deposits.

### Valuation

Securities and equity investments are carried at cost upon acquisition. The cost of securities or equity investments includes direct costs of acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges.

### At the consolidated balance sheet date, the Group records:

Equity investments at cost less any provisions against equity investments.

Available-for-sale securities are valued pursuant to the Accounting Act (Section 27) at fair value, determined by reference to the market value or a reasonable estimate. If the determination of fair value is not practicable, the securities are valued at cost.

At the consolidated balance sheet date, changes in the fair value of available-for-sale securities are recorded on the balance sheet as “Other non-current securities and equity investments” and “Gains and losses from the revaluation of assets”. A deferred tax liability is determined in respect of the revaluation difference where the value of available-for-sale securities increases, and is recorded through the lines “Gains and losses from the revaluation of assets” and “Deferred tax liability”.

Upon sale or any other disposal, securities of the same type are valued at the weighted average cost.

Investments in enterprises in which the entities consolidated using the full consolidation method have the power to govern the financial and operating policies so as to obtain benefits from their activities are treated as “Equity investments in subsidiaries”.

Investments in enterprises in which the entities consolidated using the full consolidation method are in a position to exercise significant influence over their financial and operating policies so as to obtain benefits from their activities are treated as “Equity investments in associates”.

### Provisioning against Equity Investments

Investments are provisioned if there is a risk that the fair value of an unconsolidated equity investment is lower than its carrying value.

In charging provisions against equity securities that are not fair valued, the Group refers to its detailed knowledge of the relevant entity, its anticipated future cash flows and the results of its operations and reflects its interest in the entity’s equity.



#### 4.3. DERIVATIVE FINANCIAL TRANSACTIONS

The Company designates derivative financial instruments as either trading or hedging. The Company's criteria for a derivative instrument to be accounted for as a hedge are as follows:

- In line with the financial risk management strategy, at the inception of the hedge, a decision was made regarding the hedged items and hedging instruments, the risks subject to hedging, the approach to calculating and documenting whether the hedge is effective;
- The hedge is highly effective (that is, within a range of 80% to 125%); and
- The hedge effectiveness can be measured reliably and is assessed on an ongoing basis, the Company assesses effectiveness at the derivative trade date and at the balance sheet date.

If derivative instruments do not meet the criteria for hedge accounting referred to above, they are treated as trading derivatives.

Derivative transactions are concluded for an agreed trade volume. At the consolidated balance sheet date, derivatives are reported at fair value. The market value is used as a fair value measure.

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a legally enforceable contract, a forecasted future transaction, groups of assets, groups of liabilities, legally enforceable contracts or forecasted future transactions with similar characteristics where the same type and category of risk is the subject of the hedge. Gains or losses arising over the term of the hedge from changes in fair values of hedging derivatives contracted under cash flow hedging that are attributable to the hedged risks are retained on the balance sheet. The gains or losses are taken to income or expenses in the same period in which the income or expenses associated with the hedged item are recognised. Gains or losses arising from changes in fair values of hedging derivatives contracted under cash flow hedging that are attributable to unhedged risks are recorded as expenses or income from derivative transactions at the measurement date.

#### 4.4. CURRENT FINANCIAL ASSETS

Current financial assets solely include cash at hand and cash at bank, short-term debt securities maturing within one year and other securities available for sale.

Current financial assets are carried at cost upon acquisition.

#### 4.5. INVENTORY

##### Valuation

Purchased inventory is valued at acquisition costs. Acquisition costs include the purchase cost and indirect acquisition costs such as customs fees, freight costs and storage fees during transportation, commissions and insurance charges.

Inventory is issued out of stock at costs determined using the weighted arithmetic average method.

Internally produced inventory is valued at cost using a costing formula in which the pure charge is valued at the actual cost and processing costs are valued at planned rates of the particular year.

The revaluation of internally developed inventory is performed as of 1 January for processing costs by reference to the calculations made based on the approved financial plan.

At the consolidated balance sheet date, the Company assesses the actual costs of the charge and the difference between the actual costs of the charge and the valuation of the charge from the prior month is reflected only in the financial accounting records. In respect of processing costs, the difference between the value of processing costs of the planned operations valued at planned rates of the particular year and the value of the actually completed operations valued at planned rates of the particular year is reflected in the financial accounting accounts.

##### Provisioning

Provisions against inventory of material are made in respect of inventory with low or no movement and a very low likelihood for processing following an individual analysis.

Provisions against the inventory of finished products and semi-finished products are charged based on the analysis of movements, selling prices and realisability.

#### 4.6. RECEIVABLES

Upon origination, receivables are stated at their nominal value as subsequently reduced by appropriate provisions for doubtful and bad amounts.

##### Provisioning

The Group recognises provisions against receivables, the recoverability of which is doubtful. Tax deductible provisions against receivables are made pursuant to the Income Taxes Act and the Provisioning Act.

Provisions against receivables are established pursuant to the assessment of the recoverability of individual receivables and with regard to the aging analysis of receivables (in case of other than group entities) as follows:

- a) Receivables past due for 360 days and more are provisioned in full; and
- b) Receivables past due over 180 days but less than 360 days are provisioned at 50 percent.

Provisions are created against interest-free long-term receivables. This provisioning charge is calculated as equal to the difference between the nominal value and the discounted payments of these receivables.



#### 4.7. PAYABLES

Trade payables are stated at their nominal value. Long-term bills of exchange to be settled are stated at their nominal value. Interest on these bills is accrued over the term to their maturity.

#### 4.8. LOANS AND BORROWINGS

##### Valuation

Loans are reported at nominal value. The portion of long-term loans maturing within one year from the consolidated balance sheet date and revolving loans which are regularly rolled over to the following period are included in short-term loans.

#### 4.9. RESERVES

Other reserves are created to provide for future risks known at the consolidated balance sheet date. In addition, a reserve is recorded for the restoration and maintenance of a dump site and clean-up after termination of the operation of the site in accordance with Regulation 294/2005 Coll.

#### 4.10. FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies conducted during the year are translated using the exchange rate of the Czech National Bank prevailing on the date preceding the transaction date.

Financial assets denominated in foreign currencies (foreign currency cash) are translated into Czech crowns using the fixed monthly exchange rate as notified by the Czech National Bank as of the first day of the month in which they were recorded.

At the consolidated balance sheet date, the relevant assets and liabilities are translated at the Czech National Bank's exchange rate prevailing as of that date.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into CZK using exchange rates prevailing at the end of the reporting period. Non-cash items carried at historical cost in foreign currencies are not translated. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in equity (attributed to the minority equity as appropriate).

#### 4.11. FINANCE LEASES

A finance lease is the acquisition of a tangible fixed asset such that, over or after the contractual lease term, ownership title to the asset transfers from the lessor to the lessee; pending the transfer of title, the lessee makes lease payments to the lessor for the asset that are charged to expenses.

The initial lump-sum payment related to assets acquired under finance leases are amortised and expensed over the lease period.

#### 4.12. TAXATION

##### 4.12.1. Depreciation of Fixed Assets for Tax Purposes

Depreciation of fixed assets is recorded on an accelerated basis for tax purposes under Section 32 of Act 586/92 Coll., on Income Taxes, with the exception of assets used by TRINECKÉ ŽELEZÁRNY, a. s., in the Univerzální trať Bohumín plant and the Tube Rolling Mill (the VT operation) and the assets used in Slévárny Třinec, a.s. and ŽDB DRÁTOVNA a.s. which are depreciated using both the straight line and accelerated methods for tax purposes.

##### 4.12.2. Current Tax Payable

The tax currently payable is based on taxable profit for the reporting period. The taxable profit differs from the net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the consolidated balance sheet date.

##### 4.12.3. Deferred Tax

Deferred tax is accounted for using the balance sheet liability method.

Under the liability method, deferred tax is calculated at the income tax rate that is expected to apply in the period when the tax liability is settled.

The balance sheet liability method focuses on temporary differences which are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount that will be deductible for tax purposes in the future.

Deferred tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

The deferred tax asset/liability reported by the Group is the sum of deferred tax assets/liabilities of individual companies of the consolidation group that are reported by companies in their separate financial statements.

**4.13. BORROWING COSTS**

Borrowing costs arising from loans are expensed irrespective of the purpose for which they were drawn.

**4.14. COSTS RELATING TO EMPLOYEES HIRED THROUGH AN EMPLOYMENT AGENCY**

The staff costs of employees hired through an employment agency who are temporarily assigned to perform work under an agreement with the employment agency (the “agency employees”) are reported as part of social costs which include the actually paid salaries including social security and health insurance costs. The costs of other aids and protective drinks for agency employees are reported under ‘Consumed material and energy’. Other payments for the services of the employment agency, such as mediation fees or the employment agency’s overheads, are reported under ‘Services’.

**4.15. REVENUE RECOGNITION**

Revenues are recognised when goods are delivered and accepted by the customer or when services are rendered and are reported net of discounts and VAT.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income is recognised when the shareholders’ rights to receive payment have been declared.

**4.16. USE OF ESTIMATES**

The presentation of the consolidated financial statements requires the entities included in the consolidated group to make estimates and assumptions that affect the reported amounts of assets and liabilities at the consolidated balance sheet date and the reported amounts of revenues and expenses during the reporting period. Each of the consolidated entities has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

**4.17. RESEARCH AND DEVELOPMENT EXPENDITURE**

Research and development expenditure is capitalised as part of cost and posted to the acquisition of tangible or intangible fixed assets if the research and development projects result in fixed assets (tangible or intangible). The output of a research project is capitalised on the basis of the results of opponent proceedings. A detailed analysis of the projects in progress is undertaken at the consolidated balance sheet date and the costs incurred are charged to expenses or recognised as complex deferred expenses in the event that there is doubt over the completion or future utilisation of the project.

**4.18. YEAR-ON-YEAR CHANGES IN VALUATION, DEPRECIATION OR ACCOUNTING POLICIES**

With effect from 2012, the Company has newly determined the costs of certifying products up to CZK 60 thousand to be immaterial when their charge through expenses without accounting for a deferral does not impact the purpose of accrual accounting. Prior to 2012, the Company deferred the costs of the certification of products in all cases. Regularly repeating product certificates are not deferred.

**4.19. GRANTS**

Operating subsidies received are credited to income on an accruals basis (refer to Note 73).

Subsidies for the acquisition of fixed assets reduce the cost of assets.

**4.20. CASH FLOW STATEMENT**

The cash flow statement is prepared using the indirect method.

For cash flow reporting purposes, cash and cash equivalents include cash and duty stamps, cash in bank except for deposits with maturity longer than three months, and current liquid assets easily convertible into cash in an amount agreed in advance where no significant changes in the value of these assets are expected over time.

Cash and cash equivalents can be analysed as follows:

(CZK thousand)

	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Cash at hand	6 521	6 460
Current accounts	3 080 049	1 961 317
Current accounts with restricted availability	396	3 270
Term deposits	80 000	896 355
Short-term securities	116 608	119 550
Other securities available for sale not included in the cash flow	0	0
<b>Total current financial assets</b>	<b>3 283 574</b>	<b>2 986 952</b>
Cash and cash equivalents not included in the cash flow	396	3 270
Provision against short-term securities and investments	14 434	-14 675
<b>Total cash and cash equivalents</b>	<b>3 268 744</b>	<b>2 969 007</b>

As of 31 December 2012, short-term securities include short-term depository bills of exchange in the amount of CZK 60,000 thousand (as of 31 December 2011 in the amount of CZK 80,000 thousand), equity investment in KPM CONSULT, a.s. of CZK 100 thousand (as of 31 December 2011 in the amount of CZK 0) and trading securities in the amount of CZK 46,508 thousand (as of 31 December 2011 in the amount of CZK

39,550 thousand). In the year ended 31 December 2012, the trading securities were provided for at CZK 14,434 thousand (as of 31 December 2011 in the amount of CZK 14,675 thousand).

#### **Comments on the Cash Flow Statement as of 31 December 2012:**

In the years ended 31 December 2012 and 2011, blocked cash representing a special-purpose account related to a loan obtained from a bank, which amounted to CZK 396 thousand and CZK 3,270 thousand are not treated as cash equivalents for cash flow statement purposes.

#### **4.21. CONSOLIDATION RULES**

The individual items of the balance sheets and the profit and loss accounts of subsidiaries consolidated under the full consolidation method were added up in total amounts with the balance sheet and the profit and loss account of the parent company. Furthermore, financial investments of the parent company were eliminated against acquired equity, inter-company supplies, receivables and payables, including profits from the sale of the fixed assets realised among the consolidated group companies, and profit margins relating to inventories not yet consumed.

Under the equity consolidation method, financial investments of the parent company were eliminated from the balance sheet against acquired equity. The assets in the consolidated balance sheet included the item "Securities and equity investments under equity accounting", the balance of which is calculated as the share in the equity of associates. This item was adjusted by a portion of the profit margin, reflecting the share in the equity of an associate, on intercompany supplies of inventories not yet consumed. Liabilities of the consolidated balance sheet included the item "Share in the profit/(loss) of equity accounted investment" which represents the parent company's share in the current period's results, and the "Consolidation reserve fund" comprising an associate's accumulated profit/loss of previous years.

Goodwill arising on consolidation represents the difference between the cost of an investment in a subsidiary and its value determined on the basis of the Parent Company's interest in the fair value of equity which arises as a difference between the fair values of assets and the fair values of liabilities as of the acquisition date or as of the date of a further capital increase (a further increase of securities or equity investments). The acquisition date is the date from which the effectively controlling entity starts to exercise influence over the consolidated company.

Positive (negative) goodwill arising on consolidation is measured at cost which is adjusted by accumulated losses (accumulated profits) from the change in this value, the testing of a change in the value is performed on an annual basis.

Amortisation charges of goodwill arising on consolidation are recognised in a special consolidated profit and loss account line item 'Release of a positive consolidation difference (goodwill)' or 'Release of a negative consolidation difference (bargain purchase gain)' with a charge against expenses or a credit to income from common activities as appropriate.

The assets and liabilities of companies included in the consolidated group after 1 January 2003 were remeasured at fair value in accordance with the accounting regulations applicable for consolidation.

If the investment in the share capital of an already controlled entity (an additional purchase on a non-controlling investment), the goodwill on consolidation is not calculated and the assets and liabilities are not remeasured to fair value as of the date when the investment is increased. The difference between the purchase cost of the equity securities and investments of the consolidated entity and their valuation by the equity share of the controlling or jointly-controlling entity in the equity of the consolidated entity, in carrying amount which results as equal to the difference between the carrying amount of assets and the carrying amount of liabilities as of the date when another increase in the investment (another acquisition of securities or investments) is recognised in equity (profit or loss of prior periods).

The consolidation of the financial statements was performed using the combination of the direct consolidation method and consolidation of consolidation sub-groups.

The financial statements for the years ended 31 December 2012 and 2011 prepared by the companies included in the consolidated group, as well as the financial statements of subsidiaries and associates not included in the consolidated group that were received by the Company as of the consolidated financial statements date are available in the registered office of the Parent Company.

The consolidation rules for 2011 and 2012 (definition of the consolidated group, method of transformation of data from individual financial statements into the consolidated financial statements) are available in the registered office of the Parent Company.

#### **4.22. EXTRAORDINARY EXPENSES AND INCOME**

Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Group as well as income or expenses from events or transactions that are not expected to recur frequently or regularly.

## 5. ANALYSIS OF IMPACTS ON PROFIT/LOSS

### 5.1. CONSOLIDATED PROFIT/LOSS FOR 2012

#### 5.1.1. Structure of the Consolidated Profit/Loss for 2012

(CZK thousand)

Current year's profit made by MORAVIA STEEL a.s.	1 011 833
Current year's loss made by M Steel Projects a.s.	-246 225
Current year's loss made by Barrandov Lands, a.s.	-2 868
Current year's profit made by Hanácké železářny a pérovny a.s.	26 560
Current year's profit made by SV Servisní a.s.	4 125
Current year's profit made by Beskydská golfová, a.s.	1 847
Share of current year's profit made by Barrandov Studio a.s.	10 030
Share of current year's loss made by Barrandov Televizní Studio, a.s.	-332 985
Share of current year's profit made by MORAVIA STEEL ITALIA S.R.L.	26 743
Share of current year's profit made by Moravia Steel Deutschland, GmbH	52 368
Share of current year's profit made by MORAVIA STEEL UK LIMITED	12 339
Share of current year's profit made by the TŽ, a.s. consolidation group	983 424
Share of current year's profit made by Sochorová válcovna TŽ, a.s.	255 115
Share of current year's profit made by Moravskoslezský kovošrot a.s.	9 798
Share of current year's loss made by MSK Polska Sp.z o.o.	-45 312
Share in profit of equity accounted investments	62 358
Adjustments under full consolidation (see Note 5.1.2.)	-49 585
Adjustments under the equity method (see Note 5.1.3.)	-1 667
<b>Consolidated profit</b>	<b>1 777 898</b>

#### 5.1.2. Profit/(Loss) Adjustments under Full Consolidation for 2012

(CZK thousand)

Elimination of profit from unrealised intercompany inventory, including the deferred tax impact and elimination of minority profit or loss	-233 207
Elimination of the provision against investments, inventory and receivables, including the deferred tax impact	233 219
Elimination of dividends paid by MORAVIA STEEL ITALIA S.R.L. and Barrandov Studio a.s.	-71 710
Deconsolidation of MSK Polska Sp.z o.o.	-6 242
Sale and deconsolidation of Barrandov Lands a.s.	28 355
<b>Total adjustments</b>	<b>-49 585</b>

#### 5.1.3. Adjustments under Equity Consolidation for 2012

(CZK thousand)

Elimination of profit from sales of unrealised inventory among associates, including the deferred tax impact	-1 667
<b>Total adjustments</b>	<b>-1 667</b>

### 5.2. CONSOLIDATED PROFIT/LOSS FOR 2011

#### 5.2.1. Structure of the Consolidated Profit/Loss for 2011

(CZK thousand)

Current year's profit made by MORAVIA STEEL a.s.	1 384 928
Current year's profit made by M Steel Projects a.s.	217 759
Current year's profit made by Barrandov Lands, a.s.	2 857
Current year's profit made by Hanácké železářny a pérovny a.s.	32 783
Current year's profit made by SV Servisní a.s.	4 730
Current year's loss made by Beskydská golfová, a.s.	-3 019
Share of current year's profit made by Barrandov Studio a.s.	49 212
Share of current year's loss made by Barrandov Televizní Studio, a.s.	-181 494
Share of current year's profit made by MORAVIA STEEL ITALIA S.R.L.	30 192
Share of current year's loss made by Moravia Steel Deutschland, GmbH	-202 050
Share of current year's profit made by MORAVIA STEEL UK LIMITED	14 470
Share of current year's profit made by the TŽ, a.s. consolidation group	1 295 969
Share of current year's profit made by Sochorová válcovna TŽ, a.s.	279 479
Share of current year's profit made by Moravskoslezský kovošrot a.s.	38 469
Share of current year's loss made by MSK Polska Sp.z o.o.	- 20 901
Share in profit of equity accounted investments	62 591
Adjustments under full consolidation (see Note 5.1.2.)	-664 739
Adjustments under the equity method (see Note 5.1.3.)	-466
<b>Consolidated profit</b>	<b>2 340 770</b>

### 5.2.2. Profit/(Loss) Adjustments under Full Consolidation for 2011

(CZK thousand)

Elimination of profit from unrealised intercompany inventory, including the deferred tax impact and elimination of minority profit	-641 999
Elimination of the provision against inventory, including the deferred tax impact	-14 751
Elimination of dividends paid by MORAVIA STEEL ITALIA S.R.L.	-7 989
<b>Total adjustments</b>	<b>-664 739</b>

### 5.2.3. Adjustments under Equity Consolidation for 2011

(CZK thousand)

Elimination of profit from sales of unrealised inventory among associates, including the deferred tax impact	-466
<b>Total adjustments</b>	<b>-466</b>

## 6. ADDITIONAL INFORMATION ON THE BALANCE SHEET

### 6.1. INTANGIBLE FIXED ASSETS

Cost (CZK thousand)

	Balance at 1 Jan 2011	New acquisitions	Additions	Disposals	Impact of FX differences
Research and development	6 206	0	1	1 517	-137
Start-up costs	95	0	0	0	0
Goodwill	368	0	0	0	-30
Software	282 080	9 518	11 244	10 258	-622
Valuable rights	512 079	11 442	16 707	427	-1 026
Other intangible FA	50 877	0	2 080 811	2 014 837	0
Intangible FA under construction	13 904	0	182 357	183 665	0
Prepayments for intangible FA	-	0	0	0	0
<b>Total</b>	<b>865 609</b>	<b>20 960</b>	<b>2 291 120</b>	<b>2 210 704</b>	<b>-1 815</b>

(CZK thousand)

	Balance at 31 Dec 2011	New acquisitions	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2012
Research and development	4 553	0	0	0	0	4 553
Start-up costs	95	0	0	2	0	93
Goodwill	338	0	0	0	22	360
Software	291 962	1 979	8 068	7 404	236	294 841
Valuable rights	538 775	42 292	9 167	5 314	597	585 517
Other intangible FA	116 851	0	1 031 069	964 636	0	183 284
Intangible FA under construction	12 596	0	22 315	13 245	0	21 666
Prepayments for intangible FA	0	0	72	0	0	72
<b>Total</b>	<b>965 170</b>	<b>44 271</b>	<b>1 070 691</b>	<b>990 601</b>	<b>855</b>	<b>1 090 386</b>

### Accumulated Amortisation and Provisions

(CZK thousand)

	Balance at 1 Jan 2011	New acquisitions	Additions	Disposals	Impact of FX differences
Research and development	3 702	0	910	1 517	-136
Start-up costs	95	0	0	0	0
Goodwill	368	0	0	0	-30
Software	264 397	6 674	9 868	10 281	-622
Valuable rights	432 458	5 954	18 257	350	-521
Other intangible FA	9 599	0	912	0	0
Intangible FA under construction	796	0	0	0	0
<b>Total</b>	<b>711 415</b>	<b>12 628</b>	<b>29 947</b>	<b>12 148</b>	<b>-1 309</b>

(CZK thousand)

	Balance at 31 Dec 2011	New acquisitions	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2012
Research and development	2 959	0	911	0	0	3 870
Start-up costs	95	0	0	2	0	93
Goodwill	338	0	0	0	22	360
Software	270 036	1 898	8 074	7 405	236	272 839
Valuable rights	455 798	192	15 956	3 775	288	468 459
Other intangible FA	10 511	0	617	255	42	10 915
Intangible FA under construction	796	0	0	0	0	796
<b>Total</b>	<b>740 533</b>	<b>2 090</b>	<b>25 558</b>	<b>11 437</b>	<b>588</b>	<b>757 332</b>

**Net Book Value**

(CZK thousand)

	Balance at 31 Dec 2011	Balance at 31 Dec 2012
Research and development	1 594	683
Start-up costs	0	0
Software	21 926	22 002
Valuable rights	82 977	117 058
Other intangible FA	106 340	172 369
Intangible FA under construction	11 800	20 870
Prepayments for intangible FA	0	72
<b>Total</b>	<b>224 637</b>	<b>333 054</b>

The tables of movements of intangible fixed assets include the column “New acquisitions” in 2012 related to the expansion of the consolidated group to include ŽDB DRÁTOVNA a.s. and in 2011 related to the expansion of the consolidated group to include “D&D” Drótáru Zrt. and Moravia Steel Deutschland, GmbH which have been consolidated using the full consolidation method since 2011.

Additions to and disposals of other intangible fixed assets predominantly include the allocation and consumption of greenhouse emission allowances.

**Amortisation of Intangible Fixed Assets Charged to Expenses**

Amortisation of intangible fixed assets charged to expenses amounted to CZK 27,306 thousand and CZK 21,623 thousand for the years ended 31 December 2012 and 2011, respectively.

Other intangible assets include greenhouse gas emission allowances.

During 2012, the Company obtained 4,759,917 allowances in the amount of CZK 1,064,693 thousand free of charge. As of the balance sheet date of 31 December 2012, the Company recognised used allowances of CZK 1,033,637 thousand and the revaluation of emission allowances of CZK 47,728 thousand. During 2012, the Company exchanged 426,628 EUA allowances for 511,954 CER allowances. The effect of the exchange to the CER allowances amounted to CZK 13,854 thousand.

During 2011, the Company obtained 4,860,133 emission allowances in the amount of CZK 1,801,082 thousand free of charge. As of 31 December 2011, the Company recognised used emission allowances of CZK 1,935,221 thousand and the revaluation of emission allowances of CZK 81,410 thousand. During the year ended 31 December 2011, the Company sold 781,738 EUA emission allowances in the amount of CZK 279,474 thousand and concurrently purchased 853,349 ERU emission credits in the amount of CZK 259,391 thousand and 51,727 EUA emission allowances in the amount of CZK 20,083 thousand.

**Aggregate Amount of Low-Value Intangible Fixed Assets Maintained Off-Balance Sheet**

The aggregate balance of low-value intangible assets not reported on the face of the balance sheet was CZK 34,952 thousand and CZK 33,675 thousand as of 31 December 2012 and 2011, respectively.



## 6.2. TANGIBLE FIXED ASSETS

Cost (CZK thousand)

	Balance at 1 Jan 2011	New acquisitions	Additions	Disposals	Impact of FX differences
Land	1 263 969	40 467	121	8 765	-2 239
Structures	10 745 913	119 598	279 243	25 561	-28 080
Individual movable assets	27 924 164	425 157	1 598 567	264 580	-77 042
Other tangible FA	102 035	35 601	2 016	8 525	-2 418
Tangible FA under construction	1 204 438	8 314	904 677	1 776 607	-674
Prepayments	32 487	162	113 142	109 100	-21
Valuation difference on acquired assets	10 022	0	0	10 022	0
<b>Total</b>	<b>41 283 028</b>	<b>629 299</b>	<b>2 897 766</b>	<b>2 203 160</b>	<b>-110 474</b>

(CZK thousand)

	Balance at 31 Dec 2011	New acquisitions	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2012
Land	1 293 553	56 663	3 654	237 947	1 170	1 117 093
Structures	11 091 113	911 778	314 882	79 988	17 132	12 254 917
Individual movable assets	29 606 266	1 824 977	691 203	365 066	42 872	31 800 252
Other tangible FA	128 709	64 051	4 478	4 616	685	193 307
Tangible FA under construction	340 148	17 879	1 011 855	708 696	1 227	662 413
Prepayments	36 670	3 269	210 350	122 401	0	127 888
Valuation difference on acquired assets	0	0	0	0	0	0
<b>Total</b>	<b>42 496 459</b>	<b>2 878 617</b>	<b>2 236 422</b>	<b>1 518 714</b>	<b>63 086</b>	<b>46 155 870</b>

Accumulated Depreciation and Provisions (CZK thousand)

	Balance at 1 Jan 2011	New acquisitions	Additions	Disposals	Impact of FX differences
Structures	5 105 113	10 573	277 526	27 295	-12 085
Individual movable assets	18 481 043	167 001	1 289 586	274 614	-47 932
Other tangible FA	98 050	25 115	4 023	8 356	-1 662
Tangible FA under construction	8 833	0	28 273	712	0
Prepayments	1 675	0	38	0	0
Valuation difference on acquired assets	10 022	0	0	10 022	0
<b>Total</b>	<b>23 704 736</b>	<b>202 689</b>	<b>1 599 446</b>	<b>320 999</b>	<b>-61 679</b>

(CZK thousand)

	Balance at 31 Dec 2011	New acquisitions	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2012
Structures	5 353 832	399 408	294 723	56 935	8 584	5 999 612
Individual movable assets	19 615 084	1 210 392	1 264 750	335 174	32 693	21 787 745
Other tangible FA	117 170	0	8 917	4 046	566	122 607
Tangible FA under construction	36 394	380	28 643	28 603	0	36 814
Prepayments	1 713	0	0	28	0	1 685
Valuation difference on acquired assets	0	0	0	0	0	0
<b>Total</b>	<b>25 124 193</b>	<b>1 610 180</b>	<b>1 597 033</b>	<b>424 786</b>	<b>41 843</b>	<b>27 948 463</b>

Net Book Value (CZK thousand)

Net	Balance at 31 Dec 2011	Balance at 31 Dec 2012
Land	1 293 553	1 117 093
Structures	5 737 281	6 255 305
Individual movable assets	9 991 182	10 012 507
Other tangible FA	11 539	70 700
Tangible FA under construction	303 754	625 599
Prepayments for tangible FA	34 957	126 203
Valuation difference on acquired assets	0	0
<b>Total</b>	<b>17 372 266</b>	<b>18 207 407</b>

The tables of movements of tangible fixed assets include the column "New acquisitions" in 2012 related to the expansion of the consolidated group to include ŽDB DRÁTOVNA a.s. and in 2011 related to the expansion of the consolidated group to include "D&D" Drótáru Zrt., and Moravia Steel Deutschland, GmbH which have been consolidated using the full consolidation method since 2011. Disposals in 2012 include the deconsolidation of MSK Polska sp.z o.o. and the sale of Barrandov Lands a.s.

**Principal additions to tangible fixed assets for the year ended 31 December 2012 are as follows:**

(CZK thousand)

Acquisition of barriers in the scrap yard	90 877
Acquisition of lead vehicle no. 3 and industrial vacuum cleaners as part of the completion of the modernisation of coke battery 12	64 704
Neutralisation station for the processing of pickling dips and acid washing waters	43 577
Equipment enhancement in the ZPO 1 continuous steel casting plant	34 081
Modernisation of piping to blast furnace no. 4 including the acquisition of a carriage to replace air-blast devices and a bucket crane	27 579

**Principal additions to tangible fixed assets under construction for the year ended 31 December 2012 are as follows:**

(CZK thousand)

Acquisition of new technology – direct injecting of duff coal to furnace nos. 4 and 6	83 857
Acquisition of new technology – EMS for round steel with a diameter of 410 mm at ZPO1	21 327
Acquisition of crystal boxes D410 segments no. I D410	15 870
Tearing machine 400 t	10 718

**Depreciation of Tangible Fixed Assets Charged to Expenses**

Depreciation of tangible fixed assets amounted to CZK 1,538,503 thousand and CZK 1,555,554 thousand for the years ended 31 December 2012 and 2011, respectively.

**Aggregate Amount of Low-Value Tangible Assets Maintained Off-Balance Sheet**

The aggregate cost of low-value tangible fixed assets not included in the balance sheet totalled CZK 637,966 thousand and CZK 594,730 thousand as of 31 December 2012 and 2011, respectively.

**Fair Value**

As of the acquisition date in 2012, the Group remeasured the assets of ŽDB DRÁTOVNÁ a.s. at fair value.

In the year ended 31 December 2012, the revaluation of assets to fair value increased the balance of tangible fixed assets by CZK 175,082 thousand and resulted in the recognition of a deferred tax liability of CZK 20,703 thousand using the 19% tax rate.

As of the acquisition date in 2011, the Group remeasured the assets of “D&D” Drótáru Zrt. at fair value.

In the year ended 31 December 2011, the revaluation of assets to fair value increased the balance of tangible fixed assets by CZK 68,459 thousand and resulted in the recognition of a deferred tax liability of CZK 4,787 thousand using the 10% tax rate.

**6.3. ASSETS HELD UNDER FINANCE AND OPERATING LEASE AGREEMENTS****Finance Leases**

(CZK thousand)

31 December 2012	Passenger cars	Machinery and equipment	New acquisition	Balance at 31 Dec 2012
Total estimated sum of lease instalments	18 787	181 753	74 275	274 815
Payments made as of 31 Dec 2012	18 259	145 930	18 964	183 153
Future payments to be made by 31 Dec 2013	503	35 697	18 964	55 164
Due in the following years	25	126	36 347	36 498

(CZK thousand)

31 December 2011	Passenger cars	Machinery and equipment	Balance at 31 Dec 2011
Total estimated sum of lease instalments	23 499	208 997	232 496
Payments made as of 31 Dec 2011	21 032	135 217	156 249
Future payments to be made by 31 Dec 2012	1 964	22 113	24 077
Due in the following years	503	51 667	52 170

The “New acquisition” column in the finance leases table in 2012 relates to the extension of the consolidation group to include ŽDB DRÁTOVNÁ a.s.

**Operating Leases**

In the years ended 31 December 2012 and 2011, rental amounted to CZK 42,274 thousand and CZK 107,166 thousand, respectively.

#### 6.4. FIXED ASSETS PLEDGED AS SECURITY

31 December 2012

(CZK thousand)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
TFA	605 624	Syndicated loan provided by Česká spořitelna, a.s., HSBC Bank plc- Prague branch, and CITIBANK Europe plc
Land	40 732	
TFA	280 787	Loan from Citibank, a.s.
TFA	569 757	Loan from Česká spořitelna, a.s.
TFA	202 371	Loan from ČSOB, a.s.
Land	10 640	
TFA*	123 440	Loan from Fortis Bank Polska S.A., pledge of assets of up to PLN 20,000 thousand
TFA*	46 290	Loan from ING Bank Śląski S.A., pledge of assets of up to PLN 7,500 thousand
TFA*	36 601	State grant from the National Development Agency
TFA	889 955	Loan from ČSOB, a.s., pledge of assets of up to CZK 885,000 thousand
Land	34 416	
TFA	38 589	Long-term loan from UniCredit Bank Czech Republic, a.s.
TFA	10 224	Long-term loan from ČSOB, a.s.
TFA, land	3 659	Loan from CITIBANK Europe plc.
TFA, land	15 067	Investment loan from ČSOB, a.s.
TFA	97 161	Overdraft loan from ČSOB, a.s.
Land	10 614	Overdraft loan from ČSOB, a.s.
Technology	49 766	Investment loan from ČSOB, a.s.
TFA, Technology	127 453	Investment loan from KB, a.s.
TFA, technology	22 343	Česká spořitelna, a.s. – pledge in support of the loan of Třinecké železárny, a. s. for the KB 12 coke battery
TFA, land	233 219	Loan from Raiffeisenbank, a.s.
TFA, land	34 455	Loan from České spořitelny, a.s.
TFA, land	58 274	Loan from Oberbank AG
TFA, land	29 742	Loan from Oberbank Leasing, spol. s r.o.
TFA, land	1 215	Loan from Citibank Europe plc.
Land	69 690	Loan from HSBC Bank plc. – Prague branch
TFA	67 345	Loan from HSBC Bank plc. – Prague branch
TFA	30 006	Loan from HSBC Bank plc. – Prague branch
Production equipment	431 137	Loan from HSBC Bank plc. – Prague branch
TFA, land	170 399	Loan from Česká spořitelna, a.s.
<b>Total</b>	<b>4 340 971</b>	

Note.: \* translated using the exchange rate promulgated by the Czech National Bank as of 31 December 2012.

31 December 2011

(CZK thousand)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
TFA	652 672	Syndicated loan provided by Česká spořitelna, a.s., HSBC Bank plc- Prague branch, and CITIBANK Europe plc
Land	40 732	
TFA	284 172	Loan from Citibank, a.s.
TFA	604 529	Loan from Česká spořitelna, a.s.
TFA*	115 780	Loan from Fortis Bank Polska S.A., pledge of assets of up to PLN 20,000 thousand
TFA*	43 417	Loan from ING Bank Śląski S.A., pledge of assets of up to PLN 7,500 thousand
TFA*	38 789	State grant from the National Development Agency
TFA	44 451	Long-term loan from UniCredit Bank Czech Republic, a.s.
TFA	18 278	Long-term loan from UniCredit Bank Czech Republic, a.s.
TFA	12 376	Long-term loan from ČSOB, a.s.
TFA	28 176	Long-term loan from KB, a.s.
TFA, land	2 133	Loan from CITIBANK Europe plc.
TFA, land	1 020	Loan from CITIBANK Europe plc.
TFA, land	815	Loan from CITIBANK Europe plc
TFA, land	361	Loan from CITIBANK Europe plc
TFA, land	15 665	Investment loan from ČSOB, a.s.
Land	173	Investment loan from ČSOB, a.s.
TFA, structures	97 206	Overdraft loan facility provided by ČSOB, a.s.
Land	10 614	Overdraft loan facility provided by ČSOB, a.s.
Technology	58 417	Investment loan from ČSOB, a.s.
TFA	141 996	Loan from KB, a.s.
TFA, technology	23 300	Česká spořitelna, a.s. – pledge in support of the loan of Třinecké železárny, a. s. for the KB 12 coke battery
TFA, land	52 000	Loan from Raiffeisenbank, a.s.
Land	69 690	Loan from HSBC Bank plc. – Prague branch
TFA	66 748	Loan from HSBC Bank plc. – Prague branch
TFA	29 690	Loan from HSBC Bank plc. – Prague branch
Production equipment	449 459	Loan from HSBC Bank plc. – Prague branch
TFA, IFA	185 371	Collateral of all bank loans
TFA, land	252 010	Raiffeisenbank, a.s.
TFA, land	35 511	Loan from Česká spořitelna, a.s.
TFA, land	60 099	Loan from Oberbank AG
TFA, land	35 352	Loan from Oberbank Leasing, spol. s r.o.
TFA, land	1 289	Loan from Citibank Europe plc.
TFA, land	22 919	Loan from HC CAPITAL, a.s.
<b>Total</b>	<b>3 495 210</b>	

Note.: \* translated using the exchange rate promulgated by the Czech National Bank as of 31 December 2011.

## 6.5. SUMMARY OF UNCONSOLIDATED INVESTMENTS

### 6.5.1. Summary of Unconsolidated Investments in 2012

Balance at 31 December 2012

(CZK thousand)

Equity investments – subsidiaries							
Company name	Cost	Nominal value	Share in %	Equity	Profit/loss	Provision	Net cost
Moravia Steel Slovenija, d.o.o.	1 573	867	51	1 315	-503	0	1 573
Moravia Steel Ibéria, s.a.	10 850	2 533	99.33	12 213	76	0	10 850
Moravia Goel Trade, d.o.o.*)	59	59	60	*)	*)	-59	0
MS – Slovensko s.r.o.	161	160	100	945	-1	0	161
Moravia Steel Israel Ltd.	346	208	100	-170	-23	0	346
Barrandov Productions s.r.o.	100	100	100	7 003	652	0	100
Filmová nadace RWE & Barrandov Studio **)	500	500	100	1 333	-940	0	500
<b>Total</b>	<b>13 589</b>	<b>4 427</b>				<b>-59</b>	<b>13 530</b>

\*) In liquidation

\*\*) Balance at 31 December 2012 – reporting period ending 28 February 2013

**Summary of Unconsolidated Investments of the TŽ, a.s. Sub-Group:**

(CZK thousand)

Equity investments – subsidiaries									
Company name	Gross carrying amount	Nominal value	Number of securities	Share in %	Equity	Profit after tax	Provision	Net carrying amount	Financial income for the year
Třinecké gastroslužby, s.r.o., Třinec-Staré Město	25 643	25 800	-	100.00	41 482	1 788	0	25 643	0
Doprava TŽ, a.s., Třinec-Staré Město	15 755	16 000	115	100.00	34 435	1 460	0	15 755	0
TRIALFA, s.r.o., Třinec-Kanada	100	100	-	100.00	18 258	388	0	100	0
Steel Consortium Partners, a.s., Třinec-Staré Město	19 000	19 000	117	100.00	1 386	-123	-17 606	1 394	0
Reťaze Slovakia s.r.o., Skalica, Slovensko	12 056	4 936	-	80.00	15 071	817	0	12 056	2 043
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Vítkovice, Ostrava	*	45 738	-	89.11	47 256	2 041	0	*	0
TRISIA, a.s., Třinec	19 364	9 900	990	66.00	59 611	-925	0	19 364	0
„ZAMECZEK BŁOGOCICE“ Spółka z ograniczoną odpowiedzial- nością, Cieszyn, Poland	49 750	48 558	-	88.00	46 817	418	0	49 750	0
Moravia Security, a.s., Třinec-Konská	12 000	12 000	12	100.00	16 105	1 371	0	12 000	0
Neomet Sp. z o.o., Radomsko, Poland	1 074	1 074	3 400	100.00	1 049	30	-1 074	0	0
Moravia Steel Poland Sp. z o.o., Cieszyn, Poland	182	182	100	100.00	309	28	0	182	0
Střední odborná škola Třineckých železáren, Třinec-Kanada **	2 000	2 000	-	100.00	80 669	-2 178	0	2 000	0
TŘINECKÁ PROJEKCE, a.s., Třinec-Kanada***	5 978	2 745	183	83.18	11 214	476	0	5 978	0
DALSELV DESIGN a.s.****	*	1 360	12	68.00	31 057	1 496	0	*	0
<b>Total</b>	<b>215 938</b>						<b>-18 680</b>	<b>197 258</b>	<b>2 043</b>

In italics - preliminary results as of 31 December 2012

Note: \* Confidential information

\*\* TŘINECKÉ ŽELEZÁRNY, a. s. is the founder in accordance with Act No. 561/2004 Coll., Education Act

\*\*\* on 29 March 2012, the equity investment in TŘINECKÁ PROJEKCE, a.s. was increased from 34.09% to 83.18%

\*\*\*\* DALSELV DESIGN a.s. became part of the group on 17 December 2012

(CZK thousand)

Equity investments – associates									
Company name	Gross carrying amount	Nominal value	Number of securities	Share in %	Equity	Profit after tax	Provision	Net carrying amount	Financial income for the year
Kvalifikační a personální agentura, o.p.s., Třinec-Staré Město	34	34	-	33.33	6 521	353	-34	0	0
Hutnictví železa, a.s., Prague	25 963	16 397	27 328	39.21	41 663	-2 862	-18 008	7 955	0
HRAT, s.r.o., Třinec*	212	100	-	23.26	1 164	-671	0	212	0
<b>Total</b>	<b>26 209</b>						<b>-18 042</b>	<b>8 167</b>	<b>0</b>

In italics - preliminary results as of 31 December 2012

\* results for the period from 1 April 2012 – 31 March 2013

SILESIALAG, a.s. “in liquidation” was placed in liquidation as of 1 January 2012, the extraordinary general meeting held on 17 December 2012 approved the distribution of the liquidation balance of the company.

**Unconsolidated financial investments of the Moravskoslezský kovošrot, a.s. Sub-group:**

(CZK thousand)

Equity investments – subsidiary							
Name of the entity	Cost	Nominal value	Share in %	Equity	Profit after tax	Provision	Net cost
MSK Polska Sp. z o.o.	48 345	48 345	84	-24 368	-45 312	-48 345	0
<b>Total</b>	<b>48 345</b>	<b>48 345</b>				<b>-48 345</b>	<b>0</b>

The Group did not generate any material financial income from the unconsolidated investments in the year ended 31 December 2012.

## 6.5.2. Summary of Unconsolidated Investments in 2011

## Balance at 31 December 2011

(CZK thousand)

Equity investments – subsidiaries							
Company name	Cost	Nominal value	Share in %	Equity	Profit/loss	Provision	Net cost
Moravia Steel Slovenija, d.o.o.	1 573	867	51	1 866	104	0	1 573
Moravia Steel Ibéria,s.a.	10 850	2 533	99.33	12 455	135	0	10 850
Moravia Goel Trade, d.o.o.*)	59	59	60	*)	*)	-59	0
MS – Slovensko s.r.o.	161	160	100	970	-4	0	161
Moravia Steel Israel Ltd.	346	208	100	-150	-20	0	346
Barrandov Productions s.r.o.	100	100	100	6 733	2 295	0	100
Filmová nadace RWE & Barrandov Studio **)	500	500	100	1 350	-820	0	500
<b>Total</b>	<b>13 589</b>	<b>4 427</b>		<b>23 224</b>	<b>1 690</b>	<b>-59</b>	<b>13 530</b>

\*) In liquidation

\*\*) Balance at 31 December 2011 – reporting period ending 29 February 2012

## Summary of Unconsolidated Investments of the TŽ, a.s. Sub-Group:

(CZK thousand)

Equity investments – subsidiaries									
Company name	Gross carrying amount	Nominal value	Number of securities	Share in %	Equity	Profit after tax	Provision	Net carrying amount	Financial income for the year
Třinecké gastroslužby, s.r.o.	25 643	25 800	0	100.00	39 694	2 328	0	25 643	0
Doprava TŽ, a.s.	15 755	16 000	115	100.00	32 975	1 594	0	15 755	25 000
TRIALFA, s.r.o.	100	100	0	100.00	17 870	229	0	100	0
Steel Consortium Partners, a.s.	19 000	19 000	117	100.00	1 509	-92	-17 490	1 510	0
Reťaze Slovakia s.r.o.	13 766	4 936	0	80.00	17 208	2 835	0	13 766	0
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	*)	45 738	0	89.11	45 217	767	0	*)	0
TRISIA, a.s.	19 364	9 900	990	66.00	60 609	-1 504	0	19 364	0
„ZAMECZEK BŁOGOCICE“ Spółka z ograniczoną odpowiedzialnością Cieszyn, Polsko	49 750	48 558	0	88.00	44 220	457	0	49 750	0
Moravia Security, a.s.	12 000	12 000	12	100.00	14 734	939	0	12 000	0
Neomet Sp. z o.o., Radomsko, Poland	1 007	1 007	3 400	100.00	984	23	-1 007	0	0
Moravia Steel Poland Sp. z o.o., Cieszyn, Poland	170	170	100	100.00	289	35	0	170	0
Střední odborná škola Třineckých železáren, Třinec-Kanada **	2 000	2 000	-	100.00	78 538	694	0	2 000	0
<b>Total</b>	<b>176 591</b>						<b>-18 497</b>	<b>158 094</b>	<b>25 000</b>

Note: \*) Confidential information

\*\*) TŘINECKÉ ŽELEZÁRNY, a. s. is the founder in accordance with Act No. 561/2004 Coll., Education Act on 2 July 2011, the name was changed from Soukromá střední škola Třinec to Střední odborná škola Třineckých železáren  
In italics - preliminary results as of 31 December 2011

(CZK thousand)

Equity investments – associates									
Company name	Gross carrying amount	Nominal value	Number of securities	Share in %	Equity	Profit after tax	Provision	Net carrying amount	Financial income for the year
SILESIAFLAG, a.s.	1 760	1 760	74	44.00	3 668	-81	-145	1 615	0
TŘINECKÁ PROJEKCE, a.s.	750	1 125	75	34.09	10 738	88	0	750	0
Kvalif. a personální agentura, o.p.s.	34	34	0	33.33	7 021	362	-34	0	0
Hutnictví železa, a.s.	25 963	16 397	27 328	39.21	43 834	-1 881	-17 097	8 866	0
HRAT, s.r.o.*)	212	100	0	23.26	2 237	417	0	212	0
<b>Total</b>	<b>28 719</b>						<b>-17 276</b>	<b>11 443</b>	<b>0</b>

Note: \*) Profit for the period from 1 April 2011 to 31 March 2012.

In italics - preliminary results as of 31 December 2011

The Group did not generate any material financial income from the unconsolidated investments in the year ended 31 December 2011.



## 6.6. ACCOUNTING FOR GOODWILL ARISING ON CONSOLIDATION

2012 (CZK thousand)

	Gross	Adjustment	Net	Recognition in equity	Recognition in expenses	Recognition in income
Positive goodwill arising on consolidation						
Barrandov Studio a.s.	34 362	34 362	0	0	0	0
Hanácké železářny a pérovny a.s.	130 508	14 501	116 007	0	0	0
Moravia Steel UK LIMITED	1 234		1 234	0	0	0
„D&D“ Drótáru Zrt.	365 378	64 990	300 388	0	64 990	0
ŽDB DRÁTOVNA a.s.	258 534	0	258 534	0	0	0
<b>Total</b>	<b>790 016</b>	<b>113 853</b>	<b>676 163</b>	<b>0</b>	<b>64 990</b>	<b>0</b>

2011 (CZK thousand)

	Gross	Adjustment	Net	Recognition in equity	Recognition in expenses	Recognition in income
Positive goodwill arising on consolidation						
Barrandov Studio a.s.	34 362	34 362	0	0	586	0
Barrandov Televizní Studio, a.s.	0	0	0	0	82	0
Hanácké železářny a pérovny a.s.	130 508	14 501	116 007	0	0	0
Moravia Steel UK LIMITED	1 234	0	1 234	0	0	0
„D&D“ Drótáru Zrt.	365 580	0	365 580	0	0	0
<b>Total</b>	<b>531 684</b>	<b>48 863</b>	<b>482 821</b>	<b>0</b>	<b>668</b>	<b>0</b>

## 6.7. SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING

(CZK thousand)

Securities and equity investments under equity accounting	2012	2011
VESUVIUS ČESKÁ REPUBLIKA, a.s.	129 675	105 900
Kovárna VIVA a.s.	304 356	249 561
Moravia Steel Middle East FZCO	15 504	4 177
<b>Total</b>	<b>449 535</b>	<b>359 638</b>

## 6.8. NON-CURRENT FINANCIAL ASSETS PLEDGED AS SECURITY

As of 31 December 2012, the Company records non-current financial assets pledged as security with the nominal value of CZK 2,000 thousand.

As of 31 December 2011, the Company recorded no non-current financial assets pledged as security.

## 6.9. INVENTORY

As of 31 December 2012 and 2011, provisions against inventory were made in the aggregate amounts of CZK 641,241 thousand and CZK 676,085 thousand, respectively. The provision against material amounted to CZK 334,764 thousand (2011: CZK 282,460 thousand), the provision against work in progress and semi-finished products amounted to CZK 203,798 thousand (2011: CZK 298,942 thousand), the provision against finished products amounted to CZK 102,133 thousand (2011: CZK 94,312 thousand), and the provision against goods amounted to CZK 546 thousand (2011: CZK 371 thousand).

## 6.10. RECEIVABLES

### 6.10.1. Structure of Short-Term Receivables

#### Aging of Short-Term Trade Receivables

(CZK thousand)

Balance	Category	Before due date	Past due date					Total	Total
			1-90 days	91-180 days	181-360 days	1-2 years	2 years and greater		
2012	Short-term	6 288 484	1 183 051	8 229	25 938	110 442	329 693	1 657 353	7 945 837
	Provisions	0	1 355	2 752	11 582	108 604	334 081	458 374	458 374
	<b>Total</b>	<b>6 288 484</b>	<b>1 181 696</b>	<b>5 477</b>	<b>14 356</b>	<b>1 838</b>	<b>-4 388</b>	<b>1 198 979</b>	<b>7 487 463</b>
2011	Short-term	6 158 006	1 128 783	52 694	83 064	68 385	447 573	1 780 499	7 938 505
	Provisions	-2 817	-8 771	-19 288	-13 917	-66 804	-447 591	-556 371	-559 188
	<b>Total</b>	<b>6 155 189</b>	<b>1 120 012</b>	<b>33 406</b>	<b>69 147</b>	<b>1 581</b>	<b>-18</b>	<b>1 224 128</b>	<b>7 379 317</b>

#### Other Short-Term Receivables

Short-term prepayments made principally include prepayments for supplied services.

State – tax receivables predominantly include a receivable arising from the excessive value added tax deduction and prepayments for fees according to the Air Protection Act.

Other receivables principally include a receivable arising from a bank guarantee and a receivable arising from the indisputable entitlement for the subsidy.

Estimated receivables principally include an estimated receivable arising from anticipated insurance benefits.  
Receivables typically mature within 30 days.

### 6.10.2. Receivables Pledged as Security

D 5, akciová společnost, Třinec, reports receivables pledged as security in relation to a loan provided by Československá obchodní banka, a.s. in the aggregate amount of CZK 30,000 thousand, of which the receivables in the amount of no less than CZK 20,000 thousand are to be collected from other than the TŘINECKÉ ŽELEZÁRNY, a.s. and the MORAVIA STEEL a.s. groups' entities.

Šroubárna Kyjov, spol. s r.o. has pledged the following receivables as security:

- Based on Loan Contract 0048/07/05527 in the amount of CZK 60,000 thousand including accrued interest (overdraft loan facility); and
- Based on Loan Contract 0707/06/05527 in the amount of EUR 2,400 thousand including accrued interest, for the acquisition of the Sakamura machine.

As of 31 December 2012, VÚHŽ a.s. pledged receivables of CZK 13,352 thousand. The pledge results from the concluded Contract for the Establishment of a Pledge of Receivables in Československá obchodní banka, a.s., and collateralises the provided short-term loans such as revolving and overdraft facilities and concurrently receivables arising from the contract for the provision of bank guarantees and letter of credit. As of 31 December 2011, this pledge amounted to CZK 11,416 thousand.

As of 31 December 2012, ŽDB DRÁTOVNA a.s. pledged receivables of CZK 567,645 thousand pursuant to the Contracts for Loans concluded with Československá obchodní banka, a.s.

„METALURGIA“ S.A. records pledged receivables of PLN 3,915,744.35 with ING Commercial Finance Polska S.A.

### 6.10.3. Intercompany Receivables

#### Short-Term Receivables

(CZK thousand)

Entity	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Trade receivables		
HRAT, s.r.o.	3	5
Doprava TŽ, a.s.	1 481	2 465
TRIALFA, s.r.o.	2 675	3 824
TŘINECKÁ PROJEKCE, a.s.	449	8 462
Třinecké gastroslužby, s.r.o.	1 304	1 207
Střední odborná škola Třineckých železáren *)	847	148
NEOMET, S.A.	1	1
Kvalifikační a personální agentura, o.p.s.	3	3
TRISIA, a.s.	7	3
VESUVIUS ČESKÁ REPUBLIKA, a.s.	4 804	4 373
Kovárna VIVA, a.s.	79 070	79 507
SILESIALAG, a.s.**)	0	1
Steel Consortium Partners, a.s.	1	1
MATERIÁLOVÝ A METALUGRICKÝ VÝZKUM, s.r.o.	119	116
Moravia Security, a.s.	147	172
Barrandov Productions, s.r.o.	11 507	4 199
Filmová nadace RWE & Barrandov Studio	13	15
FINITRADING, a.s.	2	1
Security Morava, s.r.o.	8	8
Moravia Steel Poland Sp. z o.o.	1	0
DALSELV DESIGN a.s.***)	1 517	0
<b>Total short-term intercompany trade receivables</b>	<b>103 959</b>	<b>104 511</b>
Other receivables		
SILESIALAG, a.s. "in liquidation"***)	1 255	0
MSK Polska sp.z o.o.	24 688	0
Provision against other intercompany receivables	-24 688	0
<b>Total other intercompany receivables - net</b>	<b>1 255</b>	<b>0</b>
<b>Total short-term intercompany receivables - net</b>	<b>105 214</b>	<b>104 511</b>
Other than intercompany receivables	8 630 398	8 782 684
<b>Total net short-term receivables</b>	<b>8 735 612</b>	<b>8 887 195</b>

\* TŘINECKÉ ŽELEZÁRNY, a.s., is the founder in accordance with Act No. 561/2004 Coll., Education Act

\*\* SILESIALAG, a.s., "in liquidation", entered liquidation as of 1 January 2012; the company's extraordinary General Meeting approved the distribution of the liquidation balance on 17 December 2012

\*\*\* DALSELV DESIGN a.s. became part of the group on 17 December 2012

## Long-Term Receivables

(CZK thousand)

Entity	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Long-term receivables	0	0
<b>Total long-term intercompany receivables</b>	<b>0</b>	<b>0</b>
Other than intercompany receivables	133 264	171 339
<b>Total long-term receivables</b>	<b>133 264</b>	<b>171 339</b>

## 6.11. EQUITY AND SHARE CAPITAL

### 6.11.1. Shareholders' Equity

Allocations to the statutory reserve fund are made at 5% of net profit until the fund reaches 20% of the share capital of the consolidated entities that are based in the Czech Republic, as required by legislation.

Gains and losses from revaluation comprise the gain or loss from the revaluation of available-for-sale securities net of the deferred tax liability. In addition, they comprise the impact of the deferred tax arising from the gains or losses from the revaluation of assets and liabilities at fair value.

No dividends were declared in the year ended 31 December 2012.

### 6.11.2. Share Capital

As of 31 December 2012, the share capital amounted to CZK 3,157,000 thousand. The Company's share capital is composed of 1,514 registered shares with a nominal value of CZK 500 thousand each, 100 registered shares with a nominal value of CZK 10,000 thousand each and 2 registered shares with a nominal value of CZK 700,000 thousand each. The shares are not readily marketable but are fully transferable subject to the prior consent of the Company's Supervisory Board.

## 6.12. RESERVES

(CZK thousand)

	Reserves under special legislation					Total reserves
	Reserves for repairs of tangible fixed assets	Reserve for reclamation	Reserve for pensions and similar liabilities	Income tax reserve	Other reserves	
<b>Balance at 31 Dec 2010</b>	<b>18 899</b>	<b>1 793</b>	<b>3 606</b>	<b>6 305</b>	<b>252 284</b>	<b>282 887</b>
Change in the consolidation method	0	0	0	0	7 948	7 948
Effect of foreign exchange rates	0	0	-297	-41	-146	-484
Charge for reserves	11 000	60	339	0	868 095	879 494
Use of reserves	13 899	0	25	6 264	527 779	547 967
<b>Balance at 31 Dec 2011</b>	<b>16 000</b>	<b>1 853</b>	<b>3 623</b>	<b>0</b>	<b>600 402</b>	<b>621 878</b>
New acquisition **)	0	0	0	0	36 571	36 571
Effect of foreign exchange rates	0	0	240	0	-5 609	-5 369
Charge for reserves	11 000	68	3 607	0	183 522	198 197
Use of reserves	0	0	610	0	278 502	279 112
Deconsolidation *)	0	0	0	0	39 323	39 323
<b>Balance at 31 Dec 2012</b>	<b>27 000</b>	<b>1 921</b>	<b>6 860</b>	<b>0</b>	<b>497 061</b>	<b>532 842</b>

\*) Deconsolidation of MSK Polska sp.z o.o.

\*\*) Extension of the consolidation group to include ŽDB DRÁTOVNA a.s.

The reserves for repairs of tangible fixed assets (tax-deductible) were made for repairs of main production facilities in compliance with the Provisioning Act. The creation of reserves is based upon a long-term repair plan, the schedule and budget of repairs.

Other reserves consist of reserves for the scrapping of equipment, employee bonuses, commitments being dealt with through the courts, losses incurred in connection with a concluded long-term contract and other threatening fines.

## 6.13. PAYABLES

### 6.13.1. Long-Term Payables

Long-term trade payables as of 31 December 2012 are reported in the aggregate amount of CZK 74,540 thousand and principally include retained fees from suppliers pursuant to concluded contracts. As of 31 December 2011, long-term payables amounted to CZK 54,498 thousand.

The increase in long-term received prepayments as of 31 December 2012 is primarily due to the prepayment made by the final customer Azerbaijan Railways Closed, Joint Stock Company for the project of material and technology and overhaul of a railway track section between Baku and Bjojuk Kesik in Azerbaijan.

### 6.13.2. Short-Term Trade Payables

#### Aging of short-term trade payables:

(CZK thousand)

Balance at 31 Dec	Category	Before due date	Past due date					Total
			1-90 days	91-180 days	181-360 days	1-2 years	2 years and greater	
2012	Short-term	4 893 380	130 508	41 173	43 139	25 998	2 241	<b>5 136 439</b>
2011	Short-term	5 696 701	297 007	25 740	12 264	3 977	1 175	<b>6 036 864</b>

### 6.13.3. Other Payables

As of 31 December 2012 and 2011, the payables arising from social security and state employment policy contributions and public health insurance amounted to CZK 164,412 thousand and CZK 174,496 thousand, respectively. These payables were duly settled as of the balance sheet date.

State – tax payables and subsidies predominantly include the short-term portion of payables arising from public subsidies and an income tax payable.

Estimated payables predominantly include unbilled supplies for work and services and an estimated payable for outstanding vacation days and annual bonuses including insurance payments.

Other payables of the Company predominantly include the short-term portion of supplier loans, deductions from employees and payables arising from the acquisition of equity investments.

### 6.13.4. Intercompany Payables

#### Short-Term Payables

(CZK thousand)

Entity	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Trade payables		
Doprava TŽ, a.s.	11 883	11 644
Hutnictví železa, a.s.	613	593
Moravia Security, a.s.	15 508	14 432
TRIALFA, s.r.o.	14 495	15 614
TRISIA, a.s.	534	752
TŘINECKÁ PROJEKCE, a.s.	3 498	3 999
Třinecké gastroslužby, s.r.o.	9 054	10 803
VESUVIUS ČESKÁ REPUBLIKA, a.s.	8 692	7 894
Security Morava s.r.o.	276	473
ZAMECZEK BŁOGOCICE Sp. z o.o.	104	97
FINITRADING, a.s.	233 176	262 667
MORAVIA STEEL SLOVENIJA d.o.o.	3 717	3 951
Kvalifikační a personální agentura, o.p.s.	41	30
Barrandov Productions, s.r.o.	13 877	19 609
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	320	829
Střední odborná škola Třineckých železáren*)	2 694	2 762
Moravia Steel Ibéria, s.a.	0	822
HRAT, s.r.o.	36	90
Reťaze Slovakia, s.r.o.	37	0
DALSELV DESIGN a.s.**)	10 091	0
MSK Polska sp.z o.o.	54	0
<b>Total short-term intercompany payables</b>	<b>328 700</b>	<b>357 061</b>
Other than intercompany payables	6 665 059	7 760 330
<b>Total short-term payables</b>	<b>6 993 759</b>	<b>8 117 391</b>

\* TŘINECKÉ ŽELEZÁRNY, a. s. is the founder in accordance with Act No. 561/2004 Coll., Education Act

\*\* DALSELV DESIGN a.s. became part of the group on 17 December 2012

## 6.14. DEFERRED TAX LIABILITY AND DEFERRED TAX ASSET

### 6.14.1. Deferred Tax Liability

In determining the deferred tax liability amount, the Group used the tax rate for the period in which the deferred tax liability is anticipated to be realised.

(CZK thousand)

Deferred tax arising from	Tax rate in %	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Difference between the tax and accounting carrying values of fixed assets	19	7 726 042	7 134 920
Difference between the tax and accounting carrying values of fixed assets	10	138 960	111 099
Revaluation of securities available for sale	19	-20	-20
Revaluation of securities available for sale	10	-217	-295
Revaluation of assets to fair value charged to equity	19	245 861	290 103
Revaluation of assets to fair value charged to consolidation goodwill	19	83 557	0
Revaluation of assets to fair value charged to consolidation goodwill	10	46 876	48 897
Accounting reserves	19	-175 894	-274 480
Accounting reserves	10	-26 450	-25 247
Provisions	19	-704 620	-761 256
Provisions	10	-6 593	-4 333
Expenses deductible in the following years	19	-101 319	-151 073
Utilisable tax loss	19	-1 428 591	-2 120 824
Outstanding default interest	19	37	38 116
Unrealised profit on the sale of tangible FA within the Group	19	-313 025	-22 157
Unrealised profit on the sale of inventory within the Group	19	-7 023	-332 784
<b>Total temporary differences</b>		<b>5 477 581</b>	<b>3 930 666</b>
<b>Deferred tax liability</b>		<b>1 027 009</b>	<b>735 116</b>

(CZK thousand)

Analysis of movements	
<b>31 Dec 2011</b>	<b>735 116</b>
Changes in the consolidation group – new acquisitions	56 822
Changes in the consolidation group – removal from the consolidation group	-1 646
Current changes charged to the profit and loss account	226 937
Current changes charged to equity	-10 655
Charge against positive goodwill on consolidation	20 435
<b>31 Dec 2012</b>	<b>1 027 009</b>

### 6.14.2. Deferred Tax Asset

(CZK thousand)

	Tax rate (%)	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Difference between the tax and accounting carrying values of tangible fixed assets	19	0	-98 065
Revaluation of securities available for sale	19	0	0
Accounting reserves	19	5 022	15 364
Provisions	19	-1 766	4 977
Expenses deductible for tax purposes in the following years	19	29 102	4 228
Unrealised profit on the sale of inventory within the Group	19	272 853	373 842
Utilisable tax loss	19	0	114 958
<b>Total temporary differences</b>		<b>305 211</b>	<b>415 304</b>
<b>Deferred tax asset</b>		<b>57 990</b>	<b>78 908</b>

(CZK thousand)

Analysis of movements	
<b>31 Dec 2011</b>	<b>78 908</b>
Current changes charged to the profit and loss account	-21 019
Current changes charged to equity	101
<b>31 December 2012</b>	<b>57 990</b>

## 6.15. BANK LOANS AND BORROWINGS

In the year ended 31 December 2012, the interest rate on bank loans varied between 0.624% and 5.45% p.a., and between 1.047% and 5.43% p.a. in the year ended 31 December 2011.

### 6.15.1. Bank Loans and Grants for 2012

#### Long-Term Bank Loans

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2012	Balance at 31 Dec 2011	Form of collateral at 31 Dec 2012
Investment loan	CZK	684 200	0	Immovable and movable assets, securities, receivables from insurance, promissory bill of exchange
Investment loan	EUR	10 292	65 030	Hermes guarantee insurer
Investment loan	CZK	0	11 112	Immovable and movable assets (VP4), statement of guarantee, blank bill of exchange
Investment loan	CZK	700 000	900 000	Movable and immovable assets, receivables from insurance, promissory bill of exchange
Investment loan	CZK	0	5 000	No collateral
Investment loan	CZK	91 560	167 573	Promissory blank bill of exchange
Investment loan	EUR	9 428	17 415	KEH8, KER8 lines
Investment loan	CZK	0	7 469	Receivables, Sakamura pressing machine
Investment loan	EUR	0	645	KBA 601 bending machine
Investment loan	CZK / EUR	0	20 849	MS guarantee statement, pledged assets, blank bills of exchange
Term loan	CZK	212 299	0	Receivables, pledge of real estate including their parts and accessories
Investment loan	EUR	11 165	0	Pledge of real estate
Investment loan	CZK	0	12 000	Pledge of real estate
Investment loan	CZK	0	170 000	Pledge of real estate
Investment loan	CZK	0	1 766	Bill of exchange, pledge of real estate, cession of receivables
Investment loan	CZK	0	5 211	Bill of exchange, pledge of real estate, cession of receivables
Investment loan	CZK	15 738	24 081	Pledge of financed asset
Investment loan	CZK	950	0	Pledge of financed asset
Investment loan	CZK	45 289	60 570	Pledge of real estate, pledge of movable assets, pledge of receivables from insurance of immovable and movable assets
Investment loan	CZK	11 243	16 864	Pledge of real estate
<b>Total</b>		<b>1 792 164</b>	<b>1 485 585</b>	



## Short-Term Bank Loans

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2012	Balance at 31 Dec 2011	Form of collateral at 31 Dec 2012
Investment loan	CZK	11 111	44 444	Immovable and movable assets, blank bill of exchange
Investment loan	EUR	53 073	78 937	Hermes guarantee insurer
Overdraft loan facility	CZK	176 412	232 399	Promissory blank bill of exchange
Operating loan	CZK	93 732	160 780	Promissory blank bill of exchange
Investment loan	CZK	200 000	200 000	Movable and immovable assets, receivables from insurance, promissory bill of exchange
Short-term loan	CZK	0	200 000	Promissory blank bill of exchange
Overdraft loan facility	CZK	44 847	0	Promissory blank bill of exchange
Overdraft loan facility	CZK	60 632	0	Promissory blank bill of exchange
Investment loan	CZK	252 640	0	Immovable and movable assets, securities, receivables from insurance, promissory bill of exchange
Investment loan	EUR/ CZK	20 523	27 800	MS guarantee statement, pledged assets, blank bills of exchange
Investment loan	EUR	0	4 343	SACE guarantee insurer
Investment loan	EUR	628	2 580	KBA 601 bending machine
Investment loan	EUR	7 543	5 805	KEH8, KER8 lines
Investment loan	EUR	0	10 320	KSH 602D welding machine
Investment loan	EUR	0	3 096	Immovable and movable assets
Investment loan	CZK	5 000	10 000	No collateral
Investment loan	EUR	7 278	10 320	Receivables, Sakamura press
Operating loan	CZK	5 296	14 732	Real estate, receivables
Investment loan	CZK	73 248	74 477	Promissory blank bill of exchange
Operating loan	CZK	0	150 000	Blank bill of exchange, receivables
Investment loan	PLN	34 336	34 413	Immovable and movable assets
Investment loan	EUR	14 928	6 369	Trade receivables
Investment loan	EUR	3 115	0	Pledge of real estate
Term loan	CZK	56 613	0	Receivables, pledge of real estate including their parts and accessories
Revolving loan	CZK	390 000	0	Receivables, pledge of real estate including their parts and accessories
Operating loan	CZK	250 000	250 000	Pledge of receivables, blank bill of exchange
Operating loan	CZK	250 089	250 055	Contingent cession of receivables
Operating loan	CZK	300 000	300 000	Contingent cession of receivables
Operating loan	CZK	300 000	300 000	Contingent cession and future pledge of receivables, blank bills of exchange
Operating loan	EUR	0	37 116	Pledge contracts on TFA
Investment loan	CZK	0	33 939	Pledge contracts on TFA
Operating loan	CZK	30 000	414 000	Pledge contracts on TFA
Investment loan	CZK	12 000	24 000	Pledge of real estate
Investment loan	CZK	0	3 125	Pledge of real estate, bill of exchange
Investment loan	CZK	11 867	4 472	Pledge of real estate, bill of exchange
Investment loan	CZK	1 891	4 440	Pledge of real estate, bill of exchange, cession of receivables
Investment loan	CZK	5 659	4 330	Blank bill of exchange, pledge of real estate, cession of receivables
Investment loan	CZK	8 343	7 901	Pledge of financed asset
Investment loan	CZK	223	0	Pledge of financed asset
Investment loan	CZK	29 071	30 749	Blank bill of exchange, pledge of real estate, cession of receivables
Investment loan	CZK	195 000	0	Pledge of real estate
Operating loan	CZK	8 715	6 397	Pledge of real estate, pledge of receivables
Investment loan	CZK	20 000	20 000	Pledge of real estate, pledge of movable assets, pledge of receivables from insurance of movable and immovable assets
Investment loan	CZK	14 876	17 729	Pledge of real estate, pledge of movable assets, pledge of receivables from insurance of movable and immovable assets
Investment loan	CZK	5 622	5 622	Pledge of real estate, bill of exchange
Operating loan	CZK	0	20 552	Pledge of real estate, pledge of movable assets, pledge of receivables from insurance of immovable and movable assets
Operating loan	EUR	0	103 200	Pledge of real estate
Operating loan	PLN	0	24 606	Pledge of real estate, pledge of movable assets
<b>Total</b>		<b>2 954 311</b>	<b>3 133 048</b>	

## Repayment Schedule

(CZK thousand)

Years	2013	2014	2015	2016	2017	In subsequent periods	Total
Loan instalments	2 954 311	644 466	535 789	399 429	212 480	0	<b>4 746 475</b>

## Short-Term Financial Borrowings

(CZK thousand)

Purpose	Currency	Balance at 31 Dec 2012	Balance at 31 Dec 2011	Provider
Short-term	EUR	51 036	77 400	Ferroservis Bratislava s.r.o.
Short-term	EUR	46 295	734	Slovenská plavba a prístavy a.s.
Short-term	PLN	0	27	ING Bank Śląski
Short-term	PLN	187	184	BNP PARIBAS Bank Polska SA
<b>Total</b>		<b>97 518</b>	<b>78 345</b>	

## 6.16. MINORITY EQUITY

(CZK thousand)

	Share capital	Capital funds	Statutory reserve fund	Statutory and other funds	Accumulated profit brought forward	Profit/loss for the current period	Total
<b>31 Dec 2010</b>	<b>2 605 368</b>	<b>58 363</b>	<b>289 909</b>	<b>911 255</b>	<b>2 664 175</b>	<b>-271 207</b>	<b>6 257 863</b>
Distribution of profit/loss	0	0	6 974	24 773	-343 494	311 747	0
Dividends	0	0	0	0	-8 898	-28 365	-37 263
Change in the consolidation method	0	419	0	0	-1 801	0	-1 382
Impact of changes in the consolidated group	0	-39 217	-5 009	185	56 216	-12 175	0
Revaluation of assets and liabilities	0	-3 451	0	0	53	0	-3 398
Payments from the social fund	0	0	0	0	0	0	0
Profit for the period	0	0	0	0	0	474 929	474 929
Share in profit of equity accounted investments attributable to minority shareholders	0	0	0	0	0	9 080	9 080
Other	-80	0	-11	-7	-36	4	-130
<b>31 Dec 2011</b>	<b>2 605 288</b>	<b>16 114</b>	<b>291 863</b>	<b>936 206</b>	<b>2 366 215</b>	<b>484 013</b>	<b>6 699 699</b>
Distribution of profit/loss	0	166	31 581	9 081	420 112	-460 940	0
Dividends	0	0	0	0	-16	-23 073	-23 089
Increase in the share capital	65	0	0	0	0	0	65
Impact of changes in the consolidated group	-9 620	-3 867	0	0	14 066	7 250	7 829
Purchase of a minority share by the majority owner	-892 121	-7 358	-109 324	-341 496	-867 439	-122 747	-2 340 485
Revaluation of assets and liabilities	0	-1 745	0	0	0	0	-1 745
Other profit or loss	0	0	0	0	-1 390	0	-1 390
Profit for the period	0	0	0	0	0	358 397	358 397
Share in profit of equity accounted investments attributable to minority shareholders	0	0	0	0	0	12 791	12 791
Other	0	0	0	-16	-278	0	-294
<b>31 Dec 2012</b>	<b>1 703 612</b>	<b>3 310</b>	<b>214 120</b>	<b>603 775</b>	<b>1 931 270</b>	<b>255 691</b>	<b>4 711 778</b>

## 6.17. OTHER OFF-BALANCE SHEET LIABILITIES

## MORAVIA STEEL a.s.

As of 31 December 2012, the Company was involved in no legal dispute the outcome of which would have a material impact on it. As disclosed in Note 9 below, MORAVIA STEEL a.s. received a legal action filed by the group entities of Deutsche Bahn with the State Court in Frankfurt am Main on 29 March 2013. For more information refer to Note 9.

As of 31 December 2012, the guarantees issued by the bank on behalf of the Company in favour of third parties amounted to CZK 10,986 thousand.

## Moravia Steel Deutschland GmbH

As of 31 December 2012, the company was involved in no significant legal dispute, the outcome of which would significantly impact it. As disclosed in Note 9 below, MORAVIA STEEL DEUTSCHLAND GMBH received a legal action filed by the group entities of Deutsche Bahn with the State Court in Frankfurt am Main on 26 February 2013. For more information refer to Note 9.

## HANÁCKÉ ŽELEZÁRNY A PÉROVNY, a.s.

### Significant Contingent Losses

The company created provisions and reserves for all material contingent losses that were known to it.

### Legal Disputes

As of 31 December 2012, the company was involved in no significant legal dispute, the outcome of which would significantly impact it.

### Third Party Guarantees

The Company does not record and did not provide any third party guarantees.

### Liabilities Associated with the Construction and Acquisition of Assets (Including Financial Leases)

As of the balance sheet date, the company recorded future liabilities arising from contracted capital expenditure in the amount of CZK 6,541 thousand (CZK 4,512 thousand and EUR 80.7 thousand).

### Environmental Liabilities

In April 2011, the Bureau Veritas re-certification audit under ISO 14001 was performed. No failures were noted during the audit and it was confirmed that the company's environmental management system is in line with the requirements of ISO 14001:2004 regarding certification – design, development and production of helical, leaf and parabolic springs. The certificate is valid until 13 May 2014.

## SOCHOROVÁ VÁLCOVNA TŽ, a.s.

### Environmental Liabilities

The company recorded no environmental liabilities in the year ended 31 December 2012. The assets to which the legacy environmental burdens related and that were covered by a reserve were sold. However, the company takes into account a potential environmental risk in recognising reserves for the liquidation of fixed assets.

### Legal Disputes

As of 31 December 2012, the company was involved in no legal dispute the outcome of which would have a material impact on it.

## Barrandov Televizní Studio a.s.

### Legal Disputes

As of 31 December 2012, the company was involved in no legal dispute the outcome of which would have a material impact on it.

### Environmental Liabilities

Management of the company believes there are no environmental liabilities.

### Penalisation Invoices

The Company records contractual fines and penalty in the form of penalisation invoices.

#### Organisation

České radiokomunikace a.s.

Czech State Fund for the Promotion and Development of Czech Film Industry

#### Total amount

CZK 5,320,984.23

CZK 240,956.00

In accordance with the Agreement on the Repayment Schedule with České radiokomunikace a.s. dated 27 December 2012, the company is obliged to settle its payable of CZK 27,131,821 according to the agreed repayment schedule by 30 June 2013. Afterwards, České radiokomunikace a.s. will not require the payment of the default interest. As of 31 March 2013, the company was to pay CZK 23,710,607 according to this repayment schedule which it actually paid; for this reason, the company recognises no contractual fine.

## Barrandov Studio a.s.

### Legal Disputes

As of 31 December 2012, the company was involved in no legal dispute the outcome of which would have a material impact on it.

### Environmental Liabilities

As of 31 December 2012, there was no environmental audit of the company. As a result, management cannot estimate contingent liabilities pertaining to damage caused by prior activities or liabilities related to the prevention of potential future damage.

**TŘINECKÉ ŽELEZÁRNY, a. s.****Provided Guarantees****31 December 2012**

Type of liability	Total amount	Balance at 31 Dec 2012
<b>Guarantees</b>		
- to other entities	USD 576 thousand	CZK 10 981 thousand
	EUR 2 138 thousand	CZK 53 774 thousand
	CZK 5 000 thousand	CZK 5 000 thousand

**31 December 2011**

Type of liability	Total amount	Balance at 31 Dec 2011
<b>Guarantees</b>		
- to other entities	USD 576 thousand	CZK 11 491 thousand
	EUR 2 304 thousand	CZK 59 448 thousand
	CZK 5 000 thousand	CZK 5 000 thousand

**Legal Disputes**

The dispute of the EcoNet CENTRUM civic association for the allegedly unpaid dividends for 2006 in the amount of CZK 180,000 thousand together with accrued interest. The Regional Court in Hradec Králové stated in its resolution that it was not locally responsible for the case, referring the case to the Regional Court in Ostrava. The plaintiff appealed this resolution. The High Court in Prague rejected the plaintiff's appeal. The case was referred to the Regional Court in Ostrava as to the locally responsible court. The Regional Court in Ostrava rejected the claim in its resolution, which the plaintiff appealed. The company considers the charge to completely lack merit.

The petition of a shareholder, Marek Veselý, regarding the invalidity of the resolution passed at the company's annual general meeting of shareholders held on 30 June 2010, was rejected by the Regional Court in Ostrava as lacking merit in its ruling no. 29 Cm 142/2010-99 of 25 August 2011. The plaintiff appealed the ruling. The High Court in Olomouc confirmed the ruling of the Regional Court in Ostrava on the rejection of the petition by its ruling no. 8 Cmo 64/2012-169 of 3 April 2012. As such, proceedings in this matter have been effectively completed to date. The plaintiff took an extraordinary remedial measure and made an appeal against the ruling of the High Court in Olomouc addressed to the Regional Court in Ostrava on 16 July 2012. According to the e.justice information system, the appeal was delivered to the Supreme Court through the Regional Court in Ostrava on 24 October 2012 under no. 29 Cdo 3284/2012 and no proceedings have been ordered in this matter for the time being. The company considers the claim to completely lack merit.

The claim of the ADMINISTRATIVNÍ CENTRUM TSP civic association regarding the invalidity of the auction of shares in the certificate form of the issuer, TŘINECKÉ ŽELEZÁRNY, a. s. The Municipal Court in Brno refused this charge in its ruling as the charge was filed after the expiration of the statute of limitation. The plaintiff appealed the ruling. The Municipal Court in Brno referred this case to the Regional Court in Brno to make a decision on the plaintiff's appeal. The company considers the charge to completely lack merit.

**Environmental Liabilities**

The company was subject to an environmental audit which highlighted the company's environmental obligations. Based upon the audit, the company entered into an agreement with the National Property Fund of the Czech Republic for the settlement of expenses involved in removing environmental liabilities up to CZK 514 million that had arisen prior to privatisation.

As of 31 December 2012 and 2011, the company drew CZK 467,063 thousand and CZK 419,834 thousand, respectively.

Given the amendment to this contract concluded on 3 November 2008 with the Czech Republic – the Ministry of Finance, the guarantee of the Ministry of Finance is capped at CZK 843.6 million. This guarantee covers environmental liabilities of the company. For this reason, the company does not create a reserve for environmental burdens.

**ENERGETIKA TŘINEC, a.s.****Collateral for loans**

(CZK thousand)

Type of liability	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Blank bills of exchange – collateral for overdraft loans	150 000	150 000
<b>Total</b>	<b>150 000</b>	<b>150 000</b>

**Collateral for third-party liabilities**

In 2010, ENERGETIKA TŘINEC, a.s. (hereinafter "ET") established a pledge relating to the building of the TK1, TK2 and TK3 distribution stations (including technology) which were used as collateral for the loan of TŘINECKÉ ŽELEZÁRNY, a. s. from Česká spořitelna, a.s. (funding of the construction of the KB12 coke battery).

**Environmental Liabilities**

ET holds the ČSN EN ISO 14001 certificate and does not anticipate any extraordinary environmental expenses in the following years.

### **Legal Disputes and Contingent Losses**

As of 31 December 2012, ET was involved in no significant legal dispute, the outcome of which would significantly impact it. ET is not aware of any material contingent losses.

### **Strojírny Třinec, a.s.**

#### **Issued Bank Guarantees**

In 2012, Strojírny Třinec, a.s. (hereinafter "ST") issued four guarantees of EUR 43,503 thousand (CZK 1,144 thousand), the validity of all guarantee documents will expire during 2014.

#### **Legal Disputes**

As of 31 December 2012, ST was involved in no significant legal dispute, the outcome of which would significantly impact it.

#### **Liabilities Associated with the Construction and Acquisition of Assets (Including Financial Leases)**

At the balance sheet date, ST recorded future liabilities as a result of the contracted capital expenditure of CZK 13,466 thousand.

#### **Environmental Liabilities**

As of 31 December 2012, there was no environmental audit of ST. As a result, ST's management cannot estimate contingent liabilities pertaining to damage caused by prior activities or liabilities related to the prevention of potential future damage. However, ST's management believes that these liabilities are not material.

### **D 5, akciová společnost, Třinec**

#### **Legal Disputes**

As of 31 December 2012, D 5, akciová společnost, Třinec (hereinafter "D 5") was involved in no legal dispute except for the recovery of its receivables through courts.

#### **Environmental Liabilities**

As of 31 December 2012, there was no environmental audit of D 5. As a result, D 5's management cannot estimate contingent liabilities pertaining to damage caused by prior activities or liabilities related to the prevention of potential future damage. However, D 5's management believes that these liabilities are not material.

#### **Liabilities Associated with the Construction and Acquisition of Assets (Including Financial Leases)**

As of the balance sheet date, D 5 records no material future liabilities arising from expenditure for fixed assets arising from concluded contracts.

### **VÚHŽ, a.s.**

#### **Legal Disputes**

As of 31 December 2012, VÚHŽ a.s. was involved in no significant legal dispute, the outcome of which would significantly impact it.

#### **Liabilities Associated with the Construction and Acquisition of Assets (Including Financial Leases)**

As of the balance sheet date, VÚHŽ a.s. records future liabilities arising from expenditure for fixed assets arising from concluded contracts of CZK 23,691 thousand. These primarily relate to the contract for the supply of the second coating unit using the PVD method from Hauzer Techno Coating.

#### **Environmental Liabilities**

As of 31 December 2012, there was no environmental audit of VÚHŽ a.s.. As a result, VÚHŽ a.s.'s management cannot estimate contingent liabilities pertaining to damage caused by prior activities or liabilities related to the prevention of potential future damage.

#### **Other Liabilities**

VÚHŽ a.s. records off balance sheet a statute barred payable to minority shareholders who did not use their claim for the payment of the share in the statutory period based on the squeeze-out in 2007. This payable amounts to CZK 1,295 thousand and was transferred to VÚHŽ a.s. according to the merger project with the dissolving company H & S PROGRESS s.r.o.

#### **Easements**

Land and buildings of VÚHŽ a.s. carry established easements in favour of Jindřich Rašner and Jaroslav Vaníček - an easement of walking and driving, access due to repairs and maintenance, access to the building.

Other easements relate to the underground sewerage pipe system, water conduit connection, telephone system and electricity connection, access and entry way to them, maintenance, repairs and other necessary activities.

**Slévárny Třinec, a.s.**

As of 31 December 2012, Slévárny Třinec, a.s. (hereinafter "SL") was involved in no significant legal dispute, the outcome of which would significantly impact it.

**Environmental Liabilities**

Management of SL does not anticipate any contingent liabilities pertaining to damage caused by prior activities or liabilities related to the prevention of potential future damage.

SL provided no guarantee to third parties.

**Šroubárna Kyjov, spol. s r.o.**

Šroubárna Kyjov, spol. s r.o. records no off balance sheet liabilities.

**Řetězárna a.s.**

As of 31 December 2012, term contracts (forwards) were concluded to hedge the exchange rate in 2013 in the aggregate amount of EUR 1,200 thousand. The fair value measurement of these transactions was made through the profit and loss account.

**REFRASIL, s.r.o.**

As of 31 December 2012, REFRASIL, s.r.o. was involved in no significant legal dispute, the outcome of which would significantly impact it.

**Environmental Liabilities**

REFRASIL, s.r.o. records no environmental liabilities.

**Liabilities Associated with the Construction and Acquisition of Assets (Including Financial Leases)**

As of the consolidated balance sheet date, REFRASIL, s.r.o. records no material future payables arising from expenditure for fixed assets arising from concluded contracts.

**„METALURGIA” S.A.**

„METALURGIA” S.A. has pledged the inventory of PLN 7,000 thousand with BNP PARIBAS BANK Polska S.A. in respect of the drawn loan. In addition, „METALURGIA” S.A. records a pledge of machinery of up to PLN 7,500 thousand with ING Bank Śląski S.A. and fixed assets of up to PLN 20,000 thousand with BNP Paribas Polska S.A. and CZK 1,900 thousand with ING Bank Śląski S.A.

**ŽDB DRÁTOVNA a.s.****Legal Disputes**

As of 31 December 2012, ŽDB DRÁTOVNA a.s. (hereinafter "ŽDB") was involved in no legal dispute, the outcome of which would significantly impact it.

**Liabilities Associated with the Construction and Acquisition of Assets (Including Financial Leases)**

As of the balance sheet date, ŽDB records future liabilities arising from instalments under concluded lease contracts.

**Environmental Liabilities**

ŽDB concluded no environmental contract with the Ministry of Finance for the removal of legacy environmental burdens.

The conditions of the integrated authorisation for ŽDB indicate obligations for the operators of the equipment to carry out a clean-up of the rock environment in respect of the permanent discontinuation of the operation of the equipment or partial technology units where the operator secures their safe removal in accordance with the summary clean-up and reclamation plan and the relating implementation projects and in line with applicable legal regulations.

There is currently no official resolution that would impose any clean-ups of the contaminated rock environment on the grounds of ŽDB DRÁTOVNA a.s.

Additionally, ŽDB does not plan any discontinuation of the operation of the equipment or partial technological units that condition the clean-up and decontamination of the rock environment.

„D&D” Drótáru Zrt., Beskydská golfová a.s., MORAVIA STEEL ITALIA S.R.L., Moravskoslezský kovošrot a.s., M Steel Projects a.s. and MORAVIA STEEL UK LIMITED have no off-balance sheet or contingent liabilities.

## 7. ADDITIONAL INFORMATION OF THE PROFIT AND LOSS ACCOUNT

### 7.1. INCOME FROM CURRENT ACTIVITIES OF THE GROUP

2012				(CZK thousand)
Activities	Inland	Cross-Border	Total	
Metallurgic production	12 562 734	29 426 141	41 988 875	
Other production	2 156 795	1 883 757	4 040 552	
Sale of goods	299 329	545 891	845 220	
Services	2 003 221	799 553	2 802 774	
Change in inventory	-45 375	15 897	-29 478	
Own work capitalised	941 050	5 642	946 692	
<b>Total</b>	<b>17 917 754</b>	<b>32 676 881</b>	<b>50 594 635</b>	

2011				(CZK thousand)
Activities	Inland	Cross-Border	Total	
Metallurgic production	13 215 198	30 805 506	44 020 704	
Other production	1 476 726	1 433 697	2 910 423	
Sale of goods	147 109	265 629	412 738	
Services	1 961 705	392 272	2 353 977	
Change in inventory	719 047	-185	718 862	
Own work capitalised	699 671	1 345	701 016	
<b>Total</b>	<b>18 219 456</b>	<b>32 898 264</b>	<b>51 117 720</b>	

### 7.2. OTHER INCOME AND EXPENSES

Costs of advisory, consulting and audit activities amounted to CZK 71,819 thousand and CZK 78,328 thousand as of 31 December 2012 and 2011, respectively.

Other operating income as of 31 December 2012 and 2011 predominantly included the drawing of the grant for greenhouse gas emission allowances in the amounts of CZK 1,033,637 thousand and CZK 1,934,168 thousand, respectively.

Other operating expenses as of 31 December 2012 and 2011 predominantly included the use of greenhouse gas emission allowances in the amounts of CZK 1,033,858 thousand and CZK 1,935,221 thousand, respectively.

Other financial income and expenses in the years ended 31 December 2012 and 2011 predominantly included foreign exchange rate gains and losses.

### 7.3. GRANTS

In 2012, entities in the TŘINECKÉ ŽELEZÁRNY, a. s. consolidation group received grants for operating purposes of CZK 21,985 thousand (CZK 21,985 thousand in 2011). The grants include grants for research purposes and in the past also grants received from the Employment Office.

In 2012, VÚHŽ a.s. received an investment subsidy of CZK 17,166 thousand for the acquisition of the FLC 850 coating equipment for the coating using the PVD method, acquisition of the automatic cleaning line and the relating improvements on buildings.

In June 2012, Šroubárna Kyjov, spol. s r.o. received a subsidy for the "Decrease in the Energy Requirements of Production Halls" investment of CZK 4,909 thousand. Subsequently, Šroubárna Kyjov, spol. s r.o. received another subsidy for this investment in the amount of CZK 4,397 thousand.

In 2012, TŘINECKÉ ŽELEZÁRNY, a. s. used a public grant for the "Educational Programme of the Employees of ODVĚTVOVÝ SVAZ HUTNICTVÍ ŽELEZA" project in the amount of CZK 828 thousand.

TŘINECKÉ ŽELEZÁRNY, a. s. obtained a subsidy for the acquisition of fixed assets in the amount of CZK 4,740 thousand from Třinec for the regulation of the Krivec creek in 2011.

### 7.4. AGGREGATE RESEARCH AND DEVELOPMENT EXPENDITURE

			(CZK thousand)
	31 Dec 2012	31 Dec 2011	
Research and development expenditure (net of grants)	47 905	61 133	



## 7.5. RELATED PARTY TRANSACTIONS

## 7.5.1. Income Generated with Related Parties

The column "Relation to the company" is disclosed from the perspective of MORAVIA STEEL a.s.

2012

(CZK thousand)

Entity	Relation to the company	Goods	Products	Services	Other income	Financial income	Total
Doprava TŽ, a.s.	Controlled entity	64	29 788	4 247	63	0	34 162
Kvalif. a pers. agentura, o.p.s.	Associate	0	0	253	0	0	253
Reťaze Slovakia s.r.o.	Controlled entity	0	18 587	30	0	0	18 617
TRIALFA, a.s.	Controlled entity	1	33 203	4 484	2 256	0	39 944
TRISIA, a.s.	Controlled entity	0	0	103	0	0	103
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	0	509	911	4	0	1 424
Třinecké gastroslužby, s.r.o.	Controlled entity	7	2 853	4 914	1 337	0	9 111
VESUVIUS ČR, a.s.	Associate	0	8 686	25 521	184	0	34 391
SILESIAFLAG, a.s.	***	0	0	21	0	0	21
Steel Consortium Partners, a.s.	Controlled entity	0	0	67	0	0	67
FINITRADING, a.s.	Controlling entity	0	0	258	10	0	268
Moravia Security, a.s.	Controlled entity	0	195	1 625	36	0	1 856
Security Morava, s.r.o.	Controlled entity	0	0	47	0	0	47
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	0	2 613	370	0	2 983
Střední odborná škola Třineckých železáren*	Controlled entity	2	2 311	5 891	46	0	8 250
ZAMECZEK BŁOGOCICE	Controlled entity	0	0	221	0	0	221
Kovárna VIVA, spol. s r.o.	Associate	0	323 659	1 364	375	0	325 398
Barrandov Productions, s.r.o.	Controlled entity	0	0	2 754	35	0	2 789
Filmová nadace RWE & Barrandov Studio	Controlled entity	0	0	143	0	0	143
Moravia Steel Ibéria, s.a.	Controlled entity	0	0	18	0	0	18
HRAT, s.r.o.	Associate	0	0	23	0	0	23
Neomet Sp. z o.o.	Controlled entity	0	0	6	0	0	6
DALSELV DESIGN a.s.**	Controlled entity	0	0	11	0	0	11
<b>Total</b>		<b>74</b>	<b>419 791</b>	<b>55 525</b>	<b>4 716</b>	<b>0</b>	<b>480 106</b>

Note: \* TŘINECKÉ ŽELEZÁRNY, a. s. is the founder in accordance with Act No. 561/2004 Coll., Education Act

Note: \*\* DALSELV DESIGN a.s. became part of the Group on 17 December 2012

Note: \*\*\* SILESIAFLAG, a.s., "in liquidation", entered liquidation as of 1 January 2012; the company's extraordinary General Meeting approved the distribution of the liquidation balance on 17 December 2012

2011

(CZK thousand)

Entity	Relation to the company	Goods	Products	Services	Other income	Financial income	Total
Doprava TŽ, a.s.	Controlled entity	32	40 872	12 853	59	0	53 816
Kvalif. a pers. agentura, o.p.s.	Associate	0	0	213	0	0	213
Reťaze Slovakia s.r.o.	Controlled entity	0	24 265	39	0	0	24 304
TRIALFA, a.s.	Controlled entity	4	37 833	4 978	2 788	0	45 603
TRISIA, a.s.	Controlled entity	0	0	102	2	0	104
TŘINECKÁ PROJEKCE, a.s.	Associate	0	435	618	0	0	1 053
Třinecké gastroslužby, s.r.o.	Controlled entity	118	2 671	8 753	1 274	0	12 816
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Controlled entity	0	6 906	20 164	160	0	27 230
SILESIAFLAG, a.s.	Associate	0	0	22	0	0	22
Steel Consortium Partners, a.s.	Controlled entity	0	0	59	0	0	59
FINITRADING, a.s.	Controlled entity	0	0	5	825	0	830
Moravia Security, a.s.	Controlled entity	0	183	1 511	13	0	1 707
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	12	0	613	360	0	985
Střední odborná škola Třineckých železáren*	Controlled entity	3	21	1 958	87	0	2 069
ZAMECZEK BŁOGOCICE	Controlled entity	0	0	8 812	0	0	8 812
Kovárna VIVA a.s.	Associate	0	369 060	916	195	0	370 171
Barrandov Productions, s.r.o.	Controlled entity	0	0	3 215	41	0	3 256
RWE & Barrandov Studio Film Foundation	Controlled entity	4	0	137	0	0	141
HRAT, s.r.o.	Associate	0	0	31	0	0	31
Neomet Sp. z o.o.	Controlled entity	0	0	5	0	0	5
<b>Total</b>		<b>173</b>	<b>482 246</b>	<b>65 004</b>	<b>5 804</b>	<b>0</b>	<b>553 227</b>

Note: \* TŘINECKÉ ŽELEZÁRNY, a. s. is the founder in accordance with Act No. 561/2004 Coll., Education Act on 2 July 2011, the name was changed from Soukromá střední škola Třinec to Střední odborná škola Třineckých železáren

## 7.5.2. Costs Incurred with Related Parties

The column "Relation to the company" is disclosed from the perspective of MORAVIA STEEL a.s.

2012 (CZK thousand)

Entity	Relation to the company	Fixed assets	Inventory	Services	Other expenses	Total
Doprava TŽ, a.s.	Controlled entity	0	29 064	65 691	0	94 755
Hutnictví železa, a.s.	Associate	0	0	5 638	101	5 739
Kvalifikační a pers. agentura, o.p.s.	Associate	0	26	203	0	229
Reťaze Slovakia, s.r.o.	Controlled entity	0	465	625	0	1 090
TRIALFA, s.r.o.	Controlled entity	0	12 588	19 541	53 120	85 249
TRISIA, a.s.	Controlled entity	0	8 720	1 165	14	9 899
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	16 402	0	7 798	0	24 200
Třinecké gastroslužby, s.r.o.	Controlled entity	0	16 601	10 335	82 747	109 683
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	132 415	78 534	0	210 949
FINITRADING, a.s.	Controlling entity	0	3 047 724	0	-	3 047 724
Security Morava, s.r.o.	Controlled entity	0	0	2 798	0	2 798
Moravia Security, a.s.	Controlled entity	564	0	82 365	112	83 041
Střední odborná škola Třineckých železáren*	Controlled entity	0	393	11 134	550	12 077
ZAMECZEK BŁOGOCICE Sp. z o.o.	Controlled entity	0	0	1 218	0	1 218
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	Controlled entity	0	8 353	194 490	0	202 843
Barrandov Productions s.r.o.	Controlled entity	0	800	157	0	957
HRAT, s.r.o.	Associate	0	0	180	0	180
Moravia Steel Ibéria, s.a.	Controlled entity	0	-	10 003	-	10 003
Moravia Steel Slovenija, d.o.o.	Controlled entity	0	-	8 753	-	8 753
Kovárna VIVA a.s.	Associate	0	307	0	0	307
DALSELV DESIGN a.s.**	Controlled entity	5 262	0	11	0	5 273
Filmová nadace RWE & Barrandov Studio	Controlled entity	0	0	0	796	796
<b>Total</b>		<b>22 228</b>	<b>3 257 456</b>	<b>500 639</b>	<b>137 440</b>	<b>3 917 763</b>

\* TŘINECKÉ ŽELEZÁRNY, a. s. is the founder in accordance with Act No. 561/2004 Coll., Education Act

\*\* DALSELV DESIGN a.s. became part of the Group on 17 December 2012

2011 (CZK thousand)

Entity	Relation to the company	Fixed assets	Inventory	Services	Other expenses	Total
Doprava TŽ, a.s.	Controlled entity	0	28 949	63 480	53	92 482
Hutnictví železa, a.s.	Associate	0	0	5 594	105	5 699
Kvalifikační a pers. agentura, o.p.s.	Associate	0	0	191	0	191
Reťaze Slovakia, s.r.o.	Controlled entity	0	403	542	0	945
TRIALFA, s.r.o.	Controlled entity	16	14 630	17 752	52 527	84 925
TRISIA, a.s.	Controlled entity	0	0	9 896	0	9 896
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	12 881	21	9 590	6	22 498
Třinecké gastroslužby, s.r.o.	Controlled entity	0	15 604	12 777	76 920	105 301
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	137 604	74 534	0	212 138
FINITRADING, a.s.	Controlled entity	0	3 328 112	0	0	3 328 112
Security Morava, s.r.o.	Controlled entity	0	0	235	0	235
Moravia Security, a.s.	Controlled entity	0	182	80 247	178	80 607
Střední odborná škola Třineckých železáren*	Controlled entity	0	436	11 692	1 069	13 197
ZAMECZEK BŁOGOCICE Sp. z o.o.	Controlled entity	0	0	1 195	0	1 195
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	Controlled entity	0	273	5 591	0	5 864
Barrandov Productions s.r.o.	Controlled entity	0	0	1 239	160	1 399
HRAT, s.r.o.	Associate	0	0	435	0	435
Moravia Steel Ibéria, s.a.	Controlled entity	0	0	6 057	0	6 057
Moravia Steel Slovenija, d.o.o.	Controlled entity	0	0	8 897	0	8 897
Kovárna VIVA a.s.	Associate	0	365	0	0	365
<b>Total</b>		<b>12 897</b>	<b>3 526 579</b>	<b>309 944</b>	<b>131 018</b>	<b>3 980 438</b>

\* TŘINECKÉ ŽELEZÁRNY, a. s. is the founder in accordance with Act No. 561/2004 Coll., Education Act on 2 July 2011, the name was changed from Soukromá střední škola Třinec to Střední odborná škola Třineckých železáren

## 8. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

### 8.1. STAFF COSTS AND NUMBER OF EMPLOYEES

2012

(CZK thousand)

	Average number of employees	Of which managers	Total staff costs	Of which managers
MORAVIA STEEL a.s.	299	16	378 550	166 795
Barrandov Studio, a.s.	179	9	114 381	18 800
Barrandov Televizní Studio, a.s.	61	5	49 582	10 094
MORAVIA STEEL ITALIA S.R.L.	9	2	22 371	11 117
Moravskoslezský kovošrot a.s.	34	2	15 202	2 104
MSK Polska Sp. z o.o.	4	0	7 667	0
Sochorová válcovna TŽ, a.s.	721	6	327 950	22 134
Beskydská golfová, a.s.	17	2	9 290	2 351
Hanácké železářny a pérovny, a.s.	258	6	114 852	12 293
Moravia Steel Deutschland, GmbH	14	3	43 018	17 214
MORAVIA STEEL UK LIMITED	6	4	15 757	14 196
TŘINECKÉ ŽELEZÁŘNY, a.s.	5 962	5	2 863 155	53 703
ENERGETIKA TŘINEC, a.s.	370	5	174 262	11 062
Strojírny Třinec, a.s..	956	8	357 743	16 768
Slévárny Třinec, a.s.	689	5	251 783	9 126
REFRASIL, s.r.o.	173	2	84 753	11 536
Řetězárna a.s.	261	6	113 147	12 523
Šroubárna Kyjov, spol. s r.o.	300	6	119 644	10 793
D 5, a.s.	683	8	245 918	11 734
VUHŽ, a.s.	297	9	157 931	13 760
„METALURGIA“ S.A.	274	4	74 986	5 638
„D&D“ Drótaru Zrt.	124	5	49 172	7 186
ŽDB DRÁTOVNA a.s.	1 062	7	103 776	3 849
SV servisní, s.r.o.	15	2	9 049	2 321
M Steel Projects, a.s. *)	6	6	4 232	4 232
<b>Total under full consolidation</b>	<b>12 774</b>	<b>133</b>	<b>5 708 171</b>	<b>451 329</b>

\*) The figures include the remuneration of members of the supervisory and statutory bodies holding their position otherwise than under employment arrangements.

2011

(CZK thousand)

	Average number of employees	Of which managers	Total staff costs	Of which managers
MORAVIA STEEL a.s.	284	16	376 325	167 357
Barrandov Studio, a.s.	219	10	118 463	15 112
Barrandov Televizní Studio, a.s.	65	4	47 569	7 567
MORAVIA STEEL ITALIA S.R.L.	10	2	21 287	10 578
Moravskoslezský kovošrot a.s.	35	3	14 695	3 036
MSK Polska Sp. z o.o.	24	1	14 055	1 430
Sochorová válcovna TŽ, a.s.	710	9	321 084	22 628
Beskydská golfová, a.s.	20	2	9 345	2 407
Hanácké železářny a pérovny, a.s.	264	7	120 880	12 659
Moravia Steel Deutschland, GmbH	16	4	38 126	17 036
MORAVIA STEEL UK LIMITED	7	0	14 553	0
TŘINECKÉ ŽELEZÁŘNY, a.s.	5 943	8.7	2 929 132	67 264
ENERGETIKA TŘINEC, a.s.	370	5	173 188	10 866
Strojírny Třinec, a.s..	955	8	356 774	17 235
Slévárny Třinec, a.s.	696	5	251 330	9 731
REFRASIL, s.r.o.	180	2	87 569	11 820
Řetězárna a.s.	258	6	106 821	13 930
Šroubárna Kyjov, spol. s r.o.	302	6	118 522	12 640
D 5, a.s.	700	8	251 142	13 996
VUHŽ, a.s.	308	9	162 490	17 939
„METALURGIA“ S.A.	275	4	74 192	7 314
„D&D“ Drótaru Zrt.	144	5	45 833	5 497
SV servisní, s.r.o.	17	2	9 067	2 134
M Steel Projects, a.s. *)	6	6	3 139	3 139
<b>Total under full consolidation</b>	<b>11 808</b>	<b>132.7</b>	<b>5 665 581</b>	<b>453 315</b>

\*) The figures include the remuneration of members of the supervisory and statutory bodies holding their position otherwise than under employment arrangements.

## 8.2. BENEFITS PROVIDED TO MEMBERS OF STATUTORY, SUPERVISORY AND MANAGEMENT BODIES

The amount of bonuses, advances, borrowings, other receivables, payables and other benefits to members of the statutory, management and supervisory bodies is as follows:

(CZK thousand)

Company/performance	2012	2011
<b>MORAVIA STEEL a.s.</b>	<b>109 065</b>	<b>108 669</b>
Use of management cars	2 187	2 115
Damage liability insurance	877	981
Bonuses	106 001	105 573
<b>TŘINECKÉ ŽELEZÁRNY, a.s.</b>	<b>11 232</b>	<b>12 624</b>
Use of management cars	1 131	1 421
Damage liability insurance	511	559
Bonuses	9 590	10 644
<b>ENERGETIKA TŘINEC, a.s.</b>	<b>1 281</b>	<b>1 291</b>
Use of management cars	448	458
Life insurance contribution	148	148
Damage liability insurance	37	37
Bonuses	648	648
<b>Strojírny Třinec, a.s.</b>	<b>1 140</b>	<b>1 150</b>
Use of management cars	400	399
Life insurance contribution	80	81
Damage liability insurance	20	22
Bonuses	640	648
<b>Slévárny Třinec, a.s.</b>	<b>1 141</b>	<b>1 140</b>
Use of management cars	424	421
Life insurance contribution	54	54
Damage liability insurance	15	17
Bonuses	648	648
<b>REFRASIL, s.r.o.</b>	<b>441</b>	<b>435</b>
Use of management cars	244	237
Life insurance contribution	0	0
Damage liability insurance	5	6
Bonuses	192	192
<b>Řetězárna a.s.</b>	<b>7 353</b>	<b>6 642</b>
Use of management cars	646	646
Life insurance contribution	0	0
Damage liability insurance	7	8
Bonuses	6 700	5 988
<b>Barrandov Studio a.s.</b>	<b>4 225</b>	<b>4 771</b>
Use of management cars	341	787
Bonuses	3 870	3 960
Pension insurance contribution	14	24
<b>Barrandov Televizní Studio a.s.</b>	<b>0</b>	<b>5 427</b>
Use of management cars	0	5 427
<b>Sochorová válcovna TŽ, a.s.</b>	<b>6 144</b>	<b>6 213</b>
Pension insurance contribution	46	58
Damage liability insurance	350	401
Use of management cars	648	654
Bonuses	5 100	5 100
<b>VÚHŽ a.s.</b>	<b>1 481</b>	<b>1 333</b>
Use of management cars	786	827
Life insurance contribution	40	42
Damage liability insurance	7	7
Bonuses	648	457
<b>Hanácké železářny a pérovny, a.s.</b>	<b>1 344</b>	<b>1 152</b>
Contribution for life and pension insurance	0	0
Bonuses	1 344	1 152
<b>D5, a.s.</b>	<b>1 214</b>	<b>1 287</b>
Use of management cars	539	601
Life insurance contribution	32	38
Damage liability insurance	0	0
Bonuses	643	648

Company/performance	2012	2011
<b>Šroubárna Kyjov, s.r.o.</b>	<b>876</b>	<b>828</b>
Use of management cars	512	469
Life insurance contribution	29	22
Damage liability insurance	11	13
Bonuses	324	324
<b>ŽDB DRÁTOVNA a.s.</b>	<b>300</b>	<b>0</b>
Use of management cars	146	0
Bonuses	154	0
<b>„METALURGIA“ S.A.</b>	<b>1 005</b>	<b>986</b>
Use of management cars	7	0
Bonuses	998	986
<b>„D&amp;D“ Drótáru Zrt.</b>	<b>752</b>	<b>628</b>
Bonuses	752	628
<b>Moravskoslezský kovošrot a.s.</b>	<b>288</b>	<b>267</b>
Use of management cars	288	267
Life insurance contribution	0	0
Damage liability insurance	0	0
Bonuses	0	0
<b>MSK Polska sp.z o.o.</b>	<b>*)</b>	<b>2 261</b>
Use of management cars	*)	38
Life insurance contribution	*)	255
Bonuses	*)	1 968
<b>SV Servisní s.r.o.</b>	<b>460</b>	<b>181</b>
Use of management cars	55	1
Life insurance contribution	0	0
Bonuses	405	180
<b>M Steel Projects a.s.</b>	<b>2 880</b>	<b>3 139</b>
odměny	2 880	3 139
<b>MORAVIA STEEL UK LIMITED</b>	<b>423</b>	<b>5 945</b>
Use of management cars	0	997
Life insurance contribution	423	309
Damage liability insurance	0	0
Bonuses	0	4 639
<b>Moravia Steel Deutschland, GmbH</b>	<b>8 613</b>	<b>7 471</b>
Use of management cars	755	1 707
Life insurance contribution	888	45
Damage liability insurance	434	327
Bonuses	6 536	5 392
<b>MORAVIA STEEL ITALIA S.R.L</b>	<b>1 866</b>	<b>*)</b>
Insurance contribution	1 845	*)
Damage liability insurance	21	*)
<b>Beskydská golfová, a.s.</b>	<b>109</b>	<b>*)</b>
Use of management cars	109	*)
<b>Total</b>	<b>163 633</b>	<b>173 840</b>

\*) Figures are not available

## 9. POST BALANCE SHEET EVENTS

Strojírny Třinec, a.s., TŘINECKÉ ŽELEZÁRNY, a. s., and D 5, akciová společnost, Třinec are assessing their intent to undertake a demerger by split-up through amalgamation in order to split up Strojírny Třinec, a.s., as the dissolving company, and amalgamate portions of its net assets with TŘINECKÉ ŽELEZÁRNY, a. s., and D 5, akciová společnost, Třinec as the successor companies with the effective date of 1 January 2013 and with the expected completion of the process of the demerger by split-up through amalgamation before 30 October 2013.

Activities relating to the sale of the subsidiary Barrandov Televizní Studio a.s. are being conducted during the year ending 31 December 2013.

On 26 February 2013, the subsidiary Moravia Steel Deutschland GmbH received a legal action filed by the group entities of Deutsche Bahn (DB Netz AG and companies) with the State Court in Frankfurt am Main whereby the plaintiffs are claiming from Moravia Steel Deutschland GmbH and other entities (inter alia also MORAVIA STEEL a.s.) compensation for damage arising from unlawful carter arrangements. The same legal action was delivered to MORAVIA STEEL a.s. on 29 March 2013 where the liability for damage is derived from one economic unit that the Company allegedly formed with Moravia Steel Deutschland GmbH.

Moravia Steel Deutschland GmbH and MORAVIA STEEL a.s. have retained qualified legal representation for the dispute and the lawyers are currently in the process of reviewing the legal action and preparing their comments. Since the legal dispute is at the very early stage and the plaintiffs are primarily seeking economic information from the defendants so as to be able to determine damage, if any, no reasonable estimate of the impact of the outcome of the legal dispute on the functioning of Moravia Steel Deutschland GmbH can be presently made.

Inasmuch as the Company's management considers the above legal action against MORAVIA STEEL a.s. to lack merit, no reasonable estimate of the future payments, if any, in respect of this legal dispute can presently be made.

The Company's consolidated financial statements include no adjustments in respect of the legal dispute referred to above.

# X. REPORT ON RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED 31 DECEMBER 2012

MORAVIA STEEL a.s., with its registered office at Průmyslová 1000, Třinec-Staré Město, 739 70, corporate ID: 63474808, recorded in the Register of Companies, Section B, File 1297, maintained at the Regional Court in Ostrava (henceforth the “Company”), forms a holding group with the entities listed below in terms of Section 66a (7) of the Commercial Code.

This report on related party transactions has been prepared in accordance with Section 66a (9) of the Commercial Code for the **reporting period ended 31 December 2012** (henceforth the “reporting period”).

## I. DEFINITION OF THE HOLDING

### A. CONTROLLING ENTITIES

**FINITRADING, a.s.** with its registered office at nám. Svobody 526, Třinec, 739 61, corporate ID: 61974692

Relation: Throughout the reporting period, FINITRADING, a.s. exercised controlling influence over the Company (owned 50% of the shares), as it acted in concert with another shareholder, R.F.G., a.s., which owned the remaining 50% of the shares, under Section 66b (1) and 66b (2) (b) of the Commercial Code. Throughout 2011, FINITRADING, a.s. was the sole shareholder and the controlling entity of R.F.G., a.s. FINITRADING, a.s. exercised controlling influence over TŘINECKÉ ŽELEZÁRNY, a. s., where its position as the controlling entity is upheld by the legal assumption set out in Section 66a (4) of the cited act, since FINITRADING, a.s. and MORAVIA STEEL a.s. as entities acting in concert have the majority of the voting rights in this company.

FINITRADING, a.s. does not have a majority shareholder but has shareholders that have the presumed legal status of the controlling entity under Section 66a (5) of the Commercial Code. This applies to METALURGIAS DE EL GUARCO, S.L with its registered office at Calle Claudio Coello, 50, 28001 Madrid. METALURGIAS DE EL GUARCO, S.L is not a controlling entity of another company; it does not act in concert with another entity or a shareholder of FINITRADING, a.s. In addition, FINITRADING, a.s. is not subject to the unified management of METALURGIAS DE EL GUARCO, S.L and it does not form a concern with this company.

**R.F.G., a.s.** with its registered office at nám. Svobody 526, Třinec, 739 61, corporate ID: 63079658

Relation: throughout the reporting period, R.F.G., a.s. exercised controlling influence over the Company, as it acted in concert with FINITRADING, a.s. under Sections 66b (1) and 66b (2) (b) of the Commercial Code.

### B. ENTITIES CONTROLLED BY THE COMPANY

**TŘINECKÉ ŽELEZÁRNY, a.s.** with its registered office at Průmyslová 1000, Staré Město, Třinec, 739 61, corporate ID: 18050646

Relation: entity controlled by the Company as the majority shareholder under Section 66a (3) (a) of the Commercial Code (as of 31 December 2012 the Company owned 80.05% of shares) and by the Company acting in concert with FINITRADING a.s. under Section 66a (4) of the Commercial Code

**Sochorová válcovna TŽ, a.s.** with its registered office at Průmyslová 1000, Třinec-Staré Město, 739 70, corporate ID 25872940

Relation: entity controlled by the Company as the majority shareholder under Section 66a (3) (a) of the Commercial Code and by the Company acting in concert with TŘINECKÉ ŽELEZÁRNY, a.s. under Section 66a (4) of the Commercial Code

**MORAVIA STEEL IBÉRIA, S.A.** with its registered office at Campo Grande, 35 – 9. A,

P-1700 Lisboa, Portugal

Relation: Company’s subsidiary

**MORAVIA GOEL TRADE d.o.o.** “in liquidation” with its registered office at Perkovčeva 48, 104 30

Samobor, Croatia

Relation: Company’s subsidiary

**MORAVIA STEEL ITALIA s.r.l.** with its registered office at via Niccolini 26, 20154 Milano, Italy

Relation: Company’s subsidiary

**MORAVIA STEEL SLOVENIJA d.o.o.** with its registered office at Valvazorjeva 14, 3000 Celje, Slovenia

Relation: Company’s subsidiary

**Moravia Steel Deutschland GmbH** with its registered office at Cliev 19, 515 15 Kürten, Germany

Relation: Company’s subsidiary

**MORAVIA STEEL UK LIMITED** with its registered office at 5 Bradwall Court, Bradwall Road, Sandbach, Cheshire, CW11 1 GE, UK

Relation: Company’s subsidiary



**Barrandov Televizní Studio a.s.** with its registered office at Kříženeckého nám. 322, Prague 5, 152 00, corporate ID 41693311

Relation: Company's subsidiary

**Barrandov Studio a.s.** with its registered office at Kříženeckého nám. 322/5, Prague 5 - Hlubočepy, 152 00, corporate ID 28172469

Relation: Company's subsidiary

**Barrandov Lands a.s.** with its registered office at Kříženeckého nám. 322/5, Prague 5, 152 00, corporate ID 27225674 (until 12 November 2012; as of this date, the entire equity interest was transferred/sold)

Relation: Company's subsidiary

**MS – Slovensko s.r.o.** with its registered office at Palisády 56, Bratislava, 811 06, Slovakia

Relation: Company's subsidiary

**MORAVIA STEEL ISRAEL Ltd.** with its registered office at 23 Efal St., Petach Tikva 49 511, P.O.B. 3286, Israel

Relation: Company's subsidiary

**Beskydská golfová, a.s.** with its registered office at Ropice 415, 739 56, corporate ID 25352920

Relation: Company's subsidiary

**Hanácké železářny a pérovny, a.s.** with its registered office at Dolní 3137/100, Prostějov, 796 01, corporate ID 26955342

Relation: Company's subsidiary

**M Steel Projects a.s.** with its registered office at Průmyslová 1000, Třinec-Staré Město, 739 70, corporate ID: 28602331

Relation: Company's subsidiary

**Moravskoslezský kovošrot, a.s.** with its registered office at V Jámě 1371/8, Prague 1 - Nové Město, 110 00, corporate ID: 26855097

Relation: entity controlled by the Company as a majority shareholder under Section 66a (3) (a) of the Commercial Code

**Moravia Steel Middle East FZCO**, with its registered office at Jebel Ali Free Zone, Building 18-19 # 133, Dubai, U.A.E.

Relation: Company's subsidiary

Relations between the Company and the above-mentioned entities controlled by the Company are described in a report on related party transactions for each of these controlled entities, each of which prepare a report on relations between related parties separately and details its transactions with the Company for the given reporting period. The Company incurred no damage in connection with these relations.

## II. DESCRIPTION OF RELATIONS

### A. DEFINITION OF RELATIONS BETWEEN RELATED PARTIES

- a) Relations in terms of Section 66a (9) of the Commercial Code that arose during the reporting period between the Company and FINITRADING a.s. as the controlling entity are disclosed in Part B of this Section.
- b) Relations in terms of Section 66a (9) of the Commercial Code that arose between the Company and R.F.G., a.s. as the controlling entity are disclosed in Part C of this Section.

### B. DESCRIPTION OF RELATIONS OF THE COMPANY WITH THE CONTROLLING ENTITY FINITRADING A.S.

#### B. 1. Sales

The Company affected no sales of goods or services to the controlling entity during the reporting period.

#### B. 2. Purchases

##### *B. 2.1. Purchase of Zaporizhia aglo-ore*

From 1 January 2012 to 31 December 2012, supplies of Zaporizhia aglo-ore were realised under Amendment 2 to Purchase Contract No. S-110001 of 29 December 2011.

On 30 January 2012, the Company concluded Purchase Contract No. S-120001 with FINITRADING, a.s., for the period from 1 February 2012 to 31 January 2013, the subject matter of which is the controlling entity's obligation to provide supplies of Zaporizhia aglo-ore for the Company. In 2012, the purchase prices were regulated by Amendment 1 of 29 June 2012 and also by Amendment 2 of 1 October 2012.

In the reporting period, the total purchase price paid by the Company to the controlling entity for the supply of Zaporizhia aglo-ore based on these contracts amounted to CZK 2,436,333 thousand excluding VAT.

##### *B. 2.2. Purchase of Krivbas Aglo-Ore*

From 1 January 2012 to 31 January 2012, the supplies of Krivbas aglo-ore were realised on the basis of Amendment 2 to Purchase Contract No. S-110002 of 29 December 2011. Furthermore, the Company and FINITRADING, a.s. concluded Purchase Contract No. S-120002 on 30 January 2012 for the period from 1 February 2012 to 31 January 2013 and the subject matter of which is the obligation of the controlling entity to provide supplies of Krivbas aglo-ore for the Company. During 2012, the purchase prices were regulated by Amendment 1 of 29 June 2012 and also by Amendment 2 of 1 October 2012.

In the reporting period, the total purchase price paid by the Company to the controlling entity for the supply of Krivbas aglo-ore based on these contracts amounted to CZK 606,935 thousand excluding VAT.

**B. 2.3. Purchase of Jakovlevskij agro-ore**

On 9 October 2012, the Company and FINITRADING, a.s. concluded Purchase Contract No. S-120009 for the period from 9 October 2012 to 30 November 2012, the subject matter of which is the obligation of the controlling entity to provide supplies of Jakovlevskij agro-ore for the Company.

In the reporting period, the total purchase price paid by the Company to the controlling entity for the supply of Jakovlevskij agro-ore based on these contracts amounted to CZK 4,456 thousand excluding VAT.

**B. 3. Other Contractual Arrangements**

No other contractual arrangements in terms of Section 66a (9) of the Commercial Code were entered into between the Company and FINITRADING a.s. during the reporting period.

**B. 4. Other Legal Acts**

No other significant legal acts in terms of Section 66a (9) of the Commercial Code were implemented by the Company in the interest of the controlling entity – FINITRADING a.s. during the reporting period.

**B. 5. Other Measures**

No other measures were adopted by the Company at the initiative or in the interest of the controlling entity FINITRADING a.s. during the reporting period.

**B. 6. Overall Assessment of Relations to the Controlling Entity under Section 66a (9) of the Commercial Code**

The report highlights all material contracts entered into during the reporting period and the total amount of received supplies and provided counter-performance between the Company and the controlling entity. The analyses of received performance and provided counter-performance, as disclosed in Section B, have shown that the performance was provided under standard business terms and conditions. The goods are supplied for arm's length prices established by reference to market prices. The Company incurred no damage in connection with its relations with the controlling entity.

**C. DESCRIPTION OF RELATIONS OF THE COMPANY WITH THE CONTROLLING ENTITY R.F.G., A.S.**

In the reporting period, no purchases or sales of goods or services were effected between the Company and R.F.G., a.s. No other significant legal acts or measures in terms of Section 66a (9) of the Commercial Code were implemented in the interest of the controlling entity – R.F.G. a.s. during the reporting period.

In Třinec on 14 March 2013



**Rostislav Wozniak**  
Chairman of the Board of Directors  
MORAVIA STEEL a.s.



**Krzysztof Ruciński**  
Vice-Chairman of the Board of Directors  
MORAVIA STEEL a.s.

