

2014

ANNUAL REPORT



MORAVIA STEEL

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01

[OPENING STATEMENT
OF THE CHAIRMAN
OF THE SUPERVISORY BOARD

**IN 2014 WE SHOWED
A PROFIT IN THE
AMOUNT OF CZK
1.105 BILLION.**

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

in the year ended 31 December 2014, positive development continued not only in the Eurozone, but also in the Czech economy. Gross domestic product in the Czech Republic grew by 2% year-on-year. Foreign trade also showed predominantly positive economic trends.

This positive development was also reflected in the steel industry. In the EU 28, the production of raw steel increased by 1.7% to 169.2 million tonnes. The share of EU countries in global production has not changed significantly, remaining at the level of 10.2%. Global production grew by 1.2%, reaching 1,662 million tonnes according to the World Steel Association. Asia accounted for the largest share in this growth with a year-on-year production increase of 16.2 million tonnes.

In 2014, the production of raw steel in the Czech Republic grew by 3.7% to 5.36 million tonnes. TŘINECKÉ ŽELEZÁRNY, a. s., as a subsidiary of MORAVIA STEEL a.s., produced 2.54 million tonnes of raw steel and thus maintained its position as the largest steel producer in the Czech Republic. The share of the Třinec steelworks in the Czech Republic's overall production amounted to 47%.

The 2014 results of MORAVIA STEEL a.s. reflect the astute 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 steel treated in the final phase, wide and flat tool steel.

MORAVIA STEEL a.s. has operated in the metallurgical production market since 1996. For years it has held a strong and stable position both in the Czech Republic and in foreign markets. In addition, MORAVIA STEEL a.s. provides intrastate and international transportation, and the purchase and sale of raw materials, including other inputs necessary for metallurgical production.

In 2014, MORAVIA STEEL a.s. reported a profit of CZK 1.105 billion. In 2013, it generated a profit of CZK 1,967 billion. Sales of goods in 2014 amounted to CZK 59.479 billion. In 2013, sales of goods amounted to CZK 60.039 billion.

The assets of MORAVIA STEEL a.s. decreased year-on-year from CZK 22.226 billion to CZK 20.941 billion. The Company's fixed assets increased in 2014 to CZK 8.481 billion. In 2013, its fixed assets amounted to CZK 8.295 billion.

The equity of the Company increased year-on-year by CZK 1.105 billion to CZK 13.753 billion.

In 2014, the Company reported added value of CZK 1.885 billion. The added value of the Company amounted to CZK 2.078 billion in 2013.



The most significant long-term commodities of MS/TŽ include rolled wire and bars. In 2014, rolled wire was the most significant product in terms of volume; its sales amounted to more than 819,540 kilotonnes. In 2013, its sales amounted to almost 951,207 kilotonnes.

In 2014, MORAVIA STEEL a.s. sold metallurgical products in the aggregate volume of 2,223,201 kilotonnes. In 2013, total sales amounted to 2,354,560 kilotonnes. The volume of exported products amounted to 1,479,673 kilotonnes, whereas the volume sold on the Czech market amounted to 753,529 kilotonnes.

The share of exports in the total sales exceeded 66%. In 2014, the European Union, including Slovakia, accounted for 87.7% of exports, and American markets accounted for 11%. In the Eurozone, the key customer was Germany, its share accounting for 29.4% of exports to EU member states. Of the total exports to EU member states, exports to Italy accounted for 14.9%, and exports to Slovakia and Poland accounted for 13.6% and 14.8% respectively.

Dear Shareholders, Business Partners and Employees,

the positive development trend in the steel industry is expected to continue in 2015. This belief is also supported by the outlook of the World Steel Association, which counts on a 2.9% increase in steel consumption in the EU 28 and a 2% increase worldwide. I am convinced that these presumptions will prove true, not only at market level, but also concerning the operations and economic results of our Company.

Yours sincerely,

Tomáš Chrenek

Chairman of the Supervisory Board MORAVIA STEEL a.s.

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OPENING STATEMENT
OF THE CHAIRMAN
OF THE SUPERVISORY BOARD

02 [COMPANY PROFILE

MORAVIA STEEL a.s. holds a strong position among the 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 the purchase and sale of raw materials and other inputs necessary for metallurgical production.

The key economic indicators of MORAVIA STEEL a.s. between 2010 and 2014 prove the Company's ability to cope with less favourable periods in global economic development and in the metallurgical and steel industry.



**THE COMPANY SALES
IN 2014 WERE CZK
59.479 BILLION.**

ECONOMIC INDICATORS BETWEEN 2010 – 2014 (in CZK million)

INDICATOR	2010	2011	2012	2013	2014
Sales of goods	57 010	65 336	61 254	60 039	59 479
Sales of own products and services	644	637	656	625	685
Added value	1 734	2 205	2 194	2 078	1 885
Financial profit or loss	-401	-25	-264	1 207	-23
Profit or loss for the reporting period	708	1 385	1 012	1 967	1 105
Total assets	15 962	18 008	17 301	22 226	20 941
Fixed assets	6 703	6 907	7 352	8 295	8 481
Equity	8 284	9 669	10 680	12 648	13 753
Share of liabilities including accrued expenses (%)	48.10 %	46.31 %	38.27 %	43.09 %	34.33 %
EBIT	972	1 757	1 325	2 358	1 407

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COMPANY PROFILE

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STATUTORY BODIES AND MANAGEMENT OF THE COMPANY

SUPERVISORY BOARD OF THE COMPANY AS OF 31 DECEMBER 2014



Tomáš Chrenek
Chairman



Evžen Balko
Vice-Chairman

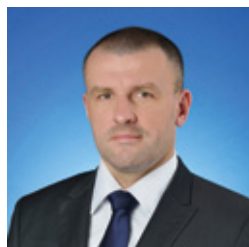


Ján Moder
Vice-Chairman



Mária Blašková
Member

BOARD OF DIRECTORS OF THE COMPANY AS OF 31 DECEMBER 2014



Petr Popelář
Chairman



Krzysztof Ruciński
Vice-Chairman



Mojmír Kašpříšín
Member

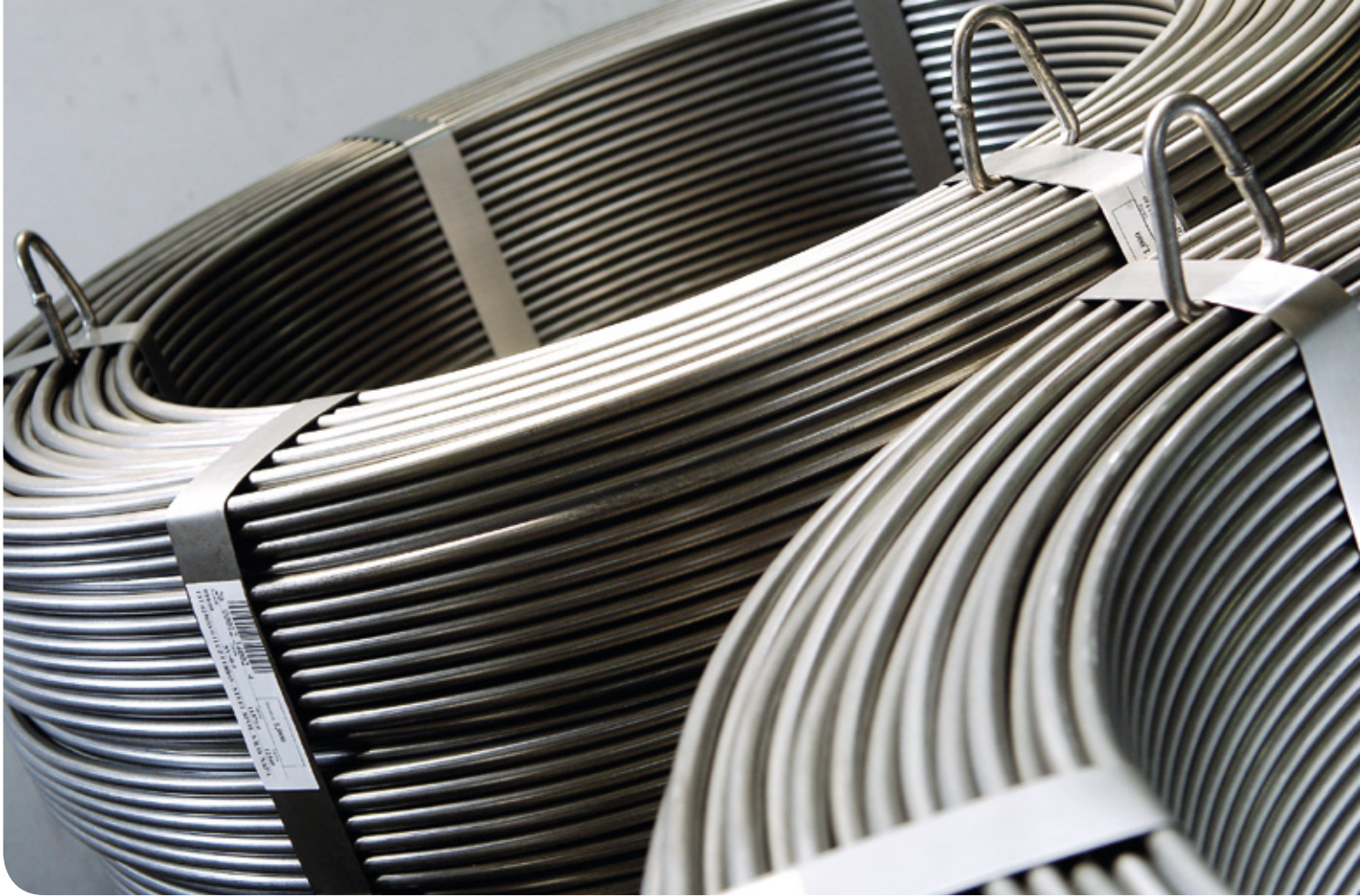


Uršula Novotná
Member

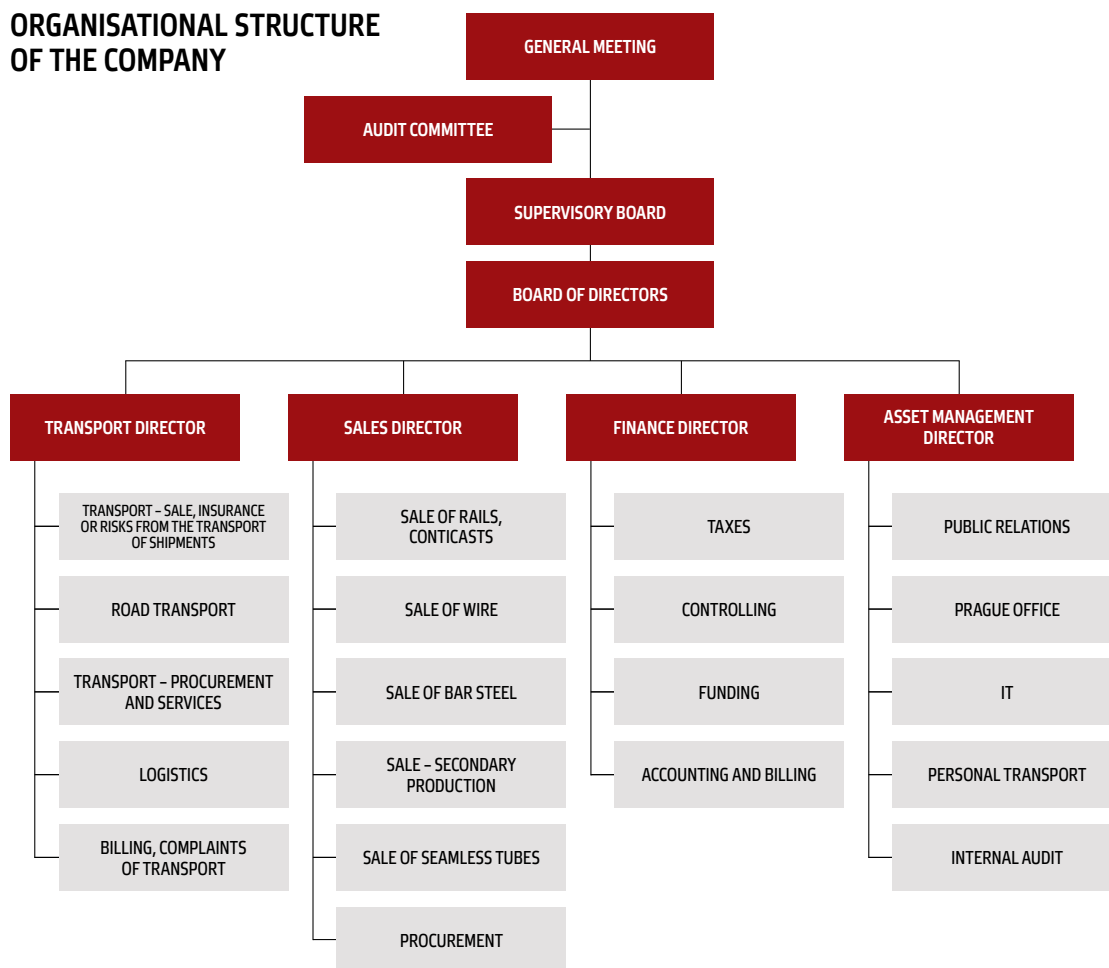
Changes in the Company's Board of Directors in the course of 2014:

Rostislav Wozniak: Chairman – until 31 March 2014

Petr Popelář: Chairman – since 1 April 2014



ORGANISATIONAL STRUCTURE OF THE COMPANY



03

STATUTORY BODIES AND MANAGEMENT OF THE COMPANY

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REPORT OF THE BOARD
OF DIRECTORS

Sales of MORAVIA STEEL a.s.'s metallurgical products amounted to 2,233.201 kt in 2014. This represents a year-on-year decrease of 121.359 kt. Exported products amounted to 1,479.673 kt, whereas 753.528 kt were sold on the local market.



**TŘINECKÉ ŽELEZÁRNY,
A.S. AS OUR DAUGHTER
COMPANY PRODUCED
2.54 MILLION TONNES
OF STEEL IN 2014.**

In the year ended 2014, total sales of goods amounted to CZK 59.479 billion, which represents a year-on-year decrease of CZK 0.56 billion. The total assets of the Company amounted to CZK 20.941 billion as of 31 December 2014, which is CZK 1.285 billion less than at 31 December 2013. The profit after tax for 2014 amounts to CZK 1.105 billion.

DEVELOPMENT OF THE INDUSTRY AROUND THE WORLD

According to the World Steel Association, 1,662 million tonnes of raw steel were produced globally in 2014, which represented a year-on-year increase of 20 million tonnes, ie 1.2%. Asia accounts for the largest share in this increase, where production increased by 16.2 million tonnes. In Asia, China saw the largest increase in steel production, amounting to 7.3 million tonnes. However, the most dynamic growth was seen in the Middle East, with a year-on-year increase of 7.7%.

In the EU 28, steel production increased by 1.7% and grew to 169.2 million tonnes. The share of the Eurozone in global steel production remained roughly at the 2013 level, amounting to 10.2%. Within the EU, Poland saw the largest increase in production (+0.7 million tonnes), followed by France (+0.5 million tonnes) and Germany (+0.3 million tonnes). The largest year-on-year decrease, on the other hand, was in Italy (-0.3 million tonnes).

DEVELOPMENT OF THE INDUSTRY IN THE CZECH REPUBLIC

In the year ended 31 December 2014, Czech steelworks produced 5.36 million tonnes of steel. This represented a 3.7% increase compared with 2013, when 5.17 million tonnes of steel were produced. The Czech Republic produced 4.8 million tonnes of rolled material in 2014, which corresponds with the 2013 level. The situation of the Czech steel industry may therefore be considered stable in terms of production, consumption and trade. However, despite the gradual growth of steel production in the Czech Republic, its volumes in 2014 were still 20 to 25% lower than in 2007, ie before the beginning of the global economic crisis.

In the year ended 31 December 2014, TŘINECKÉ ŽELEZÁRNY, a. s., a subsidiary of MORAVIA STEEL a.s., produced almost the same amount of raw steel as in the prior year (2.54 million tonnes) and thus maintained its position as the largest steel producer in the Czech Republic. Its share in the overall production of raw steel in the Czech Republic is over 47%.

STEEL INDUSTRY DEVELOPMENT TREND

According to the World Steel Association, global steel consumption should increase by 2% in 2015 and reach 1,594 million tonnes. The largest growth in consumption is anticipated in Africa, the Middle East and South and Central America. In the EU 28, a 2.9% increase in steel consumption is anticipated, which is related to the recovery of the main steel consumption sectors in the construction industry, mechanical engineering and means of transport.

In China, steel consumption dropped for the first time in 14 years in 2014. The country intends to export the surplus production, focusing in particular on transport infrastructure.

The increasing demand for high-grade steel on the European continent, and the related potential growth of added value, is a challenge for European steel producers. European producers may also benefit from the demand of the growing markets in the Middle East and Africa.

On the other hand, the increase in imports of cheap Chinese steel, high energy prices and environmental taxes pose threats to the steel industry at the global level.

Development in Sales between 2010 and 2014, MORAVIA STEEL a.s. (in tonnes)

SUPPLIES IN TONNES	2010	2011	2012	2013	2014
Export	1 555 585	1 513 857	1 538 546	1 586 700	1 479 673
Domestic	729 599	726 666	745 794	767 860	753 528
TOTAL	2 285 184	2 240 523	2 284 341	2 354 560	2 233 201

Structure of Exports as a Percentage of the Total Supplies of MORAVIA STEEL a.s. (in tonnes)

STRUCTURE OF EXPORTS AS A PERCENTAGE OF TOTAL SUPPLIES IN TONNES	2010	2011	2012	2013	2014
European Union	78,4	73,0	75,3	77,4	75,8
Other European countries	1,8	2,3	1,4	1,3	1,1
Africa	0,1	0,1	0,0	0,0	0,0
Asia	0,6	3,1	0,7	0,0	0,2
America	7,5	9,8	10,5	9,1	11,0
Australia	0,1	0,1	0,1	0,0	0,0
Slovakia	11,5	11,6	12,0	12,2	11,9
	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	2010	2011	2012	2013	2014
Rolled wire	900 199	916 981	923 018	951 207	819 540
Billets and continual castings	284 455	268 360	293 492	285 989	297 578
Reinforcing steel	43 436	8 783	19 496	17 256	9 070
Rails	258 815	253 793	246 958	247 229	247 094
Products of the Kladno factory	262 317	263 987	283 350	294 975	282 728
UT Bohumín	49 881	47 290	48 193	47 294	44 688
Products of VF - operations	65 238	66 346	66 979	73 467	78 622
Other (bars, sections, etc)	312 006	298 024	290 651	325 993	338 311
Pipes - VTTŽ Ostrava	93 022	99 645	97 145	94 604	96 768
Small rails	15 816	17 314	15 059	16 546	18 802
TOTAL	2 285 184	2 240 523	2 284 341	2 354 560	2 233 201

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REPORT OF THE BOARD
OF DIRECTORS

In terms of volume and sales, rolled wire has been the most significant product offered by the Company, despite the considerable decrease in production caused by the modernisation of the Wire Rolling Mill (KDT). In the year ended 31 December 2014, almost 707 kt of wire from the KDT and almost 113 kt of wire from the Continuous Fine Rolling Mill (KJT) were sold. Compared with 2013, sales of wire decreased by approximately 131 kt.

Concerning the types of steel produced at the KDT, sales of high-carbon steel increased by 5% compared with 2013, the current amount being 55% of the total production of wire; the sales of low-grade steel decreased to the current level of 22%. Despite the modernisation of the KDT, which significantly disrupted production, the volume of electrodes remained at the same 12% level as in 2013. Sales of tire cord wire steel saw a slight year-on-year decrease (2.3%) from their volume in 2013 (3%). Sales of screw-type steel decreased by 1%, their volume amounting to 5%. An analysis of the production of wire at the KJT shows that the situation in 2014 is comparable to 2013. The production of screw wire saw a slight increase of 1%, the final amount being 25%. Carbon steel is at the level of 14%, which is 2% more than in 2013. Alloy steel decreased by 2%, the level for 2014 being 21%. Low-grade steel decreased by 1%, the level for 2014 being 39%.

The second most important portfolio item in terms of volume is bar steel. It includes the production of the Medium Rolling Mill and the Continuous Fine Rolling Mill in Třinec and the rolling mill in the Kladno factory (the former Sochorová válcovna TŽ).

Thanks to the high demand of the automotive industry and other engineering fields, the total sales of bar steel in 2014 increased to 622 kt (+approx. 1 kt). The structure of orders has also improved compared with 2013 – there is a higher share of noble brands and higher finalisation (peeling and heat processing). The increase in sales of bar steel exceeded 5%, of which the sales of bar steel from the Medium and Continuous Fine Rolling Mill amounted to

339 kt, which represents an increase of approximately 13 kt (approx. 4%) in comparison with 2013. The increase in the sales of this product amounts to 11%.

Sales of bar steel from the Kladno factory amounted to 283 kt in 2014, which is about 12 kt less than in 2013. However, thanks to the higher average price (+6%), sales increased by almost 2%.

Sales of wide steel from the Universal Rolling Mill in Bohumín amounted to approx. 44.7 kt in 2014 and were 2.6 kt lower than in 2013 as these products are closely tied with the developments in the construction industry. The demand is moving towards less-performing quality and dimensions, but the 2014 sales were approximately CZK 15 million higher than in 2013.

In 2014, the drawn steel market reported an increased demand; however, the prices dropped slightly during the course of the year. The volume sold amounted to 78.62 kt, ie 5.16 kt more than in 2013. After the completed approval processes, the trend of increasing sales volumes to the automotive industry continued.

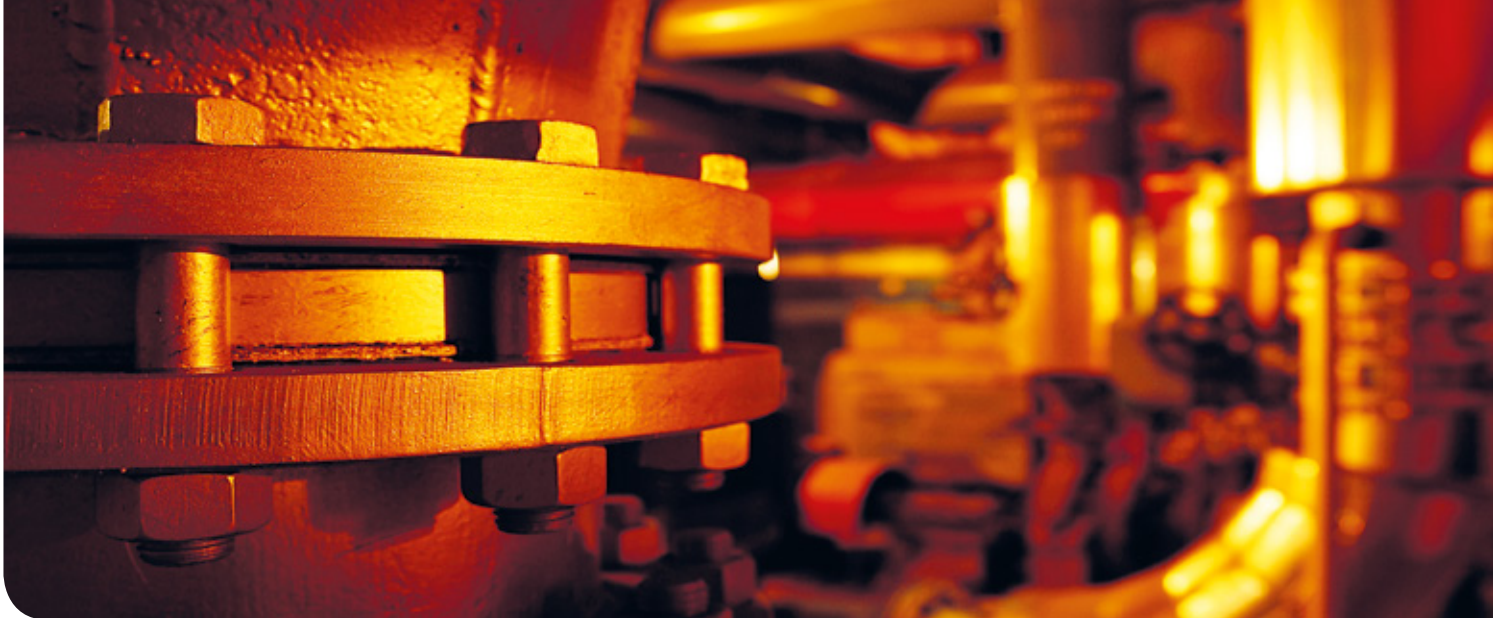
The Company produced and sold 7.01 kt of drawn, annealed and phosphatised wire in coils. Supplies were aimed at the subsequent production of connection components and bearings. Due to the need for double technological drawing, it was necessary to process a total of 8,497 kt for the above-stated production.

Production in the pipe-selling sector has remained at the level of 96 kt. Concerning the production of mechanical and oil-industry pipes, the Company has succeeded in transferring part of the sales to products with higher added value (approx. 4 kt, ie 4%).

Sales of reinforcing steel amounted to only 9 kt, which, however, was mainly due to the steelworks and rolling mill capacity being used for products with higher added value.



**MORAVIA STEEL A.S.
SOLD 2,233.201 KT
OF METALLURGICAL
PRODUCTS IN 2014.**



Sales of rails amounted to 261 kt in 2014, of which over 233 kt were sold by MORAVIA STEEL a.s. The largest volumes were exported to the USA, Canada, Poland, or sold in the Czech Republic. Other important destinations included Denmark, Hungary, Egypt and Israel. In the second half of the year, there was a significant increase in railroad infrastructure activities in the Czech Republic due to the time limit for using EU subsidies from the Transport programme. The Czech market accounted for almost 35 kt of the total sales of rails. Overall, an increased demand for rails has been seen in the Czech Republic as well as in the rest of Europe since the end of 2014, due to higher investments in the railway sector.

In the year ended 31 December 2014, there was an increase in the consumption of railway equipment – sales amounted to almost 19 kt. There has been significant recovery on the Czech and Polish markets, as well as in Hungary. Moreover, relatively stable volumes continue to be exported to Germany and Switzerland.

Sales of conicasts and rolled billets exceeded 300 kt in 2014. Direct sales of conicasts and rolled billets were the highest in the Czech Republic, amounting to almost 115 kt. Sales also increased in Germany, Spain, Poland and Italy. This is probably related to higher investments in the railway sector as well as the trend of building wind power stations with higher capacities. These trends are reflected in the business plans of producers of railway wheel sets and components for wind power stations.

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 by close contact with customers, including the technical exchange of information. We continue to look for new opportunities in order to maintain the existing levels of production of the MS and TŽ Groups.

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. procures the essential raw materials with respect to the availability, required quality, and optimum acquisition costs.

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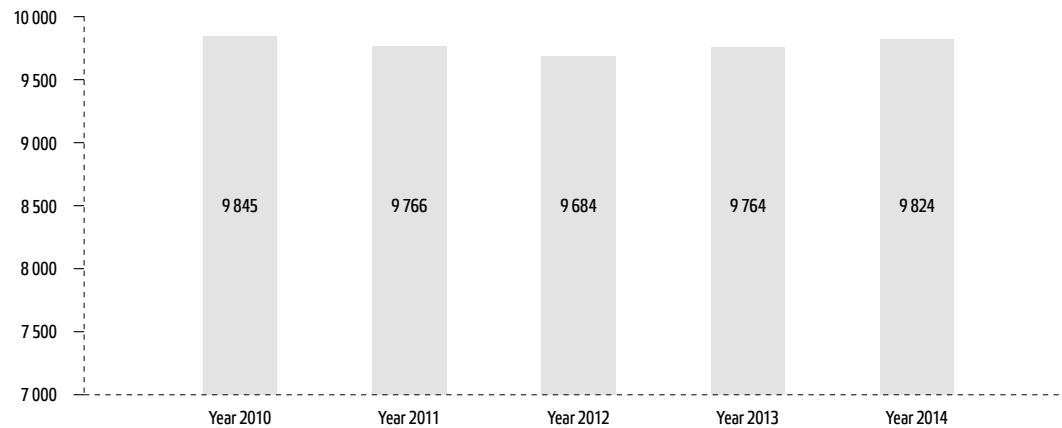
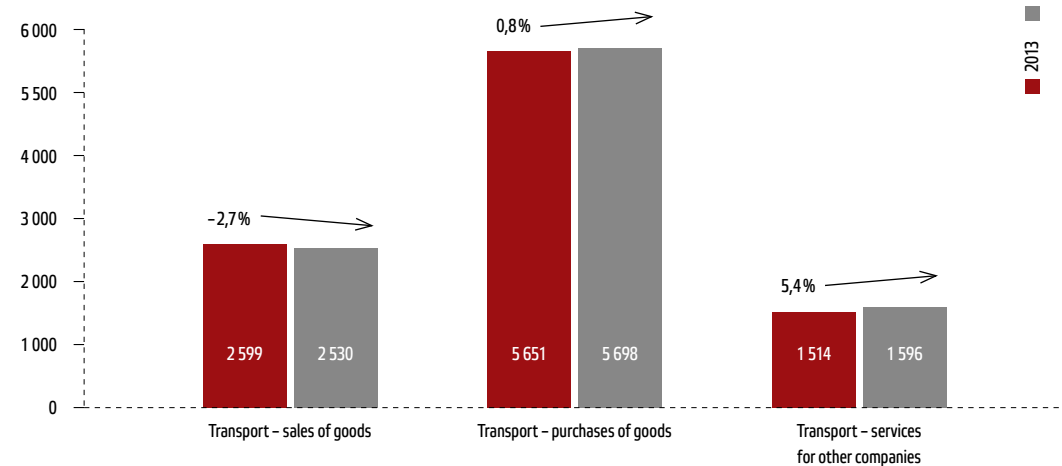
REPORT OF THE BOARD
OF DIRECTORS

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REPORT OF THE BOARD
OF DIRECTORS**LOGISTICS, FREIGHT TRANSPORTATION**

Logistics and the transport of goods represents an important part of the product portfolio of MORAVIA STEEL a.s. The sector is characterised in the long term by a high share in the performances of the Czech Republic's transport network.

In 2014, the Company particularly focused on further increasing the efficiency of transportation – removing narrow areas, optimum integration and connection between all types of transport, supporting economically efficient, flexible, reliable and high-quality transport services.

Development in the transported volume of MORAVIA STEEL a.s. (in thousands of tonnes)**Structure of the transported volume of MORAVIA STEEL a.s. (in thousands of tonnes)**

Analytical and project activity focused on the following fields in particular:

- The new EU policy for transport infrastructure between 2014–2020
 - Tripling the EU’s expenditures on transport – investments focused on the funding of a narrowly defined new main network as the backbone of transport in the unified EU market;
 - Nine corridors of the main network;
 - Anticipated growth of transport by 2050 – freight: 80%, passenger: over 50%;
 - Figures on the connection of the main network: 94 main European ports with railways and roads, 38 key airports with important cities by rail, 15,000 km of railways modernised to high-speed railways, 35 significant cross-border projects.
- The transport policy of the Czech Republic for the period from 2014 to 2020 with an outlook for 2050 and the related documents
 - Completing the construction of the main and global TEN-T network;
 - The technical level of the railway network in the Czech Republic (railway speed, capacity, interoperability, parameters for freight transport, technical conditions).
- Risk management
 - Interruptions to operations and supply chains
 - the Ukraine crisis, transporter strikes, vis major, warehouse parameters.
- Development of transport infrastructure charges
 - Environmental aspect of operations (greenhouse emission and noise standards).

Operation management:

- The strategy and offer of the significant providers of transport services
 - Assessment of suppliers based on the quality system parameters and the assessment criteria of the key providers of business and economic information (stability rating);
 - Continual availability of means of transport and manipulation;
 - Minimisation of the volume of individual railway deliveries.

- Audits of warehousing and manipulation activities in the Czech Republic and abroad
- Prevention and monitoring activities, insurance against business risks (cargo thefts, carrier identity thefts, security measures of transport databanks)

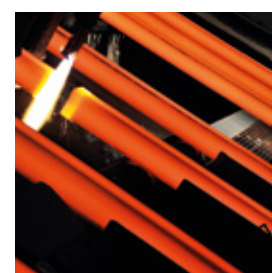
The need for an ongoing increase in the quality standards of logistics also focused on the exchange of information within similar industry organisations and cooperation with state administration.

Other important indicators in the freight transportation sector:

- Changes in transport flows related to the development of the Czech Republic’s balance of trade;
- The liberalisation process in railway transportation, implementation of the EC – IV. railway package guideline (separation of infrastructure and operations, transparency and prevention of cross funding, independent railway regulator);
- Legislation stipulating the minimum salary for foreign companies (MiLoG – Germany);
- Lack of a qualified workforce, especially in the road transport sector;
- Minimisation of the impact of the IMO regulation (MARPOL – International Convention for the Prevention of Pollution from Ships) through the decrease of oil prices in global markets;
- Fuel prices in relation to the development of the exchange rates of global currencies;
- Development of telematics systems in freight transport (TSI TAF – Technical Specifications for Interoperability for Telematics Applications for Freight), B2B systems for the implementation of electronic communication between the transporter and the customer.

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REPORT OF THE BOARD
OF DIRECTORS



**THE TRANSPORTED
VOLUME OF MORAVIA
STEEL A.S. REACHED
9,827 KT IN 2014.**

04 [

REPORT OF THE BOARD
OF DIRECTORS**MANAGEMENT SYSTEM, HUMAN RESOURCES**

In the year ended 31 December 2014, work began on preparing the project to implement the current SAP information system of the subsidiary Barrandov Studio a.s. into the SAP system of the MS/TŽ Group. Within the implementation, the standards of the MS/TŽ Group will be accepted and applied, while preserving the existing connections to the external systems that are still being used by Barrandov Studio a.s. The implementation includes introducing a system of scanning input invoices and a comprehensive set-up of the circulation of accounting documents. The aim is to improve the support of the information system for Barrandov Studio a.s. and also to interconnect the information flows directed to the consolidating parent company, which is MORAVIA STEEL a.s.

During the year ended 31 December 2014, customer interest in sending documents in electronic form did not decrease. The management will continue to favour this method as it is much more effective than sending documents in paper form.

On the suppliers' part, new methods for sending documents in electronic form in the ISDOC /Information System Document/ format were introduced.

The MS/TŽ Group has a system in place using a portal and a secure e-mail that provides a secure communication channel between MORAVIA STEEL a.s. and its customers for sending and receiving documents in electronic form.

The objective of the comprehensive development of the above processes is to increase the reliability, accuracy, safety and rapidity of transfers of supporting documents, resulting in better management of the individual activities of the MS/TŽ Group.

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

The Company does not have its own research and development activities; 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.



2014 POST BALANCE SHEET EVENTS

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 majority shareholder, were filed at the Regional Court in Ostrava.

The court has recorded 75 petitioners as participants in the proceedings, they have asked the court to re-examine the adequacy of the amount of the payment provided by the majority shareholder, the company, to minority shareholders. Some of them filed collective legal actions (petitions) in which they are represented by a joint attorney-at-law. It means that there are fewer petitions for re-examination than petitioners and a number of petitions are almost identical, yet the range of objections is rather extensive.

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.

The legal dispute is in the phase of first-instance procedures and preparation of the first verbal proceedings where the parties are presenting their written statements on the case to the court. The period for the filing of these statements has been determined to be 31 March 2015; however, it has currently been extended to 30 June 2015.

In as much as the company's management considers the above legal actions against MORAVIA STEEL a.s. to lack merit, no reasonable estimate of the future payments, if any, in respect of these legal disputes can presently be made.

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REPORT OF THE BOARD
OF DIRECTORS



05

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board of MORAVIA STEEL a.s. reviewed the regular financial statements and the regular consolidated financial statements of MORAVIA STEEL a.s. for the year ended 31 December 2014 based on the presented documents discussed by the Board of Directors of MORAVIA STEEL a.s. and discussed the proposed allocation of profit for 2014.

Based on the audit of the financial statements and of the consolidated financial statements of MORAVIA STEEL a.s. as of 31 December 2014 performed by auditors Deloitte Audit s.r.o. and their Reports, which include unqualified opinions, the Supervisory Board recommends that the above documents, including the proposal of the Board of Directors for the allocation of profit for 2014, be approved by the general meeting.

The Supervisory Board also reviewed the Report on Relations for the year ended 31 December 2014 and, with regard to the opinion of the auditors Deloitte Audit s.r.o., it has come to the conclusion that the Report on Relations was prepared in accordance with the Act on Business Corporations and the true state of the relations between the controlling and the controlled entities.

Tomáš Chrenek

Chairman of the Supervisory Board MORAVIA STEEL a.s.

06 [REPORT OF THE AUDIT COMMITTEE

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

- Monitoring the procedure used for the preparation of the Company’s financial statements and the Group’s consolidated financial statements for the year ended 31 December 2014;
- Monitoring the process of the statutory audit and the external auditor’s presentation on the course of the audit of the Company’s financial statements and the Group’s consolidated financial statements for the year ended 31 December 2014;
- Fulfilling the plan of the Internal Audit department for 2014, and planning the Internal Audit department’s activities for 2015;
- Assessment of the efficiency of the Company’s internal control mechanisms, internal audit and risk management systems;
- Summary information on the significant results of internal and external audits;
- Assessment of the external auditor’s independence, including the provision of supplementary services by the auditor of the Company.

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 monitored and assessed the procedure used in the preparation of the Company’s financial statements and the Group’s consolidated financial statements for the year ended 31 December 2014 and the process of the statutory audit. Within its meetings, the Audit Committee was regularly informed by the external auditor on the schedule of the audit and the significant areas of the audit. The meetings of the Audit Committee focused on selected key areas and processes of the audit from the perspective of the preparation of input data and information for the financial statements. At its meetings, the Audit Committee was regularly provided with presentations on the findings of the external auditor in the selected key areas of the audits performed. The Audit Committee also verified the efficiency of the Company’s internal control system from the external auditor’s point of view and monitored and assessed the independence of the statutory auditor and audit company and the provision of supplementary services to the Company, and received information, statements and reports from the external auditor based on the relevant legal regulations.





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REPORT OF THE AUDIT
COMMITTEE

The audit committee carefully examined and discussed the summary information from audits performed by the Internal Audit department, the implementation status of the recommendations from past audits regarding significant findings, and approved changes in the methodology of internal audit and informational standards, which should lead to the higher efficiency and transparency of internal audits. The Audit Committee also approved the Internal Audit department's plan of activities for 2015.

The Audit Committee continually monitors information on the Company's risk management and risk assurance. Any drawbacks of the control mechanisms, resulting from the findings of the internal auditor or the recommendations of the external auditor, are regularly eliminated by applying corrective measures in the Company's risk management system.

The Audit Committee states that in the principal activities that were entrusted to it by the Articles of Association of the Company and by the generally applicable legal regulations, ie in monitoring the procedure of the preparation the financial statements, including the consolidated financial statements, assessing the effectiveness of the internal control system and assessing the independence of the external auditor, it did not identify any serious shortcomings or facts during 2014 and 2015 that the general meeting of the Company's shareholders should be informed about through the date of the holding of this general meeting.

Dana Trezziová

Chairwoman of the Audit Committee MORAVIA STEEL a.s.

07

AUDITOR'S REPORT

Deloitte.

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Tax Id. Nr.: CZ49620592

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

Having its registered office at: Průmyslová 1000, 739 61 Třinec – Staré Město
Identification number: 634 74 808

Report on the Financial Statements

Based upon our audit, we issued the following audit report dated 27 March 2015 on the financial statements which are included in this annual report in Section 8.:

"We have audited the accompanying financial statements of MORAVIA STEEL a.s., which comprise the balance sheet as of 31 December 2014, 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 2014, 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 30 April 2015 on the consolidated financial statements which are included in this annual report in Section 9.:

"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 2014, 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 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 MORAVIA STEEL a.s. consolidation group as of 31 December 2014, 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 2014 which is included in this annual report in Section 10. 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 2014 contains material factual misstatements.

Report on the Annual Report

We have also audited the annual report of the Company as of 31 December 2014 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 18 May 2015

Audit firm:

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



Statutory auditor:

Václav Loubek
certificate no. 2037



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FINANCIAL PART I. FINANCIAL STATEMENTS

Name of the Company:	MORAVIA STEEL a.s.
Registered Office:	Průmyslová 1000, Staré Město, 739 61 Třinec
Legal Status:	Joint Stock Company
Corporate ID:	634 74 808
Record in the Register of Companies:	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 27 March 2015.

Statutory body of the reporting entity	Signature
Petr Popelář Chairman of the Board of Directors	
Mojmír Kašpříš Member of the Board of Directors	

BALANCE SHEET FULL VERSION

(CZK thousand)

		31.12.2014			31.12.2013
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	21 733 638	792 141	20 941 497	22 225 601
B.	Fixed assets	8 978 080	497 338	8 480 742	8 294 703
<i>B.I.</i>	<i>Intangible fixed assets</i>	78 666	75 222	3 444	11 302
B.I.1.	Start-up costs	72	72		
B.I.3.	Software	1 372	1 339	33	218
B.I.4.	Valuable rights	76 296	73 019	3 277	10 928
B.I.6.	Other intangible fixed assets	926	792	134	156
<i>B.II.</i>	<i>Tangible fixed assets</i>	89 393	61 157	28 236	29 545
B.II.3.	Individual tangible movable assets and sets of tangible movable assets	89 393	61 157	28 236	28 887
B.II.8.	Prepayments for tangible fixed assets				658
<i>B.III.</i>	<i>Non-current financial assets</i>	8 810 021	360 959	8 449 062	8 253 856
B.III.1.	Equity investments – subsidiary (controlled entity)	8 504 936	360 959	8 143 977	7 925 239
B.III.2.	Equity investments in associates	178 197		178 197	178 197
B.III.6.	Acquisition of non-current financial assets				2 664
B.III.7.	Prepayments for non-current financial assets	126 888		126 888	147 756
C.	Current assets	12 739 508	294 803	12 444 705	13 909 079
<i>C.I.</i>	<i>Inventories</i>	425 827		425 827	333 281
C.I.1.	Material	1 558		1 558	1 310
C.I.5.	Goods	424 269		424 269	331 971
<i>C.II.</i>	<i>Long-term receivables</i>	40 924		40 924	15 784
C.II.5.	Long-term prepayments made	1 127		1 127	1 127
C.II.7.	Other receivables	39 797		39 797	14 657
<i>C.III.</i>	<i>Short-term receivables</i>	8 197 742	294 803	7 902 939	7 860 554
C.III.1.	Trade receivables	7 621 120	292 724	7 328 396	7 380 387
C.III.2.	Receivables – controlled or controlling entity	111 507		111 507	
C.III.6.	State – tax receivables	388 650		388 650	310 127
C.III.7.	Short-term prepayments made	32 419		32 419	2 672
C.III.8.	Estimated receivables	27 125		27 125	22 450
C.III.9.	Other receivables	16 921	2 079	14 842	144 918
<i>C.IV.</i>	<i>Current financial assets</i>	4 075 015		4 075 015	5 699 460
C.IV.1.	Cash on hand	731		731	549
C.IV.2.	Cash at bank	4 074 284		4 074 284	5 698 911
D. I.	Other assets	16 050		16 050	21 819
D.I.1.	Deferred expenses	7 372		7 372	8 524
D.I.2.	Complex deferred expenses	259		259	64
D.I.3.	Accrued income	8 419		8 419	13 231

(CZK thousand)

		31.12.2014	31.12.2013
	TOTAL LIABILITIES & EQUITY	20 941 497	22 225 601
A.	Equity	13 752 870	12 647 691
<i>A.I.</i>	<i>Share capital</i>	3 157 000	3 157 000
A.I.1.	Share capital	3 157 000	3 157 000
<i>A.III.</i>	<i>Funds from profit</i>	631 400	631 400
A.III.1.	Reserve fund	631 400	631 400
<i>A.IV.</i>	<i>Retained earnings</i>	8 859 291	6 892 088
A.IV.1.	Accumulated profits brought forward	8 859 291	6 892 088
<i>A.V.1.</i>	<i>Profit or loss for the current period (+ -)</i>	1 105 179	1 967 203
B.	Liabilities	7 155 898	9 563 230
<i>B.I.</i>	<i>Reserves</i>	867	3 197
B.I.4.	Other reserves	867	3 197
<i>B.II.</i>	<i>Long-term liabilities</i>	1 100 000	1 650 000
B.II.2.	Payables – controlled or controlling entity	1 100 000	1 650 000
<i>B.III.</i>	<i>Short-term liabilities</i>	5 855 059	7 060 033
B.III.1.	Trade payables	5 034 810	5 987 235
B.III.2.	Payables – controlled or controlling entity	569 800	572 122
B.III.5.	Payables to employees	15 430	16 202
B.III.6.	Social security and health insurance payables	5 060	5 440
B.III.7.	State – tax payables and subsidies	3 499	40 586
B.III.8.	Short-term prepayments received	176 748	139 803
B.III.10.	Estimated payables	49 707	37 977
B.III.11.	Other payables	5	260 668
<i>B.IV.</i>	<i>Bank loans and borrowings</i>	199 972	850 000
B.IV.2.	Short-term bank loans	199 972	850 000
C. I.	Other liabilities	32 729	14 680
C.I.1.	Accrued expenses	32 451	14 613
C.I.2.	Deferred income	278	67

PROFIT AND LOSS ACCOUNT

(CZK thousand)

		Year ended 31.12.2014	Year ended 31.12.2013
I.	Sales of goods	59 479 480	60 038 524
A.	Costs of goods sold	57 181 611	57 576 511
+	Gross margin	2 297 869	2 462 013
II.	Production	684 636	624 835
II.1.	Sales of own products and services	684 636	624 835
B.	Purchased consumables and services	1 097 131	1 008 827
B.1.	Consumed material and energy	7 093	8 912
B.2.	Services	1 090 038	999 915
+	Added value	1 885 374	2 078 021
C.	Staff costs	418 238	383 890
C.1.	Payroll costs	187 732	208 659
C.2.	Remuneration to members of business corporation bodies	155 077	106 001
C.3.	Social security and health insurance costs	73 792	67 698
C.4.	Social costs	1 637	1 532
D.	Taxes and charges	538	8 982
E.	Depreciation of intangible and tangible fixed assets	18 147	20 687
III.	Sales of fixed assets and material	4 186	8 319
III.1.	Sales of fixed assets	2 747	6 702
III.2.	Sales of material	1 439	1 617
F.	Net book value of fixed assets and material sold	2 334	9 187
F.1.	Net book value of sold fixed assets	901	7 966
F.2.	Book value of sold material	1 433	1 221
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	20 333	11 176
IV.	Other operating income	25 606	63 244
H.	Other operating expenses	70 341	597 238
*	Operating profit or loss	1 385 235	1 118 424
VI.	Proceeds from the sale of securities and investments		2 946 837
J.	Cost of securities and investments sold	21 057	3 062 395
VII.	Income from non-current financial assets	32 792	20 588
VII.1.	Income from equity investments in subsidiaries and associates	32 792	20 588
M.	Change in reserves and provisions relating to financial activities	110 900	-937 595
X.	Interest income	6 443	2 703
N.	Interest expenses	44 229	32 487
XI.	Other financial income	438 940	842 519
O.	Other financial expenses	324 508	448 198
*	Financial profit or loss	-22 519	1 207 162
Q.	Income tax on ordinary activities	257 537	358 383
Q 1.	- due	257 537	358 383
**	Profit or loss from ordinary activities	1 105 179	1 967 203
***	Profit or loss for the current period (+/-)	1 105 179	1 967 203
****	Profit or loss before tax	1 362 716	2 325 586

STATEMENT OF CHANGES IN EQUITY

(CZK thousand)

	Share capital	Capital funds	Funds from profit, reserve fund	Accumulated profits brought forward	Accumulated losses brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2012	3 157 000		631 400	5 880 255		1 011 833	10 680 488
Distribution of profit or loss				1 011 833		-1 011 833	
Profit or loss for the current period						1 967 203	1 967 203
Balance at 31 December 2013	3 157 000		631 400	6 892 088		1 967 203	12 647 691
Distribution of profit or loss				1 967 203		-1 967 203	
Profit or loss for the current period						1 105 179	1 105 179
Balance at 31 December 2014	3 157 000		631 400	8 859 291		1 105 179	13 752 870

CASH FLOW STATEMENT

(CZK thousand)

		Year ended 31.12.2014	Year ended 31.12.2013
P.	Opening balance of cash and cash equivalents	5 699 460	1 377 228
	<i>Cash flows from ordinary activities</i>		
Z.	Profit or loss from ordinary activities before tax	1 362 716	2 325 586
A.1.	Adjustments for non-cash transactions	151 548	-787 503
A.1.1.	Depreciation of fixed assets	18 147	20 687
A.1.2.	Change in provisions and reserves	131 233	-926 439
A.1.3.	Profit/(loss) on the sale of fixed assets	-1 846	116 721
A.1.4.	Revenues from profit shares	-32 792	-20 588
A.1.5.	Interest expense and interest income	37 786	29 784
A.1.6.	Adjustments for other non-cash transactions	-980	-7 668
A.*	Net operating cash flow before changes in working capital	1 514 264	1 538 083
A.2.	Change in working capital	-1 220 974	1 065 092
A.2.1.	Change in operating receivables and other assets	-19 768	92 020
A.2.2.	Change in operating payables and other liabilities	-1 108 660	937 833
A.2.3.	Change in inventories	-92 546	34 843
A.2.4.	Change in current financial assets		396
A.**	Net cash flow from operations before tax and extraordinary items	293 290	2 603 175
A.3.	Interest paid	-41 923	-10 366
A.4.	Interest received	6 443	2 703
A.5.	Income tax paid from ordinary operations	-364 462	-327 943
A.7.	Received profit shares	52 705	20 588
A.***	Net operating cash flows	-53 947	2 288 157
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-865 987	-596 813
B.2.	Proceeds from fixed assets sold	57 024	2 878 205
B.3.	Loans provided to related parties	-111 507	2 772
B.***	Net investment cash flows	-920 470	2 284 164
	<i>Cash flow from financial activities</i>		
C.1.	Change in payables from financing	-650 028	-250 089
C.***	Net financial cash flows	-650 028	-250 089
F.	Net increase or decrease in cash and cash equivalents	-1 624 445	4 322 232
R.	Closing balance of cash and cash equivalents	4 075 015	5 699 460

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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 2014, 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 2014.

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

Shareholders	Ownership percentage
FINITRADING, a.s., nám. Svobody 526, Třinec	100%
Total	100%

On 27 August 2014, FINITRADING, a.s. became the sole shareholder of MORAVIA STEEL a.s., after the purchase of the 50% equity investment from R.F.G., a.s.

The Company is primarily engaged in purchasing goods for resale and sale, which accounts for 98.86 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).

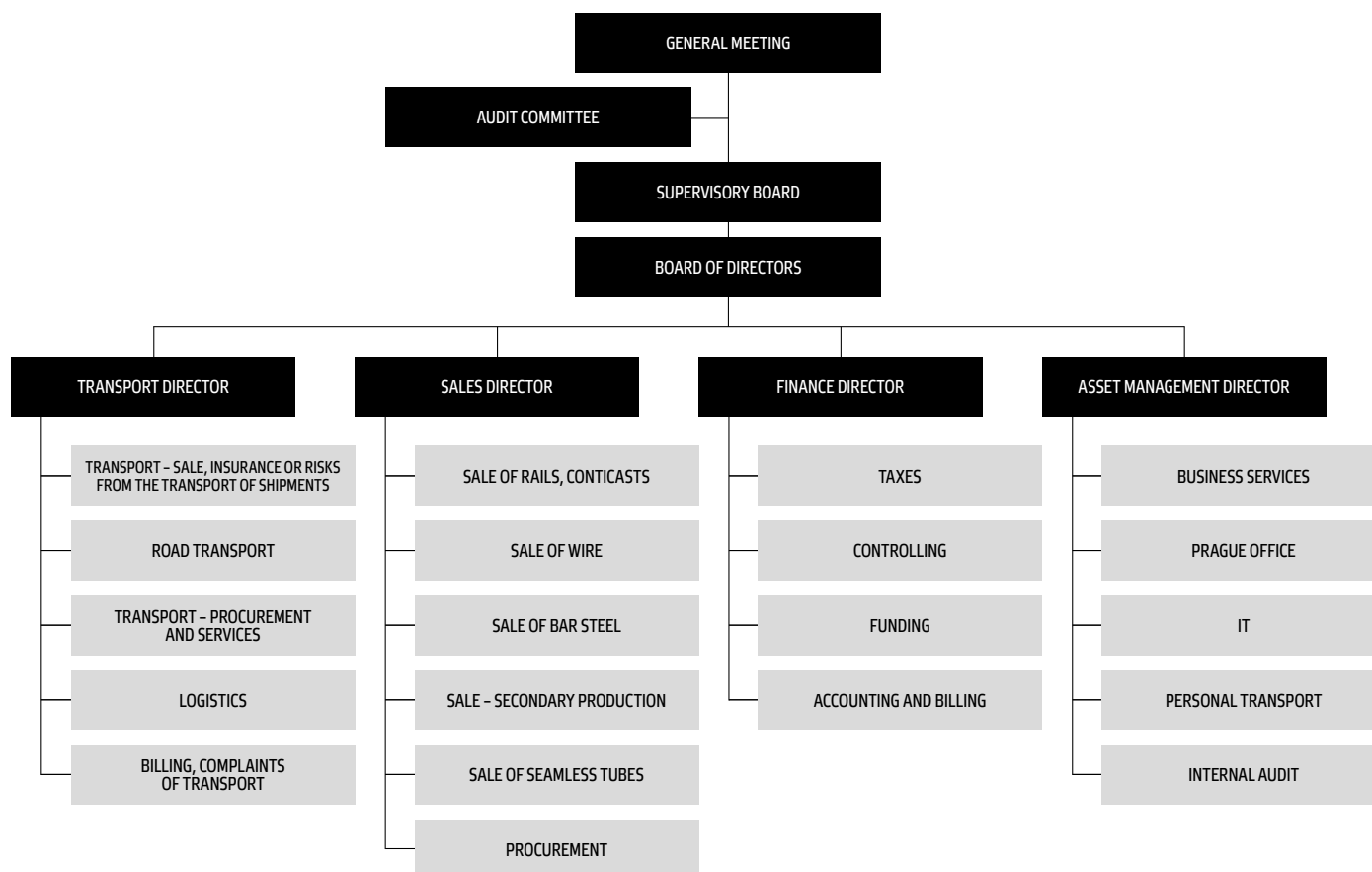
1.2. CHANGES AND AMENDMENTS TO THE REGISTER OF COMPANIES

On 1 April 2014, the Chairman of the Board of Directors changed. On 16 May 2014, the change was recorded in the Register of Companies, Petr Popelář was appointed Chairman of the Board of Directors. Rostislav Wozniak was recalled as Chairman on 31 March 2014.

1.3. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2014

	Position	Name
Board of Directors	Chairman	Petr Popelář
	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 2014



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 2014.

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 2014.

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 2014.

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 2014	31 Dec 2013
Cash on hand	731	549
Cash at bank and cash in transit	4 074 284	5 698 911
Total current financial assets	4 075 015	5 699 460
Total cash and cash equivalents	4 075 015	5 699 460

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 2012	Additions	Disposals	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014
Start-up costs	72	-	-	72	-	-	72
Software	1 288	84	-	1 372	-	-	1 372
Valuable rights	91 819	-	15 523	76 296	-	-	76 296
Other intangible FA	926	-	-	926	-	-	926
Intangible FA under construction	-	84	84	-	-	-	-
Total	94 105	168	15 607	78 666	-	-	78 666

Accumulated Amortisation

(CZK thousand)

	Balance at 31 Dec 2012	Additions	Disposals	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014
Start-up costs	72	-	-	72	-	-	72
Software	786	368	-	1 154	185	-	1 339
Valuable rights	64 184	16 707	15 523	65 368	7 651	-	73 019
Other intangible FA	747	23	-	770	22	-	792
Total	65 789	17 098	15 523	67 364	7 858	-	75 222

Net Book Value

(CZK thousand)

	Balance at 31 Dec 2013	Balance at 31 Dec 2014
Start-up costs	-	-
Software	218	33
Valuable rights	10 928	3 277
Other intangible FA	156	134
Intangible FA under construction	-	-
Total	11 302	3 444

Amortisation of intangible fixed assets was CZK 7,859 thousand and CZK 9,465 thousand as of 31 December 2014 and 31 December 2013, respectively.

4.1.2. Tangible Fixed Assets**Cost**

(CZK thousand)

	Balance at 31 Dec 2012	Additions	Disposals	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014
Individual tangible movable assets	100 539	11 399	16 036	95 902	10 537	17 046	89 393
- <i>Machines and equipment</i>	15 865	779	4 435	12 209	396	16	12 589
- <i>Vehicles</i>	78 079	10 514	11 567	77 026	10 141	16 980	70 187
- <i>Furniture and fixtures</i>	6 595	106	34	6 667	-	50	6 617
Tangible FA under construction	726	9 789	10 515	-	-	-	-
Prepayments for tangible FA	603	55	-	658	-	658	-
Total	101 868	21 243	26 551	96 560	10 537	17 704	89 393

Accumulated Depreciation

(CZK thousand)

	Balance at 31 Dec 2012	Additions	Disposals	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014
Individual tangible movable assets	71 496	11 555	16 036	67 015	11 188	17 046	61 157
- <i>Machines and equipment</i>	13 803	1 743	4 435	11 111	638	16	11 733
- <i>Vehicles</i>	51 491	9 680	11 566	49 605	10 365	16 980	42 990
- <i>Furniture and fixtures</i>	6 202	132	35	6 299	185	50	6 434
Total	71 496	11 555	16 036	67 015	11 188	17 046	61 157

Net Book Value

(CZK thousand)

	Balance at 31 Dec 2013	Balance at 31 Dec 2014
Individual tangible movable assets	28 887	28 236
- <i>Machines and equipment</i>	1 098	856
- <i>Vehicles</i>	27 421	27 197
- <i>Furniture and fixtures</i>	368	183
Prepayments for tangible FA	658	-
Total	29 545	28 236

The Company principally acquired cars in 2013 and 2014.

The Company acquired tangible assets that were charged directly to expenses in the amounts of CZK 1,031 thousand and CZK 2,021 thousand for the years ended 31 December 2014 and 2013, 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 10,288 thousand and CZK 11,222 thousand as of 31 December 2014 and 31 December 2013, respectively.

4.2. NON-CURRENT FINANCIAL ASSETS

Cost

(CZK thousand)

	Balance at 31 Dec 2012	Additions	Disposals	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014
Equity investments in subsidiaries	7 362 400	2 638 245	1 825 347	8 175 298	329 638	-	8 504 936
Equity investments in associates	178 197	-	-	178 197	-	-	178 197
Acquisition of non-current financial assets	2 664	2 638 245	2 638 245	2 664	329 638	332 302	-
Prepayments for non-current financial assets	-	393 000	245 244	147 756	-	20 868	126 888
Total	7 543 261	5 669 490	4 708 836	8 503 915	659 276	353 170	8 810 021

On 27 March 2014, the Company concluded a contract for the transfer of shares with TROJEK, a.s. Under this contract, the Company additionally purchased 49 shares of Moravskoslezský kovošrot, a.s. with the nominal value of CZK 20 thousand per share. This increased the investment by CZK 96,109 thousand, ie from CZK 106,100 thousand to the current amount of CZK 202,209 thousand. Concurrently, it increased the equity investment of MORAVIA STEEL a.s. in Moravskoslezský kovošrot, a.s. from 51% to 100%.

Pursuant to the mandate contract between MORAVIA STEEL a.s., CYRRUS CORPORATE FINANCE, a.s. and TRINECKÉ ŽELEZÁRNY, a.s. dated 25 July 2013, the purchase of participation securities from allocated funds continued during 2014. This increased the investment by CZK 24,654 thousand, ie from CZK 6,923,872 thousand to CZK 6,948,526 thousand.

On 12 August 2014, the Company concluded the contract for the additional payment to equity of CZK 208,875 thousand with M Steel Projects a.s. The final investment amounted to CZK 218,875 thousand as of the balance sheet date.

On 14 June 2014, EMPRESA MEDIA a.s. concluded amendment no. 3 to the contract for the transfer of securities and adjustment to the purchase price with Barrandov Televizní studio a.s. The new purchase price was paid in full.

4.2.1. Equity Investments in Subsidiaries

2014

(CZK thousand)

	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
TRINECKÉ ŽELEZÁRNY, a.s.**)	Třinec	6 948 526	8 109 863	100	24 512 264	3 047 968	-	-
Barrandov Studio a.s.	Prague	746 439	197 112	99.85	736 393	12 179	150 000	-
Moravia Steel Slovenija, d.o.o.	Celje	1 573	867	51	3 049	1 507	-	-
Moravia Steel Italia, srl	Milan	2 580	2 075	66	102 950	32 518	-	21 744
Moravia Steel Ibéria, s.a.	Lisbon	10 850	2 533	99.33	15 597	1 625	-	-
Moravia Goel Trade, d.o.o.	Samobor	59	59	60	*)	-	59	-
MS – Slovensko s.r.o.	Bratislava	161	160	100	1 016	-15	-	-
Moravia Steel Israel Ltd.	Petach Tikva	605	466	100	7	-36	-	-
Beskydská golfová, a.s	Ropice	254 342	230 000	100	211 623	1 457	100 000	-
Moravskoslezský kovošrot a.s.***)	Ostrava	202 209	2 000	100	241 423	32 692	-	-
M Steel Projects a.s.****)	Třinec	218 875	10 000	100	59 344	-45 750	110 900	-
Moravia Steel UK Ltd	Cheshire	1 449	728	100	74 437	6 223	-	-
Moravia Steel Deutschland GmbH	Kürten	113 140	1 625	100	62 977	7 212	-	-
NEOMET Sp. Z o.o.	Radomsko	4 128	4 856	100	43 761	24 729	-	-
Total		8 504 936	8 562 344		26 064 831	3 122 309	360 959	21 744

*) In liquidation

***) During 2014, the purchase of participation securities of TRINECKÉ ŽELEZÁRNY, a.s. continued, the amount increased by CZK 24,654 thousand, ie from CZK 6,923,872 thousand to CZK 6,948,526 thousand.

****) Pursuant to the contract for the transfer of shares dated 27 March 2014, the Company increased the equity investment in Moravskoslezský kovošrot, a.s. to 100% by the amount of CZK 96,109 thousand, ie from CZK 106,100 thousand to the current amount of CZK 202,209 thousand.

*****) Pursuant to the contract dated 12 August 2014 on the additional payment to equity, the cost of M Steel Projects a.s. increased by CZK 208,875 thousand, ie from CZK 10,000 thousand to CZK 218,875 thousand.

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	Milan	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	-	-
Total		8 175 298	8 561 201		22 548 794	1 178 308	250 059	20 588

*) 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.

4.2.2. Equity Investments in Associates

2014

(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	659 329	103 967	-	-
Moravia Steel Middle East FZO	Dubai	2 886	2 841	40	71 648	11 688	-	11 048
Total		178 197	27 841		730 977	115 655	-	11 048

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	-	-
Total		178 197	27 841		611 355	117 539	-	-

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 2014 and 2013.

4.3. INVENTORY

(CZK thousand)

	Balance at 31 Dec 2014	Balance at 31 Dec 2013
- Material	1 558	1 310
- Inventory – raw material	18 492	25 081
- Inventory – metallurgical products	405 777	306 890
Total	425 827	333 281

In the year ended 31 December 2014, 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 2014, the Company reports a long-term receivable of CZK 40,924 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 2014, this receivable amounted to CZK 14,550 thousand and is due in 2015 – 2017. The long-term portion of the loan of CZK 9,700 thousand is reported in the line ‘Other long-term receivables’, the short-term part of the receivable of CZK 4,850 thousand is reported in the line ‘Other short-term receivables’.

As of 31 December 2014, the Company records a long-term intercompany receivable from Barrandov Studio, a.s. As of 31 December 2014, this receivable amounted to CZK 40,000 thousand, and it is due between 2015 and 2018. The long-term portion of the receivable amounting to CZK 30,000 thousand is reported in line C.II.7. ‘Other receivables’, the short-term portion of this receivable of CZK 10,000 thousand is reported in line C.III.9. ‘Other receivables’.

As of 31 December 2014 and 2013, the Company records no long-term receivables with maturity exceeding 5 years.

4.4.2. Trade Receivables

(CZK thousand)

	Balance at 31 Dec 2014	Balance at 31 Dec 2013
Short-term		
- Customers	7 617 329	7 646 807
- Bills of exchange to be collected	3 791	3 792
- Provisions – customers	-289 380	-266 420
- Provisions – bills of exchange to be collected	-3 344	-3 792
Total	7 328 396	7 380 387

4.4.3. Aging of Receivables from Customers

(CZK thousand)

Balance at	Category	Before due date	Past due date	Total
31 Dec 2014	Gross	6 641 947	975 382	7 617 329
	Provisions	201	289 179	289 380
31 Dec .2013	Gross	6 643 513	1 003 294	7 646 807
	Provisions	11 489	254 931	266 420

Receivables typically mature within 30 days.

Past due receivables:

(CZK thousand)

Year ended	Local	Cross-border	Total
31 Dec 2014	166 157	809 225	975 382
31 Dec 2013	200 514	802 780	1 003 294

4.4.4. Intercompany Trade Receivables

(CZK thousand)

Name of the entity	Balance at 31 Dec 2014	Balance at 31 Dec 2013
Short-term trade receivables		
TŘINECKÉ ŽELEZÁRNY, a.s.	1 708 913	1 495 453
ENERGETIKA TŘINEC, a.s.	19 273	42 865
Slévárny Třinec, a.s.	1 885	2 300
Sochorová válcovna TŽ, a.s.*)	-	1 608
Moravia Steel Deutschland GmbH, Germany	616 903	6 698
Řetězárna a.s.	18 413	11 414
Barrandov Studio a.s.	-	20 031
Moravia Steel UK Ltd	6	10 407
DOPRAVA TŽ, a.s.	17	-
Beskydská golfová, a.s.	61	61
VÚHŽ, a.s.	10 326	24 197
Šroubárna Kyjov spol. s r.o.	38 011	14 961
Kovárna VIVA a.s.	86 408	71 687
M STEEL PROJECTS a.s.	242	70 387
ŽDB DRÁTOVNA a.s.	184 785	351 128
„NEOMET“ sp.z o.o.	1 184	109
Total short-term intercompany receivables	2 686 427	2 123 306
Receivables outside the Group	4 934 693	5 527 293
Total short-term trade receivables, gross	7 621 120	7 650 599

*) During 2014, Sochorová válcovna TŽ, a.s. merged with TŘINECKÉ ŽELEZÁRNY, a.s.

4.4.5. Receivables from Controlled or Controlling Entities

During 2014, the Company provided its subsidiary M Steel Projects a.s. with a loan. The total receivable as of the balance sheet date amounts to CZK 111,507 thousand of which the interest amounts to CZK 607 thousand.

4.4.6. Pledged Receivables

The Company has pledged some of its receivables under loan arrangements. Under these agreements, receivables are pledged in 30-day cycles as they fall due. As of 31 December 2014, the value of pledged receivables was CZK 236,363 thousand (2013: CZK 810,240 thousand).

4.4.7. State – Tax Receivables

State – tax receivables comprise a receivable arising from VAT in the amount of CZK 319,681 thousand as of 31 December 2014 (2013: CZK 310,127 thousand). In addition, it includes a receivable arising from the corporate income tax reduced by the anticipated income tax for 2014 of CZK 68,969 thousand as of 31 December 2014 (2013: CZK 0).

4.5. CURRENT FINANCIAL ASSETS

(CZK thousand)

	Balance at 31 Dec 2014	Balance at 31 Dec 2013
Cash on hand	731	549
Total cash	731	549
Current accounts and cash in transit	4 034 284	5 658 911
Term deposits	40 000	40 000
Total bank accounts	4 074 284	5 698 911
Total current financial assets	4 075 015	5 699 460

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 2014 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 30 June 2014, the profit of CZK 1,967,203 thousand for the year ended 31 December 2013 was allocated as follows:

- CZK 1,967,203 thousand was allocated to retained earnings.

4.7. PAYABLES

4.7.1. Long-Term Payables

As of 31 December 2014, the Company reports a long-term payable of CZK 1,100,000 thousand (2013: 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.

The Company records no long-term trade payables with maturities exceeding five years as of 31 December 2014 and 2013.

4.7.2. Short-Term Trade Payables

(CZK thousand)

	Balance at 31 Dec 2014	Balance at 31 Dec 2013
Short-term payables		
- Suppliers	5 034 810	5 987 239
- Other payables	-	-4
Total	5 034 810	5 987 235

4.7.3. Aging of Payables to Suppliers

(CZK thousand)

Balance at	Category	Before due date	Past due date	Total
31 Dec 2014	Short-term	5 034 801	9	5 034 810
31 Dec 2013	Short-term	5 983 938	3 301	5 987 239

Payables typically mature within 45 days.

4.7.4. Intercompany Payables

(CZK thousand)

Name of the entity	Balance at 31 Dec 2014	Balance at 31 Dec 2013
Short-term trade payables		
TŘINECKÉ ŽELEZÁRNY, a.s.	2 372 158	2 288 707
Strojírny a stavby Třinec, a.s.	12	-
Sochorová válcovna TŽ, a.s.*)	-	349 430
REFRASIL, s.r.o.	6 903	9 894
FINITRADING, a.s.	216 550	285 222
Moravia Steel Italia, srl	36 050	43 303
Moravia Steel Ibéria, s.a.	10 533	-
Moravia Steel Slovenija, d.o.o.	3 935	3 186
DOPRAVA TŽ, a.s.	205	39
ŽDB DRÁTOVNA a.s.	827	-
Třinecké gastroslužby, s.r.o.	536	292
Moravia Steel Deutschland GmbH	349	-
Moravia Steel UK Ltd	12 086	13 585
Total intercompany short-term payables	2 660 144	2 993 658
Payables to other than Group companies	2 374 666	2 993 577
Total short-term trade payables	5 034 810	5 987 235

*) During 2014, Sochorová válcovna TŽ, a.s. merged with TŘINECKÉ ŽELEZÁRNY, a.s.

4.7.5. Collateralised Payables or Otherwise Covered

In 2014, 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 2014, 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 1,669,800 thousand, of which the interest amounts to CZK 19,800 thousand. The payable is contracted to be settled in five repayments by 2017. The long-term portion of the loan of CZK 1,100,000 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 22,400 thousand (2013: CZK 12,885 thousand), unbilled supplies of work and services amounting to CZK 24,381 thousand (2013: CZK 22,316 thousand) and an estimated payable for staff costs in the amount of CZK 2,926 thousand (2013: CZK 2,776 thousand).

4.7.8. Due Amounts from Social Security and Health Insurance

As of 31 December 2014, the aggregate amount of due amounts related to social security, state employment policy and health insurance contributions was CZK 5,060 thousand (2013: CZK 5,440 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 personal direct income tax amounting to CZK 3,123 thousand as of 31 December 2014 (2013: CZK 3,363 thousand).

4.7.10. Short-term Bank Loans**2014**

Purpose	Currency	Balance at 31 Dec 2014 in CZK '000	Collateral
Current bank accounts			
Overdraft	CZK	49 972	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Debt financing	CZK	50 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Financing of operating needs	CZK	50 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Financing of operating needs	CZK	50 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Total		199 972	

In 2014, the interest rates to bank loans ranged between 0.575% – 1.17% p.a.

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.
Total		850 000	

In the year ended 31 December 2013, the interest rates on bank loans ranged between 0.603 percent and 1.5 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'. This payable was paid in 2014.

4.7.12. Accrued Expenses and Deferred Income

Accrued expenses largely comprise costs related to the year ended 31 December 2014 for transportation and other services paid in 2015 in the amount of CZK 32,440 thousand (2013: CZK 14,586 thousand) and banking fees and bank interest payable on short-term and long-term operating loan facilities in the amount of CZK 11 thousand (2013: 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 2014	Balance at 31 Dec 2013
Accumulated depreciation and amortisation of fixed assets	-1 932	-3 238
Estimated payable arising from outstanding vacation days	556	527
Provisions – receivables	7 174	5 277
Unpaid (un-received) penalty	-921	-977
Total recognised tax asset (+) / liability (-)	4 877	1 589

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 2014	Balance at 31 Dec 2013
Profit before tax	1 362 716	2 325 586
Tax at the domestic income tax rate of 19%	258 916	441 861
Tax effect of permanent differences	-1 340	-83 293
Deferred tax liability	0	0
Additional taxes of prior years	-39	-185
Total income tax on ordinary activities	257 537	358 383

4.10. DETAILS OF INCOME

(CZK thousand)

	2014			2013		
	Local	Cross-border	Total	Local	Cross-border	Total
Goods – raw material	19 430 909	-	19 430 909	20 086 237	20 702	20 106 939
Goods – metallurgical products	12 888 574	27 159 998	40 048 571	12 631 048	27 300 537	39 931 585
Sales of goods	32 319 483	27 159 998	59 479 480	32 717 285	27 321 239	60 038 524
Sales of services	587 062	97 574	684 636	547 761	77 074	624 835
Total sales of own products and services	587 062	97 574	684 636	547 761	77 074	624 835

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.

Sales of services principally comprise the provision of forwarding services of CZK 555,748 thousand for the year ended 31 December 2014 (2013: CZK 492,716 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 2014	Year ended 31 Dec 2013
Purchase of goods – raw materials	19 032 807	19 543 398
Purchase of goods – metallurgical products	36 255 777	36 130 217
Costs for transport of goods – metallurgical products	1 893 027	1 902 896
Total costs of goods sold	57 181 611	57 576 511

4.12. SERVICES

(CZK thousand)

	Year ended 31 Dec 2014	Year ended 31 Dec 2013
Transportation costs – services	520 946	459 409
Lease of trademark	123 000	123 000
Commissions	145 626	147 442
Advertising	123 330	107 724
Rental fees	10 737	10 020
Telecommunications	10 778	12 139
Legal advisory and auditing activities	33 878	38 505
Other services	121 743	101 676
Total	1 090 038	999 915

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

(CZK thousand)

	Year ended 31 Dec 2014	Year ended 31 Dec 2013
Settlement of complex deferred expenses	93	21
Changes in provisions under special legislation	12 583	28 930
– <i>provisions against receivables</i>	12 583	28 930
Changes in tax non-deductible provisions:	9 987	-12 632
– <i>provisions against receivables</i>	9 987	-12 632
Changes in reserves	-2 330	-5 143
Total	20 333	11 176

4.14. OTHER OPERATING EXPENSES AND INCOME

Other operating expenses primarily include the costs of the write-off of receivables due to the completed insolvency proceedings of CZK 235 thousand (CZK 39,132 thousand) and the costs of insurance of supplies and other insurance in the aggregate amount of CZK 42,951 thousand (2013: CZK 33,394 thousand). Other operating income primarily includes discounts and rebates of CZK 16,336 thousand (2013: CZK 18,329 thousand).

4.15. OTHER FINANCIAL EXPENSES AND INCOME

Other financial income is composed of foreign exchange rate gains of CZK 438,940 thousand (2013: CZK 842,519 thousand).

Other financial expenses principally comprise foreign exchange rate losses of CZK 319,980 thousand (2013: CZK 443,646 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 4,528 thousand (2013: CZK 4,552 thousand).

4.16. RELATED PARTY TRANSACTIONS

4.16.1. Income Generated with Related Parties

2014

(CZK thousand)

Entity	Relation to the Company	Goods	Services	Other income	Fin. income	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	18 940 414	410 239	45 859	-	19 396 512
Barrandov Studio a.s.	Subsidiary	-	-	1 003	-	1 003
Sochorová válcovna TŽ, a.s.*)	Subsidiary of the subsidiary	-	-	-	-	-
Beskydská golfová, a.s.	Subsidiary	-	600	106	-	706
Hanácké železářny a pérovny, a.s.	Subsidiary of the subsidiary	250 521	10 047	1 149	-	261 717
Moravia Steel Italia s.r.l.	Subsidiary	-	106	-	-	106
Moravia Steel Ibéria, s.a.	Subsidiary	-	17	-	-	17
Kovárna VIVA a.s.	Subsidiary	404 304	2 387	420	-	407 111
M Steel Projects a.s.	Subsidiary	-	1 543	-	-	1 543
Strojírny a stavby Třinec, a.s.	Subsidiary of the subsidiary	-	-	-	-	-
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	482 118	115	2 593	-	484 826
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	9 001	13 783	819	-	23 603
REFRASIL, s.r.o.	Subsidiary of the subsidiary	6	-	129	-	135
Řetězárna a.s.	Subsidiary of the subsidiary	187 131	-	8	-	187 139
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	-	637	11	-	648
Moravia Steel Deutschland GmbH	Subsidiary	6 902 582	1 230	-	-	6 903 812
VÚHŽ, a.s.	Subsidiary of the subsidiary	122 923	2 219	332	-	125 474
Šroubárna Kyjov, spol. s r.o.	Subsidiary of the subsidiary	418 209	11 625	712	-	430 546
ŽDB DRÁTOVNA a.s.	Subsidiary of the subsidiary	1 444 210	95 104	2 744	-	1 542 058
FINITRADING, a.s.	Controlled entity	-	-	401	-	401
NEOMET Sp. Z o.o.	Subsidiary	-	6 086	87	-	6 173
Total		29 161 419	555 738	56 373	-	29 773 530

*) During 2014, Sochorová válcovna TŽ, a.s. merged with TŘINECKÉ ŽELEZÁRNY, a.s. with the merger effective date on 1 January 2014.

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 a stavby 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
Total		30 430 569	504 564	43 126	-	30 978 259

*) 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.

4.16.2. Purchases

2014

(CZK thousand)

Entity	Relation to the Company	Goods	Material	Services	Other expenses	Extra-ordinary expenses	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	36 328 019	177	167 273	1 050	-	36 496 519
Moravia Steel Italia, s.r.l.	Subsidiary	-	-	76 659	-	-	76 659
Moravia Steel Ibéria, s.a.	Subsidiary	-	-	20 433	-	-	20 433
Moravia Steel Slovenija, d.o.o.	Subsidiary	-	-	10 186	-	-	10 186
Sochorová válcovna TŽ, a.s. *)	Subsidiary of the subsidiary	-	-	-	-	-	-
Moravia Steel Deutschland GmbH	Subsidiary	-	-	909	-	-	909
Beskydská golfová, a.s.	Subsidiary	-	-	12 334	-	-	12 334
REFRASIL, s.r.o.	Subsidiary of the subsidiary	88 463	-	-	-	-	88 463
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	494	-	7	-	-	501
TRISIA, a.s.	Subsidiary of the subsidiary	-	-	610	-	-	610
Třinecké gastroslužby, s.r.o.	Subsidiary of the subsidiary	-	-	824	2 876	-	3 700
FINITRADING, a.s.	Controlling entity	2 685 246	-	-	-	-	2 685 246
VESUVIUS ČESKÁ REPUBLIKA, a.s.	-	123 244	-	-	-	-	123 244
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	421	-	-	-	-	421
Total		39 225 887	177	289 235	3 926	-	39 519 225

*) During 2014, Sochorová válcovna TŽ, a.s merged with TŘINECKÉ ŽELEZÁRNY, a.s.

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 a stavby 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	-	-	-	-	-	-
Total		38 904 661	309	305 016	4 450	-	39 214 436

*) 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.

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 2014 and 2013 are as follows:

					(CZK thousand)
	Number	Wages and salaries	Social security and health insurance	Other costs	Total staff costs
Employees	288	171 939	57 358	1 560	230 857
Management	15	15 793	16 434	155 154	187 381
Total	303	187 732	73 792	156 714	418 238

					(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
Total	306	208 659	67 698	107 533	383 890

The number of employees is based on the average recalculated headcount. As of 31 December 2014, 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, Sale of Rails and Semi-Finished Products Director, Sale of Seamless Tubes Director, Audit Committee Chairman, 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)
	2014	2013	
Board of Directors	1 084	1 157	
Supervisory Board	729	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 2014 for all members of the Board of Directors and the Supervisory Board totalled CZK 853 thousand (2013: CZK 804 thousand).

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

As of 31 December 2014, the Company was involved in no legal dispute, the outcome of which would significantly impact the Company.

As of 31 December 2014, the guarantees issued by the bank on behalf of the Company in favour of third parties amounted to CZK 13,222 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 court has recorded 75 petitioners as participants in the proceedings, they have asked the court to re-examine the adequacy of the amount of the payment provided by the majority shareholder, the Company, to minority shareholders. Some of them filed collective legal actions (petitions) in which they are represented by a joint attorney-at-law. It means that there are fewer petitions for re-examination than petitioners and a number of petitions are almost identical, yet the range of objections is rather extensive.

As of the balance sheet date, the first hearing in the case was neither held nor ordered.

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.

The legal dispute is in the phase of first-instance procedures and preparation of the first verbal proceedings where the parties are presenting their written statements on the case to the court. The period for the filing of these statements has been determined to be 31 March 2015; however, it will very likely be extended to 30 June 2015.

Inasmuch as the Company's management considers the above legal actions against MORAVIA STEEL a.s. to lack merit, no reasonable estimate of the future payments, if any, in respect of these legal disputes 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.

09



FINANCIAL PART II. CONSOLIDATED FINANCIAL STATEMENTS

Name of the Company:	MORAVIA STEEL a.s.
Registered Office:	Průmyslová 1000, Staré Město, 739 61 Třinec
Legal Status:	Joint Stock Company
Corporate ID:	634 74 808
Record in the Register of Companies:	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 30 April 2015.

Statutory body of the reporting entity	Signature
Petr Popelář Chairman of the Board of Directors	
Mojmír Kašpiš Member of the Board of Directors	

CONSOLIDATED BALANCE SHEET

(CZK thousand)

		31.12.2014			31.12.2013
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	81 311 240	32 921 868	48 389 372	46 990 267
B.	Fixed assets	53 393 363	31 666 442	21 726 921	20 383 690
<i>I.</i>	<i>Intangible fixed assets</i>	1 207 915	785 201	422 714	200 952
1.	Start-up costs	93	93		
2.	Research and development	4 553	4 553		
3.	Software	316 527	275 442	41 085	41 407
4.	Valuable rights	604 987	492 482	112 505	110 303
5.	Goodwill	379	379		
6.	Other intangible fixed assets	249 025	12 252	236 773	39 508
7.	Intangible fixed assets under construction	32 351		32 351	9 734
<i>II.</i>	<i>Tangible fixed assets</i>	50 486 390	30 370 750	20 115 640	19 081 397
1.	Land	1 130 557		1 130 557	1 131 179
2.	Structures	12 992 107	6 549 566	6 442 541	6 320 704
3.	Individual movable assets and sets of movable assets	34 611 047	23 603 733	11 007 314	10 237 232
6.	Other tangible fixed assets	197 986	182 411	15 575	42 769
7.	Tangible fixed assets under construction	1 462 046	35 040	1 427 006	1 061 744
8.	Prepayments for tangible fixed assets	92 647		92 647	287 769
<i>III.</i>	<i>Non-current financial assets</i>	338 240	112 796	225 444	185 775
1.	Equity investments in subsidiaries	284 445	93 803	190 642	173 068
2.	Equity investments in associates	26 201	17 998	8 203	8 017
3.	Other securities and investments	3 016	995	2 021	2 026
4.	Loans and borrowings – controlled or controlling entity	24 559		24 559	
6.	Acquisition of non-current financial assets	19		19	2 664
<i>IV.</i>	<i>Goodwill on consolidation</i>	781 633	397 695	383 938	390 756
1.	Positive goodwill on consolidation	781 633	397 695	383 938	390 756
<i>V.</i>	<i>Securities and equity investments under equity accounting</i>	579 185		579 185	524 810
C.	Current assets	27 760 265	1 255 426	26 504 839	26 481 750
<i>I.</i>	<i>Inventories</i>	12 085 552	627 614	11 457 938	10 342 336
1.	Material	4 561 238	371 042	4 190 196	4 354 408
2.	Work in progress and semifinished goods	4 050 546	183 270	3 867 276	3 068 544
3.	Products	3 441 946	72 841	3 369 105	2 884 601
5.	Goods	28 239	461	27 778	29 995
6.	Prepayments for inventory	3 583		3 583	4 788
<i>II.</i>	<i>Long-term receivables</i>	274 233	4 772	269 461	305 275
1.	Trade receivables	182 312	4 772	177 540	230 935
5.	Long-term prepayments made	2 426		2 426	2 436
6.	Other receivables	17 381		17 381	22 583
7.	Deferred tax asset	72 114		72 114	49 321
<i>III.</i>	<i>Short-term receivables</i>	8 960 613	607 992	8 352 621	8 578 580
1.	Trade receivables	7 723 171	500 924	7 222 247	7 570 207
2.	Receivables – controlled or controlling entity	26 211	26 211		
4.	Receivables from partners and association members	14 118		14 118	
6.	State – tax receivables	736 474		736 474	634 166
7.	Short-term prepayments made	125 287	55 900	69 387	70 376
8.	Estimated receivables	27 585		27 585	38 890
9.	Other receivables	307 767	24 957	282 810	264 941
<i>IV.</i>	<i>Current financial assets</i>	6 439 867	15 048	6 424 819	7 255 559
1.	Cash on hand	6 331		6 331	6 316
2.	Cash at bank	6 375 934		6 375 934	7 193 623
3.	Short-term securities and investments	57 602	15 048	42 554	55 620
D.	Other assets	157 612		157 612	124 827
1.	Deferred expenses	101 930		101 930	62 564
2.	Complex deferred expenses	41 760		41 760	40 387
3.	Accrued income	13 922		13 922	21 876
	Control number	324 508 162	131 687 471	192 820 691	187 311 431

(CZK thousand)

		31.12.2014	31.12.2013
	TOTAL LIABILITIES & EQUITY	48 389 372	46 990 267
A.	Equity	33 028 817	28 321 807
<i>I.</i>	<i>Share capital</i>	3 157 000	3 157 000
1.	Share capital	3 157 000	3 157 000
<i>II.</i>	<i>Capital funds</i>	46 779	42 103
2.	Other capital funds	15 980	15 293
3.	Gains or losses from the revaluation of assets and liabilities	30 799	26 810
<i>III.</i>	<i>Statutory funds</i>	1 799 032	1 825 481
1.	Statutory reserve fund / Indivisible fund	1 799 032	1 242 852
2.	Statutory and other funds		582 629
<i>IV.</i>	<i>Retained earnings or accumulated losses</i>	22 768 304	19 859 176
	Retained earnings	22 820 669	20 491 620
	Accumulated losses brought forward	-52 365	-632 444
<i>V.</i>	<i>Profit or loss for the current period, net of minority interests</i>	4 678 757	2 948 599
1.	Profit or loss for the period	4 605 181	2 873 088
2.	Share in the profit/(loss) of equity accounted investments	73 576	75 511
<i>VI.</i>	<i>Consolidation reserve fund</i>	578 945	489 448
B.	Liabilities	14 862 459	18 085 769
<i>I.</i>	<i>Reserves</i>	475 026	535 587
1.	Reserves under special legislation	14 164	8 040
2.	Reserve for pensions and similar liabilities	8 285	7 638
3.	Income tax reserve	243	
4.	Other reserves	452 334	519 909
<i>II.</i>	<i>Long-term liabilities</i>	2 543 824	2 989 917
1.	Trade payables	23 100	25 042
2.	Payables – controlled or controlling entity	1 100 000	1 650 000
5.	Long-term prepayments received	1 322	1 818
9.	Other payables	1 277	10 002
10.	Deferred tax liability	1 418 125	1 303 055
<i>III.</i>	<i>Short-term liabilities</i>	7 756 376	8 526 131
1.	Trade payables	5 041 869	6 079 254
2.	Payables – controlled or controlling entity	569 800	572 122
4.	Payables to partners and association members	633	1 211
5.	Payables to employees	508 160	474 903
6.	Social security and health insurance payables	198 959	179 548
7.	State – tax payables and subsidies	867 053	310 526
8.	Short-term prepayments received	199 783	176 726
10.	Estimated payables	152 018	197 604
11.	Other payables	218 101	534 237
<i>IV.</i>	<i>Bank loans and borrowings</i>	4 087 233	6 034 134
1.	Long-term bank loans	2 087 587	2 722 441
2.	Short-term bank loans	1 999 561	3 224 393
3.	Short-term borrowings	85	87 300
C.	Other liabilities	100 814	85 855
1.	Accrued expenses	65 145	42 327
2.	Deferred income	35 669	43 528
D.	Minority equity	397 282	496 836
	Minority share capital	84 398	85 378
	Minority capital funds	5 345	2 658
	Minority funds from profit, including retained earnings and losses	283 274	363 233
	Minority profit or loss for the current period	24 265	45 567
	Control number	192 480 447	186 888 929

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(CZK thousand)

	Year ended 31.12.2014	Year ended 31.12.2013
I. Sales of goods	162 128	569 244
A. Costs of goods sold	134 501	515 195
+ Gross margin	27 627	54 049
II. Production	51 010 323	50 141 046
1. Sales of own products and services	48 948 206	49 425 865
2. Change in internally produced inventory	1 273 755	-82 079
3. Own work capitalised	788 362	797 260
B. Purchased consumables and services	36 592 909	37 709 148
1. Consumed material and energy	32 230 923	32 972 666
2. Services	4 361 986	4 736 482
+ Added value	14 445 041	12 485 947
C. Staff costs	6 383 486	6 119 886
1. Payroll costs	4 219 422	4 199 940
2. Remuneration to members of statutory bodies	313 452	149 113
3. Social security and health insurance costs	1 506 323	1 461 516
4. Social costs	344 289	309 317
D. Taxes and charges	65 300	89 971
E. Depreciation of intangible and tangible fixed assets	1 755 854	1 693 422
KR A. Amortisation of goodwill on consolidation	1 641	369 549
III. Sales of fixed assets and material	119 899	220 466
1. Sales of fixed assets	13 326	126 943
2. Sales of material	106 573	93 523
F. Net book value of fixed assets and material sold	93 820	198 938
1. Net book value of sold fixed assets	4 115	110 102
2. Book value of sold material	89 705	88 836
G. Change in reserves and provisions relating to operating activities and complex deferred expenses	12 531	-34 311
IV. Other operating income	1 105 912	1 710 290
H. Other operating expenses	1 548 557	2 718 880
* Operating profit or loss	5 809 663	3 260 368
VI. Proceeds from the sale of securities and investments		1 727
J. Cost of securities and investments sold	21 057	1 177
VII. Income from non-current financial assets	1 795	1 702
1. Income from subsidiaries and associates	1 755	1 669
2. Income from other non-current securities and investments	40	33
IX. Income from the revaluation of securities and derivatives	3 116	1 121
L. Costs of the revaluation of securities and derivatives		3 570
M. Change in reserves and provisions relating to financial activities	-4 239	30 263
X. Interest income	9 093	6 745
N. Interest expenses	140 200	121 866
XI. Other financial income	548 752	1 625 658
O. Other financial expenses	474 788	707 029
* Financial profit or loss	-69 050	773 048
Q. Income tax on ordinary activities	1 107 229	877 534
1. - due	1 004 696	586 130
2. - deferred	102 533	291 404
** Profit or loss from ordinary activities	4 633 384	3 155 882
XIII. Extraordinary income		5 683
R. Extraordinary expenses		756
* Extraordinary profit or loss		4 927
** Consolidated profit or loss net of share of profit/(loss) of equity accounted investments	4 633 384	3 160 809
Consolidated profit or loss net of minority interests	4 605 181	2 873 088
Minority profit or loss	28 202	287 719
* Share of profit or loss of equity accounted investments	73 576	75 511
Profit or loss for the current period (+/-)	4 706 959	3 236 319
*** Profit or loss for the current period net of minority interests (+/-)	4 678 757	2 948 599

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(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
Balance at 31 December 2012	3 157 000	-23 003	1 838 929	16 497 134	1 717 207	375 694	60 691	23 623 652
Allocation of profit		989	36 259	1 632 420	-1 669 668	60 691	-60 691	
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 ŽELEZÁRNY, 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
Balance at 31 December 2013	3 157 000	42 103	1 825 481	19 859 176	2 873 088	489 448	75 511	28 321 807
Allocation of profit		686	1 957	2 870 445	-2 873 088	75 511	-75 511	
Impact of changes in the consolidated group			-28 391	38 607				10 216
Revaluation of assets and liabilities		3 991				13 986		17 977
Profit for the current period					4 605 181		73 576	4 678 757
Other		-1	-15	76				60
Balance at 31 December 2014	3 157 000	46 779	1 799 032	22 768 304	4 605 181	578 945	73 576	33 028 817

CONSOLIDATED CASH FLOW

(CZK thousand)

		Year ended 31.12.2014	Year ended 31.12.2013
P.	<i>Cash and cash equivalents at the beginning of the accounting period</i>	7 230 118	3 268 744
	Cash flows from ordinary activities		
Z.	Profit/(loss) from ordinary activities before tax	5 740 613	4 033 416
A.1.	Adjustments for non-cash transactions	1 948 944	1 780 076
A.1.1.	Depreciation of fixed assets(+) excluding net book value of fixed assets sold, amortisation of goodwill and goodwill on consolidation	1 757 495	2 062 971
A.1.2.	Change in provisions and reserves	8 292	-4 048
A.1.3.	Profit/(loss) on the sale of fixed assets (-/+)	-9 267	-16 841
A.1.4.	Revenues from dividends and profit shares (-), except as paid by consolidated group entities	-1 795	-1 702
A.1.5.	Interest expense (+) excluding capitalised interest and interest income (-)	131 107	115 121
A.1.6.	Adjustments, if any, and other non-cash transactions	63 112	-375 425
A.*	Net cash flow from operating activities before tax, movements in working capital and extraordinary items	7 689 557	5 813 492
A.2.	Change in non-cash component of working capital	-2 371 835	768 523
A.2.1.	Change in receivables from operating activities (+/-), deferred expenses, accrued income and estimated assets	-268 019	-225 942
A.2.2.	Change in short-term payables from operating activities (+/-), accrued expenses, deferred income and estimated liabilities	-947 756	1 221 924
A.2.3.	Change in inventory (+/-)	-1 154 943	-202 414
A.2.4.	Change in current financial assets not included in cash and cash equivalents	-1 116	-25 045
A.**	Net cash flow from operating activities before tax and extraordinary items	5 317 722	6 582 015
A.3.	Interest paid (-), except interest capitalised	-148 214	-106 686
A.4.	Interest received (+)	16 319	12 764
A.5.	Income tax paid from operating activities, additional tax paid for previous periods (-)	-669 624	-541 729
A.6.	Receipts and expenditures relating to extraordinary activities, which form extraordinary profit or loss, including income tax paid from extraordinary activities (+/-)		4 927
A.7.	Received dividends and profit shares (+)	35 641	1 701
A.***	Net cash flow from operating activities	4 551 844	5 952 992
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures (-)	-2 829 194	-2 532 062
B.2.	Receipts from fixed assets sold (+)	69 194	75 688
B.4.	Cash flows from the purchase of business or its part	-646 000	-576 694
B.5.	Cash flows from the sale of business or its part		157 831
B.***	Net cash flow from investing activities	-3 406 000	-2 875 237
	<i>Cash flow from financial activities</i>		
C.1.	Impact of change in long-term or short-term payables which fall into financing activities on cash and cash equivalents	-1 956 222	913 585
C.2.	Impact on cash and cash equivalents due to change in equity	-21 478	-29 966
C.2.5.	Payments made from funds (-)	-29	
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	-29 966
C.***	Net cash flow from financial activities	-1 977 700	883 619
F.	Net increase or decrease of cash and cash equivalents	-831 856	3 961 374
R.	Cash and cash equivalents at the end of the accounting period	6 398 262	7 230 118

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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 Regional Court in Brno - venkov on 23 August 1995 (File B, Insert 1680), currently registered at the Regional Court in Ostrava (File B, Insert 1297). The principal business activities of the Company include trade activities – purchase of goods for resale and sale, which represents 98.86% of the Company’s revenues. Additional business activities include domestic and international shipping services.

The Company’s registered office is located in Průmyslová 1000, Staré Město, 739 61 Třinec.

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
FINITRADING, a.s., nám. Svobody 526, Třinec	100 %
Total	100 %

On 27 August 2014, FINITRADING, a.s. became the sole shareholder of MORAVIA STEEL a.s., after the purchase of the 50% equity investment from R.F.G., a.s.

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.

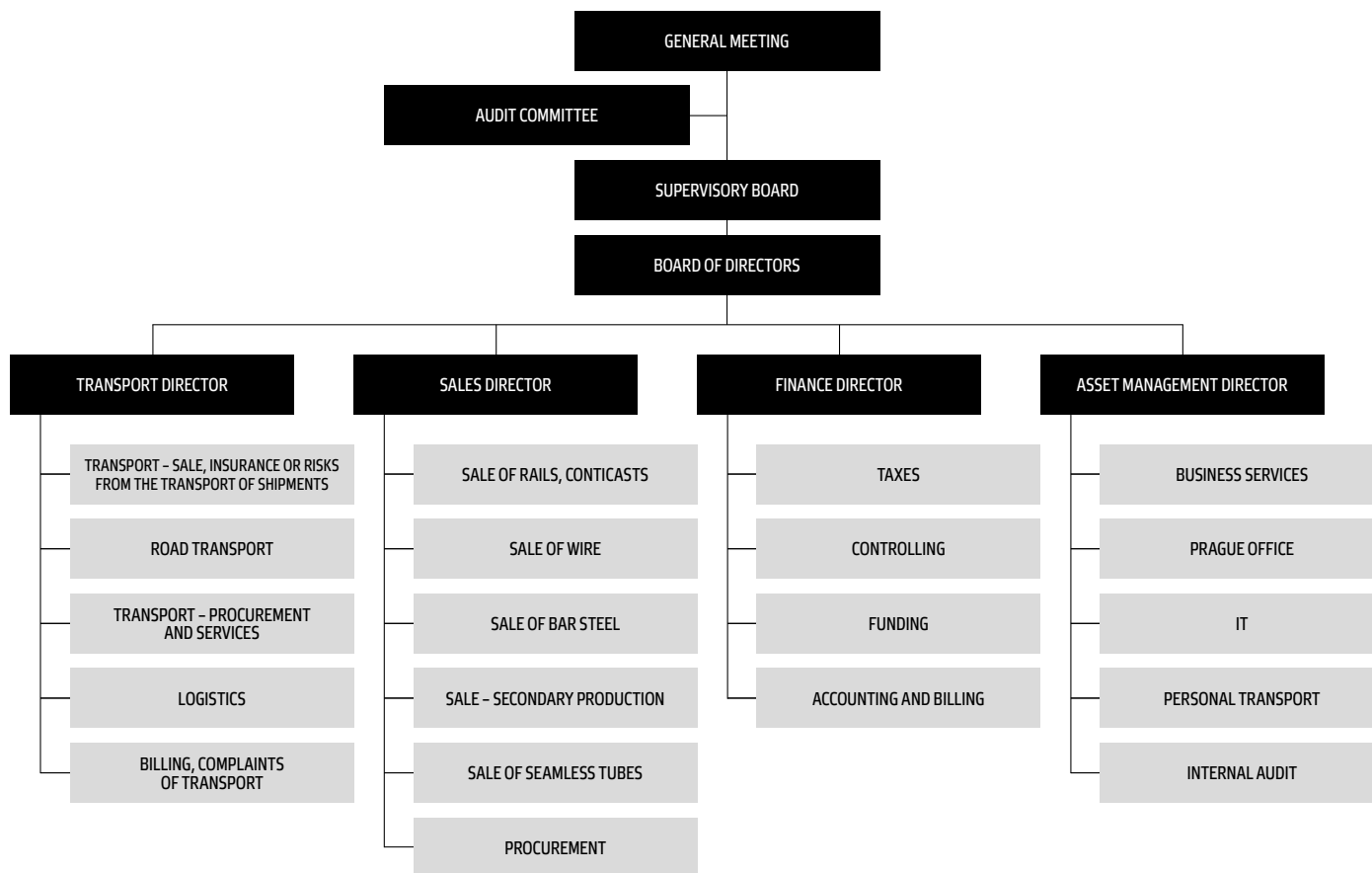
1.2. CHANGES AND AMENDMENTS TO THE REGISTER OF COMPANIES

On 1 April 2014, the Chairman of the Board of Directors changed. On 16 May 2014, the change was recorded in the Register of Companies, Petr Popelář was appointed Chairman of the Board of Directors. Rostislav Wozniak was recalled as Chairman on 31 March 2014.

1.3. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS RECORDED IN THE REGISTER OF COMPANIES AS OF 31 DECEMBER 2014

	Position	Name
Board of Directors	Chairman	Petr Popelář
	Vice Chairman	Krzysztof 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 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 2014:

Subsidiaries

Name of the company	Registered office	Business activities	Share of share capital at 31 Dec 2014	Share of share capital at 31 Dec 2013
TŘINECKÉ ŽELEZÁRNY, a. s.	Průmyslová 1000, Staré Město, 739 61 Třinec	Manufacture of metallurgical products	100.00 %	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 %	99.85 %
MORAVIA STEEL ITALIA S.R.L.	Milan, Italy	Distribution of metallurgical products	66.00 %	66.00 %
Beskydská golfová, a.s.	Ropice 415, 739 56	Provision of sport services	100.00 %	100.00 %
Moravskoslezský kovošrot a.s.	Božkova 936/73, Přívoz, 702 00 Ostrava	Purchase, processing and sales of metal scrap and non-ferrous metals	100.00 %	51.00 %
M Steel Projects a.s.	Třinec – Staré Město, Průmyslová 1000, 739 70	Production, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act	100.00 %	100.00 %
Moravia Steel Deutschland GmbH	Kürten, Germany	Distribution of metallurgical products	100.00 %	100.00 %
MORAVIA STEEL UK LIMITED	Sandbach, United Kingdom	Distribution of metallurgical products	100.00 %	100.00 %
„NEOMET“ Sp.z o.o.	Św. Rozalii 10,97-500 Radomsko, Poland	Trading with metal scrap and metal processing	100.00 %	100.00 %
ENERGETIKA TŘINEC, a.s.	Průmyslová 1024, Staré Město, 739 61 Třinec	Production and distribution of heat and electricity	100.00 %	100.00 %
Slévárny Třinec, a.s.	Průmyslová 1001, Staré Město, 739 61 Třinec,	Foundry industry	100.00 %	100.00 %
VÚHŽ a.s.	240, 739 51 Dobrá	Production, installation and repairs of electronic equipment, foundry industry, modelling	100.00 %	100.00 %
Šroubárna Kyjov, spol. s r.o.	Kyjov, Jiráskova 987, 697 32	Railway route operation, locksmithing, tool engineering, metalworking	100.00 %	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 %	100.00 %
„METALURGIA“ S.A.	ulica Świętej Rozalii nr 10/12, 97-500, Radomsko, Poland	Production of nails, wire and wire products	100.00 %	100.00 %
„D&D“ Drótaru Zrt.	3527 Miskolc, Besenyői u. 18., Hungary	Production of wire products	100.00 %	100.00 %
ŽDB DRÁTOVNA 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 %	100.00 %
Sochorová válcovna TŽ, a.s.	Třinec – Staré Město, Průmyslová 1000, 739 70	Metalworking, locksmithing, tool engineering	0%	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 %	100.00 %
SV servisní, s.r.o.	Prostějov, Dolní 3137/100, 796 01	Electricity trading and distribution, gas trading and distribution	100.00 %	100.00 %
Řetězárna a.s.	Česká Ves, Polská 48, 790 81	Production of chains, chain products and drawn wire	51.00 %	51.00 %
REFRASIL, s.r.o.	Třinec-Konšská, Průmyslová 720, 739 65	Production, trade and services not listed in appendices 1 to 3 to the Trade Licensing Act	51.00 %	51.00 %
M Steel Projects, s.r.o.	Žlilina, 010 01, Vojtecha Tvrdého 793/21	Purchase of goods for sale, mediation activities, advertising Production, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act	100.00%	100.00%
MSPProjects International s.r.o.	nám.Svobody 526,Lyžbice 739 61 Třinec	Purchase of goods for sale, mediation activities, advertising Production, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act	100.00%	0%

In 2014, the consolidation group was extended to include MSPProjects International s.r.o. The entity was formed on 24 November 2014 by M Steel Projects a.s.

In 2014, Sochorová válcovna TŽ, a.s. was removed from the consolidation group. It was dissolved as a result of the merger by amalgamation with TŘINECKÉ ŽELEZÁRNY, a. s.

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

In 2013, the consolidation Barrandov Televizní Studio a.s. was removed from the consolidation group and sold to EMPRESA MEDIA, a.s. as of 14 May 2013. 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.

During the year ended 31 December 2013, MORAVIA STEEL a.s. purchased 1,349,501 shares of TŘINECKÉ ŽELEZÁRNY, a.s. pursuant to the contract for the purchase of securities concluded with FINITRADING a.s. Another 53,160 of shares of TŘINECKÉ ŽELEZÁRNY, 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 ŽELEZÁRNY, 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 ŽELEZÁRNY, a.s. on 25 July 2013. This increased the investment by CZK 2,633,858 thousand, ie from CZK 4,290,014 to CZK 6,923,872 thousand as of 31 December 2014. During 2014, the company continued to purchase equity securities using the allocated funds. This increased the investment by CZK 24,654 thousand, ie from CZK 6,923,872 thousand to the current amount of CZK 6,948,526 thousand.

The purchase of the equity securities will continue in 2015 using the funds allocated by mandatories in the amount of CZK 126,888 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 in 2013.

On 27 March 2014, MORAVIA STEEL a.s. concluded the contract for the transfer of shares with TROJEK, a.s. Pursuant to this contract, it purchased 49 shares of Moravskoslezský kovošrot, a.s. with the nominal value of CZK 20 thousand per share. As a result, it increased the equity investment in Moravskoslezský kovošrot, a.s. from 51% to 100%.

Associates

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2014	Equity share at 31 Dec 2013
Kovárna VIVA a.s.	Zlín, Vavrečkova 5333, 760 01	Production of die forgings	50.00 %	50.00 %
Moravia Steel Middle East FZCO	Jebel Ali Free Zone, Dubai, U.A.E.	Distribution of metallurgical products	40.00 %	40.00 %
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Průmyslová 715, Kónská, 739 61 Třinec	Production of isostatically pressed heat-resisting products for continuous steel casting	40.00 %	40.00 %
AHP HYDRAULIKA, a.s.	Vojtecha Tvrdého 793/21, Žilina 010 01	Design, drafting and construction of machines and equipment	49.00 %	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.

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.

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 2014 and 2013. 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).

The consolidated financial statements of the Group for the year ended 31 December 2014 were prepared as follows:

- The balance sheet comprises comparative balances as of 31 December 2013;
- The profit and loss account comprises comparative amounts for the year ended 31 December 2013;
- The statement of changes in equity contains comparative amounts for the year ended 31 December 2013; and
- The cash flow statement comprises comparative amounts for the year ended 31 December 2013.

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

The cost of intangible s improvements exceeding CZK 60 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.

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.

Non-tax deductible provisions (other than intercompany) are created as follows:

- a) Receivables past due for 1 year and more are provisioned in full; and
- b) Receivables past due over 180 days but less than 365 days are provisioned at 50%.

In addition, provisions are recognised against specific receivables following an individual assessment of their collectability.

The Group also creates provisions against interest-free long-term receivables. This provisioning charge is calculated as equal to the difference between the nominal value and the discounted value 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 TŘINECKÉ ŽELEZÁRNY, a. s. in the Tube Rolling Mill (the VT operation), VZ – Sochorová válcovna plant and the Univerzální trať plant and the Track Fastenings Plant and assets used by Slévárny Třinec, a.s. and ŽDB DRÁTOVNÁ a.s. which are depreciated using both the straight line and accelerated methods for tax purposes. Hanácké železárný 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 2014, the Group has determined that the cost of intangible asset improvements exceeding CZK 60 thousand on an individual basis increases the cost of the related intangible fixed asset for the taxation period.

Starting from 2014, the Group has reported the remuneration to members of statutory bodies, including the remuneration to the CEO, which was reported in ‘Payroll costs’ in 2013, in ‘Remuneration to members of business corporation bodies’.

Starting from 2013, the Group has changed the policy of reporting equity investments in companies that are not part of the business group in terms of Section 66a of the Commercial Code (newly Part 9 of the Act on Business Corporations). The equity investment in the educational corporate entity Střední odborná škola Tříneckých železáren with the acquisition cost of CZK 2,000 thousand that was reported in ‘Equity investments in subsidiaries’ 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 Group has not reported the fee for air pollution in the amount of CZK 7,003 thousand in the profit and loss account as part of ‘Other operating costs’ but in the line ‘Taxes and charges’ in the profit and loss account.

4.19. GRANTS

Operating subsidies received are credited to income on an accruals basis.

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 2014	Balance at 31 Dec 2013
Cash at hand	6 331	6 316
Current accounts	6 245 884	7 128 182
Current accounts with restricted availability	0	25 441
Term deposits	130 050	40 000
Short-term securities	57 602	70 668
Other securities available for sale not included in the cash flow	0	0
Total current financial assets	6 439 867	7 270 607
Cash and cash equivalents not included in the cash flow	-26 557	-25 441
Provision against short-term securities and investments	-15 048	-15 048
Total cash and cash equivalents	6 398 262	7 230 118

Comments on the Cash Flow Statement:

The difference between cash and cash equivalents as of 31 December 2014 and 2013 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 2014 and 2013 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 2014 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 2014

5.1.1. Structure of the Consolidated Profit/Loss for 2014

(CZK thousand)

Current year's profit made by MORAVIA STEEL a.s.	1 105 179
Current year's loss made by M Steel Projects a.s.	-45 750
Current year's loss made by M Steel Projects s.r.o.	-15 148
Current year's loss made by MSPProjects International s.r.o.	-53
Current year's profit made by Beskydská golfová, a.s.	1 457
Current year's profit made by Barrandov Studio a.s.	12 179
Current year's profit made by MORAVIA STEEL ITALIA S.R.L.	20 469
Current year's profit made by Moravia Steel Deutschland, GmbH	7 212
Current year's profit made by MORAVIA STEEL UK LIMITED	6 223
Current year's profit made by the TŽ, a.s. consolidation group	3 493 915
Current year's profit made by Moravskoslezský kovošrot a.s.	32 692
Current year's profit made by "NEOMET" Sp.z o.o.	24 832
Share in profit of equity accounted investments	73 450
Adjustments under full consolidation (see Note 5.1.2.)	-38 026
Adjustments under the equity method (see Note 5.1.3.)	126
Consolidated profit	4 678 757

5.1.2. Profit/(Loss) Adjustments under Full Consolidation for 2014

(CZK thousand)

Elimination of profit from unrealised intercompany inventory, including the deferred tax impact and elimination of minority profit or loss	-116 986
Elimination of the provision against investments, inventory and receivables, including the deferred tax impact	111 753
Elimination of dividends paid by MORAVIA STEEL ITALIA S.R.L. and Moravia Steel Middle East FZCO.	-32 793
Total adjustments	-38 026

5.1.3. Adjustments under Equity Consolidation for 2014

(CZK thousand)

Elimination of profit from sales of unrealised inventory among associates, including the deferred tax impact	126
Total adjustments	126

5.2. CONSOLIDATED PROFIT/LOSS FOR 2013**5.2.1. 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
Current year's profit made by Barrandov Studio a.s.	7 591
Current year's loss made by Barrandov Televizní Studio, a.s.	-19 880
Current year's profit made by MORAVIA STEEL ITALIA S.R.L.	27 621
Current year's loss made by Moravia Steel Deutschland, GmbH	-26 098
Current year's profit made by MORAVIA STEEL UK LIMITED	1 278
Current year's profit made by the TŽ, a.s. consolidation group	1 321 241
Current year's profit made by Sochorová válcovna TŽ, a.s.	178 249
Current year's profit made by Moravskoslezský kovošrot a.s.	27 465
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
Consolidated profit	2 948 599

5.2.2. 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
Total adjustments	155 744

5.2.3. Adjustments under Equity Consolidation for 2013

(CZK thousand)

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

6. ADDITIONAL INFORMATION ON THE BALANCE SHEET**6.1. INTANGIBLE FIXED ASSETS****Cost**

(CZK thousand)

	Balance at 1 Jan 2013	New acquisitions	Additions	Disposals	Impact of FX differences
Research and development	4 553	0	0	0	0
Start-up costs	93	0	0	0	0
Goodwill	360	0	0	0	25
Software	294 841	0	29 818	16 399	340
Valuable rights	585 517	0	29 769	34 642	805
Other intangible FA	183 284	52	155	132 330	-1
Intangible FA under construction	21 666	0	44 974	56 126	16
Prepayments for intangible FA	72	0	0	72	0
Total	1 090 386	52	104 716	239 569	1 185

(CZK thousand)

	Balance at 31 Dec 2013	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2014
Research and development	4 553	0	0	0	4 553
Start-up costs	93	0	0	0	93
Goodwill	385	0	0	-6	379
Software	308 600	12 169	4 135	-107	316 527
Valuable rights	581 449	24 120	0	-582	604 987
Other intangible FA	51 160	1 924 123	1 726 257	-1	249 025
Intangible FA under construction	10 530	54 915	33 095	1	32 351
Prepayments for intangible FA	0	0	0	0	0
Total	956 770	2 015 327	1 763 487	-695	1 207 915

Accumulated Amortisation and Provisions

(CZK thousand)

	Balance at 1 Jan 2013	New acquisitions	Additions	Disposals	Impact of FX differences
Research and development	3 870	0	683	0	0
Start-up costs	93	0	0	0	0
Goodwill	360	0	0	0	25
Software	272 839	0	9 465	15 431	320
Valuable rights	468 459	0	19 301	17 221	607
Other intangible FA	10 915	0	712	0	25
Intangible FA under construction	796	0	0	0	0
Total	757 332	0	30 161	32 652	977

(CZK thousand)

	Balance at 31 Dec 2013	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2014
Research and development	4 553	0	0	0	4 553
Start-up costs	93	0	0	0	93
Goodwill	385	0	0	-6	379
Software	267 193	12 437	4 061	-127	275 442
Valuable rights	471 146	46 898	25 113	-449	492 482
Other intangible FA	11 652	681	68	-13	12 252
Intangible FA under construction	796	0	796	0	0
Total	755 818	60 016	30 038	-595	785 201

Net Book Value

(CZK thousand)

	Balance at 31 Dec 2013	Balance at 31 Dec 2014
Research and development	0	0
Start-up costs	0	0
Software	41 407	41 085
Valuable rights	110 303	112 505
Other intangible FA	39 508	236 773
Intangible FA under construction	9 734	32 351
Prepayments for intangible FA	0	0
Total	200 952	422 714

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..

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 40,117 thousand and CZK 33,642 thousand for the years ended 31 December 2014 and 2013, respectively.

Other intangible assets include greenhouse gas emission allowances.

During 2014, the Company obtained 4,417,836 emission allowances for 2013 in the amount of CZK 774,366 thousand and 4,281,287 emission allowances for 2014 in the amount of CZK 812,574 thousand free of charge. As of the balance sheet date of 31 December 2014, the Company recognised a disposal of emission allowances for 2013 of CZK 499,849 thousand, consumption of emission allowances for 2013 of CZK 168,893 thousand and consumption of emission allowances for 2014 of CZK 824,167 thousand.

During 2014, the Company sold 5,000 emission allowances. The effect of the sale of the allowances was CZK 761 thousand. During 2014, the Company acquired 132,134 ERU allowances of CZK 761 thousand and exchanged these ERU allowances for 132,134 EUA allowances. In addition, the Company acquired 92,895 ERU allowances of CZK 535 thousand in the year ended 31 December 2014. During 2014, the Company additionally acquired 599,000 EUA allowances of CZK 102,433 thousand.

As of 31 December 2014, the Company was not allocated the emission allowances for the Tube Rolling Mill (the VT operation) for 2014. The Company recognised the consumption of allowances and the use of the subsidy for allowances for this plant of CZK 1,048 thousand, to the debit and credit of account 347- Subsidies for emission allowances with a corresponding entry to the relevant expense and income account.

As of 31 December 2013, the Company was not allocated the emission allowances for 2013. For the year ended 31 December 2013, the Company recognised the consumption of emission allowances in the amount of CZK 515,144 thousand to the debit and credit of account 347 - Subsidies for emission allowances with a corresponding entry to the relevant expense and income account.

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 45,415 thousand and CZK 42,342 thousand as of 31 December 2014 and 2013, respectively.

6.2. TANGIBLE FIXED ASSETS

Cost

(CZK thousand)

	Balance at 1 Jan 2013	New acquisitions	Additions	Disposals	Impact of FX differences
Land	1 117 093	0	23 280	10 600	1 406
Structures	12 254 917	0	407 457	110 805	20 913
Individual tangible movable assets	31 800 252	2 629	1 566 406	391 586	60 618
Other tangible FA	193 307	122	2 229	2 508	-2 805
Tangible FA under construction	662 413	0	2 333 366	1 898 994	487
Prepayments	127 888	990	523 347	363 819	0
Total	46 155 870	3 741	4 856 085	2 778 312	80 619

(CZK thousand)

	Balance at 31 Dec 2013	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2013
Land	1 131 179	1 056	891	-787	1 130 557
Structures	12 572 482	433 495	5 907	-7 963	12 992 107
Individual tangible movable assets	33 038 319	2 164 748	563 888	-28 132	34 611 047
Other tangible FA	190 345	12 149	3 466	-1 042	197 986
Tangible FA under construction	1 097 272	2 929 074	2 563 920	-380	1 462 046
Prepayments	288 406	316 382	512 141	0	92 647
Total	48 318 003	5 856 904	3 650 213	-38 304	50 486 390

Accumulated Depreciation and Provisions

(CZK thousand)

	Balance at 1 Jan 2013	New acquisitions	Additions	Disposals	Impact of FX differences
Structures	5 999 612	0	309 418	67 602	10 350
Individual tangible movable assets	21 787 745	277	1 360 739	390 735	43 061
Other tangible FA	122 607	39	29 723	5 793	1 000
Tangible FA under construction	36 814	0	1 554	2 840	0
Prepayments	1 685	0	0	1 048	0
Total	27 948 463	316	1 701 434	468 018	54 411

(CZK thousand)

	Balance at 31 Dec 2013	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2013
Structures	6 251 778	307 424	6 423	-3 213	6 549 566
Individual tangible movable assets	22 801 087	1 386 175	564 587	-18 942	23 603 733
Other tangible FA	147 576	38 461	2 979	-647	182 411
Tangible FA under construction	35 528	134	622	0	35 040
Prepayments	637	0	637	0	0
Total	29 236 606	1 732 194	575 248	-22 802	30 370 750

Net Book Value

(CZK thousand)

Net book value	Balance at 31 Dec 2013	Balance at 31 Dec 2014
Land	1 131 179	1 130 557
Structures	6 320 704	6 442 541
Individual tangible movable assets	10 237 232	11 007 314
Other tangible FA	42 769	15 575
Tangible FA under construction	1 061 744	1 427 006
Prepayments for tangible FA	287 769	92 647
Total	19 081 397	20 115 640

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.

Principal additions to tangible fixed assets for the year ended 31 December 2014 are as follows:

(CZK thousand)

Renovation of the KDT rolling mill	760 099
Acquisition of the peeling line	253 609
Acquisition of the peeling hall and refining line	164 006
Material and refractory concrete line	34 607

Principal additions to tangible fixed assets under construction for the year ended 31 December 2014 were as follows:

(CZK thousand)

NK 14 boiler	333 257
Acquisition of the second passing line	137 136
Acquisition of new technology - removal of exhaust gases and dust removal from nodes at sintering plant 2 using an environmental subsidy	47 621
Modernisation and renovation of KB 11	39 356
Power supply for new technologies	19 877

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

Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets amounted to CZK 1,715,737 thousand and CZK 1,659,780 thousand for the years ended 31 December 2014 and 2013, 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 757,697 thousand and CZK 721,635 thousand as of 31 December 2014 and 2013, respectively.

Fair Value

In 2014 and 2013, no assets were revalued to fair value at any of the entities.

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

(CZK thousand)

31 December 2014	Passenger cars	Machinery and equipment	Balance at 31 Dec 2014
Total estimated sum of lease instalments	4 035	65 567	69 602
Payments made as of 31 Dec 2014	1 754	43 563	45 317
Due in the following years	2 281	22 004	24 285

(CZK thousand)

31 December 2013	Passenger cars	Machinery and equipment	Balance at 31 Dec 2013
Total estimated sum of lease instalments	3 792	47 791	51 583
Payments made as of 31 Dec 2013	1 788	26 913	28 701
Due in the following years	2 004	20 878	22 882

On 31 January 2013, ŽDB DRÁTOVNÁ 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) 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.

Operating Leases

In the years ended 31 December 2014 and 2013, rental amounted to CZK 56,567 thousand and CZK 41,798 thousand, respectively.

6.4. FIXED ASSETS PLEDGED AS SECURITY

31 December 2014

Description of assets	Net book value	Description, scope and purpose of pledge/lien
TFA	261 653	Loan from Česká spořitelna, a.s.
Land	26 630	
TFA	192 970	Loan from Československá obchodní banka, a.s.
Land	10 612	
TFA	601 396	Loan from HSBC Bank plc – Prague branch
Land	110 496	
Land	699	Loan from UniCredit Bank Czech Republic and Slovakia, a.s.
TFA	445 066	Loan from Československá obchodní banka, a.s., pledge of assets of up to
TFA	418 308	Loan from Československá obchodní banka, a.s., pledge of assets of up to CZK 926,452 thousand
Land	34 415	
Technology	544 554	
TFA	26 866	Loan for an investment from UniCredit Bank Czech Republic and Slovakia, a.s.
TFA	24 984	Loan for an investment from UniCredit Bank Czech Republic and Slovakia, a.s.
TFA	124 588	Overdraft loan from Československá obchodní banka, a.s.
Land	10 614	
Technology	141 844	UniCredit Bank Czech Republic and Slovakia, a.s. – pledge for the investment loan for funding of the NK 14 boiler construction
TFA	144 518	Loans from České spořitelny, a.s.
TFA*	77 904	Loan from ING Bank Śląski S.A., collateralised by machinery up to PLN 12,000 thousand
TFA*	12 335	Loan from ING Bank Śląski S.A., collateralised by fixed assets up to PLN 1,900 thousand
TFA*	29 928	State grant from the Ministry for National Economy (Hungary)
TFA, land	1 422	Loan from Citibank Europe plc.
TFA, land	1 242	Loan from Citibank Europe plc.
TFA, land	543	Loan from Citibank Europe plc.
TFA, land	65	Loan from Citibank Europe plc.
TFA, land	13 659	Investment loan from Československá obchodní banka, a.s.
TFA, land	57	Investment loan from Československá obchodní banka, a.s.
TFA, land	36 273	Loan from UniCredit Bank, a.s.
TFA, land	164 455	Loan from Raiffeisenbank, a.s.
TFA, land	0	Loan from Česká spořitelna a.s.
TFA, land	60 574	Loan from Oberbank AG
TFA, land	6 154	Loan from Oberbank Leasing spol. s r.o.
TFA, land	0	Loan from Citibank Europe plc.
TFA, land	52 000	Loan from Raiffeisenbank, a.s.
Total	3 576 824	

* translated using the exchange rate promulgated by the Czech National Bank as of 31 December 2014

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 železářny, 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.
Total	4 280 198	

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

6.5. SUMMARY OF UNCONSOLIDATED INVESTMENTS

6.5.1. Summary of Unconsolidated Investments in 2014

Balance at 31 December 2014

(CZK thousand)

Company name	Equity investments – subsidiaries						
	Cost	Nominal value	Share in %	Equity	Profit/ loss	Provision	Net cost
Moravia Steel Slovenija, d.o.o.	1 573	867	51	3 049	1 507	0	1 573
Moravia Steel Ibéria,s.a.	10 850	2 533	99.33	15 597	1 625	0	10 850
Moravia Goel Trade, d.o.o.*)	59	59	60	*)		59	0
MS – Slovensko s.r.o.	161	160	100	1 016	-15	0	161
Moravia Steel Israel Ltd.	605	466	100	7	-36	0	605
Barrandov Productions s.r.o.	100	100	100	6 082	10	0	100
FILMOVÁ NADACE **)	500	500	100	2 673	-72	0	500
Total	13 848	4 685				59	13 789

*) In liquidation

**) balance at 31 December 2014, reporting period ended 28 February 2015, Filmová nadace RWE & Barrandov Studio was renamed to FILMOVÁ NADACE during the year

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	46 896	2 837	0	0
Doprava TŽ, a.s., Třinec – Staré Město	16 000	115	100.00	40 110	4 773	0	0
TRIALFA, s.r.o., Třinec – Kanada	100	0	100.00	18 486	505	0	0
Steel Consortium Partners, a.s., "in liquidation", Třinec – Staré Město	19 000	117	100.00	1 129	-111	-17 871	0
Reťaze Slovakia s.r.o., Skalica (Slovakia)	4 936	0	80.00	15 395	2 400	0	1 756
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Vítkovice, Ostrava	46 197	0	90.00	46 168	1 305	0	0
TRISIA, a.s., Třinec	9 900	990	66.00	54 234	-1 880	0	0
„ZAMECZEK BŁOGOCICE” Spółka z ograniczoną odpowiedzialnością, Cieszyn, (Poland)	48 558	0	88.00	50 062	500	-4 875	0
Moravia Security, a.s., Třinec – Kanská	12 000	12	100.00	19 933	2 217	0	0
TŘINECKÁ PROJEKCE, a.s., Třinec – Kanada	2 745	183	83.18	15 921	3 186	0	0
DALSELV DESIGN a.s., Ostrava-Mariánské Hory	1 360	12	68.00	10 805	4 437	-22 653	0
Total						-45 399	1 756

In italics – preliminary results as of 31 December 2014

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	-24 368		-48 345	0
Total	48 345	48 345				-48 345	0

* In 2014, 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 2014 (2013), 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 2014.

6.5.2. 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	100	6 073	-782	0	100
Filmová nadace RWE & Barrandov Studio **)	500	500	100	2 817	-140	0	500
Total	13 848	4 685				-59	13 789

*) 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 – Kanská	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
Total						-48 810	1 668

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
Total	48 345	48 345				-48 345	0

* In 2013, 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.

6.6. ACCOUNTING FOR GOODWILL ARISING ON CONSOLIDATION

2014

(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
„D&D” Drótaru Zrt.	364 973	348 832	16 141	0	1 641	0
ŽDB DRÁTOVNA a.s.	250 556	0	250 556	0	0	0
Total	781 633	397 695	383 938	0	1 641	0

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” Drótaru Zrt.	365 173	347 192	17 981	0	282 202	0
ŽDB DRÁTOVNA a.s.	255 534	0	255 534	0	0	0
Total	786 811	396 055	390 756	0	369 549	0

6.7. SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING

(CZK thousand)

Securities and equity investments under equity accounting	2014	2013
VESUVIUS ČESKÁ REPUBLIKA, a.s.	155 395	154 389
Kovárna VIVA a.s.	395 131	339 982
AHP HYDRAULIKA a.s.	0	0
Moravia Steel Middle East FZCO	28 659	30 439
Total	579 185	524 810

6.8. NON-CURRENT FINANCIAL ASSETS PLEDGED AS SECURITY

As of 31 December 2014, the Company records non-current financial assets pledged as security with the nominal value of CZK 132,000 thousand.

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

6.9. INVENTORY

As of 31 December 2014, „METALURGIA“ S.A. has pledged the inventory up to PLN 13,000 thousand (CZK 84,396 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 46,221 thousand).

6.10. RECEIVABLES

6.10.1. Structure of Short-Term Receivables

As of 31 December 2014, gross short-term trade receivables past their due dates amounted to CZK 1,563,581 thousand (net CZK 1,605,668 thousand). 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).

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

During 2014 and 2013, Hanácké železářny a pérovny, a.s. provided short-term receivables before their due dates of CZK 60 million as a pledge for loans from Česká spořitelna, a.s., with a monthly renewal.

As of 31 December 2014, ŽDB DRÁTOVNA a.s. records pledged receivables of CZK 685,216 thousand based on the Loan Contract concluded with Československá obchodní banka, a.s. As of 31 December 2013, the pledged receivables amounted to CZK 3,565 thousand.

As of 31 December 2014, Šroubárna Kyjov, spol. s r.o. records pledged receivables of CZK 115,368 thousand based on the Loan Contract concluded with Československá obchodní banka, a.s. As of 31 December 2013, the pledged receivables amounted to CZK 91,986 thousand.

As of 31 December 2014, VÚHŽ a.s. pledged receivables of CZK 10,644 thousand. The pledge results from the concluded Contract for the Establishment of a Pledge of Receivables in Československá obchodní banka, a.s., and collateralises the provided short-term loans. As of 31 December 2013, this pledge amounted to CZK 10,328 thousand.

As of 31 December 2014, „METALURGIA“ S.A. records pledged receivables of PLN 2,747,378.89 (CZK 17,836 thousand) with ING Commercial Finance Polska S.A. As of 31 December 2013, the pledged receivables amounted to PLN 3,115,102.06 (CZK 20,569 thousand).

6.10.3. Intercompany Receivables

Short-Term Receivables

(CZK thousand)

Entity	Balance at 31 Dec 2014	Balance at 31 Dec 2013
DOPRAVA TŽ, a.s.	1 121	1 963
Kovárna VIVA a.s.	86 418	71 691
Kvalifikační a personální agentura, o.p.s.	0	3
Moravia Security, a.s.	1 300	139
Security Morava, s.r.o.	4	0
TRIALFA, s.r.o.	3 152	4 412
TRISIA, a.s.	15	8
TŘINECKÁ PROJEKCE, a.s.	155	332
Třinecké gastroslužby, s.r.o.	3 017	1 756
VESUVIUS ČESKA REPUBLIKA, a.s.	5 319	5 136
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	35	95
Střední odborná škola Třineckých železáren*	0	867
Barrandov Productions, s.r.o.	0	11 325
Steel Consortium Partners, a.s.	20	22
FILMOVÁ NADACE **	0	13
AHP Hydraulika, a.s.	1	540
Total	100 557	98 302
· Short-term prepayments made		
Třinecké gastroslužby, s.r.o.	0	530
Total	0	530
· Other receivables		
Provisions against other intercompany receivables	0	0
Total net	0	0
Total short-term intercompany receivables	100 557	98 832
Other than intercompany receivables	8 252 064	8 479 748
Total net short-term receivables	8 352 621	8 578 580

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

**) Filmová nadace RWE & Barrandov Studio was renamed to FILMOVÁ NADACE during the year

Long-Term Receivables

(CZK thousand)

Entity	Balance at 31 Dec 2014	Balance at 31 Dec 2013
Barrandov Productions, s.r.o.	6 870	0
Total long-term intercompany receivables	6 870	0
Other than intercompany receivables	262 591	305 275
Total net long-term receivables	269 461	305 275

Long-term receivables past their due dates by more than 5 years as of 31 December 2014 amounted to CZK 282 thousand (2013: CZK 201 thousand).

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 2014.

6.11.2. Share Capital

As of 31 December 2014, 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 2014, the Company records a long-term payable of CZK 1,100,000 (2013: CZK 1,650,000 thousand) arising from the outstanding portion of the purchase price for the purchase of securities of TRINECKÉ ŽELEZÁRNY, a.s. This is a payable to FINITRADING, a.s.

6.13.2. Short-Term Trade Payables

As of 31 December 2014, short-term trade payables past their due dates amount to CZK 72,871 thousand (2013: CZK 83,339 thousand).

6.13.3. Payables – Controlled or Controlling Entity

As of 31 December 2014, 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 1,669,800 thousand, of which the interest on payables amounts to CZK 19,800 thousand. The payable is contracted to be settled in five repayments by 2017. The long-term portion of the loan of CZK 1,100,000 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 2014 and 2013, due amounts arising from social security and state employment policy contributions and public health insurance amounted to CZK 198,959 thousand and CZK 179,548 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'. This payable was settled in 2014.

6.13.5. Intercompany Payables**Short-Term Payables**

(CZK thousand)

Entity	Balance at 31 Dec 2014	Balance at 31 Dec 2013
Doprava TŽ, a.s.	12 680	13 517
Hutnictví železa, a.s.	563	593
Moravia Security, a.s.	14 833	11 121
TRIALFA, s.r.o.	16 492	15 056
TRISIA, a.s.	1 317	929
TŘINECKÁ PROJEKCE, a.s.	5 889	8 032
Třinecké gastroslužby, s.r.o.	10 287	15 039
VESUVIUS ČESKÁ REPUBLIKA, a.s.	8 695	10 945
Security Morava s.r.o.	294	194
ZAMECZEK BŁOGOCICE Sp. zo.o.	109	111
FINITRADING, a.s.	216 550	285 222
Moravia Steel Ibéria, s.a.	10 533	0
MORAVIA STEEL SLOVENIJA d.o.o.	4 097	3 186
MORAVIA STEEL MIDDLE EAST, ltd.	7 737	0
Kvalifikační a personální agentura, o.p.s.	0	10
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	654	1 744
HRAT, s.r.o.	36	42
Střední odborná škola Třineckých železáren*	0	3 073
DALSELV DESIGN a.s.	3 640	7 612
Total short-term intercompany payables	314 406	376 426
Other than intercompany payables	7 441 970	8 149 705
Total short-term payables	7 756 376	8 526 131

*) 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 2014	Balance at 31 Dec 2013
Difference between the tax and accounting carrying values of fixed assets	19	8 433 632	8 120 982
Difference between the tax and accounting carrying values of fixed assets	10	142 657	146 325
Revaluation of securities available for sale	19	-58	-54
Revaluation of assets to fair value charged to equity	19	191 750	212 493
Revaluation of assets to fair value charged to consolidation goodwill	19	42 845	44 829
Revaluation of assets to fair value charged to consolidation goodwill	10	49 890	76 092
Accounting reserves	19	-219 441	-328 223
Provisions	19	-679 356	-673 491
Provisions	10	-6 839	-8 194
Outstanding default interest	19	0	0
Expenses deductible in the following years	19	-80 808	-122 857
Expenses deductible for tax purposes in the following years	10	-110	-2 091
Utilisable tax loss	19	-12 284	-175 523
Outstanding default interest	19	-28 913	-42 720
Unrealised profit on the sale of tangible FA within the Group	19	-295 467	-302 856
Other	10	27 038	28 397
Total temporary differences		7 564 536	6 973 109
Deferred tax liability		1 418 125	1 303 055

(CZK thousand)

Analysis of movements		
1 Jan 2013		1 027 009
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
31 Dec 2013		1 303 055
Current changes charged to the profit and loss account		125 349
Current changes charged to equity		-4 915
Charge against positive goodwill on consolidation		-5 364
Other		0
31 Dec 2014		1 418 125

6.14.2. Deferred Tax Asset

(CZK thousand)

	Tax rate	Balance at 31 Dec 2014	Balance at 31 Dec 2013
Difference between the tax and accounting net book value of fixed assets	19	-6 832	0
Accounting reserves	19	6 398	10 310
Provisions	19	3 669	0
Expenses deductible for tax purposes in the following years	19	3 246	0
Unrealised profit on the sale of inventory and assets within the Group	19	373 068	249 273
Total temporary differences		379 547	259 583
Deferred tax asset		72 114	49 321

(CZK thousand)

Analysis of movements		
1 Jan 2013		57 990
Current changes charged to the profit and loss account		-8 797
Current changes charged to equity		128
31 Dec 2013		49 321
Current changes charged to the profit and loss account		22 816
Current changes charged to equity		-23
31 Dec 2014		72 114

6.14.3. Bank Loans and Borrowings**6.14.4. Long-Term Bank Loans**

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2014	Balance at 31 Dec 2013	Form of collateral at 31 Dec 2014
Investment loan	CZK	189 460	431 560	Immovable and movable assets, securities, receivables from insurance, promissory bill of exchange
Investment loan	EUR	141 891	0	Hermes guarantee insurer
Investment loan	CZK	0	500 000	Movable and immovable assets, receivables from insurance, promissory bill of exchange
Investment loan	CZK	180 000	0	Securities, promissory bill of exchange
Investment loan	CZK	199 727	240 000	ODL guarantee insurer
Investment loan	EUR	694 737	197 222	Immovable and movable assets, securities, promissory bill of exchange
Investment loan	CZK	413 644	947 368	Immovable and movable assets, promissory bill of exchange
Investment loan	EUR	0	2 057	KEH8, KER8 line
Tem loan	CZK	99 073	155 686	Receivable, pledge of real estate including its parts and accessories
Investment loan	EUR	5 441	8 781	Pledge of real estate
Investment loan	EUR	5 871	8 711	Pledge of real estate
Investment loan	CZK	112 500	150 000	Blank bill of exchange, pledge of movable assets
Investment loan	CZK	4 695	9 375	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	6 258	9 569	Pledge of real estate, pledge of movable assets, pledge of receivables from insurance of immovable and movable assets
Investment loan	CZK	6 000	10 000	Pledge of real estate, pledge of movable assets, pledge of receivables from insurance of immovable and movable assets
Investment loan	EUR	4 436	10 970	KPH 600 machine, KLM measurement system
Investment loan	EUR	9 371	16 510	Collateral by tangible assets
Investment loan	EUR	8 387	0	
Investment loan	CZK	0	11 364	Pledge of real estate
Investment loan	CZK	0	6 929	Pledge of financed asset
Investment loan	CZK	474	717	Pledge of financed asset
Investment loan	CZK	5 622	5 622	Real estate and movable assets, securities, receivables from insurance, promissory bill of exchange
Total		2 087 587	2 722 441	

Short-Term Bank Loans

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2014	Balance at 31 Dec 2013	Form of collateral at 31 Dec 2014
Investment loan	EUR	8 868	11 228	Hermes guarantee insurer
Overdraft	CZK	486	174 686	Blank bill of exchange
Overdraft	CZK	20 359	221 051	Blank bill of exchange
Investment loan	CZK	0	200 000	Movable and immovable assets KB12, receivables from insurance, bill of exchange
Overdraft	CZK	20 035	17 664	Blank bill of exchange
Overdraft	CZK	22 929	33 159	Blank bill of exchange
Revolving loan	CZK	20 000	0	No collateral
Investment loan	CZK	242 100	252 640	Immovable and movable assets, securities, bill of exchange
Investment loan	EUR	2 080	8 227	KEH8, KER8 line
Investment loan	EUR	6 654	6 582	KPH 600 machine, KLM measurement system
Investment loan	EUR	7 319	5 430	Collateral by tangible assets
Investment loan	EUR	1 677	0	
Investment loan	CZK / EUR	0	96 879	Movable assets, receivables from insurance, promissory blank bill of exchange
Investment loan	PLN	40 760	52 009	Pledge
Investment loan	PLN	49 637	30 149	Pledge
Investment loan	EUR	3 436	3 399	Pledge of real estate
Term loan (special purpose)	CZK	56 613	56 613	Assets and receivables
Revolving loan	CZK	160 000	420 000	Assets and receivables
Revolving loan	EUR	277 250	0	Assets and receivables
Overdraft	CZK	20 142	150 586	Promissory blank bill of exchange
Investment loan	EUR	30 727	30 299	ODL guarantee insurer
Investment loan	CZK	60 000	60 000	Securities, promissory blank bill of exchange
Investment loan	CZK	252 632	252 632	Immovable and movable assets, securities, receivables from insurance, promissory bill of exchange
Investment loan	CZK	120 000	0	Immovable and movable assets, promissory bill of exchange
Investment loan	EUR	2 936	2 904	Pledge of real estate
Revolving loan	CZK	0	20 000	Pledge of immovable and movable assets, pledged receivables from insurance of immovable and movable assets
Investment loan	CZK	4 680	4 688	Pledge of immovable and movable assets, pledged receivables from insurance of immovable and movable assets, pledge of trade receivables
Investment loan	EUR	3 139	2 824	Pledge of immovable and movable assets, pledged receivables from insurance of immovable and movable assets
Investment loan	CZK	4 000	4 000	Pledge of immovable and movable assets, pledged receivables from insurance of immovable and movable assets
Operating overdraft	CZK	98 461	0	Promissory blank bill of exchange
Investment loan	CZK	37 500	0	Pledge of movable assets, promissory bill of exchange
Overdraft	CZK	49 972	0	Pledge of receivables, blank bill of exchange issued by MORAVIA STEEL a.s.
Operating loan	CZK	50 000	250 000	Pledge of receivables, blank bill of exchange issued by MORAVIA STEEL a.s.
Operating loan	CZK	50 000	300 000	Pledge of receivables, blank bill of exchange issued by MORAVIA STEEL a.s.
Operating loan	CZK	50 000	300 000	Pledge of receivables, blank bill of exchange issued by MORAVIA STEEL a.s.
Overdraft	CZK	23 280	15 198	Pledge of future receivables, pledge of real estate, bill of exchange
Operating loan	CZK	11 364	13 636	Pledge of real estate
Investment loan	CZK	6 929	8 809	Pledge of financed asset
Investment loan	CZK	243	233	Pledge of financed asset
Overdraft	CZK	33 353	18 247	Pledge of real estate, bill of exchange, cession of receivables
Operating loan	CZK	150 000	195 000	Pledge of real estate
Investment loan	CZK	0	5 621	Pledge of real estate, bill of exchange
Total		1 999 561	3 224 393	

Short-Term Financial Borrowings

(CZK thousand)

Purpose	Currency	Balance at 31 Dec 2014	Balance at 31 Dec 2013	Provider
Short-term	EUR	0	57 682	Ferroservis Bratislava s.r.o.
Short-term	EUR	0	29 464	Slovenská plavba a prístavy a.s.
Short-term	PLN	85	132	BNP PARIBAS Bank Polska SA
Short-term	EUR	0	22	Michal Krkoška
Total		85	87 300	

6.15. MINORITY EQUITY

(CZK thousand)

	Share capital	Capital funds	Statutory reserve fund	Statutory and other funds	Accumulated profit brought forward	Profit/loss for the current period	Total
31 Dec 2012	1 703 612	3 310	214 120	603 775	1 931 270	255 691	4 711 778
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 investment 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/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
31 Dec 2013	85 378	2 658	16 573	14	346 646	45 567	496 836
Distribution of profit/loss	0	0	556	0	23 683	-24 239	0
Dividends	0	0	0	0	0	-21 328	-21 328
Share capital increase	0	0	0	0	0	0	0
Impact of changes in the consolidated group	0	0	0	0	0	0	0
Purchase of a minority share by the majority owner	-980	2 885	-196	0	-103 987	-3 937	-106 215
Revaluation of assets and liabilities	0	-198	0	0	0	0	-198
Other profit or loss	0	0	0	0	0	0	0
Profit for the period	0	0	0	0	0	28 202	28 202
Share in profit of equity accounted investments attributable to minority shareholders	0	0	0	0	0	0	0
Other	0	0	0	-14	-1	0	-15
31 Dec 2014	84 398	5 345	16 933	0	266 341	24 265	397 282

6.16. OTHER OFF-BALANCE SHEET LIABILITIES

MORAVIA STEEL a.s.

As of 31 December 2014, the Company was involved in no legal dispute, the outcome of which would significantly impact the Company.

As of 31 December 2014, the guarantees issued by the bank on behalf of the Company in favour of third parties amounted to CZK 13,222 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 court has recorded 75 petitioners as participants in the proceedings, they have asked the court to re-examine the adequacy of the amount of the payment provided by the majority shareholder, the Company, to minority shareholders. Some of them filed collective legal actions (petitions) in which they are represented by a joint attorney-at-law. It means that there are fewer petitions for re-examination than petitioners and a number of petitions are almost identical, yet the range of objections is rather extensive.

As of the balance sheet date, the first hearing in the case was neither held nor ordered.

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.

The legal dispute is in the phase of first-instance procedures and preparation of the first verbal proceedings where the parties are

presenting their written statements on the case to the court. The period for the filing of these statements has been determined to be 31 March 2015; however, it has currently been extended to 30 June 2015.

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

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

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 2014

Type of liability	Total amount	Balance at 31 Dec 2014
Guarantees	USD 550 thousand	CZK 12 559 thousand
- to other entities	EUR 2 602 thousand	CZK 72 143 thousand
	CZK 4 000 thousand	CZK 4 000 thousand

31 December 2013

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

Legal Disputes

The dispute of the EcoNet CENTRUM civic association (currently 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 Head Court in Prague rejected the plaintiff's appeal and 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. According to the agreement, the plaintiff paid part of the costs relating to the dispute to the Company and the Company agreed with the withdrawal of the legal action. The proceedings were discontinued by the resolution of the Regional Court in Ostrava of 2 July 2014 after the plaintiff withdrew the legal action; the case was effectively discontinued on 23 August 2014.

The petition of a shareholder, Marek Veselý, regarding the invalidity of the resolution passed at the Company's annual general meeting of shareholders held on 30 June 2010, was rejected by the Regional Court in Ostrava as lacking merit in its ruling no. 29Cm 142/2010-99 of 25 August 2011. The plaintiff appealed the ruling. The Head 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 Head Court in Olomouc addressed to the Regional Court in Ostrava on 16 July 2012. The Supreme Court decided on this appeal by its ruling file no. 29 Cdo 3284/2012 dated 27 November 2014 stating that the above rulings of the Head Court in Olomouc and the Regional Court in Ostrava are cancelled and the case is returned to the court of first instance for further proceedings. The Company continues to consider the claim to completely lack merit.

The legal action filed by the ADMINISTRATIVNÍ CENTRUM TSP civic association (currently 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 case was effectively discontinued on 18 November 2013.

The legal action filed by the ADMINISTRATIVNÍ CENTRUM TSP civic association (currently 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. It means that 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 or whether the creditors under this liability are the former shareholders of the Company. The Company is negotiating with the plaintiff with the objective of reaching amicable settlement of the dispute.

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 resolution of the Regional Court in Ostrava dated 15 April 2014 rejected the petition. The petitioners appealed the resolution on 10 July 2014. At its proceedings held on 11 February 2015, the Head Court in Olomouc confirmed the ruling of the Regional Court in Ostrava on the rejection of the petition; the Company has not yet received the written ruling of the Head Court in Olomouc. The Company considers the petition to completely lack merit.

Requests of certain former shareholders of the Company for reviewing the adequacy of the payments that belong to former shareholders according to the resolution of the extraordinary general meeting of the Company 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. In these requests, the Company was referred to as another participant in the proceedings.

The Company records 75 petitioners involved in the proceedings.

The proceedings in this case have not yet been ordered.

The Company is also involved in the proceedings for determining the amount of consideration initiated by the branch association OSMA – ČR – OJ036 at the District Court in Liberec; in respect of this filing the Head Court in Prague decided on the regional courts being locally competent to handle this case and transferred the case to the Regional Court in Ústí nad Labem for further proceedings.

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

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 2014 and 2013, the Company drew CZK 506,646 thousand and CZK 489,345 thousand, respectively.

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

ENERGETIKA TŘINEC, a.s.

Collateral for loans

(CZK thousand)

Type of liability	Balance at 31 Dec 2014	Balance at 31 Dec 2013
Blank bills of exchange – collateral for overdraft loans	200 000	200 000
Blank bills of exchange – collateral for long-term loans	150 000	150 000
Total	350 000	350 000

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 2014 and 2013, provided guarantees amount to CZK 1,477 thousand and CZK 3,906 thousand, respectively. This is a bank guarantee to customers of the company provided over the warranty period.

Easements

Land and buildings of VÚHŽ a.s. are under an easement in favour of Jindřich Rašner and Jaroslav Vaníček – easement of walking and riding, access for the purpose of repairs and maintenance, entry to the building.

Other easements consist of the ground sewerage piping, water service pipe, telephone line and electricity connection, entry to them, maintenance, repairs and other necessary activities.

ŽDB DRÁTOVNA a.s.**Environmental Liabilities**

ŽDB DRÁTOVNA a.s. 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 DRÁTOVNA a.s.

Additionally, ŽDB DRÁTOVNA a.s. 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.

Šroubárna Kyjov, spol. s r.o.

Šroubárna Kyjov, spol. s r.o. stores material of another firm amounting to CZK 2,782 thousand in its warehouse.

Hanácké železářny a pérovny, a.s.

As of the consolidated balance sheet date, Hanácké železářny a pérovny, a.s. records future payables arising from capital costs resulting from concluded contracts of CZK 8,486 thousand (CZK 4,581 thousand and EUR 141 thousand).

„D&D“ Drótáru Zrt., SV servisní, s.r.o., Řetězárna a.s., REFRASIL, s.r.o., „METALURGIA“ S.A., Strojírny a stavby Třinec, a.s., Slévárny Třinec, a.s., 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, MSProjects International s.r.o., Kovárna VIVA a.s., Moravia Steel Middle East FZCO and AHP Hydraulika, a.s. 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

2014

(CZK thousand)

Activities	Inland	Cross-Border	Total
Metallurgic production	13 780 568	29 305 616	43 086 184
Energy production	1 745 711	2 085 019	3 830 730
Sale of goods	61 500	100 628	162 128
Services	1 791 273	240 019	2 031 292
Change in inventory	1 245 461	28 294	1 273 755
Own work capitalised	786 607	1 755	788 362
Total	19 411 120	31 761 331	51 172 451

2013

(CZK thousand)

Activities	Inland	Cross-Border	Total
Metallurgic production	12 863 028	31 018 723	43 881 751
Other 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
Total	16 986 066	33 724 224	50 710 290

7.2. OTHER INCOME AND EXPENSES

Costs of advisory, consulting and audit activities amounted to CZK 119,662 thousand and CZK 89,320 thousand as of 31 December 2014 and 2013, respectively.

Other operating income as of 31 December 2014 and 2013 predominantly included the use of the grant for greenhouse gas emission allowances in the amounts of CZK 893,730 thousand and CZK 515,144 thousand, respectively.

Other operating expenses as of 31 December 2014 and 2013 predominantly included the use of greenhouse gas emission allowances in the amounts of CZK 993,933 thousand and CZK 515,470 thousand, respectively.

Other financial income and expenses in the years ended 31 December 2014 and 2013 predominantly included foreign exchange rate gains and losses.

7.3. GRANTS

In 2014, TŘINECKÉ ŽELEZÁRNY, a. s. used a grant for the acquisition of environmental investments of CZK 1,229,909 thousand (2013: CZK 142,747 thousand).

In 2014, ENERGETIKA TŘINEC, a.s. received a grant for environmental investments of CZK 219,000 thousand (2013: CZK 108,978 thousand).

In 2014, Slévárny Třinec, a.s. received a grant for an investment of CZK 50,481 thousand (2013: CZK 10,775 thousand).

In 2013, TŘINECKÉ ŽELEZÁRNY, a. s. used a public grant for the “Educational Programme of the Employees of ODVĚTVOVÝ SVAZ HUTNICTVÍ ŽELEZA“ project in the amount of CZK 52 thousand.

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.

Other grants for operating purposes of CZK 22,103 thousand drawn for 2014 (2013: CZK 16,051 thousand) include subsidies for research and development, environmental projects, education and subsidies from the labour office. Other grants additionally include grants for co-recipients of CZK 1,152 thousand and CZK 650 thousand in 2014 and 2013, respectively.

7.4. AGGREGATE RESEARCH AND DEVELOPMENT EXPENDITURE

(CZK thousand)

	31 Dec 2014	31 Dec 2013
Research and development expenditure (net of grants)	81 088	58 363

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.

2014

(CZK thousand)

Entity	Relation to the company	Goods	Products	Services	Other income	Financial income	Total
Reťaze Slovakia s.r.o.	Controlled entity	0	19 743	10	0	1 756	21 509
Doprava TŽ, a.s.	Controlled entity	5	22 045	4 961	45	0	27 056
TRIALFA, s.r.o.	Controlled entity	0	26 133	4 047	1 515	0	31 695
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	0	387	749	1	0	1 137
Třinecké gastroslužby, s.r.o.	Controlled entity	8	3 299	8 114	1 379	0	12 800
Steel Consortium Partners, a.s. „v likvidaci“	Controlled entity	0	0	72	0	0	72
Security Morava, s.r.o.	Controlled entity	0	0	40	0	0	40
TRISIA, a.s.	Controlled entity	4	0	173	852	0	1 029
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	8 820	24 029	147	0	32 996
Moravia Security, a.s.	Controlled entity	20	180	2 751	20	0	2 971
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	0	463	183	0	646
MORAVIA STEEL SLOVENIJA d.o.o.	Controlled entity	0	33	0	0	0	33
Kovárna VIVA a.s.	Associate	404 304	0	2 395	420	0	407 119
AHP HYDRAULIKA, a.s.	Associate	0	787	0	0	0	787
Moravia Steel Ibéria, s.a.	Controlled entity	0	0	17	0	0	17
FINITRADING, a.s.	Controlling entity	0	0	0	401	0	401
Barrandov Productions, s.r.o.	Controlled entity	0	0	297	1	0	298
FILMOVÁ NADACE**	Controlled entity	0	0	8	0	0	8
Total		404 341	81 427	48 126	4 964	1 756	540 614

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

** Filmová nadace RWE & Barrandov Studio was renamed to FILMOVÁ NADACE during the year

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.	Controlled entity	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
Total		324 531	84 013	49 266	2 537	1 668	462 015

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

7.5.2. Costs Incurred with Related Parties

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

2014

(CZK thousand)

Entity	Relation to the company	Fixed assets	Inventory	Services	Other expenses	Total
Reťaze Slovakia, s.r.o.	Controlled entity	0	530	416	0	946
Doprava TŽ, a.s.	Controlled entity	11	28 729	72 473	130	101 343
TRIALFA, s.r.o.	Controlled entity	0	6 910	828	82 536	90 274
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	23 364	0	10 059	38	33 461
Třinecké gastroslužby, s.r.o.	Controlled entity	0	17 541	18 251	86 575	122 367
Hutnictví železa, a.s.	Controlled entity	0	0	5 381	123	5 504
TRISIA, a.s.	Controlled entity	0	0	11 218	197	11 415
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	0	80 918	0	80 918
Security Morava, s.r.o.	Controlled entity	5	0	2 840	0	2 845
Moravia Security, a.s.	Controlled entity	5 944	17 495	64 991	39	88 469
DALSELV DESIGN a.s.	Controlled entity	23 203	1 356	344	0	24 903
„ZAMECZEK BŁOGOCICE” Sp. zo.o.	Controlled entity	0	0	1 324	0	1 324
HRAT, s.r.o.	Controlled entity	190	0	120	0	310
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	54	796	8 854	0	9 704
Moravia Steel Ibéria, s.a.	Controlled entity	0	0	20 433	0	20 433
Moravia Steel Slovenija, d.o.o.	Controlled entity	0	0	10 805	0	10 805
Kovárna VIVA a.s.	Associate	0	474	2	0	476
AHP HYDRAULIKA, a.s.	Associate	0	0	245	0	245
FINITRADING, a.s.	Controlling entity	0	2 685 246	0	0	2 685 246
Barrandov Productions, s.r.o.	Controlled entity	0	0	0	42	42
Total		52 771	2 759 077	309 502	169 680	3 291 030

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

2013

(CZK thousand)

Entity	Relation to the company	Fixed assets	Inventory	Services	Other expenses	Total
Retáže 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.	Controlled entity	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
Total		43 379	3 005 927	309 289	140 087	3 498 682

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

8. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

8.1. STAFF COSTS AND NUMBER OF EMPLOYEES

8.1.1. Staff Costs and Number of Employees for 2014

The number of the Company's employees as of 31 December 2014 was 12,634, of which 119 managers. The number of the Company's employees as of 31 December 2013 was 12,778, of which 131 managers.

The staff costs of employees in the year ended 31 December 2014 amounted to CZK 6,383,486 thousand and staff costs of managers amounted to CZK 454,060 thousand. The staff costs of employees in the year ended 31 December 2013 amounted to CZK 6,119,886 thousand and staff costs of managers amounted to CZK 435,638 thousand. The remuneration to members of the Supervisory Board in the years ended 31 December 2014 and 2013 amounted to CZK 113,458 thousand and CZK 118,055 thousand, respectively. The remuneration to members of the Audit Committee in the years ended 31 December 2014 and 2013 amounted to CZK 720 thousand and CZK 660 thousand, respectively.

The number of employees is based on the average recalculated headcount.

8.2. LOANS, BORROWINGS, AND OTHER BENEFITS PROVIDED

Amount of other supplies provided to managers, Supervisory Boards and Audit Committee:

(CZK thousand)

	2014	2013
Use of management cars (the figure increases the tax base of employees)	8 517	8 817
Contribution for life insurance	3 177	629
Liability insurance	6 829	1 361

9. POST BALANCE SHEET EVENTS

No events occurred subsequent to the balance sheet date that would have a material impact on the consolidated financial statements as of 31 December 2014.

10 [REPORT ON RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED 31 DECEMBER 2014

MORAVIA STEEL a.s., with its registered office at Průmyslová 1000, Staré Město, 739 61, Třinec, corporate ID: 63474808, recorded in the Register of Companies maintained at the Regional Court in Ostrava, Section B, File 1297, (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 Corporations 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 2014 to 31 December 2014** (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, Lyžbice, 739 61, Třinec, corporate ID: 61974692,

Relation: throughout the reporting period, FINITRADING, a.s., with its registered office at nám. Svobody 526, Lyžbice, 739 61, Třinec, corporate ID: 61974692, exercised controlling influence over MORAVIA STEEL a.s.; until 27 August 2014, along with R.F.G., a.s., with its registered office at nám. Svobody 526, 739 61 Třinec, corporate ID: 63079658, each company holding 50% share in the share capital and voting rights while acting in concert pursuant to Section 78 (1) and (2) b) of the Act on Business Corporations. Since 27 August 2014, MORAVIA STEEL a.s. has been controlled by FINITRADING, a.s. as a majority owner (sole shareholder) pursuant to Sections 73 and 74 (3) of the Act on Business Corporations, holding a 100% share in the share capital and voting rights, as a result of purchasing 50% of share capital from R.F.G., a.s.

FINITRADING, a.s. does not have a majority owner but has a shareholder that has the presumed legal status of the controlling entity under Section 75 (2) of the Act on Business Corporations: MINERFIN, a.s. with its registered office at Námestie Ludovíta Štúra 2, Bratislava 811 02, Slovakia, corporate ID: 31401333, which, however, did not effectively exercise its 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: until 27 August 2014, R.F.G., a.s. exercised its controlling influence over MORAVIA STEEL a.s., as it acted in concert with another shareholder, FINITRADING, a.s. under Section 78 (1) and (2) b) of the Act on Business Corporations.

B. ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY

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

Relation: entity controlled by the same controlling entity – FINITRADING, a.s. as the majority owner (sole shareholder) pursuant to Sections 73 and 74 (3) of the Act on Business Corporations, holding a 100% share in the share capital and voting rights, the subsidiary of the controlling entity.

C. ENTITIES CONTROLLED BY THE COMPANY

TŘINECKÉ ŽELEZÁRNY, a.s. with its registered office at Průmyslová 1000, Staré Město, Třinec, 739 61, corporate ID: 18050646 (100% share)

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

MORAVIA STEEL IBÉRIA, S.A. with its registered office at Campo Grande, 35 – 9. A, P-1700 Lisboa, Portugal, corporate ID: 503944408 (99.33% share)

Relation: entity controlled by the Company as the majority owner under Sections 73 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 Josipa Jelačica 205, 104 30 Samobor, Croatia, corporate ID: 1224395 (60% share)

Relation: entity controlled by the Company as the majority owner under Sections 73 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 Milan, Italy, corporate ID: 13254060158, (66% share)

Relation: entity controlled by the Company as the majority owner under Sections 73 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, corporate ID: 1125915, (51% share)

Relation: entity controlled by the Company as the majority owner under Sections 73 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, 51515 Kürten-Heweg, Germany, corporate ID: 192932839, (100% share)

Relation: entity controlled by the Company as the majority owner under Sections 73 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, corporate ID: 3924712, (100% share)

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

Barrandov Studio a.s. with its registered office at Křiženeckého nám. 322/5, Prague 5 - Hlubočepy, 152 00, corporate ID 28172469 (99.85% business share)

Relation: entity controlled by the Company as the majority owner under Sections 73 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 Ludovíta Štúra 2, Bratislava 811 02, Slovakia, corporate ID: 35900601, (100% share)

Relation: entity controlled by the Company as the majority owner under Sections 73 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, corporate ID: 513583765, (100% share)

Relation: entity controlled by the Company as the majority owner under Sections 73 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 **(100% share)**

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

M Steel Projects a.s., with its registered office at Třinec – Staré Město, Průmyslová 1000, 739 70, corporate ID: 286 02 331 **(100% share)**

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

Moravskoslezský kovošrot, a.s., with its registered office at Ostrava - Přívoz, Božkova 936/73, 702 00, corporate ID 26855097 **(100% share)** (until 28 March 2014, a share of 51%; on 28 March 2014, the Company became the sole owner by purchasing 49% of the share capital from TROJEK a.s.)

Relation: entity controlled by the Company as the majority owner under Sections 73 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., corporate ID: 134899, **(40% share)**

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, corporate ID: 592294661, **(100% share)**

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

D. ROLE OF THE COMPANY IN THE BUSINESS GROUP, METHOD AND MEANS OF CONTROL

The Company acts as 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.

In the reporting period, the Company was directly controlled by FINITRADING, a.s. and until 27 August 2014, it was also controlled by R.F.G., a.s., which controlled the Company by acting in concert as its shareholders through the exercise of voting rights at general meetings. Since 27 August 2014, the Company has been directly controlled by FINTRADING, a.s. as the sole owner, by making decisions of the sole owner acting in the capacity of the general meeting.

II. DESCRIPTION OF RELATIONS

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 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 2014 to 31 January 2014, supplies of Zaporizhia aglo-ore were realised under Amendment 3 to Purchase Contract No.

S-130001 of 30 September 2013. On 30 January 2014, the Company concluded Purchase Contract No. S-140003 with FINITRADING, a.s., for the period from 1 February 2014 to 31 January 2015, the subject matter of which is the controlling entity's obligation to provide supplies of Zaporizhia aglo-ore for the Company. During 2014, the purchase prices were regulated by Amendment 1 of 31 March 2014, Amendment 2 of 30 June 2014 and Amendment 3 of 29 September 2014.

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 2,208,055 thousand excluding VAT.

A. 2.2. Purchase of Krivbas aglo-ore

From 1 January 2014 to 31 January 2014, the supplies of Krivbas aglo-ore were realised on the basis of Amendment 3 to Purchase Contract No. S-130004 of 30 September 2013. Furthermore, the Company and FINITRADING, a.s. concluded Purchase Contract No. S-130004 on 30 January 2014 for the period from 1 February 2014 to 31 January 2015 and the subject matter of which is the obligation of the controlling entity to provide supplies of Krivbas aglo-ore for the Company. During 2014, the purchase prices were regulated by Amendment 1 of 31 March 2014, Amendment 2 of 30 June 2014 and Amendment 3 of 29 September 2014.

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 469,324 thousand excluding VAT.

A. 2.3. Purchase of Iron Ore Concentrate

In the period from 1 January 2014 to 31 January 2014, supplies of iron ore powder mixture (concentrate) were realised based on Amendment 1 of 19 December 2013 and Amendment 2 of 20 January 2014 to Purchase Contract No. S-130009 of 25 November 2013. On 23 June 2014, the Company also concluded Purchase Contract No. S-140006 with FINITRADING, a.s., based on which the controlling entity undertook to provide the Company with the supply of 2,000 tonnes of iron ore powder mixture in the period from 24 June 2014 to 30 July 2014.

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 9,519 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 Detriment

The Report on Related Party Transactions lists all 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 benefits principle and all supplies were provided under the 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 R.F.G., A.S. (UNTIL 27 AUGUST 2014, THE CONTROLLING ENTITY AND THEN THE ENTITY CONTROLLED BY THE SAME CONTROLLING ENTITY) AND THE DESCRIPTION OF RELATIONS OF THE COMPANY TO THIS ENTITY

B. 1. List of Mutual Contracts

In the reporting period, the Company did not conclude any contracts with R.F.G., a.s. No mutual purchases of goods or services were recorded in the reporting period.

B. 2. 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 R.F.G., a.s. under Section 82 (2) d) of the Act on Business Corporations.

B. 3. Assessment of 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 BUSINESS GROUP ACCORDING TO SECTION 82 (4) OF THE ACT ON BUSINESS CORPORATIONS

In the Report on Related Party Transactions, the Company described in detail the relations between entities forming the group. In addition, it assessed whether the Company as the Controlled Entity in these relations and legal acts 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 Company is a part of a significant and economically strong group, which has a positive impact on its position and business activities. It is possible to conclude that the Company's participation in the above group results only in significant advantages, also in the future, and the Company is not aware of any significant risks arising from the participation in the above group.

In Třinec on 9 March, 2015



Petr Popelář
Chairman of the Board of Directors
MORAVIA STEEL a.s.



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