

# ANNUAL REPORT 2013



**MORAVIA STEEL**



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# OPENING STATEMENT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

## DEAR SHAREHOLDERS, BUSINESS PARTNERS AND EMPLOYEES,

The year ended 31 December 2013 was positive for MORAVIA STEEL a.s. The Company reported a profit and positive results in other economic indicators, including the sales of metallurgical products.

In the Eurozone, which is a key area for MORAVIA STEEL a.s., positive economic trends started to appear during 2013. Similar signals were witnessed by the Czech economy, which is confirmed by the GDP development in individual quarters of 2013. After a longer period of year-on-year percentage declines, the Czech GDP grew in the fourth quarter.

The worldwide steel production in 2013 amounted to CZK 1,607.2 million tonnes. As compared to 2012, the production increased primarily thanks to Asia, by 3.5%. The production additionally increased on the developing markets of the Middle East and Africa, and it declined in all other territories year-on-year.

The steel production in EU countries declined year-on-year by 1.8% to 165.6 million tonnes. The share of the EU in global steel production is currently at the level of 10%.



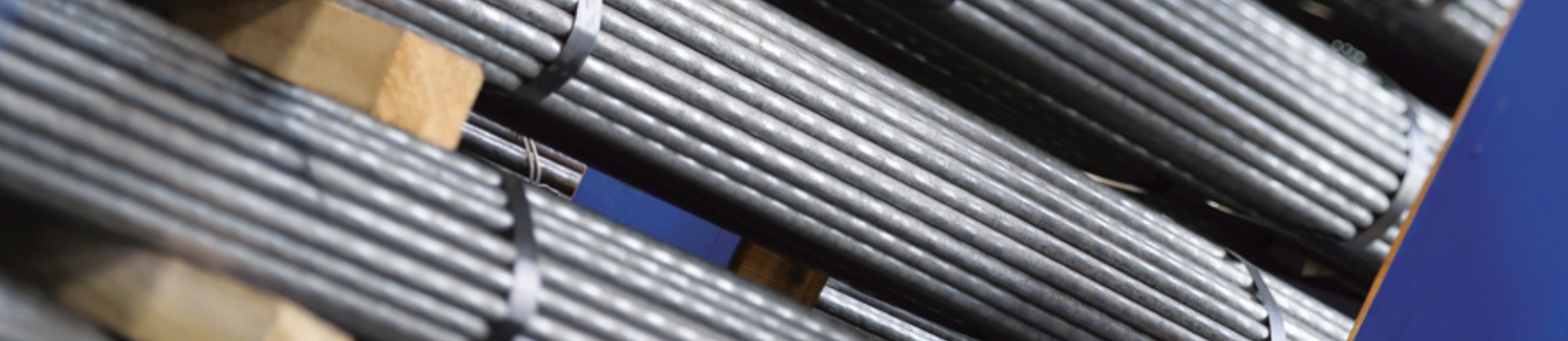
In 2013, 5.2 million tonnes of raw steel were produced in the Czech Republic. As compared to 2012, it was a growth of 1.6%. The local production of rolled material was higher year-on-year by 3% on the level of 4.8 million tonnes.

In 2013, TRINECKÉ ŽELEZÁRNY, a. s., a subsidiary of MORAVIA STEEL a.s., produced 2.55 million tonnes of steel. The share of the Třinec rolling mill in Czech production remained at the level of 2012, ie 49%. It continues to be the largest steel producer in the Czech Republic.

The results of MORAVIA STEEL a.s. of 2013 reflect the correctly-selected long-term strategy of the MS/TŽ Group. This strategy focuses on products with a higher processing grade and the 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, and finally treated steel, wide and flat tool steel.

MORAVIA STEEL a.s. has operated on the metallurgical production market since 1996. 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 intrastate and international transportation, purchase and sale of raw materials, including other inputs necessary for metallurgical production.

In 2013, MORAVIA STEEL a.s. reported a profit of CZK 1.967 billion. In 2012, it generated a profit of CZK 1,012 billion. Sales of goods in 2013 amounted to CZK 60.039 billion. In 2012, sales of goods amounted to CZK 61.254 billion.



The assets of MORAVIA STEEL a.s. increased year-on-year from CZK 17.301 billion to CZK 22.226 billion. The Company's fixed assets increased in 2013 to CZK 8.295 billion. In 2012, its fixed assets amounted to CZK 7.352 billion.

The equity of the Company increased year-on-year by almost CZK 2 billion to CZK 12.648 billion.

In 2013, the Company reported the added value of CZK 2.078 billion. The added value of the Company amounted to CZK 2.194 billion in 2012.



The most significant commodities of the MS/TŽ Group have included rolled wire and bars in the long term. In 2013, the rolled wire was the most significant product in terms of volume; its sales amounted to more than 951.207 kilotonnes. In 2012, its sales amounted to almost 923,018 kilotonnes.

In 2013, MORAVIA STEEL a.s. sold metallurgical products in the aggregate volume of 2,354,560 kilotonnes. In 2012, total sales amounted to 2,284,341 kilotonnes. 1,586,700 kilotonnes of products were exported. 767,860 kilotonnes were sold on the Czech market.

The share of exports in the total sales exceeded 67%. The European Union, including Slovakia, accounted for 89.6% of exports. American markets accounted for 9.1% in 2013. In the Eurozone, the key customer was Germany, its share in the exports other EU member states accounting for 30.8%. Of the total exports to EU member states, exports to Italy accounted for 15.9%, exports to Slovakia and Poland accounted for 13.6% and 12.5%, respectively.

Dear Shareholders, Business Partners and Employees,

Thank you for your cooperation to date; I believe that it will continue in a meaningful and proper manner in the following years to our general satisfaction.

Yours sincerely

**Tomáš Chrenek**

Chairman of the Supervisory Board  
MORAVIA STEEL a.s.



# COMPANY PROFILE

MORAVIA STEEL a.s. holds a strong 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 2009 and 2013 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 2009 AND 2013 (IN CZK MILLION)

INDICATOR	2009	2010	2011	2012	2013
Sales of goods	40 931	57 010	65 336	61 254	60 039
Sales of own products and services	730	644	637	656	625
Added value	1 848	1 734	2 205	2 194	2 078
Financial profit or loss	-550	-401	-25	-264	1 207
Profit or loss for the reporting period	710	708	1 385	1 012	1 967
Total assets	13 953	15 962	18 008	17 301	22 226
Fixed assets	6 713	6 703	6 907	7 352	8 295
Equity	7 493	8 284	9 669	10 680	12 648
Share of liabilities including accrued expenses (%)	46.30%	48.10%	46.31%	38.27%	43.09%
EBIT	968	972	1 757	1 325	2 358



IN 2013, MORAVIA  
STEEL A.S. SOLD  
METALLURGICAL  
PRODUCTS IN THE  
AGGREGATE VOLUME OF  
2,354,560 KILOTONNES.



# STATUTORY BODIES AND MANAGEMENT OF THE COMPANY

## SUPERVISORY BOARD AS OF 31 DECEMBER 2013



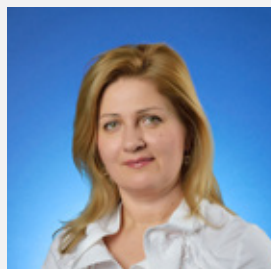
**Tomáš Chrenek**  
Chairman



**Evžen Balko**  
Vice Chairman



**Ján Moder**  
Vice Chairman



**Mária Blašková**  
Member

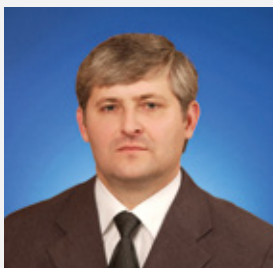
## BOARD OF DIRECTORS AS OF 31 DECEMBER 2013



**Rostislav Wozniak**  
Chairman



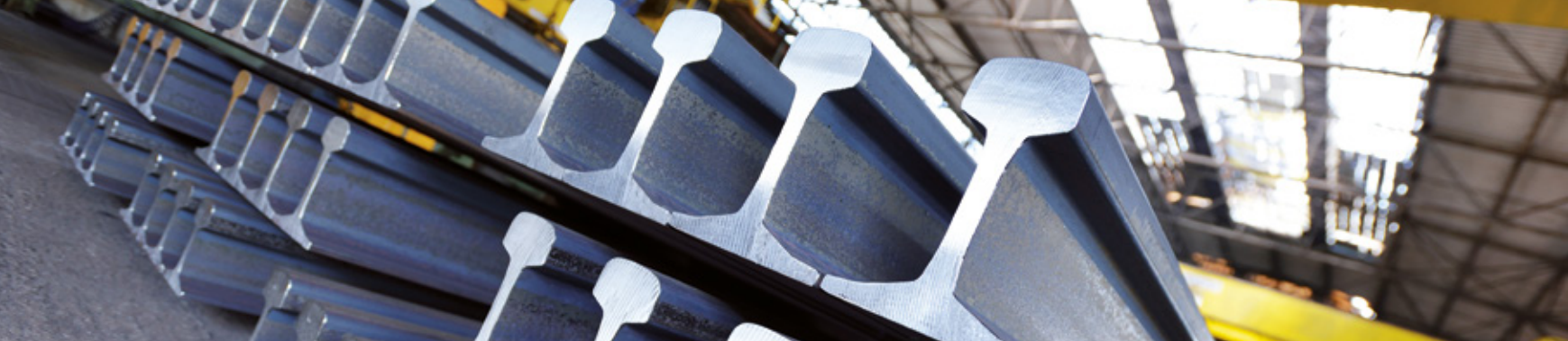
**Krzysztof Roch Ruciński**  
Vice Chairman



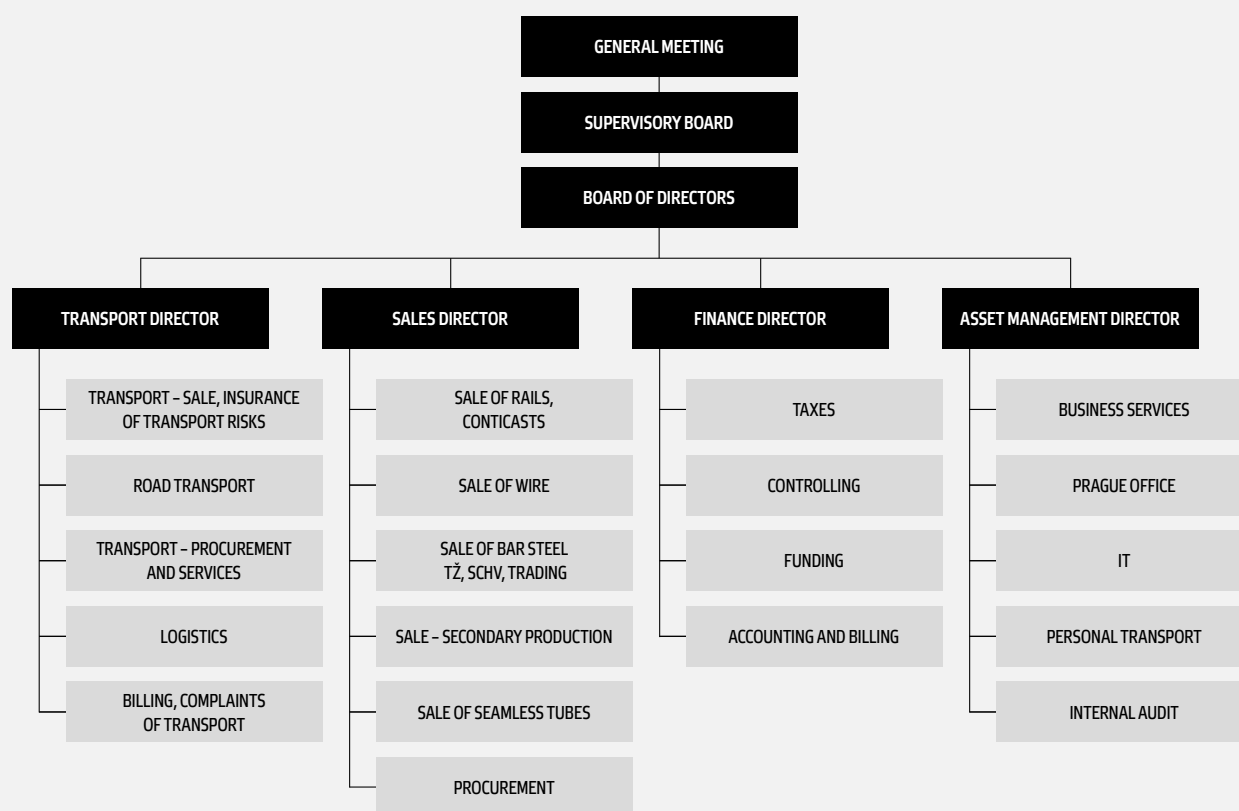
**Mojmír Kašpiřin**  
Member



**Urřula Novotná**  
Member



## ORGANISATIONAL STRUCTURE







# REPORT OF THE BOARD OF DIRECTORS

The sale of metallurgical products by MORAVIA STEEL a.s. in 2013 increased year-on-year both in exports and sales to the Czech market. It was due to a higher demand and higher production of steel. A significant impact was an increase in total sales of bar steel by 8.2% and rolled wire by 3.0%.

Total sales of goods in 2013 amounted to CZK 60.1 billion, which is a year-on-year decrease of CZK 1.2 billion. Total assets as of 31 December 2013 amounted to CZK 22.2 billion which is a year-on-year increase of CZK 4.9 billion. The profit after tax for 2013 amounted to CZK 1,967 million.

## DEVELOPMENT IN THE GLOBAL METALLURGICAL INDUSTRY

According to the World Steel Association, global steel production in 2013 amounted to CZK 1,607.2 million tonnes. As compared to 2012, the production increased by 3.5%, primarily thanks to Asia. The production also increased on the developing markets of the Middle East and Africa; in all other territories the production decreased year-on-year. The production of raw steel in Asia increased by 6% and amounted to 1,080.9 million tonnes. China exceeded original prospects and increased its production by 7.5% to 779 million tonne year-on-years. Its share in the global volume increased by 1.8% to 48.5%. Production of raw steel in North America was 119.3 million tonnes, which is a year-on-year decline of 1.9%. In South America, production decreased by 8% to 46 million tonnes.



Steel production in the EU 27 decreased year-on-year by 1.8% to 165.6 million tonnes. In 2013, Germany produced 42.6 million tonnes of steel, which is approximately the same level as in 2012. The most significant decline in steel production was recorded in Italy, by 11.7% to 24.1 million tonnes. Stagnation of production was recorded by the CIS countries, year-on-year by 1.8% to 108.9 million tonnes. Steel production in other European countries declined by 3.3% to 38.6 million tonnes. The share of the EU in the global production of steel declined to 10%.



### TREND IN THE DEVELOPMENT OF THE STEEL INDUSTRY

The EUROFER association, which associates EU steel producers, estimates the decrease in actual steel consumption in EU countries to be 1.9%. The association predicts an improvement in the EU's economic situation in 2014, which could result in a year-on-year growth in the actual steel consumption of 1.9%. The slightly positive outlook is based on the assumption that the decline in 2013 will be followed by an increase in the consumption in Europe in 2014 in tubes, in the mechanical engineering, automotive industry and construction industry.



In 2013, the average use of steel production capacities in 65 countries was 78.1%. The most intensive use of capacities was recorded in February 2013 on the level of 81.1%. At the year-end, the use of capacities decreased to 74.2%. High prices of raw material and energy as well as the burden of legal environmental regulations put a continuing pressure on margins and investments and worsen the global competitiveness of the European steel industry. Prices of natural gas in the European Union are triple, and prices of electricity are double of those in other large economic powers.

According to the Eurometal association, the annual growth in the steel consumption until 2020 will gradually decline in all regions. The growth in Europe until 2020 is anticipated only by 1% per year, in North America by 4% until 2016, then 1%. The demand for steel in Asia for 2014 is estimated at one billion tonnes. The steel consumption on China until 2016 will grow in a stable manner by 4% per year; afterwards, the growth pace will slow down to 2% until 2020. Nevertheless, the annual growth in consumption in India is still estimated to exceed 5%.

### TREND IN THE DEVELOPMENT IN THE CZECH REPUBLIC

The production of raw steel in the Czech Republic in 2013 was increased year-on-year by both significant producers. The overall production amounted to 5.2 million tonnes and reported a year-on-year growth of 1.6%. The Czech production of rolled material increased year-on-year to 4.8 million tonnes.

## REPORT OF THE BOARD OF DIRECTORS

### DEVELOPMENT IN SALES BETWEEN 2009 AND 2013 MORAVIA STEEL A.S. (IN TONNES)

Supplies in tonnes	2009	2010	2011	2012	2013
Export	1 374 281	1 555 585	1 513 857	1 538 546	1 586 700
Domestic	646 604	729 599	726 666	745 794	767 860
Total	2 020 885	2 285 184	2 240 523	2 284 341	2 354 560

### STRUCTURE OF EXPORTS AS A PERCENTAGE OF TOTAL SUPPLIES OF MORAVIA STEEL, A.S. (IN TONNES)

Structure of exports as a percentage of total supplies in tonnes	2009	2010	2011	2012	2013
European Union	76.1	78.4	73.0	75.3	77.4
Other Europe	2.9	1.8	2.3	1.4	1.3
Africa	0.3	0.1	0.1	0.0	0.0
Asia	0.2	0.6	3.1	0.7	0.0
America	8.0	7.5	9.8	10.5	9.1
Australia	0.1	0.1	0.1	0.1	0.0
Slovakia	12.4	11.5	11.6	12.0	12.2
	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	2009	2010	2011	2012	2013
Rolled wire	817 301	900 199	916 981	923 018	951 207
Billets and continual castings	226 066	284 455	268 360	293 492	285 989
Reinforcing steel	185 428	43 436	8 783	19 496	17 256
Rails	220 715	258 815	253 793	246 958	247 229
Products of SCHV Kladno	185 513	262 317	263 987	283 350	294 975
UT Bohumín	44 902	49 881	47 290	48 193	47 294
Products of VF - operations	41 505	65 238	66 346	66 979	73 467
Other (bars, sections, etc)	208 727	312 006	298 024	290 651	325 993
Pipes - VTTŽ Ostrava	79 959	93 022	99 645	97 145	94 604
Strojírny Třinec	10 769	15 816	17 314	15 059	16 546
TOTAL	2 020 885	2 285 184	2 240 523	2 284 341	2 354 560



In terms of volume and sales, rolled wire has been the most significant item in the product range. In 2013, the Company increased the sales of wire, by 28.1 kt to a total of 951.207 kt, of which 112.4 kt was from Garret coilers at the Continuous Fine Rolling Mill and 838.7 kt from the Wire Rolling Mill. 6.598 kt was sold in drawn wire; total sales are higher by 0.854 kt as compared to 2012. Almost 53% of overall sales of wire from the Wire Rolling Mill were high-carbon and screw wire, which is a year-on-year increase of 4%.

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 year ended 31 December 2013 saw a rather good and stable demand from both principal consumption sectors – the automotive industry and the mechanical engineering industry – in respect of bar steel. As compared to prior years, there was no weakened demand of end processors and distributors, not even in the fourth quarter of 2013. Thanks to this, among other things, the total sales of bars for 2013 were higher by 32.8 kt (ie +5.6%) than in 2012 and amounted to 621 kt.

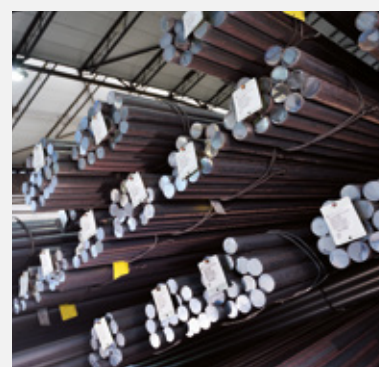
Of which sales from the Medium Rolling Mill and the Continuous Fine Rolling Mill amounted to 326 kt – and were higher by 21.1 kt (ie approximately by 7%). Although the average price was slightly lower due to lower payments for alloys and scrap, sales increased by approximately 2.6%.

Sales from Sochorová válcovna TŽ, a.s. in 2013 achieved record levels of 295 kt and were 11.7 kt (ie 4.1%) higher than in 2012. The average price of the product portfolio of Sochorová válcovna TŽ decreased due to lower additional payments, which was reflected in lower sales (by 7.3%) as compared to 2012.

Sales of wide steel from Univerzální trať in Bohumín in 2013 amounted to approximately 47.3 kt and were 0.9 kt lower than in 2012. These products continued to depend heavily on the increasingly-declining construction industry. Sales in 2013 were lower by approximately CZK 50 million than in 2012.

In 2013, the drawn steel market reported a stronger demand and prices were overall more stable. The sales amounted to 73.47 kt, ie 6.49 kt more than in 2012. After the completed approval process, the trend of an increasing sales volume to the automotive industry continued.

The Company produced and sold 6.59 kt of drawn, annealed and phosphatised wire in coils. Supplies were directed solely for the subsequent production of connection components and bearings.



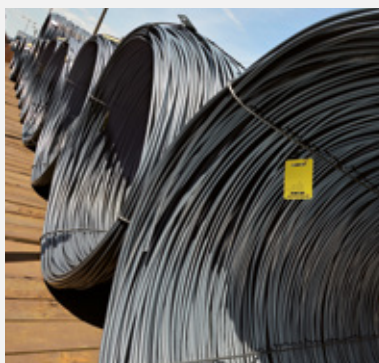
In spite of the increasingly-complicated situation in the demand in the pipes segment, TŽ Válcovna trub managed to maintain the production in the volume of 95.2 kt. The positive trend is the certification of products with added value and their continuous introduction in mechanical and oil pipes.

The Company produced and sold only 17.3 kt of the reinforcing steel, which 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.

## REPORT OF THE BOARD OF DIRECTORS

The sales of rails in 2013 amounted to 260 kt, of which the sales of MS, a.s. were 247 kt. The largest markets included the USA, Canada, Germany and Poland. Other significant markets included Serbia, Hungary, Israel and Egypt. After the decline, the Czech Republic sees a gradual revival primarily due to the faster use of EU funds in the Transportation programme. The total volume of supplies was 260.9 kt, of which 19 kt was in the Czech Republic. The supplies of railway fixtures remain at a stable level and amounted to 16.66 kt in 2013. These products also saw a recovery primarily in the Czech Republic and Poland. However, the largest markets remain to be Germany, Switzerland and Hungary.

The sales of conticasts and rolled billets in 2013 decreased by approximately 7 kt and totalled 286 kt. The direct sale of conticasts and rolled billets slightly fluctuated during 2013, but it generally confirmed the stable business activities of the buyers of the railway wheel set and components for wind power plants. The increased consumption was recorded in Spain, Poland and Germany in 2013.



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, the energy 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.



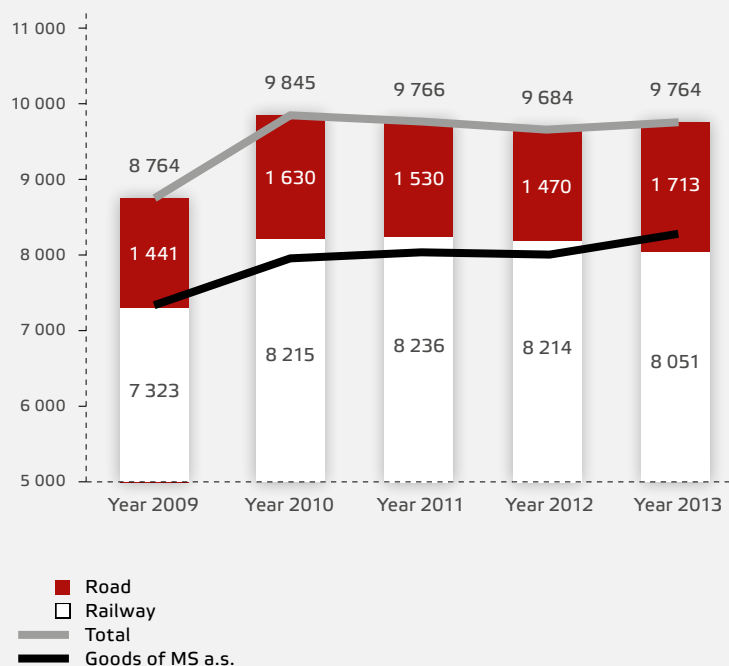
## LOGISTICS, FREIGHT TRANSPORTATION

Although the market of transportation and logistics services was very unstable, MORAVIA STEEL a.s. continued to strengthen its position as a significant transporter in the Czech Republic.

In accordance with the long-term strategy, the Company successfully introduced the servicing level and single-process standards of the MS/TŽ Group as part of the project of the shipments of the joint stock company ŽDB DRÁTOVNÁ with the objective of launching and developing perspective network technologies, implementing new products and increasing the user comfort.

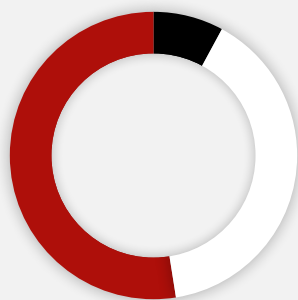
In response to dynamically-changing needs of customers, sales of MORAVIA STEEL a.s. further increased the share of the road freight transport segment.

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



Note: The development in the transportation volume of MORAVIA STEEL a.s. is stated in thousands of tonnes according to the manner of shipments from shipment points.

**Sale of goods of MORAVIA STEEL a.s. – 2013**



■ Road 52,5%  
 □ Railway 39,6%  
 ■ multimodal 7,9%

## REPORT OF THE BOARD OF DIRECTORS



Operating management, analytical and project activities focused primarily on the following:

- Restructuring, privatisation and development in the offering of significant providers of transportation services;
  - Assessment of suppliers by parameters of the quality system and assessment criteria of leading providers of business and economic information (stability rating);
  - Optimisation of freight transportation management in the MS/TŽ Group;
  - Risk management – interruption of operations, supplier chains (force majeure – natural disasters, insolvency, etc);
  - Quality, ongoing availability of transportation and handling vehicles (seasonal variations);
- Segment of individual railway vehicle shipments and their optimisation – arrangement of shipments in the groups of vehicles, preparation of groupage – load trains;
  - Quality, operating limitations and payments for the use of railway route;
  - Road safety – fastening of the load, compliance with the AETR agreement, technical fitness of vehicles (block lists – European register), continuous measures for the compliance with weight limits of road freight vehicles,
  - Audits of warehouse and handling activities in the Czech Republic and abroad;
  - Prevention and control activities, insurance of business risks (theft of the cargo, theft of the transporter identity, safety measures of shipment databanks); and
  - Application of legislative changes in business liability relations.
- 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), action plan for the competitive and sustainable steel industry in Europe;
  - Sensitivity of the sector to the growth in prices of energy commodities;
  - Currency interventions;
  - Rapid changes in transportation flows;
  - 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);
  - Liberalisation process in the railway transportation, implementation of the EC – IV. railway package guideline (separation of infrastructure and operations, transparency and prevention of cross funding, independent railway regulator);

- Support of railway research programmes;
- Investments in the renovation of the rolling stock (railway vehicles of railway transporters);
- EU strategy for the development of naval ports and better connection with inland, impact of stricter emission limits on the costs of the naval transportation, other EU initiatives for an increase in the competitiveness of the entire naval transportation sector;
- Top-level strategic documents of the Czech Government for the transportation sector (Czech Transportation policy for 2014 – 2020 with the outlook to 2050);
- Quality of the transportation infrastructure in the Czech Republic and neighbouring countries and its regional disproportion, expenses of the Czech Republic in transportation infrastructure and its co-financing from EU funds (Transportation operational programme, changes in the structure of funding from the income generated by the excise tax on mineral fuels);
- Capacity of the transportation infrastructure and the resulting apparent and hidden congestions – overload of main transportation routes, insufficient density of the highway network;

- Changes in the toll collection system in the Czech Republic – 2017;
- Environmental issues (costs of the strategy); and
- Lack of qualified manpower.

### MANAGEMENT SYSTEM, HUMAN RESOURCES

As part of the optimisation of including the subsidiary M Steel Projects a.s. in the MORAVIA STEEL a.s. group consolidation, there was a change in the reporting of the financial statements from the fiscal year to the calendar year in 2013. This project involved a comprehensive change in the setting of the bookkeeping and harmonisation of the reporting in the MS/TŽ Group as of 31 December 2013. Similarly as in 2012, data were transferred between accounting sets in the SAP system in a comprehensive manner. Employees of the MS/TŽ Group worked in this project.

During the year ended 31 December 2013, the interest of customers in sending documents electronically increased. This method will continue to be preferred by the management as it is much more effective than the traditional sending of documents in the paper form.

For a significant customer, the Company introduced the transfer of documents using the EDI (Electronic Data Interchange). This method of the document exchange was put into use during the last quarter of 2013 with a significant support of IT employees of TRINECKÉ ŽELEZÁRNY, a.s.

In addition, the Company developed the application of the supplier portal, which allows the suppliers of the MS/TŽ Group to send documents electronically fully in compliance with statutory standards. We see an increase in the interest of the suppliers in this application.

The employees of the MS/TŽ Group put the application allowing the transfer and receipt of bank statements in the electronic form into use. Again, the effectiveness and rapidity of work procedures and processes significantly increased.

The objective of the above processes is an increase in the reliability, accuracy, safety and last but not least the increase in the rapidity of the transfer of the supporting document for a better management of individual activities of the MS/TŽ Group.



## REPORT OF THE BOARD OF DIRECTORS

MORAVIA STEEL a.s. supports further education and increasing the qualifications of its employees on an ongoing basis, primarily in the form of professional specialised courses and training.



The Company does not have its own research and development; however, it is involved in the fulfilment of selected tasks in the group through its employees.

The Company provides its activities in accordance with the applicable environmental legislation.

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

### 2013 POST BALANCE SHEET EVENTS

Pursuant to the resolution of the Supervisory Board, the Chairman of the Board of Directors, Rostislav Wozniak, was recalled on 31 March 2014. Petr Popelář was appointed to replace him. This change, which took effect on 1 April 2014, was not recorded in the Register of Companies on 12 May 2014.

The parent company purchased a 49% equity investment in Moravskoslezský kovošrot, a.s. pursuant to the contract for the transfer of shares. The transaction was settled on 28 March 2014 and the equity investment of the parent company was increased from 51% to 100%.

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 cartel 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.

On 7 October 2013, legal representatives of Moravia Steel Deutschland GmbH and MORAVIA STEEL a.s., acting for and representing their clients, filed a legal response on which the plaintiffs are expected to comment by the end of March 2014. The plaintiffs filed their comments with the court within the stated deadline but the court has not yet delivered their comments to MORAVIA STEEL a.s. Therefore, the legal dispute is at an initial stage; therefore, no reasonable estimate of the impact of the outcome of the legal dispute on the functioning of Moravia Steel Deutschland GmbH can presently be made.

# REPORT OF THE SUPERVISORY BOARD

The Supervisory Board of MORAVIA STEEL a.s. reviewed the financial statements of MORAVIA STEEL a.s. for 2013 based on the presented documents discussed by the Board of Directors of MORAVIA STEEL a.s. and discussed the proposed allocation of profit for 2013.

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 2013, including the proposal of the Board of Directors for the allocation of profit for 2013.



**Tomáš Chrenek**

Chairman of the Supervisory Board

# VII REPORT OF THE AUDIT COMMITTEE

The activities of the Audit Committee were conducted in compliance with the applicable legislation, Articles of Association and plan of the activities of the Audit Committee for 2013 and the Audit Committee presents this report on the results of its activities to the general meeting of MORAVIA STEEL a.s. (hereinafter the "Company").

At its meetings, the Audit Committee dealt with the following issues:

- Monitoring of the procedure used for the preparation of the Company's financial statements and consolidated financial statements of the MORAVIA STEEL group for the year ended 31 December 2013;
- Monitoring of the process of the statutory audit of the Company's financial statements and consolidated financial statements of the MORAVIA STEEL group for the year ended 31 December 2013;
- Fulfilment of the plan of the Internal Audit department for 2013 and preparation of the Internal Audit department's plan of activities for 2014;
- Presentation of significant results of internal and external audits, communications and declarations of the external auditor according to the relevant legal regulations;

- Assessment of the external auditor primarily from the perspective of the auditor's and the audit firm's independence and provision of additional services to the Company;

- Assessment of the performance quality of the Internal Audit department of the Company and effectiveness of the internal control system and risk management processes; and

- Measures adopted by the Company based on the findings of the internal and external auditors.

The following persons were invited to attend the meetings of the Audit Committee: key members of the external audit team, the CFO of the Company, Head of Internal Controlling of the Company and employees of the Company responsible for the activities or involved in the activities on which the Audit Committee focused.

The Audit Committee informs the Supervisory Board of the Company on its conclusions and provides it with recommendations in discussing the issues that were subject to the discussions of the Audit Committee.

The Audit Committee states that in principal activities that were entrusted to it by the Articles of Association of the Company and general legal regulations, ie in:

- Monitoring the procedure of the preparation the financial statements, including the consolidated financial statements;
- Monitoring the process of the statutory audit of the financial statements and consolidated financial statements;
- Assessment of the effectiveness of the internal control system and risk management processes;
- Assessment of the independence of the external auditor and the audit firm from the audited entity, including the provision of additional services by the external auditor;

it did not identify any serious shortcomings or facts during 2013 and 2014 through the date of the holding of this general meeting that the general meeting of the Company's shareholders should be informed about.



**Dana Trezziová**

Chairwoman of the Audit Committee of MORAVIA STEEL a.s.

# VII AUDITOR'S REPORT

## Deloitte.

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Id. Nr.: 49620592  
Tax Id. Nr.: CZ49620592

### 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 31 March 2014 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 2013, 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 2013, 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 5 May 2014 on the consolidated financial statements which are included in this annual report in Section IX.:

"We have audited the accompanying consolidated financial statements of the MORAVIA STEEL a.s. consolidation group, which comprise the balance sheet as of 31 December 2013, 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.

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 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 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 2013, 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 2013 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 2013 contains material factual misstatements.

The Company has decided not to disclose amounts under related party contracts citing business secrecy restrictions. Our opinion is not modified in respect of this matter.

#### Report on the Annual Report

We have also audited the annual report of the Company as of 31 December 2013 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 27 May 2014

Audit firm:

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



Statutory auditor:

Pavel Raštica  
certificate no. 2180



# VIII / FINANCIAL PART I. FINANCIAL STATEMENTS

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013



<b>Name of the Company:</b>	<b>MORAVIA STEEL a.s.</b>
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 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 31. March 2014

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

(CZK thousand)

		31. 12. 2013			31. 12. 2012
		Gross	Adjustment	Net	Net
	<b>TOTAL ASSETS</b>	<b>22,882,272</b>	<b>656,671</b>	<b>22,225,601</b>	<b>17,300,581</b>
<b>B.</b>	<b>Fixed assets</b>	<b>8,679,141</b>	<b>384,438</b>	<b>8,294,703</b>	<b>7,351,890</b>
<i>B.I.</i>	<i>Intangible fixed assets</i>	<b>78,666</b>	<b>67,364</b>	<b>11,302</b>	<b>28,316</b>
B.I.1.	Start-up costs	72	72		
B.I.3.	Software	1,372	1,154	218	502
B.I.4.	Valuable rights	76,296	65,368	10,928	27,635
B.I.6.	Other intangible fixed assets	926	770	156	179
<i>B.II.</i>	<i>Tangible fixed assets</i>	<b>96,560</b>	<b>67,015</b>	<b>29,545</b>	<b>30,372</b>
B.II.3.	Individual movable assets and sets of movable assets	95,902	67,015	28,887	29,043
B.II.7.	Tangible fixed assets under construction				726
B.II.8.	Prepayments for tangible fixed assets	658		658	603
<i>B.III.</i>	<i>Non-current financial assets</i>	<b>8,503,915</b>	<b>250,059</b>	<b>8,253,856</b>	<b>7,293,202</b>
B.III.1.	Equity investments - subsidiary (controlled entity)	8,175,298	250,059	7,925,239	7,112,341
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.III.7.	Prepayments for non-current financial assets	147,756		147,756	
<b>C.</b>	<b>Current assets</b>	<b>14,181,312</b>	<b>272,233</b>	<b>13,909,079</b>	<b>9,913,233</b>
<i>C.I.</i>	<i>Inventories</i>	<b>333,281</b>		<b>333,281</b>	<b>368,124</b>
C.I.1.	Material	1,310		1,310	1,240
C.I.5.	Goods	331,971		331,971	366,884
<i>C.II.</i>	<i>Long-term receivables</i>	<b>15,784</b>		<b>15,784</b>	<b>58,546</b>
C.II.5.	Long-term prepayments made	1,127		1,127	1,127
C.II.7.	Other receivables	14,657		14,657	57,419
<i>C.III.</i>	<i>Short-term receivables</i>	<b>8,132,787</b>	<b>272,233</b>	<b>7,860,554</b>	<b>7,912,559</b>
C.III.1.	Trade receivables	7,650,599	270,212	7,380,387	7,378,291
C.III.2.	Receivables - controlled or controlling entity				106,392
C.III.6.	State - tax receivables	310,127		310,127	308,978
C.III.7.	Short-term prepayments made	2,672		2,672	27,261
C.III.8.	Estimated receivables	22,450		22,450	20,013
C.III.9.	Other receivables	146,939	2,021	144,918	71,624
<i>C.IV.</i>	<i>Current financial assets</i>	<b>5,699,460</b>		<b>5,699,460</b>	<b>1,574,004</b>
C.IV.1.	Cash on hand	549		549	483
C.IV.2.	Cash at bank	5,698,911		5,698,911	1,377,141
C.IV.3.	Short-term securities and investments				196,380
<b>D. I.</b>	<b>Other assets</b>	<b>21,819</b>		<b>21,819</b>	<b>35,458</b>
D.I.1.	Deferred expenses	8,524		8,524	1,744
D.I.2.	Complex deferred expenses	64		64	
D.I.3.	Accrued income	13,231		13,231	33,714

# TOTAL LIABILITIES & EQUITY

(CZK thousand)

		31. 12. 2013	31. 12. 2012
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>22,225,601</b>	<b>17,300,581</b>
<b>A.</b>	<b>Equity</b>	<b>12,647,691</b>	<b>10,680,488</b>
A.I.	<b>Share capital</b>	<b>3,157,000</b>	<b>3,157,000</b>
A.I.1.	Share capital	3,157,000	3,157,000
A.III.	<b>Statutory funds</b>	<b>631,400</b>	<b>631,400</b>
A.III.1.	Statutory reserve fund/Indivisible fund	631,400	631,400
A.IV.	<b>Retained earnings</b>	<b>6,892,088</b>	<b>5,880,255</b>
A.IV.1.	Accumulated profits brought forward	6,892,088	5,880,255
A.V.	<b>Profit or loss for the current period (+ -)</b>	<b>1,967,203</b>	<b>1,011,833</b>
<b>B.</b>	<b>Liabilities</b>	<b>9,563,230</b>	<b>6,588,827</b>
B.I.	<b>Reserves</b>	<b>3,197</b>	<b>8,987</b>
B.I.4.	Other reserves	3,197	8,987
B.II.	<b>Long-term liabilities</b>	<b>1,650,000</b>	
B.II.2.	Payables - controlled or controlling entity	1,650,000	
B.III.	<b>Short-term liabilities</b>	<b>7,060,033</b>	<b>5,479,751</b>
B.III.1.	Trade payables	5,987,235	5,114,095
B.III.2.	Payables - controlled or controlling entity	572,122	
B.III.5.	Payables to employees	16,202	16,660
B.III.6.	Social security and health insurance payables	5,440	3,894
B.III.7.	State - tax payables and subsidies	40,586	8,678
B.III.8.	Short-term prepayments received	139,803	123,271
B.III.10.	Estimated payables	37,977	138,153
B.III.11.	Other payables	260,668	75,000
B.IV.	<b>Bank loans and borrowings</b>	<b>850,000</b>	<b>1,100,089</b>
B.IV.2.	Short-term bank loans	850,000	1,100,089
<b>C. I.</b>	<b>Other liabilities</b>	<b>14,680</b>	<b>31,266</b>
C.I.1.	Accrued expenses	14,613	31,266
C.I.2.	Deferred income	67	



# PROFIT AND LOSS ACCOUNT

(CZK thousand)

		Year ended 31. 12. 2013	Year ended 31. 12. 2012
I.	Sales of goods	60,038,524	61,254,381
A.	Costs of goods sold	57,576,511	58,719,889
+	<b>Gross margin</b>	<b>2,462,013</b>	<b>2,534,492</b>
II.	Production	624,835	656,255
II.1.	Sales of own products and services	624,835	656,255
B.	Purchased consumables and services	1,008,827	996,848
B.1.	Consumed material and energy	8,912	8,840
B.2.	Services	999,915	988,008
+	<b>Added value</b>	<b>2,078,021</b>	<b>2,193,899</b>
C.	Staff costs	383,890	378,550
C.1.	Payroll costs	208,659	212,447
C.2.	Remuneration to members of statutory bodies	106,001	106,001
C.3.	Social security and health insurance costs	67,698	58,587
C.4.	Social costs	1,532	1,515
D.	Taxes and charges	8,982	758
E.	Depreciation of intangible and tangible fixed assets	20,687	21,057
III.	Sales of fixed assets and material	8,319	3,760
III.1.	Sales of fixed assets	6,702	2,362
III.2.	Sales of material	1,617	1,398
F.	Net book value of fixed assets and material sold	9,187	2,141
F.1.	Net book value of sold fixed assets	7,966	1,220
F.2.	Book value of sold material	1,221	921
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	11,176	- 134,954
IV.	Other operating income	63,244	33,135
H.	Other operating expenses	597,238	392,083
*	<b>Operating profit or loss</b>	<b>1,118,424</b>	<b>1,571,159</b>
VI.	Proceeds from the sale of securities and investments	2,946,837	281,242
J.	Cost of securities and investments sold	3,062,395	275,525
VII.	Income from non-current financial assets	20,588	71,710
VII.1.	Income from equity investments in subsidiaries and associates	20,588	71,710
M.	Change in reserves and provisions relating to financial activities	- 937,595	209,005
X.	Interest income	2,703	13,044
N.	Interest expenses	32,487	18,213
XI.	Other financial income	842,519	704,609
O.	Other financial expenses	448,198	832,238
*	<b>Financial profit or loss</b>	<b>1,207,162</b>	<b>- 264,376</b>
Q.	Income tax on ordinary activities	358,383	294,950
Q 1.	- due	358,383	297,774
Q 2.	- deferred		- 2,824
**	<b>Profit or loss from ordinary activities</b>	<b>1,967,203</b>	<b>1,011,833</b>
***	<b>Profit or loss for the current period (+/-)</b>	<b>1,967,203</b>	<b>1,011,833</b>
****	<b>Profit or loss before tax</b>	<b>2,325,586</b>	<b>1,306,783</b>

# STATEMENT OF CHANGES IN EQUITY

(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 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>
Distribution of profit or loss				1,011,833		-1,011,833	
Profit or loss for the current period						1,967,203	1,967,203
<b>Balance at 31 December 2013</b>	<b>3,157,000</b>		<b>631,400</b>	<b>6,892,088</b>		<b>1,967,203</b>	<b>12,647,691</b>

# CASH FLOW STATEMENT

(CZK thousand)

		Year ended 31. 12. 2013	Year ended 31. 12. 2012
P.	Opening balance of cash and cash equivalents	<b>1,377,228</b>	<b>1,293,812</b>
	Cash flows from ordinary activities		
Z.	Profit or loss from ordinary activities before tax	2,325,586	1,306,783
A.1.	Adjustments for non-cash transactions	-787,503	190,737
A.1.1.	Depreciation of fixed assets	20,687	21,057
A.1.2.	Change in provisions and reserves	-926,439	74,051
A.1.3.	Profit/(loss) on the sale of fixed assets	116,721	-1,142
A.1.4.	Revenues from dividends and profit shares	-20,588	-71,710
A.1.5.	Interest expense and interest income	29,784	5,169
A.1.6.	Adjustments for other non-cash transactions	-7,668	163,312
A.*	Net operating cash flow before changes in working capital	<b>1,538,083</b>	<b>1,497,520</b>
A.2.	Change in working capital	1,065,092	-292,303
A.2.1.	Change in operating receivables and other assets	92,020	1,108,560
A.2.2.	Change in operating payables and other liabilities	937,833	-1,531,183
A.2.3.	Change in inventories	34,843	127,446
A.2.4.	Change in current financial assets	396	2,874
<b>A.**</b>	<b>Net cash flow from operations before tax and extraordinary items</b>	<b>2,603,175</b>	<b>1,205,217</b>
A.3.	Interest paid	-10,366	-18,347
A.4.	Interest received	2,703	13,044
A.5.	Income tax paid from ordinary operations	-327,943	-409,470
A.7.	Received dividends and profit shares	20,588	11,797
<b>A.***</b>	<b>Net operating cash flows</b>	<b>2,288,157</b>	<b>802,241</b>
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	-596,813	-871,953
B.2.	Proceeds from fixed assets sold	2,878,205	2,362
B.3.	Loans provided to related parties	2,772	150,732
<b>B.***</b>	<b>Net investment cash flows</b>	<b>2,284,164</b>	<b>-718,859</b>
	Cash flow from financial activities		
C.1.	Change in payables from financing	-250,089	34
<b>C.***</b>	<b>Net financial cash flows</b>	<b>-250,089</b>	<b>34</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>4,322,232</b>	<b>83,416</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>5,699,460</b>	<b>1,377,228</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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## 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 2013, 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 2013.

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

Shareholders	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 železářny, a. s. and its subsidiary companies (for further details refer to Notes 4.16.)

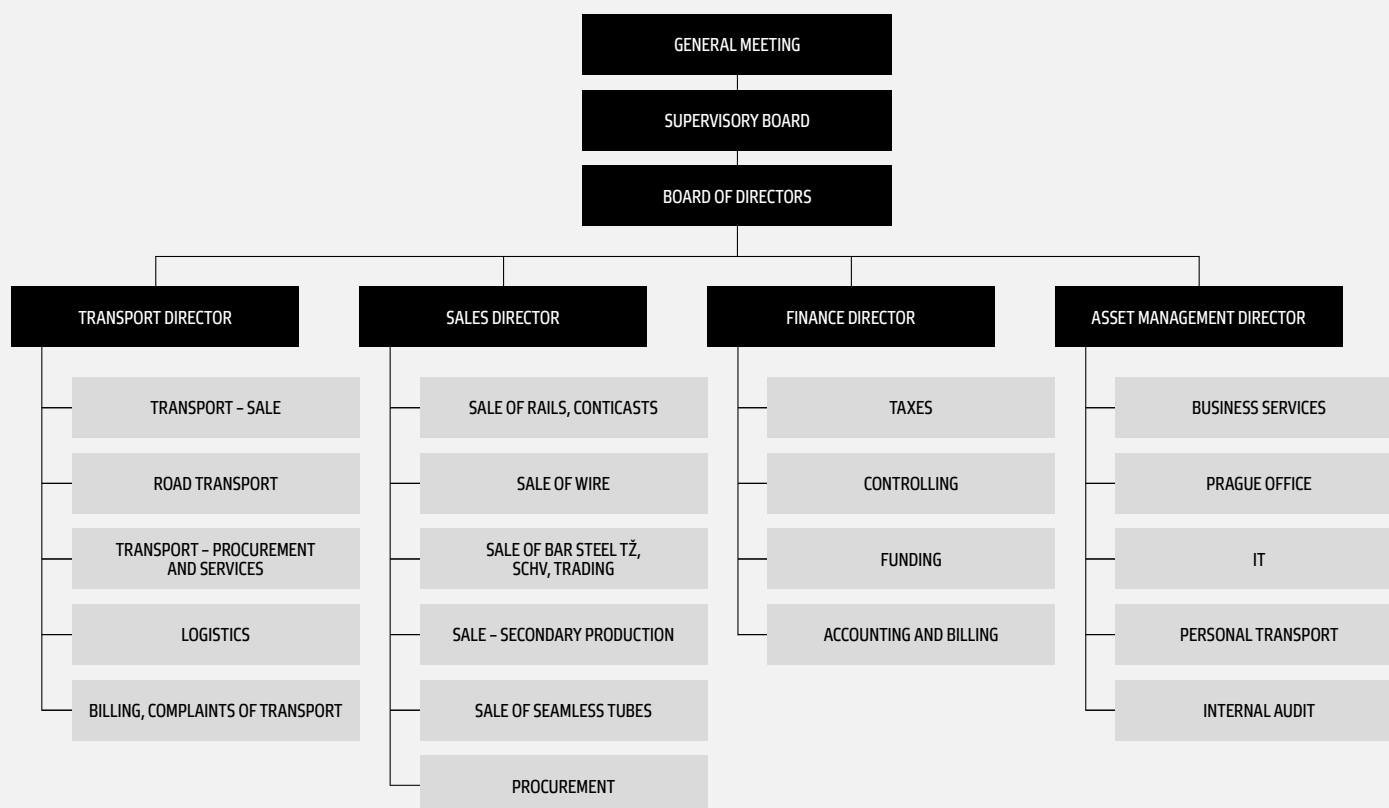
### 1.2. CHANGES AND AMENDMENTS TO THE REGISTER OF COMPANIES

During the year ended 31 December 2013, the statutes of the Company were adjusted and the number of members of the Supervisory Board decreased from 6 to 4. On 31 December 2013, the term of Jaroslava Ciahotná and Pablo Alarcón Espinosa expired. The term of the remaining members of the Supervisory Board was renewed with effect from 1 January 2014.

### 1.3. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2013

	Position	Name
Board of Directors	Chairman	Rostislav Wozniak
	Vice Chairman	Krzysztof Roch Ruciński
	Member	Mojmír Kašpříš
	Member	Uršula Novotná
Supervisory Board	Chairman	Tomáš Chrenek
	Vice Chairman	Ján Moder
	Vice Chairman	Evžen Balko
	Member	Mária Blašková

## 1.4. ORGANISATIONAL STRUCTURE OF THE COMPANY AS OF 31 DECEMBER 2013



## 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 2013.

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 2013.

### 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 2013.

### 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. 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 Company as well as income or expenses from events or transactions that are not expected to recur frequently or regularly.

### 3.17. 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 2013	31 Dec 2012
Cash on hand	549	483
Cash at bank and cash in transit	5 698 911	1 377 141
Current securities *)	-	1 133 327
Provision against current securities*)	-	936 947
Total current financial assets	5 699 460	1 574 004
Current account – blocked funds	-	-396
Current securities (net)*	-	- 196 380
<b>Total cash and cash equivalents</b>	<b>5 699 460</b>	<b>1 377 228</b>

\* Owing to the 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 as of 31 December 2012.

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 2011	Additions	Disposals	Balance at 31 Dec 2012	Additions	Disposals	Balance at 31 Dec 2013
Start-up costs	72	-	-	72	-	-	72
Software	892	396	-	1 288	84	-	1 372
Valuable rights	91 819	-	-	91 819	-	15 523	76 296
Other intangible FA	926	-	-	926	-	-	926
Intangible FA under construction	396	-	396	-	84	84	-
<b>Total</b>	<b>94 105</b>	<b>396</b>	<b>396</b>	<b>94 105</b>	<b>168</b>	<b>15 607</b>	<b>78 666</b>

##### Accumulated Amortisation

(CZK thousand)

	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012	Additions	Disposals	Balance at 31 Dec 2013
Start-up costs	72	-	-	72	-	-	72
Software	497	289	-	786	368	-	1 154
Valuable rights	54 980	9 204	-	64 184	16 707	15 523	65 368
Other intangible FA	725	22	-	747	23	-	770
<b>Total</b>	<b>56 274</b>	<b>9 515</b>	<b>-</b>	<b>65 789</b>	<b>17 098</b>	<b>15 523</b>	<b>67 364</b>

## Net Book Value

(CZK thousand)

	Balance at 31 Dec 2011	Balance at 31 Dec 2012	Balance at 31 Dec 2013
Start-up costs	-	-	-
Software	395	502	218
Valuable rights	36 839	27 635	10 928
Other intangible FA	201	179	156
Intangible FA under construction	396	-	-
<b>Total</b>	<b>37 831</b>	<b>28 316</b>	<b>11 302</b>

Amortisation of intangible fixed assets was CZK 9,465 thousand and CZK 9,515 thousand as of 31 December 2013 and 31 December 2012, respectively.

## 4.1.2. Tangible Fixed Assets

### Cost

(CZK thousand)

	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012	Additions	Disposals	Balance at 31 Dec 2013
Individual movable assets	101 067	15 947	16 475	100 539	11 399	16 036	95 902
- Machines and equipment	15 623	242	-	15 865	779	4435	12 209
- Vehicles	78 833	15 299	16 053	78 079	10 514	11 567	77 026
- Furniture and fixtures	6 611	406	422	6 595	106	34	6 667
Tangible FA under construction	-	18 389	17 663	726	9 789	10 515	-
Prepayments for tangible FA	-	607	4	603	55	-	658
<b>Total</b>	<b>101 067</b>	<b>34 943</b>	<b>34 142</b>	<b>101 868</b>	<b>21 243</b>	<b>26 551</b>	<b>96 560</b>

### Accumulated Depreciation

(CZK thousand)

	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012	Additions	Disposals	Balance at 31 Dec 2013
Individual movable assets	75 198	12 772	16 474	71 496	11 555	16 036	67 015
- Machines and equipment	12 228	1 575	-	13 803	1 743	4 435	11 111
- Vehicles	56 386	11 158	16 053	51 491	9 680	11 566	49 605
- Furniture and fixtures	6 584	39	421	6 202	132	35	6 299
<b>Total</b>	<b>75 198</b>	<b>12 772</b>	<b>16 474</b>	<b>71 496</b>	<b>11 555</b>	<b>16 036</b>	<b>67 015</b>

### Net Book Value

(CZK thousand)

	Balance at 31 Dec 2011	Balance at 31 Dec 2012	Balance at 31 Dec 2013
Individual movable assets	25 869	29 043	28 887
- Machines and equipment	3 395	2 062	1 098
- Vehicles	22 447	26 588	27 421
- Furniture and fixtures	27	393	368
Tangible FA under construction	-	726	-
Prepayments for tangible FA	-	603	658
<b>Total</b>	<b>25 869</b>	<b>30 372</b>	<b>29 545</b>

The Company principally acquired cars in 2012 and 2013.

The Company acquired tangible assets that were charged directly to expenses in the amounts of CZK 2,021 thousand and CZK 1,680 thousand for the years ended 31 December 2013 and 2012, 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 11,222 thousand and CZK 11,542 thousand as of 31 December 2013 and 31 December 2012, respectively.

## 4.2. NON-CURRENT FINANCIAL ASSETS

### Cost

(CZK thousand)

	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012	Additions	Disposals	Balance at 31 Dec 2013
Equity investments in subsidiaries	7 641 041	1 129 687	1 408 328	7 362 400	2 638 245	1 825 347	8 175 298
Equity investments in associates	178 197	-	-	178 197	-	-	178 197
Acquisition of non-current financial assets	2 664	1 129 687	1 129 687	2 664	2 638 245	2 638 245	2 664
Prepayments for non-current financial assets	-	-	-	-	393 000	245 244	147 756
<b>Total</b>	<b>7 821 902</b>	<b>2 259 374</b>	<b>2 538 015</b>	<b>7 543 261</b>	<b>5 760 083</b>	<b>4 799 429</b>	<b>8 503 915</b>

During the year ended 31 December 2013, the Company purchased additional 1,349,501 shares of TŘINECKÉ ŽELEZÁRNY, a. s. pursuant to the contract for the purchase of securities concluded with FINTRADING a.s. The Company also purchased additional 53,160 shares of TŘINECKÉ ŽELEZÁRNY, a. s. from individual minority shareholders pursuant to contracts for the sale of securities. The Company also purchased all other shares of TŘINECKÉ ŽELEZÁRNY, a. s. based on the decision of the extraordinary General Meeting of the Company, held on 31 July 2013, on the transfer of the Company's shares held by other shareholders to MORAVIA STEEL a.s. as the principal shareholder, pursuant to the mandate contract between MORAVIA STEEL a.s., CYPRUS CORPORATE FINANCE, a.s. and TŘINECKÉ ŽELEZÁRNY, a.s. of 25 July 2013. This resulted in an increase in the investment of CZK 2,633,858 thousand, ie from CZK 4,290,014 thousand to CZK 6,923,872 thousand. The shares will also be purchased in 2014 using the funds allocated by the mandatories amounting to CZK 147,756 thousand.

Pursuant to the contract for the transfer of securities of 21 December 2012 and the subsequent amendment of 11 November 2013 concluded between EMPRESA MEDIA, a.s., the Company entered into a contract for the sale of its subsidiary, Barrandov Televizní Studio, a.s. As of 31 December 2012, the investment was reported in line C.IV.3 'Short-term securities and investments'. In relation to the sale of the subsidiary, a provision of CZK 936,947 thousand reported in the line 'Change in reserves and provisions relating to financial activities' was released.

In 2013, MORAVIA STEEL a.s. decided to increase the share capital of Moravia Steel Israel Ltd. in the aggregate amount of CZK 259 thousand.

On 4 November 2013, the Company concluded a contract with TŘINECKÉ ŽELEZÁRNY, a.s. for the transfer of securities issued by Hanácké železářny a pérovny, a.s. and a contract for the transfer of securities issued by Sochorová válcovna TŽ, a.s. The securities relating to both contracts were handed over on 11 November 2013.

On 22 April 2013, the Company concluded an agreement with METALURGIA S.A. on the acquisition of the 100% shareholding in NEOMET sp. Z. o. o. Radomsko, Poland.

#### 4.2.1. Equity Investments in Subsidiaries

2013

(CZK thousand)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
TŘINECKÉ ŽELEZÁRNY, a.s.**)	Třinec	6 923 872	8 109 863	100	21 263 521	1 082 057	-	-
Barrandov Studio a.s.	Prague	746 439	197 112	99,85	724 214	7 591	150 000	-
Moravia Steel Slovenija, d.o.o.	Celje	1 573	867	51	1 515	76	-	-
Moravia Steel Italia, srl	Milano	2 580	2 075	66	102 355	27 343	-	20 588
Moravia Steel Ibéria, s.a.	Lisbon	10 850	2 533	99,33	13 809	461	-	-
Moravia Goel Trade, d.o.o.	Samobor	59	59	60	*)	-	59	-
MS – Slovensko s.r.o.	Bratislava	161	160	100	1 020	-10	-	-
Moravia Steel Israel Ltd.	Petach Tikva	605	466	100	42	-34	-	-
Beskydská golfová, a.s	Ropice	254 342	230 000	100	210 166	3 671	100 000	-
Moravskoslezský kovošrot a.s.	Prague	106 100	1 020	51	208 732	27 465	-	-
M Steel Projects a.s.	Třinec	10 000	10 000	100	- 114 223	39 949	-	-
Moravia Steel UK Ltd	Cheshire	1 449	1 449	100	62 837	1 278	-	-
Moravia Steel Deutschland GmbH	Kürten	113 140	1 625	100	55 113	-26 099	-	-
NEOMET Sp. Z o.o.***)	Radomsko	4 128	3 972	100	19 693	14 560	-	-
<b>Total</b>		<b>8 175 298</b>	<b>8 561 201</b>		<b>22 548 794</b>	<b>1 178 308</b>	<b>250 059</b>	<b>20 588</b>

\*) In liquidation

\*\*) During 2013, the equity investment in TŘINECKÉ ŽELEZÁRNY, a.s. was increased by CZK 2,633,858 thousand to 100%, ie from CZK 4,290,014 thousand to CZK 6,923,872 thousand.

\*\*\*) Pursuant to the contract of 22 April 2013, the Company became a subsidiary of MORAVIA STEEL a.s.

2012

(CZK thousand)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
TŘINECKÉ 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 July 2014.

\*\*\*) During the year ended 31 December 2012, the equity investment in TŘINECKÉ 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.

## 4.2.2. Equity Investments in Associates

2013

(CZK thousand)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
Kovárna VIVA a.s.	Zlín	175 311	25 000	50	535 258	82 465	-	-
Moravia Steel Middle East FZO	Dubai	2 886	2 841	40	76 097	35 074	-	-
<b>Total</b>		<b>178 197</b>	<b>27 841</b>		<b>611 355</b>	<b>117 539</b>	-	-

2012

(CZK thousand)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
Kovárna VIVA a.s.	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>	-	-

## 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 2013 and 2012.

## 4.3. INVENTORY

(CZK thousand)

	Balance at 31 Dec 2013	Balance at 31 Dec 2012
- Material	1 310	1 240
- Inventory - raw material	25 081	1 387
- Inventory - metallurgical products	306 890	365 497
<b>Total</b>	<b>333 281</b>	<b>368 124</b>

In the year ended 31 December 2013, the Company recognised no provision against inventory.

No prepayments for inventory were provided in the reporting periods.

## 4.4. RECEIVABLES

### 4.4.1. Long-Term Receivables

As of 31 December 2013, the Company reports a long-term receivable of CZK 15,784 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 and subsequently, in compliance with the contract of 21 December 2012, to EMPRESA MEDIA a.s. As of 31 December 2013, this receivable amounted to CZK 24,250 thousand and is due in 2013 - 2017. The long-term portion of the loan of CZK 14,550 thousand is reported in the line 'Other long-term receivables', the short-term part of the receivable of CZK 9,700 thousand is reported in the line 'Other short-term receivables'.

### 4.4.2. Trade Receivables

(CZK thousand)

	Balance at 31 Dec 2013	Balance at 31 Dec 2012
Short-term		
- Customers	7 646 807	7 628 112
- Bills of exchange to be collected	3 792	3 792
- Provisions - customers	-266 420	-249 821
- Provisions - bills of exchange to be collected	-3 792	-3 792
<b>Total</b>	<b>7 380 387</b>	<b>7 378 291</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		
2013	Gross	6 643 513	770 182	2 002	11 147	25 914	194 049	1 003 294	<b>7 646 807</b>
	Provisions	11 489	28 412	1	7 086	25 383	194 049	254 931	<b>266 420</b>
2012	Gross	6 629 256	738 187	–	19 067	62 956	178 646	998 856	<b>7 628 112</b>
	Provisions	–	460	–	7 759	62 956	178 646	249 821	<b>249 821</b>

Receivables typically mature within 30 days.

Past due receivables:

(CZK thousand)

Year ended	Local	Cross-border	Total
31 Dec 2013	200 514	802 780	<b>1 003 294</b>
31 Dec 2012	285 332	713 524	<b>998 856</b>

#### 4.4.4. Intercompany Trade Receivables

(CZK thousand)

Name of the entity	Balance at 31 Dec 2013	Balance at 31 Dec 2012
Short-term trade receivables		
TŘINECKÉ ŽELEZÁRNY, a.s.	1 495 453	1 366 113
Strojírny Třinec, a.s.*)	–	136
ENERGETIKA TŘINEC, a.s.	42 865	12 052
Slévárny Třinec, a.s.	2 300	2 470
Sochorová válcovna TŽ, a.s.	1 608	1 350
Moravia Steel Deutschland GmbH, Německo	6 698	550 876
Řetězárna a.s.	11 414	19 422
Barrandov Studio a.s.	20 031	20 276
Moravia Steel UK Ltd	10 407	–
Moravia Steel Italia, srl	–	–
DOPRAVA TŽ, a.s.	–	–
Beskydská golfová, a.s.	61	84
Barrandov Televizní Studio a.s.**)	–	17 600
VÚHŽ, a.s.	24 197	11 930
Šroubárna Kyjov spol. s r.o.	14 961	21 040
Kovárna VIVA a.s.	71 687	79 059
M STEEL PROJECTS a.s.	70 387	211 696
ŽDB DRÁTOVNA a.s.	351 128	235 797
"NEOMET" sp.z o.o.***)	109	–
<b>Total short-term intercompany receivables</b>	<b>2 123 306</b>	<b>2 549 901</b>
Receivables outside the Group	5 527 293	5 082 003
<b>Total short-term trade receivables, gross</b>	<b>7 650 599</b>	<b>7 631 904</b>

\*) During the year ended 2013, Strojírny Třinec, a.s. merged with D5, a.s. Subsequently, D5, a.s. changed its name to Strojírny a stavby Třinec, a.s.

\*\*\*) The company was sold to EMPRESA MEDIA, a.s., pursuant to the contract for the transfer of securities.

\*\*\*\*) The company became a subsidiary of MORAVIA STEEL, a.s., pursuant to the contract of 22 April 2014.

The Company carries no long-term intercompany trade receivables.

#### 4.4.5. Receivables from Subsidiaries

The Company records no receivables from controlled entities.

#### 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 2013, the value of pledged receivables was CZK 810,240 thousand (2012: CZK 803,852 thousand).

#### 4.4.7. State – Tax Receivables

State – tax receivables comprise a receivable arising from VAT in the amount of CZK 310,127 thousand as of 31 December 2013 (2012: CZK 308,978 thousand).

#### 4.5. CURRENT FINANCIAL ASSETS

(CZK thousand)

	Balance at 31 Dec 2013	Balance at 31 Dec 2012
Cash on hand	549	483
<b>Total cash</b>	<b>549</b>	<b>483</b>
Current accounts and cash in transit	5 658 911	1 296 745
Current accounts – blocked funds	-	396
Term deposits	40 000	80 000
<b>Total bank accounts</b>	<b>5 698 911</b>	<b>1 377 141</b>
Securities held for trading *)	-	1 133 327
Provision against current financial assets *)	-	-936 947
<b>Total current securities *)</b>	<b>-</b>	<b>196 380</b>
<b>Total current financial assets</b>	<b>5 699 460</b>	<b>1 574 004</b>

\*) Owing to the 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 as of 31 December 2012.

#### 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 2013 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 2013, the profit of CZK 1,011,833 thousand for the year ended 31 December 2012 was allocated as follows:

- CZK 1,011,833 thousand was allocated to retained earnings.

#### 4.7. PAYABLES

##### 4.7.1. Long-Term Payables

As of 31 December 2013, the Company reports a long-term payable of CZK 1,650,000 thousand arising from an unpaid portion of the purchase price relating to the purchase of securities of TŘINECKÉ ŽELEZÁRNY, a.s. (refer to Note 4.7.6.). The Company records this payable to FINITRADING, a.s.

##### 4.7.2. Short-Term Trade Payables

(CZK thousand)

	Balance at 31 Dec 2013	Balance at 31 Dec 2012
<b>Short-term payables</b>		
- Suppliers	5 987 239	5 112 747
- Other payables	-4	1 348
<b>Total</b>	<b>5 987 235</b>	<b>5 114 095</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		
2013	Short-term	5 983 938	3 256	–	–	1	44	3 301	<b>5 987 239</b>
2012	Short-term	5 094 134	15 853	1 851	524	1	384	18 613	<b>5 112 747</b>

Payables typically mature within 45 days.

#### 4.7.4. Intercompany Payables

(CZK thousand)

Name of the entity	Balance at 31 Dec 2013	Balance at 31 Dec 2012
<b>Short-term trade payables</b>		
TŘINECKÉ ŽELEZÁRNY, a. s.	2 288 707	2 120 442
Strojírny Třinec, a.s. *)	–	16 223
ENERGETIKA TŘINEC, a.s.	–	–
Sochorová válcovna TŽ, a.s.	349 430	294 906
Řetězárna a.s.	–	–
REFRASIL, s.r.o.	9 894	235
Barrandov Televizní Studio a.s.	–	–
FINITRADING, a.s.	285 222	233 176
Moravia Steel Italia,srl	43 303	–
Moravia Steel Ibéria, s.a.	–	–
Moravia Steel Slovenija, d.o.o.	3 186	3 623
DOPRAVA TŽ, a.s.	39	20
Třinecké gastroslužby, s.r.o.	292	228
Beskydská golfová, a.s.	–	–
TRISIA, a.s.	–	–
Moravia Steel Deutschland GmbH	–	141
Moravia Steel UK Ltd	13 585	14 607
Kovárna VIVA a.s.	–	–
M STEEL PROJECTS a.s.	–	–
<b>Total intercompany short-term payables</b>	<b>2 993 658</b>	<b>2 683 601</b>
Payables to other than Group companies	2 993 577	2 430 494
<b>Total short-term trade payables</b>	<b>5 987 235</b>	<b>5 114 095</b>

\*) During the year ended 2013, Strojírny Třinec, a.s. merged with D5, a.s. Subsequently, D5, a.s. changed its name to Strojírny a stavby Třinec, a.s.

#### 4.7.5. Collateralised Payables or Otherwise Covered

In 2013, 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 2013, the Company records a payable arising from an unpaid portion of the purchase price with respect to the purchase of securities of TŘINECKÉ ŽELEZÁRNY, a.s. in the aggregate amount of CZK 2,222,122 thousand, of which the interest amounts to CZK 22,122 thousand. The payable is contracted to be settled in five repayments by 2017. The long-term portion of the loan of CZK 1,650,00 thousand is reported in line B.II.2 'Payables – controlled or controlling entity'. The payable bears interest at 2%. The Company records this payable to FINITRADING, a.s.

#### 4.7.7. Estimated Payables

Estimated payables principally consist of unbilled supplies of raw materials amounting to CZK 12,885 thousand (2012: CZK 77,085 thousand), unbilled supplies of work and services amounting to CZK 22,316 thousand (2012: CZK 57,842 thousand) and an estimated payable for staff costs in the amount of CZK 2,776 thousand (2012: CZK 3,226 thousand).

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

As of 31 December 2013, the aggregate amount of payables related to social security, state employment policy and health insurance contributions was CZK 5,440 thousand (2012: CZK 3,894 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 36,848 thousand as of 31 December 2013 (2012: CZK 5,831 thousand).

#### 4.7.10. Short-term Bank Loans

##### 2013

Purpose	Currency	Balance at 31 Dec 2013 in CZK '000	Collateral
Current bank accounts			
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>850 000</b>	

In the year ended 31 December 2013, the interest rates on bank loans ranged between 0.603 percent and 1.5 percent p.a.

##### 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>	

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

#### 4.7.11. Other Short-Term Payables

In the year ended 31 December 2013, the Company provided a gift to the citizen's association "HC Oceláři Třinec o.s." of CZK 460 million, of which CZK 260 million was not yet settled as of 31 December 2013 and reported in the line 'Other short-term payables' (2012: a gift of CZK 150 million, of which CZK 75 million unsettled as of 31 December 2012).

#### 4.7.12. Accrued Expenses and Deferred Income

Accrued expenses largely comprise costs related to the year ended 31 December 2013 for transportation and other services paid in 2014 in the amount of CZK 14,586 thousand (2012: CZK 31,239 thousand) and banking fees and bank interest payable on short-term and long-term operating loan facilities in the amount of CZK 27 thousand (2012: CZK 27 thousand).

#### 4.8. DEFERRED TAXATION

The deferred tax asset is analysed as follows:

##### Deferred Tax Arising from

(CZK thousand)

	Balance at 31 Dec 2013	Balance at 31 Dec 2012
Accumulated depreciation and amortisation of fixed assets	-3 238	-5 243
Estimated payable arising from outstanding vacation days	527	613
Provisions – receivables	5 277	7 613
Unpaid (un-received) penalty	- 977	-1 092
Provisions – inventory	0	1 708
<b>Total</b>	<b>1 589</b>	<b>3 599</b>
<b>Total recognised tax asset (+) / liability (-)</b>	<b>1 589</b>	<b>3 599</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 2013	Balance at 31 Dec 2012
Profit before tax	2 325 586	1 306 783
Tax at the domestic income tax rate of 19%	441 861	248 289
Tax effect of permanent differences	-83 293	49 671
Deferred tax liability	0	-2 824
Additional taxes of prior years	-185	-186
<b>Total income tax on ordinary activities</b>	<b>358 383</b>	<b>294 950</b>

#### 4.10. DETAILS OF INCOME

(CZK thousand)

	2013			2012		
	Local	Cross-border	Total	Local	Cross-border	Total
Goods – raw material	20 086 237	20 702	20 106 939	20 450 705	-	20 450 705
Goods – metallurgical products	12 631 048	27 300 537	39 931 585	13 228 596	27 575 080	40 803 676
<b>Sales of goods</b>	<b>32 717 285</b>	<b>27 321 239</b>	<b>60 038 524</b>	<b>33 679 301</b>	<b>27 575 080</b>	<b>61 254 381</b>
Sales of services	547 761	77 074	624 835	456 629	199 626	656 255
<b>Total sales of own products and services</b>	<b>547 761</b>	<b>77 074</b>	<b>624 835</b>	<b>456 629</b>	<b>199 626</b>	<b>656 255</b>

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

Sales of services principally comprise the provision of forwarding services of CZK 492,716 thousand for the year ended 31 December 2013 (2012: CZK 516,444 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 2013	Year ended 31 Dec 2012
Purchase of goods – raw materials	19 543 398	19 856 709
Purchase of goods – metallurgical products	36 130 217	37 090 743
Costs for transport of goods – metallurgical products	1 902 896	1 772 437
<b>Total costs of goods sold</b>	<b>57 576 511</b>	<b>58 719 889</b>

#### 4.12. SERVICES

(CZK thousand)

	Year ended 31 Dec 2013	Year ended 31 Dec 2012
Transportation costs – services	459 409	481 413
Lease of trademark	123 000	123 000
Commissions	147 442	141 715
Advertising	107 724	96 705
Rental fees	10 020	8 552
Telecommunications	12 139	17 118
Legal advisory and auditing activities	38 505	15 993
Other services	101 676	103 512
<b>Total</b>	<b>999 915</b>	<b>988 008</b>

#### 4.13. CHANGE IN RESERVES AND PROVISIONS RELATING TO OPERATING ACTIVITIES AND COMPLEX DEFERRED EXPENSES

(CZK thousand)

	Year ended 31 Dec 2013	Year ended 31 Dec 2012
Settlement of complex deferred expenses	21	0
Changes in provisions under special legislation	28 930	- 128 513
– provisions against receivables	28 930	- 128 513
Changes in tax non-deductible provisions:		
– provisions against receivables	- 12 632	- 10 421
Changes in reserves	- 5 143	3 980
<b>Total</b>	<b>11 176</b>	<b>- 134 954</b>

#### 4.14. OTHER OPERATING EXPENSES AND INCOME

Other operating expenses include the costs of the write-off of receivables due to the completed insolvency proceedings of CZK 39,132 thousand and the costs of insurance of supplies and other insurance in the aggregate amount of CZK 33,394 thousand. Other operating income includes discounts and rebates of CZK 18,329 thousand. In the year ended 31 December 2013, the Company provided a gift to the citizen's association "HC Oceláři Třinec o.s." of CZK 460 million (2012: CZK 150 million).

#### 4.15. OTHER FINANCIAL EXPENSES AND INCOME

Other financial income is composed of foreign exchange rate gains of CZK 842,519 thousand (2012: CZK 704,609 thousand).

Other financial expenses principally comprise foreign exchange rate losses of CZK 443,646 thousand (2012: CZK 827,844 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 4,552 thousand (2012: CZK 4,394 thousand).

## 4.16. RELATED PARTY TRANSACTIONS

### 4.16.1. Income Generated with Related Parties

2013

(CZK thousand)

Entity	Relation to the Company	Goods	Services	Other income	Fin. income	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	19 594 951	382 038	29 028	-	20 006 017
Barrandov Studio a.s.	Subsidiary	-	-	797	-	797
Sochorová válcovna TŽ, a.s.*)	Subsidiary of the subsidiary	8 531	4 022	5 272	-	17 825
Beskydská golfová, a.s.	Subsidiary	-	600	78	-	678
Hanácké železářny a pérovny, a.s.**)	Subsidiary of the subsidiary	198 757	9 613	826	-	209 196
Moravia Steel Italia s.r.l.	Subsidiary	-	-	-	-	-
Moravia Steel Ibéria, s.a.	Subsidiary	-	-	-	-	-
Kovárna VIVA a.s.	Subsidiary	324 425	2 300	256	-	326 981
M STEEL PROJECTS a.s.	Subsidiary	-	1 203	-	-	1 203
Strojírny Třinec, a.s.***)	Subsidiary of the subsidiary	-	754	339	-	1 093
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	470 737	167	1 920	-	472 824
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	11 937	12 095	588	-	24 620
REFRASIL, s.r.o.	Subsidiary of the subsidiary	-	-	99	-	99
Řetězárna a.s.	Subsidiary of the subsidiary	193 944	-	7	-	193 951
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	-	246	10	-	256
Moravia Steel Deutschland GmbH	Subsidiary	7 501 046	-	961	-	7 502 007
VÚHŽ, a.s.	Subsidiary of the subsidiary	113 565	367	109	-	114 041
Šroubárna Kyjov, spol. s r.o.	Subsidiary of the subsidiary	380 293	8 918	464	-	389 675
ŽDB DRÁTOVNA a.s.	Subsidiary of the subsidiary	1 632 383	81 442	1 777	-	1 715 602
FINITRADING, a.s.	Controlling entity	-	-	595	-	595
NEOMET Sp. Z o.o.****)	Subsidiary	-	799	-	-	799
<b>Total</b>		<b>30 430 569</b>	<b>504 564</b>	<b>43 126</b>	<b>-</b>	<b>30 978 259</b>

\*) Pursuant to the contract for the transfer of securities of 4 November 2013, Sochorová Válcovna TŽ, a.s. became a subsidiary of TŘINECKÉ ŽELEZÁRNY, a.s.

\*\*) Pursuant to the contract for the transfer of securities of 4 November 2013, Hanácké železářny a pérovny, a.s. became a subsidiary of TŘINECKÉ ŽELEZÁRNY, a.s.

\*\*\*) Strojírny Třinec, a.s. merged with D5, a.s. Subsequently, D5, a.s. changed its name to Strojírny a stavby Třinec, a.s.

\*\*\*\*) Pursuant to the contract of 22 April 2013, NEOMET Sp. Z o.o. became a subsidiary of Moravia Steel a.s.

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.

## 4.16.2. Purchases

2013

(CZK thousand)

Entity	Relation to the Company	Goods	Material	Services	Other expenses	Extra-ordinary expenses	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	30 291 340	300	169 066	1 747	-	30 462 453
Moravia Steel Italia, s.r.l.	Subsidiary	-	-	97 205	-	-	97 205
Moravia Steel Ibéria, s.a.	Subsidiary	-	-	11 618	-	-	11 618
Moravia Steel Slovenija, d.o.o.	Subsidiary	-	-	8 511	-	-	8 511
Barrandov Studio, a.s.	Subsidiary	-	-	-	-	-	-
Barrandov Televizní Studio, a.s.*)	Subsidiary	-	-	-	-	-	-
Sochorová válcovna TŽ, a.s.**)	Subsidiary of the subsidiary	5 460 598	9	56	-	-	5 460 663
Kovárna VIVA a.s.	Subsidiary	-	-	-	-	-	-
Moravia Steel Deutschland GmbH	Subsidiary	-	-	311	-	-	311
Beskydská golfová, a.s.	Subsidiary	-	-	16 986	-	-	16 986
Hanácké železářny a pérovny, a.s.***)	Subsidiary of the subsidiary	-	-	-	-	-	-
M STEEL PROJECTS a.s.	Subsidiary	-	-	-	-	-	-
Strojírny Třinec, a.s.****)	Subsidiary of the subsidiary	-	-	-	-	-	-
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
REFRASIL, s.r.o.	Subsidiary of the subsidiary	82 562	-	-	-	-	82 562
Řetězárna a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	298	-	-	-	-	298
TRISIA, a.s.	Subsidiary of the subsidiary	-	-	416	-	-	416
Třinecké gastroslužby, s.r.o.	Subsidiary of the subsidiary	-	-	847	2 703	-	3 550
FINITRADING, a.s.	Controlling entity	2 928 356	-	-	-	-	2 928 356
VESUVIUS ČESKÁ REPUBLIKA, a.s.	-	141 507	-	-	-	-	141 507
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
NEOMET Sp. Z o.o.*****)	Subsidiary	-	-	-	-	-	-
<b>Total</b>		<b>38 904 661</b>	<b>309</b>	<b>305 016</b>	<b>4 450</b>	<b>-</b>	<b>39 214 436</b>

\*) During the year ended 31 December 2013, Barrandov Televizní Studio, a.s. was sold to EMPRESA MEDIA a.s.

\*\*) Pursuant to the contract for the transfer of securities of 4 November 2013, Sochorová Válcovna TŽ, a.s. became a subsidiary of TŘINECKÉ ŽELEZÁRNY, a.s.

\*\*\*) Pursuant to the contract for the transfer of securities of 4 November 2013, Hanácké železářny a pérovny, a.s. became a subsidiary of TŘINECKÉ ŽELEZÁRNY, a.s.

\*\*\*\*) Strojírny Třinec, a.s. merged with D5, a.s. during 2013. Subsequently, D5, a.s. changed its name to Strojírny a stavby Třinec, a.s.

\*\*\*\*\*) Pursuant to the contract of 22 April 2013, NEOMET Sp. Z o.o. became a subsidiary of Moravia Steel a.s.

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>

## 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 2013 and 2012 are as follows:

2013						(CZK thousand)
	Number	Wages and salaries	Social security and health insurance	Other costs	Total staff costs	
Employees	291	154 195	50 296	1 497	205 988	
Management	15	54 464	17 402	106 036	177 902	
<b>Total</b>	<b>306</b>	<b>208 659</b>	<b>67 698</b>	<b>107 533</b>	<b>383 890</b>	

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>	

The number of employees is based on the average recalculated headcount. As of 31 December 2013, 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, 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):

	(CZK thousand)	
	2013	2012
Board of Directors	1 157	832
Supervisory Board	1 355	1 355

Management of the Company includes 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 2013 for all members of the Board of Directors and the Supervisory Board totalled CZK 804 thousand (2012: CZK 877 thousand).



## 6. CONTINGENT LIABILITIES AND OFF BALANCE SHEET COMMITMENTS AND LEGAL DISPUTES

As of 31 December 2013, the Company was involved in no legal dispute, the outcome of which would significantly impact the Company.

As of 31 December 2013, the guarantees issued by the bank on behalf of the Company in favour of third parties amounted to CZK 65,646 thousand.

Requests of certain former shareholders of TRINECKÉ ŽELEZÁRNY, a.s. for reviewing the adequacy of the payments that belong to former shareholders according to the resolution of the extraordinary general meeting of TRINECKÉ ŽELEZÁRNY, a.s. held on 31 July 2013, on the transfer of the shares of the Company owned by other shareholders to MORAVIA STEEL a.s., as the majority shareholder, were filed at the Regional Court in Ostrava.

The Company is aware that requests of Jaroslav Licehamr (filed on 22 August 2013), Petr Suda, Petr Kořenka and Radek Gabriel (filed on 12 September 2013), Břetislav Vaněk and Michal Utíkal (filed on 16 September 2013), Silvie Košíková (filed on 30 August 2013), Zbyněk Drbohlav (filed on 12 September 2013), Petr Červenka, Stanislav Hyvnar, Zbyněk Kasal, Lubor Veselý and Marek Veselý (filed on 20 September 2013), Jiří Kupka, GIRAS, s.r.o., (filed on 12 September 2013), Jiří Lengál, Vilém Franta (filed on 18 September 2013), Maxim Chadzitaskos (filed on 18 September 2013), Jan Luft (filed on 20 September 2013), Jan Čopík, Ivana Tomanová, Aleš Hodina and Bohumil Hála (filed on 19 September 2013) and a collective request of 51 persons (filed on 16 September 2013) were filed at the Regional Court in Ostrava.

The Company does not rule out that the requests of other former shareholders of the Company were also filed regarding this case.

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 cartel 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.

On 7 October 2013, legal representatives of Moravia Steel Deutschland GmbH and MORAVIA STEEL a.s., acting for and representing their clients, filed a legal response on which the plaintiffs are expected to comment by the end of March 2014. Therefore, the legal dispute is at the very early stage; therefore, 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.

## 7. POST BALANCE EVENTS

No events occurred subsequent to the balance sheet date that would have a material impact on the financial statements.

# IX / FINANCIAL PART II. CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

<b>Name of the Company:</b>	<b>MORAVIA STEEL a.s.</b>
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 5 May 2014

Statutory body of the reporting entity	Signature
<b>Petr Popelář, MBA</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. 2013			31. 12. 2012
		Gross	Adjustment	Net	Net
	<b>TOTAL ASSETS</b>	<b>78 670 624</b>	<b>31 680 357</b>	<b>46 990 267</b>	<b>42 395 987</b>
<b>B.</b>	<b>Fixed assets</b>	<b>50 888 568</b>	<b>30 504 878</b>	<b>20 383 690</b>	<b>19 887 927</b>
I.	<i>Intangible fixed assets</i>	<b>956 770</b>	<b>755 818</b>	<b>200 952</b>	<b>333 054</b>
1.	Start-up costs	93	93		
2.	Research and development	4 553	4 553		683
3.	Software	308 600	267 193	41 407	22 002
4.	Valuable rights	581 449	471 146	110 303	117 058
5.	Goodwill	385	385		
6.	Other intangible fixed assets	51 160	11 652	39 508	172 369
7.	Intangible fixed assets under construction	10 530	796	9 734	20 870
8.	Prepayments for intangible fixed assets				72
II.	<i>Tangible fixed assets</i>	<b>48 318 003</b>	<b>29 236 606</b>	<b>19 081 397</b>	<b>18 207 407</b>
1.	Land	1 131 179		1 131 179	1 117 093
2.	Structures	12 572 482	6 251 778	6 320 704	6 255 305
3.	Individual movable assets and sets of movable assets	33 038 319	22 801 087	10 237 232	10 012 507
6.	Other tangible fixed assets	190 345	147 576	42 769	70 700
7.	Tangible fixed assets under construction	1 097 272	35 528	1 061 744	625 599
8.	Prepayments for tangible fixed assets	288 406	637	287 769	126 203
III.	<i>Non-current financial assets</i>	<b>302 174</b>	<b>116 399</b>	<b>185 775</b>	<b>221 768</b>
1.	Equity investments in subsidiaries	270 282	97 214	173 068	210 788
2.	Equity investments in associates	26 201	18 184	8 017	8 167
3.	Other securities and investments	3 027	1 001	2 026	25
6.	Acquisition of non-current financial assets	2 664		2 664	2 788
IV.	<i>Goodwill on consolidation</i>	<b>786 811</b>	<b>396 055</b>	<b>390 756</b>	<b>676 163</b>
1.	Positive goodwill on consolidation	786 811	396 055	390 756	676 163
V.	<i>Securities and equity investments under equity accounting</i>	<b>524 810</b>		<b>524 810</b>	<b>449 535</b>
<b>C.</b>	<b>Current assets</b>	<b>27 657 229</b>	<b>1 175 479</b>	<b>26 481 750</b>	<b>22 214 997</b>
I.	<i>Inventories</i>	<b>10 939 826</b>	<b>597 490</b>	<b>10 342 336</b>	<b>10 076 981</b>
1.	Material	4 685 916	331 508	4 354 408	3 991 537
2.	Work in progress and semifinished goods	3 249 918	181 374	3 068 544	3 165 856
3.	Products	2 968 818	84 217	2 884 601	2 829 028
5.	Goods	30 386	391	29 995	30 415
6.	Prepayments for inventory	4 788		4 788	60 145
II.	<i>Long-term receivables</i>	<b>317 094</b>	<b>11 819</b>	<b>305 275</b>	<b>133 264</b>
1.	Trade receivables	242 754	11 819	230 935	7 726
5.	Long-term prepayments made	2 436		2 436	2 436
6.	Other receivables	22 583		22 583	65 112
7.	Deferred tax asset	49 321		49 321	57 990
III.	<i>Short-term receivables</i>	<b>9 129 702</b>	<b>551 122</b>	<b>8 578 580</b>	<b>8 735 612</b>
1.	Trade receivables	8 054 447	484 240	7 570 207	7 487 463
2.	Receivables from subsidiaries	26 211	26 211		
6.	State - tax receivables	634 166		634 166	605 868
7.	Other prepayments made	94 353	23 977	70 376	554 068
8.	Estimated receivables	38 890		38 890	42 814
9.	Other receivables	281 635	16 694	264 941	45 399
IV.	<i>Current financial assets</i>	<b>7 270 607</b>	<b>15 048</b>	<b>7 255 559</b>	<b>3 269 140</b>
1.	Cash on hand	6 316		6 316	6 521
2.	Cash at bank	7 193 623		7 193 623	3 160 445
3.	Short-term securities and investments	70 668	15 048	55 620	102 174
<b>D.</b>	<b>Other assets</b>	<b>124 827</b>		<b>124 827</b>	<b>293 063</b>
1.	Deferred expenses	62 564		62 564	198 149
2.	Complex deferred expenses	40 387		40 387	60 638
3.	Accrued income	21 876		21 876	34 276
	<b>Control number</b>	<b>314 032 861</b>	<b>126 721 430</b>	<b>187 311 431</b>	<b>168 841 350</b>

# TOTAL LIABILITIES & EQUITY

(in CZK thousand)

		31. 12. 2013	31. 12. 2012
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>46 990 267</b>	<b>42 395 987</b>
<b>A.</b>	<b>Equity</b>	<b>28 321 807</b>	<b>23 623 652</b>
I.	<b>Share capital</b>	<b>3 157 000</b>	<b>3 157 000</b>
1.	Share capital	3 157 000	3 157 000
II.	<b>Capital funds</b>	<b>42 103</b>	<b>-23 003</b>
2.	Other capital funds	15 293	14 392
3.	Gains or losses from the revaluation of assets and liabilities	26 810	-37 395
III.	<b>Statutory funds</b>	<b>1 825 481</b>	<b>1 838 929</b>
1.	Statutory reserve fund / Indivisible fund	1 242 852	1 255 990
2.	Statutory and other funds	582 629	582 939
IV.	<b>Retained earnings or accumulated losses</b>	<b>19 859 176</b>	<b>16 497 134</b>
	Retained earnings	20 491 620	17 673 728
	Accumulated losses brought forward	-632 444	-1 170 483
	Other profit or loss of prior periods		-6 111
V.	<b>Profit or loss for the current period, net of minority interests</b>	<b>2 948 599</b>	<b>1 777 898</b>
1.	Profit or loss for the period	2 873 088	1 717 207
2.	Share in the profit/(loss) of equity accounted investments	75 511	60 691
VI.	<b>Consolidation reserve fund</b>	<b>489 448</b>	<b>375 694</b>
<b>B.</b>	<b>Liabilities</b>	<b>18 085 769</b>	<b>13 766 928</b>
I.	<b>Reserves</b>	<b>535 587</b>	<b>532 842</b>
1.	Reserves under special legislation	8 040	28 921
2.	Reserve for pensions and similar liabilities	7 638	6 860
4.	Other reserves	519 909	497 061
II.	<b>Long-term liabilities</b>	<b>2 989 917</b>	<b>1 396 334</b>
1.	Trade payables	25 042	74 540
2.	Payables to subsidiaries	1 650 000	
5.	Long-term prepayments received	1 818	219 785
9.	Other payables	10 002	75 000
10.	Deferred tax liability	1 303 055	1 027 009
III.	<b>Short-term liabilities</b>	<b>8 526 131</b>	<b>6 993 759</b>
1.	Trade payables	6 079 254	5 136 439
2.	Payables to subsidiaries	572 122	
4.	Payables to partners and association members	1 211	201
5.	Payables to employees	474 903	462 427
6.	Social security and health insurance payables	179 548	164 412
7.	State - tax payables and subsidies	310 526	386 727
8.	Short-term prepayments received	176 726	354 456
10.	Estimated payables	197 604	<b>393 548</b>
11.	Other payables	534 237	95 549
IV.	<b>Bank loans and borrowings</b>	<b>6 034 134</b>	<b>4 843 993</b>
1.	Long-term bank loans	2 722 441	1 792 164
2.	Short-term bank loans	3 224 393	2 954 311
3.	Short-term borrowings	87 300	97 518
<b>C.</b>	<b>Other liabilities</b>	<b>85 855</b>	<b>293 629</b>
1.	Accrued expenses	42 327	250 391
2.	Deferred income	43 528	43 238
<b>D.</b>	<b>Minority equity</b>	<b>496 836</b>	<b>4 711 778</b>
	Minority share capital	85 378	1 703 612
	Minority capital funds	2 658	3 310
	Minority funds from profit, including retained earnings and losses	363 233	2 749 165
	Minority profit or loss for the current period	45 567	255 691
	<b>Control number</b>	<b>186 888 929</b>	<b>164 202 847</b>

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in CZK thousand)

		Year ended 31. 12. 2013	Year ended 31. 12. 2012
I.	Sales of goods	569 244	845 220
A.	Costs of goods sold	515 195	815 534
+	<b>Gross margin</b>	<b>54 049</b>	<b>29 686</b>
II.	Production	50 141 046	49 749 415
1.	Sales of own products and services	49 425 865	48 832 201
2.	Change in internally produced inventory	-82 079	-29 478
3.	Own work capitalised	797 260	946 692
B.	Purchased consumables and services	37 709 148	39 116 589
1.	Consumed material and energy	32 972 666	34 088 880
2.	Services	4 736 482	5 027 709
+	<b>Added value</b>	<b>12 485 947</b>	<b>10 662 512</b>
C.	Staff costs	6 119 886	5 708 171
1.	Payroll costs	4 199 940	3 932 538
2.	Remuneration to members of statutory bodies	149 113	139 398
3.	Social security and health insurance costs	1 461 516	1 333 519
4.	Social costs	309 317	302 716
D.	Taxes and charges	89 971	97 924
E.	Depreciation of intangible and tangible fixed assets	1 693 422	1 565 809
KR A.	Amortisation of goodwill on consolidation	369 549	64 990
III.	Sales of fixed assets and material	220 466	119 989
1.	Sales of fixed assets	126 943	21 459
2.	Sales of material	93 523	98 530
F.	Net book value of fixed assets and material sold	198 938	98 077
1.	Net book value of sold fixed assets	110 102	5 390
2.	Book value of sold material	88 836	92 687
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	-34 311	-261 045
IV.	Other operating income	1 710 290	1 721 792
H.	Other operating expenses	2 718 880	2 286 638
*	<b>Operating profit or loss</b>	<b>3 260 368</b>	<b>2 943 729</b>
VI.	Proceeds from the sale of securities and investments	1 727	
J.	Cost of securities and investments sold	1 177	
VII.	Income from non-current financial assets	1 702	2 284
1.	Income from subsidiaries and associates	1 669	2 043
2.	Income from other non-current securities and investments	33	32
3.	Income from other non-current financial assets		209
IX.	Income from the revaluation of securities and derivatives	1 121	5 521
L.	Costs of the revaluation of securities and derivatives	3 570	1 065
M.	Change in reserves and provisions relating to financial activities	30 263	13 496
X.	Interest income	6 745	11 389
N.	Interest expenses	121 866	104 123
XI.	Other financial income	1 625 658	1 049 149
O.	Other financial expenses	707 029	1 150 140
*	<b>Financial profit or loss</b>	<b>773 048</b>	<b>-200 481</b>
Q.	Income tax on ordinary activities	877 534	673 898
1.	- due	586 130	425 942
2.	- deferred	291 404	247 956
**	<b>Profit or loss from ordinary activities</b>	<b>3 155 882</b>	<b>2 069 350</b>
XIII.	Extraordinary income	5 683	6 673
R.	Extraordinary expenses	756	167
S.	Income tax on extraordinary activities		252
2.	- deferred		252
*	<b>Extraordinary profit or loss</b>	<b>4 927</b>	<b>6 254</b>
**	<b>Consolidated profit or loss net of share of profit/(loss) of equity accounted investments</b>	<b>3 160 809</b>	<b>2 075 604</b>
	Consolidated profit or loss net of minority interests	2 873 088	1 717 207
	Minority profit or loss	287 719	358 397
*	<b>Share of profit or loss of equity accounted investments</b>	<b>75 511</b>	<b>60 691</b>
	Profit or loss for the current period (+/-)	3 236 319	2 136 295
***	<b>Profit or loss for the current period net of minority interests (+/-)</b>	<b>2 948 599</b>	<b>1 777 898</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 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	0
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 ŽELEZÁRNĚ, 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>
Allocation of profit		989	36 259	1 632 420	-1 669 668	60 691	-60 691	0
Impact of changes in the consolidated group		7	-49 398	44 104	-47 539	54 939		2 113
Revaluation of assets and liabilities		52 603						52 603
Impact of the additional purchase of the non-controlling interest in TRINECKÉ ŽELEZÁRNĚ, a. s.				1 697 058				1 697 058
Share in changes in the aggregate amount of other equity of associates						-1 876		-1 876
Profit for the current period net of minority interests					2 873 088		75 511	2 948 599
Other		11 507	-309	-11 540				-342
<b>Balance at 31 December 2013</b>	<b>3 157 000</b>	<b>42 103</b>	<b>1 825 481</b>	<b>19 859 176</b>	<b>2 873 088</b>	<b>489 448</b>	<b>75 511</b>	<b>28 321 807</b>

# CONSOLIDATED CASH FLOW

(in CZK thousand)

		Year ended 31. 12. 2013	Year ended 31. 12. 2012
<b>P.</b>	<b>Cash and cash equivalents at the beginning of the accounting period</b>	<b>3 268 744</b>	<b>2 969 007</b>
	<b><i>Cash flows from ordinary activities</i></b>		
Z.	Profit/(loss) from ordinary activities before tax	4 033 416	2 743 248
A.1.	Adjustments for non-cash transactions	1 780 076	1 588 509
A.1.1.	Depreciation of fixed assets(+) excluding net book value of fixed assets sold, amortisation of goodwill and goodwill on consolidation	2 062 971	1 630 799
A.1.2.	Change in provisions and reserves	-4 048	-247 549
A.1.3.	Profit/(loss) on the sale of fixed assets (-/+)	-16 841	-16 069
A.1.4.	Revenues from dividends and profit shares (-), except as paid by consolidated group entities	-1 702	-2 284
A.1.5.	Interest expense (+) excluding capitalised interest and interest income (-)	115 121	92 734
A.1.6.	Adjustments, if any, and other non-cash transactions	-375 425	130 878
<b>A.*</b>	<b>Net cash flow from operating activities before tax, movements in working capital and extraordinary items</b>	<b>5 813 492</b>	<b>4 331 757</b>
A.2.	Change in non-cash component of working capital	768 523	180 264
A.2.1.	Change in receivables from operating activities(+/-), deferred expenses, accrued income and estimated assets	-225 942	923 723
A.2.2.	Change in short-term payables from operating activities (+/-), accrued expenses, deferred income and estimated liabilities	1 221 924	-1 659 335
A.2.3.	Change in inventory (+/-)	-202 414	913 002
A.2.4.	Change in current financial assets not included in cash and cash equivalents	-25 045	2 874
<b>A.**</b>	<b>Net cash flow from operating activities before tax and extraordinary items</b>	<b>6 582 015</b>	<b>4 512 021</b>
A.3.	Interest paid (-), except interest capitalised	-106 686	-112 838
A.4.	Interest received (+)	12 764	27 231
A.5.	Income tax paid from operating activities, additional tax paid for previous periods (-)	-541 729	-483 124
A.6.	Receipts and expenditures relating to extraordinary activities, which form extraordinary profit or loss, including income tax paid from extraordinary activities (+/-)	4 927	6 506
A.7.	Received dividends and profit shares (+)	1 701	2 284
<b>A.***</b>	<b>Net cash flow from operating activities</b>	<b>5 952 992</b>	<b>3 952 080</b>
	<b><i>Cash flows from investing activities</i></b>		
B.1.	Fixed assets expenditures (-)	-2 532 062	-1 341 150
B.2.	Receipts from fixed assets sold (+)	75 688	29 630
B.3.	Loans provided to related parties (-/+)		
B.4.	Cash flows from the purchase of business or its part	-576 694	-2 360 286
B.5.	Cash flows from the sale of business or its part	157 831	278 556
<b>B.***</b>	<b>Net cash flow from investing activities</b>	<b>-2 875 237</b>	<b>-3 393 250</b>
	<b><i>Cash flow from financial activities</i></b>		
C.1.	Impact of change in long-term or short-term payables which fall into financing activities on cash and cash equivalents	913 585	-236 069
C.2.	Impact on cash and cash equivalents due to change in equity	-29 966	-23 024
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.2.6.	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	-29 966	-23 089
<b>C.***</b>	<b>Net cash flow from financial activities</b>	<b>883 619</b>	<b>-259 093</b>
<b>F.</b>	<b>Net increase or decrease of cash and cash equivalents</b>	<b>3 961 374</b>	<b>299 737</b>
<b>R.</b>	<b>Cash and cash equivalents at the end of the accounting period</b>	<b>7 230 118</b>	<b>3 268 744</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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## 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 98.97% 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>

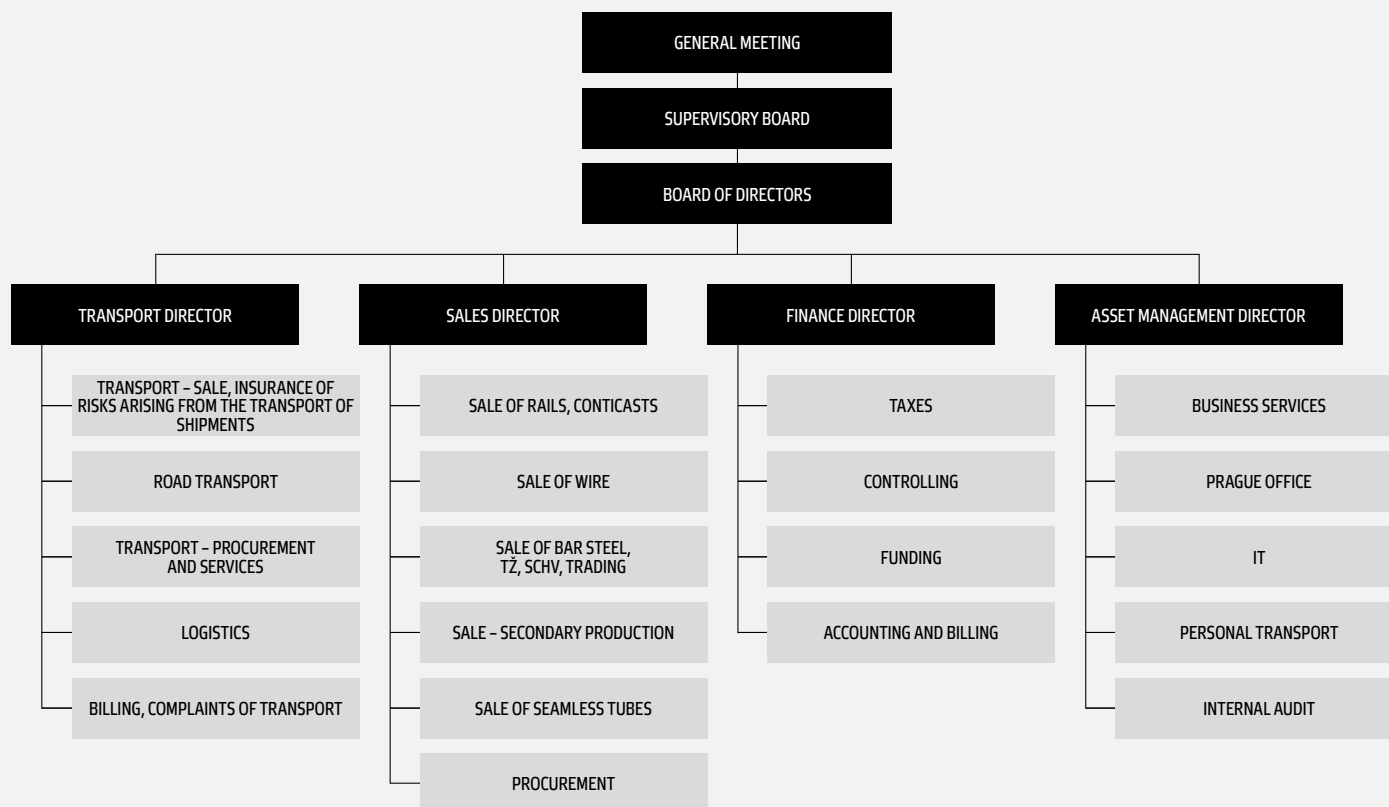
R.F.G., a.s. and FINITRADING, a.s. act in concert.

The consolidated group is primarily engaged in metallurgical production with a closed metallurgical cycle. The consolidated 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 2013

	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

## 1.3. ORGANISATIONAL STRUCTURE OF THE PARENT COMPANY



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

### 2.1. DEFINITION OF THE CONSOLIDATED GROUP

#### 2.1.1. Consolidation Method

The consolidation was performed using the proportionate consolidation method.

#### 2.1.2. 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 2013:

#### Subsidiaries

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2013
TŘINECKÉ ŽELEZÁRNY, a. s.	Průmyslová 1000, Třinec	Manufacture of metallurgical products	100.00%*
Barrandov Studio a.s.	Prague 5, Hlubočepy, Kříženeckého nám. 322/5	Creation and production of films and other audio-visual material	99.85 %
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 %
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 %
„NEOMET” Sp.z o.o.	Św. Rozalii 10,97-500 Radomsko, Poland	Trading with metal scrap and metal processing	100.00 %

\* In the year ended 31 December 2013, the equity investment in TŘINECKÉ ŽELEZÁRNY, a.s. increased to 100%

In 2013, Sochorová válcovna TŽ, a.s. and Hanácké železářny a pérovny a.s. were eliminated from the consolidation group as of 11 November 2013. These entities were sold to TŘINECKÉ ŽELEZÁŘNY, a.s. and included in the TŘINECKÉ ŽELEZÁŘNY, a.s. consolidation sub-group. Both entities were removed from the consolidation group as of 30 October 2013. In addition, Barrandov Televizní Studio a.s. was removed from the consolidation group and sold to EMPRESA MEDIA, a.s. as of 14 May 2013. The consolidation group was extended to include the Polish company „NEOMET“ Sp.z o.o. which was purchased from METALURGIA S.A. on 22 April 2013, the equity investment as of 31 December 2013 is 100%.

During the year ended 31 December 2013, MORAVIA STEEL a.s. purchased 1,349,501 shares of TŘINECKÉ ŽELEZÁŘNY, a.s. pursuant to the contract for the purchase of securities concluded with FINITRADING a.s. Another 53,160 of shares of TŘINECKÉ ŽELEZÁŘNY, a.s. were purchased from individual minority owners pursuant to contracts for the transfer of securities for consideration. In addition, the Company purchased all other equity securities of TŘINECKÉ ŽELEZÁŘNY, a.s. pursuant to the resolution of an extraordinary general meeting of the Company held on 31 July 2013 on the transfer of the shares owned by other shareholders to MORAVIA STEEL a.s., as the principal shareholder, pursuant to the mandate contract concluded between MORAVIA STEEL a.s., CYRRUS CORPORATE FINANCE, a.s. and TŘINECKÉ ŽELEZÁŘNY, a.s. on 25 July 2013. This increased the investment by CZK 2,633,858 thousand, ie from CZK 4,290,014 to the current amount of CZK 6,923,872 thousand. The purchase of the equity securities will continue in 2014 using the funds allocated by mandatories in the amount of CZK 147,756 thousand. The difference between the acquisition cost and the equity investment of CZK 1,697,058 thousand was recognised in the consolidated profit or loss of prior years.

## Associates

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2013
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 ŽELEZÁŘNY, a.s. Sub-Group

In the year ended 31 December 2013, the sub-group included the following companies:

## Controlled Entities

Name of the company	Registered office	Business activities	Share of share capital at 31 Dec 2013
ENERGETIKA TŘINEC, a.s.*	Průmyslová 1024, Staré Město, 739 61 Třinec	Production and distribution of heat and electricity	100.00 %
Slévárny Třinec, a.s.**	Průmyslová 1001, Staré Město, 739 61 Třinec, Doručovací číslo: 739 65	Foundry industry	100.00 %
VÚHŽ a.s.	Dobrá 240, 739 51	Production, installation and repairs of electronic equipment, foundry industry, modelling	100.00 %
Šroubárna Kyjov, spol. s r.o.	Kyjov, Jiráskova 987, 697 32	Railway route operation, locksmithing, tool engineering, metalworking	100.00 %
Strojírny a stavby Třinec, a.s.	Průmyslová 1038, Staré Město, 739 61 Třinec	Production of machinery and technology units, machinery equipment, construction work	100.00 %
„METALURGIA“ S.A.	ulica Świętej Rozalii nr 10/12, 97-500, Radomsko, 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 %
ŽDB DRÁTOVNÁ a.s.***	Jeremenkova 66, Pudlov, 735 51 Bohumín	Production of drawn wire, steel cord and tubular wire, ropes, tissues and welded networks, springs, draw plates and other wire products	100.00 %
Sochorová válcovna TŽ, a.s.	Třinec-Staré Město, Průmyslová 1000, 739 70	Metalworking, locksmithing, tool engineering	100.00 %
Hanácké železářny a pérovny, a. s.	Dolní 3137/100, 796 01 Prostějov	Production of leaf and helical springs for the automotive and railway industries	100.00 %
SV servisní, s.r.o.	Prostějov, Dolní 3137/100, 796 01	Electricity trading and distribution, gas trading and distribution	100.00 %
Řetězárna a.s.	Česká Ves, Polská 48, 790 81	Production of chains, chain products and drawn wire	51.00 %
REFRASIL, s.r.o.	Třinec-Konská, Průmyslová 720, 739 65	Production, trade and services not listed in appendices 1 to 3 to the Trade Licensing Act	51.00 %

Note.: \* Before 9 October 2013, the registered office recorded in the Register of Companies was Třinec-Staré Město, Průmyslová 1024, 739 65; it was changed to Průmyslová 1024, Staré Město, 739 61 Třinec in the Register of Companies on 9 October 2013

\*\* Before 21 January 2014, the registered office recorded in the Register of Companies was Třinec-Staré Město, Průmyslová 1024, 739 65; it was changed to Průmyslová 1024, Staré Město, 739 61 Třinec in the Register of Companies on 21 January 2014, delivery number: 739 65

\*\*\* Before 17 December 2013, the registered office recorded in the Register of Companies was Bohumín – Pudlov, Jeremenkova 66, 735 51; it was changed to Jeremenkova 66, Pudlov, 735 51 Bohumín in the Register of Companies on 17 December 2013

In the year ended 31 December 2013, the consolidation group was extended to include Hanácké železářny a pérovny, a.s. due to the acquisition of the 100% equity investment in this entity. In addition, the consolidation group was extended to include SV servisní, s.r.o. which is wholly owned by Hanácké železářny a pérovny, a.s. The consolidation for partial consolidation groups was not prepared. Both entities were included in the consolidation group as of 1 November 2013.

Sochorová válcovna TŽ, a.s. was consolidated using the full method due to the purchase of the 82% equity investment in this entity and an increase in the equity investment of the Company by which the Company became the sole shareholder of this entity. The consolidation using the full method started on 1 November 2013; before 31 October 2013, the entity was consolidated using the equity method.

Strojírny Třinec, a.s. was removed from the consolidation group due to its demerger through spin-off, the successor companies are TŘINECKÉ ŽELEZÁRNY, a. s., and D 5, akciová společnost, Třinec, which changed its name to Strojírny a stavby Třinec, a.s. as of 1 September 2013.

#### Associate:

Name of the company	Registered office	Business activities	Share of share capital at 31 Dec 2013
VESUVIUS ČESKÁ REPUBLIKA, a.s.*	Průmyslová 715, Kanská, 739 61 Třinec	Production of isostatically pressed heat-resisting products for continuous steel casting	40.00 %

Note.: \* Before 4 November 2013, the registered office recorded in the Register of Companies was Třinec, Průmyslová 715, 739 65; it was changed to Průmyslová 715, Kanská, 739 61 Třinec in the Register of Companies on 4 November 2013

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

##### Controlled Entities

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2013
SV servisní, s.r.o.	Prostějov, 797 11, Dolní 100	Purchase and sale of electricity, provision of energy services	100.00%

\*) This consolidation sub-group ceased to exist due to the sale of Hanácké železářny a pérovny, a.s.

#### M Steel Projects, a.s. Sub-Group

##### Controlled Entities

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2013
M Steel Projects, s.r.o.	Žilina, 010 01, Vojtecha Tvrdeho 793/21	Purchase of goods for sale, brokerage, advertising	100.00%

In 2013, the consolidation group was extended to include the Slovak company M Steel Projects, s.r.o. which was formed on 2 May 2012; however, it was consolidated as late as as of 31 December 2013 given its materiality.

#### Associates

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2013
AHP HYDRAULIKA, a.s.	Turčianské Teplice, 039 01, Robotnícka 841	Design, drafting and construction of machines and equipment	49.00%

In 2013, the consolidation group was extended to include the Slovak company AHP HYDRAULIKA, a.s. M Steel Projects a.s. became the shareholder of this entity on 14 January 2013 pursuant to an increase in the share capital through an issue of new shares of EUR 3,410 thousand.

The consolidated 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>
Total selling price	281 242	-
<b>Profit from the sale of the entity</b>	<b>35 638</b>	-
Selling price was paid as follows:		
- Cash	281 242	-
Net cash inflow from the sale of the entity:		
- Cash consideration	281 242	-
- Sold bank accounts	- 1 822	-

During 2012, the parent company MORAVIA STEEL a.s., additionally purchased 892,085 shares of its subsidiary 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 of the company	Registered office	Business activities	Share of share capital 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	Metalworking, 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, installation and repairs of electronic equipment, foundry industry, modelling	100.00 %
Šroubárna Kyjov spol. s r.o.	Kyjov, Jiráskova 987, 697 32	Railway route operation, locksmithing, tool engineering, metalworking	100.00 %
D 5, akciová společnost Třinec	Třinec-Staré Město, Průmyslová 1026, 739 65	Locksmithing, carpentry, constructions and their transformations	100.00 %
"METALURGIA" S.A.	ulica Świętej Rozalii nr 10/12, 97-500, Radomsko, Poland	Production of nails, wire and wire products	100.00 %
„D&D” Drótáru Zrt.	3527 Miskolc, Besenyői u. 18., Hungary	Production of wire products	100.00 %
ŽDB DRÁTOVNA a.s.	Bohumín-Pudlov, Jeremenkova 66, 735 51	Production of drawn wire, steel cord and tubular wire, ropes, tissues and welded networks, springs, draw plates and other wire products	100.00 %
Řetězárna a.s.	Česká Ves, Polská 57, 790 81	Production of chains, chain products and drawn wire	51.00 %
REFRASIL, s.r.o.	Třinec-Konská, Průmyslová 720, 739 65	Production, trade and services not listed in appendices 1 to 3 to the Trade Licensing Act	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	Metalworking, locksmithing, tool engineering	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 energy, provision of energy services	100.00%

### 2.1.3. 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 2013 and 2012. 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. and NEOMET Sp. Z o.o. based in Poland, Moravia Steel Middle East FZCO based in the United Arab Emirates and M Steel Projects, s.r.o. and AHP HYDRAULIKA, a.s based in Slovakia.

### 2.1.4. 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 such subsidiary or associate in the total recalculated assets of all the group's entities is less than 1.5 percent, and the value of assets is recalculated using the percentage of the interest in the entity which is owned by MORAVIA STEEL, a. s.;
  - The share of the recalculated equity of such subsidiary or associate in the total recalculated equity of all of the group's entities is less than 1.5 percent, and the value of equity is recalculated using the percentage of the interest in the entity which is owned by MORAVIA STEEL, a. s.; and
  - The share in the recalculated net turnover (revenues of account class 6) of such subsidiary or associate in the total recalculated net turnover of all of the group's entities is less than 1.5 percent, and the value of the net turnover is recalculated using the percentage of the interest in the entity which is owned by MORAVIA STEEL, a. s.
- Long-term restrictions significantly hinder MORAVIA STEEL, a. s. in exercising its rights connected to the control of assets or management of these subsidiaries or associates, or, 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 but unacceptable undue delay;
- The shares or equity interests in subsidiaries and associates 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. This whole has to have (i) the share of the recalculated assets of this whole in the total recalculated assets of all entities in the group less than 1.5 percent, while the value of assets for these purposes is recalculated using the percentage of the ownership share held by the parent company MORAVIA STEEL, a. s. (ii) the share of recalculated equity in total recalculated equity of all entities in the group less than 1.5 percent, while the value of equity for these purposes is recalculated using the percentage of the ownership share held by MORAVIA STEEL, a. s., and (iii) the share of the recalculated net turnover (revenues of account class 6) in total recalculated net turnover of all entities in the group less than 1.5 percent, while the value of the net turnover for these purposes is recalculated using the percentage of the ownership share held by MORAVIA STEEL, a. s. 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 ITALIA S.R.L., Moravia Steel Deutschland GmbH, MORAVIA STEEL UK LIMITED, Moravia Steel Middle East FZCO, „METALURGIA“ S.A., „D&D“ Drótáru Zrt., M Steel Projects, s.r.o., NEOMET Sp. z o.o. and AHP HYDRAULIKA, a.s. are translated into CZK (refer to Note 4.10.).

In 2013, M Steel Projects, a.s. started to use the calendar year instead of the fiscal year. The year ended 31 December 2013 is used for consolidation purposes.

The consolidated financial statements of the Group for the year ended 31 December 2013 were prepared as follows:

- The balance sheet comprises comparative balances as of 31 December 2012;
- The profit and loss account comprises comparative amounts for the year ended 31 December 2012;
- The statement of changes in equity contains comparative amounts for the year ended 31 December 2012; and
- The cash flow statement comprises comparative amounts for the year ended 31 December 2012.

## 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 revaluation 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

Provisions against tangible fixed assets are 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 for the intended sale.

## Impairment

At each balance sheet date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there are any indications that those assets 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).

## 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**

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 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 of No. 294/2005 Coll. on Conditions for Storing Waste in Dump Sites.

#### **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. Equity 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 capital funds (attributed to the minority capital funds 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 No. 586/1992 Coll., on Income Taxes, with the exception of assets used by TRINECKÉ ŽELEZÁRNY, a. s. in the Tube Rolling Mill (the VT operation) and the Univerzální trať plant and the Track Fastenings Plant and assets used by Slévárny Třinec, a.s. and ŽDB DRÁTOVNA a.s. which are depreciated using both the straight line and accelerated methods for tax purposes. Hanácké železářny a pérovny, a.s. and SV servisní, s.r.o. use the straight line method for the calculation of depreciation 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**

Starting from 2013, the Company has changed the policy of reporting equity investments in companies that are not part of the business group in terms of Section 66a of Commercial Code No. 513/1991, Coll. The equity investment in Střední odborná škola Třineckých železáren with the acquisition cost of CZK 2,000 thousand that was reported in ‘Equity investments – subsidiary (controlled entity)’ and the equity investment in Kvalifikační a personální agentura, o.p.s. with the acquisition cost of CZK 34 thousand that was reported in ‘Equity investments in associates’ are currently reported in ‘Other non-current securities and investments’.

Starting from 2013, the Company has not reported the fee for air pollution in the amount of CZK 7,003 thousand (for 2012 in the amount of CZK 39,286 thousand) in the profit and loss account as part of ‘Other operating costs’ but in the line ‘Taxes and charges’.

Starting 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 costs of the certification of products were deferred 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 7.3).

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 2013	Balance at 31 Dec 2012
Cash at hand	6 316	6 521
Current accounts	7 128 182	3 080 049
Current accounts with restricted availability	25 441	396
Term deposits	40 000	80 000
Short-term securities	70 668	116 608
Other securities available for sale not included in the cash flow	0	0
<b>Total current financial assets</b>	<b>7 270 607</b>	<b>3 283 574</b>
Cash and cash equivalents not included in the cash flow	-25 441	-396
Provision against short-term securities and investments	-15 048	-14 434
<b>Total cash and cash equivalents</b>	<b>7 230 118</b>	<b>3 268 744</b>

#### Comments on the Cash Flow Statement:

The difference between cash and cash equivalents as of 31 December 2013 and 2012 in the cash flows statement in comparison with the current financial assets in the balance sheet represents blocked deposits that are restricted with regard to the free handling of the funds.

#### 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) is increased, 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 2013 and 2012 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 2012 and 2013 (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 2013

#### 5.1.1. Structure of the Consolidated Profit/Loss for 2013

(CZK thousand)

Current year's profit made by MORAVIA STEEL a.s.	1 096 047
Current year's profit made by M Steel Projects a.s.	36 428
Current year's profit made by M Steel Projects s.r.o.	599
Current year's profit made by Hanácké železářny a pérovny a.s.	45 434
Current year's profit made by SV Servisní a.s.	3 130
Current year's profit made by Beskydská golfová, a.s.	3 671
Share of current year's profit made by Barrandov Studio a.s.	7 591
Share of current year's loss made by Barrandov Televizní Studio, a.s.	- 19 880
Share of current year's profit made by MORAVIA STEEL ITALIA S.R.L.	27 621
Share of current year's loss made by Moravia Steel Deutschland, GmbH	- 26 098
Share of current year's profit made by MORAVIA STEEL UK LIMITED	1 278
Share of current year's profit made by the TŽ, a.s. consolidation group	1 321 241
Share of current year's profit made by Sochorová válcovna TŽ, a.s.	178 249
Share of current year's profit made by Moravskoslezský kovošrot a.s.	27 465
Share of current year's profit made by "NEOMET" Sp.z o.o.	14 568
Share in profit of equity accounted investments	76 420
Adjustments under full consolidation (see Note 5.1.2.)	155 744
Adjustments under the equity method (see Note 5.1.3.)	- 909
<b>Consolidated profit</b>	<b>2 948 599</b>

### 5.1.2. Profit/(Loss) Adjustments under Full Consolidation for 2013

(CZK thousand)

Elimination of profit from unrealised intercompany inventory, including the deferred tax impact and elimination of minority profit or loss	- 230 621
Elimination of the provision against investments, inventory and receivables, including the deferred tax impact	- 1 846
Elimination of dividends paid by MORAVIA STEEL ITALIA S.R.L. and SV Servisní a.s.	- 35 588
Impact of the sale of Barrandov Televizní Studio, a.s. in consolidation	511 146
Write-off of the goodwill on consolidation of AHP HYDRAULIKA, a.s.	- 87 347
<b>Total adjustments</b>	<b>155 744</b>

### 5.1.3. Adjustments under Equity Consolidation for 2013

(CZK thousand)

Elimination of profit from sales of unrealised inventory among associates, including the deferred tax impact	- 909
<b>Total adjustments</b>	<b>- 909</b>

## 5.2. CONSOLIDATED PROFIT/LOSS FOR 2012

### 5.2.1. 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>

### 5.2.2. 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>

### 5.2.3. 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>

## 6. ADDITIONAL INFORMATION ON THE BALANCE SHEET

### 6.1. INTANGIBLE FIXED ASSETS

#### Cost

(CZK thousand)

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

(CZK thousand)

	Balance at 31 Dec 2012	New acquisitions	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2013
Research and development	4 553	0	0	0	0	4 553
Start-up costs	93	0	0	0	0	93
Goodwill	360	0	0	0	25	385
Software	294 841	0	29 818	16 399	340	308 600
Valuable rights	585 517	0	29 769	34 642	805	581 449
Other intangible FA	183 284	52	155	132 330	-1	51 160
Intangible FA under construction	21 666	0	44 974	56 126	16	10 530
Prepayments for intangible FA	72	0	0	72	0	0
<b>Total</b>	<b>1 090 386</b>	<b>52</b>	<b>104 716</b>	<b>239 569</b>	<b>1 185</b>	<b>956 770</b>

#### Accumulated Amortisation and Provisions

(CZK thousand)

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

(CZK thousand)

	Balance at 31 Dec 2012	New acquisitions	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2013
Research and development	3 870	0	683	0	0	4 553
Start-up costs	93	0	0	0	0	93
Goodwill	360	0	0	0	25	385
Software	272 839	0	9 465	15 431	320	267 193
Valuable rights	468 459	0	19 301	17 221	607	471 146
Other intangible FA	10 915	0	712	0	25	11 652
Intangible FA under construction	796	0	0	0	0	796
<b>Total</b>	<b>757 332</b>	<b>0</b>	<b>30 161</b>	<b>32 652</b>	<b>977</b>	<b>755 818</b>

## Net Book Value

(CZK thousand)

	Balance at 31 Dec 2012	Balance at 31 Dec 2013
Research and development	683	0
Start-up costs	0	0
Software	22 002	41 407
Valuable rights	117 058	110 303
Other intangible FA	172 369	39 508
Intangible FA under construction	20 870	9 734
Prepayments for intangible FA	72	0
<b>Total</b>	<b>333 054</b>	<b>200 952</b>

The tables of movements of intangible fixed assets include the column “New acquisitions” in 2013 related to the expansion of the consolidated group to include NEOMET Sp. Z o.o. and in 2012 related to the expansion of the consolidated group to include ŽDB DRÁTOVNA a.s.

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 33,642 thousand and CZK 27,306 thousand for the years ended 31 December 2013 and 2012, respectively. Other intangible assets include greenhouse gas emission allowances.

As of the consolidated balance sheet date, allowances for greenhouse gas emissions for 2013 were not allocated. The Company recognised the used allowances and use of the grant for allowances of CZK 515,144 thousand with a debit and credit entry to account 347 – Grants for emission allowances, with a corresponding entry to the relevant cost and income account.

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.

## 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 42,342 thousand and CZK 34,952 thousand as of 31 December 2013 and 2012, respectively.

## 6.2. TANGIBLE FIXED ASSETS

### Cost

(CZK thousand)

	Balance at 1 Jan 2012	New acquisitions	Additions	Disposals	Impact of FX differences
Land	1 293 553	56 663	3 654	237 947	1 170
Structures	11 091 113	911 778	314 882	79 988	17 132
Individual movable assets	29 606 266	1 824 977	691 203	365 066	42 872
Other tangible FA	128 709	64 051	4 478	4 616	685
Tangible FA under construction	340 148	17 879	1 011 855	708 696	1 227
Prepayments	36 670	3 269	210 350	122 401	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>

(CZK thousand)

	Balance at 31 Dec 2012	New acquisitions	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2013
Land	1 117 093	0	23 280	10 600	1 406	1 131 179
Structures	12 254 917	0	407 457	110 805	20 913	12 572 482
Individual movable assets	31 800 252	2 629	1 566 406	391 586	60 618	33 038 319
Other tangible FA	193 307	122	2 229	2 508	-2 805	190 345
Tangible FA under construction	662 413	0	2 333 366	1 898 994	487	1 097 272
Prepayments	127 888	990	523 347	363 819	0	288 406
<b>Total</b>	<b>46 155 870</b>	<b>3 741</b>	<b>4 856 085</b>	<b>2 778 312</b>	<b>80 619</b>	<b>48 318 003</b>

## Accumulated Depreciation and Provisions

(CZK thousand)

	Balance at 1 Jan 2012	New acquisitions	Additions	Disposals	Impact of FX differences
Structures	5 353 832	399 408	294 723	56 935	8 584
Individual movable assets	19 615 084	1 210 392	1 264 750	335 174	32 693
Other tangible FA	117 170	0	8 917	4 046	566
Tangible FA under construction	36 394	380	28 643	28 603	0
Prepayments	1 713	0	0	28	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>

(CZK thousand)

	Balance at 31 Dec 2012	New acquisitions	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2013
Structures	5 999 612	0	309 418	67 602	10 350	6 251 778
Individual movable assets	21 787 745	277	1 360 739	390 735	43 061	22 801 087
Other tangible FA	122 607	39	29 723	5 793	1 000	147 576
Tangible FA under construction	36 814	0	1 554	2 840	0	35 528
Prepayments	1 685	0	0	1 048	0	637
<b>Total</b>	<b>27 948 463</b>	<b>316</b>	<b>1 701 434</b>	<b>468 018</b>	<b>54 411</b>	<b>29 236 606</b>

## Net Book Value

(CZK thousand)

Net book value	Balance at 31 Dec 2012	Balance at 31 Dec 2013
Land	1 117 093	1 131 179
Structures	6 255 305	6 320 704
Individual movable assets	10 012 507	10 237 232
Other tangible FA	70 700	42 769
Tangible FA under construction	625 599	1 061 744
Prepayments for tangible FA	126 203	287 769
<b>Total</b>	<b>18 207 407</b>	<b>19 081 397</b>

The tables of movements of tangible fixed assets include the column "New acquisitions" in 2013 related to the expansion of the consolidated group to include NEOMET Sp. Z o.o. and in 2012 related to the expansion of the consolidated group to include ŽDB DRÁTOVNA a.s.

### Principal additions to tangible fixed assets for the year ended 31 December 2013 are as follows:

(CZK thousand)

Acquisition of a new technology – injection of powdered coal in furnaces nos.4 and 6	578 803
Extension of the equipment for the continuous casting of steel ZPO 1	60 391
Acquisition of a combined towbar	55 692

### Principal additions to tangible fixed assets under construction for the year ended 31 December 2013 were as follows:

(CZK thousand)

NK 14 boiler – 125t/hour	263 322
Acquisition of new technology – peeling and refining line	188 655
Energy for the dust coal at the blast furnace – MoRe Dorru, construction of a cooling tower	66 067

### Principal additions to tangible fixed assets for the year ended 31 December 2012 were 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 1,659,780 thousand and CZK 1,538,503 thousand for the years ended 31 December 2013 and 2012, 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 721,635 thousand and CZK 637,966 thousand as of 31 December 2013 and 2012, respectively.

### Fair Value

In 2013, no assets were revalued to fair value at any of the entities.

As of the acquisition date in 2012, the Group remeasured the assets of ŽDB DRÁTOVNA 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.

## 6.3. ASSETS HELD UNDER FINANCE AND OPERATING LEASE AGREEMENTS

### Finance Leases

(CZK thousand)

31 December 2013	Passenger cars	Machinery and equipment	New acquisition	Balance at 31 Dec 2013
Total estimated sum of lease instalments	3 792	47 791	0	51 583
Payments made as of 31 Dec 2012	1 171	16 267	0	17 438
Future payments to be made by 31 Dec 2013	617	10 646	0	11 263
Due in the following years	2 004	20 878	0	22 882

On 31 January 2013, ŽDB DRÁTOVNA a.s. concluded agreements with the leasing company on a preliminary termination of the lease contract dated 30 December 2010 (on the lease of production machinery of CZK 103,184 thousand for the period of 60 months) which prematurely terminate the above lease contracts on 29 January 2013 and the payables of the parties arising from the lease contracts were settled by the lessee in accordance with the concluded contracts. This resulted in the acquisition of tangible assets for CZK 60,438 thousand.

(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

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

### Operating Leases

In the years ended 31 December 2013 and 2012, rental amounted to CZK 41,798 thousand and CZK 42,274 thousand, respectively.

## 6.4. FIXED ASSETS PLEDGED AS SECURITY

31 December 2013

Description of assets	Net book value	Description, scope and purpose of pledge/lien
TFA	570 957	Syndicated loan provided by Česká spořitelna, a.s., HSBC Bank plc- Prague branch, and CITIBANK Europe plc
Land	40 732	
TFA	749 541	Loan from Česká spořitelna, a.s.
Land	26 630	
TFA	482 337	Loan from Česká spořitelna, a.s.
TFA	199 503	Loan from Československá obchodní banka, a.s.
Land	10 640	
Land	699	Loan from UniCredit Bank Czech Republic and Slovakia, a.s.
TFA	431 917	Loan from Československá obchodní banka, a.s., pledge of assets of up to
Land	34 415	
Technology	622 944	CZK 926,452 thousand
TFA	32 728	Long-term loan from UniCredit Bank Czech Republic and Slovakia, a.s.
TFA	28 012	Long-term loan from UniCredit Bank Czech Republic and Slovakia, a.s.
TFA	120 356	Overdraft loan from Československá obchodní banka, a.s.
Land	10 614	
TFA, technology	21 385	Česká spořitelna, a.s. – pledge in support of the loan of Třinecké železárny, a. s. for the KB 12 coke battery
Technology	155 462	UniCredit Bank Czech Republic and Slovakia, a.s. – investment loan
TFA	152 494	Loan from Česká spořitelna, a.s.
TFA*	49 523	Loan from ING Bank Śląski S.A., pledge of machinery of up to PLN 7,500 thousand
TFA*	132 060	Loan from BNP Paribas Bank Polska S.A., pledge of assets of up to PLN 20,000 thousand
TFA*	12 546	Loan from ING Bank Śląski S.A., pledge of fixed assets of up to PLN 1,900 thousand
TFA*	35 237	State grant from the National Development Agency (Hungary)
TFA, land	36 779	Loan from UniCredit Bank, a.s.
TFA, land	168 794	Loan from Raiffeisenbank, a.s.
TFA, land	33 452	Loan from Česká spořitelna a.s.
TFA, land	60 990	Loan from Oberbank AG
TFA, land	6 310	Loan from Oberbank Leasing spol. s r.o.
TFA, land	1 141	Loan from Citibank Europe plc.
TFA, land	52 000	Loan from Raiffeisenbank, a.s.
<b>Total</b>	<b>4 280 198</b>	

\* translated using the exchange rate promulgated by the Czech National Bank as of 31 December 2013

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 železářny, 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.

## 6.5. SUMMARY OF UNCONSOLIDATED INVESTMENTS

### 6.5.1. Summary of Unconsolidated Investments in 2013

Balance at 31 December 2013

(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	1 515	76	0	1 573
Moravia Steel Ibéria,s.a.	10 850	2 533	99.33	13 809	461	0	10 850
Moravia Goel Trade, d.o.o.*)	59	59	60	*)	*)	-59	0
MS – Slovensko s.r.o.	161	160	100	1 020	-10	0	161
Moravia Steel Israel Ltd.	605	466	100	42	-34	0	605
Barrandov Productions s.r.o.	100	100	6 073	-782	0	0	100
Filmová nadace RWE & Barrandov Studio **)	500	100	2 817	-140	0	0	500
<b>Total</b>	<b>13 848</b>	<b>4 285</b>				<b>-59</b>	<b>13 789</b>

\*) In liquidation

\*\*\*) Balance at 31 December 2013 – reporting period ending 28 February 2014



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

(CZK thousand)

Equity investments – subsidiaries							
Company name	Nominal value	Number of securities	Share in %	Equity	Profit or loss for the period	Provision	Financial income for the year
Třinecké gastroslužby, s.r.o., Třinec-Staré Město	25 800	0	100.00	44 057	2 575	0	0
Doprava TŽ, a.s., Třinec-Staré Město	16 000	115	100.00	36 298	1 863	0	0
TRIALFA, s.r.o., Třinec-Kanada	100	0	100.00	18 100	219	0	0
Steel Consortium Partners, a.s., Třinec-Staré Město	19 000	117	100.00	1 240	- 161	- 17 825	0
Reťaze Slovakia s.r.o., Skalica (SK)	4 936	0	80.00	15 049	802	0	1 668
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Vítkovice, Ostrava	46 197	0	90.00	48 519	1 727	0	0
TRISIA, a.s., Třinec	9 900	990	66.00	59 544	- 1 466	0	0
„ZAMECZEK BŁOGOCICE” Spółka z ograniczoną odpowiedzialnością, Cieszyn, (POL)	48 558	0	88.00	50 494	484	- 5 315	0
Moravia Security, a.s., Třinec-Konská	12 000	12	100.00	17 770	1 665	0	0
TŘINECKÁ PROJEKCE, a.s., Třinec-Kanada	2 745	183	83.18	13 637	2 423	0	0
DALSELV DESIGN a.s., Ostrava-Mariánské Hory	1 360	12	68.00	1 264	- 13 633	- 25 670	0
<b>Total</b>						<b>- 48 810</b>	<b>1 668</b>

*In italics – preliminary results as of 31 December 2013*

## 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 or loss	Provision	Net cost
MSK Polska Sp. z o.o.	48 345	48 345	84	*	*	- 48 345	0
<b>Total</b>	<b>48 345</b>	<b>48 345</b>				<b>- 48 345</b>	<b>0</b>

\* In 2013 (2012), Moravskoslezský kovošrot, a.s. held the 84% equity investment in the Polish entity MSK Polska Sp. z o.o. that was placed into liquidation and bankruptcy proceedings on 21 December 2012. As of the balance sheet date on 31 December 2013 (2012), the net value of the equity investment amounted to CZK 0.

The Group did not generate any material financial income from the unconsolidated investments in the year ended 31 December 2013.

## 6.5.2. 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 odpowiedzialnością, 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 žele- záren, 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>162 902</b>						<b>-18 680</b>	<b>144 222</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.

## 6.6. ACCOUNTING FOR GOODWILL ARISING ON CONSOLIDATION

2013

(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	0	1 234	0	0	0
AHP HYDRAULIKA a.s.	0	0	0	0	87 347	0
„D&D“ Drótáru Zrt.	365 173	347 192	17 981	0	282 202	0
ŽDB DRÁTOVNA a.s.	255 534	0	255 534	0	0	0
<b>Total</b>	<b>786 811</b>	<b>396 055</b>	<b>390 756</b>	<b>0</b>	<b>369 549</b>	<b>0</b>

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>

## 6.7. SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING

(CZK thousand)

Securities and equity investments under equity accounting	2013	2012
VESUVIUS ČESKÁ REPUBLIKA, a.s.	154 389	129 675
Kovárna VIVA a.s.	339 982	304 356
AHP HYDRAULIKA a.s.	0	0
Moravia Steel Middle East FZCO	30 439	15 504
<b>Total</b>	<b>524 810</b>	<b>449 535</b>

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

As of 31 December 2013, the Company records non-current financial assets pledged as security with the nominal value of CZK 533,000 thousand.

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

## 6.9. INVENTORY

As of 31 December 2013 and 2012, provisions against inventory were made in the aggregate amounts of CZK 597,490 thousand and CZK 641,241 thousand, respectively. The provision against material amounted to CZK 331,508 thousand (2012: CZK 334,764 thousand), the provision against work in progress and semi-finished products amounted to CZK 181,374 thousand (2012: CZK 203,798 thousand), the provision against finished products amounted to CZK 84,217 thousand (2012: CZK 102,133 thousand), and the provision against goods amounted to CZK 391 thousand (2012: CZK 546 thousand).

As of 31 December 2013, „METALURGIA“ S.A. has pledged the inventory up to PLN 7,000 thousand (CZK 46,221 thousand) with BNP PARIBAS BANK Polska S.A. in relation to the used loan. In 2012, inventory was pledged up to PLN 7,000 thousand (CZK 43,204 thousand).

## 6.10. RECEIVABLES

### 6.10.1. Structure of Short-Term Receivables

As of 31 December 2013, gross short-term trade receivables past their due dates amounted to CZK 1,605,668 thousand (net CZK 1,132,917 thousand). As of 31 December 2012, gross short-term trade receivables past their due dates amounted to CZK 1,657,353 thousand (net CZK 1,198,979 thousand).

#### 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

Strojírny a stavby Třinec, a.s. 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 MORAVIA STEEL a.s. groups' entities.

As of 31 December 2013, Šroubárna Kyjov, spol. s r.o. records pledged receivables of CZK 91,986 thousand pursuant to the contract concluded with Československá obchodní banka, a.s. As of 31 December 2012, pledged receivables amounted to CZK 76,901 thousand.

As of 31 December 2013, VÚHŽ a.s. pledged receivables of CZK 10,328 thousand. The pledge results from the concluded Contract for the Establishment of a Pledge of Receivables with Československá obchodní banka, a.s., and collateralises the provided short-term loans. As of 31 December 2012, this pledge amounted to CZK 13,352 thousand.

As of 31 December 2013, ŽDB DRÁTOVNA a.s. pledged receivables of CZK 3,565 thousand pursuant to the Contracts for Loans concluded with Československá obchodní banka, a.s. As of 31 December 2012, pledged receivables amounted to CZK 567,645 thousand.

„METALURGIA“ S.A. records pledged receivables of PLN 3,115,102 (CZK 20,569 thousand) with ING Commercial Finance Polska S.A. As of 31 December 2012, pledged receivables amounted to PLN 3,915,744 (CZK 24,168 thousand).

## 6.10.3. Intercompany Receivables

### Short-Term Receivables

(CZK thousand)

Entity	Balance at 31 Dec 2013	Balance at 31 Dec 2012
DOPRAVA TŽ, a.s.	1 963	1 481
Kovárna VIVA a.s.	71 691	79 070
Kvalifikační a personální agentura, o.p.s.	3	3
Moravia Security, a.s.	139	147
Security Morava, s.r.o.	0	8
TRIALFA, s.r.o.	4 412	2 675
TRISIA, a.s.	8	7
TŘINECKÁ PROJEKCE, a.s.	332	449
Třinecké gastroslužby, s.r.o.	1 756	1 304
VESUVIUS ČESKA REPUBLIKA, a.s.	5 136	4 804
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	95	119
„ZAMECZEK BŁOGOCICE” Sp. zo.o.	0	0
Střední odborná škola Třineckých železáren*	867	847
HRAT, s.r.o.	0	3
DALSELV DESIGN a.s.	0	1 517
FINITRADING, a.s.	0	2
Moravia Steel Poland Sp. z o.o.	0	1
Barrandov Productions, s.r.o.	11 325	11 507
NEOMET, S.A.	0	1
Steel Consortium Partners, a.s.	22	1
Filmová nadace RWE & Barrandov Studio	13	13
AHP Hydraulika, a.s.	540	0
<b>Total</b>	<b>98 302</b>	<b>103 959</b>
● Short-term prepayments made		
Třinecké gastroslužby, s.r.o.	530	0
<b>Total</b>	<b>530</b>	<b>0</b>
● Other receivables		
SILESIASLAG, a.s. "in liquidation"***	0	1 255
MSK Polska sp.z o.o. "in liquidation"	0	24 688
Provision against other intercompany receivables	0	-24 688
<b>Total net</b>	<b>0</b>	<b>1 255</b>
<b>Total short-term intercompany receivables</b>	<b>98 832</b>	<b>105 214</b>
Other than intercompany receivables	8 479 748	8 630 398
<b>Total net short-term receivables</b>	<b>8 578 580</b>	<b>8 735 612</b>

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

\*\* SILESIASLAG, 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

### Long-Term Receivables

As of 31 December 2013, gross long-term trade other than intercompany receivables amounted to CZK 242,754 thousand (net CZK 230,935 thousand). As of 31 December 2012, gross long-term trade other than group receivables amounted to CZK 8,426 thousand (net CZK 7,726 thousand).

Long-term receivables past their due dates by more than 5 years as of 31 December 2013 amounted to CZK 201 thousand (2012: CZK 0).

## 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 2013.

### 6.11.2. Share Capital

As of 31 December 2013, 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

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 and reserves for legal disputes.

### 6.13. PAYABLES

#### 6.13.1. Long-Term Payables

As of 31 December 2013, long-term payables – controlling entity included an amount of CZK 1,650,000 thousand arising from the outstanding portion of the purchase price for the purchase of securities of TRINECKÉ ŽELEZÁRNY, a.s. of CZK 1,650,000 thousand. This is a payable to FINITRADING, a.s.

The decrease in long-term received prepayments as of 31 December 2013 is primarily due to the prepayment made in 2012 by the final customer Azerbaijan Railways Closed, Joint Stock Company for the project of material and technology provision and overhaul of a railway track section between Baku and Bjojuk Kesik in Azerbaijan. Given the ongoing redemption by supplies, the prepayment of CZK 183,083 thousand is carried as a short-term payable.

#### 6.13.2. Short-Term Trade Payables

As of 31 December 2013, short-term trade payables past their due dates amount to CZK 83,339 thousand (2012: CZK 243,059 thousand).

#### 6.13.3. Payables – Controlled or Controlling Entity

As of 31 December 2013, the Company records a payable arising from an unpaid portion of the purchase price with respect to the purchase of securities of TRINECKÉ ŽELEZÁRNY, a.s. in the aggregate amount of CZK 2,222,122 thousand, of which the interest on payables amounts to CZK 22,122 thousand. The payable is contracted to be settled in five repayments by 2017. The long-term portion of the loan of CZK 1,650,00 thousand is reported in line B.II.2 'Payables - controlled or controlling entity'. The payable bears interest at 2%. The Company records this payable to FINITRADING, a.s.

#### 6.13.4. Other Payables

As of 31 December 2013 and 2012, the payables arising from social security and state employment policy contributions and public health insurance amounted to CZK 179,548 thousand and CZK 164,412 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 payables from provided gifts, deductions from employees and payables arising from the acquisition of equity investments.

In the year ended 31 December 2013, the Company provided a gift to the citizen's association "HC Oceláři Třinec o.s." of CZK 460 million, of which CZK 260 million was not yet settled as of 31 December 2013 and reported in the line 'Other short-term payables' (2012: a gift of CZK 150 million, of which CZK 75 million unsettled as of 31 December 2012).

## 6.13.5. Intercompany Payables

### Short-Term Payables

(CZK thousand)

Entity	Balance at 31 Dec 2013	Balance at 31 Dec 2012
Doprava TŽ, a.s.	13 517	11 883
Hutnictví železa, a.s.	593	613
Moravia Security, a.s.	11 121	15 508
TRIALFA, s.r.o.	15 056	14 495
TRISIA, a.s.	929	534
TŘINECKÁ PROJEKCE, a.s.	8 032	3 498
Třinecké gastroslužby, s.r.o.	15 039	9 054
VESUVIUS ČESKÁ REPUBLIKA, a.s.	10 945	8 692
Security Morava s.r.o.	194	276
ZAMECZEK BŁOGOCICE Sp. zo.o.	111	104
FINITRADING, a.s.	285 222	233 176
MORAVIA STEEL SLOVENIJA d.o.o.	3 186	3 717
Kvalifikační a personální agentura, o.p.s.	10	41
Barrandov Productions, s.r.o.	0	13 877
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	1 744	320
HRAT, s.r.o.	42	36
Reťaze Slovakia, s.r.o.	0	37
Střední odborná škola Třineckých železáren*	3 073	2 694
DALSELV DESIGN a.s.	7 612	10 091
MSK Polska sp.z o.o.	0	54
<b>Total short-term intercompany payables</b>	<b>376 426</b>	<b>328 700</b>
Other than intercompany payables	8 149 705	6 665 059
<b>Total short-term payables</b>	<b>8 526 131</b>	<b>6 993 759</b>

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

## 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 2013	Balance at 31 Dec 2012
Difference between the tax and accounting carrying values of fixed assets	19	8 120 982	7 726 042
Difference between the tax and accounting carrying values of fixed assets	10	146 325	138 960
Revaluation of securities available for sale	19	-54	-20
Revaluation of securities available for sale	10	0	-217
Revaluation of assets to fair value charged to equity	19	212 493	245 861
Revaluation of assets to fair value charged to consolidation goodwill	19	44 829	83 557
Revaluation of assets to fair value charged to consolidation goodwill	10	76 092	46 876
Accounting reserves	19	-328 223	-175 894
Accounting reserves	10	0	-26 450
Provisions	19	-673 491	-704 620
Provisions	10	-8 194	-6 593
Outstanding default interest	19	0	37
Expenses deductible in the following years	19	-122 857	-101 319
Utilisable tax loss	19	-2 091	-1 428 591
Outstanding default interest	19	-175 523	37
Unrealised profit on the sale of tangible FA within the Group	19	-42 720	-313 025
Unrealised profit on the sale of inventory within the Group	19	-302 856	-7 023
Other	10	28 397	0
<b>Total temporary differences</b>		<b>6 973 109</b>	<b>5 477 618</b>
<b>Deferred tax liability</b>		<b>1 303 055</b>	<b>1 027 009</b>

(CZK thousand)

Analysis of movements	
<b>31 Dec 2012</b>	<b>1 027 009</b>
Current changes charged to the profit and loss account	282 607
Current changes charged to equity	- 175
Charge against positive goodwill on consolidation	-6 385
Other	- 1
<b>31 Dec 2013</b>	<b>1 303 055</b>

### 6.14.2. Deferred Tax Asset

(CZK thousand)

	Tax rate (%)	Balance at 31 Dec 2013	Balance at 31 Dec 2012
Accounting reserves	19	10 310	5 022
Provisions	19	0	- 1 766
Expenses deductible for tax purposes in the following years	19	0	29 102
Unrealised profit on the sale of inventory and assets within the Group	19	249 273	272 853
<b>Total temporary differences</b>		<b>259 583</b>	<b>305 211</b>
<b>Deferred tax asset</b>		<b>49 321</b>	<b>57 990</b>

(CZK thousand)

Analysis of movements	
<b>31 Dec 2012</b>	<b>57 990</b>
Current changes charged to the profit and loss account	-8 797
Current changes charged to equity	128
<b>31 December 2013</b>	<b>49 321</b>

### 6.15. BANK LOANS AND BORROWINGS

In the year ended 31 December 2013, the interest rate on bank loans varied between 0.6% and 5.74% p.a., and between 0.624% and 5.45% p.a. in the year ended 31 December 2012.



## 6.15.1. Bank Loans and Grants for 2013

### Long-Term Bank Loans

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2013	Balance at 31 Dec 2012	Form of collateral at 31 Dec 2013
Investment loan	CZK	431 560	684 200	Immovable and movable assets, securities, receivables from insurance, promissory bill of exchange
Investment loan	EUR	0	10 292	Hermes guarantee insurer
Investment loan	CZK	500 000	700 000	Movable and immovable assets, receivables from insurance, promissory bill of exchange
Investment loan	CZK	0	91 560	Promissory blank bill of exchange
Investment loan	CZK	240 000	0	Securities, promissory bill of exchange
Investment loan	EUR	197 222	0	ODL guarantee insurer
Investment loan	CZK	947 368	0	Immovable and movable assets, securities, promissory bill of exchange
Investment loan	EUR	2 057	9 428	KEH8, KER8 line
Tem loan	CZK	155 686	212 299	Receivable, pledge of real estate including its parts and accessories
Investment loan	EUR	8 781	11 165	Pledge of real estate
Investment loan	EUR	8 711	0	Pledge of real estate
Investment loan	CZK	150 000	0	Blank bill of exchange, pledge of movable assets
Investment loan	CZK	9 375	0	Pledge of real estate, pledge of movable assets, pledge of receivables from insurance of immovable and movable assets, pledge of trade receivables
Investment loan	EUR	9 569	0	Pledge of real estate, pledge of movable assets, pledge of receivables from insurance of immovable and movable assets
Investment loan	CZK	10 000	0	Pledge of real estate, pledge of movable assets, pledge of receivables from insurance of immovable and movable assets
Investment loan	EUR	10 970	0	KPH 600 machine, KLM measurement system
Investment loan	EUR	16 510	0	
Investment loan	CZK	11 364	0	Pledge of real estate
Investment loan	CZK	6 929	15 738	Pledge of financed asset
Investment loan	CZK	717	950	Pledge of financed asset
Investment loan	CZK	0	45 289	Pledge of real estate, movable assets, receivables from insurance of immovable and movable assets
Investment loan	CZK	5 622	11 243	Pledge of real estate
<b>Total</b>		<b>2 722 441</b>	<b>1 792 164</b>	

## Short-Term Bank Loans

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2013	Balance at 31 Dec 2012	Form of collateral at 31 Dec 2013
Investment loan	CZK	0	11 111	Immovable and movable assets, blank bill of exchange
Investment loan	EUR	11 228	53 073	Hermes guarantee insurer
Overdraft loan	CZK	174 686	176 412	Promissory blank bill of exchange
Operating loan	CZK	221 051	93 732	Promissory blank bill of exchange
Investment loan	CZK	200 000	200 000	Movable and immovable assets, receivables from insurance, promissory bill of exchange
Overdraft loan	CZK	17 664	44 847	Promissory blank bill of exchange
Overdraft loan	CZK	33 159	60 632	Promissory blank bill of exchange
Investment loan	CZK	252 640	252 640	Immovable and movable assets, securities, receivables from insurance, promissory bill of exchange
Investment loan *)	EUR/ CZK	0	20 523	Guarantee statement of the parent company, pledge of assets, blank bill of exchange
Investment loan	EUR	0	628	KBA 601 bending machine
Investment loan	EUR	8 227	7 543	KEH8, KER8 line
Investment loan	EUR	6 582	0	KPH 600 machine, KLM measurement system
Investment loan	EUR	5430	0	
Investment loan	CZK	0	5 000	No collateral
Investment loan	EUR	0	7 278	Receivables, Sakamura press
Operating loan	CZK	0	5 296	Real estate, receivables
Investment loan	CZK	96 879	73 248	Promissory blank bill of exchange
Investment loan	PLN	52 009	34 336	Immovable and movable assets
Investment loan	EUR	30 149	14 928	Trade receivables
Investment loan	EUR	3 399	3 115	Pledge of real estate
Term loan	CZK	56 613	56 613	Receivables, pledge of real estate including their parts and accessories
Revolving loan	CZK	420 000	390 000	Receivables, pledge of real estate including their parts and accessories
Overdraft loan	CZK	150 586	0	Promissory blank bill of exchange
Investment loan	EUR	30 299	0	ODL guarantee insurer
Investment loan	CZK	60 000	0	Securities, promissory bill of exchange
Investment loan	CZK	252 632	0	Immovable and movable assets, securities, receivables from insurance, promissory bill of exchange
Investment loan	EUR	2 904	0	Pledge of real estate
Revolving loan	CZK	20 000	0	Pledge of real estate, movable assets, pledge of receivable from insurance of immovable and movable assets
Investment loan	CZK	4 688	0	Pledge of trade receivables
Investment loan	EUR	2 824	0	Pledge of real estate, movable assets, pledge of receivable from insurance of immovable and movable assets
Investment loan	CZK	4 000	0	Pledge of real estate, movable assets, pledge of receivable from insurance of immovable and movable assets
Operating loan	CZK	250 000	250 000	Pledge of receivables, blank bill of exchange
Operating loan	CZK	300 000	300 000	Contingent cession of receivables
Operating loan	CZK	0	250 089	Contingent cession of receivables
Operating loan	CZK	300 000	300 000	Contingent cession and future pledge of receivables, blank bills of exchange
Overdraft loan	CZK	15 198	0	Pledge of future receivables
Operating loan	CZK	0	30 000	Pledge contract of tangible fixed assets
Operating loan	CZK	13 636	0	Pledge of real estate
Investment loan	CZK	0	12 000	Pledge of real estate
Overdraft loan	CZK	0	11 867	Pledge of real estate, bill of exchange
Investment loan	CZK	0	1 891	Pledge of real estate, bill of exchange, cession of receivables
Investment loan	CZK	0	5 659	Blank bill of exchange, pledge of real estate, cession of receivables
Investment loan	CZK	8 809	8 343	Pledge of financed asset
Investment loan	CZK	233	223	Pledge of financed asset
Overdraft loan	CZK	18 247	29 071	Blank bill of exchange, pledge of real estate, cession of receivables
Operating loan	CZK	195 000	195 000	Pledge of real estate
Operating loan	CZK	0	8 715	Pledge of real estate, pledge of receivables
Investment loan	CZK	5 621	5 622	Pledge of real estate, bill of exchange
Investment loan	CZK		20 000	Pledge of real estate, movable assets, receivables from insurance of immovable and movable assets
Investment loan	CZK		14 876	Pledge of real estate, movable assets, receivables from insurance of immovable and movable assets
<b>Total</b>		<b>3 224 393</b>	<b>2 954 311</b>	

## Short-Term Financial Borrowings

(CZK thousand)

Purpose	Currency	Balance at 31 Dec 2013	Balance at 31 Dec 2012	Provider
Short-term	EUR	57 682	51 036	Ferroservis Bratislava s.r.o.
Short-term	EUR	29 464	46 295	Slovenská plavba a prístavy a.s.
Short-term	PLN	132	187	BNP PARIBAS Bank Polska SA
Short-term	EUR	22	0	Michal Krkoška
<b>Total</b>		<b>87 300</b>	<b>97 518</b>	

## 6.16. MINORITY EQUITY

(CZK thousand)

	Share capital	Capital funds	Statutory reserve fund	Statutory and other funds	Accumulated profit brought for- ward	Profit/loss for the current period	Total
<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
Share capital increase	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 investment 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/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>
Distribution of profit/loss	0	25	9 357	5 150	209 899	-224 431	0
Dividends	0	0	0	0	0	-29 966	-29 966
Share capital increase	0	0	0	0	0	0	0
Impact of changes in the consolidated group	-316	0	-1 345	0	3 040	-1 294	85
Purchase of a minority share by the majority owner	-1 617 918	-13 902	-198 076	-633 608	-1 769 068	-243 791	-4 476 363
Revaluation of assets and liabilities	0	2 087	0	0	0	0	2 087
Other profit or loss	0	0	0	0	0	0	0
Profit for the period	0	0	0	0	0	287 719	287 719
Share in profit of equity accounted investments attributable to minority shareholders	0	0	0	0	0	1 639	1 639
Other	0	11 138	-7 483	24 697	-28 495	0	-143
<b>31 Dec 2013</b>	<b>85 378</b>	<b>2 658</b>	<b>16 573</b>	<b>14</b>	<b>346 646</b>	<b>45 567</b>	<b>496 836</b>

## 6.17. OTHER OFF-BALANCE SHEET LIABILITIES

### MORAVIA STEEL a.s.

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 cartel 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.

On 7 October 2013, legal representatives of Moravia Steel Deutschland GmbH and MORAVIA STEEL a.s., acting for and representing their clients, filed a legal response on which the plaintiffs are expected to comment by the end of March 2014. Therefore, the legal dispute is at the very early stage; therefore, 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 a reserve in respect of the legal dispute referred to above.

As of 31 December 2013, the guarantees issued by the bank on behalf of the Company in favour of third parties amounted to CZK 65,646 thousand.

Requests of certain former shareholders of TŘINECKÉ ŽELEZÁRNY, a.s. for reviewing the adequacy of the payments that belong to former shareholders according to the resolution of the extraordinary general meeting of TŘINECKÉ ŽELEZÁRNY, a.s. held on 31 July 2013, on the transfer of the shares of the Company owned by other shareholders to MORAVIA STEEL a.s., as the principal shareholder, were filed at the Regional Court in Ostrava.

The Company is aware that requests of Jaroslav Licehamr (filed on 22 August 2013), Petr Suda, Petr Kořenka and Radek Gabriel (filed on 12 September 2013), Břetislav Vaněk and Michal Utíkal (filed on 16 September 2013), Silvie Košíková (filed on 30 August 2013), Zbyněk Drbohlav (filed on 12 September 2013), Petr Červenka, Stanislav Hyvnar, Zbyněk Kasal, Lubor Veselý and Marek Veselý (filed on 20 September 2013), Jiří Kupka, GIRAS, s.r.o., (filed on 12 September 2013), Jiří Lengál, Vilém Franta (filed on 18 September 2013), Maxim Chadzitskos (filed on 18 September 2013), Jan Luft (filed on 20 September 2013), Jan Čopík, Ivana Tomanová, Aleš Hodina and Bohumil Hála (filed on 19 September 2013), and a collective request of 51 persons (filed on 16 September 2013) were filed at the Regional Court in Ostrava.

The Company does not rule out that the requests of other former shareholders of the Company were also filed regarding this case.

### Moravia Steel Deutschland GmbH

On 26 February 2013, MORAVIA STEEL DEUTSCHLAND GMBH received a legal action filed by the group entities of Deutsche Bahn with the State Court in Frankfurt am Main. The Company records a reserve for this legal dispute. For more information refer to Other payables that are not recorded by MORAVIA STEEL a.s.

### TŘINECKÉ ŽELEZÁRNY, a. s.

#### Provided Guarantees

#### 31 December 2013

Type of liability	Total amount	Balance at 31 Dec 2013
Guarantees		
- to other entities	USD 576 thousand	CZK 11 465 thousand
	EUR 2 239 thousand	CZK 61 404 thousand
	CZK 4 000 thousand	CZK 4 000 thousand

#### 31 December 2012

Type of liability	Total amount	Balance at 31 Dec 2012
Guarantees		
- 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

#### 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. The plaintiff filed an appeal against this resolution and the Regional Court upheld this appeal in its resolution. The proceedings in this matter are continuing, the proceedings have not yet been ordered. The company considers the charge to completely lack merit.

The company was contacted by the plaintiff with a proposal for terminating the dispute. Based on this proposal, the Company will negotiate with the plaintiff regarding the termination of the dispute.

The petition of a shareholder, Marek Veselý, regarding the invalidity of the resolution passed at the annual general meeting of shareholders of Třinecké Železářny, a.s. 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. 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 legal action filed by 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 Regional Court in Brno confirmed the ruling of the Municipal Court in Brno on the rejection of the claim in its resolution dated 3 September 2013. The company considers the charge to completely lack merit.

The legal action filed by the ADMINISTRATIVNÍ CENTRUM TSP civic association against the company regarding the surrender of the proceeds of the auction of shares in the certificate form of the issuer, TŘINECKÉ ŽELEZÁRNY, a. s., held on 17 December 2009, in the amount of CZK 9,005 thousand with accrued interest. The proceedings in this matter commenced at the Regional Court in Ostrava through the filing of the legal action against the company on 14 December 2012. The company has not yet been summoned by the court regarding this case or called on to undertake any procedural act. The resolution on the legal action depends on the assessment of validity of the contracts of the plaintiff with the company's former shareholders based on which the plaintiff is seeking the settlement of the receivable. The company believes that these contracts are likely to be invalid; however, it does not rule out that the court will arrive at a different conclusion and the legal action will be successful. The substance of the legal dispute does not involve determining the amount of the company's liability, ie to pay the amount of CZK 9,005 thousand, but determining whether the creditor under this liability is the plaintiff; otherwise, the creditors under this liability are the former shareholders of the company. The company has contacted the plaintiff with the objective of initiating negotiations on amicable settlement of the dispute and is currently in contact with the legal representative of the plaintiff.

The petition of Aleš Hodina and Bohumil Hála for declaring the resolution of the extraordinary general meeting of the company held on 31 July 2013 invalid. The proceedings were initiated at the Regional Court in Ostrava by filing this petition on 1 November 2013. The company considers the petition 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 2013 and 2012, the company drew CZK 489,345 thousand and CZK 467,063 thousand, respectively.

According to 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 2013	Balance at 31 Dec 2012
Blank bills of exchange – collateral for overdraft loans	200 000	150 000
Blank bills of exchange – collateral for long-term loans	150 000	-
<b>Total</b>	<b>350 000</b>	<b>150 000</b>

## VÚHŽ a.s.

### Provided Guarantees

VÚHŽ, a.s. concluded a contract for the provision of bank guarantees with the maximum credit facility of CZK 30,000 thousand with Citibank Europe plc which is collateralised by a blank bill of exchange and pledge of real estate. As of 31 December 2013, provided guarantees amount to CZK 3,906 thousand. This is a bank guarantee to customers of the company provided over the warranty period for the supplied water gauges.

## ŽDB DRÁTOVNA a.s.

### Environmental Liabilities

ŽDB concluded no environmental contract with the Ministry of Finance (or former National Property Fund) for the removal of legacy environmental burdens.

The conditions of the Integrated authorisations for Pickling plants, galvanizing and patent-galvanizing lines 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.

The conditions of the Integrated authorisations for the patent-brass plating thermo-diffusion line indicate the obligation for the facility operator to provide a "Plan for the Termination of Operations" to the regional authority three months before the termination of operations of the facility or partial technology units. If the activities are terminated due to an unrepairable breakdown and other unpredictable event, the operator is obliged to provide the plan to the regional authority within 30 days after the breakdown or other unpredictable event.

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

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., Sochorová válcovna TŽ, a.s., SV servisní, s.r.o., Hanácké železářny a pérovny, a. s., Řetězárna a.s., REFRASIL, s.r.o., „METALURGIA“ S.A., Strojírny a stavby Třinec, a.s., Slévárny Třinec, a.s., Šroubárna Kyjov, spol. s r.o., VESUVIUS ČESKÁ REPUBLIKA, a.s., Beskydská golfová a.s., MORAVIA STEEL ITALIA S.R.L., Moravskoslezský kovošrot a.s., M Steel Projects a. s., M Steel Projects s.r.o., NEOMET Sp.z o.o., Barrandov Studio a.s., MORAVIA STEEL UK LIMITED, Kovárna VIVA a.s. and Moravia Steel Middle East FZCO 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

2013

(CZK thousand)

Activities	Inland	Cross-Border	Total
Metallurgic production	12 863 028	31 018 723	43 881 751
Energy production	1 602 415	1 465 687	3 068 102
Sale of goods	190 676	378 568	569 244
Services	1 617 303	858 709	2 476 012
Change in inventory	-84 267	2 188	-82 079
Own work capitalised	796 911	349	797 260
<b>Total</b>	<b>16 986 066</b>	<b>33 724 224</b>	<b>50 710 290</b>

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>

### 7.2. OTHER INCOME AND EXPENSES

Costs of advisory, consulting and audit activities amounted to CZK 89,320 thousand and CZK 71,819 thousand as of 31 December 2013 and 2012, respectively.

Other operating income as of 31 December 2013 and 2012 predominantly included the drawing of the grant for greenhouse gas emission allowances in the amounts of CZK 515,144 thousand and CZK 1,033,637 thousand, respectively.

Other operating expenses as of 31 December 2013 and 2012 predominantly included the use of greenhouse gas emission allowances in the amounts of CZK 515,470 thousand and CZK 1,033,858 thousand, respectively.

Other financial income and expenses in the years ended 31 December 2013 and 2012 predominantly included foreign exchange rate gains and losses.

### 7.3. GRANTS

In 2013, entities in the consolidation group received grants for operating purposes of CZK 119,753 thousand (CZK 21,985 thousand in 2012). The grants include grants for research purposes and in the past also grants received from the Employment Office.

In 2013, VÚHŽ a.s. received an investment subsidy for the acquisition of the coating unit for the coating using the PVD method of CZK 12,832 thousand (2012: 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 2013, VÚHŽ a.s. received an operational subsidy of CZK 5,651 thousand, of which CZK 650 thousand was handed over to co-recipients. This included subsidies for education, research and development. In 2012, other subsidies for operating purposes of CZK 7,215 thousand included subsidies for the education, research and development.

Other grants for operating purposes in Šroubárna Kyjov, spol. s r.o. of CZK 2,900 thousand for 2013 include the subsidies for the operational programme in the “By the Increase in Professional Knowledge towards a Better Position of Šroubárna Kyjov on the Market” project.

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 2013, TRINECKÉ ŽELEZÁRNY, a. s. used a grant for environmental investments of CZK 142,747 thousand.

In 2013 and 2012, TRINECKÉ ŽELEZÁRNY, a. s. used a public grant for the “Educational Programme of the Employees of ODVĚTOVÝ SVAZ HUTNICTVÍ ŽELEZA” project in the amount of CZK 52 thousand and CZK 828 thousand, respectively.

## 7.4. AGGREGATE RESEARCH AND DEVELOPMENT EXPENDITURE

(CZK thousand)

	31 Dec 2013	31 Dec 2012
Research and development expenditure (net of grants)	58 363	47 905

## 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.

2013

(CZK thousand)

Entity	Relation to the company	Goods	Products	Services	Other income	Financial income	Total
Reťaze Slovakia s.r.o.	Controlled entity	0	15 914	9	0	1 668	17 591
Doprava TŽ, a.s.	Controlled entity	104	24 928	4 526	54	0	29 612
TRIALFA, s.r.o.	Controlled entity	0	27 094	4 384	1 089	0	32 567
TŘINECKÁ PROJEKCE, a.s.	Associate	0	494	928	42	0	1 464
Třinecké gastroslužby, s.r.o.	Controlled entity	2	3 292	9 874	793	0	13 961
Steel Consortium Partners, a.s.	Controlled entity	0	0	69	0	0	69
Kvalif. a pers. agentura, o.p.s.	Associate	0	0	322	0	0	322
TRISIA, a.s.	Controlled entity	0	0	103	19	0	122
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	9 504	21 885	197	0	31 586
Moravia Security, a.s.	Controlled entity	0	213	1 593	13	0	1 819
Střední odborná škola Třineckých železáren*	Controlled entity	0	2 515	1 902	73	0	4 490
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	59	575	1	0	635
HRAT, s.r.o.	Controlled entity	0	0	4	0	0	4
Kovárna VIVA a.s.	Associate	324 425	0	2 308	256	0	326 989
Moravia Steel Ibéria, s.a.	Controlled entity	0	0	0	0	0	0
FINITRADING, a.s.	Controlling entity	0	0	595	0	0	595
Barrandov Productions, s.r.o.	Controlled entity	0	0	139	0	0	139
Filmová nadace RWE & Barrandov Studio	Controlled entity	0	0	50	0	0	50
<b>Total</b>		<b>324 531</b>	<b>84 013</b>	<b>49 266</b>	<b>2 537</b>	<b>1 668</b>	<b>462 015</b>

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



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
Třínecké 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
SILESIASLAG, 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 Tříneckých železáren*	Controlled entity	2	2 311	5 891	46	0	8 250
ZAMECZEK BŁOGOCICE	Controlled entity	0	0	221	0	0	221
Kovárna VIVA a.s.	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

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

\*\*\* SILESIASLAG, 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

## 7.5.2. Costs Incurred with Related Parties

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

2013

(CZK thousand)

Entity	Relation to the company	Fixed assets	Inventory	Services	Other expenses	Total
Reťaze Slovakia, s.r.o.	Controlled entity	0	430	650	0	1 080
Doprava TŽ, a.s.	Controlled entity	0	30 904	68 032	0	98 936
TRIALFA, s.r.o.	Controlled entity	0	7 912	21 459	53 316	82 687
TŘINECKÁ PROJEKCE, a.s.	Associate	35 449	0	6 280	192	41 921
Třinecké gastroslužby, s.r.o.	Controlled entity	0	16 848	10 129	85 001	111 978
Kvalifikační a personální agentura, o.p.s.	Controlled entity	0	0	177	0	177
Hutnictví železa, a.s.	Controlled entity	0	0	5 725	110	5 835
TRISIA, a.s.	Controlled entity	0	0	10 107	130	10 237
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	175	81 530	0	81 705
Moravia Security, a.s.	Controlled entity	770	100	75 091	0	75 961
Střední odborná škola Třineckých železáren*	Controlled entity	0	284	11 304	542	12 130
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	134	8 938	0	9 072
„ZAMECZEK BŁOGOCICE“ Sp. zo.o.	Controlled entity	0	0	1 138	0	1 138
HRAT, s.r.o.	Controlled entity	80	0	120	0	200
DALSELV DESIGN a.s.	Controlled entity	7 080	51	8 289	0	15 420
Security Morava, s.r.o.	Controlled entity	0	0	320	0	320
Moravia Steel Ibéria, s.a.	Controlled entity	0	11 618	0	0	11 618
Moravia Steel Slovenija, d.o.o.	Controlled entity	0	8 511	0	0	8 511
Kovárna VIVA a.s.	Associate	0	604	0	0	604
FINITRADING, a.s.	Controlling entity	0	2 928 356	0	0	2 928 356
Barrandov Productions, s.r.o.	Controlled entity	0	0	0	0	0
Filmová nadace RWE & Barrandov Studio	Controlled entity	0	0	0	796	796
<b>Total</b>		<b>43 379</b>	<b>3 005 927</b>	<b>309 289</b>	<b>140 087</b>	<b>3 498 682</b>

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

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>

Note: \* 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

## 8. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

### 8.1. STAFF COSTS AND NUMBER OF EMPLOYEES

2013

(CZK thousand)

	Average number of employees	Of which managers	Total staff costs	Of which managers
MORAVIA STEEL a.s.	306	15	383 890	177 902
Barrandov Studio, a.s.	173	8	92 047	16 681
MORAVIA STEEL ITALIA S.R.L.	9	2	25 880	10 225
Moravskoslezský kovošrot a.s.	35	2	19 368	4 267
NEOMET Sp. z o.o.	8	3	3 074	1213
Sochorová válcovna TŽ, a.s.	727	9	331 692	21 049
Beskydská golfová, a.s.	17	6	9 466	626
Hanácké železárny a pérovny, a.s.	251	6	123 395	16 694
Moravia Steel Deutschland, GmbH	20	3	49 192	18 507
MORAVIA STEEL UK LIMITED	5	2	16 336	12 246
TŘINECKÉ ŽELEZÁRNY, a.s.	6 099	5	3 016 731	53 077
ENERGETIKA TŘINEC, a.s.	372	5	176 267	11 765
Strojírny a stavby Třinec, a.s..	1 526	11	565 507	23 597
Slévárny Třinec, a.s.	675	5	256 271	9 305
REFRASIL, s.r.o.	170	2	87 086	12 010
Řetězárna a.s.	252	6	102 426	12 374
Šroubárna Kyjov, spol. sr.o.	312	6	131 448	10 573
VUHŽ, a.s.	292	10	161 742	14 878
„METALURGIA“ S.A.	269	4	78 104	5 235
„D&D“ Drátáru Zrt.	127	5	50 380	6 367
ŽDB DRÁTOVNA a.s.	1 066	6	413 288	9 728
SV servisní, s.r.o.	15	1	8 692	234
M Steel Projects, a.s. *)	8	5	4 484	3 783
Barrandov Televizní Studio, a.s.	53	4	13 120	1 809
M Steel Projects, s.r.o.	0	0	0	0
<b>Total under full consolidation</b>	<b>12 778</b>	<b>131</b>	<b>6 119 886</b>	<b>435 638</b>

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

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“ Drátáru 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>5 703 939</b>	<b>447 097</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	2013	2012
<b>MORAVIA STEEL a.s.</b>	<b>109 352</b>	<b>109 065</b>
Use of management cars	2 512	2 187
Damage liability insurance	804	877
Bonuses	106 036	106 001
<b>TŘINECKÉ ŽELEZÁRNY, a.s.</b>	<b>11 172</b>	<b>11 232</b>
Use of management cars	1 292	1 131
Damage liability insurance	478	511
Bonuses	9 402	9 590
<b>ENERGETIKA TŘINEC, a.s.</b>	<b>1 265</b>	<b>1 281</b>
Use of management cars	448	448
Life insurance contribution	131	148
Damage liability insurance	38	37
Bonuses	648	648
<b>Strojírny a stavby Třinec, a.s.</b>	<b>1 753</b>	<b>0</b>
Use of management cars	782	0
Life insurance contribution	41	0
Bonuses	930	0
<b>Strojírny Třinec, a.s.</b>	<b>0</b>	<b>1 140</b>
Use of management cars	0	400
Life insurance contribution	0	80
Damage liability insurance	0	20
Bonuses	0	640
<b>Slévárny Třinec, a.s.</b>	<b>1 142</b>	<b>1 141</b>
Use of management cars	425	424
Life insurance contribution	54	54
Damage liability insurance	15	15
Bonuses	648	648
<b>REFRASIL, s.r.o.</b>	<b>450</b>	<b>441</b>
Use of management cars	254	244
Damage liability insurance	4	5
Bonuses	192	192
<b>Řetězárna a.s.</b>	<b>5 684</b>	<b>7 353</b>
Use of management cars	647	646
Damage liability insurance	7	7
Bonuses	5 030	6 700
<b>Barrandov Studio a.s.</b>	<b>3 704</b>	<b>4 225</b>
Use of management cars	42	341
Bonuses	3 630	3 870
Pension insurance contribution	32	14
<b>Sochorová válcovna TŽ, a.s.</b>	<b>591</b>	<b>6 144</b>
Pension insurance contribution	258	46
Damage liability insurance	2	350
Use of management cars	43	648
Bonuses	288	5 100
<b>VÚHŽ a.s.</b>	<b>1 605</b>	<b>1 481</b>
Use of management cars	872	786
Life insurance contribution	84	40
Damage liability insurance	1	7
Bonuses	648	648
<b>Hanácké železářny a pérovny, a.s.</b>	<b>271</b>	<b>1 344</b>
Use of management cars	46	0
Damage liability insurance	1	0
Bonuses	224	1 344

<b>D5, a.s.</b>	<b>0</b>	<b>1 214</b>
Use of management cars	0	539
Life insurance contribution	0	32
Damage liability insurance	0	0
Bonuses	0	643
<b>Šroubárna Kyjov, s.r.o.</b>	<b>802</b>	<b>876</b>
Use of management cars	438	512
Life insurance contribution	29	29
Damage liability insurance	11	11
Bonuses	324	324
<b>ŽDB DRÁTOVNA a.s.</b>	<b>973</b>	<b>300</b>
Use of management cars	325	146
Bonuses	648	154
<b>„METALURGIA“ S.A.</b>	<b>1 035</b>	<b>1 005</b>
Use of management cars	9	7
Bonuses	1 026	998
<b>„D&amp;D“ Drátáru Zrt.</b>	<b>681</b>	<b>752</b>
Bonuses	681	752
<b>Moravskoslezský kovošrot a.s.</b>	<b>348</b>	<b>288</b>
Use of management cars	348	288
Life insurance contribution	0	0
Damage liability insurance	0	0
Bonuses	0	0
<b>NEOMET Sp. z o.o.</b>	<b>266</b>	<b>0</b>
Bonuses	266	0
<b>SV Servisní s.r.o.</b>	<b>10</b>	<b>460</b>
Use of management cars	10	55
Damage liability insurance	0	0
Bonuses	0	405
<b>M Steel Projects a.s.</b>	<b>2 103</b>	<b>2 880</b>
Bonuses	2 103	2 880
<b>MORAVIA STEEL UK LIMITED</b>	<b>0</b>	<b>423</b>
Insurance contribution	0	423
<b>Moravia Steel Deutschland, GmbH</b>	<b>8 177</b>	<b>8 613</b>
Use of management cars	845	755
Life insurance contribution	0	888
Damage liability insurance	449	434
Bonuses	6 883	6 536
<b>MORAVIA STEEL ITALIA S.R.L</b>	<b>3 645</b>	<b>1 866</b>
Insurance contribution	0	1 845
Damage liability insurance	818	21
Bonuses	2 827	0
<b>Beskydská golfová, a.s.</b>	<b>109</b>	<b>109</b>
Use of management cars	109	109
<b>Total</b>	<b>155 138</b>	<b>163 633</b>

## 9. POST BALANCE SHEET EVENTS

Pursuant to the resolution of the Supervisory Board, the Chairman of the Board of Directors, Rostislav Wozniak, was recalled on 31 March 2014. Petr Popelář was appointed to replace him. This change, which took effect on 1 April 2014, was not recorded in the Register of Companies as of the financial statements issuance date.

The parent company purchased a 49% equity investment in Moravskoslezský kovošrot, a.s. pursuant to the contract for the transfer of shares. The transaction was settled on 28 March 2014 and the equity investment of the parent company was increased from 51% to 100%.

# X / REPORT ON RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED 31 DECEMBER 2013

**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”) was the controlled entity in the below defined reporting period in accordance with Section 74 of Act No. 90/2012 Coll., on Business Corporation and Cooperatives (Act on Business Corporations). For this reason, it is obliged to prepare a report on relations between the controlling entity and the controlled entity and entities controlled by the same controlling entity (hereinafter the “Report on Related Party Transactions”) in accordance with Section 82 of the Act on Business Corporations.

This report on related party transactions has been prepared for the reporting period from 1 January 2013 to 31 December 2013 (henceforth the “reporting period”).

## I. STRUCTURE OF RELATIONS IN THE BUSINESS GROUP, ROLE OF THE CONTROLLED ENTITY, METHOD AND MEANS OF CONTROL

### 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, in accordance with Section 78 (1) and (2) b) of the Act on Business Corporations, with another shareholder, R.F.G., a.s., which owned the remaining 50% of the shares. Throughout 2013, FINITRADING, a.s. was the sole shareholder and the controlling entity of R.F.G., a.s. Before 4 June 2013, FINITRADING, a.s. exercised controlling influence over TŘINECKÉ ŽELEZÁRNY, a. s., with its registered office at Průmyslová 1000, Staré Město 739 70, Třinec, corporate ID: 18050646, where its position as the controlling entity was upheld by the legal assumption set out in Section 66a (4) of the Commercial Code (currently Section 75 (3) of the Act on Business Corporations), since FINITRADING, a.s. and MORAVIA STEEL a.s. as entities acting in concert held 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 75 (2) of the Act on Business Corporations. Before 1 October 2013, it was METALURGIAS DE EL GUARCO, S.L with its registered office at Calle Claudio Coello, 50, 28001 Madrid. Since 2 October 2013, it has been MINERFIN, a.s. with its registered office at Námestie Ludovíta Štúra 2, Bratislava 811 02, Slovakia, which acquired the 100% equity investment in FINITRADING, a.s. from the above METALURGIAS DE EL GUARCO, S.L. as of that date. METALURGIAS DE EL GUARCO, S.L. was not a controlling entity of another company; it did not act in concert with another entity or a shareholder of FINITRADING, a.s. In addition, FINITRADING, a.s. was not subject to the unified management of METALURGIAS DE EL GUARCO, S.L. and it did not form a concern with this company. Since 2 October 2010, when it acquired the equity investment in the Company, MINERFIN, a.s. has not effectively exercised direct or indirect controlling influence on the management of FINITRADING, a.s.

**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 another shareholder, the above-listed FINITRADING, a.s. under Section 78 (1) and (2) of the Act on Business Corporations.

Throughout the year ended 31 December 2013, R.F.G., a.s. had the sole shareholder, FINITRADING, a.s., which is the controlling entity of R.F.G., a.s. and R.F.G., a.s. is consequently the controlled entity.

### 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 73 (1) and 74 (3) of the Act on Business Corporations. Before 4 June 2013, another controlling entity of TŘINECKÉ ŽELEZÁRNY, a.s. was FINITRADING, a.s. which acted in concert with MORAVIA STEEL a.s. During the year ended 31 December 2013, the Company purchased additional 1,349,501 shares of TŘINECKÉ ŽELEZÁRNY, a. s. pursuant to the contract for the purchase of securities concluded with FINITRADING a.s. The contractual price of this transaction is subject to business secret restrictions. Since 22 September 2013, the Company has been the sole shareholder of TŘINECKÉ ŽELEZÁRNY, a.s.

**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 73 (1) and 74 (3) of the Act on Business Corporations and by TŘINECKÉ ŽELEZÁRNY, a.s. acting in concert with the Company (Section 78 (1) of the Act on Business Corporations). On 11 November 2013, TŘINECKÉ ŽELEZÁRNY, a.s. became the sole controlling entity when it acquired the 100% investment in this entity.

**MORAVIA STEEL IBÉRIA, S.A.** with its registered office at Campo Grande, 35 – 9. A, P-1700 Lisboa, Portugal

**Relation:** entity controlled by the Company as the majority owner under Sections 73 (1) and 74 (3) of the Act on Business Corporations, the subsidiary of the Company.

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

**Relation:** entity controlled by the Company as the majority owner under Sections 73 (1) and 74 (3) of the Act on Business Corporations, the subsidiary of the Company.

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

**Relation:** entity controlled by the Company as the majority owner under Sections 73 (1) and 74 (3) of the Act on Business Corporations, the subsidiary of the Company.

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

**Relation:** entity controlled by the Company as the majority owner under Sections 73 (1) and 74 (3) of the Act on Business Corporations, the subsidiary of the Company.

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

**Relation:** entity controlled by the Company as the majority owner under Sections 73 (1) and 74 (3) of the Act on Business Corporations, the subsidiary of the Company.

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

**Relation:** entity controlled by the Company as the majority owner under Sections 73 (1) and 74 (3) of the Act on Business Corporations, the subsidiary of the Company.

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

**Relation:** entity controlled by the Company as the majority owner under Sections 73 (1) and 74 (3) of the Act on Business Corporations, the subsidiary of the Company. Before 14 May 2013, when the entire equity investment was transferred/sold to a third party.

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

**Relation:** entity controlled by the Company as the majority owner under Sections 73 (1) and 74 (3) of the Act on Business Corporations, the subsidiary of the Company.

**MS – Slovensko s.r.o.** with its registered office at Námestie Ľudovíta Štúra 2, Bratislava 811 02, Slovakia

**Relation:** entity controlled by the Company as the majority owner under Sections 73 (1) and 74 (3) of the Act on Business Corporations, the subsidiary of the Company.

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

**Relation:** entity controlled by the Company as the majority owner under Sections 73 (1) and 74 (3) of the Act on Business Corporations, the subsidiary of the Company.

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

**Relation:** entity controlled by the Company as the majority owner under Sections 73 (1) and 74 (3) of the Act on Business Corporations, the subsidiary of the Company.



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

**Relation:** entity controlled by the Company as the majority owner under Sections 73 (1) and 74 (3) of the Act on Business Corporations, the subsidiary of the Company; before 11 November 2013 when the entire equity investment was transferred/sold to TŘINECKÉ ŽELEZÁŘNY, a.s.

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

**Relation:** entity controlled by the Company as the majority owner under Sections 73 (1) and 74 (3) of the Act on Business Corporations, the subsidiary of the Company.

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

**Relation:** entity controlled by the Company as the majority owner under Sections 73 (1) and 74 (3) of the Act on Business Corporations, the subsidiary of the Company.

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

**Relation:** entity controlled by the Company as the majority owner under Section 75 (2) of the Act on Business Corporations, the subsidiary of the Company.

**“NEOMET” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ**, with its registered office at ŚWIĘTEJ ROZALII 10/12, 97-500 Radomsko, Poland.

**Relation:** entity controlled by the Company as the majority owner under Sections 73 (1) and 74 (3) of the Act on Business Corporations, the subsidiary of the Company, since 22 April 2013 when the full equity investment was acquired.

## **C. Role of the Company, Method and Means of Control**

The Company acts a standalone business company in the business group. Its principal activities include the sale of metallurgical products on the local and foreign markets. In addition, its business activities include the purchase and sale of raw materials necessary for the metallurgical production and intrastate and international transport.

The Company is directly controlled by FINITRADING, a.s. and R.F.G., a.s. which control the Company by acting in concert as its shareholders through the exercise of voting rights at general meetings.

## **II. LIST OF MUTUAL CONTRACTS**

### **A. List of Mutual Contracts between the Company and the Controlling Entity - FINITRADING, a.s. and Description of Relations of the Company to the Controlling Entity**

#### **A. 1. Sales**

In the reporting period, there were no sales of the goods or services between the Company, as the seller, and the controlling entity, as the purchaser.

#### **A. 2. Purchases**

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

From 1 January 2013 to 31 January 2013, supplies of Zaporizhia aglo-ore were realised under Amendment 3 to Purchase Contract No. S-120001 of 31 December 2012. On 30 January 2013, the Company concluded Purchase Contract No. S-130003 with FINITRADING, a.s., for the period from 1 February 2013 to 31 January 2014, the subject matter of which is the controlling entity's obligation to provide supplies of Zaporizhia aglo-ore for the Company. During 2013, the purchase prices were regulated by Amendment 1 of 28 March 2013, Amendment 2 of 27 June 2013 and Amendment 3 of 30 September 2013.

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 2,469,880 thousand excluding VAT.

#### *A. 2.2. Purchase of Krivbas aglo-ore*

From 1 January 2013 to 31 January 2013, the supplies of Krivbas aglo-ore were realised on the basis of Amendment 3 to Purchase Contract No. S-120002 of 31 December 2012. Furthermore, the Company and FINITRADING, a.s. concluded Purchase Contract No. S-130004 on 30 January 2013 for the period from 1 February 2013 to 31 January 2014 and the subject matter of which is the obligation of the controlling entity to provide supplies of Krivbas aglo-ore for the Company. During 2013, the purchase prices were regulated by Amendment 1 of 28 March 2013, Amendment 2 of 27 June 2013 and Amendment 3 of 30 September 2013.

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 423,422 thousand excluding VAT.

#### *A. 2.3. Purchase of Shebekinska aglo-orej*

On 30 July 2013, the Company and FINITRADING, a.s. concluded Purchase Contract No. S-130008 for the period from 1 August 2013 to 30 November 2013, the subject matter of which is the obligation of the controlling entity to provide supplies of Shebekinska aglo-ore for the Company.

In the reporting period, the total purchase price paid by the Company to the controlling entity for the supply of Shebekinska aglo-ore based on these contracts amounted to CZK 26,254 thousand excluding VAT.

#### *A. 2.4. Purchase of Iron Ore Concentrate*

On 25 November 2013, the Company and FINITRADING, a.s. concluded Purchase Contract No. S-130009 for the period from 25 November 2013 to 31 December 2013, the subject matter of which is the obligation of the controlling entity to provide supplies of the iron ore concentrate for the Company. The purchase price was regulated during 2013 in the form of Amendment 1 of 19 December 2013.

In the reporting period, the total purchase price paid by the Company to the controlling entity for the supply of the iron ore concentrate based on this contract amounted to CZK 10,649 thousand including VAT.

### **A. 3. List of Acts at the Initiative or in the Interest of the Controlling Entity**

In the reporting period, the Company made no significant acts (primarily unilateral) at the initiative or in the interest of the controlling entity, FINITRADING, a.s., under Section 82 (2) d) of the Act on Business Corporations. The Company concluded only contracts based on the mutual benefits principle with the controlling entity.

### **A. 4. Assessment of the Origination of the Detriment**

The Report on Related Party Transactions lists all significant contracts concluded in the reporting period between the Company and the controlling entity (FINITRADING, a.s.), including the received and provided supplies. The contracts were concluded on the mutual benefit principle and all supplies were provided under arm's length principle. Prices of goods and services are standard prices. Based on prices achieved on the market. The Company incurred no detriment from its relations with the controlling entity.

## **B. List of Mutual Contracts of the Company and the Controlling Entity - R.F.G., a.s. and the Description of Relations of the Company to the Controlling Entity**

### **B. 1. Purchases**

In the reporting period, the Company and R.F.G., a.s. recorded no purchases of goods or services by the Company.

### **B. 2. Sales**

In the reporting period, the Company and R.F.G. a.s. recorded no sales of goods or services by the Company.

### **B. 3. List of Acts at the Initiative or in the Interest of the Controlling Entity**

In the reporting period, the Company recorded no significant acts (primarily unilateral) at the initiative or in the interest of the controlling entity, R.F.G., a.s. under Section 82 (2) d) of the Act on Commercial Companies.

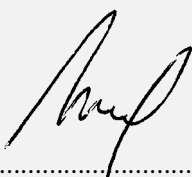
#### **B. 4. Assessment of the Origination of the Detriment**

As no contracts were concluded between the Company and R.F.G., a.s. in the reporting period and the Company made no acts at the initiative or in the interest of R.F.G., a.s., the Company incurred no detriment from relations with the controlling entity, R.F.G., a.s.

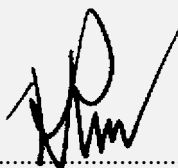
#### **III. ASSESSMENT OF RELATIONS BETWEEN ENTITIES IN THE GROUP ACCORDING TO SECTION 82 (4) OF THE ACT ON COMMERCIAL COMPANIES**

In the Report on Related Party Transactions, the Company described in detail the relations between entities forming the group as well as the contracts concluded and implemented between the Company and controlling entities. In addition, it assessed whether it had incurred detriment from these relations and legal acts in accordance with Section 82 (2) f) of the Act on Business Corporations, and concluded that it had not incurred any detriment. The contracts concluded with the controlling entities are unbiased and were concluded on the mutual benefit principle and the Company did not have to make any acts at the initiative or in the interest of controlling entities. The Company considers the relations with the controlling entities to be beneficial and is not aware of any significant risks arising from these relations.

In Třinec on 27 March 2014



.....  
**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.